

**Application of Waste Control Specialists LLC
for Establishment of Initial Maximum Disposal Rates**

Executive Summary

Waste Control Specialists LLC (“WCS” or “Compact Facility Operator”) is the licensee under Radioactive Materials License No. R04100, which authorizes the operation of a low-level radioactive waste (“LLRW”) land disposal facility for the disposal of compact waste (“Compact Waste Disposal Facility”) in Andrews County, Texas. Compact waste is LLRW that is generated in the Texas Low-level Radioactive Waste Disposal Compact (the “Compact”), which is comprised of the states of Texas and Vermont, or otherwise approved by the Texas Low-Level Radioactive Waste Compact Commission for importation and disposal at the Compact Waste Disposal Facility.

The TCEQ is charged with establishing the maximum disposal rates that may be collected for the disposal of compact waste under Chapter 336, Subchapter N of the TCEQ’s rules (the “Rate Rules”). This application is submitted by WCS pursuant to section 336.1309 of the Rate Rules to establish the initial maximum disposal rates for the disposal of LLRW at the Compact Waste Disposal Facility. This application also provides information for the TCEQ to determine an appropriate inflation adjustment, volume adjustment, extraordinary volume adjustment, and relative hazard, as required under section 336.1309(e).

Section 336.1307 of the Rate Rules identifies the factors to be considered by the TCEQ in establishing maximum disposal rates. These factors ensure that the maximum disposal rates are sufficient for the Compact Facility Operator to recover a reasonable rate of return and the costs of the Compact Waste Disposal Facility, including allowable expenses, the funding of local public projects, the provisions of a revenue requirement comprised of a return of and on its investments, and the payment of other required fees and expenses. Maximum disposal rates are established, in dollars per cubic foot for each class of LLRW to be received at the Compact Waste Disposal Facility, at levels necessary to provide annual revenues equal to the total annual revenue requirement of the Compact Facility Operator.

WCS has completed the application using the rate forms and schedules prescribed by the TCEQ to determine the revenue requirement for its first full test year, which is anticipated to start in 2011. Because the rules require initial maximum disposal rates to be established prior to the initial receipt of LLRW at the Compact Waste Disposal Facility, the initial rate case is not only based on previously incurred costs and expenses of WCS but also on projections and estimates of future costs, expenses and revenues. In its application, WCS has provided explanations and supporting documents demonstrating the reasonableness of its projections and estimates. For expenses or costs that are not solely for the Compact Waste Disposal Facility, WCS has allocated the portion of the costs or expenses attributable to the Compact Waste Disposal Facility using fair and equitable allocation methodologies, which are also described in the application.

WCS also developed the allocation methodologies and forms to distribute the annual revenue requirement across the expected volumes and classes of LLRW for the test year modeled.

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WCS's application assumes that WCS is allowed to import LLRW for disposal at the Compact Waste Disposal Facility. However, WCS has also submitted an alternative case at Section XXX which assumes that WCS is not allowed to import such waste for disposal. The importation issue is important because the projected volumes and classes of LLRW have a substantial impact on the disposal rates that would be required to meet the annual revenue requirement. Additional information concerning the rate application assumptions, estimates, modeling, and the effects of importation can be reviewed in the exhibits to the rate application.

Major components of the test year rate revenue requirement are summarized in the table below:

<i>(Amounts in \$000's)</i>	Initial Year With <u>Importation</u>	Initial Year No <u>Importation</u>
Rate Base	\$ 506,819	\$ 507,289
Rate of Return	9.9%	9.9%
Return on Rate Base	\$ 50,095	\$ 50,145
Taxes on Return	\$ 25,669	\$ 25,702
Operating Expenses	\$ 61,643	\$ 58,728
Rate Revenue Requirement	<u>\$ 137,407</u>	<u>\$ 134,575</u>

Most of the costs of operating and developing the Compact Waste Disposal Facility are fixed; thus, there is only an expected \$2.7 million difference in the test year in the rate revenue requirement between the "with importation" base case and "no importation" alternative.

The test year rate revenue requirements by product line (i.e., waste class) of the Compact Waste Disposal Facility with and without importation are summarized in the table below:

<i>Revenue Requirement (\$000's)</i>	Initial Year With Importation		Initial Year No Importation
	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 High Activity	\$ 1,087	\$ 22,168	\$ 17,116
Total	\$ 10,029	\$ 127,378	\$ 134,575
Total With Importation	\$137,407		

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For the “no importation” calculation, WCS estimated disposal of 65,000 cubic feet of LLRW from Compact generators. For the “with importation” calculation, WCS estimated 65,000 cubic feet of LLRW from Compact generators and an additional 37,000 cubic feet of LLRW from importation, for a total of 102,000 cubic feet of LLRW. The Compact Waste Disposal Facility has more than adequate disposal capacity for the imported waste volumes estimated in the rate application.

Thus, with importation, the revenue necessary from Compact generators is only \$10 million, because Non-Compact waste generators will provide \$127 million in revenue to meet WCS’s rate revenue requirement.

The related maximum disposal rates based on the volumes expected and rate revenue requirements above are summarized in the table below:

<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 Waste Routine	\$ 2,652.49	\$ 5,872.48	\$ 41,762.79
Class B/C High Activity	\$ 7,957.46	\$17,617.43	\$ 125,288.37

In the “with importation” case, WCS assigned the return of and on investment for its research, development and demonstration licensing asset to the imported waste. As a result, the economic benefits from importation are provided to the Compact states and generators because generators pay a lower disposal price. The maximum disposal rate per cubic foot for Compact generators with importation is generally less than 10% of the same rate with no importation.

WCS requests the TCEQ to approve these rates by expedited rulemaking as the initial maximum disposal rates under section 336.1309 of the TCEQ’s rules.