

9-1.07 PAYMENT ADJUSTMENTS FOR PRICE INDEX FLUCTUATIONS

9-1.07A General

Section 9-1.07 applies to asphalt contained in materials for pavement structures and pavement surface treatments such as HMA, tack coat, asphaltic emulsions, bituminous seals, asphalt binders, and modified asphalt binders placed in the work. Section 9-1.07 does not apply if you opted out of payment adjustments for price index fluctuations at the time of bid.

The Engineer adjusts payment whenever the California statewide crude oil price index for the month the material is placed is more than 5 percent higher or lower than the price index at the time of bid.

The Department determines the California statewide crude oil price index each month on or about the 1st business day of the month. This is determined by averaging the daily Brent crude oil posted prices from the previous month, as reported by Business Insider. The daily closing price of oil will be used for the corresponding date. If Brent crude oil data is not posted on a given day, the last posted closing price will be used instead.

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.

If Business Insider discontinues posting daily Brent crude oil prices, the Department utilizes the Brent crude oil price from another source.

For the California statewide crude oil price index, go to the Department's Division of Construction website.

If the adjustment is a decrease in payment, the Department deducts the amount from the monthly progress payment.

The Department makes payment adjustments due to price index fluctuations for changed quantities under section 9-1.06.

If you do not complete the work within the Contract time, payment adjustments during the overrun period are determined using the California statewide crude oil price index in effect for the month in which the overrun period began.

If the price index at the time of placement increases:

1. 50 percent or more over the price index at bid opening, notify the Engineer.
2. 100 percent or more over the price index at bid opening, do not furnish material containing asphalt until the Engineer authorizes you to proceed with that work. The Department may decrease bid item quantities, eliminate bid items, or terminate the Contract.

Before placing material containing asphalt, submit the current sales and use tax rate in effect in the tax jurisdiction where the material is to be placed.

Submit a public weighmaster's certificate for HMA, tack coat, asphaltic emulsions, and modified asphalt binders, including those materials not paid for by weight. For slurry seals, submit a separate public weighmaster's certificate for the asphaltic emulsion.