



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Helgeson, Manning, Mital and Brown
FROM: Sue Fahey, Chief Financial Officer; Susan Eicher, Accounting & Treasury Supervisor
DATE: October 21, 2016
SUBJECT: Resolution No. 1632: 2017 Trojan Annual Operating Budget
OBJECTIVE: Board approval of Revised 2016 and Proposed 2017 Budgets for the Trojan Nuclear Plant

Issue

Although Bonneville Power Administration (BPA) pays all EWEB costs related to Trojan, the Board is required to approve the annual Trojan budget and amended annual budget in accordance with the Three-Party Net Billing Agreement, dated October 5, 1970. This memorandum provides background for that approval.

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.

In 1981 EWEB and BPA entered into an agreement whereby EWEB assigned its rights to the project's future power in return for BPA paying all EWEB costs related to project operation, maintenance and decommissioning, as well as internal costs related to oversight. Since then BPA has been paying, and will continue to pay, EWEB's share of the costs in accordance with the agreement.

At this point, almost all of the project decommissioning is complete. 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 primarily relate to the spent fuel storage costs.

Discussion

Each year, the co-owners review and approve the Trojan Project operating budget as prepared and proposed by PGE. BPA is currently reviewing the proposed 2017 Trojan project budget and will pay 100% of EWEB’s share of the costs under the net billing agreement. The largest single budget item relates to the spent fuel storage. Of the \$1.6 million budgeted as EWEB’s share of the expenses, \$1.5 million of that relates to spent fuel storage. PGE’s approval of proposed budget is expected prior to the end of this year.

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. The following payments have been received by EWEB and passed through to BPA.

Department of Energy Spent Fuel Storage Payments

| Received | Years Covered | Amount |
|-----------------|----------------------|---------------|
| 9/10/2013 | 1998-2009 | \$ 24,400,000 |
| 8/11/2014 | 2010-2012 | 2,600,000 |
| 12/5/2014 | 2013 | 946,000 |
| 11/20/2015 | 2014 | 966,000 |
| | | <hr/> |
| | | \$ 28,912,000 |

Requested Board Action

Management recommends Board approval of Resolution No. 1632 for the Revised 2016 and Proposed 2017 Trojan Annual Operating Budgets.

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

| | <u>2016 Revised</u> | <u>2016 Proposed</u> | <u>Increase/ (Decrease)</u> |
|---------------------------------------|-------------------------|--------------------------|---------------------------------|
| EWEB's share of operation costs | \$39 | \$39 | \$0 |
| EWEB's share of decommissioning costs | 1,603 | 1,599 | 4 |
| EWEB's share of capital additions | 1 | 1 | 0 |
| TOTAL EWEB SHARE OF PGE COSTS | <u>1,643</u> | <u>1,639</u> | <u>4</u> |
| | | | |
| EWEB's direct costs | 85 | 94 | (9) |
| TOTAL OTHER COSTS | <u>85</u> | <u>94</u> | <u>(9)</u> |
| TOTAL ANNUAL OPERATING COSTS | <u>1,728</u> | <u>1,733</u> | <u>(5)</u> |
| LESS: | | | |
| Prior year general fund carry-over | (822) | (653) | (169) |
| General fund interest income | (2) | (2) | 0 |
| PLUS: | | | |
| Year end general fund balance | 296 | 300 | (5) |
| TOTAL REQUIREMENT | <u>1,200</u> | <u>1,378</u> | <u>(178)</u> |
| | | | |
| TOTAL AMOUNT TO BE NET BILLED | <u><u>1,200</u></u> | <u><u>1,378</u></u> | <u><u>(178)</u></u> |
| | | | |
| ANNUAL FINANCING | | | |
| Beginning general fund balance | 822 | 653 | 169 |
| Net billings | 1,200 | 1,378 | (178) |
| Interest earnings on gen fund invest | 2 | 2 | 0 |
| TOTAL FUNDS AVAILABLE | <u>2,024</u> | <u>2,033</u> | <u>(9)</u> |
| TOTAL ANNUAL OPERATING COSTS | <u>1,728</u> | <u>1,733</u> | <u>(5)</u> |
| ENDING GENERAL FUND BALANCE | <u><u>\$296</u></u> | <u><u>\$300</u></u> | <u><u>(\$4)</u></u> |

