

PROGRESS PAYMENT PROVISIONS (DOE)

The following provides guidance for progress payments authorized by purchase orders placed by the Bettis Atomic Power Laboratory under prime contract with the United States Department of Energy. Provisions are identified in this document for progress payments to both large and small businesses.

I. **Eligibility and Frequency**

Seller may request, on not more frequently than a monthly basis, a progress payment from Bettis for work progress made under a placed purchase order which incorporates this form. For each payment requested, it is Seller's responsibility to submit any and all information required to substantiate the claimed work progress. Work progress verification will be made by Bettis through review of Seller's submitted information, telephone conversations, Seller's status reports, visits to Seller's facility, or any other means deemed appropriate by Bettis.

The Seller shall not include profit in its progress payment invoices and shall certify that each progress payment invoice submitted to Bettis is based on dollar amounts that **do not include Seller profit.**

II. **Conditions**

Federal Acquisition Regulation (FAR) 52.232-16, Progress Payments, shall apply to this purchase order.

III. **Determination of Progress Payments**

Progress payments provide monthly compensation (interim financing) to the Seller for progressive completion of a long term-high price workscope. The compensation is based on the Seller's percentage of physical completion of the major elements of the workscope and the predetermined value of those elements. These elements are called "milestones" and are identified in the purchase order along with their individual values identified as "milestone dollars". The individual values (milestone dollars) total the purchase order price when added together.

As work progresses, milestone dollars are multiplied by the percentage of physical completion for each milestone to obtain a "physical dollar completion" amount for each milestone. For any given invoice, the total physical dollar completion amount is compared with the total actual cost incurred to determine the appropriate basis for the invoice amount. Using the lesser of these two amounts, the Seller is entitled to invoice for 85% of the lesser number (80% for large business). The uninvoiced 15% (20% for large business) is called "retention" and is held by Bettis until the purchase order workscope is completed. The mechanics of progress payment invoicing are explained further in the following simple example:

A. Identified in Purchase Order

Each milestone is identified to have an individual value based on the milestone's relative value to the purchase order total price. For example: A purchase order is placed for the fabrication and delivery of a pressure vessel, and the price of the order is \$100,000. Simple milestones might include:

Milestone	% of P.O. Price	Milestone Dollars
1. Receive raw material	30	\$30,000
2. Complete machining	50	\$50,000
3. Inspect and ship	20	\$20,000
Totals	100	\$100,000

The milestone values are expressed as "milestone dollars" with each milestone dollar amount shown as that milestone's relative contribution toward the total purchase order price of \$100,000.

B. First Invoice

Sometime after order placement, the Seller, in this example, has received and paid for half of their raw material. The Seller's cost incurred is \$10,000. No machining has been performed yet so the Seller's cost incurred is only the material cost of \$10,000. Half of the milestone dollar amount for raw material is \$15,000 which is referred to as "physical dollar completion". This is nothing more than the multiplication of the percentage of physical completion (50%) times the milestone dollars (\$30,000). The previously shown table may now be revised to show these additional elements as follows:

Milestone	Milestone Dollars	Physical % Completion	Physical \$ Completion	Cost Incurred
1. Receive raw material	\$30,000	50	\$15,000	\$10,000
2. Complete machining	\$50,000	0	-0-	-0-
3. Inspect and ship	\$20,000	0	-0-	-0-
Totals	\$100,000		\$15,000	\$10,000

The table shows that the lesser of the totals from the "Physical \$ Completion" and "Cost Incurred" columns is the \$10,000 total cost incurred. A progress payment would therefore be calculated on this lesser number. The Seller is not, however, permitted to invoice for the full amount. They may invoice for 85% of this amount if they are a small business, or 80% of this amount if they are a large business. This is further explained as follows:

Small Business Provision (example in table)

If the Seller is a "Small Business" as previously certified to Bettis via Form 74201 with Seller's proposal for this workscope, the Seller may invoice for 85% of his total cost incurred. The Seller in the example could invoice for 85% of their total cost which equals $.85 \times \$10,000 = \$8,500$.

