

Exhibit NMW-1T

BEFORE THE WASHINGTON STATE UTILITIES AND TRANSPORTATION COMMISSION

In Re Application No. GA-079251 of HAROLD LeMAY ENTERPRISES, INC., ET AL., For an Extension of Certificate No. G-98 for a Certificate of Public Convenience and Necessity	CONSOLIDATED DOCKET NOS. DOCKET NO. TG-040221
In Re Application No. GA-079254 of KLEEN ENVIRONMENTAL TECHNOLOGIES, INC. For a Certificate of Public Convenience and Necessity	DOCKET NO. TG-040248 PREFILED TESTIMONY OF NANETTE M. WALKER, CPA
In Re Application No. GA-079266 of RUBATINO REFUSE REMOVAL, INC. For an Extension of Certificate No. G-58 for a Certificate of Public Convenience and Necessity to Operate Motor Vehicles in Furnishing Solid Waste Collection Service	DOCKET NO. TG-040553

PREFILED TESTIMONY OF NANETTE M. WALKER, CPA

Nanette M. Walker, subject to penalties of perjury of the laws of the State of Washington, declares and states as follows:

1. I am a Certified Public Accountant and the owner of my own Certified Public Accounting firm, located in Ridgefield, Washington. I received a Bachelor of Business Administration degree with a major in Accounting from Washington State University in 1977. I have practiced public accounting since 1977. Prior to starting my own CPA firm in 1993, I worked as a CPA in several positions with business entities and CPA firms. Immediately prior to opening my own firm, I was a partner with the Certified Public Accounting firm of Moss Adams & Co. in Vancouver, Washington, where I practiced public accounting for over 12 years.

2. During my years as a CPA with Moss Adams & Company and subsequently with my own firm, I have worked with solid waste collection companies engaged in business in the state of Washington. I have assisted a number of Washington solid waste collection companies regulated by the Washington Utilities & Transportation Commission in preparing their annual reports to the Commission, in setting up their accounting systems to meet Commission requirements, revising and filing tariffs and in making presentations to the Commission on rate making issues. I am familiar with the accounting standards and practices that the Commission requires solid waste collection companies to follow in making their annual reports to the Commission and that the Commission uses in regulating the rates of solid waste collection companies, including biomedical waste collection companies. A copy of my resume with additional information about my professional qualifications and work history is attached hereto as Exhibit NMW-2.

3. I have analyzed the financial information presented by Kleen Environmental Technologies, Inc. ("Kleen") in the attachments to the Prefiled Testimony of Kenneth Lee

(Exhibit KRL-IT). I have compared Kleen's financial estimates and projections to the cost and revenue experience of Stericycle of Washington, Inc. ("Stericycle") in serving a broad cross-section of Washington biomedical waste generators in 2003. In most cases, the data on Stericycle's 2003 cost and revenue experience that I used for comparison purposes is found in Stericycle's 2003 annual report to the Commission. A copy of Stericycle's 2003 annual report to the Commission is an exhibit to the Prefiled Testimony of Michael Philpott. I have relied on some additional data that is not contained in the 2003 annual report but is also presented in the Prefiled Testimony of Michael Philpott and Chris Stromerson.

4. Based on my analysis of Kleen's financial projections, my comparison of those estimates and projections with Stericycle's historical experience and considering other reliable information referenced below, I have reached the following conclusions:

(a) Kleen's proforma financial projections (Exhibit KRL-5) include addition errors that in net effect reduce Kleen's projected annual profit by over 20%; i.e., \$15,872. These addition errors are itemized in the Notes to Profit Analysis attached hereto as Exhibit NMW-3 (hereinafter, "Notes to Profit Analysis").

(b) Kleen's proforma financial projections use the incorrect Business & Occupation tax versus the correct Public Utility tax rate and fail to include the annual WUTC fee. As set out in the Notes to Profit Analysis, the Public Utility tax rate applicable to biomedical waste collection companies is 0.642%, not the 0.484% B&O tax rate used by Kleen. Kleen's proforma does not include the WUTC annual fee of 0.4% of revenue. The net effect of these adjustments is to reduce Kleen's projected annual profit by another \$2,217.

