



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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17-21 Colorado Springs Utilities Water Forecast

July 2017

Purpose

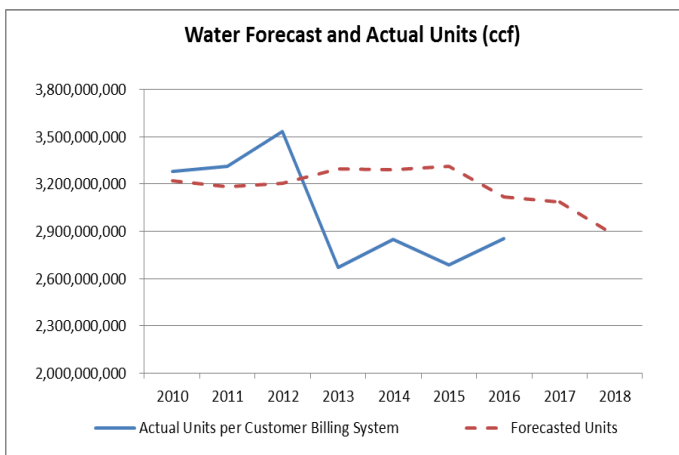
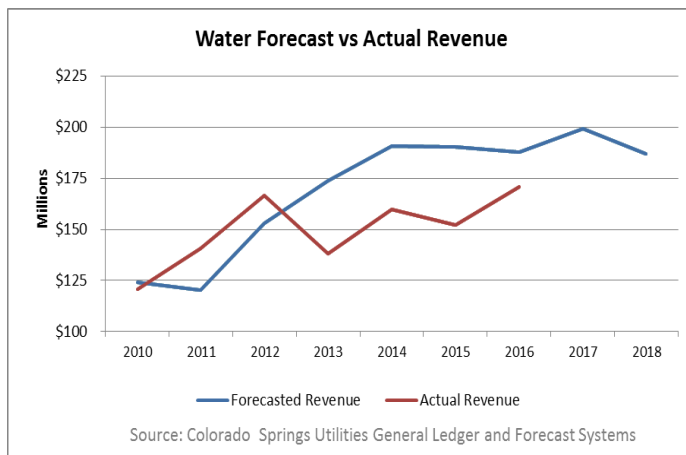
The purpose of this review was to evaluate Colorado Springs Utilities 2018 Water Sales and Revenue forecast for consistency and reasonableness as compared to historical data.

Summary

We conclude that the 2018 revenue forecast dated May 2017 submitted by Colorado Springs Utilities was calculated accurately and consistently, and the methodology was reasonable. The methodology was compared to prior forecasts for consistency and calculations were tested for accuracy. We performed analytical review to ensure units and revenues appeared reasonable as compared to historical data.

Colorado Springs Utilities water revenue forecast is \$186.8M for 2018. The original forecast for 2017 was \$199.5M. Utilities has updated the 2017 forecast based on actual results through May, and the current forecast is \$187.2M. We believe that the 2018 forecast was reasonable as compared to the May 2017 forecast. At the time of our review, no 2018 rate increase had been included in the 2018 forecast. A water rate increase of 6% was effective January 1, 2017.

Utilities noted that 2016 was considered the closest to normal weather in the last few years but was still wet and cool in the early summer. The model utilized to prepare the 2018 forecast incorporates weather normalization. We consider use of weather normalized units to be a reasonable approach.



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.