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Legal 2031-31-05

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January 28, 2005

South Carolina Public Service Commission
Attention: Docketing Staff
Post Office Box 11649
Columbia, South Carolina 29211

Re: *Application of Chem-Nuclear Systems, LLC*
(SCPSC Docket No. 2000-366-A) (Fiscal Year 2004-2005)

Dear Sir or Madam:

Enclosed herewith for filing with the Commission please find the Supplemental Responses to Interrogatories 4, 8 and 9 of Chem-Nuclear Systems, LLC to the Discovery Requests (Set No. 1) of the South Carolina Budget and Control Board. The original responses were filed with the Commission on September 27, 2004.

By copy of this letter and by Certificate of Service appended to the responses, I am serving all counsel of record.

Should you have any questions with respect to this matter, please do not hesitate to contact me.

Very truly yours,

Robert T. Bockman

Robert T. Bockman

Enclosures

cc: David K. Avant, Esquire
Hana Pokorna-Williamson, Esquire
The Honorable Max K. Batavia
The Honorable Henry Dargan McMaster
Florence P. Belser, Esquire
Frank R. Ellerbe, Esquire
Daniel F. Arnett/ORS
Jay R. Jashinsky/ORS

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 (for Fiscal Year 2004-2005)	**SUPPLEMENTAL RESPONSES TO INTERROGATORIES 4, 8 AND 9 OF CHEM-NUCLEAR TO B&CB'S DISCOVERY REQUESTS (Set No. 1)**

Applicant Chem-Nuclear Systems, LLC, herein propounds its responses to the Discovery Request of the South Carolina Budget and Control Board (Set No. 1), dated November 19, 2004, as follows:

1. **In paragraph 17 of its Application, CNS requests $5,809,175 in fixed costs for the fiscal year 2004-2005, which is an increase of $385,707 over the proposed adjustment in fixed costs of $5,423,468 for the fiscal year 2003-2004. Please provide a breakdown showing the cost categories, the amount of increase requested for each, and an explanation for each increase.**

   This response is revised from the one provided December 8, 2004.

   The following table summarizes the changes in fixed costs from the actual costs incurred in FY 2003-2004 to the amount proposed for FY 2004-2005. The amounts shown in this table for non-labor fixed costs and total fixed costs are revised slightly from amounts shown in our application. These revisions are explained further in an attachment (Attachment A) to these responses to interrogatories, and will be explained in our direct testimony.

   The cost categories are shown with the amount of increase requested for each and an explanation of each increase. The cost categories of labor and fringe and Corporate Allocation (G&A) are generally labor-cost driven categories subject to the 3.5% per year inflationary factor agreed to during the collaborative review of the Operations and Efficiency Plan (OEP). The non-labor costs are subject to the 2% per year inflationary factor agreed to during that review.

	Actual Costs Incurred in FY 2003- 2004	Proposed Costs for FY 2004-2005	Change From FY 2003-2004 to FY 2004-2005	% Change	Comments
Labor and Fringe	$2,758,135	$2,854,670	$96,535	3.5%	Normal labor increase
Non-Labor	$1,173,316	$1,431,801	$258,485	22.0%	See Note below
Corporate Allocation (G&A)	$892,551	$923,749	$31,198	3.5%	Normal labor increase
Fixed Costs not subject to 29% margin	$625,000	$625,000	0	0	No increase
Total Fixed Costs	$5,449,002	$5,835,220	$386,258	7.09%	

Note: The non-labor fixed cost increase is a result of two factors:

1. Actual non-labor costs incurred in FY 2003-2004 were inflated by 2%, and

2. Some costs considered irregular costs for FY 2003-2004 were moved into the fixed cost category for FY 2004-2005. In future years, these costs will be considered part of the fixed cost amount.

The following table identifies amounts associated with each of these non-labor factors, which we propose to be considered as fixed costs in FY 04-05:

	FY 2003-2004 Amount	Inflation	Increase Amount	FY 2004-2005 Amount
1. Non-labor fixed costs	$1,173,316	.02	$23,466	
2. Costs moved from Irregular to Fixed:				
a. Machinery and equipment rent/lease	$226,193			
b. Direct material, miscellaneous	$285			
c. Outside Contract Expense	$3,933			
Subtotal	$230,411	1.02	$235,019	
Total change in non-labor fixed costs from FY 2003-2004 to FY 2004-2005			$258,485	
Total Non-labor fixed costs proposed for FY 2004 - 2005				$1,431,801

2. **In Exhibit A to the CNS Application, fixed cost proposed adjustment for fiscal year 03-04, G&A is increased from $686,000, the amount identified in Commission Order No. 2004-349, to $892,551. Please provide an explanation for the increase.**

Response previously provided.