(c) Kleen's proforma revenue projections assume that Kleen's services will be limited to large quantity biomedical generators that are not representative of Washington

biomedical waste generators generally. A table entitled "Revenue Statistics," comparing Kleen's revenue assumptions with Stericycle's 2003 actual revenue experience, is attached hereto as Exhibit NMW-4. Kleen assumes that all of its customers will generate revenues of \$1,106.40 per month. However, more than 97% of Stericycle's customers generated revenue of less than \$1,000 per month in 2003. Stericycle's average revenue per customer in 2003 was \$102.10 per month. Kleen assumes that it will earn revenues of \$276.60 each time one of its trucks makes a pickup at a customer's facility. However, Stericycle's actual revenue per pickup was only \$116.09 in 2003. It is apparent that the large quantity generator customers on which Kleen's revenue projections are based are not representative of Stericycle's customer base. Since Stericycle's almost 6,000 customers are presumably representative of the Washington generator community as a whole, Kleen's revenue projections depend on the assumption that its customers will not be representative of the entire Washington generator community.

(b) I have assumed that the Commission would require Kleen to serve all Washington generators without discrimination if its application for authority is granted. If Kleen serves all types and sizes of generators, its average monthly revenue per customer and average revenue per pickup should look very similar to Stericycle's averages for 2003. If Kleen's proforma projections are adjusted to reflect the assumption that Kleen's customers will generate revenues similar to the revenues generated by Stericycle's 2003 customer base, Kleen's projected revenues would be reduced by \$231,568 or \$360,895, depending on which adjustment is used, the profit projected by Kleen would disappear and a very large net loss in the range of \$178,504 to \$307,831 would result. Exhibit NMW-5, entitled "Profit Analysis Using Stericycle's Revenue History," shows the effect on Kleen's financial projections of these changes in revenue assumptions alone, without consideration of any adjustments on the cost side of Kleen's

projections. These revenue adjustments are necessary to bring Kleen's revenue projections into line with the revenues that Kleen would be expected to earn if its customers are representative of Washington generators and Kleen's rates are similar to Stericycle's existing rates. Since Kleen's proposed tariff specifies rates that are approximately 4% less than Stericycle's existing rates per container, these revenue adjustments may be conservative. Because Kleen has failed to provide projected revenue data for a biomedical waste collection service that would serve all types and sizes of Washington generators, it is my opinion that Kleen has failed to demonstrate the financial feasibility of its proposed statewide service or that it has the resources to fund the proposed service for a sufficient period of time to determine whether the service could be profitable.

(c) Kleen's proforma financial projections do not include the costs that would be associated with features of Kleen's proposed service which Kleen touts as major features of its service. Accordingly, it is my opinion that Kleen has not credibly established its costs of service. The cost items omitted include, among others, the following:

(i) Kleen provides no data with respect to cost of transporting biomedical waste to the Hospital Sterilization Services, Inc. ("HSS") "hydroclave" processing facility in Port Coquitlam, British Columbia or the cost of processing biomedical waste at that facility.

(ii) Although the Prefiled Testimony of Allen McCloskey at p. 2 suggests that Kleen will offer its customers "an online interactive generator profile system that will allow generators to review various documents associated with their waste, e.g., manifests, certificates of destruction, invoices, weight tickets, and any other documents associated with the transporting and disposal of their waste," Kleen's financial projections do not include any of the costs of developing and implementing such an "interactive" internet based system. Adding a cost for this

service would result in even greater losses.

(iii) Although the Prefiled Testimony of Darin Perrollaz at p. 2 indicates that Kleen personnel will “package” a generator’s waste if requested and Supplement No. 7 to Kleen’s proposed tariff specifies a charge of \$48.50/hour for “[o]n-site packaging services,” Kleen’s projections include neither projected costs nor projected revenues for such services. For the foregoing reasons and others discussed below, Kleen’s financial projections are not complete and clearly underestimate the costs of providing a statewide biomedical waste collection service with the service features identified by Kleen.

