



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

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Title: Report on Contract 73-161-EH, McCook Reservoir Excavation Agreement, between the District and Vulcan Construction Materials, L.P., for mining the required "Rough Hole" for the McCook Reservoir

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TRANSMITTAL LETTER FOR BOARD MEETING OF APRIL 1, 2010

COMMITTEE ON ENGINEERING

Mr. Richard Lanyon, Executive Director

Report on Contract 73-161-EH, McCook Reservoir Excavation Agreement, between the District and Vulcan Construction Materials, L.P., for mining the required "Rough Hole" for the McCook Reservoir

Dear Sir:

The subject agreement was entered into on October 1, 2003. A similar report provided an update to the Board of Commissioners at the April 16, 2009 Board Meeting. The terms of the agreement provide for reimbursement of "Hard Costs" and "Capital Costs" associated with the mining operation over a period of approximately 14 years. The agreement also recognized that the costs that were included in the agreement were initial estimates only and that reimbursement would be based on costs as actually incurred and additional items not yet identified would require reimbursement.

"Hard Costs" are those costs that Vulcan Construction Materials, L.P. (Vulcan) will incur in its excavation of the "rough hole" at the LASMA Site that are incremental to the costs typically incurred by Vulcan in its quarrying operation at the McCook Quarry. They are incurred by Vulcan solely because Vulcan is conducting an excavation operation at the LASMA Site rather than conducting a quarrying operation at the McCook Quarry.

"Capital Costs" are the systems, facilities and equipment to be purchased or acquired solely for the excavation of the "rough hole" at the LASMA Site.

At the April 16, 2009 Board Meeting, it was reported to the Board of Commissioners that the revised estimate of costs associated with the agreement was \$104,483,868.00. The current estimated cost for all work required under the agreement remains at \$104,483,868.00 as shown in Attachment A.

Full production mining of the site by Vulcan commenced in 2008. It is anticipated that a total of 112,000,000 tons of rock will be removed at an estimated rate of 7,000,000 tons per year, until approximately 2022 when rock quality and mining logistical concerns will decrease the mining rate. To date, nearly 11,000,000 tons have been mined from Stage 1. As a part of the agreement, the District receives royalties from Vulcan for the sale of stone excavated from the McCook Reservoir Site. The District has received \$2,702,450.01 in royalties to date.

If further clarification is required, please advise the undersigned.

Respectfully Submitted, Kenneth A. Kits, Acting Director of Engineering, WSS:MVL

Attachments