

**UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE
MANAGEMENT**

**Annual Financial Report
Years Ended September 30, 2009 and 2008**

November 19, 2009

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Table of Contents

| | Page |
|---|-------------|
| Overview | |
| Reporting Entity | 1 |
| Organization Chart & Program General Goal | 2 |
| Performance Against Key Targets | 3 |
| Financial Performance | 4 |
| Analysis of Systems, Controls and Legal Compliance | 5 |
| Independent Auditors' Report | 7 |
| Financial Results | |
| Balance Sheets | 11 |
| Statements of Net Costs | 12 |
| Statements of Changes in Net Position | 13 |
| Statements of Budgetary Resources | 14 |
| Notes to Financial Statements | 15 |
| Required Supplementary Stewardship Information for Research and Development | 27 |
| Supplementary Information – Schedule I | 28 |
| Schedule of Cumulative Net First and Second Repository Costs | |
| Supplementary Information – Schedule II | 29 |
| Schedule of Cumulative Revenues and Deferred Revenue | |

OVERVIEW

Reporting Entity

The Nuclear Waste Policy Act of 1982 (NWPA) (Public Law 97-425) established the Office of Civilian Radioactive Waste Management (OCRWM) within the United States (U.S.) Department of Energy (Department or DOE). OCRWM's mission is to manage and dispose of the Nation's spent nuclear fuel (SNF) and high-level radioactive waste (HLW). OCRWM provides leadership in developing and implementing strategies while accomplishing this mission that ensures public and worker health and safety, protects the environment, merits public confidence, and remains economically viable.

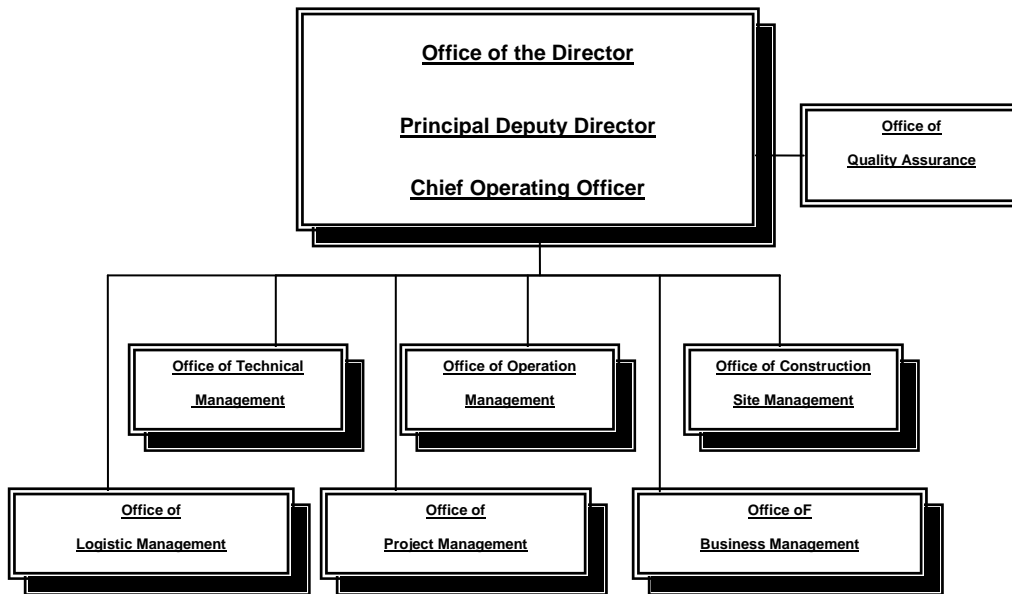
The Nuclear Waste Policy Amendments Act of 1987 (Title V, Public Law 100-203) directed the Secretary of Energy to characterize only the Yucca Mountain site in Nevada as a candidate site to determine if it was suitable for a repository for SNF and HLW.

The characterization of the Yucca Mountain site has been completed. On February 14, 2002, the Secretary of Energy recommended the site to the President for development of a nuclear waste repository. On February 15, 2002, the President recommended the site to Congress. On May 8 and July 9, 2002, the House of Representatives and the Senate, respectively, passed a resolution approving the site recommendation. On July 23, 2002, the President signed into law the Congressional Joint Resolution designating Yucca Mountain as the site for the Nation's first SNF and HLW repository. At that point, the focus of the Yucca Mountain Project changed to the activities associated with the Nuclear Regulatory Commission (NRC) licensing process for construction and receiving and possessing waste. The Waste Acceptance Storage and Transportation Project focus changed to the development of a national waste transportation capability. On June 3, 2008, OCRWM submitted a license application to the NRC seeking authorization to construct the Yucca Mountain repository. The NRC docketed the license application on September 8, 2008 formally beginning the three to four year review process.

In Fiscal Year (FY) 2009 the U.S. President's administration decided to terminate the Yucca Mountain Project while developing nuclear waste disposal alternatives. OCRWM is continuing to participate with the Nuclear Regulatory Commission in the license application process, consistent with the Nuclear Waste Policy Act. The administration intends to convene a "Blue Ribbon Commission" of experts to evaluate alternative approaches for meeting the federal responsibility to manage and ultimately dispose of spent nuclear fuel and high-level waste from both commercial and defense activities.

As of September 30, 2009, OCRWM employed a staff of 672 full-time equivalents (FTE). This included 193 OCRWM Federal FTE, 30 FTE at other Headquarters offices, 3 Federal FTE at the Department of Energy National Nuclear Security Administration/Nevada Site Office, 114 FTE at the management and operating contractor, 141 FTE at Sandia National Laboratories, and 191 FTE at other contractors.

Office of Civilian Radioactive Waste Management Structure



Program General Goal: Nuclear Waste

To manage and dispose of the nation's defense and civilian spent nuclear fuel and high-level waste in a manner that protects the health and safety of the public.

How We Serve the Public

The successful management of spent nuclear fuel, as required by the Nuclear Waste Policy Act, allows the construction and operation of new commercial nuclear power plants for the United States to maintain a diverse energy portfolio and improves our energy security.

Performance Against Key Targets

During FY 2009:

- OCRWM entered into a new Management and Operating (M&O) contract. This included a section on construction mobilization establishing all the criteria elements necessary to support readying the site for repository construction. The contract addressed removal of items from service in preparation for construction. It also addressed evaluation of excessing options and beginning of excessing processing. USA Repository Services (USARS) has assumed full responsibility as the M&O contractor.
- OCRWM maintained a 25% ratio of total administrative overhead costs in relation to total program costs. This achieved the FY 2009 milestone goal.

During FY 2008:

- OCRWM submitted the license application to the NRC on June 3, 2009, nearly a month in advance of the stated strategic objective for submission of June 30, 2008.
- The Final Rail Alignment Environmental Impact Statement was approved and published. The Notice of Availability of this National Environmental Policy Act document was published on July 11, 2008.
- OCRWM did not achieve the milestone of maintaining administrative overhead cost in relation to total program cost of less than 22 percent. This occurred because administrative overhead costs remained relatively constant despite receiving an FY 2008 Appropriation reduced by \$109 million below the request. As a result, OCRWM finished the year with administrative overhead costs in relation to total program costs of 23 percent.

Fiscal Year 2009 and 2008 Financial Performance

OCRWM is required by the Nuclear Waste Policy Act to recover the full cost of the Program. The Program's total cost was estimated in the OCRWM December 2008 Total System Life Cycle Cost report.

