

# OTP/MDU Joint Witness Kermit Trout, Jr.

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## Summary

OTP/MDU Exhibits  
303,304,305,306,307 & 308

# Purpose

- Black & Veatch's role in project
- Describe process leading to July 7, 2006 Cost Report
- Summarize Big Stone Unit II project cost estimate

# Black & Veatch Role in Project

- B&V engaged in summer 2005 to develop plant system design, provide engineering and construction services, including competitive quotations on five major plant components
- In October 2005, B&V analyzed and evaluated BSP II's 2004 capital cost estimate and found that 2004 cost estimate was in the range of reasonable costs and was valid.

# B&V Cost Analysis

- Generic plant assumed for 2004 cost estimate
- B&V refined and adjusted the plant design and specifications
- This refinement will continue as design progresses, contracts are awarded and construction begins
- The BSP II cost development process is similar to that for any large generation unit where a 5 or more year gap exists between conceptual design and actual construction.

# B&V Cost Estimate

- Source of cost information was B&V cost and related data from its own projects, supplemented with trade publication and other third party public information
- Bids were received for five major components
  - Boiler
  - Turbine
  - Fabric Filter
  - Wet Scrubber
  - Chimney

# B&V Cost Estimate (continued)

- Increases were largely due to:
  - Global growth and demand for generating plants
  - Increased cost of fabricated materials and specialty engineered equipment
  - Construction commodity cost increases
  - Labor rate escalation
- Current Estimate \$1.442 Billion

## CONCLUSION

- Similar cost increases for material and labor will impact other energy generation project's costs.
- The process of estimating and evaluating costs for the Big Stone II project is consistent with other large generation projects.