



NorthWestern Energy
Universal System
Benefits Activities
2004 Annual Report

March 2005



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March 1, 2005

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 2004 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 \$8,886,755 in USB revenues was collected from NorthWestern Energy's electric distribution customers in 2004.

Approximately 25% of the 2004 USB funds, or \$2,247,698, was directed to low income activities by NorthWestern Energy. Large Customers self-directed activities accounted for 33% of the total electric USB revenues collected with \$190,523 self-directed to low income activities and \$2,762,378 self-directed to energy reduction activities. Allocations by NorthWestern Energy to the other public purpose categories are as follows: 18% or \$1,573,264 to local conservation, 12% or \$1,094,692 to market transformation, 10% or \$860,226 to renewable energy activities, and 2% or \$144,881 to research and development.

Time extensions were requested by NorthWestern Energy and granted by the Department of Revenue for two comprehensive energy conservation projects to which funds have been committed but the work is not yet complete.

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

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

Sincerely,

A handwritten signature in black ink that reads "Patrick R. Corcoran".

Patrick R. Corcoran
Vice President, Government and Regulatory Affairs

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Executive Summary

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

Electric customers in NorthWestern Energy's Montana distribution territory have funded \$50,268,618 of public purpose activities since the implementation of Universal System Benefits (USB) activities and programs in January of 1999. USB has resulted in increased funding for low income activities, conservation and market transformation programs have been sustained, and new renewable generation opportunities have been initiated for NorthWestern Energy's customers.

In 2004, a total of **\$8,886,755** was collected from NorthWestern Energy's electric distribution customers.

Most of the historic mix of low income, conservation, market transformation and renewable programs and activities were continued in 2004.

NorthWestern Energy directed 25% of total 2004 electric USB funds to low-income activities in 2004, exceeding the traditional 21% funding level specified by the Montana Public Service Commission. Over \$380,000 was reallocated to the low-income category from other USB categories to accommodate increases in the 15% Low-Income Discount due to higher electricity supply prices and growing customer participation.

Large customers self-directed funds totaling 2% of 2004 electric USB to low-income activities, bringing the total of 2004 electric USB funds directed to low-income to 27%.

NorthWestern Energy's 2003 report included supplemental low income funding for the 2003-2004 heating season. The balance of funds committed to bill assistance and weatherization was spent in 2004.

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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 Montana Public Service Commission (PSC). NorthWestern Energy's allocation decisions for 2004 are consistent with well-established past practices.

The activities for 2004 are summarized and the qualifying expenditures and credits claimed by NorthWestern Energy are documented with this report. *No funds are being released to the Statewide USB fund(s).* Large Customers that self-direct their funds are required to separately report those activities. To the extent that a Large Customer has informed NorthWestern Energy that they have directed funds to low income activities, the totals have been reported. Unspent Large Customer dollars have been reallocated to low income by the utility consistent with PSC direction and are noted in this report.

This report includes brief highlights of activity in each category, a summary of the allocations of 2004 electric USB funds by category and activity, and a summary of the energy savings and resources resulting from the 2004 allocations. The report also includes updates on previous years' activities, a final summary of the one-time reallocation of funds to low income in the year 2003, and a summary by public purpose category of electric USB funding from 1999-2004.

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UNIVERSAL SYSTEM BENEFITS REVENUES

NorthWestern Energy's USBC tariffs went into effect January 1, 1999. As required in law, the tariffs were established to collect nearly \$8.6M (2.4% of 1995 revenues) in a weather-normal year based upon 1998 loads. For the year 2004, the USBC generated **\$8,886,755**. The table below shows that the USBC revenues are based upon electrical usage (kilowatt hours or kWh), lists the USBC tariffed rates by customer class, and the percentage of USB revenues each sector provided in 2004.

General Description	Tariffed Customer Class	Rate/kWh	Percent
Residential	Residential	\$0.001334	31%
Commercial/Small Industrial	GS-1 & GS-2 under 1000 kW	\$0.001143	32%
Large Customer per USB	GS-1 & GS-2 over 1000 kW	\$0.000900	34%
Irrigation	Irrigation	\$0.001144	1%
Lighting	Lighting	\$0.003404	2%

The typical average NorthWestern Energy residential customer using 750 kWh/month pays about \$1 each month for electric USBC. The Large Customer USB rate of \$0.0009 per kWh was set by the legislature. Revenues collected from Large Customers comprised 34% of the electric USB funds in 2004.

Large Customers are those customers with an individual qualifying load greater than 1,000 kW average monthly demand in the previous calendar year. By law, Large Customers may self-direct their USB funds to qualifying public purposes. The Large Customer USBC rate is applied to the qualifying load and for all associated demand-metered accounts. In 2004, these 56 customers and their 451 accounts represent \$2.98M of the USB revenues.

Appendix 1 provides additional information.

Segregated USB Account

In November 2003, per direction from the United States Bankruptcy Court for the District of Delaware, and subsequently, the PSC in D2003.8.114, Order No. 6504a, NorthWestern Energy segregated its electric and natural gas USB funds from other utility operating funds by depositing them into a separate interest-bearing bank account. USB revenue collections and actual USB expenses are tracked on a weekly basis. Based on collections/expense cashflow, weekly deposits or withdrawals keep the account in balance.

The account earned \$18,168 in interest in 2004, and incurred \$2,509 in bank charges for a net gain to USB of \$15,659. The proceeds were credited to the various USB categories on a pro rata basis. Electric USB categories were credited with a total of \$13,462.

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UNIVERSAL SYSTEM BENEFITS EXPENDITURES

All Electric USB Funds collected from NorthWestern Energy customers in 2004 have been spent and/or committed to qualifying public purposes. No funds are being released to the Statewide USB fund(s).

This report includes information regarding the 2004 USB programs and activities for NorthWestern Energy customers. Sections are provided for Low Income, Local Conservation, Market Transformation, Renewable Resources, Research and Development, and Irrigated Agriculture. Additionally, a general summary of the Large Customer self-directed activities is provided. NorthWestern Energy does not “qualify” Large Customer self-directed activities and therefore, only provides the funding obligation and basic expenditure information. See Appendix 2 for a summary of the 2004 allocations and expenditures and Appendix 3 for energy savings and customer participation information.

