



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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17-13 Colorado Springs Utilities Pole Attachments

April 2017

Purpose

The purpose of this audit was to evaluate how Colorado Springs Utilities was compensated for attachments to utility poles. We also examined some internal controls related to devices attached to utility poles.

Highlights

We concluded that processes needed to be reviewed around attachments to poles and streetlights owned by Colorado Springs Utilities.

Municipally owned electric utilities were exempt from the federal pole attachment regulatory structure set forth in 47 U.S.C. § 224. As such, municipal owned utilities and the governance of pole attachments were not subject to the jurisdiction of the Federal Communications Commission (FCC).

However, the State of Colorado had adopted pole attachment regulations that specifically applied to municipally owned power utilities. C.R.S. § 38-5.5-108 established that the FCC rates for pole attachments, as directed in 47 U.S.C. § 224, were to be applied to charges for pole attachments on poles maintained by municipally owned utilities in the State of Colorado.

The scope of this audit only included poles and streetlights along with the attachments to poles and street lights. It had been determined that Colorado Springs Utilities had attachments to microwave towers, buildings, water storage facilities and potentially other assets other than poles and street lights.

For 2015, Colorado Springs Utilities had billed revenue for pole attachments amounting to \$432,097.14. Through November 9, 2016, the entity had billed revenue for pole attachments amounting to \$429,752.08.

Please see page two of this report for observation details.

Recommendations

1. We recommend that Colorado Springs Utilities execute a pole agreement with customers before the customer is allowed to make attachments to poles or streetlights. Colorado Springs Utilities should maintain executed pole attachment agreements in their files.

2. We recommend that Colorado Springs Utilities analyze and update the processes that control attachments to poles and streetlights. This review should address the use of Revocable Permits issued by Colorado Springs Utilities and the City of Colorado Springs.

Opportunity for Improvement

1. We recommend that a written process be developed to direct how customer challenges to pole attachment billings should be handled. This process should address how adjustments to the customer's account should be handled.

Management Response

Management was in agreement with our recommendations.

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Observation 1

We observed that not all customers with pole attachments had executed pole agreements between the customer and Colorado Springs Utilities.

We also noted one instance where Colorado Springs Utilities did not have a copy of the signed agreement on file.

Management Response

We agree with the recommendation. At the present time, we have completed one of the agreements and continue to work toward resolution on the other agreement currently in progress. It would be our goal to have these completed by the end of 2017. Projected implementation date: 12/31/17

Recommendation

We recommend that pole agreements be executed between all pole attachment customers and Colorado Springs Utilities. Colorado Springs Utilities should maintain copies of all executed pole agreements in its files.

Observation 2

We noted that the process documentation governing pole attachments had not been updated since 2005. The documentation was to be reviewed and updated every three years.

We also observed that the process documentation required customers to have a Revocable Permit with the City of Colorado Springs. However, the Planning Development Land Use Review Department of the City was not currently issuing Revocable Permits for pole and streetlight attachments.

Management Response

We agree with the recommendation. The current QBD document will be reviewed, revised and approved meeting the above recommendations. Implementation will take place in 2017.

Recommendation

We recommend that the process document be reviewed and updated.

The Planning Development Land Use Review Department should be consulted to determine when Revocable Permits are necessary.

Opportunity for Improvement 1

In 2014, an adjustment was made to a pole attachment bill due to a challenge of the bill. This challenge was to a bill issued in 2012.

We also noted that there was no written process on how to deal with adjustments to customer bills.

Management Response

No response required.

Recommendation

We recommend that a written process be developed that specifies how challenges to customer pole attachment billings should be handled. This process should include how adjustments should be handled.