

**NorthWestern**<sup>™</sup>  
**Energy**



**NorthWestern Energy  
Universal System  
Benefits Activities  
2010 Annual Report**

**March 2011**



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March 1, 2011

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 2010 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 \$9,191,653 in electric USB revenues was collected from NorthWestern Energy's electric distribution customers in 2010.

Approximately 34% of the 2010 USB funds, or \$3,139,869 was directed to Low Income activities by NorthWestern Energy. Large Customers self-directed activities accounted for 30% of the total electric USB revenues collected with \$156,734 self-directed to Low Income activities and \$2,549,692 self-directed to energy reduction activities. Allocations by NorthWestern Energy to the other public purpose categories are as follows: \$1,579,218 to Local Conservation, \$201,753 to Market Transformation, and \$1,530,145 to Renewable Resources and Research and Development.

Included with the 2010 report are updates for the 2008 and 2009 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 that reads "Bill Thomas".

Bill Thomas  
Manager, Regulatory Support Services



## **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.*

Since 1999, electric customers in NorthWestern Energy's Montana service territory have funded more than \$106 million (M) of Universal System Benefits programs. Through USB, funding of low income activities has been increased, conservation and market transformation programs have continued, and renewable generation opportunities have been initiated for NorthWestern Energy's customers.

A total of \$9,191,653 was collected from NorthWestern Energy's electric distribution customers in 2010. This is \$170,165 less than 2009 revenues with reduced loads in the Large Customer group accounting for most of the change. The 2008 USB revenues of \$9,625,630 were the largest in the history of USB. The economic downturn since that time, especially with Large Customers, has resulted in lower revenues.

The 2010 electric USB funds have been allocated to the categories consistent with guidelines provided in Montana Public Service Commission (MPSC) Order No. 6679e. As noted in the 2009 report, Order No. 6679e increased NorthWestern Energy natural gas USB funding so that electric USB funds are no longer required to cover a portion of the natural gas Low Income discount.

MPSC Order No. 6679e recognizes and allows for the pooling of electric and natural gas USB funds for residential audits, Free Weatherization for low income customers, and emergency energy assistance through Energy Share of Montana.

As in past years, allocations have been adjusted between Market Transformation and Local Conservation; and, between Research and Development and Renewable Generation.

The mix of low income, conservation, and renewable generation programs in 2010 is similar to previous years. The increased funding level for Renewable Resources and Research and Development as a result of MPSC Order No. 6679e has increased the number of small scale renewable generation projects at private facilities and for public

projects to which funds have been committed. Increased enrollments for heating bill assistance through the Low Income Energy Assistance Program (LIEAP) in 2010 continued to drive up demand for the electric low income discount compared to 2008 and 2009.

Separate of the electric USB funded activities, NorthWestern Energy customers fund additional residential Local Conservation and Low Income activities with natural gas USB funds. Other energy efficiency programs are included in NorthWestern Energy's electric and natural gas supply portfolios and are funded through supply rates.

Of the 2010 electric USB revenues, \$3,139,869, or just over 34% were allocated to Low Income activities by NorthWestern Energy separate of Low Income allocations from the Large Customer category. Large Customers self-directed an additional \$156,734 of their 2010 electric USB funds to Low Income activities, and NorthWestern Energy is reallocating \$23,028 of unspent 2010 Large Customer funds to Low Income in 2011, bringing the total of 2010 electric USB funds directed to Low Income to \$3,319,631.

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 2010 are consistent with well established past practices. To the extent that substantial changes to programmatic or funding levels have been made, these changes are noted in the appropriate activity summary.

The activities for 2010 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 it has 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 2010 electric USB funds by category and activity, and a summary of the energy and demand savings and new renewable resources resulting from the 2010 allocations. The report also includes updates on previous years' activities, and a summary by public purpose category of electric USB funding from 1999-2010.

## 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 electric loads. The USBC generated \$9,191,653 in 2010. 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 contributed in 2010.

General Description	Tariffed Customer Class	Rate/kWh	Percent
Residential	Residential	\$0.001334	34%
Commercial/Small Industrial	GS-1 & GS-2 under 1000 KW	\$0.001143	33%
Large Customer per USB	GS-1 & GS-2 over 1000 KW	\$0.000900	30%
Irrigation	Irrigation	\$0.001144	1%
Lighting	Lighting	\$0.003404	2%

An average NorthWestern Energy residential customer using 750 kiloWatt-hours (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.

Large Customers are those customers with an individual qualifying load greater than 1,000 kiloWatt (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 all associated demand-metered accounts. Large Customers, representing 56 customers and their nearly 475 accounts, make up nearly \$2.741M of the USB revenues.

Appendix 1 provides additional information regarding USB revenues by customer class.

### 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 No. 6504a. In 2010, the net gain in interest to USB was \$8,537 of which \$6,045 was credited to the electric USB categories on a pro rata basis and the balance was credited to natural gas USB activities.



## **UNIVERSAL SYSTEM BENEFITS EXPENDITURES**

All electric USB funds collected from NorthWestern Energy customers in 2010 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 about the 2010 USB programs and activities for NorthWestern Energy customers. Sections are provided for Low Income, Local Conservation, Market Transformation, Renewable Resources, and Research and Development. 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 2010 allocations and expenditures and Appendix 3 for energy savings and customer participation information.

NorthWestern Energy’s mix of programs and activities have been guided by the MPSC through Orders No. 5986 f, g, and I; Order No. 6514; Order No. 6504a; Order No. 6574c; and Orders No. 6679a, b, c, and e; advice from members of NorthWestern Energy’s USB Advisory Committee; input from the Montana Department of Health and Human Services (MDPHHS) and local human resource councils for the free weatherization program; NorthWestern Energy’s 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 Montana Statute, NorthWestern Energy implemented qualifying internal utility programs and activities in 2010 and has financial commitments to implement additional activities/projects for completion in 2011. These programs and activities are described in this report. The breakdown between qualifying expenditures in the current year and financial commitments for completion in 2011 is documented in Appendices 2 and 3 to this report.

