



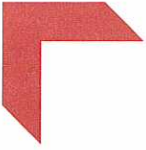
NorthWestern[®]
Energy



Efficiency
Plus

**NorthWestern Energy
Universal System
Benefits Activities
2014 Annual Report**

March 2015



March 2, 2015

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 2014 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 \$9,543,001 in electric USB revenues was collected from NorthWestern Energy's electric distribution customers in 2014.

Nearly 37% of the 2014 USB funds, or \$3,530,178 was directed to Low Income activities by NorthWestern Energy. Large Customers funds accounted for 30% of the total 2014 electric USB revenues, or \$2,890,506 with \$123,538 self-directed to Low Income activities and \$2,276,196 self-directed to energy reduction activities. Allocations by NorthWestern Energy to the other public purpose categories are as follows: \$1,518,042 to Local Conservation, \$176,454 to Market Transformation, and \$1,427,821 to Renewable Resources and Research and Development.

Included with the 2014 report are updates for the 2011, 2012, and 2013 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

**NorthWestern Energy
Electric
Universal System Benefits Activities
2014 Annual Report**



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 nearly \$144 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 \$9,543,001 was collected from NorthWestern Energy's electric distribution customers in 2014. This is \$57,050 more than 2013 revenues with Large Customer revenues up by nearly \$50,000 compared to 2013 and non-Large Customer revenues slightly more than \$7,000 over 2013.

The 2014 electric USB funds have been allocated to the categories consistent with guidelines provided in Montana Public Service Commission (MPSC) Order No. 6679e. 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 the Market Transformation and Local Conservation categories, and the Research, and Development and Renewable Generation categories. Because of anticipated demand for the low income bill discount in 2014, funds had been set aside from the Local Conservation/Market Transformation and Renewables/Research and Development to cover this shortfall. While the anticipated electric bill discount demand did not materialize to the level expected, \$292,229 was reallocated to Low Income from other categories to allowing for supplemental funding of Energy Share of Montana and the Free Weatherization Program for Low Income support in 2015.

The mix of low income, conservation, and renewable generation programs in 2014 is similar to 2013.

Separate of the electric USB funded activities, NorthWestern Energy customers fund additional residential Local Conservation and Low Income activities with natural gas

**NorthWestern Energy
Electric
Universal System Benefits Activities
2014 Annual Report**

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 2014 electric USB revenues, \$3,530,178, or nearly 37% 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 \$123,538 of their 2014 electric USB funds to Low Income activities, bringing the total of 2014 electric USB funds directed to Low Income to \$3,653,716 or approximately 38% of the 2014 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 2014 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 2014 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 2014 electric USB funds by category and activity, and a summary of the energy and demand savings and new renewable resources resulting from the 2014 allocations. The report also includes updates on previous years' activities, and a summary by public purpose category of electric USB funding from 1999-2014.

**NorthWestern Energy
Electric
Universal System Benefits Activities
2014 Annual Report**

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 \$9,543,001 in 2014. 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 2014.

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 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 483 accounts, make up \$2.89 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 2014, the net gain in interest to USB was \$3,201 of which \$2,585 was credited to the electric USB categories on a pro rata basis and the balance was credited to natural gas USB activities.

**NorthWestern Energy
Electric
Universal System Benefits Activities
2014 Annual Report**

UNIVERSAL SYSTEM BENEFITS EXPENDITURES

All electric USB funds collected from NorthWestern Energy customers in 2014 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 2014 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 2014 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 (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 2014 and has financial commitments to implement additional activities/projects for completion in 2015. These programs and activities are described in this report. The breakdown between qualifying expenditures in the current year and financial commitments for completion in 2015 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, 2012, and 2013 Reports. None of the projects to which 2014 funds have been committed are expected at this time to extend beyond 2015.

UNIVERSAL SYSTEM BENEFITS RESULTS

From 1999 through 2014, NorthWestern Energy has delivered USB benefits to various customer classes and across all public purpose categories. General descriptions of the activities or programs for 2014, along with the funding total for the category, follow.

**NorthWestern Energy
Electric
Universal System Benefits Activities
2014 Annual Report**

Large Customers-- \$2,890,506

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 2014, \$2,890,506 was collected from 54 Large Customers to meet their 2014 obligations. All but three of these customers self-directed all of their 2014 USB funds. Large Customers self-directed \$2,063,099 of 2014 funds toward energy reduction projects within their facilities, and have carried over \$698,870 for additional projects in 2015. Large Customers self-directed \$123,538 to Low Income activities in 2014.

