



OFFICE OF INSPECTOR GENERAL

U.S. Department of Energy

AUDIT REPORT

DOE-OIG-18-34

May 2018

**DEPARTMENT OF ENERGY NUCLEAR
WASTE FUND'S FISCAL YEAR 2017
FINANCIAL STATEMENT AUDIT**



Department of Energy
Washington, DC 20585

May 25, 2018

MEMORANDUM FOR THE DIRECTOR, OFFICE OF STANDARD CONTRACT
MANAGEMENT

Sarah B. Nelson

FROM: Sarah B. Nelson
Assistant Inspector General
for Audits and Administration
Office of Inspector General

SUBJECT: INFORMATION: Audit Report on the "Department of Energy Nuclear
Waste Fund's Fiscal Year 2017 Financial Statement Audit"

The attached report presents the results of the independent certified public accountants' audit of the balance sheets of the Department of Energy Nuclear Waste Fund (Fund), as of September 30, 2017, and 2016, and the related statements of net cost, changes in net position, and statements of budgetary resources for the years then ended.

To fulfill Office of Inspector General audit responsibilities, we contracted with the independent public accounting firm of KPMG LLP to conduct the audit, subject to our review. KPMG LLP is responsible for expressing an opinion on the Fund's financial statements and reporting on applicable internal controls and compliance with laws and regulations. The Office of Inspector General monitored audit progress and reviewed the audit report and related documentation. This review disclosed no instances where KPMG LLP did not comply, in all material respects, with generally accepted Government auditing standards. The Office of Inspector General did not express an independent opinion on the Fund's financial statements.

KPMG LLP concluded that the combined financial statements present fairly, in all material respects, the respective financial position of the Fund as of September 30, 2017, and 2016, and its net costs, changes in net position, and budgetary resources for the years then ended, in conformity with United States generally accepted accounting principles.

As part of this review, auditors also considered the Fund's internal controls over financial reporting and tested for compliance with certain provisions of laws, regulations, contracts, and grant agreements that could have a direct and material effect on the determination of financial statement amounts. The results of the auditors' review disclosed no instances of noncompliance or other matters required to be reported under generally accepted Government auditing standards or applicable Office of Management and Budget guidance.

The Office of Inspector General recently issued a report, *Inquiry into an Alleged Anti-Deficiency Act Violation at the Department of Energy* (DOE-OIG-18-29), on allegations related to a potential

Anti-Deficiency Act violation from the over-obligation of approximately \$16 million related to the apportionment of funding for a specific Department of Energy program. A final determination has not yet been made, and therefore, the outcome of the matter is not presently known. However, while the allegations did not affect the balance sheets of the Fund, the timing of the allegations and related work ultimately resulted in delaying the issuance of the *Department of Energy Nuclear Waste Fund's Fiscal Year 2017 Financial Statement Audit* and *The Department of Energy's Fiscal Year 2017 Consolidated Financial Statements*.

Attachment

cc: Chief Financial Officer, CF-1
Deputy Chief Financial Officer, CF-2
Director, Office of Finance and Accounting, CF-10
Deputy Director, Office of Finance and Accounting, CF-10
Assistant Director, Office of Financial Policy and Internal Controls, CF-12
Division Director, Office of Financial Policy and Internal Controls, CF-12
Audit Resolution Specialist, Office of Financial Policy and Internal Controls, CF-12

INDEPENDENT AUDITOR'S REPORT

Attachment

**UNITED STATES DEPARTMENT OF ENERGY
NUCLEAR WASTE FUND**

Annual Financial Report

**As of and for the Years Ended
September 30, 2017 and 2016**

May 16, 2018

**UNITED STATES DEPARTMENT OF ENERGY
NUCLEAR WASTE FUND**

Annual Financial Report
September 30, 2017 and September 30, 2016

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Management's Discussion & Analysis

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 was to manage and dispose of the Nation's spent nuclear fuel (SNF) and high-level radioactive waste (HLW). 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 was completed and in 2008 OCRWM submitted a license application to the U.S. Nuclear Regulatory Commission (NRC or the Commission) seeking authorization to construct the Yucca Mountain repository. In fiscal year (FY) 2009, the previous Administration decided to terminate the Yucca Mountain Project. On January 29, 2010, at the direction of the then-President, the then-Secretary announced the formation of the Blue Ribbon Commission (BRC) and on February 1, 2010, the then-President issued the FY 2011 Budget Request with a zero budget request for OCRWM. On March 3, 2010 the Department filed a motion to withdraw with prejudice the Yucca Mountain License Application pending before the Atomic Safety and License Board (ASLB or Board) of the NRC. On June 29, 2010, the ASLB issued an order denying the Department's motion to withdraw the License Application, which the Department appealed to the NRC, the body with final authority over NRC decision-making. On October 1, 2010 the Department shifted OCRWM program responsibilities to various Departmental Program Secretarial Offices.

On July 29, 2011, a lawsuit was filed against the NRC in the U.S. Court of Appeals for the District of Columbia Circuit requesting a writ of mandamus ordering the NRC to continue reviewing the Yucca Mountain license application.

On September 9, 2011, the NRC issued its decision in which the Commission (1) announced it was split evenly on the question whether the NRC's ASLB had properly refused to allow the Department's motion to withdraw the Yucca Mountain construction license application with prejudice, and (2) unanimously held that "budgetary limitations" required the ASLB to dispose of pending matters by the end of FY 2011 and to document the history of the adjudicatory process. On September 30, 2011, the Board issued a memorandum and order suspending the adjudicatory portion of the licensing proceeding due to uncertainty regarding the availability of future appropriations from the NWF to pay for future proceeding and a lack of staff to continue the proceeding since the President's FY 2012 budget request for Yucca Mountain high-level waste activities did not include a request for any full-time equivalent positions. The adjudicatory portion of the licensing proceeding remains suspended.

The BRC submitted a final report in January 2012 with its recommendations for consideration by the Administration and Congress, as well as interested state, tribal and local governments, other stakeholders, and the public.

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On August 13, 2013, the U.S. Court of Appeals for the District of Columbia Circuit issued a writ of mandamus to the NRC to promptly continue with the legally mandated licensing proceeding unless and until Congress authoritatively says otherwise or there are no appropriated funds remaining.

On November 18, 2013 the NRC requested the Department of Energy to prepare the supplemental environmental impact statement (EIS) that the NRC staff determined was needed for purposes of the review of the application under the National Environmental Policy Act (NEPA). On February 28, 2014 the Department wrote to the NRC that it would provide to the NRC an updated version of the report it provided to the NRC on July 30, 2009, entitled, *Analysis of Postclosure Groundwater Impacts for a Geologic Repository for the Disposal of Spent Nuclear Fuel and High-Level Radioactive Waste at Yucca Mountain, Nye County, Nevada*. The updated report was provided by the DOE to the NRC on October 3, 2014. The analysis provides the NRC with substantially all of the technical information necessary to inform a draft EIS.

No funds for Yucca Mountain were requested in the FY 2017 or FY 2016 Budget Requests. Funds remaining from OCRWM have been used between October 1, 2010 and September 30, 2017 to continue the management of the Nuclear Waste Fund (NWF), litigation activities, for additional closure activities under the previous Administration, and for exploratory activities under the current Administration to prepare for a resumption of DOE participation in the licensing proceeding pursuant to the FY 2019 Budget Requests. The funds are managed by the Office of Nuclear Energy.

Fiscal Year 2017 and 2016 Financial Performance

The principal financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 United States Code 3515 (b). While the statements have been prepared from the books and records of the entity in accordance with Generally Accepted Accounting Principles for Federal entities and the formats prescribed by the Office of Management and Budget (OMB), the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

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 Nuclear Waste Policy Act costs are invested in U.S. Treasury securities. On November 19, 2013, the U.S. Court of Appeals for the District of Columbia Circuit found that the Department did not have a legitimate basis to evaluate the ongoing fee and directed the Department to propose to Congress a reduction of the ongoing fee to zero. The Department complied and such proposal became effective on May 16, 2014. The Nuclear Waste Policy Act originally provided that the federal government would pay the costs of defense-generated nuclear waste directly into the Nuclear Waste Fund. However, Congress in 1993 changed that requirement to instead establish a separate Defense Nuclear Waste Disposal appropriation (DNWDA). As of September 30, 2017, cumulative billings from fees and the DNWDA, totaled approximately \$25.4 billion; and cumulative interest earnings and other revenue totaled approximately \$26.2 billion. As of September 30, 2017, cumulative expenditures by the Department 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 \$11.4 billion.

As of September 30, 2017, the U.S. Treasury securities held by the Department related to the NWF had a fair value of \$44.5 billion compared to \$46.0 billion at the end of fiscal year FY 2016. Investment income and net gains from the maturity of securities totaled \$1.5 billion for FY 2017 and \$1.4 billion for FY 2016, respectively.

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 Annual Financial Report. A significant issue, Used Fuel and High Level Waste Disposal, was reported by management in FY 2017 and FY 2016 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 - USED FUEL AND HIGH LEVEL WASTE DISPOSAL

The government's acceptance of spent nuclear fuel and high-level radioactive waste, authorized under the NWPA, has been delayed by various factors.

Actions Taken and Remaining

The previous Administration issued the "Strategy for the Management and Disposal of Used Nuclear Fuel and High-Level Waste" on January 11, 2013 (Strategy), but no Congressional action was taken to fully implement the Strategy. The key assumptions from the Strategy were: that (1) a pilot storage facility will be operational in 2021 to allow for the removal of SNF from shut down reactors; (2) an interim storage facility will be operational in 2025 to begin the removal of SNF from operating nuclear power reactors and (3) that reactors will incur costs reimbursable by the Department until the Department has fulfilled its obligations under the agreements.

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In March 2017, the current Administration submitted *America First - A Budget Blueprint to Make America Great Again* to Congress that included the restart of licensing activities for the Yucca Mountain nuclear waste repository and initiation of a robust interim storage program which were subsequently reflected in the Administration's FY 2018 Budget Request in May 2017. In February 2018, the Administration's FY 2019 Budget Request again included the restart of licensing activities for the Yucca Mountain nuclear waste repository. No funding was provided related to the Yucca Mountain repository in the Consolidated Appropriations Act for FY 2018 passed in March 2018.



