52.216-17 Incentive Price Revision-Successive Targets.

As prescribed in 16.406(b), insert the following clause:

Incentive Price Revision-Successive Targets (Jan 2022)

(a) *General*. The *supplies* or services identified in the Schedule as Items _____ *[Contracting Officer insert line item numbers]* are subject to price revision in accordance with this clause; provided, that in no event *shall* the total final price of these items exceed the ceiling price of dollars ($_____). The prices of these items shown in the Schedule are the initial target prices, which include an initial target profit of _____ *[Contracting Officer insert percent]* percent of the initial target cost. Any *supplies* or services that are to be-

(1) Ordered separately under, or otherwise added to, this contract; and

(2) Subject to price revision in accordance with this clause *shall* be identified as such in a modification to this contract.

(b) *Definition*. "Costs," as used in this clause, means allowable costs in accordance with part 31 of the Federal *Acquisition* Regulation (FAR) in effect on the date of this contract.

(c) Submitting data for establishing the firm fixed price or a final profit adjustment formula.

(1) Within _____ *[Contracting Officer insert number of days]* days after the end of the month in which the Contractor has completed _____ (see Note 1), the Contractor *shall* submit the following data:

(i) A proposed firm fixed price or total firm target price for *supplies* delivered and to be delivered and services performed and to be performed.

(ii) A detailed statement of all costs incurred in the performance of this contract through the end of the month specified above, in the format of Table 15-1, FAR 15.408 (or in any other form on which the parties *may* agree), with sufficient supporting data to disclose unit costs and cost trends for-

(A) *Supplies* delivered and services performed; and

(B) Inventories of work in process and undelivered contract *supplies* on hand (estimated to the extent necessary).

(iii) An estimate of costs of all *supplies* delivered and to be delivered and all services performed and to be performed under this contract, using the statement of costs incurred plus an estimate of costs to complete performance, in the format of Table 15-1, FAR 15.408 (or in any other form on which the parties *may* agree), together with-

(A) Sufficient data to support the accuracy and reliability of the estimate; and

(B) An explanation of the differences between this estimate and the original estimate used to establish the initial target prices.

(2) The Contractor *shall* also submit, to the extent that it becomes available before negotiations establishing the total firm price are concluded-

(i) Supplemental statements of costs incurred after the end of the month specified in paragraph (1) of this section for-

(A) *Supplies* delivered and services performed; and

(B) Inventories of work in process and undelivered contract *supplies* on hand (estimated to the extent necessary); and

(ii) Any other relevant data that the *Contracting Officer may* reasonably require.

(3) If the Contractor fails to submit the data required by paragraphs (c)(1) and (2) of this section within the time specified and it is later determined that the Government has overpaid the Contractor, the Contractor *shall* repay the excess to the Government immediately. Unless repaid within 30 days after the end of the data submittal period, the amount of the excess *shall* bear interest, computed from the date the data were due to the date of repayment, at the rate established in accordance with the Interest clause.

(d) *Establishing firm fixed price or final profit adjustment formula*. Upon the *Contracting Officer*'s receipt of the data required by paragraph (c) of this section, the *Contracting Officer* and the Contractor *shall* promptly establish either a firm fixed price or a profit adjustment formula for determining final profit, as follows:

(1) The parties *shall* negotiate a total firm target cost, based upon the data submitted under paragraph (c) of this section.

(2) If the total firm target cost is more than the total initial target cost, the total initial target profit *shall* be decreased. If the total firm target cost is less than the total initial target cost, the total initial target profit *shall* be increased. The initial target profit *shall* be increased or decreased by _____ percent (see Note 2) of the difference between the total initial target cost and the total firm target cost. The resulting amount *shall* be the total firm target profit; *provided*, that in no event *shall* the total firm target profit be less than _____ percent or more than _____ percent [*Contracting Officer insert percents*] of the total initial cost.

(3) If the total firm target cost plus the total firm target profit represent a reasonable price for performing that part of the contract subject to price revision under this clause, the parties *may* agree on a firm fixed price, which *shall* be evidenced by a *contract modification* signed by the Contractor and the *Contracting Officer*.

(4) Failure of the parties to agree to a firm fixed price *shall* not constitute a dispute under the Disputes clause. If agreement is not reached, or if establishment of a firm fixed price is inappropriate, the Contractor and the *Contracting Officer shall* establish a profit adjustment formula under which the total final price *shall* be established by applying to the total final negotiated cost an adjustment for profit or loss, determined as follows:

(i) If the total final negotiated cost is equal to the total firm target cost, the adjustment is the total firm target profit.

