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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	)	**APPLICATION** (for Fiscal Year 2003-2004)

Pursuant to the provisions of S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2002), Chem-Nuclear Systems, LLC, a Division of Duratek, Inc., ("Chem-Nuclear" or "the Company") submits this 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 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. DHEC is currently reviewing that application. In addition to the requirements of License 097, the Facility is subject to DHEC's regulations in 24A S.C. Code Regs. R. 61-63 (Title A) (Supp. 2002). 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 for the most part and which DHEC enforces through its own regulations under an agreement with the NRC.

7. On April 14, 2003, the Commission issued its Order No. 2003-188 in SCPSC Docket No. 2000-366-A. By that Order, the Commission identified certain categories of allowable costs and identified levels of allowable costs in those categories. Order No. 2003-188 approved certain rates for variable allowable costs and identified the sum of $4,976,551 for fixed allowable costs. Order No. 2003-188 also directed the conduct of a "Collaborative Review" of the Company's Operations and Efficiency Plan ("OEP"). By Order No 2003-537 dated, September 3, 2003, the Commission approved the Collaborative Review as described in the Company's Report of Collaborative Review of the OEP.

8. S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2002) provides that an operator of a low level radioactive waste disposal site may apply for adjustments in the levels of allowable costs which the Commission has identified for the previous fiscal year and for identification of costs which 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. During the Company's recently concluded 2002-2003 fiscal year (*i.e.*, the twelve months ending June 30, 2003), the Company's actual allowable costs in those categories which the Commission identified in Order No. 2003-188 for fixed costs were $7,642,369. By this Application, the Company requests the Commission to approve adjustments in the levels of certain of its previously identified allowable costs for the current 2003-2004 fiscal year (*i.e.*, the twelve months ending June 30, 2004) to permit the Company to be compensated for the difference between the levels of those allowable costs identified in Order No. 2003-188 and the actual costs which the Company incurred in those categories, as authorized by Section 48-46-40(B)(4).

10. The Company has attached to this Application five exhibits pertaining to the adjustment and identification of its allowable costs for its disposal operations.

11. Exhibit "A" to the Application provides information concerning the Company's OEP, the Report of Collaborative Review (as approved by the Commission), special operational considerations affecting disposal site operations for the 2002-2003 fiscal year, and fringe costs.

12. Exhibit "B" lists the categories of the Company's allowable costs and other payments, the corresponding chart of account numbers from the Cost Point accounting system, the actual levels of allowable costs for FY 2002/2003, the difference between the amounts identified in Commission Order No. 2003-188 and the amounts of the actual allowable costs, the allowable cost amounts identified in Commission Order No. 2003-188, and the Company's proposed adjustments to allowable costs.

13. Exhibit "C" provides a narrative description of the adjustments to allowable costs for which the Company seeks the Commission's approval in this proceeding.

14. Exhibit "D" provides a narrative description and provides the amounts for which the Company seeks the Commission's identification as allowable costs for the 2003-2004 fiscal year.

15. Exhibit "E" provides clarifications to the Company's Retention Compensation Plan which the Commission approved in Order No. 2003-188.

16. For fiscal year 2003-2004, the Company is requesting identification as allowable costs those costs specified in Exhibit "D" which include $5,956,207 of allowable fixed costs. Exhibit D also identifies variable material cost rates and variable waste dependent labor rates for fiscal year 2003-2004. Irregular costs that are known and measurable at the time of this Application are $1,126,059, as specified in Exhibit D. Exhibit D also includes "Other Allowable Costs" of $1,949,929," and it includes "Other Payments" of $940,000, which the Company is required to make on a quarterly basis to support activities of the Board, the Commission itself,

and the Atlantic Compact Commission under Section 48-46-60(B) and (C). The costs and amounts in Exhibit D 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 in the Collaborative Review.

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

1. To review the Company's Application and issue its Order adjusting the levels of allowable costs and identifying as "allowable costs" under S.C. Code Ann. § 48-46-40(B)(4) (Supp. 2002), as depicted in Exhibit "D".

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

Respectfully submitted,

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By: Robert T. Bock
Robert T. Bockman

September 26, 2003

Columbia, South Carolina

2003 APPLICATION TO PUBLIC SERVICE COMMISSION FOR IDENTIFICATION OF ALLOWABLE COSTS

INTRODUCTION:

Chem-Nuclear Systems, LLC (CNS) submits this application to the South Carolina Public Service Commission (Commission) to request identification of allowable costs that were incurred for operation of the Barnwell, SC Low-Level Radioactive Waste Disposal Facility for Fiscal Year (FY) 2002/2003. This application provides justification for adjustments to the amounts identified in Commission Order No. 2003-188. This application also provides proposed amounts to be identified as allowable costs for FY 2003/2004 in the general categories of fixed, variable and irregular costs.

The application consists of four exhibits.

Exhibit A presents information concerning the Operations and Efficiency Plan (OEP), the report of Collaborative Review (approved by Order No. 2003-537), special operational considerations affecting disposal site operations in FY 2002/2003, and fringe costs.

Exhibit B lists the categories of CNS' allowable costs and other payments, the corresponding chart of account number from the Cost Point accounting system, the actual levels of allowable costs for FY 2002/2003, the difference between the amounts identified in Commission Order No. 2003-188 and the actual allowable costs, the allowable cost amounts identified in Commission Order No. 2003-188, and the proposed adjustments to allowable costs.

Exhibit C provides a narrative description of the adjustment amounts identified in Exhibit B.

Exhibit D provides a narrative description and amounts for which CNS seeks identification as allowable costs for FY 2003/2004.

EXHIBIT A
BACKGROUND INFORMATION

1. The Operations and Efficiency Plan (OEP)

On June 1, 2001, the Public Service Commission (Commission) issued Order No. 2001-499. This order directed CNS to submit to the Commission an Operations and Efficiency Plan (OEP) to be prepared by an "independent, qualified third-party." The plan was to include the identification of least-cost operating strategies for future years. Through a competitive procurement process, Project Time & Cost (PT&C) was selected to develop the OEP. The final OEP was submitted to the Commission on June 26, 2002.

In September 2002, CNS submitted an application to the Commission for adjustment in the levels of allowable costs and for identification of allowable costs for FY 2002/2003. This application included an adjustment of $247,397 associated with costs for the consultant firm hired to prepare the OEP. In Commission Order No. 2003-188, issued April 14, 2003, the Commission directed CNS to file a "statement for approval by this Commission regarding a collaborative review of the OEP Plan."

