BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2000-366-A - ORDER NO. 2004-349

JULY 23, 2004

IN RE: Application of Chem-Nuclear Systems, LLC for Approval of Allowable Costs.	))	ORDER IDENTIFYING ALLOWABLE COSTS

I. INTRODUCTION

This matter comes before the Public Service Commission of South Carolina (the Commission) on the Application of Chem-Nuclear Systems, LLC (Chem-Nuclear or the Company) on a proceeding for approval of allowable costs as required under the provisions of the Atlantic Interstate Low-Level Radioactive Waste Compact Implementation Act (the Act), codified as S.C. Code Ann. Section 48-46-10 et seq. (Supp. 2003). Pursuant to Section 48-46-40(B), this Commission is authorized and directed to identify allowable costs for operating a regional low-level radioactive waste disposal facility in South Carolina.

The provisions of the Act extensively govern the relationship between the State of South Carolina and operators of facilities for the disposal of low-level radioactive waste in a comprehensive economic regulatory program. Fundamentally, the Act implements the State's membership in the "Atlantic Low-Level Radioactive Waste Compact" (the Compact) and authorizes the manner in which the State will participate in the Compact, along with the States of Connecticut and New Jersey, which are the other members of the Compact. S.C. Code Ann. § 48-46-20 (Supp. 2003). The Atlantic Compact Act

establishes a schedule of declining annual, maximum volumes of low-level radioactive waste from generators in states within and outside the Compact to be disposed at the facility within South Carolina. S.C. Code Ann. § 48-46-40(A)(6)(a) (Supp. 2003). The Act provides for the establishment of rates for the disposal of waste within South Carolina, establishes certain fees for various purposes, and makes disposition of revenues generated by the disposal operations of facilities subject to the provisions of the Act.

Among other things, the Act imposes a form of shared responsibility for economic regulation between the Budget and Control Board (the Board) and the Commission. The Board sets the rates for disposal of low-level radioactive waste at any facility located in South Carolina. S.C. Code Ann. § 48-46-40(A) (Supp. 2003). Upon the Board's implementation of initial disposal rates, the Commission is authorized and directed to identify "allowable costs" for operating a regional low-level radioactive waste disposal facility in the State. S.C. Code Ann. § 48-46-40(B)(1). In fulfilling that responsibility, the Commission must (a) prescribe a system of accounts, using generally accepted accounting principles ("GAAP"), using an operator's existing accounting system as the "starting point"; (b) audit site operators' books and records associated with disposal operations; (c) assess penalties for failures to comply with the Commission's applicable regulations; and (d) require periodic reports from site operators. S.C. Code Ann. § 48-46-40(B)(2) (Supp. 2003).

The Act defines "allowable costs" as those "costs to a disposal site operator of operating a regional disposal facility." S.C. Code Ann. § 48-46-30(1) (Supp. 2003). In

addition to that definition, the Act specifies that "[a]llowable costs include the costs of those activities necessary for:

(a) the receipt of waste;

(b) the construction of disposal trenches, vaults, and overpacks;

(c) construction and maintenance of necessary physical facilities;

(d) the purchase or amortization of necessary equipment;

(e) purchase of supplies that are consumed in support of waste disposal activities;

(f) accounting and billing for waste disposal;

(g) creating and maintaining records related to disposed waste;

(h) the administrative costs directly associated with disposal operations including, but not limited to, salaries, wages, and employee benefits;

(i) site surveillance and maintenance required by the State of South Carolina, other than site surveillance and maintenance costs covered by the balance of funds in the decommissioning trust fund or the extended care maintenance fund;

(j) compliance with the license, lease, and regulatory requirements of all jurisdictional agencies;

(k) administrative costs associated with collecting the surcharges provided for in subsections (B) and (C) of Section 48-46-60;

(l) taxes other than income taxes;

(m) licensing and permitting fees; and

(n) any other costs directly associated with disposal operations determined by the [Commission] to be allowable."

The Act also expressly excludes from "allowable costs" the costs of "activities associated with lobbying and public relations, clean-up and remediation activities caused by errors or accidents in violation of laws, regulations, or violations of the facility operating license or permits, activities of the site operator not directly in support of waste disposal, and

other costs determined by the [Commission] to be unallowable." S.C. Code Ann. § 48-46-40(B)(3) (Supp. 2003).

