



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Helgeson, Brown, Mital, Simpson and Carlson
FROM: Sue Fahey, Chief Financial Officer; Susan Eicher, Trojan Operating Committee Member, Debbie Blanquie, Accounting Analyst II
DATE: October 27, 2017
SUBJECT: Resolution No. 1727: 2018 Trojan Annual Operating Budget
OBJECTIVE: Board approval of Revised 2017 and Proposed 2018 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 at least 45 days before the new budget year in accordance with the Three-Party Net Billing Agreement, dated October 5, 1970.

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.

Trojan is now classified as an Independent Spent Fuel Storage Installation (ISFISI) site. 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 and site relicensing activities.

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 2018 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 took legal action to require 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 ensuing settlement agreement with the Department of Energy (DOE) obligated that the DOE cover costs incurred through 2015 which has been extended through 2019. The following payments have been received by EWEB and passed through to BPA. The 2018 budget is higher than 2017 due to staffing increases recommended by inspectors and for anticipated relicensing costs.

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
11/19/2015	2014	966,000
3/16/17	2015	1,132,648
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		\$ 30,044,648

Requested Board Action

Management recommends Board approval of Resolution No. 1727 for the Revised 2017 and Proposed 2018 Trojan Annual Operating Budgets.

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

	<u>2017 Revised</u>	<u>2017 Approved</u>	<u>Increase/ (Decrease)</u>
EWEB's share of operation costs	\$44	\$44	\$0
EWEB's share of decommissioning costs	1,544	1,548	(4)
EWEB's share of capital additions	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EWEB SHARE OF PGE COSTS	1,588	1,592	(4)
EWEB's direct costs	<u>85</u>	<u>86</u>	<u>(1)</u>
TOTAL OTHER COSTS	<u>85</u>	<u>86</u>	<u>(1)</u>
TOTAL ANNUAL OPERATING COSTS	1,673	1,678	(5)
LESS:			
Prior year general fund carry-over	(300)	(301)	1
General fund interest income	(4)	(3)	(1)
PLUS:			
Year end general fund balance	<u>305</u>	<u>300</u>	<u>5</u>
TOTAL REQUIREMENT	<u>1,674</u>	<u>1,674</u>	<u>0</u>
TOTAL AMOUNT TO BE NET BILLED	<u><u>1,674</u></u>	<u><u>1,674</u></u>	<u><u>0</u></u>
ANNUAL FINANCING			
Beginning general fund balance	300	301	(1)
Net billings	1,674	1,674	0
Interest earnings on gen fund invest	<u>4</u>	<u>3</u>	<u>1</u>
TOTAL FUNDS AVAILABLE	1,978	1,978	0
TOTAL ANNUAL OPERATING COSTS	<u>1,673</u>	<u>1,678</u>	<u>(5)</u>
ENDING GENERAL FUND BALANCE	<u><u>\$305</u></u>	<u><u>\$300</u></u>	<u><u>\$5</u></u>

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

DECOMMISSIONING COSTS

	<u>2017 Revised</u>	<u>2017 Approved</u>	<u>Increase/ (Decrease)</u>
USDOE Litigation Costs	\$20	\$20	\$0
ISFSI	<u>\$5,127</u>	<u>\$5,141</u>	<u>(\$14)</u>
DECOMMISSIONING COSTS	<u>5,147</u>	<u>5,161</u>	<u>(14)</u>
EWEB'S SHARE OF DECOMMISSIONING COSTS	<u>\$1,544</u>	<u>\$1,548</u>	<u>(\$4)</u>

CAPITAL ADDITIONS

	<u>2017 Revised</u>	<u>2017 Approved</u>	<u>Increase/ (Decrease)</u>
Capital Jobs	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
EWEB'S SHARE OF CAPITAL ADDITIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

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

EWEB DIRECT COSTS

	<u>2017 Revised</u>	<u>2017 Approved</u>	<u>Increase/ (Decrease)</u>
Labor	\$9,100	\$8,932	\$168
Overhead	910	893	17
LABOR & OVERHEAD	<u>10,010</u>	<u>9,825</u>	<u>185</u>
Legal	75,000	75,000	(0)
Bank Fee	438	1,000	(562)
OTHER	<u>75,438</u>	<u>76,000</u>	<u>(562)</u>
EWEB DIRECT COSTS	<u><u>\$85,448</u></u>	<u><u>\$85,825</u></u>	<u><u>(\$377)</u></u>

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2018 ANNUAL OPERATING BUDGET- PRELIMINARY
(In Thousands of Dollars)**

