NorthWestern Corporation
d/b/a NorthWestern Energy
40 E. Broadway
Butte MT 59701
Telephone: (406) 497-3000
Facsimile: (406) 497-2131
www.northwesternenergy.com

May 30, 2008

Ms. Kate Whitney
Administrator
Montana Public Service Commission
1701 Prospect Avenue
PO Box 202601
Helena, MT 59620-2601

RE: NorthWestern Energy's Electric Supply Tracker Filing:

Electric Supply Deferred Cost Account Balance as of June 30, 2008, and the Projected Electric Cost for the 12-Month Period July 1, 2008 through June 30, 2009

Dear Ms. Whitney:

Pursuant to Montana law, the Montana Public Service Commission (MPSC or Commission) rules, and the Deferred Accounting Electric Procedure approved by the Commission in Docket No. D2001.10.144 on June 26, 2002, NorthWestern Energy (NWE or NorthWestern) hereby transmits its annual Application for approval of electric rates which:

- Reflects rate treatment for the balance in the Electric Supply Deferred Cost Account, for the 12-month period ending June 30, 2008; and

- Reflects the projected load, supply and related electric costs for the 12-month tracker period July 1, 2008 through June 30, 2009.

NorthWestern purchases wholesale electricity from suppliers and passes the cost directly to customers without mark-up. Annually, NWE estimates how much it will cost to purchase electricity for the upcoming annual tracker period. At the same time, the difference between revenue from the estimated electric cost and the actual electric cost for the prior tracker period is computed based on the most current information available.

Appendix A to this letter presents a summary of the current tariff rates and the proposed rates in this filing, as well as the resulting dollar and percentage changes.

The projected Electric Supply Cost and Supply Deferred Cost in this filing result in an increase for a typical residential customer using 750 kWh per month of $1.18 per month or $14.16 per year on the total bill. This will result in an overall 2.50% increase for supply-related costs.

The typical residential bill calculation shows the combined effect of the proposed July 1, 2008 rate changes for the increased Competitive Transition Charge for Qualifying Facilities (CTC-QF), and the BPA Residential Exchange Credit. The total effect of the increase in the Electric Supply Cost and the Deferred Supply Costs, along with the CTC-QF and BPA Credit rate adjustments on the typical residential customer's bill is a projected increase of $0.17 per month or $2.04 per year.

Including all July 1, 2008 rate adjustments the total overall bill increase is estimated to be 0.21%. The actual increase will depend on each customer's type and usage. The typical bill computations are included in Appendix B to this filing.

Other documents submitted with this filing are:

1. Application for interim and final approval of new monthly Electric supply rates;

2. Notice of Filing;

3. Certificate of Service to Media;

4. Notice of Interim Rate Adjustment Request;

5. Prefiled Testimony and Exhibits of John D. Hines, Frank V. Bennett, Cheryl A. Hansen, Patrick R. Corcoran, Kevin J. Markovich and William M. Thomas, and

6. Supporting Workpapers.

Three copies of this letter and documents submitted herewith are being delivered to the Montana Consumer Counsel (MCC).

Since the over collection in the 2008/2009 deferred account ending balance is a refund to rate payers, NWE believes that it would be in the best interest of all parties to receive an interim order in this 2008 Docket filing that allows implementation of the deferred balance refund and new tracker rates effective July 1, 2008.

NWE's next monthly tracking filing will be for August 1, 2008 unless electric prices move dramatically in either direction prior to June 15, 2008. NWE will then file an amended monthly electric cost tracking filing for a July 1, 2008 monthly rate adjustment.

The NWE employee responsible for answering questions concerning this rate change request or for inquiries to the appropriate members of the Utility Staff is:

Mr. Joe Schwartzenberger
Regulatory Affairs Department
NorthWestern Energy
40 East Broadway
Butte, MT 59701
(406) 497-3362
joe.schwartzenberger@northwestern.com

Applicant's attorney in this matter is:

Mr. Ross Richardson
Henningsen, Vucurovich & Richardson PC
116 W. Granite
Butte, MT 59701
(406) 723-3219
rossrichardson@qwest.net

Along with Joe Schwartzenberger and Ross Richardson, please add Nedra Chase to the official service list in this docket to receive copies of all documents. NWE also requests that all electronic correspondence related to this filing be sent to nedra.chase@northwestern.com.

If there are any questions in this regard, I can be reached at (406) 497-3362.

Sincerely,

Joe Schwartzenberger
Regulatory Affairs

Enclosures

cc: Montana Consumer Counsel

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

IN THE MATTER OF NORTHWESTERN ENERGY'S:	)	UTILITY DIVISION
Application for Electric Supply Deferred Cost Account	)	
Balance and Projected Electric Supply Cost	)	DOCKET NO. D2008.5.45

APPLICATION FOR INTERIM AND FINAL RATE ADJUSTMENT

COMES NOW NorthWestern Energy, Applicant in the above-entitled proceeding, and respectfully submits the following in support thereof:

I.

Applicant's full name and Post Office address are:

NorthWestern Energy
40 East Broadway
Butte, MT 59701

II.

Applicant is NorthWestern Corporation doing business as NorthWestern Energy in the States of Montana, South Dakota and Nebraska as a public utility.

III.

The organizational documents of the Applicant and amendments thereto are filed with the appropriate State authorities and these documents are hereby incorporated by reference as though fully set forth herein.

IV.

The following described tariff sheets are the only electric sheets impacted by the proposals in this submittal that are presently in effect in the State of Montana and on file with the

Commission. All other electric tariff sheets remain as previously approved by the PSC:

Schedule	Description	Sheet No.
EDSS-1	Electric Default Supply Service	60.1

The applicable rates for these tariff sheets are summarized and contained as Appendix A.

V.

Applicant will submit new tariff sheets for electric service to customers served by Applicant in the State of Montana upon approval of the proposed rates contained as Appendix A. The proposed new rates will replace the present tariff sheets as follows:

Schedule	Description	Sheet No.
EDSS-1	Electric Default Supply Service	60.1

VI.

In accordance with the Deferred Accounting method approved by the Commission in Docket No. D2001.10.144 on June 26, 2002, the balance in Account No. 191, Electric Supply Deferred Costs, for the 12-month period ending June 30, 2008 is an over collection of $15,884,333. NWE proposes to amortize this over collection balance in rates over the 12-month period ending June 2009. The tracking market, supply and electric costs for the 12-month period, July 1, 2008 to June 30, 2009 produce an electric supply cost per kWh as shown on Appendix A to this filing.

VII.

The proposed new rates contained in Appendix A reflect:

1. The amortization of the Electric Supply Deferred Cost Account Balance described in Paragraph No. VI, and

2. The projected monthly market supply and electric cost described in Paragraph No. VI.

VIII.

Attached in support of this filing is Appendix C, the proposed Notice of Filing to inform the public that this application has been made, which is provided to assist the Commission in this proceeding. Also attached hereto are the following documents that are by this reference made a part hereof:

- Current and proposed rates, Appendix A;
- Typical bill computation, Appendix B;
- Notice of Filing, Appendix C;
- Certificate of Service to Media;
- Notice of Interim Rate Adjustment Request;
- Prefiled testimony and exhibits of John D. Hines, Frank V. Bennett, Cheryl A. Hansen, Patrick R. Corcoran, Kevin J. Markovich and William M. Thomas; and
- Supporting Workpapers.

This application is made in accordance with the provisions of Mont. Code Ann. §69-3-101 et seg. (2001) and the rules, regulations and orders of the Commission.

WHEREFORE, Applicant respectfully requests that the Commission:

1. Grant interim and final approval of the proposed rates included as Appendix A to be effective on a monthly basis for service on and after July 1, 2008, and

2. Grant such other and additional relief, as the Commission shall deem just and proper.

DATED: May 30, 2008.

Respectfully submitted,
NorthWestern Energy

By: _____

Mr. Ross Richardson
Henningsen, Vucurovich & Richardson PC
116 W. Granite
Butte, MT 59701
(406) 723-3219
rossrichardson@qwest.net

DEPARTMENT OF PUBLIC SERVICE REGULATION

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MONTANA

IN THE MATTER OF NORTHWESTERN ENERGY'S:	)	UTILITY DIVISION
Application for Electric Supply Deferred Cost Account	)	
Balance and Projected Electric Supply Cost	)	DOCKET NO. D2008.5.45

NOTICE OF INTERIM RATE ADJUSTMENT REQUEST

NorthWestern Energy, Applicant, serves notice pursuant to the Administrative Rules of Montana, Section 38.5.503, that it has filed with the Montana Public Service Commission (MPSC) a request for an overall interim increase in electric rates in this Docket to reflect Forecast Electric Supply Costs and the Electric Supply Deferred Cost Account Balance. This Interim request includes the use of monthly electric supply cost adjustments going forward. Applicant requests that the proposed rates and monthly electric supply cost adjustments become effective for service on and after July 1, 2008.

This Docket commenced on May 30, 2008, when the Applicant filed testimony, exhibits and workpapers with the MPSC in its annual Electric Supply Cost Adjustment Filing. Applicant requests an interim increase in rates effective July 1, 2008 pending a final decision on this request.

The increase is required to: 1) reflect an increase in the projected electric supply costs; and 2) amortize the over collection balance in the Electric Supply Deferred Cost Account for the 12-month period ending June 30, 2008.

The net adjustments proposed in this filing result in the following:

- Electric supply costs per kWh increase as shown in table below.

Electric Supply Rate ($/kWh)	Current	Proposed	Rate Change	% Change
Residential	$0.064212	$0.065629	$0.001417	2.21%
Employee	$0.038527	$0.039377	$0.000850	2.21%
GS-1 Secondary Non-Demand	$0.058086	$0.059368	$0.001282	2.21%
GS-1 Secondary Demand	$0.064212	$0.065629	$0.001417	2.21%
GS-1 Primary Non-Demand	$0.062453	$0.063831	$0.001378	2.21%
GS-1 Primary Demand	$0.057026	$0.058284	$0.001258	2.21%
GS-2 Substation	$0.061914	$0.063280	$0.001366	2.21%
GS-2 Transmission	$0.061540	$0.062898	$0.001358	2.21%
Irrigation	$0.058086	$0.059368	$0.001282	2.25%
Lighting	$0.058086	$0.059368	$0.001282	2.25%

- The credit of $15,884,333 is for an over collection of electric supply costs from July 1, 2007 to June 30, 2008. This over collection results in rate changes per kWh as shown in table below. This credit to customers will be over the 12-month period ending June 30, 2009.

Electric Deferred Cost Rate ($/kWh)	Current	Proposed	Rate Change	% Change
Residential	($0.002865)	($0.002704)	$0.000161	5.62%
Employee	($0.001719)	($0.001622)	$0.000097	5.64%
GS-1 Secondary Non-Demand	($0.002865)	($0.002704)	$0.000161	5.62%
GS-1 Secondary Demand	($0.002865)	($0.002704)	$0.000161	5.62%
GS-1 Primary Non-Demand	($0.002786)	($0.002630)	$0.000156	5.60%
GS-1 Primary Demand	($0.002786)	($0.002630)	$0.000156	5.60%
GS-2 Substation	($0.002762)	($0.002607)	$0.000155	5.61%
GS-2 Transmission	($0.002746)	($0.002592)	$0.000154	5.61%
Irrigation	($0.002865)	($0.002704)	$0.000161	5.62%
Lighting	($0.002865)	($0.002704)	$0.000161	5.62%

The interim request and supporting documents can be examined at Applicant's General Office, 40 East Broadway, Butte, Montana; its office in Helena, Montana; at the office of the Montana Consumer Counsel (MCC), 616 Helena Ave., 3rd Floor, Helena, Montana; or at the office of the MPSC, 1701 Prospect Avenue, Helena, Montana 59620.

The MCC (406-444-2771) is available to assist in the representation of consumer interests in this matter.

Any comments, which any person wishes to have the MPSC take into consideration in its decision on this matter, should be sent to the MPSC at the above address as soon as possible.

Any portion of the interim adjustment approved by the MPSC pending hearing and final decision would, pursuant to Montana Code Ann. Section 69-3-304 et. al. (1999), be subject to refund if the final decision in this docket is to approve a final revenue level which is different than the interim decrease.

Dated: May 30, 2008.

Appendix A
Page 1 of 1

NorthWestern Energy
Electric Utility
Default Supply & Deferred Supply Cost Rates
Rate Change Detail
Effective July 1, 2008

Electric Default Supply Rate ($/kWh)	Current 6/1/2008	Proposed	Rate Change	Percentage Change
Residential	$ 0.064212	$ 0.065629	$ 0.001417	2.21%
Employee	$ 0.038527	$ 0.039377	$ 0.000850	2.21%
GS-1 Secondary Non-Demand	$ 0.058086	$ 0.059368	$ 0.001282	2.21%
GS-1 Secondary Demand	$ 0.064212	$ 0.065629	$ 0.001417	2.21%
GS-1 Primary Non-Demand	$ 0.062453	$ 0.063831	$ 0.001378	2.21%
GS-1 Primary Demand	$ 0.057026	$ 0.058284	$ 0.001258	2.21%
GS-2 Substation	$ 0.061914	$ 0.063280	$ 0.001366	2.21%
GS-2 Transmission	$ 0.061540	$ 0.062898	$ 0.001358	2.21%
Irrigation	$ 0.058086	$ 0.059368	$ 0.001282	2.21%
Lighting	$ 0.058086	$ 0.059368	$ 0.001282	2.21%

Electric Supply Deferred Cost ($/kWh)	Current 6/1/2008	Proposed	Rate Change	Percentage Change
Residential	$ (0.002865)	$ (0.002704)	$ 0.000161	5.62%
Employee	$ (0.001719)	$ (0.001622)	$ 0.000097	5.64%
GS-1 Secondary Non-Demand	$ (0.002865)	$ (0.002704)	$ 0.000161	5.62%
GS-1 Secondary Demand	$ (0.002865)	$ (0.002704)	$ 0.000161	5.62%
GS-1 Primary Non-Demand	$ (0.002786)	$ (0.002630)	$ 0.000156	5.60%
GS-1 Primary Demand	$ (0.002786)	$ (0.002630)	$ 0.000156	5.60%
GS-2 Substation	$ (0.002762)	$ (0.002607)	$ 0.000155	5.61%
GS-2 Transmission	$ (0.002746)	$ (0.002592)	$ 0.000154	5.61%
Irrigation	$ (0.002865)	$ (0.002704)	$ 0.000161	5.62%
Lighting	$ (0.002865)	$ (0.002704)	$ 0.000161	5.62%

NorthWestern Energy

Typical Bill Calculation

	Electric Residential Service						***CTC-QF, BPA-Credit and Default Supply**			
				Current Rates			***[1] Proposed Rates***			
	kWh per month	**750**		**Date**			**Date**			
				Effective	Total Bill		**Effective**	Total Bill		
				6/1/2008	Amount		**7/1/2008**	Amount		
	Res. Dist.-Service Charge			$ 5.00	$ 5.00		$ 5.00	$ 5.00		
	Plus:									
	Res. Supply-Energy			$ 0.064212	$ 48.16		$ 0.065629	$ 49.22		
	Res. Deferred Supply Costs			$ (0.002865)	$ (2.15)		$ (0.002704)	$ (2.03)		
	Res. CTC-QF			$ 0.003209	$ 2.41		$ 0.003295	$ 2.47		
	Res. Transmission-Energy			$ 0.008803	$ 6.60		$ 0.008803	$ 6.60		
	Res. Distribution-Energy			$ 0.027401	$ 20.55		$ 0.027401	$ 20.55		
	Res. USBC			$ 0.001334	$ 1.00		$ 0.001334	$ 1.00		
	Res. BPA-Credit			$ -	$ -		$ (0.001430)	$ (1.07)		
	Total Kwh Charge			$ 0.102094	$ 76.57		$ 0.102328	$ 76.74		
	Total Bill			**$ 0.108761**	**$ 81.57**		**$ 0.108995**	**$ 81.74**		
					Monthly Increase (Decrease)			$ 0.17		
					Annual Increase (Decrease)			$ 2.04		
					Percent Change			**0.21%**		

[1] Column represents the proposed rate changes for CTC-QF, BPA Credit, Electric Default Supply and Supply Deferred Costs effective on July 1, 2008.

	A	B	C	D	E	F	G	H	I	J	K
1											
2	NorthWestern Energy										
3											
4											
5											
6	**Typical Bill Calculation**										
7											
8	**General Service - Secondary Demand**										
9											
10								**CTC-QF and Default Supply**			
11		**Kw**	**11**		***Current Rates***			***[1] Proposed Rates***			
12		**kWh per month**	**3500**		**Date**			**Date**			
13					**Effective**	Total Bill		**Effective**	Total Bill		
14					**6/1/2008**	Amount		**7/1/2008**	Amount		
15	GS-1 Dist.-Service Charge				$ 8.70	$ 8.70		$ 8.70	$ 8.70		
16											
17	Plus:										
18	GS-1 Supply-Energy				$ 0.064212	$ 224.74		$ 0.065629	$ 229.70		
19	GS-1 Deferred Supply Costs				$ (0.002865)	$ (10.03)		$ (0.002704)	$ (9.46)		
20	GS-1 CTC-QF				$ 0.003209	$ 11.23		$ 0.003295	$ 11.53		
21	GS-1 Transmission-Demand				$ 2.870244	$ 31.57		$ 2.870244	$ 31.57		
22	GS-1 Distribution-Demand				$ 5.850929	$ 64.36		$ 5.850929	$ 64.36		
23	GS-1 Distribution-Energy				$ 0.004641	$ 16.24		$ 0.004641	$ 16.24		
24	GS-1 USBC				$ 0.001143	$ 4.00		$ 0.001143	$ 4.00		
25	Subtotal					$ 342.11			$ 347.94		
26											
27	**Total Bill**				**$ 0.100230**	**$ 350.81**		**$ 0.101900**	**$ 356.64**		
28											
29						Monthly Increase (Decrease)			$ 5.83			
30						Annual Increase (Decrease)			$ 69.96			
31						**Percent Change**			**1.66%**		
32											
33											
34	**[1]Column represents the proposed rate changes for CTC-QF, Electric Default Supply and Supply Deferred Costs effective on July 1, 2008.**										

NorthWestern Energy

Typical Bill Calculation

General Service - Primary Non-Demand

kWh per month **2000**

		CTC-QF and Default Supply	
	Current Rates	***[1] Proposed Rates***	
	Date Effective 6/1/2008	Total Bill Amount	**Date Effective 7/1/2008**	Total Bill Amount
GS-1 Dist.-Service Charge	$ 7.45	$ 7.45	$ 7.45	$ 7.45
Plus:				
GS-1 Supply-Energy	$ 0.062453	$ 124.91	$ 0.063831	$ 127.66
GS-1 Deferred Supply Costs	$ (0.002786)	$ (5.57)	$ (0.002630)	$ (5.26)
GS-1 CTC-QF	$ 0.003121	$ 6.24	$ 0.003205	$ 6.41
GS-1 Transmission-Energy	$ 0.007859	$ 15.72	$ 0.007859	$ 15.72
GS-1 Distribution-Energy	$ 0.018019	$ 36.04	$ 0.018019	$ 36.04
GS-1 USBC	$ 0.001143	$ 2.29	$ 0.001143	$ 2.29
Total Kwh Charge	$ 0.089809	$ 179.63	$ 0.091427	$ 182.86
Total Bill	**$ 0.093540**	**$ 187.08**	**$ 0.095160**	**$ 190.31**
		Monthly Increase (Decrease)		$ 3.23
		Annual Increase (Decrease)		$ 38.76
		Percent Change		**1.73%**

[1] Column represents the proposed rate changes for CTC-QF, Electric Default Supply and Supply Deferred Costs effective on July 1, 2008.

	A	B	C	D	E	F	G	H	I	J	K
1											
2	NorthWestern Energy										
3											
4											
5											
6	**Typical Bill Calculation**										
7											
8	**General Service - Primary Demand**										
9											
10								**CTC-QF and Default Supply**			
11		**Kw**	**400**		***Current Rates***			***[1] Proposed Rates***			
12		**kWh per month**	**200000**		**Date**			**Date**			
13					**Effective**	Total Bill		**Effective**	Total Bill		
14					**6/1/2008**	Amount		**7/1/2008**	Amount		
15	GS-1 Dist.-Service Charge				$ 24.80	$ 24.80		$ 24.80	$ 24.80		
16											
17	Plus:										
18	GS-1 Supply-Energy				$ 0.057026	$ 11,405.20		$ 0.058284	$ 11,656.80		
19	GS-1 Deferred Supply Costs				$ (0.002786)	$ (557.20)		$ (0.002630)	$ (526.00)		
20	GS-1 CTC-QF				$ 0.003121	$ 624.20		$ 0.003205	$ 641.00		
21	GS-1 Transmission-Demand				$ 3.683143	$ 1,473.26		$ 3.683143	$ 1,473.26		
22	GS-1 Distribution-Demand				$ 4.044304	$ 1,617.72		$ 4.044304	$ 1,617.72		
23	GS-1 Distribution-Energy				$ 0.007084	$ 1,416.80		$ 0.007084	$ 1,416.80		
24	GS-1 USBC				$ 0.001143	$ 228.60		$ 0.001143	$ 228.60		
25	Subtotal					$ 16,208.58			$ 16,508.18		
26											
27	**Total Bill**				**$ 0.081170**	**$ 16,233.38**		**$ 0.082660**	**$ 16,532.98**		
28											
29						Monthly Increase (Decrease)			$ 299.60			
30						Annual Increase (Decrease)			$ 3,595.20			
31						**Percent Change**			**1.85%**		
32											
33											
34	**[1]Column represents the proposed rate changes for CTC-QF, Electric Default Supply and Supply Deferred Costs effective on July 1, 2008.**										

NorthWestern Energy

Typical Bill Calculation

Irrigation & Sprinkling Service
Non-Demand

kWh per month **1342**

				CTC-QF, BPA Credit and Default Supply	
		Current Rates		***[1] Proposed Rates***	
		Date Effective	Total Bill	**Date Effective**	Total Bill
		6/1/2008	Amount	**7/1/2008**	Amount
Irr. Dist.-Service Charge	(a)	$ 8.48	$ 8.48	$ 8.48	$ 8.48
Plus:					
Irr. Supply-Energy		$ 0.058086	$ 77.95	$ 0.059368	$ 79.67
Irr. Deferred Supply Costs		$ (0.002865)	$ (3.84)	$ (0.002704)	$ (3.63)
Irr. CTC-QF		$ 0.003209	$ 4.31	$ 0.003295	$ 4.42
Irr. Transmission-Energy		$ 0.010944	$ 14.69	$ 0.010944	$ 14.69
Irr. Distribution-Energy		$ 0.022300	$ 29.93	$ 0.022300	$ 29.93
Irr. USBC		$ 0.001144	$ 1.54	$ 0.001144	$ 1.54
Irr. BPA Credit		$ -	$ -	$ -	$ -
Total Kwh Charge		$ 0.092818	$ 124.58	$ 0.094347	$ 126.62
Total Bill		**$ 0.099150**	**$ 133.06**	**$ 0.100670**	**$ 135.10**
			Monthly Increase (Decrease)		$ 2.04
			Season Incr (Decr) (6 Months)		$ 12.24
			Percent Increase		**1.53%**

(a) The seasonal charge is divided by 6 months to compute a monthly average.

[1] Column represents the proposed rate changes for CTC-QF, BPA Credit, Electric Default Supply and Supply Deferred Costs effective on July 1, 2008.

NorthWestern Energy

Typical Bill Calculation

Irrigation & Sprinkling Service Demand

								CTC-QF, BPA Credit and Default Supply				
		Kw	41		*Current Rates*			[1] *Proposed Rates*				
		kWh per month	12260		Date			Date				
					Effective	Total Bill		Effective	Total Bill			
					6/1/2008	Amount		7/1/2008	Amount			
Irr. Dist.-Service Charge				(a)	$ 20.01	$ 20.01		$ 20.01	$ 20.01			
Plus:												
Irr. Supply-Energy					$ 0.058086	$ 712.13		$ 0.059368	$ 727.85			
Irr. Deferred Supply Costs					$ (0.002865)	$ (35.12)		$ (0.002704)	$ (33.15)			
Irr. CTC-QF					$ 0.003209	$ 39.34		$ 0.003295	$ 40.40			
Irr. Transmission-Demand					$ 1.877837	$ 76.99		$ 1.877837	$ 76.99			
Irr. Distribution-Demand					$ 6.843336	$ 280.58		$ 6.843336	$ 280.58			
Irr. Distribution-Energy					$ 0.003707	$ 45.45		$ 0.003707	$ 45.45			
Irr. USBC					$ 0.001144	$ 14.03		$ 0.001144	$ 14.03			
Irr. BPA Credit					$ -	$ -		$ -	$ -			
Subtotal						$ 1,133.40			$ 1,152.15			
Total Bill					**$ 0.094080**	**$ 1,153.41**		**$ 0.095610**	**$ 1,172.16**			
						Monthly Increase			$ 18.75			
						Season Increase (6 Months)			$ 112.50			
						Percent Increase			**1.63%**			

(1) The seasonal charge is divided by 6 months to compute a monthly average.

[1] **Column represents the proposed rate changes for CTC-QF, BPA Credit, Electric Default Supply and Supply Deferred Costs effective on July 1, 2008.**

DEPARTMENT OF PUBLIC SERVICE REGULATION

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MONTANA

IN THE MATTER OF NORTHWESTERN ENERGY'S:	)	UTILITY DIVISION
Application for Electric Supply Deferred Cost Account	)	
Balance and Projected Electric Supply Cost	)	DOCKET NO. D2008.5.45

NOTICE OF FILING

NorthWestern Energy (NWE or NorthWestern) has filed an Application with the Montana Public Service Commission (MPSC) in support of a net increase in rates for electric supply service to the supply customers. NorthWestern is requesting that these rates become effective for service on and after July 1, 2008. This request is a result of the annual electric supply cost tracking procedure approved by the MPSC on June 26, 2002 in Docket No. D2001.10.144.

The electric supply cost tracking procedure includes a reconciliation of the actual electric supply costs and revenues for the 12 months ending June 30, 2008, in the form of the amortization of the Electric Deferred Supply Cost Account Balance, and the projection of electric supply costs for the 12 month tracking period July 1, 2008 through June 30, 2009.

The net adjustments proposed in this filing result in the following:

- Electric supply costs per kWh increase as shown in the table below.

Electric Supply Rate ($/kWh)	Current	Proposed	Rate Change	% Change
Residential	$0.064212	$0.065629	$0.001417	2.21%
Employee	$0.038527	$0.039377	$0.000850	2.21%
GS-1 Secondary Non-Demand	$0.058086	$0.059368	$0.001282	2.21%
GS-1 Secondary Demand	$0.064212	$0.065629	$0.001417	2.21%
GS-1 Primary Non-Demand	$0.062453	$0.063831	$0.001378	2.21%
GS-1 Primary Demand	$0.057026	$0.058284	$0.001258	2.21%
GS-2 Substation	$0.061914	$0.063280	$0.001366	2.21%
GS-2 Transmission	$0.061540	$0.062898	$0.001358	2.21%
Irrigation	$0.058086	$0.059368	$0.001282	2.25%
Lighting	$0.058086	$0.059368	$0.001282	2.25%

- The credit of $15,884,333 is for an over collection of electric supply costs from July 1, 2007 to June 30, 2008. This over collection results in rate changes per kWh as shown in table below. This credit to customers will be over the 12-month period ending June 30, 2009.

Electric Deferred Cost Rate ($/kWh)	Current	Proposed	Rate Change	% Change
Residential	($0.002865)	($0.002704)	$0.000161	5.62%
Employee	($0.001719)	($0.001622)	$0.000097	5.64%
GS-1 Secondary Non-Demand	($0.002865)	($0.002704)	$0.000161	5.62%
GS-1 Secondary Demand	($0.002865)	($0.002704)	$0.000161	5.62%
GS-1 Primary Non-Demand	($0.002786)	($0.002630)	$0.000156	5.60%
GS-1 Primary Demand	($0.002786)	($0.002630)	$0.000156	5.60%
GS-2 Substation	($0.002762)	($0.002607)	$0.000155	5.61%
GS-2 Transmission	($0.002746)	($0.002592)	$0.000154	5.61%
Irrigation	($0.002865)	($0.002704)	$0.000161	5.62%
Lighting	($0.002865)	($0.002704)	$0.000161	5.62%

The prefiled testimony, exhibits and the proposed rates, detailed rate information and billing, including impacts are available for public inspection at NorthWestern's General Office, 40 East Broadway, Butte, Montana; its office in Helena, Montana; at the office of the Montana Consumer Counsel (MCC), 616 Helena Ave., 3rd Floor, Helena, Montana; or at the office of the MPSC, 1701 Prospect Avenue, Helena, Montana 59620. The MCC (406-444-2771) is available to assist in the representation of consumer interests in this matter.

