



Financial Results





MESSAGE FROM THE CHIEF FINANCIAL OFFICER

[To be incorporated in later draft]

The Department's financial statements have been prepared to report the financial position and results of operations of the Department of Energy, pursuant to the requirements of the Chief Financial Officers Act of 1990, the Government Management Reform Act of 1994, and the Office of Management and Budget's (OMB) Circular A-136, "*Financial Reporting Requirements*."

The responsibility for the integrity of the financial information included in these statements rests with the management of the Department of Energy. The audit of the Department's principal financial statements was performed by an independent certified public accounting firm selected by the Department's Office of Inspector General. The auditors' report issued by the independent certified public accounting firm is included in this report.

The following provides a brief description of the nature of each required financial statement.

Consolidated Balance Sheets

The Consolidated Balance Sheets describe the assets, liabilities and net position components of the Department.

Consolidated Statements of Net Cost

The Consolidated Statements of Net Cost summarize the Department's operating costs by the strategic themes and goals identified in the Department's September 30, 2006, Strategic Plan. All operating costs reported reflect full costs, including all direct and indirect costs, consumed by a program or responsibility segment. The full costs are reduced by earned revenues to arrive at net costs.

Consolidated Statements of Changes in Net Position

The Consolidated Statements of Changes in Net Position identify appropriated funds used as a financing source for goods, services or capital acquisitions. This statement presents the accounting events that caused changes in the net position section of the Consolidated Balance Sheets from the beginning to the end of the reporting period.

Combined Statements of Budgetary Resources

The Combined Statements of Budgetary Resources identify the Department's budget authority. Budget authority is the authority that Federal law gives to agencies to incur financial obligations that will eventually result in outlays or expenditures. Specific forms of budget authority that the Department receives are appropriations, borrowing authority, contract authority and spending authority from offsetting collections. The Combined Statements of Budgetary Resources provides information on budgetary resources available to the Department during the year and the status of those resources at the end of the year. Detail on the amounts shown in the Combined Statements of Budgetary Resources is included in the Required Supplementary Information section on the schedule Budgetary Resources by Major Account.

Consolidated Statements of Custodial Activities

The Consolidated Statements of Custodial Activities identify revenues collected by the Department on behalf of others. These revenues primarily result from power marketing administrations that sell power generated by hydroelectric facilities owned by the Corps of Engineers and the Bureau of Reclamation.

PRINCIPAL STATEMENTS

U.S. Department of Energy Consolidated Balance Sheets

For the Years Ended September 30, 2008 and 2007

* The accompanying notes are an integral part of these statements.

	(\$ in millions)	
	FY 2008	FY 2007
ASSETS: ^(Note 2)		
Intragovernmental Assets:		
Fund Balance with Treasury ^(Note 3)	\$ 19,230	\$ 18,359
Investments and Related Interest, Net ^(Note 4)	27,615	25,800
Accounts Receivable, Net ^(Note 5)	532	456
Regulatory Assets ^(Note 6)	5,364	5,456
Other Assets	6	8
Total Intragovernmental Assets	<u>\$ 52,747</u>	<u>\$ 50,079</u>
Investments and Related Interest, Net ^(Note 4)	196	204
Accounts Receivable, Net ^(Note 5)	4,008	3,937
Inventory, Net: ^(Note 7)		
Strategic Petroleum and Northeast Home Heating Oil Reserve	20,484	19,415
Nuclear Materials	21,024	21,040
Other Inventory	475	470
General Property, Plant, and Equipment, Net ^(Note 8)	25,257	24,866
Regulatory Assets ^(Note 6)	5,180	5,636
Other Non-Intragovernmental Assets ^(Note 9)	5,395	5,032
Total Assets	<u>\$ 134,766</u>	<u>\$ 130,679</u>
LIABILITIES: ^(Note 10)		
Intragovernmental Liabilities:		
Accounts Payable	\$ 85	\$ 66
Debt ^(Note 11)	11,452	11,481
Deferred Revenues and Other Credits ^(Note 12)	17	36
Other Liabilities ^(Note 13)	237	267
Total Intragovernmental Liabilities	<u>\$ 11,791</u>	<u>\$ 11,850</u>
Accounts Payable	4,872	3,793
Debt Held by the Public ^(Note 11)	6,267	6,427
Deferred Revenues and Other Credits ^(Note 12)	25,861	25,145
Environmental Cleanup and Disposal Liabilities ^(Note 14)	265,351	263,603
Pension and Other Actuarial Liabilities ^(Note 15)	10,999	12,433
Capital Leases ^(Note 16)	479	214
Other Non-Intragovernmental Liabilities ^(Note 13)	3,834	3,276
Contingencies and Commitments ^(Note 17)	10,998	11,071
Total Liabilities	<u>\$ 340,452</u>	<u>\$ 337,812</u>
NET POSITION:		
Unexpended Appropriations:		
Unexpended Appropriations - Earmarked Funds ^(Note 18)	\$ 13	\$ 17
Unexpended Appropriations - Other Funds	11,074	10,665
Cumulative Results of Operations:		
Cumulative Results of Operations - Earmarked Funds ^(Note 18)	(6,600)	(6,637)
Cumulative Results of Operations - Other Funds	<u>(210,173)</u>	<u>(211,178)</u>
Total Net Position	<u>\$ (205,686)</u>	<u>\$ (207,133)</u>
Total Liabilities and Net Position	<u>\$ 134,766</u>	<u>\$ 130,679</u>

**Consolidated and Combined
Financial Statements**

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

For the Years Ended September 30, 2008 and 2007

* The accompanying notes are an integral part of these statements.

	(\$ in millions)	
	FY 2008	FY 2007
STRATEGIC THEMES:		
Energy Security:		
Energy Diversity:		
Program Costs	\$ 1,290	\$ 1,082
Less: Earned Revenues (Note 19)	(16)	(6)
Net Cost of Energy Diversity	1,274	1,076
Environmental Impacts of Energy:		
Program Costs	1,166	1,046
Less: Earned Revenues (Note 19)	(51)	(60)
Net Costs of Environmental Impacts of Energy	1,115	986
Energy Infrastructure:		
Program Costs	3,874	3,933
Less: Earned Revenues (Note 19)	(3,979)	(4,146)
Net Cost of Energy Infrastructure	(105)	(213)
Energy Productivity Program Costs	451	496
Net Cost of Energy Security	2,735	2,345
Nuclear Security:		
Nuclear Deterrent Program Costs	6,689	6,869
Weapons of Mass Destruction Program Costs	1,587	1,526
Nuclear Propulsion Plants:		
Program Costs	797	810
Less: Earned Revenues (Note 19)	(16)	(19)
Net Cost of Nuclear Propulsion Plants	781	791
Net Cost of Nuclear Security	9,057	9,186
Scientific Discovery and Innovation:		
Net Cost of Scientific Discovery and Innovation	3,786	3,997
Environmental Responsibility:		
Environmental Cleanup:		
Program Costs	5,538	5,867
Less: Earned Revenues (Note 19)	(410)	(493)
Net Costs of Environmental Cleanup	5,128	5,374
Managing the Legacy Program Costs	188	57
Net Cost of Environmental Responsibility	5,316	5,431
Net Cost of Strategic Themes	20,894	20,959
OTHER PROGRAMS:		
Reimbursable Programs:		
Program Costs	3,905	3,585
Less: Earned Revenues (Note 19)	(3,899)	(3,521)
Net Cost of Reimbursable Programs	6	64
Other Programs: (Note 20)		
Program Costs	602	625
Less: Earned Revenues (Note 19)	(295)	(312)
Net Cost of Other Programs	307	313
Costs Applied to Reduction of Legacy Environmental Liabilities (Notes 14 and 21)	(5,251)	(5,573)
Costs Not Assigned (Note 22)	7,257	45,732
Net Cost of Operations (Note 23)	\$ 23,213	\$ 61,495

**Consolidated and Combined
Financial Statements**

**U. S. Department of Energy
Consolidated Statements of Changes in Net Position**

For the Years Ended September 30, 2008 and 2007

(\$ in millions)

	FY 2008			
	Earmarked Funds ^(Note 18)	All Other Funds	Eliminations	Consoli- dated
CUMULATIVE RESULTS OF OPERATIONS:				
Beginning Balances	\$ (6,637)	\$ (211,178)	\$ -	\$ (217,815)
Budgetary Financing Sources:				
Appropriations Used	\$ 16	\$ 22,919	\$ -	\$ 22,935
Non-Exchange Revenue	57	2	-	59
Donations and Forfeitures of Cash	-	6	-	6
Transfers - In/(Out) Without Reimbursement	(212)	-	-	(212)
Other Financing Sources (Non-Exchange):				
Donations and Forfeitures of Cash	21	-	-	21
Transfers - In/(Out) Without Reimbursement ^(Note 23)	3	1,211	-	1,214
Imputed Financing from Costs Absorbed by Others ^(Note 23)	3	135	-	138
Other ^(Note 23)	613	(45)	(474)	94
Total Financing Sources	\$ 501	\$ 24,228	\$ (474)	\$ 24,255
Net Cost of Operations	(464)	(23,223)	474	(23,213)
Net Change	\$ 37	\$ 1,005	\$ -	\$ 1,042
Total Cumulative Results of Operations	\$ (6,600)	\$ (210,173)	\$ -	\$ (216,773)
UNEXPENDED APPROPRIATIONS:				
Beginning Balances	\$ 17	\$ 10,665	\$ -	\$ 10,682
Budgetary Financing Sources:				
Appropriations Received ^(Note 24)	\$ 12	\$ 23,958	\$ -	\$ 23,970
Appropriations Transferred - In/(Out)	-	2	-	2
Other Adjustments	-	(632)	-	(632)
Appropriations Used	(16)	(22,919)	-	(22,935)
Total Budgetary Financing Sources	\$ (4)	\$ 409	\$ -	\$ 405
Total Unexpended Appropriations	\$ 13	\$ 11,074	\$ -	\$ 11,087
Net Position	\$ (6,587)	\$ (199,099)	\$ -	\$ (205,686)
FY 2007				
CUMULATIVE RESULTS OF OPERATIONS:				
Beginning Balances	\$ (1,345)	\$ (179,661)	\$ -	\$ (181,006)
Changes in Accounting Principles ^(Note 26)	333	622	-	955
Beginning Balances, as adjusted	\$ (1,012)	\$ (179,039)	\$ -	\$ (180,051)
Budgetary Financing Sources:				
Appropriations Used	\$ 36	\$ 22,502	\$ -	\$ 22,538
Non-Exchange Revenue	72	2	-	74
Donations and Forfeitures of Cash	-	12	-	12
Transfers - In/(Out) Without Reimbursement	(878)	9	-	(869)
Other Financing Sources (Non-Exchange):				
Donations and Forfeitures of Cash	4	-	-	4
Transfers - In/(Out) Without Reimbursement ^(Note 23)	48	144	-	192
Imputed Financing from Costs Absorbed by Others ^(Note 23)	2	1,744	-	1,746
Other ^(Note 23)	\$ 343	\$ 163	\$ (472)	\$ 34
Total Financing Sources	(373)	24,576	(472)	23,731
Net Cost of Operations	\$ (5,252)	\$ (56,715)	\$ 472	\$ (61,495)
Net Change	\$ (5,625)	\$ (32,139)	\$ -	\$ (37,764)
Total Cumulative Results of Operations	\$ (6,637)	\$ (211,178)	\$ -	\$ (217,815)
UNEXPENDED APPROPRIATIONS:				
Beginning Balances	\$ 47	\$ 9,864	\$ -	\$ 9,911
Budgetary Financing Sources:				
Appropriations Received ^(Note 24)	\$ 5	\$ 23,291	\$ -	\$ 23,296
Appropriations Transferred - In/(Out)	-	13	-	13
Other Adjustments	1	(1)	-	-
Appropriations Used	(36)	(22,502)	-	(22,538)
Total Budgetary Financing Sources	\$ (30)	\$ 801	\$ -	\$ 771
Total Unexpended Appropriations	\$ 17	\$ 10,665	\$ -	\$ 10,682
Net Position	\$ (6,620)	\$ (200,513)	\$ -	\$ (207,133)

The accompanying notes are an integral part of these statements.

**Consolidated and Combined
Financial Statements**

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

For the Years Ended September 30, 2008 and 2007

* The accompanying notes are an integral part of these statements.

	(\$ in millions)	
	FY 2008	FY 2007
BUDGETARY RESOURCES:		
Unobligated Balance, Brought Forward, October 1 ^(Note 24)	\$ 4,080	\$ 4,159
Recoveries of Prior Year Unpaid Obligations	53	52
Budget Authority:		
Appropriations ^(Note 24)	\$ 25,434	\$ 24,616
Borrowing Authority	425	315
Contract Authority	556	692
Spending Authority from Offsetting Collections:		
Earned:		
Collected	7,980	7,755
Change in Receivables from Federal Sources	24	(22)
Change in Unfilled Customer Orders:		
Advances Received	13	9
Without Advance from Federal Sources	261	124
Subtotal	\$ 34,693	\$ 33,489
Nonexpenditure Transfers, Net, Anticipated and Actual	(81)	117
Temporarily not Available Pursuant to Public Law	(159)	(257)
Permanently not Available	(1,774)	(1,428)
Total Budgetary Resources ^(Note 24)	<u>\$ 36,812</u>	<u>\$ 36,132</u>
STATUS OF BUDGETARY RESOURCES:		
Obligations Incurred:		
Direct	\$ 25,486	\$ 24,770
Exempt from Apportionment	2,875	2,897
Reimbursable	4,825	4,385
Total Obligations Incurred ^(Notes 23 and 24)	\$ 33,186	\$ 32,052
Unobligated Balance:		
Apportioned	1,990	2,495
Exempt from Apportionment	45	50
Unobligated Balance not Available ^(Note 24)	1,591	1,535
Total Status of Budgetary Resources	<u>\$ 36,812</u>	<u>\$ 36,132</u>
CHANGE IN OBLIGATED BALANCE:		
Obligated Balance, Net:		
Unpaid Obligations, Brought Forward, October 1	\$ 19,447	\$ 18,196
Less: Uncollected Customer Payments from Federal Sources, Brought Forward, October 1	(4,201)	(4,100)
Total Unpaid Obligated Balance, Net, October 1	\$ 15,246	\$ 14,096
Obligations Incurred ^(Notes 23 and 24)	33,186	32,052
Less: Gross Outlays	(31,440)	(30,748)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(53)	(52)
Change in Uncollected Customer Payments from Federal Sources	(285)	(102)
	<u>\$ 16,654</u>	<u>\$ 15,246</u>
Obligated Balance, Net, End of Period:		
Unpaid Obligations ^(Note 24)	\$ 21,140	\$ 19,447
Less: Uncollected Customer Payments from Federal Sources	(4,486)	(4,201)
Total, Unpaid Obligated Balance, Net, End of Period	<u>\$ 16,654</u>	<u>\$ 15,246</u>
NET OUTLAYS:		
Gross Outlays	\$ 31,440	\$ 30,748
Less: Offsetting Collections	(7,993)	(7,764)
Less: Distributed Offsetting Receipts ^(Notes 23 and 24)	(2,124)	(2,926)
Net Outlays ^(Note 24)	<u>\$ 21,323</u>	<u>\$ 20,058</u>

**Consolidated and Combined
Financial Statements**

U.S. Department of Energy Consolidated Statements of Custodial Activities

For the Years Ended September 30, 2008 and 2007

* The accompanying notes are an integral part of these statements.

	(\$ in millions)	
	FY 2008	FY 2007
SOURCE OF COLLECTIONS:		
Cash Collections: <small>(Note 25)</small>		
Power Marketing Administrations	\$ 573	\$ 532
Federal Energy Regulatory Commission	62	82
Petroleum Pricing Violation Escrow Fund	9	13
Total Cash Collections	<u>\$ 644</u>	<u>\$ 627</u>
Accrual Adjustment	(26)	(5)
Total Custodial Revenue	<u>\$ 618</u>	<u>\$ 622</u>
DISPOSITION OF REVENUE:		
Transferred to Others:		
Department of the Treasury	(302)	(290)
Army Corps of Engineers	(5)	(31)
Bureau of Reclamation	(327)	(305)
Others	(3)	(7)
Decrease/(Increase) in Amounts to be Transferred	19	11
Net Custodial Activity	<u>\$ -</u>	<u>\$ -</u>

NOTES TO THE CONSOLIDATED AND COMBINED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

A. Basis of Presentation

These consolidated and combined financial statements have been prepared to report the financial position and results of operations of the U.S. Department of Energy (the Department). The statements were prepared from the books and records of the Department in accordance with generally accepted accounting principles applicable to Federal entities.

B. Description of Reporting Entity

The Department is a cabinet level agency of the Executive Branch of the U.S. Government. The Department is not subject to Federal, state, or local income taxes. The Department's headquarters organizations are located in Washington, D. C. and Germantown, Maryland, and consist of an executive management structure that includes the Secretary; the Deputy Secretary; the Under Secretary of Energy; the Under Secretary for Nuclear Security/Administrator for The National Nuclear Security Administration; the Under Secretary for Science; Secretarial staff organizations; and program organizations that provide technical direction and support for the Department's principal programmatic missions. The Department also includes the Federal Energy Regulatory Commission (FERC), which is an independent organization responsible for regulating the transmission and sale of natural gas for resale in interstate commerce and for the transmission and wholesale of electricity in interstate commerce and the licensing of hydroelectric power projects.

The Department has a complex field structure comprised of operations offices, field offices, power marketing administrations (Bonneville Power Administration, Southeastern Power Administration, Southwestern Power Administration, and Western Area Power Administration), laboratories, and other facilities. The majority of the Department's environmental cleanup, energy research and development, and testing and production activities are carried out by major contractors. The contractors operate, maintain, or support the Department's Government-owned facilities on a day-to-day basis and provide other special work under the direction of the Department's field organizations. The Department indemnifies these contractors against financial responsibility from nuclear accidents under the provisions of the Price-Anderson Act.

These contractors have unique contractual relationships with the Department. In most cases, their charts of accounts and accounting systems are integrated with the Department's accounting system through a home office-branch office type of arrangement. Additionally, the Department is responsible

for funding certain defined benefit pension plans, as well as postretirement benefits such as medical care and life insurance, for the employees of these contractors. As a result, the Department's financial statements reflect not only the costs incurred by these contractors, but also include certain contractor assets (e.g., employee advances and prepaid pension costs) and liabilities (e.g., accounts payable, accrued expenses including payroll and benefits, and pension and other actuarial liabilities) that would not be reflected in the financial statements of other Federal agencies that do not have these unique contractual relationships.

C. Basis of Accounting

Transactions are recorded on an accrual accounting basis and budgetary basis. Under the accrual method, revenues are recognized when earned and expenses are recognized when liabilities are incurred, without regard to receipt or payment of cash. Budgetary accounting facilitates compliance with legal constraints and controls over the use of Federal funds. All material intradepartmental balances and transactions have been eliminated in the Consolidated Balance Sheets, Consolidated Statements of Net Cost, Consolidated Statements of Changes in Net Position, and Consolidated Statements of Custodial Activities. The Combined Statements of Budgetary Resources are prepared on a combined basis and do not include intradepartmental eliminations.

Throughout these financial statements, assets, liabilities, earned revenue, and costs have been classified according to the type of entity with whom the transactions were made. Intragovernmental assets and liabilities are those from or to other Federal entities. Intragovernmental earned revenue represents collections or accruals of revenue from other Federal entities, and intragovernmental costs are payments or accruals to other Federal entities.

D. Fund Balance with Treasury

Funds with the Department of the Treasury (Treasury) primarily represent appropriated and revolving funds that are available to pay current liabilities and finance authorized purchases. Disbursements and receipts are processed by Treasury, and the Department's records are reconciled with those of Treasury (see Note 3).

E. Investments, Net

All investments are reported at cost net of amortized premiums and discounts as it is the Department's intent to hold the investments to maturity. Premiums and discounts are amortized using the effective interest yield method (see Note 4).

F. Accounts Receivable, Net

The amounts due for non-intragovernmental (non-Federal) receivables are stated net of an allowance for uncollectible accounts. The estimate of the allowance is based on past experience in the collection of receivables and an analysis of the outstanding balances (see Note 5).

G. Direct Loan and Loan Guarantees

The Department received authority to enter into Loan Guarantees for Innovative Energy Technology. Currently, 25 applications have been received and are under review. As of September 30, 2008, no loan guarantees have been made.

The Department also received Fiscal Year 2009 authority to enter into Direct Loans for Advanced Technology Vehicle Manufacturing. As of September 30, 2008, the Department was given sixty days to develop regulations governing the Advanced Technology Vehicle Manufacturing Loan Program. As of yet no applications have been received and no loans have been made.

H. Inventory, Net

Stockpile materials are recorded at historical cost in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 3, Accounting for Inventory and Related Property, except for certain nuclear materials identified as surplus or excess to the Department's needs. These nuclear materials are recorded at their net realizable value (see Note 7).

I. General Property, Plant, and Equipment, Net

Property, plant, and equipment that are purchased, constructed, or fabricated in-house, including major modifications or improvements, are capitalized at cost. The Department's property, plant, and equipment capitalization threshold is \$50,000 except for the power marketing administrations (PMAs) and FERC, which use thresholds ranging from \$5,000 to \$25,000. The capitalization threshold for internal use software is \$750,000, except for the PMAs and FERC, which use thresholds ranging from \$5,000 to \$150,000 (see Note 8).