The Commission may use any standard, formula, method, or theory of valuation reasonably calculated to arrive at the objective of identifying allowable costs associated with waste disposal. S.C. Code Ann. § 48-46-40(B)(8) (Supp. 2003).

The Act entitles a private operator of a regional disposal facility in South Carolina to charge an operating margin of 29%. S.C. Code Ann. § 48-46-40(B)(5) (Supp. 2003). (The present regional disposal facility in South Carolina is located in Barnwell County, South Carolina. The facility shall hereinafter be known as the Barnwell Facility.) The operating margin is applied to the total amount of the operator's "allowable costs" which the Commission has identified, excluding the "allowable costs" for taxes and the licensing and permitting fees paid to governmental entities (*i.e.*, those "allowable costs" described in Section 48-46-40(B)(3)(l) and (m)). S.C. Code Ann. § 48-46-40(B)(3) (Supp. 2003).

Under the Act, the "allowable costs" and operating margin affect the amount of revenue which a site operator annually pays to the State of South Carolina. Under Section 48-46-40(D)(1), at the conclusion of the fiscal year, a site operator pays to the South Carolina Department of Revenue an amount equal to the total revenues received for waste disposal in that fiscal year (with interest accrued on cash flows in accordance with instructions from the State Treasurer) less the site operator's allowable costs, less the statutory 29% operating margin, and less any payments the site operator had previously made during the fiscal year for reimbursement of certain administrative costs

which the Board, the Commission, the State Treasurer and the Atlantic Compact Commission had incurred in satisfaction of those agencies' responsibilities under the Act. *See* S.C. Code Ann. § 48-46-60(B) and (C) (Supp. 2003).

The Act also allows a site operator to file an application for adjustment in the levels of previously identified "allowable costs" or for the identification of "allowable costs" which the Commission had not previously identified. S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2003). The site operator must file such application within 90 days of the conclusion of a fiscal year. If the Commission grants the requested relief in the application, the Act requires the Commission to authorize the site operator "to adjust 'allowable costs' for the current fiscal year so as to compensate the site operator for revenues lost during the previous fiscal year." *Id.*

S.C. Code Ann. Section 48-46-40 (B)(9) identifies certain specific parties to the proceeding. This section of the Act provides that the Budget and Control Board shall participate as a party representing the interests of the State of South Carolina and that the Atlantic Compact Commission (the Compact Commission) may participate as a party representing the interest of the compact states. In addition, the section directs that the Consumer Advocate and the Attorney General of the State of South Carolina (the Attorney General) shall be parties. Further, representatives from the Department of Health and Environmental Control (DHEC) shall participate in proceedings where necessary to determine or define the activities that a site operator must conduct in order to comply with the regulations and license conditions imposed by DHEC. The Act also

states that other parties may participate in the proceeding upon satisfaction of standing requirements and compliance with the Commission's procedures.

In the present proceeding, the Commission's Executive Director directed the Applicant to publish a Notice of Filing in newspapers of general circulation one time, advising the members of the public of how to participate in the proceedings. The Company furnished affidavits to show that it had complied with the instructions of the Executive Director. Parties of record in this case are as follows: Chem-Nuclear Systems, LLC; the South Carolina Budget and Control Board; the Consumer Advocate for the State of South Carolina (the Consumer Advocate); the Attorney General of the State of South Carolina (the Attorney General); the South Carolina Department of Health and Environmental Control (DHEC); the Atlantic Compact Commission (the Compact Commission); South Carolina Electric & Gas Company (SCE&G); Duke Power; and the Commission Staff (the Staff).

A hearing was held on April 7, 2004 in the offices of the Commission. The Honorable Mignon Clyburn, Chairman, presided. Chem-Nuclear was represented by Robert T. Bockman, Esquire. The Board was represented by David K. Avant, Esquire and Robert E. Merritt, Esquire. The Consumer Advocate was represented by Hana Pokorna-Williamson, Esquire. The Commission Staff was represented by F. David Butler, General Counsel. The Atlantic Compact Commission, the Attorney General, DHEC, SCE&G, and Duke Power did not appear at the hearing.

