



**CITY OF COLORADO SPRINGS  
OFFICE OF THE CITY AUDITOR**

**10-23 – COLORADO SPRINGS UTILITIES  
CASH RECEIPTS AUDIT**

**PUBLIC REPORT**

**DECEMBER 1, 2010**

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## Office of the City Auditor Public Report

Date: December 1, 2010

To: Honorable Mayor and Members of City Council

Re: 10-23 – Colorado Springs Utilities Cash Receipts and Collection Audit

We performed an audit of Colorado Springs Utilities Cash Receipts and Collections (CSU). We examined cash receipts and collection accuracy and policy compliance for the 2009 calendar year.

We concluded that overall, cash receipts and collection was handled in an economical and efficient manner, assets were adequately safeguarded, and the policies and procedures established for cash receipts and collection and safeguarding of resources were being followed. The attached report contains findings and recommendations for areas where we believe internal controls could be strengthened.

As always, feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Denny L. Nester".

Denny L. Nester  
Interim City Auditor

cc: Jerry Forte, Utilities Chief Executive Officer  
Carl Cruz, Customer and Corporate Services Officer  
Monica Whiting, Customer Revenue and Service General Manager  
Pat Moyer, Field Service General Manager  
David Maier, Enterprise Risk Management Services Manager  
Debbie Griffin, Sr. Analyst, Enterprise Risk Management  
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## Introduction

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# 10-23 – Colorado Springs Utilities Cash Receipts and Collection

## Public Report

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### Abbreviations and Acronyms used in this Report

AMR	Automated Meter Reading
CC&B	Customer Care and Billing
EFT	Electronic Funds Transfer
WUSP	Western Union Speedpay
URR	Utility Rules and Regulations

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## Introduction

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### AUTHORIZATION

We performed an audit of the Colorado Springs Utilities Cash Receipts and Collection System for the period January 1, 2009 to December 31, 2009. We conducted this audit under the authority of Chapter 1, Article 2, Part 7 of the City Code, and more specifically parts 703, 705, 706, and Part 709 (B) and (C) of the Code, which state:

#### 1.2.703: ENSURE PUBLIC ACCOUNTABILITY:

The City Auditor shall ensure that administrative officials are held publicly accountable for their use of public funds and the other resources at their disposal. The City Auditor shall investigate whether or not laws are being administered in the public interest, determine if there have been abuses of discretion, arbitrary actions or errors of judgment, and shall encourage diligence on the part of administrative officials.

#### 1.2.705: DETERMINE EFFECTIVENESS AND EFFICIENCY OF PROGRAMS:

The City Auditor shall determine the extent to which legislative policies are being efficiently and effectively implemented by administrative officials. The City Auditor shall determine whether City programs are achieving desired objectives. The City Auditor shall review the administrative control systems established by the enterprises, department or group managers and by the City Manager, Utilities Executive Director and Memorial Hospital Executive Director and determine whether these control systems are adequate and effective in accomplishing their objectives.

#### 1.2.706: EXAMINE BOOKS, RECORDS:

The City Auditor shall examine and inspect all books, records, files, papers, documents and information stored on computer records or in other files or records relating to all financial affairs of every office, department, group, enterprise, political subdivision and organization which receives funds from the City or under the direct or indirect control of the City Council. The Auditor may require any person to appear at any time upon proper notice and to produce any accounts, books, records, files and other papers pertaining to the receipt or expenditure of City funds, whether general or special. If that person fails to produce the papers, then the Auditor may request Council approval to search for and take any book, paper or record in the custody of that person or public official.

#### 1.2.709: MAKE PERIODIC REPORTS TO COUNCIL:

The City Auditor shall make periodic reports to Council which shall include the following:

- B. Information of proposals deemed expedient in support of the City's credit, and recommendations for lessening expenditures, for promoting frugality and economy in City affairs and for an improved level of fiscal management;
- C. Matters concerning the effectiveness and efficiency of the programs and operation of the City;

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## Introduction

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### ORGANIZATIONAL PLACEMENT

The Office of the City Auditor is structured in a manner to provide organizational independence from the entities it audits. This independence is accomplished by the City Auditor being appointed by and reporting directly to City Council. The audited entity in this audit was Colorado Springs Utilities, which is under the reporting structure of their Chief Executive Officer. Colorado Springs Utilities' Chief Executive Officer is also a City Council Appointee.

