CHEM-NUCLEAR SYSTEMS, LLC
140 Stoneridge Drive • Columbia, South Carolina 29210 • (803) 256-0450

February 5, 2007

Mr. Bill Newberry
Radioactive Waste Disposal Program
State Energy Office
1201 Main Street, Suite 1010
Columbia, SC 29201

Dear Bill:

On Friday, February 2, 2007, we filed an amended application to the Public Service Commission. I am enclosing a copy of the amended application and exhibits.

Our original application was filed in September 2006. Subsequently, the Office of Regulatory Staff performed their annual audit of costs. During that audit, the ORS reviewed corporate G&A costs in great detail, and ultimately proposed a change in the methodology for calculation of the corporate G&A percentage. We then decided to amend our application to reflect our reconciliation with the ORS on this methodology.

Please feel free to contact me if you have any questions.

Sincerely,

Deborah G. Ogilvie

Deborah G. Ogilvie

Enclosure: Amended Application & Exhibits

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

Docket No. 2000-366-A

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SC PUBLIC SERVICE COMMISSION

IN RE: Application of Chem-Nuclear Systems, LLC, a subsidiary of Duratek, Inc., for Adjustment in the Levels of Allowable Costs and for Identification of Allowable Costs	)	**AMENDED APPLICATION** (for Fiscal Year 2006-2007)

Pursuant to the provisions of S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2006), Chem-Nuclear Systems, LLC, a subsidiary of Duratek, Inc., ("Chem-Nuclear" or the "Company") submits this Amended Application for adjustment in the levels of certain "allowable costs" and for the identification of certain "allowable costs" for the operation of its regional low-level radioactive waste disposal facility located in the vicinity of Barnwell, South Carolina. In support of the relief, which it requests by its Amended Application in this proceeding, Chem-Nuclear would respectfully show unto this honorable Commission:

1. On June 6, 2000, the Governor of the State of South Carolina signed the Atlantic Interstate Low-Level Radioactive Waste Compact Implementation Act (the "Act"). The Act is codified as S.C. Code Ann. §§ 48-46-10, *et seq.* (1976), as amended.

2. Section 48-46-40(B)(1) of the Act authorizes and directs the Commission "to identify allowable costs for operating a regional low-level radioactive waste disposal facility in South Carolina." Section 48-46-30(1) defines "allowable costs" as "costs to a disposal site operator of operating a regional disposal facility." Under that definition, such costs "are limited to costs determined by standard accounting practices and regulatory findings to be associated with facility operations."

3. Section 48-46-40(B)(3) provides that "allowable costs" expressly include the costs of certain specifically identified activities necessary in the operation of a low-level radioactive waste disposal facility. That Section also provides that "allowable costs" include "any other costs directly associated with disposal operations determined by [the Commission] to be allowable."

4. Chem-Nuclear operates a regional low-level radioactive waste disposal facility (the "Facility") in Barnwell County, South Carolina. Consequently, the Commission has the authority to identify the "allowable costs" for the Company's operation of the Facility.

5. The Facility is located on a tract of land consisting of approximately 235 acres which the State of South Carolina owns and which the Company leases from the South Carolina Budget and Control Board (the "Board"). The 235-acre site includes areas for various operations, including completed disposal trenches, potential trench areas, ancillary facilities, water management areas and buffer zone areas.

6. The Company conducts its operations at the Facility under South Carolina Radioactive Material License 097 ("License 097") by which the South Carolina Department of Health and Environmental Control ("DHEC") has authorized receipt, storage and disposal of low-level radioactive waste at the Facility. License 097 contains numerous technical conditions and specifications for management of waste at the Facility. The Company submitted an application to DHEC on April 28, 2000, for renewal of License 097. The DHEC staff recommended approval of the renewal of License 097, and the decision was affirmed by the South Carolina Administrative Law Court. The matter is currently pending appellate review. In addition to the requirements of License 097, the Facility is subject to DHEC's regulations in 24A S.C. Code Reg. 61-63 (Title A) (Supp. 2006). DHEC's regulations are similar to the provisions

of "Licensing Requirements for Land Disposal of Radioactive Wastes," which the United States Nuclear Regulatory Commission ("NRC") originally promulgated in 10 CFR Part 61, and which DHEC has adopted most of those provisions and enforces them through its own regulations under an agreement with the NRC.

