



Unraveling Contaminated Sites: How to Approach Data, History and Liability

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- ACS 140-30 Environmental Obligations
 - Liabilities for obligations associated with environmental remediation that relate to pollution arising from some past activity (CERCLA, RCRA, State laws and regulations).
 - Not included: contamination incurred during normal operations, pollution control costs.

410-30-25 Recognition

- Accrual of a liability if both of the following conditions are met:
 - Information indicates that it is **probable** that an asset has been impaired or a liability has been incurred.
 - The amount of the loss can be **reasonably estimated**.

Ability to Reasonably Estimate the Liability

- The extent and type of hazardous substances at a site.
- Range of technologies that can be used for remediation.
- Evolving standards of what constitutes acceptable remediation.
- Number and financial condition of other PRPs.

Required Benchmarks for Estimate Evaluation

- Identification and verification as a PRP
- Receipt of Unilateral Administrative Order
- Participation in RI/FS
- Completion of a FS
- Issuance of a ROD
- Remedial Design

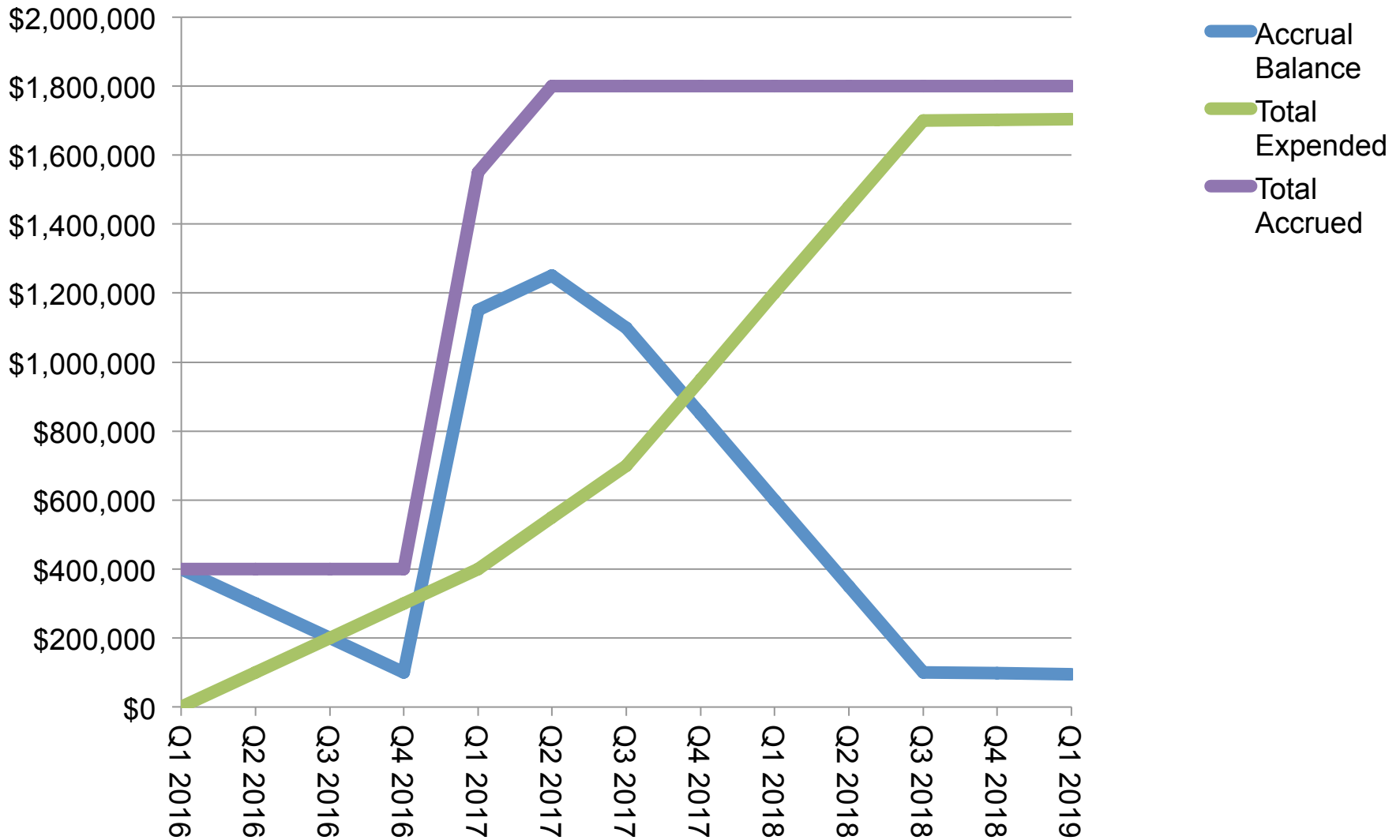
Costs to be Included in Reserve

- Allocable and orphan shares
- Costs associated with determining reserve
- Compensation and benefits for staff managing remediation effort
- Pre-cleanup, remedial action, government oversight, and long term O&M
- Legal Costs (excluding litigation costs until recovery is considered probable)

Option 1: Phased Approach

- Initial accruals through RI/FS are allowable if overall liability cannot be reasonably estimated.
 - Funds only accrued if costs are sure to be incurred.

