



Metropolitan Water Reclamation District of Greater Chicago

100 East Erie Street
Chicago, IL 60611

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Title: Report on the status of the agreement entered into between the District and Hanson Material Service for the mining of the required "Rough Hole" for the Thornton Composite Reservoir (Deferred from the May 6, 2010 Board Meeting)

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Attachments: 1. Hanson Material Estimating Mining Costs, 2. Thornton North Quarry Mining Progress Update

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TRANSMITTAL LETTER FOR BOARD MEETING OF MAY 20, 2010

COMMITTEE ON ENGINEERING

Mr. Richard Lanyon, Executive Director

Report on the status of the agreement entered into between the District and Hanson Material Service for the mining of the required "Rough Hole" for the Thornton Composite Reservoir (*Deferred from the May 6, 2010 Board Meeting*)

Dear Sir:

The subject agreement was entered into on June 18, 1998 between MWRD and Hanson Material Service (Hanson), formerly Material Service Corporation. 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 recognized that costs included in the agreement were initial estimates only. Reimbursement would be based on costs as actually incurred and additional items not yet identified would also require reimbursement.

"Hard Costs" are those costs incurred by Hanson directly related to altering its mining plan to conform to the Staged Reservoir Plan or for work requested by the District.

"Capital Costs" are the compensation for stone reserves to be left in place, real estate taxes and additional equipment to be purchased.

At the July 10, 2008 Board Meeting, it was reported to the Board of Commissioners that the revised estimate of costs associated with the agreement was \$43,681,822.00. The current estimated cost for all work required under the agreement has been revised to \$44,120,574.00, as shown in the attachment. This is a \$438,752.00 increase from the estimate that was reported to the Board of Commissioners on July 10, 2008.

The following costs have increased from the previously reported July 10, 2008 estimate.

Item 11.06: Method of Reimbursement - Administrative Support Cost

Hanson must dedicate staff to tracking costs and preparing invoices for the District mining costs on a monthly basis. Due to this burden, Hanson has been allowed to submit administrative costs associated with billing preparation as a cost on mining invoices.

Item 11.13: Costs Resulting from Change, Amendment or Alteration - Gap Dam Access Road

In order to construct the gap dam that will isolate the Thornton Composite Reservoir from the Main Lobe of the Hanson quarry, a ramp is required to allow contractor access to the site. Due to liability and cost considerations, the District has requested that Hanson construct and maintain this ramp, rather than the contractor.

Mining of the Thornton Composite Reservoir began in 1998 and a summary of mining progress is attached. To date, 62,600,000 tons have been mined (87.9%). A severe decline in rock sales due to the economy has caused a delay in the expected completion of mining from 2012 to 2013. The Thornton Composite Reservoir is currently scheduled to be operational in 2015.

If further clarification is required, please advise the undersigned.

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

Attachments