7. On May 30, 2006, the Commission issued its Order No. 2006-328 in SCPSC Docket No. 2000-366-A. In that Order, the Commission identified certain categories of "allowable costs" and identified levels of "allowable costs" within those categories. Order No. 2006-328 approved certain rates for variable allowable costs and identified the sum of $7,758,171 for total fixed allowable costs for the 12 months ending June 30, 2006. The Order also approved irregular costs of $205,463 as allowable costs.

8. S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2006) provides that an operator of a low level radioactive waste disposal site may apply for adjustments in the levels of "allowable costs" that the Commission has identified for the previous fiscal year and for identification of costs that the Commission has not previously identified as "allowable costs." Upon approval of such application, Section 48-46-40(B)(4) requires the Commission to authorize the site operator to adjust its "allowable costs" for the current fiscal year to compensate the site operator for revenues lost during the previous fiscal year.

9. On September 26, 2006, the Company filed an Application (the "Original Application") seeking certain relief in the nature of the Commission's recognition of levels of "allowable costs" for the Company's fixed costs for Fiscal Year 2005-2006, the identification of the levels of irregular costs for Fiscal Year 2005-2006, and the identification as "allowable costs" and approval of total fixed and irregular costs and of variable cost rates for Fiscal Year 2006-2007. By this Amended Application, the Company proposes certain revisions in the

figures contained in the Original Application and its exhibits to reflect the Company's reconciliation of certain issues with the Office of Regulatory Staff. The Company's testimony in this proceeding will explain further the basis for the revisions.

10. For the purposes of this Amended Application and its Exhibits, the Company has used the cost categories that the Commission approved in Order No. 2006-328, which were based on the recommendations of the parties to the Collaborative Review of the Company's Operations and Efficiency Plan ("OEP").

11. During the Company's recently concluded Fiscal Year 2005-2006 (*i.e.*, the twelve months ending June 30, 2006), the Company's actual "allowable costs" in those categories that the Commission identified in Order No. 2006-328 for fixed costs were $7,603,972. By this Amended Application, the Company requests the Commission to approve the levels of fixed allowable costs for Fiscal Year 2005-2006 to permit the Company to be compensated for those allowable fixed cost components identified in Order No. 2006-328, as authorized by Section 48-46-40(B)(4). Consequently, the Company proposes no adjustment for allowable fixed costs in this Amended Application.

12. With respect to those allowable costs which Order No. 2006-328 characterized as irregular costs, the Company incurred total irregular costs for Fiscal Year 2005-2006 of $570,484.01. The irregular costs which the Company actually experienced exceeded the level of total allowable irregular costs of $205,463 identified in Order No. 2006-328. Consequently, the Company requests that the Commission identify $365,021.01 as the adjustment for allowable irregular costs for Fiscal Year 2005-2006.

13. With respect to the allowable costs that Order No. 2006-328 characterized as variable labor and non-labor costs, which are dependent upon volumes of waste buried, the Company incurred actual costs in the category of variable labor and non-labor costs in Fiscal

Year 2005-2006 less than the costs identified in Order No. 2006-328, using the variable cost rates identified by the Commission in that Order for categories of waste and using the volumes of waste buried in Fiscal Year 2005-2006. Therefore, the Company does not request any adjustments for variable labor and non-labor costs in this Amended Application.

14. With respect to vault costs, Order No. 2006-328 established certain variable cost rates for each type of waste disposed at the Facility. By applying those rates to the volumes of each type of waste actually buried in Fiscal Year 2005-2006, the Company calculated a total cost for routine disposal vaults of $1,782,637.62. Based on the Company's actual experience in Fiscal Year 2005-2006, the Company incurred a cost of $1,610,066 for routine disposal vaults. Therefore, the Company does not request an adjustment for vault costs in this Amended Application.

15. The Company has attached to this Amended Application three (3) Exhibits pertaining to the adjustment and identification of the three (3) categories of "allowable costs" for its disposal operations.

