



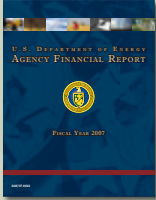
U.S. DEPARTMENT OF ENERGY HIGHLIGHTS



FISCAL YEAR 2007

— Foreword —

The *Reports Consolidation Act of 2000* authorizes Federal agencies to consolidate various reports in order to provide performance, financial and related information in a more meaningful and useful format. In accordance with the Act, the Department of Energy (Department or DOE), in previous years, has produced a Performance and Accountability Report (PAR). For FY 2007, the Department has chosen to produce an alternative report to the consolidated PAR and to participate in the FY 2007 pilot pursuant to the Office of Management and Budget's (OMB) Circular A-136. The Department's FY 2007 pilot reporting includes the following three components and all are available at the website below:



Agency Financial Report (AFR) [available November 15, 2007]

The AFR is organized by the following three major sections: the Management's Discussion and Analysis section provides executive-level information on the Department's history, mission, organization, key activities within five strategic themes, analysis of financial statements, systems, controls and legal compliance and other challenges facing the Department; the Financial Results section provides a Message from the Chief Financial Officer, the Department's consolidated and combined financial statements and the Auditors' Report; the Other Accompanying Information section provides the Inspector General's Management and Performance Challenges, Improper Payments Information Act Reporting Details and other statutory reporting.



Annual Performance Report (APR) [available February 4, 2008]

The APR provides detailed performance information and descriptions of results by each performance measure, and will be transmitted with the FY 2009 Congressional Budget submission.



Highlights [available February 1, 2008]

This document summarizes the Department's financial and performance information from the AFR and APR using a forward-looking perspective.

Our Mission —————

DISCOVERING THE SOLUTIONS TO POWER
AND SECURE AMERICA'S FUTURE

Our Vision —————

A UNIFIED DEPARTMENT OF ENERGY
THAT KEEPS ITS COMMITMENTS
TO ACHIEVE RESULTS FOR AMERICA

All pilot reporting components are available at
www.cfo.doe.gov/cf1-2/2007parpilot.htm

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— Message from the Secretary —



I am pleased to present the Department of Energy's fiscal year 2007 Highlights Report. This report is being issued in conjunction with the submission to Congress of the Department's fiscal year 2009 budget request in February 2008.

This past year was exciting for the Department because it was our first under the Department's new strategic plan. This plan provides the roadmap to address the energy, environmental and nuclear security challenges before us. I am very proud of the work we have accomplished for the American public. Each day, we are working toward our mission of "Discovering the solutions to power and secure America's future."

The Department's strategic themes – *Energy Security, Nuclear Security, Scientific Discovery and Innovation, Environmental Responsibility* and *Management Excellence* – serve as the basic guide for us to address the Nation's energy, environmental, and nuclear security challenges through the Department's scientific discovery and innovation initiatives.

Energy Security

The Advanced Energy Initiative aims to increase investment in clean energy sources that will help transform how we fuel our vehicles and power our homes and businesses. To that end, the Department is focused on diversifying America's energy supply, improving our energy efficiency and expanding supplies of clean energy. We are emphasizing technologies with the potential to reduce our growing reliance on oil imports and to produce clean electricity with reduced emissions. Over the past five years, the U.S. solar and wind energy industries have seen explosive growth. In fiscal year 2007, an additional 3,000 megawatts of wind and approximately 200 megawatts of solar capacity were installed in the United States. This newly installed capacity can power 850,000 households and will avert seven million tons of carbon dioxide emissions that might otherwise have been produced from traditional power sources.

Nuclear Security

With the ever present threat of terrorism, security of the nuclear weapons and materials around the world has never been more important. The Department maintains and enhances the safety, security, reliability and performance of the U.S. nuclear weapons stockpile in support of Department of Defense requirements. A significant challenge to the Department is providing a responsive nuclear weapons infrastructure that is smaller, safer, more secure and reliable, and more responsive to changing technical, geopolitical and military requirements. The Department continues to strengthen innovative programs around the world to address nonproliferation priorities and combat global nuclear terrorism. As a direct result of this effort, the Department has worked with Russia to convert more than 300 metric tons of former Soviet weapons highly enriched uranium to low-enriched uranium for use in U.S. nuclear power plants.

Scientific Discovery and Innovation

Developing revolutionary, science-driven technology is at the heart of the Department's mission. Investing in science is vital to sustaining our economic position in the world. Estimates are that half of the growth in the U.S. economy in the last 50 years had a grounding in Federal funding of scientific and technological innovation. American taxpayers have received great value for their investment in the basic research sponsored by the Department. To ensure that America remains at the forefront in an increasingly competitive world, the Department is pursuing new transformational technologies in the cutting-edge scientific fields of the 21st century – areas like nanotechnology, materials science, biotechnology and high-speed computing. President Bush's American Competitiveness Initiative commits to doubling the Federal investment in the most critical basic research programs in the physical sciences over the next ten years. In fiscal year 2007, the Department launched three new Bioenergy Research Centers, which will address inherently interdisciplinary scientific

problems requiring scientific expertise and technological capabilities that span the physical and biological sciences. Some of the activities these Centers will be focused on include genomics, microbial and plant biology, analytical chemistry, computational biology and bioinformatics, and engineering.

Environmental Responsibility

The Department is ensuring the protection of human health and the environment by cleaning up Cold War legacy waste and working to establish a national permanent nuclear waste repository at Yucca Mountain, Nevada. Like many of the Department's major programs, the environmental cleanup and the nuclear waste repository programs have undergone management and programmatic reforms, resulting in improvements in operational effectiveness and efficiency. By the end of fiscal year 2007, the Department completed cleanup at 86 of its 108 Cold War legacy waste sites, a significant achievement. However, the remaining large sites, Savannah River, Idaho National Laboratory, Portsmouth, Paducah, Oak Ridge and Hanford, present enormous challenges to the Department.

Management Excellence

By 2010, over a quarter of the Department's current workforce will be eligible to retire. Nuclear and electrical engineers, contract and program managers, and human resource specialists are critical to the continued success of the Department's programs. To help attract the brightest and most driven employees, the Department adopted a new 5-year Human Capital Management Strategic Plan. This plan, comprised of 43 programs and initiatives, will enhance productivity and accountability and assure the Department has the right people with the right skills and the right jobs to accomplish its mission.

Financial and Program Performance Data

The independent public accounting firm KPMG LLP, conducted an audit of the Department's fiscal year 2007 financial statements contained in this report. Based on the results of that audit, I am very proud to announce that the Department has received an unqualified audit opinion. The Department has worked extremely hard during the last three years to overcome several financial and accounting challenges and can now demonstrate the results of our promise to provide effective stewardship over the public funds entrusted to us by the American people. The Department has also taken actions to strengthen controls and reporting processes for performance data. Based on our internal evaluations, I can provide reasonable assurance that the financial and performance information contained in this report is complete and reliable, and accurately describes the results achieved by the Department.

Conclusion

The Department is committed to making a positive difference in the lives of all Americans. We recognize the importance of our work to the country's economic, environmental, and national security and embrace our role in powering and securing America's future.



Samuel W. Bodman
February 1, 2008



— Strategic Themes and Goals —

STRATEGIC THEME 1 page 6

ENERGY SECURITY

Promoting America's energy security through reliable, clean, and affordable energy

- GOAL 1.1 ENERGY DIVERSITY
- GOAL 1.2 ENVIRONMENTAL IMPACTS OF ENERGY
- GOAL 1.3 ENERGY INFRASTRUCTURE
- GOAL 1.4 ENERGY PRODUCTIVITY

STRATEGIC THEME 2 page 8

NUCLEAR SECURITY

Ensuring America's nuclear security

- GOAL 2.1 NUCLEAR DETERRENT
- GOAL 2.2 WEAPONS OF MASS DESTRUCTION
- GOAL 2.3 NUCLEAR PROPULSION PLANTS

STRATEGIC THEME 3 page 9

SCIENTIFIC DISCOVERY AND INNOVATION

Strengthening U.S. scientific discovery, economic competitiveness, and improving quality of life through innovations in science and technology

- GOAL 3.1 SCIENTIFIC BREAKTHROUGHS
- GOAL 3.2 FOUNDATIONS OF SCIENCE
- GOAL 3.3 RESEARCH INTEGRATION

STRATEGIC THEME 4 page 11

ENVIRONMENTAL RESPONSIBILITY

Protecting the environment by providing a responsible resolution to the environmental legacy of nuclear weapons production

- GOAL 4.1 ENVIRONMENTAL CLEANUP
- GOAL 4.2 MANAGING THE LEGACY

STRATEGIC THEME 5 page 12

MANAGEMENT EXCELLENCE

Enabling the mission through sound management

- GOAL 5.1 INTEGRATED MANAGEMENT
- GOAL 5.2 HUMAN CAPITAL
- GOAL 5.3 INFRASTRUCTURE
- GOAL 5.4 RESOURCES

DOE by the Numbers

\$32,052,000,000

FY 2007 budgetary resources (obligations incurred)

388

Number of patents in FY 2007 resulting from DOE-sponsored research and development

86

Number of Nobel Laureates affiliated with DOE and predecessor agencies

727,000,000

Barrels of current capacity in the Strategic Petroleum Reserve

86

Contaminated nuclear weapons manufacturing and testing sites cleaned up by FY 2007 (out of 108 target sites to be completed by 2025)






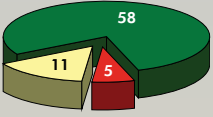
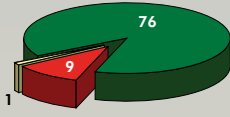
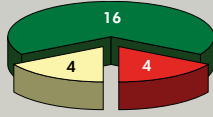
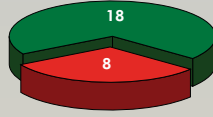

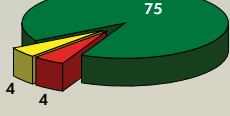
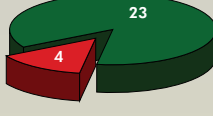
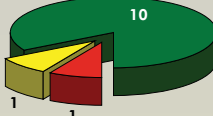
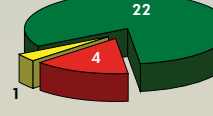
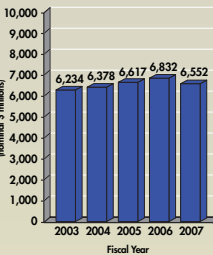
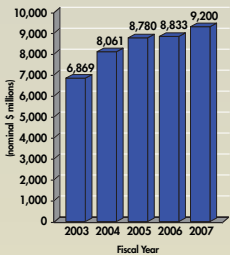
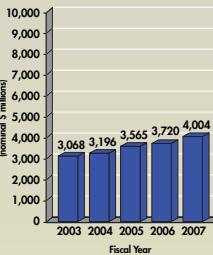
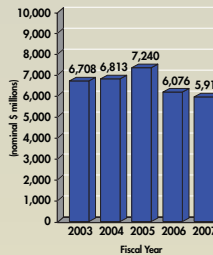
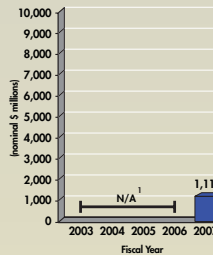
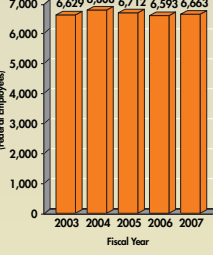
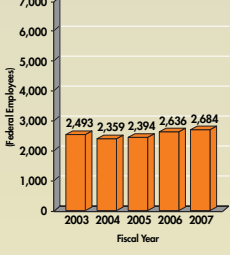
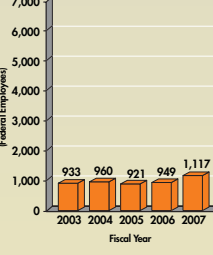
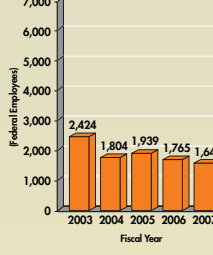
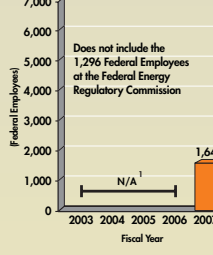
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Number of top 10 computers in the world affiliated with DOE (Top 500 List, November 2007 <http://www.top500.org/list/2007/11/100>)

136,000,000

Cumulative miles of safe, reliable, and militarily effective nuclear propulsion plant operation

— Glance by Themes —

Theme 1: Energy Security	Theme 2: Nuclear Security	Theme 3: Scientific Discovery and Innovation	Theme 4: Environmental Responsibility	Theme 5: Management Excellence
				
