



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

14-12 Electric Cost Adjustment

May 2014

Purpose

The purpose of this audit was to evaluate whether Colorado Springs 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.

Conclusion

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

The last ECA adjustment was effective March 1, 2014 resulting in a charge of \$.0013 per unit. Due to the recent fire at the Drake plant, Colorado Springs Utilities anticipates increased fuel costs and submitted an Electric Cost Adjustment to City Council for approval.

The under-collected balance at April 30, 2014 was (\$3.1) million. Colorado Springs Utilities proposes in this filing to change the rate from a charge of \$.0013 to a charge of \$.0102 per unit effective June 1, 2014.

The forecast for the June ECA was prepared under the following key assumptions:

- It was not known how long the Drake units might be out of service. The forecast assumes all Drake units will be unavailable for 12 months.
- Colorado Springs Utilities plans to increase generation from the Front Range plant, which has a natural gas fuel source. The forecast incorporates assumptions about the future expected price of natural gas.

We note that Colorado Springs Utilities provides the Utilities Board with a status on the ECA actual and projected balances monthly. This business practice ensures that policymakers will be aware of changes in costs and forecasts.

Please let me know if you have any questions or comments.

Respectfully,

A handwritten signature in black ink, appearing to read "Denny L. Nester".

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

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.

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