3. **In Exhibit B, Page 1 to the CNS application (item identified as "Insurance Premiums"), CNS requests $941,301.46 as an irregular cost. Please provide a breakdown for the various insurance premium costs showing (a) type of insurance, (b) named beneficiaries of the policies, and (c) annual costs.**

Response previously provided.

4. **In Exhibit B, Page 1 to the CNS Application (item identified as "Decontamination and Corrective Actions"), irregular costs associated with two corrective actions are noted (Labor $10,426.87 and Non-Labor ($10,047.04). For both cases, please describe who was responsible for the damage that necessitated the additional costs. If a generator, customer, or shipper was responsible, was the party billed for the additional costs incurred?**

Most of the costs included in the irregular project titled Decontamination and Corrective Actions were associated with efforts to decontaminate and subsequently fill an intermodal container with concrete. Responsibility for the damage that necessitated the additional costs was assigned to an Environmental Protection Agency (EPA) project at a site in Webster Texas. Those additional costs were labor and fringe $6,888 and non-labor $9,600. These amounts plus an operating cost margin of 29% have been invoiced to the customer's shipper who was responsible for this waste shipment, and has been paid. (Attachment B)

A smaller part of the costs (labor and fringe $1,274) included in the Decontamination and Corrective Actions project was associated with weld repairs to slit trench offload equipment. The weld repairs were not attributed to a shipment, but were required to repair equipment damage that occurred during normal post-offload operations. We chose to treat these costs as irregular because they are not likely to be required each year.

The work required to remove a small piece of metal that remained in the transportation cask following a slit trench offload of waste was initially thought to be potentially significant and the costs were initially tracked as a separate irregular cost project identified as Slit Trench Corrective Actions. As it turned out, however, with the exception of some additional planning (labor and fringe $2,315), the work was nearly identical to normal post offload procedural requirements for the transportation cask. Included in the costs associated with Slit Trench Corrective Actions was a charge of $446.93 for additional ventilation flexible ducting installed in the slit trench enclosure at about the same time as the recovery and disposal of the small piece of metal from the cask. Therefore, the customer was not charged any additional amount beyond the $240,776.46 invoiced for the slit trench shipment.

5. **For the item identified as "Large Component Disposal" contained in Exhibit B, Page 2 of the CNS application, please provide an itemized breakdown for non-labor costs shown in the table.**

Response previously provided.

6. **In subsection (b) of the item identified as "Other Irregular Costs" contained in Exhibit B, Page 4 of its Application, CNS requests reimbursement for $25,534.50 paid to an affiliated company for mechanically compacting waste generated at and by the Barnwell site ("site-generated waste") prior to disposal. This waste was compacted at a separate Duratek Facility located near the Barnwell disposal site. Please respond to the following questions:**
   a. **What was the volume of this waste prior to compacting?**
   b. **How was the $25,534.50 determined?**
   c. **Please show quantitatively how compacting the waste was the most efficient alternative for the waste. For example, provide a table comparing Chem-Nuclear's overall disposal/handling/processing costs for this alternative to other alternatives for managing the waste.**
   d. **For each fiscal year, 2001, 2002, 2003 and 2004, what was the volume of Barnwell site-generated waste (after compaction or other processing) disposed at the Barnwell site?**

Response previously provided.

7. **In subsection (c) of the item identified as "Other Irregular Costs" contained in Exhibit B, Page 4, to its Application, CNS requests $49,937.04 in irregular costs for an accounting consultant. Please provide a detailed explanation of the basis for this cost.**

Response previously provided.

8. **In subsection (b) of the item identified as "Additional Irregular Costs" contained in Exhibit B, Page 4, to the CNS Application, a total of $270,396.61 is requested for non-labor costs associated with slit trench offload operations and other waste disposal operations. Please provide an itemized breakdown of these costs.**

The following table provides a summary itemized breakdown of these non-labor costs. They are costs associated with several of our variable cost projects.