The unclaimed 2014 Large Customer funds in the amount of \$4,999 and the 2014 USB account interest amount of \$783 were not sufficient to cover the NorthWestern Energy administrative costs for 2014 Large Customers of \$12,621. The shortfall was covered through unclaimed 2013 Large Customer funds in the amount of \$6,839. Using unclaimed Large Customer funds to cover the administrative costs is consistent with past practice and remaining unclaimed funds are reallocated to low income activities.

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

**NorthWestern Energy
Electric
Universal System Benefits Activities
2014 Annual Report**

Low Income Activities--\$3,530,178

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.

NorthWestern Energy directed \$3,530,178 in 2014 electric USB funds to Low Income activities, or 37% of electric USB revenues. Large Customers reported self-directing an additional \$123,538 to Low Income activities bringing the total 2014 funds committed to Low Income to \$3,653,716 or approximately 38% of the total funds collected. In previous heating seasons, the demand for the low income electric bill discount exceeded the funding electric Low Income obligations as set forth in Order 6679e. Because of anticipated demand for the low income bill discount in 2014, funds had been set aside from the Local Conservation/Market Transformation and Renewables/Research and Development for low income. While the anticipated electric bill discount demand did not materialize to the level expected, \$292,229 was reallocated to Low Income from the other categories to allowing for supplemental funding of Energy Share of Montana and the Free Weatherization Program for Low Income support in 2015.

Consistent with historic practice, unspent 2013 Large Customer funds and funds remaining after a 2013 Market Transformation project completed in 2014 have been directed to the 2015 Low Income category as noted on Appendix 2 to the 2013 report.

Appendix 4 to the 2014 report provides a summary of NorthWestern Energy's Electric USB allocations for 1999-2014 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 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

**NorthWestern Energy
Electric
Universal System Benefits Activities
2014 Annual Report**

Montana. More than 12,500 low income households were served in 2014 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 2014 was similar to 2013. The funding of the electric Low Income discount totaled \$2,421,608 in 2014 for the 12,569 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 has not changed for 2014 or 2015. As noted in 2013, this contract change reduces the number of homes reported as weatherized with USB funds for the same funding level in comparison to previous years. Importantly, it does not reduce overall federal funding directed to weatherization of the homes of NorthWestern Energy's low income customers.

**NorthWestern Energy
Electric
Universal System Benefits Activities
2014 Annual Report**

The 2014 Free Weatherization Program pooled 2013 and 2014 electric USB funds, along with 2014 natural gas funds to complete \$2,229,594 of low income weatherization work for 372 low income customers in 2014. An additional \$307,977 of 2014 electric funds has been committed to weatherization to be completed in 2015. As noted in the Addendums to the 2013 report, previously unspent large customer funds, and funds remaining after the completion of a 2013 Market Transformation commitment have been reallocated to Free Weatherization to be completed in 2015.

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.

- **“What a difference this has made in my home. Thank You so Much! Can’t say enough good things about this program & what it has meant to me! Thank You!”**
- **“I am on a tight budget and was very thankful for all of the insulation etc. to help energy bills.”**
- **“Thank You so Much – I will be warmer next winter.”**
- **“I’ve lived in this house for 28 years and never thought this program would do so much for me! Thanks.”**

**NorthWestern Energy
Electric
Universal System Benefits Activities
2014 Annual Report**

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. During 2014, \$239,000 of 2014 electric USB funds was provided to Energy Share. Additional funds from the non-low income categories in the amount of \$85,158 have been committed to Energy Share for payment in 2015. As noted in the Addendums to 2013 report, previously unspent large customer funds and funds remaining after the completion of a 2013 Market Transformation commitment have been reallocated to Energy Share for payment in 2015.

**NorthWestern Energy
Electric
Universal System Benefits Activities
2014 Annual Report**

Local Conservation Activities-- \$ 1,518,042

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 2013 and 2014 electric USB funds, along with 2014 natural gas funds allowed for the completion of nearly 3,000 on-site residential audits in 2014.

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 2014.