### SCOPE AND METHODOLOGY

The purpose of our audit was to evaluate the accuracy of Colorado Springs Utilities' retail cash receipt, credit and collection process while adequately safeguarding resources. We also evaluated whether Colorado Springs Utilities, as an entity, was abiding by the internal policies and procedures established for these processes. Our audit scope did not extend to wholesale energy receipts and collections. Our scope included review of system accesses to the Customer Care and Billing (CC&B) system and related financial data. Our review covered the period January 1, 2009 to December 31, 2009.

The audit was conducted in accordance 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. The audit included interviews with appropriate personnel and included such tests of records and other supporting documentation as deemed necessary in the circumstances. We reviewed the internal control structure and compliance tests were performed. Sufficient competent evidential matter was gathered to support our conclusions.

### BACKGROUND

Per Colorado Springs Utilities' 2009 Financial Statements along with data from the Financial Planning and Pricing Group, the following Revenues were billed in 2009:

Service	Customers	Revenues (\$ thousands)
Electric	210,382	332,538
Gas	186,363	242,542
Water	133,463	100,895
Wastewater	129,962	65,206

Utility Rules and Regulations as approved by City Council provided the high level credit policy for circumstances under which deposits could be charged and services discontinued for nonpayment. Colorado Springs Utilities has developed policies and procedures for credit and collection which further define other aspects of the credit and collection process. An overview of the process for receipts, credit and collection is as follows:

#### Cash Receipts

In 2009, a total of 2.3 million payment transactions were processed by Colorado Springs Utilities. Colorado Springs Utilities offered customers a number of ways to pay bills for utility services. These included mail, electronic funds transfer (EFT), electronic check or credit card

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## Introduction

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through Western Union Speedpay (WUSP), and online bill payment through the customer's bank. Walk-in payments were accepted at Colorado Springs Utilities' Service Center lobby, by pay agents in area grocery stores, and at self-service kiosks in convenience stores operated by WUSP. Additionally, checks and money orders were accepted by Colorado Springs Utilities' Field Collection personnel on past due accounts. Payment Channels were the responsibility of the Cashier Department in Customer Revenue and Services.

### Credit and Collection

Multiple groups within the Colorado Springs Utilities organization participated in administering aspects of the credit and collection process. These included the Customer Service Call Center and Credit Operations groups within the Customer and Corporate Services Division.

When the start service order was taken, the Colorado Springs Utilities employee was responsible for verifying the customer's identity and determining if any previous bad debts existed for the customer, which should be transferred to the new account.

Credit scores were reviewed for Commercial customers applying for service and the customer was asked for a deposit or automatic bill payment via EFT if indicated by Colorado Springs Utilities' credit policy. Commercial customers may also be billed a deposit if creditworthiness declines (e.g. multiple disconnect notices on the account.) Residential customers were billed deposits only in a few specific circumstances such as a previous bankruptcy, which resulted in uncollected balances.

Bills were due from the customer 14 days after they were generated. If a balance remained unpaid 16 days after the due date, a disconnect notice was mailed to the customer notifying him of the amount in arrears and that service could be disconnected effective 10 business days from the notice date for nonpayment.

The Field Collection group within the Field Services Department in the Customer and Corporate Services Division was responsible for visiting the customer's premise for accounts selected for field treatment and attempting to collect payment of arrears or possibly severing service for nonpayment.

Colorado Springs Utilities employees in the Call Center, Credit Operations, and Field Collections were able to authorize an extension of time to pay, which stops the severance process. Customers meeting guidelines could also obtain extensions via the automated phone system or via the web. If the customer did not make the agreed upon payment within a given grace period, the customer would receive a disconnect notice and again be eligible for severance.

