

2014 STANDARD SPECIFICATION

109.05 Fuel Escalation. The Fuel Escalation Clause, as described herein, may be enacted when requested by the Contractor or deemed necessary by the Department. Enactment of the Fuel Escalation Clause will only be considered when the increase or decrease of the "Contract Price" for fuel as defined herein exceeds 25%.

The use of the price adjustment provisions developed for the Fuel Escalation Clause are intended to minimize the cost effects of price uncertainty to the Contractor and the Department, for fuel used in the construction of this contract. The price adjustment provisions are not intended to compensate the Contractor for what would be considered normal day-to-day fluctuations or seasonal changes. The price adjustment provisions are not intended to serve as a guarantee for full compensation for fuel price fluctuations but are intended to provide for a sharing, by the Department, in a portion of the Contractor's risk which could result from unusual price fluctuations. 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.

If the Fuel Escalation Clause is activated, the clause will apply from the period of time the unusual price for fuel began, until the end of the contract.

Fuel Escalation Clause

Contract fuel costs will be adjusted upward or downward on a bi-weekly basis. To accomplish this adjustment the Department will determine, for each contract, a "Fuel Factor Percentage" that represents an estimated percent of fuel cost by type of construction. The "Fuel Factor Percentage" will be applied to each bi-weekly progress payment balance due (excluding payments for stockpiled materials) to determine a "Bi-weekly Fuel Cost."

The bi-weekly fuel adjustment will be calculated by comparing a "Contract Price" to an "Adjustment Price" to determine a percent of increase or decrease. The adjustment will be determined by the Department using the average diesel (No. 2 fuel oil) price postings for Reno and Las Vegas as provided by Oil Price Information Services. The method for calculating the "Bi-weekly Fuel Adjustment" will be as described in the following paragraphs:

- (a) Fuel Factor Percentage (Ffp). The "Fuel Factor Percentage" (Ffp) will be an estimated fuel factor as a percentage of cost by type of construction as determined by the Department. The "Fuel Factor Percentage" will be specified in the Special Provisions.
- (b) Bi-Weekly Fuel Cost (Bfc). The "Bi-Weekly Fuel Cost" (Bfc) will be the contract bi-weekly progress payment balance due (excluding payments for stockpiled materials) multiplied by the "Fuel Factor Percentage."
- (c) Base Price (Bp). The "Base Price" (Bp) for fuel will be determined weekly using the prices posted on Monday of each week.
- (d) Contract Price (Cp). The "Contract Price" (Cp) for fuel will be established for the week during which the bid opening is held. The "Contract Price" will be determined using the "Base Price" of fuel for the week of the bid opening averaged with the "Base Price" of fuel recorded for the previous three weeks.
- (e) Adjustment Price (Ap). The "Adjustment Price" (Ap) will be the average of the "Base Prices" recorded during the bi-weekly progress payment period.
- (f) Compensation Formula. The compensation payable as part of each bi-weekly progress payment will be subject to increase or decrease in accordance with the following provisions for fuel price fluctuations exceeding 10%. The bi-weekly fuel adjustment will be determined in accordance with the following formula:

For an increase in fuel adjustment prices that exceed 10% of the "Contract Price" (Cp):

$$A = [(Ap/Cp) - 1.10] Bfc$$

For a decrease in fuel adjustment prices that exceed 10% of the "Contract Price" (Cp):

$$A = [0.90 - (Ap/Cp)] Bfc$$

Where:

- A = Bi-weekly fuel adjustment in dollars rounded to the nearest dollar.
Ap = "Adjustment Price"

Cp = "Contract Price"
Bfc = "Bi-Weekly Fuel Cost"

(g) Compensation Adjustment. The adjustment in compensation for fuel shall also be subject to the following:

1. Payment of compensation provided herein will be made as part of 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 "Adjusted Price" exceeds the "Contract Price" 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 shall not be allowed for other than major bid items. Adjustments to major bid items shall be in accordance with Subsection 104.02.