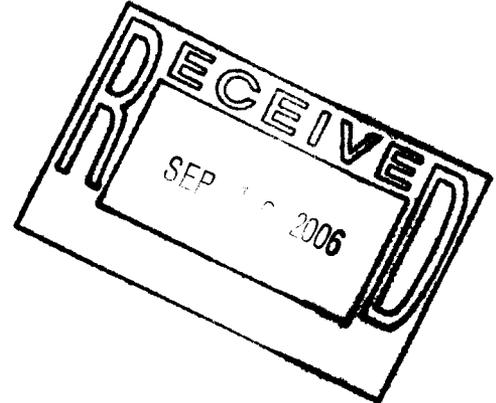


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**MWC Legal & Environmental Consulting**  
7413 Lake Windermere Dr.  
Corpus Christi, Texas 78413  
Fax: 361-850-9604

August 27, 2006



Ms. Susan Widener  
Sparton Corporation  
2400 East Ganson Street  
Jackson, Michigan 49202

Re: Sparton Technology, Inc.  
Albuquerque, New Mexico  
Coors Road Facility Financial Assurance Estimate

Dear Ms. Widener:

MWC Legal & Environmental Consulting is pleased to provide the attached estimate of financial assurance to be included in the submission by Sparton Technology, Inc. (Sparton) to the Environmental Protection Agency (EPA) and New Mexico Environmental Department (NMED) per Section XXIV, Paragraph 90, of the March 3, 2000 Consent Decree and meets the requirements for cost estimates for closure found under 40 CFR §264.142. The attached estimate of \$3,500,965 is based on an effective value date on June 30, 2006, which is consistent with Sparton's fiscal year-end and also the RCRA regulatory requirements. This estimate is \$362,150 lower than the previous estimate provided to Sparton on August 31, 2005. The largest single item reducing the estimate is completion of another year, for a total of 7 of the 30 years of projected time for closure operations. The estimated contribution for the most recently completed fiscal year was \$186,775 for expenses and another \$151,000 for the installation of the Deep Flow Zone Monitoring Well, MW-79. The remaining modifications made as part of the update of the financial assurance estimate, are described both below and in the attached estimate as notes of the changes made. (See Attachment 1 – 23 Year Summary.) As in past years, electricity costs were adjusted based on the previous year's actual costs; in this case FY2006.

The starting point for this update was the estimate provided to Sparton on August 31, 2005 with adjustments made to reflect an estimated effective value as of the end of FY2006, June 30, 2006, covering the project through the estimated remaining life of 23 years. Mr. Tony Hurst was again contacted as part of this update and he provided information, including monthly reports, on operations of the systems at the Coors Road Facility. The estimated cost to plug and abandon a site well was also confirmed. The May 2004 NMED Corrective Action Fund contractor fee schedule was confirmed to be the current update, thus validating the maximum hourly rates for professional services and sampling equipment costs. The update process and changes made to the estimate included the following:

- A demonstration is being required to prove that the plume does not extend into the deep flow zone being monitored by MW-79. Therefore, estimated cost of \$26,000 for modeling to make this demonstration is included.
- There are a fewer number of active monitoring wells being sampled. New Monitoring Well MW-79 was included in the active number and dropped as a separate line item. Therefore, total monitoring well sampling costs were reduced by approximately \$70,000.
- Operations and maintenance (O&M) costs for MW-79 were included with existing O&M costs and dropped as a separate line item in the estimate. This reduced the total cost estimate by approximately \$11,000.
- The average cost of electricity incurred during FY2006 was used to estimate future expenditures. The change decreased total electricity costs for the remaining 23 years of the project by approximately \$11,000.
- Two additional years of higher modeling costs, an additional \$17,000, was added based on problems encountered with obtaining convergence between the current model and actual conditions.
- The original number of wells included in the estimate for closure and abandonment at the projected end of the closure operations anticipated closure of a number of wells during the operational life. The total number of wells to be closed and abandoned was increased to reflect the actual number of wells in current operation. In addition, three dry wells most probably will be plugged and abandoned in FY2007 and these costs were included. The result was total closure costs for plugging and abandoning wells was increased by \$13,200.
- The actual cost for the lease of water rights was \$505/year versus an original estimate of \$220/year thus resulting in an increase in the estimate of \$6,555.