NorthWestern Energy’s mix of programs and activities are guided by the PSC through D97.7.90 Orders 5986 f, g, i, D2003.10.142 Order 6514, D2003.8.114, Order No. 6504a; advice from the NorthWestern Energy USB Advisory Committee; through experience in program design and implementation; and in response to customer needs and market conditions.

As provided for in the USB rules and legislation, NorthWestern Energy implemented qualifying internal utility programs and activities in 2004 and has entered into financial commitments to implement additional activities/projects for completion in 2005. These programs and activities are described in this report. The break down between qualifying expenditures in the current year and financial commitments for completion in 2005 or 2006 is documented in Appendices 2 and 3 to this report.

NorthWestern Energy requested, and was granted by the Department of Revenue (DOR), time extensions for two projects for which the customers’ timelines for completion have been modified requiring more time for completion.

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UNIVERSAL SYSTEM BENEFITS RESULTS

NorthWestern Energy continues to deliver USB benefits to various customer classes and across all public purpose categories. General descriptions the activities or programs for the 2004 year are provided along with the category funding total.

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Large Customers-- \$2,981,806

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

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

In 2004, \$2,981,806 was collected from Large Customers. Of the 56 customers, all but eight self-directed all of their 2004 USB funds. Most funds were directed toward energy reduction projects within customer facilities. Seven customers directed funds to low income activities totaling \$190,523. The amount of 2004 funds self-directed by the Large Customers to energy reduction activities totaled \$2,762,378.

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

In 2004, \$28,904 of Large Customer funds was unclaimed. Of these funds, \$15,812 was reallocated in 2004 to low income purposes by NorthWestern Energy consistent with PSC Order, and the remainder covered NorthWestern Energy's labor and administrative costs related to Large Customers.

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

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Low Income Activities--\$2,247,698

In D97.7.90 Order No. 5986i, the PSC 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. 21% of 2004 electric USB revenues was \$1,866,219, which was \$381,479 short of what was needed to fund NorthWestern Energy's low-income obligations. The shortfall was due to the Low-Income Discount, which incurred significant cost increases in 2004 due to higher electricity supply prices and greater customer participation. This funding shortfall was made up by reallocating \$15,812 of unspent Large Customer funds and \$365,667 from other USB categories.

NorthWestern Energy directed a total of \$2,247,698 in 2004 electric USB funds to low-income activities, or 25% of electric USB revenues. Large Customers reported self-directing an additional \$190,523 to Low Income activities, bringing the total 2004 funds committed to Low Income to \$2,418,221 or 27% of the total funds collected.

A discussion on the 2004 expenditure of supplemental low-income funds stemming from recommendations of the Governor's Energy Consumer Protection Taskforce and D2003.10.142, Order 6514, can be found in the addendums to the 2001 and 2003 reports.

Appendix 4 to the 2004 report provides a summary of NorthWestern Energy's Electric USB allocations for 1999-2004 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, emergency energy assistance, and a security deposit pilot program. Households served by NorthWestern Energy that meet LIEAP eligibility requirements (income within 150% of the federal poverty guidelines) receive bill assistance in the form of a 15% discount, and may be eligible for weatherization services through the Free Weatherization Program. Income-qualified households with energy emergencies may receive assistance through Energy Share of Montana.

More than 11,000 low income households were served in 2004 with electric USB funds. Electric energy usage was reduced by about 489 MWh through weatherization and fuel switching projects. Further, the financial impact of electricity costs on low income households was diminished through bill assistance and emergency energy assistance. Customers with poor credit histories benefited from short-term security deposit loans. The following table breaks out the largest low income expenditures in 2004, including the expenditure of supplemental funds.

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LOW INCOME PROGRAMS See Appendix 2 for additional expenditures	Electric USB \$	Customers Served
15% Discount on NorthWestern Energy Electric bill - applied to all LIEAP-qualified accounts. The discount is in addition to any LIEAP payments a customer may receive.	\$1,225,943	11,021
Low-Income Security Deposit Pilot – Revolving short-term loan administered by HRCs to qualifying LIEAP-eligible customers applying for service with no credit history.	\$30,000	225
Energy Share Assistance - Most participants also receive LIEAP assistance and 15% Discount. Total includes unrestricted funds for Energy Share.	\$225,000	443
Low-Income Renewables - Funds the installation of renewable technologies in new and existing low-income housing.	\$95,000	19
Free Weatherization - operated in partnership with State and Federal weatherization programs. Customers receive LIEAP and 15% discount. Includes \$32,687 in reallocated 2001 carryover funds.	\$576,090	429
Total for these activities	\$2,184,720	*

* Since all Free Weatherization and Security Deposit participants, and most Energy Share recipients also receive the 15% Low-Income Discount, these numbers aren't additive.

Bill Assistance

NorthWestern Energy electricity customers who qualified for energy assistance through LIEAP received a 15% discount on their NorthWestern Energy electric bill. This discount is applied in accordance with tariffs. Participation in the discount grew 8% in 2004. Bill assistance funds also covered uncollectable electric bills for NorthWestern Energy's LIEAP-qualified customers, defined in the Transition Advisory Committee's USB guidelines as an appropriate USB expenditure. Customers may apply for LIEAP assistance through their local Human Resource Council (HRC).

The Free Weatherization Program

The Free Weatherization Program provides comprehensive weatherization and fuel switching services for income-qualified customers of NorthWestern Energy through a partnership with the Montana Department of Public Health and Human Services and the local HRCs. The program is available to customers whose income is within 150% of the federal poverty guidelines and whose space and/or water heat is fueled by natural gas or electricity delivered by NorthWestern Energy. Energy audits are performed on the homes of eligible customers. The audits identify cost-effective energy efficiency measures which are then installed at no cost to the customer. Measures include insulation, air-sealing, water heater wraps, water saving measures, compact fluorescent lamps, and other measures as appropriate. Energy-related health and safety issues such as heating equipment tune-ups and repairs are addressed. Customers are provided with education and recommendations on ways to better manage their energy usage. Customers heating with electricity delivered by NorthWestern Energy are

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considered for conversion to regulated natural gas or regulated propane where those fuels are available, and when it is cost-effective to do so.

