



Universal System
Benefits Activities
2015 Annual Report

March 2016

NorthWestern[®]
Energy



**Efficiency
Plus**



March 1, 2016

Mr. Mark Schoenfeld
Montana Department of Revenue
PO Box 5805
Helena MT 59620-5805

Dear Mr. Schoenfeld:

Enclosed with this letter is the 2015 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 \$9,531,040 in electric USB revenues was collected from NorthWestern Energy's electric distribution customers in 2015.

With the passage of SB150 by the 2015 Montana Legislature and Montana Public Service Commission Order No. 7458, 50% of the 2015 USB funds, or \$4,765,520 was directed to Low Income activities by NorthWestern Energy. Large Customers funds accounted for 31% of the total 2015 electric USB revenues, or \$2,950,657 with \$20,000 self-directed to Low Income activities and \$1,998,831 self-directed to energy reduction activities. Allocations by NorthWestern Energy to the other public purpose categories are as follows: \$671,655 to Local Conservation, \$304,518 to Market Transformation, and \$838,691 to Renewable Resources and Research and Development.

Included with the 2015 report are updates for the 2011, 2013, and 2014 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,

Deb Martin Young
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.

Since 1999, electric customers in NorthWestern Energy's Montana service territory have funded more than \$153 million of Universal System Benefits programs. Through USB, funding of low income programs have been increased, conservation and market transformation programs have continued, and renewable generation opportunities have been initiated for NorthWestern Energy's customers.

A total of \$9,531,040 was collected from NorthWestern Energy's electric distribution customers in 2015. This is about \$12,000 less than 2014 revenues with Large Customer revenues up by more than \$60,000 and non-Large Customer revenues down by more than \$72,000 when compared to 2014 revenues.

The 2015 electric USB funds have been allocated to the categories consistent with guidelines provided in Montana Public Service Commission (MPSC) Orders No. 6679e and No. 7458. 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. The passage of Senate Bill 150 by the 2015 Montana Legislature requires that 50% of the total electric USB be directed to low income activities. MPSC Order No. 7458 directs 50% of the total electric USB revenues to Low Income activities by proportionally reducing allocations between the Market Transformation and Local Conservation categories, and the Research and Development and the Renewable Generation categories. The reallocation specifically increases Low Income funding to the Free Weatherization Program and Energy Share of Montana.

The portfolio of low income, conservation, and renewable generation programs in 2015 is similar to 2014.

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.

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Of the 2015 electric USB revenues, \$4,765,520, or 50% 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 \$20,000 of their 2015 electric USB funds to Low Income activities, bringing the total of 2015 electric USB funds directed to Low Income to \$4,785,520 or slightly more than 50% of the 2015 electric USB revenues.

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 allocations for 2015 are consistent with these requirements and with well-established past practices. To the extent that substantial changes have been made to programmatic or funding levels outside of those required by MPSC Order, these changes are noted in the appropriate activity summary.

The activities for 2015 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.

This report includes brief highlights of activity in each category, a summary of the allocations of 2015 electric USB funds by category and activity, and a summary of the energy and demand savings and new renewable resources resulting from the 2015 allocations. The report also includes updates on previous years' activities, and a summary by public purpose category of electric USB funding from 1999-2015.

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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 electric loads. The USBC generated \$9,531,040 in 2015. 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 2015.

General Description	Tariffed Customer Class	Rate/kWh	Percent
Residential	Residential	\$0.001334	33%
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	31%
Irrigation	Irrigation	\$0.001144	1%
Lighting	Lighting	\$0.003404	2%

A typical 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 Montana 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 54 customers and their 495 accounts, make up \$2.95 M 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 2015, the net gain in interest to USB was \$4,562 of which \$3,102 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 2015 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 2015 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 2015 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; Order No. 7458, 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 (HRCs) 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 2015 and has financial commitments to implement additional activities/projects for completion in 2016. These programs and activities are described in this report. The breakdown between qualifying expenditures in the current year and financial commitments for completion in 2016 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 2011, 2013, and 2014 Reports. None of the projects to which 2015 funds have been committed are expected at this time to extend beyond 2016.

UNIVERSAL SYSTEM BENEFITS RESULTS

From 1999 through 2015, NorthWestern Energy has delivered USB benefits to various customer classes and across all public purpose categories. General descriptions of the activities or programs for 2015, along with the funding total for the category, follow.

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Large Customers-- \$2,950,657

Large Customers are allowed to self-direct their USB funds by Montana 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 2015, \$2,950,657 was collected from 54 Large Customers to meet their 2015 obligations. All but two of these customers self-directed all of their 2015 USB funds. Large Customers self-directed \$1,998,831 of 2015 funds toward energy reduction projects within their facilities, and have carried over \$930,004 for additional projects in 2016. Large Customers self-directed \$20,000 to Low Income activities in 2015.

The unclaimed 2015 Large Customer funds in the amount of \$1,822 and the 2015 USB account interest amount of \$960 were not sufficient to cover the NorthWestern Energy administrative costs for 2015 Large Customers of \$14,054. The shortfall was covered through unclaimed 2014 Large Customer funds in the amount of \$11,272. Using unclaimed Large Customer funds to cover the administrative costs and reallocating unclaimed funds to low income activities is consistent with past practice.

Claims to NorthWestern Energy for reimbursement are documented as received. Reimbursements are made after the USBC has been collected from the customer. NorthWestern sends reminders to the Large Customers of their reporting requirements to the DOR.

With the passage of Senate Bill 312 by the 2015 Montana Legislature, utilities are required to provide a list of Large Customers that self-directed USB funds in the previous year. The list of the 52 Large Customers on NorthWestern's system that self-directed funds follows.

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Listing of Large Customers Self-Directing Funds in 2015

