



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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17-26 Colorado Springs Utilities Electric and Gas Cost Adjustments

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Purpose

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

Highlights

Based on our review of calculations and related support, we conclude that the proposed adjustments submitted by Utilities for the ECA, ECC, GCA, and GCC complied with approved tariffs. If approved by City Council, the proposed changes will be effective November 1, 2017.

With this filing, Colorado Springs Utilities proposes a methodology change to the ECA. Under this proposed change, approximately \$12 million of annual costs will be recovered through the ECC rather than the ECA. A similar change was made effective January 1, 2016, to begin to recover \$26 million of costs through the GCC rather than the GCA. The bill impact of the ECA methodology change with this filing is:

	Typical Electric Bill Impact	
Current residential bill	\$88.11	% Change
ECA change (decrease)	(1.47)	-1.70%
ECA/ECC methodology change	0.49	0.60%
Total proposed residential bill	\$87.13	-1.10%

Under Utilities Board approved guidance, Colorado Springs Utilities will submit adjustments at least quarterly to manage ECA and GCA balances within a tolerance of \$5 million over or under collection. ECA and GCA balances were \$1.7 million over-collected and \$3.2 million over-collected, respectively, as of September 30, 2017, which was within prescribed tolerances.

Tolerances were not in place for the GCC and ECC, as these adjustments were intended to recover a fixed annual charge and less subject to volatility. As of September 30, 2017, the GCC balance was \$1.0 million over-collected and the ECC balance was \$2.3 million 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.