



OFFICE OF THE CITY AUDITOR

COLORADO SPRINGS, COLORADO

14-18 Colorado Springs Utilities Allocation and Load Study

July 2014

Purpose: The purpose of this audit was to review Colorado Springs Utilities' proposed change to allocation methods used in the cost of service study. Additionally, we reviewed the annual load study process methodology to verify it was supported by verifiable data and logical assumptions.

Conclusion:

We conclude that the change in generation and transmission cost allocation methodology proposed by Colorado Springs Utilities is an industry accepted method.

We conclude that the load study process was supported by logical assumptions and verifiable data within a reasonable tolerance. The load study process could be improved by ensuring readings from sample meters are sufficient to achieve the desired statistical confidence. Colorado Springs Utilities has placed additional meters for sampling in 2014. We also noted that policy did not require an annual load study.

We performed a limited review of the process to prepare the annual load forecast, noting areas for possible improvement. Policy and procedure guidance was not in place for the forward-looking load forecast used in the cost of service study. Additionally, the forecast was prepared using three years of historical data, which included unusual weather. Colorado Springs Utilities plans to study a means of weather normalizing peak load data for unusual weather variations for the 2015 load forecast. This normalizing could occur by making adjustments to historical data or increasing the number of years of historical data utilized in the forecast.

Colorado Springs Utilities performed a load study using readings from a sample of meters to determine the peak load usage by customer class. Annual studies had been performed since 2009 and process documentation had been developed. Colorado Springs Utilities utilized the load study to prepare a load forecast which was applied to the allocations used in the cost of service study.

Respectfully,

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

Recommendations

1. Develop guidance for the demand load forecast used in cost of service study allocations. Guidance should include the number of years of historical data utilized and address weather normalization.
2. Provide documentation of key forecast assumptions with the annual load forecast used in the cost of service.
3. Evaluate the load research process including study frequency and develop policy guidance.

Management's Response

We generally concur with the recommendations. In support of continuous improvement, we plan to refine and enhance the process for the upcoming 2015 demand forecast.

We plan to evaluate the load research process to include the cost benefit of study frequency.

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.