




City of Colorado Springs



City Council's Office of the City Auditor

INTEROFFICE MEMORANDUM

To: Mayor and City Council Members

From: Jeff Litchfield, City Auditor 

Cc: Jerry Forte, Springs Utilities Chief Executive Officer

Date: May 22, 2008

Subject: 08-230a – Springs Utilities' Electric Cost Adjustment (ECA)

BACKGROUND

Colorado Springs Utilities (Springs Utilities) periodically files rate adjustments with the City Council. The ECA is intended to be an adjustment to billed rates for actual and projected increases or decreases in fuel and purchased power costs. When rate adjustments are filed, a copy is provided to my office, in accordance with Section 12.1.107(D) of the City Code. Our office reviews the proposed adjustments, much like the Public Utility Commission (PUC) staff would do at the state level if Springs Utilities was regulated by the PUC. The last ECA review was performed during July 2007 and became effective August 1, 2007.

OBJECTIVES AND SCOPE

The purpose of this audit was to evaluate whether Springs Utilities prepared the ECA in accordance with the approved tariff. The methodology was compared to prior filings to ensure consistency and to determine whether it met the intended objective (i.e., adjust billing rates for electric costs while maintaining some level of pricing stability). Calculations were tested for accuracy and verified to the appropriate source documentation.

The audit was conducted in accordance 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. The audit included such tests of records and other supporting documentation as we deemed necessary in the circumstances. Sufficient competent evidential matter was gathered to support our conclusions.

Changes in ECA Computations

In the previous ECA review, capacity payments were included in the ECA computation. With this ECA and the accompanying Electric Rate Case, capacity payments are being moved to a separate monthly capacity charge and were excluded from the calculation of the ECA amount.

CONCLUSION

Based on our review of the calculations and related background information, the model being used does show the current over-recovery of approximately \$31 million will be returned to customers over the next 25 months.

Please contact me if you have any questions regarding this report. I will be at your May 27th City Council meeting when the ECA will be submitted for approval.