Any comments, which any person wishes to have the MPSC take into consideration in its decision on this matter, should be sent to the MPSC at the above address as soon as possible.

DEPARTMENT OF PUBLIC SERVICE REGULATION

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MONTANA

IN THE MATTER OF NORTHWESTERN ENERGY'S:	)	UTILITY DIVISION
Application for Electric Supply Deferred Cost Account	)	
Balance and Projected Electric Supply Cost	)	DOCKET NO. D2008.5.45

CERTIFICATE OF SERVICE
OF NOTICE OF INTERIM/FINAL RATE ADJUSTMENT REQUEST
FOR ELECTRIC SUPPLY RATES

The undersigned certifies that a Notice of Rate Adjustment Request was this day served by mail upon the following:

Daily Newspapers

Montana Standard	Helena Independent Record
Missoulian	Billings Gazette
Great Falls Tribune	Livingston Enterprise
Bozeman Chronicle	Ravalli Republic
Daily Inter Lake	Havre Daily News

Associated Press Print and Broadcast Services

Television Stations

Billings	-	KTVQ and KULR
Butte	-	KXLF
Missoula	-	KECI and KPAX
Great Falls	-	KFBB and KRTV
Bozeman	-	KTVM
Helena	-	KTVH

DATED: May 30, 2008

NorthWestern Energy

By: _____

Claudia Rapkoch
40 East Broadway Street
Butte, Montana 59701

Department of Public Service Regulation
Montana Public Service Commission
Docket No. D2008.5.45
NorthWestern Energy

POLICY TESTIMONY OF JOHN D. HINES
ON BEHALF OF NORTHWESTERN ENERGY

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Witness Information

Q. Please state your name and business address.

A. My name is John D. Hines and my business address is 40 East Broadway Street, Butte, Montana, 59701.

Q. By whom are you employed and in what capacity?

A. I am employed by NorthWestern Energy ("NWE" or "NorthWestern") as Chief Energy Supply Officer. My responsibilities include energy supply planning, market

operations and energy supply tracker and regulatory policy activities for Montana electric and natural gas and South Dakota natural gas supply. I joined NorthWestern in January 2005 as Director of Energy Supply Planning where I was responsible for long-term planning for natural gas and electricity supply for NWE's Montana customers.

Q. Please summarize your educational and employment experiences.

A. I earned a B.A. and a Masters Degree in Economics from the University of Montana. After completing my graduate degree I worked for several years in Anchorage, Alaska as a consultant to public interest groups on energy topics, including the development of energy efficiency programs, a state energy plan, and financial analyses on specific generation proposals before the state Public Utility Commission. During this time period I also worked as a financial consultant for the World Bank, including benefit-cost and exchange rate analyses for projects in Africa.

Upon returning to Montana, I worked first as a staff economist and then as the Administrator for the Montana office of the Northwest Power and Conservation Council (Council). My work initially was focused on developing and implementing Model Conservation Standards for new residential and commercial construction. In addition, I participated in energy load forecasting, the development of multi-state electricity power plans, and worked for several Montana Governors on energy policy, including energy legislation. In 2002, I was appointed by Governor Judy Martz to serve as one of Montana's two representatives to the Council. As a Montana representative, I served on the Council's Executive Committee and Power Committee and was closely involved in the development of the Council's 5th Power Plan, completed in December 2004.

On behalf of NorthWestern Energy I have previously provided policy testimony to the Montana Public Service Commission ("MPSC" or "Commission") on annual natural gas and electric trackers and other issues including both natural gas and electric

procurement plans and costs for providing regulation reserves for intermittent resources.

Purpose of Testimony

Q. What is the purpose of your testimony in this filing?

A. As NorthWestern's policy witness in this filing, my testimony is intended to provide the necessary information to satisfy the filing requirements set forth in Montana Administrative Rule ("ARM") 38.5.8226(3). Specifically, this testimony provides a discussion of: current supply planning, management and resource procurement activities, and a presentation of the action plan that Supply will be implementing for the next few years. The information provided in this testimony is consistent with the 2007 Electric Procurement Plan that NorthWestern recently filed and discussed in a public hearing before the MPSC and stakeholders. In addition, I introduce the other NWE witnesses submitting testimony in this filing and describe the topic(s) covered by each.

NWE's Electric Resource Procurement Plans

Q. Please discuss the framework that guides NWE's electric planning and acquisition activities.

A. As discussed in previous Dockets, there are numerous ARMs and statutes that guide NorthWestern's planning and acquisition activities for serving NorthWestern's electric supply customers. The primary reference material is included in ARMs 38.5.8201 through 8301 & MCA 69-8-419 through 420. These ARMs and statutes define the regulatory expectations for NWE's planning and procurement actions, which in turn, guide its acquisition activities.

ARM 38.5.8226(1) requires the utility to file a comprehensive long-term portfolio management and resource procurement plan every other year. NorthWestern's most recent plan was filed in December 2007 ("2007 Plan"). The 2007 Plan provides in

much greater detail the state of NorthWestern's current supply planning, management and resource procurement activities, as well as its ongoing action plan that NorthWestern Supply will be implementing over the next few years.

Q. Please describe NorthWestern's resource plans and their relationship to its procurement activities.

A. NWE has produced and filed three biennial electric procurement plans ("Plans"). NorthWestern is currently awaiting MPSC comments on the 2007 Plan. The Plans and the accompanying Commission comments provide guidance to the resource planning and acquisition processes that NWE follows in meeting its load serving obligations.

The 2005 Plan focused on meeting the incremental requirement for base load resources beginning in July 2007. The 2005 Plan identified several mechanisms such as auctions, bilateral negotiations, and requests for proposals ("RFPs") that NWE could use to acquire the output from generation resources.

The 2005 Plan also posited the concept of bridging contracts - contracts that would bridge the short-term resource needs to longer-term solutions - as the preferred path for NWE to take. The bridging approach was anticipated to consist of a mix of short, medium and long-term contracts that would extend out over time. The time frames for the contracts would be designed to straddle the estimated date for procurement of new long-term resources. In the event the timing of procuring long-term resources was delayed, additional layering of contracts could be achieved.

Q. Did NWE participate in auctions, bilateral negotiations, or RFPs to acquire bridging electricity supply contracts for Supply customers?

A. Yes. As detailed in Mr. Bennett's testimony, several resource acquisitions were completed, consistent with the 2005 Plan and accompanying MPSC comments. In particular, NorthWestern during 2006 completed a pilot auction, bilateral negotiations, and an RFP. Each of these mechanisms resulted in new electricity

supply contracts for the portfolio. The electricity obtained through these mechanisms was used to meet the electricity portfolio's requirements beginning in July 2007.

NWE's Supply Portfolio

Q. Briefly discuss NWE's recent resource acquisitions.

A. As noted previously, the 2005 Plan focused on addressing the portfolio's need for additional base load contracts caused by the expiration in June 2007 of the PPL Montana base load and heavy load contracts. NWE accomplished this bridging through several mechanisms. Specifically, NWE:

- Finalized a seven-year fixed price contract with PPL Montana for over 13.6 million MWh of electric supply with a notional value of approximately $674 million which represented a discount to the forward market curve (at the time of the transaction) of about $86 million. This translates to an average discount to market at that point in time of approximately $6.30/MWh. This contract provides about 37 percent of the total portfolio energy requirements during the 2007 contract period and decreases over time. In 2014, this contract provides about 23 percent of the portfolio's forecast requirements.

- NWE participated in a PPL Montana RFP-type solicitation and signed an eighteen-month 52 MW contract beginning July 2007 priced at the Mid C market less $5/MWh.

- NWE implemented a pilot auction in the fall of 2006 that resulted in 6 new supply contracts ranging in terms of 9 months to 36 months in length. NorthWestern began receiving approximately 200 MW of power from the auction beginning July 1, 2007 with various on peak, off peak, and Sunday volumes. The first of these contracts expired March 2008 and the last contract will expire June 2010.

- NorthWestern executed a contract with Montana Generation, LLC ("MG"), to purchase 90 MW of unit contingent power commencing on July 1, 2007 at a price of $35.25 per MWh and ending on December 31, 2018 at a price of $36.25 MWh (previously referred to as the Colstrip Unit 4 90 MW purchase.)

- Finally, an additional purchase from Colstrip 4 of 21 MW of unit contingent power was included in the portfolio commencing January 1, 2008 and priced at the Mid C market less $19/MWh.

Q. Are costs for the resource acquisitions discussed above included in 2007/2008 tracker?

A. Yes. The costs associated with providing electricity from these contracts for the 2007/2008 tracker year are included in this filing. Mr. Bennett's testimony provides the supporting documentation for these costs.

Action Plan

Q. Does the 2007 Plan contain an Action Plan?

A. Yes, the 2007 Plan devotes considerable attention to specific actions that NorthWestern proposes to undertake over the next few years.

Q. Please provide a summary of these actions.

A. Listed below are certain key action items included in the 2007 Plan. As noted previously, the 2007 Plan contains a more complete list of proposed action items. The Action Plan in the 2007 Plan provides the specific steps that implement the Plan.

1. During 2008, NorthWestern will actively explore opportunities and discuss supply options with market participants for mid to long-term contracts for power delivery beginning in 2012 or later.

2. To comply with the Renewable Portfolio Standard, NorthWestern, in 2008, will issue an RFP for renewable resources to meet its 2010 Community and Renewable Energy Portfolio obligation.

3. To diversify the renewable resource portion of the supply portfolio, renewable supply sources other than wind will be identified and where appropriate, solicited.

4. During the first half of 2008, NorthWestern will complete its internal evaluation regarding development of rate-based regulation resources and make a decision on the best way to proceed for obtaining these necessary resources.

5. Given the new higher updated avoided cost, a review of potential DSM measures will be conducted to determine whether new measures are appropriate to include in DSM programs. A new electric DSM assessment is to be completed to support development of NWE's 2009 electric supply procurement plan.

6. To facilitate greater price stability, NorthWestern is prepared to implement the proposed short-term financial hedging strategy described in Appendix 1 to the 2007 Plan.

Q. Does the omission of a specific resource acquisition from the 2007 Plan preclude it from being included in the Supply portfolio and in subsequent tracker cost recovery proceedings?

A. No. NWE on an ongoing basis evaluates alternative resource opportunities. The Plan provides a basis for this evaluation.

Introduction of Other Witnesses

Q. Please introduce the other witnesses in this filing.

A. In addition to my testimony, this electric tracker filing includes the testimony of:

- Mr. Patrick R. Corcoran, Vice President of Government and Regulatory Affairs. Mr. Corcoran's testimony addresses NWE's historical electricity procurement activities and management decisions regarding replacement of the PPL Montana contracts.

- Mr. Frank V. Bennett, Electric and Natural Gas Supply Specialist. Mr. Bennett's testimony presents the following information:
    - Updated 12-month ended June 2007 tracker period with ten months of actual numbers and two months of estimated numbers, and
    - The forecasted 12-month ended June 2008 tracker period.

- Ms. Cheryl Hansen, Senior Analyst in the Regulatory Affairs Department. Ms. Hansen's testimony:
    - Presents the 2008-2009 tracker year billing statistics and explains how they are derived;
    - Presents the derivation of proposed deferred supply rates resulting from the over collection reflected in the 2007-2008 tracker period; and
    - Presents the derivation of proposed supply rates for the forecasted 2008-2009 tracker period.

- Mr. William Thomas, Manager Regulatory Support Services. Mr. Thomas' testimony:
    - Presents results from Universal System Benefit (USB) and Electric Supply DSM energy efficiency programs conducted by NWE for Tracker Year 2007-08 and describes the status of and plans for DSM Programs and related activities in the forthcoming tracker period, and
    - Provides updated numbers for the DSM Program Cost Tracking and Lost Revenue Recovery mechanism (Electric DSM Tracker)

for recovery of Electric Supply DSM Program costs and lost transmission and distribution revenues (Lost Revenues) associated with Electric Supply DSM and USB programs.

- Mr. Kevin Markovich, Director of Energy Supply Market Operations. Mr. Markovich's testimony provides:
    - An overview of NorthWestern's proposed Electric Supply Hedging Strategy,
    - A description on how short and medium term procurement activities were conducted during the 2007 / 2008 tracking period, and
    - A discussion regarding NorthWestern's proposals to conduct hedging activities during the upcoming 2008 / 2009 tracking period.

Q. Does this complete your testimony?

A. Yes.

Department of Public Service Regulation
Montana Public Service Commission
Docket No. D2008.5.45
NorthWestern Energy

PREFILED TESTIMONY OF PATRICK R. CORCORAN
ON BEHALF OF NORTHWESTERN ENERGY

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Witness Information

Q. Please state your name and business address.

A. My name is Patrick R. Corcoran. I work at 40 East Broadway, Butte MT 59701.

Q. By whom are you employed and in what capacity?

A. I am NorthWestern Energy's (NWE or NorthWestern) Vice-President of Government and Regulatory Affairs.

Q. Please summarize your education and employment experience.

A. I attended the Montana College of Mineral Science and Technology, Butte MT, receiving an Associate of Science Degree and a Bachelor of Science Degree in Computer Science. I have also attended the University of Idaho's Public Utilities

Executive Course, and many additional courses, seminars and sessions on business, utility and regulatory subjects.

I began work for Montana Power Company (MPC) in January 1979. After progressing through a number of positions in the Regulatory Affairs Department, I became a Vice-President of NorthWestern in September 2000.

Q. What are your responsibilities as Vice President of Government and Regulatory Affairs?

A. I am the officer in charge of state and federal government and regulatory activities and relations for NorthWestern in Montana, South Dakota and Nebraska. I am a member of NorthWestern's Regulated Energy Supply Board (ESB), which is our internal governing body for all energy supply matters.

In my present role, I participate in the preparation and/or consideration of the testimony, exhibits and work papers in NorthWestern's proceedings before the Montana Public Service Commission (MPSC or Commission) and the Federal Energy Regulatory Commission (FERC). I have previously testified on rates and operating revenues, rate design, other tariff and regulatory matters, and various other utility business-related subjects.

Purpose of Testimony

Q. What is the primary purpose of your testimony?

A. My testimony will address NWE's historical electricity procurement activities and management decisions regarding replacement of the PPL Montana contracts that became effective July 1, 2007 and are now part of NorthWestern's actual costs for the tracking period July 1, 2007 to June 30, 2008 in this Docket.

Overview of Electric Supply Procurement

Q. First, provide a general overview of NWE's energy supply planning/procurement activities and decision-making process.

A. In addition to the MPSC planning and procurement rules discussed by John Hines in his Direct Testimony, NWE also employs its own set of internal practices and controls whereby the day–to-day energy supply planning/procurement analyses, recommendations and/or decisions are made by corresponding electric supply personnel assigned to this function, guided by NWE's Energy Supply Risk Management Policy, and the general oversight provided by NorthWestern's internal ESB. The determination of which individual approves the various transactions/contracts ultimately depends on the monetary level of the contract/transaction and a preassigned level of approval authority.

Q. What were the dynamics of the electricity supply market, then and even today in Montana?

A. A number of features are extremely important in discussing the wholesale market in

Montana. First, the existing transmission system has certain limits for access to Montana markets by out-of-state suppliers. Second, out-of-state supplies carry with them the additional cost of transmission. Third, lenders for new projects see a limited supply opportunity in Montana, and require assurances that costs related to any new projects are recoverable under a supply contract before they are willing to provide financial backing for a project. This results in obvious benefits for Montana's incumbent merchant generator – PPL Montana, LLC (PPL). In fact, PPL Montana has openly and actively pursued and protected its role as a major energy supplier in Montana. This was evident when they opposed NWE's efforts to secure power from Basin Creek. PPL also opposed the Judith Gap Wind Project. They intervened and attempted to secure the 2004 Request for Proposals (RFP) bid information as part of NWE's Colstrip 4 contract pre-approval filing before the MPSC. Because PPL would be able to secure the 2004 RFP bid information through the regulatory process, NWE withdrew this filing.

PPL's market power was the focus of PPL Montana's recent Triennial Rate Review before FERC. The Montana Consumer Counsel (MCC), the MPSC and NWE participated in this process. .

Following the guidance provided by the 2003 Default Supply Plan (DSP), NWE conducted an all-source RFP in July of 2004. This RFP was designed in part to attract bids to replace the baseload PPL Montana contracts post-2007. Upon completion of the evaluation of the universe of baseload bids – both from an

independent consultant and internally, NWE's Colstrip 4 resource proposal was selected as the most preferred resource from the RFP process. As discussed below, as the activity before the Federal Energy Regulatory Commission on PPL Montana's Triennial Rate Review influenced the decision to not sign any other baseload contracts at that time.

PPL Montana Supply Contract Replacement

Q. What was the prevailing wisdom with regard to dealing with PPL Montana at the time?

A. The two previous consecutive PPL Montana power supply contracts had supplied the majority of NWE's electric portfolio needs, which created a supply cliff on July 1, 2002, and again on July 1, 2007 (an immediate need to replace a large quantity of power due to contract expiration). Because increasing costs tied to increasing market prices would lead to substantial rate increase for its customers, NWE was focused on finding a way that it could minimize rate increases and reduce its dependence on PPL. While realizing independence from PPL would not happen over night, NWE recognized the need to further diversify its portfolio in order to limit the exposure to unfavorable market conditions going forward. In other words, to take a course of action that would prevent NWE from having all of its eggs in one basket.

Q. Didn't the Federal Energy Regulatory Commission (FERC) PPL Montana's Triennial Rate Review parallel the RFP actions in 2004 and 2005?

A. Yes. The PPL Montana FERC process began in late 2004, including interventions in the proceeding by NWE, the MPSC and the MCC. The process ultimately concluded with a decision in PPL's favor in May 2006. These FERC activities are described in more detail below.

Q. What lead to NWE's decision to replace the PPL Montana contracts on July 5, 2006, not sooner?

A. NWE's decision not to replace the PPL Montana contract until July 5, 2006 was based on many factors, which are explained above and below.

Planning Uncertainty/Other Significant Events

Q. Please discuss the planning uncertainty that has surrounded NWE's Default Supply obligation during this time period.

A. Since the passage of the customer choice legislation SB 390 in 1997 ("the Act"), the future of NWE's load service responsibility has been marked by uncertainty. The original 1997 legislation envisioned a four-year transition period (through June 2001) wherein most of the utility's load serving responsibility would be transferred to licensed, competitive suppliers. Except for some restrictions on small customers moving to choice, the Act placed few limitations on the movement to or from choice. NWE's prospective role was primarily to be a transmission and distribution provider with some small amount of load serving obligation – as an emergency supplier and as a supplier to those customers who either did not want to choose an alternative supplier or those who could not be served by anyone else.

Except for a few competitive suppliers who serve large industrial customers, the development of alternative suppliers never occurred and NWE has continued to serve nearly all residential and most mid-sized customers. While customer choice for smaller customers never materialized, the period since the passage of the 1997 legislation has been littered with often conflicting proposals and public policies aimed at fundamentally altering the role NWE plays in serving electric supply customers. For example, there have been repeated efforts to create structures that, if implemented, would have significantly decreased NWE's load serving obligation. The magnitude of planning uncertainty from some of these proposals has been considerable.

Q. Did this uncertainty affected planning and the acquisition of resources?

A. Yes. NWE understands that it has a long-term obligation to serve electric supply customers. However, the development of the resource portfolio was influenced by the amount and type of uncertainty surrounding future load of electric supply. The greater the potential that future load serving obligations may be decreased (in some cases significantly) the more in general the portfolio will consist of shorter-term resources. To do otherwise would create a greater likelihood of stranded investments – either for customers or the utility. The current portfolio does have some shorter-term contracts, reflective of the level of uncertainty that has been associated with electric supply load. (However, in general, some amount of short-term contracts is needed in the portfolio even absent planning uncertainty.)

Q. Please discuss some major events that have contributed significantly to planning uncertainty and influenced the timing of NWE's electric supply procurement activities.

A. In October 2003, the City of Great Falls drafted an ordinance authorizing the City to establish and operate an electric utility and to market and provide electric power service. In July 2005, the city requested and received approval from the Commission to initiate a pilot program for small customers. In the 2005 and 2007 legislative sessions, the City of Great Falls sought to enact legislation (HB 642 in 2005, and HB 346 in 2007) that would effectively have allowed the City to serve NWE's customers. The Great Falls area load comprises about 11 percent of the total electric supply portfolio's estimated load.

In April 2004, a consortium of five cities organized an entity called Montana Public Power, Inc. (MPPI). One purpose of MPPI was to buy the assets of NorthWestern Corporation. The effort to create a public power authority in Montana continued through the 2007 legislative session with the introduction of SB 558, which did not pass. If MPPI had been successful and decided to be the electricity provider for just the five participating cities, the effects on NWE's total load would have been significant – a loss of over 65 percent of NWE's default supply load.

As mentioned above, the MCC, MPSC, and NWE all actively participated in a FERC proceeding, working to show that PPL had market power in NWE's control area. In February 2005, MCC filed an objection with FERC requesting that PPL

market rate authority be denied for NWE's control area. In September 2005, FERC found that PPL had failed a market power screen, effectively establishing a rebuttable presumption of market power regarding PPL's requests for market rate authority. However, after submittal of additional information by parties, on May 18, 2006 FERC found that PPL had rebutted the presumption of market power and granted them the ability to charge market rates. This FERC decision had potentially significant effects on NWE's ratepayers. For example, if FERC had denied PPL the ability to charge market based rates as parties had argued, one potential mitigation outcome would have been for PPL to sell electricity to default supply at cost-based rates (assuming that NWE's portfolio required additional supply). Obviously, this outcome would have meant lower rates to NWE's ratepayers. Shortly after FERC ruled otherwise, NWE (on July 5, 2006) signed a seven-year contract with PPL for power delivery beginning July 2007.

Note that the dates for the different events described above mesh with and overlap the time periods in which NWE was working to acquire electricity supply resources for the portfolio. For example, resource proposals submitted as part of NWE's 2004 RFP were still being considered and negotiated when the FERC market rate authority objection was filed. In the instance of the FERC proceeding, NWE was fully aware of the resource need beginning in July 2007. However, NWE did not want to take actions that could have undermined the major effort underway at FERC that, from interveners' perspectives, had a reasonable likelihood of success.

During this same time period however, NorthWestern, did actively pursue and acquire the output from the Basin Creek Power and Judith Gap Wind Projects.

Q. Does this complete your testimony?

A. Yes.

Department of Public Service Regulation
Montana Public Service Commission
Docket No. D2008.5.45
Northwestern Energy

PREFILED DIRECT TESTIMONY OF FRANK V. BENNETT
ON BEHALF OF NORTHWESTERN ENERGY

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Witness Information

Q. Please state your name and business address.

A. My name is Frank V. Bennett and my business address is 40 East Broadway Street, Butte, MT 59701.

Q. By whom and in what capacity are you employed?

Q. I am employed by NorthWestern Energy (NorthWestern or NWE) as an Electric and Natural Gas Supply Specialist.

Q. Please describe your employment history.

A. I have been working with the Energy Supply group since 1996. In this capacity I administer energy supply contracts of NorthWestern's Montana Utility and assist with various other supply matters. From 1991 through 1996 I worked as a Landman for The Montana Power Company and North American Resources Company. During this time I worked on Joint Operational type contracts with other corporations and with land and mineral owners in an effort to explore and develop natural resources primarily in Montana, Wyoming, and Colorado. From 1984 through 1991 I worked in various capacities within the mineral industry, mainly for Altana Exploration Company and Roan Resources Ltd., in the Provinces of Alberta and Saskatchewan of Canada with additional work in Montana and Colorado.

A. Please describe your educational background.

Q. I attended Montana Tech of the University of Montana where I received my Bachelor of Science degree in Business and Information Technology.

A. Have you previously filed testimony with the Montana Public Service Commission (PSC or Commission)?

R. Yes.

Purpose of Testimony

A. Please describe your testimony.

A. In my testimony I will present the following information:

- The updated 12-month ended June 2008 tracker period with ten months of actual numbers and two months of estimated numbers, and
- The forecasted 12-month ended June 2009 tracker period.

2007/2008 Electric Supply Tracker Period

A. Please summarize the estimated 12-month electric supply tracker period ending June 2008, as it was filed in Docket D2007.5.46.

A. The 2007 annual tracker filing, Docket No. D2007.5.46 included 12 estimated months, July 2007 through June 2008. Rates reflecting the 2007/2008 tracker were effective on July 1, 2007 under Interim Order No. 6836 in Docket D2007.5.46. Monthly rate adjustment trackers have been filed for each month, August 2007 through June 2007.

A. Describe the changes that are reflected in the 2007/2008 tracker period transmission cost section.

A. A new line adjustment item has been added to the NWE Transmission Cost section of the electric tracker to properly allocate the cost of regulating reserves to the Transmission Business Unit for regulation attributed to the Horseshoe Bend wind production facility.

Q. How is the regulation capacity cost for Horseshoe Bend calculated?

A. The Horseshoe Bend regulation cost is allocated using a ratio based on 9 MW of installed capacity divided by the wind capacity of 144 MW (5 MW wind was existing prior to Judith Gap) or 6.25% of the total cost of the 25 MW of regulating reserves. The total annual cost of Regulating reserves is $3,159,485 during 2007 and $3,194,485 during 2008. The 6.25% share of the annual cost is $197,467.81 or $16,455.65 per month during 2007 and $199,655.31 or $16,637.94 per month during 2008. The monthly tracker allocations for July 2007 through April 2008 have been shown added to May 2008 in

Exhibit__(FVB-1) and will be booked with actual accounting entries for the May tracker costs.

A. In addition to the adjustment to Transmission Costs described above, how has the 12-month ended June 2008 electric supply tracker period been updated from the forecasts originally filed in Docket D2007.5.46?

A. As shown on Exhibit__(FVB-1), the 12 months of estimated information shown in Exhibit (FVB-2).07-08 from Docket D2007.5.46 has been updated to actual numbers[1] for the months of July 2007 through April 2008, with forecasts for May and June 2008. The actual numbers identify the realized load, specific monthly resource quantities bought and sold, and related costs for each month in the Electric supply portfolio. The numbers on pages 3 and 4, show that during the 12-month tracker period ending June 2008, NorthWestern expects to purchase 6,390,247 MWh of electricity at a cost of $312,833,866 for Electric Supply customers. The July 2007 beginning Deferred Account balance was filed originally as an estimated $22,264,565 over collection that was corrected to actuals in October 2007 to $16,626,524 over collection. Incorporating the beginning Deferred Account balance of $16,626,524 over collection explained in Docket D2007.5.46, and shown in Exhibit__(FVB-1), page 2, with 10 months of actual and 2 months of estimated information, the July 2008 Deferred Account balance is a forecast $15,884,333 over collection. Refer to Exhibit__(FVB-1), page 2.

Components of 2007/2008 Electric Supply Tracker Period

Q. Describe the Electric Supply cost components of the 12-month ended June 2008 tracker period as shown in Exhibit__(FVB-1).