Based on the information obtained, original assumptions are still valid, except as noted above, with respect to the end date (FY2029), expected operations and maintenance of various containment systems, project management, closure costs, and other costs associated with evaluation and recommendations.

It has been my pleasure assisting Sparton Corporation with this matter. If you should have questions, please feel free to contact me at 361-850-9604 or 361-947-9003.



Mark W. Cheesman, J.D.  
Principal

cc: Mr. Tony Hurst – Hurst Engineering Services

**23-Year Summary**  
*Attachment 1*

*August 27, 2006*  
*Sparton Technology, Inc.*

**MWC Legal & Environmental Consulting**  
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Corpus Christi, Texas 78413  
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Sparton Technology, Inc.  
Coors Rd. Facility  
Albuquerque, New Mexico  
Fiscal Year 2007  
23 Year Summary

										2007-2009 2010-2014 2015-2019 2020-2024 2025-2029					Totals	
Changes Notes	Remaining Capital Expenditures	Material and Service Expenditures (t)				Labor Expenditures (s)				TOTAL TYPICAL ANNUAL COST						
		Unit	No.	Cost/Unit	Contingency	Percent	Hours	Hourly Rate	Contingency							
	Offsite Containment I No remaining tasks										\$0	\$0	\$0	\$0	\$0	\$0
	Vadose (SVE) No remaining tasks										\$0	\$0	\$0	\$0	\$0	\$0
	Source Containment No remaining tasks										\$0	\$0	\$0	\$0	\$0	\$0
	CW-3/MW-79 No remaining tasks		1	108,000	12000	11%	340	82.50	2950	11%	151000					
	<b>Total Remaining Capital Expenditure</b>										\$0	\$0	\$0	\$0	\$0	\$0
	<b>O&amp;M Expenditures</b>															
	Offsite Containment II										\$172,800	\$288,000	\$288,000	\$0	\$0	\$748,800
	Permits / Licenses															
	Pipeline Easement	LS	1	500		0%					500	1500	2500	2500	0	0
	Arroyos Easement	LS	1	3,000		0%					3000	9000	15000	15000	0	0
1	Operate System - Power (45hp) & Utilities	Month	12	1,800	2400	11%					24000	72000	120000	120000	0	0
	Influent/Effluent Sampling	Month	12	315	420	11%					4200	12600	21000	21000	0	0
	O&M - Equipment (a)	Month	12	1,140	1320	10%					15000	45000	75000	75000	0	0
	O&M - Labor (b)						156	63.25	1033.00	10%	10900	32700	54500	54500	0	0
	Ground water monitoring - see below															
	O&M - Chromium Treatment, Complete											0	0	0	0	0
	Vadose (SVE)											\$0	\$0	\$0	\$0	\$0
	Monitoring - Soil gas samples, Complete											0	0	0	0	0
2	Source Containment											\$101,115	\$168,525	\$168,525	\$168,525	\$168,525
	Operate System - Power	Month	12	675	900	11%					9000	27000	45000	45000	45000	45000
	Influent/Effluent Sampling	Month	12	315	420	11%					4200	12600	21000	21000	21000	21000
	O&M - Equipment (a)	Month	12	890	1120	10%					11800	35400	59000	59000	59000	59000
	O&M - Labor (b)						117	63.25	799.75	11%	8200	24800	41000	41000	41000	41000
8	Lease of water rights	LS	1	220		0%					505	1515	2525	2525	2525	2525
6	Deep Flow Zone (DFZ) Monitoring Well MW-79 (r) Plume Modeling Assessment						280	82.50	2900	13%	26000	\$26,000	\$0	\$0	\$0	\$26,000
	Evaluation, Analysis & Recommendation											\$187,800	\$270,500	\$270,500	\$270,500	\$270,500
	Quality Check (c)						5	68.00	70.00	21%	400	1200	2000	2000	2000	2000
7	Aquifer Model (Estimate) (d)						100	82.50	1650.00	20%	9900	29700	7000	7000	7000	7000
	Annual Reports Incl. Perf. & Alt. Eval. (e)						50	68.00	700.00	21%	4000	12000	20000	20000	20000	20000
	Ground Water Monitoring and Sampling															
	Data Collection and Sampling (f)						255	63.25	1671.25	10%	17800	53400	89000	89000	89000	89000
3	Sampling Equipment (g)	Sample	88	22.20	190.8	10%					2100	6300	10500	10500	10500	10500
4	Analysis (Lab Costs) (h)	Sample	88	270	2780	12%					26000	78000	130000	130000	130000	130000
	QA/QC and Data Analysis (i)						26	82.50	255.00	12%	2400	7200	12000	12000	12000	12000
	Analysis of Additional Modeling Information (j)						180	82.50	1550.00	10%	16400	0	0	0	0	0
5	Closure											\$4,400	\$0	\$0	\$0	\$112,100
	Plug and Abandon 74 wells including 3 in FY2007	Well	71	1,300	10700	12%					103000	4400	0	0	0	103000
	Remove Piping (LS)			1,650	550	33%					2,200	0	0	0	0	2200
	Closure Certification Report (k)						60	104.50	630.00	10%	6900	0	0	0	0	6900
	Soil Sampling at Infiltration Galleries (l)															
	Project Management											\$73,650	\$122,750	\$122,750	\$122,750	\$122,750
	Management (m)						170	82.50	1375.00	10%	15400	48200	77000	77000	77000	77000
	Data Tabulation (n)						25	82.50	237.50	12%	2300	6900	11500	11500	11500	11500
	Monthly Reporting (o)						25	82.50	237.50	12%	2300	6900	11500	11500	11500	11500
	Annual Reporting (p)						50	82.50	425.00	10%	4550	13650	22750	22750	22750	22750
	<b>Total O&amp;M Expenditure</b>											\$565,765	\$849,775	\$849,775	\$561,775	\$673,875
	<b>Summary</b>															
	Total Remaining Capital Expenditure											\$0	\$0	\$0	\$0	\$0
	Total O&M Expenditure											\$565,765	\$849,775	\$849,775	\$561,775	\$673,875
	TOTAL											\$565,765	\$849,775	\$849,775	\$561,775	\$673,875

