Asphalt Material Price Adjustment

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Annual Crude Oil Price

California Asphalt Price Index
Fairbanks International Airport – R/W 1L-19R Reconstruction

- Bids Opened – July 18, 2007
- Contract Amount - $32,987,400
  - Electrical - $10,816,000
  - HAP – 112,000 tons - $4,699,350
  - Asphalt Cement and Tack Coat – 6,248 tons - $5,072,627
- Alaska Asphalt Material Price Index at Bid Opening - $376.67

Fairbanks International Airport – R/W 1L-19R Reconstruction

- Paving during Summer of 2009
- Bid Opening to Paving – 2+ years
- Average (65% Increase)
  - Increase - $238.99/ton
  - Total Increase for 6,248 tons - $1,493,181
- High Increase (260% Increase)
  - Increase - $979.34/ton
  - Total Increase for 6,248 tons - $6,118,891
- Low (36% Decrease)
  - Decrease - $135.60/ton
  - Total Decrease for 6,248 tons - $847,229
Risk for Changing Asphalt Price

- Who can afford to assume the risk of fluctuating oil and asphalt prices?
  - Oil Companies
  - Asphalt Supplier
  - Contractor
  - Owner – DOT/PF

DOT/PF Asphalt Material Price Adjustment

- DOT/PF Implemented Asphalt Material Price Adjustment on May 1, 2007
- Applies to FHWA and State funded DOT/PF projects
- Does Not apply to the FAA funded airport projects

Asphalt Material Price Adjustment

- Applies to cost changes from date of bid opening to date that asphalt material is incorporated into the project last day of the pay period
- Applies if bid schedule has more than 500 tons of asphalt material
- Applies if there is more than 7.5% increase or decrease in the Asphalt Material Price Index from the date of the bid opening to the date that the material is incorporated into the project last day of the pay period.
Asphalt Material Price Adjustment

• Applies to:
  – Asphalt Treated Base
  – Emulsified Treated Base
  – Asphalt Concrete Pavement
  – Tack Coat
  – Prime Coat
  – Seal Coat
  – Surface Treatments
  – Sidewalks
  – Curbing

Alaska Asphalt Material Price Index

• Calculated the **first** and **third** Friday of each month
• Posted at: [http://www.dot.state.ak.us/stwddes/desmaterials/aprice_index.shtml](http://www.dot.state.ak.us/stwddes/desmaterials/aprice_index.shtml)
• Average rack price of PG 52-28:
  – Tesoro
  – U. S. Oil
  – Flint Hills – (Average of North Pole and Anchorage Terminals)

Example 1

• Asphalt Material Price Index at bid opening = $400/ton
• Asphalt Material Price Index at time of paving = $450/ton - $50 increase
• Threshold to trigger price adjustment (7.5% increase/decrease) = $400 X 7.5% = $30
• Price Adjustment = $50 - $30 = **$20/ton paid to the Contractor**
Example 2

- Asphalt Material Price Index at bid opening = $400/ton
- Asphalt Material Price Index at time of paving = $425/ton - $25/ton increase
- Threshold to trigger price adjustment (7.5% increase/decrease) = $400 X 7.5% = $30
- Price Adjustment = Since $25 increase is below threshold of $30 – There is no Price Adjustment

Example 3

- Asphalt Material Price Index at bid opening = $400/ton
- Asphalt Material Price Index at time of paving = $350/ton - $50/ton decrease
- Threshold to trigger price adjustment (7.5% increase/decrease) = $400 X 7.5% = $30
- Price Adjustment = $50 - $30 = $20/ton credit to DOT/PF

Alaska & CALTRANS Asphalt Index

Alaska Asphalt Material Price Index

CALTRANS Asphalt Material Price Index

Per Ton

May June July Aug Sept Oct Nov 2007
Rate of Increase of Crude Oil and Asphalt Index

Crude Oil
Alaska Asphalt Index

May June July Aug Sept Oct Nov

2007

Questions?
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