



Department of Energy

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MEMORANDUM FOR DISTRIBUTION

FROM: DAE Y. CHUNG *T. Tyborowski for*
PRINCIPAL DEPUTY ASSISTANT SECRETARY
FOR ENVIRONMENTAL MANAGEMENT

SUBJECT: Guidance for the Preparation of the Fiscal Year 2011
Environmental Liability Estimate

The purpose of this memorandum is to inform you that the preparation and audit process for the Department of Energy's (DOE) fiscal year (FY) 2011 financial statement has commenced. The initial entrance conference with the auditors was conducted on March 22, 2011, and additional site entrance conferences have been scheduled. This audit is a primary component of establishing DOE's environmental liability. The largest portion of DOE's environmental liability includes the Office of Environmental Management's (EM) cleanup activities for all work to complete cleanup of facilities, remediation of soil and groundwater, and management of waste, spent (used) nuclear fuel, and surplus nuclear materials. The audit team identified six site offices where detailed interviews and/or field work will be performed. These include: Idaho Cleanup Project, Oak Ridge Office, Richland Operations Office, Office of River Protection, Savannah River Operations Office, and Portsmouth/Paducah Project Office. Each year, EM is required to update the estimated cost to meet present and future environmental cleanup obligations before it is recorded in DOE's Annual Financial Report.

Guidance on the process for updating this year's environmental liability estimate is attached. It includes a detailed schedule for key actions and deliverables and specific guidance on significant areas expected during this year's audit process. Data for the environmental liability estimate will be collected using EM's Integrated Planning, Accountability, and Budgeting System.

We recognize the significant improvements in last year's environmental liability process, which resulted in a reduction in the EM liability estimate. This was due to use of a Standing Operating Policy and Procedure for the environmental liability process, better data collection tools, increased focus on data quality, and better documentation of changes and assumptions. It is important that we maintain the progress and quality achieved.

We would like to highlight several key aspects of the environmental liability process this year:

- This FY, the field sites will be required to estimate contingency to an 80 percent confidence level using information and analyses contained in their Risk Management



Plans. Capital projects generally report their life-cycle costs at this high confidence level. Operating activities usually only report their costs at a 50 percent confidence level. EM staff has contacted risk management personnel at each site to explain the new approach. Detailed guidance is included in the attachment to this memorandum.

- As sites submit requests to utilize remaining American Recovery and Reinvestment Act funding for additional cleanup work scope, it is important to update base program cost estimates, as appropriate, to reflect this avoided scope. Any reductions in base scope will result in reduced costs to the EM life-cycle and to the environmental liability estimate.
- EM plans to take a proactive approach with the auditors to ensure that potential changes in plans or costs are communicated and resolved as soon as possible. EM will work with the field sites and with the auditors to ensure timely identification and submittal of document requests and questionnaires to support the compressed audit schedule this year.

If you have any further questions, please contact me or Mr. Barry Gaffney at (202) 287-5973.

Attachment

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