Item	Cost Type	Examples	Amount
1	Machinery and equipment maintenance and repair by others	Maintenance on 50-ton rental crane; outside maintenance and repairs on other equipment	$4,549.71
2	Fuels and gases		$33.41
3	Safety Supplies	Safety shoes	$372.61
4	Outside contract expense	Registered land surveyor, Trench records software consultant	$25,135.90
5	Direct material, miscellaneous	Poly bags, disposable gloves, disposable shoe covers, Health Physics (HP) supplies (smear tabs, radiological control roping and posting materials, filters), duct tape, masking tape, plastic sheeting, rigging equipment (3-way spreaders, 4-way spreaders, outhaul cables), towels, wiper cloths, HEPA filters, Tyvek coveralls, slit trench offload bags, hand tools, coveralls, and other similar materials.	$127,112
6	Postage and shipping		$16.19
7	Other travel	Mileage	$28.50
8	Subcontractor	Temporary labor costs incurred during the first half of the fiscal year to support site operations and offload/cask dispatch schedules.	$42,424.50
9	Subcontractor	Temporary labor costs incurred during the second half of the fiscal year to support site operations and offload/cask dispatch schedules	$26,986.50
10	Subcontract – Internal	DAW compacting services	$25,534,50
11	Safety and compliance other	Visors, hoods, toolbox, gloves, safety shoes	$1,744.68
12	Miscellaneous ODC	Adjustment for previously accrued trench amortization. This amount was more than offset by a $21,798.02 credit in trench amortization based on direction from the Public Service Commission staff auditors.	$16,457.60

Most of these costs were included in the basis for the FY 04/05 variable cost rates, "Other Variable Material and Support Costs", identified in Exhibit C of the CNS Application. Part of the cost of Item 4, Outside contract expense, was not included in our proposed variable cost rate. $3,932.50 incurred for trench record database software modifications was included in the basis of non-labor fixed costs proposed for FY 04/05.

9. **In Exhibit C of the CNS Application, a table is provided which reflects a vault price of $31.23 per cubic foot for Class A waste. Please provide the disposal price for each kind of standard vault paid in fiscal years 2001, 2002, 2003, and 2004.**

The following table provides the price paid in each respective fiscal year for each of the three standard disposal vault configurations:

Fiscal Year	Rectangular	Cylindrical	Slit Trench
2000 – 2001	$5,830.00	$2,597.00	$4,452.00
2001 – 2002	$5,830.00	$2,597.00	$4,452.00
2002 – 2003	$6,996.00	$3,116.40	$5,342.40
2003 – 2004	$6,996.00	$3,116.40	$5,342.40
2004 – 2005	$8,745.00	$3,895.50	$6,678.00

Vault Price Increase July 2002 Analysis

During prior year's Public Service Commission proceedings the following information was discussed with Commission Staff auditors. At that time, they agreed with our analysis that the 2002 increase in the price of disposal vaults was reasonable.

Chem-Nuclear systems approved a 20% price increase for concrete disposal vaults in July 2002. The factors leading to approval of this increase were outlined in a letter to the vault supplier in July 2002. (Attachment C) Based on lower volumes of waste allowed by state law and a decreasing number of vaults to be supplied each year, the supplier has lost the "economies of scale" that have kept vault prices stable over recent years. The current vault production location is near the disposal site and allows us to enjoy lower transportation/delivery costs compared to manufacturing the vaults at another location. The current supplier also maintains an inventory of vaults and delivers vaults to the site on an "as needed" basis thereby eliminating costs that would be associated with an on-site inventory or delays waiting for deliveries from a remote location. Based on information from two reputable trucking companies with whom we do business, a minimum trip charge is between $650 and $750. There may be some additional charges for permits associated with overweight and wide load for transporting the rectangular vaults. Assuming an average trip charge of $700, increased transportation costs alone would be more than the July 2002 vault price increase.

Cylindrical vaults can be transported two per trailer with four lids on a separate trailer. That means it would require three trips to transport four complete vaults to the disposal site. The cost for 3 trips would be a minimum of $2,100 or $525 per vault.
Rectangular vaults can only be carried one per trailer with two lids on a separate trailer. It would require three trips to deliver two complete vaults. There would be wide load and overweight permits required. The cost for 3 trips would be a minimum of $2,100 or $1,050 per vault.

Slit trench vaults can be transported one per trailer with two lids on a separate trailer. The cost for three trips would be $2,100 or $1,050 per vault.

Vault Type	# Vaults Anticipated for FY 02/03	Price Increase per Vault	Extended Price Increase	Estimated Transportation Costs per Vault from another location	Extended Transportation Costs
Cylindrical	332	$519	$172,308	$525	$174,300
Rectangular	56	$1166	$65,296	$1050	$58,800
Slit Trench	12	$890	$10,680	$1050	$12,600
Total Impact			$234,360		$245,700

Additional factors to consider would include costs for a new vendor to procure vault molds and set up an appropriate casting location even in the face of a declining annual number of vaults to be produced.

Vault Cost Table Summary

The following table illustrates the increase in vault costs leading to the anticipated increase in variable costs.

