

Chapter Five

Financial Management

We continued to carry out our primary financial management functions: accounting for the program's assets, liabilities, and cash flows; quantifying the program's long-range financial needs; and managing the investment of civilian revenues so that they are available to meet program requirements.

Program Funding

The Nuclear Waste Policy Act of 1982 provides for the costs of disposing of spent nuclear fuel and high-level radioactive waste to be borne by the parties responsible for its generation. The Act left it up to the President to determine whether civilian and defense-related wastes should be emplaced in the same repository. On April 30, 1985, the President issued a decision that they should be, with each party paying its proportional share of the full cost. To implement that decision, public rulemaking was used to develop a methodology for allocating defense and civilian costs. The result was published in the *Federal Register* in August 1987. The program's accounting system is consistent with this methodology.

Program revenues: ratepayer dollars for civilian waste

The Nuclear Waste Policy Act provides for two types of fee to be levied on the owners and generators of civilian spent nuclear fuel: an ongoing fee of 1.0 mil (one tenth of one cent) per kilowatt-hour on nuclear electricity generated and sold after April 7, 1983, and a one-time fee for all nuclear electricity generated and sold prior to that date. The fees are defined in the *Standard Contract for Disposal of Spent Nuclear Fuel and/or High-Level Radioactive Waste*, which was promulgated in 1983 in 10 CFR Part 961. Individual contracts based on the *Standard Contract* have been executed between the Department and the owners and

generators of the spent nuclear fuel. Nuclear power producers make quarterly payments of the ongoing fee. For the one-time fee, the contract allowed owners to choose to pay immediately or defer payment and incur interest. Contract holders chose to pay approximately \$1,400 million and to defer approximately \$900 million.

Fees for spent nuclear fuel disposal are deposited in the Nuclear Waste Fund, a separate account in the U.S. Treasury that is managed and administered by the Department of Energy. Amounts not appropriated for current expenses, consistent with budgetary strictures, are invested in U.S. Treasury securities. OCRWM manages these investments strategically to ensure that the long-term costs of waste disposal can be met.

The program earns civilian revenue when nuclear power plants generate and sell power, when the program earns interest or realizes capital gains on U.S. Treasury investments, and when interest is charged on the utilities' unpaid fee balances. The cumulative civilian revenue, as of September 30, 1997 (shown in Table 5-1) is \$14,120 million, of which \$11,702 million has been paid and \$2,418 million remained unpaid. Civilian revenue includes \$3,278 million in investment earnings on U.S. Treasury investments, of which \$3,186 million has been paid and \$92 million was due with the next semiannual interest payment.

During Fiscal Year 1997, the program earned \$1,132 million in civilian revenue. Fiscal Year 1997 revenue consisted of \$594 million in ongoing 1 mil/kWh fees, \$111 million in interest on and adjustments to one-time fees, and \$427 million in investment earnings. On September 30, 1997, the market value of Nuclear Waste Fund investments was approximately \$6,947 million, compared with \$5,898 million at the end of Fiscal Year 1996.

Table 5-1
Cumulative Program Revenue as of September 30, 1997
(In Millions of Dollars)

	Civilian					Defense			Grand Total
	1 mil/ kWh Fee	One- Time Fee	Interest on Fees	Return on Invest- ment	Civilian Total	Fee	Interest On Fees	Defense Total	
FY 1997	595	0	111	426	1,132	75 ¹	48	123	1,255
Cumulative through FY 1997	7,176 ²	2,337	1,329	3,278	14,120	1,242	496	1,738	15,858
Paid	7,030	1,457	29	3,186	11,702	699 ³		699	12,401
Receivable ⁴	146	880	1,300	92	2,418	1,039		1,039	3,457

¹ Although \$200 million was appropriated for FY 1997, only \$75 million was FY 1997 fee revenues. The remainder was used to reduce deferred defense fees.

² From the Statements of Operations in the Financial Statements (Appendix A). The "intragovernmental" fees in the financial statements come from non-defense government agencies such as the Tennessee Valley Authority.

³ Defense payments include the \$12.5 million paid into the Nuclear Waste Fund, Defense Nuclear Waste Disposal Appropriations, and credits to the government for use of the Nevada Test Site facilities.

⁴ From the Statements of Financial Position in the Financial Statements. The receivable balance represents the difference between cumulative revenues and amounts paid from inception to date.