The Commission further directed that all parties in the Docket would be given the opportunity to participate in the collaborative review, and set June 30, 2003 as the deadline for comments. Through Order No. 2003-188, the Commission identified $123,698 as allowable costs for the OEP and stipulated the remainder would be considered in a subsequent Commission proceeding after the submission of the collaborative review statement.

The Report of the Collaborative Review was submitted to the Commission on June 16, 2003, and was approved by Commission Order No. 2003-537 issued September 3, 2003. CNS requests the Commission identify in this proceeding the remaining $123,698 as an allowable cost related to the preparation of the OEP.

The OEP provides a structure for managing, analyzing and communicating information about costs associated with operating the Barnwell disposal site. It can also be used as a basis for a structured scope of work to allow evaluation of costs in meaningful increments.

As directed by the Commission's Order No. 2001-499, the OEP included certain technical assessments. One technical assessment was an engineering and economic analysis of existing trench capacity and the optimization of future trench configurations. The OEP includes nine conclusions from PT&C's evaluation.

The Commission also directed that the OEP include an evaluation of the work developed by Mr. Barry C. Bede, a witness for the State of South Carolina in the 2001 proceeding. PT&C performed the evaluation and included their observations in the OEP.

In preparing the OEP, PT&C used an Activity Based Costing (ABC) method to develop the structured approach to costs associated with operating the Barnwell disposal site. This approach allows all parties to view present and future disposal site operations in a logical

organized manner. The OEP includes a Work Breakdown Structure (WBS) that presents a complete set of work activities required to operate the disposal facility in logical and orderly groupings to facilitate cost estimating. The OEP points out that future use of a WBS structure would be a key element in creating detailed tracking, reporting and controlling of costs associated with operation of the disposal site.

In response to the Commission's order to file a statement regarding a collaborative review of the OEP, a meeting was held on April 19, 2003 with follow-up meetings in May, and June. Participants in the collaborative review process included representatives from the Public Service Commission, Department of Health and Environmental Control, Budget and Control Board, Atlantic Compact Commission, Consumer Advocate, and CNS.

Upon completion of the collaborative review, the parties reached consensus that the information provided in the OEP is a valid representation of disposal site operations and that the OEP could be used as a baseline for establishing a method of determining allowable costs in future Commission proceedings. The OEP identified seven cost types, which the parties refined to three generic cost types during the collaborative process. The three generic cost types are the fixed costs, variable costs, and irregular costs. The parties used the information in the OEP to further refine the method for determining waste-dependent labor rates and, ultimately, for identifying and developing four recommendations the Commission approved in its Order No. 2003-537.

2. Special Operational Considerations

Three special operational considerations affected allowable costs in FY 2002/2003. Work started on storm water management improvements to prevent storm water runoff onto adjacent property. Work also began to allow the Barnwell disposal facility to connect to newly available professionally managed public utilities to provide safe drinking water and manage sewage as encouraged by DHEC. The third operational consideration was the heavy rainfall received during the latter half of the fiscal year. The rainfall required increased site maintenance costs including rental of pumps to move accumulated rainwater to an alternate holding location, additional work associated with active trench waste management, and additional work to grade and maintain on-site roads and surface water management features.

3. Fringe Costs

The fringe benefit expenses are composed of four major components: insurance, payroll taxes, paid leave, and other benefit expenses. The expenditures incurred relating to CNS are charged specifically based on the employee population assigned to CNS. Below is a summary of the specific costs incurred:

Insurance:

Medical/Dental: Duratek, Inc. (Duratek) (CNS' parent company) administers a global medical/dental plan through Care First Blue Cross Blue Shield to maximize cost savings as a result of a larger plan which is based on the greater than 1,300 employee population of

Duratek. A medical/dental plan for CNS alone would be significantly more expensive due to the demographics of the participants and the smaller population of the plan.

Expense is incurred in two components: a monthly invoiced premium and an estimated self-insurance cost to cover benefit claims. The estimate is based on claims history. The expense for premium costs are charged to CNS based on the coverage elected by the individual employees at the Barnwell disposal site. The options employees have are: employee, employee plus one, or family coverage. The net cost to CNS is reduced by amounts withheld from employees pay.

Estimated self-insurance claims costs are computed based upon the claims history of Duratek. The amount of the actual claims paid and the time lag between when the service was provided and when the claim is submitted is the basis for determining the appropriate liability that Duratek accrues each month. The ability to use the claims experience of the larger employee population of Duratek results in a lower self-insurance cost for CNS than would be possible if only the CNS population claims experience were used. The accrual is calculated monthly and the expense charged to CNS is based upon the proportionate percent of the premium charged to CNS.

Disability insurance: Duratek administers this benefit through Northwestern Mutual Life Insurance Company. The expense incurred is based upon the premium charged by Northwestern Mutual Life, which is calculated as a percent of the base compensation for each CNS employee (0.323% for short-term disability and 0.374% for long-term disability).

Life insurance: Duratek provides term life and accidental death and dismemberment insurance through Metropolitan Life Insurance Company. The expense incurred is based upon the premium charged by Metropolitan Life, which is calculated at 0.252% of twice the base compensation of each CNS employee.

Worker's compensation: Duratek's worker's compensation plan is assessed based on 1.2% of employee's base compensation. The total estimated worker's compensation expense for Duratek is $740,000, which is paid in an annual premium. Based on the estimated annual compensation relating to the CNS disposal site employees for the policy period, this premium is charged pro-rata each month.

Payroll Taxes:

Payroll taxes are calculated based on taxable earnings and statutory rates.

Paid Leave:

Personal Time Benefit (PTB): CNS provides personal time benefit to employees for use for all personal absence (vacation, illness, medical appointments, etc.)

Expense is incurred as the PTB is earned. The calculation is based on the employee's base compensation and the annual accrual hours based on the employees' time with the company.

Holiday: CNS provides eight scheduled holidays and two floating holidays to employees. The expense is based upon the employee's straight-time pay rate multiplied by 8 hours for each holiday. Expense is incurred in the accounting period in which the holiday occurs and for floating holidays, it is expensed as taken.

Short-term disability and Other Leave: Duratek provides short-term disability benefits to CNS employees who work a minimum of 30 hours per week. This benefit has two phases: self-insured and insured. During the first 30-day period of disability, the self-insurance period, employees are compensated 70% of their base pay, net of voluntary deductions. The expense is incurred in the period the disability occurs. There is no expense to Duratek or CNS during the insured period, which is after the initial 30-day period.

