Navy Non-DERP
(Other Accrued)
Environmental Liabilities (OEL)
~
Development and Outcomes

JSEM Conference and Exhibition
March 2006
From Chief of Naval Operations and Chief of Naval Installations Command

Determine Navy-wide Baseline Other Accrued Environmental Liability (OEL) Report

- Consistent
- Complete
- Reliable
- Auditable

Reconcile OEL Units to Real Property Inventory to the Extent Possible

Develop a System to Maintain the Baseline OEL Report
Why Estimate Environmental Liability?

Chief Financial Officers Act of 1990 as amended by Government Management Reform Act of 1994 requires Federal Agencies to:

- Follow Federal Accounting Standards and prepare an Annual (Auditable) Financial Statement ~ from Documentation and a Management System

Government Accounting Office (GAO) and the Department of Defense (DoD) Inspector General (IG) investigations and audits indicate:

- No consistent Environmental Liability Reporting except for DERP
- Environmental Liability = Systematic Material Weakness on Financial Statement
- Environmental Liability Units & Real Property Inventory not Consistent

U.S. Congress and General Public Interest Item
Standards

- Environmental and Non-Environmental Liabilities ~ DoD FMR Volume 4, Chapter 13
- Accounting for Liabilities ~ SFFAS # 5
- Accounting for PP&E ~ SFFAS # 6
- 15 Nov 2005  OSD Guidance for Recognizing, Measuring and Reporting Environmental Liabilities Not Eligible for DERP Program Funding Guidance

<table>
<thead>
<tr>
<th>Liability</th>
<th>Liability Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Probable</td>
<td>Contingent Liability</td>
</tr>
<tr>
<td>Measurable</td>
<td>Current Liability/Non-Current Liability</td>
</tr>
</tbody>
</table>
Project Approach

1. Assemble Oversight Team ~ Financial & Environmental

2. Determine OEL Scope

3. Establish Process to ID OEL Universe

4. Develop Data Collection & Estimation Tools

5. Pilot ~ Test Process on One Complex of Installations

6. Export to Rest of Navy

Underway
1. Assemble Oversight Team ~ Financial & Environmental

- Assistant Secretary of Navy
- Chief of Naval Operations
- Chief of Naval Installations Command
- Naval Facilities Engineering Command

- **Primary Purpose:** Ensure Consistency and Conformance to Requirements

- **Link to Real Property Inventory Staff, Auditors & OSD Financial Staff as needed**
Site

**Financial**: PP&E activity, asset, or facility

**Environmental**: DERP-Like Site

Cleanup

**Financial**: Decon + Decommissioning + Closure + Remediation

**Environmental**: Remediation

Hazardous Waste

**Financial**: Hazardous Waste + Infectious + Hazardous Substance

**Environmental**: Hazardous Waste
Corrective Action

**Financial**: All Releases

**Environmental**: Only Releases @ sites w/ RCRA Corrective Action Permits

Environmental Liability ??

**Financial**: Abatement of ESOH + Infectious + Hazardous Substances in/on PP&E ?

**Environmental**: Action to Meet Environmental Requirement For Closure and disposal of PP&E.
Provide a comprehensive system for identifying, summarizing, maintaining, and reporting cleanup costs (Environmental Liability) for hazardous waste sites associated with ongoing operations. Provide with the system, a Baseline Report of the Liability.
By Installation ~ U.S. Only (Facilities Definition)

- Navy Host Installations ~ Fence-to-Fence
- All DoD and Non-DoD Tenants
- Special Areas
- Navy Operations on Land Owned by Others

Exceptions:

- DLA as Preponderant User ~ We Capture & They Report
- Other DoD Agency Working Capital Fund Entities
- Annotating BUMED Units (They may Report?)
- Contractor Owned & Maintained Units

Overseas Installations ~ Included Later
3. Establish Process to ID OEL Universe

Identify Potential Candidates

- Review Property Records
- Review Electronic Environmental Docs
- Review General Development Maps
- Conduct Kickoff Meeting ~ Media Lists
- Conduct Reconnaissance Visit

Develop POA&M ~ Process and Assumptions

Pre-Visit
3. Establish Process to ID OEL Universe

- **Tracked Coverage**
  - Candidate Lists
  - Base Maps ~ Grid-to-Grid Walk-by & Drive-by
  - Property Record List

- **Conducted Interviews**

- **Took Pictures**

- **GPS Measurement of all Units**

- **Media Expert Review**
Closing/decommissioning of environmental facilities are OELs.

Upgrade or replacement costs for environmental facilities (e.g., wastewater treatment plants): these costs are not OELs, but we will collect information about useful life for purposes of accrual of the closure OEL.