Specific winter operating procedures during the months beginning November 1st through April 30th were in place. Service was not disconnected between these dates for weather conditions forecasted to be below a certain degree threshold. Additionally, customers providing a valid medical certificate could not be disconnected for nonpayment while the certificate was in effect.

Credit Operations responsibilities included efforts to obtain payment on active accounts in arrears and unpaid deposits. This group also collected final balances or transferred the debt to a responsible party or active account. After internal collection procedures, uncollected balances on final accounts were transferred to a collection agency.

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## Introduction

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The Compliance and Risk Mitigation Services Department within Colorado Springs Utilities was responsible for administrative and control functions such as security over the CC&B application.

### Assistance Programs

Employees in these various groups also referred customers having difficulty paying to organizations and programs such as COPE agencies or the federally funded LEAP (Low-income Energy Assistance Program) providing assistance with utility bills.

### Quality Assurance Processes

The Compliance and Risk Mitigation Services Department in the Customer and Corporate Services Division performed monitoring functions of the CC&B System. Reviews were conducted of a sample of various transactions throughout the year for accuracy and compliance with internal policies and procedures.

Additionally, Quality Assurance reviews by employees within Customer Service were in place for a certain percentage of transactions generated by Call Center or Credit Operations employees. Results of these accuracy and quality reviews were incorporated into performance evaluations.

## **COMMENDABLE PRACTICES**

### Low-Income Assistance Program

Assistance granted to low-income Colorado Springs Utilities customers through the federally funded Low-Income Assistance Program (LEAP) increased 37% to \$5,547,853 for the 2008-2009 heating season over the previous year. The LEAP funding was \$5,870,011 for the 2009-2010 winter heating season. This increase was attributed to awareness and efforts on the part of Colorado Springs Utilities employees in referring customers to the program. Additionally, Colorado Springs Utilities arranged for a LEAP technician to be stationed in the Colorado Springs Utilities Service Center cashier lobby during the program term. This increased the likelihood that customers followed up on the referral to LEAP and obtained any needed assistance to complete the application. This is noted as a commendable practice. Colorado Springs Utilities management indicated 2009 write-offs could have been significantly higher during the economic downturn without the additional efforts to obtain assistance for qualifying customers.

### Increased Electronic Payments

Colorado Springs Utilities increased the percentage of payments processed electronically through sources such as Electronic Funds Transfer, pay agents or Western Union from 31% at the end of 2008 to 43% for February, 2010. This allowed for more convenience for customers and reduced the processing cost per transaction for payments accepted electronically.

### Information Technology Resources Prioritization

As noted in our previous Colorado Springs Utilities Billing System (Audit 09-18) issued in 2009, a report of proposed changes and corrections to the CC&B system continued to be maintained in priority order, allowing efforts to be prioritized and aligned with business objectives. Representatives from the various functional areas met weekly with Information Technology (IT) to prioritize efforts on related corrections and improvements as well as to review the status of potential programming changes.

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## Introduction

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### OVERALL OPINION

We conclude that overall, cash receipts and collections were handled in an accurate and timely manner, assets were adequately safeguarded, and policies and procedures established for receipting, credit and collection, and safeguarding of resources were being followed. However, during the course of our audit, we identified one area where internal controls can continue to be strengthened. We also noted areas for potential improvements in credit policies. These areas are listed on the pages that follow.

***We have made no determination as to which findings are more important than others.  
Therefore, the findings are not necessarily listed in order of importance.***



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## Opportunities for Improvement

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### **1. While Colorado Springs Utilities had begun to review and improve internal controls and segregation of duties over employee access, some internal control concerns still existed.**

We noted instances where employee access created control concerns. The City Auditor's Office conducted a review of Colorado Springs Utilities' Billing System (Audit 09-18), which was issued in October, 2009. During that audit, Colorado Springs Utilities began a CC&B post-implementation review of Colorado Springs Utilities employee access. Colorado Springs Utilities' Compliance and Risk Mitigation Services Department with assistance from Customer Revenue was responsible for conducting this review of internal controls and access.

Since the Billing System audit report was issued, improvements to access have been made such as separating credit and billing into two separate profiles to strengthen controls by segregating duties. The City Auditor's Office acknowledges that implementation of the Billing Audit recommendation was in process.

