

CENTRAL INTERSTATE LLRW COMMISSION



1998-1999 ANNUAL REPORT

The purpose and objectives of the Commission are:

To carry out the mandate of the Central Interstate LLRW Compact by providing for and encouraging the safe and economical management of LLRW within the five-state Compact region;

To provide a framework for a cooperative effort to promote the health, safety, and welfare of the citizens and the environment of the Compact region;

To select the necessary regional facilities to accept compatible wastes generated in and from party states, and meeting the requirements of the Compact, giving each party state the right to have the wastes generated within its borders properly managed at such regional facilities;

To take whatever action is necessary to encourage the reduction of waste generated within the Compact region; and to faithfully and diligently perform its duties and powers as are granted by the Compact.

TABLE OF CONTENTS

[Project Background](#)

[Project Status Update](#)

[Significant Events Recap](#)

[Commission Meetings](#)

[FRC Meetings](#)

[Host State Activities](#)

[State Agencies](#)

[Legislature](#)

[NDEQ 1998 Annual Report to Nebraska Legislature](#)

[Developer-US Ecology](#)

[Waste Report](#)

[Billings Review](#)

[Information & Education](#)

[Summary of Litigation](#)

[Actions In Which The Commission Is Or Was A Party](#)

[Actions Which Potentially Affect The Project, But In Which The Commission Is Not A Party](#)

[Financial & Audit](#)

Project Background

The Commission's developer, US Ecology, Inc., (USE) submitted a license application for a low-level radioactive waste disposal facility near the Village of Butte in Boyd County in July 1990. The application was submitted to the Nebraska Department of Environmental Control (now known as Environmental Quality and referenced as NDEQ) and the Nebraska Department of Health (now known as Health and Human Services and referenced as NDHHS).

The State of Nebraska deemed the application complete for technical review in December 1991. After several years of review, in May 1995, US Ecology submitted to the State its responses to the fourth and final round of the state's technical comments.

In June 1995, US Ecology submitted its eighth revision to the Safety Analysis Report (SAR). On July 26, 1995, the LLRW Program indicated that it would take approximately one year to conduct its final review activities and confirmed that no more technical information would be accepted from the applicant unless the reviewers requested it. State evaluations and future decisions are to be based on this final product.

During 1995 and early 1996, the State did not issue a licensing public review schedule or commit to a binding licensing review schedule. Compact law, as well as individual laws in four of the five member states (Kansas law will be in force upon issuance of the license or permit to operate the disposal facility), charges the Commission to "require the Host State to process all applications for permits and licenses required for the development and operation of any regional facility or facilities within a reasonable period from the time that a completed application is submitted."

The Facility Review Committee for the project drafted a technical review schedule that was in compliance with the respective federal and state laws and regulations. This draft schedule was adopted by the Commissioners at their January 18, 1996, Mid-Year Meeting. At the Spring Quarterly Meeting on March 27, 1996, the Commissioners voted to reaffirm their schedule. At the Annual Meeting of the Commission on June 26, 1996, the Commissioners rescinded the Commission's technical review schedule and unanimously approved setting a Special Commission Meeting on August 27, 1996, for the purpose of "... developing and determining a reasonable schedule for the completion of the processing of the pending application for a license for the Compact's regional low-level radioactive waste disposal facility."

At public information meetings conducted by the NDEQ and the NDHHS on August 19 and 21, 1996, the state released information which called for the issuance of a Draft Safety Evaluation Report (DSER) and a Draft Environmental Impact Assessment (DEIA) in October 1997. This information was provided to the Commission along with other materials and comments received by the Commission when the Commission conducted its special meeting on August 27, 1996.

At the September 30, 1996, meeting, the Commissioners approved a motion that established a time frame between December 14, 1996, and January 14, 1997, as the scheduled date for receipt of the DSER and DEIA and a draft license decision from the LLRW Program. They also approved a motion that there be a single consolidated comprehensive public comment period and public hearing process on the draft documents and draft license decision.

On November 27, 1996, the State of Nebraska filed suit against the Commission regarding state compliance with the Commission's two motions.

In October 1997, the State released their Draft Safety Evaluation Report and the Draft Environmental Impact Analysis. Of the 152 evaluation areas, the reviewers found US Ecology's application and technical materials acceptable in 123 cases and unacceptable in only 29 instances. In the area of safety assessment, the state conducted their own Independent Performance Assessment for which the results indicated annual doses less than the regulatory limits. The state additionally indicated in the draft evaluation documents that the proposed facility would result in impacts to several environmental resources. However, the state's draft environmental impact analysis indicated all potential adverse environmental impacts can be mitigated except for sociocultural impacts. The draft documents indicated that these impacts are expected to decline during the period of facility operation, assuming the facility operates without radiological accidents. The draft license decision was not released with the draft evaluation documents.

The release of the draft evaluation documents started the 90-day public comment period ending with a public hearing on the evaluation documents. The public hearings were held in early February 1998, in Naper, Nebraska and in Butte, Nebraska (the host community).

The interested public and the Commission's developer participated in the public comment period and the public hearing. US Ecology said the state's finding of 29 unacceptable areas provided clear guidance for future US Ecology work on fully resolving all regulatory concerns for the successful licensing of the llrw disposal facility. The 123 acceptable findings were also reviewed by US Ecology to confirm their technical sufficiency. US Ecology continued to conduct environmental sampling and monitoring in anticipation of the release of the state reviewer's responses to the public comments they received and materials and testimony received during the February public hearing.

Project Status Update

On August 6, 1998, Nebraska regulators announced in a press conference their "Intent to Deny" US Ecology's license application to construct, operate, and close a LLRW disposal facility in Butte, Nebraska. Public hearings were held in Naper, Nebraska November 9 and 10, 1998 and in Butte, Nebraska, November 11 and 12, 1998.

December 21, 1998, NDEQ and NDHHS regulators denied US Ecology's license application. The decision to deny the application cited six objections. All environmental monitoring activities at the Butte, Nebraska site ceased as of December 31, 1998.

At the Commission's Mid-Year meeting January 13 and 27, 1999, various actions were taken in response to the denial decision by Nebraska regulators. Those actions included the initiation of cost-cutting measures and instruction of the Commission's legal counsel and US Ecology to request a contested case hearing challenging the licensing decision.

On January 15, 1999, US Ecology filed petitions with the regulatory agencies seeking a contested case hearing to challenge the license decision. On January 19, 1999, counsel for the Commission filed petitions to intervene in the requested contested case hearings.

US Ecology Lincoln and Butte, Nebraska offices were closed March 31, 1999. Two of US Ecology's staff members were available through the end of April to finalize project suspension arrangements.

In April 1999, in U.S. District Court Judge Richard Kopf granted a preliminary injunction barring Nebraska from spending any additional money paid by waste generators in the Central Interstate Compact on license review activities.

In May 1999, Nebraska's legislature passed LB530. Governor Mike Johanns signed the Bill withdrawing Nebraska from the Central Interstate Compact effective August 27, 1999. Commissioners voted at the June 1999 Annual Meeting to direct outside legal counsel to research the ramifications of Nebraska's withdrawal.

Significant Events Recap

Commission Meetings

Teleconference Meeting July 15, 1998

A Special Teleconference Meeting of the Commission was held on July 15, 1998. The Commission approved 14 export applications and the Commission's Project Manager's contract.

