

**FOR OFFICIAL USE ONLY**  
**Department of Transportation, Western Federal Lands Highway Division**  
**South Century Drive OR PFH 92-1(1)**

**Part A**

**DETERMINATION AND FINDINGS**

**Determination for inclusion of an economic price adjustment requirement in the special contract requirements (SCR) in the solicitation/contract for the subject project.**

Western Federal Lands Highway Division will be issuing a highway construction solicitation, South Century Drive PFH 92-1(1), for grading, paving, base, recycled base and drainage in the Deschutes National Forest. This project is valued at \$11,300,000.

The following findings are the basis for the determining the inclusion of an economic price adjustment SCR.

**Findings:**

1. The notice to proceed for this project has been tentatively set for April 2008, with a fixed completion date of October 2009. The following items will have a significant portion of their costs incurred in 2008 and 2009:

Pay Item Number	Description	Applicable Quantity	Total (\$)
20401-0000	Roadway Excavation	52,500 CUYD	\$840,000
20403-0000	Unclassified Borrow	68,500 CUYD	\$822,000
30901-2000	Emulsified Asphalt Treated Base	55,500 TON	\$1,332,000
31001-0000	Recycled Aggregate Base	205,000 TON	\$1,025,000
40101-1000	Superpave Pavement	35,500 TON	\$2,307,500
		<b>Total:</b>	<b>\$6,326,500</b>

**Table 1**

2. The contract amount subject to adjustment is 59 percent of the total estimated contract amount. 50% in 2008 and 50% in 2009 = \$3,163,250 annually.
3. The current market conditions have diesel and asphalt prices at an all time high. This reflects a substantial increase from last year. The volatility in the diesel and asphalt prices is due in large part to fluctuations with the price of oil caused by a global increase in demand and political instability in several oil producing nations. The market anticipates these issues will continue into the foreseeable future. See the attached monthly asphalt and fuel prices as reported by Oregon Department of Transportation for additional information.
4. We have a draft SCR (see attached) that bases adjustments for the items listed in Table 1 on cost indexes of the "Asphalt Weekly Monitor" by Poten and Partners, Inc. and the "Oil Price Information Service." This project specific SCR has been coordinated with the WFL PS&E Section.

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5. Project Development staff has reviewed the draft SCR and other contract language. They have assured the contracting officer that the contingency allowances are not included in both the base bid prices and the subsequent adjustments.
6. The base level for these adjustments is based on prices reflected in the resources cited below at the time of award.
7. The following sources and location tables will be used for establishing the index: Fuel Price Index for low sulfur number 2 diesel– Oil Producers Information, PADD 5. Asphalt Price Index – Asphalt Weekly Monitor for PG 64-28 reported for the West Coast / Northwest.
8. Subscriptions will be established with the sources. Construction QA Specialist will be responsible for receiving the information and coordinating the update to the Escalation web page.

Submitted by:

\_\_\_\_\_  
Michael Baron, Highway Engineer

\_\_\_\_\_  
Date

I concur with the findings.

Additional information: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\_\_\_\_\_  
Julee McTaggart/Michael Johnson  
Contracting Officer

\_\_\_\_\_  
Date

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**South Century Drive OR PFH 92-1(1)**

**Part B** (To be completed by the Contracting Officer)

**Solicitation No - DTFH70-07-B-00011**

**Determination:**

1. The resulting contract will have significant Asphalt and fuel costs incurred in 2009, which is more than 1 year after the date bids/offers will be solicited. [FAR 16.203-4(d)(1)(i)]
2. The contract amount subject to adjustment is 59 percent of the total estimated contract amount, which I consider to be a substantial amount of the total price. [FAR 16.203-4(d)(1)(ii)]
3. I agree that the current market conditions show significant variations in prices not only annually, but also on a monthly basis. This is evident as reflected in the attached Oregon Department of Transportation reports. I also agree that there is a high probability of future price fluctuations. [FAR 16.203-4(d)(1)(iii)]
4. The draft SCR has been approved in accordance with agency procedures. [FAR 16.203-4(d)(2)]
5. The draft SCR does not allow for duplication of compensation for contractor costs as it related to the specified items. [FAR 16.203-2(a)]
6. The draft SCR clearly establishes a base level for the price adjustment(s). [FAR 16.203-2(b)]

Based on these findings, I believe the propose price adjustment SCR will protect both the government & the successful contractor against significant fluctuations in the cost of the items specified above. Therefore, it is in the Government's best interest to solicit and award a Firm Fixed-Price contract with Economic Price Adjustment and to include the attached price adjustment SCR.