Performance (PART) ■ Met ■ Unmet ■ FY 07 performance unknown				
				N/A. PART performance measures do not track management excellence
Performance (Joule) ² ■ Green ■ Yellow ■ Red				
				
Program Costs (nominal \$ millions)				
				
People (Federal Employees)				
				

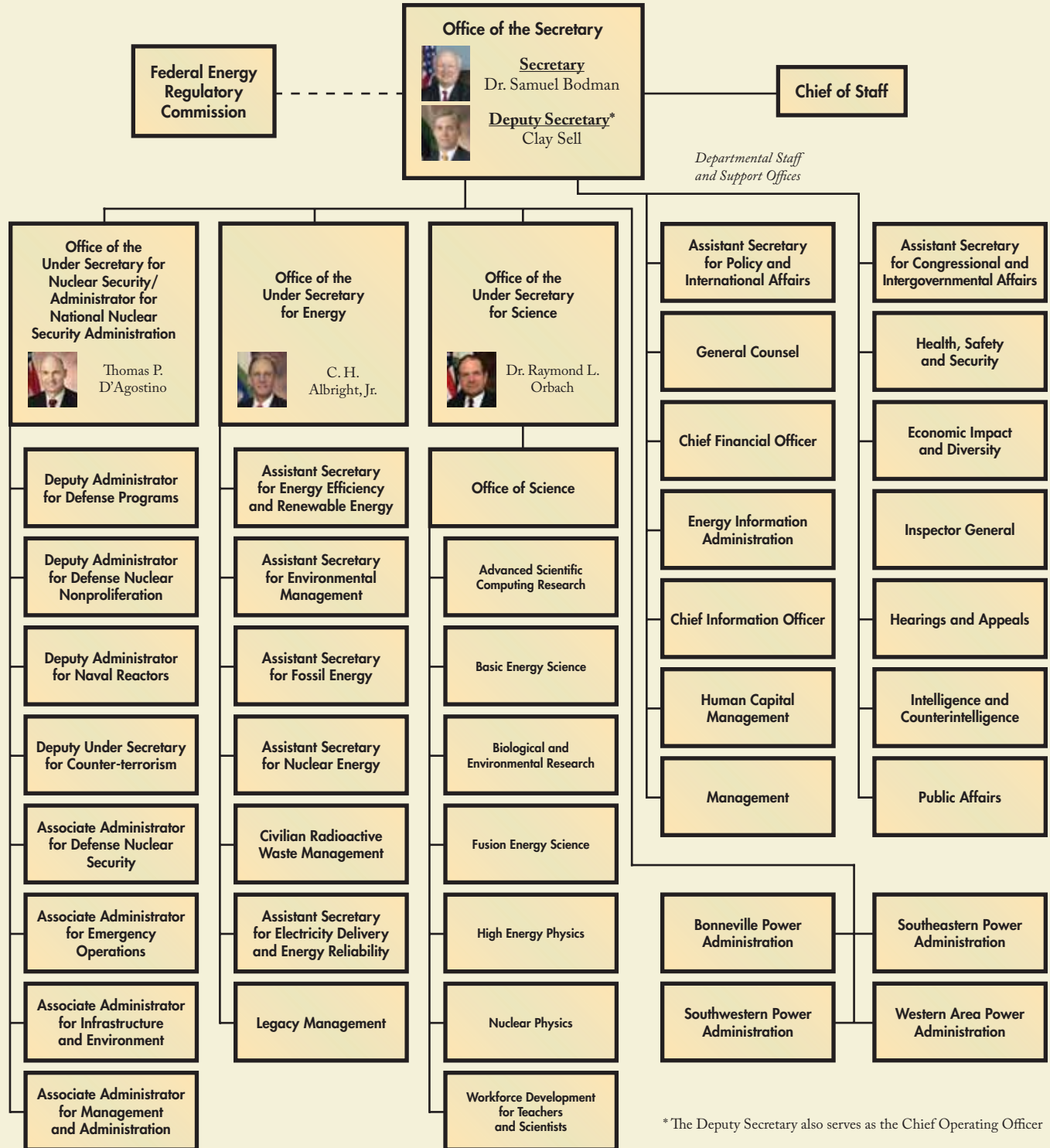
Note: NNSA Department level measures require 90% or more of their targets performing on track before acquiring a "green" status in Joule. NNSA Program level targets must meet 100% to acquire a "green" status.

¹ Management Excellence Theme did not exist in these years.

² In 2007, the Department made a decision for consistency to change the scoring for Joule for both the targets and total programs to Green (90%-100%), Yellow (80%-89%), and Red (79% and below). In order to be transparent, we are noting that in 2006 and prior years, the scoring for Joule targets and programs was as follows: Program goals were scored greater than 90% (green), 80%-89% (yellow), and 79% and below (red); Joule targets were scored 100% (green), 80%-99% (yellow), and 79% and below (red).

— Organization Structure —

DOE at-a-Glance



*The Deputy Secretary also serves as the Chief Operating Officer

— Performance and Accountability Report Card —

Score	Requirement or Initiative	Supporting Indicators																					
G	Government Management Reform Act – Financial Statement Audit	<ul style="list-style-type: none"> Audit Opinion – Unqualified Opinion 																					
G	Federal Managers’ Financial Integrity Act – Internal Controls (Section II) Financial Systems (Section IV)	<ul style="list-style-type: none"> No Material Weakness (Section II) Financial Systems generally conform to (Section IV) requirements and no FISMA significant deficiencies identified. 																					
G	OMB Circular A-123, Appendix A	Implementation: G Remediation: G <ul style="list-style-type: none"> No Material Weakness 																					
G	Federal Financial Management Improvement Act (FFMIA)	<ul style="list-style-type: none"> Substantially comply with Federal financial management system requirements 																					
Y	Federal Information Security Management Act (FISMA)	<ul style="list-style-type: none"> No FISMA significant deficiencies identified, however, annual report identified continued problems (http://ig.energy.gov/documents/IG-0776.pdf) 																					
G	Improper Payments Information Act	<ul style="list-style-type: none"> <1% Erroneous Payment Rate Not Considered Significant Risk by OMB 																					
President’s Management Agenda Scorecard www.Results.gov																							
		<table border="1"> <thead> <tr> <th></th> <th>Current Status as of September 30, 2007</th> <th>Progress in Implementation</th> </tr> </thead> <tbody> <tr> <td>Human Capital</td> <td>G</td> <td>R</td> </tr> <tr> <td>Competitive Sourcing</td> <td>R</td> <td>R</td> </tr> <tr> <td>Financial Performance</td> <td>R</td> <td>G</td> </tr> <tr> <td>E-Government</td> <td>Y</td> <td>Y</td> </tr> <tr> <td>Performance Improvement</td> <td>G</td> <td>Y</td> </tr> <tr> <td>Real Property</td> <td>G</td> <td>Y</td> </tr> </tbody> </table>		Current Status as of September 30, 2007	Progress in Implementation	Human Capital	G	R	Competitive Sourcing	R	R	Financial Performance	R	G	E-Government	Y	Y	Performance Improvement	G	Y	Real Property	G	Y
	Current Status as of September 30, 2007	Progress in Implementation																					
Human Capital	G	R																					
Competitive Sourcing	R	R																					
Financial Performance	R	G																					
E-Government	Y	Y																					
Performance Improvement	G	Y																					
Real Property	G	Y																					
	Green (G): Implementation is proceeding according to plan. Yellow (Y): Some slippage or other issue(s) requiring adjustment. Red (R): Initiative in serious jeopardy absent significant management intervention.																						
	Joule Performance Results	Score																					
	Theme 1: Energy Security	G																					
	Theme 2: Nuclear Security	G																					
	Theme 3: Scientific Discovery and Innovation	Y																					
	Theme 4: Environmental Responsibility	G																					
	Theme 5: Management Excellence	G																					

Performance Highlights

H I G H L I G H T S

— Performance Measure Scorecard —

Strategic Themes (90% & Above)	Program Costs ¹		GPRA Unit Performance Goals (90% & Above to get to green)	FY 2007 Budgetary Expenditures ² Incurred	Green	Yellow	Red	
	FY 2007	FY 2006						
1) Energy Security	\$6,552	\$6,825	1.1.1 — HYDROGEN/FUEL CELL TECHNOLOGIES	G	\$36	7	0	0
			1.1.2 — VEHICLES TECHNOLOGIES	G	\$173	5	0	0
			1.1.3 — SOLAR ENERGY	G	\$315	4	0	0
			1.1.4 — WIND ENERGY	G	\$27	3	1	0
			1.1.5 — GEOTHERMAL TECHNOLOGY	G	\$9	2	0	0
			1.1.6 — BIOMASS AND BIREFINERY SYSTEMS R&D	G	\$87	5	0	0
			1.1.7 — DEMP/FEPM	G	\$15	2	0	0
			1.1.9 — NATURAL GAS TECHNOLOGY	G	\$28	1	0	0
			1.1.11 — PETROLEUM RESERVES	G	\$218	2	0	0
			1.1.12 — ENERGY INFORMATION ADMINISTRATION	G	\$90	2	0	0
			1.2.8 — NEAR-ZERO EMISSIONS COAL-BASED ELECTRICITY & HYDROGEN PRODUCTION	G	\$334	8	0	0
			1.2.14 — DEVELOP NEW NUCLEAR GENERATION TECHNOLOGIES	G	\$276	5	0	0
			1.2.15 — MAINTAIN AND ENHANCE NATIONAL NUCLEAR INFRASTRUCTURE	G	\$201	3	0	0
			1.3.16 — ELECTRIC TRANSMISSION AND DISTRIBUTION	G	\$138	5	0	0
			1.3.17 — WESTERN AREA POWER ADMINISTRATION	G	\$702	3	0	0
			1.3.18 — BONNEVILLE POWER ADMINISTRATION	G	\$2,768	3	0	0
			1.3.19 — INDUSTRIAL TECHNOLOGIES	G	\$47	3	0	0
			1.3.23 — SOUTHEASTERN POWER ADMINISTRATION	G	\$70	2	0	0
			1.3.24 — SOUTHWESTERN POWER ADMINISTRATION	G	\$41	5	0	0
			1.4.20 — BUILDING TECHNOLOGIES	G	\$78	5	1	0
1.4.21 — WEATHERIZATION	G	\$280	2	0	0			
1.4.22 — STATE ENERGY PROGRAMS	G	\$62	2	0	0			
TOTAL					\$5,995	79	2	0
2) Nuclear Security ³	\$9,200	\$8,831	2.0.25 — OFFICE OF THE ADMINISTRATOR	G	0	0	1	0
			2.1.26 — DIRECTED STOCKPILE WORK	G	\$1,374	3	0	2
			2.1.27 — SCIENCE CAMPAIGN	G	\$277	6	0	0
			2.1.28 — ENGINEERING CAMPAIGN	G	\$207	5	0	0
			2.1.29 — INERTIAL CONFINEMENT FUSION IGNITION AND HIGH YIELD CAMPAIGN	G	\$539	4	0	1
			2.1.30 — ADVANCED SIMULATION AND COMPUTING CAMPAIGN	G	\$557	5	0	0
			2.1.31 — PIT MANUFACTURING AND CERTIFICATION CAMPAIGN	G	\$234	4	0	0
			2.1.32 — READINESS CAMPAIGN	G	\$257	4	0	0
			2.1.33 — READINESS IN TECHNICAL BASE AND FACILITIES	G	\$1,623	4	0	0
			2.1.34 — SECURE TRANSPORTATION ASSET	G	\$202	3	2	0
			2.1.35 — NUCLEAR WEAPONS INCIDENT RESPONSE	G	\$62	1	0	0
			2.1.36 — FACILITIES AND INFRASTRUCTURE RECAPITALIZATION PROGRAM	G	\$139	3	0	0
			2.1.37 — SAFEGUARDS AND SECURITY	G	\$736	3	0	0
			2.2.39 — NON PROLIFERATION AND VERIFICATION R&D	G	\$288	6	0	0
			2.2.40 — ELIMINATION OF WEAPONS-GRADE PLUTONIUM PRODUCTION	G	\$225	3	0	0
			2.2.41 — NONPROLIFERATION AND INTERNATIONAL SECURITY	G	\$205	5	0	0
			2.2.42 — INTERNATIONAL NUCLEAR MATERIALS PROTECTION AND COOPERATION	Y	\$416	3	1	0
2.2.43 — FISSILE MATERIALS DISPOSITION	G	\$389	3	0	0			
2.2.44 — GLOBAL THREAT REDUCTION INITIATIVE (GTRI)	G	\$8	4	0	1			
2.3.45 — NAVAL REACTORS	G	\$790	6	0	0			
TOTAL					\$8,528	75	4	4
3) Scientific Discovery & Innovation	\$4,004	\$3,734	3.1/2.46 — HIGH ENERGY PHYSICS	R	\$724	4	0	1
			3.1/2.47 — NUCLEAR PHYSICS	G	\$406	4	0	0
			3.1/2.48 — BIOLOGICAL AND ENVIRONMENTAL RESEARCH	Y	\$519	6	0	1
			3.1/2.49 — FUSION ENERGY	R	\$292	3	0	1
			3.1/2.50 — BASIC ENERGY SCIENCES	R	\$1,234	3	0	1
			3.1/2.51 — ADVANCE SCIENTIFIC COMPUTING RESEARCH	G	\$251	2	0	0
3.3.52 — RESEARCH INTEGRATION	G	0	1	0	0			
TOTAL					\$3,426	23	0	4
4) Environmental Management	\$5,918	\$6,069	4.1.53 — ENVIRONMENTAL MANAGEMENT	G	\$6,607	5	1	0
			4.2.54 — NUCLEAR WASTE DISPOSAL	G	\$566	3	0	1
			4.2.55 — LEGACY MANAGEMENT	G	\$58	2	0	0
TOTAL					\$7,231	10	1	1
5) Management Excellence	\$690	\$653	5.0.1 — CHIEF INFORMATION OFFICER					
			5.0.2 — CONGRESSIONAL AND INTERGOVERNMENTAL AFFAIRS					
			5.0.3 — OFFICE OF MANAGEMENT					
			5.0.4 — OFFICE OF HEARING AND APPEALS					
			5.0.5 — ECONOMIC DIVERSITY					
			5.0.6 — HEALTH, SAFETY AND SECURITY					
			5.0.7 — POLICY AND INTERNATIONAL AFFAIRS					
			5.0.8 — INSPECTOR GENERAL					
			5.0.9 — HUMAN CAPITAL MANAGEMENT					
			5.0.10 — PUBLIC AFFAIRS					
			5.0.11 — GENERAL COUNSEL					
			5.0.12 — OFFICE OF THE CHIEF FINANCIAL OFFICER					