**Changes made:**

1. Offsite Containment O&M Expenditures to operate system - Power (45hp) & Utilities has decreased from \$1,875/Unit to \$1,800/Unit and contingency decreased from \$2,700 to \$2,400.  
This was based on using the average monthly actual electricity cost in FY2006 adjusted for operating 100% of the time.
2. O&M Expenditures to Operate System - Power (12hp) has increased from \$655/Unit to \$675/Unit and contingency decreased from \$945 to \$900 based on average FY2006 monthly actual electricity costs adjusted for operating 100% of the time.
3. Adjusted number of days for use of sampling equipment from 19 to 23 based on distribution of the existing active wells on-site and number of samples to be obtained..
4. Reduced the total number of samples from 93 to 86 based upon the number of active (actual and expected) monitoring wells (59 total) to be sampled plus 27 quality control samples.
5. Adjusted for current number of wells (monitoring and containment) on-site that are currently expected to be functional, 71 total. Three dry wells are expected to be plugged and abandoned in FY2007.
6. New deep flow zone monitoring well modeling to demonstrate that plume does not extend into flow zone being monitored by MW-79, 280 hours for a Project Engineer (\$82.50/hr.) plus contingency. Sampling and O&M costs included above in GW Sampling estimates.
7. Included two additional years of higher modeling costs based on problems encountered with obtaining convergence between the model and actual conditions.
8. Cost for lease of water rights increased from \$220/year to \$505/year.