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. Comments from households receiving weatherization in 2004 included: *"I am really appreciative of this program. Without you, my kids would not be nearly as comfortable as we are. Thank you."*

Another customer wrote: *"Wow, what a great program! I didn't need the education as much as I needed the financial help but both were incredible and much appreciated! Thanks so much!! Many customers expressed appreciation for the crews doing the work: "Everyone was so considerate & kind. This program is wonderful! Thank you so very much - bless you for caring!"*

Energy Share

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

Low Income Security Deposit Pilot Program

The Low Income Security Deposit Pilot Program continued in 2004, funded with an additional \$30,000. The pilot program provides assistance for qualified low-income customers applying for service with the utility, who are unable to afford the cost of a security deposit. The program remains a pilot as NorthWestern Energy continues to work with low-income advocates to make this program as effective as possible. Improvements in internal processes mark most of the changes made in 2004. The program served 225 customers in 2004.

Outreach

More than \$56,000 was committed to low income outreach in 2004. Mass media (television, radio, and newspaper) campaigns and other advertising were placed to compliment advertising funded by the State of Montana to encourage participation in LIEAP. In the NorthWestern Energy funded projects, customers were encouraged to enroll for LIEAP, which is a primary qualification for programs the company offers. The availability of the utility's bill discount and the Free Weatherization program are also referenced. Energy Share was promoted through a special insert in the NorthWestern Energy billing statement and through spot media during the year. Additional outreach was funded through the Governor's Conference on Aging and other events.

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Local Conservation Activities-- \$1,573,264

NorthWestern Energy has sustained a mix of energy conservation and market transformation programs through the Efficiency Plus (E+) umbrella. The primary focus of these programs continues to be cost-effective 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 programs.

E+ Energy Audit Program

The E+ Audit for the Home is an on-site energy audit program for residential customers whose space and/or water heating fuels are delivered by NorthWestern Energy. It is a flagship of energy efficiency for NorthWestern Energy's non-low income customers. The E+ audit includes the installation of water-related energy efficiency measures that start saving right away. Customer education about where their energy dollar is going is supported through a blower door analysis, a gas appliance inspection for customers whose gas is delivered by NorthWestern Energy, and with specific suggestions for customers to better manage their homes or change behaviors for greater energy-efficiency. Customers receive a report specific to their home and energy use habits. The report breaks out historical energy usage by end-use, provides recommendations on cost-effective weatherization measures, and offers tips on energy-efficient practices and gas appliance maintenance. More than 1,800 on-site energy audits were funded with 2004 electric USB funds.

NorthWestern Energy *electric baseload-only customers (no space and/or water heat fuels delivered by NorthWestern Energy)* are offered a separate audit service. The E+ Energy Survey is a mail-out audit for baseload customers consists 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. More than 2,600 electric baseload customers participated in the E+ Energy Survey program with 2004 electric USB funding.

Customers are provided the opportunity to comment to NorthWestern Energy regarding the E+ Audit for the Home. *"This is an excellent program/service. I was very impressed with the*

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analysis/assessment, and the quality recommendations to improve the energy efficiency of my house. Thank you for having the program!" Another customer commented, *"This is a good program. I look forward to seeing what a full year of MAJOR MEASURES does to my annual energy usage."* During the summer Olympic Games in Greece, a customer noted: *"Score: 9.925 (!) Top notch, very helpful! Everyone should have an audit."*

The E+ Energy Appraisal Program for Businesses focuses on identifying electric conservation opportunities for commercial customers on NorthWestern Energy's electric distribution system with emphasis on smaller, mainstreet businesses. The program targets facilities that would not likely consider a full energy study under the E+ Business Partners Program Request for Proposals (RFP) process. 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 how even their maintenance plans can affect their energy use and bills. Nearly 250 commercial customers took advantage of this program offering with 2004 USB funding.

Efficiency Plus Business Partners Program-New and Retrofit

NorthWestern Energy's E+ Business Partners Program currently offers funding for local energy conservation and load management projects in new and retrofit applications including commercial, institutional, industrial, agricultural, and multi-family residential facilities. Proposals are solicited for this program through customers, architects, engineers and other energy efficiency trade allies. Projects under this program frequently take more than a year to develop and implement.

Business Partners projects completed in 2004 included irrigation efficiency improvement projects, energy studies for a new multi-unit residential living facility and a local government wastewater treatment facility, and incentives for the renovation of an old hotel to become a low income housing project.

Customers qualifying for "Large Customer" USBC are not eligible for this program.

Efficiency Plus Irrigation Audits

NorthWestern Energy offered its irrigation customers free energy audits in 2004 and encouraged irrigators to implement energy-saving measures. The contractor operating this program also assisted in the development and analysis of customer proposals to be considered for funding through the E+ Business Partners Program.

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Market Transformation—\$1,094,692

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

Efficiency Plus Commercial Lighting Rebate Program

Participation in the Commercial Lighting Rebate program in 2004 increased in comparison to previous years resulting in about a half million dollars being allocated to this activity. Lighting makes up a substantial part of the energy usage of many commercial customers. The E+ Commercial Lighting Rebate Program assists NorthWestern Energy's commercial electric distribution customers install energy efficient lighting in their facilities. Schools in NorthWestern Energy's service territory continue efforts to improve the efficiency of lighting in their facilities by installing Light Emitting Diode (L.E.D.) Exit Signs and high efficiency lighting fixtures in classrooms and hallways. Other commercial customer participants include hotels, nursing homes, grocery stores, and local government facilities. Newer technology is being adopted for facilities such as gymnasiums to replace the traditional watt metal halide lamps and fixtures with a high efficiency alternative.

Lighting is a universal energy efficiency opportunity in many customers' facilities. Promotion of this program is provided in business publications, trade magazines, trade shows at association meetings, and through the E+ Energy Appraisal for Businesses. Some lighting contractors always recommend upgrades to more efficient ballasts and products which help to move more customers into the program.

Qualifying lighting technologies and rebates are listed at www.northwesternenergy.com. Customers qualifying for "Large Customer" USBC are not eligible for this program.

The Northwest Energy Efficiency Alliance

The Northwest Energy Efficiency Alliance (Alliance) is a regional non-profit organization leveraging funds and resources to make energy efficiency commonplace in the market through a mix of programs and services along with research and development of new products and processes that promote energy efficiency.

The Alliance was formed as a result of work in the 1996 Governors' Regional Review on Energy and is made up of utilities, public interest groups, state government representative, and ex-officio members from the regulatory agencies. NorthWestern Energy is one of five investor-owned utilities, which

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along with the Bonneville Power Administration (BPA), large electric cooperatives, and the Oregon Energy Trust provide funding to the Alliance.

