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

May 29, 2009

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

RE: Docket D2009.5.62 – NorthWestern Energy's Electric Supply Tracker Filing - Electric Supply Deferred Cost Account Balance as of June 30, 2009, and the Projected Electric Cost for the 12-Month Period July 1, 2009 through June 30, 2010

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, 2009; and

- Reflects the projected load, supply and related electric costs for the 12-month tracker period July 1, 2009 through June 30, 2010.

Until recently, NorthWestern purchased all of its electricity for its supply customers from wholesale electricity suppliers and passed 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.

As of January 1, 2009, NorthWestern's electric supply function began receiving a portion of its electric supply from energy produced by NWE's share of Colstrip Unit 4 (CU4), as approved by the Commission in Docket D2008.6.69. Consistent with Order No. 6925f issued in that Docket, NorthWestern has separated this electric tracker filing into three components: a market-based supply rate, a CU4 fixed cost of service rate, and a CU4 variable cost of service rate. 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 for electric supply services.

The projected Electric Supply Cost and Supply Deferred Cost in this filing result in a decrease for a typical residential customer using 750 kWh per month of $(2.35) per month or $(28.20) per year on the total bill. This will result in an overall 5.76% decrease for supply-related costs.

The typical residential bill calculation shows the combined effect of the proposed July 1, 2009 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, 2009 rate adjustments the total overall bill decrease 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. A Motion to Consolidate Docket No. D2008.5.45 with Docket No. D2009.5.62;

3. Notice of Filing;

4. Certificate of Service to Media;

5. Notice of Interim Rate Adjustment Request;

6. Prefiled Testimony and Exhibits of David E. Fine, Frank V. Bennett, Cheryl A. Hansen, , Kevin J. Markovich and William M. Thomas, and

7. Supporting Workpapers.

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

NWE proposes an interim order in this 2009 Docket filing that allows implementation of the deferred balance refund and new tracker rates effective July 1, 2009.

NWE's next monthly tracking filing will be for August 1, 2009 unless electric prices move dramatically in either direction prior to June 15, 2009. In such an instance, NWE will file an amended monthly electric cost tracking filing for a July 1, 2009 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. Jason B. Williams
NorthWestern Energy
40 E. Broadway
Butte, MT 59707
(406) 497-3449
jason.williams@northwestern.com

Along with Joe Schwartzenberger and Jason Williams, 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

Joe Schwartzenberger
Director, 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 Application for Approval of Electric Supply Deferred Cost Account Balance and Projected Electric Supply Cost	))))	UTILITY DIVISION DOCKET NO. D2009.5.62

APPLICATION FOR INTERIM AND FINAL RATE ADJUSTMENT

NorthWestern Corporation d/b/a NorthWestern Energy ("NorthWestern" or "Applicant", by and through its undersigned counsel, hereby submits this Application for Approval of Electric Supply Deferred Cost Account Balance and Projected Electric Supply Cost ("Application") to the Montana Public Service Commission ("Commission') in the above-captioned Docket, and in support thereof states as follows:

I.

Applicant's full name and Post Office address are:

NorthWestern Energy
40 East Broadway
Butte, MT 59701

II.

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

III.

The following described tariff sheets are the only electric sheets impacted by the proposals in this Application 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 Commission:

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, incorporated herein by this reference.

IV.

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 in 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

V.

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, 2009 is an over collection of $(22,122,188). This credit consists of $(20,390,683) for the over collection of market-based electric supply costs from July 1, 2008 to June 30, 2009 plus an over collection of $(1,732,778) of Colstrip Unit 4 ("CU4") variable cost. NWE proposes to amortize this over collection balance in rates over the 12-month period ending June 2010. The tracking market, supply and electric costs for the 12-month period, July 1, 2009 to June 30, 2010 produce an electric supply cost per kWh as shown on Appendix A to this filing.

VI.

The proposed new rates contained in Appendix A reflect:

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

2. The projected monthly market supply and electric cost described in Paragraph V.

VII.

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 David E. Fine, Frank V. Bennett, Cheryl A. Hansen, Kevin J. Markovich and William M. Thomas; and
- Supporting Workpapers.

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, 2009, and

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

Respectfully submitted this 29th day of May, 2009.

NorthWestern Energy

By: _____

Jason B. Williams
Attorney for NorthWestern Energy

NorthWestern Energy
Electric Utility
Electric Supply & Deferred Electric Supply Rates
Rate Change Detail
Effective July 1, 2009

Electric Supply Rate ($/kWh)	Current 6/1/2009	Proposed	Rate Change	Percentage Change
Residential	$ 0.057106	$ 0.055043	$ (0.002063)	-3.61%
Employee	$ 0.034264	$ 0.033026	$ (0.001238)	-3.61%
GS-1 Secondary Non-Demand	$ 0.052503	$ 0.050631	$ (0.001872)	-3.57%
GS-1 Secondary Demand	$ 0.057106	$ 0.055043	$ (0.002063)	-3.61%
GS-1 Primary Non-Demand	$ 0.055541	$ 0.053535	$ (0.002006)	-3.61%
GS-1 Primary Demand	$ 0.051464	$ 0.049627	$ (0.001837)	-3.57%
GS-2 Substation	$ 0.055062	$ 0.053073	$ (0.001989)	-3.61%
GS-2 Transmission	$ 0.054730	$ 0.052753	$ (0.001977)	-3.61%
Irrigation	$ 0.052503	$ 0.050631	$ (0.001872)	-3.57%
Lighting	$ 0.052503	$ 0.050631	$ (0.001872)	-3.57%

Deferred Electric Supply Rate ($/kWh)	Current 7/1/2008	Proposed	Rate Change	Percentage Change
Residential	$ (0.002704)	$ (0.003778)	$ (0.001074)	-39.72%
Employee	$ (0.001622)	$ (0.002267)	$ (0.000645)	-39.77%
GS-1 Secondary Non-Demand	$ (0.002704)	$ (0.003778)	$ (0.001074)	-39.72%
GS-1 Secondary Demand	$ (0.002704)	$ (0.003778)	$ (0.001074)	-39.72%
GS-1 Primary Non-Demand	$ (0.002630)	$ (0.003675)	$ (0.001045)	-39.73%
GS-1 Primary Demand	$ (0.002630)	$ (0.003675)	$ (0.001045)	-39.73%
GS-2 Substation	$ (0.002607)	$ (0.003644)	$ (0.001037)	-39.78%
GS-2 Transmission	$ (0.002592)	$ (0.003621)	$ (0.001029)	-39.70%
Irrigation	$ (0.002704)	$ (0.003778)	$ (0.001074)	-39.72%
Lighting	$ (0.002704)	$ (0.003778)	$ (0.001074)	-39.72%

NorthWestern Energy

Typical Bill Calculation

	Electric Residential Service					***CTC-QF, BPA-Credit and Electric Supply**		
			Current Rates			***[1] Proposed Rates***		
	kWh per month	**750**	**Date**			**Date**		
			Effective	Total Bill		**Effective**	Total Bill	
			6/1/2009	Amount		**7/1/2009**	Amount	
	Res. Dist.-Service Charge		$ 4.75	$ 4.75		$ 4.75	$ 4.75	
	Plus:							
	Res. Supply-Energy		$ 0.057106	$ 42.83		$ 0.055043	$ 41.28	
	Res. Deferred Supply Costs		$ (0.002704)	$ (2.03)		$ (0.003778)	$ (2.83)	
	Res. CTC-QF		$ 0.003295	$ 2.47		$ 0.003282	$ 2.46	
	Res. Transmission-Energy		$ 0.008385	$ 6.29		$ 0.008385	$ 6.29	
	Res. Distribution-Energy		$ 0.026101	$ 19.58		$ 0.026101	$ 19.58	
	Res. USBC		$ 0.001334	$ 1.00		$ 0.001334	$ 1.00	
	Res. BPA-Credit		$ (0.001430)	$ (1.07)		$ (0.002759)	$ (2.07)	
	Total Kwh Charge		$ 0.092087	$ 69.07		$ 0.087608	$ 65.71	
	Total Bill		**$ 0.098420**	**$ 73.82**		**$ 0.093941**	**$ 70.46**	
				Monthly Increase (Decrease)			$ (3.36)	
				Annual Increase (Decrease)			$ (40.32)	
				Percent Change			**-4.55%**	

[1] **Column represents the proposed rate changes for CTC-QF, BPA Credit, Electric Supply and Supply Deferred Costs effective on July 1, 2009.**

NorthWestern Energy

Typical Bill Calculation

General Service - Secondary
Non-Demand

						CTC-QF and Electric Supply		
				Current Rates		***[1] Proposed Rates***		
	kWh per month	**3500**		**Date**			**Date**	
				Effective	Total Bill		**Effective**	Total Bill
				6/1/2009	Amount		**7/1/2009**	Amount
GS-1 Dist.-Service Charge				$ 7.10	$ 7.10		$ 7.10	$ 7.10
Plus:								
GS-1 Supply-Energy				$ 0.052503	$ 183.76		$ 0.050631	$ 177.21
GS-1 Deferred Supply Costs				$ (0.002704)	$ (9.46)		$ (0.003778)	$ (13.22)
GS-1 CTC-QF				$ 0.003295	$ 11.53		$ 0.003282	$ 11.49
GS-1 Transmission-Energy				$ 0.007627	$ 26.69		$ 0.007627	$ 26.69
GS-1 Distribution-Energy				$ 0.035318	$ 123.61		$ 0.035318	$ 123.61
GS-1 USBC				$ 0.001143	$ 4.00		$ 0.001143	$ 4.00
Total Kwh Charge				$ 0.097182	$ 340.13		$ 0.094223	$ 329.78
Total Bill				**$ 0.099210**	**$ 347.23**		**$ 0.096250**	**$ 336.88**
					Monthly Increase (Decrease)			$ (10.35)
					Annual Increase (Decrease)			$ (124.20)
					Percent Change			**-2.98%**

[1] **Column represents the proposed rate changes for CTC-QF, Electric Supply and Supply Deferred Costs effective on July 1, 2009.**

NorthWestern Energy

Typical Bill Calculation

General Service - Secondary Demand

	Kw	**11**	
	kWh per month	**3500**	

	Current Rates		[1] *Proposed Rates*	
	Date Effective 6/1/2009	Total Bill Amount	**Date Effective 7/1/2009**	Total Bill Amount
GS-1 Dist.-Service Charge	$ 8.30	$ 8.30	$ 8.30	$ 8.30
Plus:				
GS-1 Supply-Energy	$ 0.057106	$ 199.87	$ 0.055043	$ 192.65
GS-1 Deferred Supply Costs	$ (0.002704)	$ (9.46)	$ (0.003778)	$ (13.22)
GS-1 CTC-QF	$ 0.003295	$ 11.53	$ 0.003282	$ 11.49
GS-1 Transmission-Demand	$ 2.734045	$ 30.07	$ 2.734045	$ 30.07
GS-1 Distribution-Demand	$ 5.573291	$ 61.31	$ 5.573291	$ 61.31
GS-1 Distribution-Energy	$ 0.004421	$ 15.47	$ 0.004421	$ 15.47
GS-1 USBC	$ 0.001143	$ 4.00	$ 0.001143	$ 4.00
Subtotal		$ 312.79		$ 301.77
Total Bill	**$ 0.091740**	**$ 321.09**	**$ 0.088590**	**$ 310.07**
		Monthly Increase (Decrease)		$ (11.02)
		Annual Increase (Decrease)		$ (132.24)
		Percent Change		**-3.43%**

CTC-QF and Electric Supply

[1] **Column represents the proposed rate changes for CTC-QF, Electric Supply and Supply Deferred Costs effective on July 1, 2009.**

NorthWestern Energy

Typical Bill Calculation

General Service - Primary Non-Demand

							CTC-QF and Electric Supply	
				Current Rates			***[1] Proposed Rates***	
		kWh per month	**2000**	**Date**			**Date**	
				Effective	Total Bill		**Effective**	Total Bill
				6/1/2009	Amount		**7/1/2009**	Amount
	GS-1 Dist.-Service Charge			$ 7.10	$ 7.10		$ 7.10	$ 7.10
	Plus:							
	GS-1 Supply-Energy			$ 0.055541	$ 111.08		$ 0.053535	$ 107.07
	GS-1 Deferred Supply Costs			$ (0.002630)	$ (5.26)		$ (0.003675)	$ (7.35)
	GS-1 CTC-QF			$ 0.003205	$ 6.41		$ 0.003192	$ 6.38
	GS-1 Transmission-Energy			$ 0.007486	$ 14.97		$ 0.007486	$ 14.97
	GS-1 Distribution-Energy			$ 0.017164	$ 34.33		$ 0.017164	$ 34.33
	GS-1 USBC			$ 0.001143	$ 2.29		$ 0.001143	$ 2.29
	Total Kwh Charge			$ 0.081909	$ 163.82		$ 0.078845	$ 157.69
	Total Bill			**$ 0.085460**	**$ 170.92**		**$ 0.082400**	**$ 164.79**
					Monthly Increase (Decrease)			$ (6.13)
					Annual Increase (Decrease)			$ (73.56)
					Percent Change			**-3.59%**

[1] Column represents the proposed rate changes for CTC-QF, Electric Supply and Supply Deferred Costs effective on July 1, 200

NorthWestern Energy

Typical Bill Calculation

General Service - Primary Demand

							CTC-QF and Electric Supply	
	Kw	**400**		***Current Rates***			***[1] Proposed Rates***	
	kWh per month	**200000**		**Date**			**Date**	
				Effective	Total Bill		**Effective**	Total Bill
				6/1/2009	Amount		**7/1/2009**	Amount
GS-1 Dist.-Service Charge				$ 23.60	$ 23.60		$ 23.60	$ 23.60
Plus:								
GS-1 Supply-Energy				$ 0.051464	$ 10,292.80		$ 0.049627	$ 9,925.40
GS-1 Deferred Supply Costs				$ (0.002630)	$ (526.00)		$ (0.003675)	$ (735.00)
GS-1 CTC-QF				$ 0.003205	$ 641.00		$ 0.003192	$ 638.40
GS-1 Transmission-Demand				$ 3.508370	$ 1,403.35		$ 3.508370	$ 1,403.35
GS-1 Distribution-Demand				$ 3.852394	$ 1,540.96		$ 3.852394	$ 1,540.96
GS-1 Distribution-Energy				$ 0.006748	$ 1,349.60		$ 0.006748	$ 1,349.60
GS-1 USBC				$ 0.001143	$ 228.60		$ 0.001143	$ 228.60
Subtotal					$ 14,930.31			$ 14,351.31
Total Bill				**$ 0.074770**	**$ 14,953.91**		**$ 0.071870**	**$ 14,374.91**
					Monthly Increase (Decrease)			$ (579.00)
					Annual Increase (Decrease)			$ (6,948.00)
					Percent Change			**-3.87%**

[1] **Column represents the proposed rate changes for CTC-QF, Electric Supply and Supply Deferred Costs effective on July 1, 2009.**

NorthWestern Energy

Typical Bill Calculation

Irrigation & Sprinkling Service
Non-Demand

kWh per month **1342**

			CTC-QF, BPA Credit and Electric Supply
	Current Rates		***[1] Proposed Rates***
	Date Effective 6/1/2009	Total Bill Amount	**Date Effective 7/1/2009**	Total Bill Amount
Irr. Dist.-Service Charge (a)	$ 8.08	$ 8.08	$ 8.08	$ 8.08
Plus:				
Irr. Supply-Energy	$ 0.052503	$ 70.46	$ 0.050631	$ 67.95
Irr. Deferred Supply Costs	$ (0.002704)	$ (3.63)	$ (0.003778)	$ (5.07)
Irr. CTC-QF	$ 0.003295	$ 4.42	$ 0.003282	$ 4.40
Irr. Transmission-Energy	$ 0.010425	$ 13.99	$ 0.010425	$ 13.99
Irr. Distribution-Energy	$ 0.021242	$ 28.51	$ 0.021242	$ 28.51
Irr. USBC	$ 0.001144	$ 1.54	$ 0.001144	$ 1.54
Irr. BPA Credit	$ (0.001430)	$ (1.92)	$ (0.002759)	$ (3.70)
Total Kwh Charge	$ 0.084475	$ 113.37	$ 0.080187	$ 107.62
Total Bill	**$ 0.090500**	**$ 121.45**	**$ 0.086220**	**$ 115.70**
Monthly Increase (Decrease)		$ (5.75)		
Season Incr (Decr) (6 Months)		$ (34.50)		
Percent Increase		**-4.73%**		

(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 Supply and Supply Deferred Costs effective on July 1, 2009.

