



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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21-11 Colorado Springs Utilities Electric Cost Adjustment

March 2021

Purpose

The purpose of this audit was to evaluate whether Colorado Springs Utilities (Utilities) prepared 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.

Summary

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

Fuel cost adjustments apply to electric and natural gas services. These cost adjustments are used to compensate for increases or decreases in market prices. Natural gas is a fuel source for electric production. Therefore, electric cost adjustments are also affected by fluctuations in natural gas costs.

Due to the February 13 to February 16, 2021 extreme weather and fuel associated costs, Colorado Springs Utilities is proposing an out of cycle Electric Cost Adjustment. The ECA model forecasts a 13 month recovery period and is forecasted to be within \$5 million over or under collection per Utilities Board guidance by March 2022.

For the April 1, 2021 effective date, Utilities proposed ECA adjustment will be submitted to City Council for approval on March 23, 2021.

	Prior Rate	Proposed Rate	Actual Over/(Under) Collection at January 31, 2021	Actual Over/(Under) Collection at February 28, 2021	Utilities Board Guidance
(ECA)	\$.0195/ kWh	\$.0294/ kWh	\$4,318,278	(\$30,509,194)	+ or - \$5 million

Under Utilities Board approved guidance, Utilities will submit ECA 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.