16. Amended Exhibit A to this Amended Application describes in detail the Company's proposed adjustments for the recovery of its actually incurred costs for fixed, variable and irregular costs to reflect the differences between the level of "allowable costs" identified in Order No. 2006-328 and the level of the Company's actually incurred costs in Fiscal Year 2005-2006. Amended Exhibit A also provides the rates for variable costs which were contained in Order No. 2006-328.

17. Exhibit B describes the actual irregular costs which the Company incurred in Fiscal Year 2005-2006, organized by project number.

18. Amended Exhibit C depicts the total fixed costs, irregular costs and variable cost rates that the Company proposes for identification and approval for Fiscal Year 2006-2007.

19. For Fiscal Year 2006-2007, the Company requests identification as "allowable costs" a total of $7,859,163 as allowable fixed costs, as depicted in Amended Exhibit C. Amended Exhibit C also identifies variable material cost rates and variable waste dependent labor rates for Fiscal Year 2006-2007. Irregular costs for Fiscal Year 2006-2007 that are known and measurable at the time of this Amended Application are $209,766, as specified in Amended Exhibit C. The costs and amounts in Amended Exhibits A and C are consistent with the description of "allowable costs" in Section 48-46-40(B)(3), and they have been determined by standard accounting practices and are consistent with the recommendations of the Collaborative Review of the OEP as the Commission approved in Order No. 2004-349 in this Docket.

WHEREFORE, Chem-Nuclear Systems, LLC, a subsidiary of Duratek, Inc., respectfully prays unto this honorable Commission:

1. To review the Company's Amended Application and issue its Order, under S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2006), recognizing the levels of "allowable costs" as depicted in Amended Exhibit A for Fiscal Year 2005-2006, and identifying the levels of irregular costs in Exhibit B for Fiscal Year 2005-2006, and identifying as "allowable costs" those costs depicted in Amended Exhibit C for Fiscal Year 2006-2007.

2. For such other and further relief as is just and proper.

Respectfully submitted,

Robert T. Bockman
McNair Law Firm, P.A.
Post Office Box 11390
Columbia, South Carolina 29211
(803) 799-9800

By: Robert T. Bockman

Attorneys for Chem-Nuclear Systems, LLC

February 2, 2007
Columbia, South Carolina

AMENDED EXHIBIT A:
FISCAL YEAR 2005-2006 COSTS

Fixed Costs: No Adjustment Proposed

Fixed costs, subject to a 29% operating margin, were incurred in fiscal year 2005-2006 in the general categories of labor-related costs, non-labor costs, costs allocated from corporate functions, equipment leases and support, depreciation and insurance. Fixed costs, **not** subject to a 29% operating margin, were incurred in fiscal year 2005-2006 in the general categories of employee retention compensation, legal (license appeal) and intangible asset amortization. The following table compares the actual costs incurred to the costs identified as allowable in Commission Order No. 2006-328:

	Commission Order No. 2006-328(A)	Actual Costs Incurred in FY 2005-2006	Adjustment Proposed
Labor and Fringe	$3,000,000	$3,066,244	
Non-Labor	$1,308,109	$1,207,525	
Corporate Allocation (G&A)	$1,203,257	$1,203,161	
Equipment leases and support	$386,150	$386,732	
Depreciation	$250,000	$216,810	
Insurance	$830,232	$760,632	
Subtotal (Fixed Cost subject to 29% margin)	$6,977,748	$6,841,104	
Employee retention compensation	$105,423	$104,587	
Legal (license appeal)	$50,000	$33,281	
Intangible asset amortization	$625,000	$625,000	
Subtotal (Fixed Cost **not** subject to 29% margin)	$780,423	$762,868	
Total Fixed Costs	$7,758,171	$7,603,972	($154,199)

The actual Fixed Costs incurred during fiscal year 2005-2006 were $7,603,972. This amount is $154,199 less than the amount identified in Order Number 2006-328. Therefore, no adjustment is requested in this category of costs.

Variable Costs: No Adjustments Proposed

Variable Labor and Non-Labor Costs

Commission Order No. 2006-328 identified the following categories of rates for projecting Variable Labor and Non-Labor costs: vault purchase and inspection (per vault), ABC waste disposal (per shipment), slit trench operations (per slit trench offload), customer assistance (per shipment), and trench records (per container).