Closing industrial processes are OELs or contingent OELs. Decontamination driven by an environmental requirement is an OEL. The OEL should not be based on a worst-case future outcome, (e.g., that a plating vat that is no longer in service is left longer than 90 days without being decontaminated). OELs exclude demolition, unless demolition is a component of environmental decontamination. The cost to empty a process of materials should be separated from the cost to decontaminate it to meet regulatory requirements, in case the funding source, or OEL treatment of these component costs differ.
Business Rules ~ Examples

✓ Non-DERP Releases are OELs.

➢ Post-DERP-Eligible Long-Term Management is an OEL. Five Years After Remedy is Complete for all Sites on an Installation, Sites are No Longer DERP-Eligible.

✓ Environmental Compliance Costs Associated with the Operation and Maintenance of Facilities are Not OELs.

➢ DDES “Closure” Actions at Munitions Bunkers will Address Environmental Liability.
Business Rules ~ Examples

✓ Shop-Level (Portable) Flammable Storage Lockers: Not an OEL. Decontamination not “probable”.

➢ Enclosed Working Fluid-Containing Machinery is Not an OEL.

✓ Abatement of Lead and Asbestos Abatement of Housing Units is a Maintenance Issue Until Transferred. Lead and Asbestos Abatement of other structures is a Health and Safety Issue.

✓ Units/Facilities Slated for Utility Privatization are Removed from Consideration of OEL at the Source Selection Authority Stage.
# Example Units and Associated Liability

<table>
<thead>
<tr>
<th>Facility/Unit Description</th>
<th>Likely Sources of Potential Environmental Liability</th>
</tr>
</thead>
</table>
| **Unpermitted Process/Storage Facilities/Units** | • Decommissioning and decontamination of unit/facility at closure  
• Sampling to identify need for remediation  
• Releases occurring during the useful life of the facility/unit |
| • Plating baths  
• Degreasers  
• Pipelines  
• Oil-water separators | |
| **Facilities/Units with Regulatory Closure** | • Regulatory closure of the unit  
• Decontamination of unit/facility at closure  
• Sampling to confirm the clean closure of an inherently environmental facility/unit  
• Remediation of releases if known to exist  
• Long-term O&M of remediation alternative |
| • Hazardous waste storage facilities  
• Hazardous waste accumulation points  
• Petroleum storage tanks  
• Solid waste landfills  
• Retention ponds | |
OEL Unit Classifications*

- Process Fluid-Containing Equipment
- Tanks
- Enclosures/Vents
- Outdoor Small Arms Ranges
- Skeet/Trap Ranges
- HS/POL Use/Storage Spaces & Areas
- Utility Piping
- Transformers
- Landfills
- Lagoons & Impoundments
- Wells

*Candidate Type = Sub-Classification
~ Much Larger List
No-OEL Rationale

- Non-Environmental Liability
- Contractor Owned & Maintained Unit
- Unit Returned to Vendor
- No Associated HS/POL
- No Residual Contamination Present
- DERP Liability
- Duplicate Record
- Not Found
4. Develop Data Collection & Estimation Tools
Data Input

N0-OEL
Reconcile to RPI
Data Input

Maintenance Notes

Contingency Notes
Data Input

Candidate Type

Unit Classification
Data Input

### Group 3: Tanks

- **# Like Units**: 1
- **Tank Serial No.**: NA
- **Tank Type**: LST
- **Tank Capacity (gal.)**: 0
- **Tank Length (ft.)**: 0
- **Tank Width (ft.)**: 0
- **Tank Vertical Height (ft.)**: 0
- **Tank Diameter (ft.)**: 0
- **Tank Installation Type**: 0
- **Construction Type/Material**: Steel (single-walled)
- **Closure Method**: Unknown
- **Depth to Top (ft.)**: 0
- **Depth to Groundwater (ft.)**: 0
- **Existing Cover**: Soil/gravel/grass
- **Accessibility**: Good
- **Sharing Width (ft.)**: 0
- **Field QA Review**: Not required

#### Fluid

- **Fluid Type**: Fuel
- **Legacy Fluid Type**: NA
- **Fluid Removal Technology**: Drain valve
- **Fluid HW Classification**: Non-HW
- **Fluid Disposal Method**: Reuse/Recycle

#### Residual

- **Residual Type**: None
- **Residual Volume (gal.)**: 0
- **Residual Removal Tech**: NA
- **Residual HW Classification**: NA
- **Residual Disposal Method**: NA

#### Decontamination

- **Decom Fluid Removal Technology**: NA
- **Decom Fluid HW Classification**: NA
- **Decom Fluid Disposal Method**: NA
- **Total Trench Length (ft.)**: 0

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### Piping Segments

- **Piping Configuration**: 0
- **Max. Piping Diameter (in.)**: 0
- **Segment Length (ft.)**: 0
- **Closure Method**: Remove
- **Piping Accessibility**: Accessible

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**Add a record for each major piping segment associated with tank.**