NorthWestern Energy

Typical Bill Calculation

Irrigation & Sprinkling Service Demand

							CTC-QF, BPA Credit and Electric Supply		
		Kw	41		*Current Rates*		*[1] Proposed Rates*		
		kWh per month	12260		Date Effective 6/1/2009	Total Bill Amount	Date Effective 7/1/2009	Total Bill Amount	
	Irr. Dist.-Service Charge			(a)	$ 19.06	$ 19.06	$ 19.06	$ 19.06	
	Plus:								
	Irr. Supply-Energy				$ 0.052503	$ 643.69	$ 0.050631	$ 620.74	
	Irr. Deferred Supply Costs				$ (0.002704)	$ (33.15)	$ (0.003778)	$ (46.32)	
	Irr. CTC-QF				$ 0.003295	$ 40.40	$ 0.003282	$ 40.24	
	Irr. Transmission-Demand				$ 1.788730	$ 73.34	$ 1.788730	$ 73.34	
	Irr. Distribution-Demand				$ 6.518606	$ 267.26	$ 6.518606	$ 267.26	
	Irr. Distribution-Energy				$ 0.003531	$ 43.29	$ 0.003531	$ 43.29	
	Irr. USBC				$ 0.001144	$ 14.03	$ 0.001144	$ 14.03	
	Irr. BPA Credit				$ (0.001430)	$ (17.53)	$ (0.002759)	$ (33.83)	
	Subtotal					$ 1,031.33		$ 978.75	
	Total Bill				**$ 0.085680**	**$ 1,050.39**	**$ 0.081390**	**$ 997.81**	
						Monthly Increase		$ (52.58)	
						Season Increase (6 Months)		$ (315.48)	
						Percent Increase		**-5.01%**	

(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 Supply and Supply Deferred Costs effective on July 1, 2009.

DEPARTMENT OF PUBLIC SERVICE REGULATION

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MONTANA

IN THE MATTER of NorthWestern Energy's Application for Approval of Electric Supply Deferred Cost Account Balance and Projected Electric Supply Cost	))))	UTILITY DIVISION DOCKET NO. D2009.5.62

NOTICE OF FILING

NorthWestern Energy (NWE or NorthWestern) has filed an Application with the Montana Public Service Commission (MPSC) in support of a net decrease in rates for electric supply service to its retail supply customers. NorthWestern is requesting that these rates become effective for service on and after July 1, 2009. 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, 2009, 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, 2009 through June 30, 2010.

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

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

Electric Supply Rate ($/kWh)	Current	Proposed	Rate Change	% Change
Residential	$0.057106	$0.055043	$(0.002063)	-3.61%
Employee	$0.034264	$0.033026	$(0.001238)	-3.61%
GS-1 Secondary Non-Demand	$0.052503	$0.050631	$(0.001872)	-3.57%
GS-1 Secondary Demand	$0.057106	$0.055043	$(0.002063)	-3.61%
GS-1 Primary Non-Demand	$0.055541	$0.053535	$(0.002006)	-3.61%
GS-1 Primary Demand	$0.051464	$0.049627	$(0.001837)	-3.57%
GS-2 Substation	$0.055062	$0.053073	$(0.001989)	-3.61%
GS-2 Transmission	$0.054730	$0.052753	$(0.001977)	-3.61%
Irrigation	$0.052503	$0.050631	$(0.001872)	-3.57%
Lighting	$0.052503	$0.050631	$(0.001872)	-3.57%

- The electric supply cost account balance for the twelve-month period ending June 2009 is an over collection of $(22,122,188). This credit consists of $(20,390,683) for the over collection of market-based electric supply costs from July 1, 2008 to June 30, 2009 plus an over collection of ($1,732,778) of Colstrip Unit 4 variable cost. . This credit to customers will be over the 12-month period ending June 30, 2010.

Electric Deferred Cost Rate ($/kWh)	Current	Proposed	Rate Change	% Change
Residential	($0.002704)	($0.003778)	$(0.001074)	-39.72%
Employee	($0.001622)	($0.002267)	$(0.000645)	-39.77%
GS-1 Secondary Non-Demand	($0.002704)	($0.003778)	$(0.001074)	-39.72%
GS-1 Secondary Demand	($0.002704)	($0.003778)	$(0.001074)	-39.72%
GS-1 Primary Non-Demand	($0.002630)	($0.003675)	$(0.001045)	-39.73%
GS-1 Primary Demand	($0.002630)	($0.003675)	$(0.001045)	-39.73%
GS-2 Substation	($0.002607)	($0.003644)	$(0.001037)	-39.78%
GS-2 Transmission	($0.002592)	($0.003621)	$(0.001029)	-39.70%
Irrigation	($0.002704)	($0.003778)	$(0.001074)	-39.72%
Lighting	($0.002704)	($0.003778)	$(0.001074)	-39.72%

The prefiled testimony, exhibits and the proposed rates, detailed rate information and billing impacts are available for public inspection at NorthWestern's General Office, 40 East Broadway, Butte, Montana; its office located at 208 N. Montana Avenue 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 Application for Approval of Electric Supply Deferred Cost Account Balance and Projected Electric Supply Cost	)UTILITY DIVISION)))DOCKET NO. D2009.5.62

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 decrease 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, 2009.

This Docket commenced on May 29, 2009, when the Applicant filed testimony, exhibits and workpapers with the MPSC in its annual Electric Supply Cost Adjustment Filing. Applicant requests an interim decrease in rates effective July 1, 2009 pending a final decision on this request.

The decrease is required to: 1) reflect a decrease 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, 2009.

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

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

Electric Supply Rate ($/kWh)	Current	Proposed	Rate Change	% Change
Residential	$0.057106	$0.055043	$(0.002063)	-3.61%
Employee	$0.034264	$0.033026	$(0.001238)	-3.61%
GS-1 Secondary Non-Demand	$0.052503	$0.050631	$(0.001872)	-3.57%
GS-1 Secondary Demand	$0.057106	$0.055043	$(0.002063)	-3.61%
GS-1 Primary Non-Demand	$0.055541	$0.053535	$(0.002006)	-3.61%
GS-1 Primary Demand	$0.051464	$0.049627	$(0.001837)	-3.57%
GS-2 Substation	$0.055062	$0.053073	$(0.001989)	-3.61%
GS-2 Transmission	$0.054730	$0.052753	$(0.001977)	-3.61%
Irrigation	$0.052503	$0.050631	$(0.001872)	-357%
Lighting	$0.052503	$0.050631	$(0.001872)	-3.57%

- The electric supply cost account balance for the twelve-month period ending June 2009 is an over collection of $(22,122,188). This credit consists of $(20,390,683) for the over collection of market-based electric supply costs from July 1, 2008 to June 30, 2009 plus an over collection of $(1,732,778) of Colstrip Unit 4 variable cost,. This credit to customers will be amortized over the 12-month period ending June 30, 2010.

Electric Deferred Cost Rate ($/kWh)	Current	Proposed	Rate Change	% Change
Residential	($0.002704)	($0.003778)	$(0.001074)	-39.72%
Employee	($0.001622)	($0.002267)	$(0.000645)	-39.77%
GS-1 Secondary Non-Demand	($0.002704)	($0.003778)	$(0.001074)	-39.72%
GS-1 Secondary Demand	($0.002704)	($0.003778)	$(0.001074)	-39.72%
GS-1 Primary Non-Demand	($0.002630)	($0.003675)	$(0.001045)	-39.73%
GS-1 Primary Demand	($0.002630)	($0.003675)	$(0.001045)	-39.73%
GS-2 Substation	($0.002607)	($0.003644)	$(0.001037)	-39.78%
GS-2 Transmission	($0.002592)	($0.003621)	$(0.001029)	-39.70%
Irrigation	($0.002704)	($0.003778)	$(0.001074)	-39.72%
Lighting	($0.002704)	($0.003778)	$(0.001074)	-39.72%

The interim request and supporting documents can be examined at Applicant's General Office, 40 East Broadway, Butte, Montana; its office located at 208 N. Montana Avenue 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 29, 2009.

DEPARTMENT OF PUBLIC SERVICE REGULATION

BEFORE THE PUBLIC SERVICE COMMISSION

OF THE STATE OF MONTANA

IN THE MATTER of NorthWestern Energy's Application for Approval of Electric Supply Deferred Cost Account Balance and Projected Electric Supply Cost	))))	UTILITY DIVISION DOCKET NO. D2009.5.62

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 29, 2009

NorthWestern Energy

By: Claudia Rapkoch

Claudia Rapkoch
40 East Broadway Street
Butte, Montana 59701

Department of Public Service Regulation
Montana Public Service Commission
Docket No. D2009.5.62
NorthWestern Energy

PRE-FILED DIRECT TESTIMONY OF DAVID E. FINE
ON BEHALF OF NORTHWESTERN ENERGY

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Witness Information

Q. Please state your name and business address.

A. My name is David E. Fine 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 the Director of Energy Supply Planning. My areas of responsibility include a variety of energy supply and planning functions including the preparation of the electric resource procurement plan and associated analysis, load and resource analysis, load forecasting, working with the Judith Gap wind project,

the wind forecasting system, and wind production information. I am NorthWestern's representative on the Judith Gap operating committee and I am also responsible for the administration of the purchase power agreement between Invenergy LLC and NWE.

Q. Please summarize your educational and employment experiences.

A. I earned a B.A. in geology from the University of Montana and have worked in the energy industry since 1979.

My employment with NWE began in 1982 with an unregulated subsidiary of the Montana Power Company. I have worked in energy exploration and development, mining, energy resource evaluations, economic evaluations, business development, and technical evaluations associated with energy production and power generation. For the past five years I have worked in the Energy Supply area where I have been responsible for short- and long-term load forecasting, resource modeling, and the analysis of supply resources.

As an employee of NWE I have previously provided information and testimony regarding Judith Gap wind energy production and resource planning work to the Montana Public Service Commission (Commission) and Commission staff during public informational presentations.

Purpose of Testimony

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

A. 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 recent supply planning, management and resource procurement activities and the action plan that NorthWestern proposes to continue to implement, given

today's factors. 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 and Electric Resource Plans, 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 and Mont. Code Ann. §§69-8-419 through 420 (2007). 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 NWE 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) in Docket N2007.11.138. 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 continues to implement.

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). 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. NWE has used the 2007 Electric Procurement Plan to guide its recent portfolio activities.

NWE's Supply Portfolio

Q. Briefly discuss NWE's recent activities in managing the supply portfolio.

A. During the 2008/2009 Tracker year NWE:

- Placed into ratebase a portion of the output from Colstrip Unit 4, specifically 222MW of coal fired generation capacity for 34 years; this acquisition when fully implemented in 2011 will provide approximately 25 percent of the energy necessary to meet NWE's supply portfolio's annual needs.
- Conducted a competitive RFP in October 2008 and entered into a long-term (ten year) power purchase agreement for a flat 25 MW product beginning in 2010.
- Conducted an additional RFP in May 2009 for a seven year heavy load product commencing in 2010. Two 25MW heavy load products were purchased. The first, from PPL Montana delivered to the NWE control area, was purchased for the period July 1, 2010 through June 30, 2017. The second purchase, from Morgan Stanley, was secured with delivery at Mid-Columbia and delivery starting July 1, 2013 and ending June 30, 2017.
- Signed a 25 MW 18 month contract for firm energy beginning July 1, 2009 for $40.50 per MWh.
- Ran a competitive solicitation for community renewable resources. While to date there have been no resources from this RFP, NWE has gained insight into this resource; in part legislations increasing the size of the community resource projects was in response to the market intelligence gained from this process.
- Continued to meet and work with renewable resource developers and also continued attempts to diversify NWE's renewable portfolio.
- Continued to manage the QF queue and offered contracts to several parties.

- Satisfied the Renewable Portfolio Standards Requirement for 2008 as prescribed in Mont. Code Ann. §69-3-2004(2) and received approval of the Judith Gap wind farm as an eligible renewable resource as defined in Mont. Code Ann. §69-3-2003(7a).

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. However, NorthWestern is currently in the process of developing its 2009 Electric Supply Procurement Plan that will also contain a three-year Action Plan.

Q. Does NWE intend to continue to follow the action items in the 2007 Plan?

A. Yes. Until the 2009 Electric Supply Procurement Plan is developed, NorthWestern intends to continue following the Action Plan included in the 2007 Plan. The 2007 Plan devotes considerable attention to specific actions and NorthWestern has implemented many of them.

Q. Please provide a summary of these actions.

A. Listed below are certain key action items set forth in the 2007 Plan and activities that NWE has undertaken in response to those items.

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. *Response: NWE has conducted two RFPs for market contracts of 7 and 10 years. As mentioned previously, both RFPs resulted in new contracts.*

2. To comply with the Renewable Portfolio Standard (RPS), NorthWestern, in 2008, will issue an RFP for renewable resources to meet its 2010 Community and Renewable Energy Portfolio obligation (CREP). *Response: NWE issued an RFP in August 2008 for CREP resources. To date, no purchase power contracts have been executed as a result of the CREP solicitation. Legislation (HB208) was passed this past session at the Montana Legislature delaying the compliance with this portion of the RPS until 2012.*

3. To diversify the renewable resource portion of the supply portfolio, renewable supply sources other than wind will be identified and where appropriate, solicited. *Response: NWE has been actively working with renewable energy producers including biomass, wind, and a small hydro developer and has expectations that some contracts will result from these efforts.*

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. *Response: NorthWestern filed and received approval to rate-base 222MW of Colstrip Unit 4 and also filed a proposal (and recently received regulatory approval) to rate-base the Mill Creek Generating Station, a resource that will help meet NWE's regulation requirements.*

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. *Response: NorthWestern has hired a consultant and the assessment is currently underway.*

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

A. No. NWE on an ongoing basis evaluates alternative resource opportunities. The 2007 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:

- Ms. Cheryl Hansen, Senior Analyst in the Regulatory Affairs Department. Ms. Hansen's testimony:
  - Presents the 2009-2010 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 2008-2009 tracker period; and
  - Presents the derivation of proposed supply rates for the forecasted 2009-2010 tracker period.
- Mr. Frank V. Bennett, Electric and Natural Gas Supply Specialist. Mr. Bennett's testimony presents the following information:
  - Updated 12-month ended June 2009 tracker period with ten months of actual numbers and two months of estimated numbers, and
  - The forecasted 12-month ended June 2010 tracker period.
- Mr. Kevin Markovich, Director of Energy Supply Market Operations. Mr. Markovich's testimony provides:
  - Operational considerations for Colstrip 4 as a rate-based asset
  - Changes to the real-time scheduling function
  - An electricity market update

- A description on how short and medium-term procurement activities were conducted during the 2008 / 2009 tracking period, and
- A discussion regarding NorthWestern's proposals to conduct hedging activities during the upcoming 2009 / 2010 tracking 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 2008-09 and describes the status of and plans for the update to 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.

Q. Does this complete your testimony?

A. Yes.

Department of Public Service Regulation
Montana Public Service Commission
Docket No. D2009.5.62
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?

A. 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 NWE's 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 Operation 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 Canadian Provinces of Alberta and Saskatchewan with additional work in Montana and Colorado.

Q. Please describe your educational background.

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

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

A. Yes.

Purpose of Testimony

Q. Please describe your testimony.

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

- Status of the tracking periods previously filed in Docket D2008.5.45,
- The updated 12-month ended June 2009 tracker period with ten months of actual numbers and two months of estimated numbers, and
- The forecasted 12-month ended June 2010 tracker period.

Status of Tracker Periods in Docket D2008.5.45

Q. Please summarize the status of tracking periods previously filed in Docket D2008.5.45.

A. The annual tracker filing was submitted under cover letter dated May 30, 2008, and included actual information for the period July 2007 through April 2008 and estimated information for May and June 2008 as shown on Exhibit__(FVB-1) to the testimony I submitted in that Docket, and forecast information for the tracker period July 2008 through June 2009 as shown Exhibit__(FVB-2) to the testimony I submitted in that Docket. On June 26, 2008, NWE submitted an updated filing in which Exhibit__(FVB-2) was updated by removal of $1,192,287 for lost transmission and distribution revenues per Interim Order No. 6921, as Exhibit__(FVB-2 Revised). On July 17, 2008, NWE updated Exhibit__(FVB-1) to reflect changes ordered in Docket Nos. D2006.5.66 and D2007.5.46, Order No. 6836c together with updates for actual information for the month of May 2008 as Exhibit__(FVB-1_Rev Jul_16). Exhibit__(FVB-1_Rev_Jul 16) is further updated in this filing to reflect actual information for June 2008 as Exhibit__(FVB-1).07-08.

2008/2009 Electric Supply Tracker Period

Q. Please summarize the estimated 12-month electric supply tracker period ending June 2009, as it was filed in Docket D2008.5.45.

A. The 2008 annual tracker filing, Docket No. D2008.5.45, included 12 estimated months, July 2008 through June 2009. Rates reflecting the 2008/2009 tracker were effective on July 1, 2008 under Interim Order No. 6921 in Docket D2008.5.45. Monthly rate adjustment trackers have been filed for each month, beginning August 2008 through June 2009.

Q. Describe the changes that are reflected in the 2008/2009 tracker period.

A. In compliance with Order 6925f in Docket D2008.6.69, NWE has separated the electric supply tracker into two sections, a market-based supply cost section which is essentially the same model used in prior monthly tracker filings and a rate based Colstrip Unit 4 (CU4) section divided into several parts: (1) fixed cost of service, (2) variable cost of service and (3) price stability contracts. The market-based supply section is essentially the same model used in prior monthly tracker filings. The additional CU4 section provides the necessary detail to derive supply rates to recover CU4 costs. Refer to the Prefiled Direct Testimony of Cheryl A. Hansen for the derivation of proposed electric supply rates.

In addition to CU4 adjustments, NWE was provided direction under FOF 160 in Final Order 6836c from Docket Nos. D2006.5.66 and D2007.5.46 to make adjustments for the portion of integration costs attributable to United Materials of Great Falls (UMGF) wind project.

Q. How does NWE treat the CU4 variable cost of service in the 2008/2009 tracker?

A. The variable cost of service includes fuel costs, Puget Sound Energy (PSE) revenue credits and will include 60% of incremental property taxes when incurred. These variable costs are tracked in a manner similar to the market-based supply costs. The price stability contract benefits are returned to

ratepayers over a two-year period and are shown in equal monthly values over the tracker period as directed in Order 6925f.

