



Department of Energy

Washington, DC 20585

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MEMORANDUM FOR FIELD CHIEF FINANCIAL OFFICERS

FROM:

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DIRECTOR, OFFICE OF FINANCIAL POLICY

SUBJECT:

FY 2007 Environmental Liability Estimates

The purpose of this memorandum is to provide guidance for the development of the environmental liability estimates for the following major components to be reported in the fiscal year (FY) 2007 Consolidated Financial Statements: (1) Office of Environmental Management's (EM) project baseline life-cycle cost estimates; (2) non-EM environmental liabilities; and, (3) active and surplus facilities cost estimates. Due to the accelerated reporting requirements, the 3rd quarter financial statements must include fully updated environmental liability estimates with footnote disclosures. Yearend reporting requirements remain the same. Furthermore, field sites should begin to develop their asbestos-related cleanup cost estimates in accordance with the below-mentioned guidance. Accordingly, please develop your FY 2007 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). The FY 2007 environmental liability estimates must 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 September submissions. Please provide copies of your footnote disclosures to the Office of Financial Policy within five days of closing.

Non-EM Program Environmental Liabilities

Environmental liabilities included in this category are those that are not in the EM program or the Active Facilities estimates. These include contaminated soils, groundwater, and surplus materials. 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 liabilities. Although many of these liability estimates have been updated over the past three years or removed due to duplication or incorporation into the EM program, several require further examination and updating for FY 2007. It is imperative that all existing liabilities be identified and recorded regardless of when the remediation will occur or which program will perform the activities.

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 23, 2007, 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 yearend reporting submissions. For those sites that develop estimates outside of the AFDCS, estimates must be updated to reflect current information as necessary. These estimates must be adjusted to FY 2007 constant dollars. In this regard, the beginning balances should be multiplied by the inflation factor of 1.0220. This factor is based upon deflators listed in Table 1.3 of the Historical Tables of the FY 2008 Budget of the U.S. Government. Supporting documentation for site-developed estimates must be maintained and is subject to audit review.

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, friable and non-friable, must begin reporting the estimated liabilities and expenses related to the cleanup of the asbestos for periods after September 30, 2009. As such, each field site should begin assessing their facilities, buildings, etc., for friable and non-friable asbestos and begin to develop their associated cleanup costs, including the costs of removing, containing, and/or disposing, of the asbestos. Separate guidance related to estimating asbestos-related costs will be issued later this year.

Field offices are responsible for ensuring there is sufficient documentation to support the 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, 2007, (i.e., pre-existing conditions) or (2) a footnote disclosure for conditions that arose after September 30, 2007, must be made for any life-cycle cost estimate updates that occur or are in process after September 30, 2007, that are expected to materially affect the estimates.

If you or your staff has any questions, please contact Stacy Bleigh at (202) 586-0452.