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

**NorthWestern Energy
Electric
Universal System Benefits Activities
2014 Annual Report**

- **“Great program and feel reassured on safety of home both gentlemen courteous and efficient. Thank you.”**
- **“Very professional, knowledgeable, gave us great suggestions how to conserve more energy. They arrived promptly on time. Very much appreciated!”**
- **“This was very helpful. [Auditors] were both nice and helpful. [One] helped my four-year-old with Math (he had a lot of fun). I appreciated that they came. I would recommend the audit to everyone.”**
- **“I wish I had had the audit earlier. Every year I got the invite but never took the chance in the past. Thanks for the professional auditors suggestions. The improvements will be taken.”**

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 2014, approximately 250 commercial facilities were evaluated through this program offering with 2013 and 2014 electric 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 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 2014, 37 irrigation efficiency improvement projects were funded and completed with 2014 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 2014.

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

**NorthWestern Energy
Electric
Universal System Benefits Activities
2014 Annual Report**

Market Transformation – \$176,454

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. Only one such project received funds in 2014.

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 2009 Energy Code and in anticipation 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 2014 market transformation funds to regional collaborative and training efforts. Training focused on technical training targeting commercial and industrial customers and trade allies.

**NorthWestern Energy
Electric
Universal System Benefits Activities
2014 Annual Report**

***Renewable Resources, and
Research and Development--\$1,427,821***

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 2014 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 1,300 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 195 projects completed in 2014, with a majority of these projects funded with 2013 dollars. Most projects completed in 2014 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 2.25 and 30kW. The majority of PV systems were 5 kW or smaller.

Projects completed in 2014 with funds from previous years are noted in the Addendums to the 2011, 2012, and 2013 reports.

The following table summarizes renewable projects that have received USB funding and were completed by the end of 2014.

**NorthWestern Energy
Electric
Universal System Benefits Activities
2014 Annual Report**

USB Renewable Projects 1999-2014		
Facility Type	#	KW
Commercial Projects	56	365.69
Fire Stations	38	85.78
Irrigation Projects	6	103.52
Low Income	56	269.86
Non-Profit Projects	54	221.28
Private Residences	786	2,335.37
Schools	74	337.33
Other Public Buildings	19	288.27
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, non-profit, and private electric customers.

The fixed dollar per Watt incentive as well as the process of awarding residential renewable incentives have been restructured. The initial cost to install small scale solar systems has been declining and the incentives have been reduced from \$3 per Watt to \$1.50 per Watt. The maximum incentive is still capped at \$6,000 per system which has resulted in customers installing larger systems. Residential projects receiving incentives are prioritized to increase the geographic representation of residential solar systems receiving USB funding, Non-residential incentives are targeted at non-profit and public buildings. Custom proposals for systems on commercial facilities are considered on a case-by-case basis depending upon geographic representation criteria and availability of funds.

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 2014, 35 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. 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

**NorthWestern Energy
Electric
Universal System Benefits Activities
2014 Annual Report**

safety training to installers of small renewable generation systems. NorthWestern Energy sponsored 20 training sessions throughout the state in 2014. These sessions covered a 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 2015. 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 2014, NorthWestern Energy, through a partnership with the National Center for Appropriate Technology, supported two Energy Corps members whose work included renewable education 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. Limited USB funds were used in 2014 as some new marketing materials were developed for this program. Newspaper ads promoting the E+ Green Power program were developed and placed around Earth Day in 2014. 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. Customer participation in the program is stable with a few customers enrolling or leaving each year. The majority of participating customers are homeowners, but the majority of the E+ Green blocks of environmental benefits associated with renewable generation are sold to a handful of commercial accounts.

**NorthWestern Energy
Electric
Universal System Benefits Activities
2014 Annual Report**

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, 2012, and 2013 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:

Regulatory Support Services
NorthWestern Energy
40 East Broadway
Butte, MT 59701
Phone: (406) 497-2491
FAX: (406) 497-2084
e-mail: E+Programs@northwestern.com