Q. How has the integration cost associated with UMGF been adjusted in this docket filing?

A. As stated previously, Final Order 6836c required that NWE make reduction adjustments to its trackers for integration costs associated with UMGF from the 2005/2006 tracking period forward. Accordingly, NWE has removed all associated wind integration charges for the UMGF project from the 2005/2006 tracking period forward for the periods of time that NWE's energy supply was not purchasing the output from this facility. These removed charges are not part of the Transmission Business Unit rate to its customers, but are absorbed by NWE's equity holders.

During May of 2006, UMGF and NWE entered into a 3-month power purchase agreement for June 2006 through August 2006. Under Final Order 6901a from Docket D2008.5.48, NWE entered into a 3-month power purchase agreement with UMGF for June 2008 through August 2008 that deducted $18,234 per month from NWE's power purchase payment to UMGF for wind integration costs subject to recovery of any under-or-over payments determined by the Commission. Under Final Order 6976a from Docket D2009.1.4, NWE will enter into a 3-month power purchase agreement with UMGF for June 2009 through August 2009 that deducts $24,412 per month for wind integration costs.

Q. In addition to rate basing CU4 and adjustments made for UMGF as described above, how has the 12-month ended June 2009 electric supply tracker period been updated from the forecasts originally filed in Docket D2008.5.45?

A. As shown on Exhibit__(FVB-2).08-09, the 12 months of estimated information shown in Exhibit (FVB-2_Revised) from Docket D2008.5.45 has been updated to actual numbers[1] for the months of July 2008 through April 2009 with forecasts for May and June 2009. The actual numbers identify the realized load, specific monthly resource quantities bought and sold, and related costs for each month in NWE's electric supply portfolio. The numbers on pages 3 and 4 show that during the 12-month tracker period ending June 2009, NorthWestern expects to purchase 6,508,671 MWh of electricity at a cost of $296,775,681 for its electric supply customers. The July 2008 beginning Deferred Account balance was filed originally as an estimated $15,884,333 over collection and is corrected for 12 months of actuals in this filing to $14,223,795 over collection. Incorporating the beginning Deferred Account balance of $14,223,795 over collection shown in Exhibit__(FVB-2).08-09, page 2, with 10 months of actual and 2 months of estimated information, the July 2009 Deferred Account balance is a forecast $20,390,683 over collection. Refer to Exhibit__(FVB-2).08-09, page 2.

Exhibit__(FVB-2).08-09 also shows updates for NWE's variable CU4 cost of service tracking items on page 6. This page shows the four months of actual

[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.

information and two months of estimated information for the variable cost of CU4. The January 2009 beginning CU4 Deferred Account balance was zero and the ending balance with two months of estimated information is $1,732,778 over collection. Combined these two deferred accounts are $22,123,461 over collection and are further discussed in the Prefiled Direct Testimony of Cheryl A. Hansen.

Q. Can you explain why the over collection amount is so large?

A. While there are numerous factors that contribute to each tracker period deferred account under or over collection, a part of the over collection deferred balance in Exhibit__(FVB-2).08-09 is due to the monthly tracker setting a levelized supply rate for 12 months into the future at a time when the forward market curves were declining. This effect causes an over collection in the near months of this projected tracker period.

Components of 2008/2009 Electric Supply Tracker Period

Q. Describe the Electric Supply cost components of the 12-month ended June 2009 tracker period as shown in Exhibit__(FVB-2).08-09.

A. There are four basic cost components that make up the Electric Supply portfolio for the 12-month tracker period July 2008 through June 2009:

1) Market Based Electric Supply – which includes the following:

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 is a declining volume contract and expires June 30, 2014.

b) 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 54,110 MWh of non-base transactions will be allocated in accordance with the Tier II Stipulation to meet the 808,423 MWh target. In addition to the Tier II contracts, NWE continues to sign new QF contracts under its QF-1 Tariff and includes an additional 14 MW of unit contingent QF generation in the electric supply portfolio at Commission determined rates.

c) 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.

d) Approximately 111 MW of unit contingent energy from two prior Montana Generation, LLC contracts were assumed into the rate based CU4 asset in January 2009.

e) Approximately 50 MW of dispatchable capacity 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.

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. These transactions are layered in, pursuant to the Hedging Strategy that was part of NorthWestern's Electric Default Supply Procurement Plan submitted in Docket N2007.11.138 that is discussed in the Prefiled Direct Testimony of Kevin J. Markovich. During the 2008/2009 electric supply tracking period, the net non-base transaction purchase requirement from page 3 was 1,878,300 MWh or 28.86% of the annual supply requirements.

j) Expenses related to wind integration and other wind costs incurred to fully incorporate the wind supply contracts into NWE's energy supply 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. Wind other costs include Invenergy costs, wind modeling, 3 Tier services, Fergus Electric service at met tower sites, WREGIS fees, site rents, and other direct wind costs.

k) Expenses related to system imbalance adjustments and operating reserves.

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 2008/2009 tracker period and forecasts for the 2009/2010 tracker period are discuss in the Prefiled Direct Testimony of William M. Thomas.

2) Transmission Services – Costs associated with moving electricity off-system via point-to-point transmission service for resource balancing as well as other "ancillary services" required for system integrity and reliability. Regulation and Frequency Response Service is an ancillary service which provides instantaneous voltage and energy regulation to balance load and resources. This service is currently provided by the NWE's Transmission Business Unit (TBU) and represents $6,307,323 of the $7,434,972 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. Final Order 6836c provided direction for the removal of UMGF integration costs from the electric tracker. The removed charges are not part of the Transmission Business Unit rate to its customers, but are absorbed by NWE's equity holders.

3) Administrative Expenses – Incremental administrative and general costs above those recovered in the last general rate case filing of $2,477,302 or 0.81% of total electric supply expenses are also included in electric supply costs. These costs include outside legal services, scheduling, software, broker costs, real-time transactions, and other incremental expenses directly related to the electric supply function (such as outside consultants to assist with or review procurement activities). During December of 2008, NWE started its in-house real-time (hourly) scheduling desk to maintain supply and demand balance on the electric transmission and distribution system for reliability purposes. This operation replaces outside consultants that performed these functions in the past. Additional information on hourly scheduling is provided in the Prefiled Direct Testimony of Kevin J. Markovich.

4) Colstrip Unit 4 - Includes the costs and credits discussed above that were approved for inclusion under Order 6925f in Docket No. D2008.6.69.

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

A. The results of the 2008/2009 tracker period are summarized in the following tables:

Beginning Deferred Account	MWh	Balance
Over Collection	NA	$(14,223,795)

Energy Supply/Service	MWh	Cost
Net Fixed Price Transactions	1,069625	$69,158,170
Net Market Transactions	808,675	$34,832,432
PPL 7 Year Contract	2,269,800	$107,016,390
QF Tier II Contracts	754,313	$25,231,306
QF-1 Tariff Contracts	9,933	$554,231
Montana Generation LLC (CU4 2007)	382,646	$13,488,272
Tiber	43,093	$1,573,465
Judith Gap Energy	483,010	$14,183,031
Wind Ancillary	NA	$2,955,892
Wind Other	NA	$2,044,139
J.P. Morgan Ventures	46,400	$3,039,200
Powerex Corp.	96,200	$5,045,690
Basin Creek Fixed Capacity	43,131	$5,230,180
Basin Creek Operating Reserves	NA	$(3,115,764)
Basin Creek Wind Firming	4,081	$(230,732)
Basin Creek Fuel	NA	$3,285,718
Basin Creek Variable O&M	NA	$120,653
Basin Creek Gas Storage Capacity	NA	$36,000
Montana Generation LLC (CU4 2008)	89,273	$3,292,128
Operating Reserves	NA	$3,178,093
DSM Program & Labor Costs	NA	$5,481,614
DSM Lost T& D Revenue	NA	$495,831
DSM Adjustment	NA	$0
Imbalance	NA	$(120,256)
Transmission Costs	NA	$7,434,972
Administrative Expenses	NA	$2,477,302
Deferred Expense	NA	$1,227,338
Total Expenses	NA	$305,460,617

Electricity Sales	MWh	Revenue
Total Revenue (NWE & YNP)	6,025,639	$311,627,505

Ending Deferred Account		Balance
Over Collection		$20,390,683

Beginning Deferred CU4		Balance
Starting Balance		$0

Variable Costs CU4		Cost
Fuel Expense		$6,911,242
Revenue Credits (Puget)		($20,260,952)
Property Tax Adjustments		$0
Deferred Expense		($57,916)

Price Stability Contract CU4		Cost
Contract Credit		($945,455)

Rate Base CU4		Revenue
Revenues		($12,620,304)

Ending Deferred CU4		Balance
Over Collection		($1,732,778)

2009/2010 Forecast Electric Supply Tracker Period

Q. Please summarize the 12-month electric supply tracker period ending June 2010 as filed in this Docket.

A. The June 2009 Deferred Account market based supply over-collection ending balance of $20,390,683 as described above is the July 2009 beginning balance. July 2009 through June 2010 information is based on forecast numbers and includes the following existing electric supply base contracts: various qualifying facilities, Tiber Montana, Basin Creek Equity Partners, L.L.C, Judith Gap Energy, L.L.C., PPL Montana, LLC, Powerex Corp., and JP Morgan Ventures. Together these electric supply contracts are grouped as “Base Contracts” in the tracker. Base Contracts are those contracts with a duration of more than 18 months at

inception of the contract. Please see Exhibit__(FVB-3) pages 3 and 4 for supply volume and cost details of the 12-month forecast tracker period.

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 UMGF project will be allocated on an actual basis depending on final contract negotiations involving the project.

The rate based CU4 facility has been added under a separate cost of service section. The added cost of service section identifies fixed and variable cost of service and price stability benefits associated with CU4 under Order 6925f. The variable CU4 costs of service will be tracked in a fashion similar to the market-based supply costs but will be updated as a 12-month forecast only at the time of each annual electric tracker filing.

Q. Describe the changes within the Total Supply requirement of the 12-month period ending June 2010 as illustrated in Exhibit__(FVB-3).09-10 compared to the 12-month period ending June 2009 as illustrated in Exhibit__(FVB-2).08-09.

A. The summary of NWE's electric supply's forecast Total Delivered Supply shown on page 3 of Exhibit__(FVB-3).09-10, estimated at 6,376,074 MWh, reflects a 2.04% decrease from the prior tracker period, which is shown on page 3 of Exhibit__(FVB-2).08-09.

Q. How do the loads for the 12-month period ending June 2009 and June 2010 compare?

A. The projected Total Sales as reflected on page 1 are expected to decrease 2.12% or to be 127,539 MWh less in 2009/2010 than in the prior tracker period shown in Exhibit__(FVB-2).08-09.

Q. How much of the projected 12-month ended June 2010 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 and are entered into in part to meet seasonal load and changes in load due to weather for NWE's 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 26.89% or 1,714,350 MWh of the total delivered supply necessary to meet load.

Q. Please summarize the 12-month ended June 2010 forecast tracker period.

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

Beginning Deferred Account	MWh	Balance
Over Collection	NA	$20,390,683

Energy Supply/Service	MWh	Cost
Net Fixed Price Transactions	527,000	$25,339,480
Net Market Transactions	1,187,350	$49,293,851
PPL 7 Year Contract	2,269,800	$110,648,070
QF Tier II Contracts	808,560	$28,024,690
QF-1 Tariff	17,520	$874,248
Tiber	22,440	$860,130
Judith Gap Energy	476,368	$14,039,894
Wind Ancillary	NA	$4,198,142
Wind Other	NA	$2,504,092
JP Morgan Auction 36	46,400	$3,039,200
Powerex to JP Auction 36	96,200	$5,045,690
Basin Creek Fixed Capacity	43,026	$5,313,465
Basin Creek Operating Reserves	NA	$(4,339,008)
Basin Creek Wind Firming	NA	$(232,201)
Basin Creek Fuel	NA	$3,726,667
Basin Creek Variable O&M	NA	$137,867
Basin Creek Storage Capacity	NA	$36,000
Operating Reserves	NA	$3,374,784
DSM Program & Labor Costs	NA	$6,625,192
DSM Lost T& D Revenue	NA	$0
Imbalance	NA	$2,366,777
Transmission Costs	NA	$6,381,627
Administrative Expenses	NA	$2,076,096
Deferred Expense	NA	$(690,964)
Total Expenses	NA	$268,678,145

Electricity Sales	MWh	Revenue
Total Revenue (NWE & YNP)	5,898,100	$248,287,463

Ending Deferred Account		Balance
Even Collection		$0

CU4 Fixed Cost of Service		Cost
Electric Generation Plant		$407,000,000
Accum. Depreciation (Book Life 34 Yr)		($11,970,588)
Deferred Income Taxes		$(1,152,169)
Steam Power Generation Operation		$8,874,144
Administrative & General		$2,968,654
Depreciation		$11,970,588
Property Taxes		$5,517,943
Taxes Other than Income		$529,037
MCC/MPSC Taxes		$234,907
Deferred Income Taxes		$1,152,169
Current Income Taxes		$11,620,288
Miscellaneous Revenue (Rent)		$71,887

Variable Costs CU4		Cost
Fuel Expense		$20,269,343
Revenue Credits (Puget)		($44,653,546)
Property Tax Adjustments		$0
Deferred Expense		($0)

Price Stability Contract CU4		Cost
Contract Credit		($1,887,312)

Q. Describe the changes within the electric supply Revenue and Expense categories for the 12-month ended June 2010 forecast tracker period.

A. The electric supply tracker revenue and expense details are reflected on page 1 of Exhibit__(FVB-3).09-10 under two main sections, Total Revenue and Total Expenses. Total Revenue is estimated to be $248,287,463, reflecting a 20.33% decrease from the prior tracker period Exhibit__(FVB-2).08-09. The 12-month forecast tracker estimates Total Expenses of $268,678,145, reflecting a 12.04%

decrease from the prior period. Included within the costs reflected in the forecast period are DSM costs that are further explained in the Prefiled Direct Testimony of William M. Thomas.

Q. Are there any additional updates anticipated for the first monthly tracker rate filing in this Docket?

A. Not at this time. Because a normal monthly filing would have been transmitted on June 15, 2009, for July 2009 rates, this annual filing reflects the first monthly tracker rate filing under Docket D2009.5.62. 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, 2009, NWE will file a monthly tracker rate filing update for a July 2009 rate adjustment.

Q. 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	**Default Supply Electricity 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	Actual	Actual	
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	482,407	460,401	5,952,174
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	56.8820
8		YNP MWH	2,666	2,697	2,556	2,403	1,755	606	325	465	435	416	910	3,288	18,522
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	47.2428
10		Prior Year(s) Deferred Expense	$ (2.7934)	$ (2.7934)	$ (2.7934)	$ (2.7934)	$ (2.7934)	$ (2.7934)	$ (2.7934)	$ (2.7934)	$ (2.7934)	$ (2.7934)	$ (2.7934)	$ (2.7934)	
11															
12															
13	Electric Cost Revenues														
14		NWE 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	$ 29,030,554	$ 27,968,307	$ 338,571,785
15		YNP Electric Supply	$ 119,967	$ 121,386	$ 115,038	$ 108,116	$ 78,967	$ 27,289	$ 14,641	$ 20,915	$ 19,571	$ 18,701	$ 49,958	$ 180,493	$ 875,043
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	$ 29,080,512	$ 28,148,800	$ 339,446,828
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)	$ (1,375,514)	$ (1,312,859)	$ (17,151,395)
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	$ 27,704,998	$ 26,835,941	$ 322,295,433
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	$ 5,026,559	$ 6,173,976	$ 102,128,947
22															
23															
24		Net Base Contracts	$ 18,663,166	$ 16,485,571	$ 16,808,030	$ 17,010,412	$ 18,627,514	$ 18,589,119	$ 19,513,614	$ 16,730,922	$ 18,963,493	$ 16,962,037	$ 17,338,324	$ 18,026,238	$ 213,718,440
25															
26	Total Electric Supply Expenses		$ 32,875,815	$ 28,780,190	$ 23,884,285	$ 23,653,443	$ 26,066,115	$ 29,448,988	$ 29,655,445	$ 25,243,402	$ 25,929,562	$ 23,745,047	$ 22,364,882	$ 24,200,214	$ 315,847,387
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	$ 561,412	$ 678,886	$ 3,990,297
30		Other Services (wheeling)	$ 93,644	$ 102,684	$ 152,688	$ 161,242	$ 189,448	$ 154,364	$ 174,768	$ 206,088	$ 183,031	$ 183,234	$ 178,472	$ 148,134	$ 1,927,797
31		Adjustment for Horseshoe Bend											$ (181,924)	$ (169,957)	$ (351,881)
32	Total NWE Transmission		$ 233,181	$ 243,182	$ 294,339	$ 285,105	$ 326,401	$ 289,599	$ 675,025	$ 795,194	$ 657,144	$ 552,019	$ 557,960	$ 657,063	$ 5,566,212
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	$ 38,295	$ 37,229	$ 380,830
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	$ 84,797	$ 82,435	$ 915,972
37		Realtime & Modeling	$ 110,576	$ 95,920	$ 82,513	$ 83,720	$ 67,642	$ 86,130	$ 45,621	$ 101,059	$ 67,642	$ 87,907	$ 53,871	$ 44,110	$ 926,711
38		Trading & Marketing	$ 6,113	$ 5,337	$ 1,670	$ 9,240	$ 4,511	$ 4,478	$ 3,875	$ 3,063	$ 8,156	$ 4,525	$ 4,063	$ 3,000	$ 58,031
39		Administration	$ 510	$ 510	$ -	$ 7,530	$ 39,010	$ 69,966	$ 65,427	$ 1,777	$ 13,030	$ 6,386	$ 5,361	$ 9,409	$ 218,916
40		Resource Administration	$ -	$ -	$ 1,234	$ (100)	$ 146,693	$ 181,955	$ -	$ 52,871	$ 118,516	$ 6,000	$ (480)	$ -	$ 506,688
41	Total Administrative Expenses		$ 194,848	$ 185,501	$ 157,777	$ 205,507	$ 361,820	$ 466,755	$ 242,014	$ 284,214	$ 325,826	$ 220,799	$ 185,907	$ 176,183	$ 3,007,149
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	$ 30,368	$ (100,325)	$ 277,415
45	Total Carrying Costs		$ (120,310)	$ 30,698	$ 18,219	$ 21,810	$ 47,428	$ 65,257	$ 81,038	$ 68,290	$ 72,369	$ 62,573	$ 30,368	$ (100,325)	$ 277,415
46															
47	Total Expenses		$ 33,183,533	$ 29,239,571	$ 24,354,620	$ 24,165,865	$ 26,801,763	$ 30,270,599	$ 30,653,521	$ 26,391,099	$ 26,984,900	$ 24,580,437	$ 23,139,118	$ 24,933,135	$ 324,698,163
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)	$ (1,375,514)	$ (1,312,859)	$ (17,151,395)
50	(undercollection)/overcollection														
51	Monthly Deferred Cost		$ (4,899,389)	$ 3,015,902	$ 3,609,404	$ 1,096,059	$ (2,374,935)	$ (1,023,899)	$ (709,279)	$ 3,320,928	$ 818,067	$ 2,738,749	$ 5,941,395	$ 3,215,665	$ 14,748,665
52	Cumulative Deferred Cost		$ (4,899,389)	$ (1,883,488)	$ 1,725,916	$ 2,821,975	$ 447,040	$ (576,859)	$ (1,286,139)	$ 2,034,789	$ 2,852,857	$ 5,591,606	$ 11,533,000	$ 14,748,665	

