

SKAL 97



March 25, 1997

Via Certified Mail,
Return Receipt Requested

Stuart Dinwiddie
New Mexico Environmental Department
Hazardous and Radioactive Waste Bureau
1190 St. Francis Drive
Santa Fe, NM 87503

RE: Safety-Kleen New Mexico Facilities
Financial Assurance Test Letter

Dear Mr. Dinwiddie:

Please find enclosed Safety-Kleen Corp.'s letter demonstrating financial assurance for our facilities in the State of New Mexico. The figures provided to you for closure and post closure reflect the numbers from our closure plans with the proper inflation factor applied.

This year we again included corrective action cost estimates into our test. Please note that the sum of current closure and post-closure cost estimates found in Alternative II, # 1 includes closure, post-closure and corrective action cost estimates as found in the attachments. There are currently seven states where there are Safety Kleen facilities that have corrective action estimates covered by the Financial Assurance Test Letter. These states are Arkansas, Florida, Georgia, Illinois, Louisiana, Nebraska and Texas.

This year a conflict arose between the Resource Conservation and Recovery Act (RCRA) financial assurance regulations and the recently modified Generally Accepted Accounting Principles (GAAP) addressing elements of a financial statement. The GAAP now prohibits a "negative declaration" in an evaluation of financial performance. However, the language for interim status facility regulations at 40 CFR 265.143(f)(3)(iii) requires just such a negative declaration. The EPA language reflects the GAAP language that was in place when the financial test was added to the RCRA regulations. This change to the GAAP language does not, in any way, change the standard against which accountants measure a firm's financial performance. On February 27, 1997, US EPA signed a policy memorandum that using GAAP-complying language in an Agreed Upon Procedure is equivalent to the wording from 264.143(f). I have enclosed a copy of the policy memorandum for your files.

If you have any questions or comments, please contact me at (847) 468-2228.

Sincerely,

Michelle R. Walper
Manager, Financial Assurance

Attachment

cc: Diana Leutner
Peter Olsen
Safety-Kleen Branches - EHS File #1620



Letter From Chief Financial Officer

Stuart Dinwiddie
New Mexico Environmental Department
Hazardous and Radioactive Waste Bureau
1190 St. Francis Drive
Santa Fe, NM 87503

Dear Mr. Dinwiddie:

I am the chief financial officer of Safety-Kleen Corp., 1000 North Randall Road, Elgin, Illinois, 60123. This letter is in support of this firm's use of the financial test to demonstrate financial assurance for closure and/or post-closure costs, as specified in subpart H of 40 CFR parts 264 and 265.

1. This firm is the owner or operator of the following facilities for which financial assurance for closure or post-closure care is demonstrated through the financial test specified in subpart H of 40 CFR parts 264 and 265. The current closure and/or post-closure cost estimates covered by the test are shown for each facility: total per attached listing - closure \$309,722.66; post-closure \$429,131.96.
2. This firm guarantees, through the guarantee specified in subpart H of 40 CFR parts 264 and 265, the closure or post-closure care of the following facilities owned or operated by the guaranteed party. The current cost estimates for the closure or post-closure care so guaranteed are shown for each facility: None. The firm identified above is the direct or higher-tier parent corporation of the owner or operator.
3. In States where EPA is not administering the financial requirements of subpart H of 40 CFR part 264 or 265, this firm, as owner or operator or guarantor, is demonstrating financial assurance for the closure or post-closure care of the following facilities through the use of a test equivalent or substantially equivalent to the financial test specified in subpart H of 40 CFR parts 264 and 265. The current closure and/or post-closure cost estimates covered by such a test are shown for each facility: total per attached listing - closure \$26,869,167.54; post-closure \$13,936,390.00.
4. This firm is the owner or operator of the following hazardous waste management facilities for which financial assurance for closure or, if a disposal facility, post-closure care, is not demonstrated either to EPA or a State through the financial test or any other financial assurance mechanism specified in subpart H of 40 CFR parts 264 and 265 or equivalent or substantially equivalent State mechanisms. The current closure and/or post-closure cost estimates not covered by such financial assurance are shown for each facility: None.
5. This firm is the owner or operator of the following UIC facilities for which financial assurance for plugging and abandonment is required under part 144. The current closure cost estimates as required by 40 CFR 144.62 are shown for each facility: None.