¹ Program Costs are taken from the Department Consolidated Statements of net cost.

² Includes capital expenditures, but excludes such items as depreciation, changes in unfunded liability estimates and certain other non-fund costs, and allocations of Departmental administration activities.

³ NNSA Department level measures require 90% or more of their targets performing on track before acquiring a "green" status in Joule, NNSA Program level targets must meet 100% to acquire a "green" status.

Note1: In 2007, the Department made a decision for consistency to change the scoring for Joule for both the targets and total programs to Green (90%-100%), Yellow (80%-89%), and Red (79% and below).

In order to be transparent, we are noting that in 2006 and prior years, the scoring for Joule targets and programs was as follows: Program goals were scored greater than 90% (green), 80%-89% (yellow), and 79% and below (red); Joule targets were scored 100% (green), 80%-99% (yellow), and 79% and below (red).

Note2: All dollars are in millions.

Note3: Management Excellence programs are not GPRA Units

— Results —

STRATEGIC THEME 1

ENERGY SECURITY

Promoting America's energy security through reliable, clean, and affordable energy

GOAL 1.1 ENERGY DIVERSITY: Increase our energy options and reduce dependence on oil, thereby reducing vulnerability to disruptions and increasing the flexibility of the market to meet U.S. needs.

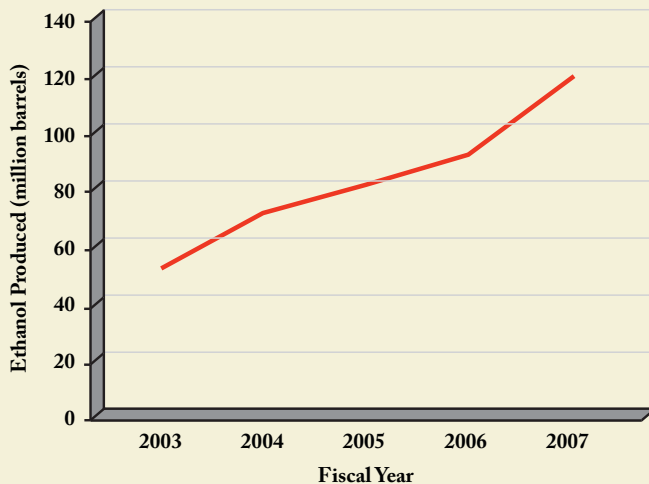
GOAL 1.2 ENVIRONMENTAL IMPACTS OF ENERGY: Improve the quality of the environment by reducing greenhouse gas emissions and environmental impacts to land, water, and air from energy production and use.

GOAL 1.3 ENERGY INFRASTRUCTURE: Create a more flexible, more reliable, and higher capacity U.S. energy infrastructure.

GOAL 1.4 ENERGY PRODUCTIVITY: Cost-effectively improve the energy efficiency of the U.S. economy.

Energy is the vital force powering business, manufacturing, and the transportation of goods and services to serve the American and world economies. Energy supply and demand plays an increasingly vital role in our national security and the economic output of our nation.

Annual U.S. Ethanol Production



US ethanol production has grown at a rapid pace, but to continue to increase the use of ethanol, we must find economic ways of making ethanol from crops other than corn. The Department's research on starch- and cellulosic-derived (i.e., not based on corn) ethanol production and its work to assess the potential of sustainable biomass feedstocks combined with private sector support, has reduced the cost of key inputs to cellulosic ethanol by nearly 50% since 2000, which contributed to this growth and the displacement of roughly 2.4 billion gallons of gasoline.

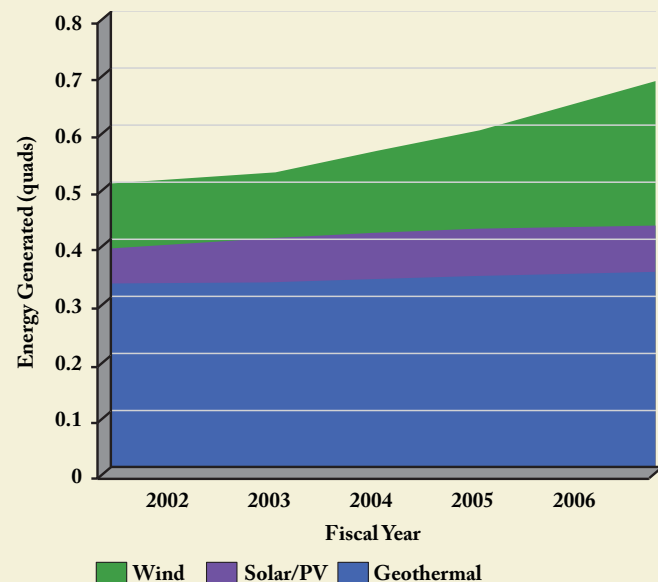
It is not surprising that the United States spends over \$500 billion dollars annually on energy.

The Advanced Energy Initiative (AEI) aims to set us more clearly on the path to ending our reliance on the petroleum economy and establishing greater energy security. Its intent is to enable commercial frameworks and free enterprise to accelerate the development of new technologies. AEI looks to replace gasoline with electricity, ethanol and hydrogen which could dramatically reduce future oil use and increase our ability to develop clean, affordable and domestically produced energy sources. One of the major components of AEI is the expansion of nuclear power. The Department is encouraging industry deployment of advanced nuclear power plants and developing next generation nuclear technologies.

Significant FY 2007 Accomplishments

Solar Technologies ⇨ Solar technologies use light from the sun to generate electricity or heat water and buildings. DOE made funding available for research, development, and technology acceptance activities to increase the use of solar power to advance clean, renewable energy technologies.

Annual Renewable Energy Production



DOE R&D has helped fuel growth of renewable energy, particularly for solar and wind energy, which in 2006 produced 6% and 45% more energy, respectively, over the previous year. In 2007, the Department, in partnership with the private sector, achieved record breaking concentrating solar power conversion efficiency of 40.7 percent, as well as made numerous awards to launch programs for Technology Pathway Partnerships, PV incubators, and Solar America Cities. The U.S. wind-power industry grew in size by 45 percent last year, adding a record 5,244 megawatts of capacity that amounted to a third of all new generating capacity built in the U.S. in 2007.

Wind Technology ⇨ The Wind Program made significant advances in several areas including selection of two partners to build significantly larger testing facilities (essential to reducing the technical and financial risk of deploying mass-produced wind turbine blades); and the Skystream 1.7 kW wind turbine (the first residential turbine designed for suburban environments), wind program cost goal (per 2009 CJ) is by 2012, achieve modeled cost of energy from large wind systems in class 4 winds to \$0.36/kWh for land-based systems.

Vehicle Technologies ⇨ Improved battery technology and hybrid electric vehicles have the potential to transform America's cars and trucks. DOE significantly increased focus on plug-in hybrid electric vehicles and initiated new research into motors, batteries, and power electronics as well as vehicle demonstration activities. The Department verified achievement of the FreedomCAR Partnership goal of 42 percent peak brake efficiency, a 40 percent improvement over an equivalent conventional gasoline engine. Advances in alternative vehicles and fuels offer the potential to significantly reduce oil consumption.

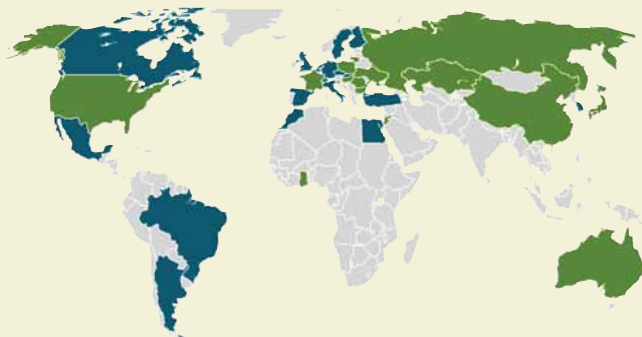
Hydrogen Technologies ⇨ Researchers have identified material systems with potential to store three times more hydrogen by weight compared to 2003, which will improve the driving range of hydrogen fuel cell vehicles. Researchers have also doubled fuel cell durability in the last two to three years and have identified promising approaches to meet the 150,000 mile fuel cell and vehicle durability goal by 2015. The program also demonstrated 14 hydrogen refueling stations and

77 fuel cell vehicles with a driving range of about 100 to 190 miles and durability of about 48,000 miles.

Clean Coal ⇨ Coal is America's most abundant fossil energy resource. To ensure the viability of coal power in the future and improve the country's options for electricity generation, emissions of carbon dioxide, particulates, and other pollutants from burning coal must be reduced sharply. DOE assisted the Department of the Treasury with the award of \$1 billion in federal tax incentives to nine companies to bring about rapid deployment of advanced coal-based power generation and gasification technologies. Researchers continue to develop technology capable of addressing air emissions concerns associated with coal use.

Nuclear Power 2010 ⇨ NP 2010 is a cost-shared program with industry that is focused on reducing the technical, regulatory and institutional barriers to deployment of new nuclear power plants. In March 2007, the Nuclear Regulatory Commission approved two Early Site Permit applications from industry partners, paving the way for the industry submission of the Construction and Operating License (COL) application to NRC in early FY 2008.

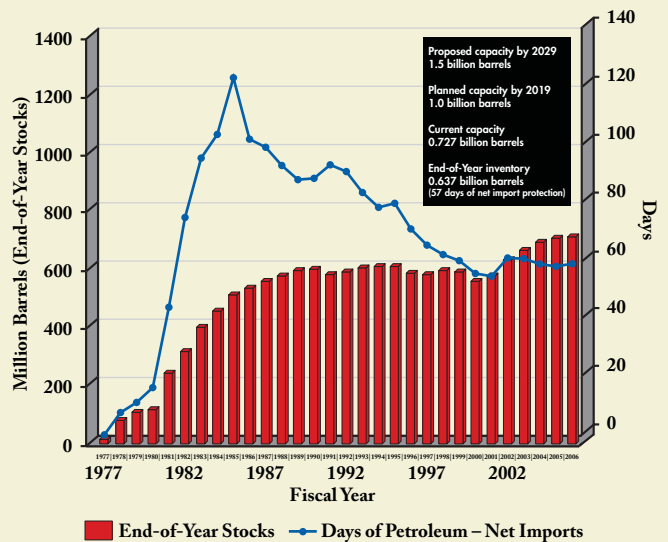
Global Nuclear Energy Partnership



- GNEP Partners – Australia, Bulgaria, China, France, Ghana, Hungary, Japan, Jordan, Kazakhstan, Lithuania, Poland, Romania, Russia, Slovenia, Ukraine, United States.
- Attending Candidate Partner and Observer Countries – Argentina, Belgium, Brazil, Canada, Czech Republic, Egypt, Finland, Germany, Italy, Mexico, Morocco, Netherlands, Slovakia, Spain, South Korea, Sweden, Switzerland, Turkey, United Kingdom.
- GNEP Observers – International Atomic Energy Agency (IAEA), Generation IV International Forum (GIF), Euratom.

