

BEFORE

THE PUBLIC SERVICE COMMISSION OF

SOUTH CAROLINA

DOCKET NO. 2000-366-A - ORDER NO. 2003-537

SEPTEMBER 3, 2003

IN RE: Application of Chem-Nuclear Systems, LLC) ORDER APPROVING
for Approval of Allowable Costs.) COLLABORATIVE
) REVIEW

This matter comes before the Public Service Commission of South Carolina (the Commission) pursuant to submission of the Report of the Collaborative Review of the Operations and Efficiency Plan (OEP Plan), as per Public Service Commission Order No. 2003-188. Because of the following reasoning, we approve the Collaborative Review.

Our Order No. 2003-188, dated April 14, 2003, mandates, among other things, that Chem-Nuclear Systems, Inc. (Chem-Nuclear) file a statement for approval by the Commission regarding a Collaborative Review of that Plan. Under that Order, all parties to this Docket were to be provided with an opportunity to participate in the Collaborative Review. The purpose of the review would be to determine if consensus could be met regarding the validation of the OEP Plan. The statement was to clearly identify areas of agreement and/or disagreement regarding the OEP Plan. All parties participating were to be provided with an opportunity to submit comments to the Commission on the matter, all to be done prior to June 30, 2003.

It should be noted that the Report as described above and executed by all but two parties was received before June 30, 2003. The only two parties who did not execute the document sent letters prior to that date, however, stating general agreement with the Collaborative Review document. The document is therefore before us for review.

The document states that the parties reached consensus that the information provided in the OEP Plan is a valid representation of disposal site operations and that Plan can be used as a baseline for establishing a method for determining allowable costs in future Commission proceedings. The parties were able to identify three cost categories for operating the Barnwell disposal site: fixed costs, variable costs, and irregular costs. According to the document, the majority of the costs of Barnwell disposal site operations are fixed costs. The parties agreed that the costs identified as fixed costs would not change significantly with changes in waste volumes received. The variable costs include certain materials costs and certain labor costs directly associated with the receipt and disposal of waste. The parties agreed that the costs identified as variable costs will likely decrease as the amount of waste received each year decreases in accordance with the Atlantic Low-Level Radioactive Waste Compact Implementation Act. The parties agreed that the methods already established by the Commission Staff for determining the variable material cost rates (i.e. costs for concrete disposal vault purchases and trench amortization) are reasonable and appropriate and should remain in effect. Through Collaborative Review, the parties also identified some costs that tend to be irregular. The parties agreed that the site operator cannot always forecast the costs identified as irregular as part of the annual application process.

The parties stated in the review document that the OEP Plan provides a structure for managing, analyzing and communicating information about costs associated with operating the Barnwell disposal site. Accordingly, the parties made four recommendations:

- (1) The parties established that the cost categories identified as “fixed costs” in Appendix A to the Report are valid. Therefore, the parties recommend that the Commission allow the operating company to be reimbursed only for the actual dollars spent plus, where applicable the statutory operating margin for each of these identified fixed costs. The annual audit by the Commission Staff will verify the actual costs incurred each year. The parties feel that the Commission Staff should find little change in these costs through the years. For fiscal year 2003/2004 the parties recommend that the Commission, in its order, identify fixed costs based on the Plan costs adjusted for inflationary effects and corrected for the current fringe rates. This adjustment is recommended because the Plan used 2002 dollars and previously approved fringe rates.
- (2) The costs identified by the parties as “variable costs” will vary with the amount of waste, type of shipments, and the number of containers received at the Barnwell disposal site each year as described above. The variable costs associated with the amount of waste receipts include materials and waste dependent labor.
 - a. The parties recommend that the Commission continue to use the previously accepted method of establishing material rates by waste classification for vault purchases and trench amortization. The

Commission Staff can audit the costs incurred for materials and recommend that the Commission allow the operating company to be reimbursed only for the actual dollars spent plus, where applicable, the statutory operating margin.

- b. The costs identified by the parties as variable waste dependent labor costs vary with the amount of waste received at the Barnwell disposal site. The parties recommend that the Commission establish the labor rates associated with each vault, van waste shipment, cask waste shipment, slit trench waste shipment, total shipments, and total containers received at the Barnwell disposal site. For fiscal year 2003/2004, the parties recommend that the Commission identify waste dependent labor rates based on costs from the OEP Plan costs adjusted for inflationary effects and corrected for the current fringe rates. This adjustment is recommended because the Plan used 2002 dollars and previously approved fringe rates. The Commission Staff can audit the costs incurred for labor and recommend that the Commission allow the operating company to be reimbursed in accordance with those rates plus the statutory operating margin. The operating company will project the level of activity the Barnwell disposal site is expected to experience in any given year based on market conditions and the maximum waste receipts allowed by the Atlantic Compact Act.

(3) The costs identified by the parties as “irregular costs” are likely to be different each year. Sometimes these costs can be included in the operating company’s annual application. In those cases, the parties recommend that the Commission allow the operating company to be reimbursed only for the actual dollars spent plus, where applicable, the statutory operating margin for each of these identified irregular costs. The irregular cost estimate in the application should be included in the Commission’s Order that authorizes allowable costs for a given fiscal year. When an irregular cost occurs during the year but before the annual Commission staff audit is completed, the Commission Staff can audit the cost incurred and recommend that the Commission allow the operating company to be reimbursed only for the actual dollars spent plus, where applicable, the statutory operating margin for each of those identified irregular costs. If an irregular cost occurs after the Commission Staff’s annual audit, then the operating company would include that cost in the next annual application for consideration by the Commission as an allowable cost at the next hearing.

(4) Operating efficiencies are important to cost reduction efforts. The parties agreed that Chem-Nuclear Systems should continue efforts to improve efficiencies in all aspects of operations.

We hold that the Report on the Collaborative Review of the OEP Plan provides a good characterization of the costs involved in Chem-Nuclear’s processing of hazardous waste, and an excellent breakdown and analysis of these costs. We further believe that the Collaborative Review and the OEP Plan provide an excellent roadmap for future

Commission reviews of Chem-Nuclear's allowable costs. The breakdown and description of the type of costs involved in the low-level nuclear waste disposal operation of Chem-Nuclear at the Barnwell site will be helpful in future reviews of such costs. As per Order No. 2003-188, nothing in that Order prohibits any party in the next hearing from providing testimony regarding the validity of the OEP Plan. Order No. 2003-188 at 11. However, at this time, we approve the Collaborative Review of the OEP Plan as submitted by the parties, and hold that the Plan provides appropriate guidelines to consider in future hearings on allowable costs.

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

BY ORDER OF THE COMMISSION:

Mignon L. Clyburn
Chairman

ATTEST:

Gary E. Walsh
Executive Director

(SEAL)