Costs of construction are capitalized as construction work in process. Upon completion or beneficial occupancy or use, the cost is transferred to the appropriate property account. Property, plant, and equipment related to environmental management facilities storing and processing the Department's environmental legacy wastes are not capitalized.

Depreciation expense is generally computed using the straight-line method. The units of production method is used only in special cases where applicable, such as depreciating automotive equipment on a mileage basis and construction equipment on an hourly use basis. The ranges of service lives are generally as follows:

- Structures and Facilities 25 – 50 years
- Automated Data Processing Software 3 – 7 years
- Equipment 5 – 40 years
- Land and land rights – duration of period or 50 years, whichever is less.

J. Liabilities

Liabilities represent amounts of monies or other resources likely to be paid by the Department as a result of a transaction or event that has already occurred. However, no liability can be paid by the Department absent an authorized appropriation. Liabilities for which an appropriation has not been enacted are, therefore, classified as not covered by budgetary resources (see Note 10), and there is no certainty that the appropriations will be enacted. Also, liabilities of the Department that are not contract based can be abrogated by the Government acting in its sovereign capacity.

K. Earmarked Funds

Earmarked funds are financed by specifically identified revenues, often supplemented by other financing sources, which remain available over time. These specifically identified revenues and other financing sources are required by statute to be used for designated activities, benefits or purposes, and must be accounted for separately from the Government's general revenues (see Note 18).

L. Accrued Annual, Sick, and Other 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. 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.

M. 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 one percent of pay and matches any employee contribution up to an additional four percent of pay. For most employees hired since December 31, 1983, the Department also contributes the employer's matching share for Social Security. The Department 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 the Office of Personnel Management (OPM). The Department does report, as an imputed financing source (see Note 23) 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. The PMAs make additional annual contributions to Treasury to ensure that all postretirement benefit programs provided to their employees are fully funded and such costs are both recovered through rates and properly expensed.

Contractor Employees

Most of the Department's major contractors maintain a defined benefit pension plan under which they promise to pay employees specific benefits, such as a percentage of the final average pay for each year of service. The Department's cost under the contracts includes reimbursement of employer contributions to the pension plans. Amounts are calculated for employers to contribute to their pension plan to ensure the plan assets are sufficient or provide for accrued benefits of contractor employees. The level of contributions is dependent on plan provisions and actuarial assumptions about the future, such as interest rates, employee turnover and mortality, age of retirement, and compensation increases. The Department's contractors also sponsor postretirement benefits other than pensions (PRB) consisting of predominantly postretirement health care benefits which are generally funded on a pay-as-you-go basis. Since the Department is ultimately responsible for the allowable costs of funding the pension and PRB plans, it reports assets and liabilities for these plans (see Note 15).

N. Net Cost of Operations

Program costs are summarized in the Consolidated Statements of Net Cost by the strategic themes and goals identified in the Department's September 30, 2006, Strategic Plan. Program costs reflect full costs including, all direct and indirect costs consumed by these strategic themes and goals. Full costs are reduced by exchange (earned) revenues to arrive at net operating cost (see Notes 19 and 20). The strategic themes and goals are summarized below.

Energy Security

- **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.
- **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.

- **Energy Infrastructure** – Create a more flexible, more reliable, and higher capacity U.S. energy infrastructure.
- **Energy Productivity** – Cost-effectively improve the energy efficiency of the U.S. economy.

Nuclear Security

- **Nuclear Deterrent** – Transform the Nation's nuclear weapons stockpile and supporting infrastructure to be more responsive to the threats of the 21st Century.
- **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.
- **Nuclear Propulsion Plants** – Provide safe, militarily effective nuclear propulsion plants to the U.S. Navy.

Scientific Discovery and Innovation

- **Scientific Breakthroughs** – Achieve the major scientific discoveries that will drive U.S. competitiveness and inspire and revolutionize our approaches to the Nation's energy, national security, and environmental quality challenges.
- **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.
- **Research Integration** – Integrate basic and applied research to accelerate innovation and to create transformational solutions for energy and other U.S. needs.

Environmental Responsibility

- **Environmental Cleanup** – Complete cleanup of the contaminated nuclear weapons manufacturing and testing sites across the United States.
- **Managing the Legacy** – Manage the Department's post-closure environmental responsibilities and ensure the future protection of human health and the environment.

O. Revenues and Other Financing Sources

The Department receives the majority of the funding needed to perform its mission through Congressional appropriations. These appropriations may be used, within statutory limits, for operating and capital expenditures. In addition to appropriations, financing sources include exchange and non-exchange revenues, imputed financing sources, and custodial revenues.

Consolidated and Combined Financial Statements

Exchange and Non-Exchange Revenues

In accordance with Federal Government accounting standards, the Department classifies revenues as either exchange (earned) or non-exchange. Exchange revenues are those that derive from transactions in which both the Government and the other party receive value (see Note 19). Non-exchange revenues derive from the Government's sovereign right to demand payment, including fines and penalties. Non-exchange revenues also include interest earned on investments funded from amounts remaining from the privatization of the United States Enrichment Corporation (see Note 4). These revenues are not considered to reduce the cost of the Department's operations and are reported on the Consolidated Statements of Changes in Net Position.

Imputed Financing Sources

In certain instances program costs of the Department are paid out of the funds appropriated to other Federal agencies. For example, certain costs of retirement programs are paid by OPM, and certain legal judgments against the Department are paid from the Judgment Fund maintained by Treasury. When costs that are directly attributable to the Department's operations are paid by other agencies, the Department recognizes these amounts on the Consolidated Statements

of Net Cost. In addition, these amounts are recognized as imputed financing sources on the Consolidated Statements of Changes in Net Position (see also Note 23).

Custodial Revenues

The Department collects certain revenues on behalf of others which are designated as custodial revenues. The Department incurs virtually no costs to generate these revenues, nor can it use these revenues to finance its operations. The revenues are returned to Treasury and others and are reported on the Consolidated Statements of Custodial Activities (see Note 25).

P. Use of Estimates

The Department has made certain estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these consolidated financial statements. Actual results could differ from these estimates.

Q. Comparative Data

Certain fiscal year 2007 amounts have been reclassified to conform to the fiscal year 2008 presentation.

2. Non-Entity Assets

	(\$ in millions)	
	FY 2008	FY 2007
Intragovernmental		
Naval Petroleum Reserve Deposit Fund ^(Note 13)	\$ 323	\$ 323
Investments - Petroleum Pricing Violation Escrow Fund ^(Notes 4 and 13)	56	47
Other	8	-
Subtotal	<u>\$ 387</u>	<u>\$ 370</u>
Investments - Petroleum Pricing Violation Escrow Fund ^(Notes 4 and 13)	196	204
Inventories - Department of Defense stockpile oil ^(Notes 7 and 13)	123	123
Total non-entity assets	<u>\$ 706</u>	<u>\$ 697</u>
Total entity assets	134,060	129,982
Total assets	<u>\$ 134,766</u>	<u>\$ 130,679</u>

Assets in the possession of the Department that are not available for its use are considered non-entity assets.

Naval Petroleum Reserve Deposit Fund

The balance in this fund represents proceeds from the sale of the Naval Petroleum Reserve at Elk Hills that are being held until final disposition in accordance with the Decoupling Agreement. Approximately \$288 million is being held for a contingency payment to Chevron, Inc., pending the outcome of equity finalization. The remaining \$35 million is reserved for anticipated adjustments to Occidental's final payment and for possible reimbursement to the investment banker for an advance on its commission.

Petroleum Pricing Violation Escrow Fund

The Petroleum Pricing Violation Escrow Fund represents custodial receipts collected as a result of agreements or court orders with individuals or firms that violated petroleum pricing and allocation regulations during the 1970s and 1980s. These receipts are invested in Treasury securities and certificates of deposit at minority-owned financial institutions pending determination by the Department as to how to distribute the fund balance. The investments are liquidated, as needed, to make payments to claimants from this fund.

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3. Fund Balance with Treasury

(\$ in millions)

	FY 2008				
	Appropriated Funds	Revolving Funds	Special Funds	Other Funds	Total
Unobligated budgetary resources					
Available	\$ 5,469	\$ 942	\$ 637	\$ -	\$ 7,048
Unavailable (Note 24)	172	1,542	-	-	1,714
Obligated balance not yet disbursed					
Unpaid obligations (Note 24)	19,793	2,237	747	-	22,777
Uncollected customer payments from Federal sources	(4,130)	(400)	(91)	-	(4,621)
Deposit fund liabilities	-	-	-	423	423
Other adjustments					
Appropriations temporarily not available pursuant to law, and contract authority	149	(1,005)	-	-	(856)
Unavailable receipt accounts	-	-	929	-	929
Budgetary resources invested in Treasury securities					
Nuclear Waste Fund	-	-	(154)	-	(154)
Uranium Enrichment D&D Fund	-	-	(413)	-	(413)
U.S. Enrichment Corporation revolving fund	-	(1,542)	-	-	(1,542)
Total fund balance with Treasury	\$ 21,453	\$ 1,774	\$ 1,655	\$ 423	\$ 25,305
			FY 2007		
Unobligated budgetary resources					
Available	\$ 2,158	\$ 168	\$ 219	\$ -	\$ 2,545
Unavailable (Note 24)	15	1,476	44	-	1,535
Obligated balance not yet disbursed					
Unpaid obligations (Note 24)	16,302	2,460	685	-	19,447
Uncollected customer payments from Federal sources	(3,851)	(322)	(28)	-	(4,201)
Deposit fund liabilities	-	(3)	-	360	357
Other adjustments					
Appropriations temporarily not available pursuant to law, and contract authority	257	(694)	-	-	(437)
Unavailable receipt accounts	-	-	882	-	882
Budgetary resources invested in Treasury securities					
Nuclear Waste Fund	-	-	(108)	-	(108)
Uranium Enrichment D&D Fund	-	-	(188)	-	(188)
U.S. Enrichment Corporation revolving fund	-	(1,473)	-	-	(1,473)
Total fund balance with Treasury	\$ 14,881	\$ 1,612	\$ 1,506	\$ 360	\$ 18,359

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4. Investments and Related Interest, Net

(\$ in millions)

	FY 2008					
	Unamortized Premium Face	(Discount)	Interest Receivable	Investments Net	Unrealized Market Gains (Losses)	Market Value
Intragovernmental Non-Marketable						
Nuclear Waste Fund	\$ 42,570	\$ (21,455)	\$ 50	\$ 21,165	\$ 2,983	\$ 24,148
D&D Fund	4,710	59	54	4,823	178	5,001
U.S. Enrichment Corporation	1,542	2	27	1,571	-	1,571
Petroleum Pricing Violation Escrow Fund	56	-	-	56	-	56
Subtotal	\$ 48,878	\$ (21,394)	\$ 131	\$ 27,615	\$ 3,161	\$ 30,776
Petroleum Pricing Violation Escrow Fund	195	-	1	196	-	196
Total investments and related interest, net	\$ 49,073	\$ (21,394)	\$ 132	\$ 27,811	\$ 3,161	\$ 30,972
	FY 2007					
Intragovernmental Non-Marketable						
Nuclear Waste Fund	\$ 39,434	\$ (19,971)	\$ 48	\$ 19,511	\$ 1,179	\$ 20,690
D&D Fund	4,623	50	54	4,727	20	4,747
U.S. Enrichment Corporation	1,502	(4)	17	1,515	-	1,515
Petroleum Pricing Violation Escrow Fund	47	-	-	47	-	47
Subtotal	\$ 45,606	\$ (19,925)	\$ 119	\$ 25,800	\$ 1,199	\$ 26,999
Petroleum Pricing Violation Escrow Fund	202	-	2	204	-	204
Total investments and related interest, net	\$ 45,808	\$ (19,925)	\$ 121	\$ 26,004	\$ 1,199	\$ 27,203

Pursuant to statutory authorizations, the Department invests monies in Treasury securities and commercial certificates of deposit that are secured by the Federal Deposit Insurance Corporation. The Department's investments primarily involve the Nuclear Waste Fund (NWF) and the Uranium Enrichment Decontamination and Decommissioning (D&D) Fund. Fees paid by owners and generators of spent nuclear fuel and high-level radioactive waste and fees collected from domestic utilities are deposited into the respective funds. Funds in excess of those needed to pay current program costs are invested in Treasury securities.

Upon privatization of the United States Enrichment Corporation (USEC) on July 28, 1998, the Office of Management and Budget (OMB) and Treasury designated the Department as successor to USEC for purposes of disposition of balances remaining in the USEC Fund. These funds are invested in Treasury securities.

The Federal Government does not set aside assets to pay for expenditures associated with the funds for which the Department holds Treasury securities. These Treasury securities are an asset to the Department and a liability to Treasury. Because the Department and Treasury are both parts of the Government, these assets and liabilities offset each other from the standpoint of the Government as a whole. For this reason, they do not represent an asset or a liability in the U.S. Government-wide financial statements.

Treasury securities provide the Department with authority to draw upon the U.S. Treasury to make expenditures, subject to available appropriations and OMB apportionments. When the Department requires redemption of these securities, the Government finances those expenditures out of accumulated cash balances by raising taxes or other receipts, by borrowing from the public or repaying less debt, or by curtailing other expenditures. This is the same way the Government finances all other expenditures.

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5. Accounts Receivable, Net

	FY 2008			FY 2007		
	Receivable	Allowance	Net	Receivable	Allowance	Net
Intragovernmental	\$ 532	\$ -	\$ 532	\$ 456	\$ -	\$ 456
Nuclear Waste Fund	3,385	-	3,385	3,308	-	3,308
Power marketing administrations	501	(39)	462	519	(41)	478
Credit programs	41	-	41	48	-	48
Other	159	(39)	120	119	(16)	103
Subtotal	\$ 4,086	\$ (78)	\$ 4,008	\$ 3,994	\$ (57)	\$ 3,937
Total accounts receivable	\$ 4,618	\$ (78)	\$ 4,540	\$ 4,450	\$ (57)	\$ 4,393

Intragovernmental accounts receivable primarily represent amounts due from other Federal agencies for reimbursable work performed pursuant to the Economy Act, Atomic Energy Act, and other statutory authority, as well as interest earned on investments held in Treasury securities.

Non-intragovernmental receivables primarily represent amounts due for NWF fees. NWF receivables are supported by contracts and agreements with owners and generators of spent nuclear fuel and high-level radioactive waste that contribute resources to the fund. Other receivables due from the public include reimbursable work billings and other amounts related to trade receivables, and other miscellaneous receivables.

6. Regulatory Assets

	(\$ in millions)	
	FY 2008	FY 2007
Intragovernmental		
Refinanced and additional appropriated capital	\$ 5,364	\$ 5,456
Non-operating regulatory assets	3,705	3,887
Investor owned utilities exchange benefits	885	885
Conservation and fish and wildlife projects	345	377
Other regulatory assets	245	487
Subtotal	\$ 5,180	\$ 5,636
Total regulatory assets	\$ 10,544	\$ 11,092

The Department's PMAs record certain amounts as assets in accordance with Statement of Financial Accounting Standards (SFAS) No. 71, Accounting for the Effects of Certain Types of Regulation. The provisions of SFAS No. 71 require that regulated enterprises reflect rate actions of the regulator in their financial statements, when appropriate. These rate actions can provide reasonable assurance of the existence of an asset, reduce or eliminate the value of an asset, or impose a liability on a regulated enterprise.

In order to defer incurred costs under SFAS No. 71, a regulated entity must have the statutory authority to establish rates that recover all costs, and those rates must be charged to and collected from customers. If Bonneville Power Administration's (BPA) rates should become market-based, SFAS No. 71 would no longer be applicable, and all of the deferred costs under that standard would be expensed.

Refinanced and Additional Appropriated Capital

The BPA Refinancing Section of the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Refinancing Act), 16 U.S.C. 838(l), required that the outstanding balance of the Federal Columbia River Power System (FCRPS) be reset and assigned market rates of interest prevailing as of September 30, 1996. This resulted in a determination that the principal amount of appropriations should equal the present value of the principal and interest that would have been paid to the U.S. Treasury in the absence of the Refinancing Act, plus \$100 million. These appropriations include the unpaid balance of capital appropriations of the power generating assets of the U.S. Army Corps of Engineers (Corps) and the Bureau of Reclamation associated with the FCRPS as well as additional capital investment post-Refinancing Act. The Corps and the Bureau of Reclamation continue to own and operate these assets, with BPA having the responsibility to recover

the costs of the assets from power ratepayers. BPA established an intragovernmental regulatory asset representing the repayment amount of the transmission and power generating assets that will be recovered in BPA rates. This regulatory asset is being amortized on a straight-line method over the service lives of the assets. BPA recognized annual amortization costs of \$92 million as of September 30, 2008, and \$91 million as of September 30, 2007. The Consolidated Balance Sheets include a regulatory asset and an offsetting related debt (see Note 11).

Non-Operating Regulatory Assets

BPA has acquired all or part of the potential generating capability of three terminated nuclear facilities and one hydro project that are not providing power. The contracts to acquire the generating capability of these projects require BPA to pay all or part of the annual projects' budgets, including maintenance expense and debt service. These projects' costs are recovered through BPA's rates. The Consolidated Balance Sheets include a regulatory asset and offsetting related debt (see Note 11).

Residential Exchange Program

The United States Court of Appeals for the Ninth Circuit Court (Ninth Circuit Court) rulings found the Residential Exchange Settlement Agreements inconsistent with the Northwest Power Act. In response to the Ninth Circuit Court's rulings, BPA conducted a new wholesale power rate case that supplemented the initial fiscal year 2007 to 2009 rate case. The WP-07 Supplemental Wholesale Power Rate Case Final Record of Decision (ROD) was issued on September 22, 2008. The Final ROD established a "Lookback Amount" representing BPA's overpayments to investor-owned utilities (IOUs) from prior years over collection in rates that will be returned to qualifying consumer-owned utilities. In each succeeding rate case the Administrator will designate the amount to be recovered from the IOUs and returned to each qualifying preference customer. These amounts will not reduce rates, but will be credits to specific customers as designated in the Final ROD. When each ROD is issued BPA will recognize in the year the refund is declared the contra-revenue Provision for Rate Refund, as well as the liability, until the Lookback Amount is eliminated. These transactions are net revenue neutral as the same amount reduces both revenue and expense. A regulatory asset reflects the Lookback Amount recoverable from IOUs in future rate cases that will reduce their payments.

7. Inventory, Net

Inventory includes stockpile materials consisting of crude oil held in the Strategic Petroleum Reserve (SPR) and the Northeast Home Heating Oil Reserve, nuclear materials, highly enriched uranium, and other inventory consisting primarily of operating materials and supplies.

Investor Owned Utilities (IOU) Exchange Benefits

When the Ninth Circuit Court invalidated the Settlement Agreements that led to the WP-07 Supplemental Rate Case, both the amounts and the probability of the Settlement Agreements were uncertain. Upon notification of the ruling, BPA suspended payments to the IOUs because officials are personally liable if payments are made inconsistent with law. As of the end of fiscal year 2007, the account balances were for a liability of \$1,068 million and a regulatory asset of \$885 million reflecting obligations "settled" in 2004 that were due to be paid through 2011. The difference between the liability and regulatory asset is primarily attributable to the recording of the expense (asset reduction) although payment was suspended in fiscal year 2007. As a result of the ruling, the associated liability and regulatory asset for the Settlement agreements were reduced to zero (discussed in Note 12 "Deferred Revenues and Other Credits").

Conservation and Fish and Wildlife Projects

Conservation measures consist of the costs of capitalized conservation measures and are amortized over periods of 5 to 20 years. Fish and wildlife measures consist of the costs of capitalized fish and wildlife projects and are amortized over a period of 15 years.

Other Regulatory Assets

Other regulatory assets consist of BPA deferred expenses where the costs are included in rates charged to customers. These assets primarily include direct service industry benefits that will be recovered in rates; decommissioning and site restoration costs reflecting amounts to be recovered in future rates for funding the Trojan asset retirement obligation liability; settlements reflecting agreements or proposed settlements stemming from litigation; conservation related to programs sponsored by BPA; spacer dampers on transmission lines; and capital bond premiums, which represent the deferred losses related to refinanced debt and are amortized over the life of the new debt instruments.

Strategic Petroleum Reserve

The SPR consists of crude oil stored in salt domes, terminals, and pipelines. As of September 30, 2008, and September 30, 2007, the Reserve contained crude oil with a historical cost of \$20,405

million and \$19,340 million, respectively. The Reserve provides a deterrent to the use of oil as a political instrument and provides a response mechanism should a disruption occur. Included in the SPR is six million barrels of crude oil held for future Department of Defense (DOD) use. The fiscal year 1993 Defense Appropriations Act authorized the Department to acquire, transport, store, and prepare for ultimate drawdown of crude oil for DOD. The crude oil purchased with DOD funding is commingled with the Department's stock and is valued at its historical cost of \$123 million at September 30, 2008, and September 30, 2007 (see Notes 2 and 13).

Northeast Home Heating Oil Reserve

The Northeast Home Heating Oil Reserve was established in fiscal year 2000 pursuant to the Energy Policy and Conservation Act. The Reserve contains petroleum distillate in the New England, New York, and New Jersey geographic areas valued at historical costs of \$79 million as of September 30, 2008 and \$75 million as of September 30, 2007.

Nuclear Materials

Nuclear materials include weapons and related components, including those in the custody of the DOD under Presidential Directive, and materials used for research and development purposes. Certain surplus plutonium carried at zero value (a provision for disposal is included in environmental liabilities) has significant arms control and nonproliferation value and is instrumental to the U.S. in ensuring that Russia continues toward the disposition of its weapons-grade plutonium.

