

Memorandum

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a California Way of Life.*

To: DEPUTY DISTRICT DIRECTORS, Construction
DEPUTY DIVISION CHIEF, Structure Construction
CONSTRUCTION MANAGERS
SENIOR CONSTRUCTION ENGINEERS
RESIDENT ENGINEERS

Date: December 24, 2024

File: Division of Construction
CPD 24-11



From: RAMON HOPKINS, Chief
Division of Construction

Subject: **CALIFORNIA STATEWIDE CRUDE OIL PRICE INDEX UPDATE**

This directive provides guidance to resident engineers regarding upcoming changes and how payment adjustments for crude oil price index fluctuations are calculated in accordance with revised Subsection 9-1.07A, "General," in Section 9-1.07, "Payment Adjustments for Price Index Fluctuations," of the *Standard Specifications*.

Currently, the Department of Transportation (Caltrans) determines the California statewide crude oil price index each month on or about the 1st business day of the month using the average of the posted prices in effect for the previous month as posted by Chevron, ExxonMobil, and ConocoPhillips for the Buena Vista and Midway Sunset fields.

Starting on January 1, 2025, Chevron and ExxonMobil will stop publishing the values used to determine the California statewide crude oil price index. Caltrans will begin using the daily Brent crude oil prices posted by Business Insider, an independent news organization, effective January 1, 2025. Brent crude oil is a major benchmark price for purchases of oil worldwide.

A new approach to calculate the California statewide crude oil price index based on using Brent crude oil prices has been developed. The Brent monthly average is converted to a California statewide crude oil price index using the following formula:

$$Y_C = 0.9975 \times X_b - 2.2565$$

Where:

Y_C = California statewide crude oil price index for each month.

X_b = the monthly average closing price of Brent crude oil calculated from daily Brent crude oil prices posted by Business Insider.

DEPUTY DISTRICT DIRECTORS, Construction et al.

December 24, 2024

Page 2 of 2

Effective January 1, 2025, all ongoing projects requiring oil price index adjustment payments must include the revised specifications in Section 9-1.07, "Payment Adjustments for Price Index Fluctuations." A change order will be necessary to modify the calculation method for price index fluctuations, as specified in Section 9-1.07A.

However, the monthly payment adjustment process that occurs because of price index fluctuations will remain the same, and the Caltrans monthly California statewide crude oil price index will continue to be posted on the following website for use by resident engineers each month.

<https://dot.ca.gov/programs/construction/california-statewide-crude-oil-price-index>

Attached is a sample change order, sample change order memorandum, and revised Section 9-1.07, "Payment Adjustments for Price Index Fluctuations," of the *Standard Specifications*. This directive serves as a delegation of authority from the Division of Construction for change order approval, except when change order language is altered.

If you have questions or comments regarding this directive, contact Ragu Thangavelautham, Division of Construction, at Raguparan.Thangavelautham@dot.ca.gov or (916) 764-8496.

Attachments:

1. Sample Form CEM-4903, "Change Order Memorandum" Crude Oil Price Index
2. Sample Form CEM-4900, "Change Order" Crude Oil Price Index
3. Revised Section 9-1.07, "Payment Adjustments for Price Index Fluctuations," of the *Standard Specifications*