Type of Vault	# Used In FY 01/02	Unit Price	Extended Price FY 01/02	# Anticipated For FY 02/03	New Price (June 2002)	Extended Price FY 02/03
Cylindrical	332	$2,597	$862,204	332	$3,116	$1,034,645
Rectangular	49 7	$5,830 $6,996	$285,670 $48,972	56	$6,996	$391,776
Slit Trench	11	$4,452	$48,972	12	$5,342	$64,109
Special CRDM Vault	3	$8,480	$25,440	3	$8,480	$25,440
Special Vaults	2	$11,646	$23,292	2	$11,646	$23,292
Total			$1,294,550			$1,539,262

Vault price increase in 2004:

In letters written to Chem-Nuclear Systems in June and July 2004, the vault supplier, Material Supply Company, Inc. documented the increased cost of producing concrete disposal vaults. (Attachment D & E) Nationwide, the increased cost of steel of all kinds has been well-documented and widely publicized in news articles (Attachment F & G). On some steel products, the price increase was as much as 200%. Over the preceding year, Material Supply Company had experienced raw material cost increases greater than any of those experienced in recent years. Some of the items used in the disposal vaults that have had the largest increases in cost (as of July 2004) were the following:

- Welded reinforced steel mats 71%
- Reinforcing steel bars 97%
- Steel lifting trunions 45%
- Steel plates 68%
- Steel pipe 60%
- Concrete 14%

The vault supplier committed to holding new prices for the period July through December 2004, to continually seek new, qualified suppliers and better production methods in an effort to control or reduce any product costs, and to use every opportunity to reduce manufacturing and

operating costs while maintaining the same high quality products delivered to the disposal site. (Attachment H)

In view of the external cost factors and Material Supply Company's commitment to control costs where possible, Chem-Nuclear Systems approved a price increase that took effect in July 2004 for concrete disposal vaults.

Robert T. Bockman
McNAIR LAW FIRM, P.A.
Post Office Box 11390
Columbia, South Carolina 29211
(803) 799-9800

By: _____
Robert T. Bockman

January 28, 2004

Columbia, South Carolina

ATTACHMENT A

Clarifications and Changes to Chem-Nuclear Systems, LLC FY 2004 – 2005 Application for Identification of Allowable Costs

During preparation of responses to interrogatories from the SC Budget and Control Board Staff, we identified certain costs in our 2004 – 2005 Application that require clarification. We will include the clarifications described below in our direct testimony.

DAW Processing

Costs for processing site-generated DAW were incorrectly included in two different areas in the Irregular cost section of the application. In Exhibit B, page 4, the section titled "Other Irregular Costs" (item b.) should not include costs for DAW processing ($25,534.50). The total costs for "Other Irregular Costs," then, are $54,311.09. DAW processing costs were included in the "Additional Irregular Costs" described in Exhibit B, page 4.

During preparation of the application, an amount equal to the DAW processing cost amount was inappropriately subtracted from the Fixed Costs. The Total Fixed Costs identified in Exhibit A, page 1 of the application should therefore be $5,449,002. (Attachment A-1 replaces this page in the application.)

Prior Year Trench Cost Adjustments

Two adjustments were made at the suggestion of the PSC auditors in December 2003. Our September 27, 2004 application did not include one of these adjustments. Both adjustments involved costs for prior year trench construction and should be considered together and listed separately from "other irregular costs" associated with FY 2003 - 2004. In one case, the audit identified an over amortization that resulted in a reduction in costs of $21,798.02, which was not subsequently identified in our September 27, 2004 application. In the other case, an expense of $16,457.60 in trench design and construction costs was identified. The net effect of these two prior-year adjustments is a reduction in cost of $5,340.42 to irregular costs in FY 2003 – 2004. (See table included in interrogatory response to question number 8.)

Impact on Application Amounts

Total fixed costs (specifically non-labor fixed costs) in the application should increase by $25,534.50. (Attachment A-1 should replace Exhibit A, page 1 in the application.)

Irregular costs subject to 29% margin should decrease by $41,992.10. The table attached to this document (Attachment A-2) summarizes irregular costs for FY 2003 – 2004 and will replace the information provided on Exhibit A, page 3 of our application.

One of the "Other Variable Material and Support Costs" rates proposed for FY 2004 – 2005 and identified in Exhibit C of the application should change as indicated in the following table:

	Application Rate	Revised Rate Proposed for FY 04 – 05
ABC Waste Disposal	$528.90/shipment	$484.49/shipment

The revised rate proposed for FY 04 – 05 is based on $179,548 of costs incurred in FY 03 – 04 and associated with ABC Waste Disposal. Consistent with the approach to variable labor rates agreed to during the Collaborative Review of the OEP, this non-labor cost amount is increased by 2% and then divided by the expected number of shipments (401) less slit trench shipments (23) to calculate a rate per shipment for "Other Variable Material and Support Costs." (Attachment A-3 replaces Exhibit C of the application.)