The Department has inventories amounting to a total of 17,596 metric tons (MTU) as uranium hexafluoride (UF₆) as of September 30, 2008. This total can be divided into three separate stockpiles. First, the Department in 1996 received from USEC a transfer of 5,521 MTU associated with the natural uranium component of low enriched uranium (LEU) delivered under the U.S. and Russia Highly Enriched Uranium (HEU) Purchase Agreement in 1995 and 1996. About 1,079 MTU remains in the Department's inventories as a result of: (1) 2,228 MTU transferred consistent with section 3112 of the USEC Privatization Act between 1996 and 2001; (2) 1,105 MTU transferred to USEC for sale in fiscal year 2005 and fiscal year 2006; and (3) 1,106 MTU sold by the Department using the proceeds for the technetium cleanup program. In addition to the 1,079 MTU, the Department received 361 MTU of Russian origin from the Tennessee Valley Authority (TVA) in return for the Department providing a similar quantity of U.S. origin uranium under a prior agreement with TVA.

The second stockpile of uranium, amounting to 11,000 MTU, was purchased from Russia for \$325 million consistent with Public Law 105-277. This material is the natural uranium component of

LEU delivered under the U.S. and Russia HEU Agreement in 1997 and 1998. Final disposition of the material cannot occur until after March 2009 based upon an international agreement between the U.S. and Russia that requires the Department to maintain a 22,000 MTU stockpile (includes uranium held in surplus HEU as well as the inventories of natural UF₆) and restricts the entry of the uranium into the commercial market until after March 2009.

The third stockpile of uranium consists of U.S. origin uranium of 5,156 MTU, the majority of which is also restricted from sale into the commercial market until after March 2009. Sampling and analysis indicate that a portion of the Department's stockpile of UF₆ contains technetium exceeding nuclear fuel specifications. This uranium is currently being processed to meet commercial specifications. About 3 MTU remain unrecoverable as cylinder heels from the technetium cleanup program and is included in the 5,156 MTU. Based on current market data, the carrying value of this material is not impaired as of September 30, 2008.

The nuclear materials inventory includes numerous items for which future use and disposition decisions have not been made. Decisions for most of these items will be made through analysis of the economic benefits and costs, and the environmental impacts of the various use and disposition alternatives. The carrying value of these items is not significant to the nuclear materials stockpile inventory balance. The Department will recognize disposition liabilities and record the material at net realizable value when disposal as waste is identified as the most likely alternative and disposition costs can be reasonably estimated. Inventory values are reduced by costs associated with decay or damage.

Highly Enriched Uranium

The Nuclear Weapons Council declared in December 1994, leading to the Secretary of Energy's announcement in February 1996, that 174.3 metric tons (MT) of the Department's HEU were excess to national security needs. Most of this material (about 156 MT) will be blended for sale as LEU and used over time as commercial or research nuclear reactor fuel to recover its value. The remaining portion (about 18 MT) of the material is already in the form of irradiated fuel or other waste forms and will be disposed of directly as waste. In November 2005, the Secretary of Energy declared that an additional 200 MT of HEU will never again be used as fissile material in nuclear weapons. Out of the 200 MT, approximately 20 MT will be down blended to LEU for use in commercial or research reactors, 20 MT will be used for research and 160 MT will be provided to Naval Reactors for programmatic use. Approximately 20% of the Naval Reactors material is expected to be rejected by Naval Reactors and re-designated for down-blending and sale as LEU fuel. Down-blending of this material will occur over the next 25 to 50 years.

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8. General Property, Plant and Equipment, Net

(\$ in millions)

	FY 2008			FY 2007		
	Acquisition Costs	Accumulated Depreciation	Net Book Value	Acquisition Costs	Accumulated Depreciation	Net Book Value
Land and land rights	\$ 1,651	\$ (806)	\$ 845	\$ 1,612	\$ (767)	\$ 845
Structures and facilities	36,235	(23,512)	12,723	35,545	(23,050)	12,495
Internal use software	453	(248)	205	457	(237)	220
Equipment	16,433	(11,051)	5,382	16,151	(10,682)	5,469
Natural resources	90	(12)	78	65	(16)	49
Construction work in process	6,024	-	6,024	5,788	-	5,788
Total general property, plant, and equipment	\$ 60,886	\$ (35,629)	\$ 25,257	\$ 59,618	\$ (34,752)	\$ 24,866

9. Other Non-Intragovernmental Assets

(\$ in millions)

	FY 2008	FY 2007
Purchased generating capability	\$ 2,493	\$ 2,465
Prepaid pension plan costs ^(Note 15)	1,939	1,918
Oil due from others	360	119
Prepayments and advances	113	95
Other	490	435
Total other non-intragovernmental assets	\$ 5,395	\$ 5,032

Purchased Generating Capability

Through contracts, BPA has acquired all of the generating capability of one nuclear power plant and one hydroelectric project. The contracts require BPA to pay operating expenses and debt service for these facilities. The Consolidated Balance Sheets include an offsetting, related debt for these amounts.

Oil Due from Others

The Department has a Royalty-in-Kind exchange arrangement with the Department of the Interior's Mineral Management Service (MMS) to receive crude oil from Gulf of Mexico Federal offshore leases. The oil from the MMS offshore leases was exchanged for

other crude oil (exchange oil) to be delivered to the SPR. As a result of companies deferring the delivery of some of the exchange oil, the Department earns additional oil as a premium.

In June of 2008 Congress passed legislation to stop the fill of the SPR due to increasing crude oil prices. This resulted in the deferral of two million barrels of oil until the third quarter of fiscal year 2009.

Due to the disruption of crude oil supplies caused by Hurricane Gustav in August 2008, the SPR contracted with five oil companies to loan oil in exchange for the return of contracted plus premium barrels to the SPR. As of September 30, 2008, the value of the barrels due to SPR was \$146 million.

10. Liabilities Not Covered by Budgetary Resources

	(\$ in millions)	
	FY 2008	FY 2007
Intragovernmental		
Debt ^(Note 11)	\$ 11,452	\$ 11,481
Other	15	17
Total intragovernmental	\$ 11,467	\$ 11,498
Debt ^(Note 11)	6,267	6,427
Nuclear Waste Fund deferred revenues ^(Note 12)	24,520	22,778
Environmental liabilities ^(Note 14)	262,841	260,901
Pension and other actuarial liabilities ^(Note 15)	10,999	12,433
Other liabilities		
Environment, safety, and health compliance activities ^(Note 13)	1,666	1,190
Accrued annual leave for Federal employees	134	123
Other	548	321
Contingencies and commitments ^(Note 17)	10,998	11,071
Total liabilities not covered by budgetary resources	\$ 329,440	\$ 326,742
Total liabilities covered by budgetary resources	11,012	11,070
Total liabilities	\$ 340,452	\$ 337,812

11. Debt

	FY 2008			FY 2007		
	Beginning Balance	Net Borrowings	Ending Balance	Beginning Balance	Net Borrowings	Ending Balance
Intragovernmental ^(Note 10)						
Borrowing from Treasury	\$ 2,241	\$ (55)	\$ 2,186	\$ 2,482	\$ (241)	\$ 2,241
Appropriated capital	3,428	256	3,684	3,202	226	3,428
Refinanced and additional appropriations	3,951	(166)	3,785	3,170	781	3,951
Capitalization adjustment	1,861	(64)	1,797	1,926	(65)	1,861
Subtotal	\$ 11,481	\$ (29)	\$ 11,452	\$ 10,780	\$ 701	\$ 11,481
Non-Federal projects ^(Note 10)	6,427	(160)	6,267	6,436	(9)	6,427
Total debt	\$ 17,908	\$ (189)	\$ 17,719	\$ 17,216	\$ 692	\$ 17,908

Borrowing from Treasury

To finance its capital programs, BPA is authorized by Congress to issue to Treasury up to \$4,450 million of interest-bearing debt with terms and conditions comparable to debt issued by U.S. Government corporations. A portion (\$1,250 million) is reserved for conservation and renewable resource loans and grants. As of September 30, 2008, and September 30, 2007, of the total \$2,186 million and \$2,241 million of outstanding debt respectively, \$726 million and \$755 million, respectively, were conservation and renewable resource loans and grants (including Corps, Bureau of Reclamation and U.S. Fish and Wildlife capital investments). The weighted average interest rates for Treasury borrowing as of September 30, 2008, and September 30, 2007, were 5.23 percent and 5.44 percent, respectively. The fair value of BPA's long-term debt, based on discounting future cash flows using rates offered by Treasury as of September 30, 2008, and September 30, 2007, for

similar maturities, exceeds carrying value by approximately \$XXX million and \$153 million respectively. During fiscal year 2008, BPA began issuing debt under a new lending agreement with Treasury. BPA will no longer issue new bonds to the U.S. Treasury, but will instead issue Treasury advances, which are included in the \$2,186 million of outstanding debt at September 30, 2008.

Appropriated Capital

Appropriated capital owed represents the balance of appropriations provided to the Department's PMAs for construction, operation, and maintenance of power facilities which will be repaid to Treasury's General Fund and the Department of the Interior's (Interior) Reclamation Fund. The amount owed also includes accumulated interest on the net unpaid Federal investment in the power projects. The Federal investment in these facilities is to be repaid within 50 years from the time the facilities are placed in

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service or are commercially operational. Replacements of Federal investments are generally expected to be repaid over their useful service lives. There is no requirement for repayment of a specific amount of Federal investment on an annual basis.

Each of the PMAs, except for BPA, receives an annual appropriation to fund construction, operation, and maintenance expenses. These appropriated funds are repaid to Treasury's General Fund and Interior from the revenues generated from the sale of power and transmission services. To the extent that funds are not available for payment, such unpaid annual net deficits become payable from the subsequent years' revenues prior to any repayment of Federal investment. The Department treats these appropriations as a debt owed to Treasury's General Fund and Interior, and as such, the Consolidated Statements of Changes in Net Position do not reflect these funds as appropriated capital used.

Except for the appropriation refinancing asset described in Note 6 and in the next paragraph, the Department's financial statements do not reflect the Federal investment in power generating facilities owned by the Corps; the Department of the Interior, Bureau of Reclamation; and the Department of State, International Boundary and Water Commission. The Department's PMAs, except BPA, are responsible for collecting, and remitting to Treasury, revenues resulting from the sale of hydroelectric power generated by these facilities (see Note 26). BPA makes annual payments to Treasury from its net proceeds.

Refinanced and Additional Appropriations

As discussed in Note 6, BPA refinanced its unpaid capital appropriations as of September 30, 1996, and is responsible for the repayment of additional appropriated capital investment post-Refinancing Act. The weighted average interest rate on outstanding appropriations was 6.6 percent as of September 30, 2008, and September 30, 2007, respectively. The remaining periods of repayment on the fiscal year 2008 balances for refinanced

appropriations and on additional appropriations are 38 and 49 years, respectively. Repayment amounts were determined based on the date the respective facilities were placed in service using the weighted average service lives of the associated investments, not to exceed 50 years. BPA repays amounts owed to Treasury's General Fund and Interior's Reclamation Fund.

Capitalization Adjustment

The amount of appropriations refinanced as a result of the BPA Appropriations Refinancing Act of 1996 was \$6.6 billion. After refinancing, the appropriations outstanding were \$4.1 billion. The difference between the appropriated debt before and after the refinancing was recorded as a capitalization adjustment. This adjustment is being amortized over 40 years of which 28 years remain. The weighted average interest rate was 6.7 percent as of September 30, 2008, and September 30, 2007.

Non-Federal Projects

As discussed in Notes 6 and 9, the non-Federal projects debt primarily represents BPA's liability to pay all or part of the annual budgets, including debt service, of the generating capability of one operating and three non-operating nuclear power plants as well as one operating and one terminated hydroelectric project. The majority of BPA's non-Federal projects debt is with Energy Northwest for which the fair value exceeds recorded value by \$39 million and \$303 million, as of September 30, 2008, and September 30, 2007, respectively. The valuations are based on discounted future cash flows using interest rates for similar debt which could have been issued at September 30, 2008, and September 30, 2007, respectively. The weighted average interest rate was 5.3 percent on the major portion of outstanding non-Federal projects debt as of September 30, 2008.

The following table summarizes future principal payments required for the debt described above.

(\$ in millions)						
Fiscal Year	Borrowing from Treasury	Appropriated Capital	Refinanced Appropriations	Capitalization Adjustment	Non-Federal Projects	
2009	\$ 655	\$ 18	\$ 10	\$ 65	\$ 573	
2010	365	12	4	65	291	
2011	290	114	21	65	287	
2012	110	28	25	65	446	
2013	60	30	18	65	511	
2014+	720	3,463	3,860	1,488	4,321	
Total	\$ 2,200	\$ 3,665	\$ 3,938	\$ 1,813	\$ 6,429	

12. Deferred Revenues and Other Credits

	(\$ in millions)	
	FY 2008	FY 2007
Intragovernmental	\$ 17	\$ 36
Nuclear Waste Fund ^(Note 10)	24,520	22,778
Power marketing administrations	954	2,057
Reimbursable work advances	323	245
Other	64	25
Subtotal	<u>\$ 25,861</u>	<u>\$ 25,145</u>
Total deferred revenues and other credits	<u>\$ 25,878</u>	<u>\$ 25,181</u>

Nuclear Waste Fund

NWF revenues are accrued based on fees assessed against owners and generators of high-level radioactive waste and spent nuclear fuel and interest accrued on investments in Treasury securities. These revenues are recognized as a financing source as costs are incurred for NWF activities. Adjustments are made to defer revenues that exceed the NWF expenses.

Power Marketing Administrations

The power marketing administrations' deferred revenues and other credits primarily represent advances received from BPA's customers where either the customer or BPA will own the resulting asset, and Direct-service industries benefits that reflect a contractual liability to Northwest aluminum companies and one paper mill through fiscal year 2011. Other primary components include regulatory liabilities that reduce future rates, amounts paid to BPA from participants under various alternating current intertie capacity agreements, generator funds held as security for network upgrades that will be returned as credits against future transmission service, and fiber optic leasing fees that reflect unearned revenue related to the leasing of the fiber optic cable.

As provided in the Northwest Power Act, beginning in 1981 BPA entered into 20-year Residential Purchase and Sale Agreements (RPSA) with eligible regional utility customers. The RPSAs implemented the Residential Exchange Program (REP). In 2000, BPA signed Residential Exchange Program Settlement Agreements with the region's six investor-owned utilities (IOU), under which BPA was to provide monetary and power benefits as a settlement of residential exchange disputes for the period July 1, 2001, through September 30, 2011. BPA later signed additional agreements and amendments related to the Settlement Agreements with the IOU customers. The later agreements and amendments provided for minimum and maximum amounts for the IOUs' monetary benefits for fiscal years 2007 through 2011, provided that BPA would have no obligation to provide power to the IOUs in this period, and also provided for the elimination or deferral of certain payments during that period.

In May 2007, the United States Court of Appeals for the Ninth Circuit Court (Ninth Circuit Court) ruled that the Settlement Agreements were inconsistent with the Northwest Power Act and that BPA improperly allocated settlement costs to BPA's rates. In response to the court's ruling, BPA held the 2007 Supplemental Wholesale Power Rate Case (WP-07 Supplemental Rate Case). On Sept. 22, 2008, the BPA Administrator issued a Final Record of Decision that revises power rates for fiscal year 2009, determines the amount the preference customers were overcharged in prior years (establishes a "Lookback Amount"), determines the REP benefits for the IOUs in fiscal year 2009, determines an amount of REP benefits the IOUs will forego in FY 2008 and 2009 that will be returned to the preference customers, and determines the amounts preference customers will receive in fiscal year 2009 for REP settlement costs collected in rates during 2007 and 2008 but not paid out. A regulatory liability is established for the Lookback Amount previously collected through rates that is owed customers.

When the Ninth Circuit Court invalidated the Settlement Agreements that led to the WP-07 Supplemental Rate Case, both the amounts and the probability of the Settlement Agreements were uncertain. Upon notification of the ruling, BPA suspended payments to the IOUs because officials are personally liable if payments are made inconsistent with law. As of the end of fiscal year 2007, the account balances were for a liability of \$1,068 million and a regulatory asset of \$885 million reflecting obligations "settled" in 2004 that were due to be paid through 2011. The difference between the liability and regulatory asset is primarily attributable to the recording of the expense (asset reduction) although payment was suspended in fiscal year 2007. As a result of the ruling, the associated liability and regulatory asset for the Settlement agreements were reduced to zero.

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13. Other Liabilities

	(\$ in millions)	
	FY 2008	FY 2007
Intragovernmental		
Oil held for Department of Defense ^(Notes 2 and 7)	\$ 123	\$ 123
Other	114	144
Total other intragovernmental liabilities	<u>\$ 237</u>	<u>\$ 267</u>
Environment, safety, and health compliance activities ^(Notes 10 and 23)	\$ 1,666	\$ 1,190
Accrued payroll, benefits, and withholding taxes	1,107	983
Petroleum Pricing Violation Escrow Fund ^(Note 2)	252	249
Naval Petroleum Reserve Deposit Fund ^(Note 2)	323	323
Asset retirement obligations	160	176
Other	326	355
Subtotal	<u>\$ 3,834</u>	<u>\$ 3,276</u>
Total other liabilities	<u>\$ 4,071</u>	<u>\$ 3,543</u>

Environment, Safety, and Health Compliance Activities

The Department's environment, safety, and health (ES&H) liability represents those activities necessary to bring facilities and operations into compliance with existing ES&H laws and regulations (e.g., Occupational Safety and Health Act; Clean Air Act; Safe Drinking Water Act). Types of activities included in the estimate relate to the following: upgrading site-wide fire and radiological programs; nuclear safety upgrades; industrial hygiene and industrial safety; safety related maintenance; emergency preparedness programs; life safety code improvements; and transportation of radioactive and hazardous materials. The estimate covers corrective actions expected to be performed in future years for programs outside the purview of the Department's Environmental Management (EM) Program. ES&H activities within the purview of the EM program are included in the environmental liability estimate. The September 30, 2008, change in the ES&H liability is due to: (1) additional corrective actions, activities, or programs that are required to improve the facilities' state of compliance and move them toward full compliance, or conformance with all applicable ES&H laws, regulations, agreements, and the Department's orders; (2) revised cost estimates for existing ES&H activities; and (3) costs of work performed during the year.

Accrued Payroll, Benefits, and Withholding Taxes

Accrued payroll and benefits represent amounts owed to the Department's Federal and contractor employees for accrued payroll, unfunded accrued annual leave for Federal employees, payroll withholdings owed to state and local governments, and Thrift Savings Plan withholdings and employer contributions.

Asset Retirement Obligations

BPA has recognized asset retirement obligations (AROs) that primarily represent legal obligations related to dismantlement and restoration costs on non-Federally owned or operated nuclear facilities. The AROs relate primarily to Columbia Generating Station (CGS) decommissioning and site restoration, terminated Energy Northwest Project Nos. 1 and 4 site restoration, and decommissioning costs for the former Trojan nuclear power plant, which has been dismantled. Included in BPA's non-intragovernmental other assets are trust fund balances for the CGS and Energy Northwest AROs. BPA has also recognized a non-intragovernmental regulatory asset for funding the Trojan ARO liability. BPA recovers all ARO costs through rates charged to customers. The ARO related to Trojan was adjusted downward during fiscal year 2008 by \$20 million. BPA reduced the estimated Trojan ARO to reflect changes in the settlement of demolition activities, reduction in the estimated annual cash flows related to the spent fuel operation and adjustments for other decommissioning activities.

Other Liabilities

The balance consists primarily of liabilities associated with custodial and non-custodial deposit funds, suspense accounts, receipts due to Treasury, and contract advances.

14. Environmental Cleanup and Disposal Liabilities

(in millions)

	FY 2008	FY 2007
Environmental Management Program	\$ 189,267	\$ 188,665
Legacy environmental liabilities - other	30,799	29,428
Total legacy environmental liabilities	\$ 220,066	\$ 218,093
Active and surplus facilities	29,136	29,156
Office of Civilian Radioactive Waste Management Program	16,149	16,354
Total environmental cleanup and disposal liabilities	\$ 265,351	\$ 263,603
Amount funded by current appropriations	(2,510)	(2,702)
Total unfunded environmental cleanup and disposal liabilities	\$ 262,841	\$ 260,901
<i>Changes in environmental cleanup and disposal liabilities</i>		
Total environmental cleanup and disposal liabilities, beginning balance	\$ 263,603	\$ 230,321
<i>Changes to environmental cleanup and disposal liability estimates</i>		
Legacy environmental liabilities	8,388	37,101
Active and surplus facilities	38	1,617
High-level waste and spent nuclear fuel disposition	(15)	1,240
Total changes in estimates ^(Notes 22 and 23)	\$ 8,411	\$ 39,958
Costs applied to reduction of legacy environmental liabilities ^(Note 21)	(5,251)	(5,573)
Capital expenditures related to remediation activities	(1,412)	(1,103)
Total environmental cleanup and disposal liabilities	\$ 265,351	\$ 263,603

During World War II and the Cold War, the United States developed a massive industrial complex to research, produce, and test nuclear weapons. The nuclear weapons complex included nuclear reactors, chemical processing buildings, metal machining plants, laboratories, and maintenance facilities that manufactured tens of thousands of nuclear warheads and conducted more than one thousand nuclear tests.