CNS compensates employees for absence from work for jury duty, witness duty and military leave. Expense for jury duty and witness duty is calculated based upon the employees' hourly rate times the authorized number of hours the employee is absent during the standard workday. Employees are paid up to 10 days per year for jury duty, unless the employee resides in a state where jury duty service is longer than 10 days. Witness duty that is requested by CNS will be compensated for the entire period, but for witness duty requested by a party other than CNS, compensation will be paid for a maximum of two days per calendar year. Expense for military leave is calculated based on the differential pay between normal base compensation and the pay received while on military duty for up to two weeks.

Other fringe expense:

401(k) match: Duratek matches employee 401(k) withholding contributions. The maximum match is the lesser of 3.5% or the withholding percent of an individual and is comprised of two components - a discretionary portion (50%) and a voluntary portion (50%). Both components are expensed in the period incurred. The discretionary match is subject to the Board of Directors approval.

Other expense: Items under this caption are expensed as incurred and include charges for plan administration costs, stock awards, EAP program, and Employee stock purchase discounts.

2002 Fringe Expense Reconciliation

In 2002, Fringe Expense was charged each month based on an estimated fringe rate and was applied to productive labor dollars incurred. The fringe rate was calculated based upon estimated fringe benefit expenses and the corresponding productive labor dollars incurred. Duratek calculated the fringe rate and charged fringe expenses based upon Duratek's fiscal year, which is January through December and reconciled estimated fringe rates to actual fringe costs each December.

For the State fiscal year ended June 30, 2003, CNS operations spanned two Duratek fiscal year periods. During January through December 2002, the fringe dollars for CNS were charged based on an estimated rate of 33.4%. In December 2002, an adjustment was made to fully expense the total actual fringe dollars incurred by CNS during the twelve months ended December 31, 2002 in the manner described in the previous paragraphs. The portion of that actual annual fringe expense charged to CNS for the six-month period ended December 31, 2002 was $655,878. The fringe rate for this period was 43.9%. The actual fringe expense charged to CNS for the six-month period ended June 30, 2003 was $512,360 as determined in accordance with the previous paragraphs. The fringe rate for this period was 39.16%. Therefore, the FY 2002/2003 blended fringe rate is about 40%.

Exhibit B

Total Cost Actual/Projected CNS 3	Allowable Cost Over/Under PSC Order 2003-188 4	PSC Order 2003-188 5	Adjustment to Level of FY 02/03 Allowable Cost 6
65,663			
.652			
580,000			
842,652			
		896,579	
		(32,706)	
		399,233	
	116,953	**1,263,106**	**116,953**
		312,042	
		(10,924)	
		133,296	
		434,414	**230,193**
		37,680	8,018
		3,650	61,858
		5,978	331,342
		00	441,734
			55,741
			161,619
			1,386
			1,804
			1,410,648
			236
			192,516
			427,608
			1,838,256

...es from the Commission Order 2003-188, to the volume of waste received.

EXHIBIT B

EXHIBIT C
NARRATIVE DESCRIPTION OF ADJUSTMENTS

CNS requests the Commission identify as allowable costs the adjustments specified in each of the following areas:

a. Total Fringe (F-113-OH) $226,304

The total Fringe expense in excess of the Commission Order No. 2003-188 is calculated here.

Fringe Description	Dollars
PSC Order 2003-188 direct fringe	$ 312,042
PSC Order 2003-188 allocated direct fringe	-10,924
PSC Order 2003-188 waste dependent fringe	133,296
PSC Order 2003-188 indirect fringe	308,442
PSC Order 2003-188 allocated indirect fringe	-32,651
PSC Order 2003-188 semi-variable fringe	98,495
PSC Order 2003-188 total fringe	$ 721,868
Actual 2002/2003 total allowable fringe expense (F-113-OH)	$1,035,004
Fringe expense in excess of PSC order	$ 226,304

Explanation:

The allowable fringe expense for FY 2002/2003 in PSC Order No. 2003-188 was calculated by multiplying the assumed amount of total labor for the Barnwell disposal site times a fringe rate of 33.4%. This fringe rate was used because, prior to FY 2002/2003, data was not available to isolate the actual fringe expense for the Barnwell disposal site labor force. Therefore, the Commission identified as allowable a 33.4% customary fringe rate that was lower than the actual rate. This fringe rate was also used to calculate the waste dependent fringe costs and the semi-variable fringe costs identified in the order. However, the actual fringe rate was higher. The details about how the actual fringe expenses are measured through the year are explained in Exhibit A of this application.

CNS requests that the Commission identify the additional $226,304 fringe expense experienced by CNS for the FY 2002/2003 as an allowable cost.

b. Direct Labor (5110-10) $116,953

Direct labor costs in FY 2002/2003 were $116,953 more than the amount identified in the Commission Order. In addition to merit pay increases which took effect in April 2003, there were several projects during the year that contributed to this additional cost. The heavy rainfall experienced between February and June 2003 required additional site maintenance labor costs. Some of these projects will fall in the category of "irregular" projects in future years.

Disposal of the Maine Yankee Reactor Pressure Vessel (RPV) in June required $6,033 in direct labor costs. Work to implement recommendations and report on the results from a peer level review of the Environmental Radiological Performance Verification (ERPV) study required $40,359 in direct labor costs. Work on the Western Swale project involved $13,235 in direct labor. $8,620 in direct labor costs were incurred to support activities associated with a specific waste shipment investigation as directed by DHEC. Construction and backfill work for Trenches 93, 94, 95, Slit Trench 20 and Slit Trench 21 involved $35,736 in direct labor costs.

Site Maintenance direct labor costs in FY 2002/2003 were $200,321 more than the costs for comparable activities in the previous fiscal year. The increased costs were primarily due to the excessive rainfall in FY 2002/2003.

c. Overtime (5110-20) $8,018

The direct overtime costs in FY 2002/2003 were $8,018 more than the amount identified in the Commission's Order. Large component disposal required $3,612 in overtime costs. Building and equipment maintenance costs included $2,796 in overtime labor. Site maintenance overtime costs were $2,996.

Disposal operations during the second half of FY 2002/2003 included $5,527 more direct overtime costs than in the first half. These additional overtime costs were required because of additional waste shipments that required overtime to meet customer schedule commitments.

d. Subcontract Labor (5510-10) $61,858

Subcontract labor costs (temporary direct labor) were $61,858 more than the amount identified in the Commission's Order. The largest amount of these additional costs ($47,932) were related to the offload and handling of waste shipments during the increased tempo of operations experienced in the second half of the fiscal year. Additional temporary labor costs of $2,290 were incurred for the Trench 94 reconstruction effort. Site maintenance activities required $7,913 in temporary labor costs. Building and equipment maintenance temporary labor costs were $6,469.

e. Direct materials (5310-90) $331,342

Costs for direct materials in FY 2002/2003 were $331,342 higher than the amount identified by the Commission in its order. Several factors contributed to these increased costs.

