



Office of the City Auditor

Date: March 26, 2007
To: Honorable Mayor and Members of City Council
Re: 06-238 – Coal Contracts

We have concluded our audit of Colorado Springs Utilities' coal contracts with Peabody Coal Company. Our review focused on the period January 1, 2005 through December 31, 2005 for Peabody coal contracts and the period July 1, 2005 through June 30, 2006 for Peabody's Twenty-Mile Coal. The purpose of this audit was to evaluate whether Colorado Springs Utilities and Peabody were abiding by the terms of the contract for the purchase of coal from Peabody and the resale of Twenty-Mile coal. We examined the contracts and related transactions to determine whether goods (coal) and services were being provided in an economical, efficient, and effective manner and whether the objective of the contracts were achieved.

Based on our testwork performed, no deficiencies were identified in the internal control environment and both parties had abided by the terms of the contract.

As always, feel free to contact me if you have any questions.

Sincerely,

A handwritten signature in purple ink that reads "Jeff Litchfield".

Jeff Litchfield
City Auditor

Cc: Jerry Forte, Chief Executive Officer
Edward Easterlin, Planning & Financial Officer
Tom Black, Energy Services Officer
Drew Rankin, General Manager, Energy Supply
Michelle Fujimoto, Fuel Supply Manager
Jeanne Brown, Manager, Continuous Improvement

CITY AUDITOR JEFF LITCHFIELD, CPA CIA CFE

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