

**Environmental
Resources
Management**

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December 31, 1999

Mr. Mike Hebert
U.S. Environmental Protection Agency
1445 Ross Avenue, Suite 1200
Dallas, Texas 75202

W.O. #555-002



Subject: Sparton Technologies Cost Assurance

Dear Mr. Hebert:

Pursuant to our conference call of December 1, 1999 among you, Carl Will of the New Mexico Environment Department, Tony Hurst representing Sparton Technologies, and me, the following are responses to comments made during the call.

- Comment: You indicated the estimate should reflect costs of utilizing a third-party contractor.
- Response: The figures do reflect the contracting of a third-party firm to undertake the work. We have revised the format to reflect a unit rate and the number of hours associated with each activity.
- Comment: You indicated that the cost estimate should be in current annual dollars.
- Response: We have provided two cases to the agency: one in which the figures are not discounted and the other in which discounting is used. The terminology "current annual costs" can be interpreted based on economic precedents in discounted terms. Indeed, agency guidance does not indicate that discounting is not allowed and references economic texts for cost estimating procedures that provide for discounting. While some may be interpreting RCRA differently from Superfund, in the past these two programs were considered equivalent in terms of their costing procedures. In fact, RCRA corrective action originally referenced Superfund guidance documents prior to the more recent issuance of RCRA corrective action guidance.

Comment: You questioned whether there was a cost contingency included in the specific line items.

Response: Each item reflected a contingency of about 10%. The respective line item contingencies have been identified in separate columns on the attached tables.

Comment: You asked whether the basis utilized for the budgeting of abandonment of the wells was consistent with New Mexico guidance. You requested that we include either an independent contractor bid or the regulations from New Mexico and Texas to elucidate the consistency between requirements.

Response: We have attached the well plugging and abandonment regulations for both New Mexico and Texas. The well abandonment costs listed in the Sparton closure cost tables were based on per foot unit rates for the LUST program in Texas because there were no comparable LUST program rates for plugging and abandonment in New Mexico guidance. After reviewing the available documentation from the NMED, conferring with Gary Richardson of Metric, and speaking with Jerry Shebner of the NMED - UST program, it was determined that there are no cost reimbursement limitations placed on tasks, specifically plugging and abandonment of wells, by the State of New Mexico. Rather than to continue estimating based on state guidelines, we have obtained a quote from Rodgers Environmental Services, an independent drilling contractor located in Albuquerque, New Mexico. The quote is attached and, even with a 10% contingency, the quote is less than the figure included in the November 17, 1999 Sparton closure cost tables. Therefore, no change has been made to the closure abandonment cost estimate included in the attached tables.

Comment: During our conversation, you inquired whether costs were included for maintenance and closure of the infiltration ponds.

Response: The cost for maintenance of the infiltration ponds is included. It is assumed that periodically (once every two and a half years), the pond bottoms will be tilled to break up a crust that may form and reduce infiltration over time. No estimate has been included for closure of the ponds because the ponds are intended to receive water that has been treated to drinking water standards. Accordingly, we do not consider there to be a reasonable likelihood that the ponds will trigger closure regulations.

Comment: A question was raised whether there was adequate budget for data analysis and periodic reporting.

Response: In the December 1, 1999 call, we explained there was adequate time allocated for data tabulation, data analysis, and reporting and that time allocated for these activities is contained in several separate line items (e.g. progress reporting, aquifer modeling, QA/QC and data analysis).

To clarify the cost tables, the line item previously entitled "Data Tabulation, Eng., Mgnt." has been broken out on the attached budget into four distinct tasks:

- Management;
- Data Tabulation;
- Monthly Reporting; and
- Annual Reporting.

To further explain how we estimated the costs for data management and reporting, we envisioned two groups of tasks would be performed for each report: technical and administrative. The technical requirements will be fulfilled under the "Evaluation, Analysis, & Recommendation" section, while the administrative tasks of compiling the data and text and assuring the information is presented to the proper individuals and agencies is shown in the "Project Management" section.

The labor rates and levels of effort presented under "Evaluation, Analysis, & Recommendation" are appropriate for evaluating performance in progress reports, assessing effectiveness via aquifer modeling and documenting the results in annual reports.

In addressing the issue of assigning a rate for the personnel required to complete the administrative tasks under "Project Management", we note that Mr. Tony Hurst is currently a third-party contractor. The budgeted rate for this position is below the "not to exceed" figure listed in the New Mexico guidance for the state UST program. His performance to date illuminates Sparton's ability to utilize third-party contractors for successful completion of the reporting tasks.

- Comment: We were asked to indicate unit rates and compare them with New Mexico guidance.
- Response: The format of the cost tables has been modified to reflect more clearly the unit rates of each item. Based on ERM's experience and a review of the New Mexico guidance, the rates used in this estimate are comparable to New Mexico's guidance. Also attached is a table comparing applicable New Mexico unit rates with Texas unit rates as described in their respective LUST cost guidelines.
- Comment: Attention was drawn to the adequacy of the amount budget for the 5-year Report.
- Response: Prior to this submittal, there was intended to be a 5-Year Report produced every five (5) years throughout the 30-year project period. After reviewing

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the recently prepared Consent Decree, revisiting the "Work Plan for the Assessment of Aquifer Restoration", and consulting with S.S. Papadopoulos, who prepared the "Work Plan", the 5-Year Report has been re-categorized as "Analysis of Additional Modeling Information." The analysis will be a one-time event occurring in the fifth year of the program estimated to cost \$15,000.

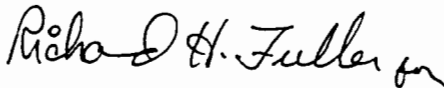
We are anxious to receive agency approval for the cost basis for preparing of the financial assurance portion of the remediation program. The format of the budget has been revised as per your suggestion. We anticipate these revisions will address fully your concerns regarding the cost basis for financial assurance.

We anticipate you will require a week to review the enclosed information. We would like to meet with you next week in Albuquerque (January 6 or 7, 2000), or the following week (on January 13, 2000). Space can be made available at the office of Sparton's local counsel for a 9:00 a.m. meeting. Please call me upon receipt of this letter to discuss your availability. If I am not immediately available, please speak with either Mr. Paul Indeglia or Ms. Jan Rodriguez.

We appreciate your attention in this matter and look forward to hearing from you soon.

Sincerely,

Environmental Resources Management



Richard C. Bost, P.E., CGWP
Principal

RCB/jbr
Enclosures

cc: James Harris, Thompson & Knight (Dallas)
Tony Hurst (Albuquerque)
R. Jan Appel, Sparton Corporation (Jackson, MI)
Mark W. Cheesman, Environmental Resources Management (Houston)
Paul A. Indeglia, Environmental Resources Management (Houston)