#### ***Auditor's Recommendation***

We recommend completion of the post-implementation security review currently in progress to ensure that users only have access to screens for which they have a business need or, if necessary, mitigating controls are in place.

#### ***Colorado Springs Utilities Response***

Colorado Springs Utilities agrees with the City Auditor's recommendation. The post implementation security review has been completed. In addition, the Compliance and Risk Mitigation Services Department (CRM) will perform annual reviews of user and group access levels as part of a formalized access control policy, which was implemented on May 14, 2010. These reviews ensure that employees only have the access needed in the application to perform job functions in the most cost effective and efficient manner possible. CRM collaborates with business units to ensure mitigating controls are in place. Recent improvements to access control within CC&B will eliminate an employee's ability to cancel/rebill and process write-offs when accepting cash payments in the Lobby.

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## Opportunities for Improvement

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The following items are presented in the context of City Code 1.2.709, which instructs the City Auditor to make periodic reports to Council which include “recommendations for lessening expenditures, for promoting frugality and economy in City affairs and for an improved level of fiscal management.”

Colorado Springs Utilities’ write-off experience for 2009 was within targeted levels and comparable to industry averages. The following areas noted in our review are presented as opportunities for improvement rather than findings in that context.

### **1. Colorado Springs Utilities residential credit policies and practices could be strengthened.**

#### Verification of Creditworthiness

For new residential customers that have not had previous service, a check was performed to verify identity; however, no additional credit check or scoring was initiated.

For customers not meeting the threshold for any assessment criteria put in place, risk of non-payment could be addressed by requiring alternatives such as a deposit and/or enrollment in Electronic Funds Transfer (EFT) payment or budget billing programs. Colorado Springs Utilities allows commercial customers enrollment in EFT as an alternative to paying a deposit.

#### Residential Customer Deposits

Colorado Springs Utilities was allowed per the Utility Rules and Regulations (URR) in the tariff to charge deposits 1) on residential accounts for customers with a payment record with Utilities that includes delinquent payments within the previous 12 billing periods or 2) customers with a bankruptcy on a Colorado Springs Utilities account. (See URR section 5 attached at Appendix 1 to this report.)

However, we noted that Colorado Springs Utilities only charged residential deposits on the customer’s new account when the residential customer’s Colorado Springs Utilities utility account was not paid due to inclusion in a bankruptcy filing or when a collection agency had an assignment or judgment. Even in cases where a previous bad debt on a Colorado Springs Utilities account was identified for the customer, a deposit or Electronic Funds Transfer (EFT) authorization was not required. It appeared that Colorado Springs Utilities would be allowed per the URR to charge a deposit for previous customers with delinquencies or if the customer developed a delinquency pattern, but this practice was not in place.

A process was in place to charge a deposit to an existing commercial customer if creditworthiness declines, but a similar process was not in place for residential customers. We understand that implementing this practice for residential customers may require system changes and/or manual processes, which would have to be taken into account when comparing costs to potential benefits.

In a test of 16 randomly selected residential accounts written off in December 2009, it was noted that none of the written off accounts had a deposit.

The City Auditor’s Office performed a limited benchmarking of deposit policies in place at other Utilities’ noting that most required deposits unless creditworthiness could be demonstrated. (See Appendix 2 to this report for Deposit policy Benchmarking results.)

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## Opportunities for Improvement

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### Previous Bad Debts

When a previous write-off was identified on an application taken for new residential service, the debt was transferred to the customer's new account.

If service was on at the premise, which was generally the case, the residential customer was not required to pay the bad debt balance before starting service. Instead, a disconnect notice would be sent to the new premise, and the customer would be given 10 business days to pay or service might be terminated. If service was off, Colorado Springs Utilities policy required an acceptable payment of the bad debt and a pay plan for any remaining balance before Colorado Springs Utilities would initiate service. Colorado Springs Utilities' practice was to accept at a minimum payment of one-half of the balance before starting service.

