
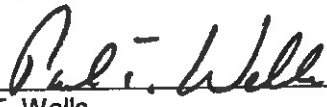


To: SUPERSEDED BY <u>EI 05-020</u> EFFECTIVE 09/08/05		New York State Department of Transportation ENGINEERING DIRECTIVE	ED 04-002
Title: REVISED STANDARD SPECIFICATIONS SECTION 698 – PRICE ADJUSTMENTS			
Distribution: <input checked="" type="checkbox"/> Manufacturers (18) <input type="checkbox"/> Surveyors (33) <input checked="" type="checkbox"/> Local Govt. (31) <input checked="" type="checkbox"/> Consultants (34) <input checked="" type="checkbox"/> Agencies (32) <input checked="" type="checkbox"/> Contractors (39) <input type="checkbox"/> _____ ()	Approved:  Paul T. Wells, Assistant Commissioner and Chief Engineer		

3/22/04
Date

NOTICE: This Engineering Directive contains definitive material that is deemed critical to the continuation of essential engineering activities!

ADMINISTRATIVE INFORMATION:

- This Engineering Directive (ED) is effective beginning with projects scheduled for the letting of 4/15/04. This ED will expire on March 22, 2005.
- This ED does not supersede any other issuances.

PURPOSE: To issue revised price adjustment specifications, which now include steel/iron adjustment.

TECHNICAL INFORMATION:

- MO DQAB will insert the revised specifications by amendment, if necessary, beginning with projects scheduled for the letting of 4/15/04.
- A special note "Steel/Iron Price Adjustments" is being issued concurrently by ED 04-001.
- This change may have significant cost impacts to Regional programs
- Contract Pay Item 698.03 Steel/Iron Price Adjustment is approved.

TRANSMITTED MATERIALS:

Attached is the revised Standard Specification Section 698 *Price Adjustments*.

CONTACT: Direct questions regarding this issuance to Brian DeWald via e-mail at BDeWald@dot.state.ny.us or Jodi Riano via e-mail at JRiano@dot.state.ny.us or at the Construction Division at (518) 457-6472.

PRICE ADJUSTMENTS

SECTION 698 - PRICE ADJUSTMENTS

698-1 DESCRIPTION

698-1.01 General. This section will provide for additional compensation to, or repayment by, the Contractor for increases or decreases in the price of asphalt, fuel, or steel/iron products throughout the life of the contract.

698-1.02 Eligible Work. Price adjustments will be determined for eligible work listed in the proposal. No adjustment will be provided for any new work incorporated by orders-on-contract or for additional work paid for under force account or agreed price. Additional quantities of existing contract pay items at original bid prices will be considered eligible work. Work performed by the Contractor at its own expense will not be eligible for price adjustment.

698-2 MATERIALS. None specified.

698-3 CONSTRUCTION DETAILS.

698-3.01 Asphalt Price Adjustment. The asphalt price adjustment will be based solely on the price changes for asphalt as determined by the formulas below. No consideration will be given to the situation where an individual supplier's price exceeds the Average Posted Price, nor will any adjustment be made until the Average Posted Price is either \$10.00 greater than or less than the Performance Graded Binder (PGB) Index Price.

A. Quantity. The "Quantity of Asphalt" (metric tons) considered for adjustment will be determined by multiplying the quantity of eligible work completed by the conversion factors which are listed in the proposal note "Asphalt Price Adjustment."

B. Prices. The PGB Index Price and the Average Posted Price are defined as follows:

1. **Performance Graded Binder (PGB) Index Price.** A fixed price per metric ton of asphalt used solely as base from which to compute asphalt price adjustments. The PGB Index Price is specified in the proposal note "Asphalt Price Adjustment."

2. **Average Posted Price.** The average FOB terminal price for unmodified PG 64-22 binder, without anti stripping agent, will be determined by the Department monthly, based on prices of approved primary sources of performance graded binder.

C. Adjustment. Asphalt price adjustment will be based on the following formulas:

1. **When price increases:**

$$\text{Price Adjustment} = (\text{Quantity of Asphalt}) \times (\text{Average Posted Price} - \text{PGB Index Price} - \$10.00)$$

2. **When price decreases:**

$$\text{Price Adjustment} = (\text{Quantity of Asphalt}) \times (\text{Average Posted Price} - \text{PGB Index Price} + \$10.00)$$

698-3.02 Fuel Price Adjustment. The fuel price adjustment will be based solely on the price changes for fuel as determined by the formulas below. No consideration will be given to the situation where an individual supplier's price exceeds the Average Posted Price, nor shall any adjustment be made unless the Average Posted Price is either \$0.03 greater than or less than the Fuel Index Price.

A. Quantity. The "Quantity of Fuel" (Liters) considered for adjustment will be determined by multiplying the quantity of eligible work completed by the fuel usage factor which are listed on the proposal note "Fuel Price Adjustment."

PRICE ADJUSTMENTS

B.Prices. The Fuel Index Price and the Average Posted Price are defined as follows:

1. **Fuel Index Price.** A fixed price per Liter of fuel used solely as a base from which to compute fuel price adjustments. The Fuel Index Price is specified in the proposal note "Fuel Price Adjustment."
2. **Average Posted Price.** An average FOB refinery or terminal price per Liter published for No. 2 fuel oil and unleaded gasoline in the cities of New York, Philadelphia, Detroit, and Boston as determined by the Department on a monthly basis.