Fall Meeting September 30, 1998

The Fall Quarterly Meeting of the Commission was held September 30, 1998, in Lincoln, Nebraska. Actions taken by the Commission included ratifying the previously approved export applications and Project Manager's contract; approving reports presented by KPMG Peat Marwick for 1997-1998 Commission Financial Audit and 1997-1998 US Ecology / Commission Billings Review; approval of 9 export applications; approval of the US Ecology's fourth quarter funding request; and acceptance of several reports to the Commission. The Executive Director presented "Export Application Approval Process" as recommended by the FRC. The Nebraska Commissioner presented a seven-point plan to disengage from the Boyd County LLRW disposal facility project. A motion was passed to study and comment on the proposed plan.

Mid-Year Meeting January 13 and 27, 1999

The Central Interstate LLRW Commission's Mid-Year meeting was held in Kansas City, Kansas on January 13 and continued via teleconference on January 27, 1999. The Commission took various actions in response to the license denial by Nebraska regulators.

The Commission voted to implement cost reduction measures to include elimination of the Commission's Executive Director position and the transfer of routine management responsibilities to an office administrator; closing US Ecology's Nebraska site offices; plugging the monitoring wells on the proposed site; and storage of project documents.

Spring Meeting March 31, 1999

The Spring Quarterly Meeting was held via teleconference in the Commission's Lincoln, Nebraska office. Items discussed included revisions to US Ecology's ramp down plan, and to make budgetary adjustments to accommodate Commission's outside legal fees.

Annual Commission Meeting June 9, 1999

The Central Interstate Low-Level Radioactive Waste Commission Annual Meeting was held June 9, 1999, in Lincoln, Nebraska. Reports were received from the Commission's Administrator, outside Legal Counsel, the Host Community, the Host State, the Boyd County Local Monitoring Committee, the Commission's Developer, and the Commission's Project Manager.

The Commission approved a reduced administrative budget for the 1999-2000 fiscal year. The budget recognized a reduction in staff due to the elimination of the Executive Director and contracting with the Project Manager and Project Accountant positions. Boyd County site maintenance costs were approved to be included in the Commission's administrative budget. The budget also anticipated increased legal fees.

The Commission approved a motion requesting outside legal counsel to study the effects of Nebraska's withdrawal from the Compact. Legal counsel advised the Commissioner's that pursuant to Commission Rule 23, a special meeting is required within 30 days after notification of member state withdrawal.

Louisiana Commissioner, Michael E. Henry, was elected Chairman for fiscal year 1999-2000. The Mid-Year meeting was tentatively scheduled for January 12, 2000, in New Orleans, Louisiana.

Teleconference Meeting, June 30, 1999

A special teleconference meeting of the Commission was held on June 30, 1999. Export applications were submitted by 15 generators for approval. The Commission approved the applications for fiscal year 1999-2000. The Commission also approved the Project Manager's contract.

FRC Meetings

The Facility Review Committee (FRC) was created under the terms of the contract between the Commission and US Ecology. The FRC serves as an advisory body to the Commission regarding project progress, timelines, and funding.

Facility Review Committee Meeting August 12, 1998

The FRC conducted a teleconference meeting on August 12, 1998. The US Ecology and Commission staff activity reports and the Action Item Status Update were received. US Ecology briefly explained their response to the Intent to Deny decision stating that they will vigorously dispute the regulators' assertions during the November public comment period. The FRC discussed streamlining the export application approval process to obtain timely Commission approval for the regions llrw generators.

The FRC voted unanimously to recommend Commission approval of US Ecology's fourth quarter funding request with revisions. The recommended revisions were the elimination of work activities that did not directly respond to addressing the Intent to Deny, deferring other work to future funding requests, and maintaining necessary environmental monitoring activities to support the license application.

Facility Review Committee Meeting November 18, 1998

The FRC held a teleconference meeting on November 18, 1998. Committee received US Ecology's Developers Report and the Action Items Status Update report. It was decided to postpone US Ecology's 1999 Annual Work Plan until possibly January 1999. Due to the Intent to Deny decision, US Ecology was directed to work under the 1998 Annual Work Plan. US Ecology planned to meet with the major generators to discuss trimming some budget items. US Ecology presented a revised funding request for the fourth quarter and approval was held over until the next FRC meeting.

Due to the events occurring during this reporting period, November 18, 1998, was the last FRC meeting.

Host State Activities

State Agencies

Host State Directors Issue Second "Intent to Deny"

At an August 6, 1998 press conference in Lincoln, Nebraska, Low-Level Radioactive Waste program officials, Randolph Wood and Dr. David Schor, announced their Intent to Deny a license for US Ecology to construct, operate and close a LLRW disposal facility in Nebraska, the Central Interstate Compact's first Host State.

Wood and Schor cited seven issues as the basis for the decision. The issues cited by the directors were: 1) the site lacked sufficient depth to the water table; 2) the site lacks a buffer zone of adequate dimension beneath the disposed waste to carry out environmental monitoring and take mitigative measures if needed; 3) engineered structures and barriers are planned substitutes for a suitable site; 4) groundwater discharges to the surface within the disposal site; 5) site deficiencies would require the need for continuing active maintenance after site closure; 6) US Ecology has not demonstrated that it is financially qualified; and 7) the Radiation Safety Program does not adequately address accidents.

The issues cited by the directors conflicted with the findings of the LLRW Program's technical review team as outlined in the Draft Safety Evaluation Report and Draft Environmental Impact Analysis (DSEI and DEIA) issued by the program in October 1997. In those documents, which summarized the program's five years of technical review and more than two years of final review, state reviewers identified only 29 unacceptable findings in 152 areas of regulatory review. The remaining 123 areas were deemed wholly acceptable. Additionally, during public hearings on the DSEI and DEIA in February of 1998, US Ecology responded to the 29 unacceptable findings. It appeared that US Ecology's responses resolved those issues to the satisfaction of the LLRW Program and that none were relevant to the Intent to Deny.

Wood and Schor cited "hydrograph" (on-site water level measurements) information as the basis of their concerns on the first five issues they identified in the Intent to Deny. US Ecology provided the program with hydrographs for 1995-1997, along with its 1997 Environmental Monitoring Report, about a month prior to the Intent to Deny announcement. US Ecology stated that, while the hydrographs indicate water levels achieved record high levels, they are not meaningfully or significantly different than hydrograph information provided to the program prior to its acceptable findings on site characteristics in October. Similar data was available to the program prior to its issuance in October 1997 of an Independent Performance Assessment that found the site and facility met regulatory guidelines.

Regarding the sixth issue in the Intent to Deny, the program had an independent financial analysis of American Ecology, the parent company of US Ecology, conducted by an Omaha based investment advising firm. The analysis indicated that American Ecology is inseparable from US Ecology and, while the former has made progress in reducing operating losses, its cash flow remains tenuous and it lacks the capacity to fund construction and start-up costs. However, contractual agreements between US Ecology, the Central Interstate Compact Commission and its major generators, finalized prior to the announcement of the August 1998, Intent to Deny and after the February 1998, public hearings, provide US Ecology with an alternative means of prudently and efficiently securing the lowest cost means reasonably available to satisfy the host state requirements for long term care and remediation funds. Since January 1988, the Commission through a contract with US Ecology, has maintained a right and option to provide competitive construction financing itself instead of US Ecology (if it becomes more cost efficient to do so) or designate another person to provide an even more competitive financing package. When the disposal facility becomes operational, it will be self-supporting through the rates, fees, and surcharges.

