



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Mital, Simpson, Helgeson, Manning and Brown

FROM: Susan Eicher, General Accounting and Treasury Supervisor; Debbie Matheney, Accounting Analyst II

DATE: October 23, 2015

SUBJECT: Resolution No. 1531: 2016 Trojan Annual Operating Budget

OBJECTIVE: Board approval of Revised 2015 and Proposed 2016 Budgets for the Trojan Nuclear Plant

Issue

The Consent Calendar for the November 3, 2015 Board Meeting includes a recommendation for Board approval of the Proposed 2016 Budget for the Trojan Nuclear Plant. As described below, Bonneville Power Administration (BPA) pays all EWEB costs for Trojan and has indicated they will approve the 2016 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 (PGE), 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 BPA entered into an agreement whereby EWEB assigned its rights to power to the project in return for BPA paying all EWEB costs related to project operations, 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 BPA. BPA 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 it can be relocated to a federal waste repository. Remaining costs 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 PGE. Part of that process includes review and approval by the EWEB Board. BPA is currently reviewing the Trojan Project budget as proposed by PGE and EWEB's share of that proposed budget. PGE's approval of the proposed budget is expected prior to the end of this year. In the Trojan budget, the largest single cost relates to the spent fuel storage. Of the \$1.6 million budgeted as EWEB's share of the expenses, almost all of that relates to spent fuel storage. As mentioned above, under the term of the Net Billing Agreement between BPA and EWEB, BPA will pay 100 percent of EWEB's share of the costs associated with Trojan.

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 the 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 in July 2013. EWEB has received three pass through payments since then which were subsequently issued to BPA. The first pass through of \$24.4 million was received by EWEB and issued to BPA on September 10, 2013, the second payment of \$2.6 million for years 2010-2012 on August 11, 2014, and the third payment of \$946,000 for 2013 on December 5, 2014.

With the Trojan bonds now paid off and expenses at a relatively low level, BPA has been paying EWEB for Trojan expenses directly rather than using the net billing process.

Recommendation and Requested Board Action

Management recommends approval of, and requests that the Board approve, Resolution No. 1531 - Revised 2015 and Proposed 2016 Trojan Annual Operating Budgets.

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2015 ANNUAL OPERATING BUDGET - FINAL
(In Thousands of Dollars)**

	<u>2015 Revised</u>	<u>2015 Proposed</u>	<u>Increase/ (Decrease)</u>
EWEB's share of operation costs	\$47	\$47	\$0
EWEB's share of decommissioning costs	1,350	1,347	3
EWEB's share of capital additions	0	0	0
TOTAL EWEB SHARE OF PGE COSTS	<u>1,397</u>	<u>1,394</u>	<u>3</u>
EWEB's direct costs	84	94	(10)
TOTAL OTHER COSTS	<u>84</u>	<u>94</u>	<u>(10)</u>
TOTAL ANNUAL OPERATING COSTS	<u>1,481</u>	<u>1,488</u>	<u>(7)</u>
LESS:			
Prior year general fund carry-over	(306)	(383)	77
General fund interest income	(1)	(2)	1
PLUS:			
Year end general fund balance	653	300	352
TOTAL REQUIREMENT	<u>1,827</u>	<u>1,403</u>	<u>424</u>
TOTAL AMOUNT TO BE NET BILLED	<u><u>1,827</u></u>	<u><u>1,403</u></u>	<u><u>424</u></u>
ANNUAL FINANCING			
Beginning general fund balance	306	383	(77)
Net billings	1,827	1,403	424
Interest earnings on gen fund invest	1	2	(1)
TOTAL FUNDS AVAILABLE	<u>2,134</u>	<u>1,788</u>	<u>346</u>
TOTAL ANNUAL OPERATING COSTS	<u>1,481</u>	<u>1,488</u>	<u>(7)</u>
ENDING GENERAL FUND BALANCE	<u><u>\$653</u></u>	<u><u>\$300</u></u>	<u><u>\$353</u></u>

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2015 ANNUAL OPERATING BUDGET - FINAL
(In Thousands of Dollars)**

DECOMMISSIONING COSTS

	<u>2015 Revised</u>	<u>2015 Proposed</u>	<u>Increase/ (Decrease)</u>
USDOE Litigation Costs	\$20	\$50	(\$30)
ISFSI	<u>\$4,481</u>	<u>\$5,676</u>	<u>(\$1,195)</u>
DECOMMISSIONING COSTS	<u>4,501</u>	<u>5,726</u>	<u>(1,225)</u>
EWEB'S SHARE OF DECOMMISSIONING COSTS	<u>\$1,350</u>	<u>\$1,718</u>	<u>(\$368)</u>

CAPITAL ADDITIONS

	<u>2015 Revised</u>	<u>2015 Proposed</u>	<u>Increase/ (Decrease)</u>
Capital Jobs	<u>\$0</u>	<u>\$29</u>	<u>(\$29)</u>
EWEB'S SHARE OF CAPITAL ADDITIONS	<u>\$0</u>	<u>\$9</u>	<u>(\$9)</u>

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2015 ANNUAL OPERATING BUDGET - FINAL**

EWEB DIRECT COSTS

	<u>2015 Revised</u>	<u>2015 Proposed</u>	<u>Increase/ (Decrease)</u>
Labor	\$7,500	\$16,472	(\$8,972)
Overhead	750	1,647	(897)
LABOR & TRAVEL	<u>8,250</u>	<u>18,119</u>	<u>(9,869)</u>
Legal	75,000	75,000	0
Trustee & Bank Fee	385	1,000	(615)
OTHER	<u>75,385</u>	<u>76,000</u>	<u>(615)</u>
EWEB DIRECT COSTS	<u><u>\$83,635</u></u>	<u><u>\$94,119</u></u>	<u><u>(\$10,484)</u></u>