KPMG LLP
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Independent Auditors' Report

Principal Deputy Inspector General, United States Department of Energy and
 United States Department of Energy Nuclear Waste Fund:

Report on the Financial Statements

We have audited the accompanying financial statements of the United States Department of Energy (Department) Nuclear Waste Fund, which comprise the balance sheets as of September 30, 2017 and 2016, and the related statements of net cost, changes in net position, and budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 17-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 17-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the United States Department of Energy Nuclear Waste Fund as of September 30, 2017 and 2016, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership and the U.S. member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.



Emphasis of Matter

As discussed in Note 9 to the financial statements, the Department is involved as a defendant in several matters of litigation relating to its inability to accept commercial spent nuclear fuel by January 1, 1998, the date specified in the Nuclear Waste Policy Act of 1982, as amended. The Department of Energy Nuclear Waste Fund has recorded an estimate of its liability related to this matter of \$27.2 billion and \$24.7 billion as of September 30, 2017 and 2016, respectively. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis section be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Other Information – Schedules I and II - is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2017, we considered the United States Department of Energy Nuclear Waste Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the United States Department of Energy Nuclear Waste Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the United States Department of Energy Nuclear Waste Fund's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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 material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the United States Department of Energy Nuclear Waste Fund's financial statements will not be prevented, or detected and corrected, 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal

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control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the United States Department of Energy Nuclear Waste Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 17-03.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the United States Department of Energy Nuclear Waste Fund's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
May 16, 2018

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UNITED STATES DEPARTMENT OF ENERGY
 NUCLEAR WASTE FUND
 Balance Sheets
 As of September 30, 2017 and 2016
 (Dollars in thousands)

	FY 2017	FY 2016
ASSETS		
Intragovernmental:		
Fund Balance with Treasury ^(Note 3)	\$ 15,697	\$ 15,644
Investments and Related Interest, Net ^(Note 4)	<u>37,670,986</u>	<u>36,027,301</u>
Total Intragovernmental Assets	37,686,683	36,042,945
Accounts Receivable:		
Utilities ^(Note 5)	2,619,525	2,788,593
General Property, Plant, and Equipment, Net ^(Note 6)	<u>122</u>	<u>132</u>
Total Assets	<u>\$ 40,306,330</u>	<u>\$ 38,831,670</u>
LIABILITIES		
Intragovernmental: ^(Note 8)		
Accounts Payable	\$ 16	\$ 1
Deferred Revenue ^(Notes 7 and 10)	634,424	633,944
Other Liabilities	<u>197</u>	<u>197</u>
Total Intragovernmental Liabilities	634,637	634,142
Accounts Payable and Other Liabilities	1,863	794
Deferred Revenue ^(Note 10)	39,658,012	38,182,583
Commitments and Contingencies ^(Note 9)	<u>27,247,874</u>	<u>24,689,260</u>
Total Liabilities ^(Note 8)	<u>67,542,386</u>	<u>63,506,779</u>
NET POSITION		
Unexpended Appropriations - Other Funds	11,818	14,151
Cumulative Results of Operations - Other Funds	<u>(27,247,874)</u>	<u>(24,689,260)</u>
Total Net Position	<u>(27,236,056)</u>	<u>(24,675,109)</u>
Total Liabilities and Net Position	<u>\$ 40,306,330</u>	<u>\$ 38,831,670</u>

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UNITED STATES DEPARTMENT OF ENERGY
 NUCLEAR WASTE FUND
 Statements of Net Cost
 For the Years Ended September 30, 2017 and 2016
 (Dollars in thousands)

	FY 2017	FY 2016
First Repository Costs	\$ 3,011	\$ 3,117
All Other Program Costs:		
Program Support	69	747
Transfers of Appropriations ^(Note 7)	3,600	3,600
Waste Acceptance, Storage and Transportation	1,949	1,369
Total All Other Program Costs	5,618	5,716
Total First Repository and Other Program Costs	8,629	8,833
Less Eamed Revenues ^(Note 10)	(8,629)	(8,833)
Net First Repository Costs & Other Program Costs	-	-
Estimated costs for waste acceptance obligations	3,290,256	1,785,763
Net Cost of Operations	\$ 3,290,256	\$ 1,785,763

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UNITED STATES DEPARTMENT OF ENERGY
 NUCLEAR WASTE FUND
 Statements of Changes in Net Position
 For the Years Ended September 30, 2017 and 2016
 (Dollars in thousands)

	FY 2017	FY 2016
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balance	\$ (24,689,260)	\$ (23,699,690)
Other Financing Sources (Non-Exchange):		
Imputed Financing from Costs Absorbed by Others	731,642	796,193
Total Other Financing Sources	<u>731,642</u>	<u>796,193</u>
Net Cost of Operations	<u>(3,290,256)</u>	<u>(1,785,763)</u>
Net Change	<u>(2,558,614)</u>	<u>(989,570)</u>
Ending Balance - Cumulative Results of Operations	<u>\$ (27,247,874)</u>	<u>\$ (24,689,260)</u>
UNEXPENDED APPROPRIATIONS		
Beginning Balance	\$ 14,151	\$ 16,476
Budgetary Financing Sources Related to Appropriations:		
Appropriations Used	<u>(2,333)</u>	<u>(2,325)</u>
Total Budgetary Financing Sources Related to Appropriations	<u>(2,333)</u>	<u>(2,325)</u>
Ending Balance - Unexpended Appropriations	<u>11,818</u>	<u>14,151</u>
Total Net Position	<u>\$ (27,236,056)</u>	<u>\$ (24,675,109)</u>