The final issue identified in the Intent to Deny related to accident scenarios. The Intent to Deny relied on barely credible scenarios, and apparently ignored discussions and analysis by US Ecology and program reviewers that appeared to have resolved the issues prior to the October issuance of the DSEI.

Nebraska Denies License Application

On December 21, 1998, NDEQ and NDHHS regulators denied US Ecology's license application for construction and operation of a regional low-level radioactive waste disposal facility in Boyd County. The decision to deny the application cited the following six objections:

1. The site lacks sufficient depth to the water table.
2. The site lacks an adequate buffer zone.
3. Engineered structures and barriers are planned substitutes for a suitable site.
4. Ground water discharges to the surface within the disposal site.
5. There is a need for continuing active maintenance after site closure.
6. The applicant has not demonstrated that it meets the financial assurance requirements for the construction of a low-level radioactive waste disposal facility.

The denial decision was made following the 90-day public comment period and public hearings in Boyd County on the proposed Intent to Deny. Nebraska regulators issued a Response to Comments Document as well as a Final Safety Evaluation Report and Final Environmental Impact Analysis.

Resignations and Replacements of State Administrative Officials and Employees

Randolph Wood, Director of the Nebraska Department of Environmental Quality announced his resignation January 5, 1999. Mr. Wood accepted a position at the Texas Natural Resource Conservation Commission. Michael Linder serves as Mr. Wood's replacement.

Steve Moeller, resigned from his position as Senior Policy Analyst for the Nebraska Governor's Policy Research Office. Moeller, who will no longer work on radioactive waste issues, accepted a position at NDEQ as a Staff Attorney

Legislature

Nebraska Legislature Contracts for Study of Compact Withdrawal

In September 1998, the Executive Board of the Nebraska Legislative Council contracted Arent, Fox, Kintner, Plotkin & Kahn, a Washington, D.C. law firm to perform an analysis of the legal consequences of withdrawing from the Central Interstate Low-Level Radioactive Waste Compact.

An executive summary of the report was publicly issued in January 1999, and indicated that Nebraska would be responsible for the \$25,000 annual membership dues over the five-year withdrawal period totaling \$125,000.

Nebraska To Leave Central Interstate Compact

Nebraska Governor Mike Johanns signed LB530 in May 1999 withdrawing Nebraska from the Central Interstate LLRW Compact Commission effective August 27, 1999. Under the provisions of the law, Nebraska will cease being a member after five years. Until that time, the state is required to continue paying the \$25,000 annual membership fee.

Community Improvement Cash Funds Legislation

Legislative Bill 606, extending through calendar year 1999, the responsibility of the member states of the Commission to provide Community Improvement Cash Funds (CICF) to Nebraska (the Host State), advanced from the Natural Resources Committee and was placed on the general file of the Unicameral, however was not acted upon during the 1999 session.

This law, authorized and established in 1987, ensures continued funding assistance for the Village of Bute (Host Community) and a number of other local political subdivisions in Boyd County which are impacted by the selection of the proposed disposal facility site. Annual amounts of \$75,000 each are provided by the states of Arkansas, Kansas, Oklahoma, and Louisiana.

.NDEQ 1998 Annual Report to the Nebraska Legislature

The Low-Level Radioactive Waste Program (LLRW Program) was created to administer the Nebraska Department of Environmental Quality's (NDEQ) responsibilities as outlined in Nebraska State Statute through the Low-Level Radioactive Waste Disposal Act. The LLRW Program is a cooperative effort on behalf of NDEQ and the Nebraska Department of Health and Human Services (NDHHS). Their technical review of the license application covers eight functional areas including Site Characterization, Performance Assessment, Quality Assurance, Design and Construction, and Facility Operations. In addition to state personnel, the LLRW Program organized and contracted for a team of more than 100 technical reviewers with expertise in more than 20 technical and professional disciplines to assist the NDEQ and NDHHS in the review of the application.

The NDEQ Annual Report to the Legislature, submitted December 1, 1998, reported the August 6, 1998, preliminary Intent to Deny to US Ecology's license application and the public hearings that were held November 9-12, 1998.

Developer-US Ecology

US Ecology Nebraska Offices Closed

The US Ecology Butte and Lincoln, Nebraska offices were closed March 31, 1999. Two staff members maintained a temporary office throughout April to finalize project suspension arrangements. All but two monitoring wells were removed. The two remaining wells will be removed as weather permits. An auction was held to liquidate office furniture and equipment. All project records were boxed and placed in a storage facility.

Waste Report

The Commission's office did not conduct an annual waste survey for the 1998-1999 reporting period. Disposal information included in this report is from the National Low-Level Waste Management Program "1998 State-by-State Assessment of Low-Level Radioactive Wastes Received at Commercial Disposal Sites"

The National LLW Management Program publishes a report each year which provides both national and state-specific disposal data of low-level radioactive waste.

During this reporting period, the generators of low-level radioactive waste in the Central Interstate Region have had access to out-of-region disposal facilities located at Barnwell, South Carolina and Clive, Utah. According to the report, only a small portion of LLRW was shipped to Enviorcare.

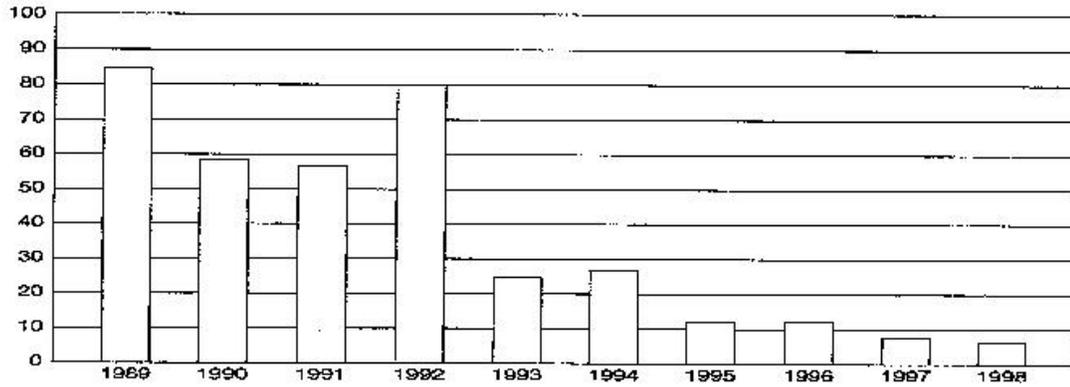
States	Volume (ft3)	Activity (curies)
Arkansas	365.64	7.25
Kansas	1013.83	353.53
Louisiana	1234.75	291.98
Nebraska	2921.86	7747.48
Oklahoma	795.98	0.02

