



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Brown, Helgeson, Manning and Mital
FROM: Cathy Bloom, Finance Manager; Susan Eicher, Accounting and Treasury
Supervisor; Debbie Matheney, Accounting Analyst II
DATE: October 29, 2013
SUBJECT: Resolution No. 1323: 2014 Trojan Annual Operating Budget
OBJECTIVE: Board approval of Revised 2013 and Proposed 2014 Budgets for the Trojan
Nuclear Plant

Issue

The Consent Calendar for the November 5, 2013 Board Meeting includes a recommendation for Board approval of the Proposed 2014 Budget for the Trojan Nuclear Plant. This memorandum provides background for that recommendation. As described below, Bonneville pays all EWEB costs for Trojan and has indicated they will approve the 2014 budget, making the Board's action perfunctory, but necessary for compliance with policy.

Background

The Trojan Nuclear Plant was constructed in the early 1970's by Portland General Electric, EWEB, and Pacific Power & Light Company with EWEB owning a 30 percent share. Trojan operated from 1976 until 1993 when the owners agreed to shut down and decommission the facility.

EWEB and Bonneville entered into an agreement whereby EWEB assigned its rights to power to the project in return for Bonneville paying all EWEB costs related to project operation, maintenance and decommissioning as well as EWEB debt service and internal costs related to oversight. In 1981, EWEB assigned its rights to any future power from the project to Bonneville. Bonneville has been and will continue to pay EWEB's share of the costs in accordance with the EWEB-BPA Net Billing Agreement for Trojan.

At this point, almost all of the decommissioning of the project is complete. All of the spent fuel has been transferred to a long-term storage facility at the Trojan site and will remain there until such time as it can be relocated to a federal waste repository. Remaining costs included primarily relate to the spent fuel storage costs. There is certain remaining property owned by the project which is gradually being disposed of over time.

Discussion

Each year, the co-owners review and approve the Trojan Project operating budget as prepared and proposed by Portland General Electric. Part of that process includes review and approval by the Board.

Bonneville is currently reviewing the Trojan project budget as proposed by PGE and EWEB's share of that proposed budget. PGE's approval of proposed budget is expected prior to the end of this year.

As mentioned above, under the term of the Net Billing Agreement between Bonneville and EWEB, Bonneville will pay 100 percent of EWEB's share of the costs associated with Trojan.

In the Trojan Budget, the largest single cost relates to the spent fuel storage. Of the \$1.8 million budgeted as EWEB's share of the expenses, \$1.7 million of that relates to spent fuel storage. EWEB's direct cost is expected to be decreased due to the spent fuel litigation cost.

In mid-2009, the Trojan owners were notified that the stay on the litigation concerning financial responsibility for the spent fuel storage was being lifted. (In this litigation, the Trojan owners sought to get the federal government to pay some or all of the costs of maintaining the spent fuel storage based on the federal government's failure to take responsibility for spent fuel storage at a central repository.) The Court ruled in favor of payment by the federal government on the Department of Energy litigation in July 2013 and the first pass through payment of \$24.4 million was received by EWEB and issued to Bonneville Power Administration on September 10, 2013.

With the Trojan bonds now paid off and expenses at a relatively small level, Bonneville has been paying EWEB for Trojan expenses directly rather than going through the net billing process.

Recommendation

Staff recommends Board approval of the Consent Calendar item titled "2014 Trojan Annual Operating Budget."

Requested Board Action

Board approval of Resolution 1323 for the Revised 2013 and Proposed 2014 Trojan Annual Operating Budgets is requested.

EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2013 ANNUAL OPERATING BUDGET - FINAL
(In Thousands of Dollars)