AMERICAN CHEMET	OLDCASTLE MATERIALS CEMENT HOLDINGS (Formerly HOLCIM)
ASH GROVE CEMENT	PASTA MONTANA
ASPEN AIR	PHILLIPS66 PIPELINE—Yellowstone Pipeline
BARRETT'S MINERALS	PHILLIPS66 REFINERY
BENEFIS HEALTH CARE	R Y TIMBER
BILLINGS CLINIC	REC SILICON
CALUMET MONTANA REFINING, LLC (Formerly MONTANA REFINING)	ROCKY MOUNTAIN PIPELINE SYSTEM LLC
CEREAL FOOD PROCESSORS (or GRAIN CRAFT)	ROCKY MOUNTAIN POWER
CHS	ROSEBURG FOREST PRODUCTS
CITY OF BILLINGS	SAINT JAMES HOSPITAL (SCL Health)
CITY OF GREAT FALLS	SAINT PATRICK HOSPITAL (Providence Health & Services)
COMMUNITY MEDICAL CENTER	SAINT VINCENT HOSPITAL (SCL Health)
EXPRESS PIPELINE LLC (Division of SPECTRA ENERGY)	STILLWATER MINING COMPANY
EXXONMOBIL	SUN MOUNTAIN LUMBER
GENERAL MILLS	TALEN MONTANA, LLC (Formerly PPL MONTANA)
GOLDEN SUNLIGHT MINES, INC. (Division of BARRICK)	THE WESTERN SUGAR COOPERATIVE
GRAYMONT WESTERN US INC.	THOMPSON RIVER LUMBER
IMERYS TALC AMERICA, INC.	TRICON TIMBER
JUDITH GAP ENERGY LLC	UNITED MATERIALS INCORPORATED
MALTEUROP NORTH AMERICA, INC.	UNITED PROPERTIES, INC (Formerly UNITED INDUSTRY)
METRA PARK-BILLINGS	UNIVERSITY OF MONTANA
MONTANA DEPARTMENT OF CORRECTIONS	US AIR FORCE
MONTANA RESOURCES	US DEPT VETERANS AFFAIRS (Formerly FORT HARRISON VA CENTER)
MONTANA STATE UNIVERSITY – BILLINGS	WESTERN ENERGY (Division of WESTMORELAND RESOURCES INC.)
MONTANA STATE UNIVERSITY - BOZEMAN	WESTMORELAND RESOURCES INC. (Sarpy Creek Mine)
NATIONAL INSTITUTE OF HEALTH (Division of US PUBLIC HEALTH SERVICE also referred to as ROCKY MOUNTAIN LABS)	YELLOWSTONE DEVELOPMENT (DBA YELLOWSTONE CLUB)

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Low Income Activities--\$4,765,520

In 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 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. 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. The passage of SB 150 by the 2015 Montana Legislature required the funding of Low Income activities to be increased to 50% of the total annual electric USB revenues. Subsequently, the MPSC issued Order No. 7458 (November 2015). Allocations of additional funds have been allocated to the Free Weatherization Program and Energy Share of Montana based upon that order.

NorthWestern Energy directed \$4,765,520 in 2015 electric USB funds to Low Income activities, or 50% of electric USB revenues. Large Customers reported self-directing an additional \$20,000 to Low Income activities bringing the total 2015 funds committed to Low Income to \$4,785,520 which is slightly more than 50% of the total funds collected.

Consistent with historic practice, unspent 2014 Large Customer funds have been directed first to covering the 2015 Large Customer administrative costs and the balance has been directed to the 2015 Low Income category as noted in Appendix 2 of the Addendum to the 2014 Report. Additional 2013 unspent Large Customer funds and those resulting from a 2013 market transformation project that did not require the full funding allocated to it have also been directed to the Low Income category and are noted in Appendix 2 of the Addendum to the 2013 report.

Appendix 4 to the 2015 report provides a summary of NorthWestern Energy's Electric USB allocations for 1999-2015 by category and better illustrates the Low Income funding changes.

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 LIEAP eligibility requirements receive bill assistance in the form of a discount. LIEAP eligibility guidelines are set by MDPHHS each heating season which is defined as November through April. LIEAP eligibility is set at up to 150% of the Federal poverty.

LIEAP qualified customers may also qualify for the Free Weatherization Program and households with energy emergencies may receive assistance through Energy Share of

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Montana. More than 11,620 low income households were served in 2015 with electric USB funds. The financial impact of electricity costs on low income households was reduced through bill assistance, weatherization, and emergency energy assistance.

Bill Assistance

Consistent with MPSC Order No. 6679e the electric Low Income bill discount is 25% from November through April and 15% from May through October. Electric USB funds cover the electric Low Income discount. Separately, natural gas USB funds cover the natural gas USB Low Income Discount.

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 HRC. Participation in the bill discount in 2015 was about 7% less than the 2014 participation level. The funding of the electric Low Income discount totaled \$2,340,963 in 2015 for the 11,620 low income customers served. The amount of money required to fund the bill discount fluctuates annually based upon the number of customers enrolled, rates, and weather.

The Free Weatherization Program

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

Through the history of this program, NorthWestern Energy has made modifications to the Free Weatherization Program contract with MDPHHS in an effort to better maximize the weatherization results of all funding sources for NorthWestern Energy low income customers. As a result of collaborative work in 2012, NorthWestern Energy and MDPHHS restructured the contract to adjust the allowed HRC overhead and/or administrative costs and to better mirror the federal program requirements. In addition USB funds up to 100% of weatherization costs for homes where NorthWestern Energy is listed as the primary heating vendor and up to 50% of weatherization costs for homes where the NorthWestern Energy electric customer does not list NorthWestern as the primary heating vendor. This structure provides for important administrative streamlining of the program for the HRCs and MDPHHS. The contract structure was adopted in 2013 and was not changed for 2014 or 2015. As noted in previous years, this contract change reduces the number of homes reported as weatherized with USB funds for the same funding level in comparison to years prior to 2013. Importantly, it does not reduce overall federal funding directed to weatherization of the homes of NorthWestern Energy's low income customers. Increased funding to the Low Income category starting in 2015 increases the funding of Free Weatherization Program.

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The 2015 Free Weatherization Program pooled unspent 2013 funds, 2014 and 2015 electric USB funds, along with 2015 natural gas funds to complete \$2,154,426 of low income weatherization work for 311 low income customers in 2015. An additional \$1,469,844 of 2015 electric funds has been committed to low income weatherization to be completed in 2016.

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.

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.

- **“This weatherization package I received is incredible!! I feel so very grateful both the auditor and installers are all very professional people.”**
- **“What a difference this has made in my home. Thank You So Much! Can’t say enough good things about this program and what it has meant to me! Thank you!”**
- **“This is such a great program and I’m so glad for the assistance to help me cut down on my power usage and bill.”**
- **“I really appreciate all the help. My home now heats evenly and I don’t have to worry about cold spots and I can keep my heat event and is very good in the heat as well. Thank you so much.”**

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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. 7458 increased the minimum annual commitment of electric USB funds to Energy Share to \$289,000. Separately, natural gas USB funds in the amount of \$336,000 are also directed to Energy Share annually. As noted in the Addendums to 2013 and 2014 report, previously unspent large customer funds have been reallocated to Energy Share resulting in a total of \$724,943 being directed to Energy Share in 2015. Additional funds in the amount of \$180,849 in 2015 electric USB funds have been committed to Energy Share for payment in 2016.

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Local Conservation Activities-- \$ 671,655

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. The pool of 2014 and 2015 electric USB funds, along with 2015 natural gas funds allowed for the completion of 1728 on-site residential audits in 2015.

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 1,600 residential electric customers participated in the E+ Energy Survey program in 2015.