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	**Default Supply Electricity 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	Actual	Actual
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)	$ (12,333,560)	$ (14,043,526)	$ (13,534,380)	$ (9,902,378)	$ (7,374,620)	$ (5,137,178)	$ (6,944,612)	$ (6,366,281)	$ (7,755,108)	$ (12,320,989)
9		Monthly Deferred Cost	$ 5,207,406	$ (914,442)	$ (1,709,966)	$ 509,146	$ 3,632,002	$ 2,527,758	$ 2,237,442	$ (1,807,434)	$ 578,331	$ (1,388,827)	$ (4,565,880)	$ (1,902,806)
10		Ending Balance	$ (11,419,118)	$ (12,333,560)	$ (14,043,526)	$ (13,534,380)	$ (9,902,378)	$ (7,374,620)	$ (5,137,178)	$ (6,944,612)	$ (6,366,281)	$ (7,755,108)	$ (12,320,989)	$ (14,223,795)
11														
12														
13	Total Capital		$ (11,419,118)	$ (12,333,560)	$ (14,043,526)	$ (13,534,380)	$ (9,902,378)	$ (7,374,620)	$ (5,137,178)	$ (6,944,612)	$ (6,366,281)	$ (7,755,108)	$ (12,320,989)	$ (14,223,795)
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		**Default Supply Electricity 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	Actual	Actual	
5		Non-Base Transactions													
6		Net Fixed Price Transactions	70,000	97,200	28,800	75,600	80,000	70,000	120,400	94,800	99,600	46,400	64,000	60,800	907,600
7		Net Market Transactions	168,462	105,310	89,614	30,936	38,105	101,581	44,421	43,374	16,444	88,500	30,495	58,396	815,638
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	94,495	119,196	1,723,238
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	76,260	73,782	801,729
26		QF Tier II Stipulation	-	-	-	-	-	-	-	-	-	-	-	7,273	7,273
27		QF Tier II Stipulation Adjust													-
28		QF-1 Tariff	273	130	145	376	519	499	641	725	467	357	415	2,243	6,790
29		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	62,511	63,352	757,222
30		Tiber	-	-	-	-	2,246	2,256	2,259	2,096	2,243	2,179	3,099	4,577	20,955
31		Judith Gap Energy	18,059	26,397	33,106	44,892	50,432	62,813	58,159	56,077	46,939	38,707	37,627	31,061	504,269
32		Wind Ancillary	-	-	-	-	-	-	-	-	-	-	-	-	-
33		Wind Other	107	262	454	994	943	914	523	343	685	290	231	246	5,992
34		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
35		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
36		Net Base Market Contracts													
37		Basin Creek Fixed Capacity	18,278	18,884	5,205	2,088	8,979	13,800	6,845	2,738	63	6,027	577	2,845	86,329
38		Basin Creek Operating Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
39		Basin Creek Wind Firming													-
40		Basin Creek Fuel	-	-	-	-	-	-	-	-	-	-	-	-	-
41		Basin Creek Variable O&M	-	-	-	-	-	-	-	-	-	-	-	-	-
42		Basin Creek Gas Storage Capacity	-	-	-	-	-	-	-	-	-	-	-	-	-
43		Montana Generation LLC (CU4 08)		-	-	-	-	-	15,593	14,578	15,484	14,244	14,557	14,802	89,258
44		Operating Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
45		DSM Program & Labor Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
46		DSM Lost T& D Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
47		Imbalance	-	-	-	-	-	-	-	-	-	-	-	-	-
48		Total Base Contract Transactions	357,450	344,688	367,568	390,405	391,585	419,356	423,559	401,264	412,415	391,269	400,077	398,181	4,697,817
49															
50		Total Delivered Supply	595,912	547,198	485,982	496,941	509,690	590,937	588,380	539,438	528,459	526,169	494,572	517,377	6,421,055
51															
52		Percent Of Fixed Contracts	68.65%	77.26%	80.40%	93.15%	90.58%	80.32%	88.55%	88.69%	93.82%	79.27%	90.73%	83.85%	84.36%
53															15.64%

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	**Default Supply Electricity Tracker**														
2	**Tracker Review**														
54	**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**
55			Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	
56	Non-Base Transactions														
57		Net Fixed Price Transactions	$ 4,593,000	$ 6,461,100	$ 1,840,320	$ 4,959,360	$ 5,192,000	$ 4,583,000	$ 7,241,000	$ 5,685,800	$ 5,972,200	$ 2,011,920	$ 3,196,160	$ 3,016,900	$ 54,752,760
58		Net Index Transactions	$ 9,619,649	$ 5,833,519	$ 5,235,935	$ 1,683,671	$ 2,246,601	$ 6,276,868	$ 2,900,831	$ 2,826,680	$ 993,869	$ 4,771,090	$ 1,830,399	$ 3,157,076	$ 47,376,187
59															
60															
61	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	$ 5,026,559	$ 6,173,976	$ 102,128,947
62															
63															
64															
65			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
66															
67															
68															
69			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
70															
71															
72															
73			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
74															
75	Net Base Fixed Contracts														
76		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
77		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	$ 2,545,559	$ 2,706,050	$ 27,004,910
78		QF Tier II Stipulation	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 433,471	$ 433,471
79		QF Tier II Stipulation Adjustment	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (6,066)	$ (6,066)
80		QF-1 Tariff	$ 8,254	$ 3,332	$ 5,647	$ 28,491	$ 16,765	$ 15,990	$ 20,690	$ 23,338	$ 14,858	$ 11,272	$ 15,213	$ 52,846	$ 216,698
81		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	$ 2,203,513	$ 2,233,158	$ 26,691,970
82		Tiber	$ -	$ -	$ -	$ -	$ 137,788	$ 137,788	$ 137,788	$ 137,788	$ 137,788	$ 137,788	$ 111,564	$ 185,932	$ 1,124,224
83		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	$ 845,847	$ 687,864	$ 14,773,321
84		Wind Ancillary	$ 244,722	$ 217,540	$ 212,016	$ 199,638	$ 205,297	$ 210,997	$ 174,824	$ 273,076	$ 270,291	$ 272,916	$ 543,963	$ 172,008	$ 2,997,286
85		Wind Other	$ 158,831	$ 98,017	$ 105,457	$ 145,730	$ 296,279	$ 130,378	$ (499,176)	$ 95,060	$ 115,994	$ 98,995	$ 82,131	$ 760,333	$ 1,588,030
86		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
87		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
88	Net Base Market Contracts														
89		Basin Creek Fixed Capacity	$ 437,562	$ 437,562	$ 437,562	$ 437,562	$ 437,562	$ 435,290	$ 434,939	$ 435,115	$ 372,671	$ 442,790	$ 442,790	$ 442,790	$ 5,194,197
90		Basin Creek Operating Reserves	$ (36,000)	$ (37,200)	$ (37,200)	$ (36,000)	$ (37,200)	$ (36,000)	$ (195,300)	$ (182,700)	$ (195,300)	$ (189,000)	$ (189,000)	$ (189,000)	$ (1,359,900)
91		Basin Creek Wind Firming	$ (6,547)	$ (15,885)	$ (25,474)	$ (62,044)	$ (60,503)	$ (60,287)	$ (39,277)	$ (24,092)	$ (50,358)	$ (26,138)	$ (13,604)	$ (9,173)	$ (393,383)
92		Basin Creek Fuel	$ 970,711	$ 1,369,146	$ 371,413	$ 209,605	$ 663,864	$ 902,027	$ 559,950	$ 243,202	$ 94,011	$ 512,122	$ 140,882	$ 273,481	$ 6,310,414
93		Basin Creek Variable O&M	$ 70,186	$ 72,861	$ 21,932	$ 12,196	$ 37,629	$ 54,991	$ 28,147	$ 12,098	$ 3,240	$ 25,348	$ 2,134	$ 1,665	$ 342,426
94		Basin Creek Gas Storage Capacity	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 36,000
95		Montana Generation LLC (CU4 08)	$ -	$ -	$ -	$ -	$ -	$ -	$ 804,274	$ 717,772	$ 815,281	$ 971,771	$ 490,289	$ 153,685	$ 3,953,072
96		Operating Reserves	$ 187,776	$ 183,898	$ 184,080	$ 187,776	$ 184,284	$ 187,776	$ 322,427	$ 182,700	$ 195,300	$ 189,000	$ 189,000	$ 189,000	$ 2,383,017
97		DSM Program & Labor Costs	$ 233,432	$ 335,631	$ 458,677	$ 349,644	$ 408,067	$ 283,938	$ 198,477	$ 108,495	$ 295,643	$ 92,321	$ 484,795	$ 440,020	$ 3,689,140
98		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
99		DSM Adjustments											$ 359,098	$ 24,034	$ 383,132
100		Imbalance	$ 2,272,542	$ 111,026	$ 200,579	$ (139,822)	$ 1,038,593	$ 154,509	$ 1,537,151	$ (572,332)	$ 1,104,521	$ (253,704)	$ (549,014)	$ 156,057	$ 5,060,107
101	Total Base Contract Transactions		$ 18,663,166	$ 16,485,571	$ 16,808,030	$ 17,010,412	$ 18,627,514	$ 18,589,119	$ 19,513,614	$ 16,730,922	$ 18,963,493	$ 16,962,037	$ 17,338,324	$ 18,026,238	$ 213,718,440
102															
103	Total Delivered Supply		$ 32,875,815	$ 28,780,190	$ 23,884,285	$ 23,653,443	$ 26,066,115	$ 29,448,988	$ 29,655,445	$ 25,243,402	$ 25,929,562	$ 23,745,047	$ 22,364,882	$ 24,200,214	$ 315,847,387
104															
105		Note: Wind Other includes: Invenergy impact, monthly and tax charges, Global Energy fees, 3 Tier fees, Electric service at wind towers, Basin allocations for firming, and property site leases.													
106															

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1		**Default Supply Electricity Tracker**													
2		**Tracker Review**													
107		**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**
108			Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	
109		Non-Base Transactions													
110		Net Fixed Price Transactions	$ 65.614	$ 66.472	$ 63.900	$ 65.600	$ 64.900	$ 65.471	$ 60.141	$ 59.977	$ 59.962	$ 43.360	$ 49.940	$ 49.620	$ 60.327
111		Net Index Transactions	$ 57.103	$ 55.394	$ 58.428	$ 54.424	$ 58.958	$ 61.792	$ 65.303	$ 65.170	$ 60.440	$ 53.911	$ 60.023	$ 54.063	$ 58.085
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		Total Non-Base Transactions	$ 59.601	$ 60.711	$ 59.759	$ 62.355	$ 62.983	$ 63.293	$ 61.532	$ 61.607	$ 60.030	$ 50.282	$ 53.194	$ 51.797	$ 59.266
115															
116			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
117			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
118			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
119															
120			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
121			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			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															
124			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
125			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
126			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		Net Base Fixed Contracts													
128		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
129		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	$ 36.676	$ 33.683
130		QF Tier II Stipulation	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	$ 59.600	$ 59.600
131		QF Tier II Stipulation Adjust	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		QF-1 Tariff	$ 30.235	$ 25.634	$ 38.945	$ 75.774	$ 32.287	$ 32.044	$ 32.278	$ 32.190	$ 31.841	$ 31.535	$ 36.685	$ 23.560	$ 31.914
133		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
134		Tiber	n/a	n/a	n/a	n/a	$ 61.348	$ 61.076	$ 60.995	$ 65.739	$ 61.428	$ 63.238	$ 36.000	$ 40.623	$ 53.650
135		Judith Gap Energy	$ 29.249	$ 32.975	$ 33.205	$ 29.148	$ 31.133	$ 31.826	$ 31.796	$ 31.737	$ 29.346	$ 22.156	$ 22.480	$ 22.146	$ 29.296
136		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
137		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
138		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
139		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
140		Net Base Market Contracts													
141		Basin Creek Fixed Capacity	$ 23.939	$ 23.171	$ 84.066	$ 209.560	$ 48.732	$ 31.543	$ 63.541	$ 158.917	$ 5,912.593	$ 73.472	$ 767.401	$ 155.638	$ 60.168
142		Basin Creek 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
143		Basin Creek Wind Firming	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
144		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
145		Basin Creek Variable O&M	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
146		Basin Creek Gas Storage Capacity	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
147		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	$ 33.681	$ 10.383	$ 44.288
148		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
149		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
150		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
151		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
152		Total Base Contract Transactions	$ 52.212	$ 47.828	$ 45.728	$ 43.571	$ 47.569	$ 44.328	$ 46.071	$ 41.696	$ 45.982	$ 43.351	$ 43.337	$ 45.271	$ 45.493
153															
154		Total Delivered Supply	$ 55.169	$ 52.596	$ 49.146	$ 47.598	$ 51.141	$ 49.834	$ 50.402	$ 46.796	$ 49.066	$ 45.128	$ 45.221	$ 46.775	$ 49.189