### Behavioral Scoring

Eleven of the 16 accounts (69%) reviewed in a test of 16 randomly selected residential accounts written off in December 2009 had service less than one year before terminating with an uncollectible final bill. This may indicate that customers with certain characteristics (e.g. frequent moves, past write-offs) present greater credit risk.

Colorado Springs Utilities has considered implementing "behavioral scoring" which would provide a means of better identifying new or existing accounts that were more likely to become uncollectible (e.g. frequent late payments, service disconnections, and previous write-offs.) This would allow Colorado Springs Utilities to implement credit processes that better focus credit efforts on high risk customers (e.g. circumstances under which Colorado Springs Utilities should bill a deposit).

Field Services indicated that they are able to perform field visits on 20% or less of eligible accounts over the selection threshold. Behavioral scoring would ensure field collection efforts were focused on accounts most likely to become uncollectible.

### Aging of Arrears For Customers Moving Within Colorado Springs Utilities Territory

When a customer that had an arrears balance moved to a new premise, all previous arrears were transferred and became current. The arrears balance did not begin to age and credit action did not occur until after arrears were billed at the new premise. This is a system limitation and the result is that the customer has an automatic extension in which to pay the delinquent balance.

Colorado Springs Utilities could consider whether this automatic extension of time to pay for customers in arrears moving to a new premise warrants system or process changes, considering the related costs and benefits.

### ***Auditor's Recommendation***

Colorado Springs Utilities should consider the cost benefit of changes to residential credit policies related to:

- Deposits
- Credit checking for new customers
- Payment of previous bad debts when application for service is taken
- Transfers to a new premise with an arrears balance
- Behavioral scoring to identify accounts at risk of non-payment

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## Opportunities for Improvement

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See Appendix 2 for City Auditor Limited Benchmarking results for deposit requirements.

### ***Colorado Springs Utilities Response***

Colorado Springs Utilities partially agrees with the City Auditor's recommendation. We acknowledge that our credit and collection practices are less stringent than industry standards and for several years we have considered deploying stricter credit and collection practices including credit scoring for new applications, behavioral scoring for current customers, and more frequent deposits for residential accounts. Management has chosen not to do so to date given the current economic conditions, as well as acceptable financial metric performance in write-offs and aged-receivables.

It has been management's position to use our limited resources and dollars to develop new options and solutions for the majority of customers such as on-line account management, Meter Data Management and e-billing, as well as increasing our focus on Customer Assistance programs to help struggling customers. Colorado Springs Utilities has also implemented changes to enhance our credit and collection practices including changes to payment arrangement policies and outbound calls to past due customers. Colorado Springs Utilities will continue to monitor customer revenue and if write-offs and aged receivables are moving beyond desirable targets and industry norms, resources will be shifted to mitigate those risks.

Colorado Springs Utilities anticipates moving slowly towards implementing the suggested recommendations in the future while balancing impacts to customers in need, financial metrics, developing new options for customers, and cost to implement changes. Past analysis demonstrates that implementing proposed changes will increase staffing and labor, which is not the business direction at this time. All recommendations will be assessed with a cost/benefit analysis before implementation.

Colorado Springs Utilities partially agrees with the City Auditor's recommendation regarding Aging of Arrears for customers moving within the Colorado Springs Utilities service territory. We are aware of the system limitation and support the practice of moving the closed account balances to the new utilities account. This provides greater leverage for encouraging a customer to pay the old account balance, because failure to pay results in a severance notice and ultimate disconnection at the new address. Not moving the funds would likely result in greater write-offs. The system's inability to age transferred monies is a base functionality issue and costly for Colorado Springs Utilities to change. While it is true that it may take longer to collect these funds, they are ultimately collected through our standard collections and severance processes. Colorado Springs Utilities has identified this limitation with the vendor for future upgrades.

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## Opportunities for Improvement

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### 2. Colorado Springs Utilities did not apply late fees on past due balances or indicate past due amounts on monthly bills.

We noted Colorado Springs Utilities did not charge late fees on residential, commercial, or industrial accounts that did not pay bills when due. Accordingly customers were not incented to pay bills on time, although a large percentage did pay timely. We also noted if a customer had not paid a previous bill when the next bill was generated, the bill indicated the previous balance, but did not draw attention to the fact that the payment was past due.

