

September 30, 2005

The Honorable Richard B. Cheney  
President of the Senate  
Washington, D.C. 20510

Dear Mr. President:

The Office of Civilian Radioactive Waste Management's *2005 Annual Report to Congress* is herein submitted in accordance with Section 304 (c) of the Nuclear Waste Policy Act of 1982, Public Law 97-425. This letter report highlights the key Program accomplishments in fiscal year (FY) 2004, identifies principal activities in FY 2005, discusses important ongoing issues affecting the Program, and transmits the Program's Financial Statements and Independent Auditors' Report.

In FY 2004, the Program focused on developing the repository license application and addressing all 293 key technical issues with the Nuclear Regulatory Commission (NRC). Since parts of the Environmental Protection Agency (EPA) radiation protection standard addressing the time period for which compliance must be demonstrated were vacated by the U.S. Court of Appeals for the District of Columbia Circuit, the Department focused on improving the draft license application during the year.

During FY 2005, the Program is focusing on finalizing the license application and related actions, including:

- Completing total system performance assessment calculations and the final report in support of the license application.
- Improving the design of the waste package, surface facilities, and subsurface facilities in support of the license application.
- Completing certification of the electronic LSN as required by NRC regulations.

In the area of transportation, during FY 2004 the Program completed the conceptual design and project management documentation to support cask and rolling stock acquisition and design and construction of a rail line to the Yucca Mountain site. In addition, the Department issued a Record of Decision (ROD) to use the mostly rail mode of transportation and to select the Caliente corridor for study of Nevada branch rail line alignment options.

In August 2005, DOE issued a draft Environmental Assessment to support DOE's application to the Department of the Interior for a public land order protecting a one mile wide corridor around potential rail alignments to Yucca Mountain. Another important focus of the Program for FY 2005 is development of a draft Environmental Impact Statement to select a specific rail alignment within the Caliente rail corridor, and planning for the construction and operation of the rail line. In addition, the Program is developing the process for acquisition of rail cars and casks to transport SNF and HLW to the repository. The Program is also working collaboratively with States, through four State regional groups, tribal governments, and carriers to identify potential national transportation routes and to define the process for funding emergency preparedness training and technical assistance associated with these shipments.

As the Program moves forward, five significant issues have arisen that may affect the Program's direction and pace. The first is the result of the July 2004 decision of the U.S. Court of Appeals to remand portions of the EPA radiation protection standard for Yucca Mountain. Rulemaking proceedings by both EPA and NRC will be needed in order to establish new regulations consistent with that decision. While a revised radiation protection standard could require the reevaluation of some parts of the analysis in the license application, the Program is confident that any required changes can be made expeditiously to support its timely submission.

The second issue concerns the LSN. The NRC requires that the Program certify it has submitted all documents relevant to the licensing process to the LSN six months before the license application is submitted. By August 2005, DOE had prepared for inclusion on the LSN 3.3 million of the approximately 3.4 million relevant documents. In August 2004, the NRC Atomic Safety and Licensing Board's Pre-License Application Presiding Officer Board issued its ruling striking the Department's June 2004 certification of its submission to the LSN. Since that time, the Program has been focusing on processing legacy e-mails, identifying additional documents that may be relevant to the licensing proceedings, and reviewing relevant documents for privilege and privacy. The Program plans to complete its reviews and be prepared to certify its document collection later this year.

The third issue concerns the ongoing utility lawsuits. The Program is working with the Department's Office of General Counsel and the U.S. Department of Justice in support of litigation activities related to lawsuits by the nuclear utilities. Although the courts have already established the Government's liability for damages for not beginning to take possession of commercial SNF in 1998, the amount of those damages is undetermined. Until a firm schedule for the opening of the repository has been developed, the Department cannot provide an estimate of the total liability.

The most recent issue relates to concerns about scientific documentation. During the review of documents for the LSN, the Program discovered e-mails written between 1998 and 2000 suggesting that several employees of the U.S. Geological Survey at the Department of the Interior may have falsified quality assurance documentation associated with their scientific work on the Yucca Mountain project. This documentation is required as part of the quality assurance program to verify the accuracy, reproducibility, transparency, and traceability of work that has been completed. In response to this discovery, the Secretaries of Energy and Interior requested their respective Inspectors General to investigate the non-technical implications of the actions described in the e-mails. In addition, the Program is reviewing the implications that these e-mails may have

on the scientific work performed by these individuals. The Program is conducting a thorough review of the work performed by the identified individuals to assess any impacts. If any work is found to be deficient, it will be replaced or remediated with analyses and documentation that meet applicable quality assurance procedures to ensure that the scientific basis of the project is sound. The Program is also conducting a review of its overall quality assurance and management culture to determine if the systematic quality assurance improvements undertaken over the last four years have been sufficient to prevent the recurrence of a similar situation. Ultimately, the NRC will evaluate the significance of this issue in the course of deciding whether the Program has presented a complete and credible safety case.