If, in this example, the Seller had a total cost incurred greater than \$15,000, then the total physical dollar completion amount of \$15,000 would be the lesser number, and the Seller could invoice 85% of the total physical dollar completion amount which would equal $.85 \times \$15,000 = \$12,750$.

Large Business Provision

If the Seller is a "Large Business" as previously certified to Bettis via Form 74201 with Seller's proposal for this workscope, the Seller may invoice for 80% of his total cost incurred. The Seller in the example could invoice for 80% of their total cost incurred which equals $.80 \times \$10,000 = \$8,000$.

If, in this example, the Seller had a total cost incurred greater than \$15,000, then the total milestone billing amount of \$15,000 would be the lesser number and the Seller could invoice 80% of the total milestone billing which would equal $.80 \times \$15,000 = \$12,000$.

C. Second and Subsequent Invoices

At a later time (at least 1 month later) the Seller in the example finds that 80% of the raw material has been received and invoices have been paid to his suppliers, and that 60% of the machining has been completed. Updating the previous table it is now identical to the Progress Payment Worksheet (Attachment to Form 76137) which is required to be submitted by the Seller with each invoice:

Milestone Description	Milestone Dollars	Physical % Completion	Physical \$ Completion	Actual Cost Incurred
1. Receive raw material	\$30,000	80	\$24,000	\$25,000
2. Complete machining	\$50,000	60	\$30,000	\$25,000
3. Inspect and ship	\$20,000	0	-0-	-0-
Totals	\$100,000		\$54,000	\$50,000

In this example, the Seller's total cost incurred of \$50,000 is less than the \$54,000 total physical dollar completion amount and is therefore the basis to be used for a progress payment invoice. However, the Seller may not invoice for this entire amount. As in the example provided for the first invoice, the Seller must first determine the small/large business percentage which can be invoiced, and then they must reduce the invoice by the amount previously billed. For example:

Small Business Provision (example in table)

If the Seller is a "Small Business" as previously certified to Bettis via Form 74201 with Seller's proposal for this workscope, the Seller may invoice for 85% of his total cost incurred. In this example, the Seller could invoice for 85% of their total cost incurred which equals $.85 \times \$50,000 = \$42,500$. The Seller has, however, previously billed an amount which must be subtracted from the \$42,500 invoice amount. Using \$8,500 as the previous payment amount, the amount due for this invoice is $\$42,500 - \$8,500 = \$34,000$.

If, instead, the Seller had a total cost incurred of \$55,000 (or more), the total physical dollar completion amount of \$54,000 would be the lesser number and the Seller could invoice 85% of the total physical dollar completion amount which would equal $.85 \times \$54,000 = \$45,900$. This would also be reduced by the \$8,500 previous payment amount, and the amount due for this invoice would be $\$45,900 - \$8,500 = \$37,400$.

Large Business Provision

If the Seller is a "Large Business" as previously certified to Bettis via Form 74201 with Seller's proposal for this workscope, the Seller may invoice for 80% of their actual total cost incurred. In this example, the Seller could invoice for 80% of their total cost incurred which equals $.80 \times \$50,000 = \$40,000$. The Seller has, however, previously billed \$8,000 which must be subtracted from the \$40,000 invoice amount. Using \$8,000 as the previous payment amount, the net amount due for this invoice is $\$40,000 - \$8,000 = \$32,000$.

If, instead, the Seller had a total cost incurred of \$55,000 (or more), the total physical dollar completion amount of \$54,000 would be the lesser number and the Seller could invoice 80% of the total physical dollar completion amount which would be $.80 \times \$54,000 = \$43,200$. This would also be reduced by the \$8,000 previous payment amount, the net amount due for this invoice would be $\$43,200 - \$8,000 = \$35,200$.

