



SET Environmental, Inc.
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SET Environmental, Inc is committed to continuous improvement programs dedicated to controlling our costs in order to provide our customers with the high quality service they expect. However, rising fuel and energy as well as environmental insurance and security costs continue to escalate beyond our normal operating costs. The rising fuel and energy costs include, but are not limited to the following areas.

- Fossil fuel and natural gas to operate our hazardous waste TSDF
- Diesel fuel for the SET transportation fleet
- Diesel fuel for subcontracted transporters
- Fuel for heavy equipment
- Gasoline costs to run smaller work vehicles
- Transportation costs to deliver waste to our TSDF, wastewater treatment facilities and other locations
- Fuel for forklifts at our facilities
- Utilities at our locations across North America
- Fuel surcharges are applied to products and supplies we use to run our business
- Travel and transportation costs for our service personnel

Recovering these costs is vital to our ability to operate profitably. To ensure we can continue to offer the high quality service, we apply a variable recovery fee to our invoices.

The variable recovery fee is comprised of three components: a fixed 0.50% charge for insurance; a fixed 0.25% charge for security costs; and a variable charge for Energy costs that is revised monthly based on the national average diesel prices from the U.S. Department of Energy. The recovery fee is applied to the entire invoice and is broken out separately. The charge for energy costs is set on the first Wednesday of the month based on data from the U.S. Department of Energy (<http://tonto.eia.doe.gov/oog/info/wohdp/diesel.asp>). This U.S. D.O.E. data is a publicly available, objective index that is widely recognized in the hazardous waste transportation and disposal industry. The energy fee is determined from the following table.

An additional 0.5% will apply for each \$0.10 increase in diesel cost above \$5.00/gal. The rate for energy costs will change (up or down) if the average price of diesel has changed from the previous range for a period of more than two out of the previous three weeks. The new rate will apply with invoices cut the following Monday.



Recovery Fee Calculation

Diesel Price Range	Energy Fee	Total Recovery Fee	Diesel Price Range	Energy Fee	Total Recovery Fee
< \$1.30/gal	0.00%	0.75%	3.41 - 3.50	11.00%	11.75%
1.31 - 1.60	0.50%	1.25%	3.51 - 3.60	11.50%	12.25%
1.41 - 1.60	1.00%	1.75%	3.61 - 3.70	12.00%	12.75%
1.51 - 1.60	1.50%	2.25%	3.71 - 3.80	12.50%	13.25%
1.61 - 1.70	2.00%	2.75%	3.81 - 3.90	13.00%	13.75%
1.71 - 1.80	2.50%	3.25%	3.91 - 4.00	13.50%	14.25%
1.81 - 1.90	3.00%	3.75%	4.01 - 4.10	14.00%	14.75%
1.91 - 2.00	3.50%	4.25%	4.11 - 4.20	14.50%	15.25%
2.01 - 2.10	4.00%	4.75%	4.21 - 4.30	15.00%	15.75%
2.11 - 2.20	4.50%	5.25%	4.31 - 4.40	15.50%	16.25%
2.21 - 2.30	5.00%	5.75%	4.41 - 4.50	16.00%	16.75%
2.31 - 2.40	5.50%	6.25%	4.51 - 4.60	16.50%	17.25%
2.41 - 2.50	6.00%	6.75%	4.61 - 4.70	17.00%	17.75%
2.51 - 2.60	6.50%	7.25%	4.71 - 4.80	17.50%	18.25%
2.61 - 2.70	7.00%	7.75%	4.81 - 4.90	18.00%	18.75%
2.71 - 2.80	7.50%	8.25%	4.91 - 5.00	18.50%	19.25%
2.81 - 2.90	8.00%	8.75%	4.51 - 4.60	19.00%	19.75%
2.91 - 3.00	8.50%	9.25%	4.61 - 4.70	19.50%	20.25%
3.01 - 3.10	9.00%	9.75%	4.71 - 4.80	20.00%	20.75%
3.11 - 3.20	9.50%	10.25%	4.81 - 4.90	20.50%	21.25%
3.21 - 3.30	10.00%	10.75%	4.91 - 5.00	21.00%	21.75%
3.31 - 3.40	10.50%	11.25%			

FAQ

Q. How is the fee applied to an invoice?

A. The fee is applied to the entire invoice excluding sales tax, and will be broken out separately in our pricing structure. Because these costs are above our normal cost of operations, our intention is to pass only these extraordinary costs on to our customers.

Q. Why are we charging the fee?

A. Cost pressures in our industry continue to be volatile. Some of these costs, such as energy for our facilities and vehicles, fuel surcharges from our transportation providers, insurance costs and enhanced security levels at our facilities, have escalated beyond our normal operating costs. Recovering these costs is vital to our ability to operate profitably.

Q. What makes up the security portion of the fee?

A. The security portion of the fee is 0.25% and is made up of additional costs that SET incurs to maintain heightened security at our facilities and for our transportation fleet. Since 9/11, regulations such as the Patriot Act have increased, and Homeland Security measures have been instituted which have driven up our costs. September 11, 2001 is now a number of years in our past, but the security costs are current and real.

SET has implemented a security program that requires employee background checks and 24-hour surveillance at all facilities and operating procedures that are costly. Key points about our security-

- Hazardous waste companies must ensure high levels of security
- Customers require that all employees have background checks
- All trucks must now use secured truck stops
- Visitors in plants must be accompanied by plant personnel or security

We also incur additional costs to operate our transportation fleet due to an increase in road stops and checks. We are considered a greater risk to Homeland Security because we transport hazardous waste; therefore, our trucks are stopped more frequently for roadside checks. The time spent at these checks directly increases our cost of transportation.

Furthermore, all employees are now subject to background checks. We must pay an outside agency to complete these thorough checks. These are direct costs we incur to maintain security.



Q. What makes up the insurance portion of the fee?

A. The insurance portion of the fee is 0.5% and is made up of additional insurance costs we incur for higher property insurance rates. As a result of billions of dollars of claims, the insurance industry has passed along much of the expense in the form of a rate increase.

Q. What makes up the energy/fuel portion of the fee and how often does it change?

A. The energy/fuel portion of the fee fluctuates based on average diesel prices. The fee is calculated on the first Wednesday of every month and applied to invoices the following Monday. The energy/fuel portion of the fee includes, but is not limited to the following areas.

- Fossil fuel and natural gas to operate our treatment facility
- Diesel fuel for the SET Environmental, Inc. transportation fleet
- Diesel fuel for subcontracted transporters
- Gasoline costs to run smaller work vehicles
- Transportation costs to deliver waste to landfills, wastewater treatment facilities and other locations
- Fuel for forklifts at our facilities
- Utilities at our locations across North America
- Fuel surcharges are applied to products and supplies we use to run our business
- Travel and transportation costs for our sales and service personnel

Q. Will my recovery fee go down if the national average price of diesel goes down?

A. Yes. Since the energy portion of the recovery fee is variable and structured on a sliding scale, as the national average price of diesel goes down, the recovery fee will be reduced. The rate for energy costs will change if the average price of diesel has changed from the previous range for a period of more than two out of the previous three weeks. The new rate will apply with invoices cut the following Monday.