At all sites where these activities took place, some environmental contamination occurred. This contamination was caused by the production, storage, and use of radioactive materials and hazardous chemicals, which resulted in contamination of soil, surface water, and groundwater. The environmental legacy of nuclear weapons production also includes thousands of contaminated buildings and large volumes of waste and special nuclear materials requiring treatment, stabilization, and disposal. Approximately one-half million cubic meters of radioactive high-level, mixed, and low-level wastes must be stabilized, safeguarded, and dispositioned, including a quantity of plutonium sufficient to fabricate thousands of nuclear weapons.

Assumptions and Uncertainties

Estimating the Department's environmental cleanup 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. For example, many contaminated sites and facilities could be restored to a condition suitable for any desired use; they could also be restored to a point where they pose no near-term health risks to surrounding communities but are essentially surrounded by fences and left in place. Achieving the former conditions would have a higher cost but may, or may not, warrant the costs and potential ecosystem disruption, or be legally required. The baseline estimates reflect applicable local decisions and currency expectations as to the extent of cleanup and site and facility reuse, which include consideration of Congressional mandates, regulatory direction, and stakeholder input. The environmental liability estimates include contingency estimates intended to account for the uncertainties associated with the technical cleanup scope of the program.

The environmental liability estimates are dependent on annual funding levels and achievement of work as scheduled. Congressional appropriations at lower than anticipated levels or unplanned delays in project completion would cause increases in life-cycle costs.

The liabilities as of September 30, 2008, and September 30, 2007, are stated in fiscal year 2008 dollars and fiscal year 2007 dollars, respectively, as required by generally accepted accounting principles for Federal entities. Future inflation could cause actual costs to be substantially higher than the recorded liability.

Components of the Liability

Environmental Management Program Estimates

EM is responsible for managing the legacy of contamination from the nuclear weapons complex. As such, EM manages thousands of contaminated facilities formerly used in the nuclear weapons program, oversees the safe management of vast quantities of radioactive waste and nuclear materials, and is responsible for the cleanup of large volumes of contaminated soil and water. The fiscal year 2008 EM life-cycle cost estimate reflects a strategic vision to complete this cleanup mission. This strategy provides for a site-by-site projection of the work required to complete all EM projects, while complying with regulatory agreements, statutes, and regulations. These projections have been documented in detail baseline plans. Each project baseline estimate includes detailed projections of the technical scope, schedule, and estimable costs at each site for the cleanup of contaminated soil, groundwater, and facilities; treating, storing, and disposing of wastes; and managing nuclear materials. The baseline estimates also include costs for related support activities such as landlord responsibilities, program management, and legally prescribed grants and cooperative agreements for participation and oversight by Native American tribes, regulatory agencies, and other stakeholders. The EM program contingency estimate also includes an estimate to cover increases in projected high-level waste volumes requiring disposal in the geologic repository.

Over the past several years a number of management reforms have been implemented within the EM program. These reforms include: (1) redefining and aligning acquisition strategies; (2) instituting robust project management practices and procedures in executing the cleanup program; and (3) implementing a strict configuration control system for key management parameters of the cleanup program. In fiscal year 2008, progress towards improving efficiency and management of the program continued. Field offices have prepared technical baselines that describe in detail the activities, schedule, and resources required to complete the EM cleanup mission at the respective sites. In addition, EM has implemented an earned value management reporting system to continuously evaluate whether cleanup progress remains on schedule and within budget. Achievement of cleanup goals is largely contingent upon receipt of funding, yet to be approved by Congress, during fiscal year 2008 and succeeding years. In addition to the assumptions and uncertainties discussed above, the following key assumptions and uncertainties relate to the EM baseline estimates:

- The Department has identified approximately 10,500 potential release sites from which contaminants could migrate into the environment. Although virtually all of these sites have been at least partially characterized, final remedial action and regulatory decisions have not been made for many sites. Site-specific assumptions regarding the amount and type of contamination and the remediation technologies that will be utilized were used in estimating the environmental liability related to these sites.
- Cost estimates for management of the Department's high-level waste are predicated upon assumptions as to the timing and rate of acceptance of the waste by the first geologic repository, as well as a specific estimate of the total number of canisters prepared for disposal. Delays in opening the repository could cause EM project costs to increase.
- Estimates are based on remedies considered technically and environmentally reasonable and achievable by local project managers and appropriate regulatory authorities.
- Estimated cleanup costs at sites for which there is no current feasible remediation approach are excluded from the baseline estimates, although applicable stewardship and monitoring costs for these sites are included. The cost estimate would be higher if some remediation were assumed for these areas. However, because the Department has not identified effective remedial technologies for these sites, no basis for estimating costs is available. An example of a site for which cleanup costs are excluded is the nuclear explosion test area at the Nevada Test Site.

Changes to the EM baseline estimates during fiscal year 2008 and fiscal year 2007 resulted from inflation adjustments to reflect constant dollars for the current year; improved and updated estimates for the same scope of work; revisions in technical approach or scope, including provisions for increases in the cost and duration of high-level waste programs and related increases in contingency

estimates; regulatory changes; cleanup activities performed; scope transfers into the EM baseline estimates; and additions for facilities transferred from the active and surplus category discussed below.

Legacy Environmental Liabilities – Other

These liabilities are comprised of the estimated cleanup and post-closure responsibilities, including surveillance and monitoring activities, soil and groundwater remediation, and disposition of excess material for sites after the EM program activities have been completed. The costs for these post-closure activities are estimated for a period of 75 years after the balance sheet date, i.e. through 2083 in fiscal year 2008 and through 2082 in fiscal year 2007. While some post-cleanup monitoring and other long-term stewardship activities past 2083 are included in the liability, there are others the Department expects to continue beyond 2083 for which the costs cannot reasonably be estimated.

Also included in these liabilities are estimates for the disposition of various materials. The most significant of these materials is surplus plutonium.

The Low-Level Radioactive Waste Policy Amendments Act of 1985 assigned responsibility to the Department for the disposal of commercially generated low-level wastes not suitable for near-surface disposal. Although a final disposal path for this waste has not yet been determined, estimated costs for the range of disposal options being evaluated have been included in the liability.

Active and Surplus Facilities

This liability includes anticipated remediation costs for active and surplus facilities managed by the Department's ongoing program operations and which will ultimately require stabilization, deactivation, and decommissioning. The estimate is largely based upon a cost-estimating model which extrapolates stabilization, deactivation, and decommissioning costs from facilities included in the EM baseline estimates to those active and surplus facilities with similar characteristics. Site-specific estimates are used when available. Cost estimates for active and surplus facilities are updated each year to reflect current year constant dollars; the transfer of cleanup and management responsibilities for these facilities by other programs to EM, as discussed above; changes in facility size or contamination assessments; and estimated cleanup costs for newly-contaminated facilities. For facilities newly contaminated since fiscal year 1997, cleanup costs allocated to future periods and not included in the liability amounted to \$698 million at September 30, 2008, and \$760 million at September 30, 2007.

In September 2006, the Federal Accounting Standards Advisory Board issued Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, which requires Federal agencies to estimate and record liabilities by fiscal year 2010 for removal and disposal of asbestos, including non-friable (not easily crumbled) asbestos, from their plant and equipment, where removal and disposal during or prior to demolition is legally required. The Department has already recorded such liabilities for a sizable portion of its facilities, including facilities that are in the EM cleanup program, active and surplus facilities contaminated with radioactive or hazardous wastes, and other facilities containing friable asbestos (Note 13, environment, safety and health compliance activities). The Department will recognize in fiscal year 2010 an additional liability for asbestos mitigation in its remaining facilities in accordance with the provisions of the Technical Bulletin, but has not determined the amount of the additional liability.

Office of Civilian Radioactive Waste Management Program

The Nuclear Waste Policy Act of 1982 (NWPA) established the Department's responsibility to provide for permanent disposal of the Nation's high-level radioactive waste and spent nuclear fuel. The Act requires all owners and generators of high-level nuclear waste and spent nuclear fuel, including the Department, to pay their respective shares of the full cost of the program. To that end, the Act establishes a fee on owners and generators that the Department must collect and annually assess to determine its adequacy. The Department's liability reflects its share of the estimated future costs of the program based on its inventory of high-level waste and spent nuclear fuel. The Department's liability does not include the portion of the cost attributable to other owners and generators.

Changes to the high-level waste and spent nuclear fuel disposition liability during fiscal year 2008 and fiscal year 2007 resulted from inflation adjustments to reflect current year constant dollars, revisions in technical approach or scope, changes in the Department's allocable percentage share of future costs, and actual costs incurred by the Department that were allocated to the Department's share of the liability.

15. Pension and Other Actuarial Liabilities

(in millions)

	FY 2008	FY 2007
Contractor pension plans	\$ 1,794	\$ 1,976
Contractor postretirement benefits other than pensions	9,076	10,329
Contractor disability and life insurance plans	20	23
Federal Employees' Compensation Act	109	105
Total pension and other actuarial liabilities	\$ 10,999	\$ 12,433

Most of the Department's site/facility management contractors have defined benefit pension plans under which they promise to pay specified benefits to their employees, such as a percentage of the final average pay for each year of service. The Department's cost under the contracts includes reimbursement of annual contractor contributions to these pension plans. The Department's contractors also sponsor postretirement benefits other than pensions (PRB) consisting of predominantly postretirement health care benefits. The Department approves these contractors' pension and postretirement benefit plans and is ultimately responsible for the allowable costs of funding the plans. The Department also reimburses its major contractors for employee disability insurance plans, and estimates are recorded as unfunded liabilities for these plans.

The Department implemented in fiscal year 2007 the requirements of SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans*. SFAS No. 158 amends the accounting requirements of SFAS No. 87, *Employers' Accounting for Pensions*, and SFAS No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*, requiring the recognition of a plan's "funded status" as a liability or asset rather than recognizing the accrued benefit cost under delayed recognition requirements of SFAS No. 87 and SFAS No. 106 prior to amendment by SFAS No. 158.

Contractor Pension Plans

The Department follows SFAS No. 87, as amended by SFAS No. 158, for contractor plans for which the Department has a continuing obligation to reimburse costs. As of September 30, 2008, the Department has pension assets of \$1,896 million and pension liabilities of \$1,965 million. The Department has a continuing obligation to reimburse costs for a variety of contractor-sponsored pension plans (40 qualified and 6 nonqualified). In this regard, benefit formulas consist of final average pay (31 plans), career average pay (8 plans), dollar per month of service (6 plans), and one defined contribution plan with future contributions for retired employees. Seventeen of the plans cover nonunion employees only; 9 cover union employees only; and 20 cover both union and nonunion employees.

For qualified plans, the Department's current funding policy is for contributions made to a trust during a plan year for a separate defined benefit pension plan to not exceed the greater of (1) the minimum contribution required by Section 302 of the Employee Retirement Income Security Act (ERISA) or (2) the amount estimated to eliminate the unfunded current liability as projected to the end of the plan year. The term "unfunded current liability" refers to the unfunded current liability as defined in Section 302(d)(8) of ERISA. For nonqualified plans, the funding policy is pay-as-you-go.

The Department is aware of the Pension Protection Act of 2006 and its revision of pension funding rules which will generally require accelerated funding of benefit obligations for certain contractor defined benefit pension plans.

Plan assets generally include cash and equivalents, stocks, corporate bonds, government bonds, real estate, venture capital, international investments, and insurance contracts. There are three plans that have securities of the employer or related parties included in the plan assets.

Assumptions and Methods - In order to provide consistency among the Department's various contractors, certain standardized actuarial assumptions were used. These standardized assumptions include the discount rates, mortality assumptions, and an expected long-term rate of return on plan assets, salary scale, and any other economic assumption consistent with an expected long-term inflation rate of 3.0 percent for the entire U.S. economy with adjustments to reflect regional or industry rates as appropriate. In most cases, ERISA valuation actuarial assumptions for demographic assumptions were used.

The following specific assumptions and methods were used to determine the net periodic pension cost. The weighted average discount rate was 6.25 percent as of September 30, 2008 and 5.75 percent for fiscal year 2007; the average long-term rate of return on assets was 7.85 percent in fiscal year 2008 and 7.85 percent in fiscal year 2007; and the average rate of compensation increase was 4.5 percent as of September 30, 2008 and for fiscal year 2007. The average long-term rate of return on assets shown above is the average rate for all of the contractor plans. Each contractor develops its own average long-term rate of return on assets based on the specific investment profile of the specific plans it sponsors. Therefore, there is no one overall approach to setting the rate of return for all of the contractors' plans.

The weighted average discount rate used to determine the benefit obligations as of September 30, 2008 and September 30, 2007, was 6.25 percent.

Straight-line amortization of prior service cost over the average remaining years of service of the active plan participants and the minimum amortization of gains and losses were used. The transition obligation was amortized over the greater of 15 years or the average remaining service.

Contractor Postretirement Benefits Other Than Pensions

The Department follows SFAS No. 106, as amended by SFAS No. 158, for contractor plans for which the Department has a continuing obligation to reimburse costs. SFAS No. 106 requires that the cost of PRB be accrued during the years that the employees render service. As of September 30, 2008, the Department has PRB assets of \$11 million and PRB liabilities of \$10,696 million. Generally, the PRB plans are unfunded, and the Department's funding policy is to fund on a pay-as-you-go basis. There are six contractors, however, that are prefunding benefits in part as permitted by law. The Department's contractors sponsor a variety of postretirement benefits other than pensions. Benefits consist of medical (41 contractors), dental (19 contractors), life insurance (23 contractors), and Medicare Part B premium reimbursement (5 contractors). Thirty-nine of the contractors sponsor a point of service plan, a PPO, an HMO, or similar plan. Twenty-two of these also have a traditional indemnity or similar plan. Two additional contractors have only a traditional indemnity or similar plan.

Assumptions and Methods - In order to provide consistency among the Department's various contractors, certain standardized actuarial assumptions were used. These standardized assumptions include medical and dental trend rates, discount rates, and mortality assumptions.

The following specific assumptions and methods, with respect to trends in the costs of medical and dental benefit plans, were used in determining the PRB estimates. The medical trend rates for a point of service plan, an HMO, a PPO, or similar plan, grade down from 9.0 percent in 2007 to 5.0 percent in 2015 and later. The medical trend rates for a traditional indemnity plan, or similar plan, grade down from 10.0 percent in 2007 to 5.0 percent in 2015 and later. The dental trend rates at all ages grade down from 6.75 percent in 2007 to 5.0 percent in 2014 and later.

The weighted average discount rates of 6.25 as of September 30, 2008, and 5.75 percent for fiscal year 2007, and the average long-term rate of return on assets of 7.00 as of September 30, 2008, and in fiscal year 2007 were used to determine the net periodic postretirement benefit cost. The rate of compensation increase was the same rate as each contractor used to determine pension contributions. The average long-term rate of return on assets shown above is the average rate for all of the contractor plans. Each contractor develops its own average long-term rate of return on assets based on the specific investment profile of the specific plans it sponsors. Therefore, there is no one overall approach to setting the rate of return for all of the contractors' plans.

The weighted average discount rate used to determine the benefit obligation as of September 30, 2008 and September 30, 2007 was 6.25 percent.

Straight-line amortization of prior service cost over the average remaining years of service to full eligibility for benefits of the active plan participants and the minimum amortization of gains and losses were used. The Department chose immediate recognition of the transition obligation existing at the beginning of fiscal year 1994.

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<i>(in millions)</i>	Pension Benefits		Other Postretirement Benefits	
	FY 2008	FY 2007	FY 2008	FY 2007
<i>Net amount recognized in the balance sheet</i>				
Accumulated benefit obligation	\$ 24,756	\$ 24,027		
Effect of future compensation increases	3,649	3,486		
Benefit obligation	\$ 28,405	\$ 27,513	\$ 10,843	\$ 10,480
Plan assets	28,336	27,444	158	162
Net amount recognized in the balance sheet (net funded status)	\$ (69)	\$ (69)	\$ (10,685)	\$ (10,318)
<i>Reconciliation of amounts recognized in the balance sheet</i>				
Asset (prepaid pension plan costs) ^(Note 9)	\$ 1,896	\$ 1,907	\$ 11	\$ 11
Liability	(1,965)	(1,976)	(10,696)	(10,329)
Net amount recognized in the balance sheet (net funded status)	\$ (69)	\$ (69)	\$ (10,685)	\$ (10,318)
<i>Components of net periodic costs</i>				
Service costs	\$ 594	\$ 823	\$ 177	\$ 244
Interest costs	1,260	1,622	482	613
Expected return on plan assets	(1,564)	(1,825)	(8)	(11)
Net amortization	-	130	-	(21)
(Gain)/loss due to curtailments, settlements or special termination benefits	-	6	-	(1)
Total net periodic costs	\$ 290	\$ 756	\$ 651	\$ 824
<i>Contributions and benefit payments</i>				
Employer contributions	\$ 290	\$ 387	\$ 285	\$ 334
Participant contributions	3	3	66	79
Benefit payments	965	1,311	362 *	426

* Includes \$11 million paid from plan assets for June 30, 2008, and \$13 million paid from plan assets for 2007.

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(in millions)	Pension Benefits	Other Postretirement Benefits
<i>Expected contributions for fiscal year ending 9/30/2008</i>		
Employer contributions	\$387	\$380
Participant contributions	4	87

(in millions)	Pension Benefits	Other Postretirement Benefits
<i>Estimated future benefit payments</i>		
Fiscal Year 2008	\$1,287	\$502
Fiscal Year 2009	1,355	552
Fiscal Year 2010	1,433	604
Fiscal Year 2011	1,524	659
Fiscal Year 2012	1,623	712
Fiscal Years 2013 to 2017	9,700	4,330

The following chart shows the average target allocation for the 39 pension benefit plans and six other postretirement benefit plans with assets. The average actual fiscal year 2008 and 2007 allocations of assets are also shown.

Pension Benefits

Asset Category	Target Allocation	Percent of Plan Assets at September 30, 2007	Percent of Plan Assets at September 30, 2006
Cash and equivalents	2.1%	3.3%	2.6%
Government bonds	10.8%	7.2%	9.8%
Corporate bonds	21.8%	21.2%	16.7%
Domestic equities	42.5%	41.2%	40.4%
International equities	12.6%	13.5%	12.4%
Real estate	0.9%	1.3%	0.8%
Insurance contracts (general accounts)	7.9%	10.1%	13.1%
Insurance contracts (separate accounts)	0.0%	0.1%	2.6%
Employer securities	0.2%	0.0%	0.0%
Other	1.2%	2.1%	1.6%
Total	100.0%	100.0%	100.0%

Other Postretirement Benefits

Asset Category	Target Allocation	Percent of Plan Assets at September 30, 2007	Percent of Plan Assets at September 30, 2006
Cash and equivalents	0.0%	0.5%	0.8%
Government bonds	0.0%	7.2%	7.4%
Corporate bonds	5.2%	8.4%	8.2%
Domestic equities	7.3%	10.6%	9.2%
International equities	7.5%	6.6%	5.4%
Real estate	0.0%	0.0%	2.3%
Insurance contracts (general accounts)	60.0%	50.0%	50.0%
Insurance contracts (separate accounts)	0.0%	0.0%	0.0%
Employer securities	0.0%	0.0%	0.0%
Other	20.0%	16.7%	16.7%
Total	100.0%	100.0%	100.0%

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Each contractor develops its own investment policies and strategies for the plans it sponsors. Therefore, there is no one overall investment policy for the contractors' plans. Generally, their objectives provide for benefit security for plan participants through the maximization of total returns while limiting risk and providing liquidity coverage of benefit payments.

The Department is aware of the Pension Protection Act of 2006 and its revision of pension funding rules which will generally require accelerated funding of benefit obligations for certain contractor defined benefit pension plans.

16. Capital Leases

(in millions)

	FY 2008	FY 2007
Summary of assets under capital lease:		
Power line equipment	\$ 136	\$ 134
Buildings and improvements	24	42
ADP equipment	182	165
Other equipment	12	12
Total capital lease assets	\$ 354	\$ 353
Less accumulated depreciation	(124)	(115)
Net assets under capital leases	\$ 230	\$ 238

Fiscal Year	Power Line		Total
	Equipment	Other	
2009	\$ 16	\$ 6	\$ 22
2010	16	9	25
2011	15	4	19
2012	15	1	16
2013	15	1	16
2014+	403	1	404
Total future lease payments	\$ 480	\$ 22	\$ 502
Less imputed interest	(218)	(2)	(220)
Less executory costs	(2)	-	(2)
Net capital lease liability	\$ 260	\$ 20	\$ 280

Lease liabilities covered by budgetary resources	\$ 12
Lease liabilities not covered by budgetary resources	\$ 268

17. Contingencies and Commitments

(in millions)

	FY 2008	FY 2007
Spent nuclear fuel litigation	\$ 10,915	\$ 10,966
Other	83	105
Total contingencies and commitments <small>(Note 10)</small>	\$ 10,998	\$ 11,071

The Department is a party in various administrative proceedings, legal actions, and tort claims which may ultimately result in settlements or decisions adverse to the Federal Government. The Department has accrued contingent liabilities where losses are determined to be probable and the amounts can be estimated. Other significant contingencies exist where a loss is reasonably possible

or where the loss is probable and an estimate cannot be determined. In some cases, a portion of any loss that may occur may be paid from Treasury's Judgment Fund. The Judgment Fund is a permanent, indefinite appropriation available to pay judgments against the Government. The following are significant contingencies:

- *Spent Nuclear Fuel Litigation* - 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 spent nuclear fuel (SNF) by January 31, 1998. Because the Department has no facility available to receive SNF under the NWPA, it has been unable to begin disposal of the utilities' SNF as required by the contracts. Significant litigation claiming damages for partial breach of contract has ensued as a result of this delay.