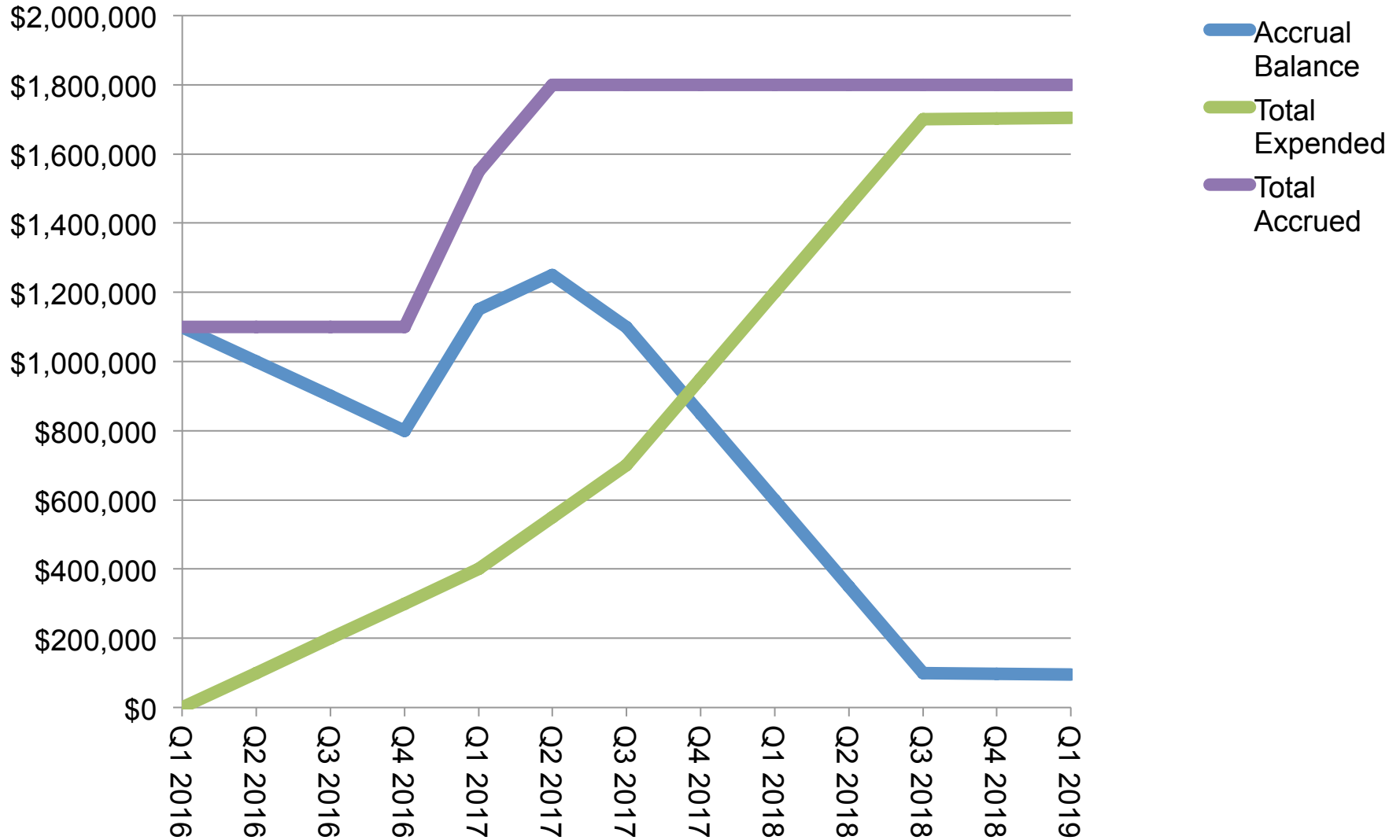
Test Case: Phased Approach



Option 2: “Low End of the Range”

- Initial accrual through RI/FS
- Additional defensible “low end of the range” accrual for likely future requirements (corrective action, long term remediation system O&M, compliance related monitoring).
- Adjust accruals as additional information becomes available.
- “What did you know? When did you know it?”