Chem-Nuclear presented the testimony of Regan E. Voit, Mark A. Childs, and Carol Ann Hurst. The Staff presented the testimony of William P. Blume.

II. DISCUSSION

In Order No. 2001-499, this Commission found that reductions in fixed and variable costs should result from reductions in the waste stream to the Barnwell Facility. To quantify these future cost reductions, Chem-Nuclear was directed to provide to this Commission an "operations and efficiency plan," or OEP, for the Barnwell Facility prepared by an independent, qualified party. The OEP was to identify least-cost operating strategies for future years, including but not limited to, personnel requirements for disposal services and optimal vault and trench configurations for determination of allowable variable costs. Any request for proposal to prepare the OEP was to be submitted to the Commission for approval prior to initiation of any proposed work on the OEP. Under Order No. 2001-499, the OEP was to be completed prior to June 30, 2002, and the findings and recommendations of the OEP were to be reviewed and considered by the Commission in subsequent hearings regarding allowable and fixed costs. See Order No. 2001-499 at 29-30. This Commission approved a Request for Proposal (RFP) in Order No. 2002-1. The Commission found that the RFP criteria were appropriate in allowing a contractor to develop the proper outline for the OEP to assist the Company in the development of the required least-cost operating strategies for the future. On June 26, 2002, Chem-Nuclear filed the OEP with this Commission. However, Chem-Nuclear and the Board filed a letter and Joint Statement on December 2, 2002, in which they requested that the Commission defer consideration of the OEP past the proceeding in 2003. The Compact Commission ultimately filed a letter in support of the Joint Statement. The Commission Staff stated in its letter of December 17, 2002, that it had no

objection to the Commission's approval of the Joint Statement, but that Staff wanted to employ certain financial tools as described in the OEP for purposes of forecasting allowable costs as of the end of fiscal year 2002-2003. Staff further opined that if the OEP was tabled for the 2003 proceeding, the entire cost of the OEP should be deferred or only a partial reimbursement should be allowed for recovery during the next fiscal year.

In Order No. 2003-188, which memorialized the Commission's ruling on the 2003 proceeding, the Commission required a collaborative review of the OEP, with all parties being given a chance to participate. Also, and with regard to the cost related to the preparation the OEP, the Commission identified $123,698, or 50 per cent of the cost, as an allowable cost and provided that the remainder of the cost for preparation of the OEP could be considered in a subsequent proceeding after the submission of the collaborative review statement. Later, Order No. 2003-537 defined the recommendations that the parties made in the report of the collaborative review. Chem-Nuclear states that it applied those recommendations in preparation of its Application in this case for identification of allowable costs for Fiscal Year 2003-2004. See Direct testimony of Regan Voit, Tr. at 15.

Ultimately, Chem-Nuclear presented its requested allowable costs for Fiscal Year 2003-2004 in the three categories which were defined in the Report of the Collaborative Review of the OEP (the Report). The categories are fixed costs, variable costs, and irregular costs. The seven cost categories specified in the OEP were consolidated to establish the three categories. Id.

Voit explained that the fixed costs in the Company's Application for Fiscal Year 2003-2004 are the fixed costs identified in the Report, adjusted for pay increases,

correction of fringe rate, and adjusted for inflation on materials and supplies. Tr. at 16. Variable material costs are defined in the Report as the costs of concrete disposal vaults and the amortization of trench construction costs for disposal trenches built before Fiscal Year 2002-2003. The Report, according to Voit, specifies five variable waste dependent labor rates, each based on activities associated with the disposal of waste at the Barnwell Facility. Tr. at 17. Irregular costs are described in the Report as typically not recurring costs. Some examples are costs associated with one-of-a-kind waste shipments, regulatory compliance projects or special site maintenance projects. Id.

Voit pointed out that the basic activities that occur from year-to-year at the Barnwell Facility as pointed out in the OEP and the Collaborative Review of the OEP do not cover variations in weather, or changes in the marketplace that might impact site operations. As part of the collaborative review process, all parties decided that costs associated with such considerations would be handled as irregular costs in the future. In the present case, Chem-Nuclear is therefore requesting coverage of work started on storm water management improvement to prevent storm water runoff onto adjacent property, work to connect to new water facilities and for sewer management, and costs due to the heavy rainfall received during the latter half of the fiscal year, such as increased site maintenance, active trench water management, and the additional grading of on-site roads and surface water management features. Tr. at 18-19.