(ii) If the total final negotiated cost is greater than the total firm target cost, the adjustment is the total firm target profit, less _____ percent of the amount by which the total final negotiated cost exceeds the total firm target cost.

(iii) If the total final negotiated cost is less than the total firm target cost, the adjustment is the total firm target profit, plus _____ percent of the amount by which the total final negotiated cost is less than the total firm target cost.

(iv) The total firm target cost, total firm target profit, and the profit adjustment formula for determining final profit *shall* be evidenced by a modification to this contract signed by the Contractor and the *Contracting Officer*.

(e) *Submitting data for final price revision*. Unless a firm fixed price has been established in accordance with paragraph (d) of this section within _____ *[Contracting Officer insert number of days]* days after the end of the month in which the Contractor has delivered the last unit of *supplies* and completed the services specified by item number in paragraph (a) of this section, the Contractor *shall* submit in the format of Table 15-1, FAR 15.408 (or in any other form on which the parties agree)-

(1) A detailed statement of all costs incurred up to the end of that month in performing all work under the items;

(2) An estimate of costs of further performance, if any, that *may* be necessary to complete performance of all work under the items;

(3) A list of all residual inventory and an estimate of its value; and

(4) Any other relevant data that the *Contracting Officer may* reasonably require.

(f) *Final price revision*. Unless a firm fixed price has been agreed to in accordance with paragraph (d) of this section, the Contractor and the *Contracting Officer shall*, promptly after submission of the data required by paragraph (e) of this section, establish the total final price, as follows:

(1) On the basis of the information required by paragraph (e) of this section, together with any other pertinent information, the parties *shall* negotiate the total final cost incurred or to be incurred for the *supplies* delivered (or services performed) and accepted by the Government and which are subject to price revision under this clause.

(2) The total final price *shall* be established by applying to the total final negotiated cost an adjustment for final profit or loss determined as agreed upon under paragraph (d)(4) of this section.

(g) *Contract modification*. The total final price of the items specified in paragraph (a) of this section *shall* be evidenced by a modification to this contract, signed by the Contractor and the *Contracting Officer*. This price *shall* not be subject to revision, notwithstanding any changes in the cost of performing the contract, except to the extent that-

(1) The parties *may* agree *in writing*, before the determination of total final price, to exclude specific elements of cost from this price and to a procedure for subsequent disposition of these elements; and

(2) Adjustments or credits are explicitly permitted or required by this or any other clause in this contract.

(h) Adjustment of billing prices.

(1) Pending execution of the *contract modification* (see paragraph (e) of this section), the Contractor

shall submit *invoices* or vouchers in accordance with billing prices as provided in this paragraph. The billing prices *shall* be the initial target prices shown in this contract until firm target prices are established under paragraph (d) of this section. When established, the firm target prices *shall* be used as the billing prices.

(2) If at any time it appears from information provided by the contractor under paragraph (i)(1) of this section that the then-current billing prices will be substantially greater than the estimated final prices, the parties *shall* negotiate a reduction in the billing prices. Similarly, the parties *may* negotiate an increase in billing prices by any or all of the difference between the target prices and the ceiling price, upon the Contractor's submission of factual data showing that the final cost under this contract will be substantially greater than the target cost.

(3) Any adjustment of billing prices *shall* be reflected in a *contract modification* and *shall* not affect the determination of any price under paragraph (d) or (f) of this section. After the *contract modification* establishing the total final price is executed, the total amount paid or to be paid on all *invoices* or vouchers *shall* be adjusted to reflect the total final price, and any resulting additional payments, refunds, or credits *shall* be made promptly.

(i) *Quarterly limitation on payments statement*. This paragraph (i) *shall* apply until a firm fixed price or a total final price is established under paragraph (d)(3) or (f)(2).

(1) Within 45 days after the end of each quarter of the Contractor's fiscal year in which a delivery is first made (or services are first performed) and accepted by the Government under this contract, and for each quarter thereafter, the Contractor *shall* submit to the *contract administration office* (with a copy to the *contracting office* and the cognizant contract auditor) a statement, cumulative from the beginning of the contract, showing-

(i) The total contract price of all *supplies* delivered (or services performed) and accepted by the Government and for which final prices have been established;

(ii) The total cost (estimated to the extent necessary) reasonably incurred for, and properly allocable solely to, the *supplies* delivered (or services performed) and accepted by the Government and for which final prices have not been established;

(iii) The portion of the total interim profit (used in establishing the initial contract price or agreed to for the purpose of this paragraph (i)) that is in direct proportion to the *supplies* delivered (or services performed) and accepted by the Government and for which final prices have not been established-increased or decreased in accordance with paragraph (d)(4) of this section when the amount stated under subdivision (ii) of this section, differs from the aggregate firm target costs of the *supplies* or services; and

(iv) The total amount of all *invoices* or vouchers for *supplies* delivered (or services performed) and accepted by the Government (including amounts applied or to be applied to liquidate progress payments).

