

shown on a change order exceeds 25 percent of the engineer's estimate, the overrun or underrun must be acknowledged and provided for in the current change order. Refer to Section 5-306C, "Methods of Payment," of this manual for more information on change orders. You can provide for this overrun or underrun through one of the following options, whichever is applicable:

- Adjust the contract price in accordance with Section 9-1.06 [4-1.03B], "Changed Quantity Payment Adjustments," of the *Standard Specifications*.
- Defer any payment adjustment due to the overrun or underrun.
- State in writing that the bid item is not subject to adjustment. See Section 5-3, "Change orders," of this manual for a discussion and examples of change orders providing for adjustments in compensation resulting from increased or decreased quantities.

#### *3-904A (1) Increases of More Than 25 Percent*

It is usually appropriate to defer adjustment if work on the bid item has not been completed. Additional change orders may be affecting the quantity, or the number of units required to complete planned work may not be known. However, as soon as unit costs and final quantities can be reasonably determined, calculate any required unit adjustment and provide for it through a change order. When work on the bid item is completed, you may apply the unit adjustment to the total number of units in excess of 125 percent of the engineer's estimate.

Unless requested by the contractor in writing, the engineer does not have to adjust the contract price of an item if the bid item cost of the work in excess of 125 percent of the engineer's estimate is less than \$5000. However, before exercising this right, ensure Caltrans will not gain any economic benefit from an adjustment. On the other hand, make an adjustment if it would decrease cost and the amount of the decrease would exceed the cost of making the adjustment.

#### *3-904A (2) Decreases of More Than 25 Percent Markup for Subcontracted Work*

If a bid item underruns the engineer's estimate by more than 25 percent, inform the contractor in writing as soon as work on the item has been completed. Unless the contractor requests an underrun adjustment in writing, no adjustment will be made.

#### *3-904A (3) Eliminated Items*

Section 9-1.06D [4-1.03B(3)], "Eliminated Items," of the *Standard Specifications* applies only to bid items eliminated in their entirety. Advise the contractor as soon as it is known that an item will be eliminated. Caltrans will not be responsible for costs incurred for material ordered after notification.

In the change order providing for the elimination of a bid item, ensure you cover the disposition of surplus material. Refer to Section 3-904A (4) for how to handle surplus material resulting from an eliminated item that cannot be returned to the vendor.

#### *3-904A (4) Surplus and Salvaged Material*

Minor differences between quantities of material required to complete the planned work and quantities shown in the engineer's estimate or shown in quantity summaries on the contract plans are normal operating differences. Caltrans is not liable for a surplus of material resulting from these operating differences.

If the final quantity of an item is less than 75 percent of the engineer's estimate, include any actual loss due to excess material in the costs as computed in accordance with Section 9-1.06C [4-1.03B(2)], "Decreases of More Than 25 Percent," of the *Standard Specifications*.

Do not make any allowance for material the contractor keeps.

Caltrans recognizes that certain materials or manufactured items required for the planned construction may be unique and not usable by the contractor, the supplier, or for other projects or customers. If such materials or items become surplus by reason of an ordered change, resulting in a direct and unavoidable loss to the contractor, such loss must be compensated. Determine compensation on the basis of actual cost as provided in Section 9-1.06D "Eliminated Items," of the *Standard Specifications*. The guidelines below describe how to dispose of material that the contractor cannot economically dispose of.

Base a determination to salvage items made surplus by ordered changes on economic benefit to Caltrans, conservation of the energy and materials required to fabricate the items, or both. Base economic benefit on the following:

- The item's condition is adequate to perform its function satisfactorily. Damage does not necessarily make an item unsuitable for salvage. Caltrans has the capability to repair some items, so investigate this approach before deciding to dispose of a damaged item. Also consider repair costs when determining the cost-effectiveness of salvaging.
- The value equals or exceeds the difference in the cost of salvaging (including hauling) and the cost of removal and disposal.

Also, an item should be salvaged if it meets one or more of the following conditions:

- It is a stock item with a definite, foreseeable use. Stock items include all items that Caltrans normally uses.
- It is not a stock item, but can be put to immediate use or has a definite, foreseeable use. This classification would include items that can be reinstalled in the immediate project or could be installed on future projects.
- It is part of an electrical installation owned jointly with another agency, and the other agency requests its salvage.
- It can be used immediately for some other beneficial purpose.

Most districts maintain a district salvage yard or other designated areas for receiving salvaged material. Each district also has a district recycle coordinator. Before the delivery of potentially salvageable items, make arrangements with the appropriate person. Materials should not be salvaged until such arrangements are made.

### 3-904B Payment Adjustments for Price Index Fluctuations

Section 9-1.07 "Payment Adjustments for Price Index Fluctuations," of the *Standard Specifications* specifies payment adjustments for various bid items that contain paving asphalt. The payment adjustment occurs when the California statewide crude oil price index fluctuation exceeds the threshold as described in the contract specifications. Compensation is adjusted when the paving asphalt price fluctuates from the month of