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

- **“Very polite and non-patronizing to an old lady—A rare thing nowadays.”**
- **“These men arrived just as my CO detector went off for the first time. They responded quickly and effectively and thoroughly—very comforting!”**
- **“These guys were super friendly and helpful. Found massive air leaks—I’ve already addressed most of them and the difference is amazing!! My home is cozy!!”**
- **“We learned a great deal from [the auditors] including the need to replace the water heater. They may have saved a life or 2.”**

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. In 2015, approximately 125 commercial facilities were evaluated through this program offering with electric USB funding from 2014 and 2015.

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 electric non-Large commercial Customers in Choice may qualify for the USB-funded portion of the program. 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 2015, 21 irrigation efficiency improvement projects were funded and completed with 2015 USB dollars. While such custom rebates have been reported in past years, there were no qualifying custom rebates for commercial electric Choice customers for non-lighting electric efficiency improvements in 2015.

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

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Market Transformation – \$304,518

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.

Commercial Lighting for Small Choice Customers. Consistent with historic practice, commercial electric Choice customers have been eligible for lighting electric efficiency improvements. Three projects received funding in 2015.

ENERGY STAR® and New Homes

Homes built to the Northwest ENERGY STAR standards are on the increase in Montana despite declines in the new housing market. USB funds provide 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. Additionally, USB funds were used to provide training and develop educational information related to Montana's adoption of the 2012 Energy Code for builders, trade allies and the general public.

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 2015 market transformation funds to regional collaborative and training efforts. Training focused on technical training targeting commercial and industrial customers and trade allies.

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***Renewable Resources, and
Research and Development--\$838,691***

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 2015 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, education, and that increase geographic representation on NorthWestern's electric system are encouraged.

There are now more than 1,500 net-metered renewable generators in the NorthWestern Energy service territory with a large majority of the systems having 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. Residential solar Photovoltaic (PV) projects represent the majority of USB funded projects.

There were 55 projects completed in 2015, with a majority of these projects funded with 2014 dollars. Most projects completed in 2015 were installed on private residences. Several PV systems were installed at schools and non-profit facilities. At schools, the systems provide an educational opportunity for students to learn about the capabilities of renewable generation. The size of systems installed on schools ranged between 2.9 and 6.8kW. The majority of PV systems were 6.2 kW or smaller.

Projects completed in 2015 with funds from previous years are noted in the Addendums to the 2011, 2013, and 2014 reports.

The following table summarizes renewable projects that have received USB funding and were completed by the end of 2015.

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USB Renewable Projects 1999-2015		
Facility Type	#	KW
Commercial Projects	64	544.51
Fire Stations	40	99.28
Irrigation Projects	6	103.52
Low Income	56	269.86
Non-Profit Projects	60	294.40
Private Residences	821	2,568.72
Schools	77	350.91
Other Public Buildings	20	294.39
Biomass	1	750.00
Solar Thermal	19	NA
Biodiesel	2	15.00

NorthWestern Energy continues to consult with its USB Renewable Advisory Subcommittee regarding program modifications and 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 and non-profit electric customers.

The initial cost to install small scale solar systems has been declining and it has been determined that incentives should no longer be offered for homes and commercial businesses. Proposals are accepted for incentives for small scale solar systems non-profit and public buildings, such as libraries, non-profit community centers, and schools. Custom proposals are considered on a case-by-case basis depending upon geographic representation criteria and availability of funds.

Fixed dollar per Watt incentives continue to be available to small scale wind projects on a cases-by-case basis.

NorthWestern Energy has instituted safety and experience qualification requirements for solar PV and small-scale wind installers. Since 2009, projects must be installed by a “qualified installer” that meets safety and experience requirements in order for projects to receive USB renewable resource funds. At the end of 2015, 37 businesses met the solar PV qualification requirements and seven businesses met the small-scale wind qualification requirements. These installers are listed on NorthWestern Energy’s website. The Installer listing is updated as installers are added or deleted based upon their meeting the qualified installer 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 35 training sessions throughout the state in 2015. These sessions covered a

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variety of topics including, OSHA electrical safety, Four Hazards Training, Fall Protection, NFPA 70E, utility worker and electrical inspector training. Additional training for installers, utility workers and electrical inspectors has been committed to for 2016. The qualified installers, as well as several program contractors, provide education and project development services.

Seminars, tours, workshops and exhibits for individuals interested in renewable energy technologies and sustainable building practices continue to be funded. In 2015, NorthWestern Energy, through a partnership with the National Center for Appropriate Technology, supported one Energy Corps member whose work included renewable education at 16 events in a variety of public settings with an emphasis on children (pre-school age through high school) as the audience.

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. Consistent with historic practice, when revenues of the program are greater than expenses, funds are directed to the Renewable Resources category and when the program expenses exceed revenues, USB funds are used to support the program. In 2015, funds have been directed back to the renewable generation category. One commercial customer that had purchased a large number of blocks under E+ Green to meet directives in their organization terminated their enrollment late in 2015. Generally, customer participation in the program is stable with a few customers enrolling or leaving each year. The majority of participating customers are homeowners, but a handful of commercial accounts purchase a substantial number of the of the E+ Green blocks of environmental benefits associated with renewable generation.

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Conclusion

In every year since the inception of USB, NorthWestern Energy'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, irrigation, 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 HRCs. 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, emergency energy assistance, and free 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 2011, 2013, and 2014 Reports 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/Eplus.

For further information regarding this report, please contact:

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Appendices 1-4

Universal System
Benefits Activities
2015 Annual Report

	USBC kWh (Load)	USBC Revenue By Class	% of USB Revenue By Class
Residential			
Residential	2,354,741,702	\$ 3,139,457	33%
General Service			
GS-1/GS-2 < 1000 kW	2,750,297,608	\$ 3,120,760	33%
Irrigation	96,857,872	\$ 109,909	1%
Lighting	61,730,095	\$ 210,257	2%
Total Non-Large Customer	5,263,627,277	\$ 6,580,383	69%
Large Customer			
GS-1/GS-2 > 1000 kW and Special Contracts	3,277,725,339	\$ 2,950,657	31%
Total USBC	8,541,352,616	\$ 9,531,040	100%