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

DECOMMISSIONING COSTS

| | <u>2016 Revised</u> | <u>2016 Proposed</u> | <u>Increase/ (Decrease)</u> |
|--|-------------------------|--------------------------|---------------------------------|
| USDOE Litigation Costs | \$20 | \$20 | \$0 |
| ISFSI | <u>\$5,324</u> | <u>\$5,310</u> | <u>\$15</u> |
| DECOMMISSIONING COSTS | <u><u>5,344</u></u> | <u><u>5,330</u></u> | <u><u>15</u></u> |
| EWEB'S SHARE OF DECOMMISSIONING COSTS | <u><u>\$1,603</u></u> | <u><u>\$1,599</u></u> | <u><u>\$4</u></u> |

CAPITAL ADDITIONS

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

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

EWEB DIRECT COSTS

| | <u>2016 Revised</u> | <u>2016 Proposed</u> | <u>Increase/ (Decrease)</u> |
|-----------------------------|-------------------------|--------------------------|---------------------------------|
| Labor | \$8,800 | \$16,472 | (\$7,672) |
| Overhead | 880 | 1,647 | (767) |
| LABOR & OVERHEAD | <u>9,680</u> | <u>18,119</u> | <u>(8,439)</u> |
| | | | |
| Legal | 75,000 | 75,000 | (0) |
| Bank Fee | 277 | 1,000 | (723) |
| OTHER | <u>75,277</u> | <u>76,000</u> | <u>(723)</u> |
| | | | |
| EWEB DIRECT COSTS | <u><u>\$84,957</u></u> | <u><u>\$94,119</u></u> | <u><u>(\$9,162)</u></u> |

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2017 ANNUAL OPERATING BUDGET- PRELIMINARY
(In Thousands of Dollars)**

| | <u>2017 Budget</u> | <u>2016 Revised</u> | <u>Increase/ (Decrease)</u> |
|--|-------------------------|-------------------------|---------------------------------|
| EWEB's share of operation costs | \$44 | \$39 | \$5 |
| EWEB's share of decommissioning costs | 1,548 | 1,603 | (55) |
| EWEB's share of capital additions | 0 | 1 | (1) |
| TOTAL EWEB SHARE OF PGE COSTS | <u>1,592</u> | <u>1,643</u> | <u>(51)</u> |
| EWEB's direct costs | 86 | 85 | 1 |
| TOTAL OTHER COSTS | <u>86</u> | <u>85</u> | <u>1</u> |
| TOTAL ANNUAL OPERATING COSTS | <u>1,678</u> | <u>1,728</u> | <u>(50)</u> |
| LESS: | | | |
| Prior year general fund carry-over | (301) | (822) | 521 |
| General fund interest income | (3) | (2) | (1) |
| PLUS: | | | |
| Year end general fund balance | 300 | 301 | (1) |
| TOTAL REQUIREMENT | <u>1,674</u> | <u>1,205</u> | <u>469</u> |
| TOTAL AMOUNT TO BE NET BILLED | <u><u>1,674</u></u> | <u><u>1,205</u></u> | <u><u>469</u></u> |
| ANNUAL FINANCING | | | |
| Beginning general fund balance | 301 | 822 | (521) |
| Net billings | 1,674 | 1,205 | 469 |
| Interest earnings on gen fund invest | 3 | 2 | 1 |
| TOTAL FUNDS AVAILABLE | <u>1,978</u> | <u>2,029</u> | <u>(51)</u> |
| TOTAL ANNUAL OPERATING COSTS | <u>1,678</u> | <u>1,728</u> | <u>(50)</u> |
| ENDING GENERAL FUND BALANCE | <u><u>\$300</u></u> | <u><u>\$301</u></u> | <u><u>(\$1)</u></u> |