**Notes**

- (a) The equipment cost of \$15,000 per year each for offsite systems and \$11,800 per year for the onsite system includes \$192,000 for replacing a total of 13 wells.
- (b) Labor cost for operation and maintenance of the containment systems (off-site and source) assumes \$63.25/hour plus a minimum contingency of 10%. The labor requirement assumes performing routine inspection on each of the two systems an average of 3 hours per week for the offsite and 2.25 hours per week for the onsite, not including 15 minute inspections each week included in sampling labor. This is consistent with past experience and the experience of Sparton. The inspection and monitoring program will entail checking and recording information related to the status of the system. The parameters that will be monitored are listed in Appendix K of the System O&M Manual.
- (c) Quality Check entails additional evaluation of previously collected analytical data, resulting in 5 hours of work annually for a staff scientist (\$66.00 / hour) plus a minimum of 10% contingency.
- (d) Aquifer Modeling will require 100 hours per year through 2008 and 14 hours per year for the remaining years. Basis for the reduction of effort relates to the improved calibration of the model over time, assuming only minor adjustments will be required to confirm model outputs are consistent with observations. Modeling will be executed by a Project Scientist (\$82.50 / hour) plus a minimum of 10% contingency.
- (e) The preparation of annual reports includes performance and alternative system evaluation. Due to the data generated throughout the process, with costs contained in other sections of the budget (i.e. modeling, data analysis, etc.), 50 hours annually are allocated to prepare the Annual Report for a Staff Engineer (\$66.00 / hour). A minimum of 10% contingency and additional review by a Senior Engineer are included in a total contingency not to exceed \$700.00.
- (f) Data collection for 69 wells and sampling for the 59 wells located both on and off-site require 255 hours annually for a field technician (\$63.25), plus a minimum of 10% contingency.
- (g) Assumes 23 days for rental of pH/specific conductance/temperature meter (\$50/day), water level indicator (\$25/day), disposable bailers (\$3/day), miscellaneous equipment (gloves, tape, replacement drums, etc., \$5/well), which averages about \$22.20/sample.
- (h) Number of samples based on 59 wells plus approximately 27 quality control samples.
- (i) Quality Assurance and Control of data analysis results consists of 1 hour every other week for a Project Engineer (\$82.50 / hour) plus a minimum of 10% contingency.
- (j) Analysis of Modeling Information will entail combining previous annual reports, modeling results and other previously collected data with the 5 year annual report; interactions with NMED & EPA; the data analysis and performance evaluation for this report is included under aquifer modeling, annual reports and project management.
- (k) Closure Certification Report entails compiling historical data and a written analysis of 30 years of progress, as a result of the remedial actions, by a Senior Engineer (\$104.50/ hour) plus a minimum of 10% contingency.
- (l) Task to be completed only if significant exceedances of discharge limits occur, thus no expenditure is anticipated. If this expenditure is required, the contingency for closure (\$12,850) is ample to cover the anticipated sampling cost (\$1000).
- (m) "Management" consists of meetings with agency representatives, consultants and individuals from Sparton Technologies, in addition to handling routine administrative tasks. The total estimate for these tasks is 170 hours per year.
- (n) "Data Tabulation" is assumed to be on a quarterly basis for about 6 hours per quarter.
- (o) "Monthly Reporting" is assumed to be about 2 hours per month.
- (p) "Annual Reporting" is assumed to be 50 hours annually.
- (q) Total includes contingency.
- (r) New deep flow zone well was installed and tested in FY2006. Sampling and O&M costs included above. Estimate is for additional modeling only.
- (s) Labor rates per May 2004 (most current version) NMED Corrective Action Fund contractor fee schedules for the maximum hourly rates for professional services.
- (t) Material rates per May 2004 (most current version) NMED Corrective Action Fund contractor fee schedules for field equipment.