Disposal of a large component (the Maine Yankee Reactor Pressure Vessel (RPV)) required use of a uniquely designed and fabricated skid. The skid is a large metal structure used to support the RPV and distribute its weight. The Maine Yankee RPV skid was specifically designed to meet the DOT tie-down requirements during water and land transit, and it was also designed to meet the Barnwell Disposal Facility soil bearing pressure requirements and the burial stability control requirements at the disposal site. Metal Trades, Inc. fabricated the RPV skid at a total cost of $382,495. This total cost was split between the Duratek transportation business unit and the CNS disposal site resulting in substantial savings on disposal costs. Disposal of this RPV also involved costs of $7,557 in various other direct materials for a total material cost of $198,804.

Oil and fuel costs in FY 2002/2003 were $33,662. This amount is higher than might have been expected because of the additional fuel used to manage accumulated storm water on the site and the additional fuel used to maintain the site following rain storms and heavy rainfall.

Oily soil wastes are occasionally generated on the disposal site from equipment failures and hydraulic hose breaks. The soils are collected and sampled for radiological and petroleum products concentrations. In July 2002, seven drums of oily soils with radioactive contamination were shipped to an off site facility for thermal destruction of the oil. The radioactive concentrations in this soil were higher than allowed for disposal of the material in a hazardous waste landfill. Also, the petroleum products concentrations were higher than allowed for disposal as radioactive waste at the Barnwell site. The cost of this processing by thermal destruction was $39,885.75.

Construction of Trench 95 and Slit Trench 21 involved $12,745 in direct material costs including drain sand and standpipes. The Western Swale construction project included material costs of $4,093 for silt fence, drain piping through a berm and concrete headwalls for the berm drain.

Equipment repairs included $5,139 for motor grader tires, $10,905 for various crane repair parts, and $8,760 for air conditioner repairs and component replacement. Site maintenance material costs were $13,409 for grass seed, fertilizer, weed killer, trench markers, pipe for pumping storm water, and monitoring well maintenance and repairs.

f. Contract Services (5310-19) $441,734

Costs for contract services in FY 2002/2003 were $441,734 higher than the amount identified by the Commission in its order. Several factors contributed to these increased costs.

The largest factor in this additional cost was the disposal of the Maine Yankee Reactor Pressure Vessel (RPV). After the RPV was transported to the disposal site, the specialized heavy-haul transportation contractor was required to move the RPV onto the disposal site and into its final disposal location. The contractor's equipment also had to be broken down and demobilized from the site. The cost for these additional contract services associated with the RPV was $207,532.

During FY 2002/2003, Trench 94 and 95 were constructed and made available for disposal of waste. An outside contractor constructed Trench 95 and the cost for that effort was $109,052. Trench 94 had previously been used to manage some slightly contaminated soils on site.

Reconstruction of the trench to be able to accept waste for disposal increased our ability to use more of the available on-site land areas for disposal of waste. Trench 94 was constructed largely using in-house labor with additional survey work done by a Registered Land Surveyor. The cost for this additional survey work was $15,696.

During FY 2002/2003, CNS started work on the operational component of storm water management improvements for the site. The operational support work (called the Western Swale construction) involves construction of drainage features on the west side of the disposal facility. These new drainage features will collect and manage surface water exceeding the capacity of the disposal site storm water management ponds and other storm water runoff from disposal site support areas. These improvements are required to reduce active water management at the disposal facility and to minimize the current and future impact from surface water runoff to adjacent properties. Fiscal year contract services costs related to this project included installation of culverts and registered land survey grade control. These costs were $84,117. Additional Registered Land Surveyor costs of $41,319 were incurred during the second half of the fiscal year. Most of these additional costs were required to address site conditions resulting from heavy rainfall events.

g. Equipment Leases (5230-10) $55,741

Equipment leases in FY 2002/2003 were $55,741 more than the amount identified in the Commission's Order. An additional pump was leased ($6,912) to manage accumulated surface water following heavy rains. A D-6 bulldozer was leased ($14,300) to assist in reconstructing Trench 94. This uniquely configured bulldozer was needed to avoid damaging the trench floor and drain sand that had previously been installed.

A 40-ton crane ($37,301) was leased while repairs were being attempted to the company's on-site 40-ton hydraulic crane. After the company's crane was put back in service and the leased crane returned to the vendor, the company's crane failed again and was permanently removed from service as a safety measure. At that point, a 40-ton crane was not available, so a 50-ton hydraulic crane was leased ($22,838).

h. Insurance Premiums (5680-10) $161,619

Insurance premiums for FY 2002/2003 were $161,619 more than the amount identified in the Commissions' Order. Insurance premiums consist of a General Corporate Insurance Policy, which includes the American Nuclear Insurers (ANI) policy, General Liability Policies, Automobile Insurance and Professional Liability Insurance. A Pollution Legal Liability insurance policy is included in this account that has an annualized premium rate of $142,000. The total insurance premiums for the fiscal year are listed in the following table:

General Corporate Insurance	$101,484
Facility Nuclear	$278,860
Automobile Insurance	$ 20,832
Nuclear Liability	$142,080
Property-Nuclear & Non Nuclear	$181,952
Pollution/Legal Liability	$142,079

The insurance market and rates are primarily affected by current economic trends, such as terrorist attacks and corporate instability (World-Com and Enron). The effects of these trends are increased rates, carriers exiting markets for certain coverage, and availability of financial risk.

i. Miscellaneous ODC (5690-10) $1,386

FY 2002/2003 costs for miscellaneous other direct costs (ODC) were $1,386 more than the amount identified in the Commission's Order. Expenses in this account included costs associated with processing monitoring well purge water for $1,850.

j. Federal Express and Postage (5320-20) $1,804

The amount of $1,804 over the Commission's order is a result of the number of letters and mailings to generators for special pricing and allocations.

k. Indirect labor $103,241

Indirect labor costs were $103,241 more than the amount identified in the Commission's Order. Included in the indirect labor costs are costs for the collaborative review directed by the Commission.