Program revenues: taxpayer dollars for defense waste

The Department of Energy's Office of Environmental Management is the custodian of the Department's inventory of spent nuclear fuel and high-level radioactive waste. OCRWM and the Office of Environmental Management are working to establish a Memorandum of Agreement (MOA) for the acceptance of DOE-owned spent nuclear fuel and high-level radioactive waste. The MOA will establish detailed arrangements for the acceptance, transportation, and disposal of DOE spent nuclear fuel and high-level radioactive waste. It assigns responsibilities for the transportation of spent nuclear fuel and high-level radioactive waste from Office of Environmental Management facilities to OCRWM facilities, defines the process for documenting a payment schedule for the disposal fees owed by DOE (which are equivalent to those paid by civilian utilities), formalizes the development of a waste acceptance schedule identifying specific quantities and locations for DOE spent nuclear fuel and high-level radioactive waste to be disposed of by OCRWM, and provides for appropriate control of interfaces between the two offices. In addition, OCRWM is working with the Office of Naval Reactors to establish a similar agreement for acceptance of Naval spent nuclear fuel.

Table 5-1 also shows program revenue from defense sources. Defense revenue is earned when the program incurs costs related to defense waste disposal and when interest is charged on unpaid defense balances. The program's defense revenue as of September 30, 1997, consisted of \$1,242 million in fees and \$496 million in interest, for a total of \$1,738 million. Of the total, \$699 million had been paid and \$1,039 million (including interest) remained unpaid. During Fiscal Year 1997, the program earned \$123 million in defense revenue, which includes \$75 million in fee revenue and \$48 million in interest on deferred fee.

Program expenditures

Congress makes two separate appropriations for the program, one from the Nuclear Waste Fund, the other through a Defense Nuclear Waste Disposal Appropriation. These appropriations are recorded in separate internal accounts; however, they are consolidated in the OCRWM financial statements.

Expenditures from the Nuclear Waste Fund and the Defense Nuclear Waste Disposal Appropriation are subject to the Federal budget process. They are considered part of the discretionary portion of the budget and thus compete for resources with other

Table 5-2
Cumulative Program Expenditures as of September 30, 1997
(In Millions of Dollars)

	Civilian	Defense¹	Total²
FY 1997	284	75	359
Cumulative through FY 1997	4,341	1,242	5,583
Paid	4,304	1,232	5,536
Payable ³	37	10	47
Appropriations⁴	4,839⁵	713⁶	5,552

¹ From the Statements of Operations in the Financial Statements (Appendix A). Defense expenditures and defense fees are equal, by definition of defense fees. Civilian expenditures are the difference between total expenditures and defense expenditures.

² Total expenditures are greater than total appropriations because civilian costs include \$135 million in interest on utility overpayments, most of which was funded through fee credits, i.e., not through appropriations.

³ From the Statements of Financial Position in the Financial Statements. (Payables are amounts owed by the program that have not yet been paid.)

⁴ Based on historic appropriations legislation — not discussed in the Financial Statements in Appendix A.

⁵ Includes \$217 million appropriated from the Nuclear Waste Fund to the Nuclear Regulatory Commission, the Nuclear Waste Technical Review Board, and the now defunct Office of the Nuclear Waste Negotiator.

⁶ Does not include \$85 million appropriated in Fiscal Year 1996, which is reserved pending statutory authority to develop an interim storage facility. Also does not include \$12.5 million paid into the Nuclear Waste Fund in FY 1991 and FY 1992.

discretionary spending programs. As a consequence, although the Nuclear Waste Fund is composed of dedicated ratepayer money, it is included in the total spending limits imposed on general Federal programs. Historically this has resulted in constraints on program funding.

As shown in Table 5-2, cumulative program expenditures were \$5,583 million, of which \$4,341 million was allocated to civilian and \$1,242 million to defense waste disposal activities. Through Fiscal Year 1997, Congress had appropriated a total of \$5,552 million for the program and related activities under the Nuclear Waste Policy Act, as amended.

The OCRWM Financial Statements for Fiscal Year 1997 and the report of OCRWM's independent auditor are in *Appendix A*.

Figure 5-1 shows the program's annual revenues and appropriations since its inception.

