

ENGINEERING DIRECTIVES AND STANDARDS

Volume	Chapter	Section	Directive Number	Effective Date
III	1	1	27	5/28/2008

SUBJECT: EQUIPMENT RENTAL RATES

- PURPOSE:** The purpose of this directive is to establish guidelines for determining acceptable equipment rates and application methods for computing allowable reimbursable equipment costs.
- SCOPE:** This directive applies to contractor owned, borrowed, rented or leased equipment, and provides procedures for establishing and applying allowable equipment rates for reimbursement purposes. The rates apply to force account and extra work done by change order, and equipment included in contractor's requests for additional compensation (claims), all referred to hereinafter as work.

3. POLICY:Owned Equipment

Rental rates for owned or borrowed equipment, hereinafter called owned equipment, shall be the Contractor's established internal equipment rates or estimated cost reimbursement rates included within his original contract bid prices. If the Contractor's established internal rates are not available and independent guidebook rates are deemed an acceptable substitute by the Department, the allowable rates shall not exceed those shown in the Rental Rate Guide Book for Construction Equipment ("Blue Book"), Volumes 1, 2 or 3, as applicable, latest editions, adjusted as described in this EDSM.

Rented Equipment

Rental rates for rented or leased equipment, hereinafter called rented equipment, shall be as paid by the contractor, subject to the conditions of this EDSM.

Allowable Equipment

If the contractor's internal cost reimbursement rates are used, reimbursement will be made for all company owned equipment items impacted by the changed work. If Blue Book rates are used to price contractor owned equipment, reimbursement will not be made for owned service trucks, or other support equipment and vehicles, since their costs are normally included in equipment operating costs. Reimbursements may be allowed during extended standby periods, or other periods of compensable project delay. Reimbursements will not be made for tools and equipment that have a retail value of less than \$525.00 except as follows: When directly used in the work over an extended period, invoice cost (plus 15%) for replacement tanks of oxygen and acetylene for gas torches, and replacement of high-wear components (such as blades) for other equipment and tools may be allowed.

Owned pickups, if directly used in the performance of the work, are eligible for reimbursement at the flat rate of \$50.00 per day. If used by a superintendent, or used primarily for transportation of employees, their costs are included in overhead and separate reimbursements will not be made.

- PROCEDURE:** Equipment rates and methods of measurement and payment shall be as described on Attachment A to this EDSM.
- OTHER ISSUANCES AFFECTED:** This directive supersedes EDSM No. III.1.1.27 dated April 15, 1993. All other directives, memoranda or instructions issued heretofore in conflict with this directive are hereby rescinded.
- EFFECTIVE DATE:** The revision to this directive will become effective immediately upon receipt.

WILLIAM H. TEMPLE
CHIEF ENGINEER

Attachment A

ALLOWABLE RATES

OWNED EQUIPMENT

When estimating equipment costs for owned equipment for extra work or force account, the change order shall specify the equipment, the estimated number of working hours, and working rate per hour - - extended for a total estimated cost.

For single shift or first shift work, the allowable hourly working rate shall be the Contractor's established internal rate or estimated cost reimbursement rates included within his original contract bid prices. If the Contractor's established internal rates are not available and independent guidebook rates are deemed an acceptable substitute by the Department, the allowable rates shall not exceed the Blue Book monthly rate, divided by 176, and adjusted for region and age, plus an estimate of the Contractor's hourly operating cost, not to exceed the Blue Book estimated operating cost.

For second and third shift work, the allowable hourly working rate shall not exceed one-half of the internal rate or, if not available, one-half the Blue Book monthly rate, divided by 176, and adjusted for region and age, plus an estimate of the Contractor's hourly operating cost, not to exceed the Blue Book estimated operating cost.

The contractor shall furnish the engineer copies of the equipment and age adjustment factor pages from the Blue Book, with the equipment circled or underlined.