Voit also notes that the Retention Compensation Plan for Fiscal Year 2003-2004 is essentially the same as the one approved by the Commission for Fiscal Year 2002-2003, although various minor modifications have been made. Tr. at 19-20.

Lastly, Voit proposed recovery of the remaining $123,698 cost that was incurred in 2002 for preparing the OEP.

Voit also presented rebuttal testimony to testimony presented Commission Staff witness William P. Blume. Chem-Nuclear took issue with Staff's Adjustment # 2, which is related to direct labor for fiscal year 2002-2003. The Company was in agreement with the first part of the adjustment, which was identified as a $1,125 reduction, however, the Company disputed the second part of the adjustment, which amounted to a reduction of $57,058 in direct costs. Tr. 22-23.

Further, in additional rebuttal testimony, Voit took issue with the Commission Staff's adjustment to the cost to fabricate the skid that was utilized to transport the 950-ton Maine Yankee Reactor Pressure Vessel (Maine Yankee RPV) to the Barnwell Facility and to support the Maine Yankee RPV in the disposal trench. The Company had proposed an amount of $191,248, which represented one-half the cost of fabricating the skid. Tr. at 24. The Staff proposed a reduction to direct materials of $26,354 resulting in an allowance of $164,894 with regards to the skid. Tr. at 185. In addition, Chem-Nuclear, through Voit's testimony, questioned Staff's elimination of $123,698 in expenses associated with the OEP. Voit also opposed Staff's recommendation to lower the amount of fixed costs by $146,678, as well as Staff's recommended reduction to fixed labor costs.

Mark A. Childs, Project Manager and Senior Environmental Cost Engineer with Project Time & Cost, Inc. (PT&C) also testified for Chem-Nuclear. Childs' testimony described PT&C's responsibilities in the planning, development and preparation of the

OEP. Childs testified that PT&C employed basic activity-based costing (ABC) methodology and explained that the ABC methodology can be broken down into five steps: scope definition, determination of tasks, identification of activities, resource requirement, and compilation of cost. Ultimately, after the collaborative review of the OEP, the cost categories found in the OEP were consolidated into the three categories mentioned by Voit: fixed costs, variable costs, and irregular costs. Finally, Childs testified regarding eight recommendations found in the OEP. Tr. at 88-103.

Carol Ann Hurst was the final witness for Chem-Nuclear. Ms. Hurst testified as to the financial information provided by the Company's Application, and she described the methodology used by the Company in its accounting procedures. Tr. at 124-144.

William P. Blume, Audit Department Manager, testified for the Commission Staff. Blume stated that the Audit Department examined the records of the Company to determine the proposed allowable costs for recovery for the period ending June 30, 2003, the projected costs for the period ending June 30, 2004, and the adequacy of the Cost Point System for accounting now being used by the Company.

With regard to the Cost Point System, Blume noted that Staff performed several desk audits during the year and visited the Company in June, 2003, to make an on-site audit of the information furnished by the Company using the Cost Point System of accounts. Blume opined that the Cost Point System far exceeds the abilities of the former J.D. Edwards system and that much more detailed information will result from the change in systems. Tr. at 161-163.

Blume discussed the issue of proposed cost recovery for the period June 30, 2003. Chem-Nuclear requested recovery of costs totaling $9,880,038. As a result of the Staff's audit, Staff recommended adjustments resulting in a total proposed reduction in overall costs of $321,652. Tr. at 201. Staff witness Blume explained his proposed adjustments to vault costs, direct labor, fringe costs, and direct materials. Tr. at 163-192.