To date, eight suits have been settled involving utilities that collectively produce about 25 percent of the nuclear generated electricity in the United States. Under the terms of the settlements, the Judgment Fund, 31 U.S.C. 1304, paid \$307 million through June 30, 2008. In addition, two cases have been resolved by final judgments: a judgment of \$35 million that was not appealed and paid by the Judgment Fund in fiscal year 2006; and a final judgment awarding no damages affirmed by the appellate court. Through June 30, 2008, the Judgment Fund had made total payments of \$342 million.

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

The Department previously reported several developments that made it difficult to reasonably predict the amount of the Government's likely liability. The courts have since resolved that jurisdiction for these cases is appropriate in the Court of Federal Claims, but have not resolved whether the Government can assert the unavoidable delays defense, under which, if applicable, the Government would not be liable for any damages.

The Department has determined that the earliest that it will commence disposal operations at a repository will be in 2020.

Under current law, any damages or settlements in this litigation will be paid out of the Judgment Fund. The Department's contingent liability estimate of \$10,915 million for SNF litigation is reported net of amounts paid to date from the Judgment Fund.

- *Alleged Exposures to Radioactive and/or Toxic Substances* - A number of class action and/or multiple plaintiff tort suits have been filed against current and former DOE contractors in which the plaintiffs seek damages for alleged exposures to radioactive and/or toxic substances as a result of the historic operations of the Department's nuclear facilities. The most significant of these cases arise out of operations of the facilities at Rocky Flats, Colorado; Hanford, Washington; Paducah, Kentucky; Portsmouth (Piketon), Ohio; Mound, Ohio; and Brookhaven, New York. Collectively, in these cases, damages in excess of \$109 billion are sought.

These cases are being vigorously defended. Two cases have gone to trial. In the Rocky Flats litigation, the jury returned a substantial verdict in favor of the plaintiffs. The court has entered judgment on the verdict, and the defendants have filed appeals. In the Hanford litigation, following rulings by the court of appeals, nine of twelve "bellwether" plaintiffs' claims were resolved in favor of the defendants, relatively small judgments entered in favor of two "bellwether" plaintiffs were affirmed, and one matter was remanded to the district court for further proceedings on Statute of Limitation issues. The defendants are filing a petition for a writ of certiorari in the U.S. Supreme Court. Proceedings on the remaining Hanford plaintiff's claims have been suspended while appeals are prosecuted. Additionally, some cases have been dismissed by trial courts based on legal rulings and appealed to the courts of appeal. Final resolution of these issues has not been determined.

Based on the resolution of prior similar litigation, and the favorable results obtained to date in most of the pending cases, the Department believes that, the likelihood of liability in many of these cases is remote, and that in those cases where liability is reasonably possible, any liability that might ultimately be imposed would be significantly less than what the plaintiffs seek.

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- *Natural Resources Damages* - The Confederated Tribes of the Yakama Nation filed suit in September 2002 against DOE and the Department of Defense alleging natural resources damages (NRD) in the 1100 area of the Hanford site. The Yakama have since amended their complaint to add the 100 and 300 areas to the suit, alleging additional natural resources damages. In addition, the States of Washington and Oregon, as well as the Confederated Tribes of the Umatilla and the Nez Perce tribe, have joined the suit. The case is in pre-trial phase. The district court has denied the Government's motion to dismiss two of the plaintiffs' claims on the ground that they are not ripe, but has stayed any proceedings on one of those claims. Potential losses to the Department cannot be estimated at this time.
- *Cleanup and Waste Disposal at West Valley* – The State of New York filed a complaint for a declaratory judgment and monetary relief, raising claims under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), the West Valley Demonstration Project Act, and the NWPA. This case involves a dispute between the Department and the State of New York concerning their respective obligations for cleanup and waste disposal at West Valley. The court approved the parties' joint motion providing for a six-month stay of the litigation to allow the parties to attempt to resolve the CERCLA and Demonstration Act claims through mediation. On April 30, 2008, the parties filed a joint status report advising the court that substantial progress has been made and that the parties will continue with the mediation process. Estimated total decontamination and decommissioning costs could reach \$2.1 billion.
- *Refunds to Utility Companies* – An earlier decision in BPA v FERC, 422 F.3d 908 (9th Cir. 2005) found that Government entities like BPA are not subject to FERC statutory refund authority. Three California investor owned utilities and the California Electricity Oversight Board have now filed complaints in the United States Court of Federal Claims for damages and declaratory relief related to BPA's 2000-2001 wholesale power transactions in the California Power Exchange and California Independent System Operator markets. Claimants allege that BPA, along with the Western Area Power Administration, is contractually obligated to provide refunds of amounts received in excess of mitigated market clearing prices established by FERC plus interest but has refused to do so. Claimants allege breach of contract and also seek declaratory relief that they are entitled to recover the claimed amounts. Claimants also seek pre-judgment and post-judgment interest and litigation costs. Complaints were filed on March 12 and March 13, 2007. BPA and WAPA have filed a motion to stay the proceedings until such time as the plaintiff's writ of certiorari is ruled on in the U.S. Supreme Court in the BPA v. FERC case. Argument on the motion was heard on June 24, 2008, and the Court denied the motion. There is a scheduling conference scheduled for July 31, 2008, to discuss the next steps in the case. BPA has engaged in settlement discussions prior to the filing of these suits and continues to be open to settlement. It has been estimated that the potential loss could be as high as \$188 million.
- *Transuranic Waste* – This is a non-monetary loss contingency and has only been updated for events and progress as of September 30, 2007, but will be updated through September 30, 2008, for the year end notes to the financial statements. The State of Idaho is challenging the interpretation of a Settlement Agreement reached in 1995 concerning the shipment of transuranic waste from Idaho National Laboratory. The Government asserts that the Agreement requires only stored waste to be shipped off-site by 2018, but the State asserts that this requirement also applies to buried transuranic waste. In March of 2003, the Idaho District Court found in favor of the State. In November of 2004, the Ninth Circuit Court of Appeals reversed and remanded the case back to the Idaho District Court for fact finding. On May 25, 2006, after a trial, the District Court issued its judgment that the buried transuranic waste falls under the 1995 agreement. The Government has taken an appeal to the Ninth Circuit, which has been fully briefed and is awaiting oral argument. The cost of excavating all buried transuranic waste would be significant. If the courts ultimately find that the Department is required by the 1995 Settlement Agreement to excavate all buried transuranic waste for shipment off-site and the Department fails to do so, under the terms of the settlement agreement, the Department would not be able to continue to send Departmental spent nuclear fuel to Idaho National Laboratory. The potential cost impact of this litigation to Departmental programs cannot be estimated at this time.
- *Off-site Waste Litigation* – This is a non-monetary loss contingency and has only been updated for events and progress as of September 30, 2007, but will be updated through September 30, 2008, for the year end notes to the financial statements. The State of Washington and interest groups have filed complaints in District Court seeking to prevent shipment of radioactive waste by the Department to the Hanford site. The complaints allege violations of the National Environmental Policy Act (NEPA) and the State of Washington Hazardous Waste Management Act (HWMA). In early 2005, the District Court ruled against the United States on the HWMA portion of the case. The Government has appealed the adverse ruling on the HWMA portion of the case, and the parties settled the NEPA portion of the case on January 6, 2006. In that settlement, the Department agreed to prepare a new environmental impact statement for its solid waste program at the Hanford site and suspend most off-site shipments of transuranic wastes to Hanford. Oral argument on the Government's HWMA appeal was heard in October 2007. The impact of this litigation on the costs of the Department's cleanup program is uncertain, and no provision for additional costs is included in the consolidated financial statements.

- *Waste Disposal* - This is a non-monetary loss contingency and has only been updated for events and progress as of September 30, 2007, but will be updated through September 30, 2008, for the year end notes to the financial statements. The United States filed for a preliminary injunction prior to Washington State Initiative 297, the Cleanup Priority Act, becoming effective in December 2004. The District Court granted an injunction that prevented implementation of the initiative in all respects, except it enjoined the Department from importing off-site waste to Hanford. The State sought certification of five questions of interpretation to the Washington State Supreme Court. The State Court issued its opinion in July 2005, and the case returned to the United States District Court. The United States District Court issued its decision in favor of the United States and held the Act unconstitutional on June 12, 2006. The Judge reached his decision on several grounds. The State of Washington filed its appeal with the United States Court of Appeals for the Ninth Circuit Court on July 12, 2006. The appeal has been fully briefed and oral argument is scheduled for December 3, 2007. Potential losses to the Department's programs complex-wide cannot be estimated at this time.
- *Purchase Power and Transmission/Sales Commitments and Irrigation Assistance* – The PMAs have entered into various agreements for power and transmission purchases and sales that vary in length but generally do not exceed 20 years. Rates recover the additional costs of the obligations. The sales commitments are arrangements to sell expected generation for future dates and the purchase commitments are to purchase power at future dates when the PMAs forecast a resource shortage.

The Northwest Power Act directs BPA to protect, mitigate and enhance fish and wildlife resources to the extent they are affected by Federal hydroelectric projects on the Columbia River and its tributaries. BPA makes expenditures and incurs other costs for fish and wildlife consistent with the Northwest Power Act and the Pacific Northwest Power and Conservation Council's Columbia River Basin Fish and Wildlife Program. In addition, in the wake of certain listings of fish species under the Endangered Species Act (ESA) as threatened or endangered, BPA is financially responsible for expenditures and other costs arising from conformance with the ESA and certain biological opinions prepared by the National Oceanic and Atmospheric Administration and the Fish and Wildlife Service in furtherance of the ESA.

As directed by legislation, BPA is required to make cash distributions to Treasury for original construction costs of certain Pacific Northwest irrigation projects that have been determined to be beyond the irrigators' ability to pay. These irrigation distributions do not specifically relate to power generation and are required only if doing so does not result in an increase to power rates. Accordingly, these distributions are not considered to be regular operating costs of the power program and are treated as distributions from accumulated net revenues (expenses) when paid.

The following table summarizes future purchase power and transmission/sales commitments and irrigation assistance.

(in millions)

Fiscal Year	Purchase Power and Transmission	Sales Commitments	Irrigation Assistance
2009	\$ 147	\$ 2,512	\$ 7
2010	106	2,673	-
2011	92	2,681	-
2012	125	2,619	1
2013	108	2,655	60
2014+	111	11,467	618
Total	\$ 689	\$ 24,607	\$ 686

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18. Earmarked Funds

(in millions)

	FY 2008					
	Nuclear Waste Fund	D&D Fund	USEC	PMAs	Other	Total
Balance Sheet						
Assets						
Fund balance with Treasury	\$ (6)	\$ 3	\$ -	\$ 2,319	\$ 958	\$ 3,274
Investments and related interest, net	21,165	4,823	1,571	-	(1)	27,558
Accounts receivable	3,399	-	-	500	-	3,899
Inventory, net	-	-	-	93	79	172
General property plant and equipment, net	7	-	-	6,655	17	6,679
Regulatory assets	-	-	-	10,544	-	10,544
Other Assets	1	-	-	3,002	13	3,016
Total Assets	\$ 24,566	\$ 4,826	\$ 1,571	\$ 23,113	\$ 1,066	\$ 55,142
Liabilities and Net Position						
Accounts payable	\$ 26	\$ 46	\$ -	\$ 1,361	\$ 14	\$ 1,447
Debt	-	-	-	17,719	-	17,719
Deferred revenues and other credits	24,517	-	-	1,040	15	25,572
Environmental cleanup and disposal liabilities	-	16,190	-	19	(1)	16,208
Pensions and other actuarial liabilities	10	-	-	66	-	76
Capital leases	-	-	-	336	-	336
Other liabilities	15	19	-	310	(3)	341
Contingencies and commitments	-	-	-	29	-	29
Unexpended appropriations	-	-	-	-	13	13
Cumulative results of operations	(2)	(11,429)	1,571	2,233	1,028	(6,599)
Total Liabilities and Net Position	\$ 24,566	\$ 4,826	\$ 1,571	\$ 23,113	\$ 1,066	\$ 55,142
Statement of Net Costs						
Program costs	\$ 197	\$ 18	\$ -	\$ 4,114	\$ 127	\$ 4,456
Less earned revenues	(223)	(197)	-	(4,419)	(43)	(4,882)
Net program costs	\$ (26)	\$ (179)	\$ -	\$ (305)	\$ 84	\$ (426)
Costs not assigned	(1)	872	-	19	-	890
Net cost of operations	\$ (27)	\$ 693	\$ -	\$ (286)	\$ 84	\$ 464
Statement of Changes in Net Position						
Cumulative results of operations, beginning balance	\$ (2)	\$ (11,331)	\$ 1,515	\$ 2,084	\$ 1,097	\$ (6,637)
Adjustments - Change in Accounting Principles	-	-	-	-	-	-
Beginning Balance, as adjusted	\$ (2)	\$ (11,331)	\$ 1,515	\$ 2,084	\$ 1,097	\$ (6,637)
Appropriations used	-	-	-	-	16	16
Non exchange revenue	-	-	56	-	1	57
Donations and forfeitures of cash	-	-	-	21	1	22
Transfers - in/(out) without reimbursement	(33)	-	-	(169)	(7)	(209)
Imputed financing	2	-	-	1	-	3
Other	4	595	-	10	4	613
Net cost of operations	27	(693)	-	286	(84)	(464)
Cumulative results of operations, ending balance	\$ (2)	\$ (11,429)	\$ 1,571	\$ 2,233	\$ 1,028	\$ (6,599)
Unexpended appropriations, beginning balance	\$ -	\$ 8	\$ -	\$ -	\$ 9	\$ 17
Appropriations received	-	-	-	-	12	12
Other adjustments	-	(8)	-	-	8	-
Appropriations used	-	-	-	-	(16)	(16)
Unexpended appropriations, ending balance	\$ -	\$ -	\$ -	\$ -	\$ 13	\$ 13

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FY 2007

	Nuclear Waste					
	Fund	D&D Fund	USEC	PMA's	Other	Total
Balance Sheet						
Assets						
Fund balance with Treasury	\$ 3	\$ 1	\$ -	\$ 2,010	\$ 1,022	\$ 3,036
Investments and related interest, net	19,511	4,726	1,515	-	-	25,752
Accounts receivable	3,316	-	-	506	-	3,822
Inventory, net	-	-	-	86	78	164
General property plant and equipment, net	9	-	-	6,471	19	6,499
Regulatory assets	-	-	-	11,092	-	11,092
Other Assets	-	-	-	2,920	1	2,921
Total Assets	\$ 22,839	\$ 4,727	\$ 1,515	\$ 23,085	\$ 1,120	\$ 53,286
Liabilities and Net Position						
Accounts payable	\$ 39	\$ 52	\$ -	\$ 328	\$ 11	\$ 430
Debt	-	-	-	17,908	-	17,908
Deferred revenues and other credits	22,776	-	-	2,097	3	24,876
Environmental cleanup and disposal liabilities	-	15,846	-	-	-	15,846
Pensions and other actuarial liabilities	11	128	-	62	-	201
Capital leases	-	-	-	188	-	188
Other liabilities	15	24	-	376	-	415
Contingencies and commitments	-	-	-	42	-	42
Unexpended appropriations	-	8	-	-	9	17
Cumulative results of operations	(2)	(11,331)	1,515	2,084	1,097	(6,637)
Total Liabilities and Net Position	\$ 22,839	\$ 4,727	\$ 1,515	\$ 23,085	\$ 1,120	\$ 53,286
Statement of Net Costs						
Program costs	\$ 181	\$ 20	\$ -	\$ 4,051	\$ 139	\$ 4,391
Less earned revenues	(230)	(205)	-	(4,443)	(65)	(4,943)
Net program costs	\$ (49)	\$ (185)	\$ -	\$ (392)	\$ 74	\$ (552)
Costs not assigned	(3)	5,807	-	-	-	5,804
Net cost of operations	\$ (52)	\$ 5,622	\$ -	\$ (392)	\$ 74	\$ 5,252
Statement of Changes in Net Position						
Cumulative results of operations, beginning balance	\$ (5)	\$ (6,025)	\$ 1,444	\$ 2,208	\$ 1,033	\$ (1,345)
Adjustments - change in accounting principles	(2)	-	-	335	-	333
Cumulative results of operations, beginning balance, adjusted	\$ (7)	\$ (6,025)	\$ 1,444	\$ 2,543	\$ 1,033	\$ (1,012)
Appropriations used	-	(8)	-	-	44	36
Non exchange revenue	-	-	72	-	-	72
Donations and forfeitures of cash	-	-	-	4	-	4
Transfers - in/(out) without reimbursement	(49)	-	-	(855)	74	(830)
Imputed financing	2	-	-	-	-	2
Other	-	324	(1)	-	20	343
Net cost of operations	52	(5,622)	-	392	(74)	(5,252)
Cumulative results of operations, ending balance	\$ (2)	\$ (11,331)	\$ 1,515	\$ 2,084	\$ 1,097	\$ (6,637)
Unexpended appropriations, beginning balance	\$ -	\$ -	\$ (1)	\$ -	\$ 48	\$ 47
Appropriations received	-	-	-	-	5	5
Other adjustments	-	-	1	-	-	1
Appropriations used	-	8	-	-	(44)	(36)
Unexpended appropriations, ending balance	\$ -	\$ 8	\$ -	\$ -	\$ 9	\$ 17

Nuclear Waste Fund

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. The NWPA also established a fee for electricity generated and sold by civilian nuclear power reactors which the Department must collect and annually assess to determine its adequacy. A special fund within Treasury was created to account for the collection of fees. Fees are invested in Treasury securities and any interest earned is available to pay costs incurred by the NWF. The NWPA requires annual financial statements to be prepared as well as reporting of financial performance measures such as the maintenance of liquid reserves and investment strategies.

Decontamination and Decommissioning Fund

The Energy Policy Act of 1992 established the D&D fund to pay for the costs of decontamination and decommissioning of gaseous diffusion facilities through collection of revenues derived from domestic utility assessments and government appropriations. The Energy Policy Act also requires that balances in the D&D fund be invested in Treasury securities and any interest earned would be available to pay the costs of environmental remediation. The Energy Policy Act requires annual financial statements to be prepared as well as periodic reporting of financial performance measures relating to fee receipt and investment income.

United States Enrichment Corporation

Upon privatization of USEC on July 28, 1998, OMB and Treasury designated the Department as successor to USEC for purposes of disposition of balances remaining in the USEC fund. These funds are invested in Treasury securities.

Power Marketing Administrations

The PMAs are funded primarily from four sources. These include contract and borrowing authority, direct receipts generated from the sale of power, annual appropriations from the Department of the Interior's Reclamation Fund, and appropriations from Treasury's General Fund. In most instances, the annual appropriations from the Reclamation Fund and the General Fund are repaid to Interior and Treasury, respectively, from the receipts generated from power sales.

19. Earned Revenues

(in millions)

	FY 2008				FY 2007			
	Intra-Governmental	Public	Deferred Revenue Adjustment	Total	Intra-Governmental	Public	Deferred Revenue Adjustment	Total
Energy diversity	\$ -	\$ (16)	\$ -	\$ (16)	\$ -	\$ (6)	\$ -	\$ (6)
Environmental impacts of energy								
Great Plains Gasification Plant	\$ -	\$ (33)	\$ -	\$ (33)	\$ -	\$ (43)	\$ -	\$ (43)
Isotope sales	(1)	(16)	-	(17)	(1)	(15)	-	(16)
Other	-	(1)	-	(1)	-	(1)	-	(1)
Total environmental impacts of energy	\$ (1)	\$ (50)	\$ -	\$ (51)	\$ (1)	\$ (59)	\$ -	\$ (60)
Energy infrastructure	\$ (8)	\$ (3,971)	\$ -	\$ (3,979)	\$ (67)	\$ (4,079)	\$ -	\$ (4,146)
Nuclear propulsion plants	\$ (16)	\$ -	\$ -	\$ (16)	\$ (19)	\$ -	\$ -	\$ (19)
Environmental cleanup								
Nuclear Waste Fund Decontamination & Decommissioning Fund	\$ (1,170)	\$ (792)	\$ 1,749	\$ (213)	\$ (1,024)	\$ (867)	\$ 1,647	\$ (244)
Uranium sales	(197)	-	-	(197)	(185)	(21)	-	(206)
Total environmental cleanup	\$ (1,367)	\$ (792)	\$ 1,749	\$ (410)	\$ (1,209)	\$ (931)	\$ 1,647	\$ (493)
Reimbursable programs	\$ (3,186)	\$ (713)	\$ -	\$ (3,899)	\$ (2,933)	\$ (588)	\$ -	\$ (3,521)
Other programs								
Federal Energy Regulatory Commission ^(Note 20)	\$ -	\$ (255)	\$ -	\$ (255)	\$ -	\$ (240)	\$ -	\$ (240)
Other ^(Note 20)	(5)	(35)	-	(40)	(1)	(71)	-	(72)
Total other programs	\$ (5)	\$ (290)	\$ -	\$ (295)	\$ (1)	\$ (311)	\$ -	\$ (312)
Total earned revenues	\$ (4,583)	\$ (5,832)	\$ 1,749	\$ (8,666)	\$ (4,230)	\$ (5,974)	\$ 1,647	\$ (8,557)

Great Plains Gasification Plant

These revenues primarily resulted from receipts stemming from the 1988 Great Plains Gasification Plant asset purchase agreement. These receipts were deposited into Treasury's miscellaneous receipts account (see Note 23). Under the terms of the asset purchase agreement, the Department will continue to receive revenue sharing payments, if applicable, through fiscal year 2010.

