



# Fuel Indexing Payment Adjustment

## Fuel Indexing Overview

**As referenced in TDOT Aviation Special Provision 109A (ASP109A), Fuel indexing was developed as a result of the volatility in the cost of gasoline and diesel. A cost adjustment special provision can be included in applicable contracts to provide additional compensation to the prime contractor or cost savings to the Airport Sponsor (Owner), based on cost fluctuations of fuel.<sup>1</sup>**

## Applicability

Fuel Indexing can be included into **construction contracts**, especially where concern of volatility of fuel exists. It is important to understand the development of price adjustment provisions for motor fuels used in construction equipment is more difficult because fuel is usually considered to be incidental to the project and is generally not paid for directly. ASP109A uses "*Fuel Usage Per Unit Method*" basis for payment and is not designed to estimate actual quantities of fuel used in construction operations, but to provide a reasonable basis for calculating a fuel price adjustment based on average conditions. ASP109A is often paired with ASP109B, Payment Adjustment for Bituminous Material, when applicable.

## How does it work?

- A Basic Fuel Index will be established based on the established [TDOT "WEB Fuel Index"](#) at the time bids are opened. The Basic Index is set during the month of project advertisement.
  - An estimated price per gallon of fuel for the contract will be established, along with the fuel price index
  - The estimated price per gallon of fuel is calculated by a weighted sum (assumes 20% gasoline and 80% diesel), derived by TDOT.<sup>2</sup>
- A payment adjustment is made to compensate for increases and decreases of 5% or more in the basic fuel price index, compared to the fuel price index of the month in which work is performed, barring an unauthorized contract time overrun
- Price Adjustment computations shall be performed on a monthly basis
- Payment adjustments can only be made for items of work associated with the contract that are specifically listed in ASP109A

## Why utilize it?

- Promotes a low-risk environment for the Airport Sponsor and Contractor
- Allows the Contractor to bid an uninflated, market unit price which maximizes grant funding
- Maximizes number of bids by minimizing bidding uncertainty

## Important Considerations

### Airport Sponsor:

- ASP109A is a part of the construction contract specifications, a change order is not necessary for these cost increases or decreases. Quantify the cost adjustments with the TAD Material Adjustment Tool (Excel Spreadsheet), print the calculation records & summary of adjustments, and attach with the invoice reimbursement request. The Sponsor should also attach the latest TDOT "WEB Fuel Index"
  - Payment Adjustment line item should be incorporated on invoice(s) to properly account for ASP109A
- When a funding request is made to TDOT Aeronautics, account for forecasted Fuel Indexing Payment Adjustments by using the table below to be incorporated as grant contingency
  - Construction Bid(s) must be received

Bid Amount	<6 months	6-12 months	12-18 months	>18 months
<\$ 500K	0.95%	2.09%	3.32%	1.63%
\$ 500K - \$ 1M	1.36%	1.26%	2.59%	1.64%
\$ 1 - 3M	1.16%	1.33%	1.61%	1.09%
\$ 3-10 M	0.91%	1.71%	1.40%	1.26%
>10M	-	1.19%	1.84%	2.18%

*It is understood that future indexing cannot be predicted precisely. The percentages from the above table are derived from historical TDOT Roadway data and based on standard deviation. Coordination with the TDOT Aeronautics Project Manager may be required.*

- Incorporate an item on the pre-bid meeting agenda regarding ASP109A
- ASP109A uses a *Fuel Usage Per Unit Method* basis which utilizes fuel usage factors for diesel and gasoline consumption per unit of work
  - This basis of payment is similar to how TDOT applies fuel indexing construction special provision for roadway projects

## Footnotes

- Fuel Indexing Payment Adjustment can be applied to state and federal contracts. Reference [FAA Reauthorization Act of 2024 \(Public Law 118-63\), Section 707 Price Adjustment Provisions & FAA R-PGL 25-05](#)
- Contact TDOT Aeronautics for latest "estimated price per gallon of fuel" for the ASP109A Specification.

## Resources

TAD Material Adjustment Tool (Excel Spreadsheet)  
ASP109A  
[TDOT "Monthly Fuel Index"](#)

**Questions?** Reach out to assigned TDOT Aeronautics Project Manager on how this might apply to an existing or future Airport Capital Improvement Plan project. <https://www.tn.gov/tdot/aeronautics/aeronautics-division-staff0.html>