l. Overtime (7710-20) $324

Indirect overtime costs were $324 more than the amount identified in the Commission's Order. Indirect overtime costs included $328 for health physics related work.

m. Temporary labor (7520-10) $252

Indirect temporary labor costs were $252 in FY 2002/2003. The Commission's Order identified no costs in this category. The actual indirect temporary labor costs incurred were for records retention work at the environmental laboratory.

n. Depreciation (7270-10) $19,774

Depreciation costs in FY 2002/2003 were $19,774 more than the amount identified in the Commission's Order. Additional assets gained during the year and timing of depreciation for assets contributed to this requested adjustment.

o. Machine/Equipment Maintenance Rental $17,411
(7240-90; 7230-10)

The indirect machinery and equipment cost in FY 2002/2003 was $17,411 more than the amount identified in the Commission's Order. This amount represents the cost of Health Physic equipment (Teletector and hand probe) purchased in FY 2002/2003. Cost of maintenance on a copier and maintenance to the heating and cooling system at the Environmental Lab also contributed to the cost.

p. Office Supplies and Expense $34,583
(73XX, 7690, 8310-16, and 8690-10)

Office Supplies and Expense costs were $34,583 more than the amount identified in the Commission's Order. This general category of costs consists of seven chart of account numbers including office/computer supplies, miscellaneous supplies, postage/shipping and miscellaneous. There were a number of purchases in these accounts in FY 2002/2003 that were not required in the previous year. Examples of required purchases in FY 2002/2003 include an Automatic Electronic Defibrillator (AED) for safety equipment; a replacement microfilm recorder for disposal records management; sources, sample number labels, and sample tubes for the Environmental Laboratory; supplies for a regulatory-driven records management project in the Liaison area; supplies and replacement equipment for Health Physics-related activities; and replacement radios for the Security Department. These special purchases account for the additional incurred expense in this category.

q. Travel (74XX, 84XX) $5,160

Indirect travel for FY 2002/2003 exceeds the Commission's Order by $5,160. The following table summarizes travel costs for FY 2002/2003:

	In-State	Out-of-State
Marketing	1.3%	31.0%
Business Management	8.3%	30.2%
Training	0.4%	5.4%
Industry Conference	1.7%	3.4%
Other	8.0%	9.6%

Travel for FY 2002/2003 was planned and is being implemented to continue to maximize the return for the expenditure incurred. This is done by travel to the locations that afford CNS with the opportunity to interface with the most customers per each trip. CNS people accomplish this by attending and participating in the key industry meetings. Examples of these meetings are the EPRI International LLW Conference, the American Nuclear Society Meeting, the Low Level Waste Forum, and the Department of Defense Meeting. At some of these meetings, the CNS representative is either on the Steering Committee and is a session organizer and a session chair. At all of these meetings, the CNS representative presents a Barnwell SC update paper. The key is to reach all of Barnwell's customers to ensure that they have the latest facts on the status of

disposal at Barnwell. Whenever possible, specific trips are made to customers that own more than one generating site.

Regular/ weekly issues status meetings are held with the SCB&CB. The Barnwell Disposal Administration Team meets at least once per month in Barnwell. All of the issues regarding disposal are discussed during these meetings and problem areas are resolved.

r. Buildings and Utilities $58,236

The indirect building and utilities costs for FY 2002/2003 were $58,236 more than the amount identified in the Commission's Order. Utility expenses did increase about $11,000 during the fiscal year. However, the main reason for the variance involves a change in what costs make up this category. The CostPoint chart of accounts that make up this category of costs are Telephones and Utilities. The actual costs incurred in each of these chart of account numbers in CostPoint are split 70% to disposal and 30% to other co-located business units. In previous years, the amount charged to other business units in this general category of costs was a manual calculation and it included costs in addition to Telephones and Utilities. Therefore, the amount on which the Commission's Order was based was lower than the actual allowable costs in the category of Telephones and Utilities for the previous fiscal year.

s. Management G&A Allocation $192,516
(G804-DA, SCSS-D1, GLCL-DL, & S301-D2)

The Management and General and Administrative (G&A) Allocation amount for FY 2002/2003 totaled $843,751 and is $192,516 more than the amount identified in the Commission's Order.

During FY 2002/2003, Duratek estimated general and administrative costs for July through December 2002 by applying a provisional rate to monthly financial results. In the first half of the fiscal year the provisional rate was understated in comparison to actual costs for this period primarily due to systems infrastructure and internal control projects, that were necessary to meet new bank requirements and accounting rule changes.

Beginning January 2003, all financial results for Duratek are recorded at their actual costs each month. This eliminates the issue of estimating general and administrative rates and clarifies costs under audit.

The method of determining the allocation amount was agreed to with the Commission Staff in prior years. Experience in prior year staff audits also indicated approximately 3.6% of the total allocation amount as unallowable. The G&A amount identified in Exhibit B ($843,751) and the adjustment amount identified above ($192,516) are only the allowable G&A allocations for FY 2002/2003.

t. Approved Retention Compensation Plan $89,364

In Commission Order No. 2003-188, the Commission approved a Retention Compensation Plan for Chem-Nuclear employees. For Fiscal Year 2002/2003, the criteria for payments of that plan

was met and the employees were paid $89,364 in accordance with the plan. That amount did not have the 29% operating margin applied.

EXHIBIT D
ALLOWABLE COSTS FOR FY 2003/2004

As approved by Commission Order 2003-537, costs for FY 2003/2004 should be identified in three general categories: fixed, variable and irregular. The recommendations contained in Commission Order 2003-537 also indicated the Operations and Efficiency Plan costs adjusted for inflationary effects and corrected for current fringe rates should be used as a basis for FY 2003/2004 costs.

Labor costs identified in the Operations and Efficiency Plan were in 2002 dollars. The labor cost adjustment is 3.5% per year for two years or a total of 7%. The OEP costs were developed based on a fringe rate of about 33%. The current fringe rate as discussed in Exhibit A is about 40% for a net fringe rate adjustment of 7%. Material costs increased by about 2% per year overall for a net material cost increase of 4%.

a. Fixed Costs

Based on information provided in the Operations and Efficiency Plan and the Report of the Collaborative Review, fixed costs were summarized in Appendix A of the Report. Applying the adjustments described above brings the fixed costs for FY 2003/2004 to $5,956,207.

b. Variable Costs

Variable Material Costs: As discussed in the Report of the Collaborative Review, variable material costs consist of the costs for concrete disposal vaults and the amortization of trench construction costs for disposal trenches built before FY 2002/2003. Based on actual data from FY 2002/2003 and using the previously accepted method for identifying variable material cost rates, the rates to be applied prospectively in FY 2003/2004 are proposed in the following table:

	Class A waste	**Class B waste**	**Class C waste**	**All Slit Trench Waste**
Variable cost rate ($/ft3) by waste Classification	$22.52	$24.58	$24.12	$178.85

Note: These rates do not include trench amortization costs associated with disposal of a large component in FY 2002/2003.