NorthWestern[®]
Energy



**Efficiency
Plus**

**NorthWestern Energy
Universal System
Benefits Activities
2014 Annual Report**

Appendices 1-4



	USBC kWh (Load)	USBC Revenue By Class	% of USB Revenue By Class
Residential			
Residential	2,405,382,619	\$ 3,206,823	34%
General Service			
GS-1/GS-2 < 1000 kW	2,766,208,052	\$ 3,135,774	33%
Irrigation	86,974,454	\$ 98,838	1%
Lighting	61,966,611	\$ 211,061	2%
Total Non-Large Customer	5,320,531,736	\$ 6,652,495	70%
Large Customer			
GS-1/GS-2 > 1000 kW and Special Contracts	3,211,096,423	\$ 2,890,506	30%
Total USBC	8,531,628,159	\$ 9,543,001	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 2014	Contracted - Complete in 2015	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	938,903	1,015,155
Generation/Education			13,788	938,903	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	938,903	1,015,155
Research & Development	296,059	116,607	100,798	311,868	412,666
R&D/ Infrastructure			72,282	271,868	344,150
Battery Storage			3,705	-	3,705
Energy Corps			12,330	40,000	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	311,868	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	716,702
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	698,870	2,890,506
Self-Directed Energy Reduction			2,063,099	698,870	2,761,969
Self-Directed to Low Income			123,538	-	123,538
Labor			12,621	-	12,621
Interest Income			(783)	-	(783)
NWE Allocated from 2013 to cover LC Expense ^(c)			(6,839)	-	(6,839)
Large Customer Summary			2,191,636	698,870	2,890,506
Unallocated	-	-	-	-	-
Totals	9,543,001	0	6,700,225	2,842,776	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.

2014 USB FUNDING AND EXPENDITURE SUMMARY

USB Category	Allocation of 2014 funds based on Order 6679e	Percentage by Category	Reallocation of 2014 funds	Percentage by Category	Allocation w/Lrg Cust funds self-directed to LI ^(a)	Percentage by Category	Total Electric USB Funds Spent in 2014	2014 Electric USB Funds Contracted to Spend in 2015
Local Conservation	\$ 1,120,869	12%	\$ 1,518,042	16%	\$ 1,518,042	16%	\$ 1,018,042	\$ 500,000
Market Transformation	\$ 715,735	8%	\$ 176,454	2%	\$ 176,454	2%	\$ 176,454	\$ -
Renewables	\$ 1,281,883	13%	\$ 1,015,155	11%	\$ 1,015,155	11%	\$ 76,252	\$ 938,903
Research & Development	\$ 296,059	3%	\$ 412,666	4%	\$ 412,666	4%	\$ 100,798	\$ 311,868
Low Income	\$ 3,237,949	34%	\$ 3,530,178	37%	\$ 3,653,717	38%	\$ 3,137,043	\$ 393,135
Large Customer	\$ 2,890,506	30%	\$ 2,890,506	30%	\$ 2,766,968	29%	\$ 2,191,636	\$ 698,870
	\$ 9,543,001	100%	\$ 9,543,001	100%	\$ 9,543,001	100%	\$ 6,700,225	\$ 2,842,776

2014 LOW INCOME FUNDING SUMMARY COMPLETED IN 2014

Low Income Category	
Bill Assistance	\$ 2,421,608
Free Weatherization	\$ 716,702
Elec Wx Incentives	\$ 16,916
Fuel Switch Analysis	\$ 2,400
Energy Share	\$ 324,158
NWE Promotion	\$ 13,512
NWE Labor	\$ 35,324
NWE Admin. Non-labor	\$ 1,693
USB Interest & Svc Chg	\$ (877)
Self-Directed Large Customer	\$ 123,538
Subtotal:	\$ 3,654,974
Returned Low Income Funds from DPHHS	\$ 1,257
Total Low Income Funding:	\$ 3,656,231
Low Income share of 2014 Electric USB revenues :	38.3%

2014 ENERGY SAVINGS & RENEWABLE RESOURCES ESTIMATES

Savings & Resources acquired in 2014 w/ 2014 \$

	aMW	MWH	MW
Local Conservation	0.194	1,699	0.335
Market Transformation	0.005	42	0.004
Renewables	0.001	11	0.008
Research & Development	NA	NA	NA
Low Income	0.015	132	0.069
Large Customer ^(b)	NA	NA	NA
	0.22	1,884	0.416

Projected Savings & Resources to acquire in 2015 w/ 2014 \$ (c)

	aMW	MWH	MW
Local Conservation	0.024	210	0.043
Market Transformation	-	-	-
Renewables	0.075	656	0.506
Research & Development	NA	NA	NA
Low Income	0.014	125	-
Large Customer ^(b)	NA	NA	NA
	0.11	992	0.5489
Total Savings & Resources	0.328	2,876	0.965

^(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 2014, Large Customers self-directed a total of \$123,538 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 2014. Actual results will be reported in 2015.