1998 Total

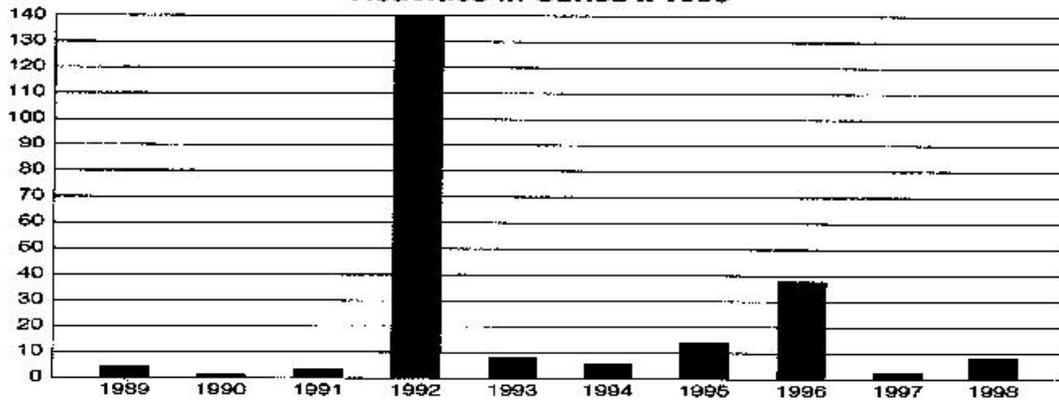
6332.06

8400.27

Volumes in Cubic Feet x 1000



Activities in Curies x 1000



Information and Education

The Commission maintains a mailing list of individuals and organizations interested in Commission activities. Commission meetings are open to the public and meeting announcements, materials, Annual Reports are distributed to interested persons and groups. In addition to routine information distribution, the Commission's office responds to various requests for information that are received. Research on specific topics is also performed in response to Commissioners and others directly related to the project.

The Commission has a variety of Fact Sheets, brochures, position papers, and other information available, including project-specific brochures.

The Commission's web page became operational in late 1996. Items contained on the Commission's web page are newsletter articles, the Annual Report, minutes of Commission meetings, notices of meetings, and other appropriate information.

The web site may be accessed at <http://www.cillrwcc.org>.

Summary of Litigation

During the past several years the Commission has been in litigation many times, and has been successful in defending its legal position. Most recent and current litigation is summarized below. Visit our web site (www.cillrwc.org) for details of past litigation.

A. ACTIONS IN WHICH THE COMMISSION IS OR WAS A PARTY

State of Nebraska v. Central Interstate Low-Level Radioactive Waste Commission (United States District Court for the District of Nebraska, Case No. 4:CV963438).

The Central Interstate Low-Level Radioactive Waste Commission at a meeting on September 30, 1996, passed resolutions after receiving evidence calling for the State of Nebraska to issue its initial draft decision and documents on the license application no later than January 14, 1997, and also calling for a consolidation of the hearing process after the draft decision. The State of Nebraska sued the Commission, claiming that it was entitled to a federal declaratory judgment that the Commission lacks authority to set any schedule for the remainder of the license application review currently underway in the Departments, and that even if it had such authority, the dates set were unreasonable.

Major generators Wolf Creek and Entergy were allowed by the Court to intervene, over Nebraska's objection. Trial was held before Judge Urbom during July, 1998. The parties submitted written closing arguments and briefed some issues at Judge Urbom's request. On October 15, 1998, Judge Urbom entered judgment in favor of the Commission. His 18-page opinion held that the Commission had the authority to pass its September 30 motion imposing a decision deadline, and that the deadline contained in the motion was reasonable. Nebraska appealed this decision to the Eighth Circuit Court of Appeals.

On August 16, 1999, the Eighth Circuit filed an opinion affirming the judgment entered by Judge Urbom. The Eighth Circuit determined that the Commission had authority to pass the deadline. The Court decided that the issue of the reasonableness of the deadline was moot, because the State had made a license decision after the lower court judgment was entered but before the appeal was decided. However, in a footnote the Eighth Circuit said, "Without addressing the issue directly, we believe, in any event, that the deadline established by the Commission was responsible." Nebraska has available no direct appeal from the Eighth Circuit's decision but can ask the U.S. Supreme Court to review the case on certiorari. The State has 90 days from August 16, 1999 to file a cert. petition.

State of Nebraska v. Central Interstate Low-Level Radioactive Waste Commission (United States District Court for the District of Nebraska, Case No. 4:CV973267).

In June and July, 1997, the Commission approved waste export applications made by a number of Major Generators. Nebraska's Commissioner voted "No" on each application, contending that Art. IV(m)(6) of the Compact gives the Host State veto authority over all export of waste from the region. On advice of counsel, the Commission determined that Nebraska's claimed "Veto" authority did not apply to the export applications before it, and approved the applications on a 4-1 vote.

In mid-August, 1997, Nebraska sued the Commission, seeking a declaration that the export permits issued by the Commission in June are invalid and that the affirmative vote of the Nebraska Commissioner is required before the Commission can authorize any export of waste from the region. Although the Commission took no action regarding importation of waste to the region, Nebraska's suit seeks a declaration that the affirmative vote of Nebraska's Commissioner is required before the Commission can authorize importation of any waste into the region. On September 13, 1997, Nebraska amended its complaint to include the export applications approved by the Commission in July, 1997.

The Commission asked that the case be dismissed unless the waste exporters whose applications were challenged by Nebraska's Commissioner were made parties. The Court rejected that motion, and the Commission answered the complaint. A short trial was held on October 2, 1998.

On November 23, 1998, Judge Kopf issued a Memorandum and Judgment in favor of the Commission. The opinion holds that Nebraska does not have veto power over export applications, and refuses to decide issues related to future import issues. On December 8, 1998, Nebraska filed a motion for new trial, which was overruled and Nebraska has appealed to the Eighth Circuit Court of Appeals. Briefing was completed by the end of May, 1999, and the case will be set for argument at some time later this year.

U.S. Ecology, Inc., and Central Interstate Low-Level Radioactive Waste Commission, Contested Case Proceeding over License Denial (Departments of Environmental Quality and Health and Human Services of Nebraska).

After the two departments announced their denial of a license on December 18, 1998, US Ecology filed a contested case proceeding before the two departments, and the Commission intervened as an interested party, with both US Ecology and the Commission seeking a reversal of the license denial. The attorneys for the two departments, however, then filed an answer in which they said that the issues of political influence over the license decision could not be decided in this proceeding for "lack of subject matter jurisdiction." A preliminary hearing was held before the hearing examiner, former Nebraska Chief Justice C. Thomas White, at which point the Commission announced that the major generators and the Commission would be seeking to enjoin any further proceedings in the contested case hearing because of the limitations being placed on it by the departments. Subsequently, in the lawsuit filed by the major generators and the Commission against the State of Nebraska and others, which is described in the following paragraph in this memorandum, United States District Judge Richard Kopf entered first a temporary restraining order and then a preliminary injunction against the contested case proceedings going any further. That preliminary injunction was entered on April 16, 1999. It both halted the contested case hearing and also prevented the State of Nebraska from billing the Commission, US Ecology, or the major generators in any way for the legal costs involved in the contested case proceeding or in the costs of the federal law itself. Therefore, at least until trial of the federal case, now scheduled for February of 2001, there will be no further action in the contested case proceeding. The State has appealed the preliminary injunction, but it is the Commission's opinion that the injunction will be sustained on appeal.