Finally, there is the longstanding issue of Program funding. Significant budget increases are required if the Program is to reach the goal of developing a geologic repository at Yucca Mountain. To ensure stable and sufficient funding for the design, construction, and operation of the repository, and for acquisition and development of the transportation infrastructure in the future, a restructuring of the Program's funding mechanisms is needed. Although the annual receipts from fees paid by utilities to the Nuclear Waste Fund (NWF) and accumulated amounts in the NWF are sufficient to fund current needs, budget processes have severely limited access to these funds. The Administration believes that the fees currently paid by utilities to finance the repository should be treated as offsetting collections against the appropriation from the NWF. The Department will continue to work with the Administration and the Congress to ensure that there is sufficient and stable funding available to meet the Program's requirements.

In conclusion, after more than 20 years of scientific study, a site approval process involving the Department, the State of Nevada, the Congress, and the President, and purposeful efforts toward securing a license, the Program is prepared for the licensing and construction phase of the repository. The Program's near-term objective remains to complete a high-quality license application and have it ready to submit to the NRC. At the same time, the Program is currently evaluating the implications of the issues discussed above to determine what adjustments may be necessary and appropriate.

Sincerely,

/s/

Paul M. Golan  
Acting Director  
Office of Civilian Radioactive  
Waste Management

Enclosure

**OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**

**INDEPENDENT AUDITORS' REPORT  
AND FINANCIAL STATEMENTS**



KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

## Independent Auditors' Report

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

We have audited the accompanying balance sheets of the Office of Civilian Radioactive Waste Management (OCRWM), a component of the U.S. Department of Energy (Department), as of September 30, 2004 and 2003, and the related statements of net cost, changes in net position, budgetary resources, and financing (hereinafter referred to as "financial statements"), for the years then ended. The objective of our audits was to express an opinion on the fair presentation of these financial statements. In connection with our audits, we also considered OCRWM's internal control over financial reporting and tested OCRWM's compliance with certain provisions of applicable laws, regulations, and contracts that could have a direct and material effect on its financial statements.

### Summary

As stated in our opinion on the financial statements, we concluded that OCRWM's financial statements as of and for the years ended September 30, 2004 and 2003, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America.

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. However, we noted no matters involving the internal control and its operation that we considered to be material weaknesses.

The results of our tests of compliance with certain provisions of laws, regulations, and contracts disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards*, issued by the Comptroller General of the United States, or Office of Management and Budget (OMB) Bulletin No. 01-02, *Audit Requirements for Federal Financial Statements*.

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



## **Opinion on Financial Statements**

We have audited the accompanying balance sheets of the Office of Civilian Radioactive Waste Management as of September 30, 2004 and 2003, and the related statements of net cost, changes in net position, budgetary resources, and financing for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OCRWM as of September 30, 2004 and 2003, and its net costs, changes in net position, budgetary resources, and reconciliation of net costs to budgetary obligations for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 9 to the financial statements, OCRWM is involved as a defendant in several matters of litigation relating to its inability to accept waste by the January 31, 1998 date specified in the Nuclear Waste Policy Act of 1982, as amended.

The information in the Overview and Required Supplementary Stewardship Information section of OCRWM's *Fiscal Year 2004 Performance and Accountability Report* is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America or OMB Bulletin No. 01-09, *Form and Content of Agency Financial Statements*. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of this information. However, we did not audit this information and, accordingly, we express no opinion on it.

Our audits were conducted for the purposes of forming an opinion on the financial statements taken as a whole. The supplementary information included in Supplementary Information – Schedules I and II for the years ended September 30, 2004, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of OCRWM as of and for the years ended September 30, 1983 through September 30, 2002 (none of which are presented herein), and we expressed unqualified opinions on those financial statements. The supplementary information included in Schedules I and II related to OCRWM's financial statements as of and for the years ended September 30, 1983 through September 30, 2002 was subjected to auditing procedures applied in the audits of those financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements from which it has been derived.

## **Internal Control over Financial Reporting**

Our consideration of internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses under standards issued by the American Institute of Certified Public Accountants. Material weaknesses



are conditions in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements, in amounts that would be material in relation to the financial statements being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control and its operation that we considered to be material weaknesses as defined above.

A summary of the status of prior year reportable condition is included as Exhibit I.

We also noted other matters involving internal control over financial reporting and its operation that we will report to OCRWM's management in a separate letter.

### **Compliance and Other Matters**

Our tests of compliance with certain provisions of laws, regulations, and contracts as described in the Responsibilities section of this report disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 01-02.

### **Responsibilities**

#### *Management's Responsibilities*

Management is responsible for the financial statements, including:

- Preparing the financial statements in conformity with accounting principles generally accepted in the United States of America;
- Establishing and maintaining internal control over financial reporting, and preparing the Overview (including the performance measures) and the Required Supplementary Stewardship Information; and
- Complying with laws, regulations, and contracts.

In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies. Because of inherent limitations in internal control, misstatements, due to error or fraud may nevertheless occur and not be detected.

#### *Auditors' Responsibilities*

Our responsibility is to express an opinion on the fiscal year 2004 and 2003 financial statements of OCRWM based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, and OMB Bulletin No. 01-02. Those standards and OMB Bulletin No. 01-02 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement.



An audit includes:

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

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

In planning and performing our fiscal year 2004 audit, we considered OCRWM's internal control over financial reporting by obtaining an understanding of OCRWM's internal control, determining whether internal controls had been placed in operation, assessing control risk, and performing tests of controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements. We limited our internal control testing to those controls necessary to achieve the objectives described in *Government Auditing Standards* and OMB Bulletin No. 01-02. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*. The objective of our audit was not to provide assurance on internal control over financial reporting. Consequently, we do not provide an opinion thereon.