Program funding comes from the Nuclear Waste Fund (NWF) and the Defense Nuclear Waste Disposal Appropriation (DNWDA). The NWF consists of fees paid by the owners and generators of SNF from commercial reactors, in accordance with provisions of their contracts with the Department for disposal services. NWF assets in excess of those authorized by Congress to pay program costs are invested in U.S. Treasury securities. The DNWDA was established by the Congress in lieu of direct payment of fees by the Department into the NWF to pay for the disposal costs of the HLW resulting from atomic energy defense activities and other Department-managed nuclear materials. As of September 30, 2009, cumulative revenue from fees and the DNWDA, totaled approximately \$21.210 billion; and cumulative interest earnings and other revenue totaled approximately \$16.014 billion. Cumulative expenditures from appropriations and amounts authorized by Congress, including direct appropriations to the NRC, the now defunct Office of the Nuclear Waste Negotiator, and the Nuclear Waste Technical Review Board, totaled approximately \$11.090 billion.

As of September 30, 2009, the U.S. Treasury securities held by OCRWM had a market value of \$26.389 billion compared to \$24.087 billion at the end of fiscal year (FY) 2008. Investment income and net gains on the sale of securities totaled \$1.054 billion and \$1.109 billion for FY 2009 and FY 2008, respectively.

OCRWM's primary financial goal is to ensure that future spending needs can be met. Therefore, OCRWM relies on the asset-liability matching approach to investing used by pension funds and insurance companies. By matching investments to anticipated funding requirements, OCRWM reduces the risk that changes in interest rates will adversely affect the fee adequacy balance, ensures that identified spending projections will be met, and makes investments at the most favorable rates currently available.

The financial performance measure established by OCRWM for FY 2009 and FY 2008 related to the performance of its investments in U.S. Government securities:

- To reallocate existing investments and invest any additional surpluses to match the Program's cumulative profile for FY 2008 and FY 2009 through 2038 and 2039, respectively.

RESULTS: As of September 30, 2009, the NWF held investments with a market value of \$26.389 billion to provide for estimated gross program life-cycle liabilities of \$23.378 billion. Although most of the investments have durations of 24 years or less, the NWF placed new investments during FY 2009 in securities with 30-year durations.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

Analysis of systems, controls, and legal compliance is performed, reported, and audited at the Departmental level. The results of these reviews and assessments are incorporated in the Department's Performance and Accountability Report. A significant issue, Nuclear Waste Disposal, was reported by management in FY 2008 and FY 2009 and is described below.

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) of 1982 requires that agencies establish internal control and financial systems to provide reasonable assurances that the integrity of Federal programs and operations are protected. Furthermore, it requires that the head of the agency provide an annual assurance statement on whether the agency has met this requirement and whether any material weaknesses exist.

In response to the FMFIA, the Department developed an internal control program which holds managers accountable for the performance, productivity, operations, and integrity of their programs through the use of management controls. Annually, senior managers at the Department are responsible for evaluating the adequacy of the internal controls surrounding their activities and determining whether they conform to the principles and standards established by the Office of Management and Budget, and the Government Accountability Office. The results of these evaluations and other senior management information are used to determine whether there are any internal control problems to be reported as material weaknesses. The Departmental Internal Control and Audit Review Council, the organization responsible for oversight of the Management Control Program, makes the final assessment and decision for the Department.

Significant Issue - Nuclear Waste Disposal: Leadership Challenge

The government's acceptance of spent nuclear fuel and high-level radioactive waste, authorized under the NWPA, has been delayed by various factors. This first-of-a-kind endeavor, to develop and have accepted a disposal system that must endure a compliance period of a million years has required more time than envisioned at the time of the NWPA was enacted in 1982.

Actions Taken and Remaining

In 2008 OCRWM submitted a license application to the NRC seeking authorization to construct the Yucca Mountain repository, and EPA finalized the radiation protection standards on September 30, 2008.

NRC's regulations applicable to Yucca Mountain proceedings require that DOE's environmental impact statement and any supplements to accompany the license application. The Program submitted the Final Repository Supplemental Environmental Impact Statement (SEIS) and the Final Nevada Rail Corridor SEIS and Rail Alignment Environmental Impact Statement to NRC in June 2008.

The OCRWM program is funded on a full cost recovery basis, with the waste generators paying for their respective disposal costs. In December 2008, DOE issued its updated total system life cycle cost estimate for the development, construction, operation, and final decommissioning of the Yucca Mountain repository system. An assessment of the adequacy of the one mill per kilowatt-hour fee currently paid by nuclear utilities into the NWF based on this estimate accompanied the update and concluded that the fee is adequate and found no reason to adjust the fee at this time.

In June 2008, OCRWM informed utilities interested in constructing new reactors that DOE is prepared to discuss a revision to the standard disposal contracts for the new reactors that are anticipated to be constructed to replace the existing commercial fleet. The NWPRA requires that utilities have such a disposal contract with DOE, or be engaged in good faith negotiations with DOE for such a contract, before the NRC may issue a license for a new reactor. Numerous utilities have indicated their desire to enter into contracts with DOE for new nuclear power plants they intend to construct. On October 31, 2008, DOE announced that it is prepared to execute the Standard Contract for the Disposal of Spent Nuclear Fuel and/or High-Level Radioactive Waste set forth in 10 C.F.R. 961, together with a new reactor amendment, with those companies desiring to construct new nuclear power reactors. The Department is making the Standard Contract and the new reactor amendment available to those companies that have notified the NRC of their intent to build new nuclear power reactors.

In FY 2009 the President and the Secretary announced the Administration's intent not to develop a geologic repository at Yucca Mountain and to terminate the Yucca Mountain Project. A Blue Ribbon Commission will be established to evaluate alternative approaches for meeting the Federal responsibility to manage the disposal of nuclear waste from commercial and defense activities.



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Independent Auditors' Report

United States Department of Energy
Office of Civilian Radioactive Waste Management:

We have audited the accompanying balance sheets of the Office of Civilian Radioactive Waste Management (OCRWM), a component of the United States (U.S.) Department of Energy, as of September 30, 2009 and 2008, and the related statements of net cost, changes in net position, and budgetary resources (hereinafter referred to as "financial statements") for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our fiscal year 2009 audit, we also considered OCRWM's internal control over financial reporting and tested OCRWM's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on these financial statements.

Summary

As stated in our opinion on the financial statements, we concluded that OCRWM's financial statements as of and for the years ended September 30, 2009 and 2008, are presented fairly, in all material respects, in conformity with U.S. generally accepted accounting principles.

Our report emphasizes that OCRWM is involved as a defendant in several matters of litigation relating to its inability to accept waste by January 31, 1998, the date specified in the Nuclear Waste Policy Act of 1982, as amended.

Our consideration of internal control over financial reporting was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. However, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined in the Internal Control Over Financial Reporting section of this report.

The results of our tests of compliance with certain provisions of laws, regulations, and contracts disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin Number (No.) 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

The following sections discuss our opinion on OCRWM's financial statements; our consideration of OCRWM's internal control over financial reporting; our tests of OCRWM's compliance with certain provisions of applicable laws, regulations, and contracts; and management's and our responsibilities.



Opinion on the Financial Statements

We have audited the accompanying balance sheets of OCRWM as of September 30, 2009 and 2008, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OCRWM as of September 30, 2009 and 2008, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with U.S. generally accepted accounting principles.

As discussed in Note 9 to the financial statements, OCRWM is involved as a defendant in several matters of litigation relating to its inability to accept waste by the January 31, 1998 date specified in the Nuclear Waste Policy Act of 1982, as amended. OCRWM has recorded liabilities for likely damages of \$13.1 billion and \$12.3 billion as of September 30, 2009 and 2008, respectively.

The information in the Overview and Required Supplementary Stewardship Information sections is not a required part of the financial statements, but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Supplementary Information – Schedules I and II for the years ended September 30, 2009, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material aspects in relation to the financial statements taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of OCRWM as of and for the years ended September 30, 1983 through September 30, 2007 (none of which are presented herein), and we expressed unqualified opinions on those financial statements. The supplementary information included in Schedules I and II related to OCRWM's financial statements as of and for the years ended September 30, 1983 through September 30, 2007 was subjected to auditing procedures applied in the audits of those financial statements, and in our opinion, is fairly stated in all material respects in relation to the financial statements from which it has been derived.