ATTACHMENT B

CHEM - NUCLEAR SYSTEMS, LLC INVOICE # **43661**

CORPORATE OFFICE
140 STONERIDGE DRIVE
COLUMBIA SC 29210

X BARNWELL OPERATIONS
740 OSBORN ROAD
HIWAY 64
BARNWELL SC 29812
(803) 259-1781

SOLD TO
DURATEK, INC.
COMMERICAL OPERATIONS
1009 COMMERCE PARK DRIVE, SUITE 100
OAK RIDGE, TN 37830

ATTENTION: JENNIFER KELLEY

COST	DATE	CONTRACT #	LOC	REF #	DIVISION
2748-001 80-100452 / 1675026	12/17/04	CNS-2002-034		73093	
PROJ	**PROJECT #**	**ACCOUNTING DEPT.**		**SHIPMENT ID #**	**DOT #**
BARNWELL	188000.0001	001		0603-11799	

DESCRIPTION	AMOUNT
CHARGES FOR DECONTAMINATION AND DISPOSAL OF IP2 CONTAINER FROM SHAW-GULF NUCLEAR WEBSTER TEXAS PROJECT	$21,270.00
NSSF VAN SHIPMENT NO. 03-010 FROM USEPA REGION VI / SHAW GULF NUCLEAR IN WEBSTER, TX	
	$21,270.00

TERMS: NET 30 DAYS. INVOICES NOT PAID IN 30 DAYS ARE SUBJECT TO CHARGE OF 1 1/2% PER MONTH.

PLEASE MAKE ALL CHECKS PAYABLE TO:

CHEM-NUCLEAR SYSTEMS
P.O. BOX 95000-1130
PHILADELPHIA, PA 19195-1130

PLEASE SEND ALL WIRES TO:

COMMERCE BANK:
1701 ROUTE 70 EAST
CHERRY HILL, NJ 08304-5400
ABA# 036001808
ACCOUNT NAME: CHEM NUCLEAR BARNWELL
ACCOUNT NUMBER: 365212059

LDC

ATTACHMENT C

CHEM-NUCLEAR SYSTEMS, LLC

Subsidiary of Duratek

740 Osborn Road • Barnwell, South Carolina 29812

July 16, 2002

Mr. Tom Cherry
Material Supply Company, Inc.
107 Concrete Road
Lexington, SC 29703

Dear Tom:

This letter responds to your earlier correspondence and our recent meeting about your proposed price increase for concrete disposal vaults. We have reviewed the data you provided on vault pricing history and our own records and projections concerning vault usage and waste disposal volume. It is clear that our anticipated annual vault usage is declining and will no longer support economies of scale that were once available with much larger annual waste volumes. While we understand the need to maintain a reliable and qualified workforce to manufacture vaults, we remain sensitive to controlling the overall costs for our disposal operations. We also appreciate the fact that transportation costs associated with manufacturing vaults at a location away from Barnwell could be significant. Your current practice of inventory control, prompt delivery of requested vaults, the ability to manufacture custom vaults when requested, and the physical proximity of Material Supply Company's Barnwell facility to the disposal site are all assets we value.

In view of the above considerations, we approve a new price as indicated in the following table for vaults or components ordered after July 1, 2002:

Vault or Component Type	Price
Cylindrical Vaults	$2,940.00
Rectangular Vaults	$6,600.00
Slit Trench Vaults	$5,040.00
21-300 Riser	$630.00
Table Tops	$750.00

Please contact me if I can answer any questions.

Sincerely,

Chem-Nuclear Systems, LLC

James W. Latham
Vice President, Barnwell Operations

c Regan Voit
Wayne Inabinett
Harriett Creech

ATTACHMENT D

msc

Material Supply Co., Inc.

Specializing in Precast Concrete Products & Supplies
107 Concrete Road • Lexington, SC 29073 • P.O. Box 966 • Lexington, SC 29071
Phone: (803) 957-9708 • FAX: (803) 957-9709

June 7, 2004

Mr. James Latham
Vice President, Barnwell Operations
Chem-Nuclear Systems
740 Osborn Road
Barnwell, SC 29812

Re: Price increases for Concrete Disposal Vaults

Dear Jim:

We have been studying the increased cost of producing our concrete products over the past few months and have been both surprised and shocked at how fast they have increased. Steel prices have increased almost 75% and have not yet leveled off as we expected. This cost increase is tremendous in bigger items, such as your vaults, that use a large amount of rebar, mesh, trunnion steel, steel plates, etc. A cement shortage is also in effect that has even caused concrete companies to close on some days and allot concrete to their customers, which of course has increased the price. Higher fuel and gas prices have increased our operating and delivery cost as well. These higher costs, which are beyond our control, have resulted in a first quarter loss for our company this year for the first time ever, making it necessary to immediately place a price increase of 22% on all of our products.