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Julee McTaggart/Michael Johnson  
Contracting Officer

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Date

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**Table 109-1  
Pricing Adjustment Pay Items**

<b>Pay Item Number</b>	<b>Pay Item Description</b>	<b>Product</b>
20401	Roadway excavation	Fuel
20403	Unclassified Borrow	Fuel
30901	Emulsified Asphalt Treated Base	Fuel
31001	Recycled Aggregate base	Fuel
40101	Superpave pavement	Asphalt binder

Monthly adjustments will be accrued with the payment or rebate to be made in the final voucher. A partial price adjustment payment may be made once every 12 months or when the unpaid accrued increase exceeds \$10,000 when requested in writing. The Government will withhold a rebate when the deductive accrual exceeds \$10,000.

No price adjustments will be made for work performed beyond the completion date.

The maximum allowable monthly and final adjustment for payment to the Contractor or rebate to the Government is limited to 50% of the Base Price Index.

**(a) Asphalt Binder Adjustment.** The Government will determine price indexes using price data obtained from the “Asphalt Weekly Monitor<sup>®</sup>” by Poten and Partners, Inc. The weekly high and low selling price data for PG 64-28 reported for the West Coast/Northwest will be averaged and used to establish a Base Price Index (BPI) and a Monthly Performance Price Index (MPPI). These indexes are defined as follows:

**(1) Base Price Index.** The Base Price Index (BPI) is a price index determined by the arithmetic average for prices in the four “Asphalt Weekly Monitor<sup>®</sup>” publications immediately preceding the bid opening.

$$BPI_{(\text{Asphalt Binder})} = \$ [\text{PRICE TO BE INSERTED AT AWARD}] \text{ per ton}$$

**(2) Monthly Performance Price Index.** The Monthly Performance Price Index (MPPI) is the arithmetic average of the weekly price data from four “Asphalt Weekly Monitor<sup>®</sup>” publications issued before the last Wednesday of the month in which the work was performed. The BPI and MPPI will be posted at <http://www.wfl.fhwa.dot.gov/construction/escalation>.

Price adjustments to asphalt binder will be calculated by the Government using a ratio of the MPPI/BPI to determine price adjustments as follows:

- **No Price Adjustment** – When the ratio MPPI/BPI falls within the range of 0.90 to 1.10, no price adjustment will be made for asphalt binder used in construction work performed during the relevant month.

- **Government Rebate** – When the ratio MPPI/BPI is calculated to be less than 0.90, the Government is due a rebate as follows:

$$\text{Government Rebate} = (0.90 - \text{MPPI/BPI}) (\text{BPI}) (\text{Q})$$

- **Contractor Payment** - When the ratio MPPI/BPI is calculated to be greater than 1.10, the Contractor is due additional payment as follows:

$$\text{Contractor Payment} = (\text{MPPI/BPI} - 1.10) (\text{BPI}) (\text{Q})$$

Where:

Q = Table 109-1 pay item quantity (tons) x (% Asphalt Binder/100). The percentage of asphalt binder as determined from the approved job-mix formula.

**Note: Petroleum Administration for Defense Districts (PADD) Five geographic area into which the United States was divided by the Petroleum Administration for Defense for purposes of administration during federal price controls or oil allocation.**

**For Idaho, Montana, and Wyoming insert PADD 4.**

**For Alaska, Oregon and Washington insert PADD 5.**

**For nearest city to project see listing at bottom of Subsection.**

**Rack Market is petroleum products sold at the wholesale level from primary storage. Refers to loading racks where tanker trucks fill up. *Also Over the Rack.***

**(b) Fuel Price Adjustment.** The Government will determine price indexes for Low Sulfur No. 2 Diesel fuel using price data obtained from the Oil Price Information Service (OPIS) which publishes a weekly report on gasoline and distillate reseller prices. Weekly average rack price data reported from Eugene, OR (Code 880, PADD 5) will be averaged and used to establish a Base Price Index (BPI) and a Monthly Performance Price Index (MPPI). These indexes are defined as follows:

**(1) Base Price Index.** The Base Price Index (BPI) is a price index determined by the arithmetic average as specified above, shown in the four weekly OPIS publications immediately preceding the bid opening.

$$\text{BPI}_{(\text{LOW SULFUR, NO. 2 DIESEL FUEL})} = \$ [\text{PRICE TO BE INSERTED AT AWARD}] \text{ per U.S. gallon}$$

**(2) Monthly Performance Price Index.** The Monthly Performance Price Index (MPPI) is the arithmetic average of the weekly price data from four OPIS publications issued before the last Wednesday of the month in which the work was performed. The MPPI will be posted at <http://www.wfl.fhwa.dot.gov/construction/escalation>.

Price adjustments to fuel will be calculated by the Government using a ratio of the MPPI/BPI to determine price adjustments as follows:

- **No Price Adjustment** – When the ratio MPPI/BPI falls within the range of 0.90 to 1.10, no price adjustment will be made for fuel used in construction work performed during the relevant month.
- **Government Rebate** – When the ratio MPPI/BPI is calculated to be less than 0.90, the Government is due a rebate as follows:

$$\text{Government Rebate} = (0.90 - \text{MPPI/BPI}) (\text{BPI}) (\text{Q}) (\text{FUF})$$

- **Contractor Payment** - When the ratio MPPI/BPI is calculated to be greater than 1.10, the Contractor is due additional payment as follows:

$$\text{Contractor Payment} = (\text{MPPI/BPI} - 1.10) (\text{BPI}) (Q) (\text{FUF})$$

Where:

Q = Quantity of work on the project during the progress payment period for pay items shown in Table 109-2.

FUF = Fuel Usage Factor shown in Table 109-2.

**Note: Pay items listed in Table 109-2 are examples of work requiring fuel with prices that may fluctuate. Add or delete pay items as required. Include required fuel adjustment pay items in Table 109-1.**

**Note: Footnote (1) is a “best-guess” of pay items that may not be calculated in the same unit as the fuel usage factor. Use as applicable.**

**Table 109-2  
Fuel Usage Factors**

<b>Pay Items</b>	<b>Fuel Usage Factor</b>
<b>Section 204 – Excavation and Embankment</b> 20401 Roadway excavation 20403 Unclassified borrow	0.30 gallons/yard <sup>3</sup>
<b>Section 309 – Emulsified Asphalt Treated Base Course</b> 30901 Emulsified asphalt treated aggregate base	0.70 gallons/ton
<b>Section 310 – Recycled Aggregate Course</b> 31001 Recycled aggregate base	0.10 gallons/ yard <sup>2</sup>
<b>Section 401 – Superpave Hot Asphalt Concrete Pavement</b> 40101 Superpave pavement	2.40 gallons/ton

(1) The Government will convert pay item quantities to match Fuel Usage Factor units.

**PADD NUMBERS (Delete table once code is inserted)**

**PADD 4 (Idaho, Montana, and Wyoming)**

<b>CODE</b>	<b>CITY</b>
785	BOISE, ID
787	BURLEY, ID
825	POCATELLO, ID
780	BILLINGS, MT
786	BOZEMAN, MT
798	CUTBANK, MT
807	GLENDIVE, MT
815	GREAT FALLS, MT
816	HELENA, MT
820	MISSOULA, MT

790	CASPER, WY
827	ROCK SPRINGS, WY
836	SHERIDAN, WY
<b>PADD 5 (Alaska, Oregon, and Washington)</b>	
<b>CODE</b>	<b>CITY</b>
854	ANCHORAGE, AK
886	FAIRBANKS, AK
840	ALBANY, OR
880	EUGENE, OR
935	PORTLAND, OR
982	UMATILLA, OR
850	ANACORTES, WA
920	MOSES LAKE, WA
925	PASCO, WA
962	SEATTLE, WA
970	SPOKANE, WA
977	TACOMA, WA
990	WILMA, WA

<b>Include the following in all projects.</b>	<b>(WFL Specification 11/22/04)</b>
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**109.08 Progress Payments.** Amend as follows:

Delete the text of paragraph (b) and substitute the following:

**(b) Closing date and invoice submittal date.** The closing date for progress payments will be designated by the CO. Include work performed after the closing date in the following month's invoice. For work performed between September and July of any year, submit invoices to the designated billing office by the 7th day after the closing date. Invoices received by the designated billing office after the 16th day following the closing date, for work included in the September through July invoices, will not be accepted for payment processing that month. For work included in the August invoice, submit the invoice to the designated billing office by the 5<sup>th</sup> day after the closing date. Invoices received by the designated billing office after the 5<sup>th</sup> day following the closing date, for work included in the August invoice, will not be accepted for payment processing that month. Include late, unprocessed invoice submittals in the following month's invoice.





**OREGON DEPARTMENT OF TRANSPORTATION  
MONTHLY ASPHALT CEMENT MATERIAL PRICE (MACMP)**

ENGLISH		PUBLISH MONTH	METRIC	
POTEN PACIFIC NORTHWEST	POTEN BOISE IDAHO		POTEN PACIFIC NORTHWEST	POTEN BOISE IDAHO
\$207.00	\$215.00	January 2006	\$228.00	\$237.00
\$237.00	\$238.00	February 2006	\$261.00	\$262.00
\$245.00	\$253.00	March 2006	\$270.00	\$278.00
\$246.00	\$255.00	April 2006	\$271.00	\$281.00
\$254.00	\$265.00	May 2006	\$280.00	\$292.00
\$288.00	\$374.00	June 2006	\$317.00	\$413.00
\$333.00	\$424.00	July 2006	\$367.00	\$468.00
\$363.00	\$428.00	August 2006	\$400.00	\$471.00
\$368.00	\$428.00	September 2006	\$405.00	\$471.00
\$361.00	\$413.00	October 2006	\$398.00	\$455.00
\$343.00	\$395.00	November 2006	\$378.00	\$435.00
\$340.00	\$395.00	December 2006	\$375.00	\$435.00
\$339.00	\$395.00	January 2007	\$374.00	\$435.00
\$331.00	\$391.00	February 2007	\$365.00	\$431.00
\$330.00	\$363.00	March 2007	\$364.00	\$400.00
\$323.00	\$360.00	April 2007	\$356.00	\$397.00
\$324.00	\$358.00	May 2007	\$358.00	\$394.00
\$331.00	\$355.00	June 2007	\$364.00	\$391.00
\$333.00	\$355.00	July 2007	\$367.00	\$391.00
		August 2007		
		September 2007		
		October 2007		
		November 2007		
		December 2007		

**How to determine the Base Price:**

According to Special Provision subsection 00195.10(b), the Base price is the published price for the month immediately preceding the bid opening date. So, the Base price for projects bid in October 2003 is the September 2003 MACMP published amount.

Use the Poten Boise Idaho numbers when any portion of a project is in District 13 or District 14.  
Use the Poten Pacific Northwest numbers on all other projects.



## OREGON DEPARTMENT OF TRANSPORTATION MONTHLY FUEL PRICE HISTORY

The following monthly fuel prices are the average weekly fuel prices obtained from the OPIS weekly listing dated the first Monday of that month for No. 2 diesel fuel for Portland, Oregon. Prices are based solely on rack and resellers' prices exclusive of freight, taxes, and special discounts.

### ENGLISH

#### ENGLISH

2007

<i>Posting Date</i>	<i>Monthly Price (\$/Gallon)</i>
January 1, 2007	\$2.0045
February 5, 2007	\$1.8995
March 5, 2007	\$2.0245
April 2, 2007	\$2.0920
May 7, 2007	\$2.1130
June 4, 2007	\$2.1208
July 2, 2007	\$2.0765
August 6, 2007	\$2.3692

### METRIC

#### METRIC

2007

<i>Posting Date</i>	<i>Monthly Price (\$/Liter)</i>
January 1, 2007	\$0.5295
February 5, 2007	\$0.5018
March 5, 2007	\$0.5348
April 2, 2007	\$0.5526
May 7, 2007	\$0.5582
June 4, 2007	\$0.5603
July 2, 2007	\$0.5486
August 6, 2007	\$0.6259