RENTED EQUIPMENT

When estimating equipment costs for rented equipment for extra work or force account, the change order shall specify the equipment, the estimated number of working hours, the estimated rental cost, and the estimated operating cost per hour - extended for a total estimated cost. The rental cost shall be estimated as follows:

The contractor shall furnish the engineer a written quote from his proposed lessor, plus a copy of the appropriate page from the Blue Book, with the equipment circled or underlined. The quote must be on an hourly, daily, weekly, monthly or unit price basis, whichever is most applicable for the proposed work.

If required by the engineer, the proposed lessor shall furnish a notarized certification that the quoted amount truly reflects the lessor's normal rental rate to the named contractor and includes all discounts. If required by the engineer, the contractor shall obtain proposals from one or more additional lessors and costs will be based on the lesser amount.

The estimated hourly operating cost for the equipment shall not exceed the Blue Book estimated operating cost.

MEASUREMENT AND PAYMENT

OWNED EQUIPMENT

If the contractor's internal cost reimbursement rates are used to price owned equipment, single or first shift equipment will be paid for at the agreed per-day rate utilized in computing the original bid price. Second or third shift work will be priced at one half the established daily rate applied as an hourly rate. The number of hours per day assumed in the computation of the original bid price should be used to convert the daily rate to an hourly rate for all hourly computations.

Payment for equipment will be made for the actual hours used in the work. Payment will not be made for time lost for equipment breakdowns, time spent to repair equipment, or time after equipment is no longer needed. If equipment is used intermittently while dedicated solely to the force account work, payment will be made for the duration the equipment is assigned to the work, but no more than 8 hours per day. Second and third shifts, while actually working, owned equipment will be paid for at one half of the Blue Book ownership costs plus the estimated hourly operating costs. No reimbursements will be made while not actually working.

IDLED EQUIPMENT

If ordered held available for work, idled owned equipment will be paid for at an hourly standby rate computed as one-half of the agreed working rate per hour, operating costs excluded. Standby will not be allowed during periods when the equipment would ordinarily be idle, such on Saturday, Sundays, holidays, and days when weather conditions prevent working, or when breakdowns prevent working, or while being serviced, or when the equipment actually worked or has been paid for eight or more hours in the day or forty or more hours for the week.

RENTED EQUIPMENT

For rented equipment, the allowed reimbursement shall be agreed invoice cost, and while working, the agreed upon allowance for operating costs. The invoice shall be marked "PAID" and initialed or signed by the lessor.

EQUIPMENT CHANGES

When the equipment being used is not the specific equipment identified in the change order authorizing the work, or if the engineer deems that additional equipment is required, the rates shall be computed as described on page 1 of this attachment; and a change order submitted. The use of more expensive equipment than that originally authorized must be fully justified.

MOBILIZATION AND DEMOBILIZATION

PAYMENTS

No reimbursements shall be made for equipment that can be hauled by a pickup truck, or can be hauled on a single axle utility trailer, or can be incidentally hauled by any vehicle which for any other reason must or will travel between the vicinity of the equipment's place of storage and the vicinity of the jobsite.

Reimbursement for equipment that travels under its own power will be a lump sum amount computed by allowing the cost of permits and a per-mile allowance of 2.5% of the hourly working rate for the equipment and the operator. If an escort is required, add \$0.50 per mile.

Except as excluded above, reimbursement for transporting equipment will be a lump sum amount computed by allowing the cost of permits and a per-mile allowance of \$0.072 per ton per mile (\$1.50 per mile minimum) for the transporting equipment, labor included, plus one-hour standby time for the equipment being hauled, for each thirty miles hauled. If an escort is required, add \$0.50 per mile.

If the equipment must be partly disassembled before moving, reasonable costs will be allowed for one disassembly and one reassembly, except that no costs will be allowed for minor disassembly and reassembly such as bucket removal and replacement. When additional transports are needed to haul the components of the disassembled equipment, each transporter will be paid for using the rates specified in the previous paragraphs, except no additional compensation for standby time on the equipment being hauled will be allowed.