Entergy Arkansas, Inc. [and all other major generators except NPPD] and Central Interstate Low-Level Radioactive Waste Commission and US Ecology v. State of Nebraska [and several individual defendants] (United States District Court for the District of Nebraska, Case No.: 4:98CV3411)

In this case, which was filed by the major generators in late December, 1998, the claim was made by those original plaintiffs against the State of Nebraska, the directors of the Departments of Health and Human Services and Environmental Quality, and against the program director for the low-level radioactive waste program, Jay Ringenberg, and others, that the licensing proceeding was politically influenced and the denial was invalid. The plaintiffs also named the Central Interstate Low-Level Radioactive Waste Commission as a defendant, subject to realignment by the court since the Commission's position was much more likely to be aligned with the plaintiffs than the defendants. The claims by the generators were that the State of Nebraska, under color of state law, had denied the civil rights of the plaintiff generators in various respects, and also that the plaintiff generators were essentially intended beneficiaries of the compact between the states, and that bad faith on the part of the State of Nebraska had caused them tremendous damages.

Shortly thereafter, the Commission, at its January 1999 meeting, authorized its outside counsel to ask the Court to realign it as a plaintiff and essentially join in the claims originally made by the major generators. That has been done, and the Commission, in its own claim against the State of Nebraska, contended that Nebraska had operated in bad faith in violation of the compact which is both a federal law and has the characteristics of a contract between parties. A temporary injunction was obtained by the plaintiffs preventing any of the defendant parties from destroying any documents, and that has been communicated to all the State officials involved. The plaintiffs, including the Commission, then moved for a temporary restraining order and then a preliminary injunction against the State of Nebraska and the other defendants, prohibiting them from continuing with the contested case proceeding, and also prohibiting them from trying to charge the costs of any aspect of the low-level radioactive waste activities against the plaintiffs. The allegation was that more than \$75 million had been spent on the project by the original plaintiffs in this action (not counting the additional \$20 million or so spent by NPPD which has not joined in the case), and that allowing the State to continue charging everything to the plaintiffs was simply a continuation of the bad faith and illegality of Nebraska's approach to its role as the host state. The Commission joined in all those motions for injunctive relief.

On April 16, 1999, United States District Judge Richard Kopf granted the preliminary injunction, making extensive findings of probable bad faith by Nebraska in a 38-page opinion. The requirements for preliminary injunctive relief include a finding of probable ultimate liability, and the Court therefore was obliged to make that call and found very substantial and itemized evidence of various bad faith and political influence on the licensing proceeding. The State has appealed the preliminary injunction; the Commission and the State have filed their opening briefs, the State's reply brief is due on August 30, 1999, and the Court will likely schedule oral argument for late fall or winter.

Under current scheduling, the parties are all required to turn over to each other relevant evidentiary documents and lists of witnesses by June 15, 1999. Various other deadlines are set, with a planned trial date after all discovery and motions of February, 2001. Nebraska has filed a motion asking that all discovery be halted until its "sovereign immunity" arguments have been resolved.

B. ACTIONS WHICH POTENTIALLY AFFECT THE PROJECT, BUT IN WHICH THE COMMISSION IS NOT A PARTY

Diane Aurelia Burton and Heartland Operation to Protect the Environment, Inc. v. United States Nuclear Regulatory Commission and Ivan Selin as Chairman of the United States Nuclear Regulatory Commission (United States District Court for the District of Nebraska, Case No. 4:CV92-3217).

In 1992, the plaintiff sued the Nuclear Regulatory Commission of the United States in federal court; that case was dismissed on both jurisdictional and standing grounds by Judge Urbom. The plaintiffs did not appeal.

The State of New York; The County of Allegany; and the County of Cortland v. The United States of America, et al. (Supreme Court of the United States, Cases No. 91-543, 91-558, and 91-563).

An additional lawsuit of note was the suit by New York State, a "go-it-alone" state, against the United States, challenging various provisions of the federal low-level radioactive waste laws. The United States Supreme Court held unconstitutional as an unwarranted extension of federal power the federal statutory provision requiring a state such as New York (go it alone, non-compact), upon failing to meet the federal statutory guidelines, to take title to the low-level radioactive waste. However, the decision in general validated the federal statutory scheme. It is quite questionable whether even the decision as to the "take-title" provision is applicable to states which have joined a compact, such as Nebraska. That issue has not been decided. In general, the system of compacts and the federal system for a national solution to the problem

of low-level radioactive waste disposal passed muster in the New York case. The State of Nebraska joined New York as a limited "amicus" or friend of the court, but nothing in the decision expressly indicates that states which are members of a compact are protected by the decision.

Concerned Citizens of Nemaha County, a nonprofit corporation v. Dennis Grams and the Department of Environmental Control.
(District Court of Lancaster County, Docket 449, Page 7).

This action sought an injunction against DEC from taking any action to terminate the existence of the Nemaha County Local Monitoring Committee or depriving such committee of any funding until a license was granted. The plaintiff was successful in obtaining a temporary injunction against DEC. Subsequently, the local monitoring committees became parties, and Boyd County Local Monitoring Committee sought to obtain a dissolution of the injunction, at first without success.

Boyd County Local Monitoring Committee then filed a second lawsuit in the District Court of Lancaster County against Dennis Grams, DEC, and US Ecology in the District Court of Lancaster County (Docket 454, Page 219) seeking a declaration that Boyd County was entitled to the use of the local monitoring committee cash fund since the preferred site had been selected in Boyd County, a mandatory injunction to require DEC to collect payment from US Ecology for funding the local monitoring committee cash fund, and to enjoin DEC from taking any action to review US Ecology's license until the funds were paid to the Boyd County local monitoring committee.

The second lawsuit was disposed of on a motion for summary judgment and the Court found that US Ecology had selected a site and had filed an application for a license on the site and therefore the other two local monitoring committees ceased to exist and were dissolved.

In the first lawsuit, the injunction was ultimately lifted and the case dismissed. An incidental effect of this litigation was to delay the funding of the Boyd County Local Monitoring Committee for over a year.

County of Boyd v. US Ecology (United States District Court for the District of Nebraska, Case No. 4:CV93-3435).

In December, 1993, shortly after Judge Kopf dismissed the second "community consent" lawsuit filed by Nebraska, Boyd County and the Local Monitoring Committee sued US Ecology for fraud. The complaint alleged that US Ecology made false statements regarding the community consent process, and sought unspecified damages (a member of the Local Monitoring Committee was quoted in newspapers as saying that the damages amounted to hundreds of millions of dollars).

Judge Kopf dismissed the suit in July, 1994, finding that the complaint was really just another attempt to relitigate claims already decided in the previous "community consent" cases, and was thus barred by res judicata. Plaintiffs appealed to the Eighth Circuit. The Eighth Circuit affirmed Judge Kopf's decision on February 11, 1995. 48 F.3d 359. Boyd County petitioned the United States Supreme Court for certiorari; the Court denied the request on October 2, 1995. 64 U.S.L.W. 3240.

Contested Case Licensing Proceeding

Following dismissal of the contested case licensing proceeding by DEC on mootness grounds (reflecting amendment of US Ecology's license application to eliminate wetlands), the Boyd County Local Monitoring Committee appealed to the District Court of Lancaster County. The appeal sought a determination that the Monitoring Committee is entitled to a hearing on the merits of US Ecology's application now, notwithstanding the fact that no final licensing decision has been made. US Ecology filed a motion to dismiss arguing that the court lacked jurisdiction over the appeal. Judge Merritt dismissed the case on jurisdictional grounds in the spring of 1994, and no appeal from that decision was taken.