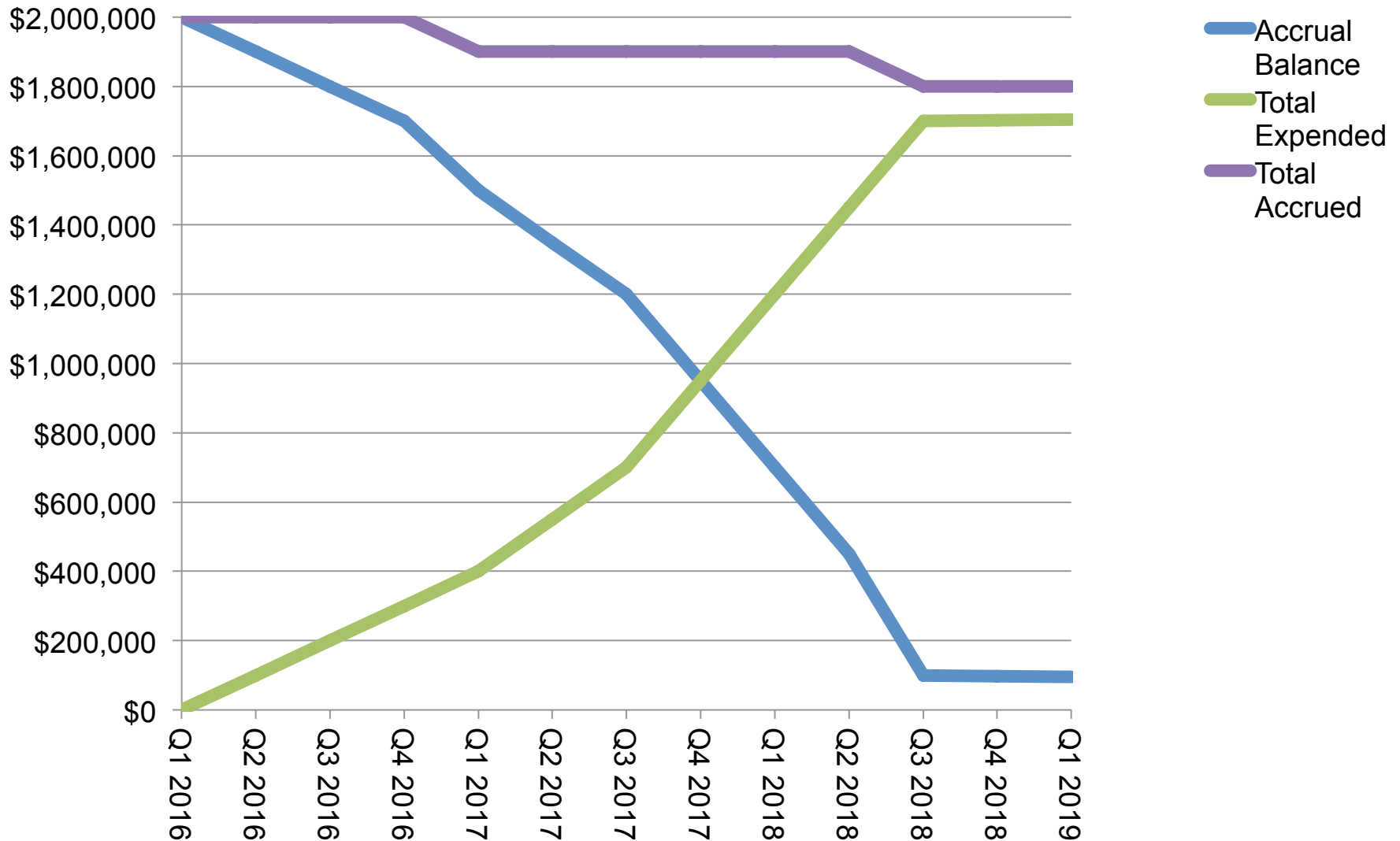
Test Case: "Low End of the Range"



Option 3: Project Lifecycle Analysis

- Engineering or actuarial study to determine probable costs given industry history.
- May not state specific technologies associated with accrual amount.

Test Case: Project Lifecycle Analysis



Horizon Sites

- Long term compliance requirements that extend into perpetuity:
 - Cap maintenance
 - Compliance monitoring
 - Pump and treat system operation
- Accounting for these costs may impact remedy selection.

Liability Reporting Summary

- SOX Compliance
- Create a system of controls that is consistently followed and is scalable.
- What did you know?
- When did you know it?