NorthWestern Energy requested, and was granted by the DOR, time extensions for projects for which the timelines have been modified requiring more time for completion as reported in the Addendums for the 2008 and 2009 Reports. None of the projects to which 2010 funds have been committed are expected at this time to extend beyond 2011.

## **UNIVERSAL SYSTEM BENEFITS RESULTS**

From 1999 through 2010, NorthWestern Energy has delivered USB benefits to various customer classes and across all public purpose categories. General descriptions of the activities or programs for 2010, along with the funding total for the category, follow.

## **Large Customers-- \$2,740,668**

*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 DOR regarding their activities. NorthWestern Energy is required to collect the USBC from these customers pursuant to Montana Statute 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 USB 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 Efficiency Plus (E+) programs.

In 2010, \$2,740,668 was collected from 56 Large Customers to meet their 2010 obligations. All but six of these customers, self-directed all of their 2010 USB funds. Large Customers self-directed \$1,970,421 of 2010 funds toward energy reduction projects within their facilities, and have carried over \$579,271 for additional projects in 2011. Large Customers self-directed \$156,734 to Low Income activities in 2010.

The unclaimed Large Customer funds and the USB account interest covered NorthWestern Energy administrative costs for this area leaving a balance of \$23,028 that is being reallocated to the Low Income category for expenditure in 2011 by NorthWestern Energy, consistent with historic 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.



## ***Low Income Activities--\$ 3,139,869***

*In Order No. 5986i, 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 No. 6574c, 6679a and 6679b, all of which served to increase the allocation of electric USB funds to the Low Income sector. MPSC Order No. 6679c extended the previous order through the current heating season. MPSC Order No. 6679e (December 2008) made permanent the Low Income bill discount levels and established a Low Income allocation guideline as part of the direction to guide allocations amongst the electric USB categories effective with the 2009 allocations.*

*NorthWestern Energy directed \$3,139,869 in 2010 electric USB funds to Low Income activities, or 34% of electric USB revenues. Large Customers reported self-directing an additional \$156,734 to Low Income activities, and NorthWestern Energy has reallocated unspent 2010 Large Customer revenues of \$23,028 to Low Income activities bringing the total 2010 funds committed to Low Income to \$3,319,631 or more than 36% of the total funds collected.*

*Appendix 4 to the 2010 report provides a summary of NorthWestern Energy's Electric USB allocations for 1999-2010 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 the Low Income Energy Assistance Program (LIEAP) eligibility requirements receive bill assistance in the form of a discount, and may be eligible for weatherization services through the Free Weatherization Program. Over the past two heating seasons, the Montana Department of Public Health and Human Services (MDPHHS) increased the LIEAP eligibility guidelines from the historic level of up to 150% of the Federal poverty guidelines to 200% of the Federal poverty guidelines. This administrative change by MDPHHS results in more NorthWestern Energy customers becoming eligible for bill assistance through LIEAP and NorthWestern Energy's Low Income bill discount. This resulted in the 2010 bill discount requiring \$504,440 more than did the 2009 bill discount. Income-qualified households with energy emergencies may receive assistance through Energy Share of Montana.

Nearly 15,300 low income households were served in 2010 with electric USB funds. The financial impact of electricity costs on low income households was reduced through bill assistance and emergency energy assistance. With a combination of 2008 and

2009 electric USB funds and 2010 natural gas USB funds, more than 948 homes were weatherized in 2010.

### **Bill Assistance**

MPSC Order No. 6679e, issued in December of 2008, made permanent NorthWestern Energy's electric and natural gas Low Income discounts and ended the practice of covering the natural gas USB revenue shortfall related to the natural gas discount with electric USB funds. The electric discount is 25% from November through April and 15% from May through October.

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 MDPHHS during the 2008-2009 heating season and again for 2009-2010. These increases in eligibility increased the number of customers receiving bill discounts over 2008 and, likewise, the total funds required to support the bill discount. The funding of the electric Low Income discount totaled \$2,641,573 in 2010 for the 15,291 low income customers served.

### **The Free Weatherization Program**

NorthWestern Energy partners with the MDPHHS and the local HRCs to offer the Free Weatherization Program.

The commitment of federal funds to Low Income weatherization through the American Recovery and Reinvestment Act (ARRA) has dramatically increased funding available to weatherize low income homes in Montana. As a result of the funding influx, NorthWestern Energy, in cooperation with the MDPHHS, again in 2010, modified the contract with MDPHHS to adjust the funding mix between federal funds and NorthWestern Energy USB funds to simplify the administrative process associated with the increased funds. Modifications, during the time when ARRA funds are available, are intended to better maximize the weatherization results of all funding sources for NorthWestern Energy low income customers in an administratively simplified manner.

As noted in earlier reports, 2008 funds committed to free weatherization were carried forward to be spent in 2010 on weatherization. The 2010 contract with MDPHHS pooled the 2008, 2009, and 2010 electric USB funds, along with 2010 natural gas funds to meet the \$1,911,000 Free Weatherization funding allocation set by the MPSC in Order No. 6679e. However, workflow issues for MDPHHS contractors associated with the influx of ARRA funds resulted in a total of \$1,044,035 of NorthWestern Energy USB funds expended on Free Weatherization in 2010. The remaining 2009 and 2010 electric Low Income USB funds totaling \$226,442 allocated to weatherization have been carried forward to be spent on weatherization in 2011. The Free Weatherization program includes a comprehensive energy audit, installation of air-sealing, hot water conservation, insulation measures and compact fluorescent light bulbs, and energy

related health and safety improvements such as heating equipment tune-ups and repairs. Customers whose homes are heated primarily with electricity from NorthWestern Energy are considered for conversion to natural gas. Customers are provided with information to help them better manage their energy usage and to better understand their energy costs.

Additional program contract changes are included for 2011 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'm grateful for this program. My house is more efficient and comfortable. Thank you!" -- Glasgow***

***"Appreciate all that they did to help us with furnace and attic insulation."  
-- Missoula***

***"Your program is great. I appreciate it very much and the workers you have are awesome!! Thank You." -- Deer Lodge***

***"Thank You! So very much NW Energy's Weatherization Program. Everyone was professional, courteous and answered our questions." -- Bozeman***

### **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. MPSC Order No. 6679e retained the total annual commitment of USB funds to Energy Share at \$575,000 with \$239,000 being allocated from the electric USB funds and the balance from natural gas USB funds.

As noted in the Addendums to the 2008 and 2009 USB Reports, NorthWestern Energy directed unspent Large Customer funds in the amounts of \$2,953 from 2008 and \$34,335 from 2009 to the Energy Share endowment to benefit NorthWestern Energy low income customers in the future. As additional unspent Large Customer funds have been identified, NorthWestern is committing those funds to electric low income activities consistent with needs and opportunities.

## **Local Conservation Activities-- \$ 1,579,218**

*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) acquisition. The primary focus of the USBC-funded energy conservation and market transformation 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.*

### **Efficiency Plus (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 to achieve 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 in recent years and additional funds have been allocated to this program to the extent available. MPSC Order No. 6679e increased the natural gas USB funding for this program. More than 3,600 on-site residential audits were funded in 2010.

NorthWestern Energy *electric baseload-only customers (no space heat 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 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 2,350 electric baseload customers participated in the E+ Energy Survey program funded by with 2010 electric USB dollars.

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

***“I appreciate the suggestions they made, and I will follow up on them.” -- Kalispell***

***“Wonderful and helpful—I wish I had done this sooner!”  
-- Missoula***

***“A lot of help and saved me a lot of money.” --Great Falls***

***“It was informative and educational! Top Drawer!” -- Missoula***

***“Very glad I had this done. Thank you.” -- Kremlin***

The E+ Energy Appraisal Program for Businesses focuses on identifying electric conservation opportunities for commercial customers on NorthWestern Energy’s electric distribution system with a primary 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 225 commercial facilities were evaluated through this program offering with 2010 USB funding.

#### **Efficiency Plus (E+) 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 new and retrofit applications. Projects under this program frequently take more than a year to develop and implement.

In 2010, twelve irrigation efficiency improvement projects were funded and completed with 2010 USB dollars. Two projects also received U.S. Department of Agriculture funding support in addition to USB incentives to increase agricultural efficiency.

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

## **Market Transformation – \$201,753**

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

### **Efficiency Plus (E+) 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 requested. Two projects from qualifying customers were completed in 2010.

### **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 continues to be funded as a USB market transformation program. Even though new housing starts have declined in Montana as in other parts of the country, Northwest ENERGY STAR homes have increased as a percentage of the new housing market in Montana.

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

Training and education are important components in moving customers to more energy efficient products and practices that provide benefits to NorthWestern Energy's customers. 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.

### **Regional Market Transformation**

NorthWestern Energy has directed 2010 market transformation funds to regional market transformation pilot, collaborative, and training efforts. In particular for 2010, Compressed Air and Pneumatic Conveyance training was offered targeting education to smaller industrial customers of energy management opportunities in their facilities.



## ***Renewable Resources, and Research and Development--\$1,530,145***

*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 2010 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 700 net-metered renewable generators in the NorthWestern Energy service territory and nearly all received USB funds. Additionally, through the years, USBC has provided funding toward projects without net-metering, most notably for some solar thermal systems and one biomass project. Solar Photovoltaic (PV) projects represent the majority of USB funded projects.

2010 marked an increase in the number of small solar PV systems on fire stations and public schools. Both types of facilities increase awareness of solar generation in public settings. For schools, the systems provide an educational opportunity for students to learn about the capabilities of renewable generation. At fire stations, the PV systems include a battery storage to provide backup power for public safety.

At Montana State University—Billings (MSU-B), an 8.3 kW solar PV system has been installed on the Student Union Building. The project was initiated by the students from the MSU-B Sustainability Club.

The Helena wastewater treatment plant is frequently toured because of the energy efficiency measures installed and to show the two 35 kW Stirling Engines/Generators that generate electric power using methane gas recovered from the anaerobic digester (2008 USB funds). In 2010, the renewable generation demonstration at this site was expanded to include a 3.8 kW pole-mounted solar PV array.

Additional projects completed in 2010 with funds from previous years are noted in the Addendums to the 2008 and 2009 reports.

The following table summarizes renewable projects that have received USB funding and were completed by the end of 2010.

<b>USB Renewable Projects 1999-2010</b>		
<b>Facility Type</b>	<b>#</b>	<b>KW</b>
Commercial Projects	24	100.7
Fire Stations	32	70.9
Irrigation Projects	5	102.8
Low Income	44	133.6
Non-Profit Projects	29	64.7
Private Residences	439	1,032.0
Schools	55	206.0
Other Public Buildings	16	232.2
Biomass	1	750
Solar Thermal	18	NA
Biodiesel	2	15

NorthWestern Energy has instituted safety and experience qualification requirements for solar PV and small-scale wind installers. Effective with 2009, installers receiving USB Renewable Resources funds must meet safety and experience requirements. At the end of 2010, fourteen businesses met the solar PV qualification requirements and six businesses met the small-scale wind qualification requirements. These installers are listed on NorthWestern Energy's website and on the Montana Greenpower website as well. Installers are added to the listing as they meet the requirements.

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. NorthWestern Energy sponsored a three-day conference in Helena on solar PV in the fall of 2010. This conference was hosted by a leading expert on solar PV, electrical code compliance and safety. Around 100 people attended the conference, including approximately 20 apprentice electricians. Additional training for installers has been committed to for 2011. The qualified installers, as well as several program contractors, provide education, project development services and rebates to residential and commercial customers. Seminars, tours, workshops and exhibits for individuals interested in renewable energy technologies and sustainable building practices continue to be funded.

The website [www.montanagreenpower.com](http://www.montanagreenpower.com) was supported with USB dollars through 2010. This resource primarily focuses on the progress of renewable energy for Montana.

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 Resources category and directed to other renewable projects. In 2010, funds were returned to the renewable energy category. Customer interest in this program has been sustained; the majority of participating customers are homeowners, but the majority of the renewable energy credits (RECs) are sold to a handful of commercial accounts.

NorthWestern Energy continues to consult with its USB Renewable Advisory Subcommittee regarding allocations of Renewable Resources and Research and Development funds and works to maintain a mix of projects with diverse geographic distribution, and to a mix of public, non-profit, and private electric customers.

## 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 Resources and Research and Development, and, the offerings have included all customers—low income, senior citizens, and other residential customers; main street businesses, schools and also 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, MDPHHS, and the local HRC. The HRCs also qualify customers for the utility's bill discount, free weatherization and emergency bill assistance through Energy Share.

NorthWestern Energy collects the natural gas USBC from its customers and implements Low Income bill assistance and weatherization, and residential conservation activities. MPSC Order No. 6679e recognizes and allows for the pooling of electric and natural gas USB funds for residential on-site audits, Free Weatherization for low income customers, and emergency assistance through Energy Share of Montana. The natural gas USB activities are funded and implemented consistent with law and MPSC direction. Additional cost-effective energy efficiency, demand side management (DSM), programs for NorthWestern Energy customers are funded through electric and natural gas supply rates as part of NorthWestern Energy's supply portfolios.

Addendums for the years 2008 and 2009 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 under Efficiency-Plus (E+).

For further information regarding this report, please contact:

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**Appendices 1-4**



Appendix 1  
2010 Electric USB Revenues

	USBC kWh (Load)	USBC Revenue By Class	% of USB Revenue By Class
<b>Residential</b>			
Residential	2,320,736,897	\$ 3,093,501	34%
<b>General Service</b>			
GS-1/GS-2 < 1000 kW	2,702,213,003	\$ 3,065,957	33%
Irrigation	69,700,331	\$ 79,602	1%
Lighting	62,365,313	\$ 212,429	2%
<b>Total Non-Large Customer</b>	<b>5,155,015,544</b>	<b>\$ 6,451,489</b>	<b>70%</b>
<b>Large Customer</b>			
GS-1/GS-2 > 1000 kW and Special Contracts	3,211,112,509	\$ 2,740,164	30%
<b>Total Large Customer</b>	<b>3,044,626,543</b>	<b>\$ 2,740,164</b>	<b>30%</b>
<b>Total USBC</b>	<b>8,199,642,087</b>	<b>\$ 9,191,653</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		Spent in 2010	Contracted - Complete 2011	Allocation & Expenses
	per Order 6679e	Reallocation <sup>(a)</sup>			
<b>Local Conservation</b>	<b>1,414,916</b>	<b>164,302</b>	1,462,136	117,082	<b>1,579,218</b>
E+ Residential Audit/Sm. Comm Audit			1,214,737	117,082	1,331,819
E+ Business Partners / Irrigation Projects			120,000	-	120,000
NWE Promotion			84,362	-	84,362
NWE Labor			42,407	-	42,407
NWE Admin. Non-labor			1,561	-	1,561
USB Interest & Svc Chg			(931)	-	(931)
Local Conservation Summary			1,462,136	117,082	1,579,218
<b>Market Transformation</b>	<b>366,055</b>	<b>(164,302)</b>	201,753	-	<b>201,753</b>
E+ Commercial Lighting			25,899	-	25,899
Motor Management Training			12,873	-	12,873
Energy Star Homes			43,947	-	43,947
Building Operator Certification			61,219	-	61,219
Regional Market Transformation			12,060	-	12,060
NWE Promotion			17,904	-	17,904
NWE Labor			18,983	-	18,983
NWE Admin. Non-labor			9,109	-	9,109
USB Interest & Svc Chg			(241)	-	(241)
Market Transformation Summary			201,753	-	201,753
<b>Renewable Resources</b>	<b>1,243,054</b>	<b>(50,000)</b>	377,855	815,198	<b>1,193,054</b>
Generation/Education			340,862	815,198	1,156,061
Green Power Product Offering			(34,573)	-	(34,573)
NWE Promotion			4,654	-	4,654
NWE Labor			66,865	-	66,865
NWE Admin. Non-labor			863	-	863
USB Interest & Svc Chg			(817)	-	(817)
Renewable Resources Summary			377,855	815,198	1,193,054
<b>Research &amp; Development</b>	<b>287,091</b>	<b>50,000</b>	57,864	279,227	<b>337,091</b>
R&D/ Infrastructure			49,686	279,227	328,913
NWE Promotion			1,876	-	1,876
NWE Labor			6,292	-	6,292
NWE Admin. Non-labor			199	-	199
USB Interest & Svc Chg			(189)	-	(189)
Research & Development Summary			57,864	279,227	337,091
<b>Low Income</b>	<b>3,139,869</b>	<b>-</b>	2,944,444	195,425	<b>3,139,869</b>
Bill Assistance			2,641,573	-	2,641,573
Free Weatherization			-	195,425	195,425
Elec Wx Incentives			7,309	-	7,309
Fuel Switch Analyses			1,500	-	1,500
Energy Share			239,000	-	239,000
NWE Promotion			9,742	-	9,742
NWE Labor			44,714	-	44,714
NWE Admin. Non-labor			2,670	-	2,670
USB Interest & Svc Chg			(2,065)	-	(2,065)
Low Income Summary			2,944,444	195,425	3,139,869
<b>Large Customer</b>	<b>2,740,668</b>	<b>-</b>	2,138,370	602,299	<b>2,740,668</b>
Self-Directed Energy Reduction			1,970,421	579,271	2,549,692
Self-Directed to Low Income			156,734	-	156,734
USB Interest & Svc Chg			(1,802)	-	(1,802)
-NWE Labor			13,016	-	13,016
-NWE Admin. Non-labor			-	-	-
-NWE Reallocate to Energy Share			-	23,028	23,028
Large Customer Summary			2,138,370	602,299	2,740,668
<b>Unallocated</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Totals</b>	<b>9,191,653</b>	<b>-</b>	<b>7,182,421</b>	<b>2,009,232</b>	<b>9,191,654</b>
<b>2010 USB Revenues less Expenses and Contractual Commitments</b>					<b>-</b>

<sup>(a)</sup> Allocations have been adjusted between Market Transformation and Local Conservation; and, between Research and Development and Renewable Generation consistent with past practice.

**2010 USB FUNDING AND EXPENDITURE SUMMARY**

USB Category	Allocation of 2010 funds based on Order 6679e	Percentage by Category	Allocation of 2010 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 2010	2010 Electric USB Funds Contracted to Spend in 2011
Local Conservation	\$ 1,414,916	15%	\$ 1,579,218	17%	\$ 1,579,218	17%	\$ 1,462,136	\$ 117,082
Market Transformation	\$ 366,055	4%	\$ 201,753	2%	\$ 201,753	2%	\$ 201,753	\$ -
Renewables	\$ 1,243,054	14%	\$ 1,193,054	13%	\$ 1,193,054	13%	\$ 377,855	\$ 815,198
Research & Development	\$ 287,091	3%	\$ 337,091	4%	\$ 337,091	4%	\$ 57,864	\$ 279,227
Low Income	\$ 3,139,869	34%	\$ 3,139,869	34%	\$ 3,319,631	36%	\$ 2,944,444	\$ 195,425
Large Customer	\$ 2,740,668	30%	\$ 2,740,668	30%	\$ 2,560,906	28%	\$ 2,138,370	\$ 602,299
	<b>\$ 9,191,653</b>	<b>100%</b>	<b>\$ 9,191,653</b>	<b>100%</b>	<b>\$ 9,191,653</b>	<b>100%</b>	<b>\$ 7,182,421</b>	<b>\$ 2,009,232</b>

**2010 LOW-INCOME FUNDING SUMMARY**

Low-Income Category	
Bill Assistance	\$ 2,641,573
Free Weatherization	\$ -
Elec Wx Incentives	\$ 7,309
Fuel Switch Analysis	\$ 1,500
Energy Share	\$ 239,000
NWE Promotion	\$ 9,742
NWE Labor	\$ 44,714
NWE Admin. Non-labor	\$ 2,670
USB Interest & Svc Chg	\$ (2,065)
Self-Directed Large Customer	\$ 156,734
<b>Low-Income USB Funding from all 2010 Electric USB sources :</b>	<b>\$ 3,101,178</b>
<b>Low-Income share of 2010 Electric USB revenues :</b>	<b>33.7%</b>

**2010 ENERGY SAVINGS & RENEWABLE RESOURCES ESTIMATES**

	Savings & Resources acquired in 2010 w/ 2010 \$		
	aMW	MWH	MW
Local Conservation	0.2305	2,019	0.443
Market Transformation	0.3438	3,012	0.054
Renewables	0.0088	77	0.018
Research & Development	NA	NA	NA
Low Income	-	-	-
Large Cust - Low Income	NA	NA	NA
Large Customer <sup>(b)</sup>	NA	NA	NA
	<b>0.5831</b>	<b>5,108</b>	<b>0.515</b>

	Projected Savings & Resources to acquire in 2011 w/ 2010 \$ <sup>(c)</sup>		
	aMW	MWH	MW
Local Conservation	0.0082	72	0.016
Market Transformation	-	-	-
Renewables	0.0290	254	0.193
Research & Development	NA	NA	NA
Low Income	0.0379	332	-
Large Cust - Low Income	NA	NA	NA
Large Customer <sup>(b)</sup>	NA	NA	NA
	<b>0.0751</b>	<b>658</b>	<b>0.2090</b>

<b>Total Savings &amp; Resources</b>	<b>0.6582</b>	<b>5,766</b>	<b>0.724</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 2010, Large Customers self-directed a total of \$156,734 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 2010. Actual results will be reported in 2011.

**2010 ELECTRIC USB PARTICIPATION SUMMARY**

Electric USB Activity by Category	Quantity	Units
<b>Conservation</b>		
Residential Onsite Audits	3,606	homes
Residential Mail out Audits	2,339	homes
Business Appraisals	225	businesses
Business Partners / Irrigation	12	projects
<b>Market Transformation</b>		
Commercial Lighting	2	projects
NWE Building Operator Certification	65	people
Motor Training	52	people
Vendor Miser	45	units
Energy Star Builder Training	484	people
<b>Renewables</b>		
Generation / Education	18	projects
<b>Research &amp; Development</b>		
Renewable Energy Seminars/Workshops	297	attendees
<b>Low-Income</b>		
Bill Assistance	15,291	households
Free Weatherization	691	homes
Energy Share	1,178	households

Annual Electric USB Allocation

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

	% by Category	\$ by Category
Local Conservation	20%	1,704,748
Market Transformation	13%	1,069,860
Renewables	12%	1,051,666
Research & Development	3%	212,437
Low-income	21%	1,866,219
Large Customers	31%	2,981,806
	100%	8,886,756

Current Allocation per D2005.6.106, Order 6679e (a)

	% by Category	\$ by Category
Local Conservation	11.37%	1,079,000
Market Transformation	7.26%	689,000
Renewables	13.00%	1,234,000
Research & Development	3.00%	285,000
Low-income	32.84%	3,117,000
Large Customers	32.52%	3,087,000
	100%	9,491,000

Historic Allocation of Electric USB Funds (b)

Year	Total Electric USB Funds	Large Customers	Low Income (c)	Supplemental (d)	Total Low Income	USB Categories						
						Conservation	Market Transformation	Renewables	Research Development	Irrigation		
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	3,049,832	2,387,502	586,394	2,973,896	1,446,761	586,332	838,336	125,876	-		
2006	9,340,465	3,063,311	3,858,505	-	3,858,505	1,482,096	26,908	812,829	110,296	-		
2007	9,410,198	3,145,276	4,170,445	-	4,170,445	1,315,910	77,023	673,328	110,179	-		
2008	9,625,630	2,897,568	3,408,329	-	3,408,329	1,866,896	136,441	974,290	94,396	-		
2009	9,361,818	2,740,668	3,146,326	-	3,146,326	1,340,555	444,078	1,362,237	171,054	-		
2010	9,191,553	3,401,849	3,139,869	-	3,139,869	1,579,218	201,753	1,193,054	337,091	-		
	106,216,580	34,018,493	30,457,308	2,336,999	32,794,307	17,931,287	7,308,872	11,334,231	2,072,839	756,549		

Allocation as % of Revenue by Category	100%	32%	31%	17%	7%	11%	2%	1%
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Allocation as % of Revenues, excluding Large Customer Revenues	100%	45%	25%	10%	16%	3%	1%
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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 December 2008 MPSC issued Order 6679e, which reallocated funds as shown above.
- (b) The historic allocation table illustrates the expenditure or direction of electric USB by category from 1999 through 2010.
- (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 \$1,834,393 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.

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**ADDENDUM 2009 REPORT**



The 2009 NorthWestern Energy USBC revenues totaled \$9,361,818. Of this \$6,502,172 was spent on projects completed in 2009, \$2,130,902 on projects completed in 2010, leaving a balance of \$728,744 of projects to complete in 2011.

The projects associated with \$2,130,902 of 2009 USB funds, including \$575,920 Large Customer self-directed activities, were completed in 2010. The results are included in Appendix 2 of this addendum. Included in the 2010 expenditures, NorthWestern Energy reallocated \$34,335 of unspent Large Customer 2009 funds to the Energy Share of Montana endowment for future energy emergencies of NorthWestern customers. The reallocation of unspent Large Customer funds to a Low Income activity is consistent with historic MPSC direction.

NorthWestern Energy requested and was granted extensions from the Department of Revenue as allowed per ARM 49.29.111 for two market transformation projects totaling \$82,268, renewable generation projects totaling \$124,674, a low income appliance replacement program for \$434,097, and free weatherization work in the amount of \$31,017 for completion in 2011. An additional \$52,688 in unspent Large Customer 2009 funds has been identified and NorthWestern Energy will reallocate these funds to a Low Income activity in 2011.

Updated results for 2009 are provided in an Addendum to Appendices 2 and 3 of NorthWestern Energy's 2009 electric USB report (p. 2009-2 and p. 2009-3).

	Revenue Allocation		Spent in 2009	Spent in 2010	Contracted - Complete 2011 <sup>(b)</sup>	Allocation & Expenses
	per Order 6679e	Reallocation <sup>(a)</sup>				
<b>Local Conservation</b>	<b>1,089,151</b>	<b>251,403</b>	<b>1,288,353</b>	<b>52,202</b>	<b>-</b>	<b>1,340,555</b>
E+ Residential Audit/Sm. Comm Audit			1,034,850	52,202	-	1,087,052
E+ Business Partners / Irrigation Projects			161,760	-	-	161,760
NWE Promotion			43,954	-	-	43,954
NWE Labor			36,680	-	-	36,680
NWE Admin. Non-labor			11,786	-	-	11,786
USB Interest & Svc Chg			(676)	-	-	(676)
Local Conservation Summary			1,288,353	52,202	-	1,340,555
<b>Market Transformation</b>	<b>695,482</b>	<b>(251,404)</b>	<b>189,522</b>	<b>168,289</b>	<b>86,268</b>	<b>444,078</b>
E+ Commercial Lighting			-	-	-	-
Motor Management Training			14,087	-	-	14,087
Energy Star Homes			41,724	-	-	41,724
Building Operator Certification			57,496	-	-	57,496
Distribution Efficiency Initiative			4,200	-	55,800	60,000
Regional Market Transformation			29,527	118,320	30,437	178,284
DEQ Appliance Replacement Program			-	49,969	31	50,000
NWE Promotion			23,207	-	-	23,207
NWE Labor			18,542	-	-	18,542
NWE Admin. Non-labor			1,170	-	-	1,170
USB Interest & Svc Chg			(432)	-	-	(432)
Market Transformation Summary			189,522	168,289	86,268	444,078
<b>Renewable Resources</b>	<b>1,245,610</b>	<b>116,627</b>	<b>318,361</b>	<b>919,202</b>	<b>124,674</b>	<b>1,362,237</b>
Generation/Education			275,361	919,202	124,674	1,319,237
Green Power Product Offering			(17,982)	-	-	(17,982)
NWE Promotion			11,143	-	-	11,143
NWE Labor			49,311	-	-	49,311
NWE Admin. Non-labor			1,300	-	-	1,300
USB Interest & Svc Chg			(774)	-	-	(774)
Renewable Resources Summary			318,361	919,202	124,674	1,362,237
<b>Research &amp; Development</b>	<b>287,681</b>	<b>(116,627)</b>	<b>23,704</b>	<b>147,350</b>	<b>-</b>	<b>171,054</b>
R&D/ Infrastructure			16,000	147,350	-	163,350
NWE Promotion			2,296	-	-	2,296
NWE Labor			5,286	-	-	5,286
NWE Admin. Non-labor			300	-	-	300
USB Interest & Svc Chg			(179)	-	-	(179)
Research & Development Summary			23,704	147,350	-	171,054
<b>Low Income</b>	<b>3,146,325</b>	<b>0</b>	<b>2,447,608</b>	<b>233,605</b>	<b>465,114</b>	<b>3,146,326</b>
Bill Assistance			2,137,133	-	-	2,137,133
Free Weatherization			-	233,605	31,017	264,621
Elec Wx Incentives			12,985	-	-	12,985
Fuel Switch Analyses			400	-	-	400
Energy Share			239,000	-	-	239,000
Appliance Replacement Program			-	-	434,097	434,097
NWE Promotion			15,723	-	-	15,723
NWE Labor			40,588	-	-	40,588
NWE Admin. Non-labor			3,733	-	-	3,733
USB Interest & Svc Chg			(1,954)	-	-	(1,954)
Low Income Summary			2,447,608	233,605	465,114	3,146,326
<b>Large Customer</b>	<b>2,897,568</b>	<b>-</b>	<b>2,234,625</b>	<b>610,255</b>	<b>52,688</b>	<b>2,897,568</b>
Self-Directed Energy Reduction			2,166,301	504,715	-	2,671,017
Self-Directed to Low Income			58,650	71,205	-	129,855
USB Interest & Svc Chg			(1,799)	-	-	(1,799)
-NWE Labor			11,473	-	-	11,473
-NWE Admin. Non-labor			-	-	-	-
-NWE Reallocate to Low-Income			-	34,335	52,688	87,023
Large Customer Summary			2,234,625	610,255	52,688	2,897,568
<b>Unallocated</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Totals</b>	<b>9,361,818</b>	<b>-</b>	<b>6,502,172</b>	<b>2,130,902</b>	<b>728,744</b>	<b>9,361,819</b>
<b>2009 USB Revenues less Expenses and Contractual Commitments</b>						<b>-</b>

<sup>(a)</sup> Allocations have been adjusted between Market Transformation and Local Conservation; and, between Research and Development and Renewable Generation consistent with past practice.

<sup>(b)</sup> 2009 funds have been granted time extensions for completion in 2011 by the Department of Revenue. Unspent Large Customer funds are reallocated by NWE to Low Income per historic direction.



**PROJECTS COMPLETED IN 2010 WITH 2009 FUNDS**

Energy Savings & Renewable Resource Estimates			
USB Category	Projects Completed in 2010 with 2009 USB \$		
	aMWh	MWh	MW
Local Conservation	0.0078	68	0.0158
Market Transformation	0.05	457.04	-
Renewables	0.0732	641	0.4892
Research & Development	NA	NA	NA
Low Income	0.0453	397	-
Large Customer	NA	NA	NA
	<b>0.1785</b>	<b>1,563</b>	<b>0.5050</b>
Program Participation Summary			
USB Category / Program Segment	Quantity	Units	
<b>Conservation</b>			
Residential Onsite Audits	155	homes	
Residential Mail out Audits	101	homes	
Business Appraisals	10	businesses	
Business Partners	-	projects	
<b>Market Transformation</b>			
Commercial Lighting	-	projects	
NWE Building Operator Certification	-	people	
Vendor Miser	-	vending machines	
Motor Training	-	people	
Energy Star Builder Training	-	people	
<b>Renewables</b>			
Generation / Education	99	projects	
<b>Research &amp; Development</b>			
Renewable Energy Seminars/Workshops	93	attendees	
<b>Low-Income</b>			
Bill Assistance	-	households	
Free Weatherization	213	homes	
Energy Share	-	households	

**TOTAL OF PROJECTS COMPLETED WITH 2009 FUNDS**

Energy Savings & Renewable Resource Estimates			
USB Category	Total Projects Completed with 2009 USB \$		
	aMWh	MWh	MW
Local Conservation	0.2469	2162	0.522
Market Transformation	0.4061	3557	-
Renewables	0.0753	660	0.505
Research & Development	NA	NA	NA
Low Income	0.0453	397	-
Large Customer	NA	NA	NA
	<b>0.7736</b>	<b>6,776</b>	<b>1.027</b>
Program Participation Summary			
USB Category / Program Segment	Quantity	Units	
<b>Conservation</b>			
Residential Onsite Audits	3,257	homes	
Residential Mail out Audits	2,287	homes	
Business Appraisals	261	businesses	
Business Partners	12	projects	
<b>Market Transformation</b>			
Commercial Lighting	-	projects	
NWE Building Operator Certification	53	people	
Vendor Miser	108	vending machines	
Motor Training	-	people	
Energy Star Builder Training	143	people	
<b>Renewables</b>			
Generation / Education	107	projects	
<b>Research &amp; Development</b>			
Renewable Energy Seminars/Workshops	464	attendees	
<b>Low-Income</b>			
Bill Assistance	12,772	households	
Free Weatherization	758	homes	
Energy Share	954	households	

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**ADDENDUM 2008 REPORT**



In 2008 NorthWestern Energy USBC revenues totaled \$9,625,630. Of this \$7,562,696 was spent on projects completed in 2008, \$1,736,145 completed in 2009, \$204,239 completed in 2010, leaving a balance of \$122,548 of projects for completion in 2011.

In the 2009 addendum to the 2008 report, NorthWestern Energy reported that it had requested and was granted extensions from the Department of Revenue for renewable generation projects and free weatherization funding for completion in 2010. The free weatherization work, as well as renewable generation projects associated with \$201,286, were completed in 2010. NorthWestern Energy, reallocated \$2,953 of unspent Large Customer 2008 funds to the Energy Share of Montana endowment for future energy emergencies of NorthWestern customers.

In 2010, NorthWestern Energy requested and was granted extensions from the Department of Revenue as allowed per ARM 49.29.111 for remaining renewable generation projects for which \$67,449 of work is scheduled for completion in 2011. The renewable projects extension was requested to accommodate delays in the delivery of materials, construction delays and scheduling conflicts. The work is anticipated to be complete in 2011. An additional \$55,098 in unspent 2008 Large Customer funds were identified and NorthWestern Energy will reallocate these funds in 2011 to Low Income activities consistent with historic MPSC direction.

Updated results for 2008 are provided in an Addendum to appendices 2 and 3 of NorthWestern Energy's 2008 electric USB report (p. 2008-2 and p. 2008-3)..

	Revenue Allocation		Spent in 2008	Spent in 2009	Spent in 2010	Contracted - Complete 2011 <sup>(d)</sup>	Allocation & Expenses
	per Interim Order 6679a	Reallocation <sup>(a)</sup>					
<b>Local Conservation</b>	<b>1,262,612</b>	<b>604,284</b>	<b>1,555,923</b>	<b>310,973</b>	<b>-</b>	<b>-</b>	<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>	<b>123,453</b>	<b>12,988</b>	<b>-</b>	<b>-</b>	<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>	<b>198,224</b>	<b>555,616</b>	<b>153,001</b>	<b>67,449</b>	<b>974,290</b>
Generation/Education			165,526	555,616	153,001	67,449	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	555,616	153,001	67,449	974,290
<b>Research &amp; Development</b>	<b>90,936</b>	<b>3,460</b>	<b>21,898</b>	<b>72,498</b>	<b>-</b>	<b>-</b>	<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>(162,733)</b>	<b>3,154,950</b>	<b>205,094</b>	<b>48,285</b>	<b>-</b>	<b>3,408,329</b>
Bill Assistance			1,944,818	-	-	-	1,944,818
Free Weatherization			399,313	205,094	48,285	-	652,691
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	205,094	48,285	-	3,408,329
<b>Large Customer</b>	<b>3,145,276</b>	<b>(0)</b>	<b>2,508,247</b>	<b>578,978</b>	<b>2,953</b>	<b>55,098</b>	<b>3,145,276</b>
Self-Directed Energy Reduction			2,372,871	503,159	-	-	2,876,030
Self-Directed to Low Income			127,428	31,610	-	-	159,038
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			-	44,209	2,953	55,098	102,260
Large Customer Summary			2,508,247	578,978	2,953	55,098	3,145,276
<b>Unallocated</b>	<b>778,291</b>	<b>(778,291)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Totals</b>	<b>9,625,630</b>	<b>-</b>	<b>7,562,696</b>	<b>1,736,146</b>	<b>204,239</b>	<b>122,548</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.

**PROJECTS COMPLETED IN 2010 WITH 2008 FUNDS**

Energy Savings & Renewable Resource Estimates			
USB Category	Projects Completed in 2010 with 2008 USB \$		
	aMW	MWH	MW
Local Conservation	-	-	-
Market Transformation	0.0057	50	0.0425
Renewables	NA	NA	NA
Research & Development	0.0094	82	-
Low Income	NA	NA	NA
Large Customer	0.0150	132	0.0425
<b>Program Participation Summary</b>			
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	
NWE Building Operator Certification	-	people	
Vendor Miser	-	vending machines	
Motor Training	-	people	
Energy Star Builder Training	-	people	
<b>Renewables</b>			
Generation / Education	14	projects	
<b>Research &amp; Development</b>			
Renewable Energy Seminars/Workshops	-	attendees	
<b>Low-Income</b>			
Bill Assistance	-	households	
Free Weatherization	44	homes	
Energy Share	-	households	

**TOTAL OF PROJECTS COMPLETED WITH 2008 FUNDS**

Energy Savings & Renewable Resource Estimates			
USB Category	Total Projects Completed with 2008 USB \$		
	aMW	MWH	MW
Local Conservation	0.2588	2267	0.5040
Market Transformation	0.5349	4686	-
Renewables	0.0419	367	0.3375
Research & Development	NA	NA	NA
Low Income	0.0564	494	0.0740
Large Customer	NA	NA	NA
	<b>0.8920</b>	<b>7,814</b>	<b>0.9155</b>
<b>Program Participation Summary</b>			
USB Category / Program Segment	Quantity	Units	
<b>Conservation</b>			
Residential Onsite Audits	3,686	homes	
Residential Mail out Audits	3,151	homes	
Business Appraisals	426	businesses	
Business Partners	4	projects	
<b>Market Transformation</b>			
Commercial Lighting	-	projects	
NWE Building Operator Certification	33	people	
Vendor Miser	6	vending machines	
Motor Training	72	people	
Energy Star Builder Training	39	people	
<b>Renewables</b>			
Generation / Education	106	projects	
<b>Research &amp; Development</b>			
Renewable Energy Seminars/Workshops	551	attendees	
<b>Low-Income</b>			
Bill Assistance	10,966	households	
Free Weatherization	324	homes	
Energy Share	1,155	households	