	<u>2018 Budget</u>	<u>2017 Revised</u>	<u>Increase/ (Decrease)</u>
EWEB's share of operation costs	\$59	\$44	\$15
EWEB's share of decommissioning costs	1,910	1,544	366
EWEB's share of capital additions	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL EWEB SHARE OF PGE COSTS	1,969	1,588	381
EWEB's direct costs	<u>89</u>	<u>85</u>	<u>4</u>
TOTAL OTHER COSTS	89	85	4
TOTAL ANNUAL OPERATING COSTS	2,058	1,673	385
LESS:			
Prior year general fund carry-over	(305)	(300)	(5)
General fund interest income	(4)	(4)	0
PLUS:			
Year end general fund balance	<u>300</u>	<u>305</u>	<u>(5)</u>
TOTAL REQUIREMENT	<u>2,049</u>	<u>1,674</u>	<u>375</u>
TOTAL AMOUNT TO BE NET BILLED	<u><u>2,049</u></u>	<u><u>1,674</u></u>	<u><u>375</u></u>
ANNUAL FINANCING			
Beginning general fund balance	305	300	5
Net billings	2,049	1,674	375
Interest earnings on gen fund invest	<u>4</u>	<u>4</u>	<u>0</u>
TOTAL FUNDS AVAILABLE	2,358	1,978	380
TOTAL ANNUAL OPERATING COSTS	<u>2,058</u>	<u>1,673</u>	<u>385</u>
ENDING GENERAL FUND BALANCE	<u><u>\$300</u></u>	<u><u>\$305</u></u>	<u><u>(\$5)</u></u>

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2018 ANNUAL OPERATING BUDGET- PRELIMINARY
(In Thousands of Dollars)**

DECOMMISSIONING COSTS

	<u>2018 Budget</u>	<u>2017 Revised</u>	<u>Increase/ (Decrease)</u>
USDOE Litigation Costs	\$10	\$20	(\$10)
ISFSI	<u>\$6,357</u>	<u>\$5,127</u>	<u>\$1,230</u>
DECOMMISSIONING COSTS	<u>6,367</u>	<u>5,147</u>	<u>1,220</u>
EWEB'S SHARE OF DECOMMISSIONING COSTS	<u>\$1,910</u>	<u>\$1,544</u>	<u>\$366</u>

CAPITAL ADDITIONS

	<u>2018 Budget</u>	<u>2017 Revised</u>	<u>Increase/ (Decrease)</u>
Capital Jobs	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
EWEB'S SHARE OF CAPITAL ADDITIONS	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2018 ANNUAL OPERATING BUDGET- PRELIMINARY
(In Thousands of Dollars)**

OPERATION & OTHER COSTS

	<u>2018 Budget</u>	<u>2017 Revised</u>	<u>Increase/ (Decrease)</u>
Administrative & General	\$0	\$0	\$0
Property Insurance	9	9	0
Injuries and Damages	3	2	1
Employee Benefits	23	19	4
Misc. General Expenses	<u>163</u>	<u>115</u>	<u>48</u>
<i>OPERATIONS</i>	<u>198</u>	<u>145</u>	<u>53</u>
Payroll taxes	7	7	(0)
Other interest expense/Rental Revenue	<u>(9)</u>	<u>(9)</u>	<u>0</u>
<i>OTHER</i>	<u>(2)</u>	<u>(2)</u>	<u>(0)</u>
<i>OTHER WORKING CAPITAL CHANGE</i>	<u>0</u>	<u>3</u>	<u>(3)</u>
 TOTAL OPERATION & OTHER	 <u><u>196</u></u>	 <u><u>146</u></u>	 <u><u>50</u></u>
 EWEB'S SHARE OF O & M COSTS	 <u><u>59</u></u>	 <u><u>44</u></u>	 <u><u>15</u></u>

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2018 ANNUAL OPERATING BUDGET- PRELIMINARY**

EWEB DIRECT COSTS

	<u>2018 Budget</u>	<u>2017 Revised</u>	<u>Increase/ (Decrease)</u>
Labor	\$11,737	\$9,100	\$2,637
Overhead	1,174	910	264
LABOR & OVERHEAD	<u>12,911</u>	<u>10,010</u>	<u>2,901</u>
Legal	75,000	75,000	0
Bank Fee	1,000	438	562
OTHER	<u>76,000</u>	<u>75,438</u>	<u>562</u>
EWEB DIRECT COSTS	<u><u>\$88,911</u></u>	<u><u>\$85,448</u></u>	<u><u>\$3,463</u></u>

RESOLUTION NO 1727

November 2017

EUGENE WATER & ELECTRIC BOARD

2017 Revised and 2018 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 (PGE), 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 (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 operation, maintenance and decommissioning as well as EWEB internal costs related to oversight;

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

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

1. The Board hereby has reviewed and approves the 2017 revised and 2018 proposed Trojan Budgets.

DATED this 7th day of November 2017.

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 7, 2017 Board Meeting.

Assistant Secretary