

#### **4.44 ECONOMIC PRICE ADJUSTMENT OF CONTRACT PRICE BASED ON A PRICE INDEX - CONSTRUCTION**

- (a) To the extent that contract cost increases are provided for by this economic price adjustment clause, the offer warrants that the prices in this proposal for the base items and any option items do not include any amount to protect against such contingent cost increases.
- (b) The base and adjusting indexes, for the purpose of price adjustment under this clause, shall be the Producer Price Index Industry Data for 221122221122429 Electric Power Distribution Commercial Electric Power Pacific, as contained in <http://www.bls.gov/data/>, as published by the U.S. Department of Labor, Bureau of Labor Statistics. All adjustments authorized under this clause shall be made by using the base index and adjusting indexes, which are published monthly. Reference Attachment G PPI Industry Data Instructions for pulling the applicable index.
  - (1) The base index, for the purposes of price adjustment under this clause, shall be the most recent index published prior to the closing date for receipt of offers, or the due date for receipt of best and final offers if discussions are held. This base index shall remain constant throughout the life of the contract.
  - (2) The adjusting index shall be the most recent index published prior to the date of contract adjustment, as specified in paragraph (d).
- (c) The percentage difference between the base index and the adjusting index, rounded to the nearest 0.01 percent (e.g., 4.57%), will be used in calculating all adjustments to the following contract line item numbers (CLINs):
  - (1) Base CLIN 0001a Normal Power Upgrade, 5kV to 15kV
  - (2) Option CLIN 0002 Essential Electrical System Upgrade, if exercised,
  - (3) Option CLIN 0003 Campus Feed Interconnection, if exercised,
  - (4) Option CLIN 0004 Building 100 Motor Controller Replacement, if exercised; and
  - (5) Option CLIN 0005 Automatic Transfer Switch Replacement, if exercised.

The value of the unfinished work, based on the prices for these CLINs, will be multiplied by the percentage increase or decrease and the resulting amount will be added to or deducted from the original CLIN price for that adjustment period to arrive at the new contract price for those CLINs from the beginning of the effective date of the adjustment period to the beginning of the next adjustment period, rounded to two decimal points. Calculations for subsequent contract years will be based on the value of unfinished work remaining as documented in the progress schedule submitted with the last payment request received for the previous contract year (reference paragraph (a) of this clause). The pricing of contract modifications will not be subject to economic price adjustment.

- (d) A contract adjustment period is one calendar year on the anniversary date of the contract award; however, no adjustment shall be made more than 1,000 calendar days after notice to proceed (reference contract clause 52.211-10 Commencement, Prosecution and Completion of Work). The contracting officer shall retain a copy of the base index in the contract file and, on each date of adjustment specified in this paragraph (d), shall obtain a copy of the adjusting index. The contracting officer shall calculate the adjustment due and shall, within 60 calendar days, issue a modification to

the contract adjusting the CLIN prices as specified in paragraph (c). The adjusted CLIN prices shall be effective for one year from the anniversary date of the contract award until the beginning of the next contract adjustment period. If the contracting officer fails to act, the contractor shall request a contract adjustment in writing and any subsequent adjustment shall be retroactive to the effective date of the adjustment period. The contractor's entitlement to price increases is waived unless the contractor's written request for an adjustment under this clause is received by the contracting officer no later than 30 calendar days following the end of the previous contract year. The Government's right to contract decreases is waived unless the contracting officer processes a contract modification no later than 30 calendar days following the end of the previous contract year.

(e) An example of an adjustment calculation is provided herein for informational purposes only.

(1) For purposes of this example, the contract priced for the CLINs as specified in paragraph (c) will be adjusted by the percentage calculated as follows:

The adjusting index for the current period	196.6
Minus the base index	<u>-188.0</u>
Equals the index point change	8.6
The index point change divided by the base index	$8.6 / 188.0 = 0.0457^*$
Result multiplied by 100 equals the percentage change (The index point change percentage)	4.57%

\*This figure shall be rounded to the fourth decimal place. When the fifth decimal is 1 to 4, the figure shall be rounded down, 5 to 9, rounded up.

(2) For a CLIN with an original bid price of \$1,000.00, where the value of unfinished work is \$700.00, and there is a 4.57 percent index point change increase, as shown above, the calculations for a new contract price would be as follows:  $\$700.00 \times 0.0457 = \$31.99$ ,  $\$1,000.00 + \$31.99 = \$1,031.99^{**}$ . The new contract price for this CLIN would be \$1,031.99 and the contracting office would issue a contract modification reflecting this change.

\*\*The unit price adjustment shall be rounded up or down, as in paragraph (e)(1) above, to two decimal places.

(3) All contract price adjustments will be based on the original CLIN prices and new calculations shall be made for each and every contract adjustment period and will be based on the value of the unfinished work remaining as documented in the progress schedule submitted with the last payment request received for the adjustment period (reference paragraph (a) of this clause). If the adjusting index went down for the second adjustment period, reflecting only a 3 percent index point change increase over the base index, the new price for this sample CLIN, which now has \$300.00 of unfinished work, would be reduced for the second contract adjustment period from \$1,031.99 to \$1,027.28 as follows:  $\$700.00 - \$300.00 = \$400.00$ ,  $\$400.00 \times .0457 = \$18.28$ ,  $\$300.00 \times 0.03 = \$9.00$ ,  $\$1,000.00 + \$18.28 + \$9.00 = \$1,027.28$ . Note that the calculations for the second contract adjustment period are based on the original contract price of \$1,000.00 less the work completed. The contract price for this line item would be modified to reflect this new price for the second contract adjustment period.

(4) Reserved.

- (f) Price adjustments pursuant to this clause, which shall be made by contract modification issued by the contracting officer, shall show the base index (see paragraph (b)(1)), the adjusting index, the percentage of remaining work, the adjusted contract prices and the effective date of the adjustment (see paragraph (d)).
- (g) Reserved.
- (h) In the event that the U.S. Department of Labor, Bureau of Labor Statistics discontinues, or alters substantially, its method of calculating the index cited herein, the parties shall mutually agree upon an appropriate substitute for determining the price adjustment described herein. If the contracting officer determines that the index consistently and substantially fails to reflect market conditions, the contracting officer may modify the contract to specify use of an appropriate substitute index, effective on the date the index specified herein begins to consistently and substantially fail to reflect market conditions.
- (i) Any dispute arising under this clause shall be determined in accordance with and subject to the "Disputes" clause of the contract.

(C\$END-OF-CLAUSE)