Hayden v. Peterson, et al. (District Court of Lancaster County, Docket 568, Page 262)

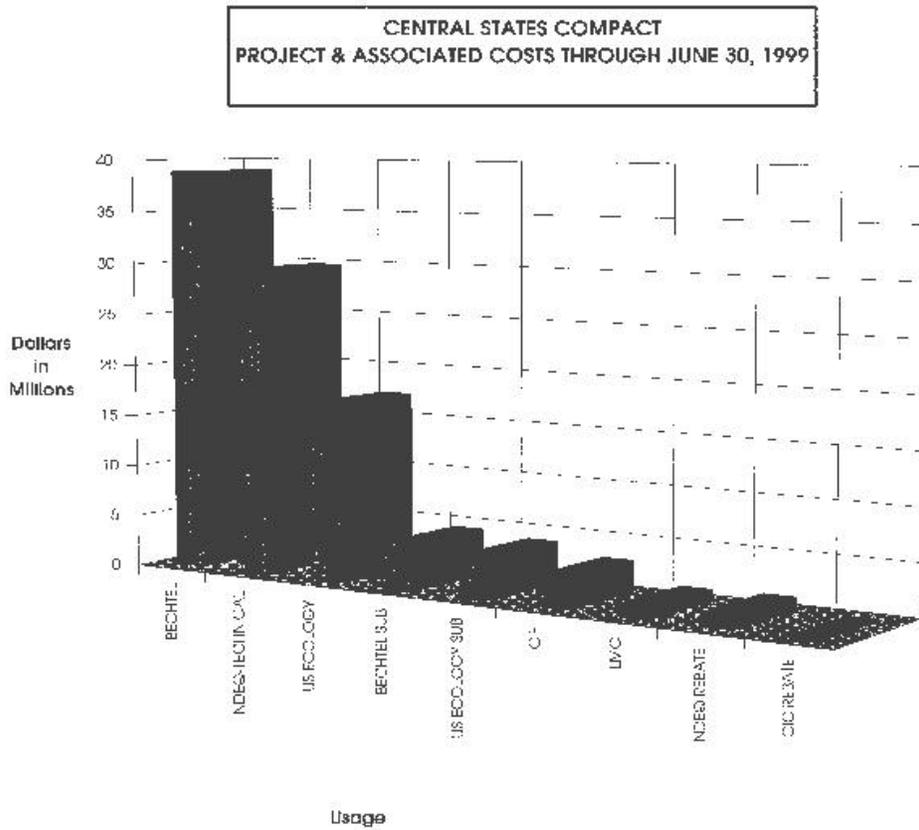
In April, 1998, Greg Hayden, Nebraska's Commissioner, sued Alan Peterson and the Cline, Williams law firm, the attorneys acting as outside counsel to the Commission since late 1989. Hayden's suit contended that the Commission's attorneys have violated various duties they owe to him because they have not given him without a requirement of confidentiality, or a Commission authorization, confidential financial information disclosed by American Ecology pursuant to a confidentiality agreement. At its annual meeting on June 17, 1998, the Commission passed a resolution which found that Peterson and Cline Williams have not violated any Commission directives or instructions, and that Commissioner Hayden's suit was filed without the authority or concurrence of the Commission. The resolution requested that Hayden immediately dismiss his suit against the Commission's legal counsel and his law firm. Peterson and Cline, Williams filed a motion for summary judgment, which will be heard on December 14, 1998, and summary judgment was granted, dismissing the case on February 19, 1999. Thereafter, Peterson and Cline, Williams filed a motion for attorney fees and costs against Mr. Hayden and his counsel, contending the lawsuit was meritless to the point of being frivolous, and that it amounted to harassment. That motion was denied by Judge McGinn.

Billings Review

The annual Billings Review of license application work performed by USE was completed by the accounting firm KPMG, Inc. The agreed upon procedures for the auditor's review covered fiscal year 1997-1998 and was completed in September 1998.

The review is performed to evaluate the developer's compliance with its contract with the Commission to perform and bill for approved precicensing work on the project. All billings from US Ecology (including subcontractors) to the Commission were subject to inspection. In some instances, minor mathematical discrepancies were found and by mutual agreement, all billing errors were corrected.

The Billings Review for fiscal year 1998-1999 is underway and should be completed sometime in September 1999.



PROJECT AND ASSOCIATED COSTS

SUMMARY OF PROJECT COSTS	DOLLARS		PERCENTAGE	
	FY 98-99	TO 6/30/99	FY 98-99	TO 6/30/99
PAID THROUGH US ECOLOGY*:				
DIRECT & INDIRECT COSTS	728,356	17,288,828	17.20%	17.30%
SUBCONTRACTS:				
BECHTEL NATIONAL INC. (BNI)	1,145,195	38,946,856	27.00%	38.00%
BNI SUBCONTRACTS	0	4,492,895	0.00%	4.50%
OTHER SUBCONTRACTS	192,398	4,048,460	4.50%	4.00%
LOCAL MONITORING COMMITTEES	0	1,100,000	0.00%	1.10%
HOST STATE LICENSE REVIEW	1,877,383	29,770,003	14.20%	29.80%
SUBTOTAL-PAID THROUGH US ECOLOGY	3,944,030	95,646,243	92.90%	95.70%
CIF DISTRIBUTION THROUGH NDEQ	300,000	3,000,000	7.10%	3.00%
FEDERAL REBATE FUNDS EXPENDITURES:				
COMMISSION	0	77,840	0.00%	0.10%
HOST STATE ***	0	1,237,940	0.00%	1.20%
TOTAL PROJECT & ASSOCIATED COSTS	4,244,030	99,961,023	100.00%	100.00%

FEDERAL REBATE FUNDS BALANCES	FY 98-99	TO 6/30/99
COMMISSION **:		
REC'D FROM DOE	0	2,126,712
PAID TO NDEQ	0	1,519,411
USED BY COMMISSION	0	77,840
AVAILABLE FUND BALANCE	0	829,461
NDEQ **:		
REC'D FROM COMMISSION	0	1,519,411
USED BY NDEQ	***	1,237,940
AVAILABLE FUND BALANCE ***	0	281,171

DISTRIBUTION OF COMMUNITY IMPROVEMENT FUND	FY 98-99	TO 6/30/99
TO VILLAGES:		
BUTTE	****	
ANOKA	****	
SUBTOTAL VILLAGES	150,000	1,450,000
TO COUNTIES:		
BOYD COUNTY	****	
NORTH EAST TCC	****	
SCHOOL DISTRICT #5	****	
ESU #8	****	
LOWER NIORARA NRD	****	
COUNTY AG SOCIETY	****	
MCCULLEY TOWNSHIP	****	
BUTTE FIRE DISTRICT	****	
SUBTOTAL	150,000	1,350,000
NEMAHA	0	100,000
NUCKOLLS	0	100,000
SUBTOTAL COUNTIES	150,000	1,550,000
TOTAL DISTRIBUTION	300,000	3,000,000