In 2007, the Department continued to support the development of nuclear energy through the Global Nuclear Energy Partnership (GNEP). In September, the United States joined 15 other countries in signing the GNEP "Statement of Principles," which addresses the global expansion of nuclear energy in a safe and secure manner that promotes nuclear nonproliferation and facilitates nuclear waste disposal. In support of the Statement of Principles, the U.S. signed Bilateral Nuclear Energy Action Plans with Japan and Russia.

Strategic Petroleum Reserve – (Stocks and Capacity)



As announced by the President in the State of the Union address on January 23, 2007, "to further protect America against disruptions to our oil supply," the Department submitted plans to Congress in June 2007 to more than double the capacity of the Strategic Petroleum Reserve to 1.5 billion barrels by 2029. This chart shows the historic Strategic Petroleum Reserves stocks and capacity, as well as the proposed capacity levels.

Industrial Technologies ⇨ Industry uses more than one-third of all the energy used in the United States. Industrial technology works to improve the energy intensity of U.S. industry through coordinated research and development, validation, and dissemination of innovative energy efficiency technologies and practices. Energy assessments completed to date have identified significant potential energy cost savings.

New ITP and industry co-funded technologies, ranging from innovations in aluminum and glass melting to nano-crystalline diamond coatings, had major commercial sales activities could produce energy savings of nearly 140 trillion Btus in 2020. R&D activities in this Program won three R&D 100 awards in 2007.

Buildings ⇨ In the US, one-third of total energy consumed, and two-thirds of electricity demand, is used in the daily operations of buildings, including heating, air-conditioning, and lighting. Most buildings could have significant energy efficiency improvements. The Department advanced its efficiency standards rulemaking schedule by completing rules for Distribution Transformers and Residential Furnaces and Boilers. The Department also upgraded three Energy Star criteria (clothes washers, dishwashers, and refrigerators and freezers) and supported solid-state lighting research which demonstrated record power efficiency and improved color rendering.

Federal Energy Management Program ⇨ DOE's Federal Energy Management Program (FEMP) helps Federal agencies to develop plans to reduce their energy consumption by making buildings and operations more energy efficient. Reduced energy consumption reduces the taxpayer's cost to operate the federal government, as well as demonstrating leadership in reducing greenhouse gas emissions through energy efficiency. FEMP has helped Federal agencies save an estimated 23.0 trillion Btu in facilities compared to 2003. The program helped Federal agencies obtain nearly seven percent of their energy use from renewable energy sources in 2006, surpassing the Federal 2.5 percent goal, and established 30 percent better building codes for Federal buildings.

Energy Savings Performance Contracts (ESPC) ⇨ ESPCs allow private contractors to make energy saving improvements and install renewable energy technologies. The contractors are paid by the cost savings of the improvements; therefore, there is no up front cost to the improvements. DOE performance contracts resulted in over \$140 million in total private investment in energy savings.

Electricity Delivery and Energy Reliability ⇨ In FY 2007, the Department provided several contributions to enable a flexible, reliable, and higher capacity energy infrastructure by teaming with industry and utilities. The Department led interdepartmental efforts to expand and secure the energy infrastructure and reduce electric transmission congestion in accord with the Energy Policy Act of 2005. In May 2007, the Department issued its first energy sector specific plan in support of the national infrastructure protection plan. On October 2, 2007, DOE issued an order, in accordance with section 216(a) of the Federal Power Act, for two National Interest Electric Transmission Corridor (National Corridor) designations. The Department also continues to sponsor record-breaking research in the areas of superconductivity, energy storage, and power electronics. For example, with our industrial partners, superconducting cable systems have been operating at Albany, New York (350m cable system) for over 6,700 hours; a second demonstration project has been energized in Columbus, Ohio (30m cable system) for over 4,000 hours.

These superconducting cable demonstration projects will help the deployment of this advanced technology to make America's electricity grid more efficient and reliable.

Biofuels ⇨ DOE accelerated cellulosic ethanol production cost reduction through research, development, and demonstration activities, and established Regional Feedstock Partnerships in five regions throughout the U.S. to address the availability of sustainable biomass feedstocks for future biorefineries. So far, the Department's research and development have helped reduce the cost of producing a fermentable stream of cellulosic biomass by 40 percent from 2000-2007.

FY 2007 Shortfalls

In FY 2007 the Department was able to achieve 98 percent of its performance measure targets in the area of Energy Security. We did not meet two percent of our targets, and these were related to Wind-Technology Acceptance and Buildings-Appliance Standards. The Department has a path forward to improve performance in FY 2008:

- **Wind Technology Acceptance:** In 2008, the Department will increase the number of states with 100 MW installed wind to 22, up from 16 in FY 2007.
- **Buildings-Appliance Standards:** Performance shortfall has already been resolved in FY 08, by the publishing of the Final Rule for Energy Conservation Standards for Residential Furnaces and Boilers on November 19, 2007.

STRATEGIC THEME 2

NUCLEAR SECURITY

Ensuring America's nuclear security

GOAL 2.1 NUCLEAR DETERRENT: Transform the Nation's nuclear weapons stockpile and supporting infrastructure to be more responsive to the threats of the 21st Century.

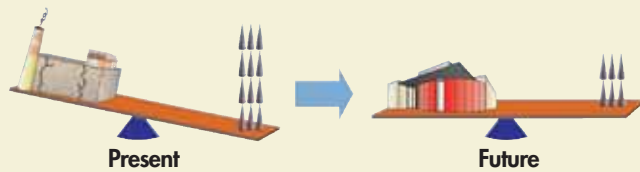
GOAL 2.2 WEAPONS OF MASS DESTRUCTION: Prevent the acquisition of nuclear and radiological materials for use in weapons of mass destruction and in other acts of terrorism.

GOAL 2.3 NUCLEAR PROPULSION PLANTS: Provide safe, militarily-effective nuclear propulsion plants to the U.S. Navy.

The Department has three overriding National Security priorities: insuring the integrity and safety of the country's nuclear weapons; promoting international nuclear safety and advancing nuclear non-proliferation; and, continuing to provide safe and effective nuclear power plants for the United States Navy. The Department is also laying the foundation for continued improvements by preparing to transform and modernize the country's nuclear weapon's facilities and infrastructure.

Significant FY 2007 Accomplishments

Nuclear Weapons Stockpile ⇔ The Department operates the Nuclear Weapons Complex that maintains the Nation's stockpile of nuclear weapons. The Department's National Nuclear Security Administration (NNSA) continued to improve the performance of the complex by supporting its key list of goals known as "Defense Programs Getting the Job Done." One result of this initiative was increased production "throughput" for assembly and disassembly of weapon parts at the Pantex Plant and Y-12 National Security Complex.



Development of a credible, responsive nuclear weapons infrastructure facilitates a reduction in the size of the stockpile and greater reliance on deterrence by capability.

Material Security In Russia ⇔ In June 2007, the Department's Secretary, Samuel W. Bodman and Russian Federal Atomic Energy Agency (Rosatom) Director, Sergey Kiriyenko completed the fifth Bratislava report for the Bratislava Nuclear Security Cooperation initiative between the two countries. These cooperative efforts helped sustain and maintain security upgrades at Russian nuclear material sites, secure nuclear material during transit to and within Russia, and dispose weapons-usable material in an environmentally sound manner.

Naval Reactors ⇔ The Department provides the U.S. Navy with safe and effective nuclear propulsion plants. By the end of 2007, the Naval Reactors program supported 136 million cumulative miles steamed of safe, reliable, militarily-effective nuclear propulsion plant operations.

Complex Transformation ⇔ The nuclear weapons complex of the future is one that is smaller, more secure, more responsive, and more efficient than the complex is today. Complex Transformation refers to the reconfiguration of the nuclear weapons complex by the year 2030. It includes significant dismantling of retired warheads, consolidating special nuclear materials, eliminating duplicative capabilities, and establishing new capabilities, with associated improvements in its business practices. Transforming to a modernized, cost-effective, nuclear weapons complex is a major federal action requiring completion of a National Environmental Policy Act (NEPA) process. In FY 2007, the Department, through NNSA, issued in the Federal Register a Notice of Intent to prepare an Environmental Impact Statement, which outlined the alternatives being considered in transforming the nuclear weapons complex to better meet future national security requirements.

FY 2007 Shortfalls

In FY 2007 the Department was able to achieve 90 percent of its performance measure targets in the area of Nuclear Security. We did

not meet 10 percent of our targets, and these were related to a Navy submarine warhead Life Extension Program and associated production cost, and the average hours per experiment at the Z Facility. The Department has a path forward to improve performance in FY 2008:

- **W76-1 Life Extension Program:** Our focus is on resolving the special material production issues that contributed to missing the First Production Unit milestone in September 2007, pursuing an alternative material design as a parallel activity, sustaining minimum component production to avoid re-start and requalification, and preserving the authorization basis for assembly and disassembly operations.
- **W76 Warhead Production Costs:** We will continue to reduce production costs through plant yield efficiencies, implementing recommendations from the 2007 Cost Review Report, and using alternative materials in design which lead to lower production cost.
- **Z Facility Experiment:** The time per experiment performance shortfall has already been resolved in FY 2008 by completing facility refurbishment and opening the facility in October 2007 for normal operations.

STRATEGIC THEME 3

SCIENTIFIC DISCOVERY AND INNOVATION

Strengthening U.S. scientific discovery, economic competitiveness, and improving quality of life through innovations in science and technology

GOAL 3.1 SCIENTIFIC BREAKTHROUGHS: Achieve the major scientific discoveries that will drive U.S. competitiveness; inspire America; and revolutionize our approaches to the Nation's energy, national security, and environmental quality challenges.

GOAL 3.2 FOUNDATIONS OF SCIENCE: Deliver the scientific facilities, train the next generation of scientists and engineers, and provide the laboratory capabilities and infrastructure required for U.S. scientific primacy.

GOAL 3.3 RESEARCH INTEGRATION: Integrate basic and applied research to accelerate innovation and to create transformational solutions for energy and other U.S. needs.

The Department supports basic research and technological capabilities that drive scientific discovery and innovation in the U.S. and underpin the Department's mission areas in energy, the environment, and national security. For example, availability of sufficient environmentally friendly energy sources to meet the needs of a rapidly growing and developing world population is one of the biggest challenges America faces today and in the coming decades. Current technologies cannot meet this challenge, and incremental improvements in current technologies will not suffice. We need transformational discoveries, leading to technologies that fundamentally change the rules of the game and that means fundamental scientific breakthroughs enabled by world leading research tools.

The American Competitiveness Initiative (ACI) has strengthened the Nation's scientific discovery and innovation, enabling increased investments in research and development, strengthening education and encouraging entrepreneurship. The Department has opened new facilities that support research in the areas of nanotechnology, bioenergy/biofuels, and fusion energy. In addition, it has enhanced computing facilities to improve the scientific community's ability to stimulate and model experiments that would be impossible to perform in laboratories.

Significant FY 2007 Accomplishments

Nanotechnology ⇨ Nanotechnology is fast growing field where particles on the nanoscale (a nanometer is one billionth of a meter, or 100,000 smaller than a single hair) are engineered to make novel materials that are lighter, stronger, and tougher than previously possible. Four Nanoscale Science Research Centers (NSRCs) became operational in FY 2007 at Argonne, Oak Ridge, Lawrence Berkeley, Los Alamos and Sandia National Laboratories. The NSRCs provide the ability to fabricate complex structures using chemical, biological, and other synthesis techniques; characterize them; assemble them; and integrate them into devices – and do it all in one place. The improvements in the ability to see small objects and observe processes via the NSRCs are crucial to building the world-class nanofabrication and nanomanufacturing capabilities America needs.

Biofuels Systems Biology ⇨ Biofuels are any fuel derived from biomass. Agricultural products specifically grown for conversion to



HIGH PERFORMANCE COMPUTING

DOE and Internet2 announced that the first segment of a next-generation, nationwide network has gone live, marking a key step in upgrading networking services to thousands of researchers across the country and world.



