



TRANSWESTERN PIPELINE COMPANY
An ENERGY TRANSFER Company



May 7, 2019

Mr. John Kieling
New Mexico Environment Department
Hazardous Waste Bureau
2905 Rodeo Park Drive East, Building 1
Santa Fe, New Mexico 87505

**RE: Response to Comments
Disapproval Revised 2018 Financial Assurance Submittal (March 19, 2019)
Roswell Compressor Station No. 9
Transwestern Pipeline Company
Roswell, Chaves County, New Mexico
EPA ID No. NMD986676955
HWB-TWP-MISC**

Dear Mr. Kieling;

Please find attached this Response to Comments regarding the March 19, 2019 *Disapproval Letter* issued by the New Mexico Environment Department (NMED) pertaining to the 2018 *Financial Assurance Submittal* provided to the Agency on April 2, 2018. To respond specifically to each of the Agency's comments, the original comment included within the NMED letter is in **bold**, with the Transwestern response included in plain text immediately following the item requiring a response. **Attachment A** to this RTC contains the revised Financial Assurance documents requested by NMED.

Comment 1

Transwestern's Response to Comment 2 states that the estimated cost of work from Section III.Q. of the Stipulated Final Order (SFO) "shall be prepared in accordance with the requirements of 40 CFR 265. Furthermore, the requirements of the SFO apply to the interim status hazardous waste management units identified in the Order. Therefore, compliance with 40 CFR 264 is not applicable as there are no site activities subject to these requirements." NMED understands Transwestern's concern regarding the wording and its applicability towards the requirements of the facility. Transwestern is only responsible for the portions of the corporate guarantee that are applicable to 40 CFR 265, not 264. As stated in 40 CFR 264.143(h)(1), "A corporate guarantee, as specified in §264.143(f), or §264.145(f), or §265.143(e), or §265.145(e) of this chapter, must be worded as follows, except that instructions in brackets are to be replaced with the relevant information and the brackets deleted." In order to stay compliant with the financial assurance, it requires the wording of the instruments must be verbatim with no omissions or revisions. Revise the financial assurance submittal to be verbatim for each instrument with the understanding that only 40 CFR 265 is applicable to Transwestern.

Comment noted and will be included in the 2019 *Financial Assurance Submittal* as requested by NMED.

Comment 2

Comment 4 from NMED's January 18, 2019 Disapproval required revisions to the Corporate Guarantee and Chief Financial Officer (CFO) letter. Most of the changes were made, however, the following discrepancies must be addressed:

- a. **In the first paragraph of the Corporate Guarantee, the second sentence is still missing the address of the owner/operator.**
- b. **In Recital 2 of the Corporate Guarantee, the wording is not verbatim stating "and" instead of "or" in the first part of the statement "[Owner or operator] owns or operates".**
- c. **In Recitals 4, 5, 7, 8 and 11 of the Corporate Guarantee, the wording is not verbatim stating "and" instead of "or" in the parts referencing "subpart H of 40 CFR 264/265".**
- d. **In Recital 8 of the Corporate Guarantee, the wording is not verbatim stating "of" instead of "or" in reference to "amendment of modification".**
- e. **In Paragraph 3 of the CFO letter, the wording is not verbatim and omits "264" and "or" in the first sentence where it references subpart H of 40 CFR 265. In addition, at the end of the paragraph, the wording states "and" instead of "and/or" in the statement "The current closure and/or post-closure cost estimates covered by such a test are show for each facility".**

Correct the discrepancies and resubmit the CFO letter and the Corporate Guarantee with the exact wording as provided in 264.151(f) and 264.151(h)(1).

Comment noted and will be included in the *2019 Financial Assurance Submittal* as requested by NMED.

Comment 3

NMED has reviewed Transwestern's Response to Comment 5a and the revised attachments in Appendix A. Address the following comments for the tables titled "10-Year Estimated Cost of Work for Site Monitoring and System Operation & Maintenance, 2018 through 2028" (Cost Estimate):

- a. **In the section titled "System Operation & Maintenance", it will facilitate NMED's review if Transwestern provided the total number of samples collected and sample locations for the analytical samples collected as "Treated Water" and "Soil Vapor" in the Cost Estimate. Verify the sampling frequency for each sample collected at each location (e.g., effluent sample collected monthly (12 total samples), quarterly (4 total samples), or 9 events (9 samples total for effluent sample)) and provide a breakdown in the spreadsheet to demonstrate how the Annual Costs are calculated for the "Treated Water" and "Soil Vapor".**

Transwestern verified the sampling frequency and provided additional detail regarding the sampling location in the revised spreadsheets in **Attachment A**. Changes to the table are highlighted in blue for ease of NMED reference.