Examples of the Alliance's work in 2004 include workshops in Montana for customers, architects, engineers and other trade allies by the Lighting Design Lab, two efficient motor management seminars were held and well-attended by customers and service providers interested in improving motor efficiency, the adoption by the Department of Energy (DOE) and the Environmental Protection Agency (EPA) of the ENERGY STAR® Home Northwest building standard that is more specifically suited to northwest climates, and the continued promotion and support of ENERGY STAR-qualified appliances and products with Montana retailers and customers. The work of the Alliance has accelerated the availability of these products into the Montana marketplace. The Alliance renewed a contract to fund the AgriMet weather stations in Montana to further support energy and water management by irrigation customers.

This regional approach brings a diverse set of market transformation activities into the Montana markets. In addition to specific implementation projects, the Alliance funds research and development, and promotional activities for emerging energy efficiency technologies and practices. A full listing of Alliance projects and activities are available at www.nwalliance.org.

Customers are accessing energy efficiency and renewable resource information through The Energy Ideas Clearinghouse at <http://www.energyideas.org>. Commercial customers interested in energy efficient, high performance buildings find factsheets, training sessions and other resources through the BetterBricks program www.betterbricks.com, and homebuilders and homeowners can learn more about ENERGY STAR home products and appliances, and ENERGY STAR homes through www.northwestenergystar.com. Projects funded through the Alliance cross all customer sectors from industrial to commercial, agriculture and residential.

Building Operator Certification Training--Schools and Local Governments

NorthWestern Energy provided scholarships for facility managers from schools and local governments served by NorthWestern Energy to attend Building Operator Certification training. The nationally-recognized, proven certification program has resulted in energy savings as high as 15% in buildings where the certified building operator has applied recommended energy efficiency procedures. Program participants learn operating and maintenance practices that improve equipment performance, extend equipment life, improve the quality of the indoor environment and enhance comfort for occupants. Though the USB funding of this activity, more than 50 attendees participated in this program and have gained tools to more effectively manage energy-related issues for their school and local government buildings.

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***Renewable Resources, and Research and Development
--\$1,005,107***

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 2004 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 210 net-metered renewable generators in the NorthWestern Energy service territory including more than a dozen net-metered projects that did not receive USB funds. Additionally, USBC has provided funding toward eighteen solar thermal systems and one biomass project without net-metering.

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

USB Renewable Projects 1999-2004		
Facility Type	#	KW
Commercial Projects	7	10.71
Fire Stations	13	16.84
Irrigation Projects	3	100
Low Income Projects	37	41.8
Non-Profit Projects	13	7.35
Private Residences	104	92.55
Schools	30	68.5
Other Public Buildings	5	12.4
Biomass	1	750
Solar Thermal	18	NA

Since renewable USB activities were initiated in 1999, a few independent businesses have become well enough established to offer turnkey services to customers, from the education of customers, through site assessments and the installation of small-scale wind or photovoltaic systems. In 2004, these businesses, as well as a program contractor, provided education, project development services and rebates to residential and commercial customers funded with USB dollars for qualifying renewable installations. One customer-

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submitted proposal resulted in a new biomass generation project at a small sawmill. Six additional fire stations received funding for two-kilowatt photovoltaic solar electric systems tied to battery banks to support critical operations in the event of a power outage. Solar electric systems were installed on ten community senior citizen centers to help reduce energy costs at the centers and to demonstrate renewable energy at sites providing valuable senior meal services. Separate of the projects reported in the preceding table, the installation of solar electric systems on ten city or county-owned buildings was funded in 2004 with these ten projects actually going into service in the first quarter of 2005

Seminars were continued for individuals interested in renewable energy technologies and sustainable building practices. Some seminars specifically targeted licensed electricians and electrical inspectors, providing continuing education credits. Additionally, a limited number of on-site assessments were offered to interested customers. The website www.montanagreenpower.com continues to be funded as a resource on the progress of renewable energy.

In 2003, NorthWestern Energy initiated the E+ Green Power program. Through this program, customers may elect to purchase the environmental benefits associated with renewable energy generated in the Northwest and Wyoming. USB funds were used to support the marketing of the program in 2003. In 2004, program revenues in excess of program expenses were returned to the renewable energy category and directed to other renewable projects. Program promotion in 2004 was limited to bill inserts and tradeshow. In 2005, additional outreach is planned and USB renewable funds will be used to support marketing costs. Approximately, 340 NorthWestern Energy customers are enrolled in the E+ Green program.

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Conclusion

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

Programs and funding activities continue to be coordinated by NorthWestern Energy staff with much of the implementation work being performed by others. The Free Weatherization Program is a cooperative effort between NorthWestern Energy, the Montana Department of Health and Human services, and the local Human Resource Councils. The Human Resource Councils also qualify customers for the utility's bill discount, the low income security deposit program, and emergency bill assistance with, Energy Share. NorthWestern Energy also coordinates with the Northwest Energy Efficiency Alliance initiatives, the Montana Department of Environmental Quality and the Montana Renewable Energy Association.

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

Addendums for the years 2001 and 2003 are included to provide an update of funded USB activities that were completed this past year. Final 2002 activities were reported in the March 2004 filing.

Find out more about NorthWestern Energy USB programs by visiting www.northwesternenergy.com

For further information regarding this report, please contact:

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Appendices 1-4



Appendix 1
2004 Electric USB Revenues

	USBC kWh (Load)	USBC Revenue By Class	% of USB Revenue By Class
Residential			
Residential	2,041,803,164	\$ 2,720,653	31%
General Service			
GS-1/GS-2 < 1000 kW	2,507,846,886	\$ 2,866,473	32%
Irrigation	90,004,957	\$ 102,913	1%
Lighting	63,088,288	\$ 214,912	2%
Total Non-Large Customer	4,702,743,295	\$ 5,904,950	66%
Large Customer			
GS-1/GS-2 > 1000 kW	2,719,120,296	\$ 2,447,208	28%
Special Contracts	593,996,914	\$ 534,597	6%
Total Large Customer	3,313,117,210	\$ 2,981,806	34%
Total USBC	8,015,860,505	\$ 8,886,755	100%

The Residential class includes income-qualified customers receiving the 15% Low-Income discount. The discount is applied to the total bill, including the Universal System Benefits Charge.