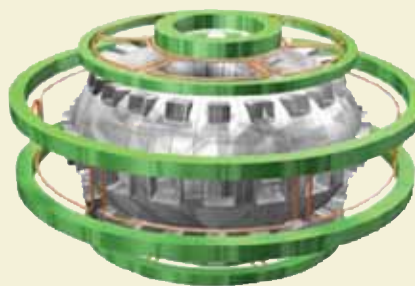
BIOFUELS SYSTEMS BIOLOGY

DOE invested in three new Bioenergy Research Centers, intended to accelerate basic research in the development of cellulosic ethanol and other biofuels.

biofuels including corn and soybeans, and efforts are being made to make cellulosic ethanol, derived from non-food plant materials, cost-competitive. The Department launched three new Bioenergy Research Centers (BRCs) in FY 2007. A major focus for the BRCs will be on understanding how to reengineer biological processes to develop new, more efficient methods for converting the cellulose in plant material into ethanol or other biofuels that serve as a substitute for gasoline.

Fusion Energy ⇨ Fusion produces energy by combining, or fusing, two hydrogen atoms together. Fusion has the potential to provide clean, carbon-free energy for the world's growing electricity needs, on an almost limitless scale. The key challenge is sustaining and containing the 100 million degree-plus fusion reaction on Earth, safely and efficiently. The U.S. is working with China, the European Union, India, Japan, the Republic of Korea and the Russian Federation to build and operate an experimental facility called ITER that demonstrates the scientific and technological feasibility of fusion energy. In FY 2007, the Department continued basic research into the behavior of plasma, or super heated gases, which is the material that comprises our Sun. This research is essential to supporting the international ITER effort, the multinational collaboration to build a large-scale experimental fusion reactor.

High Performance Computing ⇨ The Department is expanding scientific research through advances in applied mathematics, computer science, advanced networking R&D, and through the scientific application of computers capable of many trillions of operations per second



FUSION ENERGY

In cooperation with six international partners, DOE is working to build and operate an experimental facility called ITER that demonstrates the scientific and technological feasibility of fusion energy.



NANOTECHNOLOGY

Four Nanoscale Science Research Centers were operational in 2007, allowing researchers to see small object and processes, a crucial step to building world-class nanomanufacturing capabilities.

(terascale to petascale computers). For example: The Department's Energy Science Network (ESnet) has entered into a long term partnership with Internet 2 to build the next generation optical network infrastructure needed for U.S. science, and the Department has established two Leadership Computing Facilities (LCF) – one at Oak Ridge National Laboratory (ORNL) and one at Argonne National Laboratory (ANL) – which provide researchers with some of the most powerful and fastest computing resources in the world for open science. In FY 2007, the Department increased the use of the primary supercomputer located at the National Energy Research Scientific Computing Center for simulating large-scale problems that has enabled us to answer complex scientific questions sooner - keeping US research on the frontiers of science.

High Energy and Nuclear Physics ⇔ The Department has historically provided the Nation with fundamental knowledge about the laws of nature as they apply to the basic constituents of matter and the forces between them. The investments in high energy and nuclear physics have enabled the U.S. to maintain a leading role in the development of technologies in areas such as nuclear energy, materials, semiconductors, nuclear medicine, and national security, and technologies such as the accelerator technologies leading to high-power x-ray light sources, and advanced imaging techniques have been important to other fields of science. In FY 2007, the Department continued to lead our Nation's efforts in high energy and nuclear physics by ensuring the availability of some of the most complex scientific devices on earth. These devices support researchers working to understand the laws of nature as they apply to the basic constituents of matter and the forces between them.

FY 2007 Shortfalls

In FY 2007 the Department was able to achieve 85 percent of its performance measure targets in the area of Scientific Discovery and Innovation. We did not meet 15 percent of our performance goals associated with four performance measures. The Department has a path forward to improve performance in FY 2008 for these four areas:

The FY 2007 Continuing Resolution caused the Linac Coherent Light Source (LCLS) construction project to experience a significant funding reduction which prevented the LCLS project from achieving its cost and schedule goals. In FY 2008 a new cost and schedule baseline for the LCLS project will be prepared.

The National Compact Stellarator Experiment (NCSX) was unable to meet the currently approved cost and schedule construction baseline in FY 2007. Corrective actions were begun in late FY 2007 and continued into early FY 2008. The results of these corrective actions will be reviewed and a decision whether to rebaseline or cancel the NCSX project will be made by the end of the second quarter in FY 2008.

The Stanford Linear Accelerator (SLAC) B-factory did not deliver the planned amount of data to the BABAR detector. Scheduled improvements in early FY 2008 are expected to improve performance.

Only 97% of the planned number of genome base pairs was sequenced in FY 2007, although cost goal was achieved. The sequencing process is being adjusted to further decrease the cost and increase the number of genome base pairs sequenced in FY 2008.

STRATEGIC THEME 4

ENVIRONMENTAL RESPONSIBILITY

Protecting the environment by providing a responsible resolution to the environmental legacy of nuclear weapons production

GOAL 4.1 ENVIRONMENTAL CLEANUP: Complete cleanup of the contaminated nuclear weapons manufacturing and testing sites across the U.S.

GOAL 4.2 MANAGING THE LEGACY: Manage the Department's post-closure environmental responsibilities and ensure the future protection of human health and the environment.

The management and disposal of high-level radioactive waste and spent nuclear fuel is a key Department initiative to facilitate environmental responsibility. More than 50,000 metric tons of spent nuclear fuel is located at more than 100 above-ground sites in 39 states and every year, U.S. nuclear reactors produce approximately 2,000 metric tons of additional spent fuel. The Department continues to work towards authorization to open Yucca Mountain as the Nation's repository for high-level radioactive waste and spent nuclear fuel. In addition, the Department has completed cleanup at 86 of 108 sites involved with past research, development, production and testing of nuclear weapons.

Significant FY 2007 Accomplishments

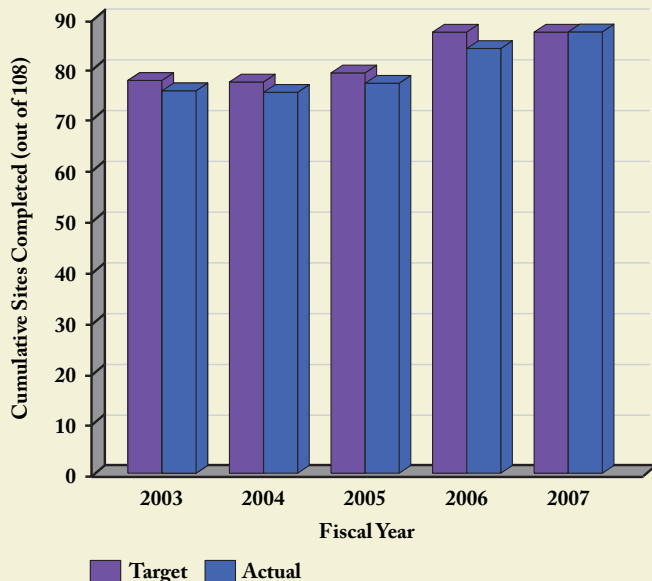
Yucca Mountain ⇔ In addition to submitting proposed legislation to Congress for funding reform, permanent land withdrawal, and other statutory needs of the program, DOE continued to develop the repository's license application to be submitted in 2008, prepared



The Department sent to the U.S. Congress a legislative proposal to enhance the nation's ability to manage and dispose of commercial spent nuclear fuel and Defense high-level radioactive waste. The proposed legislation would facilitate the licensing and construction of the geologic repository and lead to the safe, permanent disposal of spent nuclear fuel and high-level radioactive waste deep within the mountain. Among the various provisions, the proposed legislation would withdraw, permanently from public use, the land at and surrounding the Yucca Mountain repository site in Nevada, and would facilitate Congress's ability to provide adequate funding for the Yucca Mountain Project.

documentary material for certification by the NRC's License Support Network, and completed the Draft Repository Supplemental Environmental Impact Statement (SEIS), and the Draft Nevada Rail Corridor SEIS and Draft Rail Alignment EIS. The Department spent about \$445 million on Yucca Mountain Activities in FY 2007.

Geographic Site Environmental Cleanup



The Department continued progress toward its commitment to clean up the contaminated nuclear weapons manufacturing and testing sites across the country, accepting completion of the Ashtabula, Columbus, and Fernald sites in Ohio and at the Lawrence Berkeley National Laboratory in California.

Post Closures ⇨ The Department's post-closure environmental responsibilities ensure the future protection of human health and the environment. The Department successfully managed environmental remedies at 71 sites during FY 2007. The Department is making significant progress toward completing cleanup of 100 of its 108 contaminated nuclear weapons manufacturing and testing sites by 2025. The Department utilized approximately \$6.1 billion on environmental cleanup activities in FY 2007.

Waste Isolation Pilot Plant ⇨ The Waste Isolation Pilot Plant (WIPP) in Carlsbad, New Mexico, has been certified by the U.S. Environmental Protection Agency for the safe, long term disposal of transuranic (elements with an atomic number greater than uranium) defense-generated waste. WIPP disposes of the transuranic waste far underground, in stable salt beds, far from any population center. In 2007 the Department also marked the completion of its first shipment of remote-handled transuranic waste to the WIPP. This shipment of highly radioactive transuranic waste, combined with other shipments of transuranic waste from Idaho, Savannah River, Los Alamos National Laboratory, and Hanford, continued progress towards accelerating the cleanup of the contaminated sites across the country while reducing risk.

Idaho High Level Waste Tanks ⇨ Activities aimed to safely complete the closure of tanks that were used to store High Level Radioactive Waste, in accordance with regulatory agreements at Idaho National Laboratory, were initiated in FY 2007. Three of the smaller emptied tanks (with a capacity to hold 30,000 gallons) were completely grouted at the end of FY 2007. Activities aimed at completing the grouting of the remaining seven emptied tanks (with a capacity to hold 300,000 gallons) was initiated in FY 2007 and are scheduled to be completed in FY 2008.

FY 2007 Shortfalls

In FY 2007 the Department was able to achieve 92 percent of its performance measure targets in the area of Environmental Responsibility. We did not meet eight percent of our targets, and these were related to Licensing Application for the opening of the Yucca Mountain repository. The Department has a path forward to improve performance in FY 2008:

- **Licensing Application:** DOE is scheduled to submit a high-quality license application to the Nuclear Regulatory Commission in 2008.

STRATEGIC THEME 5

MANAGEMENT EXCELLENCE

Enabling the mission through sound management

GOAL 5.1 INTEGRATED MANAGEMENT: Institute an integrated business management approach throughout DOE with clear roles and responsibilities and accountability to include effective line management oversight by both Federal and contractor organizations.

GOAL 5.2 HUMAN CAPITAL: Ensure that the DOE workforce is capable of meeting the challenges of the 21st Century by attracting, motivating, and retaining a highly skilled and diverse workforce to do the best job.

GOAL 5.3 INFRASTRUCTURE: Build, modernize and maintain facilities and infrastructure to achieve mission goals and ensure a safe and secure workplace.

GOAL 5.4 RESOURCES: Institutionalize a fully integrated resource management strategy that supports mission needs and postures the Department for continuous business process improvement.

The mission of the Department is not only accomplished through the work of the major program offices that support our strategic themes and goals, but it is enabled through various support functions that include financial management, human capital management, information technology, sound legal advice, safeguarding our work places, well maintained infrastructure, Congressional and public liaison, and the implementation of uniform program policies and procedures. In addition, the overall management of the Department is strengthened through the President's

Management Agenda and the Program Assessment Rating Tool (PART). In FY 2007 there were several areas where the Department had significant accomplishment in the area of management excellence.

Significant FY 2007 Accomplishments

Financial Statement Audit Opinion ⇨ The Secretary, Deputy Secretary and the entire senior leadership team recognize the value of accurate and timely financial information for decision making and are committed to ensuring that our annual financial statements fully pass audit scrutiny. Over the past two years, the Department dedicated an immense amount of work to receiving an unqualified “clean” audit opinion on our fiscal year 2007 financial statements. This is the best possible opinion and an upgrade from the qualified opinion issued in fiscal year 2006. The Department accomplished this by correcting the material weakness identified last year regarding controls over the reporting of undelivered orders and by completing an evaluation of its financial management system that concluded the system was found to be in general conformance with governmental financial system requirements and identified no material non-conformances.

Human Capital Management Strategic Plan ⇨ The Department issued a new DOE Human Capital Management Strategic Plan in FY 2007. The DOE Plan demonstrates the progress and ongoing commitment to improving the strategic management of human capital at the Department. The development and implementation of this plan to attract, motivate, and retain a highly skilled and diverse workforce while addressing a huge wave of Federal employee retirements is critical and sets the course for the future vitality of the management of the Department’s complex missions. This plan establishes bold strategies for strategic alignment, recruitment, retention, relocation, diversity, performance integration, and knowledge management at the Department of Energy.