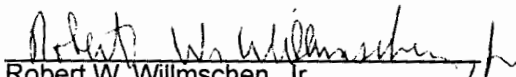
This firm is required to file a Form 10K with the Securities and Exchange Commission (SEC) for the latest fiscal year.

The fiscal year of this firm ends on the Saturday closest to December 31. The figures for the following items marked with an asterisk are derived from this firm's independently audited, year-end financial statements for the latest completed fiscal year, ended December 28, 1996.

Alternative II

1.	Sum of current closure and post-closure cost estimates	\$ 44,175,791.56	
2.	Current bond rating of most recent issuance of this firm and name of rating service	BBB+, Standard and Poors	
3.	Date of issuance of bond	September 15, 1989	
4.	Date of maturity of bond	September 15, 1999	
*5.	Tangible net worth	\$343,081,000	
*6.	Total assets in U.S. (required only if less than 90% of firm's assets are located in the U.S.)	\$788,521,000	
		<u>YES</u>	<u>NO</u>
7.	Is line 5 at least \$10 million?	X	
8.	Is line 5 at least 6 times line 1?	X	
*9.	Are at least 90% of firm's assets located in the U.S.? If not, complete line 10.		X
10.	Is line 6 at least 6 times line 1?	X	

I hereby certify that the wording of this letter is identical to the wording specified in 40 CFR 264.151(f) as such regulations were constituted on the date shown immediately below.


 Robert W. Willmschen, Jr.
 Senior Vice President Finance and Secretary

March 17, 1997

REPORT02 (R2)

3/10/97

SAFETY-KLEEN CORP.
COST ESTIMATES

SITE	ADDRESS	EPA ID	CLOSURE	POST CLOSURE	CORRECTIVE ACTION
7-008-01	2720 GIRARD NE	NMD000804294	70,863.00	0.00	0.00
ALBUQUERQUE	ALBUQUERQUE, NM 87107				
7-008-21	4200A HAWKINS RD	NMD980698849	50,733.80	0.00	0.00
FARMINGTON	FARMINGTON, NM 87401				
NM TOTALS:			121,596.80	0.00	0.00

Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Board of Directors,
Management of Safety-Kleen Corp.,
Environmental Protection Agency ("EPA")
and the New Mexico Environmental Department,
Hazardous & Radioactive Waste Bureau:

We have audited the consolidated financial statements of Safety-Kleen Corp. as of and for the fiscal year ended December 28, 1996, and have issued our report dated February 6, 1997. We have not performed any procedures since that date. In connection with our audit, we performed the procedures enumerated below, which were agreed to by the Board of Directors, management of Safety-Kleen Corp., the Environmental Protection Agency ("EPA") and the New Mexico Environmental Department, Hazardous & Radioactive Waste Bureau, solely to assist you with respect to the letter dated March 17, 1997, from your Chief Financial Officer to the EPA and the New Mexico Environmental Department, Hazardous & Radioactive Waste Bureau. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

We have read the letter dated March 17, 1997, from your Chief Financial Officer to the EPA and the New Mexico Environmental Department, Hazardous & Radioactive Waste Bureau, and have compared the data which is specified in the letter as having been derived from the audited consolidated financial statements for the year ended December 28, 1996, with the corresponding amounts in those financial statements and found them to be in agreement.

We were not engaged to, and did not, perform an audit on the above data in the Chief Financial Officer's letter. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the Board of Directors, management of Safety-Kleen Corp., the EPA and the New Mexico Environmental Department, Hazardous & Radioactive Waste Bureau, and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Chicago, Illinois
March 17, 1997



REPORT OF
INDEPENDENT PUBLIC ACCOUNTANTS

**TO THE BOARD OF DIRECTORS AND
SHAREHOLDERS OF SAFETY-KLEEN CORP.:**

We have audited the accompanying consolidated balance sheets of Safety-Kleen Corp. (a Wisconsin corporation) and Subsidiaries as of December 28, 1996 and December 30, 1995, and the related consolidated statements of operations, shareholders' equity and cash flows for each of the three fiscal years in the period ended December 28, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates

made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Safety-Kleen Corp. and Subsidiaries as of December 28, 1996 and December 30, 1995, and the results of their operations and their cash flows for each of the three fiscal years in the period ended December 28, 1996, in conformity with generally accepted accounting principles.