USB Categories	Revenue Allocation		2004 Spent in 2004	Contracted - 2004 Complete 2005/2006	Allocation & Expenses
	PSC Guidelines Order 5986i	Reallocation *			
Local Conservation	1,704,748	(131,484)	1,300,495	272,770	1,573,264
E+ Residential Audit/Sm. Comm Audit			895,559	38,406	933,965
E+ Business Partners / Irrigation Projects			139,784	221,864	361,648
Irrigation Audits			87,500	12,500	100,000
NWE Promotion			114,613		114,613
NWE Labor			55,652		55,652
NWE Admin. Non-labor			9,968		9,968
USB Interest & Svc Chg			(2,582)		(2,582)
Local Conservation Summary			1,300,495	272,770	1,573,264
Market Transformation	1,069,860	24,832	1,026,608	68,084	1,094,692
E+ Commercial Lighting			386,364	68,084	454,449
NW Energy Efficiency Alliance			525,056		525,056
Building Operator Certification			39,578		39,578
NWE Promotion			26,528		26,528
NWE Labor			44,406		44,406
NWE Admin. Non-labor			6,296		6,296
USB Interest & Svc Chg			(1,621)		(1,621)
Market Transformation Summary			1,026,608	68,084	1,094,692
Renewable Resources	1,051,686	(191,460)	527,226	333,000	860,226
Generation/Education			493,741	333,000	826,741
Green Power Product Offering			(15,250)		(15,250)
NWE Promotion			3,498		3,498
NWE Labor			43,246		43,246
NWE Admin. Non-labor			3,584		3,584
USB Interest & Svc Chg			(1,593)		(1,593)
Renewable Resources Summary			527,226	333,000	860,226
Research & Development	212,437	(67,556)	144,881	-	144,881
R&D/ Infrastructure			125,967		125,967
NWE Promotion			10,718		10,718
NWE Labor			7,528		7,528
NWE Admin. Non-labor			990		990
USB Interest & Svc Chg			(322)		(322)
Research & Development Summary			144,881	-	144,881
Low Income	1,866,219	381,479	2,247,698	-	2,247,698
Bill Assistance			1,225,943		1,225,943
Free Weatherization			576,090		576,090
Energy Share			225,000		225,000
Low-Income Security Deposit Pilot			30,000		30,000
Renewables			95,000		95,000
NWE Promotion			56,824		56,824
NWE Labor			34,431		34,431
NWE Admin. Non-labor			7,236		7,236
USB Interest & Svc Chg			(2,827)		(2,827)
Low Income Summary			2,247,698	-	2,247,698
Large Customer	2,981,806	(15,812)	1,996,706	969,287	2,965,994
Self-Directed Energy Reduction			1,809,068	953,310	2,762,378
Self-Directed to Low Income			174,546	15,977	190,523
USB Interest & Svc Chg			(4,517)		(4,517)
Unspent \$ Reallocated by NWE					
-NWE Labor			17,609		17,609
-NWE Admin. Non-labor					
Large Customer Summary			1,996,706	969,287	2,965,994
Totals	8,886,755	(0)	7,243,614	1,643,141	8,886,755
2004 USB Revenues less Expenses and Contractual Commitments					(0)

* 2004 Electric USB funds were reallocated to accommodate increased pressure on the 15% Low-Income Discount. Increased participation combined with higher electricity supply costs caused discount expense to exceed business plan estimates. Increased participation in the Commercial Lighting Program required the reallocation of funds from Conservation to Market Transformation.

2004 USB FUNDING AND EXPENDITURE SUMMARY

USB Category	Allocation of 2004 funds based on Order 5986i	Percentage by Category	Allocation of 2004 funds to meet LI Discount (a)	Percentage by Category	Allocation w/Lrg Cust funds self-directed to LI (b)	Percentage by Category	Total Electric USB Funds Spent in 2004	2004 Electric USB Funds Contracted to Spend in 2005
Local Conservation	\$ 1,704,748	19%	\$ 1,573,264	18%	\$ 1,573,264	18%	\$ 1,300,495	\$ 272,770
Market Transformation	\$ 1,069,860	12%	\$ 1,094,692	12%	\$ 1,094,692	12%	\$ 1,026,608	\$ 68,084
Renewables	\$ 1,051,686	12%	\$ 860,226	10%	\$ 860,226	10%	\$ 527,226	\$ 333,000
Research & Development	\$ 212,437	2%	\$ 144,881	2%	\$ 144,881	2%	\$ 144,881	\$ -
Low Income	\$ 1,866,219	21%	\$ 2,247,698	25%	\$ 2,438,221	27%	\$ 2,422,243	\$ -
Large Customer	\$ 2,981,806	34%	\$ 2,965,994	33%	\$ 2,775,471	31%	\$ 1,822,161	\$ 969,287
	\$ 8,886,756	100%	\$ 8,886,755	100%	\$ 8,886,755	100%	\$ 7,243,614	\$ 1,643,141

2004 LOW-INCOME FUNDING SUMMARY

Low-Income Category	
Bill Assistance	\$ 1,225,943
Free Weatherization	\$ 576,090
Energy Share	\$ 225,000
Low-Income Security Deposit Pilot	\$ 30,000
Low-Income Renewables	\$ 95,000
NWE Promotion	\$ 56,824
NWE Labor	\$ 34,431
NWE Admin. Non-labor	\$ 7,236
Self-Directed Large Customer	\$ 174,546
Low-Income USB Funding from all 2004 Electric USB sources :	\$ 2,425,070
Low-Income share of 2004 Electric USB revenues :	27.3%

2004 ENERGY SAVINGS & RENEWABLE RESOURCES ESTIMATES

	Savings & Resources acquired in 2004 w/ 2004 \$		
	aMW	MWH	MW
Local Conservation	0.3394	2,973	0.709
Market Transformation (c)	1.7096	14,976	3.432
Renewables	0.0103	90	0.048
Research & Development	NA	NA	NA
Low Income	0.0558	489	0.365
Large Cust - Low Income	NA	NA	NA
Large Customer (d)	NA	NA	NA
	2.1151	18,528	4.553

	Projected Savings & Resources to acquire in 2005 w/ 2004 \$ (e)		
	aMW	MWH	MW
Local Conservation	0.0172	151	0.027
Market Transformation	0.1714	1,501	0.482
Renewables	0.0126	110	0.068
Research & Development	NA	NA	NA
Low Income	-	-	-
Large Cust - Low Income	NA	NA	NA
Large Customer (d)	NA	NA	NA
	0.2011	1,762	0.577