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	**Electric Supply Tracker**														
2	**Tracker Projection Excluding Colstrip Unit 4**														
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			Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimate	Estimate	
5	Total Sales and Unit Costs														
6		MWH	520,473	575,988	480,338	432,635	459,653	498,054	576,771	532,144	488,360	482,067	455,869	504,012	6,006,366
7		Supply Cost	$ 64.3021	$ 64.4073	$ 59.5543	$ 57.5585	$ 56.2067	$ 55.4572	$ 49.0879	$ 48.1811	$ 47.4268	$ 45.5432	$ 45.1473	$ 47.4523	54.4247
8		YNP MWH	3,084	2,900	2,426	2,631	1,450	364	413	442	413	467	2,165	2,517	19,273
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	54.9149
10		Prior Year(s) Deferred Expense	$ (2.7934)	$ (2.7934)	$ (2.7934)	$ (2.7934)	$ (2.7934)	$ (2.7934)	$ (2.7934)	$ (2.7934)	$ (2.7934)	$ (2.7934)	$ (2.7934)	$ (2.7934)	
11															
12															
13	Electric Cost Revenues														
14		NWE Electric Supply	$ 32,957,524	$ 36,986,165	$ 30,084,649	$ 25,469,393	$ 26,270,256	$ 27,919,690	$ 30,873,973	$ 25,789,077	$ 23,442,612	$ 22,603,432	$ 20,581,239	$ 23,916,534	$ 326,894,545
15		YNP Electric Supply	$ 169,297	$ 159,226	$ 133,193	$ 144,428	$ 79,607	$ 20,008	$ 22,951	$ 24,253	$ 22,691	$ 25,661	$ 118,870	$ 138,185	$ 1,058,371
16		Subtotal	$ 33,126,821	$ 37,145,391	$ 30,217,842	$ 25,613,822	$ 26,349,863	$ 27,939,698	$ 30,896,924	$ 25,813,330	$ 23,465,303	$ 22,629,093	$ 20,700,109	$ 24,054,719	$ 327,952,916
17		Prior Year(s) Deferred Expense	$ (1,460,216)	$ (1,552,931)	$ (1,292,526)	$ (1,163,781)	$ (1,236,292)	$ (1,340,864)	$ (1,553,026)	$ (1,432,381)	$ (1,314,576)	$ (1,297,530)	$ (1,273,403)	$ (1,407,884)	$ (16,325,411)
18	Total Revenue		$ 31,666,606	$ 35,592,460	$ 28,925,316	$ 24,450,040	$ 25,113,571	$ 26,598,834	$ 29,343,899	$ 24,380,949	$ 22,150,726	$ 21,331,564	$ 19,426,707	$ 22,646,835	$ 311,627,505
19															
20	Electric Supply Expenses														
21		Net Non-Base Transactions	$ 19,014,257	$ 17,147,303	$ 9,163,543	$ 6,689,678	$ 8,021,059	$ 12,787,435	$ 8,499,181	$ 7,477,148	$ 6,853,453	$ 3,219,052	$ 1,856,229	$ 3,262,263	$ 103,990,602
22															
23		Net Base Contracts	$ 15,532,701	$ 14,457,783	$ 13,893,745	$ 18,312,238	$ 19,038,968	$ 20,170,441	$ 16,214,426	$ 13,370,263	$ 15,719,362	$ 14,216,031	$ 16,460,495	$ 15,398,625	$ 192,785,079
24															
25	Total Electric Supply Expenses		$ 34,546,958	$ 31,605,087	$ 23,057,288	$ 25,001,916	$ 27,060,028	$ 32,957,876	$ 24,713,607	$ 20,847,411	$ 22,572,815	$ 17,435,083	$ 18,316,724	$ 18,660,888	$ 296,775,681
26															
27	NWE Transmission Costs														
28		Ancillary Cost (Regulation)	$ 645,522	$ 599,390	$ 395,571	$ 540,695	$ 735,733	$ 549,662	$ 335,397	$ 589,380	$ 447,455	$ 408,110	$ 484,440	$ 575,969	$ 6,307,323
29		Other Services (wheeling)	$ 155,599	$ 150,816	$ 138,500	$ 186,858	$ 232,036	$ (35,625)	$ 141,381	$ 112,119	$ 128,185	$ 111,650	$ 261	$ 84	$ 1,321,865
30		Ancillary Cost (Disallowed)	$ -	$ -	$ -	$ (60,701)	$ (31,961)	$ (14,508)	$ (14,508)	$ (14,508)	$ (14,508)	$ (14,508)	$ (14,508)	$ (14,508)	$ (194,215)
31	Total NWE Transmission		$ 801,121	$ 750,206	$ 534,070	$ 666,852	$ 935,808	$ 499,529	$ 462,270	$ 686,991	$ 561,132	$ 505,253	$ 470,194	$ 561,546	$ 7,434,972
32															
33	Administrative Expenses														
34		MPSC Tax Collection (.0031 or .0026)	$ 96,672	$ 109,929	$ 88,871	$ 62,895	$ 64,824	$ 68,802	$ 75,831	$ 62,453	$ 57,055	$ 55,267	$ 16,560	$ 19,244	$ 778,403
35		MCC Tax Collection (.0014 or .0008)	$ 43,659	$ 49,645	$ 40,135	$ 19,330	$ 19,946	$ 21,170	$ 23,332	$ 19,216	$ 17,555	$ 17,005	$ 53,820	$ 62,542	$ 387,357
36		Realtime & Modeling	$ 117,747	$ 109,088	$ 85,614	$ 89,531	$ 59,716	$ 68,605	$ 97,175	$ 7,438	$ 49,359	$ 72,692	$ 34,142	$ 34,142	$ 825,248
37		Realtime Desk Labor	$ -	$ -	$ -	$ -	$ -	$ 5,143	$ 39,475	$ 33,906	$ 39,963	$ 39,027	$ 40,000	$ 40,000	$ 237,515
38		Trading & Marketing	$ 6,483	$ 5,885	$ 7,739	$ 11,311	$ 7,585	$ 4,212	$ 22,511	$ 377	$ 4,946	$ 12,795	$ 3,573	$ 3,573	$ 90,989
39		Administration	$ 4,400	$ 5,150	$ 5,724	$ 6,359	$ 750	$ 5,150	$ 67,159	$ 5,150	$ 23,670	$ 1,669	$ 7,972	$ 7,972	$ 141,124
40		Resource Administration	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,333	$ 8,333	$ 16,666
41	Total Administrative Expenses		$ 268,961	$ 279,697	$ 228,083	$ 189,426	$ 152,822	$ 173,082	$ 325,483	$ 128,540	$ 192,548	$ 198,456	$ 164,400	$ 175,805	$ 2,477,302
42															
43	Carrying Cost Expense														
44		Carrying Costs	$ (72,976)	$ (94,503)	$ (131,443)	$ (122,374)	$ (101,684)	$ (52,457)	$ (80,125)	$ (100,002)	$ (92,360)	$ (115,696)	$ (119,895)	$ (143,822)	$ (1,227,338)
45	Total Carrying Costs		$ (72,976)	$ (94,503)	$ (131,443)	$ (122,374)	$ (101,684)	$ (52,457)	$ (80,125)	$ (100,002)	$ (92,360)	$ (115,696)	$ (119,895)	$ (143,822)	$ (1,227,338)
46															
47	Total Expenses		$ 35,544,063	$ 32,540,487	$ 23,687,998	$ 25,735,820	$ 28,046,973	$ 33,578,030	$ 25,421,235	$ 21,562,940	$ 23,234,135	$ 18,023,096	$ 18,831,423	$ 19,254,417	$ 305,460,617
48															
49	Deferred Cost Amortization		$ (1,460,216)	$ (1,552,931)	$ (1,292,526)	$ (1,163,781)	$ (1,236,292)	$ (1,340,864)	$ (1,553,026)	$ (1,432,381)	$ (1,314,576)	$ (1,297,530)	$ (1,273,403)	$ (1,407,884)	$ (16,325,411)
50	(undercollection)/overcollection														
51	Monthly Deferred Cost		$ (2,417,242)	$ 4,604,905	$ 6,529,844	$ (121,998)	$ (1,697,110)	$ (5,638,332)	$ 5,475,689	$ 4,250,390	$ 231,168	$ 4,605,997	$ 1,868,686	$ 4,800,303	$ 22,492,299
52	Cumulative Deferred Cost		$ (2,417,242)	$ 2,187,663	$ 8,717,507	$ 8,595,509	$ 6,898,399	$ 1,260,066	$ 6,735,755	$ 10,986,145	$ 11,217,312	$ 15,823,310	$ 17,691,996	$ 22,492,299	

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	**Electric Supply Tracker**													
2	**Tracker Projection Excluding Colstrip Unit 4**													
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			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	**$ (14,223,795)**	$ (10,346,337)	$ (13,398,310)	$ (18,635,628)	$ (17,349,849)	$ (14,416,447)	$ (7,437,250)	$ (11,359,913)	$ (14,177,922)	$ (13,094,513)	$ (16,402,981)	$ (16,998,264)
9		Monthly Deferred Cost	$ 3,877,458	$ (3,051,974)	$ (5,237,318)	$ 1,285,779	$ 2,933,403	$ 6,979,197	$ (3,922,663)	$ (2,818,008)	$ 1,083,408	$ (3,308,467)	$ (595,284)	$ (3,392,418)
10		Ending Balance	$ (10,346,337)	$ (13,398,310)	$ (18,635,628)	$ (17,349,849)	$ (14,416,447)	$ (7,437,250)	$ (11,359,913)	$ (14,177,922)	$ (13,094,513)	$ (16,402,981)	$ (16,998,264)	$ (20,390,683)
11														
12														
13	Total Capital		$ (10,346,337)	$ (13,398,310)	$ (18,635,628)	$ (17,349,849)	$ (14,416,447)	$ (7,437,250)	$ (11,359,913)	$ (14,177,922)	$ (13,094,513)	$ (16,402,981)	$ (16,998,264)	$ (20,390,683)
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 Excluding Colstrip Unit 4**														
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			Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimate	Estimate	
5	Non-Base Transactions														
6		Net Fixed Price Transactions	123,200	103,600	80,000	123,800	126,050	132,600	112,200	93,600	122,575	31,200	0	20,800	1,069,625
7		Net Market Transactions	131,618	133,176	63,752	(35,332)	(13,335)	62,004	45,060	55,265	11,323	87,177	130,330	137,637	808,675
8															-
9	Total Non-Base Transactions		254,818	236,776	143,752	88,468	112,715	194,604	157,260	148,865	133,898	118,377	130,330	158,437	1,878,300
10															
11															
12															-
13	Total Colstrip Unit 4 MWh		-	-	-	-	-	-	89,535	83,738	84,003	35,091	40,243	75,881	408,491
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	36,224	10,976	57,760	76,883	73,854	71,219	74,704	62,152	71,400	69,117	75,144	74,880	754,313
26		QF-1 Tariff	1,451	1,953	197	182	454	748	656	710	305	349	1,488	1,440	9,933
27		Montana Generation LLC (CU4 07)	66,059	64,194	54,340	66,242	64,890	66,921	0	0	0	0	0	0	382,646
28		Tiber	4,855	4,709	4,235	5,021	4,254	4,374	4,313	3,846	3,832	3,654	0	0	43,093
29		Judith Gap Energy	24,154	30,120	23,187	43,824	52,525	57,824	64,096	37,763	45,544	42,533	34,272	27,168	483,010
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 Creek Fixed Capacity	2,234	9,620	1,635	3,454	3,904	3,707	3,913	2,174	4,930	4,183	577	2,800	43,131
36		Basin Creek Operating Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
37		Basin Creek Wind Firming	299	192	24	535	589	557	819	332	433	301	-	-	4,081
38		Basin Creek Fuel	-	-	-	-	-	-	-	-	-	-	-	-	-
39		Basin Creek Variable O&M	-	-	-	-	-	-	-	-	-	-	-	-	-
40		Basin Creek Gas Storage Capacity	-	-	-	-	-	-	-	-	-	-	-	-	-
41		Montana Generation LLC (CU4 08)	15,410	14,992	12,667	15,448	15,141	15,615	0	0	0	0	0	0	89,273
42		Operating Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
43		DSM Program & Labor Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
44		DSM Lost T& D Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
45		Imbalance	-	-	-	-	-	-	-	-	-	-	-	-	-
46	Total Base Contract Transactions		355,486	341,556	352,045	417,589	412,412	425,765	353,301	292,577	331,244	319,337	315,081	305,488	4,221,880
47															
48	Total Delivered Supply		610,304	578,332	495,797	506,057	525,127	620,369	600,096	525,180	549,145	472,805	485,654	539,806	6,508,671
49															
50		Percent Of Fixed Contracts	75.49%	72.68%	84.25%	103.14%	98.80%	86.80%	91.70%	89.00%	96.96%	80.61%	73.05%	73.98%	85.48%
51															14.52%

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	**Electric Supply Tracker**														
2	**Tracker Projection Excluding Colstrip Unit 4**														
52	**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**
53			Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimate	Estimate	
54	Non-Base Transactions														
55		Net Fixed Price Transactions	$ 9,140,640	$ 7,892,000	$ 5,422,000	$ 8,455,840	$ 8,500,645	$ 9,073,100	$ 6,919,720	$ 5,712,480	$ 6,887,345	$ 764,400	$ -	$ 390,000	$ 69,158,170
56		Net Market Transactions	$ 9,873,617	$ 9,255,303	$ 3,741,543	$ (1,766,162)	$ (479,586)	$ 3,714,335	$ 1,579,461	$ 1,764,668	$ (33,892)	$ 2,454,652	$ 1,856,229	$ 2,872,263	$ 34,832,432
57															
58															
59	Total Non-Base Transactions		$ 19,014,257	$ 17,147,303	$ 9,163,543	$ 6,689,678	$ 8,021,059	$ 12,787,435	$ 8,499,181	$ 7,477,148	$ 6,853,453	$ 3,219,052	$ 1,856,229	$ 3,262,263	$ 103,990,602
60															
61															
62															
63			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
64															
65															
66															
67			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
68															
69															
70															
71			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
72															
73	Net Base Fixed Contracts														
74		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
75		QF Tier II	$ 809,111	$ 373,294	$ 1,964,418	$ 2,614,791	$ 2,511,775	$ 2,422,158	$ 2,540,683	$ 2,113,790	$ 2,428,314	$ 2,350,657	$ 2,555,647	$ 2,546,669	$ 25,231,306
76		QF-1 Tariff	$ 44,082	$ 206,338	$ 13,502	$ 4,814	$ 17,600	$ 65,858	$ 25,936	$ 20,939	$ 4,718	$ 4,336	$ 74,251	$ 71,856	$ 554,231
77		Montana Generation LLC (CU4 07)	$ 2,328,580	$ 2,262,839	$ 1,915,485	$ 2,335,031	$ 2,287,373	$ 2,358,965	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,488,272
78		Tiber	$ 174,780	$ 169,524	$ 170,702	$ 186,059	$ 145,400	$ 145,400	$ 145,400	$ 145,400	$ 145,400	$ 145,400	$ -	$ -	$ 1,573,465
79		Judith Gap Energy	$ 708,159	$ 1,004,231	$ 776,124	$ 1,290,556	$ 1,641,778	$ 1,852,660	$ 2,044,396	$ 1,214,497	$ 1,346,425	$ 950,478	$ 756,100	$ 597,629	$ 14,183,031
80		Wind Ancillary	$ 454,454	$ 321,101	$ 89,299	$ 163,191	$ 129,925	$ 139,504	$ 214,548	$ 233,012	$ 262,784	$ 253,361	$ 347,357	$ 347,357	$ 2,955,892
81		Wind Other	$ 117,785	$ 79,845	$ 70,178	$ 99,481	$ 811,113	$ (81,855)	$ (19,922)	$ 52,089	$ 30,770	$ 12,578	$ 761,414	$ 110,664	$ 2,044,139
82		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
83		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
84	Net Base Market Contracts														
85		Basin Creek Fixed Capacity	$ 442,790	$ 442,790	$ 442,790	$ 442,790	$ 442,790	$ 444,352	$ 353,243	$ 444,352	$ 444,352	$ 444,352	$ 442,789	$ 442,789	$ 5,230,180
86		Basin Creek Operating Reserves	$ (195,300)	$ (195,300)	$ (195,300)	$ (189,000)	$ (195,300)	$ (361,584)	$ (361,584)	$ (326,592)	$ (361,584)	$ (349,920)	$ (195,300)	$ (189,000)	$ (3,115,764)
87		Basin Creek Wind Firming	$ (22,267)	$ (13,983)	$ (1,343)	$ (28,489)	$ (28,867)	$ (33,587)	$ (32,080)	$ (13,022)	$ (22,437)	$ (6,631)	$ (13,784)	$ (14,243)	$ (230,732)
88		Basin Creek Fuel	$ 83,445	$ 813,059	$ 193,870	$ 284,149	$ 283,119	$ 282,871	$ 234,179	$ 127,177	$ 194,478	$ 124,698	$ 394,755	$ 269,919	$ 3,285,718
89		Basin Creek Variable O&M	$ 6,565	$ 42,561	$ 3,634	$ 2,760	$ 3,630	$ 7,882	$ 5,816	$ 3,465	$ 6,398	$ 2,939	$ 17,788	$ 17,214	$ 120,653
90		Basin Creek Gas Storage Capacity	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 36,000
91		Montana Generation LLC (CU4 08)	$ 640,621	$ 719,022	$ 462,689	$ 468,679	$ 429,349	$ 571,768	$ -	$ -	$ -	$ -	$ -	$ -	$ 3,292,128
92		Operating Reserves	$ 195,300	$ 195,300	$ 195,300	$ 189,000	$ 195,300	$ 361,584	$ 282,583	$ 254,016	$ 281,250	$ 272,160	$ 381,300	$ 375,000	$ 3,178,093
93		DSM Program & Labor Costs	$ 562,523	$ 300,409	$ 348,536	$ 171,923	$ 643,403	$ 310,598	$ 634,953	$ 129,087	$ 617,675	$ 550,007	$ 542,353	$ 670,146	$ 5,481,614
94		DSM Lost T& D Revenues	$ 49,583	$ 49,583	$ 49,583	$ 49,583	$ 49,583	$ 49,583	$ 49,583	$ 49,583	$ 49,583	$ 49,583	$ -	$ -	$ 495,831
95		Imbalance	$ (528,130)	$ (1,973,449)	$ (1,948,621)	$ 449,960	$ 292,997	$ 1,896,623	$ 281,993	$ 36,509	$ 476,537	$ (195,287)	$ 545,306	$ 545,306	$ (120,256)
96	Total Base Contract Transactions		$ 15,532,701	$ 14,457,783	$ 13,893,745	$ 18,312,238	$ 19,038,968	$ 20,170,441	$ 16,214,426	$ 13,370,263	$ 15,719,362	$ 14,216,031	$ 16,460,495	$ 15,398,625	$ 192,785,079
97															
98	Total Delivered Supply		$ 34,546,958	$ 31,605,087	$ 23,057,288	$ 25,001,916	$ 27,060,028	$ 32,957,876	$ 24,713,607	$ 20,847,411	$ 22,572,815	$ 17,435,083	$ 18,316,724	$ 18,660,888	$ 296,775,681
99															
100		Note: Wind Other includes: Invenergy impact, monthly and tax charges, Global Energy fees, 3 Tier fees, Electric service at wind towers, Basin allocations for firming, and property site leases.													
101															