Variable Waste Dependent Labor Rates: On pages 13 and 14 of the Report of the Collaborative Review of the Operations and Efficiency Plan, variable labor rates were developed using a combination of Operations and Efficiency Plan (Plan) data and independent variable data developed from shipments received at the disposal site. The following table illustrates how these variable labor rates change when adjusted for inflationary effects and corrected for the current fringe rate as recommended in the Report of the Collaborative Review.

WBS #	Summary Description	Independent Variable	Plan Cost	Units of Independent Variable	Plan/Review Variable Labor Rate for FY 2002/2003	Adjusted Variable Labor Rate for FY 2003/2004
5.11 and 07.03.02	Vault Labor	Total Vaults	$28,115	542	$51.87 per vault	$55.50 per vault
07.03.03	A, B & C Waste	Total Shipments less slit trench	$425,652	550	$773.92 per vertical cask or van shipment	$828.09 per vertical cask or van shipment
07.03.06 and 11.01.01	Slit Trench	Horizontal Shipments	$69,859	12 horizontal shipments	$5,821.58 per horizontal shipment	$6,229.09 per horizontal shipment
07.03.05 and 9.02	Waste Acceptance	Total shipments	$94,019	562 shipments	$167.29 per shipment	$179.00 per shipment
07.03.04	Trench Records	Containers	$41,747	1448 containers	$28.83 per container	$30.85 per container

c. Irregular costs for FY 2003/2004

Work on several projects that fall in the general category of "irregular costs" will take place in FY 2003/2004. These projects include disposal of three large components: Big Rock Point Reactor Pressure Vessel (RPV); Connecticut Yankee RPV; and San Onofre Nuclear Generating Station (SONGS) RPV. Irregular costs for FY 2003/2004 also include: costs to complete construction of the water management feature known as the Western Swale Construction; costs for construction of Trench 96; costs for Trench 86 Modifications (entrance ramp and water management extension); and costs to complete installation of the sewer and water connections to newly available public utilities.

Large Component Disposal Costs: Costs to dispose of the Big Rock Point RPV (volume 3600 cubic feet) will be about $62,497. These costs include costs for the heavy-haul contractor to move the RPV into its disposal location and costs for key management/supervision and technical support personnel. These costs do not include costs for wood cribbing and crusher run that will be installed in the trench to support the RPV.

Costs to dispose of the Connecticut Yankee RPV in FY 2003/2004 will be approximately the same as the costs incurred to dispose of the Maine Yankee RPV in FY 2002/2003 based on the RPVs roughly equal volume and weight. That cost will be about $405,532.

The SONGS RPV disposal volume is about 5800 cubic feet or approximately one-half of the Maine Yankee RPV volume. The costs for disposal of the SONGS RPV are therefore anticipated to be about $200,000.

Total large component disposal costs in FY 2003/2004 will be $668,029.

Other Irregular Project Costs: FY 2003/2004 costs to complete construction of the Western Swale will be $142,765. Costs to construct Trench 96 will be about $113,375. The Water Management Extension and Ramp Modifications to Trench 86 will cost $65,104. The construction of the Water and Sewer installation will be $136,786.

Total other irregular project costs (for the four projects identified above) in FY 2003/2004 will be $458,030.

Total irregular costs for disposal of three large components and four irregular projects in FY 2003/2004 will be $1,126,059.

d. Remainder of costs for OEP

Commission Order No. 2003-188 identified $123,698 of the costs for preparation of the OEP, and stipulated that the remainder would be considered in a subsequent Commission proceeding. The remainder to be identified as an allowable cost is $123,698.

e. "Other Allowable Costs" and "Other Payments"

Other Allowable Costs include those costs identified as allowable by the statute and/or the Commission, but do not have the 29% operating margin applied to them. These costs include taxes, licensing and permitting fees, disposal taxes (decommissioning fund and long term care fund), intangible asset amortization, retention compensation payments, disposal site lease, and real estate/personal property taxes. Other Allowable Costs identified for FY 2003/2004 total $1,949,929.

Other Payments include the administrative costs to support activities of the Budget and Control Board, the Public Service Commission, and the Atlantic Compact Commission. Other Payments identified for FY 2003/2004 total $940,000.

f. Retention compensation plan for FY 2003/2004

The retention compensation plan for FY 2003/2004 is essentially the same as the one for 2002/2003. Clarifications have been made in the description of the plan to make it clear that retained amounts would be forfeited even if a Chem-Nuclear employee were to transfer to a position with a company or division owned by the parent company, Duratek Inc. Also, the table specifying the employee's earning potential based on the payment to the State of South Carolina was updated for fiscal year 2003/2004 allowed volume receipts. The retention compensation program is included in Exhibit E. Two additional positions were added to the key manager's retention compensation plan: Sr. Sales Manager (Sales & Marketing) and Agency Liaison.

EXHIBIT E

CHEM-NUCLEAR SYSTEMS EMPLOYEE RETENTION COMPENSATION PLAN 2003-2004

Objective

Chem-Nuclear believes that each employee has the ability and responsibility to impact the achievement of Company goals. Further, the company recognizes the unique situation of declining annual volumes imposed on Chem-Nuclear's disposal operations by state law. The Chem-Nuclear Systems Employee Retention Compensation Plan is designed to provide an opportunity for employees to receive additional compensation based on safe, compliant, and cost efficient operation of the disposal site and the commitment by an employee to continue in his or her position with Chem-Nuclear. This plan aligns the employees' interests with those of Chem-Nuclear's shareholders and the disposal-related financial interests of the State of South Carolina.

Eligibility

To qualify for compensation from this plan, the eligible employee must be a Chem-Nuclear Systems (CNS) employee during the Plan Year, non-union, regular full-time staff employee (30 or more hours per week) hired during the Plan Year, who have completed their introductory period and who receive an overall performance appraisal evaluation rating of 2 or higher, and are not on probation or under a performance improvement plan at the end of the Plan Year or time of award. Employees hired during the Plan Year, who meet eligibility requirements set forth within this document, will receive a pro-rata compensation based upon their length of service during the Plan Year. Only employees who are not eligible for any other incentive compensation plan are eligible to participate. The eligible employee must be employed by Chem-Nuclear at the time the retention compensation is paid or employed by CNS during the plan year and transferred to another company division. Should eligible employees be absent from the job for a portion of the Plan year, those periods will be excluded and the compensation pro-rated. Any otherwise eligible employees that are absent from the job for the entire Plan year will be considered as non-eligible employees for that particular Plan year.