(d) In addition to omitting some major cost items entirely, Exhibit NMW-6, entitled “Profit Analysis Using Stericycle’s Cost History,” displays a series of adjustments to Kleen’s proforma cost projections that are necessary to more accurately account for the costs of the proposed service, based on Stericycle’s cost history and additional cost information presented in the Prefiled Testimony of Michael Philpott and Chris Stromerson. The reasons supporting these cost adjustments are identified in the Notes to Profit Analysis, with references to supporting testimony where applicable. The cost adjustments shown on Exhibit NMW-6 demonstrate that Kleen would operate at a substantial loss even without consideration of the revenue adjustments described in Exhibit NMW-5. In particular, Exhibit NMW-6 demonstrates that use of the HSS hydroclave processing facility by Kleen would dramatically increase Kleen’s costs and losses over what Kleen has projected.

(e) Exhibit NMW-7, entitled “Profit Analysis Combining Revenue and Cost Adjustments,” shows the combined effects of the revenue adjustments in Exhibit NMW-5 and the cost adjustments in Exhibit NMW-5. Exhibit NMW-7 shows that the combined effects of the adjustments would be operating losses in the range of \$257,000 to \$387,000 in Kleen’s first 12

months of operation. Based on the adjustments shown on Exhibit NMW-7, it is my opinion that Kleen's propose biomedical waste collection service is not financially feasible. At a minimum, Kleen has not demonstrated the financial feasibility of its proposed service.

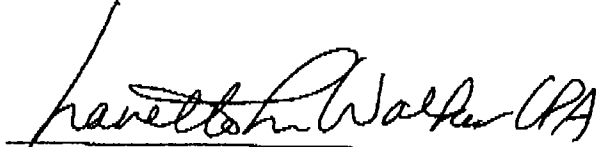
5. I have reviewed the Prefiled Testimony of Kenneth Lee as his testimony addresses the cash requirements necessary and funding sources available to Kleen to fund start-up of its proposed biomedical waste collection business, particularly Exhibit KRL-4 ("Kleen Environmental Tech. Inc., BioHazardous Waste Capitalization List"), Exhibit KRL-3 (letter from Kenneth R. Lee to Robert Olson dated April 19, 2004) and Exhibit KRL-2 ("Kleen Environmental Technologies, Inc. Financial Statements, September 30, 2003"). Exhibit NMW-8 ("Cash Requirements – First 12 Months") attached shows my estimates of Kleen's cash needs for the first 12 months of its proposed operations. Kleen will need sufficient cash to fund not only the start-up expenses identified in Exhibit KRL-4, but the losses I project in Exhibit NMW-7. Although the Prefiled Testimony of Kenneth Lee indicates that Kleen has working capital of \$100,000 in its existing business, small businesses typically consider it prudent to retain cash on hand equal to approximately three months' operating expenses. Thus, the cash which Kleen has retained in its existing business is needed to fund the working capital requirements of the existing business. Although Exhibit KRL-3 suggests that the vehicles required for the proposed service can be leased "with minimal money down" from a particular vehicle dealership, Kleen has provided no statement or other evidence from this dealership to demonstrate that it is prepared to extend credit to Kleen in this form, for this purpose. Nor has Kleen allowed for a cash disbursement for the down payment on the lease if it was able to arrange such a lease. Similarly, Exhibit KRL-3 suggests that necessary modifications to a building which Kleen rents "can usually be funded by [Kleen's] landlord by extending our building lease in duration and