As required by OMB Bulletin No. 01-02, we considered the OCRWM's internal control over the Required Supplementary Stewardship Information by obtaining an understanding of OCRWM's internal control, determining whether controls had been placed in operation, assessing control risk, and performing tests of controls. Our procedures were not designed to provide assurance on internal control over the Required Supplementary Stewardship Information and, accordingly, we do not provide an opinion thereon.

As further required by OMB Bulletin No. 01-02, with respect to internal control related to performance measures determined by management to be key and reported in the Overview, we obtained an understanding of the design of significant internal controls relating to the existence and completeness assertions. Our procedures were not designed to provide assurance on internal control over performance measures and, accordingly, we do not provide an opinion thereon.

As part of obtaining reasonable assurance about whether OCRWM's fiscal year 2004 financial statements are free of material misstatement, we performed tests of OCRWM's compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 01-02, including certain provisions referred to in *Federal Financial Management Improvement Act of 1996* (FFMIA), which was evaluated at the Department level. We limited our tests of compliance to the provisions described in the preceding sentence, and we did not test compliance with all laws, regulations, and contracts applicable to OCRWM. Providing an opinion on compliance with laws, regulations, and contracts was not an objective of our audit and, accordingly, we do not express such an opinion.





### **Distribution**

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

KPMG LLP

November 18, 2004

OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT

Independent Auditors' Report  
Status of Prior Year Audit Findings

<u>Reportable Conditions from Fiscal Year 2003</u> (with parenthetical disclosure of year first reported)	<u>Status at September 30, 2004</u>
1. Unclassified Information Systems Security (1999)	Closed.

## **Financial Results**

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

**Balance Sheets**

As of September 30, 2004 and 2003  
(Dollars in thousands)

	2004	2003
<b>ASSETS</b>		
Intragovernmental		
Fund Balance with Treasury (note 3)	\$ 89,097	\$ 31,297
Investments, Net (note 4)	15,175,540	13,819,565
Accounts Receivable:		
Receivables from Defense Fees and Interest (note 7)	852,409	1,056,266
Utilities (note 5)	11,276	10,610
Accrued Investment Interest (note 4)	62,828	69,465
Other Accounts Receivable	326	25
Other Intragovernmental Assets	-	106
Total Intragovernmental Assets	<u>\$ 16,191,476</u>	<u>\$ 14,987,334</u>
Accounts Receivable:		
Utilities (note 5)	2,955,089	2,966,217
Other Accounts Receivable	6	79
General Property, Plant, and Equipment, Net (note 6)	12,191	15,414
Other Assets	<u>1,146</u>	<u>1,082</u>
Total Assets	<u>\$ 19,159,908</u>	<u>\$ 17,970,126</u>
<b>LIABILITIES</b>		
Intragovernmental:		
Accounts Payable (note 7)	\$ 19,474	\$ 10,375
Deferred Revenue (note 10)	857,094	935,275
Other Liabilities	<u>338</u>	<u>92</u>
Total Intragovernmental Liabilities	<u>\$ 876,906</u>	<u>\$ 945,742</u>
Accounts Payable	68,752	42,623
Deferred Revenue (note 10)	18,144,651	16,931,832
Pension and Other Actuarial Liabilities	6,720	6,577
Contract Holdback	127	316
Other Liabilities	14,676	13,743
Commitments and Contingencies (note 9)	<u>1,919,519</u>	<u>2,000,000</u>
Total Liabilities (note 8)	<u>\$ 21,031,351</u>	<u>\$ 19,940,833</u>
<b>NET POSITION</b>		
Unexpended Appropriations	\$ 48,076	\$ 29,293
Cumulative Results of Operations	<u>(1,919,519)</u>	<u>(2,000,000)</u>
Total Net Position	<u>\$ (1,871,443)</u>	<u>\$ (1,970,707)</u>
Total Liabilities and Net Position	<u>\$ 19,159,908</u>	<u>\$ 17,970,126</u>

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

**Statements of Net Costs**

As of September 30, 2004 and 2003  
(Dollars in thousands)

	2004	2003
First Repository Costs	<u>\$ 408,705</u>	<u>\$ 336,401</u>
All Other Program Costs:		
Program Support	\$ 98,050	\$ 78,019
Transfers (note 7)	36,037	27,938
Waste Acceptance, Storage and Transportation	22,328	5,760
Imputed and Other Costs	<u>1,760</u>	<u>1,520</u>
Total All Other Program Costs	<u>\$ 158,175</u>	<u>\$ 113,237</u>
Total First Repository and Other Program Costs	\$ 566,880	\$ 449,638
Less Earned Revenues (note 10)	<u>(565,120)</u>	<u>(448,118)</u>
Net Costs	<u>\$ 1,760</u>	<u>\$ 1,520</u>

**UNITED STATES DEPARTMENT OF ENERGY**  
**OFFICE OF CIVILIAN RADIOACTIVE WASTE MANAGEMENT**  
**Statements of Changes in Net Position**

As of September 30, 2004 and 2003  
(Dollars in thousands)

