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## Energy and Telecommunications Interim Committee

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### 61st Montana Legislature

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SONJA NOWAKOWSKI, Research Analyst  
TODD EVERTS, Staff Attorney  
DAWN FIELD, Secretary

October 26, 2009

To: ETIC members  
From: Sonja Nowakowski, ETIC staff  
Re: Universal System Benefits (USB) program

Attached is a copy of the 2008 USB reports submitted by Montana-Dakota Utilities, the Montana Electric Cooperatives's Association, and NorthWestern Energy.

Title 69-8-402, MCA and House Bill No. 27, approved by the 2009 Legislature, requires the ETIC to "review the universal system benefits programs, and, if necessary, submit recommendations regarding these programs."

Public utilities and cooperative utilities are required to submit an annual summary report of universal system benefits programs to the ETIC for review. The electric universal system benefits proposal was poised to sunset in 2009, however the 2007-08 ETIC requested HB 27, which eliminated the sunset and clarified the ETIC's role in reviewing the program.

During the November 9-10 meeting, ETIC members will receive additional information about the USB program and hear from the cooperatives and utilities.

#### Sonja Nowakowski

Research Analyst  
Montana Legislative Services Division  
Room 171E, State Capitol  
PO Box 201704  
Helena, MT 59620-1704  
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## ***MONTANA ELECTRIC COOPERATIVES' ASSOCIATION***

### **FINAL 2008 USBP POOL REPORT**

*(Through December 31, 2008)*

Total <u>Minimum</u> Pool <u>Overall</u> USBP Spending Requirement @ 2.4% of Revenue	\$ 3,704,190.28
Total <u>Minimum</u> Pool <u>Low Income</u> USBP Spending Requirement @17% of 2.4%	\$ 629,712.35
<b>Total Actual 2008 USBP <u>Overall</u> Expenditures as a % of Base-Year Revenues</b>	7.00%
<b>Total Actual 2008 USBP <u>Low-Income</u> Expenditures as a % of 2.4 % Minimum</b>	27.81%
Total USBP \$\$ Surplus Above Minimum Overall USBP spending requirement	\$ 7,101,519.73
Total Low Income \$\$ Surplus Above Minimum Low-income USBP Spending Requirement	\$ 400,360.63

<i>Cooperative</i>	<i>1995 Electricity Revenue Sales</i>	<i>Energy Conservation</i>	<i>Low Income USBP Expenditures/credits</i>	<i>Renewable Resource Projects/Apps</i>	<i>Research &amp; Development</i>	<i>Market Transformation</i>	<i>Total ALL</i>
Beartooth	\$ 2,947,731.00	\$ 116,566.73	\$ 6,532.00	\$ 1,839.60	\$ -	\$ -	\$ 124,938.33
Big Flat	\$ 2,235,245.00	\$ 21,319.25	\$ 7,528.00	\$ 3,567.27	\$ -	\$ -	\$ 32,414.52
Fall River	\$ 2,288,300.00	\$ 80,733.80	\$ 9,400.00	\$ -	\$ -	\$ -	\$ 90,133.80
Fergus	\$ 5,359,940.00	\$ 270,719.78	\$ 22,000.00	\$ -	\$ -	\$ -	\$ 292,719.78
Flathead	\$ 50,214,236.00	\$ 5,507,747.00	\$ 339,710.00	\$ 184,464.00	\$ -	\$ -	\$ 6,031,921.00
Glacier	\$ 9,230,882.00	\$ 261,248.00	\$ 32,341.00	\$ 25,800.00	\$ -	\$ -	\$ 319,389.00
Goldenwest	\$ 525,154.56	\$ 9,189.58	\$ 4,069.95	\$ 500.00	\$ -	\$ -	\$ 13,759.53
Hill County	\$ 3,860,963.00	\$ 52,204.48	\$ 17,312.00	\$ -	\$ -	\$ -	\$ 69,516.48
Lincoln	\$ 5,449,237.00	\$ 252,449.41	\$ 36,452.64	\$ 21,276.84	\$ 714.00	\$ -	\$ 310,892.89
LYREA	\$ 4,714,641.00	\$ 84,262.00	\$ 19,235.00	\$ -	\$ -	\$ -	\$ 103,497.00
Marias River	\$ 3,675,396.00	\$ 51,670.11	\$ 15,000.00	\$ 5,401.04	\$ -	\$ -	\$ 72,071.15
McCone	\$ 4,538,237.00	\$ 41,510.00	\$ 9,300.00	\$ 290.00	\$ -	\$ -	\$ 51,100.00
Mid-Yellowstone	\$ 1,596,165.00	\$ 58,059.27	\$ 4,248.11	\$ 245.28	\$ -	\$ -	\$ 62,552.66
Missoula	\$ 8,943,402.00	\$ 370,043.00	\$ 24,912.00	\$ 37,516.00	\$ -	\$ -	\$ 432,471.00
Northern	\$ 2,043,968.00	\$ 19,776.05	\$ 8,547.13	\$ -	\$ -	\$ -	\$ 28,323.18
Northern Lights	\$ 2,799,775.00	\$ 158,272.27	\$ 84,390.57	\$ 16,711.98	\$ -	\$ -	\$ 259,374.82
Park	\$ 3,731,388.20	\$ 85,684.42	\$ 19,180.91	\$ 15,514.02	\$ -	\$ -	\$ 120,379.35
Ravalli	\$ 6,341,387.00	\$ 288,323.00	\$ 101,595.00	\$ 30,412.00	\$ -	\$ -	\$ 420,330.00
Sheridan	\$ 4,629,678.00	\$ 25,499.00	\$ 30,050.00	\$ 16,609.00	\$ -	\$ -	\$ 72,158.00
Southeast	\$ 1,543,712.00	\$ 21,832.91	\$ 20,134.00	\$ -	\$ -	\$ -	\$ 41,966.91
Sun River	\$ 5,252,060.00	\$ 365,653.05	\$ 52,200.79	\$ 5,120.64	\$ -	\$ -	\$ 422,974.48
Tongue River	\$ 4,796,392.02	\$ 150,619.35	\$ 6,000.00	\$ 1,379.70	\$ -	\$ -	\$ 157,999.05
Valley	\$ 1,692,607.00	\$ 19,572.21	\$ 2,597.99	\$ -	\$ -	\$ -	\$ 22,170.20
Vigilante	\$ 6,711,438.91	\$ 275,180.05	\$ 32,398.89	\$ 33,411.94	\$ 1,264.00	\$ -	\$ 342,254.88
Yellowstone Valley	\$ 9,219,326.00	\$ 772,758.00	\$ 124,937.00	\$ 12,707.00	\$ -	\$ -	\$ 910,402.00
TOTAL	\$154,341,262	\$ 9,360,892.72	\$ 1,030,072.98	\$ 412,766.31	\$ 1,978.00	\$ -	\$ 10,805,710.01

	Item #1	Item #2	Item #3	Item #4	Item #5	Item #6	Item #7	Item #8	Item #9	Item #10
Beartooth										
Big Flat		\$ 4,506.00								
Fall River		\$ 110.00								
Fergus										
Flathead	\$201,877.00	\$152,907.00	\$343,736.00		\$121,861.00		\$ 175,865.00			
Glacier		\$ 900.00	\$ 3,735.00							
Goldenwest		\$ 4,487.50								
Hill County	\$ 255.37						\$ 6,623.56			\$ 548.66
Lincoln	\$ 361.44	\$ 6,070.13		\$ 8,483.46			\$ 15,658.67		\$ 15,160.63	
LYREA		\$ 2,560.00								
MariasRiver										
McCone		\$ 17,450.00			\$ 3,680.00		\$ 5,130.00			
Mid-Yellowstone					\$ 1,172.79					
Missoula		\$ 4,653.00								
Northern		\$ 1,450.00			\$ 6,214.57					
Northern Lights										
Park	\$ 4,469.07	\$ 775.00			\$ 11,872.07					\$ 4,162.12
Ravalli	\$ 9,473.00	\$ 1,091.00			\$ 14,887.00	\$ 1,021.00			\$ (937.00)	\$ 2,707.00
Sheridan	\$ 650.00	\$ 3,440.00	\$ 3,000.00		\$ 300.00		\$ 1,200.00			
Southeast		\$ 4,402.20			\$ 17,430.71					
SunRiver	\$ 6,773.63	\$ 13,650.77			\$ 12,176.02					
TongueRiver										
Valley		\$ 1,200.00			\$ 6,127.44					
Vigilante		\$ 455.00			\$ 6,485.05					
YVEC	\$ 12,296.00	\$ 16,925.00			\$ 5,646.00	\$ 27,181.00	\$ 8,973.00		\$ 10,564.00	
<b>TOTAL</b>	<b>\$236,155.51</b>	<b>\$237,032.60</b>		<b>\$ 8,483.46</b>	<b>\$207,852.65</b>	<b>\$ 28,202.00</b>	<b>\$213,450.23</b>		<b>\$ 24,787.63</b>	<b>\$ 7,417.78</b>

Item #'s represent the following:

1=Energy Audits

2=Water Heater Programs

3=Grants or loans for lighting efficiency conversions

4=Grants for motor efficiency conversions

5=Expenses for consumer conservation education

6=Expenses for demand side management programs

7=Grants or low-interest loans for ground-source heat pumps used for energy efficiency savings

8= Irrigation Conservation Audits

9=Programs such as Super Good Cents

10=Design/construction assistance for energy-efficient construction

	Item #11	Item #12	Item #13	Item #14	Item #15	Item #16	Item #17	Item #18	Item #19	TOTAL
Beartooth							\$ 116,566.73			\$ 116,566.73
Big Flat							\$ 16,813.25			\$ 21,319.25
Fall River							\$ 80,623.80			\$ 80,733.80
Fergus				\$ 55,108.52			\$ 215,611.26			\$ 270,719.78
Flathead							\$ 4,511,353.00		\$ 148.00	\$ 5,507,747.00
Glacier							\$ 242,657.00	\$ 4,951.00	\$ 9,005.00	\$ 261,248.00
Goldenwest							\$ 4,702.08			\$ 9,189.58
Hill County							\$ 44,776.89			\$ 52,204.48
Lincoln							\$ 190,990.82	\$ 14,443.00	\$ 1,281.26	\$ 252,449.41
LYREA							\$ 75,967.00	\$ 5,735.00		\$ 84,262.00
MariasRiver							\$ 51,670.11			\$ 51,670.11
McCone								\$ 15,250.00		\$ 41,510.00
Mid-Yellowstone			\$ 334.41		\$ 7,740.19		\$ 48,811.88			\$ 58,059.27
Missoula							\$ 365,390.00			\$ 370,043.00
Northern							\$ 12,111.48			\$ 19,776.05
Northern Lights							\$ 158,272.27			\$ 158,272.27
Park				\$ 16,511.85			\$ 47,100.16	\$ 794.15		\$ 85,684.42
Ravalli							\$ 260,081.00			\$ 288,323.00
Sheridan	\$ 300.00						\$ 16,609.00			\$ 25,499.00
Southeast										\$ 21,832.91
SunRiver				\$ 282,502.00			\$ 48,987.63	\$ 1,563.00		\$ 365,653.05
TongueRiver							\$ 150,619.35			\$ 150,619.35
Valley							\$ 12,244.77			\$ 19,572.21
Vigilante							\$ 183,857.00		\$ 84,383.00	\$ 275,180.05
YVEC			\$ 10,156.00	\$ 277,755.00			\$ 403,262.00			\$ 772,758.00
<b>TOTAL</b>	\$ 300.00		\$ 10,490.41	\$ 631,877.37	\$ 7,740.19		\$ 7,259,078.48	\$ 42,736.15	\$ 94,817.26	\$ 9,360,892.72

Item #'s represent the following:

11= Design/implementation assistance for retrofits of existing loads

12= Waste heat generation expenses

13=Street lighting - security lighting upgrades for efficiency

14=Incremental cost of distribution efficiency expenditures attributable

to increases in energy efficiency above acceptable minimum industry standards

documented & verified by electrical engineer

15= Peak-shaving devices applied in customer facilities to reduce peak

demands excluding interruptible service or payment for curtailment rates

16= Large customer conservation investments pursuant to 69-8-101 et.seq

17= Conservation investments made through

power purchases pursuant to 69-8-402(2)(b)

18=Other

19=Irrigation Conservation Measures

	Item #1	Item #2	Item #3	Item #4	Item #5	Item #6	Item #7	Item #8	Item #9	Item #10	Item #11
Beartooth		\$ 6,532.00									
Big Flat		\$ 6,000.00	\$ 250.00	\$ 1,078.00							
Fall River	\$ 9,400.00										
Fergus		\$ 22,000.00									
Flathead	\$ 49,297.00	\$ 77,463.00				\$ 113,461.00					
Glacier		\$ 6,000.00	\$ 14,200.00								
Goldenwest											
Hill County		\$ 17,000.00									
Lincoln	\$ 52.37	\$ 500.00				\$ 2,333.42					\$ 22,541.25
LYREA		\$ 19,235.00									
MariasRiver			\$ 15,000.00								
McCone		\$ 9,300.00									
Mid-Yellowstone	\$ 109.82	\$ 1,800.00									
Missoula											\$ 7,257.00
Northern		\$ 4,170.00									
Northern Lights											\$ 5,745.97
Park	\$ 2,021.85	\$ 6,000.00				\$ 6,150.00					\$ 3,312.95
Ravalli	\$ 1,567.00	\$ 5,000.00			\$ 6,051.00						
Sheridan		\$ 13,091.00									
Southeast		\$ 10,900.00				\$ 9,234.00					
SunRiver							\$ 5,221.44				
TongueRiver		\$ 6,000.00									
Valley											
Vigilante	\$ 3,538.89	\$ 1,000.00				\$ 14,530.00					
YVEC		\$ 17,500.00	\$ 4,348.00								
<b>TOTAL</b>	\$ 65,986.93	\$ 229,491.00	\$ 33,798.00		\$ 6,051.00	\$ 145,708.42					\$ 38,857.17

Item #'s represent the following:

- 1=Outreach for LIEAP enrollment
- 2= Energy Share or similar contributions
- 3=Funds contributed to endowments that qualify for low-income USBP purposes
- 4=Safety/repairs related to low-income energy issues
- 5= Energy-efficient equipment/technologies that help low-income households meet the cost of home energy
- 6=Heating and energy crisis benefits including payments toward recipient household's energy costs

- 7= Payment toward recipient household weatherization costs
- 8= Purchase and delivery of fuels used by recipient households for home energy
- 9= Purchase, delivery, and installation of weatherization materials
- 10=Purchase and delivery of blankets, space heating devices, equipment and other tangible items that are provided to help low-income households meet the cost of home energy
- 11=Discounted utility and bulk fuel prices for recipient households

	Item #12	Item #13	Item #14	Item #15	Item #16	Item #17	Item #18	Item #19	Item #19a	TOTAL
Beartooth										\$ 6,532.00
Big Flat		\$ 200.00								\$ 7,528.00
Fall River										\$ 9,400.00
Fergus										\$ 22,000.00
Flathead			\$ 38,410.00					\$ 148.00	\$ 60,931.00	\$ 339,710.00
Glacier						\$ 12,141.00				\$ 32,341.00
Goldenwest	\$ 4,069.95									\$ 4,069.95
Hill County	\$ 312.00									\$ 17,312.00
Lincoln		\$ 1,471.71				\$ 9,553.89				\$ 36,452.64
LYREA										\$ 19,235.00
MariasRiver										\$ 15,000.00
McCone										\$ 9,300.00
Mid-Yellowstone						\$ 2,338.29				\$ 4,248.11
Missoula						\$ 17,655.00				\$ 24,912.00
Northern		\$ 4,377.13								\$ 8,547.13
Northern Lights						\$ 78,644.60				\$ 84,390.57
Park									\$ 1,696.11	\$ 19,180.91
Ravalli			\$ 76,134.00				\$ 12,843.00			\$ 101,595.00
Sheridan		\$ 350.00				\$ 16,609.00				\$ 30,050.00
Southeast										\$ 20,134.00
SunRiver	\$ 43,175.32	\$ 3,804.03								\$ 52,200.79
TongueRiver										\$ 6,000.00
Valley		\$ 2,597.99								\$ 2,597.99
Vigilante							\$ 13,330.00			\$ 32,398.89
YVEC		\$ 21,730.00	\$ 81,359.00							\$ 124,937.00
<b>TOTAL</b>	\$ 47,557.27	\$ 34,530.86	\$ 195,903.00		\$ -	\$ 136,941.78	\$ 26,173.00	\$ 148.00		\$ 1,030,072.98

**Item #'s represent the following:**

- 12=Partial or full waivers of utility and other income home energy connection and reconnection fees, application fees, and late payment charges
- 13= Partial or full waivers of utility and other home energy connection and reconnection fees, application fees, and late payment charges
- 14=Partial or full forgiveness of home energy bill arrearages
- 15=Discounts or reductions in the costs of home heating and weatherization materials

- 16=Services of paid staff donated by their employer to deliver fuel and other tangible items that help low-income households meet the cost of home energy
- 17=Purchase, delivery, and installation of energy efficient equipment/technologies that help low-income households meet the cost of home energy
- 18= Low-income energy assistance investments made through power purchases pursuant to 69-8-402(2)(b)
- 19= Other -- Admin., etc..
- 19a. Education for Low-Income

	<i>Item #1</i>	<i>Item #2</i>	<i>Item #3</i>	<i>Item #4</i>	<i>Item #5</i>	<i>Item #6</i>	<i>Item #7</i>	<b>TOTAL</b>
<b>Beartooth</b>						\$ 1,839.60		\$ 1,839.60
<b>Big Flat</b>						\$ 3,567.27		\$ 3,567.27
<b>Fall River</b>								
<b>Fergus</b>								
<b>Flathead</b>						\$ 184,464.00		\$ 184,464.00
<b>Glacier</b>						\$ 25,800.00		\$ 25,800.00
<b>Goldenwest</b>				\$ 500.00				\$ 500.00
<b>Hill County</b>								\$ -
<b>Lincoln</b>	\$ 974.82					\$ 20,302.02		\$ 21,276.84
<b>LYREA</b>								
<b>MariasRiver</b>						\$ 5,401.04		\$ 5,401.04
<b>McCone</b>						\$ 290.00		\$ 290.00
<b>Mid-Yellowstone</b>						\$ 245.28		\$ 245.28
<b>Missoula</b>						\$ 37,516.00		\$ 37,516.00
<b>Northern</b>								0
<b>North. Lights</b>						\$ 16,711.98		\$ 16,711.98
<b>Park</b>				\$ 1,665.49		\$ 12,618.56	\$ 1,229.97	\$ 15,514.02
<b>Ravalli</b>				\$ 2,500.00		\$ 27,292.00	\$ 620.00	\$ 30,412.00
<b>Sheridan</b>						\$ 16,609.00		\$ 16,609.00
<b>Southeast</b>								\$ -
<b>SunRiver</b>						\$ 5,120.64		\$ 5,120.64
<b>TongueRiver</b>						\$ 1,379.70		1379.7
<b>Valley</b>								\$ -
<b>Vigilante</b>						\$ 28,325.00	\$ 5,086.94	\$ 33,411.94
<b>YVEC</b>	\$ 1,350.00			\$ 2,785.00		\$ 8,572.00		\$ 12,707.00
<b>TOTAL</b>	\$ 2,324.82	\$ -		\$ 7,450.49		\$ 390,647.22		\$ 412,766.31

*Item #'s represent the following:*

- 1=Photovoltaics conversion
- 2= Solar thermal applications
- 3= Geothermal projects
- 4=Wind power projects

- 5= Local micro hydro projects that are on streams outside protected areas as defined by the Northwest Power Planning Council or state or federal law, or that are irrigation ditch projects
- 6=Renewable energy investments made through power purchases pursuant to 69-8-402(2)(b)
- 7=Other

**Line Item Spending -Research and Development**

	<b>Item #1</b>	<b>Item #2</b>	<b>Item #3</b>	<b>Item #4</b>	<b>TOTAL</b>
<b>Beartooth</b>					
<b>Big Flat</b>					
<b>Fall River</b>					
<b>Fergus</b>					\$ -
<b>Flathead</b>					
<b>Glacier</b>					\$ -
<b>Goldenwest</b>					
<b>Hill County</b>					
<b>Lincoln</b>	\$714.00				\$ 714.00
<b>LYREA</b>					
<b>MariasRiver</b>					
<b>McCone</b>					
<b>Mid-Yellowstone</b>					
<b>Missoula</b>					
<b>Northern</b>					
<b>Northern Lights</b>					
<b>Park</b>					
<b>Ravalli</b>					\$ -
<b>Sheridan</b>					
<b>Southeast</b>					
<b>SunRiver</b>					
<b>TongueRiver</b>					
<b>Valley</b>					
<b>Vigilante</b>	\$ 1,264.00				\$ 1,264.00
<b>YVEC</b>					
<b>TOTAL</b>	\$ 1,978.00	\$ -			\$ 1,978.00

**Item # 1:**

*Represents dues paid to the National Rural Electric Cooperative Association's Cooperative Research Network*

**Line Item Spending -Market Transformation**

	<b>Item #1</b>	<b>Item #2</b>	<b>Item #3</b>	<b>Item #4</b>	<b>TOTAL</b>
<b>Beartooth</b>					
<b>Big Flat</b>					
<b>Fall River</b>					
<b>Fergus</b>					
<b>Flathead</b>					
<b>Glacier</b>					\$ -
<b>Goldenwest</b>					
<b>Hill County</b>					
<b>Lincoln</b>					
<b>LYREA</b>					
<b>MariasRiver</b>					
<b>McCone</b>					
<b>Mid-Yellowstone</b>					
<b>Missoula</b>					
<b>Northern</b>					
<b>Northern Lights</b>					
<b>Park</b>					
<b>Ravalli</b>					\$ -
<b>Sheridan</b>					
<b>Southeast</b>					
<b>SunRiver</b>					
<b>TongueRiver</b>					
<b>Valley</b>					
<b>Vigilante</b>					\$ -
<b>YVEC</b>					
<b>TOTAL</b>					0



# MONTANA-DAKOTA

UTILITIES CO.

A Division of MDU Resources Group, Inc.

400 North Fourth Street  
Bismarck, ND 58501  
(701) 222-7900

February 27, 2009

Mr. Russ Trasky  
Montana Department of Revenue  
Sam W. Mitchell Building  
125 N. Roberts, 3rd Floor  
Helena, MT 59604-5805

RE: Montana-Dakota Utilities Co.  
2008 Electric USB Report

Montana-Dakota Utilities Co., a Division of MDU Resources Group, Inc. herewith submits its accounting of expenditures for 2008 Universal System Benefit Programs (USBP) and transmits the amount to be remitted to the Department of Revenue pursuant to MCA § 69.8.402 (8) as part of the Electric Utility Industry Restructuring Law.

Following is an accounting of collections and expenditures for 2008. A report providing details regarding each program will be submitted on March 2, 2009.

The determination of this amount is summarized below:

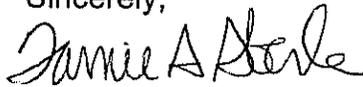
Total USB Funds Collected	\$905,482.21
Less: Program Expenditures	
Low-Income Discount	\$105,036.76
Low-Income Weatherization	127,200.00
Low-Income Energy Audits	10,000.00
Energy Share Endowment & Admin	35,000.00
Energy Share Bill Assistance	45,000.00
Energy Share Furnace Safety	25,000.00
Low-Income Program Promotion	1,800.00
Conservation Programs	11,922.14
Total Montana-Dakota Programs	<u>\$360,958.90</u>
Less Large Customer Self-Directed Funds	<u>208,797.66</u>
Amount to Remit to Department of Revenue	<u><u>\$335,725.65</u></u>

In accordance with 69-8-402 (MCA) the Large Customer Group has the right to self-direct funds collected through the USBC. Funds totaling \$208,797.66 were refunded to the Large Customer group.

In accordance with 69-8-402 (MCA) Montana-Dakota, herewith submits the unexpended balance of \$335,725.65 to the Department of Revenue.

Please acknowledge receipt by stamping or initialing the duplicated copy of this letter attached hereto and returning the same in the enclosed, self-addressed, stamped envelope.

Sincerely,

A handwritten signature in black ink that reads "Tamie A. Aberle". The signature is written in a cursive style with a large initial "T" and "A".

Tamie A. Aberle  
Pricing & Tariff Manager



NorthWestern Corporation  
d/b/a NorthWestern Energy  
40 East Broadway Street  
Butte, MT 59701  
Telephone: (406) 497-3000  
Facsimile: (406) 497-2535  
[www.northwesternenergy.com](http://www.northwesternenergy.com)

March 2, 2009

Mr. Russ Trasky  
Montana Department of Revenue  
Large Customer Team  
PO Box 5805  
Helena MT 59620-5805

Dear Mr. Trasky:

Enclosed with this letter is the 2008 Electric Universal System Benefits (USB) report for NorthWestern Energy. Copies of this report are also being provided to the Montana Public Service Commission and members of the Energy and Telecommunications Interim Committee of the Montana Legislature.

The report documents the revenues collected by NorthWestern Energy through the USB Charge; summarizes the qualifying expenditures made by the utility in the implementation of internal programs and activities, and the credits claimed; and documents the collection and reimbursement of the USB charge from NorthWestern Energy's Large Customers.

A total of \$9,625,630 in electric USB revenues was collected from NorthWestern Energy's electric distribution customers in 2009.

Approximately 35% of the 2008 USB funds, or \$3,408,329 was directed to low income activities by NorthWestern Energy. Large Customers self-directed activities accounted for 33% of the total electric USB revenues collected with \$127,428 self-directed to low income activities and \$2,962,738 self-directed to energy reduction activities. Allocations by NorthWestern Energy to the other public purpose categories are as follows: 19% or \$1,866,896 to local conservation, 1% or \$136,441 to market transformation, and, 11% or \$1,068,687 to renewable energy and research and development.

Included with the 2008 report are updates for the 2006 and 2007 reports.

No USB funds collected from NorthWestern Energy customers are being released to Statewide USB funds.

If you have questions, please contact our USB staff at 406-497-2491.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Thomas".

Bill Thomas  
Manager Regulatory Support Services



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**Executive Summary**

*NorthWestern Energy is committed to administering Universal System Benefits (USB) programs and activities to efficiently deliver public purpose benefits to its Montana distribution customers to the fullest extent possible.*

Electric customers in NorthWestern Energy's Montana distribution territory have funded \$87,663,109 of public purpose activities since the implementation of Universal System Benefits activities and programs in January of 1999. USB has resulted in increased funding for low income activities, conservation and market transformation programs have been sustained, and new renewable generation opportunities have been initiated for NorthWestern Energy's customers.

In 2008, a total of \$9,625,630 was collected from NorthWestern Energy's electric distribution customers.

A mix of low income, conservation, market transformation and renewable programs and activities similar to those provided in 2007, were continued in 2008. As reported in the past, some local conservation and market transformation activities previously funded with USB dollars are now, with direction from the Montana Public Service Commission (MPSC), funded as part of NorthWestern Energy's electric supply portfolio as demand side management (DSM) programs or activities.

Funds have been allocated to the categories consistent with MPSC Interim Order 6679a to meet low income program obligations, including the natural gas USB revenue shortfall related to the NWE natural gas low income discount. Increased funding allocations to low income in 2007 resulted in a significant amount of 2007 funds committed to Free Weatherization being carried forward to fund the free weatherization work completed in 2008. As a result, the amount of 2008 funds committed to free weatherization was reduced. The overall average funding of low income activities for 2007 and 2008 is comparable with 2006 and is consistent with the allocation guidelines in Order 6679a. Of the total 2008 electric USB revenues, \$3,408,329, or 35% were allocated to low income activities. After the low income obligations had been met, the remaining funds

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were committed to renewable activities, and local conservation and market transformation activities.

Large customers self-directed 4% of their 2008 electric USB funds to low income activities, and NorthWestern Energy reallocated \$47,162 of unspent large customer funds to low income, bringing the total of 2008 electric USB funds directed to low income to \$3,582,919.

NorthWestern Energy implements its USB programs and activities consistent with the requirements of legislation for USB, the Department of Revenue (DOR) administrative rules for USB Programs, and tariffs and orders of the MPSC. NorthWestern Energy's allocation decisions for 2008 are consistent with well established past practices. To the extent that substantial programmatic or funding levels have been made, these changes are noted in the appropriate activity summary.

The activities for 2008 are summarized and the qualifying expenditures and credits claimed by NorthWestern Energy are documented with this report. *No funds are being released to the Statewide USB fund(s).* Large Customers that self-direct their funds are required to separately report those activities. To the extent that a Large Customer has informed NorthWestern Energy that they have directed funds to low income activities, the totals have been reported. Unspent Large Customer dollars have been reallocated to low income by the utility consistent with MPSC direction and are noted in this report.

This report includes brief highlights of activity in each category, a summary of the allocations of 2008 electric USB funds by category and activity, and a summary of the energy savings and resources resulting from the 2008 allocations. The report also includes updates on previous years' activities, and a summary by public purpose category of electric USB funding from 1999-2008.

As noted in the 2007 report, an independent evaluation of NorthWestern Energy's USB and DSM programs was completed in 2007. The evaluation concluded that these programs are well-run, follow many best practices, and should be continued.

In 2008, the MPSC initiated a proceeding regarding NorthWestern Energy's electric and natural gas USB activities. Order 6679e sustained the low income bill discount levels. As outlined in the order, allocation changes to electric USB activities will be made in 2009. NorthWestern Energy will document the changes in its 2009 report.

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**UNIVERSAL SYSTEM BENEFITS REVENUES**

NorthWestern Energy's Universal System Benefits Charge (USBC) tariffs went into effect January 1, 1999. As required in law, the tariffs were established to collect nearly \$8.6M (2.4% of 1995 revenues) in a weather-normal year based upon 1998 loads. The USBC generated \$9,625,630 in 2008. The table below shows that the USBC revenues are based upon electrical usage (kilowatt hours or kWh), lists the USBC tariff rates by customer class, and the percentage of USB revenues each sector provided in 2008.

<b>General Description</b>	<b>Tariffed Customer Class</b>	<b>Rate/kWh</b>	<b>Percent</b>
Residential	Residential	\$0.001334	32%
Commercial/Small Industrial	GS-1 & GS-2 under 1000 KW	\$0.001143	32%
Large Customer per USB	GS-1 & GS-2 over 1000 kW	\$0.000900	33%
Irrigation	Irrigation	\$0.001144	1%
Lighting	Lighting	\$0.003404	2%

An average NorthWestern Energy residential customer using 750 kWh/month pays about \$1 each month for electric USBC. The Large Customer USB rate of \$0.0009 per kWh was set by the legislature. Revenues collected from Large Customers comprised 33% of the electric USB funds in 2008.

Large Customers are those customers with an individual qualifying load greater than 1,000 kW average monthly demand in the previous calendar year. By law, Large Customers may self-direct their USB funds to qualifying public purposes. The Large Customer USBC rate is applied to the qualifying load and for all associated demand-metered accounts. Large customers, representing 58 customers and their nearly 500 accounts, make up more than \$3.145M of the USB revenues.

Appendix 1 provides additional information.

**Segregated USB Account**

NorthWestern Energy segregates its electric and natural gas USB funds from other utility operating funds by depositing them into a separate interest-bearing bank account, per MPSC order (D2003.8.114, Order No. 6504a). In 2008, the net gain in interest to USB was \$13,834 of which \$11,067 was credited to the electric USB categories on a pro rata basis and the balance was credited to natural gas USB activities.

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**UNIVERSAL SYSTEM BENEFITS EXPENDITURES**

All electric USB funds collected from NorthWestern Energy customers in 2008 have been spent and/or committed to qualifying public purposes. No funds are being released to the Statewide USB fund(s).

This report includes information regarding the 2008 USB programs and activities for NorthWestern Energy customers. Sections are provided for Low Income, Local Conservation, Market Transformation, Renewable Resources, and Research and Development. Additionally, a general summary of the Large Customer self-directed activities is provided. NorthWestern Energy does not “qualify” Large Customer self-directed activities and therefore, only provides the funding obligation and basic expenditure information. See Appendix 2 for a summary of the 2008 allocations and expenditures and Appendix 3 for energy savings and customer participation information.

NorthWestern Energy’s mix of programs and activities are guided by the MPSC through D97.7.90 Orders 5986 f, g, and i, D2003.10.142 Order 6514, D2003.8.114, Order No. 6504a, D2004.6.90 Order 6574c, and D2005.6.106 Orders 6679a, b, and c; advice from members of NorthWestern Energy USB Advisory Committee; input from the Montana Department of Health and Human Services (MDPHHS) and local human resource councils for the free weatherization program; through experience in program design and implementation; and in response to customer needs and market conditions.

As provided for in the Administrative Rules of Montana and the Montana Code Annotated, NorthWestern Energy implemented qualifying internal utility programs and activities in 2008 and has financial commitments to implement additional activities/projects for completion in 2009. These programs and activities are described in this report. The breakdown between qualifying expenditures in the current year and financial commitments for completion in 2009 is documented in Appendices 2 and 3 to this report.

NorthWestern Energy requested, and was granted by the Department of Revenue (DOR), time extensions for projects for which the timelines have been modified requiring more time for completion. None of the projects to which 2008 funds have been committed are expected to extend beyond 2009 at this time.

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**UNIVERSAL SYSTEM BENEFITS RESULTS**

From 1999 through 2008, NorthWestern Energy has delivered USB benefits to various customer classes and across all public purpose categories. General descriptions of the activities or programs for 2008 are provided along with the funding total for the category.

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***Large Customers-- \$3,145,276***

*Large customers are allowed to self-direct their USB funds by statute. Those who self-direct funds are required to file individual reports with the Department of Revenue regarding their activities. NorthWestern Energy is required to collect the USBC from these customers pursuant to Montana Code through a tariff. Individual customers file reimbursement claims with NorthWestern Energy for which the utility processes payment. NorthWestern Energy does not pre-qualify Large Customer credits and bears no financial responsibility for any disallowance of their activities. Energy savings associated with Large Customer projects are not accounted for in NorthWestern Energy's report.*

Large Customer revenues are included in the utility's annual USB obligation. Large Customers may self-direct their funds and do not have a minimum funding requirement for low income nor an obligation to fund any of the utility's activities. Likewise, Large Customers are not eligible to participate in NorthWestern Energy's USBC funded E+ programs.

In 2008, \$3,145,276 was collected from 58 Large Customers to meet their 2008 obligations. All but four self-directed all of their 2008 USB funds. Large customers self-directed \$2,372,871 toward energy reduction projects within their facilities in 2008, and have carried over \$589,867 for additional energy reduction projects in 2009. Large Customers also self-directed \$127,428 to low income activities in 2008.

The unclaimed Large Customer funds and the USB account interest covered NorthWestern Energy administrative costs for this area leaving a balance of \$47,162 that is being reallocated to the low income category for expenditure in 2009 by NorthWestern Energy, consistent with MPSC direction.

Claims to NorthWestern Energy for reimbursement are documented as received. Reimbursements are made after the USBC has been collected from the customer.

Large Customer USB obligations and claims are only provided by NorthWestern Energy to DOR under Protective Order for accounting purposes only.

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***Low Income Activities--\$ 3,408,329***

*In D97.7.90 Order No. 5986j, the MPSC directed the utility to allocate 21% of the total electric USB funds collected to Low Income activities and to reallocate any unspent Large Customer funds to Low Income activities. In 2005, the MPSC issued orders 6574c, 6679a and 6679b, all of which served to increase the allocation of electric USB funds to the Low Income sector. MPSC order 6679c extended the previous order through the current heating season. The 2008 MPSC Order 6679e made permanent the low income bill discount levels and provided direction to guide allocations amongst the electric USB categories which will be implemented in 2009.*

*NorthWestern Energy directed \$3,408,329 in 2008 electric USB funds to low income activities, or 35% of electric USB revenues. Large Customers reported self-directing an additional \$127,428 to Low Income activities, and NorthWestern Energy has reallocated unspent 2008 Large Customer revenues of \$47,162 to Low Income activities bringing the total 2008 funds committed to Low Income to \$3,582,919 or more than 37% of the total funds collected.*

*Increased funding allocations to low income in 2007 resulted in a significant amount of 2007 funds committed to Free Weatherization being carried forward to fund the free weatherization work completed in 2008. As a result, the amount of 2008 funds committed to free weatherization was reduced. The overall average funding of low income activities for 2007 and 2008 is comparable with 2006 and is consistent with the allocation guidelines in Order 6679a.*

*Appendix 4 to the 2008 report provides a summary of NorthWestern Energy's Electric USB allocations for 1999-2008 by category and better illustrates the low income reallocations.*

Low Income USB funds are directed to a wide range of activities that benefit low income customers of the utility. Program offerings include bill assistance, weatherization and emergency energy assistance. Households served by NorthWestern Energy that meet LIEAP eligibility requirements receive bill assistance in the form of a discount, and may be eligible for weatherization services through the Free Weatherization Program. During the 2008-2009 heating season, DPHHS increased the LIEAP eligibility guidelines from the historic level of up to 150% of the Federal poverty guidelines to 175% of the Federal poverty guidelines. This administrative change by DPHHS results in more NorthWestern Energy customers becoming eligible for bill assistance through LIEAP and NorthWestern Energy's low income bill discount. Income-qualified households with energy emergencies may receive assistance through Energy Share of Montana.

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More than 11,500 low income households were served in 2008 with electric USB funds. Electric energy usage was reduced by about 60 MWh through weatherization and fuel switching projects with 2008 dollars in 2008. Additional savings will be achieved with 2008 dollars committed to weatherizing more low income homes in 2009. Further, the financial impact of electricity costs on low income households was reduced through bill assistance and emergency energy assistance.

The following table breaks out the largest low income commitments in 2008.

<b>LOW INCOME PROGRAMS See Appendix 2 for additional expenditures</b>	<b>Electric USB \$</b>	<b>Customers Served</b>
<b>Discount on NorthWestern Energy Electric bill</b> -applied to all LIEAP-qualified accounts. The discount is in addition to any LIEAP payments a customer may receive.	\$1,944,818	11,599
<b>Shortfall of NorthWestern Energy Natural Gas USB</b> -related to natural gas bill discount as authorized by MPSC. 7,721 natural gas customers receive the natural gas discount; many of whom also receive the electric discount.	\$170,649	*
<b>Energy Share Assistance</b> - Most participants also receive LIEAP assistance and the Discount. Total includes unrestricted funds for Energy Share.	\$575,000	1, 155
<b>Free Weatherization</b> - operated in partnership with State and Federal weatherization programs. Customers receive LIEAP and the Discount. \$253,867 of this commitment will be spent in 2008.	\$652,692	186**
<b>Total</b> for these activities:	\$3,343,159	*

\* The count of customers served is not additive many customers receive both the natural gas and electric Low Income Discount as do all Free Weatherization and most Energy Share recipients.

\*\* Additional homes weatherized in 2009 with 2008 funds are not included. Additional homes weatherized in 2008 with 2007 funds are counted in the 2007 results.

**Bill Assistance**

Customers receiving NorthWestern Energy's low income discounts benefited from USB reallocations in 2008. Customers qualifying for LIEAP, the federally funded heating assistance program, also receive the NorthWestern Energy bill discount. Customers may apply for LIEAP assistance through their local Human Resource Council (HRC). As noted earlier, LIEAP eligibility guidelines were increased by DPHHS during the 2008-2009 heating season. The impacts on customer participation and funding levels as a result of increasing eligibility from 150% to 175% of the Federal poverty guidelines will be better defined in the 2009 report

MPSC Order 6679e issued in December of 2008 made permanent NorthWestern Energy's electric and natural gas low income discounts. As directed by the MPSC, NorthWestern Energy has covered the natural gas USB revenue shortfall related to the natural gas discount with electric USB funds through 2008. The electric discount is 25% from November through April and 15% from May through

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October. The natural gas low income discount is 30% from November through April.

**The Free Weatherization Program**

NorthWestern Energy partners with the MDPHHS and the local HRCs to offer the Free Weatherization Program. The USB funds directed to this program increase the number of income-qualified customers of NorthWestern Energy that receive comprehensive weatherization and fuel switching services. It is available to customers whose income is within the federal poverty guidelines defined in administrative procedures by MDPHHS and whose space and/or water heat is fueled by natural gas or electricity delivered by NorthWestern Energy. Energy audits are performed on the homes of eligible customers. The audits identify cost-effective energy efficiency measures which are then installed at no cost to the customer. Measures include insulation, air-sealing, water heater wraps, water saving measures, compact fluorescent lamps, and other measures as appropriate. Energy-related health and safety issues such as heating equipment tune-ups and repairs are addressed. Customers are provided with education and recommendations on ways to better manage their energy usage. Customers heating with electricity delivered by NorthWestern Energy are considered for conversion to regulated natural gas or regulated propane where those fuels are available, and when it is cost-effective to do so.

With input from MDPHHS and the HRCs, changes have been made in the contract between NorthWestern Energy and MDPHHS regarding the Free Weatherization program for the 2008 contract. These changes shifted the majority of the funding obligation in a qualifying home to NorthWestern Energy USB funding. MDPHHS committed to separately funding homes of qualifying NorthWestern Energy customers at levels comparable to historic funding.

Additional program contract changes will be made in 2009 and will be noted in future reports.

*Customers served through the program provide comments back to NorthWestern Energy about their experiences through letters and customer response cards handed out by the HRCs.*

***"I had already read about what one needed to do to save energy. Thank you for making it possible!!" Missoula***

***"I had wonderful work men here and I thoroughly appreciate all they did for me. My home is much warmer now." Butte***

***"Thank you for all you did to make my home warm, comfy, cozy and energy efficient!" Butte***

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***“They did a great job and the difference inside is wonderful. Thanks.”  
Helena***

**Energy Share**

Energy Share of Montana offers assistance to those facing heating emergencies. It is intended to be a one-time, last resort safety net, used after all other resources have been exhausted. Customers must meet annualized low income qualifications, with consideration given for special circumstances as allowed by the DOR rules. Local committees determine customer eligibility and qualification based on the merits of each case. Customers are directed to contact their local HRC to apply for assistance through Energy Share.

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***Local Conservation Activities-- \$ 1,866,896***

*The mix of energy conservation and market transformation programs offered by NorthWestern Energy with USB funding has been more limited as some programs have been shifted to the electric supply portfolio as demand side management (DSM). The primary focus of these programs is to provide energy savings across customer sectors-- residential, commercial, institutional, and small industrial facilities on NorthWestern Energy's system. Customers meeting Large Customer USB criteria are not eligible to participate in these USBC funded programs.*

**E+ Energy Audit Program**

The E+ Audit for the Home is an on-site energy audit program for residential customers whose space and/or water heating fuels are delivered by NorthWestern Energy. It is a flagship of energy efficiency for NorthWestern Energy's non-low income customers. The E+ audit includes the installation of water-related energy efficiency measures that start saving right away. Customer education about where their energy dollar is going is supported through a blower door analysis, a natural gas appliance inspection for customers whose natural gas is delivered by NorthWestern Energy, and with specific suggestions for customers to better manage their homes or change behaviors for greater energy-efficiency. Customers receive a report specific to their home and energy use habits. The report breaks out historical energy usage by end-use, provides recommendations on cost-effective weatherization measures, and offers tips on energy-efficient practices and natural gas appliance maintenance. Demand for energy audits has increased as energy costs have risen and additional funds have been allocated to this program to the extent available. More than 2,750 on-site residential audits were funded with electric USB funds in 2008. Included in the on-site audits in 2008 were 91 audits of homes in Missoula as part of the Green blocks program.

Green Blocks was a partnership between NorthWestern Energy, the City of Missoula, and other Missoula entities. Neighborhoods self-nominated to receive energy audits and free installation of qualifying energy-saving measures. Only the costs associated with the energy audits is charged to USB. The balance of the costs associated with this project are included in DSM program expenses in NorthWestern Energy electric and natural gas supply rates.

NorthWestern Energy *electric baseload-only customers (no space and/or water heat fuels delivered by NorthWestern Energy)* are offered a separate audit service. The E+ Energy Survey is a mail-out audit for baseload customers consisting of a survey mailed to residential customers with specific consumption profiles. Customers complete and return the survey; they receive a report similar to the on-site E+ Audit report. In addition to breaking out the historical energy usage by appliance end-use, the report includes customer-specific

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recommendations for appliance usage in the customer's home. General weatherization and water heating recommendations are provided. With the combination of the on-site audit, the Free Weatherization program, and the E+ Energy Survey, almost every NorthWestern Energy residential customer has an energy efficiency assessment tool available for their home. Nearly 2,500 electric baseload customers participated in the E+ Energy Survey program with 2008 electric USB funding.

Customers are provided the opportunity to comment to NorthWestern Energy regarding the E+ Audit for the Home:

***Grateful! We will do all recommendations this year! Wonderful! Great Falls***

***"They explained things so that we could understand! Very thorough! Havre***

***"Informative, educational, worked well as a team, did a lot in a short time, appreciated the care they took not to track in snow. I think the audit program is a terrific service. Thanks!" Missoula***

***"I was very impressed with their knowledge and professionalism and eagerness to help!" Kalispell***

***"Try to get everyone to have this done; this goes way beyond just helpful. Thanks again." Butte***

***"Above and beyond attention to detail in workmanship. Appreciate their thoroughness, suggestions and conviction to offer energy saving solutions for my property." Billings***

The E+ Energy Appraisal Program for Businesses focuses on identifying electric conservation opportunities for commercial customers on NorthWestern Energy's electric distribution system with emphasis on smaller, main street businesses. In addition to the obvious lighting efficiency opportunities, many small businesses benefit from a greater understanding of where their energy dollar is going within their operation and the significance maintenance plans can have on their energy use and bills. More than 350 commercial customers took advantage of this program offering with 2008 USB funding.

**Efficiency Plus Business Partners Program-New/Retrofit/Irrigation**

Most of the NorthWestern Energy's E+ Business Partners Program activity is funded as DSM through electric supply rates. Irrigation projects and those commercial customers in Choice may qualify for this program with USB funds. Incentives are offered for energy conservation and load management projects in

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new and retrofit applications. Projects under this program frequently take more than a year to develop and implement.

In 2008, four irrigation efficiency improvement projects were funded and completed with 2008 USB dollars.

Customers qualifying for “Large Customer” USBC are not eligible for this USB funded program.

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## ***Market Transformation – \$136,441***

*Market Transformation is the process of bringing more energy efficient products and services into the marketplace with a goal of changing behaviors, practices, standards, and markets in such a way that the market, rather than the program or activity, supports energy efficiency.*

### **Efficiency Plus Commercial Lighting Rebate Program**

As was reported in previous years, the E+ Commercial Lighting Rebate program has largely been transitioned to electric supply DSM funding. Only non-Large USB customers who buy their electricity supply from other suppliers are eligible for USB funded Commercial Lighting rebates. In past years, such projects have been funded as request. No applications from qualifying customers were received in 2008

### **ENERGY STAR Homes**

Homes built to the Northwest ENERGY STAR standards are on the increase in Montana. Incentives for these homes are funded through the DSM programs but outreach for the Northwest ENERGY STAR homes program including builder and verifier training and program promotion continue to be funded as a USB market transformation program.

### **Motor Management and Building Operator Certification Training**

Training and education are important components in moving customers to more energy efficient products and practices. These two market transformation activities provide quality, regionally and nationally recognized training sessions to qualifying customers and trade allies at little or no cost to participants. These activities help support other electric energy efficiency programs of NorthWestern Energy.

## ***Renewable Resources, and Research and Development--\$1,068,687***

*Renewable energy development as a public purpose category was initiated with the Universal System Benefits programs in NorthWestern Energy's service territory in 1999. The Research and Development activities funded in 2008 were tied to renewable resources, so the two categories have been combined for this discussion. Costs for the separate categories are broken out in the appendices. Projects that maximize the partnering of funding and/or benefits are encouraged.*

There are now more than 370 net-metered renewable generators in the NorthWestern Energy service territory, with nearly all having received USB funds. Additionally, through the years USBC has provided funding toward projects

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without net-metering, most notably for some solar thermal systems and one biomass project.

The following table summarizes the renewable projects that have received USB funding.

<b>USB Renewable Projects 1999-2008</b>		
<b>Facility Type</b>	<b>#</b>	<b>KW</b>
Commercial Projects	15	62.5
Fire Stations	25	42.4
Irrigation Projects	5	102.8
Low Income Projects	38	88.1
Non-Profit Projects	21	39.3
Private Residences	270	473.6
Schools	39	98.2
Other Public Buildings	10	40.3
Biomass	1	750
Solar Thermal	18	NA
Biodiesel	1	15

Since renewable USB activities were initiated in 1999, some independent businesses have become well enough established to offer turnkey services to customers, from the education of customers, through the installation of small-scale wind or photovoltaic systems. In 2008, these businesses, as well as a program contractor, provided education, project development services and rebates to residential and commercial customers funded with USB dollars for qualifying renewable installations. USB funds continue to support the installation of solar electric systems tied with battery banks at fire stations to support critical operations in the event of a power outage. Seminars, tours, workshops and exhibits for individuals interested in renewable energy technologies and sustainable building practices continue to be funded. Additionally, USB funds are used in partnership with the Montana Renewable Energy Association (MREA) and the Occupational Safety and Health Administration (OSHA) to provide safety training to installers of small renewable generation systems.

The website [www.montanagreenpower.com](http://www.montanagreenpower.com) is supported with USB dollars as a resource on the progress of renewable energy.

NorthWestern Energy initiated the E+ Green Power program in 2003. Through this program, customers may elect to purchase the environmental benefits associated with renewable energy generated in the Northwest and Wyoming. USB funds have been used to support the marketing of the program and revenues that are greater than expenses are returned to the renewable energy

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category and directed to other renewable projects. In 2008, funds were returned to the renewable energy category. Customer interest in this program continues to grow at a modest rate with commercial customers expressing more interest than in the past.

NorthWestern Energy continues to consult with its USB Renewable Advisory Subcommittee regarding allocations of renewable and research and development funds and works to maintain a mix of projects with geographic distribution, and to a mix of public, non-profit, and private electric facilities.

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## **Conclusion**

In every year since the inception of USB, the utility's activities have covered all public purpose categories—low income, local conservation, market transformation, renewable generation and research and development, and, the offerings have included all customers—low income, senior citizens, and other residential customers; main street businesses, schools and government, office buildings, and small industrial companies; with the exception of the Large Customers, who may self-direct USB funds.

Programs and funding activities continue to be coordinated by NorthWestern Energy staff with much of the implementation work being performed by others. The Free Weatherization Program is a cooperative effort between NorthWestern Energy, the Montana Department of Health and Human Services, and the local Human Resource Councils. The Human Resource Councils also qualify customers for the utility's bill discount, and emergency bill assistance with, Energy Share.

NorthWestern Energy collects the natural gas USBC from its customers and implements low income bill assistance and weatherization, and residential conservation activities. The natural gas USB activities are funded and implemented consistent with law and MPSC Order.

Addendums for the years 2006 and 2007 are included to provide an update of funded USB activities that were completed this past year.

Find out more about NorthWestern Energy USB programs by visiting [www.northwesternenergy.com](http://www.northwesternenergy.com), in the Montana sections.

For further information regarding this report, please contact:

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# NorthWestern<sup>TM</sup> Energy

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Appendices 1-4



Appendix 1  
2008 Electric USB Revenues

	USBC kWh (Load)	USBC Revenue By Class	% of USB Revenue By Class
<b>Residential</b>			
Residential	2,295,070,163	\$ 3,059,055	32%
<b>General Service</b>			
GS-1/GS-2 < 1000 kW	2,736,779,951	\$ 3,106,952	32%
Irrigation	87,806,550	\$ 100,299	1%
Lighting	63,004,563	\$ 214,610	2%
<b>Total Non-Large Customer</b>	<b>5,182,661,227</b>	<b>\$ 6,480,916</b>	<b>67%</b>
<b>Large Customer</b>			
GS-1/GS-2 > 1000 kW and Special Contracts	3,494,125,369	\$ 3,144,713	33%
<b>Total Large Customer</b>	<b>3,494,125,369</b>	<b>\$ 3,144,713</b>	<b>33%</b>
<b>Total USBC</b>	<b>8,676,786,596</b>	<b>\$ 9,625,630</b>	<b>100%</b>

*Note: The Residential class includes income-qualified customers receiving the 25% Low-Income discount from November 1st - April 30th and the 15% Low-Income discount from May 1st - October 31st. The discount is applied to the total bill, including the Universal System Benefits Charge.*

	Revenue Allocation		2008 Spent in 2008	Contracted - 2008 Complete 2009	Allocation & Expenses
	per Interim Order 6679a	Reallocation <sup>(a)</sup>			
<b>Local Conservation</b>	<b>1,262,612</b>	<b>604,284</b>	1,555,923	310,973	<b>1,866,896</b>
E+ Residential Audit/Sm. Comm Audit			1,401,177	310,973	1,712,150
E+ Business Partners / Irrigation Projects			62,350	-	62,350
NWE Promotion			39,872	-	39,872
NWE Labor			50,150	-	50,150
NWE Admin. Non-labor			3,837	-	3,837
USB Interest & Svc Chg			(1,463)	-	(1,463)
Local Conservation Summary			1,555,923	310,973	1,866,896
<b>Market Transformation</b>	<b>114,139</b>	<b>22,302</b>	123,453	12,988	<b>136,441</b>
E+ Commercial Lighting			-	-	-
Motor Management Training			11,357	3,643	15,000
Energy Star Homes			35,237	9,345	44,582
Building Operator Certification			44,379	-	44,379
NWE Promotion			15,366	-	15,366
NWE Labor			17,161	-	17,161
NWE Admin. Non-labor			86	-	86
USB Interest & Svc Chg			(132)	-	(132)
Market Transformation Summary			123,453	12,988	136,441
<b>Renewable Resources</b>	<b>663,314</b>	<b>310,977</b>	198,224	776,066	<b>974,291</b>
Generation/Education			165,526	776,066	941,592
Green Power Product Offering			(3,592)	-	(3,592)
NWE Promotion			5,038	-	5,038
NWE Labor			31,826	-	31,826
NWE Admin. Non-labor			195	-	195
USB Interest & Svc Chg			(768)	-	(768)
Renewable Resources Summary			198,224	776,066	974,291
<b>Research &amp; Development</b>	<b>90,936</b>	<b>3,460</b>	21,898	72,498	<b>94,396</b>
R&D/ Infrastructure			17,875	72,498	90,373
NWE Promotion			1,256	-	1,256
NWE Labor			2,846	-	2,846
NWE Admin. Non-labor			27	-	27
USB Interest & Svc Chg			(105)	-	(105)
Research & Development Summary			21,898	72,498	94,396
<b>Low Income <sup>(c)</sup></b>	<b>3,571,063</b>	<b>(162,734)</b>	3,154,950	253,379	<b>3,408,329</b>
Bill Assistance			1,944,818	-	1,944,818
Free Weatherization			399,313	253,379	652,692
Elec Wx Incentives			12,504	-	12,504
Fuel Switch Analyses			3,400	-	3,400
Energy Share			575,000	-	575,000
2008 Natural Gas USB Shortfall Recovery <sup>(b)</sup>			170,649	-	170,649
NWE Promotion			11,808	-	11,808
NWE Labor			39,439	-	39,439
NWE Admin. Non-labor			3,003	-	3,003
USB Interest & Svc Chg			(4,982)	-	(4,982)
Low Income Summary			3,154,950	253,379	3,408,329
<b>Large Customer</b>	<b>3,145,276</b>	<b>(0)</b>	2,508,247	637,029	<b>3,145,276</b>
Self-Directed Energy Reduction			2,372,871	589,867	2,962,738
Self-Directed to Low Income			127,428	-	127,428
USB Interest & Svc Chg			(3,616)	-	(3,616)
Unspent \$ Reallocated by NWE			-	-	-
-NWE Labor			11,564	-	11,564
-NWE Admin. Non-labor			-	-	-
-NWE Reallocate to Low-Income			-	47,162	47,162
Large Customer Summary			2,508,247	637,029	3,145,276
<b>Unallocated</b>	<b>778,291</b>	<b>(778,291)</b>	-	-	-
<b>Totals</b>	<b>9,625,630</b>	<b>0</b>	<b>7,562,696</b>	<b>2,062,934</b>	<b>9,625,630</b>
<b>2008 USB Revenues less Expenses and Contractual Commitments</b>					<b>-</b>

<sup>(a)</sup> 2008 electric USB funds were allocated based on the stipulation reached in MPSC Order 6679a issued in November 2005. MPSC Interim Order 6679a required a reallocation of funds between categories to meet low-income program obligations.

<sup>(b)</sup> To protect the integrity of the segregated USB cash account, MPSC Interim Order 6679a, 6679b and 6679c authorized NWE to cover natural gas USB revenue shortfalls related to the natural gas low-income discount with surplus electric USB funds.

<sup>(c)</sup> 2008 low income funding was adjusted in recognition of a significant increase in funding during 2007. An average of 2007 & 2008 is comparable to the 2006 low income funding as per the MPSC Order 6679a allocation guideline.

**2008 USB FUNDING AND EXPENDITURE SUMMARY**

USB Category	Allocation of 2008 funds based on Order 6679a	Percentage by Category	Allocation of 2008 funds to meet LI Discount	Percentage by Category	Allocation w/Lrg Cust funds self-directed to LI <sup>(a)</sup>	Percentage by Category	Total Electric USB Funds Spent in 2008	2008 Electric USB Funds Contracted to Spend in 2009
Local Conservation	\$ 1,262,612	13%	\$ 1,866,896	19%	\$ 1,866,896	19%	\$ 1,555,923	\$ 310,973
Market Transformation	\$ 114,139	1%	\$ 136,441	1%	\$ 136,441	1%	\$ 123,453	\$ 12,988
Renewables	\$ 663,314	7%	\$ 974,291	10%	\$ 974,291	10%	\$ 198,224	\$ 776,066
Research & Development	\$ 90,936	1%	\$ 94,396	1%	\$ 94,396	1%	\$ 21,898	\$ 72,498
Low Income	\$ 3,571,063	37%	\$ 3,408,329	35%	\$ 3,535,757	37%	\$ 3,154,950	\$ 253,379
Large Customer	\$ 3,145,276	33%	\$ 3,145,276	33%	\$ 3,017,848	31%	\$ 2,508,247	\$ 637,029
Unallocated	\$ 778,291	8%						
	<b>\$ 9,625,630</b>	<b>100%</b>	<b>\$ 9,625,629</b>	<b>100%</b>	<b>\$ 9,625,629</b>	<b>100%</b>	<b>\$ 7,562,695</b>	<b>\$ 2,062,934</b>

**2008 LOW-INCOME FUNDING SUMMARY**

Low-Income Category	
Bill Assistance	\$ 1,944,818
Free Weatherization	\$ 399,313
Elec Wx Incentives	\$ 12,504
Fuel Switch Analysis	\$ 3,400
Energy Share	\$ 575,000
2008 USB Natural Gas Shortfall Recovery	\$ 170,649
NWE Promotion	\$ 11,808
NWE Labor	\$ 39,439
NWE Admin. Non-labor	\$ 3,003
USB Interest & Svc Chg	\$ (4,982)
Self-Directed Large Customer	\$ 127,428
<b>Low-Income USB Funding from all 2008 Electric USB sources :</b>	<b>\$ 3,282,378</b>
<b>Low-Income share of 2008 Electric USB revenues :</b>	<b>34.1%</b>

**2008 ELECTRIC USB PARTICIPATION SUMMARY**

Electric USB Activity by Category	Quantity	Units
<b>Conservation</b>		
Residential Onsite Audits	2,754	homes
Residential Mail out Audits	2,494	homes
Business Appraisals	351	businesses
Business Partners / Irrigation	4	projects
<b>Market Transformation</b>		
Commercial Lighting	-	projects
NWE Building Operator Certification	33	people
Motor Training	72	people
Vendor Miser	6	units
Energy Star Builder Training	39	people
<b>Renewables</b>		
Generation / Education	14	projects
<b>Research &amp; Development</b>		
Renewable Energy Seminars/Workshops	457	attendees
<b>Low-Income</b>		
Bill Assistance	10,966	households
Free Weatherization	186	homes
Energy Share	1,155	households

**2008 ENERGY SAVINGS & RENEWABLE RESOURCES ESTIMATES**

	Savings & Resources acquired in 2008 w/ 2008 \$		
	aMW	MWH	MW
Local Conservation	0.2071	1,815	0.399
Market Transformation	0.5349	4,686	-
Renewables	0.0062	54	0.041
Research & Development	NA	NA	NA
Low Income	0.0069	60	0.005
Large Cust - Low Income	NA	NA	NA
Large Customer <sup>(b)</sup>	NA	NA	NA
	<b>0.7552</b>	<b>6,615</b>	<b>0.445</b>

	Projected Savings & Resources to acquire in 2009 w/ 2008 \$ <sup>(c)</sup>		
	aMW	MWH	MW
Local Conservation	0.0245	214	0.045
Market Transformation	-	-	-
Renewables	0.0131	115	0.095
Research & Development	NA	NA	NA
Low Income	0.0042	37	0.003
Large Cust - Low Income	NA	NA	NA
Large Customer <sup>(b)</sup>	NA	NA	NA
	<b>0.0418</b>	<b>366</b>	<b>0.143</b>

<b>Total Savings &amp; Resources</b>	<b>0.7970</b>	<b>6,982</b>	<b>0.588</b>
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<sup>(a)</sup> Large Customers may self-direct their USB dollars to energy saving and renewable activities in their own facilities, or to Low-Income activities. In 2008, Large Customers self-direct a total of \$127,428 to Low-Income.

<sup>(b)</sup> Large Customer energy savings estimates are reported by individual large customers and are not available in this report.

<sup>(c)</sup> Projected Savings & Resources are based on contracts that were in place at the end of 2008. Actual results will be reported in 2009.

**Annual Electric USB Allocation**

**Original Allocation per D97.7.90, Order 5986g (a)**

	<b>% by Category</b>	<b>\$ by Category</b>
Local Conservation	20%	1,704,748
Market Transformation	13%	1,069,860
Renewables	12%	1,051,686
Research & Development	3%	212,437
Low-Income	21%	1,866,219
Large Customers	31%	2,981,806
	100%	8,886,756

**Revised Allocation per D2005.6.106, Order 6679a (a)**

	<b>% by Category</b>	<b>\$ by Category</b>
Local Conservation	14%	1,239,352
Market Transformation	1%	112,036
Renewables	8%	651,094
Research & Development	1%	89,261
Low-Income	40%	3,505,277
Large Customers	36%	3,126,527
Unallocated	-	643,699
	100%	9,367,246

**Historic Allocation of Electric USB Funds (b)**

**USB Categories**

<b>Year</b>	<b>Total Electric USB Funds</b>	<b>Large Customers</b>	<b>Low Income (c)</b>	<b>Supplemental Low Income (d)</b>	<b>Total Low Income</b>	<b>Conservation</b>	<b>Market Transformation</b>	<b>Renewables</b>	<b>Research Development</b>	<b>Irrigation</b>
1999	7,789,477	2,715,626	1,666,669	-	1,666,669	1,622,585	721,031	654,449	409,117	-
2000	8,631,017	2,942,611	1,287,513	525,000	1,812,513	1,461,945	1,140,529	1,070,900	202,519	-
2001	8,200,995	2,469,907	1,294,533	500,000	1,794,533	1,660,401	852,251	1,113,545	64,328	246,030
2002	8,237,435	2,437,538	1,863,220	-	1,863,220	1,439,131	950,714	864,334	188,252	494,246
2003	8,522,939	2,543,165	1,986,700	725,604	2,712,304	1,142,524	1,077,120	916,703	114,849	16,274
2004	8,886,755	2,965,994	2,247,698	-	2,247,698	1,573,264	1,094,692	860,226	144,881	-
2005	9,018,197	3,046,997	2,387,502	586,394	2,973,896	1,446,761	586,332	838,336	125,876	-
2006	9,340,465	3,049,832	3,858,505	-	3,858,505	1,482,096	26,908	812,829	110,296	-
2007	9,410,198	3,063,311	4,170,445	-	4,170,445	1,315,910	77,023	673,328	110,179	-
2008	9,625,630	3,145,276	3,408,329	-	3,408,329	1,866,896	136,441	974,291	94,396	-
	<b>87,663,109</b>	<b>28,380,256</b>	<b>24,171,114</b>	<b>2,336,999</b>	<b>26,508,113</b>	<b>15,011,513</b>	<b>6,663,041</b>	<b>8,778,942</b>	<b>1,564,694</b>	<b>756,549</b>

<b>Allocation as % of Revenue by Category</b>	<b>100%</b>	<b>32%</b>		<b>30%</b>	<b>17%</b>	<b>8%</b>	<b>10%</b>	<b>2%</b>	<b>1%</b>
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<b>Allocation as % of Revenues, excluding Large Customer Revenues</b>	<b>100%</b>			<b>45%</b>	<b>25%</b>	<b>11%</b>	<b>15%</b>	<b>3%</b>	<b>1%</b>
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(a) SB 390 required that utilities collect 2.4% of their 1995 electric revenues to fund approved USB activities, and direct 17% of the total to the low income category. The allocation set forth by MPSC in Order 5986g increased NorthWestern Energy's low-income requirement to 21% of total revenues. While this adjustment did not affect the allocation for Large Customers, it effectively reduced the amount of USB funds available for other USB categories. In 2005 MPSC issued Interim Order 6679a, which reallocated funds as shown above.

(b) The historic allocation table illustrates the expenditure or direction of electric USB by category from 1999 through 2008.

(c) This column summarizes all funds reallocated to low-income activities by NorthWestern Energy, except those noted in (d). In addition to funds reallocated by NorthWestern Energy, Large Customers have self-directed \$1,389,091 to low-income activities since 1999.

(d) 2003 Supplemental low income funds reallocated based on a recommendation from the Governor's Energy Consumer Protection Taskforce, and MPSC Order 6514. 2005 Supplemental low-income funds reallocated based on a stipulation reached between NWE, District XI HRC, AARP, RNP & NRDC in Docket D2004.6.90, Order 6574c.

# NorthWestern<sup>TM</sup> Energy

NorthWestern Energy  
Universal System  
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ADDENDUM 2007 REPORT

**ADDENDUM  
to the  
2007 USB Report**



The 2007 NorthWestern Energy USBC revenues totaled \$9,410,198. Of this, \$7,101,137 was spent on projects completed in 2007, leaving a balance of \$2,309,061 of projects for completion in 2008.

Projects associated with \$2,207,703 of 2007 funds, including more than \$720,000 Large Customer self-directed activities, were completed in 2008 and the results are included in Appendix 2.

NorthWestern Energy requested, and was granted extensions from the Department of Revenue for three renewable generation contracts as allowed per ARM 49.29.111 for these projects to be completed in 2009. These extensions have been requested due to delays in deliver of materials, construction delays, and scheduling conflicts. These projects are anticipated to complete in 2009 and have remaining financial commitments of \$55,750 of 2007 electric USB funds associated with them. Also in 2009, NorthWestern Energy is reallocating \$45,605 of unspent Large Customer 2007 funds to low income activities, consistent with historic MPSC direction.

Appendix 2 provides updated results for 2007.

	Revenue Allocation		Spent in 2007	Spent in 2008	Contracted - Complete 2009	Allocation & Expenses
	per Interim Order 6679a	Reallocation <sup>(a)</sup>				
<b>Local Conservation</b>	<b>1,264,465</b>	<b>51,446</b>	1,212,654	103,256	-	<b>1,315,910</b>
E+ Residential Audit/Sm. Comm Audit			1,111,254	64,896	-	1,176,150
E+ Business Partners / Irrigation Projects			-	38,360	-	38,360
NWE Promotion			43,475	-	-	43,475
NWE Labor			56,638	-	-	56,638
NWE Admin. Non-labor			3,443	-	-	3,443
USB Interest & Svc Chg			(2,156)	-	-	(2,156)
Local Conservation Summary			1,212,654	103,256	-	1,315,910
<b>Market Transformation</b>	<b>114,306</b>	<b>(37,283)</b>	77,023	-	-	<b>77,023</b>
E+ Commercial Lighting			9,408	-	-	9,408
Motor Management Training			-	-	-	-
Energy Star Homes			44,013	-	-	44,013
Building Operator Certification			-	-	-	-
NWE Promotion			8,843	-	-	8,843
NWE Labor			14,133	-	-	14,133
NWE Admin. Non-labor			750	-	-	750
USB Interest & Svc Chg			(124)	-	-	(124)
Market Transformation Summary			77,023	-	-	77,023
<b>Renewable Resources</b>	<b>664,287</b>	<b>9,041</b>	149,354	468,224	55,750	<b>673,328</b>
Generation/Education			95,263	468,224	55,750	619,237
Green Power Product Offering			(15,411)	-	-	(15,411)
NWE Promotion			10,894	-	-	10,894
NWE Labor			59,506	-	-	59,506
NWE Admin. Non-labor			200	-	-	200
USB Interest & Svc Chg			(1,099)	-	-	(1,099)
Renewable Resources Summary			149,354	468,224	55,750	673,328
<b>Research &amp; Development</b>	<b>91,070</b>	<b>19,109</b>	44,799	65,380	-	<b>110,179</b>
R&D/ Infrastructure			30,650	65,380	-	96,030
NWE Promotion			4,642	-	-	4,642
NWE Labor			9,630	-	-	9,630
NWE Admin. Non-labor			27	-	-	27
USB Interest & Svc Chg			(151)	-	-	(151)
Research & Development Summary			44,799	65,380	-	110,179
<b>Low Income <sup>(e)</sup></b>	<b>3,576,304</b>	<b>594,141</b>	3,358,061	812,384	-	<b>4,170,445</b>
Bill Assistance			1,877,447	-	-	1,877,447
Free Weatherization			730,527	764,467	-	1,494,994
Elec Wx Incentives			7,525	-	-	7,525
Fuel Switch Analyses			2,300	-	-	2,300
Energy Share <sup>(c)</sup>			527,083	47,917	-	575,000
2007 Gas USB Shortfall Recovery <sup>(b)</sup>			157,414	-	-	157,414
NWE Promotion			13,890	-	-	13,890
NWE Labor			45,410	-	-	45,410
NWE Admin. Non-labor			3,240	-	-	3,240
USB Interest & Svc Chg			(6,774)	-	-	(6,774)
Low Income Summary			3,358,061	812,384	-	4,170,445
<b>Large Customer <sup>(d)</sup></b>	<b>3,063,311</b>	<b>0</b>	2,259,246	758,460	45,605	<b>3,063,311</b>
Self-Directed Energy Reduction			2,139,386	651,342	-	2,790,728
Self-Directed to Low Income			107,197	69,813	-	177,010
USB Interest & Svc Chg			(4,991)	-	-	(4,991)
Unspent \$ Reallocated by NWE			-	-	-	-
-NWE Labor			17,653	-	-	17,653
-NWE Admin. Non-labor			-	-	-	-
-NWE Reallocate to Low-Income			-	37,305	45,605	82,910
Large Customer Summary			2,259,246	758,460	45,605	3,063,310
<b>Unallocated</b>	<b>636,455</b>	<b>(636,455)</b>	-	-	-	-
<b>Totals <sup>(d)</sup></b>	<b>9,410,198</b>	<b>(0)</b>	<b>7,101,138</b>	<b>2,207,703</b>	<b>101,355</b>	<b>9,410,198</b>
<b>2007 USB Revenues less Expenses and Contractual Commitments</b>						<b>-</b>

<sup>(a)</sup> 2007 electric USB funds were allocated based on the stipulation reached in MPSC Order 6679a issued in November 2005. MPSC Interim Order 6679a required a reallocation of funds between categories to meet low-income program obligations.

<sup>(b)</sup> To protect the integrity of the segregated USB cash account, MPSC Interim Order 6679a, 6679b and 6679c authorized NWE to cover gas USB revenue shortfalls related to the natural gas low-income discount with surplus electric USB funds.

<sup>(c)</sup> The final 2007 Energy Share invoice was not paid until 2008. This invoice will be paid in 2008 to comply with MPSC Order 6679a.

<sup>(d)</sup> 2007 Large Customer revenues and Total 2007 Revenues have been adjusted to reflect a billing correction for a Large Customer that had been underbilled by \$10,948 in 2006.

<sup>(e)</sup> 2008 low income funding was adjusted in recognition of a significant increase in funding during 2007. An average of 2007 & 2008 is comparable to the 2006 low income funding as per the MPSC Order 6679a allocation guideline.

**PROJECTS COMPLETED IN 2008 WITH 2007 FUNDS**

Energy Savings & Renewable Resource Estimates			
USB Category	Projects Completed in 2008 with 2007 USB \$		
	aMW	MWH	MW
Local Conservation	0.0274	240	0.106
Market Transformation	0.0000	-	-
Renewables	0.0218	191	0.147
Research & Development	NA	NA	NA
Low Income	0.0133	117	0.009
Large Customer	NA	NA	NA
	<b>0.0625</b>	<b>548</b>	<b>0.261</b>

Program Participation Summary		
USB Category / Program Segment	Quantity	Units
<b>Conservation</b>		
Residential Onsite Audits	128	homes
Residential Mail out Audits	115	homes
Business Appraisals	16	businesses
Business Partners	2	projects
<b>Market Transformation</b>		
Commercial Lighting	-	projects
NWE Building Operator Certification	-	people
Vendor Miser	-	vending machines
Motor Training	-	people
<b>Renewables</b>		
Generation / Education	40	projects
<b>Research &amp; Development</b>		
Solar & Wind Site Assessments	-	sites
Solar & Wind Seminars/Workshops	179	attendees
Electrician Workshops	-	workshops
<b>Low-Income</b>		
Bill Assistance	-	households
Free Weatherization	360	homes
Energy Share	-	households

**TOTAL OF PROJECTS COMPLETED WITH 2007 FUNDS**

Energy Savings & Renewable Resource Estimates			
USB Category	Total Projects Completed with 2007 USB \$		
	aMW	MWH	MW
Local Conservation	0.1521	1,333	0.787
Market Transformation	0.0254	222	0.068
Renewables	0.0230	201	0.155
Research & Development	NA	NA	NA
Low Income	0.0296	259	116.588
Large Customer	NA	NA	NA
	<b>0.2301</b>	<b>2,015</b>	<b>117.598</b>

Program Participation Summary		
USB Category / Program Segment	Quantity	Units
<b>Conservation</b>		
Residential Onsite Audits	2,526	homes
Residential Mail out Audits	2,190	homes
Business Appraisals	155	businesses
Business Partners	3	projects
<b>Market Transformation</b>		
Commercial Lighting	-	projects
NWE Building Operator Certification	-	people
Vendor Miser	16	vending machines
Motor Training	-	people
<b>Renewables</b>		
Generation / Education	45	projects
<b>Research &amp; Development</b>		
Solar & Wind Site Assessments	-	sites
Solar & Wind Seminars/Workshops	179	attendees
Electrician Workshops	-	workshops
<b>Low-Income</b>		
Bill Assistance	11,599	households
Free Weatherization	650	homes
Energy Share	1,335	households

# NorthWestern<sup>TM</sup> Energy

NorthWestern Energy  
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ADDENDUM 2006 REPORT

**ADDENDUM  
to the  
2006 USB Report**



The 2006 NorthWestern Energy USBC revenues totaled \$9,340,465. Of this, \$7,530,305 was spent on projects completed in 2006, and \$1,581,654 in 2007, leaving a balance of \$228,506.

Renewable Generation and Research and Development projects associated with \$102,337 of 2006 funds were completed in 2008 and the results are included in Appendix 2. Additionally, Unspent Large Customer 2006 funds in the amount of \$13,850 were reallocated to low income activities by NorthWestern Energy

NorthWestern Energy requested, and was granted extensions from the Department of Revenue for two renewable generation projects as allowed per ARM 49.29.111 for these projects to be completed in 2009. These extensions have been requested due to delays in deliver of materials, construction delays, and scheduling conflicts. These projects are anticipated to complete in 2009 and have remaining financial commitments of \$112,319 of 2006 electric USB funds associated with them. Of these funds, \$100,000 are committed to the installation of a Stirling generator for the Helena Wastewater Treatment Plant which is anticipated for completion in the first half of 2009. The remaining funds are tied to installation of Photovoltaic systems on ENERGY STAR qualified new homes for which construction is not yet complete.

Appendix 2 provides updated results for 2006.

	Revenue Allocation		Spent in 2006	Spent in 2007	Spent in 2008	Contracted - Complete 2009	Allocation & Expenses
	per Interim Order 6679a	Reallocation <sup>(a)</sup>					
<b>Local Conservation</b>	<b>1,250,979</b>	<b>231,117</b>	1,238,606	243,490	-	-	<b>1,482,096</b>
E+ Residential Audit/Sm. Comm Audit <sup>(c)</sup>			1,098,814	243,490	-	-	1,342,304
E+ Business Partners / Irrigation Projects			800	-	-	-	800
NWE Promotion			79,279	-	-	-	79,279
NWE Labor			48,706	-	-	-	48,706
NWE Admin. Non-labor			13,465	-	-	-	13,465
USB Interest & Svc Chg			(2,459)	-	-	-	(2,459)
Local Conservation Summary			1,238,606	243,490	-	-	1,482,096
<b>Market Transformation</b>	<b>113,087</b>	<b>(86,179)</b>	20,237	6,671	-	-	<b>26,908</b>
E+ Commercial Lighting			-	-	-	-	-
NW Energy Efficiency Alliance			-	-	-	-	-
Motor Management Training			3,329	6,671	-	-	10,000
Energy Star Homes			-	-	-	-	-
Building Operator Certification			-	-	-	-	-
NWE Promotion			4,287	-	-	-	4,287
NWE Labor			12,568	-	-	-	12,568
NWE Admin. Non-labor			194	-	-	-	194
USB Interest & Svc Chg			(141)	-	-	-	(141)
Market Transformation Summary			20,237	6,671	-	-	26,908
<b>Renewable Resources</b>	<b>657,202</b>	<b>155,627</b>	114,100	486,276	100,134	112,319	<b>812,829</b>
Generation/Education			48,224	486,276	100,134	112,319	746,953
Green Power Product Offering			(3,458)	-	-	-	(3,458)
NWE Promotion			3,730	-	-	-	3,730
NWE Labor			66,211	-	-	-	66,211
NWE Admin. Non-labor			645	-	-	-	645
USB Interest & Svc Chg			(1,253)	-	-	-	(1,253)
Renewable Resources Summary			114,100	486,276	100,134	112,319	812,829
<b>Research &amp; Development</b>	<b>90,098</b>	<b>20,197</b>	66,510	41,582	2,203	-	<b>110,295</b>
R&D/ Infrastructure			49,270	41,582	2,203	-	93,055
NWE Promotion			2,843	-	-	-	2,843
NWE Labor			14,480	-	-	-	14,480
NWE Admin. Non-labor			88	-	-	-	88
USB Interest & Svc Chg			(172)	-	-	-	(172)
Research & Development Summary			66,510	41,582	2,203	-	110,295
<b>Low Income</b>	<b>3,538,161</b>	<b>320,344</b>	3,613,946	244,559	-	-	<b>3,858,505</b>
Bill Assistance			1,809,454	-	-	-	1,809,454
Free Weatherization			732,516	230,327	-	-	962,843
Elec Wx Incentives			-	14,232	-	-	14,232
Fuel Switch Analyses			7,172	-	-	-	7,172
Energy Share			575,000	-	-	-	575,000
2006 Gas USB Shortfall Recovery			428,529	-	-	-	428,529
NWE Promotion			13,067	-	-	-	13,067
NWE Labor			48,970	-	-	-	48,970
NWE Admin. Non-labor			6,943	-	-	-	6,943
USB Interest & Svc Chg			(7,704)	-	-	-	(7,704)
Low Income Summary			3,613,946	244,559	-	-	3,858,505
<b>Large Customer <sup>(b)</sup></b>	<b>3,049,832</b>	<b>0</b>	2,476,906	559,076	13,850	-	<b>3,049,832</b>
Self-Directed Energy Reduction <sup>(c)</sup>			2,290,971	517,267	-	-	2,808,238
Self-Directed to Low Income			177,126	37,950	-	-	215,076
USB Interest & Svc Chg			(5,666)	-	-	-	(5,666)
Unspent \$ Reallocated by NWE			-	-	-	-	-
-NWE Labor			14,475	-	-	-	14,475
-NWE Admin. Non-labor			-	-	-	-	-
-NWE Reallocate to Low-Income			-	3,859	13,850	-	17,709
Large Customer Summary			2,476,906	559,076	13,850	-	3,049,832
<b>Unallocated</b>	<b>641,106</b>	<b>(641,106)</b>	-	-	-	-	<b>-</b>
<b>Totals <sup>(b)</sup></b>	<b>9,340,465</b>	<b>0</b>	<b>7,530,305</b>	<b>1,581,654</b>	<b>116,187</b>	<b>112,319</b>	<b>9,340,465</b>
<b>2006 USB Revenues less Expenses and Contractual Commitments</b>							<b>-</b>

<sup>(a)</sup> 2006 electric USB funds were allocated based on the stipulation reached in MPSC Order 6679a issued in November 2005. MPSC Interim Order 6679a required a reallocation of funds between categories to meet low-income program obligations.

<sup>(b)</sup> 2006 Large Customer revenues and Total 2006 Revenues have been restated to reflect a billing correction for a Large Customer that had been underbilled by \$10,949 in 2006.

<sup>(c)</sup> The Addendum to 2006 report has been corrected to properly assign Large Customer revenues. This correction increased the Self-Directed Energy Reduction and reduced the Local Conservation Contracted-2006 Complete 2007 by like amounts.

**PROJECTS COMPLETED IN 2008 WITH 2006 FUNDS**

Energy Savings & Renewable Resource Estimates			
USB Category	Projects Completed in 2008 with 2006 USB \$		
	aMW	MWH	MW
Local Conservation	0.0000	-	-
Market Transformation	0.0000	-	-
Renewables	0.0037	32	0.024
Research & Development	NA	NA	NA
Low Income	0.0002	2	0.000
Large Customer	NA	NA	NA
	<b>0.0039</b>	<b>34</b>	<b>0.025</b>

Program Participation Summary		
USB Category / Program Segment	Quantity	Units
<b>Conservation</b>		
Residential Onsite Audits	-	homes
Residential Mail out Audits	-	homes
Business Appraisals	-	businesses
Business Partners	-	projects
<b>Market Transformation</b>		
Commercial Lighting	-	projects
NW Energy Efficiency Alliance		
- Energy Star Windows	-	sqft
- Energy Star Residential Lighting	-	CFLs
- Energy Star Residential Fixtures	-	fixtures
- Energy Star Washers	-	washers
- Energy Star Refrigerators	-	refrigerators
- Solar Moisture Data Logger	-	project
- BacGen Wastewater Treatment	-	projects
- Codes & Standards Training	-	system-wide
NWE Building Operator Certification	-	people
Vendor Miser	-	vending machines
Motor Training	-	people
<b>Renewables</b>		
Generation / Education	10	projects
<b>Research &amp; Development</b>		
Solar & Wind Site Assessments	-	sites
Solar & Wind Seminars/Workshops	29	attendees
Electrician Workshops	-	workshops
<b>Low-Income</b>		
Bill Assistance	-	households
Free Weatherization	6	homes
Energy Share	-	households

**TOTAL OF PROJECTS COMPLETED WITH 2006 FUNDS**

Energy Savings & Renewable Resource Estimates			
USB Category	Total Projects Completed with 2006 USB \$		
	aMW	MWH	MW
Local Conservation	0.2981	2,612	0.400
Market Transformation	0.0013	11	-
Renewables	0.0247	216	0.175
Research & Development	NA	NA	NA
Low Income	0.0562	492	0.065
Large Customer	NA	NA	NA
	<b>0.3803</b>	<b>3,331</b>	<b>0.640</b>

Program Participation Summary		
USB Category / Program Segment	Quantity	Units
<b>Conservation</b>		
Residential Onsite Audits	2,368	homes
Residential Mail out Audits	4,241	homes
Business Appraisals	237	businesses
Business Partners	1	projects
<b>Market Transformation</b>		
Commercial Lighting	-	projects
NW Energy Efficiency Alliance		
- Energy Star Windows	-	sqft
- Energy Star Residential Lighting	-	CFLs
- Energy Star Residential Fixtures	-	fixtures
- Energy Star Washers	-	washers
- Energy Star Refrigerators	-	refrigerators
- Solar Moisture Data Logger	-	project
- BacGen Wastewater Treatment	-	projects
- Codes & Standards Training	-	system-wide
NWE Building Operator Certification	-	people
Vendor Miser	5	vending machines
Motor Training	236	people
<b>Renewables</b>		
Generation / Education	78	projects
<b>Research &amp; Development</b>		
Solar & Wind Site Assessments	-	sites
Solar & Wind Seminars/Workshops	332	attendees
Electrician Workshops	-	workshops
<b>Low-Income</b>		
Bill Assistance	12,182	households
Free Weatherization	495	homes
Energy Share	1,045	households