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1		**Electric Supply Tracker**													
2		**Tracker Projection Excluding Colstrip Unit 4**													
102		**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**
103															
104		Non-Base Transactions													
105		Net Fixed Price Transactions	$ 74.194	$ 76.178	$ 67.775	$ 68.302	$ 67.439	$ 68.425	$ 61.673	$ 61.031	$ 56.189	$ 24.500	n/a	$ 18.750	$ 64.656
106		Net Market Transactions	$ 75.017	$ 69.497	$ 58.689	$ 49.988	$ 35.964	$ 59.905	$ 35.052	$ 31.931	$ (2.993)	$ 28.157	$ 14.243	$ 20.868	$ 43.073
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		Total Non-Base Transactions	$ 74.619	$ 72.420	$ 63.745	$ 75.617	$ 71.162	$ 65.710	$ 54.045	$ 50.228	$ 51.184	$ 27.193	$ 14.243	$ 20.590	$ 55.364
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	$ -	$ -	$ -	$ -	$ -	$ -	$ -
114															
115			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
116			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
117			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
118															
119			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
120			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
121			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		Net Base Fixed Contracts													
123		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
124		QF Tier II	$ 22.336	$ 34.010	$ 34.010	$ 34.010	$ 34.010	$ 34.010	$ 34.010	$ 34.010	$ 34.010	$ 34.010	$ 34.010	$ 34.010	$ 33.449
125		QF-1 Tariff	$ 30.381	$ 105.644	$ 68.539	$ 26.451	$ 38.764	$ 88.045	$ 39.537	$ 29.491	$ 15.470	$ 12.425	$ 49.900	$ 49.900	$ 55.796
126		Montana Generation LLC (CU4 07)	$ 35.250	$ 35.250	$ 35.250	$ 35.250	$ 35.250	$ 35.250	n/a	n/a	n/a	n/a	n/a	n/a	$ 35.250
127		Tiber	$ 36.000	$ 36.000	$ 40.307	$ 37.056	$ 34.180	$ 33.242	$ 33.712	$ 37.806	$ 37.944	$ 39.792	n/a	n/a	$ 36.513
128		Judith Gap Energy	$ 29.318	$ 33.341	$ 33.473	$ 29.449	$ 31.257	$ 32.040	$ 31.896	$ 32.161	$ 29.563	$ 22.347	$ 22.062	$ 21.998	$ 29.364
129		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
130		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
131		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
132		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
133		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	n/a
134		Basin Creek Fixed Capacity	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		Basin Creek 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
136		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
137		Basin Creek Variable O&M	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
138		Basin Creek Gas Storage Capacity	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
139		Montana Generation LLC (CU4 08)	$ 41.572	$ 47.960	$ 36.527	$ 30.339	$ 28.357	$ 36.617	n/a	n/a	n/a	n/a	n/a	n/a	$ 36.877
140		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
141		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
142		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
143		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
144		Total Base Contract Transactions	$ 43.694	$ 42.329	$ 39.466	$ 43.852	$ 46.165	$ 47.375	$ 45.894	$ 45.698	$ 47.456	$ 44.517	$ 52.242	$ 50.407	$ 45.663
145															
146		Total Delivered Supply	$ 56.606	$ 54.649	$ 46.506	$ 49.405	$ 51.530	$ 53.126	$ 41.183	$ 39.696	$ 41.105	$ 36.876	$ 37.716	$ 34.570	$ 45.597

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
1	**Electric Tracker**															
2	**Colstrip Unit 4 Variable Cost**			**Jul-08**	**Aug-08**	**Sep-08**	**Oct-08**	**Nov-08**	**Dec-08**	**Jan-09**	**Feb-09**	**Mar-09**	**Apr-09**	**May-09**	**Jun-09**	
3				Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Estimate	Estimate	
4	Total Sales															
5		2008 Tracker Sales MWh		-	-	-	-	-	-	506,254	529,533	481,203	459,902	480,190	520,577	2,977,658
6		2008 Tracker YNP MWh		-	-	-	-	-	-	2,559	2,616	2,565	1,933	1,066	801	11,540
7														Test Period		
8																
9	**Colstrip Unit 4 Variable Cost of Service (Fuel Cost / Credits)**															
10		Prior Year(s) Deferred Expense		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	
11	Colstrip Unit 4 Variable Cost Revenues															
12		NWE Electric Supply		$ -	$ -	$ -	$ -	$ -	$ -	$ (900,265)	$ (2,241,742)	$ (2,057,442)	$ (2,030,770)	$ (2,798,743)	$ (2,581,157)	$ (12,610,119)
13		YNP Electric Supply		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (6,216)	$ (3,970)	$ (10,186)
14		Subtotal		$ -	$ -	$ -	$ -	$ -	$ -	$ (900,265)	$ (2,241,742)	$ (2,057,442)	$ (2,030,770)	$ (2,804,959)	$ (2,585,127)	$ (12,620,304)
15		Prior Year(s) Deferred Expense		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
16	Total Revenue			$ -	$ -	$ -	$ -	$ -	$ -	$ (900,265)	$ (2,241,742)	$ (2,057,442)	$ (2,030,770)	$ (2,804,959)	$ (2,585,127)	$ (12,620,304)
17																
18																
19																
20																
21	Colstrip Unit 4 Fuel Cost			$ -	$ -	$ -	$ -	$ -	$ -	$ 1,761,021	$ 1,558,121	$ 1,483,047	$ 400,692	$ 854,078	$ 854,284	$ 6,911,242
22																
23	Revenue Credits (Puget Contract)			$ -	$ -	$ -	$ -	$ -	$ -	$ (3,628,736)	$ (3,526,332)	$ (3,247,446)	$ (3,074,543)	$ (3,501,761)	$ (3,282,135)	$ (20,260,952)
24																
25	Incremental Property Tax Adjustment			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
26																
27	Subtotal Colstrip Unit 4 Variable Cost of Service			$ -	$ -	$ -	$ -	$ -	$ -	$ (1,867,715)	$ (1,968,211)	$ (1,764,399)	$ (2,673,851)	$ (2,647,683)	$ (2,427,851)	$ (13,349,711)
28																
29																
30																
31																
32	Price Stability Contract			$ -	$ -	$ -	$ -	$ -	$ -	$ (157,726)	$ (157,726)	$ (157,726)	$ (157,726)	$ (157,276)	$ (157,276)	$ (945,455)
33																
34																
35																
36																
37	Carrying Cost Expense															
38		Total Carrying Costs	8.46%	$ -	$ -	$ -	$ -	$ -	$ -	$ (7,989)	$ (7,223)	$ (6,314)	$ (12,044)	$ (12,130)	$ (12,216)	$ (57,916)
39																
40	Total Expenses			$ -	$ -	$ -	$ -	$ -	$ -	$ (2,033,430)	$ (2,133,160)	$ (1,928,439)	$ (2,843,621)	$ (2,817,089)	$ (2,597,343)	$ (14,353,082)
41																
42	Deferred Cost Amortization (Under)/Over			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
43	Monthly Deferred Cost			$ -	$ -	$ -	$ -	$ -	$ -	$ 1,133,165	$ (108,582)	$ (129,003)	$ 812,851	$ 12,130	$ 12,216	$ 1,732,778
44	Cumulative Deferred Cost			$ -	$ -	$ -	$ -	$ -	$ -	$ 1,133,165	$ 1,024,583	$ 895,580	$ 1,708,432	$ 1,720,562	$ 1,732,778	
45																
46	Variable Rate Base Deferred															
47		Beginning Balance		$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (1,133,165)	$ (1,024,583)	$ (895,580)	$ (1,708,432)	$ (1,720,562)	
48		Monthly Deferred Cost		$ -	$ -	$ -	$ -	$ -	$ -	$ (1,133,165)	$ 108,582	$ 129,003	$ (812,851)	$ (12,130)	$ (12,216)	
49		Ending Balance Under/(Over)		$ -	$ -	$ -	$ -	$ -	$ -	$ (1,133,165)	$ (1,024,583)	$ (895,580)	$ (1,708,432)	$ (1,720,562)	$ (1,732,778)	
50																
51																
52																
53																

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	**Electric Supply Tracker**														
2	**Tracker Projection Excluding Colstrip Unit 4**														
3			**Jul-09**	**Aug-09**	**Sep-09**	**Oct-09**	**Nov-09**	**Dec-09**	**Jan-10**	**Feb-10**	**Mar-10**	**Apr-10**	**May-10**	**Jun-10**	**Total**
4			Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	
5	Total Sales and Unit Costs														
6		MWh	502,935	530,484	480,208	456,949	473,660	515,887	549,901	514,759	486,744	466,006	447,965	453,867	5,879,364
7		Supply Cost	$ 45.5226	$ 45.5226	$ 45.5226	$ 45.5226	$ **45.5226**	$ 45.5226	$ 45.5226	$ 45.5226	$ 45.5226	$ 45.5226	$ 45.5226	$ 45.5226	$ 45.5226
8		YNP MWh	2,583	2,384	2,321	1,745	957	798	931	928	860	972	1,717	2,542	18,736
9		YNP Supply Rate	$ 55.2000	$ 55.2000	$ 55.2000	$ 55.2000	$ 55.2000	$ 55.2000	$ 55.2000	$ 55.2000	$ 55.2000	$ 55.2000	$ 55.2000	$ 55.2000	55.2000
10		Prior Year(s) Deferred Expense	$ (3.4682)	$ (3.4682)	$ (3.4682)	$ (3.4682)	$ (3.4682)	$ (3.4682)	$ (3.4682)	$ (3.4682)	$ (3.4682)	$ (3.4682)	$ (3.4682)	$ (3.4682)	$ (41.6181)
11															
12															
13	Electric Cost Revenues														
14		NWE Electric Supply	$ 22,894,926	$ 24,149,018	$ 21,860,313	$ 20,801,501	$ 21,562,219	$ 23,484,503	$ 25,032,930	$ 23,433,151	$ 22,157,826	$ 21,213,814	$ 20,392,506	$ 20,661,185	$ 267,643,892
15		YNP Electric Supply	$ 142,566	$ 131,584	$ 128,133	$ 96,323	$ 52,822	$ 44,040	$ 51,391	$ 51,222	$ 47,456	$ 53,664	$ 94,758	$ 140,294	$ 1,034,254
16		Subtotal	$ 23,037,492	$ 24,280,602	$ 21,988,446	$ 20,897,824	$ 21,615,041	$ 23,528,544	$ 25,084,321	$ 23,484,374	$ 22,205,283	$ 21,267,477	$ 20,487,264	$ 20,801,478	$ 268,678,146
17		Prior Year(s) Deferred Expense	$ (1,744,270)	$ (1,839,814)	$ (1,665,447)	$ (1,584,780)	$ (1,642,736)	$ (1,789,187)	$ (1,907,156)	$ (1,785,275)	$ (1,688,113)	$ (1,616,193)	$ (1,553,621)	$ (1,574,090)	$ (20,390,683)
18	Total Revenue		$ 21,293,222	$ 22,440,788	$ 20,322,999	$ 19,313,044	$ 19,972,305	$ 21,739,356	$ 23,177,165	$ 21,699,099	$ 20,517,169	$ 19,651,285	$ 18,933,644	$ 19,227,388	$ 248,287,463
19															
20															
21	Electric Supply Expenses														
22		Net Non-Base Transactions	$ 9,454,173	$ 8,821,226	$ 4,896,243	$ 4,876,690	$ 5,792,617	$ 8,311,637	$ 8,650,631	$ 7,818,731	$ 4,391,309	$ 3,701,675	$ 3,762,514	$ 4,155,884	$ 74,633,331
23															
24		Net Base Contracts	$ 13,915,173	$ 14,541,824	$ 14,810,104	$ 15,752,955	$ 16,249,106	$ 16,423,405	$ 16,647,699	$ 14,494,157	$ 16,433,052	$ 14,919,656	$ 16,533,621	$ 15,522,944	$ 186,243,697
25	Total Electric Supply Expenses		$ 23,369,346	$ 23,363,050	$ 19,706,347	$ 20,629,645	$ 22,041,723	$ 24,735,042	$ 25,298,330	$ 22,312,888	$ 20,824,362	$ 18,621,331	$ 20,296,135	$ 19,678,828	$ 260,877,028
26															
27	NWE Transmission Costs														
28		Ancillary Cost (Regulation)	$ 684,528	$ 555,249	$ 509,206	$ 549,272	$ 637,512	$ 567,832	$ 523,392	$ 613,802	$ 475,929	$ 459,319	$ 494,129	$ 587,489	$ 6,657,658
29		Other Services (Wheeling)	$ 1,887	$ 713	$ 9,814	$ 32,732	$ 20,625	$ 10,960	$ 9,157	$ -	$ -	$ 3,337	$ 140	$ 2,363	$ 91,727
30		Ancillary Cost (Disallowed)	$ (27,214)	$ (27,214)	$ (27,214)	$ (27,214)	$ (27,214)	$ (27,214)	$ (27,214)	$ (27,214)	$ (27,214)	$ (27,214)	$ (27,214)	$ (27,214)	$ (326,564)
31	Total NWE Transmission		$ 659,202	$ 528,748	$ 491,806	$ 554,791	$ 630,923	$ 551,579	$ 505,335	$ 586,588	$ 448,715	$ 435,442	$ 467,055	$ 562,638	$ 6,422,822
32															
33	Administrative Expenses														
34		MCC Tax Collection (.0008)	$ 17,035	$ 17,953	$ 16,258	$ 15,450	$ 15,978	$ 17,391	$ 18,542	$ 17,359	$ 16,414	$ 15,721	$ 15,147	$ 15,382	$ 198,630
35		MPSC Tax Collection (.0026)	$ 55,362	$ 58,346	$ 52,840	$ 50,214	$ 51,928	$ 56,522	$ 60,261	$ 56,418	$ 53,345	$ 51,093	$ 49,227	$ 49,991	$ 645,547
36		Modeling	$ 42,446	$ 42,446	$ 42,446	$ 42,446	$ 42,446	$ 42,446	$ 42,446	$ 42,446	$ 42,446	$ 42,446	$ 42,446	$ 42,446	$ 509,352
37		Realtime Desk Labor	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 40,000	$ 42,000	$ 42,000	$ 42,000	$ 42,000	$ 42,000	$ 42,000	$ 492,000
38		Trading & Marketing	$ 7,883	$ 7,883	$ 7,883	$ 7,883	$ 7,883	$ 7,883	$ 7,883	$ 7,883	$ 7,883	$ 7,883	$ 7,883	$ 7,883	$ 94,596
39		Administration	$ 11,354	$ 11,354	$ 11,354	$ 11,354	$ 11,354	$ 11,354	$ 11,354	$ 11,354	$ 11,354	$ 11,354	$ 11,354	$ 11,354	$ 136,248
40	Total Administrative Expenses		$ 174,080	$ 177,982	$ 170,781	$ 167,347	$ 169,589	$ 175,597	$ 182,485	$ 177,460	$ 173,441	$ 170,497	$ 168,057	$ 169,056	$ 2,076,373
41															
42	Carrying Cost Expense														
43		Carrying Costs	$ (124,177)	$ (113,488)	$ (113,968)	$ (100,295)	$ (80,621)	$ (54,749)	$ (35,184)	$ (25,647)	$ (19,227)	$ (22,376)	$ (8,345)	$ (0)	$ (698,078)
44	Total Carrying Costs		$ (124,177)	$ (113,488)	$ (113,968)	$ (100,295)	$ (80,621)	$ (54,749)	$ (35,184)	$ (25,647)	$ (19,227)	$ (22,376)	$ (8,345)	$ (0)	$ (698,078)
45															
46															
47	Total Expenses		$ 24,078,450	$ 23,956,292	$ 20,254,967	$ 21,251,487	$ 22,761,613	$ 25,407,469	$ 25,950,967	$ 23,051,289	$ 21,427,291	$ 19,204,894	$ 20,922,903	$ 20,410,522	$ 268,678,145
48															
49	Deferred Cost Amortization		$ (1,744,270)	$ (1,839,814)	$ (1,665,447)	$ (1,584,780)	$ (1,642,736)	$ (1,789,187)	$ (1,907,156)	$ (1,785,275)	$ (1,688,113)	$ (1,616,193)	$ (1,553,621)	$ (1,574,090)	$ (20,390,683)
50	(undercollection)/overcollection														
51	Monthly Deferred Cost		$ (1,040,958)	$ 324,309	$ 1,733,479	$ (353,663)	$ (1,146,572)	$ (1,878,926)	$ (866,646)	$ 433,084	$ 777,991	$ 2,062,583	$ (435,639)	$ 390,956	$ 0
52	Cumulative Deferred Cost		$ (1,040,958)	$ (716,649)	$ 1,016,830	$ 663,167	$ (483,405)	$ (2,362,331)	$ (3,228,977)	$ (2,795,892)	$ (2,017,901)	$ 44,682	$ (390,956)	$ 0	

