

Cost Opinions

These order-of-magnitude opinions of probable costs are based primarily on MMI and BMcD's experience and judgments as professional consultants combined with information from past experience, vendors, and published sources. Additional costs were added to account for Contractor's general conditions and overhead and profit. Further, a contingency was added to allow for unanticipated items that may be identified during subsequent design. Finally, additional costs were included to account for the design engineering services and construction administration services for each alternative.

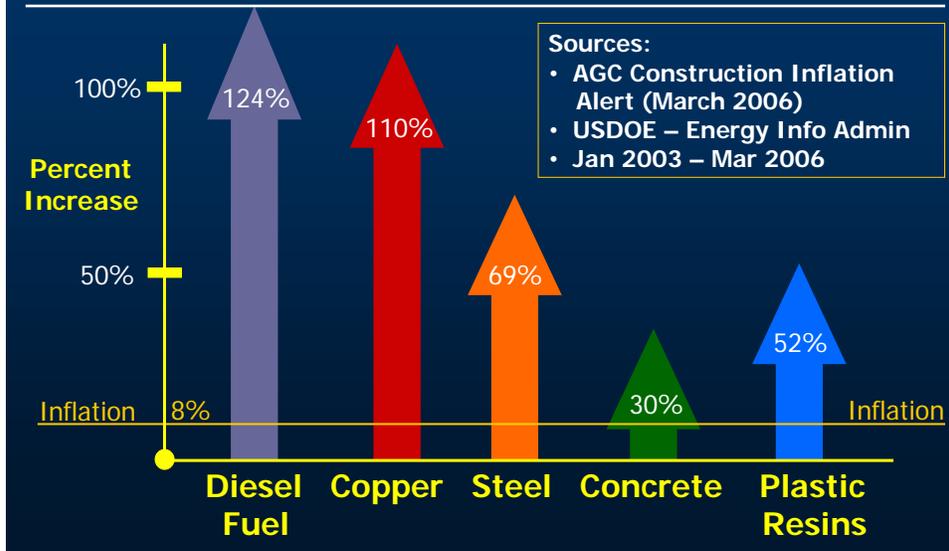
Recent Cost Escalation

Over the past five years, construction costs have increased significantly because of increases in several raw materials costs. According to the Associated General Contractors of America (AGC), costs for construction materials have increased more than the overall rate of inflation in each of the past three years. AGC reported in March of 2006 that "the cost of materials was flat in 2001, rose moderately in 2002 and 2003, then shot up by 10.1 percent in 2004." In 2005 the cost index rose 6.1 percent and a December 2006 AGC report showed a 5.0 percent rise in the cost of construction materials. These increases exceed the overall inflation cost rise of 8 percent between January 2003 and March 2006.

Within the construction industry some materials have been affected more than others. As such some types of construction have been impacted more than others. Huge increases in diesel fuel, concrete, steel, and other metals have impacted heavy construction (highways, streets, and industrial buildings such as treatment facilities) more than residential construction which relies more on lumber and wood based materials.

The figure below shows the recent increases in several materials critical to treatment facility construction.

Surge in Construction Material Costs (2003 – 2006)



AGC advises that these trends can be expected to continue as long as construction activity continues to rise. “The construction industry has much less opportunity than many other industries have to reduce or substitute materials. As a result, rising construction activity is likely to mean higher material costs, particularly when domestic production is barely rising for many materials and transportation costs are high,” according to AGC’s Construction Inflation Alert, March 2006. Given these trends, costs may change significantly again prior to beginning the construction of any treatment facilities.

Many other items can also influence the local bidding environment. Morrison-Maierle, Inc. and Burns & McDonnell has no control over weather, cost and availability of labor, material and equipment, labor productivity, construction contractor's procedures and methods, unavoidable delays, construction contractor's methods of determining prices, economic conditions, government regulations and laws (including the interpretation thereof), competitive bidding or market conditions and other factors affecting such opinions or projections; consequently, the final project costs may vary from the opinions of costs presented here and funding needs must be carefully reviewed prior to making specific financial decisions or establishing final budgets.

Capital Cost Estimates

O & M Cost Estimates