monthly rate.” However, Kleen has provided no evidence that it has a lease for the building it proposes to modify and no statement or other evidence from its landlord to support the claim that its landlord is prepared to either permit or finance modifications to this building to support a biomedical waste collection business. In fact, Note 4 to Kleen’s 2003 financial statements (Exhibit KRL-2) states that Kleen’s lease expired in 2001 and Kleen is renting its facility on a month-to-month basis. Likewise, although Exhibit KRL-3 suggests that Kleen could borrow additional funds on a bank line of credit, the exhibit indicates that no such line of credit is currently in existence and Kleen has provided no statement or other evidence from its bank to demonstrate that its bank is prepared to provide loans or a line of credit to Kleen to support its proposed entry into the biomedical waste collection business. Finally, although Exhibit KRL-3 suggests that Kleen’s “three partners” have agreed to contribute additional funds to Kleen in equal amounts, if needed, Kleen has provided no evidence that its “partners” have made a binding or specific commitment to provide additional funds to the company or that they have sufficient resources or the intent to fund the kind of cash requirements that would be needed. In short, Kleen has not demonstrated that it has access to sufficient resources to fund the cash requirements of its proposed biomedical waste collection service for the first 12 months of the proposed operation.

6. I have also evaluated the potential financial impacts on Stericycle that would result from a successful entry by Kleen into the Washington biomedical waste collection business, assuming as Kleen projects that it would attract 43 large quantity generators away from Stericycle to Kleen’s new service. 43 LQGs constitute 30.71% of Stericycle’s large quantity generator customers. As Exhibit NMW-9 attached indicates, if Stericycle loses 30.71% of its LQG revenue, Stericycle’s costs as a percentage of revenue would increase significantly. In fact,

as Exhibit NMW-9 shows, the effect would be to cause Stericycle to operate at a net loss. To preserve its existing operating ratio of 93.28%, Stericycle would be required to implement a rate increase to its remaining customers of approximately 6%.

DATED this 17 day of September, 2004.



Nanette M. Walker, CPA

NANETTE M. WALKER C.P.A.

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EXHIBIT NMW-2

PROFESSIONAL EXPERIENCE

- ◆ Owner - Nanette M. Walker C.P.A. - a Certified Public Accounting firm. Primarily engaged in providing accounting, tax, and business management services to construction, marine, manufacturing and service businesses as well as testifying for solid waste clients at the WUTC, litigation proceedings and analysis projects for large international businesses. 1993 to Present.
- ◆ Strategic partner – Veber Partners – Portland, OR. Private Investment Banking Services including mergers and acquisitions. 1999 – Present.
- ◆ Partner - Moss Adams - Accounting services, tax, management consulting and general business consulting for manufacturing, solid waste and construction companies. Supervised staff, supervisors and managers. Coordinated management meetings and was instrumental in developing, writing and implementing a regional firm strategic plan. Testified for clients at State agencies. Able to handle many diverse projects and clients at any one time while maintaining high productivity and timeliness. 1981-1993
- ◆ Internal Auditor - Red Lion Hotels and Inns - Executive Office
Responsible for internal audits, hiring and training of accounting office managers in three states, and preparation of year-end financial statements for large hospitality company. 1978-1981
- ◆ Staff Accountant - Franklin, Mayhan, Mains and Pfaff C.P.A.s
Experience in a local CPA firm working with many supervisors on tax and accounting projects. 1977-1978
- ◆ Teaching positions and speaking engagements - numerous programs and courses at colleges and professional groups. 1978-1996

EDUCATION

Washington State University - Bachelor of Business Administration - Major - Accounting 1977
Clark Community College - Associates of Arts and Sciences 1975
Stanford Business Management College 1992

PROFESSIONAL ACTIVITIES

Strategic Planning Committee – WSCPA – 2000 to Present Two years as Chair.
Chair – 21st Century Task Force – WSCPA to 1999
Secretary - Washington Society of CPAs - 1998
Board of Directors - Washington Society of CPAs 1989 - 1994
Treasurer - Washington Society of CPAs 1991
Chair/Member - Individual Practitioners Committee - WSCPA 1995-1999
Environmental Management Committee - WSCPA 1993-1995
President, Vice president, Treasurer and Board of local chapter of WSCPA 1982-1993
Board of Directors, Secretary, Treasurer, V.P. - Clark County Estate Planning Council 1987-1993
Board of Directors and President - Vancouver Trade Club 1984-1990
Executive Round Table Committee - Columbia River Economic Development Council 92-94