C. Adjustment. Fuel price adjustment will be based on the following formulas:

1. *When price increases:*

$$\text{Price Adjustment} = (\text{Quantity of Fuel}) \times (\text{Average Posted Price} - \text{Fuel Index Price} - \$0.03)$$

2. *When price decreases:*

$$\text{Price Adjustment} = (\text{Quantity of Fuel}) \times (\text{Average Posted Price} - \text{Fuel Index Price} + \$0.03)$$

698-3.03 Steel/Iron Price Adjustment. The steel/iron price adjustment will be based solely on the price changes for steel/iron as determined by the formulas below. No adjustment will be made unless the % change is 5% or more. No adjustment of less than \$1,000 will be made for any group of items sharing the same three-digit core contract pay item number (i.e., 564 - Structural Steel). The monthly index is listed as preliminary for 4 months after initial publication. At contract final acceptance, the Engineer will make final revisions to the adjustment based on revised data. The Contractor shall submit to the Engineer, copies of invoices showing the month of purchase or invoice.

Determine the percent change in any given month as follows:

$$\% \text{ Change} = \left(\frac{MI - BI}{BI} \right) \times 100$$

A. Quantity. The quantity of steel and/or iron (Metric Tons) considered for adjustment will be the quantity of eligible work listed in the proposal note "Steel/Iron Price Adjustment."

B. Prices. The Benchmark Steel Index and the Monthly Index are defined as follows:

1. **Benchmark Steel Index.** Producer Price Index (PPI) for Shredded Carbon Scrap Steel (WPU 10121193) from USDOL, Bureau of Labor Statistics (BLS), for the month of contract bid letting.
2. **Monthly Steel Index.** Producer Price Index (PPI) for Shredded Carbon Scrap Steel (WPU 10121193) from USDOL, Bureau of Labor Statistics (BLS), for the month the material is purchased or invoiced.
3. **Cost Basis.** Listed in the Proposal note "Steel/Iron Price Adjustment."

C. Adjustment. Steel and iron price adjustment will be based on the following formulas:

1. *When price increases:*

$$\text{Price Adjustment} = \left[\left(\frac{MI - BI}{BI} \right) - 0.05 \right] (CB) Q$$

2. *When price decreases:*

$$\text{Price Adjustment} = \left[\left(\frac{MI - BI}{BI} \right) + 0.05 \right] (CB) Q$$

Where:

- MI = Monthly Steel Index
- BI = Benchmark Steel Index
- Q = Quantity of steel material, in Metric Tons
- CB = Cost Basis for the steel, defined in Dollars per Metric Tons

PRICE ADJUSTMENTS

698-4 METHOD OF MEASUREMENT. The lump sum shown in the proposal for these items shall be considered the price bid, although actual payment will be based on the work performed. Should the amount shown be altered, the new figures will be disregarded and the original price will be used to determine the total amount bid for the contract.

698-4.01 Fuel and Asphalt Price Adjustment. (Vacant)

698-4.02 Steel/Iron Price Adjustment. The eligible quantity of steel for each three digit core contract pay item number will be measured for calculation of the Steel/Iron Price Adjustment to the nearest 0.1 Metric Tons.

698-5 BASIS OF PAYMENT. Price adjustments will be based on the methods of computation described above. Adjustments, either positive or negative, will only be made, unless the accumulated amount for an Adjustment contract pay item exceeds \$5,000. Adjustments of less than \$5,000 for an Adjustment contract pay item will be made in the final contract payment

If asphalt, fuel, or steel/iron adjustments are based on estimated material quantities for that time, and a revision to the total material quantity is made in a subsequent or final estimate, an appropriate addition or deduction will be made to the price adjustment previously calculated. The addition or deduction will be based on the same adjustment factors used to calculate the price adjustment which is being revised. If the placement dates of the revised material quantity cannot be determined, the addition or deduction will be based on the adjustment factors in effect during the last month in which any portion of the material quantity was placed.

698-5.01 Fuel and Asphalt Price Adjustment. The adjustment will be based on the Average Posted Price in effect at the time of placement. The Average Posted Price will be updated about the twentieth of each month and will apply to eligible work performed on and after the first of the following month.

If the contract completion date is extended without the assessment of engineering charges, price adjustment for items incorporated during such extensions will be based on the appropriate updated Average Posted Price.

If eligible items are placed after the scheduled contract completion date specified in the proposal and during which time there are assessed engineering charges and/or liquidated damages, the Average Posted Price used to compute price adjustments shall not exceed, but may be less than the Average Posted Price in effect on the last contract completion date without assessed engineering charges, or on the completion date of the last extension without assessed engineering charges, whichever is later.

698-5.02 Steel/Iron Price Adjustment. The adjustment will be based on the index in effect at the time of purchase or invoiced.

If the contract completion date is extended without the assessment of engineering charges, price adjustments for items incorporated during such extensions will be based on the appropriate updated monthly index.

If eligible items are placed after the scheduled contract completion date specified in the proposal and during which time there are assessed engineering charges and/or liquidated damages, the monthly index used to compute price adjustments shall not exceed, but may be less than the monthly index in effect on the last contract completion date without assessed engineering charges, or on the completion date of the last extension without assessed engineering charges, whichever is later.

Payment will be made under:

Item No.	Item	Pay Unit
698.01 M	Asphalt Price Adjustment	Fixed Price Lump Sum
698.02 M	Fuel Price Adjustment	Fixed Price Lump Sum
698.03M	Steel/Iron Price Adjustment	Dollars Cents