



**DEFENSE LOGISTICS AGENCY**  
DEFENSE ENERGY SUPPORT CENTER  
8725 JOHN J. KINGMAN ROAD, SUITE 4950  
FORT BELVOIR, VIRGINIA 22060-6222

IN REPLY  
REFER TO

DESC-C

SEP 17 2001

CONTRACTING INSTRUCTION (CI): 01-16  
MEMORANDUM FOR CI Distribution

SUBJECT: Establishing Negotiation Objectives When Changing the EPA Reference

In determining the negotiation price objectives for a procurement, the consequences and influence of selecting a different price reference than is currently used under a contract or line item should be considered.

Determining whether or not use of a different underlying reference for price adjustments, from one procurement cycle to the next, necessitates a corresponding adjustment in price objectives based on current contract prices, depends on a number of factors. The actual change from one reference to another does not, in and of itself, justify a simultaneous adjustment in the establishment of price objectives. There are a number of questions that should be considered in making this deliberation. Are there market factors that would specifically cause a change in a reference price to increase product costs? How similar are the rates of price fluctuations between the different references? Do the differences in geographical areas between the references reflect significantly disparate or similar market environments? Would competitive factors in the market negate any impact of using a different reference? These are examples of the kinds of questions to consider when determining the significance of a change in price references in establishing negotiation price objectives. When a reference price on a solicitation is changed from that which is currently under contract, no adjustment in price objectives will ordinarily be required.

Contracting Officers should document in the Pre-Negotiation Memorandum any rationale for using a change in market price references as a factor when establishing negotiation price objectives based on current contract prices (as of the base reference date). For assistance in determining these impacts, please contact the Market Analysis Office, DESC-N, extension 8353.

This CI is mandatory and effective immediately. Point of Contact is Dennis Stanley, extension 7632.

KEVIN M. AHERN  
Center Senior Procurement Official