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UNITED STATES DEPARTMENT OF ENERGY
 NUCLEAR WASTE FUND
 Statements of Budgetary Resources
 For the Years Ended September 30, 2017 and 2016
 (Dollars in thousands)

	FY 2017	FY 2016
BUDGETARY RESOURCES		
Unobligated Balance, Brought Forward, October 1	\$ 18,504	\$ 19,003
Recoveries of Unpaid Prior Year Obligations	1,395	478
Unobligated Balance from Prior Year Budget Authority, net	19,899	19,481
Appropriations ^(Note 2)	-	-
Total Budgetary Resources	<u>\$ 19,899</u>	<u>\$ 19,481</u>
STATUS OF BUDGETARY RESOURCES		
New Obligations and Upward Adjustments ^(Note 12)	\$ 10,107	\$ 977
Unobligated Balance, End of Year:		
Apportioned, Unexpired Accounts	1,206	5,719
Exempt from Apportionment, Unexpired Accounts	8,586	12,785
Unobligated Balance, End of Year	9,792	18,504
Total Budgetary Resources	<u>\$ 19,899</u>	<u>\$ 19,481</u>
CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations, Brought Forward, October 1	\$ 13,523	\$ 17,599
New Obligations and Upward Adjustments	10,107	977
Outlays (Gross)	(3,935)	(4,575)
Recoveries of Prior Year Unpaid Obligations	(1,395)	(478)
Obligated Balance, End of Year	<u>\$ 18,300</u>	<u>\$ 13,523</u>
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget Authority, Gross	\$ -	\$ -
Actual Offsetting Collections	-	-
Budget Authority, Net	<u>\$ -</u>	<u>\$ -</u>
Outlays, Gross	\$ 3,935	\$ 4,575
Distributed Offsetting Receipts	(1,664,724)	(1,734,550)
Outlays, Net	<u>\$ (1,660,789)</u>	<u>\$ (1,729,975)</u>

(1) Legislative Background

The Nuclear Waste Policy Act of 1982 (NWPA) was signed into law on January 7, 1983. The NWPA 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 (Department or DOE). In addition, the NWPA contains other provisions including:

- Assigning responsibility for the 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 to cover 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 NWPA, 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 HLW). 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. In March 2015, the President found that the development of a repository for the disposal of Defense HLW is required.

On December 22, 1987, the President signed into law the Budget Reconciliation Act, Subtitle A Title V, of which contained amendments to the NWPA. 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 fiscal year (FY) 2009, the President and the Department Secretary announced that a repository at Yucca Mountain was not a workable option and that the repository program would be terminated. At that time, they also announced that a Blue Ribbon Commission would be established to evaluate disposal alternatives. Accordingly, on January 29, 2010, the Department Secretary announced the formation of a Blue Ribbon Commission on America's Nuclear Future to provide recommendations for developing a safe, long-term solution to managing the Nation's used nuclear fuel and nuclear waste. The Blue Ribbon Commission submitted a final report in January 2012 with their recommendations on these issues for consideration by the Administration and Congress, as well as interested state, tribal and local governments, other stakeholders, and the public. On February 1, 2010, the President issued the FY 2011 Budget Request with a zero budget request for the Nuclear Waste Fund Appropriation and the Defense Nuclear Waste Disposal Appropriation (formerly known as and reported under the Office of Civilian Radioactive Waste Management (OCRWM) prior to FY 2011). Consequently, the Department closed OCRWM on September 30, 2010, and, on October 1, 2010, the Department reassigned prior responsibilities for the operations of OCRWM and its assets and liabilities within the Department, herein referred to as the NWF. In March 2017, the Administration submitted *America First – A Budget Blueprint to Make America Great Again* to Congress that included the restart of licensing activities for the Yucca Mountain nuclear waste repository, which was subsequently reflected in the Administration's FY 2018 Budget Request in May 2017. In February 2018, the Administration's FY 2019 Budget Request again included the restart of licensing activities for the Yucca Mountain nuclear waste repository. No funding was provided related to the Yucca Mountain repository in the Consolidated Appropriations Act for FY 2018 passed in March 2018.

(2) Significant Accounting Policies

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

Basis of Accounting – The NWF'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. The NWF also uses budgetary accounting to facilitate compliance with legal constraints and to monitor its budget authority.

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 NWF 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 the NWF as of April 7, 1983, related to the disposal of SNF generated prior to that date. Fees recognized by the NWF 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. Department 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. The most recent TSLCC was issued in 2008.

Appropriations – Expenditure authority for the NWF has historically been provided by two separate appropriations. For fiscal years 2017 and 2016, Congress appropriated \$0 from the Defense Nuclear Waste Disposal Appropriation and the Nuclear Waste Disposal Appropriation to be used for nuclear waste disposal activities.