- b. **It is unclear how the annual costs for Analytical (Volatiles) and Analytical (BTEX) in the section titled "Semiannual Monitoring" are calculated. For example, the Analytical (Volatiles) estimate states 24 samples are analyzed per year for two events. 24 samples multiplied by 2 events equals 48 total samples. Forty-eight samples analyzed multiplied by the unit cost (\$120) results in a total annual cost of \$5,760 (\$4,200.00 for Analytical (BTEX)). However, the table reports a total annual cost of \$2,880.00 for Analytical (Volatiles) and \$2,100.00 for Analytical (BTEX). Clarify how the annual cost is calculated in this section of the Cost Estimate in the revised submittal. Include as a note in the Note's section of this Cost Estimate.**

Transwestern has clarified in the summary that the total number of semi-annual groundwater sample analytical costs were calculated on an annual basis and added a note to Page 3 of the total financial assurance estimate submittal included in **Attachment A**.

- c. **There appears to be a typographical error in calculating the annual cost for the section titled "Non-recurring Costs." There are two Baker Furnace Units at \$15,000 contingency for each unit. The Cost Estimate reports an annual cost of \$200,000.00 for the "Capital Investment - Replacement of equipment over a 10-year period". If there are 2 Baker Units at a cost of \$15,000 each, the calculation should equal \$30,000.00. The replacement cost would be multiplied by ten years for a total Annual cost of \$300,000.00. Clarify how the annual cost for the Capital Investment was calculated in this section of the Cost Estimate in the revised submittal.**

Transwestern added to the note in **Attachment A** regarding "Capital Investment – Replacement of equipment over a 10-year period" to clarify that the estimate from Baker Furnace was \$85,000 per furnace plus \$15,000 in contingency costs, for a total estimate of \$200,000 for the two furnaces. This is a non-recurring cost estimated at once during the 10-year period.

Comment 4

NMED requires additional clarification for the reference to Note #4 from Transwestern's Response to Comment 5b. Transwestern states "Note #4 indicates that 'actual historic expenses' were used in the estimate. Revised notes, including assumptions and contingencies to the cost estimate, are provided in Appendix A." The only reference to "actual historic expenses" is in Note No. 3 from the "Notes to the 2018 through 2028, 10-Year Estimated Cost of Work for Site Monitoring and System Operation & Maintenance". Also, clarify and define "actual historic expenses" in the response letter.

The "actual historic expenses" include incurred cost from previous years for items (labor, materials, equipment and services) associated with performing groundwater sampling activities and operation, maintenance and monitoring of the remediation system.

Comment 5

For Transwestern's Response to Comment 6 NMED requested additional information and explanation for how the cost estimate was derived. The explanations for Comment 6 refer the reviewer to the revised "Notes" and the "Assumptions and Contingencies" documents provided in Appendix A. While these tables provided some explanation for how the cost estimate was determined, a quantitative demonstration that itemized the costs defined as "contingency costs" is needed. Provide a definition for "contingency costs". If an itemized list cannot be generated, then explain how it was used to determine the cost estimate for Transwestern.

A quantitative demonstration of contingency costs is provided in **Attachment A**. The "contingency costs" may include various unexpected costs for replacing or repairing components such as electrical relays, air actuator valves, temperature transducers, etc.

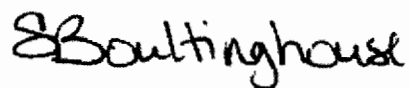
Comment 6

Provide page numbers and table numbers for the documents referenced in Appendix A to facilitate NMED's review.

Page and table numbers were added to the tables that are included in **Attachment A**.

Transwestern appreciates the opportunity to continue to work with NMED and NMOCD to continue to bring this site to closure. If you have any further questions or comments regarding these responses, please do not hesitate to contact me at (210) 870-2725.