A. There are three basic cost components that make up the electric supply portfolio for the 12-month tracker period July 2007 through June 2008:

1) Electric Supply – which includes the following:

[1] With the exception of transmission (e.g.: load following and imbalance costs) in which there is a lag of actual costs by a number of months.

a) A 325 Megawatt (MW) peak and 175 MW off-peak contract with PPL Montana, LLC that is supplied seven days per week, 24 hours per day, irrespective of the operating performance of any specific electric generating facility. This contract expires June 30, 2014.

a) Approximately 100 MW of unit contingent Qualifying Facility (QF) energy that comes from contracts entered into prior to deregulation. Under Tier II settlements, only a portion of the costs of these contracts is included in the electric supply portfolio. The forecast shows that approximately 6,571 MW of non-base transactions will be allocated in accordance with the Tier II Stipulation to meet the 809,002 MW target. In addition to the Tier II contracts, NWE continues to sign new QF contracts under its QF-1 Tariff and includes an additional 5 MW of unit contingent QF generation in the electric supply portfolio at Commission determined rates.

b) Approximately 135 MW of unit contingent energy from the Judith Gap Energy, LLC wind turbine facility. Judith Gap Energy, LLC achieved commercial operation on February 16, 2006. This contract expires on December 31, 2026.

c) Approximately 90 MW of unit contingent energy from Montana Generation, LLC. This contract expires on December 31, 2018.

d) An additional 21 MW of unit contingent energy from Montana Generation, LLC is included.

e) Approximately 50 MW of dispatchable energy from Basin Creek Equity Partners LLC. The Basin Creek plant achieved commercial operation on July 1, 2006. This contract will expire on July 1, 2026, unless extended for a 5-year term in accordance with the contract.

f) Approximately 6 MW of unit contingent energy from Tiber Montana, L.L.C. Tiber Montana achieved contract operation on June 1, 2004. This contract expires on June 1, 2024.

g) Approximately 50 MW of Sunday and North American Electric Reliability Council (NERC) Holiday firm energy from J.P. Morgan Ventures secured through the November 14, 2006 pilot auction. This contract expires June 30, 2010. The pilot auction is further discussed in the testimony of John Hines.

h) Approximately 25 MW of off-peak firm energy from Powerex Corp. secured through the November 14, 2006 pilot auction. This contract expires June 30, 2010.

i) Short, medium and long term market power purchases and sales transacted with various suppliers to balance variable customer demand with electricity supply. The energy requirements vary in part due to customer use and seasonal weather impacts that affect demand. During the 2007/2008 Electric supply tracking period, the net short-term purchase requirement was 1,730,198 MWhs or approximately 27.08% of the annual supply requirements.

j) Expenses related to wind integration and other wind costs incurred to fully incorporate the wind supply contracts into the portfolio and to meet balancing authority area minimum operating reserve requirements for wind integration that are independent of the transmission and distribution system integration charges.

k) Expenses related to system imbalance adjustments, operating reserves, and real-time transactions, which are hourly energy purchases or sales to maintain supply and demand balance on the electric transmission and distribution system for reliability purposes.

l) Demand Side Management (DSM) – program implementation costs and Transmission and Distribution Lost Revenues included as expenses directly involved with DSM programs and projects. DSM related costs and program results for the 2007/2008 tracker period, and forecasts for the 2008/2009 tracker period are covered in the testimony of William M. Thomas.

2) Transmission Services –costs associated with moving electricity off-system via point-to-point transmission service for resource balancing or resource optimization benefits, as well as other "ancillary services", required for system integrity and reliability. Regulation and Frequency Response Service, generally referred to as "load following", is an ancillary service which provides instantaneous voltage and energy regulation to balance load and resources. This service is currently provided by the Transmission Business Unit (TBU), and represents $3,861,314 of the $5,311,647 stated transmission cost. Costs of the transmission facilities utilized to transmit and distribute energy to electric supply customers are included in delivery rates and as such, no additional revenue is collected for these costs in the tracker.

3) Administrative Expenses – incremental administrative and general costs above those recovered in the last general rate case filing of $3,116,978 or approximately 0.97% of total electric supply expenses, are also included in electric supply costs. These costs include outside legal services, scheduling, software, broker costs and other incremental expenses directly related to the electric supply function (such as outside consultants to assist with or review procurement activities). Administrative expenses do not contain any expenses for internal NorthWestern personnel.

Q. Please summarize the results of the 12-month ended June 2008 tracker period.

A. The results of the 2007/2008 tracker period are summarized in the following tables:

Beginning Deferred Account	**MWh**	**Balance**
Over Collection	NA	$(16,626,524)

Energy Supply/Service	MWh	Cost
Net Fixed Price Transactions	755,400	$46,556,860
Net Market Transactions	974,798	$54,248,195
PPL 7 Year Contract	2,274,000	$103,578,780
QF Tier II Contracts	802,431	$26,785,136
QF-1 Tariff Contracts	5,596	$221,693
Montana Generation LLC (CU4 2007)	744,087	$26,228,961
Tiber	13,279	$826,728
Judith Gap Energy	495,023	$14,529,293
Wind Ancillary	NA	$2,806,231
Wind Other	5,515	$1,132,860
J.P. Morgan Ventures	47,200	$3,091,600
Powerex Corp.	96,800	$5,077,160
Basin Creek Contract	89,867	$3,699,933
Basin Creek Fuel	NA	$6,407,698
Basin Creek Capacity Reserves	NA	$1,366,200
Montana Generation LLC (CU4 2008)	86,251	$3,752,590
Operating Reserves	NA	$1,395,117
DSM Program & Labor Costs	NA	$3,767,834
DSM Lost T& D Revenue	NA	$1,548,835
DSM Adjustment	NA	$359,098
Imbalance	NA	$5,453,065
Transmission Costs	NA	$5,311,647
Administrative Expenses	NA	$3,116,978
Deferred Expense	NA	$157,650
Total Expenses	NA	$321,420,141

1

Electricity Sales	MWh	Revenue
Total Revenue	5,924,864	$320,677,950

Ending Deferred Account		Balance
Over Collection		$15,884,333

2008/2009 Forecast Electric Supply Tracker Period

A. What new resources are reflected in the 2008/2009 forecast tracker period?

A. NorthWestern expects to continue to sign supply agreements with developers of Qualifying Facilities. These small projects will not be added to forecast generation until they begin delivering electric generation. Activities related to future portfolio additions are discussed in the testimony of John Hines.

A. Please summarize the 12-month electric supply tracker period ending June 2009 as filed in this Docket.

A. The June 2008 Deferred Account over-collection ending balance of $15,884,333 as described above is the July 2008 beginning balance. July 2008 through June 2009 information is based on forecast numbers and includes the following existing electric supply base contracts: Qualifying Facilities, Tiber Montana, Basin Creek Equity Partners, L.L.C, Judith Gap Energy, L.L.C., as well as contracts with PPL Montana, LLC, Powerex Corp., JP Morgan Ventures, and Montana Generation, LLC's supply. Together these electric supply contracts are grouped as "Base Contracts" in the tracker. Base Contracts are those contracts with a duration that is greater than 18 months at inception of the contract. Please see Exhibit__(FVB-2) pages 3 and 4 for supply volume and cost details of the 12-month forecast tracker period.

The QF-1 contracts shown in our forecast have been modeled at the existing Tariff rate and will be updated in future tracker filings to reflect the approved Tariff rate selected within each QF contract.

Basin Creek plant output in this forecast has been modeled using recent operational experience. The actual daily operation of the plant will take into consideration the market conditions and the total Electric Supply portfolio environment.

The regulation costs associated with the Horseshoe Bend project will be allocated on an actual basis depending on final contract negotiations involving the project.

Q. Describe the changes within the Total Supply requirement of the 12-month period ending June 2009 as illustrated in Exhibit__(FVB-2) compared to the 12-month period ending June 2008 as illustrated in Exhibit__(FVB-1).

A. The summary of Electric Supply's forecast Total Delivered Supply is reflected on page 3 of Exhibit__(FVB-2), estimated at 6,415,497 MWhs, reflects a 0.40% increase from the prior tracker period, which is shown on page 3 of Exhibit__(FVB-1).

Q. How do the loads for the 12-month period ending June 2008 and June 2009 compare?

A. The projected Total Sales as reflected on page 1, are expected be 0.06% or 3,400 MWh less in 2008/2009 than in the prior tracker period shown in Exhibit__(FVB-1).

Q. How much of the projected 12-month ended June 2009 tracker portfolio will be covered with Non-Base contract transactions?

A. Non-Base transactions are those with a term of 18 months or less at the inception of the contract, entered into to meet seasonal load and changes in weather for the overall electric supply portfolio. Total "Non-Base transactions" are shown in two categories. The first category is "net fixed price transactions" that include the purchases and sales made under fixed price contracts. The second category is "net market transactions" which are the purchases and sales made under index contracts. Together the Non-Base transactions are projected to be 27.36% or 1,755,361 MWh of the total delivered supply necessary to meet load.

Q. Please summarize the 12-month ended June 2009 forecast tracker period.

A. The forecast tracker period is summarized in the following tables:

Beginning Deferred Account	**MWh**	**Balance**
Over Collection	NA	$15,884,333

Energy Supply/Service	**MWh**	**Cost**
Net Fixed Price Transactions	355,200	$23,417,240
Net Market Transactions	1,400,161	$122,095,418
PPL 7 Year Contract	2,269,800	$107,016,390
QF Tier II Contracts	808,560	$27,499,126
QF-1 Tariff	13,104	$653,890
Montana Generation LLC (CU4 2007)	674,520	$23,776,830
Tiber	22,440	$837,752
Judith Gap Energy	483,384	$14,144,823
Wind Ancillary	NA	$3,194,485
Wind Other	NA	$2,631,466
JP Morgan Auction 36	46,400	$3,039,200
Powerex to JP Auction 36	96,200	$5,045,690
Basin Creek Contract	88,048	$3,692,268
Basin Creek Fuel	NA	$8,842,624
Basin Creek Capacity	NA	$1,366,200
Montana Generation LLC (CU4 2008)	157,680	$10,291,041
Operating Reserves	NA	$2,232,000
DSM Program & Labor Costs	NA	$4,917,141
DSM Lost T& D Revenue	NA	$1,192,287
Imbalance	NA	$6,543,672
Transmission Costs	NA	$6,694,762
Administrative Expenses	NA	$2,821,193

Deferred Expense	NA	$40,601
Total Expenses	NA	$381,986,099

Electricity Sales	**MWh**	**Revenue**
Total Revenue	5,921,464	$366,101,766

Ending Deferred Account		**Balance**
Even Collection		$0

A. Describe the changes within the electric supply Revenue and Expense categories for the 12-month ended June 2009 forecast tracker period.

A. The electric supply tracker details are reflected on page 1 of Exhibit__(FVB-2) under two main sections, Total Revenue and Total Expenses. Total Revenue is estimated to be $366,101,766, reflecting a 14.16% increase from the prior tracker period. The 12-month forecast tracker estimates Total Expenses of $381,986,099, reflecting a 18.84% increase from the prior period. Included within the costs reflected in the forecast period are DSM costs and associated lost Transmission and Distribution revenues that are further explained in the testimony of William M. Thomas.

A. Are there any additional updates anticipated for the first monthly tracker rate filing in Docket D2008.5.45?

A. Not at this time. Because a normal monthly filing would have been transmitted on June 15, 2008, for July 2008 rates, this annual filing reflects the first monthly tracker rate filing under Docket D2008.5.45. The electric market forecast used in this filing was dated several weeks earlier than the forecasts normally used in monthly tracker filings. Therefore, if electric market prices decrease or increase dramatically prior to June 15, 2008, NWE will file a monthly tracker rate filing update for a July 2008 rate adjustment.

A. Does this conclude your pre-filed testimony?

A. Yes.

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	**Electric Supply Tracker**														
2	**Tracker Review**														
3			**Jul-07**	**Aug-07**	**Sep-07**	**Oct-07**	**Nov-07**	**Dec-07**	**Jan-08**	**Feb-08**	**Mar-08**	**Apr-08**	**May-08**	**Jun-08**	**Total**
4			Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimate	Estimate	
5	Total Sales and Unit Costs														
6		MWH	503,228	567,720	497,437	447,190	436,817	527,271	535,899	530,696	489,536	473,570	442,514	454,040	5,905,919
7		Supply Cost	$ 57.0121	$ 55.9307	$ 56.3941	$ 55.8694	$ 55.1286	$ 55.8340	$ 55.6609	$ 56.6373	$ 57.0475	$ 60.3833	$ 60.0386	$ 63.1478	57.0296
8		YNP MWH	2,666	2,697	2,556	2,403	1,755	606	325	465	435	416	2,137	2,484	18,945
9		YNP Supply Rate	$ 45.0000	$ 45.0000	$ 45.0000	$ 45.0000	$ 45.0000	$ 45.0000	$ 45.0000	$ 45.0000	$ 45.0000	$ 45.0000	$ 45.0000	$ 45.0000	45.0000
10		Prior Year(s) Deferred Expense	$ (2.8152)	$ (2.8152)	$ (2.8152)	$ (2.8152)	$ (2.8152)	$ (2.8152)	$ (2.8152)	$ (2.8152)	$ (2.8152)	$ (2.8152)	$ (2.8152)	$ (2.8152)	
11															
12															
13	Electric Cost Revenues														
14		MPSC Electric Supply	$ 28,164,177	$ 32,134,087	$ 27,848,986	$ 25,153,807	$ 24,347,861	$ 29,219,411	$ 29,929,601	$ 29,691,113	$ 27,783,397	$ 27,300,486	$ 26,567,910	$ 28,671,617	$ 336,812,452
15		YNP Electric Supply	$ 119,967	$ 121,386	$ 115,038	$ 108,116	$ 78,967	$ 27,289	$ 14,641	$ 20,915	$ 19,571	$ 18,701	$ 96,156	$ 111,777	$ 852,524
16		Subtotal	$ 28,284,144	$ 32,255,473	$ 27,964,024	$ 25,261,923	$ 24,426,828	$ 29,246,700	$ 29,944,242	$ 29,712,028	$ 27,802,968	$ 27,319,186	$ 26,664,066	$ 28,783,394	$ 337,664,976
17		Prior Year(s) Deferred Expense	$ (308,017)	$ (2,101,460)	$ (1,899,437)	$ (1,605,204)	$ (1,257,067)	$ (1,503,859)	$ (1,528,163)	$ (1,513,494)	$ (1,396,398)	$ (1,349,922)	$ (1,245,778)	$ (1,278,226)	$ (16,987,026)
18	Total Revenue		$ 27,976,127	$ 30,154,013	$ 26,064,587	$ 23,656,719	$ 23,169,761	$ 27,742,841	$ 28,416,079	$ 28,198,533	$ 26,406,569	$ 25,969,265	$ 25,418,288	$ 27,505,168	$ 320,677,950
19															
20	Electric Supply Expenses														
21		Net Non-Base Transactions	$ 14,212,649	$ 12,294,619	$ 7,076,255	$ 6,643,031	$ 7,438,601	$ 10,859,868	$ 10,141,831	$ 8,512,480	$ 6,966,069	$ 6,783,010	$ 4,392,671	$ 5,483,972	$ 100,805,055
22															
23															
24		Net Base Contracts	$ 18,663,166	$ 16,544,885	$ 16,748,716	$ 17,010,412	$ 18,627,514	$ 18,589,119	$ 19,513,219	$ 16,730,922	$ 18,963,493	$ 16,962,037	$ 17,241,649	$ 16,433,679	$ 212,028,811
25															
26	Total Electric Supply Expenses		$ 32,875,815	$ 28,839,504	$ 23,824,971	$ 23,653,443	$ 26,066,115	$ 29,448,988	$ 29,655,050	$ 25,243,402	$ 25,929,562	$ 23,745,047	$ 21,634,320	$ 21,917,651	$ 312,833,866
27															
28	NWE Transmission Costs														
29		Ancillary Cost (Load Following)	$ 139,537	$ 140,498	$ 141,651	$ 123,863	$ 136,954	$ 135,236	$ 500,257	$ 589,106	$ 474,113	$ 368,784	$ 507,696	$ 603,619	$ 3,861,314
30		Horseshoe Bend Reg. Reserves											$ (181,924)	$ (16,638)	$ (198,562)
31		Other Services (wheeling)	$ 93,644	$ 102,684	$ 152,688	$ 161,242	$ 189,448	$ 154,364	$ 174,768	$ 206,088	$ 183,031	$ 183,234	$ 35,080	$ 12,624	$ 1,648,895
32	Total NWE Transmission		$ 233,181	$ 243,182	$ 294,339	$ 285,105	$ 326,401	$ 289,599	$ 675,025	$ 795,194	$ 657,144	$ 552,019	$ 360,852	$ 599,605	$ 5,311,647
33															
34	Administrative Expenses														
35		MCC Tax Collection (.0006 or .0014)	$ 16,639	$ 17,943	$ 15,506	$ 32,715	$ 32,345	$ 38,648	$ 39,540	$ 39,027	$ 36,861	$ 36,083	$ 37,330	$ 40,297	$ 382,932
36		MPSC Tax Collection (.0022 or .0031	$ 61,010	$ 65,791	$ 56,854	$ 72,401	$ 71,620	$ 85,579	$ 87,552	$ 86,416	$ 81,620	$ 79,898	$ 82,659	$ 89,229	$ 920,628
37		Realtime & Modeling	$ 110,576	$ 95,920	$ 82,513	$ 83,720	$ 67,642	$ 86,130	$ 45,621	$ 101,059	$ 67,642	$ 87,907	$ 74,142	$ 74,142	$ 977,013
38		Trading & Marketing	$ 6,113	$ 5,337	$ 1,670	$ 9,240	$ 4,511	$ 4,478	$ 3,875	$ 3,063	$ 8,156	$ 4,525	$ 2,760	$ 2,760	$ 56,488
39		Administration	$ 510	$ 510	$ -	$ 7,530	$ 39,010	$ 69,966	$ 65,822	$ 1,777	$ 13,030	$ 6,386	$ 38,505	$ 16,202	$ 259,248
40		Resource Administration	$ -	$ -	$ 1,234	$ (100)	$ 146,693	$ 181,955	$ -	$ 52,871	$ 118,516	$ 6,000	$ 6,750	$ 6,750	$ 520,668
41	Total Administrative Expenses		$ 194,848	$ 185,501	$ 157,777	$ 205,507	$ 361,820	$ 466,755	$ 242,409	$ 284,214	$ 325,826	$ 220,799	$ 242,145	$ 229,379	$ 3,116,978
42															
43	Carrying Cost Expense														
44		Carrying Costs	$ (120,310)	$ 30,698	$ 18,219	$ 21,810	$ 47,428	$ 65,257	$ 81,038	$ 68,290	$ 72,369	$ 62,573	$ (77,684)	$ (112,038)	$ 157,650
45	Total Carrying Costs		$ (120,310)	$ 30,698	$ 18,219	$ 21,810	$ 47,428	$ 65,257	$ 81,038	$ 68,290	$ 72,369	$ 62,573	$ (77,684)	$ (112,038)	$ 157,650
46															
47	Total Expenses		$ 33,183,533	$ 29,298,886	$ 24,295,306	$ 24,165,865	$ 26,801,763	$ 30,270,599	$ 30,653,521	$ 26,391,099	$ 26,984,900	$ 24,580,437	$ 22,159,634	$ 22,634,597	$ 321,420,141
48															
49	Deferred Cost Amortization		$ (308,017)	$ (2,101,460)	$ (1,899,437)	$ (1,605,204)	$ (1,257,067)	$ (1,503,859)	$ (1,528,163)	$ (1,513,494)	$ (1,396,398)	$ (1,349,922)	$ (1,245,778)	$ (1,278,226)	$ (16,987,026)
50	(undercollection)/overcollection														
51	Monthly Deferred Cost		$ (4,899,389)	$ 2,956,587	$ 3,668,718	$ 1,096,059	$ (2,374,935)	$ (1,023,899)	$ (709,279)	$ 3,320,928	$ 818,067	$ 2,738,749	$ 4,504,432	$ 6,148,796	$ 16,244,834
52	Cumulative Deferred Cost		$ (4,899,389)	$ (1,942,802)	$ 1,725,916	$ 2,821,975	$ 447,040	$ (576,859)	$ (1,286,139)	$ 2,034,789	$ 2,852,857	$ 5,591,606	$ 10,096,038	$ 16,244,834	

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	**Electric Supply Tracker**													
2	**Tracker Review**													
3			**Jul-07**	**Aug-07**	**Sep-07**	**Oct-07**	**Nov-07**	**Dec-07**	**Jan-08**	**Feb-08**	**Mar-08**	**Apr-08**	**May-08**	**Jun-08**
4			Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimate	Estimate
5														
6			Note: for supply cost expense positive value reflects an undercollection, negative an (overcollection).											
7	Deferred Supply Cost Expense													
8		Beginning Balance	**$ (16,626,524)**	$ (11,419,118)	$ (12,274,245)	$ (14,043,526)	$ (13,534,380)	$ (9,902,378)	$ (7,374,620)	$ (5,137,178)	$ (6,944,612)	$ (6,366,281)	$ (7,755,108)	$ (11,013,763)
9		Monthly Deferred Cost	$ 5,207,406	$ (855,127)	$ (1,769,281)	$ 509,146	$ 3,632,002	$ 2,527,758	$ 2,237,442	$ (1,807,434)	$ 578,331	$ (1,388,827)	$ (3,258,654)	$ (4,870,570)
10		Ending Balance	$ (11,419,118)	$ (12,274,245)	$ (14,043,526)	$ (13,534,380)	$ (9,902,378)	$ (7,374,620)	$ (5,137,178)	$ (6,944,612)	$ (6,366,281)	$ (7,755,108)	$ (11,013,763)	$ (15,884,333)
11														
12														
13	Total Capital		$ (11,419,118)	$ (12,274,245)	$ (14,043,526)	$ (13,534,380)	$ (9,902,378)	$ (7,374,620)	$ (5,137,178)	$ (6,944,612)	$ (6,366,281)	$ (7,755,108)	$ (11,013,763)	$ (15,884,333)
14														
15	Cost of Capital		Rate	% Capital	ROR									
16		Equity	10.75%	43.00%	4.62%									
17		Preferred	6.40%	6.97%	0.45%									
18		QUIPS Preferred	8.54%	7.86%	0.67%									
19		Debt	6.46%	42.17%	2.72%									
20		Average Cost of Capital			8.46%									
21														
22	Deferred Supply Expense													
23		Carrying Charge	8.46%											
24														

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1		**Electric Supply Tracker**													
2		**Tracker Review**													
3			**Jul-07**	**Aug-07**	**Sep-07**	**Oct-07**	**Nov-07**	**Dec-07**	**Jan-08**	**Feb-08**	**Mar-08**	**Apr-08**	**May-08**	**Jun-08**	**Total**
4			Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimate	Estimate	
5		Non-Base Transactions													
6		Net Fixed Price Transactions	70,000	97,200	28,800	75,600	80,000	70,000	83,200	60,000	62,400	10,400	59,800	58,000	755,400
7		Net Market Transactions	168,462	105,310	89,614	30,936	38,105	101,581	81,621	78,174	53,644	124,500	35,892	66,959	974,798
8															-
9		Total Non-Base Transactions	238,462	202,510	118,414	106,536	118,105	171,581	164,821	138,174	116,044	134,900	95,692	124,959	1,730,198
10															
11															
12															-
13			-	-	-	-	-	-	-	-	-	-	-	-	-
14															
15															
16															
17			-	-	-	-	-	-	-	-	-	-	-	-	-
18															
19															-
20															-
21															
22															
23		Net Base Fixed Contracts													
24		PPL 7 Year Contract	190,200	195,000	183,600	195,000	186,000	190,200	192,600	181,800	192,600	188,400	192,600	186,000	2,274,000
25		QF Tier II	50,424	36,066	67,175	70,932	70,547	74,368	67,907	69,825	75,376	69,067	75,144	75,600	802,431
26		QF-1 Tariff	273	130	145	376	519	499	641	725	467	357	744	720	5,596
27		Montana Generation LLC (CU4 07)	66,709	56,949	64,683	65,123	59,919	61,106	66,832	62,482	66,358	61,198	57,288	55,440	744,087
28		Tiber	0	0	0	0	2,246	2,256	2,259	2,096	2,243	2,179	0	0	13,279
29		Judith Gap Energy	18,059	26,397	33,106	44,892	50,432	62,813	58,159	56,077	46,939	38,707	31,992	27,450	495,023
30		Wind Ancillary	-	-	-	-	-	-	-	-	-	-	-	-	-
31		Wind Other	107	262	454	994	943	914	523	343	685	290	-	-	5,515
32		JP Morgan Auction 36	4,800	3,200	4,800	3,200	4,000	4,800	4,000	3,200	4,000	3,200	4,000	4,000	47,200
33		Powerex to JP Auction 36	8,600	7,800	8,400	7,800	8,000	8,600	8,200	7,400	8,200	7,600	8,200	8,000	96,800
34		Net Base Market Contracts													
35		Basin Contract	18,278	18,884	5,205	2,088	8,979	13,800	6,845	2,738	63	6,027	4,160	2,800	89,867
36		Basin Creek Fuel	-	-	-	-	-	-	-	-	-	-	-	-	-
37		Basin Capacity Reserves													
38		Montana Generation LLC (CU4 08)		-	-	-	-	-	15,593	14,578	15,484	14,244	13,392	12,960	86,251
39		Operating Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
40		DSM Program & Labor Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
41		DSM Lost T& D Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
42		Imbalance	-	-	-	-	-	-	-	-	-	-	-	-	-
43		Total Base Contract Transactions	357,450	344,688	367,568	390,405	391,585	419,356	423,559	401,264	412,415	391,269	387,520	372,970	4,660,049
44															
45		Total Delivered Supply	595,912	547,198	485,982	496,941	509,690	590,937	588,380	539,438	528,459	526,169	483,212	497,929	6,390,247
46															
47		Percent Of Fixed Contracts	68.65%	77.26%	80.40%	93.15%	90.58%	80.32%	82.23%	82.23%	86.78%	72.43%	88.94%	83.39%	81.90%
48															18.10%