	2004	2003
<b>CUMULATIVE RESULTS OF OPERATIONS:</b>		
Beginning Balance	\$ (2,000,000)	\$ (2,000,000)
Other Financing Sources:		
Imputed Financing from Costs Absorbed by Others	82,241	1,520
Total Financing Sources	<u>\$ 82,241</u>	<u>\$ 1,520</u>
Net Cost of Operations	<u>(1,760)</u>	<u>(1,520)</u>
Ending Balance - Cumulative Results of Operations	<u>\$ (1,919,519)</u>	<u>\$ (2,000,000)</u>
<b>UNEXPENDED APPROPRIATIONS:</b>		
Beginning Balance of Unexpended Appropriations	\$ 29,293	\$ 7,909
Budgetary Financing Sources Related to Appropriations:		
Appropriations Received (note 2)	390,000	315,000
Other Adjustments	(2,301)	(2,047)
Appropriations Used	<u>(368,916)</u>	<u>(291,569)</u>
Total Budgetary Financing Sources Related to Appropriations	<u>\$ 18,783</u>	<u>\$ 21,384</u>
Ending Balance Unexpended Appropriations	<u>\$ 48,076</u>	<u>\$ 29,293</u>
Total Net Position	<u>\$ (1,871,443)</u>	<u>\$ (1,970,707)</u>

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

**Statements of Budgetary Resources**

As of September 30, 2004 and 2003  
(Dollars in thousands)

	2004	2003
<b>BUDGETARY RESOURCES</b>		
Budget Authority:		
Appropriations Received (note 2)	\$ 616,277	\$ 488,100
Appropriations Transferred Out (note 7)	(36,063)	(27,938)
Unobligated Balances, Beginning of Period	14,120	8,482
Spending Authority from Offsetting Collections	258	10
Recoveries of Prior Year Obligations	70	26
Authority Temporarily Not Available	(1,335)	(1,105)
Authority Permanently Not Available	(2,301)	(2,047)
Total Budgetary Resources	<u>\$ 591,026</u>	<u>\$ 465,528</u>
<b>STATUS OF BUDGETARY RESOURCES</b>		
Obligations Incurred:		
Direct	\$ 385,901	\$ 312,951
Exempt from Apportionment	191,946	138,457
Unobligated Balances Available	13,056	14,055
Unobligated Balances Not Available	123	65
Total Status of Budgetary Resources	<u>\$ 591,026</u>	<u>\$ 465,528</u>
<b>RELATIONSHIP OF OBLIGATIONS TO OUTLAYS</b>		
Obligated Balance, Net - Beginning of Period	<u>\$ 147,077</u>	<u>\$ 100,711</u>
Obligated Balance, Net - End of Period:		
Undelivered Orders	\$ 136,677	\$ 84,206
Accounts Payable	98,266	62,871
	<u>\$ 234,943</u>	<u>\$ 147,077</u>
Outlays:		
Disbursements	\$ 489,912	\$ 405,016
Collections	(258)	(10)
Subtotal	\$ 489,654	\$ 405,006
Less: Offsetting Receipts	(2,090,309)	(1,171,429)
Net Outlays	<u>\$ (1,600,655)</u>	<u>\$ (766,423)</u>

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

**Statements of Financing**

As of September 30, 2004 and 2003  
(Dollars in thousands)

	2004	2003
<b>RESOURCES USED TO FINANCE ACTIVITIES:</b>		
Budgetary Resources Obligated:		
Obligations Incurred	\$ 577,847	\$ 451,408
Less: Spending Authority from Offsetting Collections and Recoveries	<u>(328)</u>	<u>(36)</u>
Obligations, Net of Offsetting Collections and Recoveries	<u>\$ 577,519</u>	<u>\$ 451,372</u>
Offsetting Receipts:		
Fees for Disposal of Spent Nuclear Fuel	\$ (775,742)	\$ (725,777)
Earnings on Investments	(1,314,566)	(445,650)
Other Offsetting Receipts	<u>(1)</u>	<u>(2)</u>
Total Offsetting Receipts	<u>\$ (2,090,309)</u>	<u>\$ (1,171,429)</u>
Net Obligations	<u>\$ (1,512,790)</u>	<u>\$ (720,057)</u>
Other Resources:		
Financing Imputed For Cost Subsidies	\$ 82,241	\$ 1,520
Other:		
Offsetting Receipts, Deferred	2,094,727	1,177,369
Defense Fees and Related Interest	(165,059)	(134,550)
Adjustment for Department of Energy Appropriation	(368,916)	(291,569)
Other Adjustments	<u>473</u>	<u>-</u>
Total Other	<u>\$ 1,561,225</u>	<u>\$ 751,250</u>
Net Other Resources Used to Finance Activities	<u>\$ 1,643,466</u>	<u>\$ 752,770</u>
Total Resources Used to Finance Activities	<u>\$ 130,676</u>	<u>\$ 32,713</u>
<b>RESOURCES USED TO FINANCE ITEMS NOT PART OF THE NET COST OF OPERATIONS:</b>		
Change in Resources Obligated for Goods/Services/Benefits Ordered But Not Yet Provided	\$ (52,307)	\$ (33,680)
Resources that Finance the Acquisition of Assets	(2,703)	(2,273)
Resources that Fund Expenses Recognized in Prior Periods	<u>(80,481)</u>	<u>-</u>
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	<u>\$ (135,491)</u>	<u>\$ (35,953)</u>
Total Resources Used to Finance the Net Cost of Operations	<u>\$ (4,815)</u>	<u>\$ (3,240)</u>
<b>NET COST ITEMS THAT DO NOT REQUIRE OR GENERATE RESOURCES IN CURRENT PERIOD:</b>		
Increases in Unfunded Liability Estimates	\$ 632	\$ 1,219
Components Not Requiring or Generating Resources:		
Depreciation and Amortization	5,332	3,365
Revaluation of Assets and Liabilities	556	182
Other	<u>55</u>	<u>(6)</u>
Total Components Not Requiring or Generating Resources	<u>\$ 5,943</u>	<u>\$ 3,541</u>
Total Net Cost Items That Do Not Require or Generate Resources in Current Period	<u>\$ 6,575</u>	<u>\$ 4,760</u>
<b>NET COST OF OPERATIONS</b>	<u><u>\$ 1,760</u></u>	<u><u>\$ 1,520</u></u>