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	**Electric Supply Tracker**													
2	**Tracker Projection Excluding Colstrip Unit 4**													
3			**Jul-09**	**Aug-09**	**Sep-09**	**Oct-09**	**Nov-09**	**Dec-09**	**Jan-10**	**Feb-10**	**Mar-10**	**Apr-10**	**May-10**	**Jun-10**
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	**$ (20,390,683)**	$ (17,605,454)	$ (16,089,950)	$ (16,157,982)	$ (14,219,539)	$ (11,430,230)	$ (7,762,117)	$ (4,988,316)	$ (3,636,125)	$ (2,726,003)	$ (3,172,393)	$ (1,183,134)
9		Monthly Deferred Cost	$ 2,785,228	$ 1,515,505	$ (68,032)	$ 1,938,444	$ 2,789,309	$ 3,668,113	$ 2,773,801	$ 1,352,191	$ 910,122	$ (446,390)	$ 1,989,259	$ 1,183,134
10		Ending Balance	$ (17,605,454)	$ (16,089,950)	$ (16,157,982)	$ (14,219,539)	$ (11,430,230)	$ (7,762,117)	$ (4,988,316)	$ (3,636,125)	$ (2,726,003)	$ (3,172,393)	$ (1,183,134)	$ (0)
11														
12														
13	Total Capital		$ (17,605,454)	$ (16,089,950)	$ (16,157,982)	$ (14,219,539)	$ (11,430,230)	$ (7,762,117)	$ (4,988,316)	$ (3,636,125)	$ (2,726,003)	$ (3,172,393)	$ (1,183,134)	$ (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 Excluding Colstrip Unit 4**														
3			**Jul-09**	**Aug-09**	**Sep-09**	**Oct-09**	**Nov-09**	**Dec-09**	**Jan-10**	**Feb-10**	**Mar-10**	**Apr-10**	**May-10**	**Jun-10**	**Total**
4			Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	
5	Non-Base Transactions														
6		Net Fixed Price Transactions	81,000	81,000	78,000	61,800	56,400	60,200	18,600	16,800	18,600	18,000	18,600	18,000	527,000
7		Net Market Transactions	162,459	120,631	29,365	38,421	64,573	112,857	155,712	127,634	95,622	94,634	86,715	98,727	1,187,350
8															-
9	Total Non-Base Transactions		243,459	201,631	107,365	100,221	120,973	173,057	174,312	144,434	114,222	112,634	105,315	116,727	1,714,350
10															
11															
12															
13	Total Colstrip Unit 4 MWh		59,243	79,281	76,724	79,281	76,724	79,281	79,281	71,609	79,281	57,332	66,649	76,724	881,410
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	190,200	175,200	195,000	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	1,488	1,488	1,440	1,488	1,440	1,488	1,488	1,344	1,488	1,440	1,488	1,440	17,520
27		Future Supply	-	-	-	-	-	-	-	-	-	-	-	-	-
28		Tiber	-	-	-	-	4,320	3,720	2,976	3,360	4,464	3,600	-	-	22,440
29		Judith Gap Energy	21,752	26,456	29,840	45,120	49,008	57,968	57,800	48,000	42,648	36,336	34,272	27,168	476,368
30		Wind Ancillary	-	-	-	-	-	-	-	-	-	-	-	-	-
31		Wind Other	-	-	-	-	-	-	-	-	-	-	-	-	-
32		JP Morgan Auction 36	4,000	4,000	4,000	3,200	4,800	4,000	4,800	3,200	3,200	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	8,600	7,200	7,800	7,600	8,600	7,600	96,200
34	Net Base Market Contracts														
35		Basin Creek Fixed Capacity	2,234	9,620	1,635	3,454	3,904	3,707	3,763	2,174	4,930	4,183	577	2,845	43,026
36		Basin Creek Operating Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
37		Basin Creek Wind Firming	-	-	-	-	-	-	-	-	-	-	-	-	-
38		Basin Creek Fuel	-	-	-	-	-	-	-	-	-	-	-	-	-
39		Basin Creek Variable O & M	-	-	-	-	-	-	-	-	-	-	-	-	-
40		Basin Creek Gas Storage Capacity	-	-	-	-	-	-	-	-	-	-	-	-	-
41		Future Supply	-	-	-	-	-	-	-	-	-	-	-	-	-
42		Operating Reserves	-	-	-	-	-	-	-	-	-	-	-	-	-
43		DSM Program & Labor Costs	-	-	-	-	-	-	-	-	-	-	-	-	-
44		DSM Lost T& D Revenues	-	-	-	-	-	-	-	-	-	-	-	-	-
45		Imbalance	-	-	-	-	-	-	-	-	-	-	-	-	-
46	Total Base Contract Transactions		286,818	279,564	297,875	328,230	325,312	344,595	342,539	307,678	333,930	313,159	315,081	305,533	3,780,314
47															
48	Total Delivered Supply		589,520	560,476	481,964	507,732	523,009	596,933	596,132	523,721	527,433	483,125	487,045	498,984	6,376,074
49															
50		Percent Of Fixed Contracts	72.06%	76.76%	93.57%	91.75%	86.91%	80.47%	73.25%	75.21%	80.94%	79.55%	82.08%	79.64%	80.70%
51															19.30%

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	**Electric Supply Tracker**														
2	**Tracker Projection Excluding Colstrip Unit 4**														
52	**Total Supply Expense**		**Jul-09**	**Aug-09**	**Sep-09**	**Oct-09**	**Nov-09**	**Dec-09**	**Jan-10**	**Feb-10**	**Mar-10**	**Apr-10**	**May-10**	**Jun-10**	**Total**
53			Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	
54	Non-Base Transactions														
55		Net Fixed Price Transactions	$ 3,966,160	$ 3,966,160	$ 3,816,500	$ 3,204,210	$ 2,885,220	$ 3,102,930	$ 753,300	$ 680,400	$ 753,300	$ 729,000	$ 753,300	$ 729,000	$ 25,339,480
56		Net Market Transactions	$ 5,488,013	$ 4,855,066	$ 1,079,743	$ 1,672,480	$ 2,907,397	$ 5,208,707	$ 7,897,331	$ 7,138,331	$ 3,638,009	$ 2,972,675	$ 3,009,214	$ 3,426,884	$ 49,293,851
57															
58															
59	Total Non-Base Transactions		$ 9,454,173	$ 8,821,226	$ 4,896,243	$ 4,876,690	$ 5,792,617	$ 8,311,637	$ 8,650,631	$ 7,818,731	$ 4,391,309	$ 3,701,675	$ 3,762,514	$ 4,155,884	$ 74,633,331
60															
61															
62															
63			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
64															
65															
66															
67															
68															
69															
70															
71			$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
72															
73	Net Base Fixed Contracts														
74		PPL 7 Year Contract	$ 9,273,690	$ 9,273,690	$ 8,955,900	$ 9,467,250	$ 8,913,780	$ 9,350,730	$ 9,310,290	$ 8,576,040	$ 9,545,250	$ 9,297,540	$ 9,386,370	$ 9,297,540	$ 110,648,070
75		QF Tier II	$ 1,959,815	$ 1,289,352	$ 2,320,834	$ 2,501,343	$ 2,420,654	$ 2,527,130	$ 2,527,130	$ 2,329,152	$ 2,578,704	$ 2,370,744	$ 2,604,491	$ 2,595,341	$ 28,024,690
76		QF-1 Tariff	$ 74,251	$ 74,251	$ 71,856	$ 74,251	$ 71,856	$ 74,251	$ 74,251	$ 67,066	$ 74,251	$ 71,856	$ 74,251	$ 71,856	$ 874,248
77		Future Supply	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
78		Tiber	$ -	$ -	$ -	$ -	$ 143,355	$ 143,355	$ 143,355	$ 143,355	$ 143,355	$ 143,355	$ -	$ -	$ 860,130
79		Judith Gap Energy	$ 639,329	$ 881,994	$ 997,027	$ 1,327,951	$ 1,538,704	$ 1,837,221	$ 1,835,948	$ 1,546,464	$ 1,263,970	$ 806,744	$ 762,132	$ 602,410	$ 14,039,894
80		Wind Ancillary	$ 347,357	$ 347,357	$ 347,357	$ 347,357	$ 347,357	$ 347,357	$ 352,334	$ 352,334	$ 352,334	$ 352,334	$ 352,334	$ 352,334	$ 4,198,142
81		Wind Other	$ 96,141	$ 96,141	$ 96,141	$ 96,141	$ 771,341	$ 96,141	$ 96,141	$ 96,141	$ 96,141	$ 96,141	$ 771,341	$ 96,141	$ 2,504,092
82		JP Morgan Auction 36	$ 262,000	$ 262,000	$ 262,000	$ 209,600	$ 314,400	$ 262,000	$ 314,400	$ 209,600	$ 209,600	$ 209,600	$ 314,400	$ 209,600	$ 3,039,200
83		Powerex to JP Auction 36	$ 430,090	$ 430,090	$ 419,600	$ 409,110	$ 440,580	$ 430,090	$ 451,070	$ 377,640	$ 409,110	$ 398,620	$ 451,070	$ 398,620	$ 5,045,690
84	Net Base Market Contracts														
85		Basin Creek Fixed Capacity	$ 442,789	$ 442,789	$ 442,789	$ 442,789	$ 442,789	$ 442,789	$ 442,789	$ 442,789	$ 442,789	$ 442,789	$ 442,789	$ 442,789	$ 5,313,465
86		Basin Creek Operating Reserves	$ (361,584)	$ (361,584)	$ (361,584)	$ (361,584)	$ (361,584)	$ (361,584)	$ (361,584)	$ (361,584)	$ (361,584)	$ (361,584)	$ (361,584)	$ (361,584)	$ (4,339,008)
87		Basin Creek Wind Firming	$ (22,267)	$ (13,983)	$ (1,343)	$ (28,489)	$ (28,867)	$ (33,587)	$ (32,080)	$ (13,022)	$ (22,437)	$ (6,631)	$ (15,711)	$ (13,784)	$ (232,201)
88		Basin Creek Fuel	$ 83,445	$ 813,059	$ 193,870	$ 284,149	$ 283,119	$ 282,871	$ 234,179	$ 127,177	$ 194,478	$ 124,698	$ 710,868	$ 394,755	$ 3,726,667
89		Basin Creek Variable O & M	$ 6,565	$ 42,561	$ 3,634	$ 2,760	$ 3,630	$ 7,882	$ 5,816	$ 3,465	$ 6,398	$ 2,939	$ 34,429	$ 17,788	$ 137,867
90		Basin Creek Gas Storage Capacity	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 3,000	$ 36,000
91		Future Supply	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
92		Operating Reserves	$ 281,232	$ 281,232	$ 281,232	$ 281,232	$ 281,232	$ 281,232	$ 281,232	$ 281,232	$ 281,232	$ 281,232	$ 281,232	$ 281,232	$ 3,374,784
93		DSM Program & Labor Costs	$ 202,089	$ 482,645	$ 580,561	$ 498,864	$ 466,528	$ 535,296	$ 772,198	$ 116,077	$ 1,019,231	$ 489,048	$ 524,979	$ 937,676	$ 6,625,192
94		DSM Lost T& D Revenues	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
95		Imbalance	$ 197,231	$ 197,231	$ 197,231	$ 197,231	$ 197,231	$ 197,231	$ 197,231	$ 197,231	$ 197,231	$ 197,231	$ 197,231	$ 197,231	$ 2,366,777
96	Total Base Contract Transactions		$ 13,915,173	$ 14,541,824	$ 14,810,104	$ 15,752,955	$ 16,249,106	$ 16,423,405	$ 16,647,699	$ 14,494,157	$ 16,433,052	$ 14,919,656	$ 16,533,621	$ 15,522,944	$ 186,243,697
97															
98	Total Delivered Supply		$ 23,369,346	$ 23,363,050	$ 19,706,347	$ 20,629,645	$ 22,041,723	$ 24,735,042	$ 25,298,330	$ 22,312,888	$ 20,824,362	$ 18,621,331	$ 20,296,135	$ 19,678,828	$ 260,877,028
99															
100		Note: Wind Other includes: Invenergy impact, monthly and tax charges, Global Energy fees, 3 Tier fees, Electric service at wind towers, Basin allocations for firming, and property site leases.													
101															

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O
1	**Electric Supply Tracker**														
2	**Tracker Projection Excluding Colstrip Unit 4**														
102	**Unit Costs**		**Jul-09**	**Aug-09**	**Sep-09**	**Oct-09**	**Nov-09**	**Dec-09**	**Jan-10**	**Feb-10**	**Mar-10**	**Apr-10**	**May-10**	**Jun-10**	**Average**
103			Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	
104	Non-Base Transactions														
105	Net Fixed Price Transactions	$	48.965	$ 48.965	$ 48.929	$ 51.848	$ 51.156	$ 51.544	$ 40.500	$ 40.500	$ 40.500	$ 40.500	$ 40.500	$ 40.500	$ 48.083
106	Net Market Transactions	$	33.781	$ 40.247	$ 36.770	$ 43.530	$ 45.025	$ 46.153	$ 50.718	$ 55.928	$ 38.046	$ 31.412	$ 34.702	$ 34.711	$ 41.516
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	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	n/a	
109	Total Non-Base Transactions	$	38.833	$ 43.749	$ 45.604	$ 48.659	$ 47.884	$ 48.028	$ 49.627	$ 54.134	$ 38.445	$ 32.865	$ 35.726	$ 35.603	$ 43.534
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	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	n/a	
113		$	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
114															
115															
116		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	n/a	
117		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	n/a	
118		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	n/a	
119	Net Base Fixed Contracts														
120	PPL 7 Year Contract	$	48.150	$ 48.150	$ 48.150	$ 48.550	$ 48.550	$ 48.550	$ 48.950	$ 48.950	$ 48.950	$ 49.350	$ 49.350	$ 49.350	$ 48.748
121	QF Tier II	$	34.660	$ 34.660	$ 34.660	$ 34.660	$ 34.660	$ 34.660	$ 34.660	$ 34.660	$ 34.660	$ 34.660	$ 34.660	$ 34.660	$ 34.660
122	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
123	Future Supply	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	n/a	
124	Tiber	n/a		n/a	n/a	n/a	$ 33.184	$ 38.536	$ 48.170	$ 42.665	$ 32.114	$ 39.821	n/a	n/a	$ 38.330
125	Judith Gap Energy	$	29.392	$ 33.338	$ 33.412	$ 29.432	$ 31.397	$ 31.694	$ 31.764	$ 32.218	$ 29.637	$ 22.202	$ 22.238	$ 22.174	$ 29.473
126	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	n/a	
127	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	n/a	
128	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
129	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
130	Net Base Market Contracts														
131	Basin Creek Fixed Capacity	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	n/a	
132	Basin Creek 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	n/a	
133	Basin Creek Wind Firming	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	n/a	
134	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	n/a	
135	Basin Creek Variable O & M	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	n/a	
136	Basin Creek Gas Storage Capacity	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	n/a	
137	Future Supply	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	n/a	
138	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	n/a	
139	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	n/a	
140	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	n/a	
141	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	n/a	
142	Total Base Contract Transactions	$	48.516	$ 52.016	$ 49.719	$ 47.994	$ 49.949	$ 47.660	$ 48.601	$ 47.108	$ 49.211	$ 47.642	$ 52.474	$ 50.806	$ 49.267
143															
144	Total Delivered Supply	$	39.641	$ 41.684	$ 40.888	$ 40.631	$ 42.144	$ 41.437	$ 42.437	$ 42.605	$ 39.482	$ 38.544	$ 41.672	$ 39.438	$ 40.915