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1		**Electric Supply Tracker**													
2		**Tracker Review**													
49		**Total Supply Expense**	**Jul-07**	**Aug-07**	**Sep-07**	**Oct-07**	**Nov-07**	**Dec-07**	**Jan-08**	**Feb-08**	**Mar-08**	**Apr-08**	**May-08**	**Jun-08**	**Total**
50															
51		Non-Base Transactions													
52		Net Fixed Price Transactions	$ 4,593,000	$ 6,461,100	$ 1,840,320	$ 4,959,360	$ 5,192,000	$ 4,583,000	$ 5,064,800	$ 3,650,000	$ 3,796,000	$ 517,920	$ 2,994,060	$ 2,905,300	$ 46,556,860
53		Net Market Transactions	$ 9,619,649	$ 5,833,519	$ 5,235,935	$ 1,683,671	$ 2,246,601	$ 6,276,868	$ 5,077,031	$ 4,862,480	$ 3,170,069	$ 6,265,090	$ 1,398,611	$ 2,578,672	$ 54,248,195
54															
55															
56		Total Non-Base Transactions	$ 14,212,649	$ 12,294,619	$ 7,076,255	$ 6,643,031	$ 7,438,601	$ 10,859,868	$ 10,141,831	$ 8,512,480	$ 6,966,069	$ 6,783,010	$ 4,392,671	$ 5,483,972	$ 100,805,055
57															
58															
59															
60			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
61															
62															
63															
64			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65															
66															
67															
68			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
69															
70		Net Base Fixed Contracts													
71		PPL 7 Year Contract	$ 8,549,490	$ 8,765,250	$ 8,252,820	$ 8,843,250	$ 8,435,100	$ 8,625,570	$ 8,811,450	$ 8,317,350	$ 8,811,450	$ 8,694,660	$ 8,888,490	$ 8,583,900	$ 103,578,780
72		QF Tier II	$ 1,683,145	$ 1,203,889	$ 2,242,302	$ 2,367,701	$ 2,354,859	$ 2,482,404	$ 2,266,736	$ 2,330,759	$ 2,516,051	$ 2,305,456	$ 2,508,307	$ 2,523,528	$ 26,785,136
73		QF-1 Tariff	$ 8,254	$ 3,332	$ 5,647	$ 28,491	$ 16,765	$ 15,990	$ 20,690	$ 23,338	$ 14,858	$ 11,272	$ 37,126	$ 35,928	$ 221,693
74		Montana Generation LLC (CU4 07)	$ 2,351,492	$ 2,007,452	$ 2,280,076	$ 2,295,586	$ 2,112,145	$ 2,153,881	$ 2,355,828	$ 2,202,491	$ 2,339,120	$ 2,157,230	$ 2,019,402	$ 1,954,260	$ 26,228,961
75		Tiber	$ -	$ -	$ -	$ -	$ 137,788	$ 137,788	$ 137,788	$ 137,788	$ 137,788	$ 137,788	$ -	$ -	$ 826,728
76		Judith Gap Energy	$ 528,211	$ 870,454	$ 1,099,276	$ 1,308,501	$ 1,570,097	$ 1,999,109	$ 1,849,212	$ 1,779,688	$ 1,377,458	$ 857,603	$ 694,704	$ 594,978	$ 14,529,293
77		Wind Ancillary	$ 244,722	$ 217,540	$ 212,016	$ 199,638	$ 205,297	$ 210,997	$ 174,824	$ 273,076	$ 270,291	$ 272,916	$ 262,458	$ 262,458	$ 2,806,231
78		Wind Other	$ 158,831	$ 98,017	$ 105,457	$ 145,730	$ 296,279	$ 130,378	$ (499,176)	$ 95,060	$ 115,994	$ 98,995	$ 193,647	$ 193,647	$ 1,132,860
79		JP Morgan Auction 36	$ 314,400	$ 209,600	$ 314,400	$ 209,600	$ 262,000	$ 314,400	$ 262,000	$ 209,600	$ 262,000	$ 209,600	$ 262,000	$ 262,000	$ 3,091,600
80		Powerex to JP Auction 36	$ 451,070	$ 409,110	$ 440,580	$ 409,110	$ 419,600	$ 451,070	$ 430,090	$ 388,130	$ 430,090	$ 398,620	$ 430,090	$ 419,600	$ 5,077,160
81		Net Base Market Contracts													
82		Basin Contract	$ 465,201	$ 457,338	$ 396,820	$ 351,713	$ 377,488	$ 393,994	$ 228,508	$ 240,421	$ 130,253	$ 253,001	$ 201,699	$ 203,497	$ 3,699,933
83		Basin Creek Fuel	$ 973,711	$ 1,431,461	$ 315,098	$ 212,605	$ 666,864	$ 905,027	$ 562,950	$ 246,202	$ 97,011	$ 515,122	$ 286,054	$ 195,594	$ 6,407,698
84		Basin Capacity Reserves	$ 36,000	$ 37,200	$ 37,200	$ 36,000	$ 37,200	$ 36,000	$ 195,300	$ 182,700	$ 195,300	$ 189,000	$ 195,300	$ 189,000	$ 1,366,200
85		Montana Generation LLC (CU4 08)		$ -	$ -	$ -	$ -	$ -	$ 804,274	$ 717,772	$ 815,281	$ 971,771	$ 234,145	$ 209,346	$ 3,752,590
86		Operating Reserves	$ 151,776	$ 146,698	$ 146,880	$ 151,776	$ 147,084	$ 151,776	$ 127,127	$ -	$ -	$ -	$ 186,000	$ 186,000	$ 1,395,117
87		DSM Program & Labor Costs	$ 233,432	$ 335,631	$ 458,677	$ 349,644	$ 408,067	$ 283,938	$ 198,082	$ 108,495	$ 295,643	$ 92,321	$ 433,545	$ 570,360	$ 3,767,834
88		DSM Lost T& D Revenues	$ 240,888	$ 240,888	$ 240,888	$ 240,888	$ 142,288	$ 142,288	$ 50,385	$ 50,385	$ 50,385	$ 50,385	$ 49,583	$ 49,583	$ 1,548,835
89		DSM Jul to Apr Adjust	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 359,098	$ -	$ 359,098
90		Imbalance	$ 2,272,542	$ 111,025.88	$ 200,579.48	$ (139,821.76)	$1,038,593.40	$ 154,509.16	$ 1,537,150.79	$ (572,331.56)	$ 1,104,520.85	$ (253,703.99)	$ -	$ -	$ 5,453,065
91		Total Base Contract Transactions	$ 18,663,166	$ 16,544,885	$ 16,748,716	$ 17,010,412	$ 18,627,514	$ 18,589,119	$ 19,513,219	$ 16,730,922	$ 18,963,493	$ 16,962,037	$ 17,241,649	$ 16,433,679	$ 212,028,811
92															
93		Total Delivered Supply	$ 32,875,815	$ 28,839,504	$ 23,824,971	$ 23,653,443	$ 26,066,115	$ 29,448,988	$ 29,655,050	$ 25,243,402	$ 25,929,562	$ 23,745,047	$ 21,634,320	$ 21,917,651	$ 312,833,866
94															

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	**Electric Supply Tracker**														
2	**Tracker Review**														
95	**Unit Costs**		**Jul-07**	**Aug-07**	**Sep-07**	**Oct-07**	**Nov-07**	**Dec-07**	**Jan-08**	**Feb-08**	**Mar-08**	**Apr-08**	**May-08**	**Jun-08**	**Average**
96															
97	Non-Base Transactions														
98		Net Fixed Price Transactions	$ 65.614	$ 66.472	$ 63.900	$ 65.600	$ 64.900	$ 65.471	$ 60.875	$ 60.833	$ 60.833	$ 49.800	$ 50.068	$ 50.091	$ 61.632
99		Net Market Transactions	$ 57.103	$ 55.394	$ 58.428	$ 54.424	$ 58.958	$ 61.792	$ 62.203	$ 62.201	$ 59.095	$ 50.322	$ 38.967	$ 38.511	$ 55.651
100			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
101			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
102	Total Non-Base Transactions		$ 59.601	$ 60.711	$ 59.759	$ 62.355	$ 62.983	$ 63.293	$ 61.532	$ 61.607	$ 60.030	$ 50.282	$ 45.904	$ 43.886	$ 58.262
103															
104			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
105			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
106			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
107															
108			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
109			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
110			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
111															
112			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
113			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
114			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
115	Net Base Fixed Contracts														
116		PPL 7 Year Contract	$ 44.950	$ 44.950	$ 44.950	$ 45.350	$ 45.350	$ 45.350	$ 45.750	$ 45.750	$ 45.750	$ 46.150	$ 46.150	$ 46.150	$ 45.549
117		QF Tier II	$ 33.380	$ 33.380	$ 33.380	$ 33.380	$ 33.380	$ 33.380	$ 33.380	$ 33.380	$ 33.380	$ 33.380	$ 33.380	$ 33.380	$ 33.380
118		QF-1 Tariff	$ 30.235	$ 25.634	$ 38.945	$ 75.774	$ 32.287	$ 32.044	$ 32.278	$ 32.190	$ 31.841	$ 31.535	$ 49.900	$ 49.900	$ 39.614
119		Montana Generation LLC (CU4 07)	$ 35.250	$ 35.250	$ 35.250	$ 35.250	$ 35.250	$ 35.248	$ 35.250	$ 35.250	$ 35.250	$ 35.250	$ 35.250	$ 35.250	$ 35.250
120		Tiber	n/a	n/a	n/a	n/a	$ 61.348	$ 61.076	$ 60.995	$ 65.739	$ 61.428	$ 63.238	n/a	n/a	$ 62.258
121		Judith Gap Energy	$ 29.249	$ 32.975	$ 33.205	$ 29.148	$ 31.133	$ 31.826	$ 31.796	$ 31.737	$ 29.346	$ 22.156	$ 21.715	$ 21.675	$ 29.351
122		Wind Ancillary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
123		Wind Other	$ 1,484.405	$ 374.110	$ 232.283	$ 146.610	$ 314.187	$ 142.646	$ (954.447)	$ 277.144	$ 169.334	$ 341.361	n/a	n/a	$ 205.414
124		JP Morgan Auction 36	$ 65.500	$ 65.500	$ 65.500	$ 65.500	$ 65.500	$ 65.500	$ 65.500	$ 65.500	$ 65.500	$ 65.500	$ 65.500	$ 65.500	$ 65.500
125		Powerex to JP Auction 36	$ 52.450	$ 52.450	$ 52.450	$ 52.450	$ 52.450	$ 52.450	$ 52.450	$ 52.450	$ 52.450	$ 52.450	$ 52.450	$ 52.450	$ 52.450
126	Net Base Market Contracts														
127		Basin Contract	$ 25.451	$ 24.218	$ 76.238	$ 168.445	$ 42.041	$ 28.550	$ 33.383	$ 87.809	$ 2,066.523	$ 41.980	$ 48.485	$ 72.678	$ 41.171
128		Basin Creek Fuel	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
129		Basin Capacity Reserves	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
130		Montana Generation LLC (CU4 08)	n/a	n/a	n/a	n/a	n/a	n/a	$ 51.579	$ 49.237	$ 52.653	$ 68.223	$ 17.484	$ 16.153	$ 43.508
131		Operating Reserves	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
132		DSM Program & Labor Costs	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
133		DSM Lost T& D Revenues	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
134		Imbalance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
135	Total Base Contract Transactions		$ 52.212	$ 48.000	$ 45.566	$ 43.571	$ 47.569	$ 44.328	$ 46.070	$ 41.696	$ 45.982	$ 43.351	$ 44.492	$ 44.062	$ 45.499
136															
137	Total Delivered Supply		$ 55.169	$ 52.704	$ 49.024	$ 47.598	$ 51.141	$ 49.834	$ 50.401	$ 46.796	$ 49.066	$ 45.128	$ 44.772	$ 44.018	$ 48.955

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1		**Electric Supply Tracker**													
2		**Tracker Projection**													
3			**Jul-08**	**Aug-08**	**Sep-08**	**Oct-08**	**Nov-08**	**Dec-08**	**Jan-09**	**Feb-09**	**Mar-09**	**Apr-09**	**May-09**	**Jun-09**	**Total**
4			Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	
5		Total Sales and Unit Costs													
6		MWH	506,254	529,533	481,203	459,902	480,190	520,577	550,319	518,622	490,770	465,782	444,201	455,019	5,902,371
7		Supply Cost	$ 64.5398	$ 64.5398	$ 64.5398	$ 64.5398	$ 64.5398	$ 64.5398	$ 64.5398	$ 64.5398	$ 64.5398	$ 64.5398	$ 64.5398	$ 64.5398	64.5398
8		YNP MWH	2,559	2,616	2,565	1,933	1,066	801	881	903	867	953	1,608	2,341	19,093
9		YNP Supply Rate	$ 54.9000	$ 54.9000	$ 54.9000	$ 54.9000	$ 54.9000	$ 54.9000	$ 54.9000	$ 54.9000	$ 54.9000	$ 54.9000	$ 54.9000	$ 54.9000	54.9000
10		Prior Year(s) Deferred Expense	$ (2.6912)	$ (2.6912)	$ (2.6912)	$ (2.6912)	$ (2.6912)	$ (2.6912)	$ (2.6912)	$ (2.6912)	$ (2.6912)	$ (2.6912)	$ (2.6912)	$ (2.6912)	
11															
12															
13		Electric Cost Revenues													
14		MPSC Electric Supply	$ 32,673,509	$ 34,175,945	$ 31,056,733	$ 29,681,955	$ 30,991,342	$ 33,597,955	$ 35,517,468	$ 33,471,786	$ 31,674,215	$ 30,061,487	$ 28,668,646	$ 29,366,841	$ 380,937,881
15		YNP Electric Supply	$ 140,499	$ 143,604	$ 140,796	$ 106,128	$ 58,548	$ 43,958	$ 48,377	$ 49,591	$ 47,615	$ 52,300	$ 88,273	$ 128,528	$ 1,048,218
16		Subtotal	$ 32,814,008	$ 34,319,549	$ 31,197,529	$ 29,788,083	$ 31,049,890	$ 33,641,913	$ 35,565,845	$ 33,521,377	$ 31,721,830	$ 30,113,787	$ 28,756,919	$ 29,495,369	$ 381,986,099
17		Prior Year(s) Deferred Expense	$ (1,362,419)	$ (1,425,067)	$ (1,295,002)	$ (1,237,677)	$ (1,292,276)	$ (1,400,966)	$ (1,481,006)	$ (1,395,705)	$ (1,320,750)	$ (1,253,503)	$ (1,195,424)	$ (1,224,537)	$ (15,884,333)
18		Total Revenue	$ 31,451,589	$ 32,894,482	$ 29,902,526	$ 28,550,406	$ 29,757,615	$ 32,240,947	$ 34,084,839	$ 32,125,672	$ 30,401,080	$ 28,860,285	$ 27,561,495	$ 28,270,831	$ 366,101,766
19															
20		Electric Supply Expenses													
21		Net Non-Base Transactions	$ 17,544,841	$ 20,291,196	$ 9,134,959	$ 8,756,246	$ 11,364,830	$ 14,899,967	$ 18,033,690	$ 17,191,052	$ 9,687,462	$ 5,271,540	$ 5,761,019	$ 7,575,857	$ 145,512,658
22															
23															
24		Net Base Contracts	$ 18,342,397	$ 18,985,476	$ 18,300,758	$ 18,857,722	$ 19,953,297	$ 20,616,559	$ 20,418,203	$ 18,023,522	$ 19,019,078	$ 17,784,613	$ 18,855,282	$ 17,759,978	$ 226,916,885
25															
26		Total Electric Supply Expenses	$ 35,887,237	$ 39,276,672	$ 27,435,718	$ 27,613,968	$ 31,318,127	$ 35,516,526	$ 38,451,893	$ 35,214,573	$ 28,706,541	$ 23,056,153	$ 24,616,301	$ 25,335,835	$ 372,429,543
27															
28		NWE Transmission Costs													
29		Ancillary Cost (Load Following)	$ 507,696	$ 603,619	$ 628,496	$ 554,442	$ 508,466	$ 548,475	$ 636,586	$ 567,008	$ 522,632	$ 612,910	$ 475,238	$ 458,652	$ 6,624,219
30		Other Services (wheeling)	$ 457	$ 517	$ 23,151	$ 25,048	$ 17,955	$ 126	$ -	$ -	$ 2,204	$ 336	$ 722	$ 28	$ 70,543
31		Total NWE Transmission	$ 508,153	$ 604,136	$ 651,647	$ 579,490	$ 526,421	$ 548,600	$ 636,586	$ 567,008	$ 524,836	$ 613,246	$ 475,960	$ 458,680	$ 6,694,762
32															
33		Administrative Expenses													
34		MCC Tax Collection (.0014)	$ 44,032	$ 46,052	$ 41,864	$ 39,971	$ 41,661	$ 45,137	$ 47,719	$ 44,976	$ 42,562	$ 40,404	$ 38,586	$ 39,579	$ 512,542
35		MPSC Tax Collection (.0031)	$ 97,500	$ 101,973	$ 92,698	$ 88,506	$ 92,249	$ 99,947	$ 105,663	$ 99,590	$ 94,243	$ 89,467	$ 85,441	$ 87,640	$ 1,134,915
36		Realtime & Modeling	$ 74,142	$ 74,142	$ 74,142	$ 74,142	$ 74,142	$ 74,142	$ 74,142	$ 74,142	$ 74,142	$ 74,142	$ 74,142	$ 74,142	$ 889,700
37		Trading & Marketing	$ 3,573	$ 3,573	$ 3,573	$ 3,573	$ 3,573	$ 3,573	$ 3,573	$ 3,573	$ 3,573	$ 3,573	$ 3,573	$ 3,573	$ 42,876
38		Administration	$ 6,133	$ 6,134	$ 12,537	$ 6,136	$ 6,137	$ 6,138	$ 54,772	$ 7,972	$ 11,292	$ 7,972	$ 7,972	$ 7,972	$ 141,163
39		Resource Administration	$ 8,333	$ 8,333	$ 8,333	$ 8,333	$ 8,333	$ 8,333	$ 8,333	$ 8,333	$ 8,333	$ 8,333	$ 8,333	$ 8,333	$ 99,996
40		Total Administrative Expenses	$ 233,713	$ 240,207	$ 233,146	$ 220,660	$ 226,094	$ 237,270	$ 294,201	$ 238,585	$ 234,144	$ 223,891	$ 218,046	$ 221,238	$ 2,821,193
41															
42		Carrying Cost Expense													
43		Carrying Costs	$ (76,055)	$ (25,262)	$ (36,679)	$ (37,908)	$ (21,747)	$ 6,949	$ 44,631	$ 72,612	$ 66,483	$ 31,672	$ 15,906	$ 0	$ 40,601
44		Total Carrying Costs	$ (76,055)	$ (25,262)	$ (36,679)	$ (37,908)	$ (21,747)	$ 6,949	$ 44,631	$ 72,612	$ 66,483	$ 31,672	$ 15,906	$ 0	$ 40,601
45															
46		Total Expenses	$ 36,553,047	$ 40,095,752	$ 28,283,831	$ 28,376,210	$ 32,048,895	$ 36,309,345	$ 39,427,311	$ 36,092,778	$ 29,532,003	$ 23,924,961	$ 25,326,213	$ 26,015,753	$ 381,986,099
47															
48		Deferred Cost Amortization	$ (1,362,419)	$ (1,425,067)	$ (1,295,002)	$ (1,237,677)	$ (1,292,276)	$ (1,400,966)	$ (1,481,006)	$ (1,395,705)	$ (1,320,750)	$ (1,253,503)	$ (1,195,424)	$ (1,224,537)	$ (15,884,333)
49		(undercollection)/overcollection													
50		Monthly Deferred Cost	$ (3,739,040)	$ (5,776,203)	$ 2,913,698	$ 1,411,873	$ (999,005)	$ (2,667,432)	$ (3,861,466)	$ (2,571,401)	$ 2,189,826	$ 6,188,826	$ 3,430,706	$ 3,479,616	$ (0)
51		Cumulative Deferred Cost	$ (3,739,040)	$ (9,515,243)	$ (6,601,545)	$ (5,189,672)	$ (6,188,677)	$ (8,856,109)	$ (12,717,574)	$ (15,288,975)	$ (13,099,149)	$ (6,910,322)	$ (3,479,616)	$ (0)	

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	**Electric Supply Tracker**													
2	**Tracker Projection**													
3			**Jul-08**	**Aug-08**	**Sep-08**	**Oct-08**	**Nov-08**	**Dec-08**	**Jan-09**	**Feb-09**	**Mar-09**	**Apr-09**	**May-09**	**Jun-09**
4			Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate
5														
6		Note: for supply cost expense positive value reflects an undercollection, negative an (overcollection).												
7	Deferred Supply Cost Expense													
8		Beginning Balance	**$ (15,884,333)**	$ (10,782,874)	$ (3,581,604)	$ (5,200,299)	$ (5,374,495)	$ (3,083,215)	$ 985,183	$ 6,327,655	$ 10,294,761	$ 9,425,685	$ 4,490,361	$ 2,255,079
9		Monthly Deferred Cost	$ 5,101,458	$ 7,201,271	$ (1,618,695)	$ (174,196)	$ 2,291,280	$ 4,068,398	$ 5,342,472	$ 3,967,106	$ (869,076)	$ (4,935,324)	$ (2,235,282)	$ (2,255,079)
10		Ending Balance	$ (10,782,874)	$ (3,581,604)	$ (5,200,299)	$ (5,374,495)	$ (3,083,215)	$ 985,183	$ 6,327,655	$ 10,294,761	$ 9,425,685	$ 4,490,361	$ 2,255,079	$ 0
11														
12														
13	Total Capital		$ (10,782,874)	$ (3,581,604)	$ (5,200,299)	$ (5,374,495)	$ (3,083,215)	$ 985,183	$ 6,327,655	$ 10,294,761	$ 9,425,685	$ 4,490,361	$ 2,255,079	$ 0
14														
15	Cost of Capital		Rate	% Capital	ROR									
16		Equity	10.75%	43.00%	4.62%									
17		Preferred	6.40%	6.97%	0.45%									
18		QUIPS Preferred	8.54%	7.86%	0.67%									
19		Debt	6.46%	42.17%	2.72%									
20		Average Cost of Capital			8.46%									
21														
22	Deferred Supply Expense													
23		Carrying Charge	8.46%											
24														

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	**Electric Supply Tracker**														
2	**Tracker Projection**														
3			**Jul-08**	**Aug-08**	**Sep-08**	**Oct-08**	**Nov-08**	**Dec-08**	**Jan-09**	**Feb-09**	**Mar-09**	**Apr-09**	**May-09**	**Jun-09**	**Total**
4			Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	
5	Non-Base Transactions														
6		Net Fixed Price Transactions	59,800	59,800	58,000	59,000	58,800	59,800	0	0	0	0	0	0	355,200
7		Net Market Transactions	166,433	151,748	54,397	53,521	79,702	112,816	177,620	154,606	127,957	96,619	96,430	128,312	1,400,161
8															-
9	Total Non-Base Transactions		226,233	211,548	112,397	112,521	138,502	172,616	177,620	154,606	127,957	96,619	96,430	128,312	1,755,361
10															
11															
12															-
13			-	-	-	-	-	-	-	-	-	-	-	-	-
14															
15															
16															
17			-	-	-	-	-	-	-	-	-	-	-	-	-
18															
19															-
20															-
21															
22															
23	Net Base Fixed Contracts														
24		PPL 7 Year Contract	192,600	192,600	186,000	195,000	183,600	192,600	192,600	175,200	192,600	188,400	190,200	188,400	2,269,800
25		QF Tier II	56,544	37,200	66,960	72,168	69,840	72,912	72,912	67,200	74,400	68,400	75,144	74,880	808,560
26		QF-1 Tariff	744	744	720	744	720	744	1,488	1,344	1,488	1,440	1,488	1,440	13,104
27		Montana Generation LLC (CU4 07)	57,288	57,288	55,440	57,288	55,440	57,288	57,288	51,744	57,288	55,440	57,288	55,440	674,520
28		Tiber	0	0	0	0	4,320	3,720	2,976	3,360	4,464	3,600	0	0	22,440
29		Judith Gap Energy	20,832	24,552	33,120	45,384	46,800	58,032	63,240	48,384	49,104	36,000	32,736	25,200	483,384
30		Wind Ancillary	-	-	-	-	-	-	-	-	-	-	-	-	-
31		Wind Other	-	-	-	-	-	-	-	-	-	-	-	-	-
32		JP Morgan Auction 36	4,000	4,000	4,000	3,200	4,800	4,000	4,000	3,200	4,000	3,200	4,800	3,200	46,400
33		Powerex to JP Auction 36	8,200	8,200	8,000	7,800	8,400	8,200	8,200	7,200	8,200	7,600	8,600	7,600	96,200
34	Net Base Market Contracts														-
35		Basin Contract	4,160	2,800	8,800	12,096	9,600	8,208	7,200	8,000	7,904	6,800	6,656	5,824	88,048
36		Basin Creek Fuel	-	-	-	-	-	-	-	-	-	-	-	-	-
37		Basin Capacity Reserves													
38		Montana Generation LLC (CU4 08)	13,392	13,392	12,960	13,392	12,960	13,392	13,392	12,096	13,392	12,960	13,392	12,960	157,680
39		Operating Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
40		DSM Program & Labor Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
41		DSM Lost T& D Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
42		Imbalance	-	-	-	-	-	-	-	-	-	-	-	-	-
43	Total Base Contract Transactions		357,760	340,776	376,000	407,072	396,480	419,096	423,296	377,728	412,840	383,840	390,304	374,944	4,660,136
44															
45	Total Delivered Supply		583,993	552,324	488,397	519,593	534,982	591,712	600,916	532,334	540,797	480,459	486,734	503,256	6,415,497
46															
47		Percent Of Fixed Contracts	68.50%	69.59%	84.41%	84.79%	80.88%	77.28%	67.02%	67.18%	72.40%	75.78%	76.07%	70.77%	74.35%
48															25.65%

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1		**Electric Supply Tracker**													
2		**Tracker Projection**													
49		**Total Supply Expense**	**Jul-08**	**Aug-08**	**Sep-08**	**Oct-08**	**Nov-08**	**Dec-08**	**Jan-09**	**Feb-09**	**Mar-09**	**Apr-09**	**May-09**	**Jun-09**	**Total**
50															
51		Non-Base Transactions													
52		Net Fixed Price Transactions	$ 3,961,260	$ 3,961,260	$ 3,841,300	$ 3,875,560	$ 3,853,800	$ 3,924,060	$ -	$ -	$ -	$ -	$ -	$ -	$ 23,417,240
53		Net Market Transactions	$ 13,583,581	$ 16,329,936	$ 5,293,659	$ 4,880,686	$ 7,511,030	$ 10,975,907	$ 18,033,690	$ 17,191,052	$ 9,687,462	$ 5,271,540	$ 5,761,019	$ 7,575,857	$ 122,095,418
54															
55															
56		Total Non-Base Transactions	$ 17,544,841	$ 20,291,196	$ 9,134,959	$ 8,756,246	$ 11,364,830	$ 14,899,967	$ 18,033,690	$ 17,191,052	$ 9,687,462	$ 5,271,540	$ 5,761,019	$ 7,575,857	$ 145,512,658
57															
58															
59															
60			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
61															
62															
63															
64			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
65															
66															
67															
68			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
69															
70		Net Base Fixed Contracts													
71		PPL 7 Year Contract	$ 8,965,530	$ 8,965,530	$ 8,658,300	$ 9,155,250	$ 8,620,020	$ 9,042,570	$ 9,119,610	$ 8,295,720	$ 9,119,610	$ 8,996,100	$ 9,082,050	$ 8,996,100	$ 107,016,390
72		QF Tier II	$ 1,923,061	$ 1,265,172	$ 2,277,310	$ 2,454,434	$ 2,375,258	$ 2,479,737	$ 2,479,737	$ 2,285,472	$ 2,530,344	$ 2,326,284	$ 2,555,647	$ 2,546,669	$ 27,499,126
73		QF-1 Tariff	$ 37,126	$ 37,126	$ 35,928	$ 37,126	$ 35,928	$ 37,126	$ 74,251	$ 67,066	$ 74,251	$ 71,856	$ 74,251	$ 71,856	$ 653,890
74		Montana Generation LLC (CU4 07)	$ 2,019,402	$ 2,019,402	$ 1,954,260	$ 2,019,402	$ 1,954,260	$ 2,019,402	$ 2,019,402	$ 1,823,976	$ 2,019,402	$ 1,954,260	$ 2,019,402	$ 1,954,260	$ 23,776,830
75		Tiber	$ -	$ -	$ -	$ -	$ 137,788	$ 137,788	$ 140,544	$ 140,544	$ 140,544	$ 140,544	$ -	$ -	$ 837,752
76		Judith Gap Energy	$ 606,071	$ 812,506	$ 1,095,812	$ 1,322,321	$ 1,452,750	$ 1,818,133	$ 1,995,907	$ 1,544,431	$ 1,439,939	$ 789,816	$ 714,264	$ 552,871	$ 14,144,823
77		Wind Ancillary	$ 266,207	$ 266,207	$ 266,207	$ 266,207	$ 266,207	$ 266,207	$ 266,207	$ 266,207	$ 266,207	$ 266,207	$ 266,207	$ 266,207	$ 3,194,485
78		Wind Other	$ 110,664	$ 110,664	$ 110,664	$ 110,664	$ 761,414	$ 112,664	$ 110,664	$ 110,664	$ 110,664	$ 110,664	$ 761,414	$ 110,664	$ 2,631,466
79		JP Morgan Auction 36	$ 262,000	$ 262,000	$ 262,000	$ 209,600	$ 314,400	$ 262,000	$ 262,000	$ 209,600	$ 262,000	$ 209,600	$ 314,400	$ 209,600	$ 3,039,200
80		Powerex to JP Auction 36	$ 430,090	$ 430,090	$ 419,600	$ 409,110	$ 440,580	$ 430,090	$ 430,090	$ 377,640	$ 430,090	$ 398,620	$ 451,070	$ 398,620	$ 5,045,690
81		Net Base Market Contracts													
82		Basin Contract	$ 465,201	$ 457,338	$ 396,820	$ 351,713	$ 377,488	$ 393,994	$ 228,508	$ 240,421	$ 130,253	$ 245,336	$ 201,699	$ 203,497	$ 3,692,268
83		Basin Creek Fuel	$ 1,343,721	$ 1,975,416	$ 434,836	$ 293,395	$ 920,272	$ 1,248,938	$ 776,871	$ 339,759	$ 133,875	$ 710,868	$ 394,755	$ 269,919	$ 8,842,624
84		Basin Capacity Reserves	$ 36,000	$ 37,200	$ 37,200	$ 36,000	$ 37,200	$ 36,000	$ 195,300	$ 182,700	$ 195,300	$ 189,000	$ 195,300	$ 189,000	$ 1,366,200
85		Montana Generation LLC (CU4 08)	$ 789,885	$ 1,146,974	$ 975,112	$ 977,442	$ 980,195	$ 1,052,784	$ 1,095,697	$ 1,104,881	$ 747,662	$ 433,242	$ 507,261	$ 479,906	$ 10,291,041
86		Operating Reserves	$ 186,000	$ 186,000	$ 186,000	$ 186,000	$ 186,000	$ 186,000	$ 186,000	$ 186,000	$ 186,000	$ 186,000	$ 186,000	$ 186,000	$ 2,232,000
87		DSM Program & Labor Costs	$ 256,775	$ 369,188	$ 546,047	$ 384,394	$ 448,873	$ 448,463	$ 392,751	$ 203,778	$ 588,274	$ 111,553	$ 486,899	$ 680,146	$ 4,917,141
88		DSM Lost T& D Revenues	$ 99,357	$ 99,357	$ 99,357	$ 99,357	$ 99,357	$ 99,357	$ 99,357	$ 99,357	$ 99,357	$ 99,357	$ 99,357	$ 99,357	$ 1,192,287
89		Imbalance	$ 545,306	$ 545,306	$ 545,306	$ 545,306	$ 545,306	$ 545,306	$ 545,306	$ 545,306	$ 545,306	$ 545,306	$ 545,306	$ 545,306	$ 6,543,672
90		Total Base Contract Transactions	$ 18,342,397	$ 18,985,476	$ 18,300,758	$ 18,857,722	$ 19,953,297	$ 20,616,559	$ 20,418,203	$ 18,023,522	$ 19,019,078	$ 17,784,613	$ 18,855,282	$ 17,759,978	$ 226,916,885
91															
92		Total Delivered Supply	$ 35,887,237	$ 39,276,672	$ 27,435,718	$ 27,613,968	$ 31,318,127	$ 35,516,526	$ 38,451,893	$ 35,214,573	$ 28,706,541	$ 23,056,153	$ 24,616,301	$ 25,335,835	$ 372,429,543
93															