The following table illustrates the Variable Labor and Non-Labor costs that would be calculated using the Variable Labor and Non-Labor rates identified in Order No. 2006-328 and the number of units in each category.

	Units	Variable Cost Rate in Order No. 2006-328	Calculated Cost
Vault Purchase & Inspection (per vault)	319	$89.31	$28,489.89
ABC Waste Disposal (per shipment) (total shipments, less slit trench shipments, less irregular project shipments)	324	$1,225.69	$397,123.56
Slit Trench Operations (per slit trench offload)	19	$8,666.66	$164,666.54
Customer Assistance (per shipment)	346	$293.80	$101,654.80
Trench records (per container)	796	$68.32	$54,382.72
Total Projected Variable Labor and Non-labor Cost			**$746,317.51**

The actual Variable Labor and Non-Labor costs experienced in the disposal of waste in fiscal year 2005-2006 resulted in a Total Variable Labor and Non-Labor Cost of $653,140.37. This amount is $93,177.14 less than the amount that would have been anticipated based on rates provided in Commission Order 2006-328. Therefore, Chem-Nuclear does not request an adjustment in this category of costs.

Vault Costs

The following table illustrates the vault costs that would be calculated using the Variable Cost rates identified in Commission Order No. 2006-328 and the volumes of waste received in each respective category.

	Volume Buried (cubic feet)	**Variable Cost Rate in Order No. 2006-328(A)**	**Calculated Cost**
Class A waste	24,448.15	$37.78	$923,651.11
Class B waste	10,817.42	$38.08	$411,927.35
Class C waste	8,190.16	$38.00	$311,226.08
Slit Trench waste	1,093.40	$124.23	$135,833.08
Irregular Components (in vaults as an irregular cost)	439.35	N/A	N/A
Total Vault Cost			**$1,782,637.62**
Total Volume	**44,988.48**		

Two custom vaults were used to dispose of irregular components. Five extra lids were also placed on custom vaults to achieve required strength for the overburden of soil expected in the trench. Costs for these vaults and lids are included in the irregular costs.

The total cost incurred for routine disposal vaults used during fiscal year 2005-2006 was $1,610,066. Therefore, Chem-Nuclear requests no adjustment in this category of cost.

Irregular Costs: Adjustment Proposed

The following table summarizes the Irregular costs incurred in fiscal year 2005-2006 organized by projects. Exhibit B provides additional descriptions of each of these irregular projects. The total costs incurred in fiscal year 2005-2006, as Irregular costs, were $570,484 compared to the amount identified in Commission Order No. 2006-328 of $205,463. Chem-Nuclear therefore requests an adjustment of $365,021 increase in Irregular Costs.

Irregular Cost Item	Basis For Order Amount	Actual FY 05-06 Labor	Actual FY 05-06 Non-Labor	Total Cost FY 05-06
Irregular Component Disposal: 3 shipments from Norfolk Navy Shipyard (2 custom vaults and 5 custom vault lids)	$291	$1,025.00	$40,257.25	$41,282.25
Various Trenches (design, construct, and backfill): Trench 86, Trench 94, Slit Trench 24, Slit Trench 25, Slit Trench 26, Slit Trench 27, Slit Trench 28, Slit Trench 29, Slit Trench 30, Slit Trench 31, Slit Trench 32	$128,771	$88,856.52	$137,602.90	$226,459.42
Decontamination and Corrective Actions	$19,277	$22,147.54	$2,592.98	$24,740.52
Deep Well & Monitoring Well abandonment		$8,253.32	$25,424.16	$33,677.48
Site Engineering and Drawing Updates	$22,808	$46,778.49	$16,650.39	$63,428.88
Miscellaneous Irregular Costs (Puncture Stand Relocation and Clay Cap Evaluation Trench 86)		$6,726.98	$209.85	$6,936.83
License Renewal and Appeal costs	$5,951	$64,670.85	$2,062.87	$66,733.72
B&CB support (irregular)		$898.35		$898.35
Severance Pay		$94,492.40		$94,492.40
Other Irregular costs (Waste Tracking Special Requests and Site Assessments)	$28,365	$4,225.63	$7,608.53	$11,834.16
Total Irregular Costs	$205,463	$338,075.08	$232,408.93	$570,484.01