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 2015	Contracted - Complete in 2016	Allocation & Expenses
	per Order 7458	Reallocation ^(a)			
Local Conservation	595,752	75,903	425,692	245,963	671,655
E+ Residential Audit/Sm. Comm Audit			218,793	245,963	464,756
E+ Business Partners / Irrigation Projects			80,660	-	80,660
Promotion			91,923	-	91,923
Labor			34,141	-	34,141
Admin. Non-labor			369	-	369
Interest Income			(194)	-	(194)
Local Conservation Summary			425,692	245,963	671,655
Market Transformation	380,420	(75,903)	304,518	-	304,518
E+ Commercial Lighting			18,813	-	18,813
Motor Management Training			13,122	-	13,122
Energy Star Homes			131,478	-	131,478
Building Operator Certification			55,306	-	55,306
Commercial Industrial Training & Conference			44,101	-	44,101
Promotion			16,541	-	16,541
Labor			19,472	-	19,472
Admin. Non-labor			5,809	-	5,809
Interest Income			(124)	-	(124)
Market Transformation Summary			304,518	-	304,518
Renewable Resources	681,333	47,793	41,805	687,320	729,125
Generation/Education			1,000	687,320	688,320
Green Power Product			(19,490)	-	(19,490)
Promotion			5,730	-	5,730
Labor			53,102	-	53,102
Admin. Non-labor			1,685	-	1,685
Interest Income			(222)	-	(222)
Renewable Resources Summary			41,805	687,320	729,125
Research & Development	157,358	(47,793)	73,210	36,356	109,566
R&D/ Infrastructure			56,490	36,356	92,846
Battery Storage			1,708	-	1,708
Energy Corps			0	-	0
Promotion			5,869	-	5,869
Labor			9,057	-	9,057
Admin. Non-labor			137	-	137
Interest Income			(51)	-	(51)
Research & Development Summary			73,210	36,356	109,566
Low Income	4,765,520	0	3,114,827	1,650,693	4,765,520
Bill Assistance			2,340,963	-	2,340,963
Free Weatherization			418,950	1,469,844	1,888,794
Elec Wx Incentives			17,465	-	17,465
Fuel Switch Analyses			2,500	-	2,500
Energy Share			289,000	180,849	469,849
Promotion			9,789	-	9,789
Labor			35,727	-	35,727
Admin. Non-labor			1,983	-	1,983
Interest Income			(1,551)	-	(1,551)
Low Income Summary			3,114,827	1,650,693	4,765,520
Large Customer	2,950,657	0	2,020,653	930,004	2,950,657
Self-Directed Energy Reduction			1,998,831	930,004	2,928,835
Self-Directed to Low Income			20,000	-	20,000
Labor			14,054	-	14,054
Interest Income			(960)	-	(960)
NWE Allocated from 2014 to cover LC Expense ^(c)			(11,272)	-	(11,272)
Large Customer Summary			2,020,653	930,004	2,950,657
Unallocated	-	-	-	-	-
Totals	9,531,040	0	5,980,704	3,550,336	9,531,040
2015 USB Revenues less Expenses and Contractual Commitments					1

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

^(b) The 2014 Large Customer Admin Costs of \$14,054 less the interest income of \$960 exceeded the amount of unclaimed 2015 Large Customer funds of \$1,822. NWE has committed unclaimed 2014 Large Customer funds in the amount of \$11,272 to cover the deficit.

2015 USB FUNDING AND EXPENDITURE SUMMARY

USB Category	Allocation of 2015 funds based on Order 7458	Percentage by Category	Reallocation of 2015 funds	Percentage by Category	Allocation w/Lrg Cust funds self-directed to LI ^(a)	Percentage by Category	Total Electric USB Funds Spent in 2015	2015 Electric USB Funds Contracted to Spend in 2016
Local Conservation	\$ 595,752	6%	\$ 671,655	7%	\$ 671,655	7%	\$ 425,692	\$ 245,963
Market Transformation	\$ 380,420	4%	\$ 304,518	3%	\$ 304,518	3%	\$ 304,518	\$ -
Renewables	\$ 681,333	7%	\$ 729,125	8%	\$ 729,125	8%	\$ 41,805	\$ 687,320
Research & Development	\$ 157,358	2%	\$ 109,566	1%	\$ 109,566	1%	\$ 73,210	\$ 36,356
Low Income	\$ 4,765,520	50%	\$ 4,785,520	50%	\$ 4,785,520	50%	\$ 3,114,827	\$ 1,650,693
Large Customer	\$ 2,950,657	31%	\$ 2,930,657	31%	\$ 2,930,657	31%	\$ 2,020,653	\$ 930,004
	\$ 9,531,040	100%	\$ 9,531,040	100%	\$ 9,531,040	100%	\$ 5,980,704	\$ 3,550,336

2015 LOW INCOME FUNDING SUMMARY

Low Income Category	
Bill Assistance	\$ 2,340,963
Free Weatherization	\$ 1,888,794
Elec Wx Incentives	\$ 17,465
Fuel Switch Analysis	\$ 2,500
Energy Share	\$ 469,849
NWE Promotion	\$ 9,789
NWE Labor	\$ 35,727
NWE Admin. Non-labor	\$ 1,983
USB Interest & Svc Chg	\$ (1,551)
Self-Directed Large Customer	\$ 20,000
Subtotal:	\$ 4,785,520
Low Income share of 2015 Electric USB revenues :	50.2%

2015 ENERGY SAVINGS & RENEWABLE RESOURCES ESTIMATES

Savings & Resources acquired in 2015 w/ 2015 \$

	aMW	MWH	MW
Local Conservation	0.137	1,202	0.203
Market Transformation	0.337	2,953	-
Renewables	-	-	-
Research & Development	NA	NA	NA
Low Income	0.015	133	0.062
Large Customer ^(b)	NA	NA	NA
	0.49	4,288	0.265

Projected Savings & Resources to acquire in 2016 w/ 2015 \$ (c)

	aMW	MWH	MW
Local Conservation	0.012	104	0.021
Market Transformation	-	-	-
Renewables	0.036	312	0.238
Research & Development	NA	NA	NA
Low Income	0.012	106	-
Large Customer ^(b)	NA	NA	NA
	0.06	523	0.2588
Total Savings & Resources	0.549	4,810	0.524

2015 ELECTRIC USB PARTICIPATION SUMMARY

Electric USB Activity by Category	Quantity	Units
Conservation		
Residential Onsite Audits	1,728	homes
Residential Mail out Audits	1,595	homes
Business Appraisals	127	businesses
Business Partners / Irrigation	21	projects
Business Partners / Small Choice	-	projects
Market Transformation		
Commercial Lighting	3	projects
NWE Building Operator Certification	35	people
Motor Training	55	people
Market Transformation Training	48	people
Renewables		
Generation / Education	-	projects
Research & Development		
Renewable Energy Seminars/Workshops	1,102	attendees
Low-Income		
Bill Assistance	11,629	households
Free Weatherization	311	homes
Energy Share	1,322	households

^(a) Large Customers may self-direct their USB dollars to energy saving and renewable activities in their own facilities, or to Low Income activities. In 2015 with 2015 funds, Large Customers self-directed a total of \$20,000 to Low-Income.

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

^(c) Projected Savings & Resources are based on contracts that were in place at the end of 2015. Actual results will be reported in 2016.