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1		**Electric Supply Tracker**													
2		**Tracker Projection**													
94		**Unit Costs**	**Jul-08**	**Aug-08**	**Sep-08**	**Oct-08**	**Nov-08**	**Dec-08**	**Jan-09**	**Feb-09**	**Mar-09**	**Apr-09**	**May-09**	**Jun-09**	**Average**
95															
96		Non-Base Transactions													
97		Net Fixed Price Transactions	$ 66.242	$ 66.242	$ 66.229	$ 65.687	$ 65.541	$ 65.620	n/a	n/a	n/a	n/a	n/a	n/a	$ 65.927
98		Net Market Transactions	$ 81.616	$ 107.612	$ 97.315	$ 91.192	$ 94.239	$ 97.290	$ 101.530	$ 111.193	$ 75.709	$ 54.560	$ 59.743	$ 59.042	$ 87.201
99			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
100			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
101		Total Non-Base Transactions	$ 77.552	$ 95.918	$ 81.274	$ 77.819	$ 82.055	$ 86.319	$ 101.530	$ 111.193	$ 75.709	$ 54.560	$ 59.743	$ 59.042	$ 82.896
102															
103			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
104			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
105			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
106															
107			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
108			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
109			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
110															
111			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
112			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
113			n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
114		Net Base Fixed Contracts													
115		PPL 7 Year Contract	$ 46.550	$ 46.550	$ 46.550	$ 46.950	$ 46.950	$ 46.950	$ 47.350	$ 47.350	$ 47.350	$ 47.750	$ 47.750	$ 47.750	$ 47.148
116		QF Tier II	$ 34.010	$ 34.010	$ 34.010	$ 34.010	$ 34.010	$ 34.010	$ 34.010	$ 34.010	$ 34.010	$ 34.010	$ 34.010	$ 34.010	$ 34.010
117		QF-1 Tariff	$ 49.900	$ 49.900	$ 49.900	$ 49.900	$ 49.900	$ 49.900	$ 49.900	$ 49.900	$ 49.900	$ 49.900	$ 49.900	$ 49.900	$ 49.900
118		Montana Generation LLC (CU4 07)	$ 35.250	$ 35.250	$ 35.250	$ 35.250	$ 35.250	$ 35.250	$ 35.250	$ 35.250	$ 35.250	$ 35.250	$ 35.250	$ 35.250	$ 35.250
119		Tiber	n/a	n/a	n/a	n/a	$ 31.895	$ 37.040	$ 47.226	$ 41.829	$ 31.484	$ 39.040	n/a	n/a	$ 37.333
120		Judith Gap Energy	$ 29.093	$ 33.093	$ 33.086	$ 29.136	$ 31.042	$ 31.330	$ 31.561	$ 31.920	$ 29.324	$ 21.939	$ 21.819	$ 21.939	$ 29.262
121		Wind Ancillary	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
122		Wind Other	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
123		JP Morgan Auction 36	$ 65.500	$ 65.500	$ 65.500	$ 65.500	$ 65.500	$ 65.500	$ 65.500	$ 65.500	$ 65.500	$ 65.500	$ 65.500	$ 65.500	$ 65.500
124		Powerex to JP Auction 36	$ 52.450	$ 52.450	$ 52.450	$ 52.450	$ 52.450	$ 52.450	$ 52.450	$ 52.450	$ 52.450	$ 52.450	$ 52.450	$ 52.450	$ 52.450
125		Net Base Market Contracts	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
126		Basin Contract	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
127		Basin Creek Fuel	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
128		Basin Capacity Reserves	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
129		Montana Generation LLC (CU4 08)	$ 58.982	$ 85.646	$ 75.240	$ 72.987	$ 75.632	$ 78.613	$ 81.817	$ 91.343	$ 55.829	$ 33.429	$ 37.878	$ 37.030	$ 65.265
130		Operating Reserves	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
131		DSM Program & Labor Costs	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
132		DSM Lost T& D Revenues	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
133		Imbalance	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
134		Total Base Contract Transactions	$ 51.270	$ 55.712	$ 48.672	$ 46.325	$ 50.326	$ 49.193	$ 48.236	$ 47.716	$ 46.069	$ 46.333	$ 48.309	$ 47.367	$ 48.693
135															
136		Total Delivered Supply	$ 61.451	$ 71.112	$ 56.175	$ 53.145	$ 58.541	$ 60.023	$ 63.989	$ 66.151	$ 53.082	$ 47.988	$ 50.574	$ 50.344	$ 58.052

NORTHWESTERN ENERGY

DOCKET NO. D2008.5.45

ELECTRIC DEFAULT SUPPLY
COST RATE ADJUSTMENT

EXHIBIT___(FVB-3)

Department of Public Service Regulation
Montana Public Service Commission
Docket No. D2008.5.45
NorthWestern Energy

PREFILED DIRECT TESTIMONY OF CHERYL A. HANSEN ON BEHALF OF NORTHWESTERN ENERGY

TABLE OF CONTENTS

Witness Information

Q. Please state your name and business address.

A. Cheryl A. Hansen, 40 East Broadway, Butte, Montana 59701.

Q. By whom are you employed and in what capacity?

A. I am employed by NorthWestern Energy (NWE or NorthWestern) as a Senior Analyst in the Regulatory Affairs Department.

Q. Please summarize your educational and employment experiences.

A. I received a Bachelor of Arts Degree in Anthropology from the University of Montana in 1974. I commenced my employment with NorthWestern Energy in 1978 and have worked in various positions within the Regulatory Affairs Department. I have attended various courses and/or seminars on a variety of utility and regulatory subjects, including rate design and marginal costing.

I am a regular participant in the preparation of rate case testimony, exhibits, and workpapers in proceedings before the Montana Public Service Commission (MPSC or Commission) and the Federal Energy Regulatory Commission (FERC). I have provided rate design and cost of service support in several rate proceedings and have filed testimony before both the FERC and this Commission.

Purpose of Testimony

Q. What is the purpose of your testimony?

A. My testimony:

1. Presents the 2008-2009 tracker year billing statistics and explains how they are derived;
2. Presents the derivation of proposed deferred electric supply rates resulting from the over/under collection reflected in the 2007-2008 tracker period; and

3. Presents the derivation of proposed electric supply rates for the forecasted 2008-2009 tracker period.

2008-2009 Tracker Year Billing Statistics

Q. How were the tracker period usage and billing statistics developed?

A. The tracker period usage and billing statistics were developed using the same methodology as that presented in previous NWE filings. The methodology utilized historical actual billing data, adjusted for weather, known changes and forecasted loads to derive the estimated usage for the July 2008 to June 2009 tracking period.

Q. Explain the difference between cyclical and calendar usage (sales), as the terms are used in the testimony below.

A. Cyclical usage represents customer usage billed throughout a calendar month on each of twenty-one billing cycles. As discussed below, each billing cycle covers approximately 30 days of metered usage. This normally includes usage for the current and prior month (e.g. a July 15th meter read includes 15 days of usage in July and 15 days of usage in June).

Calendar usage on the other hand, represents a customer's adjusted usage as if it was recorded for the calendar month (e.g. a customer with a meter read on July 15th would have July calendar usage based on 15 days of July cyclical usage and 15 days of August cyclical usage).

Calendar data is used to determine the cost of energy supply, which is incurred on a calendar basis and is used by Frank Bennett in his analysis. Cyclical data is used to establish rates for billing purposes.

Q. How was the tracker period usage presented in Exhibit __(CAH-1) developed?

A. Table 1 of the tracker period usage begins with actual calendar month sales for the various customer classes for the period March 2007 through February 2008. The

subsequent tables show a variety of changes that were made to arrive at the forecasted usage for the July 2008 through June 2009 period shown on Table 5. A brief description of Tables 1 through 3 in Exhibit_(CAH-1) is as follows:

1. Table 1 is the actual calendar month usage (March 2007 through February 2008) that represents sales in the month in which they were consumed. This data is derived using the Load Vision computer program which uses actual hourly metered data for the larger customers (GS-2, large GS-1, and special contracts); shifts individual meter read data (using read dates, actual weather, and profile models) for smaller GS-1 and Residential customers; uses the monthly hours of darkness for lighting; and uses actual meter reads and historical load research shapes for irrigation.

2. Table 2 is the result of a number of changes as identified on Table 3.

3. Table 3 summarizes a variety of changes made to Table 1 as described below:

   - Column C shows the total Table 1 usage for the months March 2007 through February 2008.

   - Column D shows the effect of annualizing the usage for customers who moved from electric supply to choice, primarily during September 2007. About 117 accounts (mostly GS Secondary) moved from electric supply to choice. There was also one GS Primary customer who moved from choice back to electric supply in July 2007. As shown, the effect of these changes decreases electric supply usage by 13,007 Mwh and increases choice usage by the same amount for a net change of 0 Mwh.

   - Column E reflects changes in operations of several large customers. The adjustment includes additional load for the expansions of two existing accounts in 2007/2008; reduced load for three existing accounts that are

reducing operations in 2008 or 2009; annualized load for a new account that came on line in late 2007 and additional load for a new account expected to come on line in the spring of 2009. The adjustment in Column E adds a total of 102,515 Mwh of expected usage with a decrease of 15,139 Mwh to electric supply usage and an increase of 117,654 Mwh to choice usage.

- Column F replaces the Irrigation load with a 5-year average resulting in a decrease of 2,926 Mwh to this class.

- Column G shows changes to the Residential and General Service Secondary classes as a result of their forecasted usage for the 12 months ended June 2009 as compared to the 12 months ended February 2008 actual values that are in Table 3. The changes reflect the effects of normal weather, customer growth, and DSM activities for these groups. The total usage for each of these groups is based on regression models that predict annual usage for each group as a function of historical usage per customer, number of customers, heating degree days, and cooling degree days. The annual usage was shaped to calendar months using the average monthly shapes from prior normalized test periods. The impact of these forecasts is to decrease Residential usage by 18,155 Mwh, decrease GS Secondary electric supply usage by 13,734 Mwh , decrease GS Secondary choice usage by 418 Mwh and increase Yellowstone Park usage by 719 Mwh. The total adjustment in Column G shows a decrease to electric supply usage of 31,169 Mwh and a decrease to choice usage of 419 Mwh.

- Column H is the resultant Table 5 values. This represents the forecasted calendar month usage for the July 2008 through June 2009 time period.

- Column I reflects the sum of all the changes (Columns D through G). The total result is a forecasted decrease to electric supply usage of 56,397 Mwh and a forecasted increase to choice usage of 130,250 Mwh for a net increase of 73,853 Mwh.

Q. Describe the additional adjustments made in Table 4 of Exhibit__(CAH-1).

A. Table 2 represents forecasted calendar month usage with the known change adjustments described above. Table 4 modifies Table 2 with two adjustments. First, the calendar sales data is shifted back to billed cyclical data. The calculation adds one half of the current month to one half of the previous month, and then subtracts the current month billed energy. This cyclical adjustment is made to the Residential, GS-1 Secondary, GS-1 Primary, and Irrigation customer classes, as well as Yellowstone Park. The GS-2 customer class consists primarily of the large industrial customers, whose usage remains fairly constant throughout the year, and therefore, a cyclical billing adjustment is unnecessary. Second, Lighting customers are billed a flat amount of kWh each month, therefore the total usage is spread evenly as one-twelfth in each month.

Q. Please describe Table 5 of Exhibit __ (CAH-1).

A. Table 5 is a subset of Table 4 showing only those loads applicable to electric supply purchases. The information on Table 5 is used by Frank Bennett and is shown on page 1 of Exhibit __ (FVB-2).

It is necessary to make several adjustments to Table 4 in order to provide the appropriate loads for rate design purposes. These adjustments do not affect total load, but provide the detail required in the derivation of rates. The loads for the Residential class were allocated between Residential and Residential Employee using a ratio based on actual historical usage. The loads for the GS-1 Secondary and GS-1 Primary were allocated to Secondary and Primary Non Demand Metered and Demand Metered using a ratio based on actual historical usage. These changes are shown on Table 5 of Exhibit__(CAH-1) for use in the derivation of rates.

Q. Please explain how the Yellowstone Park loads are treated in the derivation of rates process.

A. The loads for Yellowstone Park are served by the utility and are included in the delivered load shown in the tables discussed above and in Frank Bennett's Exhibit_(FVB-2). However, the costs for Yellowstone Park are recovered through a separately negotiated contract rate, and therefore the loads and corresponding revenues are excluded from any rate design for MPSC jurisdictional rates.

Derivation of Deferred Electric Supply Rates

Q. What is the electric supply cost account balance for the twelve-month period ending June 2008?

A. The electric supply cost account balance for the twelve-month period ending June 2008 is an over collection of $(16,244,834) shown on Exhibit_(CAH-2), page 1. This exhibit is a summary table that presents, on a monthly basis, the electric supply cost revenues and the corresponding electric supply cost expenses for the period beginning July 1, 2007 and ending June 30, 2008. The months July through April reflect actual data as recorded on the books and records of NorthWestern. The months of May and June are estimated and will be trued-up as part of next year's filing.

Q. Describe the status of the deferred electric supply cost account balance associated with the 2006-2007 tracking period.

A. In the annual filing submitted on May 31, 2007, the deferred account balance was an over collection of $(22,264,565) for the 2006-2007 tracking period. The balance included 10 months actual data and estimated data for the months of May and June. Rates reflecting this over collection went into effect July 1, 2007. Subsequently the estimated months were trued-up with actual data reducing the deferred account balance over collection to $(16,626,525). This amount was included in the monthly tracker filing submitted on September 14, 2007 for rates effective October 1, 2007.

Q. How is this amount included in the 2007-2008 deferred account balance presented by Frank Bennett?

A. The net over recovered ending balance of $(16,626,525) for the 2006-2007 tracking period, represented in the 2007 filing, becomes the deferred account beginning balance for the 2007-2008 tracking period, as shown on Frank Bennett's Exhibit_(FVB-1), page 2. This is offset with the monthly collections as shown on Exhibit_(CAH-2), page 2, resulting in a net balance of $360,501 for the 2007-2008 tracking period.

Q. What is the total deferred electric supply cost account adjustment proposed for amortization in this filing?

A. The total deferred electric supply cost account adjustment proposed in this filing is an over collection of $(15,884,333) shown on Exhibit_(CAH-2), page 2, line 42. The adjustment consists of the prior period balance of $360,501 shown on Exhibit_(CAH-2), page 2, line 38, netted against the 12 months ended June 2008 forecasted over collection of electric supply costs of $(16,244,834) shown on Exhibit_(CAH-2), page 1, line 38. This is the amount proposed for amortization in this filing and is the same amount used in the derivation of the deferred electric supply cost rates described below. Please refer to the testimony of Frank Bennett for additional explanation and discussion.

Total Deferred Electric Supply Cost Account Balance

2007-2008 Electric Supply Account Balance (Exhibit_(CAH-2), p 1)	$(16,244,834)
2006-2007 Prior Period Deferred Account Balance (Exhibit_(CAH-2), p 2)	$360,501
	$(15,884,333)

Q. How were the deferred electric supply rates developed?

A. The deferred electric supply rates were developed using the same methodology described below for the development of the electric supply rates and were designed to return to customers the deferred account balance of $(15,884,333). The details

showing the derivation of the proposed deferred electric supply rates are set forth in Exhibit__(CAH-3).

Derivation of Electric Supply Rates

Q. Please describe the process used by NorthWestern to derive the proposed 2008-2009 electric supply rates in this filing.

A. The rate design methodology used in this filing to derive the proposed 2008-2009 electric supply rates is the same as that contained in previous electric tracker compliance filings.

The total proposed electric supply cost of $381,986,099 from Frank Bennett's Exhibit__(FVB-2) (page 1, Column O, line 46) is used as the starting point in Exhibit_(CAH-4) (page 1, Column J, line 30). This figure is then reduced for the supply revenues received from Yellowstone National Park (YNP) developed on Exhibit_(CAH-4) in Column F, lines 37 to 39. Column J, lines 30 through 32 shows the development of the electric supply cost of $380,937,881 used for rate design purposes in order to ensure that the total electric supply cost is recovered on an annual basis.

Column H reflects the adjusted loads that will be billed at the new electric supply rates through June 30, 2009. The unit rate before losses in Column J, line 34 is developed by dividing Column J, line 32 by line 24, the sum of the Column H loads adjusted for losses by rate class. This unit rate is then adjusted for losses by rate class to derive the electric supply base rates in Column L.

The rates in Column L are further adjusted, as shown on Exhibit__(CAH-4), page 2, so that the percentage rate increase of each customer class is no greater than the Residential customer rate class increase. The resulting final proposed electric supply rates are shown in Column V on page 2.

Unit Rate Adjustments/Proposed Rates

Q. Have you provided a summary of the unit rate adjustments and resulting rates proposed in this filing?

A. Yes, Exhibit__(CAH-5) is a table that reflects the rates that result from the adjustments included in this filing. The exhibit reflects the amount of the current tariff rates, the proposed rates and the resulting change.

Q. Has NWE included Montana Consumer Counsel (MCC) and MPSC fees related to electricity supply revenues in this tracker filing?

A. Yes, as shown on Frank Bennett's Exhibit__(FVB-2), page 1, lines 34 and 35, the MCC and MPSC fees associated with projected electric supply revenues from July 1, 2008 through June 30, 2009 are included in the Administrative Expenses section of the exhibit at the current applicable rates.

Q. What is NWE's proposal for rate implementation?

A. NWE proposes an interim rate effective date for its proposed rate adjustments and implementation of monthly electric supply adjustments for service on and after July 1, 2008.

Q. Does this complete your testimony?

A. Yes.

TABLE 1 - Calendar month data (Load Vision)

NorthWestern Energy Shifted Sales in MWH

Class	Mar-07	Apr-07	May-07	Jun-07	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Total
Residential Non-Choice	176,405	164,073	152,082	157,931	213,787	181,760	154,255	169,062	194,721	236,790	243,674	206,683	2,251,223
Residential Choice	1	1	1	1	2	1	2	10	11	14	14	12	70
Total Residential	**176,406**	**164,074**	**152,083**	**157,932**	**213,789**	**181,761**	**154,257**	**169,072**	**194,732**	**236,804**	**243,688**	**206,695**	**2,251,293**
GS Secondary Non-Choice	220,075	210,081	217,148	226,335	268,489	252,038	216,106	216,023	215,531	235,004	243,586	220,005	2,740,419
GS Secondary Choice	5,094	5,093	5,375	5,496	6,609	6,313	5,432	7,144	6,994	7,192	7,389	6,892	75,024
GS Primary Non-Choice	26,846	25,519	25,723	25,362	29,568	28,641	26,067	28,930	28,749	30,671	30,172	26,953	333,203
GS Primary Choice	8,198	7,835	7,467	7,371	7,238	7,343	7,182	7,310	6,517	6,637	6,991	6,663	86,751
Total General Service - 1	**260,213**	**248,527**	**255,714**	**264,564**	**311,904**	**294,336**	**254,787**	**259,406**	**257,791**	**279,504**	**288,138**	**260,513**	**3,235,398**
GS Substation Non-Choice	29,060	27,589	28,148	27,055	27,900	27,607	27,251	29,321	28,036	28,979	28,948	27,834	337,728
GS Substation Choice	155,270	130,306	156,189	155,832	158,920	152,730	148,941	151,606	148,755	153,451	157,520	144,532	1,814,052
GS Transmission Non-Choice	12,914	14,473	11,811	13,220	13,221	11,951	11,843	12,922	11,815	12,307	13,291	11,871	151,639
GS Transmission Choice	4,785	4,463	4,455	4,299	4,135	4,297	4,364	4,239	4,601	5,785	6,982	7,058	59,463
Total General Service - 2	**202,029**	**176,831**	**200,604**	**200,406**	**204,176**	**196,584**	**192,399**	**198,087**	**193,208**	**200,521**	**206,741**	**191,295**	**2,362,882**
Irrigation Non-Choice	18	636	8,382	19,790	28,050	20,559	7,377	828	50	26	3	3	85,722
Irrigation Choice	0	1	26	30	51	42	26	16	2	1	0	0	196
Total Irrigation	**18**	**636**	**8,408**	**19,820**	**28,101**	**20,601**	**7,403**	**845**	**52**	**28**	**3**	**3**	**85,918**
Lighting Non-Choice	5,341	4,318	3,848	3,236	3,630	4,269	4,636	5,795	5,802	6,671	6,779	5,228	59,552
Lighting Choice	399	329	293	237	277	323	344	446	449	491	521	402	4,510
Total Lighting	**5,741**	**4,647**	**4,141**	**3,472**	**3,907**	**4,592**	**4,980**	**6,241**	**6,250**	**7,162**	**7,299**	**5,630**	**64,061**
Yellowstone Contract	823	1,011	2,084	2,422	2,503	2,531	2,405	1,316	737	804	892	847	18,374
Total Yellowstone	**823**	**1,011**	**2,084**	**2,422**	**2,503**	**2,531**	**2,405**	**1,316**	**737**	**804**	**892**	**847**	**18,374**
Asimi	53,476	54,819	55,262	54,809	56,030	56,320	50,199	50,215	55,432	56,662	57,431	48,029	648,684
Special Contract	**53,476**	**54,819**	**55,262**	**54,809**	**56,030**	**56,320**	**50,199**	**50,215**	**55,432**	**56,662**	**57,431**	**48,029**	**648,684**
Total Distribution	**698,706**	**650,545**	**678,296**	**703,425**	**820,411**	**756,726**	**666,430**	**685,182**	**708,201**	**781,485**	**804,194**	**713,012**	**8,666,611**
Total Electric Supply Usage	471,482	447,698	449,226	475,351	587,148	529,356	449,941	464,196	485,440	551,252	567,345	499,424	5,977,861
Total Choice Usage	227,224	202,847	229,070	228,074	233,262	227,370	216,489	220,985	222,761	230,232	236,848	213,588	2,688,750
	698,706	**650,545**	**678,296**	**703,425**	**820,411**	**756,726**	**666,430**	**685,182**	**708,201**	**781,485**	**804,194**	**713,012**	**8,666,611**

TABLE 2 - Table 1 normalized

Exhibit_(CAH-1)
Page 2 of 5

NorthWestern Energy Shifted Sales in MWH - With Forecast and Known Change Adjustments

Class	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Total
Residential Non-Choice	187,175	174,430	152,977	173,381	200,222	235,144	236,693	201,498	192,957	165,722	157,774	155,022	2,232,994
Residential Choice	12	11	10	11	13	15	15	13	12	11	10	10	143
Total Residential	**187,187**	**174,441**	**152,987**	**173,392**	**200,234**	**235,159**	**236,708**	**201,511**	**192,969**	**165,733**	**157,784**	**155,032**	**2,233,137**
GS Secondary Non-Choice	252,808	247,242	216,137	219,490	219,151	234,702	238,880	213,722	225,516	209,187	214,824	220,739	2,712,399
GS Secondary Choice	8,799	8,639	7,626	6,672	6,662	7,135	7,262	6,497	7,815	6,590	7,442	7,754	88,894
GS Primary Non-Choice	29,568	28,641	26,067	28,930	28,749	30,671	30,172	26,953	27,243	25,907	26,024	25,672	334,599
GS Primary Choice	7,238	7,343	7,182	7,310	6,517	6,637	6,991	6,663	9,009	9,787	9,584	9,401	93,661
Total General Service - 1	**298,413**	**291,866**	**257,013**	**262,402**	**261,079**	**279,144**	**283,305**	**253,835**	**269,583**	**251,471**	**257,874**	**263,566**	**3,229,552**
GS Substation Non-Choice	27,900	27,607	27,251	29,321	28,036	28,979	28,948	27,834	29,060	22,911	23,089	22,291	323,228
GS Substation Choice	164,156	163,701	160,754	156,663	153,075	157,127	161,593	148,855	162,425	146,428	162,708	161,993	1,899,478
GS Transmission Non-Choice	13,182	11,912	11,799	12,875	11,770	12,279	13,265	11,867	12,796	14,308	11,768	13,180	151,001
GS Transmission Choice	6,761	6,922	6,905	6,835	6,729	6,862	6,982	7,058	7,407	7,004	7,081	6,840	83,386
Total General Service - 2	**212,000**	**210,142**	**206,709**	**205,694**	**199,611**	**205,246**	**210,788**	**195,614**	**211,688**	**190,650**	**204,646**	**204,305**	**2,457,092**
Irrigation Non-Choice	28,992	21,254	7,638	871	54	28	3	3	19	657	8,674	20,448	88,641
Irrigation Choice	66	49	17	2	0	0	0	0	0	1	20	47	202
Total Irrigation	**29,058**	**21,303**	**7,655**	**873**	**54**	**29**	**3**	**3**	**19**	**658**	**8,694**	**20,494**	**88,844**
Lighting Non-Choice	3,624	4,263	4,630	5,795	5,802	6,671	6,779	5,228	5,333	4,311	3,842	3,231	59,510
Lighting Choice	282	329	349	446	449	491	521	402	407	335	299	241	4,552
Total Lighting	**3,907**	**4,592**	**4,980**	**6,241**	**6,250**	**7,162**	**7,299**	**5,630**	**5,741**	**4,647**	**4,141**	**3,472**	**64,061**
Yellowstone Contract	2,601	2,630	2,499	1,367	766	836	927	880	855	1,051	2,165	2,517	19,093
Total Yellowstone	**2,601**	**2,630**	**2,499**	**1,367**	**766**	**836**	**927**	**880**	**855**	**1,051**	**2,165**	**2,517**	**19,093**
Asimi	56,030	56,320	50,199	50,215	55,432	56,662	57,431	48,029	53,476	54,819	55,262	54,809	648,684
Special Contract	**56,030**	**56,320**	**50,199**	**50,215**	**55,432**	**56,662**	**57,431**	**48,029**	**53,476**	**54,819**	**55,262**	**54,809**	**648,684**
Total Distribution	**789,196**	**761,294**	**682,041**	**700,185**	**723,426**	**784,237**	**796,461**	**705,502**	**734,330**	**669,029**	**690,567**	**704,195**	**8,740,464**
Total Electric Supply Usage	545,851	517,979	448,999	472,031	494,550	549,309	555,667	487,985	493,778	444,054	448,161	463,100	5,921,465
Total Choice Usage	243,345	243,315	233,042	228,154	228,877	234,928	240,795	217,517	240,552	224,975	242,407	241,095	2,818,999
	789,196	**761,294**	**682,041**	**700,185**	**723,426**	**784,237**	**796,461**	**705,502**	**734,330**	**669,029**	**690,567**	**704,195**	**8,740,464**