(2) Notwithstanding any provision of this contract authorizing greater payments, if on any quarterly statement the amount under subdivision (i)(1)(iv) of this section exceeds the sum due the Contractor, as computed in accordance with subdivisions (i)(1)(i), (ii), and (iii) of this section, the Contractor *shall* immediately refund or credit to the Government the amount of this excess. The Contractor *may*, when appropriate, reduce this refund or credit by the amount of previous refunds or credits effected under this clause. If any portion of the excess has been applied to the liquidation of progress payments, then that portion *may*, instead of being refunded, be added to the unliquidated

progress payment account consistent with the Progress Payments clause. The Contractor *shall* provide complete details to support any claimed reductions in refunds.

(3) If the Contractor fails to submit the quarterly statement within 45 days after the end of each quarter and it is later determined that the Government has overpaid the Contractor, the Contractor *shall* repay the excess to the Government immediately. Unless repaid within 30 days after the end of the statement submittal period, the amount of the excess *shall* bear interest, computed from the date the quarterly statement was due to the date of repayment, at the rate established in accordance with the Interest clause.

(j) *Subcontracts*. No subcontract placed under this contract *may* provide for payment on a cost-plus-a-percentage-of-cost basis.

(k) *Disagreements*. If the Contractor and the *Contracting Officer* fail to agree upon (1)a total firm target cost and a final profit adjustment formula or (2)a total final price, within 60 days (or within such other period as the *Contracting Officer may* specify) after the date on which the data required in paragraphs (c) and (e) of this section are to be submitted, the *Contracting Officer shall* promptly issue a decision in accordance with the Disputes clause.

(l) *Termination*. If this contract is terminated before the total final price is established, prices of *supplies* or services subject to price revision *shall* be established in accordance with this clause for (1) completed *supplies* and services accepted by the Government and (2) those *supplies* or services not terminated under a *partial termination*. All other elements of the termination *shall* be resolved in accordance with other applicable clauses of this contract.

(m) *Equitable adjustments under other clauses*. If an equitable adjustment in the contract price is made under any other clause of this contract before the total final price is established, the adjustment *shall* be made in the total target cost and *may* be made in the maximum dollar limit on the total final price, the total target profit, or both. If the adjustment is made after the total final price is established, only the total final price *shall* be adjusted.

(n) *Exclusion from target price and total final price.* If any clause of this contract provides that the contract price does not or will not include an amount for a specific purpose, then neither any target price nor the total final price includes or will include any amount for that purpose.

(o) *Separate reimbursement*. If any clause of this contract expressly provides that the cost of performance of an obligation *shall* be at Government expense, that expense *shall* not be included in any target price or in the total final price, but *shall* be reimbursed separately.

(p) *Taxes*. As used in the Federal, State, and Local Taxes clause or in any other clause that provides for certain taxes or duties to be included in, or excluded from, the contract price, the term "contract price" includes the total target price or, if it has been established, the total final price. When any of these clauses requires that the contract price be increased or decreased as a result of changes in the obligation of the Contractor to pay or bear the burden of certain taxes or duties, the increase or decrease *shall* be made in the total target price or, if it has been established, in the total final price, so that it will not affect the Contractor’s profit or loss on this contract.

Notes:

(1) The degree of completion *may* be based on a percentage of contract performance or any other reasonable basis.

(2) The language *may* be changed to describe a negotiated adjustment pattern under which the

extent of adjustment is not the same for all levels of cost variation.

(End of clause)

Alternate I (Apr 1984). As prescribed in 16.406 (b), add the following paragraph (q) to the basic clause:

(q) *Provisioning and options*. Parts, other *supplies*, or services that are to be furnished under this contract on the basis of a provisioning document or Government *option shall* be subject to price revision in accordance with this clause. Any prices established for these parts, other *supplies*, or services under a provisioning document or Government *option shall* be treated as initial target prices, or target prices as agreed upon and stipulated in the *pricing* document supporting the provisioning or added items. Initial or firm target costs and profits and final prices covering these parts, other *supplies*, or services *may* be established separately, in the aggregate, or in any combination, as the parties *may* agree.

Parent topic: 52.216 [Reserved]