Chem-Nuclear Systems (CNS) employees who transfer to a non-CNS division during the plan year and who are employed with a company division at the time of payment and meet eligibility defined within this document will receive a pro-rata compensation based upon length of service with CNS during the plan year. The payment will be calculated using the base wage with CNS at the time of transfer. Retention payment to transferred employees will not include accumulated retention compensation held in reserve.

Plan Year

Consistent with the State of South Carolina's Fiscal Year, the Plan Year will be July 1, 2003 – June 30, 2004.

Plan Design
The Chem-Nuclear Systems Employee Retention Compensation Plan is designed to retain qualified, experienced individuals and to encourage eligible employees to contribute toward achievement of Chem-Nuclear Systems, and State of South Carolina performance goals and continued safe operation of the disposal site. Safety and Environmental Compliance and cost controls are key factors in the calculation of retention compensation from this program. The retention compensation will be calculated as a percentage of the eligible employee's base salary at the end of the Plan Year. Attachment A defines the measures that will be used to determine how much the retention compensation will be for each employee participating in the program. The South Carolina Budget and Control Board will approve these measures each year. Attachment A provides an example of the calculation. The plan will be communicated to each Chem-Nuclear Systems employee by a letter each year.

Retention Compensation Payment
Retention compensation payouts to active CNS employees will be calculated as an amount up to 4% of the eligible employee's base annual salary at the end of the Plan Year and based on the goals achieved. Fifty five percent (55%) of the payout will be paid to all eligible employees within 60 days following the close of the Plan Year. The remaining forty five percent (45%) will be accrued and reserved on the Barnwell Disposal books for the employee (in a non-interest bearing balance sheet entry) and will be paid to the employee if the employee is terminated as a result of reduction-in-force, retirement, disability, or death (payment will be issued to basic life insurance beneficiary). Payout to CNS employees who have transferred to a division within Chem-Nuclear System's parent company will be pro-rated based on CNS service during the plan year and calculated using the CNS base annual salary upon date of transfer. In the event of transfer, the 45% reserve retention payment will not be accrued for the plan year nor will the balance of the reserve account be paid to the transferred employee.

Retention compensation will be paid through payroll and will be subject to all applicable taxes.

Employment Termination
Eligible employees who resign or are terminated for cause by the company during the Plan Year will not participate in any part of the retention compensation program for that year, and they will not receive any amounts of retention compensation, which might have been reserved for them from previous years employment. If the termination results from reduction-in-force, retirement, disability, or death, the accumulated reserved amount of retention compensation held for the eligible employee and a pro-rata portion of the earned retention compensation will be paid at the same time it is paid to CNS active employees. This pro-rata calculation will be based on the portion of the year that has elapsed at the date of termination. An employee who resigns or is terminated for cause or performance by the Company after the end of the Plan Year and prior to the time the retention compensation is paid will not participate in any part of the retention compensation program for that year, and will not receive any amounts of retention compensation, which might have been reserved for him/her from the previous year's employment.

Right to Modify Plan

Chem-Nuclear Systems may amend or terminate this Plan for any subsequent year upon approval from the State Budget and Control Board and the Public Service Commission, and prior notification to Chem-Nuclear employees. If the Plan is terminated, eligible employees will be paid the accumulated amount of retention compensation held for them at the time of termination along with 100% of the earned amount for the fiscal year that was completed prior to the termination.

EXHIBIT E

Attachment A
Chem-Nuclear Systems Employee Retention Compensation Plan

Example Calculation

Goal (results of previous 12 months)	% of Total	% of Base Salary	Example $30,000 Base Salary	Example 55% Payout	Example 45% Held for Employee
A. No significant notices of violation (NOV)	15%	0.6%	$180.00	$99.00	$81.00
B. Number of OSHA recordable accidents: two or less	10%	0.4%	$120.00	$66.00	$54.00
C. Number of lost workday accidents: zero	20%	0.8%	$240.00	$132.00	$108.00
D. Individual employee performance rating: Rating of 2 equates to 2%; Rating of 3 equates to 8%; Rating of 4 or higher equates to 10%.	10%	0.4%	$120.00	$66.00	$54.00
E. Maximize Dollars earned for South Carolina during the fiscal year. See the attached table for specific payment schedule.	40%	1.6%	$480.00	$264.00	$216.00
F. Completion of B&CB authorized decommissioning activities within budget. Note1	5%	0.2%	$60.00	$33.00	$27.00
	100%	4.0%	$1,200.00	$660.00	$540.00

Note 1: In those years when no decommissioning activity is authorized, the percentage associated with Category F will be combined into Category E.

Goal E Payment Schedule
2003 - 2004

Dollars for South Carolina	Percent of Total (see attachment A)
$17,300,000	3
$17,500,000	6
$17,700,000	9
$17,900,000	12
$18,100,000	15
$18,300,000	18
$18,500,000	21
$18,700,000	24
$18,900,000	27
$19,100,000	30
$19,300,000	31
$19,500,000	32
$19,700,000	33
$19,900,000	34
$20,100,000	35
$20,300,000	36
$20,500,000	37
$20,700,000	38
$20,900,000	39
$21,100,000	40

NOTE: Dollars for S.C. is equal to net deposits into education accounts plus amounts for Barnwell County and S.C. generator rebates based upon laws and agreements in place at the beginning of each fiscal year.

CHEM-NUCLEAR SYSTEMS KEY MANAGER RETENTION COMPENSATION PLAN 2003-2004

Objective

Chem-Nuclear believes that certain key managers have an ability and responsibility to significantly impact the achievement of Company goals. Further, the company recognizes the unique situation of declining annual volumes imposed on Chem-Nuclear's disposal operations by state law. The Chem-Nuclear Systems Key Manager Retention Compensation Plan is designed to provide an opportunity for the key managers to receive additional compensation based on safe, compliant, and cost efficient operation of the disposal site and a commitment from those managers to continue their position with Chem-Nuclear. This plan aligns the management team's interests with those of Chem-Nuclear's shareholders and the disposal-related financial interests of the State of South Carolina.