EXHIBIT B:
FISCAL YEAR 2005-2006 IRREGULAR COSTS
ORGANIZED BY PROJECT

PROJECT NUMBERS	PROJECT NAME AND EXPLANATIONS
188000.8005 188000.8006	**Decontamination and Corrective Actions** **(Labor $22,147.54 and Non-labor $2,592.98)** Includes costs related to decontamination efforts and corrective actions that were required as a result of waste received for disposal. Also included here are costs associated with a slit trench offload safety assessment and reliability testing required to resolve slit trench outhaul cable breakage issues. During fiscal year 2005-2006, costs incurred in these projects, although irregular and non-recurring in nature, were within the scope of waste disposal operations work.
188004.8001	**Site Engineering & Drawing Updates** **(Labor $46,778.49 and Non-labor $16,650.39)** Labor and contractor costs for site engineering support and preparation and reproduction of site drawings. The engineering support and drawings were required for various analyses and reports submitted to SC DHEC. Included in this project in fiscal year 2005-2006 were four primary tasks: (1) Design evaluation of disposal vaults, (2) Site drawing updates, (3) custom vault design review, and (4) alternate trench construction options for reduced volume operations.
188007.8001	**Irregular Component Disposal** **(Labor: $1,025 and Non-labor $40,257.25)** Non-routine operations. Includes costs associated with disposal of items that involve unusual handling requirements including placement in custom-designed vaults for stabilization by grouting. Included are waste receipt and inspection, preparations to offload the shipping container or vehicle, placement of the irregular component in its disposal vault, disposal, survey and transportation vehicle release and closeout. Irregular components disposed of in fiscal year 2005-2006 were six oversized boxes of components (Rebound Stop Magnet Assemblies (RSMAs)) from Norfolk Naval Shipyard. The amount billed to the customer for disposal of these irregular components was $160,802.
188000.8007 188000.8009	**Deep Well Abandonment and Monitoring Well Abandonment** **(Labor $8,253.32 and Non labor $25,424.16)** Labor and contractor costs associated with abandonment of three deep environmental monitoring wells are included here. Also included are costs for abandoning twelve other environmental monitoring wells.
188000.8008 188031.8001	**Miscellaneous Irregular Costs (Puncture Stand Relocation and Trench 86 Clay Cap Evaluation)** **(Labor $6,726.98 and Non-labor $209.85)** Costs for activities related to preparation for relocation of the waste shipment inspection stand (puncture stand) outside of Trench 86 as the trench is nearing completion. Costs associated with work to evaluate the initial clay cover over waste in Trench 86. This evaluation includes survey for depth of cover, rework the clay cap as required and installation of earthen berms to divert rain water.

188701.8007 188701.8013 188701.8014 188701.8015 188701.8016 188701.8017 188701.8018 188701.8019 188701.8020 188701.8021 188701.8022	**Various Trench Construction and Backfill Operations** **(Labor $88,856.52 and Non-labor $137,602.90)** Trench construction activities in fiscal year 2005-2006 included design, construction and backfill (including use of free flowing sand where applicable) in Trench 86, Trench 94, Slit Trench 25, Slit Trench 26, Slit Trench 27, Slit Trench 28, Slit Trench 29, Slit Trench 30, Slit Trench 31, and Slit Trench 32.
952182.8002 952183.8001	**Other Irregular Costs (Waste Tracking Special Requests and Site Assessments)** **(Labor $4,225.63 and Non-labor $7,608.53)** Included here are costs for specific special requests for waste disposal data from generators, regulators and others acting in an official capacity. Also included are special projects related to site performance as directed by SC DHEC or other competent authority. Generally these projects are related to regulatory or technical site performance.
952186.8002	**Severance Pay (Labor $94,492.40)** During fiscal year 2005-2006, Chem-Nuclear began reducing its number of employees based on reduced volumes of waste allowed by state law. The Chem-Nuclear Systems Human Resources Policy manual includes a severance pay plan. Eligible employees receive one week of severance pay at their base hourly rate at the time of separation for every full six (6) months of continuous service. There were three eligible employees who were part of this involuntary reduction during this fiscal year. The total severance pay provided was $94,492.
952188.8001	**Licensing Admin (IRREG)** **(Labor $21,336.60 and Non-labor $2,062.87)** Non-routine licensing department functions including responses to questions regarding disposal site operations/license/compliance from agencies outside South Carolina such as the Nuclear Regulatory Commission (NRC) and the General Accountability Office (GAO).
952188.8002 952188.8004	**Appeal DHEC License** **(Labor $43,334.26)** Non-routine activities by licensing department and others related to the appeal process for the DHEC radioactive materials license renewal. Included here are costs for CNS labor. Legal expenses are included in fixed costs.
952192.8002	**B&CB Support (IRREG)** **(Labor $898.35)** Included here are costs for special projects or reports as requested by the SC B&CB staff.