Colorado Springs Utilities charged a fee for a field visit and reconnection, but if customers paid late, no fees were charged. Although as noted previously, bad debts were in line with industry standards, we noted in our random sample of 15 past due accounts, 10 customers consistently paid late and/or carried an outstanding balance without a penalty assessed.

At December 31, 2009, the Accounts Receivable aging was as follows:

(\$ in millions)	Total	0-30	30-60	60+
Commercial	\$23,419,431	\$21,596,828	\$1,474,036	\$348,568
Residential	32,128,576	27,631,478	3,176,943	1,320,155
Total Accounts Receivable	55,548,007	49,228,306	4,650,978	1,668,723
%Total Accounts Receivable	100.00	88.6%	8.4%	3.0%

Using a 2% penalty, late fees on the balance over 60 days for December 2009 would be approximately \$33,000. For accounts over 30 days, a 2% penalty would be approximately \$126,000 for December. Although not all of this penalty would potentially be collectible, this indicates a range of fees that could be imposed for late payment.

Limited benchmarking was performed by the City Auditor's Office of late fees in place at other utilities (see Appendix 2). As indicated in researching other utility's websites, it appeared late fees are typically charged in the industry. Balances in arrears are more likely to become uncollectible. Consistently late payments could negatively impact cash balances and ultimately affect rate development.

#### ***Auditor's Recommendation***

Colorado Springs Utilities should consider customer late fees and presentation of any past due balance on the bill giving consideration to the related costs and benefits.

#### ***Colorado Springs Utilities Response***

Colorado Springs Utilities partially agrees with the City Auditor's recommendation. We have assessed implementing late fees annually for several years; however, given customer revenue metric performance being in line with the industry, the challenging economic conditions and our limited resources, late fees have not been deemed a priority over other customer-oriented programs. Colorado Springs Utilities agrees with the need to assess late fees in the future; however, we do not believe the timing is right to further burden struggling customers. Current customer assistance programs, payment arrangements, and collection practices continue to

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## Opportunities for Improvement

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ensure appropriate collection and reasonable write-offs. These efforts will continue to be assessed and other recommendations may be implemented when appropriate.

Colorado Springs Utilities does not agree with the City Auditor's assessment or recommendation regarding "Past Due" amounts not being reflected on the bill. Colorado Springs Utilities addresses past due amounts through separate disconnection notices which clearly note the amount of money that is past due and required for payment to avoid disconnection. Although our standard bill notes "Previous Balance" as opposed to "Past Due", there is no industry data that supports improvement to write-offs or arrears based on using the terminology "Past Due" verses "Previous Balance".

Additionally, while in many cases the "Previous Balance" heading correlates with past due amounts, it is common for other items to be included in this amount that are not yet considered past due and eligible for disconnect. Making the change to "Past Due" would either result in inaccuracies when the line item includes dollars not yet past due, or would require costly programming changes and additional line items on the bill that cause confusion for the customer.

Colorado Springs Utilities rates strong in the JD Power Customer Satisfaction survey for the simple design and ease of finding important information on the bill. We prefer not to expend limited resources on a change that does not have data or customer complaints supporting a need for change.

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## Opportunities for Improvement

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### **3. Colorado Springs Utilities had not completed the pilot implementation of 1,500 remote disconnect meters.**

Colorado Springs Utilities completed a study in 2009 of transactions and field activities associated with customer account write-offs. The study indicated that approximately 80% of write-offs are associated with 30% of the customer base. Currently, field collection is able to work 20% or less of accounts eligible for disconnection of service.

Colorado Springs Utilities' analysis showed a positive rate of return on placement of this technology because it would increase the effectiveness of field activities for collection, disconnects and reconnects. As other high priority projects are planned for 2010, completion dates for the pilot project may be delayed.

#### ***Auditor's Recommendation***

While we understand the existence of competing priorities, we encourage Colorado Springs Utilities to complete the pilot as soon as resources are available, as remote disconnect/reconnect will potentially reduce collection expense and write-offs.

