



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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18-23 Colorado Springs Utilities Water and Wastewater Forecast

September 2018

Purpose

The purpose of this review was to evaluate Colorado Springs Utilities (Utilities) 2019 Water and Wastewater Sales and Revenue forecasts for consistency and reasonableness as compared to historical data. This review is performed in support of our review of the Cost of Service Studies (COSS) filed with City Council when rate changes are proposed.

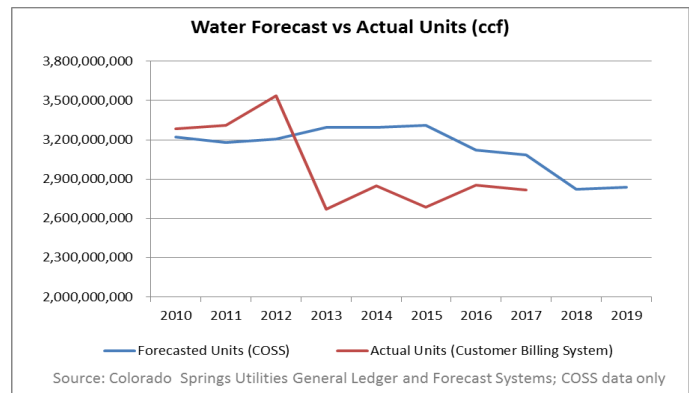
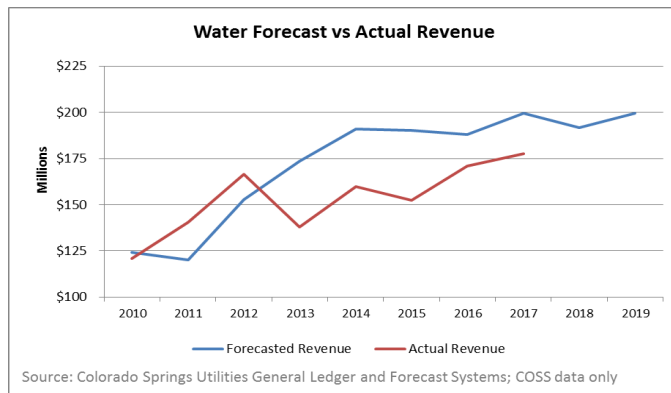
Summary

We conclude that the 2019 water and wastewater revenue forecast dated June 2018 prepared by 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.

Water Forecast

Colorado Springs Utilities water revenue forecast is \$199.6M for 2019. The original forecast for 2018 was \$191.7M. Utilities has updated the 2018 forecast based on actual results through June, and the current forecast is \$204.0M. We believe that the 2019 forecast was reasonable as compared to the June 2018 updated forecast. At the time of our review, a rate increase of 3.5% had been included in the 2019 forecast, which included an increase of 0.66% for parks. A water rate increase of 4.2% was effective January 1, 2018.

Utilities noted that June 2018 year-to-date revenues were high as compared to the original forecast primarily due to an unusually warm dry month in May. The model utilized to prepare the 2019 forecast incorporates weather normalization. We consider use of weather normalized units to be a reasonable approach.



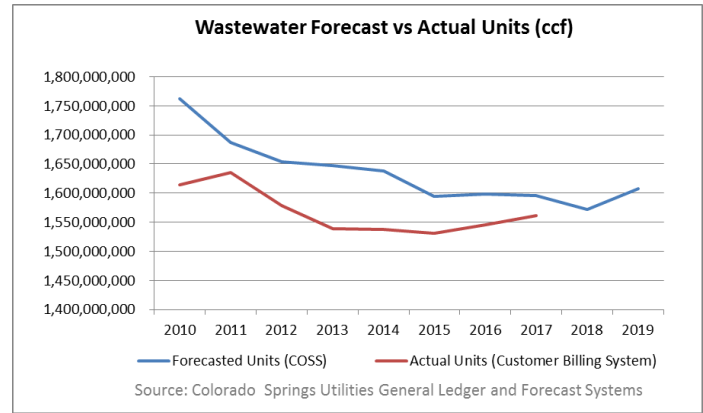
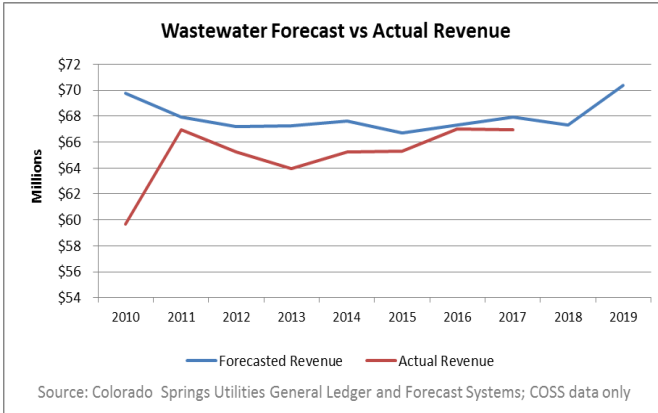
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Summary (continued)

Wastewater forecast

Colorado Springs Utilities wastewater revenue forecast is \$70.4M for 2019. The original forecast for 2018 was \$67.6M. Utilities has updated the 2018 forecast based on actual results through June, and the current forecast is \$67.3M. We believe that the 2019 forecast was reasonable as compared to the June 2018 forecast. At the time of our review, a rate increase of 2.0% had been included in the 2019 forecast.



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.