TABLE 3 - Comparison of Tables 1 & 2

NorthWestern Energy Sales in MWH

Class	Table 1	Movement to Choice	Large Cust Known Changes	Irrigation Normalization	Residential & GS Secondary Forecasts	Table 2	Diff MWH
Residential Non-Choice	2,251,223	-74			-18,154	2,232,994	-18,228
Residential Choice	70	74			-1	143	73
Total Residential	**2,251,293**	**0**	**0**	**0**	**-18,155**	**2,233,137**	**-18,155**
GS Secondary Non-Choice	2,740,419	-14,287			-13,734	2,712,399	-28,021
GS Secondary Choice	75,024	14,287			-418	88,894	13,869
GS Primary Non-Choice	333,203	1,396				334,599	1,396
GS Primary Choice	86,751	-1,396	8,305			93,661	6,910
Total General Service - 1	**3,235,398**	**0**	**8,305**	**0**	**-14,151**	**3,229,552**	**-5,846**
GS Substation Non-Choice	337,728		-14,500			323,228	-14,500
GS Substation Choice	1,814,052		85,426			1,899,478	85,426
GS Transmission Non-Choice	151,639		-639			151,001	-639
GS Transmission Choice	59,463		23,923			83,386	23,923
Total General Service - 2	**2,362,882**	**0**	**94,210**	**0**	**0**	**2,457,092**	**94,210**
Irrigation Non-Choice	85,722			2,919		88,641	2,919
Irrigation Choice	196			7		202	7
Total Irrigation	**85,918**	**0**	**0**	**2,926**	**0**	**88,844**	**2,926**
Lighting Non-Choice	59,552	-42				59,510	-42
Lighting Choice	4,510	42				4,552	42
Total Lighting	**64,061**	**0**	**0**	**0**	**0**	**64,061**	**0**
Yellowstone Contract	18,374				719	19,093	719
Total Yellowstone	**18,374**	**0**	**0**	**0**	**719**	**19,093**	**719**
Asimi	648,684					648,684	0
Special Contract	**648,684**	**0**	**0**	**0**	**0**	**648,684**	**0**
Total Distribution	**8,666,611**	**0**	**102,515**	**2,926**	**-31,588**	**8,740,464**	**73,853**
	-					-	(0)
Total Electric Supply Usage	5,977,861	-13,007	-15,139	2,919	-31,169	5,921,465	-56,397
Total Choice Usage	2,688,750	13,007	117,654	7	-419	2,818,999	130,250
	8,666,611	**0**	**102,515**	**2,926**	**-31,588**	**8,740,464**	**73,853**
	-	-	-	-	-	-	-

TABLE 4: Table 2 w/cyclical adj

NorthWestern Energy Shifted Sales in MWH - on a Cyclical Basis

Class	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	Total
Residential Non-Choice	171,099	180,803	163,704	163,179	186,801	217,683	235,918	219,095	197,227	179,340	161,748	156,398	2,232,994
Residential Choice	11	12	11	10	12	14	15	14	13	12	10	10	143
Total Residential	**171,110**	**180,814**	**163,714**	**163,189**	**186,813**	**217,697**	**235,934**	**219,109**	**197,240**	**179,351**	**161,759**	**156,408**	**2,233,137**
GS Secondary Non-Choice	236,773	250,025	231,690	217,814	219,321	226,926	236,791	226,301	219,619	217,351	212,005	217,781	2,712,399
GS Secondary Choice	8,277	8,719	8,133	7,149	6,667	6,898	7,198	6,879	7,156	7,203	7,016	7,598	88,894
GS Primary Non-Choice	27,620	29,105	27,354	27,499	28,840	29,710	30,422	28,563	27,098	26,575	25,965	25,848	334,599
GS Primary Choice	8,319	7,290	7,263	7,246	6,913	6,577	6,814	6,827	7,836	9,398	9,685	9,492	93,661
Total General Service - 1	**280,989**	**295,139**	**274,440**	**259,708**	**261,741**	**270,111**	**281,225**	**268,570**	**261,709**	**260,527**	**254,673**	**260,720**	**3,229,552**
GS Substation Non-Choice	27,900	27,607	27,251	29,321	28,036	28,979	28,948	27,834	29,060	22,911	23,089	22,291	323,228
GS Substation Choice	164,156	163,701	160,754	156,663	153,075	157,127	161,593	148,855	162,425	146,428	162,708	161,993	1,899,478
GS Transmission Non-Choice	13,182	11,912	11,799	12,875	11,770	12,279	13,265	11,867	12,796	14,308	11,768	13,180	151,001
GS Transmission Choice	6,761	6,922	6,905	6,835	6,729	6,862	6,982	7,058	7,407	7,004	7,081	6,840	83,386
Total General Service - 2	**212,000**	**210,142**	**206,709**	**205,694**	**199,611**	**205,246**	**210,788**	**195,614**	**211,688**	**190,650**	**204,646**	**204,305**	**2,457,092**
Irrigation Non-Choice	24,720	25,123	14,446	4,255	463	41	16	3	11	338	4,665	14,561	88,641
Irrigation Choice	56	57	33	10	1	0	0	0	0	1	11	33	202
Total Irrigation	**24,776**	**25,180**	**14,479**	**4,264**	**464**	**41**	**16**	**3**	**11**	**338**	**4,676**	**14,594**	**88,844**
Lighting Non-Choice	4,959	4,959	4,959	4,959	4,959	4,959	4,959	4,959	4,959	4,959	4,959	4,959	59,510
Lighting Choice	379	379	379	379	379	379	379	379	379	379	379	379	4,552
Total Lighting	**5,338**	**5,338**	**5,338**	**5,338**	**5,338**	**5,338**	**5,338**	**5,338**	**5,338**	**5,338**	**5,338**	**5,338**	**64,061**
Yellowstone Contract	2,559	2,616	2,565	1,933	1,066	801	881	903	867	953	1,608	2,341	19,093
Total Yellowstone	**2,559**	**2,616**	**2,565**	**1,933**	**1,066**	**801**	**881**	**903**	**867**	**953**	**1,608**	**2,341**	**19,093**
Asimi	56,030	56,320	50,199	50,215	55,432	56,662	57,431	48,029	53,476	54,819	55,262	54,809	648,684
Special Contract	**56,030**	**56,320**	**50,199**	**50,215**	**55,432**	**56,662**	**57,431**	**48,029**	**53,476**	**54,819**	**55,262**	**54,809**	**648,684**
Total Distribution	**752,802**	**775,550**	**717,443**	**690,342**	**710,465**	**755,897**	**791,613**	**737,568**	**730,330**	**691,977**	**687,962**	**698,515**	**8,740,464**
													-
Total Electric Supply Usage	508,813	532,149	483,767	461,835	481,256	521,378	551,200	519,526	491,638	466,735	445,809	457,360	5,921,465
Total Choice Usage	243,990	243,401	233,675	228,507	229,209	234,519	240,413	218,042	238,692	225,243	242,153	241,155	2,818,999
	752,802	**775,550**	**717,443**	**690,342**	**710,465**	**755,897**	**791,613**	**737,568**	**730,330**	**691,977**	**687,962**	**698,515**	**8,740,464**
													-

TABLE 5 - Table 4 modified for rate design

Exhibit_(CAH-1)
Page 5 of 5

NorthWestern Energy Shifted Sales in MWH - Electric Supply Rate Design Load

Class	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Total
Residential Non-Choice	170,730	180,434	163,378	162,830	186,394	217,204	235,398	218,634	196,813	178,963	161,386	156,058	2,228,222
Residential Employee	369	368	326	349	407	479	520	462	414	376	363	339	4,773
Residential	**171,099**	**180,803**	**163,704**	**163,179**	**186,801**	**217,683**	**235,918**	**219,095**	**197,227**	**179,340**	**161,748**	**156,398**	**2,232,994**
	-	-	-	-	-	-	-	-	-	-	-	-	-
GS Secondary Non-Demand	21,470	23,620	21,127	19,698	21,407	24,900	28,519	27,889	25,632	23,972	20,542	20,194	278,969
GS Secondary Demand	215,304	226,405	210,563	198,116	197,914	202,027	208,272	198,412	193,987	193,380	191,464	197,587	2,433,429
Total GS-1 Secondary	**236,773**	**250,025**	**231,690**	**217,814**	**219,321**	**226,926**	**236,791**	**226,301**	**219,619**	**217,351**	**212,005**	**217,781**	**2,712,399**
	-	-	-	-	-	-	-	-	-	-	-	-	-
GS Primary Non-Demand	86	83	63	59	37	22	16	14	15	20	38	60	512
GS Primary Demand	27,534	29,022	27,292	27,440	28,802	29,688	30,406	28,548	27,083	26,555	25,927	25,788	334,086
Total GS-1 Primary	**27,620**	**29,105**	**27,354**	**27,499**	**28,840**	**29,710**	**30,422**	**28,563**	**27,098**	**26,575**	**25,965**	**25,848**	**334,599**
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total GS-2 Substation	**27,900**	**27,607**	**27,251**	**29,321**	**28,036**	**28,979**	**28,948**	**27,834**	**29,060**	**22,911**	**23,089**	**22,291**	**323,228**
Total GS-2 Transmission	**13,182**	**11,912**	**11,799**	**12,875**	**11,770**	**12,279**	**13,265**	**11,867**	**12,796**	**14,308**	**11,768**	**13,180**	**151,001**
Total Irrigation	**24,720**	**25,123**	**14,446**	**4,255**	**463**	**41**	**16**	**3**	**11**	**338**	**4,665**	**14,561**	**88,641**
Total Lighting	**4,959**	**4,959**	**4,959**	**4,959**	**4,959**	**4,959**	**4,959**	**4,959**	**4,959**	**4,959**	**4,959**	**4,959**	**59,510**
MPSC Electric Supply Load	**506,254**	**529,533**	**481,203**	**459,902**	**480,190**	**520,577**	**550,319**	**518,622**	**490,770**	**465,782**	**444,201**	**455,019**	**5,902,371**
Yellowstone Park Load	**2,559**	**2,616**	**2,565**	**1,933**	**1,066**	**801**	**881**	**903**	**867**	**953**	**1,608**	**2,341**	**19,093**
Total Electric Supply Load	**508,813**	**532,149**	**483,767**	**461,835**	**481,256**	**521,378**	**551,200**	**519,526**	**491,638**	**466,735**	**445,809**	**457,360**	**5,921,465**
													-

NorthWestern Energy
Electric Supply Cost Account Balance
July 2007 - June 2008

Month	Electric Supply Cost Revenues	Electric Supply Cost Expense	Current Year Electric Supply Cost
July 2007	$ 28,284,144	$ 33,183,533	$ 4,899,389
August 2007	$ 32,255,473	$ 29,298,886	$ (2,956,587)
September 2007	$ 27,964,024	$ 24,295,306	$ (3,668,718)
October 2007	$ 25,261,923	$ 24,165,865	$ (1,096,059)
November 2007	$ 24,426,828	$ 26,801,763	$ 2,374,935
December 2007	$ 29,246,700	$ 30,270,599	$ 1,023,899
January 2008	$ 29,944,242	$ 30,653,521	$ 709,279
February 2008	$ 29,712,028	$ 26,391,099	$ (3,320,928)
March 2008	$ 27,802,968	$ 26,984,900	$ (818,067)
April 2008	$ 27,319,186	$ 24,580,437	$ (2,738,749)
May 2008 (Estimated)	$ 26,664,066	$ 22,159,634	$ (4,504,432)
June 2008 (Estimated)	$ 28,783,394	$ 22,634,597	$ (6,148,796)
	$ 337,664,976	$ 321,420,141	$ (16,244,834)

Data Source:
Revenues: Exhibit_(FVB-1), page 1, line 16.
Expense: Exhibit_(FVB-1), page 1, line 47.

NorthWestern Energy
Deferred Electric Supply Cost Account Balance
July 2007 - June 2008

Month	Monthly Collection	Collection to-date	Balance Remaining
Over Collected Balance as filed D2007.7.80			$ (16,626,525)
Prior Period Balance			
July 2007	$ (308,017)	$ (308,017)	$ (16,318,508)
August 2007	$ (2,101,460)	$ (2,409,477)	$ (14,217,048)
September 2007	$ (1,899,437)	$ (4,308,914)	$ (12,317,611)
October 2007	$ (1,605,204)	$ (5,914,119)	$ (10,712,406)
November 2007	$ (1,257,067)	$ (7,171,186)	$ (9,455,339)
December 2007	$ (1,503,859)	$ (8,675,045)	$ (7,951,480)
January 2008	$ (1,528,163)	$ (10,203,208)	$ (6,423,317)
February 2008	$ (1,513,494)	$ (11,716,702)	$ (4,909,823)
March 2008	$ (1,396,398)	$ (13,113,100)	$ (3,513,425)
April 2008	$ (1,349,922)	$ (14,463,022)	$ (2,163,503)
May 2008 (Estimated)	$ (1,245,778)	$ (15,708,800)	$ (917,725)
June 2008 (Estimated)	$ (1,278,226)	$ (16,987,026)	$ 360,501
Prior Period Balance			$ 360,501
Estimated Supply Cost Balance (Exhibit_(CAH-2), p 1)			$ (16,244,834)
Deferred Supply Cost Over Collection (Exhibit_(FVB-1), page 2, line 13)			$ (15,884,333)

Data Source:
Monthly Collection: Exhibit_(FVB-1), page 1, line 49.

Exhibit__(CAH-3)
Page 1 of 1

Northwestern Energy
Derivation of Rates
Deferred Electric Supply Rates
July 1, 2008 to June 30, 2009

Customer Rate Class	Loss Factor	Electric Supply Retail kWh Sales	Sales Adjusted for Employee Discount	Sales Weighted by Losses	Deferred Electric Supply Rate After Losses	Deferred Electric Supply Revenue Check
Residential	8.5100%	2,228,221,807	2,228,221,807	2,417,843,483	$ (0.002704)	$ (6,025,112)
Residential Employee	8.5100%	4,772,592	2,863,555	3,107,244	$ (0.001622)	$ (7,741)
GS 1 Secondary NonDemand	8.5100%	278,969,191	278,969,191	302,709,469	$ (0.002704)	$ (754,333)
GS 1 Secondary Demand	8.5100%	2,433,429,368	2,433,429,368	2,640,514,207	$ (0.002704)	$ (6,579,993)
GS 1 Primary NonDemand	5.5400%	512,450	512,450	540,840	$ (0.002630)	$ (1,348)
GS 1 Primary Demand	5.5400%	334,086,096	334,086,096	352,594,466	$ (0.002630)	$ (878,646)
General Service Substation	4.6300%	323,227,694	323,227,694	338,193,137	$ (0.002607)	$ (842,655)
General Service Transmission	4.0000%	151,000,897	151,000,897	157,040,933	$ (0.002592)	$ (391,394)
Irrigation	8.5100%	88,641,369	88,641,369	96,184,749	$ (0.002704)	$ (239,686)
Lighting	8.5100%	59,509,987	59,509,987	64,574,287	$ (0.002704)	$ (160,915)
		5,902,371,450	5,900,462,413	6,373,302,813	$ (0.002692)	$ (15,881,823)
YNP Contract		19,093,231			Rounding Adjustment	$ (2,510)
Total Electric Supply Load		5,921,464,681				$ (15,884,333)

2007-08 Deferred Supply Cost Over Collection	$ (15,884,333)
MPSC Deferred Electric Supply Rate Design Revenues	$ (15,884,333)
Total Deferred Electric Supply Rate Before Losses	**$ (0.002492)**

Northwestern Energy
Electric Supply Derivation of Rates
Base Rates - Prior to Cap Adjustment
July 1, 2008 to June 30, 2009

Customer Rate Class	Loss Factor	Electric Supply Retail kWh Sales	Sales Adjusted for Employee Discount	Sales Weighted by Losses	Electric Supply Base Rate After Losses	Electric Supply Revenue Check
Residential	8.5100%	2,228,221,807	2,228,221,807	2,417,843,483	$ 0.064858	$ 144,518,010
Residential Employee	8.5100%	4,772,592	2,863,555	3,107,244	$ 0.038915	$ 185,725
GS 1 Secondary NonDemand	8.5100%	278,969,191	278,969,191	302,709,469	$ 0.064858	$ 18,093,384
GS 1 Secondary Demand	8.5100%	2,433,429,368	2,433,429,368	2,640,514,207	$ 0.064858	$ 157,827,362
GS 1 Primary NonDemand	5.5400%	512,450	512,450	540,840	$ 0.063082	$ 32,326
GS 1 Primary Demand	5.5400%	334,086,096	334,086,096	352,594,466	$ 0.063082	$ 21,074,819
General Service Substation	4.6300%	323,227,694	323,227,694	338,193,137	$ 0.062538	$ 20,214,014
General Service Transmission	4.0000%	151,000,897	151,000,897	157,040,933	$ 0.062162	$ 9,386,518
Irrigation	8.5100%	88,641,369	88,641,369	96,184,749	$ 0.064858	$ 5,749,102
Lighting	8.5100%	59,509,987	59,509,987	64,574,287	$ 0.064858	$ 3,859,699
		5,902,371,450	5,900,462,413	6,373,302,813	$ 0.064561	$ 380,940,958
YNP Contract		19,093,231			Rounding Adjustment	$ (3,078)
Total Electric Supply Load		5,921,464,681				$ 380,937,881

Electricity Supply Costs	$ 381,986,099
less: YNP Contract Revenues	$ (1,048,218)
MPSC Supply Rate Design Revenues	$ 380,937,881
Total Supply Rate Before Losses	**$ 0.059771**

YNP Contract Load	19,093,231
YNP May08-Apr09 Contract Supply Rate	0.054900
YNP Supply Revenue	$ 1,048,218

NorthWestern Energy
Electric Supply Derivation of Rates
Rate Capped at Residential Increase

CAPPED RATES	Energy (mWh)	Current Revenue	Proposed Rates	Proposed Revenue	$ Change	% Change	$ at Res Cap 1.01%	Capped $ Change	Capped % Change	Capped kWh Rates
Residential										
Residential	2,228,222	$ 143,079	0.064858	$ 144,518	$ 1,439	1.01%	$ 144,518	$ 146,236	2.21%	0.065629
Res Employee	4,773	$ 184	0.038915	$ 186	$ 2	1.01%	$ 186	$ 188	2.21%	0.039377
Total Residential	2,232,994	$ 143,262		$ 144,704	$ 1,441	1.01%	$ 144,704	$ 146,424	2.21%	
General Service 1										
GS1 Sec NonDmd	278,969	$ 16,204	0.064858	$ 18,093	$ 1,889	11.66%	$ 16,367	$ 16,562	2.21%	0.059368
GS1 Sec Dmd	2,433,429	$ 156,255	0.064858	$ 157,827	$ 1,572	1.01%	$ 157,827	$ 159,704	2.21%	0.065629
GS1 Prim NonDmd	512	$ 32	0.063082	$ 32	$ 0	1.01%	$ 32	$ 33	2.21%	0.063831
GS1 Prim Dmd	334,086	$ 19,052	0.063082	$ 21,075	$ 2,023	10.62%	$ 19,243	$ 19,472	2.21%	0.058284
Total GS-1	3,046,997	$ 191,543		$ 197,028	$ 5,485	2.86%	$ 193,470	$ 195,770	2.21%	
General Service 2										
GS2 Substation	323,228	$ 20,012	0.062538	$ 20,214	$ 202	1.01%	$ 20,214	$ 20,454	2.21%	0.063280
GS2 Transmission	151,001	$ 9,293	0.062162	$ 9,387	$ 94	1.01%	$ 9,386	$ 9,498	2.21%	0.062898
Total GS-2	474,229	$ 29,305		$ 29,601	$ 296	1.01%	$ 29,600	$ 29,952	2.21%	
Irrigation										
Irrigation	88,641	$ 5,149	0.064858	$ 5,749	$ 600	11.66%	$ 5,201	$ 5,262	2.21%	0.059368
Total Irrigation	88,641	$ 5,149		$ 5,749	$ 600	11.66%	$ 5,201	$ 5,262	2.21%	
Lighting										
Lighting	59,510	$ 3,457	0.064858	$ 3,860	$ 403	11.66%	$ 3,491	$ 3,533	2.21%	0.059368
Total Lighting	59,510	$ 3,457		$ 3,860	$ 403	11.66%	$ 3,491	$ 3,533	2.21%	
Total Rate Schedule	5,902,371	$ 372,716		$ 380,941	$ 8,225	2.21%	$ 376,466	$ 380,941		
Capped Rate Adjustment Factor							0.011887			

NorthWestern Energy
Electric Supply Derivation of Rates
Revenue at Current Rates

	Load Statistics	Current 6/1/2008 Supply Rates	Current Revenue
Residential			
Residential	2,228,222	0.064212	$ 143,079
Residential Employee	4,773	0.038527	$ 184
Total Residential			$ 143,262
General Service 1			
GS-1 Sec Non-Demand	278,969	0.058086	$ 16,204
GS-1 Sec Demand	2,433,429	0.064212	$ 156,255
GS-1 Pri Non-Demand	512	0.062453	$ 32
GS-1 Pri Demand	334,086	0.057026	$ 19,052
Total GS-1			$ 191,543
General Service 2			
GS-2 Substation	323,228	0.061914	$ 20,012
GS-2 Transmission	151,001	0.061540	$ 9,293
Total GS-2			$ 29,305
Irrigation			
Irrigation	88,641	0.058086	$ 5,149
Total Irrigation			$ 5,149
Lighting			
Lighting	59,510	0.058086	$ 3,457
Total Lighting			$ 3,457
Total Rate Schedule	**5,902,371**		**$ 372,716**
	-		

NorthWestern Energy
Electric Utility
Electric Supply & Deferred Electric Supply Rates
Rate Change Detail
Effective July 1, 2008

Electric Supply Rate ($/kWh)	Current 6/1/2008	Proposed	Rate Change	Percentage Change
Residential	$ 0.064212	$ 0.065629	$ 0.001417	2.21%
Employee	$ 0.038527	$ 0.039377	$ 0.000850	2.21%
GS-1 Secondary Non-Demand	$ 0.058086	$ 0.059368	$ 0.001282	2.21%
GS-1 Secondary Demand	$ 0.064212	$ 0.065629	$ 0.001417	2.21%
GS-1 Primary Non-Demand	$ 0.062453	$ 0.063831	$ 0.001378	2.21%
GS-1 Primary Demand	$ 0.057026	$ 0.058284	$ 0.001258	2.21%
GS-2 Substation	$ 0.061914	$ 0.063280	$ 0.001366	2.21%
GS-2 Transmission	$ 0.061540	$ 0.062898	$ 0.001358	2.21%
Irrigation	$ 0.058086	$ 0.059368	$ 0.001282	2.21%
Lighting	$ 0.058086	$ 0.059368	$ 0.001282	2.21%

Deferred Electric Supply Rate ($/kWh)	Current 10/1/2007	Proposed	Rate Change	Percentage Change
Residential	$ (0.002865)	$ (0.002704)	$ 0.000161	5.62%
Employee	$ (0.001719)	$ (0.001622)	$ 0.000097	5.64%
GS-1 Secondary Non-Demand	$ (0.002865)	$ (0.002704)	$ 0.000161	5.62%
GS-1 Secondary Demand	$ (0.002865)	$ (0.002704)	$ 0.000161	5.62%
GS-1 Primary Non-Demand	$ (0.002786)	$ (0.002630)	$ 0.000156	5.60%
GS-1 Primary Demand	$ (0.002786)	$ (0.002630)	$ 0.000156	5.60%
GS-2 Substation	$ (0.002762)	$ (0.002607)	$ 0.000155	5.61%
GS-2 Transmission	$ (0.002746)	$ (0.002592)	$ 0.000154	5.61%
Irrigation	$ (0.002865)	$ (0.002704)	$ 0.000161	5.62%
Lighting	$ (0.002865)	$ (0.002704)	$ 0.000161	5.62%

Department of Public Service Regulation
Montana Public Service Commission
Docket No. D2008.5.45
NorthWestern Energy

PREFILED DIRECT TESTIMONY OF WILLIAM M. THOMAS
ON BEHALF OF NORTHWESTERN ENERGY

TABLE OF CONTENTS

Exhibits:

Witness Information

Q. Please state your name and business address.

A. William M. Thomas, 40 East Broadway, Butte, Montana 59701.

Q. By whom and in what capacity are you employed?

A. I am employed by NorthWestern Energy (NorthWestern) as Manager of Regulatory Support Services in the Regulatory Affairs and Support Services Department.

Q. Please state your educational background, experience and responsibilities.

A. I graduated from Montana State University in 1978 with a Bachelor of Science Degree in Science and Education. I was employed by The Montana Power Company (MPC) from 1980-1999 in a variety of staff and management positions. During that tenure I served as program director for MPC Demand Side Management (DSM) Programs for Residential and Commercial customers. I attended the Public Utility Executives Program at the University of Idaho in 1991. I joined NorthWestern in April 2004 in the capacity of DSM Program Coordinator and assumed my present position as Manager of Regulatory Support Services in April 2005. In addition to other departmental activities related to support of regulatory filings and proceedings, I am responsible for providing overall coordination and functional direction on development, implementation and promotion/education of DSM programs, and interaction with the Technical Advisory Committee on DSM matters. My duties also include preparing the information supporting NorthWestern's DSM-related activities and proposals in this filing.

Purpose of Testimony

Q. What is the purpose of your testimony?

A. My testimony:

1. Presents results from Universal System Benefit (USB) and Electric Supply DSM energy efficiency programs conducted by NorthWestern for Tracker Year 2007-08 and describes the status of and plans for DSM Programs and related activities in the forthcoming tracker period, and

2. Provides updated numbers for the DSM Program Cost Tracking and Lost Revenue Recovery mechanism (Electric DSM Tracker) for recovery of Electric Supply DSM Program costs and lost transmission and distribution revenues (Lost Revenues) associated with Electric Supply DSM and USB programs.

2007-08 Program Results

Q. Please describe the overall results of USB and Electric Supply DSM energy efficiency program activities in the 2007-08 Electric Supply tracking period.

A. The Electric Supply Plan includes demand side management resources acquired at the level of 2.6 aMW of installed energy savings capability in Program Year 1 (2004-05 Tracker Year), ramping up to 3.7 in Plan Year 2 (2005-06), and then to 5.0 aMW in Plan Year 3 (2007-08 Tracker Year) and leveling at 5.0 aMW each year thereafter. Table 1 below summarizes the annual targets, reported energy savings, budget and actual spending for the 2004-2008 tracker periods.

Table 1: DSM Targets, Reported Savings, Budget and Spending

Program Year	Installed Annual DSM Capability (Incremental)				Electric Supply DSM Tracker Budget ($)	Electric Supply DSM Program Expenditures ($)
	Target (aMW)	Reported Program Results (aMW)				
		USB	DSM	Total		
2004-05	2.60	2.04	0.22	2.26	$1,457,888	$ 320,389
2005-06	3.70	1.33	2.08	3.41	$2,097,734	$1,596,076
2006-07	5.00	0.36	3.04	3.40	$3,232,080	$2,497,359
2007-08	5.00	0.85	4.17	5.02	$3,631,683	$3,767,834
2008-09	5.00	-	-		$4,917,141	

The figures for DSM Program Year 4 (2007-08) are based on 10 months of recorded expenses and reported energy savings, and 2 months (May and June 2008) of estimated program activity.

The annual aMW targets and reported savings are comprised of amounts of installed annual energy savings capability contributed from measures and actions implemented under both USB Programs and Electric Supply DSM Programs (referred to herein as "DSM Programs" or "DSM"). The Reported Program Results represent the capability of installed conservation and efficiency measures to produce energy savings for a full year. Although energy savings produced by USB Programs is counted toward the annual aMW target, USB Programs are funded through a separate charge and USB spending is not reported in Table 1.

Q. Please provide additional detail on the costs and energy savings of individual USB and DSM Programs in operation during the 2007-08 Tracker Year.

A. Exhibit__(WMT-1) provides individual program detail on expenditures and reported energy savings, and develops numbers used in the updated DSM Lost Revenues computation. This Exhibit presents two tables of tabulation and analysis:

1. Table A: Reported Electricity Savings from 2007-08 USB and DSM Program Activity.

   The data presented in this table represents summarized reported program results for reported energy savings and actual recorded payments based on paid invoices for programs and projects for the time period July 2007 through April 2008. Reported energy savings means estimates of electricity savings from either individual projects where engineering calculations were submitted with project proposals, and reviewed by NorthWestern staff, for specific energy conservation projects (e.g., E+ Commercial Lighting projects, Business Partners site-specific projects, or Renewable Generation projects), or in those cases where engineering calculations are not required for program participation average energy savings per DSM measure are used (e.g., Residential & Commercial Audits and Residential Compact Fluorescent Lighting). Reported energy savings represent the annual energy savings that would occur if all energy savings measures were in place for a full 12 months.

   For the final two months of the 2007-08 tracker period (May and June 2008) estimates of spending and savings were made based on previous program experience, pending applications for rebates and incentives, pending project proposals and discussions with outside service providers assisting NorthWestern with USB and DSM Program operation.

2. Table B: Residential and Commercial Electric Savings for Calculation of Lost Transmission & Distribution Revenues.

NorthWestern's proposal for DSM cost recovery in tracker period 2007-08 includes calculations for Lost Revenues. Because the applicable transmission and distribution rates used to compute those Lost Revenues are different for NorthWestern's residential and commercial customers, it is necessary to estimate the percentage split between residential and commercial DSM resources that were acquired in the 2007-08 Program Year. Table B identifies portions of each USB and DSM program attributable to residential and commercial projects and/or customer participants, and then develops a straightforward summing of the estimated residential and commercial program electricity savings from Table A to produce the overall percentage contribution by the residential (65.2%) and commercial (34.8%) customer classes to the total. These percentage splits are then used as inputs to the calculation of Lost Revenues (page 3, lines 14-15 of Exhibit__(WMT-3)).

DSM Program Status Report

Q. What is the current status of electric supply DSM Programs and what actions are planned for the 2008-09 tracker year?

A. NorthWestern continues its efforts to develop and offer new DSM Programs to its customers. As an example, the E+ Electric Motor Rebate Program was introduced in the 2007-08 tracker period. In the forthcoming tracker period, NorthWestern will implement a special residential energy efficiency project called Green Blocks in the community of Missoula. Exhibit__(WMT-2) presents DSM spending by program for 2007-08 (actuals through April 2008, estimates for May and June 2008), and estimated spending for Tracker Year 2008-09.

Following is an update of DSM Program activity and future plans:

1. E+ Lighting: KEMA, Inc. provided lighting program implementation services for both commercial and residential customers in the 2007-08 tracker period. Through KEMA, NorthWestern offered cash rebates for ENERGY STAR® qualified compact fluorescent lamps (CFL) and indoor/outdoor fixtures. The program included several

mechanisms to either distribute or encourage purchase and use of ENERGY STAR® CFLs and fixtures, including:

- Direct installation of CFLs in residential homes during home energy audits and commercial appraisals
- Free CFL with mail-in home audits
- Mail-in rebates for residential customers for CFLs and ENERGY STAR® fixtures
- Rebates to commercial customers for energy efficient lighting equipment and controls
- In-Store Instant Rebates with redeemed coupons (May-June, and October-November)
- Home Depot Buy-Down – subsidized retail prices for CFLs in all Home Depot stores in the NorthWestern electric service area in Montana (*new for 2007-08*)
- *Change A Light, Change The World* campaign – buy-down of CFL prices at retailers other than Home Depot, through a regional campaign facilitated by the Northwest Energy Efficiency Alliance (NEEA)
- Non-Retailer Special Events (trade shows, fairs, Farmer's Markets, etc.)

Customer interest in the lighting program continues to be very strong. The number of CFLs moved to residential consumers through the program increased 75% over the previous period. In the 2007-08 tracker period, the following results were observed:

Table 2: 2007-08 Energy Efficient Lighting Program Data

Sector	Participants	CFLs/Projects	Rebates
Residential	23,161	453,929	$ 586,949
Commercial	91	91	$ 154,332

NorthWestern will offer its E+ Lighting programs in 2008-09 and will use the same events, techniques and promotions. NorthWestern has entered into a 2-year contract with KEMA for continuation of services related to the E+ Lighting Programs.

2. E+ Business Partners: In January 2008, NorthWestern renewed its contract for a 2-year period with The National Center for Appropriate Technology (NCAT), to perform work intended to increase customer interest and participation in the program. Services under the scope of work for this contract that are performed by NCAT include marketing to architect/engineering firms and trade/industry associations in Montana, direct contact with candidate businesses with good DSM potential, surveys and assessments of buildings and facilities, technical assistance for building owners, assistance with required engineering analysis and modeling, and assistance to customers with forms, contracts and other paperwork used in the Business Partners Program.

During the 2007-08 period, NCAT made 437 contacts, 167 site visits, and prepared 27 proposals to customers. This effort resulted in submittal of 16 Business Partners projects to NorthWestern for review and possible approval and funding. All of these project proposals were from electric supply customers. All of these projects (customers) have signed agreements and are committed to proceed with their projects. NCAT has hired additional staff to help with the growing number of E+ Business Partners projects.

NorthWestern has also contracted with two firms to initiate on-site contact with electric supply commercial customers to promote this program, examine energy efficiency potential in their facilities, explain program benefits, and generate interest and participation. This effort produced 441 contacts and expressions of interest from 197 customers.

Additionally, NorthWestern DSM staff made direct contact with electric supply industrial customers (representing 13 locations) to solicit interest in development of

customized, site-specific projects. Staff effort resulted in expressions of interest from eight customers and five completed projects.

Increased marketing effort led by direct face-to-face contact with owners and decision makers of commercial and industrial facilities is producing higher participation in the E+ Business Partners program. This effort will continue into the future.

3. NEEA: NorthWestern continued funding of NEEA during the 2007-08 tracker period. NEEA is a regional non-profit organization supported by electric utilities, public benefits administrators, state governments, public interest groups, and energy efficiency industry representatives. Through regional leveraging, NEEA encourages "market transformation" or the development and adoption of energy efficient products and services in Montana, Washington, Idaho, and Oregon. NEEA's regional market transformation activities target the residential, commercial, industrial and agricultural sectors. NorthWestern reported energy savings from NEEA activities totaled 1.17 aMW during the 2007-08 tracker period. Information on NEEA's numerous projects and initiatives that were in progress during 2007-08 and continuing into the future can be found at http://www.nwalliance.org/. NorthWestern will continue its funding of and participation in NEEA activities and initiatives in the 2008-09 period.

4. E+ Residential New Construction: This program offers a variety of rebates for either individual energy efficiency measures, or a package of ENERGY STAR® measures, in newly constructed electrically heated homes where natural gas is not available. NorthWestern renewed its contract with NCAT to provide services related to the program, including builder/owner education, technical assistance, financial incentives, marketing and outreach, coordination of construction projects and site visits by certified ENERGY STAR® Verifiers, program data collection, maintenance of program records, and reporting of findings and recommendations to NorthWestern. NCAT also made presentations to mobile home distributors, and individual homebuilders and/or contractors to promote participation in this program.

NorthWestern staff helped focus the marketing effort by monitoring its customer database for new electric services and forwarding a list each quarter to NCAT for follow-up.

NorthWestern blended USB and DSM funding to promote ENERGY STAR® Homes Northwest residential building standards. USB funds were used to market the program and educate architects, building contractors and interested customers about ENERGY STAR® standards and DSM program incentives. DSM funds were used to provide cash incentives to builders or customers, and to reimburse certified ENERGY STAR® Verifiers. Separately, NEEA funds some of the infrastructure development of ENERGY STAR® Northwest activities. In the Montana NorthWestern service area, 2 new electrically heated homes were certified in 2007-08 and 5 new gas heated homes installed at least 50% ENERGY STAR® lighting as a result of NorthWestern's support of the ENERGY STAR® Homes Northwest building standards through this program.

5. E+ Residential Savings Program: This program offers incentives to qualified electric supply customers who install insulation, switch electric space or water heat to regulated natural gas, or who install energy saving devices such as programmable thermostats, restricted-flow showerheads, faucet aerators, and water heater and pipe insulation in existing homes. NorthWestern renewed its one-year contract with KEMA, Inc. to operate this DSM Program during the 2008-09 period.

Informational materials, program guidelines and rebate application forms are available on the NorthWestern website. Each quarter, KEMA used its database of home energy audit information (historical audit records and future on-site audits) to identify candidate homes with electric space and/or water heating equipment that need thermal envelope improvements. A targeted mailing from this list was used to encourage participation in this program. Thirty-three customers participated in this program during the 2007-08 tracker period.

6. E+ Electric Motor Rebate Program: NorthWestern contracted with KEMA to operate this new DSM program that offers cash rebates for purchase of premium efficiency electric motors. Prescriptive rebates are offered for motors rated between 1 and 200 horsepower. Larger motors can qualify for rebates with individual, application-specific calculations performed by NorthWestern. Program marketing included motor management seminars by NEEA's motor program contractor at 3 locations in Montana (Butte, Billings, Missoula) that were attended by 65 persons from schools and universities, municipalities, health care facilities, mining firms, engineering firms and various other commercial and industrial companies. One motor rebate application has been received and paid through this program during the 2007-08 tracker period.

   NorthWestern is modifying this program to include motor rewinding. NEEA completed work to develop procedures and protocol that avoid motor efficiency losses when motors are refurbished. Motor rewinding that adheres to this protocol will qualify for rebates from NorthWestern through this program. Currently there are three electric motor service centers in the NorthWestern service area that perform this service. KEMA made visits and presentations to electric motor dealers in the NorthWestern Montana service area to introduce and promote this program.

Additional information about these DSM programs is available at NorthWestern's website at http://www.northwesternenergy.com/showitem.aspx?M=1632&I=296.

Q. Does NorthWestern plan to offer these programs again in the 2008-09 tracker period?

A. Yes. NorthWestern will continue its contracts with outside service providers and will offer this same group of electric DSM programs during the 2008-09 tracker period. Additional effort will be made to increase customer awareness of and participation in the programs.

Q. Are there other changes or activities that have occurred with respect to NorthWestern's DSM effort?

A. The NorthWestern DSM work group carefully reviewed the recommendations provided by NEXANT[1] for changes to the DSM programs and made certain modifications to its DSM Programs in early 2008. Also, because electric supply avoided costs have increased, NorthWestern revisited and subsequently increased the level of incentives and rebates offered to DSM program participants for various DSM measures. Prior to making specific changes to DSM programs, NorthWestern DSM staff conferred with members of the Electric Technical Advisory Committee regarding acceptance and implementation of the NEXANT recommendations for program modifications, and also for proposed changes to the rebates/incentives.

In March 2008, NorthWestern filled a new incremental professional DSM staff position. Among various other DSM-related duties, this new staff will serve as the lead on a new energy efficiency project referred to as the Missoula Green Blocks Project.

Q. Please provide additional detail on the new Green Blocks Project.

A. The Missoula Green Blocks Project is a partnership effort with the City of Missoula and others that will provide DSM services to a selected group of residential buildings at no direct cost to the property owners. NorthWestern Energy approached the Missoula Mayor's Advisory Council on Climate Change and Sustainability with the program concept in early 2008. The Mayor appointed a steering committee to work with NorthWestern to develop the program objectives and a work plan that would identify the target homes through a neighborhood application process. The steering committee will select the final groups of homes that will receive the DSM services, and NorthWestern will perform home energy audits and install cost-effective DSM measures. NorthWestern will fund 100% of the cost of the audits and DSM measures using a combination of USB and DSM funds. The work will be performed during the summer months of 2008 and is expected to be complete by fourth quarter 2008. NorthWestern

[1] NEXANT, Inc. was retained to perform a comprehensive evaluation of NorthWestern DSM programs. This work was completed in 2007 and filed with the Montana Public Service Commission in Docket D2007.5.46.

will monitor energy savings and evaluate cost-effectiveness of this 100% funding approach in the year following completion of the project. Refer to Exhibit__(WMT-5) for more detailed information about the Green Blocks Project.

Q. What other actions have been taken or are planned in 2008-09 to continue development of NorthWestern's overall DSM effort?

A. NorthWestern will continue to monitor the work of its services providers with regard to timeliness and quality of contract deliverables, adherence to program guidelines and spending limits, accuracy of invoices, recruitment of customers and retailers into the various programs, quality of program records required for future evaluation, and other indicators of contractor performance. Based on its determination as to whether these contractors are providing satisfactory services, NorthWestern will either renew its agreements with them for continued DSM Program work, or seek proposals from others for similar services.

A DSM Assessment was performed in 2003 that established the present target of approximately 100 aMW of total electric DSM potential. From that work, annual DSM targets of 5.0 aMW were established. The electric avoided costs used in the 2003 DSM Assessment are no longer current, as the expected future electricity price has risen. Higher electric costs from NorthWestern's 2007 Electric Resource Procurement Plan were used to establish new levels for DSM program incentives and rebates. In consideration of these higher avoided costs and the potential for additional DSM measures that meet the test for cost-effectiveness and should be included in its DSM programs, NorthWestern will hire an outside service provider in 2008 to perform the research and analysis necessary to update the DSM Assessment. This work is expected to be complete in 2009 and used to inform the next update of the Electric Resource Procurement Plan on the revised potential for electric DSM resources.

Recovery of DSM Program Costs and Lost Revenues

Q. What are the DSM Program costs for Tracker Year 2008-09 and how does NorthWestern propose to recover them?

A. Exhibit__(WMT-2) presents budget figures for individual supply DSM Programs that total $4,917,141 (refer to cell T38) for the 2008-09 Tracker Year. This amount represents estimated DSM Program costs and is included as a line item with other supply expenses in the testimony of Frank V. Bennett. The electric supply rates established to recover all supply power expenses would include recovery of $4,917,141 for DSM Program costs projected for 2008-09.

Q. Does NorthWestern propose to continue recovery of Lost Revenues associated with DSM program activity?

A. Yes. Effective January 1, 2008 electric transmission and distribution rates were revised[2] based on updated historical test period data that includes the effects on total energy sales of past DSM program activity. Because DSM Lost Revenues are a function of reduced transmission and distribution throughput caused by DSM activity, when the transmission and distribution rates are reset in a general revenue requirements proceeding, it is also necessary to reset the calculation of DSM Lost Revenues to zero at the same time, in this instance, January 1, 2008.

Q. Please describe the individual components of the Electric DSM Lost Revenues spreadsheet and the various data inputs used in its calculations.

A. The Electric DSM Lost Revenues calculation is performed using a spreadsheet workbook model, included herein as Exhibit__(WMT-3), that is comprised of 7 separate worksheet tabs (name of tab in bold below) that compile program budgets, costs, energy savings estimates, rates, revenues and adjustment factors into a series of calculations that result in DSM Lost Revenues. Additional notes and explanations are included on the individual spreadsheet Tabs, identified as separate pages of Exhibit__(WMT-3).

1. **LR Summary** (Exhibit__(WMT-3), page 1) presents the result of the forecasted DSM Lost Revenue computations for the upcoming tracker period that are performed on the subsequent tabs.

2. **Rates** (Exhibit__(WMT-3), page 2) details rates in effect for residential and GS-1 customers by line item. The Electric DSM Lost Revenue calculations use only transmission and distribution rates from this worksheet Tab as inputs to Tab 7 Calc Lost Revenues. These rates are updated each time the Electric DSM Lost Revenues exhibit is prepared for the annual Electric Supply Tracker filing.

3. **Res and CI Energy Savings** (Exhibit__(WMT-3), page 3) uses the annual DSM targets and disaggregates them into annual residential and commercial/industrial energy savings targets. These factors are updated each year as NorthWestern gains experience operating DSM programs, collects program participation data and observes the proportion of energy savings contributed by each customer segment toward annual DSM targets.

4. **C&I Demand Sav** (Exhibit__(WMT-3), page 4) uses C&I energy savings developed in Tab 3 to determine total C&I annual demand reduction in kilowatt-months (kw-mths). The inputs on this Tab include the average monthly load factor and a coincidence factor. The monthly load factor is derived from NorthWestern load research data and the coincidence factor is estimated at this time. These inputs will be updated in future years as program experience and load research studies indicate necessary.

5. **Savings by Cust Class** (Exhibit__(WMT-3), page 5) develops program reported billing savings based on annual energy savings in kWh for the residential class and annual energy savings and demand savings in kw-mths for the C&I class. Demand savings is further disaggregated between GS-1 secondary non-demand and GS-1 primary non-demand. Inputs on this Tab are the percentage savings by service level

[2] Refer to Electric Supply Service D2007.7.80, Tariff 144-E and General Rate Case D2007.7.82 Interim Order

for commercial and industrial Supply customers. The percentages are based on actual program experience. The calculations on this Tab are driven by results from Tabs 3 and 4.

6. **Adjustment Factors** (Exhibit__(WMT-3), page 6) develops factors to be applied to residential and C&I program reported billing savings for purposes of calculating lost revenues. These factors recognize that actual savings obtained typically differ and are generally less than program savings based solely on engineering calculations. These factors are taken from the findings and conclusions of the 2007 NEXANT DSM Evaluation.

7. **Calc Lost Revenues** (Exhibit__(WMT-3), page 7) calculates lost revenues based on input from Tabs 2, 5 and 6. Results from this Tab are used as input to Tab 1.

Q. What amounts are you proposing to include as an adjustment to supply rates to recover Lost Revenues?

A. The electric DSM Lost Revenues presented here as Exhibit__(WMT-3) provide updated calculations of electric Lost Revenues. The 2007-08 tracker period Lost Revenues (forecasted one year ago in the previous tracker filing) have been updated to reflect reported energy savings from actual observed program activity during July 2007 through April 2008, and estimates for energy savings from program activity in May and June 2008. In addition, the calculation of electric DSM Lost Revenues for the 2007-08 tracker period reflect a reset to a zero starting point of January 1, 2008 related to establishment of new transmission and distribution rates. These calculations are performed in the same manner as previous DSM Lost Revenue calculations in NorthWestern's 2004-05, 2005-06, 2006-07, and 2007-08 electric tracker dockets. New values for Adjustment Factors developed by NEXANT are incorporated into the calculations. The Electric DSM Lost Revenues for the tracker period 2008-09 include energy savings produced by DSM measures installed during the January 1 – June 30, 2008 time period, and also for

forecasted energy savings from DSM measures installed during the 2008-09 tracker period.

NorthWestern proposes that electric supply rates include recovery of the amount of $1,192,287 for Electric DSM Lost Revenues for the forthcoming 2008-09 Tracker Year (refer to cell D8 on page 1 of Exhibit__(WMT-3). This amount is included for cost recovery as a separate line item in the Supply Tracker presented in the testimony of Frank Bennett.

Q. How are Electric Lost Revenues trued-up?

A. When each annual Supply Tracker is prepared, Lost Revenues are estimated looking forward, using cumulative electric DSM savings, and included in the overall tracker calculations presented in the testimony of Frank Bennett. Each successive year, the cumulative DSM savings number is recalculated using reported energy savings from the just-concluded tracker period (2007-08 in this case), and added to the future estimate of additional electric DSM savings for the forthcoming tracker period (2008-09 in this case). Thus, previous program year estimates are corrected each year moving forward based on reported DSM savings for that same period. The estimated Lost Revenues use updated DSM savings amounts and updated transmission and distribution rates in effect at the time the calculations are prepared. Over collection or under collection of Lost Revenues that results from differences between forward-looking DSM savings estimates (used to prepare the Electric DSM Tracker) and reported DSM Savings (at the end of that same tracker period) is handled in the Electric Supply Tracker deferred account that nets any DSM over/under collections with other electric supply transactions. The deferred account balance is then collected from or returned to customers over the next 12-month period. In this 2008-09 tracker period calculation of Electric DSM Lost Revenues there has been an appropriate reset of the calculations to a zero starting point of January 1, 2008 because of new of transmission and distribution rates.

Q. Please discuss the update to Lost Revenues that is related to establishment of new transmission and distribution rates.

A. In the previous Electric Supply Tracker (Docket No. D2007.5.46), electric DSM Lost Revenues were forecast for the forthcoming tracker period July 2007 – June 2008. At the

time this work was completed, NorthWestern was using Adjustment Factors in the Lost Revenue calculations (refer to Exhibit__(WMT-3), Tab 4) that were several years old. When the NEXANT DSM Evaluation was completed, revised Adjustment Factors were developed. These original 2007-08 Lost Revenue calculations used a forward-looking 12-month period of energy savings that included the expected new incremental savings from DSM program activity, plus the accumulated energy savings from program participation in the previous tracker periods dating back to July 2004.

When new transmission and distribution rates became effective, the previous accumulated energy savings were no longer relevant or appropriate to include in Lost Revenue calculations. When new rates become effective the accumulated past DSM-related energy savings are reset to zero. The date of this reset is January 1, 2008 and the effect on the original 2007-08 Lost Revenues is twofold:

- The past accumulated energy savings (from tracker periods 2004-05, 2005-06 and 2006-07) becomes zero as of the effective date for the new rates on January 1, 2008; and
- These accumulated energy savings are correctly considered in the 2007-08 Lost Revenue calculations only for the first six months of the tracker period (July-December 2007), and not for the full 12 months.

Exhibit__(WMT-4) presents the results of the Updated Lost Revenues calculation for the tracker period 2007-08, incorporating the reported savings, new Adjustment Factors, the revised time period for use of cumulative energy savings, the revised time period using energy savings that begin to accumulate from the point of reset on January 1, 2008, and the revised transmission and distribution rates implemented on that same date. The net result of these changes is that Lost Revenues were under-estimated in the amount of $359,098 for the 2007-08 tracker period.

The total Updated Lost Revenues are shown in cell B22 as the amount of $1,907,933. The total amount for the original Lost Revenues appears in cell B23 as the amount of $1,548,835. The difference between the Updated Lost Revenues and the original Lost

Revenues is $359,098. This amount is entered as an adjustment to the 2007-08 tracker period in the month May 2008.

Q. Does this complete your testimony?

A. Yes, it does.

Table A: Reported Electricity Savings From 2007-08 USB and DSM Program Activity

Programs	Annualized Energy Savings			
	USB		Default Supply DSM	
	kWh	aMW	kWh	aMW
General DSM Expenses	-	-	-	-
E+ Residential & Commercial Audits	1,557,817	0.18		-
E+ Business Partners/Irrigation		-	5,848,963	0.67
E+ Irrigation	167,804	0.02		-
E+ Commercial Lighting		-	3,222,277	0.37
E+ Residential Lighting		-	17,055,499	1.95
Builder Operator Certification	5,112,036	0.58		-
NW Energy Efficiency Alliance		-	10,230,577	1.17
Free Weatherization & Fuel Switch	258,928	0.03		-
Renewable Generation/Education	317,385	0.04		-
E+ Residential New Construction/ES Home		-	63,917	0.01
E+ Residential Electric Savings		-	124,505	0.01
Demand Response Program		-	-	-
Total	7,413,970	0.85	36,545,738	4.17

USB + DSM savings acquired in 2007-08 Tracker Period (aMW):	5.02

Table B: Residential and Commercial Savings for Calculation of Lost T & D Revenues

Programs	USB + DSM Programs						
	% Residential	kWh	% Commercial	kWh	Total kWh	Residential % of Total[1]	Commercial % of Total[1]
E+ Residential & Commercial Audits	89.0%	1,386,457	11.0%	171,360	1,557,817		
E+ Business Partners/Irrigation	0.0%	-	100.0%	5,848,963	5,848,963		
E+ Irrigation	0.0%	-	100.0%	167,804	167,804		
E+ Commercial Lighting	0.0%	-	100.0%	3,222,277	3,222,277		
E+ Residential Lighting	100.0%	17,055,499	0.0%	-	17,055,499		
Builder Operator Certification	0.0%	-	100.0%	5,112,036	5,112,036		
NW Energy Efficiency Alliance[1]	93.0%	9,514,437	7.0%	716,140	10,230,577		
Free Weatherization & Fuel Switch	100.0%	258,928	0.0%	-	258,928		
Renewable Generation/Education	78.2%	248,239	21.8%	69,146	317,385		
E+ Residential New Construction/ES Home	100.0%	63,917	0.0%	-	63,917		
E+ Residential Electric Savings	100.0%	124,505	0.0%	-	124,505		
Demand Response Program	0.0%	-	100.0%	-	-		
Total		28,651,982		15,307,726	43,959,708	65.2%	34.8%

Note 1: Overall Residential and Commercial percentages are used in calculation of Lost Revenues in Exhibit __(WMT-4).

Electric Supply DSM Program Spending & Budget

Electric DSM Program Spending	Order	Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08
		2007-08 Tracker Year											
		Actual Recorded Spending - from SAP Records										**Estimated**	
DSM Assessment	17016	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
General Expenses Related to All DSM Programs	17054	130,584	854	69,511	1,275	22,751	18,208	8,507	37,609	13,810	35,338	-	-
Residential Lighting Program	17055	4,499	224,722	183,944	4,352	266,292	124,624	47,917	1,750	93,394	8,680	194,561	250,000
Residential Electric Savings Program	17056	4,119	-	3,557	8,177	-	6,419	6,379	-	14,681	4,657	5,000	5,000
Residential New Construction Program	17059	3,391	362	2,067	557	-	-	-	439	-	-	-	-
Commercial Lighting Program	17060	-	13,799	20,640	6	37,069	38,568	2,951	-	31,291	2,438	33,984	2,500
Electric Motor Rebates Program	17061	340	-	1,372	215	-	483	383	-	2,914	520	1,000	1,000
Commercial Business Partners Program	17063	90,499	95,830	91,452	334,810	18,031	95,528	46,044	68,693	52,024	40,588	199,000	226,860
Demand Response Program	17065	-	58	-	58	63,922	-	-	-	295	100	-	-
Market Transformation (NEEA)	17067	-	5	86,135	194	-	108	85,902	5	87,234	-	-	85,000
Monthly Total Spending		$ 233,432	$ 335,631	$ 458,677	$ 349,644	$ 408,066	$ 283,938	$ 198,083	$ 108,495	$ 295,643	$ 92,321	$ 433,545	$ 570,360
Cumulative Total Spending (for 2007-08 Tracker Year)		$ 233,432	569,062	1,027,740	1,377,383	1,785,449	2,069,387	2,267,470	2,375,966	2,671,609	2,763,930	3,197,474	**3,767,834**

Note: Actual DSM Program expenses as of April 30, 2008; May & June 2008 and beyond are estimates.

Electric DSM Program Spending	Order	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09
		2008-09 Tracker Year											
		Estimated											
DSM Assessment	17016	-	-	-	-	-	-	-	10,000	10,000	10,000	10,000	10,000
General Expenses Related to All DSM Programs	17054	143,642	940	76,462	1,402	25,026	20,029	9,358	41,370	15,191	38,872	-	-
Residential Lighting Program	17055	4,949	247,194	202,338	4,787	292,922	137,087	52,708	1,925	102,733	9,548	214,017	275,000
Residential Electric Savings Program	17056	4,530	-	3,912	8,995	-	7,061	7,017	-	16,150	5,123	5,500	5,500
Residential New Construction Program	17059	3,730	398	2,274	613	-	-	-	483	-	-	-	-
Commercial Lighting Program	17060	-	15,179	22,704	7	40,776	42,425	3,247	-	34,421	2,681	37,382	2,750
Commercial Motor Rebates Program	17061	374	-	1,509	237	-	531	421	-	3,205	572	1,100	1,100
Commercial Business Partners Program	17063	99,549	105,413	100,597	368,291	19,834	105,081	320,000	150,000	270,000	44,646	218,900	249,546
Demand Response Program	17065	-	64	-	64	70,314	-	-	-	325	110	-	-
Market Transformation (NEEA)	17067	-	-	136,250	-	-	136,250	-	-	136,250	-	-	136,250
Monthly Total Spending		$ 256,775	369,188	546,047	384,394	448,873	448,463	392,751	203,778	588,274	111,553	486,899	680,146
Cumulative Total Spending (for 2008-09 Tracker Year)		$ 256,775	625,963	1,172,009	1,556,404	2,005,276	2,453,739	2,846,491	3,050,269	3,638,542	3,750,095	4,236,995	**4,917,141**

	C	D
1	**Electric DSM Lost Revenues**	
2		
3		
4		**DSM Lost Revenue**
5	**Time Period**	**Forecast**
6		
7	January-June 2008	$ 297,499
8	Tracker 2008-09	$ 1,192,287

Electric DSM Lost Revenues

Jan-June 2008				**2008-09**					
Rates as of January 1, 2008				Rates as of January 1, 2008					Indicates line items used in lost revenue calcs.
Residential:				**Residential:**					
Supply Energy	$0.056600	per kwh		Supply Energy	$0.056600	per kwh			
Supply Deferred Costs	-$0.002865	per kwh		Supply Deferred Costs	-$0.002865	per kwh			
Transmission Energy	$0.008803	per kwh		Transmission Energy	$0.008803	per kwh			
Distribution Energy	$0.027401	per kwh		Distribution Energy	$0.027401	per kwh			
BPA Credit Exchange	$0.000449	per kwh		BPA Credit Exchange	$0.000449	per kwh			
CTC-QF	$0.003209	per kwh		CTC-QF	$0.003209	per kwh			
USBC	$0.001334	per kwh		USBC	$0.001334	per kwh			
Distribution Service Charge	$5.00	per month		Distribution Service Charge	$5.000000	per month			
GS 1 Secondary, non-demand				**GS 1 Secondary, non-demand**					
Supply Energy	$0.051201	per kwh		Supply Energy	$0.051201	per kwh			
Supply Deferred Costs	-$0.002865	per kwh		Supply Deferred Costs	-$0.002865	per kwh			
Transmission Energy	$0.008007	per kwh		Transmission Energy	$0.008007	per kwh			
Distribution Energy	$0.037077	per kwh		Distribution Energy	$0.037077	per kwh			
CTC-QF	$0.003209	per kwh		CTC-QF	$0.003209	per kwh			
USBC	$0.001143	per kwh		USBC	$0.001143	per kwh			
Distribution Service Charge	$7.45	per month		Distribution Service Charge	$7.450000	per month			
GS 1 Secondary, demand				**GS 1 Secondary, demand**					
Supply Energy	$0.056600	per kwh		Supply Energy	$0.056600	per kwh			
Supply Deferred Costs	-$0.002865	per kwh		Supply Deferred Costs	-$0.002865	per kwh			
Transmission Demand	$2.870244	per kw		Transmission Demand	$2.870244	per kw			
Distribution Energy	$0.004641	per kwh		Distribution Energy	$0.004641	per kwh			
Distribution Demand	$5.850929	per kw		Distribution Demand	$5.850929	per kw			
CTC-QF	$0.003209	per kwh		CTC-QF	$0.003209	per kwh			
USBC	$0.001143	per kwh		USBC	$0.001143	per kwh			
Distribution Service Charge	$8.70	per month		Distribution Service Charge	$8.700000	per month			
General Service - 1 Primary, Non Demand:				**General Service - 1 Primary, Non Demand:**					
Supply Energy	$0.055049	per kwh		Supply Energy	$0.055049	per kwh			
Supply Deferred Costs	-$0.002786	per kwh		Supply Deferred Costs	-$0.002786	per kwh			
Transmission Energy	$0.007859	per kwh		Transmission Energy	$0.007859	per kwh			
Distribution Energy	$0.018019	per kwh		Distribution Energy	$0.018019	per kwh			
CTC-QF	$0.003121	per kwh		CTC-QF	$0.003121	per kwh			
USBC	$0.001143	per kwh		USBC	$0.001143	per kwh			
Distribution Service Charge	$7.45	per month		Distribution Service Charge	$7.450000	per month			
General Service - 1 Primary, Demand:				**General Service - 1 Primary, Demand:**					
Supply Energy	$0.050267	per kwh		Supply Energy	$0.050267	per kwh			
Supply Deferred Costs	-$0.002786	per kwh		Supply Deferred Costs	-$0.002786	per kwh			
Transmission Demand	$3.683143	per kw		Transmission Demand	$3.683143	per kw			
Distribution Energy	$0.007084	per kwh		Distribution Energy	$0.007084	per kwh			
Distribution Demand	$4.044304	per kw		Distribution Demand	$4.044304	per kw			
CTC-QF	$0.003121	per kwh		CTC-QF	$0.003121	per kwh			
USBC	$0.001143	per kwh		USBC	$0.001143	per kwh			
Distribution Service Charge	$24.80	per month		Distribution Service Charge	$24.800000	per month			

Electric DSM Lost Revenues

Annual Energy Savings:

		January-June 2008		Tracker 2008-09	
1) DSM Targets and Results:		**Target**	**Reported**	**Target**	**Reported**
Annual (Avg. MW)		2.50	2.50	5.00	5.02
Cumulative (Avg. MW)		2.50	2.50	7.50	7.52

2) Disaggregate Targets into Residential & Commercial/Industrial[1]

	January-June 2008		Tracker 2008-09	
	Target	**Reported**	**Target**	**Reported**
% Residential	69%	65%	65%	65%
% Commercial & Industrial	31%	35%	35%	35%
Incremental Res. (Avg. MW)	1.72	1.63	3.26	3.27
Cumulative Res. (Avg. MW)	1.72	1.63	4.97	4.90
Incremental C/I (Avg. MW)	0.78	0.87	1.74	1.75
Cumulative C/I (Avg. MW)	0.78	0.87	2.53	2.62
check fig:	2.50	2.50	5.00	5.02

1. Residential/commercial split based on DSM Program results

	January-June 2008		Tracker 2008-09	
3) Cumulative Annual Energy Savings[2]	**Target**	**Reported**	**Target**	**Reported**
Residential (MWH)	7,516	7,135	28,542	28,597
C/I (MWH)	3,434	3,815	15,258	15,287
Total Savings (MWH)	10,950	10,950	43,800	43,884
Total Savings (Avg. MW)	1.25	1.25	5.00	5.01

2. "Half-year convention":
Savings resulting from the "Increment" in any year is reduced by 50% in that year as associated projects are completed and start generating savings at different times throughout the first year. This assumption contemplates that associated projects start generating savings half way through the year on average. In the second year and beyond, projects completed in the first year generate savings for the entire year so the "Increment" is credited at 100% for the second year and each successive year.

	A	B	C	D	E	F	G
1	**Electric DSM Lost Revenues**						
2							
3	**Commercial/Industrial Reduction in Peak Demand:**						
4							
5	**1)**	**Commercial/Industrial Average Monthly Load Factor:**		66%			
6							
7							
8	**2)**	**Calculate Coincident Monthly Demand Reduction:**		**January-June 2008**		**Tracker 2008-09**	
9				**Target**	**Reported**	**Target**	**Reported**
10			C/I Energy Savings (MWH)	3,434	3,815	15,258	15,287
11			C/I Energy Savings (Avg. MW)	0.4	0.4	1.7	1.7
12			C/I Avg. Monthly Demand Reduction (KW/Mth)*	594	660	2,639	2,644
13			C/I Annual Demand Reduction (KW-Mths)	7,128	7,917	31,669	31,730
14							
15							
16							
17	**3)**	**Coincidence Factor:**		100%	*		
18							
19		*	Coincidence Factor is estimated. 100% load factor assumes that, from a billing perspective, the impacts				
20			of class coincidence are offset by the potential of the impacts of specific technologies/projects to be non-coincident with the peak loads				
21			of individual customers.				
22							
23				**January-June 2008**		**Tracker 2008-09**	
24				**Target**	**Reported**	**Target**	**Reported**
25	**4)**	**C/I Annual Demand Reduction (KW-Mths)***		7,128	7,917	31,669	31,730
26							
27		*	Represents total C/I Demand reduction. Tariffs for GS-1 Primary and Secondary non-demand customers do not include a demand charge.				
28			Demand reductions associated with such customers do not result in lost revenues.				
29							

	A	B	C	D	E	F	M
1		**Electric DSM Lost Revenues**					
2							
3							
4	**Estimate Energy and Demand "Bill" Savings for Residential and C/I**						
5							
6			**January-June 2008**		**Tracker 2008-09**		
7			**Target**	**Reported**	**Target**	**Reported**	
8	**1)**	**Residential Savings (KWH)**	7,515,849	7,135,495	28,541,981	28,596,982	
9							
10	**2)**	**C/I Savings**					
11		Energy (KWH)	3,434,151	3,814,505	15,258,019	15,287,422	
12		Demand (KW-Mths)	7,128	7,917	31,669	31,730	
13							
14							
15	**3)**	**Disaggregate C&I Savings by service level (tariff)**					
16							
17		C&I Savings is broken out as:*					
18		GS-1 Secondary, non demand	1.0%	1.0%	1.0%	1.0%	
19		GS-1 Secondary, demand	98.0%	98.0%	98.0%	98.0%	
20		GS-1 Primary, non demand	0.0%	0.0%	0.0%	0.0%	
21		GS-1 Primary, demand	1.0%	1.0%	1.0%	1.0%	
22		Total C&I	100%	100%	100%	100%	
23							
24		* 2004-07 DSM Program records indicate that almost all C&I DSM projects are for GS-1 secondary demand accounts.					
25		Only one project occurred at a GS-1 Primary, demand account).					
26							
27							
28							
29	**4)**	**C&I Reported Programmatic "Bill" Savings Based on Breakout in 3) Above:**					
30							
31			**January-June 2008**		**Tracker 2008-09**		
32			**Target**	**Reported**	**Target**	**Reported**	
33		**Energy (KWh)**					
34		GS-1 Secondary, non demand	34,342	38,145	152,580	152,874	
35		GS-1 Secondary, demand	3,365,468	3,738,215	14,952,859	14,981,673	
36		GS-1 Primary, non demand	0	0	0	0	
37		GS-1 Primary, demand	34,342	38,145	152,580	152,874	
38		Check Total	3,434,151	3,814,505	15,258,019	15,287,422	
39							
40		**Demand (KW-mth)**					
41		GS-1 Secondary, demand	6,985	7,759	31,035	31,095	
42		GS-1 Primary, demand	71	79	317	317	
43		Total*	7,056	7,838	31,352	31,413	
44							
45		Totals are less than totals in row 12 above because non-demand C&I customers are not billed for demand.					
46							

Electric DSM Lost Revenues

Adjustment Factors (Net Savings Adjustment Ratios)

The Net Savings Adjustment Ratios for these tracker periods are derived from the results of NEXANT's DSM Evaluation.

Residential Segment	**Net Savings Adjustment Ratio**
All	0.872

Commercial/Industrial Segment	**Net Savings Adjustment Ratio**
All	0.824

Electric DSM Lost Revenues

January-June 2008

Residential

Bill Line Item	Rate[1] ($ per kwh)		Gross Program Savings (kwh)		Adjustment Factor	Net Savings (kwh)		Estimated Lost Revenue ($)
Transmission Energy	0.008803		7,135,495		0.87	6,223,381		54,784
Distribution Energy	0.027401		7,135,495		0.87	6,223,381		170,527
				Sub Total Residential:		**6,223,381**		**$ 225,311**

Commercial & Industrial

Bill Line Item	Rate[1] ($ per kwh)	Rate[1] ($ per kw-mth)	Gross Program Savings (kwh)	Gross Program Savings (kw-mth)	Adjustment Factor	Net Savings (kwh)	Net Savings (kw-mth)	Estimated Lost Revenue ($)
GS-1 Secondary, non demand, TX Energy	0.008007		38,145		0.82	31,427		252
GS-1 Secondary, non demand, Dist. Energy	0.037077		38,145		0.82	31,427		1,165
GS-1 Secondary, demand, TX Demand		2.870244		7,759	0.82		6,392	18,348
GS-1 Secondary, demand, Dist. Energy	0.004641		3,738,215		0.82	3,079,895		14,294
GS-1 Secondary, demand, Dist. Demand		5.850929		7,759	0.82		6,392	37,402
GS-1 Primary, non demand, TX Energy	0.007859		0		0.82	0		0
GS-1 Primary, non demand, Dist. Energy	0.004641		0		0.82	0		0
GS-1 Primary, demand, TX Demand		3.683143		79	0.82		65	240
GS-1 Primary, demand, Dist. Energy	0.007084		38,145		0.82	31,427		223
GS-1 Primary, demand, Dist. Demand		4.044304		79	0.82		65	264
			Sub Total Commercial & Industrial:			**3,142,750**		**$ 72,187**
		January-June 2008 Totals:				**9,366,131**		**$ 297,499**

Note 1: using rates in effect at the time (see Rates tab)

Tracker 2008-09

Based on Cumulative DSM Savings Since January 2008

Residential

Bill Line Item	Rate[1] ($ per kwh)		Gross Program Savings (kwh)		Adjustment Factor	Net Savings (kwh)		Estimated Lost Revenue ($)
Transmission Energy	0.008803		28,596,982		0.87	24,941,494		219,560
Distribution Energy	0.027401		28,596,982		0.87	24,941,494		683,422
				Sub Total Residential:		**24,941,494**		**$ 902,982**

Commercial & Industrial

Bill Line Item	Rate[1] ($ per kwh)	Rate[1] ($ per kw-mth)	Gross Program Savings (kwh)	Gross Program Savings (kw-mth)	Adjustment Factor	Net Savings (kwh)	Net Savings (kw-mth)	Estimated Lost Revenue ($)
GS-1 Secondary, non demand, TX Energy	0.008007		152,874		0.82	125,952		1,008
GS-1 Secondary, non demand, Dist. Energy	0.037077		152,874		0.82	125,952		4,670
GS-1 Secondary, demand, TX Demand		2.870244		31,095	0.82		25,619	73,533
GS-1 Secondary, demand, Dist. Energy	0.004641		14,981,673		0.82	12,343,318		57,285
GS-1 Secondary, demand, Dist. Demand		5.850929		31,095	0.82		25,619	149,896
GS-1 Primary, non demand, TX Energy	0.007859		0		0.82	0		0
GS-1 Primary, non demand, Dist. Energy	0.018019		0		0.82	0		0
GS-1 Primary, demand, TX Demand		3.683143		317	0.82		261	963
GS-1 Primary, demand, Dist. Energy	0.007084		152,874		0.82	125,952		892
GS-1 Primary, demand, Dist. Demand		4.044304		317	0.82		261	1,057
			Sub Total Commercial & Industrial:			**12,595,223**		**$ 289,305**
		Tracker 2008-09 Totals:				**37,536,717**		**$ 1,192,287**

Note 1: using rates in effect at the time (see Rates tab)

Update to 2007-08 Electric DSM Lost Revenues

These figures present the updated Electric DSM Lost Revenues for the 2007-08 period. This was done because of the reset to a zero starting point in January 2008 with new T&D rates.

Reset of Lost Revenues

Tracker Period Lost Revenues	LR Amount	2007-08 Tracker period												2008-09 Tracker period		
		Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08
July-December 2007-08 updated for "reset" of T&D rates	$ 1,610,435	268,406	268,406	268,406	268,406	268,406	268,406									
January-June 2008	$ 297,499							49,583	49,583	49,583	49,583	49,583	49,583			
Tracker 2008-09	$ 1,192,287													99,357	99,357	99,357

This data from D2008.5.45 Exhibit__(WMT-3)

Memo:

Original 2007-08 Electric DSM Lost Revenues
(refer to testimony of Frank Bennett; Exhibit__(FVB-1) workpapers
page 4, line 88)

2007-08 Tracker period											
Jul-07	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08	Jun-08
240,888	240,888	240,888	240,888	142,288	142,288	50,385	50,385	50,385	50,385	49,583	49,583

Total amount of updated 2007-08 Lost Revenues (sum of range C8..N10)	$ 1,907,933
Total amount of original 2007-08 Lost Revenues (sum of range C20:N20)	$ 1,548,835
Difference	**$ 359,098**

Note: this amount was undercollected during the 2007-08 period
Despite the update for a half year, the NEXANT Adjustment Factors
and residential/commercial DSM percentages were different from
the original forecasted values, resulting in additional
net adjusted energy savings used in the Lost Revenue calculations.
This amount of additional Lost Revenues will be added as
a correcting entry in the 2007-08 electric tracker period (May 2008).

Missoula Green Blocks Project Summary

The City of Missoula has partnered with NorthWestern Energy on an energy conservation project called “Green Blocks” that will provide energy audits and some energy conservation measures free of charge to eight residential blocks in Missoula. This pilot project will heighten public awareness of NorthWestern Energy’s energy conservation programs. The project group consists of the Missoula Mayor's Advisory Group on Climate Change, the Mayor's staff, Allied Waste Co., Mountain Water Co., and NorthWestern Energy members. The city of Missoula has created a website for the project: http://www.ci.missoula.mt.us/greenblocks.htm and inquiries about the Green Blocks program, applications, or selection process should be directed to the Missoula Mayor's Office at 435 Ryman, or to Kisha Schlegel, Grants Administrator for Missoula (406-258-3688).

Information regarding the Green Blocks project was presented to the Missoula Community Forum on April 24, 2008. Applications for the program were distributed at the meeting and can also be found on the website created by the City of Missoula. Four (4) two-block areas will be selected in early June by the Green Blocks steering committee, which is made up of citizen members of the Mayor’s advisory group and some city staff members. Applications must be submitted to the Mayor's Office (435 Ryman, Missoula, MT 59802) by May 22, 2008. NorthWestern Energy is neither handling applications nor choosing the participating residences. One person who will coordinate the entire two-block application must submit all individual residential applications. Individual residents may not apply.

To participate, residents must be located in the city of Missoula and must be NorthWestern Energy electricity and/or natural gas customers. Homes should use electricity or natural gas for their primary space heat. Neither commercial buildings nor homes built after 1990 are eligible. Owner-occupied, single family homes are preferred but not required. A 90% participation rate for each two-block area is preferable, meaning that 90% of the residential addresses in the two-block area will need to submit an individual application and agree to participate. It is desirable to demonstrate energy savings across a broad spectrum of housing vintages. Therefore, each two-block area selected should represent a distinct, predominant vintage of homes ranging from homes built before 1920 to homes built before 1990.

All participants will be required to sign a participant agreement allowing access to the home and allowing for the contractors to perform the work. The form also relieves NorthWestern Energy and its subcontractors from liability. Renters will need permission from their landlords to participate. Likewise, the tenant must grant access for the audit and for the contractor work. Selected participants must be present at the time of any scheduled work and follow-up inspection of work performed. Residents are also expected to participate in a phone survey after work on their homes is complete and should be willing to participate regarding general coverage of the project and its results.

KEMA, NorthWestern Energy's contractor, will coordinate and oversee all energy-related project work, record information about energy saving measures installed or performed in each home, and provide several participant informational meetings. KEMA and NorthWestern Energy audits and insulation work are performed and tracked independently from conservation audits and measures installed by other program partners like Allied Waste and Mountain Water. However, the other program participants may choose to coordinate their audit times with the NorthWestern Energy audits to minimize time required by the homeowners.

Once the four participating two-block areas have been selected, KEMA will first conduct an energy audit for each participating household. For the Green Blocks project, no one will be excluded from the Energy Audit process because they have already had an audit but, depending on the amount of information already available about the home (e.g., previous audits), the approach to the audit may be modified.

During the energy audit KEMA will perform typical residential energy audit tasks such as customer education, gas appliance checklist, blower door test, installation of common energy saving measures or implementation of no-cost energy saving system modifications, RECAP analysis of structures, and delivery of audit summary findings. If water or space heat equipment is found to be unsafe during the audit, a Service Order will be submitted to NorthWestern Energy and if the unit is found unsafe by the NorthWestern Energy service staff, it will be condemned. The customers must then use their own money to fix or replace the equipment.

Where applicable, the following items will be installed or systems modified by KEMA personnel during the home audit process with no limit as to quantity of materials or number of systems modified:

- Weather-stripping for exterior swing-type doors
- Door sweeps for exterior swing-type doors
- Foam gap sealant or caulk for exterior walls, doors and windows
- Window plastic for single pane windows
- Electrical outlet and switch plate cover gaskets for exterior walls (may be left with customer if time does not allow installation)
- Low-flow kitchen sink aerators
- Low-flow bathroom sink aerators
- Low-flow shower heads
- Programmable thermostats to replace existing thermostats
- CFLs (screw-in type) in locations with at least 3 hours usage per day
- Hot water tank insulation wrap and 10' of hot water tank pipe insulation (where accessible)
- System adjustments recommended by the home auditor such as reduction of temperature on hot water heater, unplugging unused appliances, vacuuming refrigerator coils, etc.

Where the energy audit recommends additional insulation be installed and where insulation type and level would be rebated under the Residential Electric and Gas Savings programs, KEMA will arrange for installation of the required level of insulation by a preferred contractor. If loose fill insulation is identified as containing vermiculite, a test for the presence of asbestos will be performed before performing a blower door test during the audit or before insulation work can begin. If asbestos is identified, no blower door test will be performed in the audit and no insulation will be installed. Structural or electrical modifications will not be performed.

- Attic insulation (existing insulation must be less than R19 to qualify)
- Basement wall insulation (existing insulation must be R0 to qualify)
- Crawl space wall insulation (existing insulation must be R0 to qualify)
- Exterior above grade wall insulation (existing insulation must be R0 to qualify)

The following activities will not be performed on the day of the home audit; if required, insulation may be installed/increased by a preferred contractor.

The energy audit and all applicable energy savings measures and insulation are installed free-of-charge to the customer. USB funding pays for audits and DSM funding pays for all other energy saving measures. Measures selected for use by NorthWestern Energy in this program have proven to be cost effective in existing residential energy savings programs. Individual measures installed are tracked by household and captured within their respective, existing NorthWestern Energy programs. It is estimated that NorthWestern Energy may spend $1,000 to $2,000 per home for the audit and insulation work depending on the applicable energy saving measures installed. Since the City of Missoula provides the marketing and outreach for the Green Blocks project, NorthWestern Energy can stretch conservation funding by spending marketing money on real conservation.

Energy audits should be complete by the end of July and insulation work may continue through the end of September. Once all energy savings measures have been installed, NorthWestern Energy will track energy use for at least one year to note any benefits and changes in energy consumption. Mountain Water and Allied Waste will monitor water use and the amount of garbage for three months. Individual and household information will remain confidential and only generalized data will be used to assess the program and for discussion in news coverage and promotion.

Department Of Public Service Regulation
Montana Public Service Commission
Docket No. D2008.5.45
NorthWestern Energy

PREFILED TESTIMONY OF KEVIN MARKOVICH
ON BEHALF OF NORTHWESTERN ENERGY

TABLE OF CONTENTS

Witness Information

Q. Please state your name and business address.

A. My name is Kevin Markovich. My work location is 40 East Broadway, Butte, MT 59701.

Q. By whom are you employed and in what capacity?

A. I am employed by NorthWestern Energy (NWE or NorthWestern) as Director of Energy Supply Market Operations.

Q. Please summarize your educational and employment experiences.

A. I attended Montana State University, graduating in 1983 with a Bachelor of Science degree in Business, Accounting option. Upon graduation, I went to work for Marathon Oil Company in Casper and Cody, WY as a production accountant. In 1985, I enrolled at the University of Wyoming in Laramie where I earned a Master of Business Administration (MBA) degree in December 1986. In 1987, I went to work in the Treasury department of Entech, Inc., a wholly owned subsidiary of The Montana Power Company. In 1996, I transferred to Montana Power Trading & Marketing Company (MPT&M) where I worked in various capacities including real-time electric scheduler, gas marketer, and executive director of retail marketing. In 2000, prior to the sale of MPT&M to Pan Canadian, I transferred to The Montana Power Company, now NorthWestern Energy, where I have worked on numerous energy supply activities. In January 2005 I accepted the Director of Risk Management position and in September 2006 I assumed my current role.

Q. What are your responsibilities as Director of Energy Supply Market Operations?

A. I am responsible for NorthWestern Energy's energy supply market operations including daily, weekly, monthly, and term trading and scheduling activities. This involves developing and maintaining relationships with suppliers, brokers, and other market participants; executing and managing term contracts; negotiating and approving supply arrangements that are consistent with regulatory guidelines and

internal policies; and developing and implementing overall supply strategies to ensure there is adequate supply to meet demand at all times.

Q. Do you hold any professional certifications?

A. Yes. I am a Certified Public Accountant (CPA) and a Certified Cash Manager (CCM).

Purpose of Testimony

Q. What is the purpose of your testimony?

A. My testimony will describe the current state of the proposed Electric Supply Hedging Strategy ("Hedging Strategy") that is described in Appendix 1 of the Electric Default Supply Procurement Plan ("Procurement Plan" or "Plan") filed in December 2007 in Docket No. N2007.11.138, provide an overview of this Hedging Strategy, describe how short and medium term procurement activities were conducted during the 2007 / 2008 tracking period and how we propose to conduct them during the upcoming 2008 / 2009 tracking period.

Electric Supply Hedging Strategy

Q. Please describe the status of the Hedging Strategy referenced above.

A. As I mentioned, the Hedging Strategy was part of NWE's 2007 Procurement Plan that provides the framework for energy supply procurement activities during 2008, 2009 and beyond. The Plan was processed in Docket No. N2007.11.138. A formal hearing before the Montana Public Service Commission ("MPSC" or "Commission") was held on April 16, 2008 during which NWE discussed the Hedging Strategy and answered questions posed by the MPSC and interested parties. As of this date formal comments on the Procurement Plan have not been received from the Commission but are expected some time in mid June.

Q. What hedging program has been utilized while the Plan was being processed?

A. Most of the individual components of the Hedging Strategy have been utilized by NWE for some time. The Hedging Strategy formalizes many of these concepts and tools that have been used to guide short-term procurement activities and adds additional concepts. With the exception of using financial swaps, NWE has formally followed the Hedging Strategy since it was finalized and presented in the 2007 Procurement Plan and will continue to do so pending receipt of the Commission's comments on the plan.

Q. Please provide an overview of the proposed Hedging Strategy included in Appendix 1 of the 2007 Procurement Plan.

A. The Hedging Strategy is a subset of the long term planning process. It is an iterative acquisition process covering resource needs anywhere from years out to the next hour, and it is specific to various time periods (yearly, quarterly, monthly, daily, and hourly). It is a structured approach with specific measures and timelines that provides a guided, disciplined approach to energy procurement over rolling look-forward periods. Its goals are to dampen volatility, enhance price stability, and provide a framework to judge prudence of NWE's procurement activities on behalf of ratepayers.

The Hedging Strategy is flexible, providing ranges instead of static values so that decisions can be made based on prevailing market conditions and not entirely on set, predetermined targets. The goal of the program is to procure a portfolio of resources that is reflective of market conditions over time, not market conditions at one specific point in time. In doing so, price volatility will be reduced which, in turn, will provide more stable prices for customers.

The Hedging Strategy is intended to dampen electricity price volatility in an effective, systematic, and efficient manner. It will not produce prices that are either the lowest or highest possible values, but rather a blended value derived over a wide spectrum of market conditions. The systematic and defined purchases with firm timetables are intended to provide the necessary discipline and direction to avoid

large cliffs of volumetric exposure, and they will reduce the amount of supply that is procured in the hourly or spot market, which is the most volatile market for procuring electricity.

For all the positive attributes of this Hedging Strategy, it is very important to note that it cannot and will not protect customers from electric market price trends. Incorporating concepts that would attempt to do so would subject ratepayers to substantial levels of risk, and would require speculative transactions that could either decrease or increase rates. This type of gambling is the very thing we are trying to avoid.

For specific details of the Hedging Strategy please refer to Appendix 1 of the Electric Default Supply Procurement Plan in Docket No. N2007.11.138.

2007 / 2008 Tracking Period Activities

Q. Please provide an overview of the 2007 / 2008 tracking period.

A. As detailed in Mr. Bennett's testimony, the 2007 / 2008 tracking period contained some substantial changes including: 1) the 300 MW and 150 MW PPL contracts in existence since July 1, 2002 expired and were replaced by a new contract with PPL; 2) a 52 MW contract with PPL at a discount to the Mid Columbia index began on July 1, 2007 and will run through December 31, 2008; 3) additional power from Colstrip 4 at a deep discount to the Mid Columbia index was brought into the portfolio; and 4) the market price for electricity in the latter half of this tracking period increased substantially. NWE was aware of and planned for these changes and ultimately provided the same reliable service customers have become accustomed to.

Q. Did NWE meet an acceptable prudency standard in its energy supply service during the 2007 / 2008 tracking period? If so, why?

A. Yes. Electricity service was never interrupted or restricted at any point during this period due to actions or inactions of the energy supply function; NWE did not

receive any fines or penalties from oversight authorities regarding scheduling or operating performance; all contracts were properly scheduled, administered, checked out, and paid according to the terms and conditions; and, as described above, NWE followed a logical and prudent strategy for procuring energy from the market.

2008 / 2009 Tracking Period Forecast

Q. Please comment on the 2008 / 2009 tracking period forecast.

A. Again, Mr. Bennett's testimony and exhibits provide a detailed forecast of the upcoming tracking period. It should be noted that this is merely a forecast using information that is known at this time; actual results will vary somewhat and will be based on real transactions and prices.

The Hedging Strategy will guide our short and medium term procurement activities. Accordingly, at all times during the tracking period the minimum level of fixed price supply will be met when applying the 24 month look-ahead. We will look for additional buying opportunities if conditions warrant; if not, we will still be within the parameters set forth in the Hedging Strategy.

Specified quarterly and monthly fixed price targets will be followed, and we will continue to use physical swaps and exchanges where appropriate. Financial swaps will not be used until guidance is received from the MPSC in its formal comments on the 2007 Procurement Plan. We will continue to seek other products and transactions that create value and efficiencies.

The market has currently moved away from the hard target levels, but we will remain cognizant of them and take appropriate action if prices reach those levels.

We will utilize a systematic, disciplined approach to energy supply procurement, and we will continue to inform stakeholders of noteworthy changes and developments.

Q. Does this complete your testimony?

A. Yes, it does.