Our present raw material inventory is low, and delivery time on some items is uncertain, so an estimate or forecast of your vault requirements would be very helpful. We would like to hear from you soon in regard to the above, any helpful suggestions would be appreciated.

Sincerely,

Tom Cherry

Tom Cherry
President

TC/ds

ATTACHMENT E

msc

Material Supply Co., Inc.

Specializing in Precast Concrete Products & Supplies
107 Concrete Road • Lexington, SC 29073 • P.O. Box 966 • Lexington, SC 29071
Phone: (803) 957-9708 • FAX: (803) 957-9709

QUOTATION

July 13, 2004

Chem-Nuclear Systems
740 Osborn Road
Barnwell, SC 29812

Attn: James Latham

Re: Increased cost of producing reinforced concrete products

Dear Jim:

I am writing you to follow up on some of our recent phone conversations and other correspondence relating to the above topic. Over the past year we have had raw material cost increases that are greater than we have experienced in many years.

During this time we have used every opportunity we could to reduce any of our manufacturing and operating costs, while maintaining the same high quality in our products that you demand and expect for your facility.

Some of the items used in your vaults that have had the largest increases in cost are:

Welded reinforced steel mats	71%
Reinforcing steel bars	97%
Steel lifting trunnions	45%
Steel plates	68%
Steel pipe	60%
Concrete	14%

We feel that the steel prices will level off now, but suppliers are still only pricing for each order or a few weeks. Cement prices are still unstable and supply is short causing some concrete plants to close some days so we can't at all predict what the final cost will be.

We are all aware of course, of the higher fuel prices that increased everyone's operating and delivery costs. Also, it goes without saying that our labor, taxes and overhead have increased in the past two years.

The increased costs that we have been unable to avoid or absorb have forced us to make the following price increases effective with July 2004 shipments:

Cylindrical Vaults	$ 3,675.00
Rectangular Vaults	$ 8,250.00
Slit Trench Vaults	$ 6,300.00 (as presently designed)
21-300 Risers	$ 785.00
Table Tops	$ 940.00

We will hold these prices for 6 months (the remainder of 2004) but request the option to review costs with you then if necessary.

Sincerely,

Tom Cherry

Tom Cherry
President

TC/ds

P.S. – We will continually seek new, qualified suppliers and better production methods in our effort to control or reduce any of these product costs.

ATTACHMENT F

Steel prices climb 200%

Date: 03/16/2004

Steel prices climb 200%

(Denver, Colorado) Steep hikes in steel prices nationwide – on some products as much as 200 percent – are threatening to put some contractors out of business and could drastically push up the cost of construction projects – including steel-dependent road and bridge building.

One Denver-area contractor said the price of steel is so volatile, he's begun to guarantee some bids for only one day, because that's how long his steel supplier can guarantee prices to him. Public projects often require price guarantees of 60 days.

Members of Associated General Contractors of America (AGC), a construction trade organization, report steel price increases ranging from 20 percent to 196 percent, depending on the product, in the past two months. AGC also reports delays in securing certain steel products, regardless of price.

"The steel industry is truly spinning on top of its head right now," said Mike Benge, president of Denver-based ABC Coating, a large national producer of reinforcing steel.

The rapid rise in prices has contractors scrambling to submit accurate bids.

"A lot of our stuff we'll bid out today and we won't know for two to three weeks if we have the job, then it will be 45 days before we start the job," said Brent Saylor, an estimator with Pascal Construction in Golden. "If we have a 45 percent price increase, it makes a lot of people mad."

Pascal Construction installs steel casings that house utility lines, generally under roads, railroad tracks and runways.

Saylor said competition in his and other trades means contractors often bid jobs with narrow profit margins. The rapidly rising price of steel could turn these narrow margins into losses for contractors who end up covering the difference because they've guaranteed a price to their customers. "It could be devastating on a large job," he said.

"If there was a lot of work out there, it'd be one thing," Saylor said. "But with the tight bidding, this could be a failure for a lot of companies. They could really eat their lunch."

"The biggest effect is on our members," said Jay Lower, executive director of the Colorado Contractors Association, which represents mostly heavy constructors who build highways. "We have firm price contracts. Then to have this kind of price increase. Then these delays. It certainly will have an effect on their viability. It's nothing anyone had programmed into their quotes six months ago."

Lower said he's heard guardrail for roads cannot be delivered for at least six months after an order is placed.