#### ***Colorado Springs Utilities Response***

We agree with the City Auditor's recommendation to complete our Remote Disconnect Meter pilot as soon as resources allow. Installation of meters, technology interfaces and automation, as well as program development will be a multi-year effort. Meter installation begins as early as November 2010.

**UTILITIES RULES AND REGULATIONS****GENERAL****5. DEPOSITS**

Utilities may require a deposit from a Customer as a guarantee of payment. The deposit will be in the form of cash, approved surety bond or irrevocable letter of credit.

Any deposit required and made will not relieve any Customer from payment of current charges as they become due and payable, nor will any deposit be applied by Utilities to any indebtedness of the Customer except after termination of service.

The deposit is calculated by taking the average bill amount for a Premise from available data for the previous twelve (12) months' consumption period multiplied by 4. When there are insufficient consumption records, Utilities will estimate the average bill amount and multiply that estimate by 4.

**A. Residential Accounts**

Utilities does not require a deposit from Customers with a residential account unless they have a payment record with Utilities that includes delinquent payments within the previous twelve (12) consecutive billing periods.

In the event a Customer with a residential account files a petition for relief under applicable provisions of the United States Bankruptcy Code, Utilities may require a deposit as authorized by the Bankruptcy Code.

Any deposit will be refunded in full upon the completion of twelve (12) consecutive billing periods in which all billing statements have been paid promptly.

Approval Date: December 8, 2009  
Effective Date: December 31, 2009  
Resolution No. 301-09





**UTILITIES RULES AND REGULATIONS**

**GENERAL**

**5. DEPOSITS - cont'd.**

**B. Commercial Accounts**

Utilities requires a deposit from Customers with commercial accounts except as otherwise provided within these Rules and Regulations. Any deposit from Customers with commercial accounts will be held for a minimum of thirty-six (36) consecutive billing periods and will be refunded in full after that time if Utilities determines that all billing statements have been paid promptly.

1. The deposit is waived for a new commercial account of an existing Customer, if the existing Customer has at the time of application maintained commercial service under that same name for at least the previous twelve (12) consecutive billing periods with no delinquency within that period

Approval Date: December 8, 2009  
Effective Date: December 31, 2009  
Resolution No. 301-09

**Appendix 2** Residential Deposit Policy and Late Fees Policy Benchmarking  
Data from Area Utilities and Selected Other Utilities

Name of Utility	Residential Deposit Policy	Late Fee Policy
Donala Water	Not indicated on website	5% of the unpaid balance
Black Hills Energy	Deposit required from a presently or previously served customer whose payment record shows recent or substantial delinquencies; From all new domestic, commercial and irrigation customers except those that provide a letter or credit from a previous gas utility or a surety bond	Not indicated on website
Fountain Department of Utilities	Not indicated on website	\$10.00 on all billed balances at the time a termination notice is issued
Xcel Energy	Deposit based on Equifax utility-specific credit score. If credit score less than 750, a cash deposit of estimated 60 days service is required.	Residential customers - 1% per month unless the balance is \$50 or less. Commercial customers 1.5% per month on any amount not paid by the due date of the bill.
Mountain View Electric Association	A deposit equal to three (3) months average billing will be assessed on all accounts reaching 60 day status.	Not indicated on website
Austin Energy	\$200 deposit required to begin service unless letter of reference obtained from current utility or satisfactory payment record on previous service with Austin Energy (total balance paid before penalty date in last 12 bill cycles.)	Payments received after the due dates incur a five percent (5%) penalty on the water, wastewater, and electric portions of the current bill.
Memphis Light Gas and Water	Applicants with a negative internal/external credit assessment that demonstrates risk require a deposit of \$125. Deposit amounts may be billed after the reconnection for nonpayment up to a maximum deposit of \$225.	Residential and Commercial accounts are assessed a 5% late charge for electric, gas, and water services excluding tax on the remaining balance of amounts previously past due for utility services on the thirteenth business day
Kansas City Power & Light – (Kansas Customers)	Deposit required at time of application if customer has an unsatisfactory credit rating or an outstanding unpaid account	2% of delinquent amount