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DECISION THE COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

FILE: B-208903 **DATE:** November 9, 1982

MATTER OF: Midwest Janitorial Services, Inc.

DIGEST:

Contracting activity correctly evaluated bids where it computed second option year prices by applying first year prices with allowance for escalation. Protester's view that agency should have computed impact of escalation in second option period from first option period bid without escalation is inconsistent with price escalation clause and would result in evaluation on basis of other than expected cost to Government.

Midwest Janitorial Services, Inc. protests award to Mid-Ohio Cleaning & Supply under General Services Administration (GSA) Invitation for Bids (IFB) GS-05B-42250. The IFB solicited prices to perform custodial services for a base and two annual option periods. Midwest believes the evaluation of bids was based on an improper calculation. We deny the protest.

Offerors were to bid prices without considering the impact, if any, of wage increases which might be required under the Service Contract Act. Such increased cost is to result in a redetermination of contract pricing by the contracting officer who is to apply a prescribed price escalation formula to compute prices at the time the options are exercised. The IFB escalation clause sets out a two step formula, with the Government agreeing to pay the lesser of: (1) an escalated price calculated by applying a specified formula to the option period prices bid for the period being evaluated, or (2) a ceiling price of 110 percent of the price for the immediately preceding performance period.

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Bids were received from Midwest and Mid-Ohio as follows:

	Midwest	Mid-Ohio
Base year	$7,525 (per month)	$7,207.00 (per month)
Option yr I	7,640 (per month)	7,550.00 (per month)
Option yr II	8,000 (per month)	7,390.00 (per month)

Midwest offered a 5 percent prompt payment discount (PPD). Mid-Ohio offered no discount.

For the purpose of evaluation, the solicitation assumed a 15 percent annual increase in wages; and after applying the complex escalation formula set forth in the solicitation to the prices bid, GSA arrived at the following escalated prices for evaluation purposes:

TABLE 1

	Midwest	Mid-Ohio
Base year	$7,525.00	$7,207.00
PPD	- 376.25	---
	$7,148.75	$7,207.00
Option I		
(escalated)	$8,556.80	$8,456.00
PPD	- 427.84	---
	$8,128.96	$8,456.00
Option II		
(escalated)	$8,960.00	$8,276.80
PPD	- 448.00	---
	$8,512.00	$8,276.80

The evaluation clause which deals with the ceiling price to be used in evaluating the option period price states that:

> "In the event the monthly price after escalation for the first option year increased by more than 10 percent, the ceiling price [monthly price for the the immediately preceding performance period] increased by 10 percent will be used for evaluation purposes."

Pursuant to that clause, GSA calculated the ceiling prices for the option years (the second alternative in the evaluation provision) in the following manner:

TABLE 2

	Midwest	Mid-Ohio
Option I		
Base year bid price	$7,525.00	$7,207.00
10%	+ 752.50	+ 720.70
ceiling price	$8,277.50	$7,927.70
PPD	- 413.88	---
evaluated ceiling	$7,863.62	$7,927.70
Option II	$8,277.50	$7,927.70
10%	+ 827.75	+ 792.77
ceiling price	$9,105.25	$8,720.47
PPD	- 455.26	---
evaluated ceiling	$8,649.99	$8,720.47

Bids were evaluated for the purpose of award on the basis of the lower of either the monthly escalated or ceiling price, as provided for in the solicitation, as follows (annual extension omitted):

	Midwest	Mid-Ohio
Base year	$7,148.75	$7,207.00
Option I	7,863.62*	7,927.70*
Option II	8,512.00**	8,276.80**
	$23,524.39	$23,411.50

*Ceiling price from Table 2
**Escalated price basis Table 1

The total monthly bids, as extended for the 36 month evaluation period are $282,292.44 for Midwest, and $280,938.00 for Mid-Ohio.

There is no dispute over the calculation of the escalated prices. The controversy centers on the calculation of the option II ceiling prices for evaluation purposes because that portion of the evaluation is critical to the determination of the low bidder in this case. It is Midwest's contention that GSA should have used the option I bid price rather than the option I ceiling price as the basis for its calculation of the option II ceiling. Thus, Midwest would calculate its option II ceiling as follows and would be the low evaluated bidder as a result:

Option I bid price	-- $7,640.00
PPD	-382.00
	7,258.00
10%	+ 725.80
	$7,983.80

We do not agree with Mid-West. The escalation provision contained in the solicitation states that:

> "A. The offeror warrants that the prices bid for the option periods do not include * * * any contingency to cover increased labor costs for which adjustments are prorated under this clause.
>
> "B. The monthly * * * option prices shall be adjusted * * * by the contracting officer at the time each option is exercised with the adjusted price to be effective beginning the first day of the option period. * * *
>
> The monthly * * * option prices will be adjusted in accordance with the formula contained herein, provided that the monthly * * * contract prices for the first option year as escalated shall not exceed the monthly * * * prices for the initial 12 month period by more than 10 percent. Similarly, the * * * contract prices for the second option year as escalated shall not exceed the prices for the monthly * * * first option year by more than 10 percent."

Pursuant to this clause, (1) bid prices are not to include a contingency for increased labor costs which may be payable in the option years (clause A), (2) the adjusted price becomes the monthly price at the beginning of the option year (clause B, paragraph 1) and, (3) the adjusted (or escalated) price for the option years will not exceed 110 percent of the immediately preceding year's prices (clause B, paragraph 2). When the words "monthly price" contained in the clause quoted on page 2 are read in conjunction with the actual escalation clause, we believe that they must mean the adjusted price that is effective for the option I contract period, since that price reflects the expected cost to the Government. Therefore, we believe GSA's evaluation calculations were correct.

We have reached this decision essentially on the basis of material furnished by the protester, which indicated, upon review, that the protest was without legal merit. Therefore, we have not requested a formal report from GSA. See, e.g., Ven-Tel, Inc., B-203397, July 1, 1981, 81-2 CPD 3. The protest is summarily denied.

for Milton J. Socolar
Comptroller General
of the United States