Internal Control Over Financial Reporting

Our consideration of the internal control over financial reporting was for the limited purpose described in the Responsibilities section of this report and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.



In our fiscal year 2009 audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

We noted certain additional matters that we have reported to management of OCRWM in a separate letter.

Compliance and Other Matters

The results of our tests of compliance described in the Responsibilities section of this report, exclusive of those referred to in Federal Financial Management Improvement Act (FFMIA), disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 07-04, as amended.

The results of our tests of FFMIA disclosed no instances in which OCRWM's financial management systems did not substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Government Standard General Ledger at the transaction level.

* * * * *

Responsibilities

Management's Responsibilities. Management is responsible for the financial statements; establishing and maintaining effective internal control; and complying with laws, regulations, and contracts applicable to OCRWM.

Auditors' Responsibilities. Our responsibility is to express an opinion on the fiscal year 2009 and 2008 financial statements of OCRWM based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin No. 07-04, as amended. Those standards and OMB Bulletin No. 07-04, as amended, require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OCRWM's internal control over financial reporting. Accordingly, we express no such opinion.

An audit also includes:

- Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements;
- Assessing the accounting principles used and significant estimates made by management; and
- Evaluating the overall financial statement presentation.

We believe that our audits provide a reasonable basis for our opinion.



In planning and performing our fiscal year 2009 audit, we considered OCRWM's internal control over financial reporting by obtaining an understanding of OCRWM's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. We did not test all controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to express an opinion on the effectiveness of OCRWM's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of OCRWM's internal control over financial reporting.

As part of obtaining reasonable assurance about whether OCRWM's fiscal year 2009 financial statements are free of material misstatement, we performed tests of OCRWM's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of the financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 07-04, as amended, including the provisions referred to in Section 803(a) of FFMIA. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to OCRWM. However, providing an opinion on compliance with laws, regulations, and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.

This report is intended solely for the information and use of OCRWM's and the Department of Energy's management, the Department of Energy's Office of Inspector General, OMB, the U.S. Government Accountability Office, and the U.S. Congress and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

November 19, 2009

**UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

**Balance Sheets
As of September 30, 2009 and 2008
(Dollars in thousands)**

| | FY 2009 | FY 2008 |
|---|----------------------|----------------------|
| ASSETS | | |
| Intragovernmental | | |
| Fund Balance with Treasury ^(Note 3) | \$ 43,750 | \$ 14,269 |
| Investments and Related Interest, Net ^(Note 4) | 22,749,189 | 21,153,626 |
| Accounts Receivable: | | |
| Utilities ^(Note 5) | 13,438 | 12,799 |
| Other Accounts Receivable | 55 | 41 |
| Other Assets | 864 | 600 |
| Total Intragovernmental Assets | <u>22,807,296</u> | <u>21,181,335</u> |
| Accounts Receivable: | | |
| Utilities ^(Note 5) | 3,404,041 | 3,390,744 |
| General Property, Plant, and Equipment, Net ^(Note 6) | 6,168 | 7,201 |
| Other Assets | 740 | 893 |
| Total Assets | <u>\$ 26,218,245</u> | <u>\$ 24,580,173</u> |
| LIABILITIES | | |
| Intragovernmental ^(Note 8) : | | |
| Accounts Payable | \$ 4,066 | \$ 3,862 |
| Deferred Revenue ^(Notes 7 and 10) | 590,555 | 851,757 |
| Other Liabilities | 458 | 225 |
| Total Intragovernmental Liabilities | 595,079 | 855,844 |
| Accounts Payable | 15,627 | 24,154 |
| Deferred Revenue ^(Note 10) | 25,561,371 | 23,655,116 |
| Pension and Other Actuarial Liabilities | 9,099 | 11,893 |
| Other Liabilities | 8,145 | 14,890 |
| Commitments and Contingencies ^(Note 9) | 13,147,213 | 12,335,084 |
| Total Liabilities ^(Note 8) | <u>39,336,534</u> | <u>36,896,981</u> |
| NET POSITION | | |
| Unexpended Appropriations - Other Funds | 28,924 | 18,276 |
| Cumulative Results of Operations - Other Funds | (13,147,213) | (12,335,084) |
| Total Net Position | <u>(13,118,289)</u> | <u>(12,316,808)</u> |
| Total Liabilities and Net Position | <u>\$ 26,218,245</u> | <u>\$ 24,580,173</u> |

The accompanying notes are an integral part of these statements.

UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT

Statements of Net Costs
For the Years Ended September 30, 2009 and 2008
(Dollars in thousands)

| | FY 2009 | FY 2008 |
|--|--------------|--------------|
| First Repository Costs | \$ 96,139 | \$ 238,649 |
| All Other Program Costs: | | |
| Program Support | 66,273 | 99,746 |
| Transfers of Appropriations ^(Note 7) | 52,811 | 32,646 |
| Waste Acceptance, Storage and Transportation | 110,051 | 76,688 |
| Imputed and Other Costs | 1,764 | 1,733 |
| Total All Other Program Costs | 230,899 | 210,813 |
| Total First Repository and Other Program Costs | 327,038 | 449,462 |
| Less Earned Revenues ^(Note 10) | (325,274) | (447,729) |
| Net First Repository Costs & Other Program Costs | 1,764 | 1,733 |
| Estimated liability for waste acceptance obligations | 1,020,315 | 1,436,883 |
| Net Cost of Operations | \$ 1,022,079 | \$ 1,438,616 |

The accompanying notes are an integral part of these statements.

UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT

Statements of Changes in Net Position
For the Years Ended September 30, 2009 and 2008
(Dollars in thousands)

| | FY 2009 | FY 2008 |
|---|------------------------|------------------------|
| CUMULATIVE RESULTS OF OPERATIONS: | | |
| Beginning Balance | \$ (12,335,084) | \$ (10,966,014) |
| Other Financing Sources (Non-Exchange): | | |
| Imputed Financing from Costs Absorbed by Others | 209,950 | 69,546 |
| Total Other Financing Sources | <u>209,950</u> | <u>69,546</u> |
| Net Cost of Operations | <u>(1,022,079)</u> | <u>(1,438,616)</u> |
| Net Change | <u>(812,129)</u> | <u>(1,369,070)</u> |
| Ending Balance - Cumulative Results of Operations | <u>\$ (13,147,213)</u> | <u>\$ (12,335,084)</u> |
| UNEXPENDED APPROPRIATIONS: | | |
| Beginning Balance | \$ 18,276 | \$ 39,427 |
| Budgetary Financing Sources Related to Appropriations: | | |
| Appropriations Received ^(Note 2) | 143,000 | 201,000 |
| Other Adjustments | - | (1,829) |
| Appropriations Used | <u>(132,352)</u> | <u>(220,322)</u> |
| Total Budgetary Financing Sources Related to Appropriations | <u>10,648</u> | <u>(21,151)</u> |
| Ending Balance Unexpended Appropriations | <u>28,924</u> | <u>18,276</u> |
| Total Net Position | <u>\$ (13,118,289)</u> | <u>\$ (12,316,808)</u> |

The accompanying notes are an integral part of these statements.

UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT

Statements of Budgetary Resources
For the Years Ended September 30, 2009 and 2008
(Dollars in thousands)

| | FY 2009 | FY 2008 |
|--|-----------------------|---------------------|
| BUDGETARY RESOURCES | | |
| Unobligated balance, Brought Forward, October 1 | \$ 8,888 | \$ 3,037 |
| Recoveries of Prior Year Unpaid Obligations | 3 | - |
| Budget Authority: | | |
| Appropriations ^(Note 2) | <u>288,390</u> | <u>390,000</u> |
| Subtotal | 288,390 | 390,000 |
| Temporarily not Available Pursuant to Public Law | - | (1,731) |
| Permanently Not Available | <u>-</u> | <u>(1,829)</u> |
| Total Budgetary Resources | <u>\$ 297,281</u> | <u>\$ 389,477</u> |
| STATUS OF BUDGETARY RESOURCES | | |
| Obligations Incurred: | | |
| Direct | \$ 136,163 | \$ 198,766 |
| Exempt from Apportionment | <u>137,527</u> | <u>181,823</u> |
| Total Obligations Incurred ^(Note 12) | 273,690 | 380,589 |
| Unobligated Balance: | | |
| Apportioned | 7,467 | 627 |
| Exempt from Apportionment | <u>16,124</u> | <u>8,261</u> |
| Subtotal | <u>23,591</u> | <u>8,888</u> |
| Total Status of Budgetary Resources | <u>\$ 297,281</u> | <u>\$ 389,477</u> |
| CHANGE IN OBLIGATED BALANCE | | |
| Obligated Balance, Net: | | |
| Unpaid Obligations, Brought Forward, October 1 | \$ 103,168 | \$ 154,321 |
| Total Unpaid Obligated Balance, Net, October 1 | 103,168 | 154,321 |
| Obligations Incurred ^(Note 12) | 273,690 | 380,589 |
| Less: Recoveries of Prior Year Unpaid Obligations, Actual | (3) | - |
| Less: Gross Outlays | <u>(289,326)</u> | <u>(431,742)</u> |
| Obligated Balance, Unpaid Obligations, Net, End of Period | <u>\$ 87,529</u> | <u>\$ 103,168</u> |
| NET OUTLAYS | | |
| Gross Outlays | \$ 289,326 | \$ 431,742 |
| Less: Distributed Offsetting Receipts ^(Note 12) | <u>(1,866,704)</u> | <u>(789,834)</u> |
| Net Outlays | <u>\$ (1,577,378)</u> | <u>\$ (358,092)</u> |

The accompanying notes are an integral part of these statements.

UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT

Notes to Financial Statements
September 30, 2009 and 2008

(Dollars in thousands unless otherwise noted)

(1) Legislative Background

The Nuclear Waste Policy Act of 1982 (NWPAA) was signed into law on January 7, 1983. The NWPAA establishes a framework for the financing, siting, licensing, operating and decommissioning of one or more mined geologic repositories for the Nation's spent nuclear fuel (SNF) and high-level radioactive waste (HLW) which is to be carried out by the Department of Energy's (Department) Office of Civilian Radioactive Waste Management (OCRWM). In addition, the NWPAA contains other provisions including:

- Assigning responsibility for the full payment of disposal costs to the owners and generators of SNF and HLW and creating a special Nuclear Waste Fund (NWF) within the Department of Treasury of the United States for the collection of fees related to such costs;
- Providing for contracts between the Department and the owners and generators of SNF and HLW pursuant to which the Department is to take title to the SNF or HLW as expeditiously as possible, following commencement of repository operations and, in return for payment of fees established by the NWPAA, to begin disposal of the SNF or HLW not later than January 31, 1998; and
- Requiring evaluation of the use of civilian disposal capacity for the disposal of HLW resulting from atomic energy defense activities (defense waste). In April 1985, the President notified the Department of his determination that a separate defense waste repository was not necessary and directed the Department to proceed with arrangements for disposal of such waste. Fees, equivalent to those paid by commercial owners, must be paid for this service by the Federal Government to the NWF account.

On December 22, 1987, the President signed into law the Budget Reconciliation Act, Subtitle A of Title V, of which contained amendments to the NWPAA. The legislation directed the Department to characterize only the Yucca Mountain site in Nevada as a candidate site for the first repository. The legislation also provided for the termination of site-specific activities at all candidate sites other than the Yucca Mountain site, within 90 days of enactment, and for phasing out, not later than six months after enactment, all research programs in existence that were designed to evaluate the suitability of crystalline rock as a potential repository host medium. In the event that the Yucca Mountain site proves unsuitable for use as a repository, the legislation requires the Department to terminate site-specific activities and report to Congress.

In fiscal year 2009 the President of the United States and the Department Secretary announced that the repository at Yucca Mountain will not be opened and that a Blue Ribbon Commission would be established to evaluate alternatives. The Blue Ribbon Panel has not yet been formed.

(2) Significant Accounting Policies

Basis of Presentation – These financial statements have been prepared to report the financial position and results of operations of OCRWM and include all activity related to OCRWM, including the Nuclear Waste Fund Appropriation and the Defense Nuclear Waste Disposal Appropriation, used for the disposal of SNF and HLW. The financial statements have been prepared from the books and records of the Department for OCRWM in accordance with accounting principles generally accepted in the United States of America as applicable to Federal entities.

Basis of Accounting – OCRWM's financial statements are prepared using the accrual method of accounting. Under the accrual method, revenues are recognized when earned, and expenses are recognized when a liability is incurred without regard to receipt or payment of cash. OCRWM also uses budgetary accounting to facilitate compliance with legal constraints and to monitor its budget authority.

UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT

Notes to Financial Statements
September 30, 2009 and 2008

(Dollars in thousands unless otherwise noted)

(2) Significant Accounting Policies (continued)

Revenue Recognition – Fees, related accrued interest, and investment income are recognized as exchange (earned) revenue to the extent of expenses incurred, subject to Congressional authorization as discussed below. Fees billed, related accrued interest, and investment income in excess of current expenses are deferred.

The NWPA requires the civilian owners and generators of nuclear waste to pay their share of the full cost of the Civilian Radioactive Waste Management Program (Program) and, to that end, establishes a fee for electricity generated and sold by civilian nuclear power reactors which the Department must collect and annually assess to determine its adequacy. A one-time fee (see Note 5) was recorded by OCRWM as of April 7, 1983, related to the disposal of SNF generated prior to that date. Fees recognized by OCRWM are based upon kWh of electricity generated and sold by civilian nuclear reactors on and after April 7, 1983.

Fees associated with the disposal of the Department's SNF and HLW are also recognized as the related costs are incurred and allocated. To estimate the share of the total Program costs that should be allocated to the Department, the methodology announced by the Department in the Federal Register in August 1987 was used. OCRWM management periodically updates the *Analysis of the Total System Life Cycle Cost of the Civilian Radioactive Waste Management Program* (TSLCC), which establishes the amounts to allocate.

Appropriations – Expenditure authority for OCRWM is provided by two separate appropriations as follows:

- For fiscal years 2009 and 2008, Congress appropriated \$143,000 and \$201,000, respectively, from the Defense Nuclear Waste Disposal Appropriation to be used for nuclear waste disposal activities. Pursuant to the Consolidated Appropriations Act for fiscal year 2008, \$1,829 was rescinded.
- For fiscal years 2009 and 2008, Congress authorized \$145,390 and \$189,000, respectively, to be used for nuclear waste disposal activities and remain available until expended. This expenditure authority enables OCRWM to finance activities using the NWF special accounts. Pursuant to the Consolidated Appropriations Act for fiscal year 2008, \$1,731 was rescinded.

Fee payments and investment income are deposited into the NWF account and are made available to the Department through the annual expenditure authority provided by Congress. Investments are made in U.S. Treasury securities from funds in excess of current needs. If, at any time, monies available in the NWF are insufficient to discharge responsibilities under the NWPA, borrowings may be made from the U.S. Treasury. The NWPA limits the OCRWM from incurring expenditures, entering into contracts, and obligating amounts to be expended except as provided in advance by appropriation acts. Appropriated dedicated receipts such as these are excluded from appropriations received on the *Statements of Changes in Net Position*.