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 United States (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 NWF from incurring expenditures, entering into contracts, and obligating amounts to be expended except as provided in advance by appropriation acts. Appropriated dedicated collections such as these are excluded from appropriations received on the *Statements of Changes in Net Position*.

(2) Significant Accounting Policies (continued)

Imputed Financing Sources – In certain instances, costs of the NWF are paid out of funds appropriated to other federal agencies. For example, payments under the terms of settlements and judgments are paid by the U.S. Treasury Judgment Fund (Judgment Fund). When costs directly attributable to NWF's operations are paid by other agencies, NWF recognizes these amounts in the *Statements of Net Cost*. In addition, these amounts are recognized as imputed financing sources in the *Statements of Changes in Net Position*.

Funds from Dedicated Collections – NWF follows Statement of Federal Financial Accounting Standards (SFFAS) No. 43, *Funds from Dedicated Collections*, which requires separate identification of funds from dedicated collections on the Balance Sheets, Statements of Changes in Net Position, and other selected footnotes.

Funds from dedicated collections 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 NWF for equipment either on loan from or shared with other programs.

Accounts Receivable – Payment of accounts receivable will not be complete until NWF 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, 2017 and 2016.

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 NWF as the result of a transaction or event that has already occurred. However, no liability can be paid by NWF 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.

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

First Repository Costs – For the fiscal years ended September 30, 2017 and 2016, first repository costs consist primarily of Yucca Mountain shutdown costs. Historically, the general goals have been that of licensing and construction of a permanent repository for nuclear waste at Yucca Mountain and to be ready for acceptance of waste at the facility.

(2) Significant Accounting Policies (continued)

Use of Estimates – The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates and assumptions include primarily commitments and contingencies.

(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, 2017 and 2016 are as follows:

As of September 30, 2017	Appropriated		Total
	Funds	Special Funds	
Unobligated budgetary resources			
Available	\$ 1,206	\$ 8,586	\$ 9,792
Obligated balance not yet disbursed			
Undelivered orders	10,612	5,612	16,224
Accounts payable and other liabilities	883	1,194	2,077
Budgetary resources invested in Treasury securities	-	(12,396)	(12,396)
Total FY 2017 Fund Balance with Treasury	\$ 12,701	\$ 2,996	\$ 15,697

As of September 30, 2016	Appropriated		Total
	Funds	Special Funds	
Unobligated budgetary resources			
Available	\$ 5,719	\$ 12,785	\$ 18,504
Obligated balance not yet disbursed			
Undelivered orders	8,432	4,099	12,531
Accounts payable and other liabilities	-	992	992
Budgetary resources invested in Treasury securities	-	(16,383)	(16,383)
Total FY 2016 Fund Balance with Treasury	\$ 14,151	\$ 1,493	\$ 15,644

(4) Investments and Related Interest, Net

For the fiscal years ended September 30, 2017 and 2016, the NWF received proceeds from the maturity of securities of \$1,320,072 and \$1,700,579, respectively.

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

	<u>FY 2017</u>	<u>FY 2016</u>
Intragovernmental Non-Marketable Market Based:		
Face Value	\$ 53,012,627	\$ 52,424,406
Unamortized discount, net	(15,443,938)	(16,485,067)
Interest receivable	<u>102,297</u>	<u>87,962</u>
Investments and related interest, net	37,670,986	36,027,301
Unrealized market gains, net	<u>6,819,627</u>	<u>9,946,860</u>
Investments at fair value	<u>\$ 44,490,613</u>	<u>\$ 45,974,161</u>

The federal government does not set aside assets to pay for expenditures associated with the funds for which the Department holds Treasury securities. These Treasury securities are an asset to the Department and a liability to Treasury. Because the Department and Treasury are both parts of the federal government, these assets and liabilities offset each other from the standpoint of the federal government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements. Treasury securities provide the Department with authority to draw upon the U.S. Treasury to make expenditures, subject to available appropriations and Office of Management and Budget (OMB) apportionments. When the Department requires redemption of these securities, the federal government finances those expenditures out of accumulated cash balances by raising taxes or other receipts, by borrowing from the public, repaying less debt, or by curtailing other expenditures. This is the same way the federal government finances all other expenditures.

(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 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 any time prior to the first delivery of SNF to the Department; or

(5) Receivables Due from Utilities (continued)

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 the 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.

In fiscal year 2017, payments of \$50,394 of one-time accrued spent fuel fees and \$136,018 of accrued interest were received from owners and generators of civilian SNF and HLW. In fiscal year 2016, payments of \$82,108 of one-time accrued spent fuel fees and \$219,843 of accrued interest were received.

Per the NWPA, 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. Because the U.S. Court of Appeals for the District of Columbia Circuit found the Department did not have a legitimate basis to evaluate or assess the ongoing kWh fee, the court directed the Department to propose to Congress a reduction of the ongoing kWh fee to zero. Such proposal became effective on May 16, 2014. In August 2014, the Department collected the remaining ongoing fee receivable balances. The circumstances have remained unchanged for FY 2017 and FY 2016 and no ongoing kWh fees were assessed or collected.