Long-Range Financial Planning

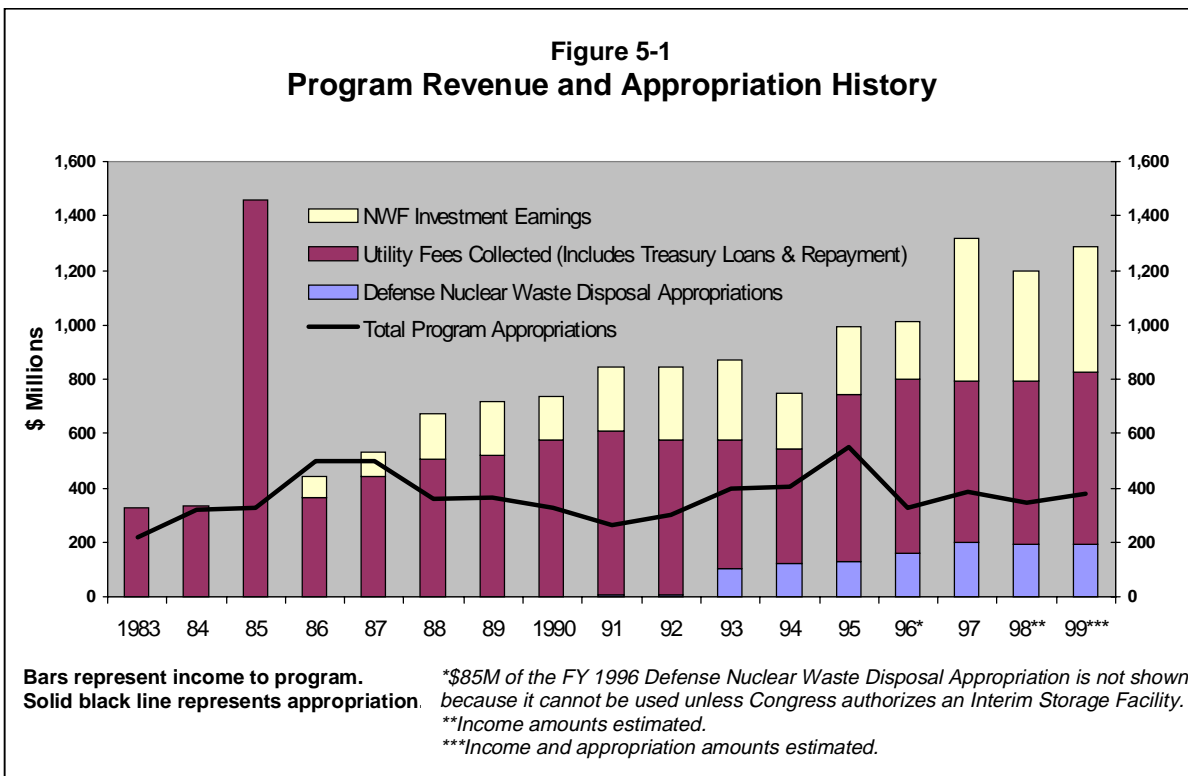
Estimating Total System Life Cycle Costs (TSLCC)

In Fiscal Year 1995, we published an *Analysis of the Total System Life Cycle Cost of the Civilian Radioactive Waste Management Program*.

Following the unanticipated reduction in program funding for Fiscal Year 1996, and the issuance of our revised *Program Plan*, updating of the 1995 TSLCC was deferred. We will conduct a new total system life cycle cost analysis to support the site viability assessment that will be completed in Fiscal Year 1998.

Assessing fee adequacy

Because the owners and generators of spent nuclear fuel are required to pay the full costs of its disposal, the Nuclear Waste Policy Act requires an annual assessment of the adequacy of the 1 mil/kWh fee. The



latest assessment, published in Fiscal Year 1997, is based on the 1995 *Analysis of the Total System Life Cycle Cost of the Civilian Radioactive Waste Management Program*. It indicates that the fee is adequate to ensure full cost recovery.

Managing investments

The Nuclear Waste Policy Act requires that the fees charged for spent nuclear fuel disposal cover all disposal costs through repository decommissioning. Our investment management goal is to ensure that funds will be available to pay both near-term system development and construction costs and long-term operation, monitoring and closure costs. We, therefore, carefully select investments from among the available U.S. Treasury securities to meet program needs while balancing investment risk and expected return. Over the last year, Nuclear Waste Fund investments returned 10.05 percent, exceeding the return of the average

intermediate-term U.S. Treasury bond fund by 2.30 percentage points or 30 percent. Over the last 10 years, the Nuclear Waste Fund’s average return has been 9.03 percent, compared with the average intermediate-term U.S. Treasury bond fund’s return of 8.24 percent. The Nuclear Waste Fund’s average annual return, since inception, is 8.38 percent.

Civilian Radioactive Waste Research and Development Account

We also administer the Civilian Radioactive Waste Research and Development account, which, like the Defense Nuclear Waste Disposal Appropriation, is supported by general taxpayer revenues. It pays for generic research, development, and demonstration activities authorized by Title II of the Nuclear Waste Policy Act. There was no appropriation to this account for Fiscal Year 1997; only funds carried over from prior years were spent.