



OFFICE OF THE CITY AUDITOR COLORADO SPRINGS, COLORADO

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21-20 Colorado Springs Utilities 2022 Rate Case

October 2021

Purpose

The purpose of this review focused on accuracy and consistency of the methodology used to develop proposed rates and fees.

Highlights

We conclude that overall the modifications included in the Rate Case Filing Report and supporting schedules for proposed rates and fees for gas, electric, water, and wastewater services effective January 1, 2022 were prepared accurately. Methodology changes were appropriately disclosed in Utilities filing reports. Changes were consistent with rate design guidance approved by Utilities Board, industry guidance such as the American Water Works Association, and any Utilities Policy Advisory Council recommendations. We noted the following methodology changes and rates as compared to the most recent rate filings.

Water service:

- Regional customer rates and fees – The filing includes a new rate schedule for each new connection to Utilities' supply system for regional customers. Average System Cost plus a 20% multiplier was used to develop the commodity charge, as recommended by Utilities Policy Advisory Council. Utilities is also proposing a Water Regional System Availability Fee (WRSF) to be assessed for each new connection to the supply system for Contract Service – Regional Customers. Service is available by contract and only with prior approval from City Council.
- Development Charges – Water Development Charge (WDC) was updated based on current infrastructure and a proposed modification to the Equity Buy-in methodology. A new connection charge, Water Resource Fee (WRF), for capacity based on the cost of projected capital expenditures for growth and expansion.

Electric service: A new ENM (non-metered) rate that offers commercial customers a service option intended to provide energy for small devices with low-level usage.

Gas service: A new Industrial Service – Prescheduled Interruptible Rate Schedule. Utilities also proposed modifications to the methodologies used to determine rates for Military and Interruptible customers.

Wastewater service: Utilities proposed the final year three increase to the Treatment Charge for Regional Contract Service. Utilities also proposed a Wastewater Regional System Availability Fee to be assessed for each new connection to the wastewater system for Contract Service – Regional Customers. Service is available by contract and only with prior approval from City Council.

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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