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2016 ANNUAL OPERATING BUDGET- PRELIMINARY
(In Thousands of Dollars)**

	<u>2016 Budget</u>	<u>2015 Revised</u>	<u>Increase/ (Decrease)</u>
EWEB's share of operation costs	\$39	\$47	(\$8)
EWEB's share of decommissioning costs	1,599	1,350	249
EWEB's share of capital additions	<u>1</u>	<u>0</u>	<u>1</u>
TOTAL EWEB SHARE OF PGE COSTS	1,639	1,397	242
EWEB's direct costs	<u>94</u>	<u>84</u>	<u>10</u>
TOTAL OTHER COSTS	<u>94</u>	<u>84</u>	<u>10</u>
TOTAL ANNUAL OPERATING COSTS	1,733	1,481	252
LESS:			
Prior year general fund carry-over	(653)	(306)	(347)
General fund interest income	(2)	(1)	(1)
PLUS:			
Year end general fund balance	<u>300</u>	<u>653</u>	<u>(353)</u>
TOTAL REQUIREMENT	<u>1,378</u>	<u>1,827</u>	<u>(449)</u>
TOTAL AMOUNT TO BE NET BILLED	<u><u>1,378</u></u>	<u><u>1,827</u></u>	<u><u>(449)</u></u>
ANNUAL FINANCING			
Beginning general fund balance	653	306	347
Net billings	1,378	1,827	(449)
Interest earnings on gen fund invest	<u>2</u>	<u>1</u>	<u>1</u>
TOTAL FUNDS AVAILABLE	2,033	2,134	(101)
TOTAL ANNUAL OPERATING COSTS	<u>1,733</u>	<u>1,481</u>	<u>252</u>
ENDING GENERAL FUND BALANCE	<u><u>\$300</u></u>	<u><u>\$653</u></u>	<u><u>(\$353)</u></u>

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2016 ANNUAL OPERATING BUDGET- PRELIMINARY
(In Thousands of Dollars)**

DECOMMISSIONING COSTS

	<u>2016 Budget</u>	<u>2015 Revised</u>	<u>Increase/ (Decrease)</u>
USDOE Litigation Costs	\$20	\$20	\$0
ISFSI	<u>\$5,310</u>	<u>\$4,481</u>	<u>\$829</u>
DECOMMISSIONING COSTS	<u>5,330</u>	<u>4,501</u>	<u>829</u>
EWEB'S SHARE OF DECOMMISSIONING COSTS	<u>\$1,599</u>	<u>\$1,350</u>	<u>\$249</u>

CAPITAL ADDITIONS

	<u>2016 Budget</u>	<u>2015 Revised</u>	<u>Increase/ (Decrease)</u>
Capital Jobs	<u>\$4</u>	<u>\$0</u>	<u>\$4</u>
EWEB'S SHARE OF CAPITAL ADDITIONS	<u>\$1</u>	<u>\$0</u>	<u>\$1</u>

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2016 ANNUAL OPERATING BUDGET- PRELIMINARY
(In Thousands of Dollars)**

OPERATION & OTHER COSTS

	<u>2016 Budget</u>	<u>2015 Revised</u>	<u>Increase/ (Decrease)</u>
Administrative & General	\$0	\$0	\$0
Property Insurance	9	9	(0)
Injuries and Damages	2	2	0
Employee Benefits	14	17	(3)
Misc. General Expenses	<u>110</u>	<u>131</u>	<u>(21)</u>
<i>OPERATIONS</i>	<u>136</u>	<u>159</u>	<u>(23)</u>
Payroll taxes	5	7	(1)
Other interest expense/Rental Revenue	<u>(10)</u>	<u>(9)</u>	<u>(1)</u>
<i>OTHER</i>	<u>(5)</u>	<u>(2)</u>	<u>(2)</u>
<i>OTHER WORKING CAPITAL CHANGE</i>	<u>0</u>	<u>1</u>	<u>(1)</u>
 TOTAL OPERATION & OTHER	 <u><u>131</u></u>	 <u><u>158</u></u>	 <u><u>(27)</u></u>
 EWEB'S SHARE OF O & M COSTS	 <u><u>39</u></u>	 <u><u>47</u></u>	 <u><u>(8)</u></u>

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2016 ANNUAL OPERATING BUDGET- PRELIMINARY**

EWEB DIRECT COSTS

	<u>2016 Budget</u>	<u>2015 Revised</u>	<u>Increase/ (Decrease)</u>
Labor	\$16,472	\$7,500	\$8,972
Overhead	1,647	750	897
LABOR & TRAVEL	<u>18,119</u>	<u>8,250</u>	<u>9,869</u>
Legal	75,000	75,000	0
Trustee	1,000	385	615
OTHER	<u>76,000</u>	<u>75,385</u>	<u>615</u>
EWEB DIRECT COSTS	<u><u>\$94,119</u></u>	<u><u>\$83,635</u></u>	<u><u>\$10,484</u></u>

RESOLUTION NO 1531

November 2015

EUGENE WATER & ELECTRIC BOARD

2015 Revised and 2016 Trojan Budgets

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 Power Administration entered into an agreement whereby EWEB assigned its rights to power to the project in return for Bonneville Power Administration 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 2015 revised and 2016 proposed Trojan Budgets.

DATED this 3rd day of November 2015.

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

President

I, ANNE M. KAH, 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 3, 2015 Regular Board Meeting.

Assistant Secretary