E-Government ⇨ In FY 2007, Department’s Electronic Government (E-Government) Strategy continued to directly support the President’s Management Agenda’s E-Government Initiative and the Federal Lines of Business, as well as the Department’s core mission requirements by evaluating and applying new information technologies, modernizing the Department’s governance, unifying core applications through a secure environment, and simplifying access to energy related government services. These efforts and several others have helped the DOE eliminate redundancies, reduce costs, and increase cyber security across the Department. In FY 2007, notable accomplishments included achieving an Enterprise Architecture Level 4 rating, and submitting a successful Department-wide IT portfolio including 31 major IT investments, none of which were on the OMB management watchlist.

President’s Management Agenda ⇨ In 2001, the President unveiled the President’s Management Agenda (PMA) and challenged the Federal Government to become more efficient, effective, results-oriented and accountable. Over the past six years, the PMA has become the primary framework by which the Department has implemented changes to support the President’s management goals. The PMA reflects the President’s on-going commitment to achieve immediate and measurable results that matter to the American people.

Each agency is held accountable for its performance in carrying out the PMA through quarterly scorecards issued by the OMB. Agencies are scored green, yellow or red on their status in achieving overall goals or long-term criteria, as well as their progress in implementing improvement plans. The Department is scored on six PMA initiatives: five government-wide areas and one agency-specific area. The Department and the OMB consider progress made over the previous year and create a plan for the upcoming year’s PMA-related activities. The plan is used by the Department to guide further management reforms and by the OMB as the baseline for assessing the Department’s quarterly performance. Further information on OMB’s management of the PMA may be found at <http://www.ExpectMore.gov> and <http://www.Results.gov>

FY 2007 saw continuing accomplishments in one of the six PMA areas. Key achievements include:

Initiative and Current Status as of September 30, 2007	Progress in Implementation
HUMAN CAPITAL	R
COMPETITIVE SOURCING	R
FINANCIAL PERFORMANCE	G
E-GOVERNMENT	Y
PERFORMANCE IMPROVEMENT	Y
REAL PROPERTY	Y

Green (G): Implementation is proceeding according to plan.
Yellow (Y): Some slippage or other issue(s) requiring adjustment.
Red (R): Initiative in serious jeopardy absent significant management intervention.

Program Assessment Rating Tool ⇨ The Program Assessment Rating Tool (PART) was developed by the OMB in 2002 as a key component for implementing the President’s Management Agenda (PMA), particularly the Budget and Performance Integration initiative. PART grew out of the Administration’s desire to assess and improve program performance so that the Federal Government can achieve better results. It provides Federal agencies with a disciplined tool for assessing program planning, management, and performance against quantitative, outcome-oriented goals. It is a tool to inform funding and management decisions aimed at making the program more effective. As an instrument for periodically evaluating the efficiency and effectiveness of Federal programs, the PART enables managers to identify and rectify existing and potential problems associated with program performance.

From FY 2002-2007, the Department has evaluated 54 of its current programs. Of these assessed programs, 76 percent are rated as “Moderately Effective” or “Effective.” The following chart shows DOE’s average results by strategic theme:

	Average Score	Average Rating
Theme 1 Energy Security	69	Adequate
Theme 2 Nuclear Security	84	Moderately Effective
Theme 3 Scientific Discovery and Innovation	86	Effective
Theme 4 Environmental Responsibility	66	Adequate
DOE-Wide Results	76	Moderately Effective

More information on PART scores and OMB’s findings are available at www.ExpectMore.gov.

— Leadership Challenges —

The Department carries out multiple complex and highly diverse missions. Although the Department is continually striving to improve the efficiency and effectiveness of its programs and operations, there are some specific areas that merit a higher level of focus and attention. These areas often times require long-term strategies for ensuring stable operations and represent the most daunting

Leadership Challenges the Department faces in accomplishing its mission. The following table provides a crosswalk of the Department's Leadership Challenges aligned with related IG and GAO challenge areas. [For more detailed information on each Leadership Challenge see the Agency Financial Report available at www.cfo.doe.gov/cf1-2/2007parpilot.htm].

DOE Leadership Challenges	IG Challenge Areas	GAO Challenge Areas
<p>Contract Administration S Improvements are needed in the oversight of contractors managing and operating the Department's facilities. Specific oversight problems have been identified at environmental cleanup sites and laboratories conducting national security and scientific activities. Adequate oversight is needed to ensure that contractor operations are effective and efficient and that contractors have the appropriate workforce size and skill mix.</p> <p>Acquisition Process Management S The Department is the largest civilian contracting agency in the Federal Government and spends approximately 90 percent of its annual budget on contracts to operate its scientific laboratories, engineering and production facilities and environmental restoration sites. A June 2006 GAO report cited concerns involving delays in awarding contracts and the need for a systematic method to share lessons learned from contract awards.</p>	<p>Contract Management S</p>	<p>Resolve problems in contract management that place the agency at high risk for fraud, waste and abuse S</p>
<p>Security D Unprecedented security challenges have evolved since the events of September 11, 2001. The need for improved homeland defense, highlighted by the threats of terrorism and weapons of mass destruction, created new and complex security issues that must be surmounted to ensure the protection of our critical energy resources and infrastructure. These have made it necessary for the Department to reassess and strengthen its security postures.</p>	<p>Safeguards and Security D</p>	<p>Address security threats and problems D</p>
<p>Environmental Cleanup D EM's mission is to clean up the environmental legacy of nuclear weapons production and nuclear energy research. In the past, programmatic requirements, such as contractual obligations and negotiated compliance agreements as well as unilateral compliance orders and directives have not always been consistent with realistic program funding profiles. This disconnect has continually challenged EM's ability to establish a credible and executable basis to continue cleanup progress and advance risk reduction across the complex. In addition, EM is often put in a position where it is difficult to manage regulator and stakeholder expectations.</p> <p>Nuclear Waste Disposal D Construction of a repository for the disposal of spent nuclear fuel and high-level radioactive waste, authorized under the Nuclear Waste Policy Act, at Yucca Mountain, Nevada, has been delayed because of external factors and program adjustments. Funding shortfalls and challenges encountered in developing a disposal system that must potentially meet a compliance period of a million years have complicated the steady progress necessary to achieve previously published milestones.</p>	<p>Environmental Cleanup D</p>	<p>Improve management for cleanup of radioactive and hazardous wastes D</p>

D Mission Direct S Mission Support

DOE Leadership Challenges

Stockpile Stewardship D

Stewardship of the Nation's nuclear weapons stockpile is one of the most complex, scientifically technical programs undertaken and the Department needs to ensure that all aspects of this mission-critical responsibility are fulfilled. Based on stockpile stewardship activities, the Secretary, jointly with the Secretary of Defense, annually certifies to the President that the nuclear weapons stockpile is safe and reliable and that underground nuclear testing does not need to resume. Success is dependent upon unprecedented scientific tools to better understand the changes that occur as nuclear weapons age, enhance the surveillance capabilities for determining weapon reliability and extend weapon lives. The Department must ensure that problems in these areas are aggressively addressed.

Project Management D

The Department needs to improve the discipline and structure for approving and controlling program and baseline changes to projects as well as the Department wide approach for certifying Federal Project Directors at predetermined skill levels to ensure competent management oversight of resources. In addition, the Department needs stronger policies and controls to ensure that ongoing projects are re-evaluated frequently in light of changing missions.

Cyber Security S

In FY 2006, the Secretary and Deputy Secretary established an initiative to develop a comprehensive DOE cyber security program, following concerns about cyber security raised by the IG, the Office of Health, Safety and Security (HSS) and the Congress, as well as the increased overall cyber threat environment then facing the Department.

Human Capital Management S

The Department's workforce is aging and getting smaller. Since 1995, the Department has experienced over a 30 percent reduction in the size of its workforce and the average employee stands at over 49 years. Twenty-six percent of the workforce will be eligible to retire in the next three years. Twenty-seven percent of DOE's scientists and engineers will be retirement-eligible in 2008. The decline in staffing levels and potential future attrition has left the Department with a significant challenge: reinvesting in its human capital to ensure that the right people with the right skills, necessary to successfully meet its missions, are available.

*

Safety and Health S

Ensuring the safety and health of the public and the Department's workers is one of the top priorities in accomplishing our challenging scientific and national security missions. Due to the inherently critical nature of these issues, there is the need for continuous vigilance and improvement. Currently, the Department continues to address emerging safety issues identified within the past year.

*

IG Challenge Areas

Stockpile Stewardship D

Project Management D

Cyber Security S

Human Capital Management S

IG Watch List

Worker and Community Safety S

Infrastructure Modernization D

GAO Challenge Areas

Improve management of the Nation's nuclear weapons stockpile D

Enhance leadership in meeting the Nation's energy needs D

Revitalize infrastructure S

* While the Department recognizes the ongoing importance of these areas and continues to direct appropriate attention, management no longer considers these to be leadership challenges due to progress previously made.

D Mission Direct S Mission Support

— Message from the Chief Financial Officer —



I am very proud of the extraordinary efforts of the financial management community over the last two years and am extremely pleased to report on the Department's success in regaining its clean audit opinion this year. Congratulations to everyone who contributed to this great accomplishment.

The Secretary, Deputy Secretary and the entire senior leadership team recognize the value of accurate and timely financial information for decision making and are committed to ensuring that our annual financial statements fully pass audit scrutiny. That commitment, together with the immense amount of work performed by both the headquarters and field Federal and contractor financial community, resulted in the improved controls over financial reporting that underpin the auditor's unqualified "clean" audit opinion on our fiscal year 2007 financial statements.

The Department's fiscal year 2007 financial statements were reviewed by independent auditors and received a clean opinion. This is the best possible opinion and an upgrade from the qualified balance sheet only opinion issued in fiscal year 2006. No material weaknesses in internal controls were identified and the auditors concluded that the Department had corrected the material weakness identified last year regarding controls over the reporting of undelivered orders. The Department also completed an evaluation of its financial management system and found it to be in general conformance with governmental financial system requirements and identified no material nonconformances.

I am committed to ensuring the Department has the organization, systems and resources to sustain the Department's clean opinion in future years and to continue to improve on our financial management performance. Our new core financial system standardizes key business and financial processes used throughout the agency. Combined with its companion data warehouse, we are delivering to program offices the most up-to-date financial and programmatic information to facilitate better decision making. As the CFO, my highest priority, *Our People*, is to ensure that we invest in the right skills mix, resources, and training and development opportunities to further strengthen our financial management and analysis capabilities. And, my next priority, *Our Customers*, is to work closely with program offices, the Administration, and Congress to achieve the results expected by the American people. I believe this report demonstrates that we are on the right track.

In previous years, the Department produced a Performance and Accountability Report which consolidated multiple statutory reporting requirements, including the reporting of performance results, audited financial statements and the status of internal controls. This year, the Department is participating in a pilot program for Federal agencies to experiment with alternative approaches to performance and accountability reporting. This Highlights Report presents financial and performance results in a more flexible and transparent format.

Lastly, another of my priorities, *Our Commitments*, is representative of our effort to provide the highest quality products for Departmental and stakeholder use. I look forward to and welcome feedback from the readers of this report as we continue to look for opportunities to improve the way we communicate the results of the Department's performance. Thank you.

A handwritten signature in black ink, appearing to read "S. Isakowitz".

Steve Isakowitz
February 1, 2008



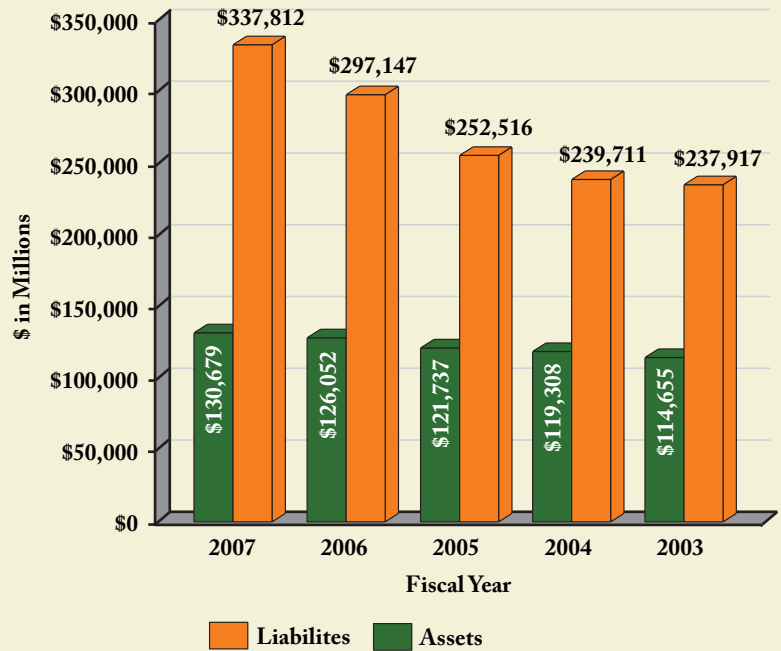
— Analysis of Financial Statements —

Preparing the Department's financial statements is part of our goal to improve financial management and provide accurate and reliable information that is useful for assessing performance and allocating resources. The Department's management is responsible for the integrity and objectivity of the financial information presented in those statements. The complete financial statements are included in the Department of Energy Fiscal Year 2007 Agency Financial Report. Please note that this highlights document presents only a summary analysis of key financial statement data points, as well as selected financial statements, excluding the related footnotes and the independent auditor's report.

