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August 30, 2017

Office of the Secretary  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, D.C. 20006-2803

Ref: PCAOB Docket 043 (Auditing Accounting Estimates, including FVM), and  
PCAOB Docket 044 (Auditor's Use of the Work of Specialists)

For Docket 043, I request deletion of the word “remediation” from AS 2401.54; for Docket 044 (Release 2017-003) in Figure 2, I also request deletion of the word “remediation”. My justification is to include other subtypes of environmental liabilities (asset retirement, commitments, guarantees) that do not contain remediation spending; while AICPA SOP 96-1 (1996) was titled “environmental remediation liabilities”, the definition of asset retirement obligations in 2001 and recent emergence of financial assurance guarantees show that material environmental liabilities have not been intrinsically limited to remediation.

For both Docket 043 and 044, I propose a standardized cover page (next page) for estimate parameters; this step ensures the thinking process is highly visible and auditable.

Otherwise, these documents have my full support in all respects.

Cordially,

John Rosengard  
President

Ref: PCAOB Docket 043 (Auditing Accounting Estimates, including FVM), and  
 PCAOB Docket 044 (Auditor's Use of the Work of Specialists)

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| <b>Standardized cover page for estimate parameters</b> |
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*ASTM and AACEI citations are relevant to environmental liabilities.*

| <b>Estimate Parameter</b>   | <b>Value(s) Used<br/>(examples)</b>  | <b>Source or Justification (examples)</b>   |
|---|--|---|
| 1. Inflation rate applied to future costs   | x.xx%/year   | US Federal Reserve System: Monetary Policy Report June 2015   |
| 2. Nominal discount rate applied to pacing of spending  | x.xx%/year   | White House OMB Circular No. A-94, Appendix C, 15-year rate; November 2016  |
| 3. Duration of environmental liability spending   | n years  | <i>"Comparable sites complete all phases of work in 10-15 years"</i>  |
| 4. Purpose of the estimate (feasibility, provision, fair value measurement, captive insurer funding, budgeting, acquisition/divestiture, cashout) | See ASTM E2137-16 ¶1.1   | <i>"Validation of the current provision is the only active purpose"</i>   |
| 5. Level of effort applied to estimate, as rough order of magnitude (10, 100, 1000 hours)   | <i>1 hour</i>  | <i>"Meant to be peer review of units and prices in previous year's estimates for four locations"</i>  |
| 6. Turnaround time of estimate  | <i>1 day</i>   | <i>"unplanned cost engineering task"</i>  |
| 7. Comparable liabilities evaluated   | <i>Site a, site b, site c</i>  | <i>"These liabilities have waste streams which are common to this industry; an active marketplace exists for remediation"</i>                                       |
| 8. Cost Estimate Class of estimate  | Class 1 to 5, per AACEI 56R-08 (2012), Table 1, <i>Cost Estimate Classification System</i> | <i>"Class 5, based on analogues and estimator's parametric model; owner lacks current scientific data and regulatory framework to create Class 3 or 4 estimate"</i> |
| 9. Fair Value Measurement Class of estimate   | Class 1 to 3   | <i>"Class 2; 95% of estimate is based on common carrier trucking rates (which track a diesel fuel price index) and published landfill rates"</i>                    |
| 10. Exclusions from estimate  | See ASTM E2137 (2016), Table 1, <i>Examples of Environmental Costs and Liabilities</i>     | <i>"NRDA claims deemed immaterial from outset, no evidence to the contrary"</i>   |