COMMUNITY ACTIVITIES

WSU Vancouver - College of Business and Economics Advisory Board – 2000 - Present
Planned Giving Advisory Board – Portland, Or. - Washington State University – 1996 – Present
Portfolio Committee – Clark County YWCA – 2002-Present
Chair - Finance committee - YWCA 1985 to 2002
Treasurer of Clark County YWCA 1992-1994
Board of Directors - Clark County YWCA 1990-1991
Founding member of the Bon Vivante Societe' 1981 to Present

KLEEN ENVIRONMENTAL TECHNOLOGIES, INC.
 NOTES TO PROFIT ANALYSIS

NOTES Stericycle of WA info from 2003 WUTC Annual Report unless otherwise noted

1	Revenue - Stericycle of WA	\$ 7,215,120
	Revenue - Kleen proforma -per Exhibit KRL-5	\$ 397,345
2	# of containers - Stericycle of WA -per prefilled testimony for Mike Philpott	462,785
	# of containers - Kleen -per Exhibit KRL-5	21,548
3	Stops - Stericycle of WA -per prefilled testimony for Mike Philpott	62,151
	Stops - Kleen	1,428
	K- 357 customers serviced with 4 pickups or stops per month = 1,428 stops	
4	Customers - Stericycle of WA	5,889
	Customers - Kleen proforma-per Exhibit KRL-5	43
	Stericycle of WA - LQG -per prefilled testimony for Mike Philpott	140
	Stericycle of WA - SQG -per prefilled testimony for Mike Philpott	5803
	2003	5943
		2.36%
		97.64%
		100.00%
5	Miles - Stericycle of WA	457,108
	Miles - Kleen proforma -per Exhibit KRL-5+B71	76,007

KLEEN ENVIRONMENTAL TECHNOLOGIES, INC.
 NOTES TO PROFIT ANALYSIS

NOTES Stericycle of WA info from 2003 WJUTC Annual Report unless otherwise noted

6	Adjustment to profit for errors in addition on Kleen proforma	
	Sales @ \$18.44/unit X # Units for Disp	\$ 2,360
	Labor Wages	(8,000)
	Payroll Taxes	(768)
	Workers Comp	(820)
	Empl Health Insur	(484)
	Material: Boxes @ \$1.40/box	(179)
	LABELS @.36	(46)
	Disposal @ \$4.00/box	(512)
	Disposal Admin @ \$2.00/box	(256)
	Empl Training	(2,700)
	Liability Insur @ \$1.20/\$1000/mo	(3)
	Licensing	(300)
	Office supplies	(770)
	Postage @ \$.37/Piece	(223)
	Rent	(3,000)
	Taxes (B&O) @ Rev X .00484	(11)
	Telephone	(480)
	Utilities	(500)
	Total addition errors	(16,692)
	Labor hours added in error into expense on Kleen Proforma:	
	Direct labor hours	400
	Admin hours	420
	Total adjustments to addition	\$ (15,872)