2014 ELECTRIC USB PARTICIPATION SUMMARY

Electric USB Activity by Category	Quantity	Units
Conservation		
Residential Onsite Audits	1,840	homes
Residential Mail out Audits	975	homes
Business Appraisals	156	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	2	projects
Research & Development		
Renewable Energy Seminars/Workshops	518	attendees
Low-Income		
Bill Assistance	12,569	households
Free Weatherization	300	homes
Energy Share	1,429	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%	1,051,686
Research & Development	3%	212,437
Low-Income	21%	1,866,219
Large Customers	31%	2,981,806
	100%	8,886,756

Current Allocation per 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)

USB Categories

Year	Total Electric USB Funds	Large Customers	Low Income (c)	Supplemental Low Income (d)	Total Low Income	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	-
	143,974,149	45,251,514	44,528,766	2,336,999	46,865,765	23,582,661	8,376,209	15,685,495	3,455,951	756,549

Allocation as % of Revenue by Category	100%	31%	33%	16%	6%	11%	2%	1%

Allocation as % of Revenues, excluding Large Customer Revenues	100%	47%	24%	8%	16%	8%	4%	1%

- (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 2014.
- (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 \$2,481,848 to low-income activities since 1999.
- (d) 2003 Supplemental low income funds reallocated based on a recommendation from the Governor's Energy Consumer Protection Taskforce, and MPSC Order 6514. 2005 Supplemental low-income funds reallocated based on a stipulation reached between NWE, District XI HRC, AARP, RNP & NRDC in Docket D2004.6.90, Order 6574c.



NorthWestern[®]
Energy



Efficiency
Plus

**NorthWestern Energy
Universal System
Benefits Activities
2014 Annual Report**

ADDENDUM 2013 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, and \$2,076,825 was spent on projects completed in 2014, leaving a balance of \$470,500 of projects to complete in 2015.

The projects associated with \$2,076,825 of 2013 USB funds, including \$375,058 Large Customer self-directed activities, were completed in 2014. The results are included in Appendix 2 of this addendum.

Included in the 2014 expenditures, NorthWestern Energy reallocated \$6,839 of unspent Large Customer 2013 funds to cover a portion of the deficit in the 2014 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 2013 Large Customer funds identified 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 commitment which was completed for less than planned. \$11,377 have been directed to Energy Share and \$26,548 have been directed the Free Weatherization program for support of low income customers in 2015.

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 \$391,306 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	Contracted - Complete in 2015	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	243,667	979,534
Generation/Education			103,012	589,505	243,667	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	243,667	979,534
Research & Development	295,744	8,670	50,114	106,661	147,639	304,414
R&D/ Infrastructure			39,103	106,661	147,639	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	147,639	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	2,637,483
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	2,840,537
Unallocated	-	-	-	-	-	-
Totals	9,485,951	(0)	6,938,627	2,076,825	470,500	9,485,953
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 2014 WITH 2013 FUNDS

USB Category	Projects Completed in 2014 with 2013 USB \$		
	aMW	MWH	MW
Local Conservation	0.04	377	0.0837
Market Transformation	0.14	1,267	-
Renewables	0.06	516	0.3925
Research & Development	NA	NA	NA
Low Income	0.02	134	0.0698
Large Customer	NA	NA	NA
	0.26	2,294	0.5460

Program Participation Summary			
USB Category / Program Segment	Quantity	Units	
Conservation			
Residential Onsite Audits	1,126	homes	
Residential Mail out Audits	596	homes	
Business Appraisals	95	businesses	
Business Partners/Irrigation	-	projects	
Business Partners/Small Choice	-	projects	
Market Transformation			
Commercial Lighting	-	projects	
NWE Building Operator Certification	32	people	
Motor Training	-	people	
Renewables			
Generation / Education	64	projects	
Research & Development			
Renewable Energy Seminars/Workshops	792	attendees	
Low-Income			
Bill Assistance	-	households	
Free Weatherization	69	homes	
Energy Share	-	households	