Annual Electric USB Allocation

	% by Category	\$ by Category
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

Current Allocation per D2015.7.58, Order 7458 (a)

	% by Category	\$ by Category
Local Conservation	7.00%	638,664
Market Transformation	4.00%	407,822
Renewables	8.00%	730,409
Research & Development	2.00%	168,693
Low-Income	50.00%	4,853,519
Large Customers	29.00%	2,907,931
	100%	9,707,038

Historic Allocation of Electric USB Funds (b)

Year	Total Electric USB Funds	Large Customers	Low Income (c)	Supplemental Low Income (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	960,714	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	9,329,518	3,033,322	3,858,505	-	3,858,505	1,487,658	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	974,290	94,396	-
2009	9,361,818	2,897,568	3,146,326	-	3,146,326	1,340,555	444,078	1,362,237	171,054	-
2010	9,191,653	2,740,669	3,139,869	-	3,139,869	1,579,218	201,753	1,193,053	337,091	-
2011	9,367,205	2,748,767	3,221,373	-	3,221,373	1,483,095	344,107	1,243,669	326,195	-
2012	9,372,359	2,769,720	3,440,408	-	3,440,408	1,406,566	302,922	1,112,906	339,837	-
2013	9,485,951	2,840,538	3,879,499	-	3,879,499	1,238,110	243,855	979,534	304,414	-
2014	9,543,001	2,890,506	3,530,178	-	3,530,178	1,518,042	176,454	1,015,155	412,666	-
2015	9,531,041	2,950,657	4,765,520	-	4,765,520	671,655	304,518	729,125	109,566	-
	153,505,189	48,202,172	49,294,286	2,336,999	51,631,285	24,254,316	8,680,721	16,414,620	3,565,517	756,549

Allocation as % of Revenue by Category	100%	31%	34%	16%	6%	11%	2%	0%
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Allocation as % of Revenues, excluding Large Customer Revenues	100%	49%	23%	8%	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. In December 2008 MPSC issued Order 6679e which increased the allocations to Low Income and adjusted allocations to the other non-Large Customer Categories. MPSC Order 7458 increased to 50% the allocation to Low Income and proportionally reduced non-Large Customer categories. These Orders did not affect the allocation for Large Customers, they effectively reduced the amount of USB funds available for other non-Low Income USB categories.

(b) The historic allocation table illustrates the expenditure or direction of electric USB by category from 1999 through 2015.

(c) This column summarizes all funds allocated to low-income activities by NorthWestern Energy, except those noted in (d). In addition to funds allocated by NorthWestern Energy, Large Customers have self-directed \$2,565,089 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.

Addendum **2014 Report**

Universal System
Benefits Activities
2015 Annual Report

**ADDENDUM
to the
2014 Report**



The 2014 NorthWestern Energy USBC revenues totaled \$9,543,001. Of this \$6,700,225 was spent on projects completed in 2014, and \$2,180,014 was spent on projects completed in 2015, leaving a balance of \$622,761 of projects to complete in 2016.

The projects associated with \$2,180,014 of 2014 USB funds, including \$684,511 Large Customer self-directed activities, were completed in 2014. The results are included in Appendix 2 of this addendum.

Included in the 2015 expenditures, NorthWestern Energy reallocated \$11,272 of unspent Large Customer 2014 funds to cover a portion of the deficit in the 2015 Large Customer category. Since 2012, unspent Large Customer funds from earlier years have been reallocated to cover current year NorthWestern Energy administrative costs associated with the Large Customer category as fewer funds are unclaimed for the current year.

Additional unspent 2014 Large Customer funds identified were reallocated to Low Income activities with \$3,087 directed to Energy Share for support of low income customers in 2016.

NorthWestern Energy requested and was granted extensions from the Department of Revenue as allowed per ARM 49.29.111 for renewable generation and research and development projects totaling \$659,674 for completion in 2016.

Updated results are provided in the 2014 Addendum in Appendices 2 and 3 (p. 2014-2 and p. 2014-3).

	Revenue Allocation		Spent in 2014	Spent in 2015	Contracted - Complete in 2016	Allocation & Expenses
	per Order 6679e	Reallocation ^(a)				
Local Conservation	1,120,869	397,174	1,018,042	500,000	-	1,518,042
E+ Residential Audit/Sm. Comm Audit			606,705	500,000	-	1,106,705
E+ Business Partners / Irrigation Projects			273,050	-	-	273,050
Promotion			75,799	-	-	75,799
Labor			33,191	-	-	33,191
Admin. Non-labor			29,602	-	-	29,602
Interest Income			(304)	-	-	(304)
Local Conservation Summary			1,018,042	500,000	-	1,518,042
Market Transformation	715,735	(539,281)	176,454	-	-	176,454
E+ Commercial Lighting			603	-	-	603
Motor Management Training			-	-	-	-
Energy Star Homes			74,182	-	-	74,182
Building Operator Certification			-	-	-	-
Commercial Industrial Training & Conference			37,660	-	-	37,660
Promotion			16,288	-	-	16,288
Labor			19,678	-	-	19,678
Admin. Non-labor			28,237	-	-	28,237
Interest Income			(194)	-	-	(194)
Market Transformation Summary			176,454	-	-	176,454
Renewable Resources	1,281,883	(266,728)	76,252	512,841	426,062	1,015,155
Generation/Education			13,788	512,841	426,062	952,691
Green Power Product			566	-	-	566
Promotion			7,632	-	-	7,632
Labor			52,197	-	-	52,197
Admin. Non-labor			2,416	-	-	2,416
Interest Income			(347)	-	-	(347)
Renewable Resources Summary			76,252	512,841	426,062	1,015,155
Research & Development	296,059	116,607	100,798	78,256	233,612	412,666
R&D/ Infrastructure			72,282	45,525	226,343	344,150
Battery Storage			3,705	-	-	3,705
Energy Corps			12,330	32,731	7,269	52,330
Promotion			3,773	-	-	3,773
Labor			8,563	-	-	8,563
Admin. Non-labor			225	-	-	225
Interest Income			(80)	-	-	(80)
Research & Development Summary			100,798	78,256	233,612	412,666
Low Income	3,237,949	292,229	3,137,043	393,135	-	3,530,178
Bill Assistance			2,421,608	-	-	2,421,608
Free Weatherization			408,725	307,977	-	716,701
Elec Wx Incentives			16,916	-	-	16,916
Fuel Switch Analyses			2,400	-	-	2,400
Energy Share			239,000	85,158	-	324,158
Promotion			13,512	-	-	13,512
Labor			35,324	-	-	35,324
Admin. Non-labor			1,693	-	-	1,693
Interest Income			(877)	-	-	(877)
Returned Low Income Funds from DPHHS ^(b)			(1,257)	-	-	(1,257)
Low Income Summary			3,137,043	393,135	-	3,530,178
Large Customer	2,890,506	(0)	2,191,636	695,783	3,087	2,890,506
Self-Directed Energy Reduction			2,063,099	632,629	-	2,695,728
Self-Directed to Low Income			123,538	51,882	-	175,420
Labor			12,621	-	-	12,621
Interest Income			(783)	-	-	(783)
NWE Reallocated to Energy Share			-	-	3,087	3,087
NWE Allocated from 2014 to cover LC Expense ^(c)			-	11,272	-	11,272
NWE Allocated from 2013 to cover LC Expense ^(c)			(6,839)	-	-	(6,839)
Large Customer Summary			2,191,636	695,783	3,087	2,890,506
Unallocated	-	-	-	-	-	-
Totals	9,543,001	(0)	6,700,225	2,180,014	662,761	9,543,001
2014 USB Revenues less Expenses and Contractual Commitments						-

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

^(b) As a result of DPHHS weatherization monitoring findings \$17.62 from the 2012 contract and \$1,239.77 from the 2013 contract has been returned to NWE.