IV. Final Invoices following Completion of all Milestones

When the Seller completes the purchase order workscope under a regular firm fixed price order such that the milestones identified in the order are fulfilled, with the exception of minor open administrative issues, they may submit an invoice to Bettis for the amount that will provide a total payment amount equal to 90% of the purchase order price. At that time, there may be several incomplete administrative items. These might include, but not be limited to, the following: 1) completion of the end-of-order inventory of residual materials, 2) completion of the order closeout certifications for patents, background rights, classified material, etc., and 3) submission of a final release of claims. As the open administrative items are successfully completed, Bettis may authorize the Seller to submit additional invoices for the progressive release of the final 10% of the order price.

When the Seller completes the purchase order workscope under incentive-type (FRDI or FPIF) orders such that the milestones identified in the order are fulfilled, with the exception of minor open administrative issues, they may submit an invoice for the

amount that will provide a total payment amount equal to 90% of the purchase order **target price**. At that time, there may be several incomplete administrative items. These might include, but not be limited to, the following: 1) definitization of final purchase order price, 2) completion of the end-of-order inventory of residual materials and/or special tooling, 3) completion of the order closeout certifications for patents, background rights, classified material, etc., and 4) submission of a final release of claims. As the open administrative items are successfully completed, Bettis may establish the final purchase order price and may authorize the Seller to submit additional invoices for the progressive release of the final 10% of the order target price, as well as the appropriate amount of shareline adjustment.

The Seller shall utilize Form 76137, and complete the "Request for payment of Retention/Profit" section of the form, to transmit all requests for payments following delivery and/or completion of all but minor administrative issues. Seller must also provide Bettis with sufficient justification for the amount requested.

V. **Progress Payments in Orders having Multiple Deliverable Items**

When progress payments are incorporated into purchase orders which require the individual delivery of several individual purchase order items, the Seller may elect to request progress payments separately for each deliverable item. This approach establishes a unique set of milestones for each deliverable purchase order item. The progress of each item is then monitored and evaluated separately by the Seller and Bettis and, progress payment amounts are calculated separately for each item. These separate progress payment amounts are then added together when the Seller requests a total progress payment for the order. Along with the request for the total progress payment, however, the Seller shall submit the individual progress reports and the required Progress Payment Worksheet (Attachment to Form 76137) for each deliverable item.

In Section III.A, an example was established where a purchase order was placed in the amount of \$100,000 for a pressure vessel. This example is now expanded to encompass an order in the amount of three different vessels, each priced at \$100,000 for a total order price of \$300,000. Each vessel will have a set of milestones established (which may or may not be identical) with each set of milestones equaling \$100,000 in milestone dollars. Each unit in process will have its own Progress Payment Worksheet Attachment to Form 76137 as shown in Section III.C of this procedure. The "amount due" from each item's Progress Payment Worksheet Attachment to Form 76137 will be added to determine the progress payment amount to be requested each month.

When each unit is completed, the final invoice instructions identified in Section IV of this procedure will be applied individually to each deliverable item. This will enable the Seller to invoice for up to 90% of the line item price of each item until any outstanding administrative issues are resolved for that item. Upon successful resolution of issues, the Seller may invoice Bettis progressively for the final 10% of the line item price.

It is noted that the requirements of this section may apply only when individual purchase order items are standalone deliverable items that are not to be combined with other purchase order items in order to fulfill purchase order requirements.

VI. **Required Forms and Additional Requirements**

For each payment requested, the Seller shall submit one completed Request for Progress Payment, Form 76137 and a Progress Payment Worksheet (Attachment to Form 76137), in addition to Seller's invoice.

Seller shall provide sufficient support data with each submitted progress payment invoice to enable Bettis to verify the percentage of completion and the cost incurred as reported by the submitted invoice. Other reports required by the purchase order (progress reports, status reports, etc.) shall be structured in a manner to enable Bettis to use the reports to aid in the progress payment invoice evaluation.

Progress payment invoices shall be supported by the Seller's estimate of the physical percentage of completion for each of the milestones.

The milestone schedule shall be updated by change notice to the purchase order: 1) when necessary to reflect changes in the price of the order, 2) when actual cost experience has proven the relative values of the milestones to be inaccurate, or 3) when necessary to prevent payment of an amount greater than work remaining to be completed would warrant.