KLEEN ENVIRONMENTAL TECHNOLOGIES, INC.
 NOTES TO PROFIT ANALYSIS

NOTES

Stericycle of WA info from 2003 WJTC Annual Report unless otherwise noted

7	Correct Public Utility Tax rate and WA Utility and Transportation Commission fee	\$ 1,923 (2,551) <u>(1,589)</u>
	B&O Tax rate per Kleen Proforma - Exhibit KRL-5 - .484%	
	Correct Public Utility Tax rate - .642%	
	WJTC fee .4%	
	Adjustment to profit on Kleen proforma	<u>\$ (2,217)</u>
8	Vehicle operating costs - Stericycle of WA - per prefiled testimony for Mike Philpott Truck operating costs less lease expense Per mile 76,007 miles @ \$.22 per Kleen proforma - Exhibit KRL-5 Vs \$.39	<u>\$ 178,276</u> <u>\$ 0.39</u> <u>\$ 12,921</u>
9	Management expenses - Stericycle of WA - per prefiled testimony for Mike Philpott Route transportation administration Route transportation management	<u>\$ 86,203</u> <u>58,861</u>
	Management costs as % of revenue	<u>\$ 145,064</u>
	Kleen proforma revenue - per Exhibit KRL-5 x 2.01%	<u>2.01%</u> <u>\$ 7,987</u>
10	Labor wages to transport waste to Canada Vs Oregon - 272milesx26wks/50mphx\$20/hr labor cost Labor hours to transport - per Don Wilson prefiled Testimony Labor cost at \$20.00 per hour - per Kleen proforma - Exhibit KRL-5	<u>\$ 3,869</u> <u>\$ 371</u>
11	Payroll taxes - per Kleen proforma - Exhibit KRL - 5 9.6% of wages	
12	Workers Comp - per Kleen proforma - Exhibit KRL - 5 \$2.05/hr	<u>\$ 397</u>

KLEEN ENVIRONMENTAL TECHNOLOGIES, INC.
 NOTES TO PROFIT ANALYSIS

NOTES

Stericycle of WA info from 2003 WUTC Annual Report unless otherwise noted

13 Employee Health Ins. - per Kleen proforma - Exhibit KRL-5 6.05% of wages \$ 234

14 Disposal cost - Hydroclave at approx. \$.25 per lb. -per prefiled testimony for Mike Philpott
 Quote of \$.33C / lb.

Current exchange approx. \$.75US= \$1C.

1 box = 40 lbs. at \$.25 = \$10.00/box

Kleen proforma uses \$4.00 a box - Exhibit KRL-5

Difference of \$6 per box x 21,548 boxes

100% of waste to Hydroclave

75% of waste to Hydroclave

50% of waste to Hydroclave

25% of waste to Hydroclave

Note 16

\$	129,288
\$	96,966
\$	64,644
\$	32,322

15 Vehicle operating cost - additional mileage
 272 miles x 26 wks = 7,072 miles to Canada
 at \$.39 per Stericycle of WA data

\$	2,758
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16 Pounds - conversion- per prefiled testimony of Mike Philpott
 K - # of units/boxes @40 lbs each
 \$200/ton - Covanta -\$200/2000=\$.10 \$4.00/.10= 40lbs.

	861,920
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17 Drivers are reimbursed for meals and lodging while on the
 road and would need to overnight at least twice
 a month to go to Canada Hydroclave - \$90.00 per day -per prefiled
 testimony of Don Wilson

\$	2,340
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KLEEN ENVIRONMENTAL TECHNOLOGIES, INC.
 NOTES TO PROFIT ANALYSIS

NOTES

Stericycle of WA info from 2003 WUTC Annual Report unless otherwise noted

- 18 Licensing and fees incurred Stericycle of WA in Statewide operation are:
 -per prefiled testimony for Chris Stromerson
 King County Biomedical Waste Transporter fee
 Kitsap County Health Department fee
 Seattle Commercial Loading zone fee
 Spokane County Health Department transfer station fee
 Spokane Infectious Waste Collection Permit

\$	448
	150
	120
	1,000
	1,000
\$	<u>2,718</u>
	<u>(100)</u>

Licensing fees per Kleen proforma -per Exhibit KRL-5

\$	<u>2,618</u>
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Additional fee expense required

- 19 Liability insurance is not reflected in an adequate manner given the industry and type of waste being handled. A quote from a Bellevue agency indicates the following premiums given the level of revenue and number of vehicles used.
 General liability insurance - average of range of \$7,500-\$15,000
 Commercial auto insurance - average of range of \$3,000-\$4,500/vehicle
 Liability insurance Kleen proforma -per Exhibit KRL-5
 Additional insurance expense required