Isotope Sales

These revenues result from the sale of radioactive and stable isotopes and associated services.

Energy Infrastructure

These revenues result from the Department's power marketing activities. The Department's four PMAs market electricity generated primarily by Federal hydropower projects. Preference for the sale of power is given to public bodies and cooperatives. Revenues from selling power and transmission services are used to repay Treasury annual appropriations, interest on the capital investment repayment, borrowings from Treasury, operation and maintenance costs as well as other payment obligations. Revenues collected by the Southeastern, Southwestern, and Western Area Power Administrations on behalf of other agencies are reported as custodial activity (see Note 25).

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Nuclear Propulsion Plants

These revenues primarily represent reimbursements from the Department of the Navy for nuclear materials consumed during operations of naval reactors.

Nuclear Waste Fund

The NWPA requires the Department to assess fees against owners and generators of high-level radioactive waste and spent nuclear fuel to fund the costs associated with management and disposal activities under the Act. Fees of \$759 million and \$758 million were assessed as of September 30, 2008, and September 30, 2007, respectively. Interest earned on fees owed and on accumulated funds in excess of those needed to pay current program costs totaled \$1,202 million and \$1,133 million as of September 30, 2008, and September 30, 2007, respectively. Adjustments are made annually to defer the recognition of revenues until earned (i.e., when costs are incurred) for the Civilian Radioactive Waste Management program.

Decontamination and Decommissioning Fund

The Department assessed fees to domestic utilities to pay for the costs for decontamination and decommissioning the Department's gaseous diffusion facilities used for uranium enrichment services. Accumulated funds in excess of those needed to pay current program costs are invested in Treasury securities. Interest earned on these investments totaled \$197 million and \$183 million for September 30, 2008, and September 30, 2007, respectively.

Reimbursable Programs

The Department performs work for other Federal agencies and private companies on a reimbursable work basis and on a cooperative work basis. The Department also has entered into cooperative research and development agreements to increase the transfer of Federally funded technologies to the private sector for the benefit of the U.S. economy.

The Department's policy is to establish prices for materials and services provided to public entities at the Department's full cost. In some cases, the full cost information reported by the Department in accordance with SFFAS No. 4, *Managerial Cost Accounting Concepts and Standards for the Federal Government*, exceeds revenues. This results from implementation of provisions contained in the Economy Act of 1932, as amended; the Atomic Energy Act of 1954, as amended; and the National Defense Authorization Act for Fiscal Year 1999, which provide the Department with the authority to charge customers an amount less than the full cost of the product or service. Costs attributable to generating intragovernmental reimbursable program revenues were \$3,282 million and \$3,062 million as of September 30, 2008, and September 30, 2007, respectively.

Federal Energy Regulatory Commission

FERC is an independent regulatory organization within the Department that regulates essential aspects of electric, natural gas and oil pipeline industries, and non-Federal hydropower industries. It ensures that the rates, terms, and conditions of service for segments of the electric and natural gas and oil pipeline industries are just and reasonable; it authorizes the construction of natural gas pipeline facilities; and it ensures that hydropower licensing administration and safety actions are consistent with the public interest. FERC assesses most of its administrative program costs as an annual charge to each regulated entity (see Note 20).

20. Supporting Schedule of Net Cost for Other Programs **(in millions)**

	FY 2008	FY 2007
Federal Energy Regulatory Commission		
Program costs - public	\$ 255	\$ 240
Less earned revenues ^(Note 19)	(255)	(240)
	\$ -	\$ -
Inspector General	47	43
Environment, safety and health	72	124
Other defense activities	218	193
Other programs - public		
Program costs	\$ 11	\$ 25
Less earned revenues ^(Note 19)	(41)	(72)
	(30)	(47)
Total net cost for other programs	\$ 307	\$ 313

21. Costs Applied to Reduction of Legacy Environmental Liabilities

Costs applied to reduction of legacy environmental liabilities are current year operating expenditures for the remediation of contaminated facilities and wastes generated from past operations. These amounts are excluded from current year program expenses since the expense was accrued in prior years when the Department recorded the environmental liabilities.

22. Costs Not Assigned

(in millions)

	FY 2008	FY 2007
Spent nuclear fuel contingency ^(Notes 17)		
Current year Judgment Fund payments	\$ 51	\$ 103
Change in estimates ^(Note 23)	(51)	4,249
Current year spent nuclear fuel contingency costs	\$ -	\$ 4,352
Change in environmental liability estimates ^(Notes 14 and 23)	8,411	39,958
Changes in contractor pension and PRB estimates ^(Note 23)	(1,672)	(404)
Change in unfunded safety and health liabilities ^(Notes 13 and 23)	476	329
Change in occupational illness program -		
Subtitle B	-	1,310
Subtitle E	-	213
Other	42	(26)
Total costs not assigned	\$ 7,257	\$45,732

Compensation Program for Occupational Illnesses

The Energy Employees Occupational Illness Compensation Program Act (EEOICPA) authorized compensation for certain illnesses suffered by employees for the Department, its predecessor agencies, and contractors who performed work for the nuclear weapons program. Subtitle B covers illnesses associated with exposure to radiation, beryllium, or silica. In general, each eligible employee and survivors of deceased employees will receive compensation for the disability or death of that employee in the amount of \$150,000 plus the costs of medical care.

The National Defense Authorization Act of 2005 amended the EEOICPA to include Subtitle E, Contractor Employee Compensation. This amendment replaces Subtitle D of the EEOICPA, which provided assistance for the Department in obtaining state workers' compensation benefits. The new program grants workers' compensation benefits to covered employees and their families for illness and death arising from exposure to toxic substances at the Department's facilities. The amendment also makes it possible for uranium workers, as defined under Section 5 of the Radiation Exposure Compensation Act, to receive compensation under Subtitle E for illnesses due to toxic substance exposure at a uranium mine or mill covered under that Act.

As of September 30, 2005, the law makes payments under these programs the responsibility of the Department of Labor. Therefore, the liability is recorded by the Department of Labor and changes in the total liability are recognized by the Department as an imputed cost and an imputed financing source.

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23. Reconciliation of Net Cost of Operations to Budget

(in millions)

	FY 2008	FY 2007
Resources Used to Finance Activities		
Obligations incurred	\$ 33,186	\$ 32,052
Less spending authority from offsetting collections and recoveries	(8,331)	(7,918)
Less offsetting receipts	(2,124)	(2,926)
Net obligations	\$ 22,731	\$ 21,208
Imputed financing from costs absorbed by others		
Change in occupational illnesses liability ^(Note 22)	\$ -	\$ 1,523
OPM imputed costs	87	91
Payments made from Treasury's Judgment Fund	51	132
Total imputed costs absorbed by others	138	1,746
Transfers-in/(out) without reimbursement		
Transfer of Great Plains Gasification Plant revenue sharing receipts to Treasury ^(Note 19)	\$ (33)	\$ (43)
All other transfers, net	1,247	235
Total transfers in/(out), net	1,214	192
Nuclear Waste Fund offsetting receipts, deferred	1,375	2,017
Other	91	34
Total resources used to finance activities	\$ 25,549	\$ 25,197
Resources Used to Finance Activities not Part of Net Cost of Operations		
Change in budgetary resources obligated for orders but not yet provided	\$ (1,171)	\$ (995)
Resources that finance the acquisition of assets	(4,656)	(3,404)
Resources that fund expenses recognized in prior periods	(5,170)	(5,623)
Other resources and adjustments	(129)	92
Total resources used to finance items not part of Net Cost of Operations	\$ (11,126)	\$ (9,930)
Net Cost of Items That do not Require or Generate Resources in Current Period		
Contractor Pension and PRB plans		
Contractor pension and PRB estimate changes ^(Note 22)	\$ (1,672)	\$ (404)
Current year pension and PRB service costs ^(Note 15)	927	1,067
Current year pension and PRB employer contributions ^(Note 15)	(715)	(721)
Total pension and PRB plans	\$ (1,460)	\$ (58)
Change in environmental liability estimates ^(Notes 14 and 22)	8,411	39,958
Change in spent nuclear fuel contingency ^(Note 22)	(51)	4,249
Change in unfunded safety and health liabilities ^(Notes 13 and 22)	476	329
Change in other unfunded liabilities	213	286
Depreciation of property, plant and equipment	1,561	1,474
Amortization of premiums and discounts on Treasury investments	(796)	(721)
Other amortization	159	155
Other	248	556
Total net cost of items that do not require or generate resources in current period	\$ 8,761	\$ 46,228
Net Cost of Operations	\$ 23,184	\$ 61,495

Consolidated and Combined Financial Statements

Nuclear Waste Fund Offsetting Receipts, Deferred

The Department defers the recognition of revenues related to the fees paid by owners and generators of spent nuclear fuel, and the interest earned on the invested balance of these funds, to the extent that the receipts exceed current year costs for developing and managing a permanent repository for spent nuclear fuel generated by civilian reactors. In addition, market value adjustments for Treasury securities of the NWF are not recognized as revenues in the current period unless redeemed by the Department. The gross amount of receipts, interest collected, and the market value adjustments for zero coupon bond investments are reported as offsetting receipts on the *Combined Statements of Budgetary Resources*. Therefore, a reconciling amount is reported for the portion of the offsetting receipts for which revenues are not recognized in the current period.

All Other Transfers, Net

All other transfers, net, is primarily comprised of transfers of Royalty-in-Kind (RIK) oil from the Department of Interior's Gulf of Mexico Federal offshore leases. The oil from the offshore leases is exchanged for other crude oil to be delivered to the Strategic Petroleum Reserve. The value of oil received from Interior was \$992 as of September 30, 2008 and \$282 million as of September 30, 2007.

24. Combined Statements of Budgetary Resources (in millions)

The *Statements of Budgetary Resources* is presented on a combined, rather than a consolidated, basis in accordance with OMB guidance.

Adjustments to Beginning Balances of Budgetary Resources:

<u>Beginning Unobligated Balance</u>	<u>FY 2008</u>	<u>FY 2007</u>
Prior year unobligated balance, net - end of period		
Available, apportioned	\$ 2,495	\$ 2,552
Exempt from apportionment	50	32
Not available	1,535	1,580
Total - prior year unobligated balance	\$ 4,080	\$ 4,164
Adjustment for Strategic Petroleum Account	-	(5)
Current year unobligated balance, start of period	\$ 4,080	\$ 4,159

Unobligated Balances Not Available:

	<u>FY 2008</u>	<u>FY 2007</u>
U.S. Enrichment Corporation Fund	\$ 1,542	\$ 1,473
Supplemental appropriations not yet apportioned	-	43
Reimbursable work/collections in excess of amount anticipated	27	3
Prior year deobligations in excess of apportioned amount	19	6
Expired appropriations and other amounts not apportioned	3	10
Total unobligated balances not available ^(Note 3)	\$ 1,591	\$ 1,535

Unobligated balances not available represent budgetary resources that have not been apportioned to the Department.

**Consolidated and Combined
Financial Statements**

Details of Unpaid Obligations:

	FY 2008	FY 2007
Undelivered orders	\$ 13,966	\$ 12,473
Accounts payable	7,174	6,974
Total unpaid obligations ^(Note 3)	\$ 21,140	\$ 19,447

Reconciliation to Appropriations Received on the Statements of Changes in Net Position:

	FY 2008	FY 2007
Appropriations received on the Combined Statements of Budgetary Resources	\$ 25,434	\$ 24,616
Less:		
Special and trust fund appropriated receipts	(1,170)	(991)
Appropriated capital owed	(37)	(72)
Appropriations made available from previous year	(257)	(257)
Appropriations received on the Statements of Changes in Net Position	\$ 23,970	\$ 23,296

Reconciliation to the Budget:

	FY 2007			
	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources as published	\$ 36,132	\$ 32,052	\$ (2,926)	\$ 20,058
OMB adjustments made to exclude:				
U.S. Enrichment Corporation	(1,473)	-	-	59
Expired accounts	(9)	-	-	-
Other	(4)	(1)	-	-
Budget of the United States Government	\$ 34,646	\$ 32,051	\$ (2,926)	\$ 20,117

The fiscal year 2007 *Combined Statements of Budgetary Resources* are reconciled to the President's Budget that was published in February 2008. The President's Budget containing actual fiscal year 2008 balances is expected to be published and available on the OMB web site, www.whitehouse.gov/omb, in February 2009. Budgetary resources and obligations incurred are reconciled to the Departmental balances as published in the Appendix to the Budget; distributed offsetting receipts and net outlays are reconciled to the Departmental balances in the Federal Program by Agency and Account section of the Analytical Perspectives Volume of the President's Budget.

25. Custodial Activities

Power Marketing Administrations

The Southeastern, Southwestern, and Western Area Power Administrations are responsible for collecting and remitting to Treasury and the Department of the Interior revenues attributable to the hydroelectric power projects owned and operated by the Department of Defense, the Corps; the Department of the Interior, Bureau of Reclamation; and the Department of State, International Boundary and Water Commission. These revenues are reported as custodial activities of the Department.

Federal Energy Regulatory Commission

The Federal Energy Regulatory Commission is responsible for billing regulated companies annual charges as a custodian for certain Federal agencies. These include: 1) the Corps for licensees to provide maintenance and operations of dams owned by the U.S. and maintenance for operations of headwater or other navigable waters owned by the U.S., 2) Department of Interior's Bureau of Reclamation for the occupancy and use of public lands and national parks owned by the U.S. and for Indian Tribal Trust Funds from licensees for the reservation of Indian land, 3) Treasury for revenues collected based on penalties, interest and administrative charges for overdue accounts receivables and for civil penalties, and 4) payments to states collected from licensees for the occupancy and use of national forests and public lands from development within the boundaries of any state.

Petroleum Pricing Violation Escrow Fund

Custodial revenues for the Petroleum Pricing Violation Escrow Fund result from interest earned on the fund balance which is invested in U.S. Treasury Bills and certificates of deposit with minority owned financial institutions, pending determination of the disposition of the funds. Funds are disbursed to individuals and groups who are able to provide proof of financial injury related to the violations of Petroleum Pricing Regulations during the 1970s and early 1980s. The Department also distributes funds to the U.S. Treasury and to the States, Possessions, and Territories of the United States.

26. Changes in Accounting Principles (in millions)

	FY 2007		
	Earmarked	All Other Funds	Total
Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans	\$ (2)	\$ 622	\$ 620
Transfer of budget authority	335		335
Total changes in accounting principle	\$ 333	\$ 622	\$ 955

Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans

The Department implemented in fiscal year 2007 the requirements of SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans." SFAS No. 158 amends the accounting requirements of SFAS No. 87, "Employers' Accounting for Pensions" and SFAS No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," requiring the recognition of a plan's "funded status" as a liability or asset rather than recognizing the accrued benefit cost under delayed recognition requirements of SFAS No. 87 and SFAS No. 106 prior to amendment by SFAS No. 158. A \$620 million beginning balance adjustment to the fiscal year 2007 cumulative results of operations was recorded for the cumulative effects of this change in accounting principle.

Transfer of Budget Authority

A Corps transfer allocation account was established in 1995 to fund additions, improvements, and replacements of Corps hydroelectric projects in the Pacific Northwest funded by the BPA. Allocation transfers are legal delegations by one department (the Parent) of its authority to obligate budget authority and outlay funds to another department (the Child). A separate allocation fund account was created in the U.S. Treasury as a subset of the BPA parent fund account for tracking and reporting purposes. All allocation transfers of balances are credited to this account, and subsequent obligations and outlays incurred by the Corps are charged to this allocation account as they execute the delegated activity on behalf of BPA.

As a result of implementing new OMB financial statement guidance for parent/child allocation transfers, all financial activity of the Corps related to the allocation transfers is reported in the Department's financial statements beginning in fiscal year 2007. A \$335 million beginning balance adjustment to the fiscal year 2007 cumulative results of operations was recorded for the cumulative effects of this change in accounting principle.

**Consolidated and Combined
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CONSOLIDATING SCHEDULES

U. S. Department of Energy
Consolidating Schedules - Balance Sheets
As of September 30, 2008 and 2007
(\$ in millions)

	FY 2008					Consolidated
	Federal Energy Regulatory Commission	Power Marketing Administrations (Preliminary)	Power Marketing Administrations	All Other DOE Programs	Eliminations	
ASSETS:						
Intragovernmental Assets:						
Fund Balance with Treasury	\$ 73	\$ 2,319	\$ 2,319	\$ 16,838	\$ -	\$ 19,230
Investments and Related Interest, Net	-	-	-	27,615	-	27,615
Accounts Receivable, Net	-	38	38	696	(202)	532
Regulatory Assets	-	5,364	5,364	-	-	5,364
Other Assets	-	-	-	56	(50)	6
Total Intragovernmental Assets	\$ 73	\$ 7,721	\$ 7,721	\$ 45,205	\$ (252)	\$ 52,747
Investments and Related Interest, Net	-	-	-	196	-	196
Accounts Receivable, Net	23	462	462	3,523	-	4,008
Inventory, Net:						
Strategic Petroleum and Northeast Home Heating Oil Reserve	-	-	-	20,484	-	20,484
Nuclear Materials	-	-	-	21,024	-	21,024
Other Inventory	-	92	93	382	-	475
General Property, Plant, and Equipment, Net	6	6,655	6,655	18,596	-	25,257
Regulatory Assets	-	5,180	5,180	-	-	5,180
Other Non-Intragovernmental Assets	-	3,002	3,002	2,393	-	5,395
Total Assets	\$ 102	\$ 23,112	\$ 23,113	\$ 111,803	\$ (252)	\$ 134,766
LIABILITIES:						
Intragovernmental Liabilities:						
Accounts Payable	\$ 3	\$ 25	\$ 25	\$ 259	\$ (202)	\$ 85
Debt	-	11,452	11,452	-	-	11,452
Deferred Revenues and Other Credits	-	1	1	66	(50)	17
Other Liabilities	3	34	34	200	-	237
Total Intragovernmental Liabilities	\$ 6	\$ 11,512	\$ 11,512	\$ 525	\$ (252)	\$ 11,791
Accounts Payable	14	1,337	1,336	3,522	-	4,872
Debt Held by the Public	-	6,267	6,267	-	-	6,267
Deferred Revenues and Other Credits	-	1,039	1,039	24,822	-	25,861
Environmental Cleanup and Disposal Liabilities	-	19	19	265,332	-	265,351
Pension and Other Actuarial Liabilities	-	66	66	10,933	-	10,999
Capital Leases	-	336	336	143	-	479
Other Non-Intragovernmental Liabilities	68	276	276	3,490	-	3,834
Contingencies and Commitments	-	29	29	10,969	-	10,998
Total Liabilities	\$ 88	\$ 20,881	\$ 20,880	\$ 319,736	\$ (252)	\$ 340,452
NET POSITION:						
Unexpended Appropriations:						
Unexpended Appropriations - Earmarked Funds	\$ -	\$ -	\$ -	\$ 13	\$ -	\$ 13
Unexpended Appropriations - Other Funds	24	-	-	11,050	-	11,074
Cumulative Results of Operations:						
Cumulative Results of Operations - Earmarked Funds	-	2,233	2,233	(8,833)	-	(6,600)
Cumulative Results of Operations - Other Funds	(10)	-	-	(210,163)	-	(210,173)
Total Net Position	\$ 14	\$ 2,233	\$ 2,233	\$ (207,933)	\$ -	\$ (205,686)
Total Liabilities and Net Position	\$ 102	\$ 23,114	\$ 23,113	\$ 111,803	\$ (252)	\$ 134,766

See independent auditors' report

**Consolidated and Combined
Financial Statements**

FY 2007				
Federal Energy Regulatory Commission	Power Marketing Administrations	All Other DOE Programs	Eliminations	Consolidated
\$ 48	\$ 2,010	\$ 16,301	\$ -	\$ 18,359
-	-	25,800	-	25,800
-	28	665	(237)	456
-	5,456	-	-	5,456
-	-	41	(33)	8
\$ 48	\$ 7,494	\$ 42,807	\$ (270)	\$ 50,079
-	-	204	-	204
5	478	3,454	-	3,937
-	-	19,415	-	19,415
-	-	21,040	-	21,040
-	86	384	-	470
8	6,471	18,387	-	24,866
-	5,636	-	-	5,636
-	2,920	2,112	-	5,032
\$ 61	\$ 23,085	\$ 107,803	\$ (270)	\$ 130,679
\$ 4	\$ (5)	\$ 251	\$ (184)	\$ 66
-	11,481	-	-	11,481
-	-	70	(34)	36
6	55	211	(5)	267
\$ 10	\$ 11,531	\$ 532	\$ (223)	\$ 11,850
10	333	3,497	(47)	3,793
-	6,427	-	-	6,427
-	2,097	23,048	-	25,145
-	-	263,603	-	263,603
-	62	12,371	-	12,433
-	188	26	-	214
35	321	2,920	-	3,276
-	42	11,029	-	11,071
\$ 55	\$ 21,001	\$ 317,026	\$ (270)	\$ 337,812
\$ -	\$ -	\$ 17	\$ -	\$ 17
4	-	10,661	-	10,665
-	2,084	(8,721)	-	(6,637)
2	-	(211,180)	-	(211,178)
\$ 6	\$ 2,084	\$ (209,223)	\$ -	\$ (207,133)
\$ 61	\$ 23,085	\$ 107,803	\$ (270)	\$ 130,679

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**Consolidated and Combined
Financial Statements**

**U. S. Department of Energy
Consolidating Schedules of Net Cost
For the Years Ended September 30, 2008 and 2007
(\$ in millions)**