^(c) The 2014 Large Customer Admin Costs of \$12,621 less the interest income of \$783 exceeded the amount of unclaimed 2014 Large Customer funds of \$4,999. NWE has committed unclaimed 2013 Large Customer funds in the amount of \$6,839 to cover the deficit.

PROJECTS COMPLETED IN 2015 WITH 2014 FUNDS

USB Category	Projects Completed in 2015 with 2014 USB \$		
	aMW	MWH	MW
Local Conservation	0.03	288	0.0631
Market Transformation	-	-	-
Renewables	0.07	570	0.4337
Research & Development	NA	NA	NA
Low Income	0.01	93	0.0434
Large Customer	NA	NA	NA
	0.11	951	0.5401

Program Participation Summary			
USB Category / Program Segment	Quantity	Units	
Conservation			
Residential Onsite Audits	771	homes	
Residential Mail out Audits	712	homes	
Business Appraisals	57	businesses	
Business Partners/Irrigation	-	projects	
Business Partners/Small Choice	-	projects	
Market Transformation			
Commercial Lighting	-	projects	
NWE Building Operator Certification	-	people	
Motor Training	-	people	
Renewables			
Generation / Education	44	projects	
Research & Development			
Renewable Energy Seminars/Workshops	351	attendees	
Low-Income			
Bill Assistance	-	households	
Free Weatherization	52	homes	
Energy Share	-	households	

TOTAL OF PROJECTS COMPLETED WITH 2014 FUNDS

USB Category	Total Projects Completed with 2013 USB \$		
	aMW	MWH	MW
Local Conservation	0.227	1,987	0.398
Market Transformation	0.005	42	0.004
Renewables	0.066	581	0.442
Research & Development	NA	NA	NA
Low Income	0.026	225	0.112
Large Customer	NA	NA	NA
	0.324	2,835	0.956

Program Participation Summary			
USB Category / Program Segment	Quantity	Units	
Conservation			
Residential Onsite Audits	2,611	homes	
Residential Mail out Audits	1,687	homes	
Business Appraisals	213	businesses	
Business Partners/Irrigation	37	projects	
Business Partners/Small Choice	-	projects	
Market Transformation			
Commercial Lighting	1	projects	
NWE Building Operator Certification	-	people	
Motor Training	48	people	
Market Transformation Training	40	people	
Renewables			
Generation / Education	46	projects	
Research & Development			
Renewable Energy Seminars/Workshops	869	attendees	
Low-Income			
Bill Assistance	12,569	households	
Free Weatherization	352	homes	
Energy Share	1,429	households	

Addendum **2013 Report**

Universal System
Benefits Activities
2015 Annual Report

**ADDENDUM
to the
2013 Report**



The 2013 NorthWestern Energy USBC revenues totaled \$9,485,951. Of this \$6,938,627 was spent on projects completed in 2013, \$2,076,825 was spent on projects completed in 2014, \$369,513 was spent on projects completed in 2015, leaving a balance of \$100,987 of projects to complete in 2016.

The projects associated with \$369,513 of 2013 USB funds, including \$29,910 Large Customer self-directed activities, were completed in 2015. The results are included in Appendix 2 of this addendum.

Unspent 2013 Large Customer funds were reallocated to Low Income activities with \$3,408 directed to Energy Share and \$7,951 directed to the Free Weatherization program for support of low income customers in 2015. Additional 2013 funds were reallocated by NorthWestern to Low Income activities as the result of a 2013 Market Transformation project which was completed at a lesser cost than planned.

NorthWestern Energy requested and was granted extensions from the Department of Revenue as allowed per ARM 49.29.111 for renewable generation and research and development projects totaling \$100,987 for completion in 2015.

Updated results are provided in the 2013 Addendum in Appendices 2 and 3 (p. 2013-2 and p. 2013-3).

	Revenue Allocation		Spent in 2013	Spent in 2014	Spent in 2015	Contracted - Complete in 2016	Allocation & Expenses
	per Order 6679e	Reallocation ^(a)					
Local Conservation	1,119,675	118,435	867,055	371,055	-	-	1,238,110
E+ Residential Audit/Sm. Comm Audit			650,787	371,055	-	-	1,021,842
E+ Business Partners / Irrigation Projects			122,404	-	-	-	122,404
Promotion			60,989	-	-	-	60,989
Labor			32,461	-	-	-	32,461
Admin. Non-labor			569	-	-	-	569
Interest Income			(154)	-	-	-	(154)
Local Conservation Summary			867,055	371,055	-	-	1,238,110
Market Transformation	714,973	(471,117)	169,438	36,493	37,925	-	243,856
E+ Commercial Lighting			-	-	-	-	-
Motor Management Training			6,701	13,299	-	-	20,000
Energy Star Homes			47,215	-	-	-	47,215
Building Operator Certification			38,882	23,194	-	-	62,077
Commercial Industrial Training & Conference			36,170	-	-	-	36,170
Promotion			17,295	-	-	-	17,295
Labor			19,131	-	-	-	19,131
Admin. Non-labor			4,143	-	-	-	4,143
Interest Income			(99)	-	-	-	(99)
Allocated to Free Weatherization			-	-	26,548	-	26,548
Allocated to Energy Share			-	-	11,377	-	11,377
Market Transformation Summary			169,438	36,493	37,925	-	243,856
Renewable Resources	1,280,518	(300,984)	146,362	589,505	165,334	78,333	979,534
Generation/Education			103,012	589,505	165,334	78,333	936,184
Green Power Product			(18,309)	-	-	-	(18,309)
Promotion			8,197	-	-	-	8,197
Labor			51,782	-	-	-	51,782
Admin. Non-labor			1,857	-	-	-	1,857
Interest Income			(177)	-	-	-	(177)
Renewable Resources Summary			146,362	589,505	165,334	78,333	979,534
Research & Development	295,744	8,670	50,114	106,661	124,984	22,655	304,414
R&D/ Infrastructure			39,103	106,661	124,984	22,655	293,403
Promotion			1,918	-	-	-	1,918
Labor			9,062	-	-	-	9,062
Admin. Non-labor			71	-	-	-	71
Interest Income			(41)	-	-	-	(41)
Research & Development Summary			50,114	106,661	124,984	22,655	304,414
Low Income	3,234,502	644,997	3,288,286	591,214	-	-	3,879,499
Bill Assistance			2,480,722	-	-	-	2,480,722
Free Weatherization			518,000	413,850	-	-	931,850
Elec Wx Incentives			40,289	-	-	-	40,289
Fuel Switch Analyses			4,400	-	-	-	4,400
Energy Share			239,000	177,364	-	-	416,364
Promotion			6,576	-	-	-	6,576
Labor			40,009	-	-	-	40,009
Admin. Non-labor			883	-	-	-	883
Interest Income			(446)	-	-	-	(446)
Allocated from 2011 LC to Low Income ^(b)			(34,568)	-	-	-	(34,568)
Allocated from 2009 Mkt Trans to Low Income ^(c)			(6,580)	-	-	-	(6,580)
Low Income Summary			3,288,286	591,214	-	-	3,879,499
Large Customer	2,840,538	(0)	2,417,372	381,897	41,269	-	2,840,538
Self-Directed Energy Reduction			2,297,516	310,058	29,910	-	2,637,484
Self-Directed to Low Income			117,775	65,000	-	-	182,775
Labor			14,339	-	-	-	14,339
Admin. Non-labor			-	-	-	-	-
Interest Income			(392)	-	-	-	(392)
NWE Reallocated LC Funds from 2012 ^(d)			(11,866)	-	-	-	(11,866)
NWE Reallocated to Free Weatherization			-	-	7,951	-	7,951
NWE Reallocated to Energy Share			-	-	3,408	-	3,408
NWE Allocated from 2013 to cover LC Expense			-	6,839	-	-	6,839
Large Customer Summary			2,417,372	381,897	41,269	-	2,840,538
Unallocated	-	-	-	-	-	-	-
Totals	9,485,951	0	6,938,627	2,076,825	369,513	100,987	9,485,951
2013 USB Revenues less Expenses and Contractual Commitments							-