TOTAL OF PROJECTS COMPLETED WITH 2013 FUNDS

USB Category	Total Projects Completed with 2013 USB \$		
	aMW	MWH	MW
Local Conservation	0.210	1,838	0.355
Market Transformation	0.282	2,471	-
Renewables	0.064	563	0.428
Research & Development	NA	NA	NA
Low Income	0.046	400	0.134
Large Customer	NA	NA	NA
	0.602	5,272	0.917

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	



NorthWestern[®]
Energy



**Efficiency
Plus**

**NorthWestern Energy
Universal System
Benefits Activities
2014 Annual Report**

ADDENDUM 2012 REPORT

**ADDENDUM
to the
2012 Report**



The 2012 NorthWestern Energy USBC revenues totaled \$9,372,359. Of this \$7,103,020 was spent on projects completed in 2012, \$1,994,822 was spent on projects completed in 2013 and \$274,517 was spent on projects completed in 2014.

The projects associated with \$274,517 of 2012 USB funds were completed in 2014. The results are included in Appendix 2 of this addendum.

Included in the 2014 expenditures, NorthWestern Energy reallocated \$20,027 of unspent Large Customer 2012 funds to Low Income activities with \$6,008 directed to Energy Share and \$14,019 directed to the Free Weatherization program.

Renewable generation projects totaling \$167,179 and \$87,311 for research and development activities were completed in 2014.

Updated results are provided in the 2012 Addendum in Appendices 2 and 3 (p. 2012-2 and p. 2012-3).

	Revenue Allocation		Spent in 2012	Spent in 2013	Spent in 2014	Allocation & Expenses
	per Order 6679e	Reallocation ^(a)				
Local Conservation	1,112,565	294,001	1,041,966	364,600	-	1,406,566
E+ Residential Audit/Sm. Comm Audit ^(b)			624,073	364,600	-	988,673
E+ Business Partners / Irrigation Projects			327,440	-	-	327,440
Promotion			59,904	-	-	59,904
Labor			30,302	-	-	30,302
Admin. Non-labor			387	-	-	387
Interest Income			(140)	-	-	(140)
Local Conservation Summary			1,041,966	364,600	-	1,406,566
Market Transformation	710,433	(407,511)	302,922	-	-	302,922
E+ Commercial Lighting			91,832	-	-	91,832
Motor Management Training			10,882	-	-	10,882
Energy Star Homes			41,772	-	-	41,772
Building Operator Certification			41,972	-	-	41,972
Commercial Industrial Training & Conference			47,288	-	-	47,288
Promotion			46,710	-	-	46,710
Labor			17,654	-	-	17,654
Admin. Non-labor			4,901	-	-	4,901
Interest Income			(89)	-	-	(89)
Market Transformation Summary			302,922	-	-	302,922
Renewable Resources	1,272,387	(159,482)	234,790	710,937	167,179	1,112,905
Generation/Education			202,153	710,937	167,179	1,080,269
Green Power Product			(18,039)	-	-	(18,039)
Promotion			1,978	-	-	1,978
Labor			48,383	-	-	48,383
Admin. Non-labor			475	-	-	475
Interest Income			(160)	-	-	(160)
Renewable Resources Summary			234,790	710,937	167,179	1,112,905
Research & Development	293,866	45,972	24,372	228,154	87,311	339,837
R&D/ Infrastructure ^(b)			15,363	228,154	87,311	330,829
Promotion			1,050	-	-	1,050
Labor			7,838	-	-	7,838
Admin. Non-labor			158	-	-	158
Interest Income			(37)	-	-	(37)
Research & Development Summary			24,372	228,154	87,311	339,837
Low Income	3,213,963	226,445	3,108,852	331,556	-	3,440,408
Bill Assistance			2,636,906	-	-	2,636,906
Free Weatherization			186,444	331,556	-	518,000
Elec Wx Incentives			8,440	-	-	8,440
Fuel Switch Analyses			4,300	-	-	4,300
Energy Share			239,000	-	-	239,000
Promotion			2,397	-	-	2,397
Labor			33,055	-	-	33,055
Admin. Non-labor			1,603	-	-	1,603
Interest Income			(404)	-	-	(404)
Allocated from 2009 Mkt Trans to Low Income ^(c)			(2,889)	-	-	(2,889)
Low Income Summary			3,108,852	331,556	-	3,440,408
Large Customer	2,769,145	575	2,390,118	359,575	20,027	2,769,720
Self-Directed Energy Reduction			2,278,206	287,714	-	2,565,920
Self-Directed to Low Income			102,184	59,995	-	162,180
Labor			12,058	-	-	12,058
Admin. Non-labor			-	-	-	-
Interest Income			(348)	-	-	(348)
NWE Reallocate to Energy Share ^(d)			-	-	6,008	6,008
NWE Reallocate to Free Weatherization ^(d)			-	-	14,019	14,019
Reallocate LC Funds from 2012 to 2013 ^(d)			-	11,866	-	11,866
Reallocate LC Funds from 2011 to 2012 ^(b)			(1,983)	-	-	(1,983)
Large Customer Summary			2,390,118	359,575	20,027	2,769,720
Unallocated	-	-	-	-	-	-
Totals	9,372,359	0	7,103,020	1,994,822	274,517	9,372,359
2012 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 2012 Large Customer Admin Costs of \$12,058 less the interest income of \$348 exceeded the amount of unclaimed 2012 Large 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.