Total Savings & Resources	2.3162	20,290	5.130
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- (a) In 2004, low-income bill assistance expense increased due to higher electricity supply costs and more customers signing up for energy assistance. Upward pressure on the discount, combined with other low-income program commitments, required that electric USB funds be diverted from other electric USB categories to make up the shortfall in the low-income category. Also, participation in the Commercial Lighting Program was up in 2004. Rather than suspend the program and turn customers away, the Conservation category budget was reduced, and the funds were added to the Market Transformation budget.
- (b) Large Customers may self-direct their USB dollars to energy saving and renewable activities in their own facilities, or to Low-Income activities. In 2003, Large Customers self-directed a total of \$190,523 to Low-Income, \$174,546 of which was spent in 2004, and \$15,977 of which will be spent in 2005.
- (c) Market Transformation includes energy savings estimates provided by the Northwest Energy Efficiency Alliance. NWE adjusted the savings estimates provided by the Alliance to account for the prevalence of natural gas space and water heating in the Company's service territory.
- (d) Large Customer energy savings estimates are reported by individual large customers and are not available in this report.
- (e) Projected Savings & Resources are based on contracts that were in place at the end of 2004. Actual results will be reported in 2005.

2004 ELECTRIC USB PARTICIPATION SUMMARY

Electric USB Activity by Category	Quantity	Units
Conservation		
Residential Onsite Audits	1,808	homes
Residential Mailout Audits	2,621	homes
Business Appraisals	248	businesses
Business Partners	18	projects
Irrigation Audits	61	irrigation systems
Market Transformation		
Commercial Lighting	175	projects
NW Energy Efficiency Alliance		
- Energy Star Windows	29,007	sqft
- Energy Star Residential Lighting	125,106	CFLs
- Energy Star Washers	5,082	washers
- Energy Star Dishwashers	1,448	dishwashers
- Energy Star Refrigerators	6,062	refrigerators
- Energy Star Room A/C	1,271	air conditioners
- Building Operator Certification	3	people
NWE Building Operator Certification	54	people
Renewables		
Generation / Education	26	projects
Research & Development		
Solar & Wind Site Assessments	160	sites
Solar & Wind Seminars/Workshops	645	attendees
Electrician Workshops	5	workshops
Low-Income		
Bill Assistance	11,021	households
Free Weatherization	429	homes
Energy Share	443	households
Low-Income Security Deposit Pilot	225	households
Low-Income Renewables	19	apartments



Annual Electric USB Allocation per Docket 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

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	2,636,605	1,745,690	-	1,745,690	1,622,585	721,031	654,449	409,117	-
2000	8,631,017	2,854,086	1,918,787	525,000	2,443,787	1,436,470	1,124,107	570,900	201,668	-
2001	8,200,994	2,319,474	1,978,511	500,000	2,478,511	1,643,936	835,169	613,545	64,328	246,030
2002	8,237,435	2,367,945	1,932,812	-	1,932,812	1,439,131	950,715	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	-
	50,268,618	15,687,269	11,810,197	1,750,604	13,560,802	8,857,910	5,802,834	4,480,158	1,123,096	756,549

Allocation as % of Revenue by Category	100%	31%		27%	18%	12%	9%	2%	2%
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Allocation as % of Revenues, excluding Large Customer Revenues	100%			39%	26%	17%	13%	3%	2%
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- (a) SB 390 required that utilities collect 2.4% of their 1995 electric revenues to fund approved USB activities, and direct 17% of the total to the low income category. The allocation set forth by MPSC in Order 5986g increased NorthWestern Energy's low-income requirement to 21% of total revenues. While this adjustment did not affect the allocation for Large Customers, it effectively reduced the amount of USB funds available for other USB categories. In 2001, HB 474 directed utilities to allocate 6% of non-Large Customer, non-Low-Income USB revenues to irrigated agriculture programs. While HB 474 remained in effect, USB funds directed to Conservation, Market Transformation, Renewables and R&D were reduced to fund irrigation programs.
- (b) The historic allocation table illustrates the expenditure or direction of electric USB by category from 1999 through 2004.
- (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 \$595,945 to low-income activities since 1999.
- (d) Supplemental low income funds reallocated in 2003 based on a recommendation from the Governor's Energy Consumer Protection Taskforce, and MPSC Order 6514. These funds were directed to provide supplemental funding for low-income weatherization, bill assistance and emergency energy assistance during the 2003-2004 heating season.



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ADDENDUM 2003 REPORT

NOTE: There is no Addendum 2002 Report. Final 2002 reporting was completed with the March 2004 report.

**ADDENDUM
to the
2003 USB Report**



In 2003, NorthWestern Energy collected \$8,522,939 as reported in the 2003 USB report. \$6,204,211 were spent on projects completed in 2003 and \$2,318,728 was committed to projects to be completed in 2004.

Due to increased energy supply costs in 2003, the historic 21% allocation to low-income was supplemented with funds from several sources based on recommendations from the Governor's Energy Consumer Protection Taskforce. In D2003.10.142, Order 6514, the PSC provided authorization for the utility to redirect \$725,600 in 2003 funds from other categories to the low-income category. In its 2003 report, NorthWestern Energy, noted that these funds would be spent in 2004 on supplemental bill assistance and weatherization. Appendix 2 of this Addendum details the expenditure of these funds, the number of customers served, and energy savings estimates.

Two E+ Business Partners projects to which 2003 funds were committed have extended their timelines for construction and completion. NorthWestern Energy requested, and was granted, time extensions from the Department of Revenue for these two projects as allowed per ARM 49.29.111. One project is expected to be complete in 2005 and the other in 2006. Large construction and/or renovation projects often take longer than two years to complete the design, acquire financing, and to execute the project. All other qualifying expenditures were claimed in 2003 and expended by the end of 2004 as allowed per 42.29.111 in the department of revenue (DOR) rules. Appendix 2 provides updated results for 2003.

The 2004 completions included energy audits for residential and small commercial customers that were committed to with 2003 funds and were completed in 2004. Other energy efficiency and renewable energy projects which were initiated in 2003 completed during 2004.

In 2004, Large Customers claimed all \$509, 862 of their remaining 2003 funds. Of those funds, Large Customers self-directed \$45,968 to low income activities.