Accounts receivable from utilities at September 30 of each year were as follows:

	<u>FY 2017</u>	<u>FY 2016</u>
Accounts receivable:		
One-time spent nuclear fuel fees:		
Accounts receivable - one-time spent nuclear fuel fees		
Option (1)	\$ 144,273	\$ 144,273
Option (2)	560,170	610,564
Total accounts receivable one-time spent nuclear fuel fees	<u>704,443</u>	<u>754,837</u>
Accrued interest on one-time spent nuclear fuel fees:		
Option (1)	390,743	387,124
Option (2)	1,524,339	1,646,632
Total accrued interest on one-time spent nuclear fuel fees	<u>1,915,082</u>	<u>2,033,756</u>
Total accounts receivable	<u>\$ 2,619,525</u>	<u>\$ 2,788,593</u>

Attachment

(6) General Property, Plant, and Equipment, Net

General property, plant, and equipment and related accumulated depreciation consisted of the following as of September 30, 2017 and 2016:

	<u>FY 2017</u>		<u>FY 2016</u>
General property, plant, and equipment	\$ 7,233	\$	7,625
Less accumulated depreciation	(7,111)		(7,493)
General property, plant, and equipment, net	<u>\$ 122</u>	\$	<u>132</u>

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

The NWPA authorized the Secretary of Energy 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, 2017 and 2016, NWF owed other Federal Government agencies \$16 and \$1, respectively, for services and costs provided to NWF. For the fiscal years ended September 30, 2017 and 2016, NWF incurred costs of \$130 and (\$83), respectively, for services and goods provided by other Federal Government agencies. In addition to these incurred costs, NWF made Congressional authorized transfers from the NWF to the Nuclear Waste Technical Review Board in the amount of \$3,600 for fiscal years 2017 and 2016.

NWF 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. The estimated liabilities are included in the 2008 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 NWF as of September 30, 2017 and 2016.

As of September 30, 2017, the total cumulative share of costs for the Department's Defense Waste is estimated to be \$2,450,042 based on the methodology published in the Federal Register in August 1987 and interest owed is estimated to amount to \$672,737. As of September 30, 2017 and 2016, \$634,424 and \$633,944, respectively, was included in intragovernmental deferred revenue representing the Department's Defense HLW fees in the NWF in excess of the Department's cost share to-date.

(8) Liabilities Not Covered by Budgetary Resources

A summary of liabilities covered and not covered by budgetary resources as of September 30, 2017 and 2016 is as follows:

	<u>FY 2017</u>	<u>FY 2016</u>
Liabilities not covered by budgetary resources:		
Intragovernmental		
Deferred revenue (Note 10)	\$ 634,424	\$ 633,944
Non-Intragovernmental		
Deferred revenue (Note 10)	39,658,012	38,182,583
Commitments and contingencies (Note 9)	27,247,874	24,689,260
Total liabilities not covered by budgetary resources	<u>67,540,310</u>	<u>63,505,787</u>
Liabilities covered by budgetary resources:		
Intragovernmental		
Accounts payable	16	1
Other liabilities	197	197
Non-Intragovernmental		
Accounts payable and other liabilities	1,863	794
Total liabilities covered by budgetary resources	<u>2,076</u>	<u>992</u>
Total Liabilities	<u>\$ 67,542,386</u>	<u>\$ 63,506,779</u>

(9) Commitments and Contingencies*Spent Nuclear Fuel Litigation*

In accordance with the NWPA, the Department entered into more than 68 Standard Contracts with utilities in which, in return for payment of fees into the NWF, the Department agreed to begin disposal of SNF by January 31, 1998. Because the Department has no facility available to receive SNF under the NWPA, it 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, 39 suits have been settled involving utilities that collectively produce about 84 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 \$4.9 billion as of September 30, 2017 to the settling utilities for delay damages they have incurred through September 30, 2017. In addition, 54 cases have been resolved by 46 final unappealable judgments and eight voluntary withdrawals with no damages. Three of the unappealable judgments resulted in an award of no damages by the trial court and the 43 remaining cases resulted in a total of \$2.0 billion in damages that have been paid by the Judgment Fund as of September 30, 2017.

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. Additional payments under these settled and adjudicated cases may be made if the utilities incur additional costs resulting from the Department's delay in acceptance of SNF. The Department believes its assumptions and methodology provide a reasonable basis for the contingent liability estimate.

(9) Commitments and Contingencies (continued)

An additional nine cases remain pending the Court of Federal Claims. 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 the amount of damages to be awarded. Some years ago, the industry was reported to estimate that damages for all utilities with which the Department has contracts ultimately would be at least \$50 billion. The Department believes that the industry's estimate was highly inflated and that the disposition of the 85 cases that have either been settled or subject to a judgment in the trial court suggests that the Government's ultimate liability is likely to be significantly less than that estimate. Accordingly, based on these settlement estimates, the total liability estimate as of September 30, 2017 is \$34.1 billion. After deducting the cumulative amount paid of \$6.9 billion as of September 30, 2017 under these settlements and as a result of final judgments, the remaining liability is estimated to be approximately \$27.2 billion. Under current law, any damages or settlements in this litigation will be paid out of the Judgment Fund. The Department's contingent liability estimate for SNF litigation is reported net of amounts paid to date from the Judgment Fund.