**Record**: 1

**Field is required to estimate Field requires user input?**
Data Input ~ Estimation

Adjustment Factors

How to Begin a New Cost Estimate:
1. Enter optional selection criteria to narrow the list of available candidates.
2. Select a candidate from the yellow list above. Additional information about the candidate appears to the left.
3. Enter general parameters to use for the candidate's estimate in the blue box below. (You can change these parameters later for each of the data groups included for the candidate.)
4. Click the CREATE ESTIMATE RECORDS button to generate the records to build a detailed cost estimate for the candidate.
5. Repeat steps 1-4 for another candidate, or exit the form and begin working with the group estimate details.
## Data Output ~ Estimates

### Detailed Estimate Summary

<table>
<thead>
<tr>
<th>Group</th>
<th>Subtotal</th>
<th>Cost</th>
<th>Est. Total</th>
<th>Sub Total</th>
<th>Est. Cost</th>
<th>Total Cost</th>
<th>Component</th>
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</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Detailed Estimate for Group: Sorted by Group

<table>
<thead>
<tr>
<th>Description</th>
<th>Quantity</th>
<th>Unit</th>
<th>Labor Cost</th>
<th>Material Cost</th>
<th>Equipment Cost</th>
<th>Rental Equipment</th>
<th>Labor</th>
<th>Material</th>
<th>Equipment</th>
<th>Total Cost</th>
<th>Net Cost</th>
<th>Comments</th>
</tr>
</thead>
</table>

### Notes
- Excel file with detailed labor, material, and equipment cost breakdowns.
- Grouped by activity and cost components.
- Estimated costs for each item.

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**3/23/2006**
## Data Output ~ Reports

### Navy OEL Cost Estimate

Assessment of OEL by Primary Data Collection Group
Summarized by Primary Data Group

<table>
<thead>
<tr>
<th>Facility ID (NFA)</th>
<th>Facility Name</th>
<th># OELs</th>
<th>Total Cost</th>
<th>Disposal Cost</th>
<th>Low Cost</th>
<th>High Cost</th>
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</thead>
<tbody>
<tr>
<td>NFA100003183005</td>
<td>DISPENSARY DENTAL CLINIC</td>
<td>1</td>
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<td><strong>Sub Totals for: Group002</strong></td>
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<td>$143.00</td>
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<tr>
<td>NFA100003183006</td>
<td>MOTOR GAS STORAGE #3</td>
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<td>$251.00</td>
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<tr>
<td></td>
<td><strong>Sub Totals for: Group003</strong></td>
<td>3</td>
<td>$86,450.00</td>
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<tr>
<td>NFA100003183007</td>
<td>CENTRAL HEATING PLANT</td>
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<td>NFA100003183008</td>
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<td>NFA100003183009</td>
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</tbody>
</table>

**Totals for This Report...**
- $149,301.00
- $256.00
- $0.00
- $0.00
## Data Output ~ Reports

### Navy OEL Cost Estimate

**Assessment of OEL by Date of Execution**

**Grouped by Fiscal Year**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>OEL Begins</th>
<th>Facility ID (BFA)</th>
<th># OELs</th>
<th>Total Cost</th>
<th>Disposal Cost</th>
<th>Low Cost</th>
<th>High Cost</th>
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<tbody>
<tr>
<td>2014</td>
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</table>
Develop System to Maintain OEL Report

* Coordinating with Business Transformation Efforts for Sustainment
Summary of Project Output ~ By 6/30/06

- Data Collection Design – Data Dictionary
- **Flexible, Documented**, Process for **Consistent, Reliable** Data Collection, Estimation & Maintenance
- **Complete** Database of Units/Facilities w/ OEL and their Defining Attributes – by Installation
- Comprehensive List of “Inherently Environmental” Units (w/ and w/o OEL) - “Above/Below-the-Line”
- Contractor Certified OEL Engineering Cost Estimate for Each Unit
- Navy Certification of OEL Cost Estimates
- System to Maintain OEL Data & Report
- First-Cut Reconciliation of Environmental Units to Property Records
After 6/30/06

- Work w/ DLA to Hand-off Their Units

- Reporting ~ 9/06
  - Amortization
  - Recognition - Categorization for Note 14
  - Disclosure

- Maintenance (including Controls) ~ 10/06

- Internal Navy Audit ~ 3/07

- Assertion Package ~ 11/07
Additional Benefits

Complete List of Environmental Liabilities Provides for:

- Tool to improve Contracts/ISSAs
- Preparation of Unit/Facility DECON Plans as Part of Facility Management Plans (I.e. HWMP).
- Visibility for Execution at Facility Decommissioning. Eliminate Costly RCRA Closure of Abandoned Process Tanks (i.e. Electroplating Units). Have Cost Millions in the Past.
- Visibility for Maintenance of Inherently Environmental Units
- Compliance with EPA Regulation 40 CFR 270.14 – Complete Inventory of SWMUs/AOCs
Lessons Learned

Language Barrier
Requires Constant Education/Training

Real Property Inventory Reconciliation
Will be an Iterative Process

Services Commitment to Task is
Overwhelming
A great team to work with!