SECTION H

SPECIAL CONTRACT REQUIREMENTS

H-900 PRICING AND PAYMENT

Material: Material priced at time of award of the contract represents the fixed commodity price for a six-month period. Those prices will be adjusted quarterly throughout the life of the contract in accordance with Economic Price Adjustments (EPA) pursuant to Procurement Note C09, *Economic Price Adjustment (EPA) – Department of Labor Index* and Note L24, *Economic Price Adjustment (EPA) – Established Prices*. The EPA will only apply to material. The bases to be used for the adjustment to each Federal Supply Class (FSC) are as follows:

FSC:	Bureau of Labor Statistics (BLS) Category
6830	BLS Index: WPU107201, Metal Tanks
8120	BLS Index: WPU067903, Industrial Gases

Supply Chain Support: Fixed Pricing is established for the level of performance to support demands over a nine-year period, which includes a five-year base period (one year of transition and four years of ordering) and one, five-year ordering option period. All charges will be paid against the referenced Contract Line-Item Number (CLIN) on the delivery order.

a. **Transition Charge:** A fixed dollar amount is established for the first year to cover transition and implementation costs. The charge will be paid in accordance with established milestones as defined by the approved transition plan*.
*In the event the incumbent is the awardee, the transition period will be negotiated with the incumbent

b. **Management Charge:** A fixed annual dollar amount is established to cover fixed costs incurred in the overall management of the supply chain. This charge is applicable throughout the entire contract term and is paid monthly.

c. **Throughput Charge:** A fixed percentage is established to cover expenses that vary with the volume of business such as the costs of transportation and warehousing. The charge is applied to each NSN unit price and is paid on each delivery order issued. This charge is applicable throughout the entire contract.

H-901 CUSTOMER DIRECT FILL RATE METRIC

Customer Direct Fill Rate (CDFR): The amount of time measured from receipt of order to shipment. Although the contractor is required to meet the Time Definite Delivery (TDD) Standards outlined in the Statement of Work (SOW), the CDFR will be measured based on ship date rather than delivery receipt date. Monthly fill rates will be computed to assess contractor performance and identify problems as they occur. The annual performance CDFR Percentage (%) will be computed using the formula below:

CDFR% = (TRS/TRR) * 100

Where: CDFR% = Customer Direct Fill Rate (rounded to the nearest tenth)
TRS = Total orders shipped complete within the designated measurement times
TRR = Total orders received in a specific performance period

The following Customer Direct Fill Rate charts illustrate the applicable disincentives.

Performance Period 1: (Completion of Transition Period thru contract completion)	
CDFR	**Incentive/Disincentive**
90% - 93%	0%
88% - 89.9%	-3%
85.1% - 87.9%	-5%
85% or less	-10%

The disincentive will be calculated based on the total value of all delivery order(s) not shipped complete in accordance with the defined fill rate standards for each defined 12-month performance period. The incentive/disincentive amount will be added/deducted in a lump sum to/from the management charge paid in the period(s) immediately following the 12-month performance period.

NSNs added after contract award will be granted a full Production Lead Time (PLT) based on Government system data prior to being subject to the CDFR metric. All delivery orders received within the initial PLT will not be subject to the metric.

The Contracting Officer will provide a monthly metric report to the contractor within fourteen (14) calendar days from the end of the preceding month. The Contractor will have fourteen (14) calendar days to challenge individual delivery orders or the calculations for the metrics in writing to the Contracting Officer. The challenge shall include the rationale and any supporting evidence. The Contracting Officer will approve/disapprove the challenge request within 14 calendar days after receipt. If the contractor does not submit a timely challenge, then no adjustment will be made to the monthly metric.

H-902 BACKORDER

The total number of Backorders for a period will be categorized by the number of calendar days the orders are late. The degree of disincentive increases proportionate with the age of the backorders as shown in the following chart:

Backorder Category	Number of Calendar Days Late	Disincentive Percentage
A	0-14	0%
B	15-20	-3%
C	21-50	-8%
D	51-80	-15%
E	>81	-25%

The calculation of the backorder disincentive charge is as follows:

Backorder Disincentive Charge =

[(Value of Category A Backorders) x Disincentive % for Category A]
+
[(Value of Category B Backorders) x Disincentive % for Category B]
+
[(Value of Category C Backorders) x Disincentive % for Category C]
+
[(Value of Category D Backorders) x Disincentive % for Category D]
+
[(Value of Category E Backorders) x Disincentive % for Category E]

Example: Total Value of All Backorders: $6,000,000

Category	Calendar Days Late	Value of Backorders	Disincentive %	Disincentive Calculation
A	0-7	$750,000	0%	$0
B	8-20	$2,000,000	-3%	($60,000)
C	21-50	$1,500,000	-8%	($120,000)
D	51-80	$1,000,000	-15%	($150,000)
E	>81	$750,000	-25%	($187,500)
Totals		$6,000,000		$517,500

Backorder Disincentive amount = $517,500

The Backorder disincentive will be tracked monthly and calculated on an annual basis. The disincentive will be calculated based on the total value of all late delivery order(s) in each of the above categories for each defined 12-month performance period. The disincentive amount will be deducted in a lump sum from the management charge paid in the period(s) immediately following the 12-month performance period. Backorder disincentives will commence with Contract Year 3 (Performance Year 2).

Orders excluded from the CDFR metric are excluded from the Backorder disincentive.

H-906 PRICING OF ITEMS ADDED TO THE CONTRACT

The Government will notify the contractor at the time an item is contemplated to be added to this contract. The contractor shall provide a proposal for the item(s) within 30 days of notification from the Contracting Officer. For emergency adds, the proposal will be due within five days of notification from the Contracting Officer. The negotiated price will be in effect for the remaining life of the contract and will be included in all future EPA adjustments.