



Memorandum

Subject: **ACTION:** Kentucky Multistep Competitive
Sealed Bidding (Reverse Auction) under
Special Experimental Project No. 14 (SEP-14)

Date: November 3, 2016

From: /S/ Gregory Murrill
Acting Director, Office of Program
Administration

In Reply Refer To:
HIPA-30

To: Thomas L. Nelson, Jr., P.E.
Division Administrator
Frankfort, KY

This is in reference to your email of September 19, 2016, which transmitted,

1. The Kentucky Transportation Cabinet's (KYTC's) request to use Multistep Competitive Sealed Bidding (Reverse Auction) under SEP-14;
2. The KYTC's SEP-14 Workplan.
3. The FHWA-Kentucky Division's endorsement of the KYTC request;
4. The FHWA Kentucky Division's approved Public Interest Findings (PIFs) (3) for the use of State-Purchased:
 - a. Electrical Traffic Control Devices;
 - b. High Mast Control Cable; and
 - c. Signal Radios

The Kentucky Transportation Cabinet (KYTC) has traditionally used standard competitive sealed bidding methods for purchases of commodities in situations where state furnished materials may be used on federal-aid projects such as Emergency Relief (ER) projects as well as other federal-aid projects where utilizing such materials are in the best interest of the travelling public.

On a case-by-case basis for selected Federal-aid highway projects, the KYTC will determine whether it is appropriate to use the standard competitive sealed bidding technique or multistep competitive sealed bidding technique to acquire state-furnished material. Either technique may be used for material that has an approved public interest finding per 23 CFR 635.407 documenting the public interest of providing State-furnished material (e.g. traffic signal components) and emergency items that might be used on ER projects (culverts, headwalls).

It is our understanding that:

- Multistep Competitive Sealed Bidding (Reverse Auction) will not be used to advertise and award Federal Aid Highway construction projects (i.e. construction services).
- FHWA will not pay for state purchased materials until they are incorporated in an authorized Federal-aid Highway project;

- For non ER projects, KYTC will provide an approved public interest finding per 23 CFR 635.407 documenting the public interest of providing State-furnished material. The public interest finding may be project-specific or program-wide with appropriate limitations as determined by the Division Administrator. All state-furnished material used on a Federal-aid Highway project will meet FHWA's General Material Requirements in 23 CFR 635 Subpart D.

The SEP-14 workplan is approved for a period of 18 months from the date of this approval memorandum, subject to the incorporation of the following comments:

1. We recommend that the second sentence under Section C be modified as follows:

The KYTC will comply with FHWA's General Material Requirements in 23 CFR 635 Subpart D for all materials incorporated in Federal –aid projects.

2. A sentence should be added to Section F to indicate that the final report will summarize the cost effectiveness of the Reverse Auction procurement method and discuss other factors that should be considered in using this procedure (manufacturing lead times, construction contract scheduling or phasing, risk associated with providing owner-furnished material, etc.).

Thank you for the opportunity to review this SEP-14 request. If you have any questions, please contact Gerald Yakowenko at (202)366-1562 or John Huyer at (651)291-6111.