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

Notes to Financial Statements  
September 30, 2004 and 2003

(Dollars in thousands unless otherwise noted)

**(1) Legislative Background**

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

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

On December 22, 1987, the President signed into law the Budget Reconciliation Act, Subtitle A of Title V, of which contained amendments to the NWPAA. The legislation directed the Department to characterize only the Yucca Mountain site in Nevada as a candidate site for the first repository. The legislation also provided for the termination of site-specific activities at all candidate sites other than the Yucca Mountain site, within 90 days of enactment, and for phasing out, not later than 6 months after enactment, all research programs in existence that were designed to evaluate the suitability of crystalline rock as a potential repository host medium. In the event that the Yucca Mountain site proves unsuitable for use as a repository, the legislation requires the Department to terminate site-specific activities and report to Congress.

**(2) Significant Accounting Policies**

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

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

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

Notes to Financial Statements  
September 30, 2004 and 2003

(Dollars in thousands unless otherwise noted)

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

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

Fees associated with the disposal of the Department's SNF and HLW are also recognized as the related costs are incurred and allocated. To estimate the share of the total Program costs that should be allocated to the Department, the methodology announced by the Department in the Federal Register in August 1987 was used. The most recent cost estimate, *Analysis of the Total System Cost of the Civilian Radioactive Waste Management Program* (TSLCC), issued in May 2001, of the surrogate single repository system (without interim storage) established the amounts to allocate.

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

- For fiscal years 2004 and 2003, Congress appropriated \$390,000 and \$315,000, respectively, from the Defense Nuclear Waste Disposal Appropriation to be used for nuclear waste disposal activities. Pursuant to the Consolidated Appropriations Acts for fiscal years 2004 and 2003, \$2,301 and \$2,047, respectively, were rescinded.
- For fiscal years 2004 and 2003, Congress authorized \$226,277 and \$173,100, respectively, to be used for nuclear waste disposal activities and remain available until expended. This expenditure authority enables OCRWM to finance activities using the NWF special accounts. Pursuant to the Consolidated Appropriations Acts, for fiscal years 2004 and 2003, \$1,335 and \$1,105, respectively, were rescinded. Fee payments and investment income are deposited into the NWF account and are made available to the Department through the annual expenditure authority provided by Congress. Investments are made in U.S. Treasury securities from funds in excess of current needs. If, at any time, monies available in the NWF are insufficient to discharge responsibilities under the NWPA, borrowings may be made from the U.S. Treasury. The NWPA limits the OCRWM from incurring expenditures, entering into contracts, and obligating amounts to be expended except as provided in advance by appropriation acts. Appropriated dedicated receipts such as these are excluded from appropriations received on the *Statements of Changes in Net Position*.

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

**Investments** – Investments are in U.S. Treasury securities and are stated at cost, adjusted for amortization of premiums and accretion of discounts, which are recognized as adjustments to interest income using the effective interest method (see note 4).

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

Notes to Financial Statements  
September 30, 2004 and 2003

(Dollars in thousands unless otherwise noted)

**General Property, Plant, and Equipment** – Purchases of general property, plant, and equipment (PP&E) exceeding \$25 are capitalized if they have a useful life greater than two years. PP&E is depreciated on a straight-line basis over the estimated useful lives of the assets. Useful lives range from 5 to 30 years. Maintenance costs are borne by OCRWM for equipment either on loan from or shared with other programs.

**Accounts Receivable** – Payment of accounts receivable will not be complete until OCRWM starts accepting waste, which is currently expected between 2011 and 2015. Interest is accrued quarterly on the outstanding amount receivable including accrued interest. The interest rate used is the 13-week U.S. Treasury bill rate. An allowance for doubtful accounts related to one-time spent fuel fees has not been recorded as of September 30, 2004, as OCRWM is not obligated to accept waste without payment of fees.

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

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

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

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

**First Repository Costs** – For the years ended September 30, 2004 and 2003, first repository costs consist primarily of Yucca Mountain costs. The general goals are that of licensing and construction of a permanent repository for nuclear waste at Yucca Mountain and begin acceptance of waste by 2010.