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

^(b) The reallocation of unspent 2013 Large Customer funds to Low Income is consistent with past practice.

^(c) A 2009 Market Transformation project to which funds had been previously been committed completed in 2013 for \$6,580 less than anticipated and, consistent with past practice, these funds were reallocated to 2013 low income activities.

^(d) The 2013 Large Customer Admin Costs of \$14,399 less the interest income of \$392 exceeded the amount of unclaimed 2013 Large Customer funds of \$2,081. NWE has committed unclaimed 2012 Large Customer funds in the amount of \$11,866 to cover the deficit.

PROJECTS COMPLETED IN 2015 WITH 2013 FUNDS

USB Category	Projects Completed in 2015 with 2013 USB \$		
	aMW	MWH	MW
Local Conservation	-	-	-
Market Transformation	-	-	-
Renewables	0.01	111	0.0848
Research & Development	NA	NA	NA
Low Income	0.00	10	0.0049
Large Customer	NA	NA	NA
	0.01	122	0.0897

Energy Savings & Renewable Resource Estimates			
USB Category	aMW	MWH	MW
Local Conservation	0.210	1,838	0.355
Market Transformation	0.282	2,471	-
Renewables	0.077	674	0.513
Research & Development	NA	NA	NA
Low Income	0.047	410	0.139
Large Customer	NA	NA	NA
	0.616	5,394	1.007

Program Participation Summary			
USB Category / Program Segment	Quantity	Units	
Conservation			
Residential Onsite Audits	-	homes	
Residential Mail out Audits	-	homes	
Business Appraisals	-	businesses	
Business Partners/Irrigation	-	projects	
Business Partners/Small Choice	-	projects	
Market Transformation			
Commercial Lighting	-	projects	
NWE Building Operator Certification	-	people	
Motor Training	-	people	
Renewables			
Generation / Education	-	projects	
Research & Development			
Renewable Energy Seminars/Workshops	-	attendees	
Low-Income			
Bill Assistance	-	households	
Free Weatherization	-	homes	
Energy Share	-	households	

TOTAL OF PROJECTS COMPLETED WITH 2013 FUNDS

Energy Savings & Renewable Resource Estimates			
USB Category	aMW	MWH	MW
Local Conservation	0.210	1,838	0.355
Market Transformation	0.282	2,471	-
Renewables	0.077	674	0.513
Research & Development	NA	NA	NA
Low Income	0.047	410	0.139
Large Customer	NA	NA	NA
	0.616	5,394	1.007

Program Participation Summary			
USB Category / Program Segment	Quantity	Units	
Conservation			
Residential Onsite Audits	3,044	homes	
Residential Mail out Audits	3,453	homes	
Business Appraisals	307	businesses	
Business Partners/Irrigation	21	projects	
Business Partners/Small Choice	5	projects	
Market Transformation			
Commercial Lighting	-	projects	
NWE Building Operator Certification	46	people	
Motor Training	80	people	
Renewables			
Generation / Education	72	projects	
Research & Development			
Renewable Energy Seminars/Workshops	1,204	attendees	
Low-Income			
Bill Assistance	12,389	households	
Free Weatherization	496	homes	
Energy Share	1,381	households	

Addendum **2011 Report**

Universal System
Benefits Activities
2015 Annual Report

**ADDENDUM
to the
2011 Report**



The 2011 NorthWestern Energy USBC revenues totaled \$9,367,205. Of this \$6,687,730 was spent on projects completed in 2011, \$2,208,649 was spent on projects completed in 2012, \$340,003 was spent on projects completed in 2013, and \$107,368 in 2014, and the remaining balance of \$23,457 of projects was completed in 2015.

The results are included in Appendix 2 of this addendum.

Updated results are provided in the 2011 Addendum in Appendices 2 and 3 (p. 2011-2 and p. 2011-3).