\$	11,250
	3,750
	<u>15,000</u>
	<u>(474)</u>
\$	<u>14,526</u>

KLEEN ENVIRONMENTAL TECHNOLOGIES, INC.
 PROFIT ANALYSIS -- REVENUE STATISTICS

	Kleen proforma	Stericycle actual
Average Revenue per stop or pickup	\$ 276.60	\$ 116.09
Average Revenue per customer - Annual	\$ 13,276.80	\$ 1,225.19
Average Revenue per customer - Monthly	\$ 1,106.40	\$ 102.10

Notes 1 & 3
 Notes 1 & 4
 Notes 1 & 4

KLEEN ENVIRONMENTAL TECHNOLOGIES, INC.
 PROFIT ANALYSIS USING STERICYCLE'S REVENUE HISTORY
 Revenue adjustments to Kleen proforma

	Revenue - pickup or stop	Revenue - customer
Note 6	\$ 71,153	\$ 71,153
Note 7	(15,872)	(15,872)
	<u>(2,217)</u>	<u>(2,217)</u>

NET PROFIT PER KLEEN PROFORMA - Exhibit KRL-5
 Adjustments to correct addition
 Correct Public Utility tax rate and add WUTC fee

Adjusted net profit 53,064 53,064

Kleen's number of pickups or stops = no. of cust each mo. x 4 pu/mo
 Total pickups or stops for year 1,428
 Stericycle of WA average revenue per pickup or stop \$116.09 for 1,428 pickups or stops
 Per Kleen proforma Exhibit KRL-5 (397,345)
 Difference in revenue projected (231,568)

Note 3	1,428
Rev Stats	<u>165,777</u>
	<u>(397,345)</u>
	<u>(231,568)</u>

Stericycle of WA average monthly revenue per customer \$102.10 x 357 Kleen cust.
 Per Kleen proforma Exhibit KRL-5 36,450
 Difference in revenue projected (397,345)
 (360,895)

Rev Stats	36,450
	<u>(397,345)</u>
	<u>(360,895)</u>

Net profit (loss) as adjusted

\$ (178,504)	\$ (307,831)
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KLEEN ENVIRONMENTAL TECHNOLOGIES, INC.
 PROFIT ANALYSIS -- COST ADJUSTMENTS
 Cost adjustments to Kleen proforma

Per Kleen proforma attached to Kenneth Lee testimony - Exhibit KRL-5
 Adjustments to correct addition
 Correct Public Utility tax rate and WUTC fee
 Licensing and fees required
 Vehicle operating costs - Stericycle of WA = \$.39/mile vs \$.22/mile
 Management expenses - none included - Trans admin & mngt/rev.
 Liability insurance - commercial auto and general liability
 Use of HSS hydroclave facility:
 Disposal cost difference \$ 6.00/box x 21,548 boxes at 25% usage
 Vehicle operating costs to HSS hydroclave facility
 Driver expenses overnight to Canada
 Driver hours expense and payroll burden

Net loss based solely on cost adjustments; hydroclave usage at 25%

Loss if HSS hydroclave facility at 50% usage
 Loss if HSS hydroclave facility at 75% usage
 Loss if HSS hydroclave facility at 100% usage

**Profit adjusted
 for cost differences**

	\$ 71,153
Note 6	(15,872)
Note 7	(2,217)
Note 18	(2,618)
Note 8	(12,921)
Note 9	(7,987)
Note 19	(14,526)
Note 14	(32,322)
Note 15	(2,758)
Note 17	(2,340)
Note 10-13	(4,871)

\$ (27,279)

Note 14	\$ (59,601)
Note 14	<u>\$ (91,923)</u>
Note 14	<u><u>\$ (124,245)</u></u>

KLEEN ENVIRONMENTAL TECHNOLOGIES, INC.
 PROFIT ANALYSIS COMBINING REVENUE AND COST ADJUSTMENTS
 Combined revenue and cost adjustments to proforma for Kleen

