



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

Denny L. Nester, City Auditor
MBA CPA CIA CFE CGFM

17-18 Colorado Springs Utilities Electric Cost Adjustment

July 2017

Purpose

The purpose of this audit was to evaluate whether Colorado Springs Utilities prepared the Electric Cost Adjustment (ECA) in accordance with the approved tariffs. The methodology was compared to prior filings for consistency and calculations were tested for accuracy.

Summary

Based on our review, we conclude the proposed adjustment submitted by Colorado Springs Utilities was calculated accurately, consistently, and complied with the approved tariff.

Colorado Springs Utilities is recommending an increase in the ECA from \$.0195 to \$.0267 effective August 1, 2017. The June 30, 2017 collected balance was \$1,439,508.

The adjustment recommended by staff is consistently and accurately calculated per the tariff. Staff has acknowledged that the fuel cost projections (upon which the calculations are based) have been approximately 6% higher than actual cost during the first half of 2017. Therefore, the Finance Committee and Utilities Board directed staff to prepare multiple options. These options involve only implementing a percentage of the proposed increase.

Because the recent fuel markets have been less volatile, City Council may have the opportunity to phase in changes to the ECA such as the options 2 and 3, without much impact on Utilities financials. The actual changes will be monitored monthly and future adjustments can be proposed as appropriate.

As a pass-through of fuel costs in a free market, the cost adjustment should send a clear message to customers about the projected cost of fuel in the marketplace. Since the ECA rate is based on projections, the rate will need to be adjusted based on actual costs once they are known. While the actual process and formula may need to be refined, the adjustment amount should be a mathematical calculation based on accurate projections along with known costs.

Recommendations

No formal recommendations were made.

Management Response

No response was requested from Colorado Springs Utilities.

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors.