

1 **Volume 1, Section 3 – Finance**  
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3 **Q. (page 86 and Volume 2: Supporting Materials, Tab 6: Weather Normalization**  
4 **Reserve) Please provide tables (a) comparing actual revenue from rates to**  
5 **normalized revenue from rates and the percentage differences between the two, (b)**  
6 **adjustments to normalize the Company’s purchased power expense, and (c) the net**  
7 **after-tax transfers to/from the Degree Day Normalization Reserve, for each year**  
8 **from 1975 through 2006. This request essentially asks for an update of the**  
9 **Company’s response to CA- 604 NP 2003GRA and also asks for a breakout of the**  
10 **purchased power expense adjustment. Also please provide, and update or revise as**  
11 **necessary, the explanation provided on page 1 of CA-604 NP 2003GRA.**

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13 A. The Degree Day Normalization Reserve (the Reserve) was established by the Board in  
14 1974 to normalize the Company’s revenue and purchased power costs for the effects of  
15 abnormal weather conditions. The *Weather Normalization Reserve Balance Review*  
16 (Volume 2, Tab 6) provides an explanation of the operation of the Degree Day  
17 Component of the Weather Normalization Reserve.

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19 Table 1 on page 2 compares actual revenue from rates to weather normalized revenue  
20 from rates, as per operation of the Reserve, by year from 1975 to 2006.

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22 Table 2 on page 3 provides the adjustment to purchased power expense, as per the  
23 operation of the Reserve, by year from 1975 to 2006.

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25 Table 3 on page 4 provides the net after-tax transfers to/from the Reserve for the period  
26 1975 to 2006. Transfers to the Reserve will reduce the Company’s earnings in that year,  
27 while transfers from the Reserve will increase the Company’s earnings in that year.

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29 As Table 3 indicates, there have been significant transfers from the Reserve in recent  
30 years. However, the *Weather Normalization Reserve Balance Review* concludes that  
31 these transfers are directly related to recent abnormal weather conditions, and that the  
32 current normalization method continues to provide a reasonable estimate of abnormal  
33 weather on energy usage.

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35 The abnormal weather conditions experienced over the past 5 years has contributed to a  
36 balance of \$6.9 million in the Reserve as of December 31, 2006. As set out in the  
37 Company’s evidence at page 87, the Company does not expect the \$6.9 million balance  
38 in the Degree Day Component to reverse with long-term weather patterns.

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**Table 1**  
**Actual Revenue Versus Weather Normalized Revenue**  
**1975 – 2006**  
**(\$ millions)**

<b>Year</b>	<b>Actual Revenue</b>	<b>Weather Normalized Revenue</b>	<b>Adjustment</b>	<b>Percentage Difference<sup>1</sup></b>
1975	44.7	45.0	0.3	0.7
1976	60.0	60.1	0.1	0.2
1977	73.2	73.1	(0.1)	(0.1)
1978	91.8	92.1	0.3	0.3
1979	107.3	107.0	(0.3)	(0.3)
1980	121.6	120.0	(1.6)	(1.3)
1981	129.6	132.6	3.0	2.3
1982	160.6	158.7	(1.9)	(1.2)
1983	170.1	172.5	2.4	1.4
1984	196.2	196.2	(0.0)	(0.0)
1985	239.4	235.0	(4.4)	(1.8)
1986	241.0	238.7	(2.3)	(1.0)
1987	244.5	245.1	0.6	0.2
1988	260.1	262.1	2.0	0.8
1989	275.6	273.8	(1.8)	(0.7)
1990	305.7	302.4	(3.3)	(1.1)
1991	320.8	315.0	(5.8)	(1.8)
1992	333.1	325.3	(7.8)	(2.3)
1993	336.9	329.0	(7.9)	(2.3)
1994	335.5	334.2	(1.3)	(0.4)
1995	335.4	335.3	(0.1)	(0.0)
1996	332.8	337.9	5.1	1.5
1997	342.2	340.7	(1.5)	(0.4)
1998	326.0	332.9	6.9	2.1
1999	326.4	339.7	13.3	4.1
2000	329.4	339.3	9.9	3.0
2001	346.5	352.0	5.5	1.6
2002	361.2	362.8	1.6	0.4
2003	371.2	376.1	4.9	1.3
2004	386.4	395.6	9.2	2.4
2005	397.0	407.6	10.6	2.7
2006	391.7	407.7 <sup>2</sup>	16.0	4.1

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1. Negative amounts represent reductions in revenue and positive amounts represent increases in revenue.

2. Does not include the \$3,086,000 amortization of 2005 Unbilled Revenue.

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**Table 2**  
**Purchased Power Expense Adjustments**  
**1975-2006**  
**(\$ millions)**

Year	Adjustment <sup>1</sup>
1975	0.1
1976	0.0
1977	0.0
1978	0.2
1979	(0.2)
1980	1.2
1981	(2.1)
1982	1.5
1983	0.3
1984	0.2
1985	3.1
1986	1.8
1987	(3.7)
1988	0.0
1989	(3.9)
1990	0.3
1991	0.9
1992	(1.3)
1993	0.6
1994	(0.6)
1995	(0.1)
1996	(4.5)
1997	1.6
1998	(5.4)
1999	(10.9)
2000	(8.0)
2001	(5.5)
2002	(0.2)
2003	(5.1)
2004	(7.0)
2005	(8.4)
2006	(11.7)

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1. Negative amounts represent reductions in purchased power expense and positive amounts represent increases in purchase power expense.

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**Table 3**  
**Net After-Tax Transfers (to)/from the Degree**  
**Day Normalization Reserve**  
**1975-2006**  
**(\$000s)**

Year	After Tax Transfer (to)/from Reserve <sup>1</sup>
1975	(51)
1976	(8)
1977	14
1978	(55)
1979	62
1980	(205)
1981	403
1982	(165)
1983	397
1984	34
1985	(597)
1986	(245)
1987	59
1988	360
1989	152
1990	(817)
1991	(395)
1992	(741)
1993	(1,371)
1994	91
1995	(142)
1996	363
1997	8
1998	893
1999	1,389
2000	1,141
2001	24
2002	838
2003	(99)
2004	1,380
2005	1,450
2006	2,728

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1. Negative amounts are transfers to the reserve (which reduce earnings) and positive amounts are transfers from the reserve (which increase earnings).