With regard to the reduction in direct materials, Blume's proposed adjustment is related to the skid used to transport the Maine Yankee RPV to the Barnwell Facility and further used to furnish support for the Maine Yankee RPV after it was placed in the trench. Staff opined that the ownership of the skid is held by the transportation carrier and not Chem-Nuclear. This being the case, Staff noted that Chem-Nuclear would either need to charge some cost for the use of the skid as a support mechanism or have the vessel removed from the transporting skid and supported in the trench by some other means, which would have to be the responsibility of Chem-Nuclear to provide. This appears to have been the case in other shipments of waste to the burial site. Accordingly, Staff recommends a disallowance of the requested coverage for the $191,248 associated with the skid and instead proposes to use the contracted amount to determine the actual level of cost associated with disposal operations, which is $164,894. Thus, Staff proposes an adjustment reducing direct materials by $26,354. Staff determined its proposed cost of $164,894 by using the percentage associated with the $16.9 million contract of which $7.2 million was associated with disposal operations. Tr. at 184-185.

Blume also discussed a proposed elimination of $123,698 from the Company's request for reimbursement until the Commission has been able to rule on the adequacy of

the OEP. This represents the remaining one-half of the cost of the OEP as discussed in Order No. 2003-188.

Also, Blume proposed to reduce direct labor. An amount of $57,058 of this reduction to direct labor related to FTE requirements as shown in the OEP. The Staff Audit revealed that the Company's FTE levels exceeded the level identified in the OEP by 1.41 FTEs. Tr. at 234.

With regard to the matter of the projected costs for the fiscal year ending June, 2004, Blume noted that he had modified the position taken in his prefiled written testimony with regard to direct labor, indirect labor, and both direct and indirect fringes for FTEs after consideration of the testimony of Company witnesses Childs and Voit. Tr. at 236-237. Instead of proposing a level of direct labor of $379,149, Blume proposed the amount of direct labor as $420,056. Chem-Nuclear proposed indirect labor of $1,243,064. Blume proposed instead $1,451,811. The resulting total increase in labor amounts to $249,654. Blume noted that it did appear to the Staff that the five new variable cost rates proposed in the collaborative agreement, which were adjusted by the Staff, will have the result of recognizing needed reductions in labor as levels of waste are reduced as required by the Act. Witness Blume also stated that the sharing of the 5% difference between the Budget and Control Board and the Company as related to certain costs should also be handled in a manner that differs from that proposed in his direct testimony. It is Blume's opinion that the use of the five new variable rates would also eliminate the need for a sharing or 50/50 split of the differences noted between the two parties. The changes as proposed by Blume would have the effect of increasing both

labor and fringes as detailed in his report and testimony. As a result of these changes in labor, the dollar amount of $159,031 shown for direct fringe costs should also be increased to an amount totaling $176,003, and the amount for indirect fringes should increase from $521,386 to $608,307. The total increase in fringe costs is the result of the elimination of the adjustment for FTEs and the 50/50 split totals $103,893. Tr. at 237. Blume also noted that the new fringe rate of 41.9 percent should be used in 2004. Tr. at 238.

It should also be noted that the elimination of the splitting of the 5% difference as proposed by Blume in his direct testimony would also cause a change in the amount proposed by him for the indirect cost account, employee cost. His report and testimony showed a cost for this account totaling $61,750. This amount would increase to a total of $70,000 as a result of not using the proposed 50/50 split.

The Commission Staff also used a 7 percent labor increase to recognize inflation for two years and a 4 percent increase for materials resulting from utilization of the collaborative agreement on the OEP. Tr. at 239.

Blume further noted that there are five new rates that are a part of the 2004 projected cost. These are (1) vault labor cost of $82.47 per vault; (2) A, B, and C waste labor rate of $882.86 per total shipments less slit trench shipments; (3) slit trench labor rate of $5,289.12 per total horizontal shipments; (4) waste acceptance labor rate of $257.86 per total shipments; and (5) trench record labor rate of $51.65 per container. Tr. at 239.

Lastly, Staff proposed rates for vault costs. The four rates that are being proposed are as follows: Class A waste, $22.83 per cubic foot; Class B waste, $23.78 per cubic foot; Class C waste, $23.57 per cubic foot; and, slit trench waste, $91.04 per cubic foot. Tr. at 240.

III. FINDINGS AND CONCLUSIONS

1. The Public Service Commission of South Carolina is authorized and directed by S.C. Code Ann. Section 48-46-40(B) et seq. (Supp. 2003) to identify allowable costs for operating a regional low-level radioactive waste disposal facility in South Carolina. The described facility is located in Barnwell, South Carolina.