* PER PROJECT MONTHLY PROGRESS REPORT-INCLUDES US ECOLOGY EQUITY CONTRIBUTION
 ** DOES NOT INCLUDE INTEREST EARNED & ACCRUED
 *** AMOUNTS USED ARE NOT AVAILABLE, TOTALS ARE FOR PRIOR YEAR
 **** TOTALS ONLY, DETAILED DISTRIBUTION AMOUNTS NOT AVAILABLE

Commission Expense Report

EXPENSE	FY 93-94	FY 96-97	FY 97-98	FY 98-99		FY 99-00
	ACTUAL	ACTUAL	ACTUAL	BUDGET (1)	ACTUAL	BUDGET
SALARIES & BENEFITS	348,511	274,366	244,819	147,475	147,475	72,331
RENT	54,444	35,218	35,380	33,187	33,187	29,000
TELEPHONE	8,653	9,993	9,494	6,279	6,279	8,000
POSTAGE	3,640	3,237	3,777	2,385	2,385	3,000
COPYING & PRINTING	1,121	88	728	570	570	600
MACHINE LEASING & MAINTENANCE	3,720	4,907	7,479	8,565	8,565	9,000
MEETING TRANSCRIPTION	5,120	4,962	3,348	3,645	3,645	4,000
DUES & SUBSCRIPTIONS	462	369	544	312	312	300
OFFICE EQUIPMENT & SUPPLIES	6,539	14,029	7,988	3,334	3,334	5,000
TRAVEL & MEETING EXPENSE	30,130	19,114	19,701	11,063	11,063	10,000
INSURANCE	4,608	2,580	3,916	3,578	3,578	4,000
ACCOUNTING	30,145	23,899	27,160	27,906	27,906	36,000
LEGAL FEES	162,465	179,594	205,046	302,845	302,761	211,000
MISCELLANEOUS	1,024	0	43	68	68	500
PROJECT MANAGER		166,840	178,194	42,275	42,275	31,000
BUTTE SITE MAINTENANCE	0	0	0	0	0	15,380
TOTAL	660,582	739,196	747,617	593,487	593,403	439,111
(1) AMENDED EFFECTIVE JUNE 30, 1999						

**CENTRAL INTERSTATE LOW-LEVEL
RADIOACTIVE WASTE COMMISSION**

Financial Statements

June 30, 1999 and 1998

(With Independent Auditors' Report Thereon)

KPMG LLP

233 South 13th Street

Suite 1600

Lincoln, NE 68508-2041

Independent Auditors' Report

The Commissioners
Central Interstate Low-Level
Radioactive Waste Commission:

We have audited the accompanying balance sheets of the Central Interstate Low-Level Radioactive Waste Commission (Commission) as of June 30, 1999 and 1998, and the related statements of revenues, expenses and retained earnings and cash flows for the years then ended. These financial statements are the responsibility of the Commission'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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 the Central Interstate Low-Level Radioactive Waste Commission as of June 30, 1999 and 1998, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The Year 2000 supplementary information on page 7 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. Further, we were unable to apply to the information certain procedures prescribed by professional standards because of the nature of the subject matter underlying the disclosure requirements and because sufficiently specific criteria regarding the matters to be disclosed have not been established. In addition, we do not provide assurance that the Commission is or will become Year 2000 compliant, that the Commission's Year 2000 remediation efforts will be successful in whole or in part, or that parties with which the Commission does business are or will become Year 2000 compliant.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 15, 1999 on our consideration of the Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

July 15, 1999

KPMG, LLP

**CENTRAL INTERSTATE LOW-LEVEL
RADIOACTIVE WASTE COMMISSION**

Balance Sheets

June 30, 1999 and 1998

Assets	<u>1999</u>	<u>1998</u>
Current assets:		
Cash, primarily interest-bearing accounts	\$ 508,372	278,283
Prepaid and other	—	364
Total current assets	<u>508,372</u>	<u>278,647</u>
Restricted assets:		
Community improvement cash, interest-bearing account	75,000	300,000
Rebate fund, certificates of deposit	386,566	334,511
Guarantee fund, certificates of deposit	1,000,000	1,000,000
Project fund:		
Cash, interest-bearing account	9,011	229,687
Accounts receivable	17,379	507,786
Total project fund	<u>26,390</u>	<u>737,473</u>
Total restricted assets	<u>1,487,956</u>	<u>2,371,984</u>
Property and equipment	76,988	111,043
Less accumulated depreciation	68,924	99,002
Net property and equipment	<u>8,064</u>	<u>12,041</u>
Total assets	<u>\$ 2,004,392</u>	<u>2,662,672</u>
Liabilities and Retained Earnings		
Liabilities:		
Current liabilities:		
Community improvement fees payable	\$ 75,000	300,000
Accounts payable	104,615	805,549
Accrued expenses	3,536	9,161
Total current liabilities	183,151	1,114,710
Unearned export application fees	303,950	—
Total liabilities	487,101	1,114,710
Retained earnings	1,517,291	1,547,962
Commitments and contingencies	—	—
Total liabilities and retained earnings	<u>\$ 2,004,392</u>	<u>2,662,672</u>
See accompanying notes to financial statements.		

**CENTRAL INTERSTATE LOW-LEVEL
RADIOACTIVE WASTE COMMISSION**

Statements of Revenues, Expenses and Retained Earnings

Years ended June 30, 1999 and 1998

	1999	1998
Revenues:		
Funding from major generators	\$ 3,953,355	7,781,760
Commission member fees	125,000	125,000
Community improvement fees	—	300,000
Export application fees	343,675	641,600
Other	5,244	3,221
Total revenues	4,427,274	8,851,581
Operating expenses:		
US Ecology	2,067,255	3,201,895
Nebraska Department of Environmental Quality	1,887,083	4,479,866
Local Monitoring Committee	—	100,000
Salaries and benefits	141,882	244,819
Travel	11,627	19,670
Professional services	376,461	413,748
Office and administrative	17,526	28,269
Rent	33,187	35,380
Depreciation	3,977	4,431
Nebraska Community Improvement	—	300,000
Other	1,017	4,119
Total operating expenses	4,540,015	8,832,197
Income (loss) from operations	(112,741)	19,384
Interest income	82,070	101,396
Net revenue (loss)	(30,671)	120,780
Retained earnings, beginning of year	1,547,962	1,427,182
Retained earnings, end of year	\$ 1,517,291	1,547,962

See accompanying notes to financial statements.

**CENTRAL INTERSTATE LOW-LEVEL
RADIOACTIVE WASTE COMMISSION**

Statements of Cash Flows

Years ended June 30, 1999 and 1998

	<u>1999</u>	<u>1998</u>
Cash flows from operating activities:		
Income (loss) from operations	\$ (112,741)	19,384
Adjustments to reconcile income (loss) from operations to cash (used) provided by operating activities:		
Depreciation	3,977	4,431
Changes in assets and liabilities:		
Accounts receivable	490,407	(63,071)
Other current assets	364	1,273
Community improvement fees payable	(225,000)	300,000
Other current liabilities	(706,559)	(163,399)
Unearned export application fees	303,950	(180,000)
Total adjustments	<u>(132,861)</u>	<u>(100,766)</u>
Net cash used by operating activities	<u>(245,602)</u>	<u>(81,382)</u>
Cash flows from investing activities:		
Interest received on cash and certificates of deposit	82,070	101,396
Purchase of certificates of deposit	(52,055)	(55,235)
Purchases of property and equipment	—	(5,507)
Net cash provided by investing activities	<u>30,015</u>	<u>40,654</u>
Net decrease in cash	<u>(215,587)</u>	<u>(40,728)</u>
Cash and interest-bearing accounts, at beginning of year	<u>807,970</u>	<u>848,698</u>
Cash and interest-bearing accounts, at end of year	<u>\$ 592,383</u>	<u>807,970</u>
Reconciliation to balance sheets:		
Cash	\$ 508,372	278,283
Community improvement cash	75,000	229,687
Project fund cash	9,011	300,000
Total cash and interest-bearing accounts, at end of year	<u>\$ 592,383</u>	<u>807,970</u>

See accompanying notes to financial statements.