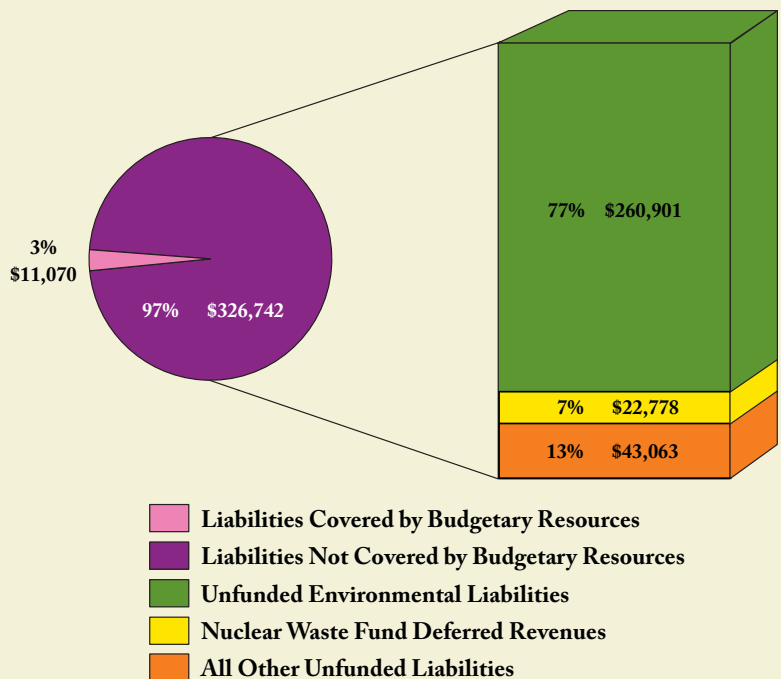
Balance Sheet. The Department has significant unfunded liabilities that will require future appropriations to fund. The most significant of these represent ongoing efforts to cleanup environmental contamination resulting from past operations of the nuclear weapons complex. The FY 2007 environmental liability estimate totaled \$264 billion and represents one of the most technically challenging and complex cleanup efforts in the world. Estimating this liability requires making assumptions about future activities and is inherently uncertain. The future course of the Department's environmental management program will depend on a number of fundamental technical and policy choices, many of which have not been made. The cost and environmental implications of alternative choices can be profound.

Changes to the environmental baseline estimates during FY 2007 and FY 2006 resulted from inflation adjustments to reflect constant dollars for the current year; improved and updated estimates for the same scope of work; revisions in acquisition strategies, technical approach or scope; regulatory changes; cleanup activities performed; additional scope and transfers out of the environmental baseline estimates; and additions for facilities transferred from the active and surplus category.

Total Assets and Total Liabilities (\$ in millions)



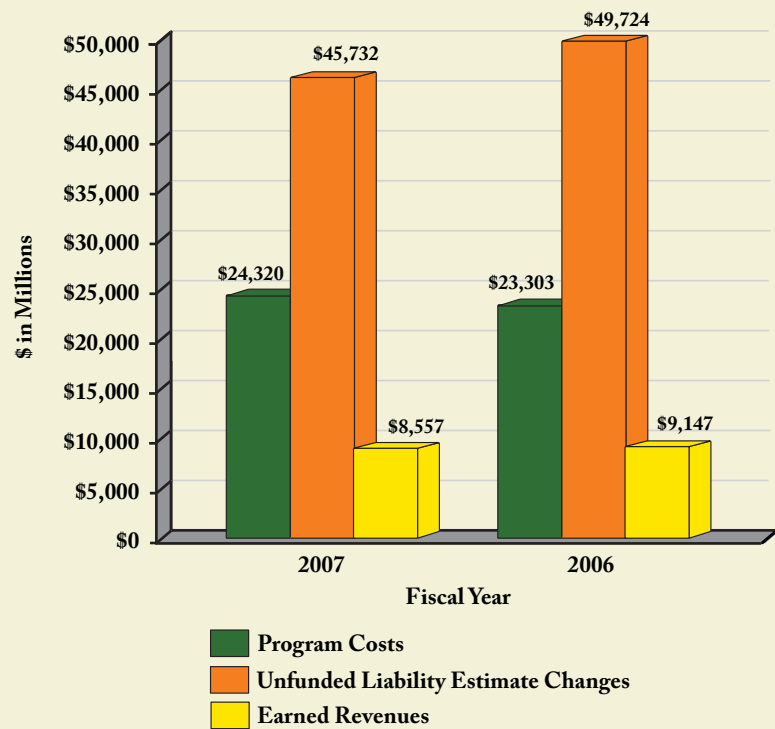
Breakdown of FY 2007 Liabilities (\$ in millions)



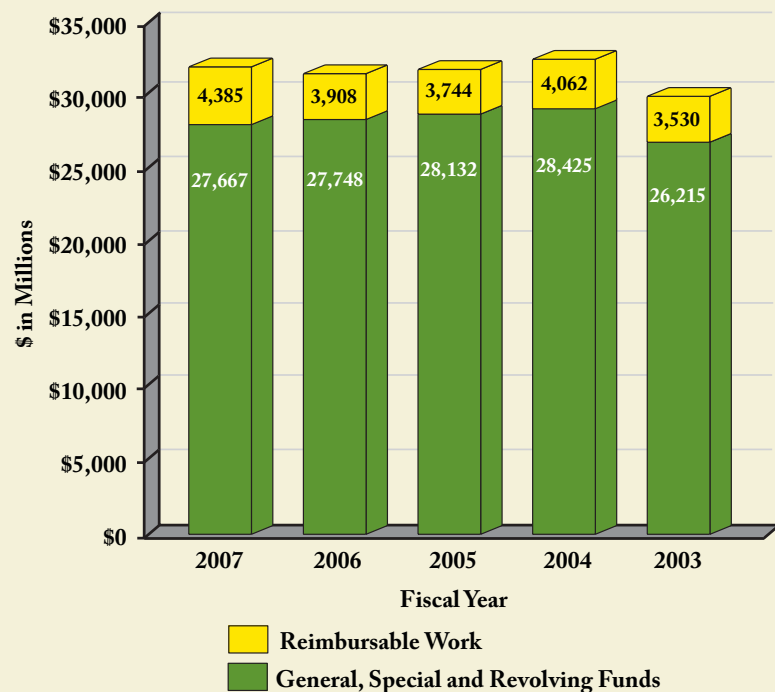
Net Cost of Operations. The major elements of net cost (see chart to the right) include program costs, unfunded liability estimate changes and earned revenues. Unfunded liability estimate changes result from inflation adjustments; improved and updated estimates; revisions in acquisition strategies, technical approach, or scope; and regulatory changes. The Department's overall net costs are dramatically impacted by these changes in environmental and other unfunded liability estimates. Since these estimates primarily relate to the cost of multiple years operations, they are not included as current year program costs, but rather reported as "Costs Not Assigned" on the Consolidated Statements of Net Cost. Program costs also exclude current-year outlays for environmental cleanup work as those costs were accrued in prior years.

Budgetary Resources. The Combined Statements of Budgetary Resources provide information on the budgetary resources that were made available to the Department for the year and the status of those resources at the end of the fiscal year. The Department receives most of its funding from general government funds administered by the Department of the Treasury and appropriated for Energy's use by Congress. Since budgetary accounting rules and financial accounting rules may recognize certain transactions at different points in time, Appropriations Used on the Consolidated Statements of Changes in Net Position will not match costs for that period. The primary difference results from recognition of costs related to changes in unfunded liability estimates.

Major Elements of Net Cost (\$ in millions)



Obligations Incurred (\$ in millions)



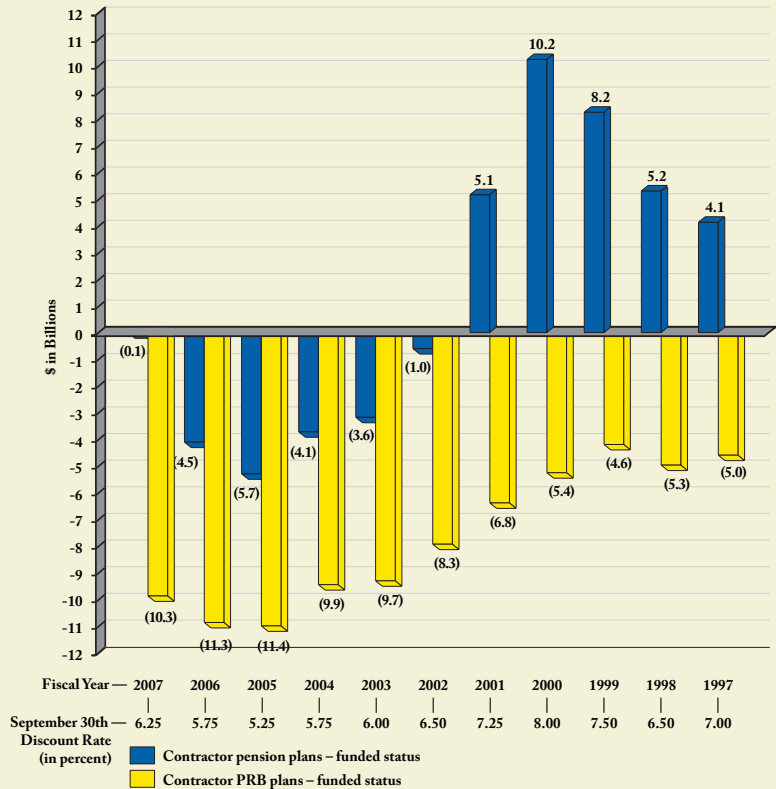
Pension/Postretirement Benefit Obligations Trend

Analysis. A 50 basis point increase in the discount rate (to its highest level in five years) used to estimate contractor employee pension plan obligations was one of the primary reasons for an improvement in the funded status from an under funding of almost \$4.5 billion in FY 2006 to an under funding of less than \$0.1 billion in FY 2007 for these plans. The discount rate increase improved the funded status by \$2.2 billion. In addition, the value of pension plan assets increased by \$2.4 billion in excess of the amount expected based on the contractors' long-term rate of return assumption. These two large improvements in the funded status were offset partially by the cost of additional benefits accruing and other losses during the year.

A similar change in the discount rate used to estimate the obligations of contractor postretirement benefits other than pensions (PRB) improved the funded status by \$0.9 billion. In addition, the funded status improved by \$0.1 billion due to other experience gains during the year versus the actuarial assumptions, partially offset by the cost of additional benefits accruing. Assets are not generally set aside to fund PRB plans as they are for pension plans, so PRB plans are not expected to ever become fully funded.

Prior to the adoption of SFAS No. 158 in FY 2007, changes in the estimated plan benefit obligations were generally amortized over an extended time period, and therefore did not result in an immediate change in obligations recorded by the Department. However, under SFAS No. 158 the funded status of the plans is now fully reflected in the assets and liabilities recorded by the Department. The above chart shows the funded status for contractor employee pension and PRB plans and the year-end discount rate from FY 1997 to FY 2007.