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 and that the Government cannot assert the unavoidable delays defense, under which, if it were applicable, the Government would not be liable for any damages. The previous Administration determined that the development of a repository at Yucca Mountain was unworkable and directed the then Secretary to establish the Blue-Ribbon Commission (the Commission) on America's Nuclear Future to evaluate alternative approaches for meeting the Federal Government's responsibility. The Commission submitted a final report in January 2012. Subsequently, the Obama Administration issued the "Strategy for the Management and Disposal of Used Nuclear Fuel and High-Level Waste" on January 11, 2013. Implementation of the Strategy was contingent on new statutory authority. In March 2017, the Administration submitted *America First – A Budget Blueprint to Make America Great Again* to Congress that included the restart of licensing activities for the Yucca Mountain nuclear waste repository which was subsequently reflected in the Administration's FY 2018 Budget Request in May 2017. In February 2018, the Administration's FY 2019 Budget Request again included the restart of licensing activities for the Yucca Mountain nuclear waste repository. No funding was provided related to the Yucca Mountain repository in the Consolidated Appropriations Act for FY 2018 passed in March 2018. The liability estimate assumes a FY 2019 restart of licensing activities, and uses timeframes contained in the NWPA and the Yucca Mountain License Application.

(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 as of September 30, 2017 and 2016 was as follows:

	<u>FY 2017</u>	<u>FY 2016</u>
Intragovernmental		
Fees billed:		
Defense high-level waste fees	\$ 2,333	\$ 2,325
Interest:		
Income on investments	1,464,835	1,431,015
Non-intragovernmental		
Interest:		
One-time spent nuclear fuel fees	17,344	5,721
Other billings	26	16
Total billings and interest	<u>1,484,538</u>	<u>1,439,077</u>
Less earned revenue	<u>(8,629)</u>	<u>(8,833)</u>
Change in deferred revenue	1,475,909	1,430,244
Deferred revenue - beginning balance	<u>38,816,527</u>	<u>37,386,283</u>
Deferred revenue - ending balance	<u>\$ 40,292,436</u>	<u>\$ 38,816,527</u>

(11) Dedicated Collections

	Dedicated Collections	All Other Funds	FY 2017	Dedicated Collections	All Other Funds	FY 2016
Balance Sheet						
Assets						
Fund Balance with Treasury	\$ 2,996	\$ 12,701	\$ 15,697	\$ 1,493	\$ 14,151	\$ 15,644
Investments, Net	37,670,986	-	37,670,986	36,027,301	-	36,027,301
Accounts Receivable	2,619,525	-	2,619,525	2,788,593	-	2,788,593
General Property, Plant, and Equipment, Net	99	23	122	101	31	132
Total Assets	\$ 40,293,606	\$ 12,724	\$ 40,306,330	\$ 38,817,488	\$ 14,182	\$ 38,831,670
Liabilities and Net Position						
Accounts Payable and Other Liabilities	\$ 1,193	\$ 883	\$ 2,076	\$ 992	\$ -	\$ 992
Deferred Revenue	40,292,413	23	40,292,436	38,816,496	31	38,816,527
Commitments and Contingencies	-	27,247,874	27,247,874	-	24,689,260	24,689,260
Unexpended Appropriations	-	11,818	11,818	-	14,151	14,151
Cumulative Results of Operations	-	(27,247,874)	(27,247,874)	-	(24,689,260)	(24,689,260)
Total Liabilities and Net Position	\$ 40,293,606	\$ 12,724	\$ 40,306,330	\$ 38,817,488	\$ 14,182	\$ 38,831,670
Statement of Net Costs						
Total First Repository and Other Program Costs	\$ 6,287	\$ 2,342	\$ 8,629	\$ 6,494	\$ 2,339	\$ 8,833
Less Earned Revenues	(6,287)	(2,342)	(8,629)	(6,494)	(2,339)	(8,833)
Net First Repository Costs	-	-	-	-	-	-
Estimated liability for waste acceptance obligations	-	3,290,256	3,290,256	-	1,785,763	1,785,763
Net cost of operations	\$ -	\$ 3,290,256	\$ 3,290,256	\$ -	\$ 1,785,763	\$ 1,785,763
Statement of Changes in Net Position						
Beginning Balance - Cumulative Results of Operations	\$ -	\$ (24,689,260)	\$ (24,689,260)	\$ -	\$ (23,699,690)	\$ (23,699,690)
Imputed Financing from Costs Absorbed by Others	-	731,642	731,642	-	796,193	796,193
Net Cost of Operations	-	(3,290,256)	(3,290,256)	-	(1,785,763)	(1,785,763)
Ending Balance - Cumulative Results of Operations	\$ -	\$ (27,247,874)	\$ (27,247,874)	\$ -	\$ (24,689,260)	\$ (24,689,260)
Beginning Balance - Unexpended Appropriations	\$ -	\$ 14,151	\$ 14,151	\$ -	\$ 16,476	\$ 16,476
Appropriations Used	-	(2,333)	(2,333)	-	(2,325)	(2,325)
Ending Balance - Unexpended Appropriations	-	11,818	11,818	-	14,151	14,151
Total Net Position	\$ -	\$ (27,236,056)	\$ (27,236,056)	\$ -	\$ (24,675,109)	\$ (24,675,109)

The NWPA requires the owners and generators of nuclear waste to pay their share of disposal costs into the NWF and, to that end, established 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 special fund within Treasury was created to account for the collection of those fees. Fees collected in excess of expenses incurred are invested in Treasury securities and any interest earned is available to pay expenditures related to radioactive waste disposal activities covered by the NWF as appropriated by Congress and allotted by OMB.