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2017 ANNUAL OPERATING BUDGET- PRELIMINARY
(In Thousands of Dollars)**

DECOMMISSIONING COSTS

| | <u>2017 Budget</u> | <u>2016 Revised</u> | <u>Increase/ (Decrease)</u> |
|--|------------------------|-------------------------|---------------------------------|
| USDOE Litigation Costs | \$20 | \$20 | \$0 |
| ISFSI | <u>\$5,141</u> | <u>\$5,324</u> | <u>(\$184)</u> |
| DECOMMISSIONING COSTS | <u>5,161</u> | <u>5,344</u> | <u>(184)</u> |
| EWEB'S SHARE OF DECOMMISSIONING COSTS | <u>\$1,548</u> | <u>\$1,603</u> | <u>(\$55)</u> |

CAPITAL ADDITIONS

| | <u>2017 Budget</u> | <u>2016 Revised</u> | <u>Increase/ (Decrease)</u> |
|--|------------------------|-------------------------|---------------------------------|
| Capital Jobs | <u>\$0</u> | <u>\$4</u> | <u>(\$4)</u> |
| EWEB'S SHARE OF CAPITAL ADDITIONS | <u>\$0</u> | <u>\$1</u> | <u>(\$1)</u> |

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2017 ANNUAL OPERATING BUDGET- PRELIMINARY
(In Thousands of Dollars)**

OPERATION & OTHER COSTS

| | <u>2017 Budget</u> | <u>2016 Revised</u> | <u>Increase/ (Decrease)</u> |
|--|------------------------|-------------------------|---------------------------------|
| Administrative & General | \$0 | \$0 | \$0 |
| Property Insurance | 9 | 9 | 0 |
| Injuries and Damages | 2 | 2 | 0 |
| Employee Benefits | 21 | 14 | 7 |
| Misc. General Expenses | <u>115</u> | <u>110</u> | <u>5</u> |
| <i>OPERATIONS</i> | <u>147</u> | <u>135</u> | <u>12</u> |
| Payroll taxes | 7 | 5 | 2 |
| Other interest expense/Rental Revenue | <u>(9)</u> | <u>(10)</u> | <u>1</u> |
| <i>OTHER</i> | <u>(2)</u> | <u>(5)</u> | <u>3</u> |
| <i>OTHER WORKING CAPITAL CHANGE</i> | <u>3</u> | <u>0</u> | <u>3</u> |
| TOTAL OPERATION & OTHER | <u><u>148</u></u> | <u><u>130</u></u> | <u><u>18</u></u> |
| EWEB'S SHARE OF O & M COSTS | <u><u>44</u></u> | <u><u>39</u></u> | <u><u>5</u></u> |

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2017 ANNUAL OPERATING BUDGET- PRELIMINARY**

EWEB DIRECT COSTS

| | <u>2017 Budget</u> | <u>2016 Revised</u> | <u>Increase/ (Decrease)</u> |
|-----------------------------|------------------------|-------------------------|---------------------------------|
| Labor | \$8,932 | \$8,800 | \$132 |
| Overhead | 893 | 880 | 13 |
| LABOR & OVERHEAD | <u>9,825</u> | <u>9,680</u> | <u>145</u> |
| | | | |
| Legal | 75,000 | 75,000 | 0 |
| Bank Fee | 1,000 | 277 | 723 |
| OTHER | <u>76,000</u> | <u>75,277</u> | <u>723</u> |
| | | | |
| EWEB DIRECT COSTS | <u><u>\$85,825</u></u> | <u><u>\$84,957</u></u> | <u><u>\$868</u></u> |

RESOLUTION NO 1632

November 2016

EUGENE WATER & ELECTRIC BOARD

2016 Revised and 2017 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 2016 revised and 2017 proposed Trojan Budgets.

DATED this 1ST day of November 2016.

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 1, 2016 Board Meeting.

Assistant Secretary