Pension/Postretirement Benefit Obligations Trend Analysis (\$ in billions)



**U. S. Department of Energy
Consolidated Balance Sheets**

As of September 30, 2007 and 2006

(\$ in millions)

	FY 2007	FY 2006
ASSETS: ^(Note 2)		
Intragovernmental Assets:		
Fund Balance with Treasury ^(Note 3)	\$ 18,359	\$ 17,189
Investments, Net ^(Note 4)	25,681	23,767
Accounts Receivable, Net ^(Note 5)	575	615
Regulatory Assets ^(Note 6)	5,456	5,476
Other Assets	8	1
Total Intragovernmental Assets	<u>\$ 50,079</u>	<u>\$ 47,048</u>
Investments, Net ^(Note 4)	202	210
Accounts Receivable, Net ^(Note 5)	3,939	4,020
Inventory, Net: ^(Note 7)		
Strategic Petroleum and Northeast Home Heating Oil Reserve	19,415	19,172
Nuclear Materials	21,040	21,199
Other Inventory	470	456
General Property, Plant, and Equipment, Net ^(Note 8)	24,866	24,122
Regulatory Assets ^(Note 6)	5,636	5,961
Other Non-Intragovernmental Assets ^(Note 9)	5,032	3,864
Total Assets	<u>\$ 130,679</u>	<u>\$ 126,052</u>
LIABILITIES: ^(Note 10)		
Intragovernmental Liabilities:		
Accounts Payable	\$ 66	\$ 82
Debt ^(Note 11)	11,481	10,780
Deferred Revenues and Other Credits ^(Note 12)	36	52
Other Liabilities ^(Note 13)	271	257
Total Intragovernmental Liabilities	<u>\$ 11,854</u>	<u>\$ 11,171</u>
Accounts Payable	3,793	3,817
Debt Held by the Public ^(Note 11)	6,427	6,436
Deferred Revenues and Other Credits ^(Note 12)	25,145	23,507
Environmental Cleanup and Disposal Liabilities ^(Note 14)	263,603	230,321
Pension and Other Actuarial Liabilities ^(Note 15)	12,433	12,059
Obligations Under Capital Leases ^(Note 16)	214	172
Other Non-Intragovernmental Liabilities ^(Note 13)	3,272	2,828
Contingencies and Commitments ^(Notes 12 and 17)	11,071	6,836
Total Liabilities	<u>\$ 337,812</u>	<u>\$ 297,147</u>
NET POSITION:		
Unexpended Appropriations		
Unexpended Appropriations - Earmarked Funds ^(Note 18)	\$ 17	\$ 47
Unexpended Appropriations - Other Funds	10,665	9,864
Cumulative Results of Operations		
Cumulative Results of Operations - Earmarked Funds ^(Note 18)	(5,524)	(1,345)
Cumulative Results of Operations - Other Funds	(212,291)	(179,661)
Total Net Position	<u>\$ (207,133)</u>	<u>\$ (171,095)</u>
Total Liabilities and Net Position	<u>\$ 130,679</u>	<u>\$ 126,052</u>

The accompanying notes are an integral part of these statements

Note: The Department's complete statements, accompanying footnotes and independent auditor's report are included in the Department of Energy's FY 2007 Agency Financial Report.

**U. S. Department of Energy
Consolidated Statements of Net Cost**

For Years Ended September 30, 2007 and 2006

(\$ in millions)

	FY 2007	FY 2006 (Unaudited)
STRATEGIC THEMES:		
Energy Security:		
Energy Diversity		
Program Costs	\$ 1,085	\$ 1,415
Less: Earned Revenues (Note 19)	(6)	(616)
Net Cost of Energy Diversity	1,079	799
Environmental Impacts of Energy		
Program Costs	1,041	989
Less: Earned Revenues (Note 19)	(60)	(95)
Net Costs of Environmental Impacts of Energy	981	894
Energy Infrastructure		
Program Costs	3,930	3,951
Less: Earned Revenues (Note 19)	(4,146)	(4,313)
Net Cost of Energy Infrastructure	(216)	(362)
Energy Productivity Program Costs	496	470
Net Cost of Energy Security	2,340	1,801
Nuclear Security:		
Nuclear Deterrent Program Costs	6,851	6,671
Weapons of Mass Destruction Program Costs	1,539	1,377
Nuclear Propulsion Plants		
Program Costs	810	783
Less: Earned Revenues (Note 19)	(19)	(11)
Net Cost of Nuclear Propulsion Plants	791	772
Net Cost of Nuclear Security	9,181	8,820
Scientific Discovery and Innovation:		
Net Cost of Scientific Discovery and Innovation	4,004	3,734
Environmental Responsibility:		
Environmental Cleanup		
Program Costs	5,861	6,007
Less: Earned Revenues (Note 19)	(493)	(509)
Net Costs of Environmental Cleanup	5,368	5,498
Managing the Legacy Program Costs	57	62
Net Cost of Environmental Responsibility	5,425	5,560
Net Cost of Strategic Themes	20,950	19,915
OTHER PROGRAMS:		
Reimbursable Programs:		
Program Costs	3,529	3,398
Less: Earned Revenues (Note 19)	(3,521)	(3,385)
Net Cost of Reimbursable Programs	8	13
Other Programs: (Note 20)		
Program Costs	690	653
Less: Earned Revenues (Note 19)	(312)	(218)
Net Cost of Other Programs	378	435
Costs Applied to Reduction of Legacy Environmental Liabilities (Notes 14 and 21)	(5,573)	(6,207)
Costs Not Assigned (Note 22)	45,732	49,724
Net Cost of Operations (Note 23)	\$ 61,495	\$ 63,880

The accompanying notes are an integral part of these statements

Note: The Department's complete statements, accompanying footnotes and independent auditor's report are included in the Department of Energy's FY 2007 Agency Financial Report.

**U. S. Department of Energy
Combined Statements of Budgetary Resources**

For Years Ended September 30, 2007 and 2006

(\$ in millions)

	FY 2007	FY 2006 (Unaudited)
BUDGETARY RESOURCES:		
Unobligated balance, Brought Forward, October 1 ^(Note 25)	\$ 4,159	\$ 4,244
Recoveries of Prior Year Unpaid Obligations	52	47
Budget Authority:		
Appropriations ^(Note 25)	\$ 24,616	\$ 25,374
Borrowing Authority	315	270
Contract Authority	692	871
Spending Authority from Offsetting Collections:		
Earned:		
Collected	7,755	7,727
Change in Receivables from Federal Sources	(22)	16
Change in Unfilled Customer Orders:		
Advances Received	9	30
Without Advance from Federal Sources	124	(603)
Subtotal	\$ 33,489	\$ 33,685
Nonexpenditure Transfers, Net, Anticipated and Actual	117	(52)
Temporarily not Available Pursuant to Public Law	(257)	(266)
Permanently Not Available	(1,428)	(1,838)
Total Budgetary Resources ^(Note 25)	\$ 36,132	\$ 35,820
STATUS OF BUDGETARY RESOURCES:		
Obligations Incurred:		
Direct	\$ 24,770	\$ 24,701
Exempt from Apportionment	2,897	3,047
Reimbursable	4,385	3,908
Total Obligations Incurred ^(Notes 23 and 25)	\$ 32,052	\$ 31,656
Unobligated Balance:		
Apportioned	2,495	2,552
Exempt from Apportionment	50	32
Unobligated Balance Not Available ^(Notes 3 and 25)	1,535	1,580
Total Status of Budgetary Resources	\$ 36,132	\$ 35,820
CHANGE IN OBLIGATED BALANCE:		
Obligated Balance, Net:		
Unpaid Obligations, Brought Forward, October 1 ^(Note 25)	\$ 18,196	\$ 17,229
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(4,100)	(4,687)
Total Unpaid Obligated Balance, Net, October 1	\$ 14,096	\$ 12,542
Obligations Incurred ^(Note 25)	32,052	31,656
Less: Gross Outlays	(30,748)	(30,642)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(52)	(47)
Change in Uncollected Customer Payments from Federal Sources	(102)	587
Obligated Balance, Net, End of Period:	\$ 15,246	\$ 14,096
Unpaid Obligations ^(Notes 3 and 25)	\$ 19,447	\$ 18,196
Less: Uncollected Customer Payments from Federal Sources ^(Note 3)	(4,201)	(4,100)
Total, Unpaid Obligated Balance, Net, End of Period	\$ 15,246	\$ 14,096
NET OUTLAYS:		
Gross Outlays	\$ 30,748	\$ 30,642
Less: Offsetting collections	(7,764)	(7,757)
Less: Distributed Offsetting Receipts ^(Notes 23 and 25)	(2,926)	(3,264)
Net Outlays ^(Note 25)	\$ 20,058	\$ 19,621

The accompanying notes are an integral part of these statements

Note: The Department's complete statements, accompanying footnotes and independent auditor's report are included in the Department of Energy's FY 2007 Agency Financial Report.

— Glossary of Acronyms —

ABR	Advanced Burner Reactor	HWMA	Hazardous Waste Management Act
ACI	American Competitiveness Initiative	IG	Inspector General
AEI	Advanced Energy Initiative	IOU	Investor Owned Utilities
AFR	Agency Financial Report	IPA	Intergovernmental Personnel Act
ANL	Argonne National Laboratory	IPIA	Improper Payment Information Act
APR	Annual Performance Report	ISM	Integrated Safety Management
ASU	Air Separation Unit	IT	Information Technology
BPA	Bonneville Power Administration	ITM	Ion-Transport Membrane
BPI	Budget and Performance Integration	LCF	Leadership Computing Facilities
BRC	Bioenergy Research Center	LEU	Low Enriched Uranium
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act	MA	Office of Management
CFO	Chief Financial Officer	MMS	Mineral Management Service
CFTC	Consolidated Fuel Treatment Center	MOX	Mixed Oxide
CIO	Chief Information Officer	MPC&A	Materials Protection Control and Accounting
COL	Construction and Operating License	MT	Metric Tons
COS	Change of Station	MTU	Metric Tons of Uranium
CSRS	Civil Service Retirement System	NAPA	National Academy of Public Administration
D&D	Decontamination and Decommissioning	NE	Office of Nuclear Energy
DARHT	Dual-Axis Radiographic Hydrotest Facility	NEP	National Energy Policy
DNN	Defense Nuclear Nonproliferation	NEPA	National Environmental Policy Act
DoD	Department of Defense	NETL	National Energy Technology Laboratory
DOE	Department of Energy	NIST	National Institute of Standards and Technology
DSI	Direct-Service Industries	NNSA	National Nuclear Security Administration
EEOICPA	Energy Employees Occupational Illness Compensation Program Act	NRC	Nuclear Regulatory Commission
EIA	Energy Information Administration	NRD	Natural Resources Damages
EM	Environmental Management	NSF	National Science Foundation
EPact	Energy Policy Act	NSRC	Nanoscale Science Research Center
ERISA	Employee Retirement Income Security Act	NWF	Nuclear Waste Fund
ES&H	Environment, Safety and Health	NWPA	Nuclear Waste Policy Act
ESA	Endangered Species Act	OCRWM	Office of Civilian Radioactive Waste Management
ESnet	Energy Science Network	OMB	Office of Management and Budget
EVM	Earned Value Management	OPM	Office of Personnel Management
EVMS	Earned Value Management System	ORNL	Oak Ridge National Laboratory
FCRPS	Federal Columbia River Power System	PAR	Performance and Accountability Report
FERC	Federal Energy Regulatory Commission	PART	Program Assessment Rating Tool
FERS	Federal Employees Retirement System	PEIS	Programmatic Environmental Impact Statement
FFMIA	Federal Financial Management Improvement Act	PMA	Power Marketing Administration
FISMA	Federal Information Security Management Act	PMA	President's Management Agenda
FMFIA	Federal Managers' Financial Integrity Act	PRB	Postretirement Benefits
FRPC	Federal Real Property Council	PTIP	Plant Throughput Improvement Plan
FY	Fiscal Year	R&D	Research and Development
FYP	Five Year Plan	RSI	Required Supplementary Information
GAAP	Generally Accepted Accounting Principles	RSSI	Required Supplementary Stewardship Information
GAO	Government Accountability Office	SC	Office of Science
GC	General Counsel	SECA	Solid State Energy Conversion Alliance
GMRA	Government Management Reform Act	SEN	Save Energy Now
GNEP	Global Nuclear Energy Partnership	SES	Senior Executive Service
GPRA	Government Performance and Results Act	SFAS	Statement of Financial Accounting Standards
HC	Office of Human Capital Management	SFFAS	Statement of Federal Financial Accounting Standards
HEU	Highly Enriched Uranium	SNF	Spent Nuclear Fuel
HEV	Hybrid Electric Vehicle	SOFC	Solid Oxide Fuel Cell
HSS	Office of Health, Safety and Security	SPR	Strategic Petroleum Reserve
HTDS	High Temperature Desulfurization System	SRS	Savannah River Site
HTS	High Temperature Superconductivity	TTC	Transformational Technology Core
		USEC	United States Enrichment Corporation
		YTIP	Y-12 Throughput Improvement Plan

**We welcome your comments on how we can improve
the Department of Energy's Highlights Report.**

Please provide comments and requests for additional copies to:

**Office of Internal Review
CF-1.2 / Germantown Building
U.S. Department of Energy
1000 Independence Ave., SW
Washington, D.C. 20585-1290**

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