**Addendum to 2003 Report - Appendix 2
Update of 2003 Funds Spent**

USB Categories	Spent in 2003	Spent in 2004	Contracted 2004 Complete 2005/2006	Total Expenditure of 2003 USB Funds
Local Conservation	718,079	251,245	173,200	1,142,524
E+ Residential Audit/Sm. Com. Pilot	223,319	146,318	-	369,637
E+ Business Partners (a)	52,918	104,849	173,200	330,967
E+ Business Partners redirected (b)	-	78	-	78
Vendor Miser	225,222	-	-	225,222
NWE Promotion	125,162	-	-	125,162
NWE Labor	69,239	-	-	69,239
NWE Admin. Non-labor	22,219	-	-	22,219
Local Conservation Summary	718,079	251,245	173,200	1,142,524
Market Transformation	949,205	127,916	-	1,077,121
E+ Commercial Lighting	160,512	127,916	-	288,428
NW Energy Efficiency Alliance	532,403	-	-	532,403
Energy Star Rebates	163,078	-	-	163,078
NWE Promotion	25,467	-	-	25,467
NWE Labor	60,739	-	-	60,739
NWE Admin. Non-labor	7,006	-	-	7,006
Market Transformation Summary	949,205	127,916	-	1,077,121
Renewable Resources	385,802	530,901	-	916,703
Generation/Education	310,382	530,901	-	841,283
Green Power Product Offering	23,275	-	-	23,275
NWE Promotion	3,452	-	-	3,452
NWE Labor	46,068	-	-	46,068
NWE Admin. Non-labor	2,625	-	-	2,625
Renewable Resources Summary	385,802	530,901	-	916,703
Research & Development	114,849	-	-	114,849
R&D/ Infrastructure	90,834	-	-	90,834
NWE Promotion	13,415	-	-	13,415
NWE Labor	8,474	-	-	8,474
NWE Admin. Non-labor	2,126	-	-	2,126
Research & Development Summary	114,849	-	-	114,849
Low Income	1,986,700	725,603	-	2,712,303
Bill Assistance	1,032,007	-	-	1,032,007
Free Weatherization	610,528	-	-	610,528
Energy Share	225,000	-	-	225,000
Low-Income Security Deposit Pilot	12,500	-	-	12,500
Supplemental Bill Assistance	-	456,744	-	456,744
Unspent Suppl Bill Assistance redirected (c)	-	32,609	-	32,609
Supplemental Weatherization	-	236,250	-	236,250
NWE Promotion	66,527	-	-	66,527
NWE Labor	34,585	-	-	34,585
NWE Admin. Non-labor	5,553	-	-	5,553
Low Income Summary	1,986,700	725,603	-	2,712,303
Irrigation	16,274	-	-	16,274
Irrigation Conservation	-	-	-	-
NWE Promotion	5,409	-	-	5,409
NWE Labor	9,669	-	-	9,669
NWE Admin. Non-labor	1,196	-	-	1,196
Irrigation Summary	16,274	-	-	16,274
Large Customer	2,033,303	509,862	-	2,543,165
Self-Directed Energy Reduction	1,907,362	463,894	-	463,894
Self-Directed to Low Income	108,767	45,968	-	45,968
Unspent \$ Reallocated by NWE				
-NWE Labor	17,166	-	-	-
-NWE Admin. Non-labor	8	-	-	-
-Low Income Activities	-	-	-	-
Large Customer Summary	2,033,303	509,862	-	509,862
Totals	6,204,211	2,145,527	173,200	8,522,938

8,522,938

- (a) Two Business Partners projects, contracted in 2003, incurred unplanned delays in construction. One project is now scheduled to complete in 2005, the other in 2006. NWE requested and was granted exceptions from the Department of Revenue for both projects.
- (b) The scope of work changed for two Business Partners projects contracted in 2003 and completed in 2004, resulting in smaller incentives being paid. The unspent funds were redirected by NWE to 2004 low-income weatherization.
- (c) The Supplemental Low-Income Discount expired in mid-May, 2004, leaving \$32,609 unspent. The funds were redirected by NWE to 2004 low-income weatherization.

PROJECTS COMPLETED IN 2004 WITH 2003 FUNDS

Energy Savings & Renewable Resource Estimates			
USB Category	Projects Completed in 2004 with 2003 USB \$		
	aMW	MWH	MW
Local Conservation	0.0971	851	0.316
Market Transformation	0.2574	2,255	1.323
Renewables	0.2448	2,144	0.849
Research & Development	NA	NA	NA
Low Income	0.0120	105	0.096
Large Customer	NA	NA	NA
	0.6114	5,356	2.585
Program Participation Summary			
USB Category / Program Segment	Quantity	Units	
Conservation			
Residential Onsite Audits	294	homes	
Residential Mailout Audits	426	homes	
Business Appraisals	40	businesses	
Business Partners	8	projects	
Vendor Miser	699	vending machines	
Market Transformation			
Commercial Lighting	35	projects	
Energy Star Washer Rebates	-	washers	
NW Energy Efficiency Alliance			
- Energy Star Windows	-	sqft	
- Energy Star Residential Lighting	-	CFLs	
- Super Good Cents/Natural Choice	-	homes	
- Energy Star Washers (e)	-	washers	
- Energy Star Dishwashers	-	dishwashers	
- Energy Star Refrigerators	-	refrigerators	
- Energy Star Room A/C	-	air conditioners	
- Building Operator Certification	-	people	
- Commission Public Buildings	-	building	
- MagnaDrive Coupling	-	hp	
Renewables			
Generation / Education	27	projects	
Research & Development			
R&D / Infrastructure	-	projects	
Customer & Electrician Education	-	attendees	
Low-Income			
Bill Assistance	10,969	households	
Free Weatherization	270	homes	
Energy Share	922	households	
Low-Income Security Deposit Pilot	-	households	

