

FUEL COST ADJUSTMENT PROVISION FOR HOURLY RENTED MACHINES

Fuel Cost Adjustment

Effective May 1, 2022, the NB Department of Transportation and Infrastructure (DTI) has introduced a Fuel Cost Adjustment Provision for hourly rented machines.

For greater certainty, this provision will only apply to (hourly) rented equipment where fuel costs are included in the Machine Rental Rates.

The fuel cost adjustment will work as follows:

- a. If the difference between **Base Price ("BP")** for the applicable fuel (diesel or gasoline) and the **Average Actual Price ("AAP")** is greater than 10%, for any invoicing period, a fuel adjustment shall be paid to the provider of the equipment. Equipment providers must show this claim for the fuel cost adjustment as a separate line on their invoices.
- b. The **Base Price (BP)** for fuel shall be calculated using the daily average from the New Brunswick Energy and Utilities Board's (NBEUB) weekly posted prices for the applicable fuel type (plus HST) for the month of April 2022.
- c. The **Average Actual Price (AAP)** for fuel shall be calculated using the daily average from the New Brunswick Energy and Utilities Board's (NBEUB) weekly posted prices for the applicable fuel type (plus HST) for the month the equipment was used.
- d. The BP and AAP for the month prior, and the approved fuel cost adjustment percentage as applicable for each period that equipment was rented in, will be posted on the DTI web site on the first business day of each month:

https://www2.gnb.ca/content/gnb/en/departments/dti/tenders_contracts/content/fuel-adjustment-provision.html

- e. The fuel cost adjustment shall be calculated using a **FIXED STANDARD** fuel consumption rate of 20% of the (hourly) Machine Rental Rate.



****A fuel adjustment shall only be paid if the difference between Base Price (“BP”) for the applicable fuel type (diesel or gasoline) and the Average Actual Price (“AAP”) is greater than 10%****

Step One

Formula:

$$\% \text{ Difference} = (\text{AAP} - \text{BP}) / (\text{BP}) * 100$$

Example:

BP – 2.1340 (*Ultra-Low Sulphur Diesel*)

AAP – 2.4065 (*Average posted price for the month the equipment was used in June 2022, for illustration purposes only*)

$$= (2.4065 - 2.1340) / (2.1340) * 100$$

$$= (0.2725) / (2.1340) * 100$$

$$= (0.1277) * 100$$

$$= 12.77, \text{ which will be rounded to } \mathbf{13\%}$$

The % difference = 13%, therefore fuel adjustment would be paid in addition to the rental fee

Step Two:

Formula:

$$(\text{Hourly Rental Rate } \$/\text{HR}) (\text{Number of Hours Rented}) (\text{Increase in Fuel}) (0.2)$$

**** The fuel cost adjustment shall be calculated using a FIXED STANDARD fuel consumption rate of 20% of the (hourly) Machine Rental Rate ****

Example (continued from above):

Rental Rate: \$90.00

Hours Rented: 3.5 hrs

Fuel Price Increase During Invoice Period: 0.13 (13%)

$$= (90) (3.5) (0.13) (0.2)$$

$$= \mathbf{\$8.19}$$

Based on our calculations, DTI will pay an additional **\$8.19** as a fuel adjustment on top of the Hourly Rental Rate \$/HR to the Contractor