Imputed Financing Sources – In certain instances, operating costs of OCRWM are paid out of funds appropriated to other federal agencies. For example, certain costs of retirement programs are paid by the Office of Personnel Management (OPM). When costs directly attributable to OCRWM's operations are paid by other agencies, OCRWM recognizes these amounts on the *Statements of Net Costs*. In addition, these amounts are recognized as imputed financing sources in the *Statements of Changes in Net Position*.

UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT

Notes to Financial Statements
September 30, 2009 and 2008

(Dollars in thousands unless otherwise noted)

(2) Significant Accounting Policies (continued)

Earmarked Funds – OCRWM follows Statement of Federal Financial Accounting Standards (SFFAS) No. 27, *Identifying and Reporting Earmarked Funds*, which requires separate identification of earmarked funds on the Balance Sheets, Statements of Changes in Net Position, and other selected footnotes.

Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the Government's general revenues (see Note 11).

Investments – Investments are in U.S. Treasury securities and are stated at cost net of amortized premiums and discounts as it is the Department's intent to hold the investments to maturity. Premiums and discounts are amortized using the effective interest yield method (see Note 4).

General Property, Plant, and Equipment – Purchases of general property, plant, and equipment (PP&E) exceeding \$50 are capitalized if they have a useful life greater than two years. PP&E is depreciated on a straight-line basis over the estimated useful lives of the assets. Useful lives range from 5 to 30 years. Maintenance costs are borne by OCRWM for equipment either on loan from or shared with other programs.

Accounts Receivable – Payment of accounts receivable will not be complete until OCRWM starts accepting waste. Interest is accrued quarterly on the outstanding amount receivable including accrued interest. The interest rate used is the 13-week U.S. Treasury bill rate. An allowance for doubtful accounts related to one-time spent fuel fees has not been recorded as of September 30, 2009 or 2008, as OCRWM is not obligated to accept waste without payment of fees.

Accrued Investment Interest Receivable – Investment interest is accrued on the outstanding investment balance using the applicable interest rate for the investments.

Liabilities – Liabilities represent the amount of monies or other resources that are likely to be paid by OCRWM as the result of a transaction or event that has already occurred. However, no liability can be paid by OCRWM absent an appropriation. Liabilities for which an appropriation has not been enacted are therefore classified in these notes as liabilities not covered by budgetary resources and there is no certainty that the appropriation will be enacted. Also, liabilities other than contracts can be abrogated by the Government acting in its sovereign capacity.

Accrued Annual Leave – Federal employees' annual leave is accrued as it is earned, and the accrual is reduced annually for actual leave taken. Each year, the accrued annual leave balance is adjusted to reflect the latest pay rates and unused annual leave balances. To the extent that current or prior year appropriations are not available to fund annual leave earned but not taken, funding will be obtained from future financing sources. Sick leave and other types of non-vested leave are expensed as taken.

Tax Status – OCRWM, as a part of the Department of Energy, which is a Federal agency, is not subject to federal, state, or local income taxes.

UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT

Notes to Financial Statements
September 30, 2009 and 2008

(Dollars in thousands unless otherwise noted)

(2) Significant Accounting Policies (continued)

First Repository Costs – For the fiscal years ended September 30, 2009 and 2008, first repository costs consist primarily of Yucca Mountain costs. The general goals have been that of licensing and construction of a permanent repository for nuclear waste at Yucca Mountain and to begin acceptance of waste at the facility. In fiscal year 2009 the President of the United States and the Department Secretary announced that the repository at Yucca Mountain will not be opened and that a Blue Ribbon Commission would be established to evaluate alternatives. The Blue Ribbon Commission has not yet been formed.

Retirement Plans – Federal Employees – There are two primary retirement systems for Federal employees. Employees hired prior to January 1, 1984, may participate in the Civil Service Retirement System (CSRS). On January 1, 1984, the Federal Employees Retirement System (FERS) went into effect pursuant to Public Law 99-335. Most employees hired after December 31, 1983, are automatically covered by FERS and Social Security. Employees hired prior to January 1, 1984, elected to either join FERS and Social Security or remain in CSRS. A primary feature of FERS is that it offers a savings plan to which the Department automatically contributes 1 percent of pay and matches any employee contribution up to an additional 4 percent of pay. For most employees hired since December 31, 1983, OCRWM also contributes the employer’s matching share for Social Security. OCRWM does not report CSRS or FERS assets, accumulated plan benefits, or unfunded liabilities, if any, applicable to its employees. Reporting such amounts is the responsibility of OPM and the FERS. OCRWM does report, as an imputed financing source and a program expense, the difference between its contributions to Federal employee pension and other retirement benefits and the estimated actuarial costs as computed by OPM.

Contractor Employees – OCRWM follows the requirements of the Financial Accounting Standards Board’s Accounting Standard’s section Codification 715, “*Compensation – Retirement Benefits*” for contractor employees. OCRWM’s integrated contractors maintain defined benefit pension plans under which they promise to pay employees specified benefits, such as a percentage of the final average pay for each year of service. OCRWM’s cost under the contract includes reimbursement of annual employer contributions to the pension plans. OCRWM is the predominant fund for one integrated contractor, and records the net liabilities of that contractor’ pension plans as if it were the plan sponsor.

**UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Notes to Financial Statements
September 30, 2009 and 2008

(Dollars in thousands unless otherwise noted)

(3) Fund Balance with Treasury

Summaries of the status of fund balances with the U.S. Treasury for appropriated and special funds as of September 30, 2009 and 2008, are as follows:

| As of September 30, 2009 | Appropriated Funds | Special Funds | Total |
|---|-----------------------|------------------|------------------|
| Unobligated budgetary resources | | | |
| Available | \$ 7,467 | \$ 16,124 | \$ 23,591 |
| Obligated balance not yet disbursed | | | |
| Undelivered orders | 21,456 | 43,208 | 64,664 |
| Accounts payable and deposit fund liabilities | 4,819 | 18,045 | 22,864 |
| Budgetary resources invested in Treasury securities | - | (67,369) | (67,369) |
| Total FY 2009 Fund balance with Treasury | \$ 33,742 | \$ 10,008 | \$ 43,750 |

| As of September 30, 2008 | Appropriated Funds | Special Funds | Total |
|---|-----------------------|-------------------|------------------|
| Unobligated budgetary resources | | | |
| Available | \$ 627 | \$ 8,261 | \$ 8,888 |
| Obligated balance not yet disbursed | | | |
| Undelivered orders | 17,666 | 48,839 | 66,505 |
| Accounts payable and deposit fund liabilities | 1,853 | 34,809 | 36,662 |
| Budgetary resources invested in Treasury securities | - | (97,786) | (97,786) |
| Total FY 2008 Fund balance with Treasury | \$ 20,146 | \$ (5,877) | \$ 14,269 |

(4) Investments and Related Interest, Net

For the year ended September 30, 2009 no securities were sold. For the year ended September 30, 2008, the NWF received proceeds and realized gains from the sale of securities of \$28,001 and \$1,985, respectively.

Investments in U.S. Treasury securities held as of September 30 of each year consisted of the following:

| Intragovernmental Non-Marketable Market Based: | FY 2009 | FY 2008 |
|--|----------------------|----------------------|
| Face Value | \$ 44,643,341 | \$ 42,570,398 |
| Unamortized discount, net | (21,944,180) | (21,466,120) |
| Investments, net | 22,699,161 | 21,104,278 |
| Interest receivable | 50,028 | 49,348 |
| Investments and related interest, net | 22,749,189 | 21,153,626 |
| Unrealized market gains, net | 3,690,053 | 2,983,052 |
| Investments at fair value | \$ 26,439,242 | \$ 24,136,678 |

UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT

Notes to Financial Statements
September 30, 2009 and 2008

(Dollars in thousands unless otherwise noted)

(5) Receivables Due from Utilities

Owners and generators of civilian SNF and HLW have entered into contracts with the Department for disposal services and for payment of fees to the NWF.

