Saskatchewan
Ministry of
Highways and
Infrastructure

Diesel Fuel Price Adjustment Policy (August 2006)

1. Background

In response to concern expressed by individual contractors, truckers and the Roadbuilders and Heavy Construction Association of Saskatchewan, the Ministry has instituted diesel fuel price adjustment clauses for most major contracts to reduce the risk to the contractors resulting from unusual fuel price increases. Contractors and subcontractors are encouraged to address potential diesel fuel price changes in subcontract agreements.

Diesel fuel price adjustment clauses have been included in contracts since September 2005. Changes have been made after the policy inception to switch from monthly to weekly prices (as of April 2006, see Section 3 below) and to calculate the adjustments by work Stages instead of for the contract as a whole (planned for September 2006, see Section 4 below).

2. Fuel Consumption Rates ("Consumption Rate")

The Ministry will tie the fuel adjustment to contract bid item quantities. The contract will specify a consumption rate for each applicable bid item. The consumption rate will cover all the activities related to that bid item. For example, the consumption rate for Asphalt Concrete In Place would cover all the activities related to the production and placement of the hot mix asphalt concrete, including the following equipment: generator set, loaders, paver, rollers and all related service vehicles. The Consumption Rate would also include the crushing and hauling (because the bid item is in place), but does not include burner fuel or propane used to heat the mix.

Consumption rates were determined by the Roadbuilders and Heavy Construction Association of Saskatchewan and confirmed using typical equipment requirements for various types of projects, and fuel consumption tables published by the equipment manufacturers.

The following fuel consumption rates have been developed for various construction operations. If more than one operation is involved in a bid item, estimated fuel consumption will be the sum of the operations. For example, for Asphalt Concrete In Place with an average haul distance of 40 km, the consumption rate would be 0.8 (Crushing) + 1.2 (Hot Mix) + 40 x 0.05 (Haul) = 4.0 litres / tonne.

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Major Operation	Description	Consumption Rate
Crushing	stripping/crushing/loading/stockpiling	0.80 litres/tonne
Sub-base	stripping/screening/loading/laying	0.80 litres/tonne
Base	pugging/loading/laying	0.80 litres/tonne
Hot Mix	loading/mixing/laying/compacting	1.20 litres/tonne
Haul	All types of truck haul	0.05 litres/t-km
Roto-mix	ripping/mixing/laying/compacting	0.20 litres/m^2
Milling	milling/loading/sweeping	1.20 litres/tonne or 0.80 l/ m^2
Earth Excavation	ripping/pushing/loading/hauling/placing/ compacting	0.90 litres/m^3
Gravel Blading	blading	16 litres/hr
Mowing	mowing/whipping	6 litres/hectare

3. **<u>Price Source & Frequency</u>**

The Ministry will determine the "Set Price" of diesel fuel based on the <u>weekly</u> average Regina price of low sulphur diesel fuel for the 3 major national oil companies (Esso, Petro-Can & Shell), as published by an independent source**,** on the date the contract tender is closed. The weekly price will be adjusted to include the Provincial Fuel Tax (currently 15¢ / litre) and the Federal Excise Tax (currently 4¢ / litre) to reflect the net price of diesel fuel to the contractor. GST is not included in this price because the contractor can apply for a GST rebate.

4. **<u>Project Span ("Span") and Actual Fuel Price ("Actual Price")</u>**

The "Actual Price" will be determined for each (Site Occupancy) Stage of the contract by averaging the weekly prices from the week the contractor starts work to the week the contractor completes work for that Stage, excluding weeks not worked.

5. **<u>Diesel Fuel Adjustment Application</u>**

If the price of fuel changes by more than 7% from the Set Price to the Actual Price for any Stage of the work, the adjustment clauses would come into effect for that Stage(s).

If the Actual Price price is more than 7% above the Set Price, the adjustment paid to the contractor by the department would be:

Adjustment = (Actual Price – (1.07 * Set Price)) * Final Quantity *Consumption Rate

If the Actual Price price is more than 7% below the Set Price, the adjustment paid to the department by the contractor would be:

Adjustment = (0.93 * Set Price – Actual Price) * Final Quantity * Consumption Rate

The total adjustment would be determined for all applicable bid items.

For Further Information Contact:

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