



Construction Policy Bulletin

CPB 09-2 Asphalt Price Adjustments

References: Contract Special Provisions “Compensation Adjustments for Price Index Fluctuations”
Construction Manual Section 5-314, “Examples of Contract Change Orders,”
(Example 5-3.11)

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Background

Caltrans includes a contract special provision “Compensation Adjustments for Price Index Fluctuations” in projects that use construction materials containing asphalt such as hot mix asphalt (HMA), rubberized HMA (RHMA), asphaltic emulsions, slurry seals and seal coats. This provision includes a formula to determine the compensation adjustment for asphalt placed in the work when the California Statewide Paving Asphalt Price (CSPAP) Index at the time of asphalt placement is greater or lesser than the index at the time of bid opening and the difference exceeds the specified trigger threshold.

The construction industry requested the trigger threshold to be lowered in new projects due to substantial crude oil price fluctuations in recent years. Caltrans agreed to this change.

Industry has also expressed concern over statewide inconsistency in applying CSPAP Indexes in asphalt compensation adjustment calculations. This Construction Policy Bulletin (CPB) provides a new procedure for uniform application.

Existing Procedure

Projects with asphalt advertised before December 5, 2008 specify a 10 percent trigger threshold for calculating compensation adjustments.

A table of CSPAP Indexes is posted at http://www.dot.ca.gov/hq/esc/oe/asphalt_index/astable.html with one index for each calendar month. Since progress pay estimate periods on Caltrans projects run from the 21st of one month through the 20th of the next month, there has been inconsistency statewide in using one or two indexes to calculate adjustments for asphalt placed in two calendar months but paid on one estimate.

New Procedure

Most projects with asphalt advertised after December 5, 2008 specify a 5 percent trigger threshold for calculating compensation adjustments. For each project, you are responsible for reviewing your special provisions section, "Compensation Adjustments For Price Index Fluctuations," to ensure what specified trigger threshold is used to calculate asphalt price adjustments.

Use the posted CSPAP Index associated with a given calendar month in calculating the asphalt compensation adjustment for all specified materials containing asphalt that are placed in the work in that calendar month. If asphalt is placed in the work in two calendar months and paid on one progress pay estimate, use two indexes in the adjustment calculations.

Example

For material containing asphalt placed in December 2008 and January 2009, paid on the January 20, 2009 estimate, two indexes apply for calculating asphalt price adjustments as follows:

1. Use the Dec-08 CSPAP Index (199.4) for asphalt placed from December 21 through December 31, 2008.
2. Use the Jan-09 CSPAP Index (188.2) for asphalt placed from January 1 through January 20, 2009.

This procedure applies to asphalt compensation adjustments done for pay estimates processed on or after the effective date of this CPB. Do not use this new procedure to recalculate compensation adjustments that have already been paid on estimates before the effective date of this CPB.

If you have questions or comments regarding this Construction Policy Bulletin, please contact Jim Cotey, Office of Construction Engineering, at (916) 227-5709 or Jim_Cotey@dot.ca.gov.