



# OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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## 21-07 Colorado Springs Utilities Gas Cost Adjustment

March 2021

### Purpose

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

### Summary

Based on our review of calculations and related support filed with our office, we conclude that the proposed adjustment submitted by Utilities were calculated properly and in accordance with approved tariffs.

As noted on the Colorado Springs Utilities Website: Fuel costs are passed directly to customers through the Gas Cost Adjustment. Most Utilities customers use natural gas heat. Extreme demand for electricity and natural gas caused fuel prices to surge across the country, as a result of the weather event that affected much of the country Feb. 13-16. Natural gas prices soared from approximately \$2.50/Dekatherm to nearly \$200/Dekatherm during the storm. During the four-day weather event, electric and natural gas fuel costs accounted for approximately 80% of Utilities annual forecasted costs.

Due to the extreme weather and associated costs Colorado Springs Utilities is proposing an out of cycle Gas Cost Adjustment. The GCA model forecasts a 14 month recovery period and is forecasted to be within \$5 million over or under collection per Utility Board guidance by April 2022.

	Prior Rate	Proposed Rate	Actual Over/(Under) Collection at January 31, 2021	Forecasted Over/(Under) Collection at February 28, 2021	Utilities Board Guidance
(GCA)	\$.1812/ Ccf	\$.5477/ Ccf	(\$116,507)	(\$105,207,013)	+ or - \$5 million

For a March 11, 2021 effective date, Utilities proposed GCA adjustments will go to City Council for approval on March 9, 2021.

Under Utilities' Board approved guidance, Utilities will submit GCA adjustments quarterly to manage balances within \$5 million over or under collected.

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.