Eligibility

The Chem-Nuclear Systems key managers specified within this document are eligible to participate in the Chem-Nuclear Systems Key Manager Retention Compensation Plan. To qualify for compensation from this plan, the manager must be a regular full-time staff employee (30 or more hours per week) hired during the Plan Year who have completed their introductory period and who receive an overall performance appraisal evaluation rating of 2 or higher, and are not on probation or under a performance improvement plan at the end of the Plan Year or time of award. Key managers hired during the plan year, who meet eligibility requirements set forth within this document, will receive a pro-rata compensation based upon their length of service during the Plan Year. Only key managers who are not eligible for any other incentive compensation plan are eligible to participate. The key manager must be employed by Chem-Nuclear at the time the payment is made or employed by CNS during the plan year and transferred to another company division. In a situation where the key leader is absent for a portion of the Plan year, those periods will be excluded and the compensation pro-rated. Any otherwise eligible key manager that is absent from the job for the entire Plan year will be considered as non-key leaders for that particular Plan year.

CNS key managers who transfer to a non-CNS division during the plan year and who are employed with a company division at the time of payment and meet eligibility defined within this document will receive a pro-rata compensation based upon length of service with CNS during the plan year. The payment will be calculated using the base wage with CNS at the time of transfer. Retention payment to transferred key managers will not include accumulated retention compensation held in reserve.

Plan Year

Consistent with the State of South Carolina's Fiscal Year, the Plan Year will be July 1, 2003 – June 30, 2004.

Plan Design
The Chem-Nuclear Systems Key Manager Retention Compensation Plan is designed to retain qualified, experienced individuals and to encourage key leaders to contribute toward achievement of Chem-Nuclear Systems, and State of South Carolina performance goals and continued safe operation of the disposal site. Safety and Environmental Compliance and cost controls are key factors in the calculation of retention compensation from this program. The retention compensation will be calculated as a percentage of the key leader's base salary at the end of the Plan Year. Attachment A defines the measures that will be used to determine how much the retention compensation will be for each manager participating in the program. The South Carolina Budget and Control Board will approve these measures each year. Attachment A provides an example of the calculation. The plan will be communicated to each key manager participating in the program each year.

Retention Compensation Payment
Retention compensation payouts will be calculated as a percentage of the key leader's base annual salary at the end of the Plan Year in accordance with the following table and based on the goals achieved.

POSITION TITLE	% OF BASE ANNUAL SALARY
Vice President, Disposal Operations	20
Vice President, ESHQA	10
Senior Manager, Environmental Programs	10
Controller	8
Sr. Project Geotechnical Engineer	8
Agency Liaison	8
Sr. Manager, Sales & Marketing	8

Fifty five percent (55%) of the payout will be paid to all eligible key leaders within 60 days following the close of the Plan Year. The remaining forty five percent (45%) will be accrued and reserved on the Barnwell Disposal books (in a non-interest bearing balance sheet entry) and will be paid to the manager if the manager is terminated as a result of reduction-in-force, retirement, disability or death (payment will be issued to basic life insurance beneficiary). Payout to CNS key managers who have transferred to a division within Chem-Nuclear System's parent company will be pro-rated based on CNS service during the plan year and calculated using the CNS base annual salary upon date of transfer. In the event of transfer, the 45% reserve retention payment will not be accrued for the plan year nor will the balance of the reserve account be paid to the transferred employee.

Retention compensation will be paid through payroll and will be subject to all applicable taxes.

Employment Termination
Key leaders who resign or are terminated for cause or performance by the company during the Plan Year will not participate in any part of the retention compensation program for that year, and they will not receive any amounts of retention compensation, which might have been

reserved for them from previous years employment. If the termination results from reduction-in-force, retirement, disability or death, the accumulated amount of retention compensation held for the key leader and a pro-rata portion of the current year earned retention compensation will be paid at the same time it is paid to active employees. This pro-rata calculation will be based on the portion of the year that has elapsed at the date of termination. An employee who resigns or is terminated for cause or performance by the Company after the end of the Plan Year and prior to the time the retention compensation is paid will not participate in any part of the retention compensation program for that year, and will not receive any amounts of retention compensation, which might have been reserved for him/her from the previous year's employment.

Right to Modify Plan

Chem-Nuclear Systems may amend or terminate this Plan for any subsequent year upon approval from the State Budget and Control Board and the Public Service Commission, and prior notification to Chem-Nuclear employees. If the Plan is terminated, key leaders will be paid the accumulated amount of retention compensation held for them at the time of termination along with 100% of the earned amount for the fiscal year that was completed prior to the termination.

Attachment A
Chem-Nuclear Systems Key Manager Retention Compensation Plan

Example Calculation

Goal (results of previous 12 months)	% of Total	% of Base Salary	Example $65,000 Base Salary	Example 55% Payout	Example 45% Held for Employee
A. No significant notices of violation (NOV)	15%	1.2%	$780.00	$429.00	$351.00
B. Number of OSHA recordable accidents: two or less	10%	0.8%	$520.00	$286.00	$234.00
C. Number of lost workday accidents: zero	20%	1.6%	$1,040.00	$572.00	$468.00
D. Individual employee performance rating: Rating of 2 equates to 3%; Rating of 3 equates to 8%; Rating of 4 or higher equates to 10%.	10%	0.8%	$520.00	$286.00	$234.00
E. Maximize dollars earned for South Carolina during the fiscal year. See the attached table for specific payment schedule.	40%	3.2%	$2,080.00	$1,144.00	$936.00
F. Completion of B&CB authorized decommissioning activities within budget.[1]	5%	0.4%	$260.00	$143.00	$117.00
	100%	8.0%	$5,200.00	$2,860.00	$2,340.00

Note 1: In those years when no decommissioning activity is authorized, the percentage associated with Category F will be combined into Category E.

Goal E Payment Schedule
2003 - 2004

Dollars for South Carolina	Percent of Total (see attachment A)
$17,300,000	3
$17,500,000	6
$17,700,000	9
$17,900,000	12
$18,100,000	15
$18,300,000	18
$18,500,000	21
$18,700,000	24
$18,900,000	27
$19,100,000	30
$19,300,000	31
$19,500,000	32
$19,700,000	33
$19,900,000	34
$20,100,000	35
$20,300,000	36
$20,500,000	37
$20,700,000	38
$20,900,000	39
$21,100,000	40

NOTE: Dollars for S.C. is equal to net deposits into education accounts plus amounts for Barnwell County and S.C. generator rebates based upon laws and agreements in place at the beginning of each fiscal year.