Sincerely,



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Transwestern Pipeline Company, LLC
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Cc: D. Cobain, NMED HWB
M. Suzuki, NMED HWB
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L. King, USEPA Region 6
JD Haines, EarthCon
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TRANSWESTERN PIPELINE COMPANY
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ATTACHMENT A

TABLE 1
Transwestern Pipeline Company, LLC.
Roswell Compressor Station No. 9
Roswell, New Mexico
10-Year Estimated Cost of Work for Site Monitoring and System Operation & Maintenance
2018 through 2028

System Operation & Maintenance	Frequency	Units	Unit Cost	Annual Cost
Labor & Management	Monthly	12	\$ 3,600.00	\$ 43,200.00
Travel Expenses	Monthly	12	\$ 400.00	\$ 4,800.00
Analytical - Treated Groundwater Effluent (36 Total Samples for BTEX, Inorganics)	9 Events	9	\$ 430.00	\$ 3,870.00
Analytical - Soil Vapor Influent to Baker Furnaces (8 Total Samples for VOCs)	Quarterly	4	\$ 250.00	\$ 1,000.00
Misc. Parts & Repair Services	Monthly	12	\$ 500.00	\$ 6,000.00
Off-Site Disposal of Accumulated PSH (1500 gal/yr)	1 Event	1	\$ 6,000.00	\$ 6,000.00
Utilities (natural gas, electricity)	Monthly	12	\$ 3,250.00	\$ 39,000.00
			SUBTOTAL, OPERATION	\$ 103,870.00
Semiannual Monitoring	Frequency	Units	Unit Cost	Annual Cost
Labor & Management	2 Events	2	\$ 5,000.00	\$ 10,000.00
Travel Expenses	2 Events	2	\$ 600.00	\$ 1,200.00
Sampling Equipment and Supplies	2 Events	2	\$ 600.00	\$ 1,200.00
Analytical (Volatiles via Method 8260; 24 total samples/yr)	2 Events	2	\$ 1,440.00	\$ 2,880.00
Analytical (BTEX via Method 8260; 28 total samples/yr)	2 Events	2	\$ 1,050.00	\$ 2,100.00
			SUBTOTAL, MONITORING	\$ 17,380.00
Annual Management and Reporting	Frequency	Units	Unit Cost	Annual Cost
Labor & Management	Annual	1	\$ 25,000.00	\$ 25,000.00
Stipulated Order Fee / Annual Post-Closure Care Fee	Annual	1	\$ 4,000.00	\$ 4,000.00
Stipulated Order Fee / Annual Monitoring Report Review	Annual	1	\$ 2,000.00	\$ 2,000.00
			SUBTOTAL, REPORTING	\$ 31,000.00
Annual Easement Fees	Frequency	Units	Unit Cost	Annual Cost
NM State Land Office	Annual	1	\$ 36,000.00	\$ 36,000.00
			SUBTOTAL, EASEMENT FEES	\$ 36,000.00
Total Annual O&M Estimate				\$188,250.00
10-Year O&M Estimate (Including Cummulative Inflation Rate)*				\$2,265,881.88
Non-recurring Costs				
Capital Investment - One replacement of equipment during a 10 year period				\$200,000.00
Water Rights Lease Renewal & Permitting (Once during a 10 Year period)				\$7,100.00
			SUBTOTAL	\$207,100.00
10-Year Financial Assurance Estimate				\$2,472,981.88

Notes:

- 1) * See Page 2 of 4 for calculation of inflation from implicit price deflator for gross national product.
- 2) See Page 3 of 4 for Note 7 regarding difference between OM&M Estimate and the 10-year Financial Assurance Estimate.
- 3) See Page 4 of 4 for notes regarding assumptions and contingencies.

TABLE 2
Cummulative Inflation Rate Calculation
Transwestern Pipeline Company, LLC.
Roswell Compressor Station No. 9
Roswell, New Mexico

Year	Yearly Inflation Estimate	Cummulative Amt
2018	--	\$188,250.00
2019	\$3,361.22	\$191,611.22
2020	\$3,421.23	\$195,032.45
2021	\$3,482.32	\$198,514.76
2022	\$3,544.49	\$202,059.25
2023	\$3,607.78	\$205,667.03
2024	\$3,672.20	\$209,339.23
2025	\$3,737.76	\$213,077.00
2026	\$3,804.50	\$216,881.50
2027	\$3,872.43	\$220,753.93
2028	\$3,941.57	\$224,695.51
TOTAL		\$2,265,881.88

Inflation Factor Calculation:

2017 Price Deflator	113.5
2016 Price Deflator	111.509
Inflation Factor	1.018

TABLE 3
Transwestern Pipeline Company, LLC.
Roswell Compressor Station No. 9
Roswell, New Mexico
Notes to the 2018 through 2028
10-Year Estimated Cost Of Work for Site Monitoring and System Operation & Maintenance
Prepared by EarthCon Consultants, Inc.