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

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

Notes to Financial Statements  
September 30, 2004 and 2003

(Dollars in thousands unless otherwise noted)

*Contractor Employees* – OCRWM’s primary integrated contractor maintains a defined benefit pension plan under which they promise to pay employees specified benefits, such as a percentage of the final average pay for each year of service. OCRWM’s cost under the contract includes reimbursement of annual employer contributions to the pension plans.

Each year an amount is calculated for employers to contribute to the pension plan to ensure the plan assets are sufficient to provide for the full accrued benefits of contractor employees in the event that the plan is terminated. The level of contributions is dependent on actuarial assumptions about the future, such as the interest rate, employee turnover and deaths, age of retirement, and salary progression. OCRWM reports assets and liabilities of these pension plans as if it were the plan sponsor.

**Reclassifications** – Certain fiscal year 2003 amounts in the financial statements have been reclassified for consistency with the presentation of fiscal year 2004 amounts.

**(3) Fund Balance with Treasury**

A summary of the status of fund balances with the U.S. Treasury for appropriated and special funds as of September 30, 2004 and 2003, are as follows:

<b>Fiscal Year 2004</b>	Appropriated Funds	Special Funds	Total
Unobligated budgetary resources			
Available	\$ 1,810	\$ 11,246	\$ 13,056
Unavailable	-	124	124
Obligated balance not yet disbursed			
Undelivered orders	46,263	90,414	136,677
Accounts payable and deposit fund liabilities	40,792	57,474	98,266
Budgetary resources invested in Treasury securities	-	(159,026)	(159,026)
<b>Total FY 2004 Fund balance with Treasury</b>	<b>\$ 88,865</b>	<b>\$ 232</b>	<b>\$ 89,097</b>

<b>Fiscal Year 2003</b>			
Unobligated budgetary resources			
Available	\$ 1	\$ 14,054	\$ 14,055
Unavailable	10	55	65
Obligated balance not yet disbursed			
Undelivered orders	29,063	55,143	84,206
Accounts payable and deposit fund liabilities	2,004	60,868	62,872
Budgetary resources invested in Treasury securities	-	(129,901)	(129,901)
<b>Total FY 2003 Fund balance with Treasury</b>	<b>\$ 31,078</b>	<b>\$ 219</b>	<b>\$ 31,297</b>

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

Notes to Financial Statements  
September 30, 2004 and 2003

(Dollars in thousands unless otherwise noted)

**(4) Investments**

For the years ended September 2004 and 2003, the NWF received proceeds of \$502,123 and \$1,806,802, respectively, from the sale of securities. There was no realized gain on the sale using the specific identification method for the year ended September 30, 2004, but for the year ended September 30, 2003, the realized gain was \$79,208.

Accrued interest receivable on investments as of September 30, 2004 and 2003, totaled \$62,828 and \$69,465, respectively.

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

	<u>2004</u>	<u>2003</u>
Face Value	\$ 30,517,827	\$ 25,881,143
Unamortized discount, net	(15,342,287)	(12,061,578)
Investments, net	<u>\$ 15,175,540</u>	<u>\$ 13,819,565</u>
Unrealized market gains, net	1,552,697	1,202,091
Investments at fair value	<u><u>\$ 16,728,237</u></u>	<u><u>\$ 15,021,656</u></u>

**(5) Receivables Due from Utilities**

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

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

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

Under options (1) and (2), interest accrues from April 7, 1983, to date of first payment at the 13-week U.S. Treasury bill rate compounded quarterly. Under option (1), beginning with the first payment, interest is calculated at the 10-year Treasury note rate in effect at the time. Two utilities selected option (1); neither has begun making payments.

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

Notes to Financial Statements  
September 30, 2004 and 2003

(Dollars in thousands unless otherwise noted)

In fiscal year 2004, there were no payments or adjustments of one-time spent fuel fees by owners and generators of civilian SNF and HLW.

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

	<u>2004</u>	<u>2003</u>
Accounts receivable - utilities		
Accounts receivable - intragovernmental utilities		
Kilowatt hour fees	\$ 11,276	\$ 10,610
Accounts receivable - public utilities		
Kilowatt hour fees	\$ 170,505	\$ 210,712
One-time spent nuclear fuel fees:		
Option (1)	\$ 143,531	\$ 143,531
Option (2)	736,958	736,958
Total one-time spent nuclear fuel fees	<u>\$ 880,489</u>	<u>\$ 880,489</u>
Accrued interest on one-time spent nuclear fuel fees:		
Option (1)	\$ 311,059	\$ 306,322
Option (2)	1,593,036	1,568,694
Total accrued interest on one-time spent nuclear fuel fees	<u>\$ 1,904,095</u>	<u>\$ 1,875,016</u>
Total accounts receivable - public utilities	<u>\$ 2,955,089</u>	<u>\$ 2,966,217</u>
Total accounts receivable - utilities	<u>\$ 2,966,365</u>	<u>\$ 2,976,827</u>

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

General property, plant, and equipment and related accumulated depreciation consisted of the following at September 30, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
General property, plant, and equipment	\$ 50,358	\$ 72,873
Less accumulated depreciation	<u>(38,167)</u>	<u>(57,459)</u>
General property, plant, and equipment	<u>\$ 12,191</u>	<u>\$ 15,414</u>

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

The NWPA established OCRWM within the Department to carry out the provisions of the NWPA and created the Nuclear Waste Fund in the U.S. Treasury. The investment and borrowing powers of the NWF



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

Notes to Financial Statements  
September 30, 2004 and 2003

(Dollars in thousands unless otherwise noted)

are limited to transactions with the U.S. Treasury. In discharging its obligations under the NWPA, the Department contracts for services with numerous contractors including other Federal Government agencies. Further, significant administrative services are provided by the Department.