Per Kleen proforma in Kenneth Lee testimony - Exhibit KRL-5
 Adjustments to correct addition
 Correct Public Utility tax rate and WUTC fee
 Licensing and fees required
 Vehicle operating costs - S of WA = \$.39/mile vs \$.22/mile
 Management expenses - none included - Trans admin & mngrt/rev.
 Liability Insurance - commercial auto and general liability
 Use of HSS hydroclave facility:
 Disposal cost difference \$ 6.00/box x 21,548 boxes at 25% usage
 Vehicle operating costs to HSS hydroclave facility
 Driver expenses overnight to Canada
 Driver hours expense and payroll burden

Net loss based solely on cost adjustments; hydroclave usage at 25%

Loss if HSS hydroclave facility at 50% usage
 Loss if HSS hydroclave facility at 75% usage
 Loss if HSS hydroclave facility at 100% usage

Revenue - pickups/stop
 Revenue - customers

Loss if revenue adjusted to Stericycle of WA average per pickup or stop
 Loss if revenue adjusted to Stericycle of WA monthly average per customer

**Profit adjusted
 for revenue and cost differences**

	\$ 71,153
Note 6	(15,872)
Note 7	(2,217)
Note 18	(2,618)
Note 8	(12,921)
Note 9	(7,987)
Note 19	(14,526)
Note 14	(32,322)
Note 15	(2,758)
Note 17	(2,340)
Note 10-13	(4,871)
	<u>\$ (27,279)</u>

Note 14	\$ (59,601)
Note 14	\$ (91,923)
Note 14	\$ (124,245)

Revenue adj.	\$ (231,568)
Revenue adj.	<u>\$ (360,895)</u>

	\$ (258,847)
	<u>\$ (388,174)</u>

KLEEN ENVIRONMENTAL TECHNOLOGIES, INC.
CASH REQUIREMENTS - FIRST TWELVE MONTHS

Cash needs for Year #1

Start up equipment and supplies:

Equipment - per Kenneth Lee Prefiled Testimony Exhibit KRL-4	\$	23,500	\$	23,500	\$	23,500	\$	23,500	\$	23,500	\$	23,500
Supplies - per Kenneth Lee Prefiled Testimony Exhibit KRL-4		15,525		15,525		15,525		15,525		15,525		15,525
Personnel - per Kenneth Lee Prefiled Testimony Exhibit KRL-4		5,500		5,500		5,500		5,500		5,500		5,500
Vehicles - per Kenneth Lee Prefiled Testimony Exhibit KRL-4		139,445		139,445		139,445		139,445		139,445		139,445
Building modifications - per Kenneth Lee Prefiled Testimony Exhibit KRL-4		15,000		15,000		15,000		15,000		15,000		15,000
		27,279		27,279		59,601		59,601		91,523		91,523

Fund loss - Year 1 - for underestimate of costs only @ 25% hydroclave usage

Fund loss - Year 1 - for underestimate of costs only @ 50% hydroclave usage

Fund loss - Year 1 - for underestimate of costs only @ 75% hydroclave usage

Fund loss - Year 1 - for overestimate of revenue - adj. based on ave. revenue per pickup or stop

Fund loss - Year 1 - for overestimate of revenue - adj. based on ave. monthly revenue per customer

Cash needed in Year 1 for new medical waste activity

Existing business 3 mo operating expenses as working capital needed

Annual expenses per Sep 2003 FS = \$ 916,934 per Kenneth Lee testimony - Exhibit KRL-2

Total cash needed in Kleen Environmental Technologies, Inc. in Year 1

Total average cash available per Kenneth Lee testimony Exhibit -KRL-3

Cash shortage

\$	(587,051)	\$	(716,378)	\$	(619,373)	\$	(748,700)	\$	(651,295)	\$	(780,622)
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	231,568		360,895		231,568		360,895		231,568		360,895
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	457,817		587,144		490,139		619,466		522,061		651,388
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	229,234		229,234		229,234		229,234		229,234		229,234
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	687,051		816,378		719,373		848,700		751,295		880,622
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	100,000		100,000		100,000		100,000		100,000		100,000
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