



Waste Control Specialists

Economics of the Compact Disposal Facility

**Elicia Sanchez, CFO &
Bill Lindquist, CEO**

Compact Pricing Formula

- Price per unit for disposal is sum of:
 - Return of Invested Capital
 - Return on Invested Capital
 - Return of Allowable Expenses
- Divided by volume disposed
- Equals unit price
- Increases in volume lowers the unit price



Importation Impact on Pricing

- To ensure the benefit of importation is realized by Compact generators:
 - Costs of the facility are spread over all waste
 - Increase in airspace and canisters (variable costs) are allocated only to imported waste
 - Return of and on certain portions of our investment are only received from imported waste
- This reduces the costs/returns allocated to compact waste by 90%



Maximum Rates in Application

<i>Rate per cubic foot (\$/ft3)</i>	Initial Year With Importation		Initial Year No Importation
	Compact	Non-Compact	Compact
Class A Compactable	\$ 57.64	NA	\$ 496.16
Class A Non-Compactable	\$ 82.53	\$ 210.94	\$ 1,488.47
Class A High Dose Rate	\$ 193.98	\$ 457.38	\$ 3,054.19
Class B/C - Routine	\$ 2,652.49	\$ 5,872.48	\$ 41,762.79
Class B/C - High Activity	\$ 7,957.46	\$ 17,617.43	\$ 125,288.37



Summary Maximum Rate Revenue

<i>Revenue Requirement Based on Maximum Rates (\$000's)</i>	With Importation		No Import.
	Compact	Non-Compact	Compact
Class A Compactable	\$ 3,334	\$ -	\$ 28,702
Class A Non-Compactable	\$ 203	\$ 1,230	\$ 3,654
Class A High Dose Rate	\$ 591	\$ 5,807	\$ 9,306
Class B/C Waste Routine	\$ 4,814	\$ 98,173	\$ 75,798
Class B/C Waste High Activity	\$ 1,087	\$ 22,168	\$ 17,116
Total	\$ 10,029	\$ 127,378	\$ 134,575

Maximum Rates Not Reality

- Maximum rates are higher than generators have historically paid and 10X – 20X higher than market rates---generators will not ship at these rates

	Maximum Rates	Market Rates
Class A Compactable	\$ 496.31	\$ 35.00
Class A Non-Compactable	\$ 1,488.47	\$ 130.00
Class A High Dose Rate	\$ 3,054.19	\$ 222.00
Class B/C Waste Routine	\$ 41,762.79	\$ 2,500.00
Class B/C Waste High Activity	\$ 125,288.37	\$ 6,000.00

Market Rates

- WCS is seeking longer-term contracts at lower than market rates to provide stable revenue to Compact facility
- Market based rates from Compact-only generators provide \$8.4 million in revenue, much less than cash costs to operate Compact facility



Summary Market Rate Revenue

	Compact Waste Only			
Estimated Market Rates – Not Maximum Rates	Volume Received (ft3)	Unit Rate (\$/ft3 Received)		Revenue (\$000's)
Product Line				
Class A Compactable	57,848	\$ 35.00		\$ 2,025
Class A Non-Compactable	2,455	\$ 130.00		\$ 319
Class A High Dose Rate	3,047	\$ 222.00		\$ 676
Class B and C Waste Routine	1,815	\$ 2,500.00		\$ 4,537
Class B and C Waste High Activity	137	\$ 6,000.00		\$ 820
Total	65,301			\$ 8,377

Cash Losses (in \$000's)

	<u>Assuming No Waste</u>	<u>Compact Only</u>
Revenue	\$ 0	\$ 8,400
Labor	(7,100)	(7,100)
Packaging	-	(700)
Monitoring costs	(2,200)	(2,200)
Compliance and safety	(900)	(900)
Supplies	(900)	(900)
Equipment rental	(1,000)	(1,000)
Repairs and maintenance	(500)	(500)
Letter of credit costs	(1,300)	(1,300)
Consulting and legal	(2,500)	(2,500)
Interest	(2,900)	(2,900)
Taxes	(1,300)	(1,300)
Other	(2,600)	(2,700)
Total	\$ (23,200)	\$ (15,600)



Federal Facility Benefits Not Realized

- WCS originally anticipated Federal facility profits would offset Compact facility losses--- may not happen
 - Compact facility losses much greater
 - < Landfill design
 - < Environmental, safety and health programs
 - < Staff training
 - < Compliance with license requirements
 - < Reporting requirements
 - < Financial assurance
 - Higher construction and operating costs have reduced potential Federal revenue and profit