As of September 30, 2004 and 2003, OCRWM owed other Federal Government agencies \$19,474 and \$10,375, respectively, for services and costs provided to OCRWM. For the years ended September 30, 2004 and 2003, OCRWM had incurred costs of \$70,123 and \$52,143, respectively, for services and costs provided by other Federal Government agencies. The incurred costs in 2004 and 2003 include Congressional authorized transfers of funds from the NWF to the following entities to pay for necessary expenses of OCRWM. Amounts transferred consisted of:

	2004	2003
Nuclear Regulatory Commission	\$ 32,905	\$ 24,738
Nuclear Waste Technical Review Board	3,158	3,200
Other	(26)	-
Total transfers	\$ 36,037	27,938

OCRWM has entered into Memoranda of Agreement (MOA) with the Department's Office of Environmental Management and the Department's Office of Naval Nuclear Propulsion. The MOA established the terms and conditions for acceptance of Department-owned SNF and HLW (Defense Waste) for disposal. Those estimated liabilities are included in the TSLCC that is used to calculate the estimate of the Department's share of total current and future Program costs for Defense Waste. The TSLCC in fiscal year 2000 dollars was \$57,520,000. Based on the TSLCC, the Department's estimated share as of September 30, 2004 and 2003, was \$14,089,183 and \$13,988,554, respectively.

The Department's Defense Waste total cost share as of September 30, 2004 is estimated to be \$3,211,356, including interest amounting to \$940,947 based on the methodology published in the Federal Register in August 1987. As of September 30, 2004 and 2003, the NWF was due \$852,409 and \$1,056,266 from the Department, respectively.

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

Notes to Financial Statements  
September 30, 2004 and 2003

(Dollars in thousands unless otherwise noted)

**(8) Liabilities Not Covered by Budgetary Resources**

A summary of liabilities not covered by budgetary resources as of September 30, 2004 and 2003, is as follows:

	<u>2004</u>	<u>2003</u>
Intragovernmental:		
Deferred Revenue	\$ 857,094	\$ 935,275
Other liabilities	338	92
Total Intragovernmental	<u>\$ 857,432</u>	<u>\$ 935,367</u>
Governmental:		
Deferred Revenue	\$ 18,144,651	\$ 16,931,832
Pension and actuarial liabilities	6,720	6,577
Other liabilities	4,739	4,250
Estimated liability for waste acceptance obligation	1,919,519	2,000,000
Total liabilities not covered by budgetary resources	<u>\$ 20,933,061</u>	<u>\$ 19,878,026</u>
Total liabilities covered by budgetary resources	<u>98,290</u>	<u>62,807</u>
Total liabilities	<u><u>\$ 21,031,351</u></u>	<u><u>\$ 19,940,833</u></u>

**(9) Commitments and Contingencies**

In accordance with the NWPA, the Department entered into contracts with more than 45 utilities in which, in return for payment of fees into the NWF, the Department agreed to begin disposal of SNF by January 31, 1998. Because the Department has no facility available to receive SNF under the NWPA, the Department has been unable to begin disposal of the utilities' SNF as required by the contracts. Significant litigation has ensued as a result of this delay.

To date, that litigation has conclusively established that the Department's obligation to begin disposal of SNF is legally binding notwithstanding the lack of a facility to receive SNF. Currently, nuclear utilities have filed 60 suits in the Court of Federal Claims for breach of contract in which they collectively seek \$6.18 billion. The industry is reported to estimate that damages for all utilities with which the Department has contracts will be at least \$50 billion. The Department, however, believes that the industry estimate is highly inflated and that, if the Department prevails on some key disputed issues, the actual total damages suffered by all utilities as a result of the delay in beginning SNF disposal is probably in the range of between \$2 billion and \$3 billion and has recorded a liability for the low end of that range, less \$80 million that has been paid to date from the Treasury Judgment Fund.

Liability is certain and in most of the pending cases orders have been entered affirming the Government's liability. Other than ascertaining the actual amount of damages, the only outstanding issue is how that liability is to be satisfied. At this time, it is uncertain whether damages will be paid from the Judgment Fund, the Nuclear Waste Fund or some other source.

The allocation of Program costs to the Department is dependent on the amount of Department-owned waste requiring geological disposal. As additional waste requiring geological disposal is identified and



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

Notes to Financial Statements  
September 30, 2004 and 2003

(Dollars in thousands unless otherwise noted)

incorporated into the technical Program baseline and MOA, OCRWM will update its cost estimate and cost share allocation to the Department. Certain wastes that may require geological disposal are described below.

In July 2004, the U.S. Court of Appeals in Washington, D.C. vacated a standard promulgated by the Environmental Protection Agency for the protection of the environment from offsite releases of radioactive material from the Yucca Mountain repository. The EPA standard required the Department to limit offsite releases from the repository for 10,000 years. The Court held that EPA violated the Energy Policy Act of 1992, which required the agency to issue standards for Yucca Mountain based upon and consistent with findings by the National Academy of Sciences, whose report issued in 1995 stated that the radiation hazard from the repository might continue for a much longer period. The standard for protection from radiation is one of the criteria that the Nuclear Regulatory Commission will consider in its evaluation of a license application for the repository, which the Department intends to submit to NRC in December 2004.

