



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

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

FROM: Deborah Hart, Interim Financial Services Manager; Susan Eicher, Trojan Operating Committee Member; Debbie Blanquie, Accounting Analyst II

DATE: October 26, 2018

SUBJECT: Resolution No. 1825: 2019 Trojan Annual Operating Budget

OBJECTIVE: Board approval of Revised 2018 and Proposed 2019 Budgets for the Trojan Nuclear Plant

Issue

EWEB is required to approve the annual Trojan budget for the upcoming budget year, and amended annual budget for the current year at least 45 days before the new budget year, which begins on January 1, 2019. In accordance with the Three-Party Net Billing Agreement, dated October 5, 1970, Bonneville Power Administration (BPA) pays all EWEB costs related to the Trojan nuclear plant.

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 and administration. 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. Trojan expects to receive a renewal of the ISFISI license for the site in 2019.

Discussion

Each fall, PGE prepares and proposes the Trojan Project operating budget for the upcoming budget year, and a revised budget for the current year which are submitted to the co-owners for review and approval. The EWEB budget for Trojan includes 30% of the PGE budgeted expenses, and EWEB's projected direct expenses for labor, legal, and other expenses. While BPA is reviewing the proposed Trojan project budgets, they are not a voting member 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 which is \$1.88 million of the \$1.96 million budgeted as EWEB’s share of expenses. The revised 2018 budget is lower due EWEB legal costs being lower than projected. The 2019 budget is comparable to the revised 2018 budget. PGE’s approval of the proposed budget is expected prior to the end of this year.

The Trojan co-owners took legal action to require the federal government to pay some or all of the costs of maintaining the spent fuel storage site, due to 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 the DOE to cover some costs incurred through 2015. The agreement has been extended through 2019 and additional extensions will be requested as necessary. If the extension is not granted, BPA will still be responsible for paying EWEB’s share of costs. 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
11/19/2015	2014	966,000
3/16/17	2015	1,132,648
1/12/18	2016	1,219,763
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		\$ 31,264,411

Requested Board Action

Management recommends Board approval of resolution 1825 for the Revised 2018 and Proposed 2019 Trojan Annual Operating Budgets is requested.

- Attachment 1- 2018 Revised Trojan Budget
- Attachment 2- 2019 Proposed Trojan Budget

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

	<u>2018 Revised</u>	<u>2018 Approved</u>	<u>Increase/ (Decrease)</u>
EWEB's share of operation costs	\$59	\$59	\$0
EWEB's share of decommissioning costs	1,910	1,910	0
EWEB's share of capital additions	0	0	0
TOTAL EWEB SHARE OF PGE COSTS	<u>1,969</u>	<u>1,969</u>	<u>0</u>
EWEB's direct costs	17	89	(72)
TOTAL OTHER COSTS	<u>17</u>	<u>89</u>	<u>(72)</u>
TOTAL ANNUAL OPERATING COSTS	<u>1,986</u>	<u>2,058</u>	<u>(72)</u>
LESS:			
Prior year general fund carry-over	(313)	(305)	(8)
General fund interest income	(6)	(4)	(2)
PLUS:			
Year end general fund balance	307	300	7
TOTAL REQUIREMENT	<u>1,974</u>	<u>2,049</u>	<u>(75)</u>
TOTAL AMOUNT TO BE NET BILLED	<u><u>1,974</u></u>	<u><u>2,049</u></u>	<u><u>(75)</u></u>
ANNUAL FINANCING			
Beginning general fund balance	313	305	8
Net billings	1,974	2,049	(75)
Interest earnings on gen fund invest	6	4	2
TOTAL FUNDS AVAILABLE	<u>2,293</u>	<u>2,358</u>	<u>(65)</u>
TOTAL ANNUAL OPERATING COSTS	<u>1,986</u>	<u>2,058</u>	<u>(72)</u>
ENDING GENERAL FUND BALANCE	<u><u>\$307</u></u>	<u><u>\$300</u></u>	<u><u>\$7</u></u>

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

DECOMMISSIONING COSTS

	<u>2018 Revised</u>	<u>2018 Approved</u>	<u>Increase/ (Decrease)</u>
USDOE Litigation Costs	\$10	\$10	\$0
ISFSI	<u>\$6,357</u>	<u>\$6,357</u>	<u>\$0</u>
DECOMMISSIONING COSTS	<u>6,367</u>	<u>6,367</u>	<u>0</u>
EWEB'S SHARE OF DECOMMISSIONING COSTS	<u>\$1,910</u>	<u>\$1,910</u>	<u>\$0</u>

CAPITAL ADDITIONS

	<u>2018 Revised</u>	<u>2018 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>

Trojan Nuclear Plant

2018 Final Budget

EWEB Direct Costs

	2017 expenses paid in 2018	8 Months Actual	4 Months Forecast	Full Year
Labor	2,033	1,428	2,539	6,000
Overhead-10% Of above charges	203	143	254	600
Bank Fee	61	148	0	209
Other	0	0	0	0
Legal	0	0	10,000	10,000
EWEB DIRECT COSTS	<u>2,297</u>	<u>1,719</u>	<u>12,793</u>	<u>16,809</u>

Overhead forecast at 10%

Amounts are calculated based on a review of actual charges for 2018. Summarized for ease of use in budget.
Costs are in both EWEB and Trojan records.

