



# OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

## 12-12 Electric and Gas Cost Adjustments

May 2012

### **Purpose**

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

### **Highlights**

Based on our review of the calculations and related background information, the GCA and ECA were calculated in accordance with the approved tariff.

#### GCA

The last GCA adjustment was effective February 2012, resulting in a refund of (\$.0700) per unit. The reported under-collected balance was approximately (\$76,991) at December 31, 2011. However, a prior period adjustment to the November 2011 GCA resulted in a revised under-collected balance of (\$1,881,782).

The under-collected balance at April 30, 2012, was (\$1,495,018). Colorado Springs Utilities proposes in this filing to increase the refund rate from (\$.0700) to (\$.0952) per unit effective June 1, 2012. As noted in Colorado Springs Utilities' report to City Council, this change relates to the decline in gas prices since the last GCA adjustment was made along with revisions to management's forecast.

#### ECA

The last ECA adjustment was effective October 2011, authorizing a rate of \$.0040 per kwh unit. The under-collected balance at July 31, 2011, was approximately (\$6.5 million.)

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### **Recommendations**

There were no recommendations resulting from our review.

### **Management Response**

No Response was requested from Colorado Springs Utilities because no recommendations were made during our review.

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*(Highlights continued from page 1)*

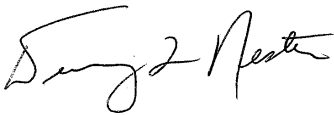
The actual under-collected balance at April 30, 2012, per this review was approximately (\$1.35 million.) Colorado Springs Utilities proposes in this filing to reduce the ECA charge from \$.0040 to \$.0028 per unit effective June 1, 2012.

As noted in Colorado Springs Utilities' report, fuel costs for electric generation have decreased as natural gas prices have fallen and more generation has been dispatched from gas-fired units.

To date, the full impact of falling gas prices has not been reflected in the Gas Cost Adjustment or the Electric Cost Adjustment because costs were affected by the Gas Hedging program in place. Colorado Springs Utilities has made recent changes to the Hedging policy which will result in costs more closely tracking to current commodity pricing.

I plan to be at the Council Meeting next week when you will consider this adjustment. Please let me know if you have any questions or comments.

Respectfully Submitted,



Denny L. Nester, MSM, CPA, CIA, CGFM, CGAP, CFE  
City Auditor

The audit was conducted in a manner that meets or exceeds the International Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors, with the exception of the requirements under standards 1312 and 1321 to obtain an external quality assurance review once every five years. We do not believe this non-compliance impacted the quality of our audit.

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