	FY 2008					Consolidated
	Federal Energy Regulatory Commission	Power Marketing Administrations (Preliminary)	Power Marketing Administrations	All Other DOE Programs	Eliminations	
STRATEGIC THEMES:						
Energy Security:						
Energy Diversity:						
Program Costs	\$ -	\$ -	\$ -	1,290	\$ -	\$ 1,290
Less: Earned Revenues	-	-	-	(16)	-	(16)
Net Cost of Energy Diversity	-	-	-	1,274	-	1,274
Environmental Impacts of Energy:						
Program Costs	-	-	-	1,181	(15)	1,166
Less: Earned Revenues	-	-	-	(51)	-	(51)
Net Cost of Environmental Impacts of Energy	-	-	-	1,130	(15)	1,115
Energy Infrastructure:						
Program Costs	-	3,818	3,818	149	(93)	3,874
Less: Earned Revenues	-	(4,053)	(4,053)	(19)	93	(3,979)
Net Cost of Energy Infrastructure	-	(235)	(235)	130	-	(105)
Energy Productivity Program Costs	-	-	-	451	-	451
Net Cost of Energy Security	-	(235)	(235)	2,985	(15)	2,735
Nuclear Security:						
Nuclear Deterrent Program Costs	-	-	-	6,689	-	6,689
Weapons of Mass Destruction Program Costs	-	-	-	1,587	-	1,587
Nuclear Propulsion Plants:						
Program Costs	-	-	-	797	-	797
Less: Earned Revenues	-	-	-	(16)	-	(16)
Net Cost of Nuclear Propulsion Plants	-	-	-	781	-	781
Net Cost of Nuclear Security	-	-	-	9,057	-	9,057
Scientific Discovery and Innovation:						
Scientific Breakthroughs, Foundations of Science, and Research Integration Program Costs	-	-	-	3,786	-	3,786
Net Cost of Scientific Discovery and Innovation	-	-	-	3,786	-	3,786
Environmental Responsibility:						
Environmental Cleanup:						
Program Costs	-	-	-	5,997	(459)	5,538
Less: Earned Revenues	-	-	-	(410)	-	(410)
Net Costs of Environmental Cleanup	-	-	-	5,587	(459)	5,128
Managing the Legacy Program Costs	-	-	-	188	-	188
Net Cost of Environmental Responsibility	-	-	-	5,775	(459)	5,316
Net Cost of Strategic Themes	-	(235)	(235)	21,603	(474)	20,894
OTHER PROGRAMS:						
Reimbursable Programs:						
Program Costs	-	296	296	3,609	-	3,905
Less: Earned Revenues	-	(366)	(366)	(3,533)	-	(3,899)
Net Cost of Reimbursable Programs	-	(70)	(70)	76	-	6
Other Programs:						
Program Costs	255	-	-	463	(116)	602
Less: Earned Revenues	(255)	-	-	(156)	116	(295)
Net Cost of Other Programs	-	-	-	307	-	307
Costs Applied to Reduction of Legacy Environmental Liabilities	-	-	-	(5,251)	-	(5,251)
Costs Not Assigned	-	19	19	7,238	-	7,257
Net Cost of Operations	\$ -	\$ (286)	\$ (286)	\$ 23,973	\$ (474)	\$ 23,213

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**Consolidated and Combined
Financial Statements**

FY 2007				
Federal Energy Regulatory Commission	Power Marketing Administrations	All Other DOE Programs	Eliminations	Consolidated
\$ -	\$ -	\$ 1,082	\$ -	\$ 1,082
-	-	(6)	-	(6)
-	-	1,076	-	1,076
-	-	1,066	(20)	1,046
-	-	(60)	-	(60)
-	-	1,006	(20)	986
-	3,847	141	(55)	3,933
-	(4,201)	-	55	(4,146)
-	(354)	141	-	(213)
-	-	496	-	496
-	(354)	2,719	(20)	2,345
-	-	6,869	-	6,869
-	-	1,526	-	1,526
-	-	810	-	810
-	-	(19)	-	(19)
-	-	791	-	791
-	-	9,186	-	9,186
-	-	3,997	-	3,997
-	-	3,997	-	3,997
-	-	6,319	(452)	5,867
-	-	(493)	-	(493)
-	-	5,826	(452)	5,374
-	-	57	-	57
-	-	5,883	(452)	5,431
-	(354)	21,785	(472)	20,959
-	204	3,381	-	3,585
-	(242)	(3,279)	-	(3,521)
-	(38)	102	-	64
240	-	492	(107)	625
(240)	-	(179)	107	(312)
-	-	313	-	313
-	-	(5,573)	-	(5,573)
-	-	45,732	-	45,732
\$ -	\$ (392)	\$ 62,359	\$ (472)	\$ 61,495

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**Consolidated and Combined
Financial Statements**

U. S. Department of Energy
Consolidating Schedules of Changes in Net Position
For the Years Ended September 30, 2008 and 2007
(\$ in millions)

	FY 2008					Consolidated
	Federal Energy Regulatory Commission	Power Marketing Administrations (Preliminary)	Power Marketing Administrations	All Other DOE Programs	Eliminations	
CUMULATIVE RESULTS OF OPERATIONS:						
Beginning Balances:	\$ 2	\$ 2,084	\$ 2,084	\$ (219,901)	\$ -	\$ (217,815)
Change in Accounting Principle	-	-	-	-	-	-
Beginning Balances, as Adjusted	\$ 2	\$ 2,084	\$ 2,084	\$ (219,901)	\$ -	\$ (217,815)
Budgetary Financing Sources:						
Appropriations Used	\$ (20)	\$ -	\$ -	\$ 22,955	\$ -	\$ 22,935
Non-Exchange Revenue	-	-	-	59	-	59
Donations and Forfeitures of Cash	-	-	-	6	-	6
Transfers - In/(Out) Without Reimbursement	-	(180)	(180)	(32)	-	(212)
Other Financing Sources (Non-Exchange):						
Donations and Forfeitures of Cash	-	22	21	-	-	21
Transfers-In/(Out) Without Reimbursement	(3)	11	11	1,206	-	1,214
Imputed Financing from Costs Absorbed by Others	11	1	1	126	-	138
Other	-	10	10	558	(474)	94
Total Financing Sources	\$ (12)	\$ (136)	\$ (137)	\$ 24,878	\$ (474)	\$ 24,255
Net Cost of Operations	-	286	286	(23,973)	474	(23,213)
Net Change	\$ (12)	\$ 150	\$ 149	\$ 905	\$ -	\$ 1,042
Total Cumulative Results of Operations	\$ (10)	\$ 2,234	\$ 2,233	\$ (218,996)	\$ -	\$ (216,773)
UNEXPENDED APPROPRIATIONS:						
Beginning Balances	\$ 4	\$ -	\$ -	\$ 10,678	\$ -	\$ 10,682
Budgetary Financing Sources:						
Appropriations Received	\$ -	\$ -	\$ -	\$ 23,970	\$ -	\$ 23,970
Appropriations Transferred - In/(Out)	-	-	-	2	-	2
Other Adjustments	-	-	-	(632)	-	(632)
Appropriations Used	20	-	-	(22,955)	-	(22,935)
Total Budgetary Financing Sources	\$ 20	\$ -	\$ -	\$ 385	\$ -	\$ 405
Total Unexpended Appropriations	\$ 24	\$ -	\$ -	\$ 11,063	\$ -	\$ 11,087
Net Position	\$ 14	\$ 2,234	\$ 2,233	\$ (207,933)	\$ -	\$ (205,686)

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**Consolidated and Combined
Financial Statements**

FY 2007				
Federal Energy Regulatory Commission	Power Marketing Administrations	All Other DOE Programs	Eliminations	Consolidated
\$ 4	\$ 2,208	\$ (183,218)	\$ -	\$ (181,006)
-	335	620	-	955
\$ 4	\$ 2,543	\$ (182,598)	\$ -	\$ (180,051)
\$ 5	\$ -	\$ 22,533	\$ -	\$ 22,538
-	-	74	-	74
-	-	12	-	12
-	(831)	(38)	-	(869)
-	4	-	-	4
(18)	(24)	234	-	192
11	-	1,735	-	1,746
-	-	506	(472)	34
\$ (2)	\$ (851)	\$ 25,056	\$ (472)	\$ 23,731
-	392	(62,359)	472	(61,495)
\$ (2)	\$ (459)	\$ (37,303)	\$ -	\$ (37,764)
\$ 2	\$ 2,084	\$ (219,901)	\$ -	\$ (217,815)
\$ 9	\$ -	\$ 9,902	\$ -	\$ 9,911
\$ -	\$ -	\$ 23,296	\$ -	\$ 23,296
-	-	13	-	13
-	-	-	-	-
(5)	-	(22,533)	-	(22,538)
\$ (5)	\$ -	\$ 776	\$ -	\$ 771
\$ 4	\$ -	\$ 10,678	\$ -	\$ 10,682
\$ 6	\$ 2,084	\$ (209,223)	\$ -	\$ (207,133)

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**Consolidated and Combined
Financial Statements**

**U. S. Department of Energy
Combining Schedules of Budgetary Resources**
For the Years Ended September 30, 2008 and 2007
(\$ in millions)

	FY 2008				Consolidated
	Federal Energy Regulatory Commission	Power Marketing Administrations (Preliminary)	Power Marketing Administrations	All Other DOE Programs	
BUDGETARY RESOURCES:					
Unobligated Balance, Brought Forward, October 1	\$ 3	\$ 346	\$ 346	\$ 3,731	\$ 4,080
Recoveries of Prior Year Unpaid Obligations	1	-	-	52	53
Budget Authority:					
Appropriations	\$ 3	\$ 351	\$ 337	\$ 25,094	\$ 25,434
Borrowing Authority	-	425	425	-	425
Contract Authority	-	556	556	-	556
Spending Authority from Offsetting Collections:					
Earned:					
Collected	260	3,946	3,946	3,774	7,980
Change in Receivables from Federal Sources	-	(8)	(8)	32	24
Change in Unfilled Customer Orders:					
Advances Received	-	-	-	13	13
Without Advance from Federal Sources	-	(1)	(1)	262	261
Anticipated for Rest of Year, Without Advance	-	-	-	-	-
Subtotal	\$ 263	\$ 5,269	\$ 5,255	\$ 29,175	\$ 34,693
Nonexpenditure Transfers, Net, Anticipated and Actual	-	(83)	(83)	2	(81)
Temporarily not Available Pursuant to Public Law	-	(2)	(2)	(157)	(159)
Permanently not Available	-	(1,176)	(1,176)	(598)	(1,774)
Total Budgetary Resources	\$ 267	\$ 4,354	\$ 4,340	\$ 32,205	\$ 36,812
STATUS OF BUDGETARY RESOURCES:					
Obligations Incurred:					
Direct	\$ 252	\$ 403	\$ 403	\$ 24,831	\$ 25,486
Exempt from Apportionment	-	2,693	2,694	181	2,875
Reimbursable	-	867	867	3,958	4,825
Total Obligations Incurred	\$ 252	\$ 3,963	\$ 3,964	\$ 28,970	\$ 33,186
Unobligated Balance:					
Apportioned	15	332	319	1,656	1,990
Exempt from Apportionment	-	35	35	10	45
Unobligated Balance not Available	-	23	22	1,569	1,591
Total Status of Budgetary Resources	\$ 267	\$ 4,353	\$ 4,340	\$ 32,205	\$ 36,812
CHANGE IN OBLIGATED BALANCE:					
Obligated Balance, Net:					
Unpaid Obligations, Brought Forward, October 1	\$ 21	\$ 2,683	\$ 2,683	\$ 16,743	\$ 19,447
Less: Uncollected Customer Payments from					
Federal Sources, Brought Forward, October 1	-	(352)	(352)	(3,849)	(4,201)
Total Unpaid Obligated Balance, Net, October 1	\$ 21	\$ 2,331	\$ 2,331	\$ 12,894	\$ 15,246
Obligations Incurred	252	3,964	3,964	28,970	33,186
Less: Gross Outlays	(239)	(3,806)	(3,806)	(27,395)	(31,440)
Less: Recoveries of Prior Year Unpaid Obligations, Actual	(1)	-	-	(52)	(53)
Change in Uncollected Customer Payments from Federal Sources	-	9	9	(294)	(285)
Total Obligated Balance, Net, End of Period	\$ 33	\$ 2,498	\$ 2,498	\$ 14,123	\$ 16,654
Obligated Balance, Net, End of Period:					
Unpaid Obligations	\$ 33	\$ 2,841	\$ 2,841	\$ 18,266	\$ 21,140
Less: Uncollected Customer Payments from Federal Sources	-	(343)	(343)	(4,143)	(4,486)
Total, Unpaid Obligated Balance, Net, End of Period	\$ 33	\$ 2,498	\$ 2,498	\$ 14,123	\$ 16,654
NET OUTLAYS:					
Gross Outlays	\$ 239	\$ 3,806	\$ 3,806	\$ 27,395	\$ 31,440
Less: Offsetting Collections	(260)	(3,946)	(3,946)	(3,787)	(7,993)
Less: Distributed Offsetting Receipts	(45)	(500)	(507)	(1,572)	(2,124)
Net Outlays	\$ (66)	\$ (640)	\$ (647)	\$ 22,036	\$ 21,323

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**Consolidated and Combined
Financial Statements**

FY 2007				
Federal Energy Regulatory Commission	Power Marketing Administrations	All Other DOE Programs	Consolidated	
\$ 6	\$ 172	\$ 3,981	\$ 4,159	
1	-	51	52	
\$ 3	\$ 307	\$ 24,306	\$ 24,616	
-	315	-	315	
-	692	-	692	
222	4,042	3,491	7,755	
-	(51)	29	(22)	
-	18	(9)	9	
-	(1)	125	124	
-	-	-	-	
\$ 225	\$ 5,322	\$ 27,942	\$ 33,489	
-	94	23	117	
-	-	(257)	(257)	
-	(1,427)	(1)	(1,428)	
\$ 232	\$ 4,161	\$ 31,739	\$ 36,132	
\$ 229	\$ 355	\$ 24,186	\$ 24,770	
-	2,768	129	2,897	
-	692	3,693	4,385	
\$ 229	\$ 3,815	\$ 28,008	\$ 32,052	
3	298	2,194	2,495	
-	47	3	50	
-	1	1,534	1,535	
\$ 232	\$ 4,161	\$ 31,739	\$ 36,132	
\$ 23	\$ 2,669	\$ 15,504	\$ 18,196	
-	(403)	(3,697)	(4,100)	
\$ 23	\$ 2,266	\$ 11,807	\$ 14,096	
229	3,815	28,008	32,052	
(230)	(3,802)	(26,716)	(30,748)	
(1)	-	(51)	(52)	
-	52	(154)	(102)	
\$ 21	\$ 2,331	\$ 12,894	\$ 15,246	
\$ 21	\$ 2,683	\$ 16,743	\$ 19,447	
-	(352)	(3,849)	(4,201)	
\$ 21	\$ 2,331	\$ 12,894	\$ 15,246	
\$ 230	\$ 3,802	\$ 26,716	\$ 30,748	
(222)	(4,060)	(3,482)	(7,764)	
(85)	(479)	(2,362)	(2,926)	
\$ (77)	\$ (737)	\$ 20,872	\$ 20,058	

**Consolidated and Combined
Financial Statements**

**U. S. Department of Energy
Consolidating Schedules of Custodial Activities
For the Years Ended September 30, 2008 and 2007
(\$ in millions)**

	FY 2008					Consolidated
	Federal Energy Regulatory Commission	Power Marketing Administrations (Preliminary)	Power Marketing Administrations	All Other DOE Programs	Eliminations	
SOURCES OF COLLECTIONS:						
Cash Collections:						
Power Marketing Administrations	\$ -	\$ 573	\$ 573	\$ -	\$ -	\$ 573
Federal Energy Regulatory Commission	62	-	-	-	-	62
Petroleum Pricing Violation Escrow Fund	-	-	-	9	-	9
Total Cash Collections	\$ 62	\$ 573	\$ 573	\$ 9	\$ -	\$ 644
Accrual Adjustment	(6)	(19)	(19)	(1)	-	(26)
Total Custodial Revenue	\$ 56	\$ 554	\$ 554	\$ 8	\$ -	\$ 618
DISPOSITION OF REVENUE:						
Transferred to Others:						
Department of the Treasury	(39)	(263)	(263)	-	-	(302)
Army Corps of Engineers	(5)	-	-	-	-	(5)
Bureau of Reclamation	(2)	(325)	(325)	-	-	(327)
Others	(3)	-	-	-	-	(3)
Decrease/(Increase) in Amounts to be Transferred	(7)	34	34	(8)	-	19
Net Custodial Activity	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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**Consolidated and Combined
Financial Statements**

FY 2007					
Federal Energy Regulatory Commission	Power Marketing Administrations	All Other DOE Programs	Eliminations	Consolidated	
\$ -	\$ 532	\$ -	\$ -	\$ -	\$ 532
82	-	-	-	-	82
-	-	13	-	-	13
\$ 82	\$ 532	\$ 13	\$ -	\$ -	\$ 627
(12)	6	1	-	-	(5)
\$ 70	\$ 538	\$ 14	\$ -	\$ -	\$ 622
(60)	(230)	-	-	-	(290)
(13)	(18)	-	-	-	(31)
(9)	(296)	-	-	-	(305)
(3)	(5)	1	-	-	(7)
15	11	(15)	-	-	11
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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REQUIRED SUPPLEMENTARY STEWARDSHIP INFORMATION (RSSI)

Supplementary Stewardship Reporting on Research and Development Costs for Fiscal Years 2008 through FY 2004 (in millions)

BASIC	FY 2008			FY 2007		
	Direct Cost	Deprecation & Other	Total	Direct Cost	Deprecation & Other	Total
Energy Diversity						
Energy Efficiency	\$0.9	\$0.0	\$0.9	\$0.4	\$0.0	\$0.4
Fossil Energy	\$2.4	\$0.6	\$3.0	\$0.0	\$0.0	\$0.0
Environmental Impacts of Energy						
Fossil Energy	\$3.8	\$1.3	\$5.1	\$4.4	\$1.3	\$5.7
Nuclear Energy	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Energy Infrastructure						
Power Marketing Administration**	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Weapons of Mass Destruction	\$17.1	\$0.6	\$17.7	\$11.1	\$1.0	\$12.1
Scientific Breakthroughs & Foundations of Science	\$1,614.0	\$327.2	\$1,941.2	\$2,753.9	\$667.1	\$3,421.0
TOTAL BASIC	\$1,638.2	\$329.7	\$1,967.9	\$2,769.8	\$669.4	\$3,439.2
APPLIED*	Direct Cost	Deprecation & Other	Total	Direct Cost	Deprecation & Other	Total
Energy Diversity						
Energy Efficiency	\$184.3	\$6.3	\$190.6	\$169.2	\$9.5	\$178.7
Fossil Energy	\$3.6	\$1.0	\$4.6	\$0.0	\$0.0	\$0.0
Environmental Impacts of Energy						
Fossil Energy	\$124.2	\$40.4	\$164.6	\$136.8	\$41.7	\$178.5
Nuclear Energy	\$33.0	\$8.0	\$41.0	\$71.1	\$15.7	\$86.8
Energy Infrastructure						
Energy Efficiency	\$0.0	\$0.0	\$0.0	\$9.9	\$0.7	\$10.6
Electric Transmission & Distribution	\$14.8	\$0.4	\$15.2	\$12.9	\$1.3	\$14.2
Power Marketing Administration**	\$4.9	\$0.0	\$4.9	\$8.6	\$0.0	\$8.6
Energy Productivity						
Energy Efficiency	\$33.1	\$1.0	\$34.1	\$22.9	\$1.2	\$24.1
Nuclear Deterrent	\$1,608.1	\$79.8	\$1,687.9	\$1,799.3	\$165.7	\$1,965.0
Weapons of Mass Destruction	\$82.9	\$3.2	\$86.1	\$121.5	\$11.2	\$132.7
Scientific Breakthroughs & Foundations of Science	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Environmental Cleanup	\$3.3	\$0.4	\$3.7	\$9.6	\$1.5	\$11.1
Managing the Legacy	\$12.2	\$0.1	\$12.3	\$172.8	\$1.9	\$174.7
TOTAL APPLIED	\$2,104.4	\$140.6	\$2,245.0	\$2,534.6	\$250.4	\$2,785.0
DEVELOPMENT*	Direct Cost	Deprecation & Other	Total	Direct Cost	Deprecation & Other	Total
Energy Diversity						
Energy Efficiency	\$144.3	\$5.5	\$149.8	\$145.4	\$9.0	\$154.4
Fossil Energy	\$1.8	\$0.5	\$2.3	\$0.0	\$0.0	\$0.0
Environmental Impacts of Energy						
Fossil Energy	\$67.4	\$22.3	\$89.7	\$127.7	\$36.6	\$164.3
Nuclear Energy	\$5.6	\$2.2	\$7.8	\$9.1	\$1.0	\$10.1
Energy Infrastructure						
Energy Efficiency	\$0.0	\$0.0	\$0.0	\$19.5	\$0.8	\$20.3
Electric Transmission & Distribution	\$12.9	\$0.4	\$13.3	\$17.0	\$1.7	\$18.7
Power Marketing Administration**	\$0.0	\$0.0	\$0.0	\$2.5	\$0.0	\$2.5
Energy Productivity						
Energy Efficiency	\$25.5	\$0.8	\$26.3	\$22.9	\$1.2	\$24.1
Nuclear Deterrent	\$559.6	\$299.5	\$859.1	\$595.4	\$195.3	\$790.7
Weapons of Mass Destruction	\$48.7	\$2.7	\$51.4	\$66.1	\$6.7	\$72.8
Nuclear Propulsion Plants	\$512.6	\$28.9	\$541.5	\$708.9	\$54.0	\$762.9
Environmental Cleanup	\$24.2	\$3.3	\$27.5	\$22.4	\$3.5	\$25.9
TOTAL DEVELOPMENT	\$1,402.6	\$366.1	\$1,768.7	\$1,736.9	\$309.8	\$2,046.7
TOTAL R&D	\$5,145.2	\$836.4	\$5,981.6	\$7,041.3	\$1,229.6	\$8,270.9

* Starting in FY 2006 Other Defense Activities will no longer be included due to classification issues.

