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

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OFFICE OF
SOLID WASTE AND EMERGENCY
RESPONSE

Mr. A. Stan Meiburg
Executive Director
United States Environmental Protection Agency
Environmental Financial Advisory Board
61 Forsyth Street, S.W.
Atlanta, Georgia 30303-8960

Dear Mr. Meiburg:

Thank you for your letter of January 11, 2006, to Administrator Johnson regarding the Environmental Financial Advisory Board's initial findings on the financial test and corporate guarantees as methods to meet financial assurance requirements under RCRA programs. My staff and I appreciate all the work the Board has done on this important topic, and recognize the Board's consultation with a broad range of interested parties. EPA greatly appreciates your inclusion of State and EPA staff in many of your meetings on this topic.

The Board made several recommendations, which the Agency will take under advisement. We're particularly interested in the Board's advice that EPA and the States should consider the financial assurance requirements from the view of a potential creditor when evaluating financial assurances. In that light, we take note of the Board's endorsement of independent credit analysis as a cost-effective mechanism for demonstrating that facility owner/operators can meet their financial obligations, and we will take that view carefully into account in any actions we take to upgrade financial assurance requirements. We also acknowledge the issues the Board identified with Alternative I of the current financial test, which does not depend on an independent credit analysis, and the Board's recommendation that bond ratings be based on the fundamental quality of the most recently issued bond. We note that EPA took this approach in the recent standardized permit rule, published in September 2005 (70 FR 53420), which requires that bond ratings be based on senior unsecured debt.

Again, thank you for providing the Board's findings and recommendations. EPA appreciates the expertise and experience that the Board brings and values the insights it can provide. We also appreciate the Board's offer to provide continued assistance should EPA ultimately move forward with changes to the financial test. As you noted in your letter, there are other related efforts underway that may offer additional insights as EPA takes its next steps in addressing this important issue. EPA looks forward to continuing its work with the Board and receiving the Board's findings in response to the other questions presented to the Board.

Sincerely,

Susan Parker Bodine

Susan Parker Bodine
Assistant Administrator