2. Chem-Nuclear has operated the disposal site in question continuously since 1971 without interruptions. The site is comprised of approximately 235 acres of property owned by the State of South Carolina and leased by Chem-Nuclear from the Budget and Control Board.

3. The Commission Staff's adjustments are adopted, except that we grant the Company's request for the additional $123,698 as reimbursement for the rest of the cost of the OEP.

As described by Company witnesses Voit and Childs, the OEP (a) addresses resource requirements for waste disposal, support services, and administration of the Barnwell Facility as waste volumes decline under the terms of the Act; (b) addresses fixed and variable costs necessary for the safe operation of the Barnwell Facility as volumes decline; (c) identifies significant cost drivers, such as the cost of concrete vaults and costs to prepare and construct new trenches; and, (d) focuses on the configuration of

trenches and vaults to optimize the economic of the Barnwell Facility's capacity. The Company used the cost categories from the OEP, as revised during the Collaborative Review process, for the purposes of depicting costs for fiscal year 2003-2004 described in the Company's Application. Those cost categories, upon which the parties agreed, are fixed costs, variable costs, and irregular costs. The OEP was also instrumental in the derivation of the variable cost rates for types of waste disposal at the Barnwell Facility. The Commission Staff also made use of the OEP in its determination of costs for fiscal year 2003-2004. While the Staff did not specifically propose including the costs of the OEP in allowable cost, Staff witness Blume did not object to inclusion of those costs provided the Commission was able to examine the OEP and subsequently adopt the OEP. Therefore, based upon this evidence before us regarding the development and use of the OEP, we find the OEP to be a reasonable and valid method for derivation of "allowable costs," and we approve its use. We also identify as an "allowable cost," the remaining $123,698 of costs associated with the preparation of the OEP that the Company incurred and which was deferred from the 2003 proceeding.

Included in the Staff's adjustments approved herein is Staff's adjustment to reduce direct labor costs for fiscal year 2002-2003 by $57,058. The Staff based its adjustment on the number of "full-time equivalents" (FTEs) that were identified in the OEP. The Staff determined that the number of FTEs in the fiscal year exceeded the level developed in the OEP, and the Staff made a corresponding adjustment to reduce the costs associated with the additional FTEs. The Company challenged the Staff's adjustment by asserting that the additional labor costs were attributable to activities on the site that the

OEP could not have predicted and that were necessary for proper disposal operations. According to the Company, some of the activities were undertaken in response to abnormally heavy rainfall levels which occurred in the later half of the fiscal year. We find the Staff's adjustment, which is based on the OEP and which reduces the direct labor costs by $57,058, or 1.41 FTEs, to be appropriate and reasonable, and we hereby adopt the Staff's adjustment. The OEP, the use of which is approved herein, was ordered and then prepared to quantify the effect in the fixed and variable costs resulting from the reductions in volumes of waste imposed by the Act. Following a collaborative review of the OEP by the parties to this docket, all of the participating parties reached a consensus that the information in the OEP was a valid representation of the Company's disposal site operations and that the OEP could validly be used as a baseline for establishing a method for the identification of "allowable costs" in future proceedings. The instant proceeding is one of those "future proceedings," and we find and conclude that the Staff's adjustment to bring the direct labor cost into line with the OEP is appropriate.

We also approve the Staff's reduction to direct materials of $26,354. This adjustment related to the support structure, or skid, which was used in the transportation and disposal of the Maine Yankee RPV. Chem-Nuclear proposed that the amount of $191,248 be identified as an allowable cost. The Company's proposal represents one-half of the total cost of the design, engineering, fabrication and delivery of the skid. The Staff proposed an adjustment to reduce the Company's amount by $26,354 resulting in an allowable cost related to the skid of $164,894. The difference in the Company's proposal and the Staff's proposal is attributable to different allocation methods. The Company