<u>No.</u>	<u>Note</u>
1	This Estimated Cost of Work was prepared per the requirements of Provision III.Q.1. of the <i>March 2013 Stipulated Final Order</i> for Transwestern Pipeline Company, LLC's Roswell Compressor Station No. 9 (Site), located north of Roswell, New Mexico.
2	EarthCon Consultants, Inc. (EarthCon), on behalf of Transwestern Pipeline Company, LLC, have prepared this Estimated Cost of Work for activities that may be implemented and completed over the next 10 years at the Roswell Compressor Station No. 9. This Estimated Cost of Work will serve as the basis to establish financial assurance for corrective action at the Site per the requirements of Provision III.Q.4. of the <i>March 2013 Stipulated Final Order</i> .
3	This Estimated Cost of Work was based upon a number of assumptions, EarthCon's industry and professional knowledge, as well as EarthCon's knowledge of current site conditions, including past historic costs. EarthCon has used a reasonable standard of due diligence in the preparation of this estimate. This Estimated Cost of Work is not intended to constitute a calculation of Conditional Asset Retirement Obligations under FIN 47.
4	Page 4 of this estimate includes key assumptions and contingencies included in the estimate.
5	This Estimated Cost of Work is based upon a reasonable estimate of likely costs and potential other capital costs based upon actual historical expenses accrued for the Roswell Compressor Station No.9 project by EarthCon and previous consultants. This Estimated Cost of Work does not constitute either a likely high or a likely low estimate for the Site. The estimate is based upon the state of knowledge of the Site in January 2018 and EarthCon's 2018 rates of fees. Fee rates of other consultants or vendors, and their respective estimates for work on the project are based on 2017 costs.
6	This Estimated Cost of Work is intended to be tracked and updated on an annual basis, as required by Provision III.Q.2. of the <i>March 2013 Stipulated Final Order</i> .
7	40 CFR 264.144(b) - Cost Estimate for Post Closure Care for determining estimated cumulative inflation. Inflation factor derived from the Implicit Price Deflator for Gross National Product. Data is based upon the comparison of the 2017 Implicit Price Deflator versus the 2016 Implicit Price Deflator obtained from Table 1.1.9 developed by the Bureau of Economic Analysis.
8	The 10-Year Financial Assurance Estimate includes the 10-Year OM&M Estimate plus the Non-recurring Capital Costs. The 10-Year OM&M includes the annual OM&M costs over a 10-year period plus the implicit price deflator for every year except the first year. The non-recurring costs included capital costs expected to be incurred during the 10 year period. As these are one time costs, this portion of the estimate does not include the implicit price deflator.
9	The semi-annual sampling costs are evaluated for the total number of samples over two events during the sampling year.

TABLE 4
Transwestern Pipeline Company, LLC.
Roswell Compressor Station No. 9
Roswell, New Mexico
Assumptions and Contingencies to the 2018 through 2028
10-Year Estimated Cost Of Work for Site Monitoring and System Operation & Maintenance
Prepared by EarthCon Consultants, Inc.

<u>No.</u>	<u>Comment</u>
	<i>General</i>
1	EarthCon has assumed that given the extent, magnitude and depth of the current COCs, that the current remediation will 10 years or more using the current remediation system.
2	EarthCon has assumed that the removal rates from the current system will decrease over time given the removal of the volatile fraction from the subsurface materials.
3	EarthCon has used its professional judgement in averaging actual annual costs to a monthly or biannual basis, except where specifically noted.
	<i>System Operation and Maintenance</i>
4	Off-site volume of PSH disposal volume and cost estimated from previous annual costs.
5	Site utilities for the remediation system are not seperated from the Compressor Station. Utility costs are estimated based upon the equipment and buildings currently in use for remedial action.
6	Treated groundwater effluent sampling per permit NMOCD AP-125 and current OM&M Plan approved by NMED.
7	Soil vapor influent sampling from soil vapor and groundwater extraction system per 40 CFR 65 GGGGG and current OM&M Plan approved by NMED.
	<i>Semiannual Monitoring</i>
8	Semiannual monitoring costs do not include groundwater disposal. Groundwater collected during purging and sampling is placed into the equalization tank for treatment by the remedial system.
	<i>Annual Management and Reporting</i>
9	Management and reporting includes preparation of an Annual Report and overall communication with the key Transwestern stakeholders in the project.
10	One Response to Comments is also included in the estimate.
	<i>Non-recurring Costs</i>
11	Transwestern notes that "Capital Investment - Replacement of Equipment over a 10-year period" clarifies that the estimate includes two Baker Furnaces at \$85,000 per furnace, plus \$15,000 in contingency costs per furnace, for a total of \$200,000 for the two furnaces. This is a non-recurring cost estimated at once during the 10-year period.
12	Water rights lease based upon renewal once per ten year period.