Many factors have led to the steel industry crisis. One is China's growing appetite for steel. According to several sources, China is now consuming more than 30 percent of the world's steel. Generally, it's buying the scrap metal that gets turned into other steel products.

In addition, many countries are buying scrap and steel products from the United States now because the weak U.S. dollar makes it attractive to buy American products. Conversely, it's more expensive for the United States to buy foreign steel to make up the difference.

Other factors include a shortage in the materials needed to produce steel. For example, one of the nation's largest coke mines, located in West Virginia, has been shut down due to a catastrophic fire.

And overall, the U.S. steel industry has been weakening for several years.

"More than 19 mills have gone into bankruptcy over the past two or three years," Benge said.

According to Benge, three mills produce 75 percent of the U.S.'s steel.

Benge said the amount he's paying for steel to make rebar has doubled recently, while the amount that he's being paid for the scrap he sells to scrap yards has risen 375 percent in 13 months.

Many steel suppliers have started assessing surcharges on orders. They also are allocating steel for their customers based on past use, Benge said.

He said a major concern is that even if the amount of scrap goes up, the demand will remain high, meaning the industry will not have any relief.

The nation's largest steel supplier, Nucor Steel, is assessing its customers a surcharge of $93 per ton of steel, said Scott Melnick, a spokesman for the American Institute of Steel Construction Inc. (AISC). The company reprices the surcharge monthly based on the consumer cost of bundled auto scrap steel, which is indexed by the American Metal Market, Melnick said.

"Our membership is primarily structural steel fabricators," Melnick said. "On jobs they already have contracts on, all of a sudden the contracts could have a $900,000 surcharge for a 10,000-ton job. Even the big guys can't absorb that easily."

AISC has endorsed the use of price-escalation clauses in new and existing contracts.

Nationally, the price spike has caused concern about the cost of large transportation projects. Ken Simonson, chief economist for the AGC, reported the cost of steel for one bridge project had increased $15 million since the contract was signed.

The National Steel Bridge Alliance, a subsidiary of AISC, last week asked the Federal Highway Administration to issue a technical bulletin that supports price adjustments to existing contracts, said Conn Abnee, the group's executive director.

"When the contractor assigns the project to a fabricator, the steel may not be purchased until two or three years later and the price is then very much escalated," Abnee said. "This is why we've asked the Federal Highway Administration for this price-adjustment clause. We just submitted our request on Friday of last week. They've been congenial to this point. They used them during the oil embargo, but the magnitude of this would be precedent-setting."

Large transportation jobs use steel in several capacities, including structural steel for bridges and steel rebar to reinforce the concrete.

Simonson said he would not be surprised if the T-REX project is affected by the steel crisis.

"I know recently they tried to order as much [steel] as they could to try to respond to it," said Pauletta Puncerelli, a spokeswoman for T-REX.

She also said increases in material price should not affect the T-REX budget because they're built into the bid at the beginning. She did not know, however, how much of a margin for price increases was built into the bid.

BY: Erin Johansen
Denver Business Journal

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ATTACHMENT G

January 9, 2004

Another Look at Steel Prices

The recent dramatic increase in steel prices and its effect on other products has been widely reported in news media nationwide during 2004. A sampling of a few articles follows.

USA Today published an article by Barbara Hagenbaugh on February 20, 2004, "Steel Prices soar 66% in a World Market 'Gone Mad." The article reported that as of February 2004, Steel prices were up 66% from June 2003.

On April 12, 2004, the Illinois Business Journal ran an article by Lorraine Senci headlined, "Steel Price Hikes Hammer Commercial Construction." In that article, a steel product supplier indicated, "But in March 2004, his prices were running 80 percent to 100 percent higher that what he was originally quoted, and product availability and delivery had become as unpredictable as the prices."

Alan J. Heavens in an article, "Through the Roof," appearing in The State newspaper on July 25, 2004, wrote: "A construction boom in China is swallowing up large chunks of US steel and cement, creating shortages in some regional markets here and sending prices skyrocketing, [construction] industry experts say." The article continued, "But shortages of cement and an increase in the price of steel are global in origin." "China has the fourth-largest economy and is consuming one-third of the world's steel production and 40 percent of the world's cement, [Michael] Carliner [,Chief economist for the National Association of Homebuilders,] said."

In the December 8, 2004 Boston Globe, an article by Susan Diesenhouse, "As Prices Soar, Developers Scramble," described the effect on construction projects. "A nearly 100 percent increase in the cost of steel and sharp increases in other construction materials over the past year have pushed project budgets nationwide through the roof." The article quoted a construction company official, "John Fish, Suffolk Construction Co chief, said the price of raw steel is now $30-5 a ton, up from $162 a year ago, because of economic growth in Asia and the weakening dollar."

