



ISSUES AND THEIR ASSOCIATED IMPACT ON ELECTRICAL CONSTRUCTION COSTS AND SCHEDULES

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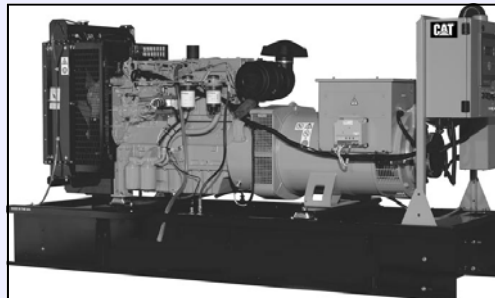
Developments over the past 12 months continue to have an impact on electrical construction costs and electrical construction schedules. These developments include federal laws governing transformer energy efficiency standards and emergency generator emissions, natural disasters such as Hurricane Katrina, and continued economic growth overseas.

The Energy Policy Act of 2005 requires that all dry-type transformers manufactured on or after January 1, 2007 comply with National Electrical Manufacturers Association (NEMA) TP-1 efficiency standards. The law allows manufacturers to sell all non complying transformers currently in stock. This has not affected transformer lead times, but has increased the cost of most transformers by 25% - 35%. Although the higher efficiency transformer will typically pay for itself in as little as three years, the increased initial cost will impact the electrical construction budget depending on the transformer size. This cost increase will continue to have an escalating effect as stockpiles of non complying transformers decrease.

Hurricane Katrina has had a lasting effect on the cost and availability of large power distribution equipment such as substation transformers and pad mounted transformers. Oil-filled pad-mounted transformers have increased in price by at least 20% largely due to increased demand caused by Hurricane Katrina. The lead times for these transformers are currently at 22-24 weeks. Substation transformers are at 18-20 weeks. It will be important to evaluate project schedules with product availability.

Overseas demand for the larger KW emergency generators has had a very negative impact on domestic generator availability and delivery. In addition emergency generators now have more stringent emissions requirement from the

EPA. Generator engine designs have been modified to meet these requirements. Consequently, generator prices have jumped approximately 20% and lead times have been impacted significantly. For generators sized 1000kW or less, the lead time is approximately 22 weeks. Generators 1500kW or larger are a minimum of 52 weeks lead time. No additional generator orders are being taken for 2007 from one major generator manufacturer. In addition to this, paralleling gear now has a lead time of 40 weeks or more. Healthcare projects of any size that include new emergency generation will be impacted by these deliveries. Proactive measures such as equipment pre-purchasing should be



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implemented to minimize the impact these lead times have on the overall construction schedule. Generator costs and deliveries are not anticipated to change in the near future. Even with equipment pre-purchases a generator project can take 18-24 months from the start of design through construction.

The impact of hurricane Katrina and growth in several overseas markets have had an impact on all aspects of construction. Copper wiring costs have been volatile for many years and have just recently stabilized after several months of record highs.

We feel that this information is very important to share in order to avoid possible budget and construction scheduling problems on your projects. We will continue to stay abreast of any new or changing developments that affect our construction costs and schedules and provide suggestions to minimize their impact on our projects.

If you would like to discuss any of these issues in more detail, please do not hesitate to call.

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