Arthur Andersen LLP

Chicago, Illinois
February 6, 1997

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UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

FEB 27 1997

Memorandum

OFFICE OF
SOLID WASTE AND EMERGENCY RESPONSE

Subject: Obsolete Language in the Financial Test for Subtitle C Treatment Storage and Disposal Facilities

From: *Elizabeth A. Cotsworth*
Elizabeth A. Cotsworth, Acting Director
Office of Solid Waste

To: Senior RCRA Policy Advisors
RCRA Enforcement Managers

This memorandum provides guidance to Regions and States on an acceptable form for the independent certified public accountant's (CPA's) special report that owners or operators must submit when using the financial test and corporate guarantee to comply with EPA's financial assurance regulations. This guidance is necessary because the regulatory requirement (that the CPA's report provide "negative assurance") has become inconsistent with current professional auditing standards.

Background on the Regulations

Subpart H of 40 CFR parts 264 and 265 allows owners and operators of RCRA treatment, storage, and disposal facilities to use a financial test or a corporate guarantee to demonstrate financial assurance. In using the financial test or corporate guarantee, the owner or operator's chief financial officer (CFO) must submit (1) a letter using the language specified in 40 CFR 264.151 to report financial information and test results, (2) a copy of the firm's audited year end financial statement, and (3) a copy of a special report from a CPA. The CPA's special report presents the procedures performed and findings based on the CPA's comparison of the data which the chief financial officer's letter specifies as coming from the independently audited year end financial report with the amounts in the audited financial statements. The regulations also require the CPA's report to state that "in connection with that procedure, no matters came to his attention which caused him to believe that the specified data should be adjusted" (see, for example, 40 CFR part 264.143(f)(3)(iii)(B)). This is referred to by the auditing profession as a "negative assurance."

The CFO's letter must discuss any adjustments made in the data to report the results of the financial test that differ from the amounts in the audited financial statements. The purpose of the CPA's special report on the CFO's letter is to ensure that information provided in the financial test is consistent with information in the firm's audited financial statements. This is particularly important when information cannot be checked directly against the financial report

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because of adjustments by the chief financial officer. An allowable adjustment by the chief financial officer for the Subtitle C financial test was discussed in the preamble to the proposed corporate financial test for municipal solid waste landfills (59 FR 51530, October 12, 1994). The preamble states that in reporting for "post-retirement benefits other than pensions" (e.g. health benefits for a company's retirees), the Financial Accounting Standards Board Statement 106 allows either an immediate or deferred recognition of these benefits as liabilities. Since either method is allowable under generally accepted accounting principles for financial reports, EPA will allow companies to use the immediate recognition method for their financial reporting to the Securities and Exchange Commission and the delayed method for purposes of the financial test.

New Professional Standards for CPAs Do Not Permit Expressions of Negative Assurance

In performing audits and other types of work, CPAs must follow certain professional standards. The American Institute of Certified Public Accountants, Inc.'s (AICPA's) Statement on Auditing Standards no longer permits independent auditors to express negative assurance (i.e. "no matter came to his attention which caused him to believe that the specified data should be adjusted."). The new standards require the auditor to present the results of procedures performed in the form of findings, and explicitly disallow issuing "negative assurance." This has left many accountants, corporations and States uncertain how to fulfill the regulatory requirement for using the financial test.

Use of a Report from an "Agreed Upon Procedure"

The Agency intends to change the regulations so that they conform to the new professional auditing standards. Until that rulemaking is completed, in addition to, or in lieu of, a CPA report stating that "no matter came to his attention," EPA will accept a CPA's report describing the procedures performed and related findings, including whether or not there were discrepancies found in the comparison, based on an agreed-upon procedures engagement performed in accordance with AICPA's Statement on Auditing Standards No. 75, Engagements to Apply Agreed-Upon Procedures to Specified Elements, Accounts or Items of a Financial Statement. (In an agreed-upon procedures engagement an accountant is engaged by a client to issue a report of findings based on specific procedures performed on the specific items of a financial statement.) The Agency will regard this report as satisfying the requirements of the financial test or corporate guarantee for a special report by an independent CPA on the CFO's letter.

Please distribute a copy of this memo to your authorized states. Also, if you or your authorized States have any questions on this issue, please feel free to contact Dale Ruhter at (703) 308-8192.

cc: Steven Herman, OECA
Tom Kennedy, ASTSWMO