proposed a 50/50 allocation, while the Staff made its allocation based on the relative relationship between the revenues from the Maine Yankee project that were attributable to transportation operations and the revenues attributable to disposal operations. We find insufficient evidence to support Chem-Nuclear's proposed adjustment. While Company witness Voit testified that Chem-Nuclear used an "avoided cost" approach to arrive at the 50/50 split, Voit provides no evidence to support that the Company's proposed adjustment is in fact the avoided cost. Voit stated that more than half of the skid remains in the disposal trench for supporting the reactor pressure vessel, but there is no evidence on which avoided cost can be determined to be 50% of the total cost of the skid. Voit also indicated that it was more cost effective to use a single skid for transportation and burial rather than designing and fabricating a separate skid just for burial; however, Voit offered no data or costs comparisons in support of his conclusion. Further, while Company witness Hurst offered that the 50/50 split in the cost of the skid between transportation and disposal resulted in substantial savings on disposal costs, no data or specific cost information was provided to support her conclusory statement. There was no factual evidence presented concerning extra costs related to design and/or engineering of the skid which were associated with burial rather than transportation of the pressure reactor vessel. Additionally, there was no evidence to suggest that the skid had any value to the transporter of the pressure reactor vessel once the skid had been used for that purpose. While it may reasonably be concluded that Chem-Nuclear would have had to spend money on support for the burial of the pressure reactor vessel, there is nothing to support the contention that the amount would reach 50 percent of the total cost of the skid.

Therefore, we deny Chem-Nuclear's adjustment proposing a 50/50 split in the cost of the skid and adopt the Staff's proposal which is based on the relationship (percentage) of revenues from the project attributable to transportation and disposal.

4. We hold that Chem-Nuclear's current accounting system, the Cost Point System, accurately reports financial transactions, and that the present chart of accounts should continue to be used by Chem-Nuclear at this time.

5. Total direct, indirect, vault, and trench amortization costs and operating rights for fiscal year ending June 30, 2003, total $9,682,084, and are detailed in the Appendix attached to this Order. These numbers are supported by the testimony and schedules of Staff witness Blume.

6. For the period ending June 30, 2004, total direct fixed costs amount to $1,294,160. Total indirect fixed costs total $3,347,663. Total fixed costs qualifying for operating margin treatment are $4,641,823. Total costs including operating rights of $625,000 are $5,266,823. Irregular costs as of the hearing date total $1,781,870. Total fixed and irregular costs amount to $7,048,693. These amounts are detailed in the Appendix to this Order and are supported by the testimony and schedules of Staff witness Blume.

7. Variable Cost Rates for the period ending June 30, 2004, are as follows:

Class A Waste	$22.83 per cubic foot
Class B Waste	$23.78 per cubic foot
Class C Waste	$23.57 per cubic foot
Slit Trench Waste	$91.04 per cubic foot

Vault Labor Rate	$82.47 per vault
A, B, & C Waste Labor Rate	$882.86 per total shipments less slit shipments
Slit Trench Labor Rate	$5,289.12 per total horizontal shipments
Waste Acceptance Labor Rate	$257.86 per total shipments
Trench Record Labor Rate	$51.65 per container

All figures are supported by the testimony and exhibits of Staff witness Blume and are detailed in the Appendix to this Order.

8. The Key Manager and Employee Compensation Plan employed by Chem-Nuclear shall be continued.

9. Chem-Nuclear shall continue to submit monthly reports of variable cost data to the Commission as required by Commission Order No. 2001-499.

10. This Order shall remain in full force and effect until further Order of the Commission.

BY ORDER OF THE COMMISSION:

/s/
Randy Mitchell, Chairman

ATTEST:

/s/
Bruce F. Duke, Executive Director

(SEAL)