	<u>2013 Revised</u>	<u>2013 Proposed</u>	<u>Increase/ (Decrease)</u>
EWEB's share of operation costs	\$74	\$63	\$11
EWEB's share of decommissioning costs	1,354	1,241	113
EWEB's share of capital additions	9	9	(0)
TOTAL EWEB SHARE OF PGE COSTS	<u>1,437</u>	<u>1,313</u>	<u>124</u>
EWEB's direct costs	93	103	(10)
TOTAL OTHER COSTS	<u>93</u>	<u>103</u>	<u>(10)</u>
TOTAL ANNUAL OPERATING COSTS	<u>1,530</u>	<u>1,416</u>	<u>114</u>
LESS:			
Prior year general fund carry-over	(299)	(154)	(145)
General fund interest income	(1)	(2)	1
PLUS:			
Year end general fund balance	330	300	30
TOTAL REQUIREMENT	<u>1,560</u>	<u>1,560</u>	<u>(0)</u>
TOTAL AMOUNT TO BE NET BILLED	<u><u>1,560</u></u>	<u><u>1,560</u></u>	<u><u>(0)</u></u>
ANNUAL FINANCING			
Beginning general fund balance	299	154	145
Net billings	1,560	1,560	(0)
Interest earnings on gen fund invest	1	2	(1)
TOTAL FUNDS AVAILABLE	<u>1,860</u>	<u>1,716</u>	<u>144</u>
TOTAL ANNUAL OPERATING COSTS	<u>1,530</u>	<u>1,416</u>	<u>114</u>
ENDING GENERAL FUND BALANCE	<u><u>\$330</u></u>	<u><u>\$300</u></u>	<u><u>\$30</u></u>

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2013 ANNUAL OPERATING BUDGET - FINAL
(In Thousands of Dollars)**

DECOMMISSIONING COSTS

	<u>2013 Revised</u>	<u>2013 Proposed</u>	<u>Increase/ (Decrease)</u>
USDOE Litigation Costs	\$175	\$175	\$0
ISFSI	<u>\$4,340</u>	<u>\$3,962</u>	<u>\$378</u>
DECOMMISSIONING COSTS	<u><u>4,515</u></u>	<u><u>4,137</u></u>	<u><u>378</u></u>
EWEB'S SHARE OF DECOMMISSIONING COSTS	<u><u>\$1,354</u></u>	<u><u>\$1,241</u></u>	<u><u>\$113</u></u>

CAPITAL ADDITIONS

	<u>2013 Revised</u>	<u>2013 Proposed</u>	<u>Increase/ (Decrease)</u>
Capital Jobs	<u>\$29</u>	<u>\$29</u>	<u>\$0</u>
EWEB'S SHARE OF CAPITAL ADDITIONS	<u><u>\$9</u></u>	<u><u>\$9</u></u>	<u><u>\$0</u></u>

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2013 ANNUAL OPERATING BUDGET - FINAL**

EWEB DIRECT COSTS

	<u>2013 Revised</u>	<u>2013 Proposed</u>	<u>Increase/ (Decrease)</u>
Labor	\$8,695	\$15,174	(\$6,479)
Overhead	870	1,517	(647)
LABOR & TRAVEL	<u>9,565</u>	<u>16,691</u>	<u>(7,126)</u>
Legal	83,659	85,000	(1,341)
Trustee	332	1,000	(668)
OTHER	<u>83,991</u>	<u>86,000</u>	<u>(2,009)</u>
EWEB DIRECT COSTS	<u><u>\$93,556</u></u>	<u><u>\$102,691</u></u>	<u><u>(\$9,135)</u></u>

EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2014 ANNUAL OPERATING BUDGET- PRELIMINARY
(In Thousands of Dollars)

	<u>2014 Budget</u>	<u>2013 Revised</u>	<u>Increase/ (Decrease)</u>
EWEB's share of operation costs	\$100	\$74	\$26
EWEB's share of decommissioning costs	1,718	1,354	364
EWEB's share of capital additions	9	9	0
TOTAL EWEB SHARE OF PGE COSTS	<u>1,827</u>	<u>1,437</u>	<u>390</u>
EWEB's direct costs	69	93	(24)
TOTAL OTHER COSTS	<u>69</u>	<u>93</u>	<u>(24)</u>
TOTAL ANNUAL OPERATING COSTS	<u>1,896</u>	<u>1,530</u>	<u>366</u>
LESS:			
Prior year general fund carry-over	(330)	(299)	(31)
General fund interest income	(2)	(1)	(1)
PLUS:			
Year end general fund balance	300	330	(30)
TOTAL REQUIREMENT	<u>1,864</u>	<u>1,560</u>	<u>304</u>
TOTAL AMOUNT TO BE NET BILLED	<u><u>1,864</u></u>	<u><u>1,560</u></u>	<u><u>304</u></u>
ANNUAL FINANCING			
Beginning general fund balance	330	299	31
Net billings	1,864	1,560	304
Interest earnings on gen fund invest	2	1	1
TOTAL FUNDS AVAILABLE	<u>2,196</u>	<u>1,860</u>	<u>336</u>
TOTAL ANNUAL OPERATING COSTS	<u>1,896</u>	<u>1,530</u>	<u>366</u>
ENDING GENERAL FUND BALANCE	<u><u>\$300</u></u>	<u><u>\$330</u></u>	<u><u>(\$30)</u></u>

