

Development of Environmental Liability Estimates (Field Only)

Environmental liability estimates include the following major components: (1) Office of Environmental Management's (EM) project baseline life-cycle cost estimates; (2) active and surplus facilities cost estimates; and, (3) other environmental liabilities. Field sites should continue to develop their asbestos-related cleanup cost estimates in accordance with the below-mentioned guidance.

New for FY 2010, field offices are required to forecast activities that could potentially impact the environmental liability. These activities include but are not limited to:

- Rebaselining activities;
- Feasibility Studies;
- Records of Decision;
- Regulatory negotiations/re negotiations;
- Permit modifications and/or issuance; and,
- Major contracting/acquisition activities.

The 3rd quarter reporting forecast is to include 4th quarter FY 2010 and 1st quarter 2011. The yearend reporting forecast is to include 1st and 2nd quarter FY 2011. The forecasting should briefly summarize the activity, project(s)/estimate(s) potentially impacted, estimate of impact if available, and anticipated activity date.

Accordingly, please develop your FY 2010 liability estimates using the following guidance:

EM Project Baseline Summaries

Field offices should update their environmental liability estimates in the accounting system to reflect project life-cycle cost estimates. These liability estimates must be updated for subsequent life-cycle changes (i.e., changes after the Integrated Planning and Budgeting System (IPABS) cut-off date). Furthermore, the estimates should take into consideration the estimates disclosed in all revised project planning documentation. Sites should refer to the EM Environmental Liability Estimate Standard Operating Policies and Procedures for additional guidance on developing the EM environmental liability estimate. The FY 2010 environmental liability estimates should be included in the 3rd quarter submissions along with footnote disclosures. These estimates and footnote disclosures will need to be updated as necessary and included in the yearend submissions.

Active and Surplus Facilities

The Active Facility Database Collection System (AFDCS) was opened for field input in February. Headquarters is currently reviewing the data submissions after which the liability modeling process will be run. Updated active facilities liability estimates will be

available by June 30, 2010, and should be included in the 3rd quarter submissions. In September, sites will be asked whether there have been any significant changes; e.g., facilities remediated. If significant changes have occurred, the modeling process will be re-run and any resulting changes to the estimates will be included in the year-end reporting submissions. For those sites that develop estimates outside of AFDCS, estimates must be updated at 3rd quarter and at year-end to reflect current information as necessary, including revised planning documentation, etc. These estimates must be adjusted to FY 2010 constant dollars. In this regard, the beginning balances should be multiplied by the inflation factor of 1.0166. This factor is based upon deflators listed in Table 1.3 of the Historical Tables of the FY 2011 Budget of the U.S. Government. Supporting documentation for site-developed estimates must be maintained and is subject to audit review.

In some instances sites may have an environmental liability estimate (external to AFDCS) to clean-up a facility that is currently reported in AFDCS. In these instances, sites should contact Stacy Bleigh for instructions on how to account for the environmental liability related to these facilities.

Other Environmental Liabilities

Environmental liabilities included in this category are those that are not in the EM program or the active facilities estimates. These include remediation actions for contaminated soils, groundwater, existing wastes generated from on-going programs, surplus materials more likely than not to be disposed of as waste, and any other identified remediation activities, such as beryllium removal projects. A report identifying some of these liabilities was issued by EM in 2003, *Final Report on Future Waste Management and Remediation Liabilities*. The information compiled for this report has been used as a basis for recording these other environmental liabilities. Although many of these liability estimates have been updated over the years or removed due to duplication or incorporation into the EM program, several require further examination and updating for FY 2010.

All liabilities must be identified and recorded regardless of when the remediation will occur or which program will perform the activities. As with the EM liability estimates, these estimates should include all of the other environmental liability estimates disclosed in updated planning documentation. Any specific questions as to whether an activity or material should be included can be directed to Lois Jessup or Stacy Bleigh.

Asbestos-Related Cleanup Costs

Pursuant to the Federal Accounting Standards Advisory Board Technical Bulletin 2006-1, *Recognition and Measurement of Asbestos-Related Cleanup Costs*, dated September 28, 2006, all federal entities that own buildings, facilities, or other tangible property, plant, and equipment that contain any form of asbestos must begin reporting the estimated liabilities and expenses related to the cleanup of the asbestos for periods after

September 30, 2011. Given that there is adequate coverage in estimates already recorded for EM facilities and for active facilities already classified as contaminated, only active facilities classified as no liability need to be considered for additional liability reporting. The scope of this reporting for FY 2010 is the continued identification of no-liability facilities, built or acquired prior to 1990 (including personal and real property trailers) as either containing asbestos or not containing asbestos based on the probability of such.