TOTAL OF PROJECTS COMPLETED WITH 2003 FUNDS

Energy Savings & Renewable Resource Estimates			
USB Category	Total Projects Completed with 2003 USB \$		
	aMW	MWH	MW
Local Conservation	0.3379	2,960	0.486
Market Transformation	1.8248	15,986	2.337
Renewables	0.2646	2,318	0.930
Research & Development	NA	NA	NA
Low Income	0.0768	673	0.238
Large Customer	NA	NA	NA
	2.5042	21,937	3.991
Program Participation Summary			
USB Category / Program Segment	Quantity	Units	
Conservation			
Residential Onsite Audits	732	homes	
Residential Mailout Audits	1,255	homes	
Business Appraisals	115	businesses	
Business Partners	16	projects	
Vendor Miser	1,074	vending machines	
Market Transformation			
Commercial Lighting	104	projects	
Energy Star Washer Rebates	2,238	washers	
NW Energy Efficiency Alliance			
- Energy Star Windows	9,176	sqft	
- Energy Star Residential Lighting	140,628	CFLs	
- Super Good Cents/Natural Choice	23	homes	
- Energy Star Washers (e)	2,421	washers	
- Energy Star Dishwashers	828	dishwashers	
- Energy Star Refrigerators	4,131	refrigerators	
- Energy Star Room A/C	625	air conditioners	
- Building Operator Certification	16	people	
- Commission Public Buildings	1	building	
- MagnaDrive Coupling	98	hp	
Renewables			
Generation / Education	59	projects	
Research & Development			
R&D / Infrastructure	2	projects	
Customer & Electrician Education	906	attendees	
Low-Income			
Bill Assistance	10,969	households	
Free Weatherization	796	homes	
Energy Share	1,894	households	
Low-Income Security Deposit Pilot	374	households	



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ADDENDUM 2001 REPORT

NOTE: There is no Addendum 2002 Report. Final 2002 reporting was completed with the March 2004 report.

**ADDENDUM
to the
2001 USB Report**



Of the \$8,200,994 reported as collected in NorthWestern Energy's 2001 USB report, all but \$448,268 had been spent and reported with the 2003 USB report.

In 2003, due to increased energy supply costs, the historic 21% allocation to low-income was supplemented with funds from several sources based on recommendations from the Governor's Energy Consumer Protection Taskforce. In D2003.10.142, Order 6514, the PSC provided authorization for the utility to redirect \$500,000 in 2001 funds from the Blackfeet Wind Project, which was postponed indefinitely in 2002, and carried over through a letter of exception granted by the Department of Revenue. In its 2003 report, NorthWestern Energy noted that \$51,712 of these funds were spent in 2003 on supplemental bill assistance, with the remaining \$448,288 to be spent on supplemental bill assistance in 2004. Appendix 2 of this Addendum details the expenditure of these funds.

USB Categories	Spent in 2001	Spent in 2002	Spent in 2003	Spent in 2004	Total Expenditure of 2001 USB Funds
Local Conservation	679,728	920,673	60,000	-	1,660,401
E+ Residential Audit/Sm. Com. Pilot	420,767	777,842	-	-	1,198,609
E+ Business Partners	42,585	126,367	60,000	-	228,952
NWE Promotion	108,982	-	-	-	108,982
NWE Labor	79,678	-	-	-	79,678
NWE Admin. Non-labor	27,716	-	-	-	27,716
NWE Reassign to 2002 Low-Income	-	16,465	-	-	16,465
Local Conservation Summary	679,728	920,673	60,000	-	1,660,401
Market Transformation	742,391	109,860	-	-	852,251
E+ Commercial Lighting	155,566	92,779	-	-	248,344
NW Energy Efficiency Alliance	456,989	-	-	-	456,989
NWE Promotion	41,673	-	-	-	41,673
NWE Labor	67,774	-	-	-	67,774
NWE Admin. Non-labor	20,389	-	-	-	20,389
NWE Reassign to 2002 Low-Income	-	17,082	-	-	17,082
Market Transformation Summary	742,391	109,860	-	-	852,251
Renewable Resources	519,026	94,519	-	-	613,545
Generation/Education	449,383	94,519	-	-	543,902
NWE Promotion	2,795	-	-	-	2,795
NWE Labor	57,666	-	-	-	57,666
NWE Admin. Non-labor	9,182	-	-	-	9,182
Renewable Resources Summary	519,026	94,519	-	-	613,545
Research & Development	64,328	-	-	-	64,328
R&D/ Infrastructure	34,084	-	-	-	34,084
NWE Promotion	12,561	-	-	-	12,561
NWE Labor	7,817	-	-	-	7,817
NWE Admin. Non-labor	9,866	-	-	-	9,866
Research & Development Summary	64,328	-	-	-	64,328
Low Income (See Low-Income Category)	1,610,875	183,658	51,712	448,288	2,294,533
Bill Assistance	846,315	-	-	-	846,315
Free Weatherization	336,369	119,658	-	-	456,027
Energy Share	253,006	-	-	-	253,006
Renewables	36,000	64,000	-	-	100,000
Supplemental Bill Assistance	-	-	51,712	448,288	500,000
NWE Promotion	93,852	-	-	-	93,852
NWE Labor	25,276	-	-	-	25,276
NWE Admin. Non-labor	20,056	-	-	-	20,056
Low Income Summary	1,610,875	183,658	51,712	448,288	2,294,533
Irrigation	2,407	243,623	-	-	246,030
Irrigation Conservation	-	243,623	-	-	243,623
NWE Promotion	284	-	-	-	284
NWE Labor	-	-	-	-	-
NWE Admin. Non-labor	2,123	-	-	-	2,123
Irrigation Summary	2,407	243,623	-	-	246,030
Large Customer	1,830,133	639,773	-	-	2,469,906
Self-Directed Energy Reduction	1,775,475	537,932	-	-	2,313,406
<i>Self-Directed to Low Income</i>	48,591	5,809	-	-	54,400
Unspent \$ Reallocated by NWE	-	-	-	-	-
-NWE Labor	5,555	-	-	-	5,555
-NWE Admin. Non-labor	513	-	-	-	513
- <i>Bill Assistance</i>	-	-	-	-	-
- <i>Free Weatherization (2002)</i>	-	48,016	-	-	48,016
- <i>Energy Share (2002)</i>	-	48,016	-	-	48,016
Large Customer Summary	1,830,133	639,773	-	-	2,469,906
Totals	5,448,887	2,192,107	111,712	448,288	8,200,994
					8,200,994

\$500,000 of carried-over 2001 Electric USB funds were reallocated to the Low-Income USB Category from the Renewables USB Category in 2003. These funds were reallocated as a result of recommendations of the Governor's Energy Consumer Protection Taskforce, and MPSC Order 6514, and were used for supplemental Low-Income Bill Assistance during the 2003 - 2004 heating season, serving 10,969 low-income customers.