

MEMORANDUM FOR: FIELD CHIEF FINANCIAL OFFICERS

FROM: MICHAEL L. TELSON
CHIEF FINANCIAL OFFICER

SUBJECT: CLARIFICATION OF THE JULY 29, 1997, POLICY TO
WRITE-OFF LEGACY WASTE FACILITIES

The purpose of this memorandum is to clarify guidance issued previously on writing off facilities used to treat, store, and dispose of legacy waste. In the CFO memorandum, "Clarification of Policy to Write-off Legacy Waste Facilities," dated July 29, 1997, guidance was provided to the field that required offices to "write-off [fully depreciate] the entire book value of facilities and other supporting assets whose primary purpose, i.e., greater than 50%, is to address environmental legacy waste." However, it became apparent during the reconciliation of the environmental liability for the FY 1998 financial statements that issues still exist regarding the write-off of these legacy waste facilities. In view of the foregoing, the following clarification is provided to the July 29, 1997, guidance:

All Environmental Management (EM) activities are considered legacy waste activities, including funding for infrastructure where EM has landlord responsibilities. However, if the facility was funded by EM but its primary purpose is to support a non-EM current or future operation (e.g., construction of a waste management facility for storing non-EM newly generated waste), then it should not be written off.

If you should have any questions concerning this guidance, please contact Mike Lynch of my staff on (202) 586-6894.