Field sites must consider the following planning documents when updating their environmental liability estimates:

- External Independent Reviews;
- Feasibility Studies;
- Records of Decision;
- Risk Assessments;
- Infrastructure Plans;
- Site/Laboratory Plans;
- Project Execution Plans;
- Reports from entities outside of the Department (National Academy of Sciences, Defense Nuclear Facilities Safety Board, Secretary of Energy Advisory Board, etc.);
- Independent Cost Estimates;
- Baseline Validation Process; and,
- Headquarters guidance/planning documents/decisions.

This list is not all-inclusive of the documents that should be included in the estimate updating process. Furthermore, in instances where formal decisions have not been made by high-level management but a more likely than not situation exists, or a cost estimate is not fully complete, a placeholder should be included in the estimate to account for such situations based on the best available information at that point in time. Once the formal decision is made, the cost estimate complete, etc. the placeholder would be replaced with a more definitive value.

Field offices are responsible for ensuring there is sufficient documentation to support their environmental liability estimates. Support for the assertion that all contaminated facilities are included in the estimates, approaches used for removing duplicate costs, and any assertion of immateriality with regard to updating the estimates must also be documented. A determination of the need for (1) an adjustment to the estimate as a result of conditions that existed at September 30, 2010, (i.e., pre-existing conditions) or (2) a footnote disclosure for conditions that arose after September 30, 2010 (i.e. subsequent events), must be made for any life-cycle cost estimate updates that occur or are in process after September 30, 2010, that are expected to materially affect the estimates.

The 3rd quarter and yearend reporting must include the liability reconciliation and forecast. Site specific reporting worksheets will be sent out the first weeks of July and October. The completed worksheets are to be uploaded in the iPortal, and e-mailed directly to Stacy Bleigh at stacy.bleigh@hq.doe.gov, by July 9, 2010 and October 8, 2010

respectively. Questions concerning environmental liability estimates and reconciliations should be directed to Stacy Bleigh at (301) 903-0149 or Lois Jessup at (301) 903-6861.

ES&H Guidance (Field Only)

The ES&H liability represents costs to bring facilities and operations into compliance with existing ES&H laws, regulations, and applicable Department of Energy (Department) Orders. Consistent with the approach used in reporting last year's estimate, offices are to use the most current ES&H Management Plan or equivalent planning documents (i.e. FY 2012), as the basis for estimating your FY 2010 ES&H liability.

The FY 2010 estimate should include the total estimated costs of all compliance activities identified in your FY 2012 ES&H Management Plan or equivalent alternative. Amounts reflected in the funded and unfunded compliance Activity Data Sheets (ADSs) should be summed for FY 2011 and beyond. The FY 2010 estimate should be aggregated using the following three compliance funding categories:

1. Funded operating expenses (OE) and capital equipment (CE) activities within your Target Level, summed for FY 2011 to the completion of the activity;
2. Funded general plant projects (GPP) and line-item construction projects (LIP) within your Target Level, summed for FY 2011 to the completion of the projects; and
3. Total estimated funding (OE, CE, GPP, and LIP) for all currently unfunded compliance activities to be funded in the future, summed for FY 2011 to the completion of the activity/project.

Please note the estimate should include all ES&H compliance activities funded by all Cognizant Secretarial Offices, except the Office of Environmental Management (EM). The EM portion of the ES&H compliance liability will be reported under the environmental liability estimate and should not be duplicated as an ES&H liability. In addition to recording the ES&H liability in the accounting system, each field office must maintain documentation describing all adjustments to the prior year ES&H compliance liability. Also, the Energy Finance and Accounting Service Center year-end reporting guidance will ask offices to provide a reconciliation schedule showing the differences between the FY 2009 and FY 2010 ES&H liabilities in terms of compliance activities: (a) completed; (b) re-scoped; or (c) no longer deemed necessary.

Due to the government-wide due date for audited financial statements, it is necessary for your ES&H liability estimate to be included in the third quarter financial statements. Finally, to ensure the year-end financial statements reflect the best information available regarding the Department's ES&H liabilities, any potential material changes to the liability as a result of events (e.g., fire damages) occurring after the third quarter submission, but before year-end, must be considered in estimating the ES&H liability.

As required in prior years, the field offices should retain signed copies of all compliance ADSs or equivalent documentation at their sites for audit purposes. In addition, a copy of management's attestation of the accuracy of the cost and scope of the ES&H data must be made available for audit review purposes. A template for management's attestation is available on iPortal and should be completed, saved on iPortal and emailed to stacy.bleigh@hq.doe.gov by July 9, 2010 and October 8, 2010 respectively. Two field sites have been selected for detailed test work related to the FY 2010 ES&H liability estimates. However, additional sites may be selected for detailed test work throughout the course of the audit.

Questions regarding ES&H liabilities should be directed to Stacy Bleigh at (301) 903-0149.