** Full R&D investments for the Power Marketing Administration's are included under direct costs of the Energy Infrastructure Goal.

**Consolidated and Combined
Financial Statements**

FY 2006			FY 2005			FY 2004		
Direct Cost	Deprecation & Other	Total	Direct Cost	Deprecation & Other	Total	Direct Cost	Deprecation & Other	Total
\$1.3	\$0.1	\$1.4	\$19.9	\$5.1	\$25.0	\$30.3	\$4.6	\$34.9
\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
\$4.3	\$0.8	\$5.1	\$6.0	\$1.7	\$7.7	\$7.1	\$0.8	\$7.9
\$1.7	\$0.6	\$2.3	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$3.4	\$0.0	\$3.4
\$6.8	\$0.8	\$7.6	\$3.2	\$0.3	\$3.5	\$13.2	\$1.0	\$14.2
\$2,671.5	\$601.1	\$3,272.6	\$2,808.7	\$735.5	\$3,544.2	\$2,581.3	\$583.4	\$3,164.7
\$2,685.6	\$603.4	\$3,289.0	\$2,837.8	\$742.6	\$3,580.4	\$2,635.3	\$589.8	\$3,225.1
Direct Cost	Deprecation & Other	Total	Direct Cost	Deprecation & Other	Total	Direct Cost	Deprecation & Other	Total
\$169.5	\$12.5	\$182.0	\$161.9	\$24.8	\$186.7	\$130.9	\$13.1	\$144.0
\$32.1	\$7.5	\$39.6	\$34.1	\$8.4	\$42.5	\$38.6	\$3.1	\$41.7
\$98.1	\$20.6	\$118.7	\$123.3	\$41.8	\$165.1	\$137.9	\$16.4	\$154.3
\$84.3	\$33.1	\$117.4	\$52.5	\$35.8	\$88.3	\$74.3	\$6.4	\$80.7
\$31.8	\$1.8	\$33.6	\$74.5	\$7.8	\$82.3	\$45.8	\$4.0	\$49.8
\$66.8	\$3.8	\$70.6	\$55.6	\$4.1	\$59.7	\$18.7	\$2.0	\$20.7
\$10.4	\$0.0	\$10.4	\$9.7	\$0.0	\$9.7	\$11.8	\$0.0	\$11.8
\$20.3	\$1.4	\$21.7	\$15.1	\$2.0	\$17.1	\$25.7	\$3.1	\$28.8
\$1,955.6	\$183.1	\$2,138.7	\$1,898.6	\$192.9	\$2,091.5	\$1,888.0	\$404.9	\$2,292.9
\$113.8	\$13.8	\$127.6	\$73.1	\$5.6	\$78.7	\$60.4	\$4.4	\$64.8
\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0	\$3.1	\$0.6	\$3.7
\$0.9	\$0.0	\$0.9	\$15.6	\$1.2	\$16.8	\$28.1	\$4.1	\$32.2
\$259.3	\$3.1	\$262.4	\$144.0	\$1.9	\$145.9	\$65.3	\$1.8	\$67.1
\$2,842.9	\$280.7	\$3,123.6	\$2,658.0	\$326.3	\$2,984.3	\$2,528.6	\$463.9	\$2,992.5
Direct Cost	Deprecation & Other	Total	Direct Cost	Deprecation & Other	Total	Direct Cost	Deprecation & Other	Total
\$205.7	\$12.0	\$217.7	\$265.8	\$28.0	\$293.8	\$326.8	\$32.3	\$359.1
\$48.2	\$11.3	\$59.5	\$51.2	\$12.6	\$63.8	\$57.9	\$4.7	\$62.6
\$95.8	\$19.9	\$115.7	\$121.0	\$40.3	\$161.3	\$135.0	\$16.1	\$151.1
\$1.3	\$0.3	\$1.6	\$1.2	\$0.8	\$2.0	\$20.5	\$1.6	\$22.1
\$28.7	\$1.7	\$30.4	\$54.2	\$7.1	\$61.3	\$69.6	\$6.3	\$75.9
\$26.0	\$1.6	\$27.6	\$13.5	\$3.2	\$16.7	\$38.0	\$3.2	\$41.2
\$1.1	\$0.0	\$1.1	\$2.1	\$0.0	\$2.1	\$8.8	\$0.0	\$8.8
\$20.7	\$1.4	\$22.1	\$15.1	\$2.0	\$17.1	\$25.7	\$3.1	\$28.8
\$467.4	\$117.3	\$584.7	\$467.2	\$106.8	\$574.0	\$543.4	\$120.9	\$664.3
\$84.7	\$5.1	\$89.8	\$53.6	\$2.8	\$56.4	\$49.4	\$3.1	\$52.5
\$681.5	\$42.9	\$724.4	\$724.7	\$40.6	\$765.3	\$667.1	\$17.7	\$684.8
\$2.1	\$0.1	\$2.2	\$36.4	\$3.6	\$40.0	\$65.5	\$9.5	\$75.0
\$1,663.2	\$213.6	\$1,876.8	\$1,806.0	\$247.8	\$2,053.8	\$2,007.7	\$218.5	\$2,226.2
\$7,191.7	\$1,097.7	\$8,289.4	\$7,301.8	\$1,316.7	\$8,618.5	\$7,171.6	\$1,272.2	\$8,443.8

Research and Development

Strategic Theme 1: Energy Security (Basic, Applied, and Development)

Renewable Energy

The [Office of Energy Efficiency and Renewable Energy](#) (EERE) pursues its mission by investing in high-risk, high-value research and development (R&D) that is critical to the nation's energy future and which would not be sufficiently conducted by the private sector. EERE works with the public and private sector decision maker, partners and other stakeholders to develop programs and policies to facilitate the technologies and practices through efficiency mechanisms such as appliance efficiency standards, building codes, Federal fleet initiatives, energy education activities and financial assistance grants. EERE develops the technology and provides the technical assistance needed to rapidly scale up use of renewable energy through best practices, policy options, regulations and technologies – all of which strengthen the U.S. economy, protect the environment and increase national energy security by reducing dependence on traditional energy sources. Programs activities include: [Hydrogen Technology](#), [Biomass & Biorefinery Systems R&D](#), [Solar Energy](#), [Wind Energy](#), [Geothermal Technology](#), [Water Power](#), [Vehicle Technologies](#), [Building Technologies](#), [Industrial Technologies](#), [Federal Energy Management Program](#), and [Weatherization & Intergovernmental Activities](#).

Fossil Energy

The [Office of Fossil Energy](#) (FE) Coal Research Initiative consists of three key integrated strategies needed for carbon capture and storage (CCS) to become a viable option for reducing greenhouse gases in the United States and globally. Commercial-scale projects are operated through the [Clean Coal Power Initiative](#) (a cost-shared research, development and demonstration program for advanced cost-reduction technologies for new and retrofit CCS applications) and through the [FutureGen](#) program (which will demonstrate the capability to integrate electricity generation from coal with carbon capture, compression, transportation and geologic storage). Related R&D programs offer advances to central station power generation technology needed to ensure reasonable-cost CCS, including Advanced Turbines, [Gasification technology](#), Fuel Cells, Fuels, and [Carbon Sequestration](#) (which includes researching ways to mitigate or separate and dispose of greenhouse gas from combustion). The [Advanced Research](#) program comprises a set of cross-cutting, long-term research projects that can potentially contribute to many aspects of the coal research program.

Nuclear Energy

The [Office of Nuclear Energy](#) (NE) leads Federal efforts to develop new nuclear technologies for energy and other applications and to maintain and enhance the national nuclear technology infrastructure. NE is committed to increasing advanced nuclear fuel cycle technologies that improve nuclear safeguards to meet non-proliferation objectives, maximize energy from nuclear fuel and minimize the volume and toxicity of nuclear waste requiring ultimate disposal. NE aims to serve the present and future energy needs of the nation by managing the safe operation and maintenance of the Department's nuclear infrastructure.

Electricity Infrastructure

The [Office of Electricity Delivery and Energy Reliability](#) R&D initiatives focus on technologies that can improve the reliability, efficiency, and security of the nation's electricity delivery system. R&D efforts are expected to result in reduced frequency and duration of operational disturbances on the electric grid; increased efficiency of the electric delivery system through reduced energy losses; reduced peak prices of electricity; increased asset utilization; improved accessibility to a variety of energy sources for generation; and a hardened energy infrastructure which can detect, prevent, and mitigate external disruptions to the energy sector. Key technologies include: [High Temperature Superconductivity](#) cable, which has the potential to carry up to 100 times the amount of electricity that conventional copper wires carry, with minimal energy losses; and an [Area Interchange Error](#) visualization system, which provides system operators with real-time information about the electric system that will help identify and solve problems before they lead to power disruptions.

Strategic Theme 2: Nuclear Security (Basic, Applied, and Development)

National Nuclear Security Administration (NNSA)

Researchers using Sandia National Laboratories' [Z machine](#) have increased the machine's X-ray power output by nearly 10 times in the last two years. The most recent advance resulted in an output X-ray power of about 290 trillion watts – for billionths of a second, about 80 times the entire world's output of electricity. The Z's advance in power is expected to make a major contribution to the DOE's science-based approach to managing the nuclear deterrent, which must use giant computing and laboratory experiments to provide the basis to sustain the nation's nuclear stockpile without underground nuclear testing. This achievement resulted from advances in theory and experiments by a team involving DOE and Department of Defense laboratories and universities.

[NNSA](#) advanced the nation's technology base and capability to detect foreign nuclear programs, materials, and detonations as part of our nuclear nonproliferation program. NNSA conceived, designed and built new capabilities to detect and verify foreign nuclear material production and delivered for launch two new space sensor payloads for detecting and reporting nuclear detonations. These payloads are launched by the Department of Defense to replenish and constantly improve the nuclear detection constellation as old satellites expire.

NNSA incorporated a new physics-based model for conducting assessments of nuclear weapons performance. NNSA scientists at the Los Alamos and Lawrence Livermore National Laboratories implemented the new models for two weapon systems in the stockpile. These new models incorporate knowledge and insights gained through the Science Campaign and are enabled by measurements made using the Los Alamos Neutron Science Center and Inertial Confinement Fusion facilities, as well as the capabilities provided by the Advanced Simulation and Computing Campaign. This is an excellent example of successful multi-lab collaboration to ensure the safety and reliability of the U.S. nuclear weapons stockpile.

The NNSA and DOE's Office of Science established a joint program in high energy density laboratory plasmas (HEDLP), a major sub-area within the discipline of [High Energy Density Plasmas](#) (HEDP). The purpose of the joint program is to effectively steward HEDLP within the DOE while maintaining the interdisciplinary nature of this area of science. The HEDLP program is jointly funded by the Office of Science and NNSA.

Strategic Theme 3: Scientific Discovery and Innovation (Basic)

A primary goal of the [Office of Science](#) is to 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. Other goals are to deliver the scientific facilities, train the next generation of scientists and engineers and provide the laboratory capabilities and infrastructures

required for U.S. scientific primacy. These goals are inherently linked, as scientific discoveries are dependent upon cutting edge technology and facilities support. Science supports research activities in the following areas: [Advanced Scientific Computing](#) relevant to the complex challenges faced by the Department and providing world class supercomputer and networking facilities for scientists; [Basic Energy Sciences](#) including work in the natural sciences that emphasize fundamental research in materials science, chemistry, geosciences and physical biosciences; [Biological and Environmental Research](#) provides the foundational science for alternative fuels, advanced climate predictions, terrestrial carbon sequestration, subsurface bio-geo-processes, and radiobiology at a range of scales from the molecular to the global earth; and [Small Business Innovative Research/Technology Transfer](#) support for energy related technologies.

Strategic Theme 4: Environmental Responsibility (Applied and Development)

Environmental Management

The [Office of Environmental Management](#) maintains a Technology Development and Deployment Program. The overall goal of this program is to eliminate technical barriers to cleanup by reducing technical uncertainty, improving safety performance by applying improved or new technologies, increasing confidence in achieving long-term cleanup goals, addressing emerging issues and leveraging investments in scientific research conducted by other parts of the Department.

Civilian Radioactive Waste Management

The [Office of Civilian Radioactive Waste Management](#) lead the Department in the engagement of more than 25 years of applied R&D relating to deep geologic disposal of high-level radioactive waste and spent nuclear fuel. This R&D program resulted in the Department submitting a license application to the National Regulatory Commission (NRC) in June 2008 for authorization to construct the repository and its acceptance and docketing for formal NRC review in September 2008.

REQUIRED SUPPLEMENTARY INFORMATION

(unaudited)

This section of the report provides required supplementary information for the Department on deferred maintenance and budgetary resources by major budget account.

Deferred Maintenance

Deferred maintenance information is a requirement under SFFAS No.6, Accounting for Property, Plant and Equipment, and SFFAS No.14, Amendments to Deferred Maintenance, which requires deferred maintenance to be disclosed as of the end of each fiscal year. Deferred maintenance is defined in SFFAS No.6 as “maintenance that was not performed when it should have been or was scheduled to be and which, therefore, is put off or delayed for a future period.” Estimates were developed for:

Buildings and Other Structures and Facilities	\$XXXX million
Capital Equipment	\$XX million
Total	\$XXXX million

Buildings and Other Structures and Facilities

The condition assessment survey (periodic inspections) method was used in measuring a deferred maintenance estimate for buildings and other structures and facilities except for some structures and facilities where a physical barrier was present (e.g., underground pipe systems). In those cases, where a deficiency is identified during normal operations and correction of the deficiency is past due, a deferred maintenance estimate would be applicable. Also, where appropriate, results from previous condition assessments have been adjusted to estimate current plant conditions. Deferred maintenance for excess property was reported only in situations where maintenance is needed for worker and public health and safety concerns.

The Department determines deferred maintenance and acceptable operating condition through various methods, including periodic condition assessments, physical inspections, review of work orders, manufacturer and engineering specification.

As of September 30, 2008, an amount of \$XXXX million of deferred maintenance was estimated to be required to return the facilities to acceptable operating condition. The percentage of active buildings above acceptable operating condition is estimated at XX percent.

Capital Equipment

Pursuant to the cost/benefit considerations provided in SFFAS No. 6, the Department has determined that the requirements for deferred maintenance reporting on personal property (capital equipment) are not applicable to property items with an acquisition cost of less than \$100,000, except in situations where maintenance is needed to address worker and public health and safety concerns.

Various methods were used for measuring deferred maintenance and determining acceptable operating condition for the Department’s capital equipment including periodic condition assessments, physical inspections, review of work orders, manufacturer and engineering specification, and other methods, as appropriate.

An amount of \$XX million of deferred maintenance was estimated to be needed as of September 30, 2008, to return capital equipment assets to acceptable operating condition.

Consolidated and Combined Financial Statements

Budgetary Resources by Major Account
As of June 30, 2008
(\$ in millions)

	Fossil Energy R&D 89X0213	Science 89X0222	Weapons Activities 89X0240	Other Defense Activities 89-0243	Defense Environ- mental Cleanup 89X0251
BUDGETARY RESOURCES					
Unobligated Balance, Brought Forward, Oct 1	\$ 464	\$ 14	\$ 165	\$ 43	\$ 103
Recoveries of Prior Year Unpaid Obligations	7	2	2	3	6
Budget Authority	584	4,118	10,034	2,261	5,461
Nonexpenditure Transfers, Net	166	-	5	(5)	-
Authority not Available	(7)	(82)	(58)	(7)	(49)
Total Budgetary Resources	\$ 1,214	\$ 4,052	\$ 10,148	\$ 2,295	\$ 5,521
STATUS OF BUDGETARY RESOURCES					
Obligations Incurred	\$ 354	\$ 3,407	\$ 7,552	\$ 1,290	\$ 4,735
Unobligated Balances Available	855	582	2,596	1,004	719
Unobligated Balances not Available	5	63	-	1	67
Total Status of Budgetary Resources	\$ 1,214	\$ 4,052	\$ 10,148	\$ 2,295	\$ 5,521
CHANGE IN OBLIGATED BALANCE					
Obligated Balance, Brought Forward, Oct 1	\$ 743	\$ 2,378	\$ 2,459	\$ 397	\$ 2,074
Obligations Incurred	354	3,407	7,552	1,290	4,735
Less: Gross Outlays	(392)	(2,860)	(6,222)	(753)	(4,330)
Obligated Balance Transferred, Net	-	-	-	-	1
Less: Recoveries of PY Obligations, Actual	(7)	(1)	-	(3)	(6)
Change in Uncollected Customer Payments, Federal	-	-	156	(507)	-
Obligated Balance, Net, End of Period	\$ 698	\$ 2,924	\$ 3,945	\$ 424	\$ 2,474
NET OUTLAYS	\$ 392	\$ 2,860	\$ 4,507	\$ 576	\$ 4,330

	Defense Nuclear Nonproliferation 89-0309	Naval Reactors 89X0314	Nuclear Energy 89X0319	Energy Efficiency & Renewable Energy 89X0321	Bonneville Power Administration 89X4045
BUDGETARY RESOURCES					
Unobligated Balance, Brought Forward, Oct 1	\$ 433	\$ 6	\$ -	\$ -	\$ 47
Recoveries of Prior Year Unpaid Obligations	2	2	-	-	-
Budget Authority	1,692	782	1,554	2,786	3,940
Nonexpenditure Transfers, Net	-	-	32	123	(57)
Authority not Available	(337)	(7)	(9)	(17)	(265)
Total Budgetary Resources	\$ 1,790	\$ 783	\$ 1,577	\$ 2,892	\$ 3,665
STATUS OF BUDGETARY RESOURCES					
Obligations Incurred	\$ 1,343	\$ 762	\$ 800	\$ 1,462	\$ 1,993
Unobligated Balances Available	442	21	777	1,430	1,672
Unobligated Balances Not Available	5	-	-	-	-
Total Status of Budgetary Resources	\$ 1,790	\$ 783	\$ 1,577	\$ 2,892	\$ 3,665
CHANGE IN OBLIGATED BALANCE					
Obligated Balance, Brought Forward, Oct 1	\$ 1,708	\$ 205	\$ -	\$ -	\$ 2,036
Obligations Incurred	1,343	762	800	1,462	1,993
Less: Gross Outlays	(1,212)	(593)	(290)	(421)	(2,209)
Obligated Balance Transferred, Net	-	-	-	-	-
Less: Recoveries of PY Obligations, Actual	-	-	-	-	-
Change in Uncollected Customer Payments, Federal	-	-	-	(143)	(79)
Obligated Balance, Net, End of Period	\$ 1,839	\$ 374	\$ 510	\$ 898	\$ 1,741
NET OUTLAYS	\$ 1,208	\$ 593	\$ 290	\$ 261	\$ (227)

	Western Area Power Administration 89X5068	Uranium Enrichment Decontamination & Decommissioning 89X5231	United States Enrichment Corporation Fund 95X4054	All Other Appropriations	Combined Statement of Budgetary Resources
BUDGETARY RESOURCES					
Unobligated Balance, Brought Forward, Oct 1	\$ 206	\$ 1	\$ 1,473	\$ 1,125	\$ 4,080
Recoveries of Prior Year Unpaid Obligations	2	2	-	56	84
Budget Authority	1,186	628	68	3,554	38,648
Nonexpenditure Transfers, Net	-	-	-	(323)	(59)
Authority not Available	(2)	(6)	-	(168)	(1,014)
Total Budgetary Resources	\$ 1,392	\$ 625	\$ 1,541	\$ 4,244	\$ 41,739
STATUS OF BUDGETARY RESOURCES					
Obligations Incurred	\$ 611	\$ 541	\$ -	\$ 2,041	\$ 26,891
Unobligated Balances Available	781	84	-	2,171	13,134
Unobligated Balances not Available	-	-	1,541	32	1,714
Total Status of Budgetary Resources	\$ 1,392	\$ 625	\$ 1,541	\$ 4,244	\$ 41,739
CHANGE IN OBLIGATED BALANCE					
Obligated Balance, Brought Forward, Oct 1	\$ 203	\$ 190	\$ -	\$ 2,853	\$ 15,246
Obligations Incurred	611	541	-	2,041	26,891
Less: Gross Outlays	(629)	(387)	-	(3,215)	(23,513)
Obligated Balance Transferred, Net	-	-	-	(1)	-
Less: Recoveries of PY Obligations, Actual	-	-	-	(30)	(47)
Change in Uncollected Customer Payments, Federal	(63)	-	-	215	(421)
Obligated Balance, Net, End of Period	\$ 122	\$ 344	\$ -	\$ 1,863	\$ 18,156
NET OUTLAYS	\$ 97	\$ 387	\$ (68)	\$ (768)	\$ 14,438

MEMORANDUM FROM THE INSPECTOR GENERAL

[To be incorporated in later draft]

INDEPENDENT AUDITOR'S REPORT

[To be incorporated in later draft]