The NWPA specifies two types of fees to be paid to the NWF for disposal services: (a) a one-time charge per kilogram of heavy metal in solidified SNF or HLW existing prior to April 7, 1983; and (b) a one mil per kWh fee on all net electricity generated and sold by civilian nuclear power reactors on and after April 7, 1983. The Secretary of Energy shall annually review the adequacy of the fees established. In the event the Secretary of Energy determines either insufficient or excess revenue is being collected, the Secretary of Energy shall propose an adjustment to the fee to ensure full cost recovery. The kWh fees are due when billed. The contracts between the Department and the owners and generators of the waste provide three options for payment of the one-time spent fuel fee, one of which must have been selected by June 30, 1985, or within two years of contract execution. The options were:

1. Payment of the amount due, plus interest earned from April 7, 1983, in 40 quarterly installments with the final payment due on or before the first scheduled delivery of SNF to the Department;
2. Payment of the amount due, plus interest from April 7, 1983, in a single payment anytime prior to the first delivery of SNF to the Department; or
3. Payment of the amount due any time prior to June 30, 1985, or two years after contract execution, in the form of a single payment, with no interest due.

Under options (1) and (2), interest accrues from April 7, 1983, to date of first payment at the 13-week U.S. Treasury bill rate compounded quarterly. Under option (1), beginning with the first payment, interest is calculated at the 10-year Treasury note rate in effect at the time.

**UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Notes to Financial Statements
September 30, 2009 and 2008

(Dollars in thousands unless otherwise noted)

(5) Receivables Due from Utilities (continued)

In fiscal years 2009 and 2008, there were no payments or adjustments of one-time spent fuel fees by owners and generators of civilian SNF and HLW.

Accounts receivables from public and intragovernmental utilities at September 30 of each year were as follows:

| | FY 2009 | FY 2008 |
|--|----------------|----------------|
| Accounts receivable: | | |
| Accounts receivable - intragovernmental utilities | | |
| Kilowatt hour fees | \$ 13,438 | \$ 12,799 |
| Accounts receivable - public utilities | | |
| Kilowatt hour fees | 170,017 | 169,880 |
| One-time spent nuclear fuel fees: | | |
| Accounts receivable - one-time spent nuclear fuel fees | | |
| Option (1) | 143,531 | 143,531 |
| Option (2) | 736,958 | 736,958 |
| Total accounts receivable one-time spent nuclear fuel fees | 880,489 | 880,489 |
| Accrued interest on one-time spent nuclear fuel fees: | | |
| Option (1) | 383,967 | 381,910 |
| Option (2) | 1,969,568 | 1,958,465 |
| Total accrued interest on one-time spent nuclear fuel fees | 2,353,535 | 2,340,375 |
| Total accounts receivable - public utilities | 3,404,041 | 3,390,744 |
| Total accounts receivable - utilities | \$ 3,417,479 | \$ 3,403,543 |

6) General Property, Plant, and Equipment, Net

General property, plant, and equipment and related accumulated depreciation consisted of the following as of September 30, 2009 and 2008:

| | FY 2009 | FY 2008 |
|---|----------------|----------------|
| General property, plant, and equipment | \$ 41,034 | \$ 44,367 |
| Less accumulated depreciation | (34,866) | (37,166) |
| General property, plant, and equipment, net | \$ 6,168 | \$ 7,201 |

**UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Notes to Financial Statements
September 30, 2009 and 2008

(Dollars in thousands unless otherwise noted)

(7) Transactions with the Department and Other Federal Government Agencies

The NWPA established OCRWM within the Department to carry out the provisions of the NWPA and created the Nuclear Waste Fund in the U.S. Treasury. The investment and borrowing powers of the NWF are limited to transactions with the U.S. Treasury. In discharging its obligations under the NWPA, the Department contracts for services with numerous contractors including other Federal Government agencies. Further, significant administrative services are provided by the Department.

As of September 30, 2009 and 2008, OCRWM owed other Federal Government agencies \$4,066 and \$3,862, respectively, for services and costs provided to OCRWM. For the years ended September 30, 2009 and 2008, OCRWM incurred costs of \$24,745 and \$30,982, respectively, for services and costs provided by other Federal Government agencies. In addition to these incurred costs, OCRWM made the following Congressional authorized transfers from the NWF to the following entities:

| | FY 2009 | FY 2008 |
|--------------------------------------|----------------|----------------|
| Nuclear Regulatory Commission | \$ 49,000 | \$ 29,025 |
| Nuclear Waste Technical Review Board | 3,811 | 3,621 |
| | \$ 52,811 | \$ 32,646 |

OCRWM has entered into Memoranda of Agreement (MOA) with the Department's Office of Environmental Management and the Department's Office of Naval Nuclear Propulsion. The MOA established the terms and conditions for acceptance of Department-owned SNF and HLW (Defense Waste) for disposal. Those estimated liabilities are included in the TSLCC that is used to calculate the estimate of the Department's share of total current and future Program costs for Defense Waste. The Department has paid amounts in excess of its estimated share of costs and as a result has no liability to OCRWM as of September 30, 2009 and 2008.

The Department's Defense Waste total cost share as of September 30, 2009 is estimated to be \$2,379,131 including interest amounting to \$672,737 based on the methodology published in the Federal Register in August 1987. As of September 30, 2009 and 2008, \$590,555 and \$851,757, respectively, was included in intragovernmental deferred revenue representing the Department's Defense expenditures in excess of the Department's cost share to-date.

**UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Notes to Financial Statements
September 30, 2009 and 2008

(Dollars in thousands unless otherwise noted)

(8) Liabilities Not Covered by Budgetary Resources

A summary of liabilities not covered by budgetary resources as of September 30, 2009 and 2008, is as follows:

| | FY 2009 | FY 2008 |
|--|----------------|----------------|
| Liabilities not covered by budgetary resources: | | |
| Intragovernmental | | |
| Deferred revenue (Note 10) | \$ 590,555 | \$ 851,757 |
| Non-Intragovernmental | | |
| Deferred revenue (Note 10) | 25,561,371 | 23,655,116 |
| Pension and actuarial liabilities | 9,099 | 11,893 |
| Other liabilities | 3,024 | 3,543 |
| Estimated liability for waste acceptance obligation (Note 9) | 13,147,213 | 12,335,084 |
| Total liabilities not covered by budgetary resources | 39,311,262 | 36,857,393 |
| Liabilities covered by budgetary resources: | | |
| Intragovernmental | | |
| Accounts payable | 4,066 | 3,862 |
| Other liabilities | 458 | 225 |
| Non-Intragovernmental | | |
| Accounts payable | 15,627 | 24,154 |
| Other liabilities | 5,121 | 11,347 |
| Total liabilities covered by budgetary resources | 25,272 | 39,588 |
| Total Liabilities | \$ 39,336,534 | \$ 36,896,981 |

(9) Commitments and Contingencies

In accordance with the Nuclear Waste Policy Act of 1982 (NWPAA), DOE entered into contracts with more than 45 utilities in which, in return for payment of fees into the Nuclear Waste Fund, the Department agreed to begin disposal of spent nuclear fuel (SNF) by January 31, 1998. Because DOE has no facility available to receive SNF under the NWPAA, DOE has been unable to begin disposal of the utilities' SNF as required by the contracts. Significant litigation claiming damages for partial breach of contract has ensued as a result of this delay.