The prospect for the near term is much the same. The Milwaukee Journal Sentinel published an article by Rick Barrett on December 22, 2004, "Unhappy New Year Seen for Steel Users." In that article, Mr. Barrett wrote, "Steel prices will remain stubbornly high in early 2005, placing further pressure on manufacturing companies, steel industry analysts and trade groups said..." "Some steel prices more than doubled this year, partly fueled by a weak US dollar, raw material shortages and strong demand for steel in China, the United States and some European countries."

ATTACHMENT H

From: James Latham
To: Deborah Ogilvie; Regan Voit
Date: 1/11/05 10:22AM
Subject: Concrete Product Prices

Tom Cherry from Material Supply Co called me this morning (1/11/05) to provide the following information regarding price increases in some of Material Supply's concrete products other than our disposal vaults. Although these procducts are made of reinforced concrete, Tom noted that none of these products have steel lifting trunions or the same amount of rebar as our disposal vaults.

The price for five-foot diameter manholes has increased by 22% for their regular higher-volume customers and increased by about 36% for "walk-in" customers.

The price for six foot diameter manholes has increased by 24% for their regular higher-volume customers and increased by about 37% for "walk-in" customers.

The price for ten-foot diameter manholes (these have more rebar than the others becasue of their size) has increased by about 35% for their regular higher-volume customers and increased by about 67% for "walk-in" customers.

Tom Cherry will write a letter to me documenting these price increases.

msc

Material Supply Co., Inc.

Specializing in Precast Concrete Products & Supplies
107 Concrete Road • Lexington, SC 29073 • P.O. Box 966 • Lexington, SC 29071
Phone: (803) 957-9708 • FAX: (803) 957-9709

January 13, 2005

Chem-Nuclear Systems/Duratek
740 Osborne Road
Barnwell, SC 29812

Attn: Jim Latham

Re: Continued increase in the cost of producing concrete products

Dear Jim:

This letter is a follow-up of our recent conversations relating to the above unpleasant topic. Unfortunately the cost of the raw materials used in manufacturing our products have continued to increase over the past few months as we keep hoping for a leveling off period.

The two materials with the greatest impact have been steel and cement, followed by fuel oil.

We produce and sell hundreds of precast concrete items ranging from small to very large and heavy. Listed below is an example of the approximate price increases we have had to put in effect over the past few months:

	Quantity Contractor Price	Small Qty. or Walk-In Price
5' Dia. Manholes	+22%	+35%
6' Dia. Manholes	+24%	+37%
7' Dia. Manholes	+26%	+37%
10' Dia. Manholes	+35%	+67%

As you will note the larger the unit the more reinforcing and accessory steel required, and the greater cost increases incurred.

The worldwide shortage of cement and steel has increased the price of our concrete products at a faster pace than I have ever experienced in my 45 years of working in this industry. Another substantial increase for cement was passed on to us effective January 1, 2005.

Another fact that will continue to hinder our efforts to hold down cost of producing your vaults is the continuing decrease in your requirements. This takes away our ability to place volume orders to our suppliers that we once exercised.

It also becomes increasingly difficult to maintain a cost effective operation in Barnwell County as your demand decreases. We have been keeping our trained staff employed full time by manufacturing products and then trucking them back to our plant in Lexington to sell in this market area. This adds to our cost of these items because sand and stone have to be freighted in to Barnwell County to produce concrete, and the finished product freighted back to our market area.

All of the various vaults Material Supply Company produces for Chem-Nuclear Systems are made to higher quality standards and designs that require larger reinforcing steel areas, higher concrete strengths and steel lifting items than other related products. This makes the cost increases more pronounced in your vaults. Material Supply Company has and will continue to seek every method available to cut our manufacturing cost and absorb as much of these increases as possible because of our long and successful relationship with Chem-Nuclear Systems.

However, as we noted in our letter to you in July 2004, we will soon have to review our prices to you as costs continue to increase.

Please let us know if you have suggestions or questions.

Sincerely,

Tom Cherry

Tom Cherry
President

TC/ds

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**

I, ElizaBeth A. Blitch, do hereby certify that I have this date served one (1) copy of the foregoing Supplemental Responses to Interrogatories 4, 8 and 9 of Chem-Nuclear Systems, LLC to the Discovery Request (Set No. 1) of the B&CB upon the following parties by causing said copies to be deposited with the United States Mail, first class postage prepaid and addressed as follows:

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South Carolina Budget and Control Board
Post Office Box 12444
Columbia, South Carolina 29211

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
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The Honorable Henry Dargan McMaster
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January 28, 2005

Columbia, South Carolina