	Revenue Allocation		Spent in 2011	Spent in 2012	Spent in 2013	Spent in 2014	Spent in 2015	Allocation & Expenses
	per Order 6679e	Reallocation ^(a)						
Local Conservation	1,115,130	367,965	1,083,095	400,000	-	-	-	1,483,095
E+ Residential Audit/Sm. Comm Audit			878,135	400,000	-	-	-	1,278,135
E+ Business Partners / Irrigation Projects			121,103	-	-	-	-	121,103
Promotion			49,010	-	-	-	-	49,010
Labor			30,596	-	-	-	-	30,596
Admin. Non-labor			4,677	-	-	-	-	4,677
Interest Income			(426)	-	-	-	-	(426)
Local Conservation Summary			1,083,095	400,000	-	-	-	1,483,095
Market Transformation	712,071	(367,965)	336,268	7,839	-	-	-	344,107
E+ Commercial Lighting			167,173	-	-	-	-	167,173
Motor Management Training			9,838	-	-	-	-	9,838
Energy Star Homes			39,328	-	-	-	-	39,328
Building Operator Certification			28,821	6,727	-	-	-	35,548
Commercial Industrial Training & Conference			38,945	1,112	-	-	-	40,057
Promotion			33,355	-	-	-	-	33,355
Labor			18,381	-	-	-	-	18,381
Admin. Non-labor			699	-	-	-	-	699
Interest Income			(272)	-	-	-	-	(272)
Market Transformation Summary			336,268	7,839	-	-	-	344,107
Renewable Resources	1,275,320	(31,652)	97,328	979,240	167,101	-	-	1,243,669
Generation/Education			58,985	979,240	167,101	-	-	1,205,326
Green Power Product			(11,935)	-	-	-	-	(11,935)
Promotion			4,314	-	-	-	-	4,314
Labor			46,000	-	-	-	-	46,000
Admin. Non-labor			451	-	-	-	-	451
Interest Income			(487)	-	-	-	-	(487)
Renewable Resources Summary			97,328	979,240	167,101	-	-	1,243,669
Research & Development	294,543	31,652	12,381	52,151	138,334	99,872	23,457	326,196
R&D/ Infrastructure			4,550	52,151	138,334	99,872	23,457	318,364
Promotion			808	-	-	-	-	808
Labor			7,039	-	-	-	-	7,039
Admin. Non-labor			96	-	-	-	-	96
Interest Income			(113)	-	-	-	-	(113)
Research & Development Summary			12,381	52,151	138,334	99,872	23,457	326,196
Low Income	3,221,373	0	3,042,426	178,947	-	-	-	3,221,373
Bill Assistance			2,927,723	-	-	-	-	2,927,723
Free Weatherization			267,909	178,947	-	-	-	446,857
Elec Wx Incentives			26,638	-	-	-	-	26,638
Fuel Switch Analyses			2,000	-	-	-	-	2,000
Energy Share			101,584	-	-	-	-	101,584
Allocated to Low Income			(323,215)	-	-	-	-	(323,215)
Promotion			6,176	-	-	-	-	6,176
Labor			33,610	-	-	-	-	33,610
Admin. Non-labor			1,231	-	-	-	-	1,231
Interest Income			(1,231)	-	-	-	-	(1,231)
Low Income Summary			3,042,426	178,947	-	-	-	3,221,373
Large Customer	2,748,767	(0)	2,116,233	590,471	34,568	7,496	-	2,748,768
Self-Directed Energy Reduction			2,003,446	528,276	-	-	-	2,531,722
Self-Directed to Low Income			102,068	54,652	-	-	-	156,720
Labor			11,769	-	-	-	-	11,769
Admin. Non-labor			-	-	-	-	-	-
Interest Income			(1,050)	-	-	-	-	(1,050)
NWE Reallocate to Energy Share ^(c)			-	5,560	-	2,249	-	7,809
NWE Reallocate to Free Weatherization ^(c)			-	-	-	5,247	-	5,247
NWE Reallocate to Low Income ^(c)			-	-	34,568	-	-	34,568
Reallocate LC Funds from 2011 to 2012 ^(d)			-	1,983	-	-	-	1,983
Large Customer Summary			2,116,233	590,471	34,568	7,496	-	2,748,768
Unallocated	-	-	-	-	-	-	-	-
Totals	9,367,205	0	6,687,730	2,208,649	340,003	107,368	23,457	9,367,205
2011 USB Revenues less Expenses and Contractual Commitments								-

(a) Allocations have been adjusted between Market Transformation and Local Conservation; and, between Research and Development and Renewable Generation consistent with past practice.
(b) 2011 funds have been granted time extensions for completion in 2014 by the Department of Revenue. Unspent Large Customer funds are reallocated by NWE to Low Income per historic direction.
(c) The reallocation of unspent 2011 Large Customer funds to Low Income is consistent with past practice.
(d) The 2012 Large Customer Admin Costs of \$12,058 less the interest income of \$348 exceeded the amount of unclaimed 2012 Large C customer funds of \$9,152. NWE has committed unclaimed 2011 Large Customer funds in the amount of \$1,983 and reallocated \$288 from the 2012 Local Conservation and \$287 from the Renewables categories to cover the \$2,558 deficit.

PROJECTS COMPLETED IN 2015 WITH 2011 FUNDS

USB Category	Projects Completed in 2014 with 2011 USB \$		
	aMW	MWH	MW
Local Conservation	-	-	-
Market Transformation	-	-	-
Renewables	0.000	-	-
Research & Development	NA	NA	NA
Low Income	-	-	-
Large Customer	NA	NA	NA
0.0000			

Energy Savings & Renewable Resource Estimates			
USB Category	aMW	MWH	MW
Local Conservation	0.316	2,766	0.587
Market Transformation	0.183	1,601	0.259
Renewables	0.086	756	0.576
Research & Development	NA	NA	NA
Low Income	0.043	380	0.086
Large Customer	NA	NA	NA
0.628			
5,503			
1.508			

Program Participation Summary			
USB Category / Program Segment	Quantity	Units	
Conservation			
Residential Onsite Audits	-	homes	
Residential Mail out Audits	-	homes	
Business Appraisals	-	businesses	
Business Partners	-	projects	
Market Transformation			
Commercial Lighting	-	projects	
NWE Building Operator Certification	-	people	
Vendor Miser	-	vending machines	
Motor Training	-	people	
Energy Star Builder Training	-	people	
Renewables			
Generation / Education	-	projects	
Research & Development			
Renewable Energy Seminars/Workshops	-	attendees	
Low-Income			
Bill Assistance	-	households	
Free Weatherization	1	homes	
Energy Share	-	households	

TOTAL OF PROJECTS COMPLETED WITH 2011 FUNDS

Energy Savings & Renewable Resource Estimates			
USB Category	aMW	MWH	MW
Local Conservation	0.316	2,766	0.587
Market Transformation	0.183	1,601	0.259
Renewables	0.086	756	0.576
Research & Development	NA	NA	NA
Low Income	0.043	380	0.086
Large Customer	NA	NA	NA
0.628			
5,503			
1.508			

Program Participation Summary			
USB Category / Program Segment	Quantity	Units	
Conservation			
Residential Onsite Audits	4,215	homes	
Residential Mail out Audits	1,275	homes	
Business Appraisals	436	businesses	
Business Partners	15	projects	
Market Transformation			
Commercial Lighting	13	projects	
NWE Building Operator Certification	28	people	
Vendor Miser	-	vending machines	
Motor Training	107	people	
Energy Star Builder Training	125	people	
Renewables			
Generation / Education	131	projects	
Research & Development			
Renewable Energy Seminars/Workshops	183	attendees	
Low-Income			
Bill Assistance	15,018	households	
Free Weatherization	664	homes	
Energy Share	1,328	households	