APPENDIX-Order No. 2004-349
Docket No. 2000-366-A
July 23, 2004

Chem Nuclear Systems LLC

Commission Reimbursable Costs

Fiscal Year Ending June 30, 2003

Description	Reimbursable Cost
Waste Dependent Cost	
Vault and Trench Amortization Cost	1,479,521.00
Direct Costs	
Exempt Labor-Includes Waste Dependent Labor	1,321,876.00
Subcontract ODC Labor	65,508.00
Overtime	45,698.00
Fringe Benefits-Includes Waste Dependent Fringes	499,438.00
Direct Materials	440,966.00
Contract Services	583,734.00
Equipment Leases	286,771.00
Insurance Premiums	725,205.00
Miscellanous/ODC	1,386.00
Machine & Equipment Maintenance	50,117.00
Federal Express & Postage	6,016.00
Laboratory/Safety Services and Supplies	1,427.00
Travel	3,255.00
Total Direct Cost	4,031,397.00
Total Direct Cost & Vault and Trench Amortization Cost	5,510,918.00
Indirect Cost	
Exempt Labor-Includes Semi Variable Labor	977,016.00
Fringe Benefits-Includes Semi Variable Fringes	487,572.00
Overtime	1,003.00
Temporary Labor	252.00
Consultants	274,061.00
Medical Examinations	12,286.00
Laboratory Services	3,488.00
Total	289,835.00
Depreciation	328,894.00
Machine/Equipment Maintenace-Rental	102,735.00
Dues and Subscriptions	69,795.00
Education/Training	8,839.00
Advertising/Recruiting	(12,434.00)
Employee Cost	904.00
Total	67,104.00
Miscellaneous	76,991.00
Office Supplies	40,413.00
Postage	10,280.00
Total	127,684.00

Chem Nuclear Systems LLC
Commission Reimbursable Costs
Fiscal Year Ending June 30, 2003

Description	Reimbursable Cost
Travel	59,160.00
Telephone	80,850.00
Utilities	110,279.00
Total	191,129.00
Management Fees/G&A Allocation	824,418.00
Total Indirect Costs	3,456,802.00
Total Costs Allowed for Reimbursement and 29% Operating Margin	8,967,720.00
Retention Labor Costs	89,364.00
Operating Rights	625,000.00
Total Costs Reimbursed without Operating Margin	714,364.00
Total Direct, Indirect, Vault and Trench Amortization Costs and Operating Rights	9,682,084.00

APPENDIX-Order No. 2004-349

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Chem Nuclear Systems

Commission Approved Costs

Fiscal Year Ending June 30, 2004

Description of Costs	Account #	Costs Per Staff
Direct Costs		
Direct Labor	5110-10	420,056.00
Direct Fringes	F113-OH	176,003.00
Equipment 11.01.01	5230-10	294,500.00
Maintenance 11.01.04	5240-90	28,600.00
R&M Equipment Maintenance 11.01.09	5310-13	85,000.00
Contract Services 11.01.03	5310-19	109,598.00
Materials 11.01.02	5310-90	62,400.00
Other Direct Costs 11.01.07	5310-90	50,403.00
Project Costs 11.01.10	5310-90	58,600.00
Federal Express & Postage 11.01.08	5320-20	3,000.00
Travel 11.01.06	5410-10	6,000.00
Total Direct Costs other than Labor & Fringes		698,101.00
Total Direct Fixed Costs		1,294,160.00
Indirect Costs		
Indirect Labor	7110-10 & 8110-10	1,451,811.00
Indirect Fringes	F113-OH	608,307.00
Building Utilities 11.02.04	7220	198,100.00
Equipment 11.02.06	7230	52,150.00
Office Supplies & Expenses 11.02.03	7310	93,600.00
Travel 11.02.01	7410	53,000.00
Employee Costs 11.02.02	7520	70,000.00
Services 11.02.05	7570	134,695.00
Management Fee/G&A Allocation	HBUD-10	686,000.00
Total Indirect Costs other than Labor & Fringes		1,287,545.00
Total Indirect Fixed Costs		3,347,663.00
Total Fixed Costs Qualifying for Operating Margin		4,641,823.00
Operating Rights	8999	625,000.00
Total Fixed Costs		5,266,823.00
Irregular Costs as of Hearing		1,781,870.00
Total Fixed and Irregular Costs		7,048,693.00

APPENDIX-Order No. 2004-349

Docket No. 2000-366-A

July 23, 2004

Chem Nuclear Systems

Commission Approved Costs

Fiscal Year Ending June 30, 2004

Variable Costs Rates	Costs	Variable Factor
Class A Waste	22.83	Per Cubic Foot
Class B Waste	23.78	Per Cubic Foot
Class C Waste	23.57	Per Cubic Foot
Slit Trench Waste	91.04	Per Cubic Foot
Vault Labor Rate	82.47	Per Vault
A, B, & C Waste Labor Rate	882.86	Per Total Shipments less Slit Shipments
Slit Trench Labor Rate	5,289.12	Per Total Horizontal Shipments
Waste Acceptance Labor Rate	257.86	Per Total Shipments
Trench Record Labor Rate	51.65	Per Container