Notes to Financial Statements

(1) Organization

The Central Interstate Low-Level Radioactive Waste Commission (Commission) was established in 1984 by an interstate compact among the states of Arkansas, Kansas, Louisiana, Nebraska and Oklahoma with consent of Congress through the Omnibus Low-Level Radioactive Waste Interstate Compact Consent Act. The purpose of the Commission is to carry out the mandate of the Central Interstate Low-Level Radioactive Waste Compact by providing for and encouraging the safe and economical management of low-level radioactive wastes within the compact region.

The Commission is an instrumentality of the compact member states and as such, is exempt from Federal and state income taxes under Section 115 of the Internal Revenue Code.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements are prepared on the accrual basis and reflect assets and liabilities owned by the Commission and the results of the Commission's operations.

The Commission applies all applicable Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins except for those that conflict with or contradict Government Accounting Standards Board's (GASB) pronouncements.

Property and Equipment

Property and equipment consists of furniture, fixtures and equipment recorded at cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets which is currently three to five years.

Restricted Assets

The source of the project fund is from six major generators which are providing funding for the low-level radioactive waste disposal project under an agreement with the Commission (see note 4). The six major generators are Arkansas Power and Light Company, Gulf States Utilities Company, Louisiana Power and Light Company, Nebraska Public Power District, Omaha Public Power District and Wolf Creek Nuclear Operating Corporation. The agreement specifies the project funds provided by the major generators are to be used only to reimburse US Ecology, Inc. (US Ecology) for project costs incurred as defined in Section 4.01 of the Commission's contract with US Ecology. The use of interest earned on the project fund is not restricted.

Use of the rebate fund is restricted to payment of certain costs incurred to establish the low level waste facility or mitigate the impact of low level radioactive waste disposal facilities on the State of Nebraska.

The Commission has agreed to guarantee payment by US Ecology of certain licensing activity costs incurred by the State of Nebraska. Related to this guarantee, the Commission is obligated to create and maintain a segregated restricted account with a balance of \$1,000,000 for a guarantee fund, if needed, for payment of the State of Nebraska's licensing expenses and payments to its contractors in the license application and review process, should US Ecology default on prelicensing payments to the State of Nebraska. On July 12, 1996, the Commission transferred \$600,000 to the guarantee fund from rebate funds. The major generators also deposited \$400,000 in the Commission guarantee fund on July 12, 1996. Commission management believes that presently no circumstances exist to cause the use of monies in the guarantee fund for payment of licensing costs incurred by the State of Nebraska. At the end of the prelicensing period, when the license decision is final, the guaranty provisions expire. When that date approaches and any remaining anticipated costs of the licensing activities are determined and paid, the \$400,000 balance in the guarantee fund shall be released to the major generators. The remaining \$600,000 may then be used by the Commission for any legal purpose.

The interest income earned on the \$400,000 deposited in the guarantee fund by the major generators is remitted directly to the major generators. The interest income earned on the remaining \$600,000 is periodically transferred to the rebate fund.

Use of Estimates

Management of the Commission has made a number of estimates and assumptions relating to the reporting of assets and liabilities to prepare these financial statements in conformity with generally accepted accounting principles. Actual results could differ from those estimates.

Reclassification

Certain balances from 1998 have been reclassified to conform with the current year presentation.

(3) Cash and Certificates of Deposit

At June 30, 1999 and 1998, the Commission had cash and certificates of deposit of \$1,978,949 and \$2,142,481, respectively. At June 30, 1999, administrative, community improvement and project funding accounts included demand deposits of \$306,979 of which \$100,000 was covered by FDIC deposit insurance and \$206,979 was uninsured. Also at June 30, 1999, administrative, community improvement and project funding accounts included \$285,404 invested in short-term federal investment trust accounts

backed by the full faith of the federal government. At June 30, 1998, administrative, community improvement and project funding accounts included demand deposits of \$38,582 covered by FDIC deposit insurance and \$769,387 invested in short-term federal investment trust accounts backed by the full faith of the federal government. At June 30, 1999 and 1998, rebate fund certificates of deposit of \$100,000 were covered by FDIC deposit insurance and the remaining \$1,286,566 and \$1,234,512, respectively, were collateralized by government securities/agencies held in joint custody at the federal reserve, by the pledging bank, in the Commission's name.

(4) Contractual Agreements

The Commission has an agreement with US Ecology for the design, development, construction, operation and eventual decommissioning of a facility for the disposal of low-level radioactive waste. The agreement specifies eight project phases from identification of a host state and preparation of a siting plan to closure and post closure of the facility.

Current funding for the siting, licensing, development and construction of the facility is being provided by six major generators under separate agreement and, in part through equity contributions from US Ecology. Equity contributions were accomplished by US Ecology through credits on billings to the Commission for the facility. The Commission entered into the agreement to provide necessary funding for the project with the major generators.

(5) Lease

Rent expense under an operating lease for office space was \$33,187 and \$35,380 for the years ended June 30, 1999 and 1998, respectively. The future minimum rental payments under this are as follows:

For the year ended June 30:

2000	\$	19,227
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(6) Contingencies

In December 1998, the State of Nebraska denied US Ecology's license to build and operate the facility. In June 1999, Nebraska passed a law which will withdraw Nebraska from the Compact effective in August 1999. Nebraska would remain a member for up to five years after their notice to withdraw is submitted to the Commission. The Compact has joined in a lawsuit with the major generators against the State of Nebraska for licensing of the site or damages in for a bad-faith denial by Nebraska. The financial impact of these events are uncertain.

(7) Required Supplementary Information Year 2000 Disclosure (Unaudited)

The Year 2000 issue is the result of shortcomings in many electronic data processing systems and other electronic equipment. The Commission processes accounting transactions on a personal computer and has obtained an upgrade to their accounting software.

Because of the unprecedented nature of the Year 2000 issue, its effects and success of remediation efforts will not be fully determinable until the Year 2000 and thereafter. Management expects to be Year 2000 ready. However, management cannot ensure the Commission is or will be Year 2000 ready, that the Commission's remediation efforts will be successful in whole or in part, or that parties whom the Commission does business will be Year 2000 ready.

**Independent Auditors' Report on Compliance and on Internal Control
Over Financial Reporting Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

The Commissioners
Central Interstate Low-Level
Radioactive Waste Commission:

We have audited the financial statements of Central Interstate Low-Level Radioactive Waste Commission (the Commission) as of and for the year ended June 30, 1999 and have issued our report thereon dated July 15, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information of the Commissioner's and management and should not be used by anyone other than these specified parties.

July 15, 1999

KPMG, LLP