



COLORADO
Energy Office

CEO/OSA ENERGY PERFORMANCE CONTRACTING RATE ESCALATION POLICY

4/16/2020

Utility Rate Escalation Policy

During the development of an Energy Performance Contract project proposal, it is the responsibility of the Energy Service Company (ESCO) to provide the Client with information on utility rate escalation and how it affects the value of future energy savings. The Client may choose to forgo utility rate escalation. Should the Client agree to a utility rate escalation, a conservative approach in identifying the escalation rate (%) will minimize financial risk to Client.

ESCOs should use the most recent U.S. Department of Energy “Energy Escalation Rate Calculator” (EERC) tool to determine appropriate escalation rates for each energy commodity. If the escalation rate determined by the EERC tool is not used, the ESCO must provide the Client and CEO with a description and justification for the proposed utility rate escalation. The Client is permitted to propose its own escalation rates based on information such as communication from its utility, regional pricing data or escalation rates already built into internal budgets.

If a utility rate escalation is being applied to the project, it is the responsibility of the Client to appropriately account for rate escalation in future utility budgets. All else being equal, if a 3% escalation rate is utilized in the EPC project, the Client’s utility budget should also increase at a 3% rate during the lifetime of the project.