An NRC pre-licensing hearing panel has vacated a certification by the Department that all available licensing documentation was submitted in June 2004 to the NRC licensing support network. The Department expects to certify or re-certify the documentation prior to submitting the license application. In addition, the State of Nevada has filed a petition challenging the Department's Record of Decision on the mode of transportation and selection of a rail corridor for disposal of radioactive waste at the repository.

The impact of the matters discussed in the two preceding paragraphs upon NRC's evaluation of the license application and upon OCRWM's ability to open the repository is unknown.

Current and former contractors of OCRWM face a class action lawsuit alleging exposure by contractor employees to toxic dust at the repository. The amount of the damages that may be assessed against the contractors and OCRWM's responsibility for payment are uncertain, and no provision for such damages is included in OCRWM's financial statements.

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

Notes to Financial Statements  
September 30, 2004 and 2003

(Dollars in thousands unless otherwise noted)

**(10) Deferred Revenue**

As described in note 2, all fees, both kWh fees and Defense high-level radioactive waste fees, as well as the related interest and investment income, are recognized as revenue to the extent of expenses incurred. Amounts in excess of current expenses are deferred. Deferred revenue at September 30, 2004 and 2003 was as follows:

	<b>2004</b>	<b>2003</b>
<b>Intragovernmental</b>		
Fees billed:		
kWh fees	\$ 42,923	\$ 40,231
Defense high-level waste fees	154,627	122,093
Interest:		
Income on investments	769,411	672,705
Defense high-level waste fees	10,432	12,457
<b>Non-intragovernmental</b>		
Fees billed:		
kWh fees	692,761	688,110
Interest:		
One-time spent nuclear fuel fees	29,079	33,314
Other revenue	525	80,583
Total revenues	\$ 1,699,758	\$ 1,649,493
Less earned revenue	(565,120)	(448,118)
Change in deferred revenue	\$ 1,134,638	\$ 1,201,375
Deferred revenue - beginning balance	17,867,107	16,665,732
Deferred revenue - ending balance	\$ 19,001,745	\$ 17,867,107

Other revenue primarily consists of funds returned and net gains on sale of investments.

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

Required Supplementary Stewardship Information for Research and Development for Fiscal Years ending  
September 30 (Unaudited)

(Dollars in thousands unless otherwise noted)

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

	Direct Cost	Depreciation & Other Managerial Cost	Total Cost
<b>FY 2004 APPLIED</b>			
Environmental Quality	<u>\$65,312</u>	<u>\$1,772</u>	<u>\$67,084</u>
<b>FY 2003 APPLIED</b>			
Environmental Quality	<u>\$75,782</u>	<u>\$1,049</u>	<u>\$76,831</u>
<b>FY 2002 APPLIED</b>			
Environmental Quality	<u>\$62,523</u>	<u>\$2,577</u>	<u>\$65,100</u>
<b>FY 2001 APPLIED</b>			
Environmental Quality	<u>\$60,393</u>	<u>\$3,107</u>	<u>\$63,500</u>
<b>FY 2000 APPLIED</b>			
Environmental Quality	<u>\$58,662</u>	<u>\$4,738</u>	<u>\$63,400</u>
<b>FY 2000 DEVELOPMENT</b>			
Environmental Quality	<u>\$7,600</u>	<u>\$2,100</u>	<u>\$9,700</u>

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

Supplementary Information - Schedule II  
Schedule of Cumulative Revenues and Deferred Revenue as of and for the  
Twenty Two Years Ended September 30, 2004

(Dollars in thousands unless otherwise noted)

Intragovernmental:		
Fees billed:		
kWh fees	\$	533,970
One-time spent nuclear fuel fees		174,598
Defense high-level waste fees		2,270,410
Interest:		
Income on investments		7,363,608
Defense high-level waste fees		940,947
Non-intragovernmental:		
Fees billed:		
kWh fees:		11,544,250
One-time spent nuclear fuel fees		2,174,802
Interest:		
One-time spent nuclear fuel fees		1,933,863
Other revenue		672,130
Total revenues	\$	<u>27,608,578</u>
Less earned revenue		<u>(8,606,833)</u>
Deferred revenue	\$	<u><u>19,001,745</u></u>

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

Supplementary Information - Schedule I  
Schedule of Cumulative Net First and Second Repository Costs for the  
Twenty Two Years Ended September 30, 2004

(Dollars in thousands unless otherwise noted)

First Repository Costs	<u>\$ 6,056,798</u>
All Other Program Costs:	
Program Support	\$ 1,567,409
Transfers of Appropriations	350,990
Waste Acceptance, Storage and Transportation	390,577
Imputed and Other Costs	<u>142,224</u>
Total All Other Program Costs	<u>\$ 2,451,200</u>
Second Repository Costs	<u>\$ 108,896</u>
Total First and Second Repository Costs and Other Program Costs	\$ 8,616,894
Less Earned Revenue	<u>(8,606,833)</u>
Cumulative Net First and Second Repository Costs	<u><u>\$ 10,061</u></u>