AMENDED EXHIBIT C:
FISCAL YEAR 2006-2007 COSTS

We propose the following amounts be identified as allowable costs for fiscal year 2006-2007:

FIXED COSTS	
Fixed Costs to which 29% operating margin is added	
Labor and Fringe	$3,170,000
Non-Labor	$1,232,000
Corporate Allocations (Management Fees/G&A)	$1,245,272
Depreciation	$225,000
Insurance	$787,254
Equipment Leases and Support	$400,000
Fixed Costs to which 29% operating margin is **not** added	
Intangible Asset Amortization	$625,000
Employee Retention Compensation	$99,637
Legal Support (license appeal)	$75,000
Total Fixed Costs	**$7,859,163**
IRREGULAR COSTS	
Trench Construction	$60,000
License Appeal	$20,000
Corrective Action	$14,766
Site Engineering Drawing	$60,000
Irregular Components	$40,000
Miscellaneous	$15,000
Total Irregular Costs	**$209,766**
VARIABLE COSTS	
Variable Labor and Non-Labor Rates	
Vault Purchase and Inspection (per vault)	$71.73
ABC Waste Disposal (per shipment)	$1,009.56
Slit Trench Operations (includes laundry costs) (per slit trench offload)	$9,975.32
Customer Assistance (per shipment)	$264.67
Trench Records (per container)	$56.43
Variable Material Costs (Vault) based on actual fiscal year 2005-2006 rates plus supplier cost increase	
Class A Waste (per cubic foot)	$34.99
Class B Waste (per cubic foot)	$36.72
Class C Waste (per cubic foot)	$36.15
Slit Trench Waste (per cubic foot)	$128.07

BEFORE THE PUBLIC SERVICE COMMISSION
OF SOUTH CAROLINA

Docket No. 2000-366-A

IN RE: Application of Chem-Nuclear Systems, LLC, a Division of Duratek, Inc., for Adjustment in the Levels of Allowable Costs and for Identification of Allowable Costs

CERTIFICATE OF SERVICE

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SC PUBLIC SERVICE COMMISSION

I, ElizaBeth A. Blitch, do hereby certify that I have this date served one (1) copy of the Amended Application of Chem-Nuclear Systems, LLC for FY 2006-2007 upon the following parties of record by causing said copies to be deposited with the United States Postal Service, first class postage prepaid and addressed as follows:

Hana Pokorna-Williamson, Esquire
Acting Consumer Advocate
State of South Carolina
Post Office Box 5757
Columbia, South Carolina 29250-5757

The Honorable Max K. Batavia
Atlantic Compact Commission
1201 Main Street
Suite 826
Columbia, South Carolina 29201

Mr. Dan Arnett
Office of Regulatory Staff
PO Box 11263
Columbia, SC 29211

The Honorable Henry Dargan McMaster
Attorney General
State of South Carolina
Post Office Box 11549
Columbia, South Carolina 29211

The Honorable Frank W. Fusco
Executive Director
South Carolina Budget and Control Board
Post Office Box 12444
Columbia, South Carolina 29211

The Honorable C. Earl Hunter
Commissioner
SCDHEC
2600 Bull Street
Columbia, South Carolina 29201

ElizaBeth A. Blitch

ElizaBeth A. Blitch, Paralegal
McNAIR LAW FIRM, P.A.
Post Office Box 11390
Columbia, South Carolina 29211
(803) 753-3319

February 2, 2007

Columbia, South Carolina