



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

14-02 Gas and Electric Cost Adjustment

February 2014

Purpose

The purpose of this audit was to evaluate whether Colorado Springs Utilities prepared the Gas Cost Adjustment (GCA) and 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.

Recommendations

No formal recommendations were made.

Summary

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

GCA

- The last GCA adjustment was effective December 1, 2013, resulting in a refund of (\$.1850) per unit
- The over-collected balance at January 31, 2014, was \$2.7 million. Colorado Springs Utilities proposes in this filing to decrease the refund rate from (\$.1850) to (\$.1566) per unit effective March 1, 2014.

ECA

- The last ECA adjustment was effective January 1, 2013, resulting in a refund of (\$.0010) per unit
- The under-collected balance at January 31, 2014, was \$2.9 million. Colorado Springs Utilities proposes in this filing to change the rate from a refund of (\$.0010) to a charge of \$.0013 per unit effective March 1, 2014.

When we compared methodology for consistency, we noted that the assumptions related to revenue were changed to appropriately reflect ELG customers paying a lower fuel amount than other ECA customers. This model correction reduces revenue by approximately \$1 million annually starting in January 2014. I support this change.

Respectfully submitted,

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

Management Response

No responses were requested from Colorado Springs Utilities

CITY COUNCIL'S OFFICE OF THE CITY AUDITOR

About our Office

The mission of the Office of the City Auditor is to provide City Council with an independent, objective and comprehensive auditing program for operations of the City. Our auditing program includes:

- Evaluating the adequacy of financial controls, records and operations
- Evaluating the effectiveness and efficiency of organizational operations
- Providing Council, management and employees objective analysis, appraisals, and recommendations for improving systems and activities

The Office of the City Auditor is responsible for auditing the systems used by the City of Colorado Springs and its enterprises, including Colorado Springs Utilities. We perform a variety of audits for these entities, including financial audits, performance audits, contract audits, construction audits, and information system audits. We also perform follow-up on a periodic basis to monitor and ensure management actions have been effectively implemented.

Authorization and Organizational Placement

Our audits are conducted under the authority of Chapter 1, Article 2, Part 7 of the Colorado Springs City Code, and more specifically parts 703, 705 and 706 of the Code. 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 the City Council.

Audit Standards

The audit was conducted in a manner that conforms 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 such tests of records and other supporting documentation as deemed necessary in the circumstances. We reviewed the internal control structure and compliance tests. Sufficient competent evidential matter was gathered to support our conclusions.