(12) Explanation of Differences between the Statement of Budgetary Resources and the Budget of the United States Government

The NWF FY 2017 and 2016 *Statements of Budgetary Resources* reconciled to the Budget of the United States by combining both of the budgets for Defense Nuclear Waste Disposal (89-X-0244) and Nuclear Waste Disposal (89-X-5227). Budgetary resources and obligations incurred are reconciled to the Departmental balances as published in the Appendix to the Budget; distributed offsetting receipts and net outlays are reconciled to the Departmental Balances in the Federal Program by Agency and Account section of the Analytical Perspectives Volume of the President's Budget.

(13) 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 2017	FY 2016
RESOURCES USED TO FINANCE ACTIVITIES:		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 10,107	\$ 977
Less: Spending Authority from Offsetting Collections and Recoveries	<u>(1,395)</u>	<u>(478)</u>
Obligations, Net of Offsetting Collections and Recoveries	<u>8,712</u>	<u>499</u>
Offsetting Receipts:		
Fees for Disposal of Spent Nuclear Fuel	(50,394)	(82,108)
Earnings on Investments	<u>(1,614,304)</u>	<u>(1,652,427)</u>
Total Offsetting Receipts	<u>(1,664,698)</u>	<u>(1,734,535)</u>
Net Obligations	<u>(1,655,986)</u>	<u>(1,734,036)</u>
Other Resources:		
Imputed Financing from Costs Absorbed by Others	731,642	796,193
Other:		
Offsetting Receipts, Deferred	2,431,572	1,917,930
Adjustment for Department of Energy Appropriation	<u>(2,333)</u>	<u>(2,325)</u>
Total Other	<u>2,429,239</u>	<u>1,915,605</u>
Net Other Resources Used to Finance Activities	<u>3,160,881</u>	<u>2,711,798</u>
Total Resources Used to Finance Activities	<u>\$ 1,504,895</u>	<u>\$ 977,762</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	<u>\$ (3,693)</u>	<u>\$ 4,603</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>(3,693)</u>	<u>4,603</u>
Total Resources Used to Finance the Net Cost of Operations	<u>\$ 1,501,202</u>	<u>\$ 982,365</u>
NET COST ITEMS THAT DO NOT REQUIRE OR GENERATE RESOURCES IN CURRENT PERIOD:		
Increases in Unfunded Liability Estimates	\$ 2,558,615	\$ 989,652
Components Not Requiring or Generating Resources:		
Depreciation and Amortization of Investment Premiums and Discounts	(769,535)	(186,239)
Revaluation of Assets and Liabilities	<u>(26)</u>	<u>(15)</u>
Total Components Not Requiring or Generating Resources	<u>(769,561)</u>	<u>(186,254)</u>
Total Net Cost Items That Do Not Require or Generate Resources in Current Period	<u>1,789,054</u>	<u>803,398</u>
NET COST OF OPERATIONS	<u>\$ 3,290,256</u>	<u>\$ 1,785,763</u>

**UNITED STATES DEPARTMENT OF ENERGY
NUCLEAR WASTE FUND**

Other Information - Schedule I
Schedule of Cumulative Net First and Second Repository Costs for the
Thirty Five Years Ended September 30, 2017 – **(Unaudited)**

(Dollars in thousands unless otherwise noted)

First Repository Costs	<u>\$ 7,515,738</u>
All Other Program Costs:	
Program Support	2,180,186
Transfers of Appropriations	674,297
Waste Acceptance, Storage and Transportation	775,634
Imputed and Other Costs	<u>152,506</u>
Total All Other Program Costs	<u>3,782,623</u>
Second Repository Costs	<u>108,896</u>
Total First and Second Repository Costs and Other Program Costs	11,407,257
Less Eamed Revenue	<u>(11,388,721)</u>
Cumulative Net First and Second Repository Costs	<u>\$ 18,536</u>

**UNITED STATES DEPARTMENT OF ENERGY
NUCLEAR WASTE FUND**

Other Information - Schedule II
Schedule of Cumulative Billings and Interest and Deferred Revenue as of and for the
Thirty Five Years Ended September 30, 2017 – **(Unaudited)**

(Dollars in thousands unless otherwise noted)

Intragovernmental:	
Fees billed:	
kWh fees	\$ 996,143
One-time spent nuclear fuel fees	174,598
Defense high-level waste fees	3,757,259
Interest:	
Income on investments	23,143,152
Non-intragovernmental:	
Fees billed:	
kWh fees:	18,308,083
One-time spent nuclear fuel fees	2,174,802
Interest:	
One-time spent nuclear fuel fees	2,419,538
Other billings	<u>707,582</u>
Total billings and interest	51,681,157
Less earned revenue	<u>(11,388,721)</u>
Deferred revenue	<u>\$ 40,292,436</u>

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