

## 2014 STANDARD SPECIFICATION

**109.04 Asphalt Escalation.** The use of the price adjustment provisions as developed and implemented herein are intended to minimize the cost effects of price uncertainty to the Contractor and the Department for "Asphalt Cement" used in the construction of the contract. The price adjustment provisions are not intended to serve as a guarantee for full compensation for "Asphalt Cement" price fluctuations but are intended to be a sharing, by the Department, in a portion of the Contractor's risk which could result from potentially volatile price fluctuations that might occur throughout the duration of the contract.

The price adjustment provisions do not serve to relieve the Contractor of risks associated with fluctuation in prices beyond the amount adjusted by the provisions. This adjustment will be full compensation for any and all price fluctuations, including but not limited to taxes, transportation, and delays.

The price adjustment provisions are only applicable to "Asphalt Cement;" they are not applicable to cutback asphalt or emulsified asphalt. The term "Asphalt Cement" as used herein is applicable to PG grades as specified in Subsection 703.03.02.

The progress payment will be adjusted upward or downward, as calculated by the "Total Bi-Weekly Adjustment." These adjustments will be determined by the Department and will be based on selling prices for asphalt cement in the Poten & Partners Asphalt Weekly Monitor report. The sources used by the Department to determine the asphalt cement price at any given time will be the selling prices for Utah/Idaho/Nevada for non-modified paving grades and the California paving grades. The average of the high and low selling price for each of the following areas will be used: Utah - Salt Lake City area; Idaho - Boise area, Eastern markets, Northern markets [includes E.WA]; Nevada - Las Vegas area, Reno area; California - San Francisco area, Los Angeles area, Bakersfield area. Each of these nine average area prices is then used to calculate the weekly average price; the weekly average price is used to calculate the "Basic Materials Index." The adjustment will be made by comparing a "Basic Materials Index" to a "Bi-Weekly Materials Adjustment Index." The method for making this comparison is described in the following paragraphs:

- (a) A "Basic Materials Index" will be determined by the Department on a weekly basis. The "Basic Materials Index" in effect for the week a contract bid opening occurs will be the "Basic Materials Index" for that contract.

The "Basic Materials Index" will be arrived at by averaging the Monday posting of the current week and the Monday posting of the three previous weeks.

The "Basic Material Index" price for "Asphalt Cement" will be available on an informational basis to interested parties but said prices will not be available prior to the first regular business day of the week of the bid opening. The price may be obtained by contacting the Department's Construction Division.

- (b) During the time that the "Asphalt Cement" is used on this contract, the Department will maintain selling prices in \$/English ton (short ton) for asphalt cement to be used to obtain a "Bi-Weekly Materials Adjustment Index." The "Bi-Weekly Materials Adjustment Index" will be arrived at by averaging the Monday posting of the current week and the Monday posting of the three previous weeks and will be compared with the "Basic Materials Index" price to determine a "Bi-Weekly Material Price Adjustment."
- (c) The adjustment for said "Asphalt Cement" will be subject to increase or decrease in accordance with the following provision for "Asphalt Cement" price fluctuations exceeding 10%. The adjustment will be determined in accordance with the following formula for "Asphalt Cement" used during the progress payment:

Total Bi-Weekly Adjustment = AQ

For an increase in the Bi-Weekly Materials Adjustment Index exceeding 10% of the Basic Materials Index:

$$A = [B_p - B_i (1.10)] F$$

For a decrease in the Bi-Weekly Materials Adjustment Index exceeding 10% of the Basic Materials Index:

$$A = [B_i (0.90) - B_p] F$$

Where: A = "Bi-Weekly Material Price Adjustment" in dollars per metric ton (ton) of "Asphalt Cement" rounded to the nearest dollar.

Bi = "Basic Materials Index" for the week in which the bid opening for the contract occurred (US \$/short ton). This is calculated as noted in paragraph (a) above.

Bp = "The Bi-Weekly Materials Adjustment Index" (US \$/short ton) calculated for the progress payment period. This is calculated as noted in paragraph (b) above.

F = 1.102311 = Factor to convert \$/short ton to \$/metric ton (1.00 to remain \$/short tons).

Q = Quantity in metric tons (tons) of "Asphalt Cement" calculated from the amount of plantmix paid for during the progress payment period. The quantity, in metric tons (tons), of "Asphalt Cement" will be calculated using the approved mix design and the following formula:

$$Q = \frac{\text{Wet tons used} \times \% \text{ Asphalt} / 100}{[1 + (\% \text{ Asphalt} + \% \text{ Mineral Filler}) / 100]}$$

(d) The adjustment in compensation will also be subject to the following:

1. The compensation adjustments provided herein, will be shown separately on the progress payment. The Contractor shall be liable to the State for decreased compensation adjustments and the Department may deduct the amount thereof from any monies due or that may become due the Contractor.
2. The Department reserves the right to cancel the contract whenever the "Bi-Weekly Materials Adjustment Index" exceeds the "Basic Materials Index" by 75%. The contract may be canceled in part or in whole by the Department. If the Department elects to cancel the contract, in part or in whole, price adjustments will not be allowed for other than major bid items. Adjustments to major bid items will be in accordance with Subsection 104.02.