^(c) The 2009 Distribution Efficiency Initiative required \$2,889 to complete than anticipated. The remaining funds were reallocated to 2012 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 2014 WITH 2012 FUNDS

USB Category	Projects Completed in 2014 with 2012 USB \$		
	aMW	MWH	MW
Local Conservation	0.000	-	-
Market Transformation	0.000	-	-
Renewables	0.014	125	0.0973
Research & Development	NA	NA	NA
Low Income	0.001	5	0.002
Large Customer	NA	NA	NA
	0.015	129	0.0997

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	
Vendor Miser	-	vending machines	
Motor Training	-	people	
Energy Star Builder Training	-	people	
Renewables			
Generation / Education	15	projects	
Research & Development			
Renewable Energy Seminars/Workshops	398	attendees	
Low-Income			
Bill Assistance	-	households	
Free Weatherization	2	homes	
Energy Share	-	households	

TOTAL OF PROJECTS COMPLETED WITH 2013 FUNDS

USB Category	Total Projects Completed with 2012 USB \$		
	aMW	MWH	MW
Local Conservation	0.387	3,392	0.360
Market Transformation	0.165	1,442	0.314
Renewables	0.077	672	0.518
Research & Development	NA	NA	NA
Low Income	0.037	321	0.235
Large Customer	NA	NA	NA
	0.665	5,826	1.428

Program Participation Summary			
USB Category / Program Segment	Quantity	Units	
Conservation			
Residential Onsite Audits	2,935	homes	
Residential Mail out Audits	3,548	homes	
Business Appraisals	368	businesses	
Business Partners/Irrigation	54	projects	
Business Partners/Small Choice	20	projects	
Market Transformation			
Commercial Lighting	13	projects	
NWE Building Operator Certification	20	people	
Vendor Miser	-	vending machines	
Motor Training	101	people	
Energy Star Builder Training	39	people	
Renewables			
Generation / Education	103	projects	
Research & Development			
Renewable Energy Seminars/Workshops	2,007	attendees	
Low-Income			
Bill Assistance	13,765	households	
Free Weatherization	520	homes	
Energy Share	1,139	households	



NorthWestern[®]
Energy

E+ **Efficiency**
Plus

NorthWestern Energy
Universal System
Benefits Activities
2014 Annual Report

ADDENDUM 2011 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, leaving a balance of \$23,457 of projects to complete in 2015.

The projects associated with \$107,368 of 2011 USB funds were completed in 2014. The results are included in Appendix 2 of this addendum.

Included in the 2014 expenditures, NorthWestern Energy reallocated \$7,496 of unspent Large Customer 2011 funds to 2014 Low Income activities. The reallocation of unspent Large Customer funds to a Low Income activity is consistent with historic allocation of such funds.

NorthWestern Energy requested and was granted extensions from the Department of Revenue as allowed per ARM 49.29.111 for a research and development project totaling \$23,457 for completion in 2015.

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	Contracted - Complete 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	9,367,206
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 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 2014 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	0	1.7	0.0009
Large Customer	NA	NA	NA
	0.000	1.7	0.0009

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	0.044	382	0.087
Large Customer	NA	NA	NA
	0.628	5,505	1.509

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	0.044	382	0.087
Large Customer	NA	NA	NA
	0.628	5,505	1.509

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	