Attachment 2

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2019 ANNUAL OPERATING BUDGET- PRELIMINARY
(In Thousands of Dollars)**

	2019 Budget	2018 Revised	Increase/ (Decrease)
EWEB's share of operation costs	\$46	\$59	(\$13)
EWEB's share of decommissioning costs	1,884	1,910	(26)
EWEB's share of capital additions	0	0	0
TOTAL EWEB SHARE OF PGE COSTS	1,930	1,969	(39)
EWEB's direct costs	31	17	14
TOTAL OTHER COSTS	31	17	14
TOTAL ANNUAL OPERATING COSTS	1,961	1,986	(25)
LESS:			
Prior year general fund carry-over	(307)	(313)	6
General fund interest income	(8)	(6)	(2)
PLUS:			
Year end general fund balance	300	307	(7)
TOTAL REQUIREMENT	1,946	1,974	(28)
TOTAL AMOUNT TO BE NET BILLED	1,946	1,974	(28)
ANNUAL FINANCING			
Beginning general fund balance	307	313	(6)
Net billings	1,946	1,974	(28)
Interest earnings on gen fund invest	8	6	2
TOTAL FUNDS AVAILABLE	2,261	2,293	(32)
TOTAL ANNUAL OPERATING COSTS	1,961	1,986	(25)
ENDING GENERAL FUND BALANCE	\$300	\$307	(\$7)

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2019 ANNUAL OPERATING BUDGET- PRELIMINARY
(In Thousands of Dollars)**

DECOMMISSIONING COSTS

	<u>2019 Budget</u>	<u>2018 Revised</u>	<u>Increase/ (Decrease)</u>
USDOE Litigation Costs	\$0	\$10	(\$10)
ISFSI	<u>\$6,280</u>	<u>\$6,357</u>	<u>(\$76)</u>
DECOMMISSIONING COSTS	<u>6,280</u>	<u>6,367</u>	<u>(86)</u>
EWEB'S SHARE OF DECOMMISSIONING COSTS	<u>\$1,884</u>	<u>\$1,910</u>	<u>(\$26)</u>

CAPITAL ADDITIONS

	<u>2019 Budget</u>	<u>2018 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
2019 ANNUAL OPERATING BUDGET- PRELIMINARY
(In Thousands of Dollars)

OPERATION & OTHER COSTS

	<u>2019</u> <u>Budget</u>	<u>2018</u> <u>Revised</u>	<u>Increase/</u> <u>(Decrease)</u>
Administrative & General	\$0	\$0	\$0
Property Insurance	9	9	(0)
Injuries and Damages	2	3	(0)
Employee Benefits	17	23	(6)
Misc. General Expenses	<u>130</u>	<u>163</u>	<u>(34)</u>
<i>OPERATIONS</i>	<u>158</u>	<u>198</u>	<u>(41)</u>
Payroll taxes	5	6	(1)
Other interest expense/Rental Revenue	<u>(10)</u>	<u>(9)</u>	<u>(1)</u>
<i>OTHER</i>	<u>(5)</u>	<u>(3)</u>	<u>(2)</u>
<i>OTHER WORKING CAPITAL CHANGE</i>	<u>0</u>	<u>0</u>	<u>0</u>
 TOTAL OPERATION & OTHER	 <u>153</u>	 <u>195</u>	 <u>(42)</u>
 EWEB'S SHARE OF O & M COSTS	 <u>46</u>	 <u>59</u>	 <u>(13)</u>

**EUGENE WATER & ELECTRIC BOARD
TROJAN NUCLEAR PLANT
2019 ANNUAL OPERATING BUDGET- PRELIMINARY**

EWEB DIRECT COSTS

	2019 Budget	2018 Revised	Increase/ (Decrease)
Labor	\$10,000	\$6,000	\$4,000
Overhead	1,000	600	400
LABOR & OVERHEAD	11,000	6,600	4,400
Legal	20,000	10,000	10,000
Bank Fee	0	209	(209)
OTHER	20,000	10,209	9,791
 EWEB DIRECT COSTS	 \$31,000	 \$16,809	 \$14,191

RESOLUTION NO 1825

November 2018

EUGENE WATER & ELECTRIC BOARD

2018 Revised and 2019 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 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 2018 revised and 2019 proposed Trojan Budgets.

DATED this 6th day of November 2018.

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 6, 2018 Board Meeting.

Assistant Secretary