



Minnesota Department of Transportation

Office of Construction and Innovative Contracting

395 John Ireland Boulevard

Saint Paul, MN 55155

February 27, 2015

Mr. Bill Lohr
Field Operations Team Lead
FHWA - Minnesota Division
380 Jackson Street, Suite 500
St Paul, MN 55101

RE: **Special Experimental Project 14**
Locked Incentive Date (LID) Evaluation Report

Dear Mr. Lohr:

Please accept this correspondence as the Summary Report and therefore the conclusion of Special Experimental Project 14 - Locked Incentive Date (LID) Evaluation Report. Since our previous report in December 2010, the Department has continued its cautious use of the LID specification. Five additional projects have utilized the specification:

1. SP 6244-30 (TH 52) Lafayette Bridge -completed
2. SP 8221-82045A (TH 36) Early Foundations St. Croix River Bridge - completed
3. SP 8221-01 (TH 36) St. Croix Bridge - under construction
4. SP 2785-330 (1-494) 1-494 Rehabilitation - Let February 20, 2015
5. SP 6215-99 (TH 51) Snelling Bridge and Rehabilitation - Let March 27, 2015

While the Department has continued its use of this unique specification, we have not discovered any new issues or benefits. We have not discovered any regulatory issues prohibiting its use. While careful scrutiny of its usage is incredibly important, the Department feels that following the screening and approval process described in our Report will continue to provide us a tool to help decide when to use the LID as a valuable Contract Specification. There are several conclusions that are relevant when making the decision to use this specification. The Department will continue to carefully scrutinize usage, keeping the following information in mind:

- The contract must clearly define LID milestone dates and the items that need to be completed in order to receive the incentive. Ambiguities will complicate contract administration.
- The LID can be used to offer opportunities to advance milestone dates, or minimize the risk of extending completion deadlines.
- The LID was successfully used in combination with early completion incentives. However, the LID was most effective when the LID included a large lump sum for meeting the LID date, with

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smaller incremental volumes for earlier completion.

- The LID amount needs to be high enough to offset potential claims and acceleration costs.
- Owners should not rely on the contractors meeting the LID date. Contingency plans need to be included in the contract.
- Traditional incentive/disincentive clauses or other innovative contracting techniques need to be thoroughly analyzed before including LID specification into contracts.
- The incorporation of CPM schedules was very effective in mitigating project delays.
- The LID was very effective in focusing the project team (contractor and owner) on meeting the LID date instead of negotiating contract time changes.
- The LID was effective on minimizing claims. However, none of the projects had substantial claims that influenced the contractor's decision to take the incentive or pursue the claims.
- Department project staffs administering LID contracts need to clearly understand the differences between claims and additional work.
- Diligent inspection is required to minimize the risk of lower quality products being produced in return for higher production.
- The LID can be used on design-build or design-bid-build projects

Based on the information provided this Letter and previous report the Department requests programmatic SEP-14 approval to use the LID specification on our Design-Build (DB) and Design -Bid-Build (DBB) projects. My office will oversee the implementation of this specification under the DBB umbrella, while Design Build Project Manager will perform these operations from the Office of Project Management and Technical Support for our DB projects.

While the LID Specification has not been used very frequently, it can be a very valuable tool to assist the Department in its successful delivery of projects. We look forward to hearing from you on our programmatic request.

If you have any questions, please contact Kevin Kosobud (218-828-5822) or myself at 651-366-4228.

Sincerely,

/Signed By/

Tom Ravn, PE
State Construction Engineer

Enclosure December 2010 LID Evaluation Report

CC: Chris Roy
Peter Davich
Kevin Kosobud

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