To date, eleven suits have been settled involving utilities that collectively produce about 44 percent of the nuclear-generated electricity in the United States. Under the terms of the settlements, the Judgment Fund, 31 U.S.C. 1304, paid \$532 million to the settling utilities for delay damages they have incurred through September 30, 2009 and will make annual payments to them for future costs as they are incurred. In addition, four cases have been resolved by final judgments: a judgment of \$35 million that was not appealed and paid by the Judgment Fund; and three final judgments awarding no damages affirmed by the appellate court. Through September 30, 2009, the Judgment Fund had made total payments of \$567 million. The Department's SNF litigation liability is updated to include the effects of final judgments and settlements as well as payments to date from the Judgment Fund. Additionally, payments under these settled and adjudicated cases may be made if the utilities incur additional costs before the Department permanently disposes of the SNF. The Department believes its assumptions and methodology provide a reasonable basis for the contingent liability estimate.

Fifty-one cases remain pending either in the Court of Federal Claims or in the Court of Appeals for the Federal Circuit. Liability is probable in these cases, and in many of these cases orders have already been entered establishing the Government's liability and the only outstanding issue to be litigated is ascertaining the amount of damages to be awarded. The industry is reported to estimate that damages for all utilities with which the Department has contracts ultimately will be at least \$50 billion. The Department believes that the industry's estimate is highly inflated, and that the disposition of the 28 cases that have either been settled or subject to a

UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT

Notes to Financial Statements
September 30, 2009 and 2008

(Dollars in thousands unless otherwise noted)

judgment in the trial court suggests that the Government's ultimate liability is likely to be significantly less than that estimate.

The Department previously reported several developments that made it difficult to reasonably predict the amount of the Government's likely liability. The courts have since resolved that jurisdiction for these cases is appropriate in the Court of Federal Claims, but have not resolved whether the Government can assert the unavoidable delays defense, under which, if applicable, the Government would not be liable for any damages. The Department's FY 2010 Budget Request announced the Administration's intended termination of the Yucca Mountain repository project and included the funding needed to explore alternatives for nuclear waste disposal and to continue participation in the Nuclear Regulatory Commission license application process. The Secretary is convening a Blue Ribbon Commission of experts to evaluate alternative approaches for meeting the Federal Government's responsibility. Future determinations on how the Department will meet its obligations under the standard contracts could materially decrease or increase the spent nuclear fuel litigation liability.

Under current law, any damages or settlements in this litigation will be paid out of the Judgment Fund, 31 U.S.C. 1304, which the Department will not be required to reimburse. The Department's contingent liability estimate for SNF litigation as of September 30, 2009 and 2008 of \$13.1 billion and \$12.3 billion, respectively, is reported net of amounts paid by the Judgment Fund.

(10) Deferred Revenue

As described in Note 2, all fees, both kWh fees and Defense high-level radioactive waste fees, as well as the related interest and investment income, are recognized as revenue to the extent of expenses incurred. Amounts in excess of current expenses are deferred. Deferred revenue at September 30, 2009 and 2008 was as follows:

| | FY 2009 | FY 2008 |
|--------------------------------------|----------------|----------------|
| Intragovernmental | | |
| Fees billed: | | |
| One-time spent nuclear fuel fees: | | |
| kWh fees | \$ 50,063 | \$ 48,331 |
| Defense high-level waste fees | 132,410 | 220,322 |
| Interest: | | |
| Income on investments | 1,053,749 | 1,106,892 |
| Non-intragovernmental | | |
| Fees billed: | | |
| kWh fees | 720,943 | 712,993 |
| Interest: | | |
| One-time spent nuclear fuel fees | 13,162 | 84,349 |
| Other revenue | - | 1,985 |
| Total revenues | 1,970,327 | 2,174,872 |
| Less earned revenue | (325,274) | (447,729) |
| Change in deferred revenue | 1,645,053 | 1,727,143 |
| Deferred revenue - beginning balance | 24,506,873 | 22,779,730 |
| Deferred revenue - ending balance | \$ 26,151,926 | \$ 24,506,873 |

Other revenue consists primarily of net gains on the sale of investments.

**UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Notes to Financial Statements
September 30, 2009 and 2008

(Dollars in thousands unless otherwise noted)

(11) Earmarked Funds

| | Earmarked Funds | All Other Funds | FY 2009 | Earmarked Funds | All Other Funds | FY 2008 |
|--|----------------------|------------------------|------------------------|----------------------|------------------------|------------------------|
| Balance Sheet | | | | | | |
| Assets | | | | | | |
| Fund Balance with Treasury | \$ 10,008 | \$ 33,742 | \$ 43,750 | \$ (5,877) | \$ 20,146 | \$ 14,269 |
| Investments, Net | 22,749,189 | - | 22,749,189 | 21,153,626 | - | 21,153,626 |
| Accounts Receivable | 3,417,534 | - | 3,417,534 | 3,403,584 | - | 3,403,584 |
| General Property, Plant, and Equipment, Net | 5,945 | 223 | 6,168 | 7,007 | 194 | 7,201 |
| Other Assets | 1,604 | - | 1,604 | 1,493 | - | 1,493 |
| | <u>\$ 26,184,280</u> | <u>\$ 33,965</u> | <u>\$ 26,218,245</u> | <u>\$ 24,559,833</u> | <u>\$ 20,340</u> | <u>\$ 24,580,173</u> |
| Liabilities and Net Position | | | | | | |
| Accounts Payable | \$ 14,875 | \$ 4,818 | \$ 19,693 | \$ 26,162 | \$ 1,854 | \$ 28,016 |
| Deferred Revenue | 26,151,703 | 223 | 26,151,926 | 24,506,663 | 210 | 24,506,873 |
| Pension and Other Actuarial Liabilities | 9,099 | - | 9,099 | 11,893 | - | 11,893 |
| Other Liabilities | 8,603 | - | 8,603 | 15,115 | - | 15,115 |
| Commitments and Contingencies | - | 13,147,213 | 13,147,213 | - | 12,335,084 | 12,335,084 |
| Unexpended Appropriations | - | 28,924 | 28,924 | - | 18,276 | 18,276 |
| Cumulative Results of Operations | - | (13,147,213) | (13,147,213) | - | (12,335,084) | (12,335,084) |
| Total Liabilities and Net Position | <u>\$ 26,184,280</u> | <u>\$ 33,965</u> | <u>\$ 26,218,245</u> | <u>\$ 24,559,833</u> | <u>\$ 20,340</u> | <u>\$ 24,580,173</u> |
| Statement of Net Costs | | | | | | |
| Total First Repository and Other Program Costs | \$ 194,537 | \$ 132,501 | \$ 327,038 | \$ 227,596 | \$ 221,866 | \$ 449,462 |
| Less Earned Revenues | (194,537) | (130,737) | (325,274) | (227,596) | (220,133) | (447,729) |
| Net First Repository Costs | - | 1,764 | 1,764 | - | 1,733 | 1,733 |
| Estimated liability for waste acceptance obligations | - | 1,020,315 | 1,020,315 | - | 1,436,883 | 1,436,883 |
| Net cost of operations | <u>\$ -</u> | <u>\$ 1,022,079</u> | <u>\$ 1,022,079</u> | <u>\$ -</u> | <u>\$ 1,438,616</u> | <u>\$ 1,438,616</u> |
| Statement of Changes in Net Position | | | | | | |
| Beginning Balance - Cumulative Results of Operations | \$ - | \$ (12,335,084) | \$ (12,335,084) | \$ - | \$ (10,966,014) | \$ (10,966,014) |
| Imputed Financing from Costs Absorbed by Others | - | 209,950 | 209,950 | - | 69,546 | 69,546 |
| Net Cost of Operations | - | (1,022,079) | (1,022,079) | - | (1,438,616) | (1,438,616) |
| Ending Balance - Cumulative Results of Operations | <u>\$ -</u> | <u>\$ (13,147,213)</u> | <u>\$ (13,147,213)</u> | <u>\$ -</u> | <u>\$ (12,335,084)</u> | <u>\$ (12,335,084)</u> |
| Statement of Changes in Unexpended Appropriations | | | | | | |
| Beginning Balance - Unexpended Appropriations | \$ - | \$ 18,276 | \$ 18,276 | \$ - | \$ 39,427 | \$ 39,427 |
| Appropriations Received | - | 143,000 | 143,000 | - | 201,000 | 201,000 |
| Other Adjustments | - | - | - | - | (1,829) | (1,829) |
| Appropriations Used | - | (132,352) | (132,352) | - | (220,322) | (220,322) |
| Ending Balance - Unexpended Appropriations | <u>\$ -</u> | <u>\$ 28,924</u> | <u>\$ 28,924</u> | <u>\$ -</u> | <u>\$ 18,276</u> | <u>\$ 18,276</u> |
| Total Net Position | <u>\$ -</u> | <u>\$ (13,118,289)</u> | <u>\$ (13,118,289)</u> | <u>\$ -</u> | <u>\$ (12,316,808)</u> | <u>\$ (12,316,808)</u> |

**UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Notes to Financial Statements
September 30, 2009 and 2008

(Dollars in thousands unless otherwise noted)

(12) Reconciliation of Net Cost of Operations to Budget

The objective of this information is to provide an explanation of the differences between budgetary and financial (proprietary) accounting. This is accomplished by means of a reconciliation of budgetary obligations and non-budgetary resources available to the reporting entity with its net cost of operations.

| | FY 2009 | FY 2008 |
|--|---------------------|---------------------|
| RESOURCES USED TO FINANCE ACTIVITIES: | | |
| Budgetary Resources Obligated: | | |
| Obligations Incurred | \$ 273,690 | \$ 380,589 |
| Less: Spending Authority from Offsetting Collections and Recoveries | (3) | - |
| Obligations, Net of Offsetting Collections and Recoveries | <u>273,687</u> | <u>380,589</u> |
| Offsetting Receipts: | | |
| Fees for Disposal of Spent Nuclear Fuel | (770,432) | (763,071) |
| Earnings on Investments | <u>(1,096,272)</u> | <u>(26,763)</u> |
| Total Offsetting Receipts | <u>(1,866,704)</u> | <u>(789,834)</u> |
| Net Obligations | <u>(1,593,017)</u> | <u>(409,245)</u> |
| Other Resources: | | |
| Imputed Financing from Costs Absorbed by Others | 209,950 | 69,546 |
| Other: | | |
| Offsetting Receipts, Deferred | 2,591,449 | 1,393,737 |
| Adjustment for Department of Energy Appropriation | <u>(132,352)</u> | <u>(220,322)</u> |
| Total Other | <u>2,459,097</u> | <u>1,173,415</u> |
| Net Other Resources Used to Finance Activities | <u>2,669,047</u> | <u>1,242,961</u> |
| Total Resources Used to Finance Activities | <u>1,076,030</u> | <u>833,716</u> |
| RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS: | | |
| Change in Resources Obligated for Goods/Services/Benefits Ordered But Not Yet Provided | 1,707 | 32,630 |
| Resources that Finance the Acquisition of Assets | <u>124</u> | <u>(200)</u> |
| Total Resources Used to Finance Items Not Part of the Net Cost of Operations | <u>1,831</u> | <u>32,430</u> |
| Total Resources Used to Finance the Net Cost of Operations | <u>1,077,861</u> | <u>866,146</u> |
| NET COST ITEMS THAT DO NOT REQUIRE OR GENERATE RESOURCES IN CURRENT PERIOD: | | |
| Increases in Unfunded Liability Estimates | 808,104 | 1,356,876 |
| Components Not Requiring or Generating Resources: | | |
| Depreciation and Amortization | (864,515) | (784,504) |
| Revaluation of Assets and Liabilities | 647 | 109 |
| Other | <u>(18)</u> | <u>(11)</u> |
| Total Components Not Requiring or Generating Resources | <u>(863,886)</u> | <u>(784,406)</u> |
| Total Net Cost Items That Do Not Require or Generate Resources in Current Period | <u>(55,782)</u> | <u>572,470</u> |
| NET COST OF OPERATIONS | <u>\$ 1,022,079</u> | <u>\$ 1,438,616</u> |

**UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Required Supplementary Stewardship Information for Research and Development for the Fiscal Year
ending September 30, 2009

(Dollars in thousands unless otherwise noted)

Expenses for research and development programs applicable to the Nuclear Waste Fund to conduct activities on the long-term storage of high-level nuclear waste at a permanent underground repository were as follows:

| | Direct Cost | Depreciation & Other Managerial Cost | Total Cost |
|----------------------------|-------------|---|------------|
| FY 2009 APPLIED | | | |
| Environmental Quality | \$1,647 | \$66 | \$1,713 |
| FY 2008 APPLIED | | | |
| Environmental Quality | \$8,364 | \$93 | \$8,457 |
| FY 2007 APPLIED | | | |
| Environmental Quality | \$172,815 | \$1,563 | \$174,378 |
| FY 2006 APPLIED | | | |
| Environmental Quality | \$259,325 | \$3,031 | \$262,356 |
| FY 2005 APPLIED | | | |
| Environmental Quality | \$143,966 | \$1,905 | \$145,871 |
| FY 2004 APPLIED | | | |
| Environmental Quality | \$65,312 | \$1,772 | \$67,084 |
| FY 2003 APPLIED | | | |
| Environmental Quality | \$75,782 | \$1,049 | \$76,831 |
| FY 2002 APPLIED | | | |
| Environmental Quality | \$62,523 | \$2,577 | \$65,100 |
| FY 2001 APPLIED | | | |
| Environmental Quality | \$60,393 | \$3,107 | \$63,500 |
| FY 2001 DEVELOPMENT | | | |
| Environmental Quality | \$58,662 | \$4,738 | \$63,400 |

**UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Supplementary Information - Schedule I
Schedule of Cumulative Net First and Second Repository Costs for the
Twenty Seven Years Ended September 30, 2009

(Dollars in thousands unless otherwise noted)

| | |
|---|--------------|
| First Repository Costs | \$ 7,439,694 |
| All Other Program Costs: | |
| Program Support | 2,089,852 |
| Transfers of Appropriations | 606,743 |
| Waste Acceptance, Storage and Transportation | 693,126 |
| Imputed and Other Costs | 151,323 |
| Total All Other Program Costs | 3,541,044 |
| Second Repository Costs | 108,896 |
| Total First and Second Repository Costs and Other Program Costs | 11,089,634 |
| Less Earned Revenue | (11,072,281) |
| Cumulative Net First and Second Repository Costs | \$ 17,353 |

**UNITED STATES DEPARTMENT OF ENERGY
OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

Supplementary Information - Schedule II
Schedule of Cumulative Revenues and Deferred Revenue as of and for the
Twenty Seven Years Ended September 30, 2009

(Dollars in thousands unless otherwise noted)

| | |
|----------------------------------|-----------------------------|
| Intragovernmental: | |
| Fees billed: | |
| kWh fees | \$ 764,234 |
| One-time spent nuclear fuel fees | 174,598 |
| Defense high-level waste fees | 2,469,836 |
| Defense share advance payments | 534,412 |
| Interest: | |
| Income on investments | 12,286,479 |
| Defense high-level waste fees | 638,232 |
| Non-intragovernmental: | |
| Fees billed: | |
| kWh fees: | 15,092,119 |
| One-time spent nuclear fuel fees | 2,174,802 |
| Interest: | |
| One-time spent nuclear fuel fees | 2,383,314 |
| Other revenue | 706,181 |
| Total revenues | <u>37,224,207</u> |
| Less earned revenue | <u>(11,072,281)</u> |
| Deferred revenue | <u><u>\$ 26,151,926</u></u> |