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2014 ANNUAL OPERATING BUDGET- PRELIMINARY
(In Thousands of Dollars)**

DECOMMISSIONING COSTS

	<u>2014 Budget</u>	<u>2013 Revised</u>	<u>Increase/ (Decrease)</u>
USDOE D&D Provision	\$50	\$175	(\$125)
ISFSI	<u>\$5,676</u>	<u>\$4,340</u>	<u>\$1,336</u>
DECOMMISSIONING COSTS	<u>5,726</u>	<u>4,515</u>	<u>1,211</u>
EWEB'S SHARE OF DECOMMISSIONING COSTS	<u>\$1,718</u>	<u>\$1,354</u>	<u>\$364</u>

CAPITAL ADDITIONS

	<u>2014 Budget</u>	<u>2013 Revised</u>	<u>Increase/ (Decrease)</u>
Capital Jobs	<u>\$29</u>	<u>\$29</u>	<u>\$0</u>
EWEB'S SHARE OF CAPITAL ADDITIONS	<u>\$9</u>	<u>\$9</u>	<u>\$0</u>

EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2014 ANNUAL OPERATING BUDGET - PRELIMINARY
(In Thousands of Dollars)

OPERATION & OTHER COSTS

	<u>2014 Budget</u>	<u>2013 Revised</u>	<u>Increase/ (Decrease)</u>
Administrative & General	\$30	\$54	(\$24)
Property Insurance	9	9	0
Injuries and Damages	2	2	0
Employee Benefits	189	104	85
Misc. General Expenses	<u>97</u>	<u>82</u>	<u>15</u>
<i>OPERATIONS</i>	<u>327</u>	<u>251</u>	<u>76</u>
Payroll taxes	4	2	2
Other interest expense/Rental Revenue	<u>(9)</u>	<u>(7)</u>	<u>(2)</u>
<i>OTHER</i>	<u>(5)</u>	<u>(5)</u>	<u>(0)</u>
<i>OTHER WORKING CAPITAL CHANGE</i>	<u>10</u>	<u>(0)</u>	<u>10</u>
TOTAL OPERATION & OTHER	<u><u>332</u></u>	<u><u>246</u></u>	<u><u>86</u></u>
EWEB'S SHARE OF O & M COSTS	<u><u>100</u></u>	<u><u>74</u></u>	<u><u>26</u></u>

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2014 ANNUAL OPERATING BUDGET- PRELIMINARY**

EWEB DIRECT COSTS

	2014 Budget	2013 Revised	Increase/ (Decrease)
Labor	\$16,472	\$8,695	\$7,777
Overhead	1,647	870	777
LABOR & TRAVEL	18,119	9,565	8,554
Legal	50,000	83,659	(33,659)
Trustee	1,000	332	668
OTHER	51,000	83,991	(32,991)
EWEB DIRECT COSTS	\$69,119	\$93,556	(\$24,437)

RESOLUTION NO 1323
November 2013

EUGENE WATER & ELECTRIC BOARD
2014 Trojan Budget

WHEREAS, the Eugene Water & Electric Board is the body designated by the Eugene City Charter and City Code to administer the Electric and Water utilities of the City of Eugene;

WHEREAS, the Trojan nuclear plant was constructed in the early 1970's by Portland General Electric, EWEB and Pacific Power & Light Company with EWEB owning a 30 percent share;

WHEREAS, the owners agreed to shut down and decommission the facility after operating it from 1976 – 1993;

WHEREAS, EWEB and Bonneville entered into an agreement whereby EWEB assigned its rights to power to the project in return for Bonneville paying all EWEB costs related to project operation, maintenance and decommissioning as well as EWEB debt service and internal costs related to oversight;

WHEREAS, the co-owners review and approve the Trojan Project operating budget annually as prepared and proposed by Portland General Electric;

NOW, THEREFORE, BE IT RESOLVED by the Eugene Water & Electric Board that:

1. The Board hereby has reviewed and approves the 2013 revised and 2014 proposed Trojan Budgets.

DATED this 5th day of November 2013.

THE CITY OF EUGENE, OREGON
Acting by and through the
Eugene Water & Electric Board

President

I, TARYN M. JOHNSON, the duly appointed, qualified, and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the Resolution adopted by the Board at its November 5, 2013 Regular Board Meeting.

Assistant Secretary