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P
1	**Electric Tracker**															
2	**Colstrip Unit 4 Cost of Service**			**Jul-09**	**Aug-09**	**Sep-09**	**Oct-09**	**Nov-09**	**Dec-09**	**Jan-10**	**Feb-10**	**Mar-10**	**Apr-10**	**May-10**	**Jun-10**	
3																
4																
5	**Colstrip Unit 4 Fixed Cost of Service -- Per Final Order 6925f**															
6				**Jul-07**	**Aug-07**	**Sep-07**	**Oct-07**	**Nov-07**	**Dec-07**	**Jan-07**	**Feb-07**	**Mar-07**	**Apr-07**	**May-07**	**Jun-07**	
7				Test Period	Test Period	Test Period	Test Period	Test Period	Test Period	Test Period	Test Period	Test Period	Test Period	Test Period	Test Period	
8	Colstrip 4 Plant In Service															
9	Electric Generation Plant		$	33,916,667	$ 33,916,667	$ 33,916,667	$ 33,916,667	$ 33,916,667	$ 33,916,667	$ 33,916,667	$ 33,916,667	$ 33,916,667	$ 33,916,667	$ 33,916,667	$ 33,916,667	$ 407,000,000
10	Accumulated Depreciation (Book Life 34 Yrs)		$	(997,549)	$ (997,549)	$ (997,549)	$ (997,549)	$ (997,549)	$ (997,549)	$ (997,549)	$ (997,549)	$ (997,549)	$ (997,549)	$ (997,549)	$ (997,549)	$ (11,970,588)
11	Deferred Income Taxes		$	(96,014)	$ (96,014)	$ (96,014)	$ (96,014)	$ (96,014)	$ (96,014)	$ (96,014)	$ (96,014)	$ (96,014)	$ (96,014)	$ (96,014)	$ (96,014)	$ (1,152,169)
12	Total Year End Rate Base		$	32,823,104	$ 32,823,104	$ 32,823,104		$ 32,823,104	$ 32,823,104	$ 32,823,104	$ 32,823,104	$ 32,823,104	$ 32,823,104	$ 32,823,104	$ 32,823,104	$ 393,877,243
13																
14	Average Annual Rate Base		$	33,369,885	$ 33,369,885	$ 33,369,885	$ 16,958,333	$ 33,369,885	$ 33,369,885	$ 33,369,885	$ 33,369,885	$ 33,369,885	$ 33,369,885	$ 33,369,885	$ 33,369,885	$ 384,027,069
15																
16	Fixed Return (Avg Rate Base * Cost of Capital)	8.25%	$	2,753,016	$ 2,753,016	$ 2,753,016	$ 2,753,016	$ 2,753,016	$ 2,753,016	$ 2,753,016	$ 2,753,016	$ 2,753,016	$ 2,753,016	$ 2,753,016	$ 2,753,016	$ 33,036,186
17																
18	Fixed Cost of Service															
19	Steam Power Generation Operation		$	739,512	$ 739,512	$ 739,512	$ 739,512	$ 739,512	$ 739,512	$ 739,512	$ 739,512	$ 739,512	$ 739,512	$ 739,512	$ 739,512	$ 8,874,144
20	Purchase Power		$	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
21	Administrative and General Expenses		$	247,388	$ 247,388	$ 247,388	$ 247,388	$ 247,388	$ 247,388	$ 247,388	$ 247,388	$ 247,388	$ 247,388	$ 247,388	$ 247,388	$ 2,968,654
22	Depreciation		$	997,549	$ 997,549	$ 997,549	$ 997,549	$ 997,549	$ 997,549	$ 997,549	$ 997,549	$ 997,549	$ 997,549	$ 997,549	$ 997,549	$ 11,970,588
23	Property Taxes		$	459,829	$ 459,829	$ 459,829	$ 459,829	$ 459,829	$ 459,829	$ 459,829	$ 459,829	$ 459,829	$ 459,829	$ 459,829	$ 459,829	$ 5,517,943
24	Taxes Other than Income		$	44,086	$ 44,086	$ 44,086	$ 44,086	$ 44,086	$ 44,086	$ 44,086	$ 44,086	$ 44,086	$ 44,086	$ 44,086	$ 44,086	$ 529,037
25	MCC/MPSC Taxes	0.45%	$	19,576	$ 19,576	$ 19,576	$ 19,576	$ 19,576	$ 19,576	$ 19,576	$ 19,576	$ 19,576	$ 19,576	$ 19,576	$ 19,576	$ 234,907
26	Deferred Income Taxes		$	96,014	$ 96,014	$ 96,014	$ 96,014	$ 96,014	$ 96,014	$ 96,014	$ 96,014	$ 96,014	$ 96,014	$ 96,014	$ 96,014	$ 1,152,169
27	Current Income Taxes		$	968,357	$ 968,357	$ 968,357	$ 968,357	$ 968,357	$ 968,357	$ 968,357	$ 968,357	$ 968,357	$ 968,357	$ 968,357	$ 968,357	$ 11,620,288
28	Miscellaneous Revenues (Rent)		$	(5,991)	$ (5,991)	$ (5,991)	$ (5,991)	$ (5,991)	$ (5,991)	$ (5,991)	$ (5,991)	$ (5,991)	$ (5,991)	$ (5,991)	$ (5,991)	$ (71,887)
29	Fixed Cost of Service		$	3,566,320	$ 3,566,320	$ 3,566,320	$ 3,566,320	$ 3,566,320	$ 3,566,320	$ 3,566,320	$ 3,566,320	$ 3,566,320	$ 3,566,320	$ 3,566,320	$ 3,566,320	$ 42,795,843
30																
31	Subtotal Fixed Return and Cost of Service		$	6,319,336	$ 6,319,336	$ 6,319,336	$ 6,319,336	$ 6,319,336	$ 6,319,336	$ 6,319,336	$ 6,319,336	$ 6,319,336	$ 6,319,336	$ 6,319,336	$ 6,319,336	$ 75,832,029
32																
33																
34																
35	**Colstrip Unit 4 Variable Cost of Service -- Per Final Order 6925f**															
36				Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	Estimate	
37																
38	Colstrip Unit 4 Fuel Cost		$	1,233,875	$ 1,766,162	$ 1,752,647	$ 1,337,249	$ 1,409,506	$ 1,494,437	$ 1,773,753	$ 1,614,910	$ 1,773,753	$ 1,765,153	$ 2,030,480	$ 2,317,417	$ 20,269,343
39																
40	Revenue Credits (Puget Contract)		$	(3,457,176)	$ (3,696,945)	$ (3,690,857)	$ (3,503,741)	$ (3,536,289)	$ (3,574,547)	$ (3,818,147)	$ (3,746,596)	$ (3,818,147)	$ (3,814,272)	$ (3,933,789)	$ (4,063,040)	$ (44,653,546)
41																
42	Incremental Property Tax Adjustment		$	-	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
43																
44	Subtotal Colstrip Unit 4 Variable Cost of Service		$	(2,223,301)	$ (1,930,783)	$ (1,938,210)	$ (2,166,492)	$ (2,126,783)	$ (2,080,109)	$ (2,044,393)	$ (2,131,686)	$ (2,044,393)	$ (2,049,120)	$ (1,903,309)	$ (1,745,623)	$ (24,384,203)
45																
46																
47																
48																
49	**Total Colstrip Unit 4 Cost of Service**		$	4,096,035	$ 4,388,553	$ 4,381,126	$ 4,152,843	$ 4,192,553	$ 4,239,227	$ 4,274,943	$ 4,187,650	$ 4,274,943	$ 4,270,216	$ 4,416,026	$ 4,573,713	51,447,826
50																
51																
52																
53																
54																
55	**Colstrip Unit 4 Price Stability Contract -- Per Final Order 6925f**															
56	Price Stability Contract		$	(157,276)	$ (157,276)	$ (157,276)	$ (157,276)	$ (157,276)	$ (157,276)	$ (157,276)	$ (157,276)	$ (157,276)	$ (157,276)	$ (157,276)	$ (157,276)	$ (1,887,312)
57																

NORTHWESTERN
ENERGY

DOCKET NO. D2009.5.62

ELECTRIC DEFAULT SUPPLY DEFERRED COSTACCOUNT BALANCE AND PROJECTED ELECTRIC SUPPLY COST

APPENDIX B

Exhibit __(FVB-4) 9-10

Department of Public Service Regulation
Montana Public Service Commission
Docket No. D2009.5.62
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. My name is Cheryl A. Hansen, and my business address is 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 2009-2010 tracker year billing statistics and explains how they are derived;
2. Presents the derivation of proposed electric deferred supply rates resulting from the over/under collection reflected in the 2008-2009 tracker period; and
3. Presents the derivation of proposed electric supply rates for the forecasted 2009-2010 tracker period.

2009-2010 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 utilizes historical actual billing data, adjusted for weather, known changes and forecasted loads to derive the estimated usage for the July 2009 to June 2010 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. 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 in the analysis as described in the Prefiled Direct Testimony of Frank V. Bennett. Cyclical data is used to establish rates for billing purposes.

Q. How was the tracker period usage presented in Exhibit __(CAH-1).09-10 developed?

A. Table 1 of Exhibit_(CAH-1).09-10 begins with actual billed usage for the various customer classes for the period April 2008 through March 2009. The subsequent tables show a variety of changes that were made to arrive at the forecasted usage for the July 2009 through June 2010 period shown on Table 5. A brief description of Tables 1 through 3 in Exhibit_(CAH-1).09-10 is as follows:

1. Table 1 is actual billed usage for the months April 2008 through March 2009.

2. Table 2 is the result of shifting data to calendar month, making known change adjustments and using forecast data. The Load Vision computer program shifts data to calendar month by using actual hourly metered data for the larger customers (GS-2, large GS-1, and special contracts); individual meter read data (using read dates, actual weather, and profile models) for smaller GS-1 and Residential customers; monthly hours of darkness for lighting; and actual meter reads and historical load research shapes for irrigation.

3. Table 3 summarizes the changes made to Table 1 as described below:
   - Column C shows total Table 1 actual billed usage for the months April 2008 through March 2009.
   - Column D reflects changes in the operations of large customers. The most significant change is a 131,410 Mwh decrease reflecting load curtailment for two large customers. There is also a 6,552 Mwh increase representing annualized load for a new account expected to come on line in the second half of 2009. The adjustment in Column D shows a decrease of 124,858 Mwh to electric supply usage and a decrease of 3,969 Mwh to choice usage.

- Column E replaces the Irrigation load with a 5-year average resulting in a decrease of 554 Mwh to this class.
- Column F shows changes to the Residential and General Service Secondary classes as a result of their forecasted usage for the 12 months ended June 2010. 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 test periods. The impact of these forecasts is to decrease Residential usage by 32,622 Mwh, increase GS Secondary electric supply usage by 38,017 Mwh and decrease GS Secondary choice usage by 1,713 Mwh. Additional adjustments reflect the shift to calendar month usage. The total adjustment in Column F shows a 23,943 Mwh increase to electric supply usage and a 14,500 Mwh decrease to choice usage.
- Column G is the resultant forecasted calendar month usage for the July 2009 through June 2010 time period.
- Column H reflects the sum of all changes (Columns D through G). The total result is a forecasted decrease of 101,431 Mwh to electric supply usage and a forecasted decrease of 18,507 Mwh to choice usage for a net decrease of 119,938 Mwh.

Q. Describe the additional adjustments made in Table 4 of Exhibit__(CAH-1).09-10.

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 National 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).09-10.

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-3).09-10.

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).09-10 for use in the derivation of rates.

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

A. The loads for Yellowstone National Park are served by the utility and are included in the delivered load shown in the tables discussed above and in Exhibit_(FVB-3).09-10 of the Prefiled Direct Testimony of Frank V. Bennett. However, the costs for Yellowstone National Park are recovered through a separately negotiated contract rate, therefore, the loads and corresponding revenues are excluded from any rate design for MPSC jurisdictional rates.

Derivation of Electric Deferred Supply Rates

Q. What is the electric supply cost account balance for the twelve-month period ending June 2009?

A. The electric supply cost account balance for the twelve-month period ending June 2009 is an over collection of $(22,123,461) as presented on Exhibit_(CAH-2).09-10. This exhibit summarizes the electric supply cost revenues and expenses for July 2007 through June 2009 (representing two tracker periods) and the monthly deferred cost activity for July 2008 through

June 2009. The months of May 2009 and June 2009 are estimated and will be trued-up as part of next year's filing.

Q. Describe the status of the electric deferred supply cost account balance associated with the 2007-2008 tracking period.

A. In the annual filing submitted on May 30, 2008, the net deferred account balance for the 2007-2008 tracking period was shown as an over collection of $(15,884,333). This included an estimated prior period balance of $360,501 and an estimated current year balance of $(16,244,534). The rate that went into effect July 1, 2008 was designed to refund the total net amount of $(15,884,333) to customers over the 2008-2009 tracking period.

The estimated prior period balance, as shown in the May 2008 filing, included 10 months actual and 2 months estimated data. Page 1 of Exhibit_(CAH-2).09-10 shows the true-up of the estimated months of May 2008 and June 2008 with actual data.

The estimated current year balance, as shown in the May 2008 filing, represented the difference between electric supply cost revenues and expenses for the 2007-2008 tracking period and included 10 months actual and 2 months estimated data. On July 17, 2008, NWE submitted a filing in compliance with Docket No. D2007.5.46, Order No. 6836c. The filing included revised electric supply cost expenses shown as 11 months actual data and 1 month estimated data but did not include a proposed revised deferred rate

calculation. Page 2 of Exhibit_(CAH-2).09-10 shows the monthly detail of the difference between the revised electric supply cost revenues and expenses included in the July 2008 filing and the true-up of the estimated month of June 2008 with actual data. The result is a revised over collected amount for the 2007-2008 tracking period of $(14,748,665).

Q. How are these deferred account balance amounts included in this filing?

A. The over recovered ending balance of $(15,884,333) for the 2007-2008 tracking period, represented in the 2008 filing, becomes the starting balance. Added to this balance is the prior period true-up for the months of May and June and the revised 2007-2008 tracker year deferred balance discussed above. The net over recovered ending balance of $(14,223,795) becomes the deferred account beginning balance for the 2008-2009 tracking period, as shown on Page 2 of Exhibit_(FVB-2).08-09 of the Prefiled Direct Testimony of Frank V. Bennett. This is offset with the current year monthly activity shown on Exhibit_(CAH-2).09-10, page 1, resulting in a net over refunded balance of $2,101,615 for the 2008-2009 tracking period.

Q. Describe the electric deferred supply cost account balance associated with the 2008-2009 tracking period.

A. Page 3 of Exhibit_(CAH-2).09-10 shows the monthly detail of the difference between the electric market-based supply cost revenues and expenses, resulting in an over collected amount of $(22,492,299) for the 2008-2009

tracker period. The months of May 2009 and June 2009 are estimated and will be trued-up in the next annual filing.

Q. Please discuss the proposed treatment of Colstrip Unit 4 (CU4).

A. This filing introduces an additional component to the deferred supply cost calculation. The January 1, 2009 monthly electric supply tracker filing included the Commission ordered rate-basing treatment of CU4 and separated the electric supply tracker model into a market-based supply cost section and a CU4 cost of service section. As discussed in that filing, the CU4 section includes a fixed cost of service section that will remain unchanged until an order is issued in any subsequent CU4 revenue requirement filing. There is also a CU4 variable cost of service section that includes fuel costs, Puget Sound Energy revenue credits, incremental property taxes and the price stability contract benefits. These costs are grouped together and tracked similar to the market-based supply costs. In this filing, NWE proposes to include a deferred cost account balance for the difference in the amount of CU4 variable cost revenues and expenses. Page 4 of Exhibit_(CAH-2).09-10 shows the monthly detail resulting in an over collected amount related to the CU4 variable costs of $(1,732,778).

Q. What is the total electric deferred supply cost account adjustment proposed for amortization in this filing and shown on Exhibit_(CAH-2).09-10?

A. The total electric deferred supply cost account adjustment proposed in this filing is an over collection of $(22,123,461) shown on page 1, line 59. The adjustment consists of the prior period balance of $2,101,615, netted against the 12 months ended June 2009 forecasted market-based supply cost over collection of $(22,492,299) and the proposed 12 months ended June 2009 forecasted CU4 variable cost over collection of $(1,732,778). The net amount is the amount proposed for amortization in this filing and is the same amount used in the derivation of the electric deferred supply cost rates described below.

Total Electric deferred Supply Cost Account Balance

2007-2008 Prior Period Deferred Account Balance	2,101,615
2008-2009 Electric Market-Based Supply Account Balance	$(22,492,299)
2008-2009 Electric CU4 Variable Account Balance	$(1,732,778)
	$(22,123,461)

Q. How were the electric deferred supply rates developed?

A. The electric deferred 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 $(22,123,461). This amount includes $(20,390,683) from the market-based

supply account balance and $(1,732,778) from the CU4 variable account balance. The details showing the derivation of the proposed electric deferred supply rates are set forth in Exhibit__(CAH-3).09-10.

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 supply tracker compliance filings. However, with the inclusion of CU4 in rate base, as discussed earlier in my testimony, this filing expands the development of the electric supply rate to reflect CU4. All forecasted costs are from Exhibit_(FVB-3).09-10 of the Prefiled Direct Testimony of Frank V. Bennett and are discussed in his testimony.

The single electric supply rate component presented in previous filings is now replaced with three components – a market-based supply rate, a CU4 fixed cost of service rate and a CU4 variable cost of service rate.

Derivation of the market-based supply rate is shown on Exhibit_(CAH-4).09-10, pages 1 and 2. The total proposed electric supply cost of $268,678,145 from Exhibit__(FVB-3).09-10 (page 1, Column O, line 47) is used as the starting point on page 1. This figure is then reduced for the supply revenues

received from Yellowstone National Park (YNP). The forecasted loads from Exhibit_(CAH)-1.09-10 are adjusted for the employee discount and weighted by losses. Next, a unit rate is calculated by dividing the adjusted loads by the total costs excluding Yellowstone National Park. This unit rate is then adjusted for losses by rate class to derive the electric supply base rates. These base rates are then further adjusted on page 2, so that the percentage rate increase of each customer class is no greater than the Residential customer rate class increase. The resulting rates are the proposed market-based supply rate component.

Derivation of the CU4 fixed cost of service rate is shown on Exhibit_(CAH-4).0910, page 4. The total revenue requirement cost of $75,832,029 from Exhibit_(FVB-3).09-10 (page 6, Column P, line 31) is the starting point. Derivation of the customer class rates is similar to the market-based supply rate derivation with one exception. The loads used in this rate derivation are from the 12-month forecasted period January 1, 2007 through December 31, 2007 to more closely match the loads with the test period represented by the revenue requirement. It must be noted that the rate derivation shown here is the same as the derivation initially proposed in the January 1, 2009 electric supply monthly tracker filing. The CU4 fixed cost of service rate components presented in this filing remain unchanged and will not change until an order is issued in any subsequent CU4 revenue requirement filing.

Derivation of the CU4 variable cost of service rate is shown on Exhibit_(CAH-4).09-10, page 5. The total variable cost of $(24,384,203), which is the sum of the forecasted fuel costs, Puget revenue credits and incremental property taxes, is from Exhibit_(FVB-3).09-10 (page 6, Column P, line 44). The price stability contract benefits amount of $(1,887,312) is from Exhibit_(FVB-3).09-10 (page 6, Column P, line 56). The sum of these two costs is the amount used to derive the CU4 variable cost of service rates. The CU4 variable cost of service rate components presented in this filing remain unchanged until the next annual tracker filing.

The separate rate components as explained above are bundled together into a single rate for customer billing as shown on Exhibit_(CAH-4).09-10, page 7. Both the market-based supply rates and CU4 variable rates reflect the forecasted costs proposed in this filing, while the CU4 fixed rates remain unchanged from current.

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).09-10 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. 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, 2009.

Q. Does this complete your testimony?

A. Yes.

TABLE 1 - Actual billed data

NorthWestern Energy Revenue Month Sales (MWh)

Class	Apr-08	May-08	Jun-08	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Total
Residential Non-Choice	187,944	187,029	167,329	182,968	201,977	167,096	150,477	175,009	209,705	264,030	226,600	204,642	2,324,808
Residential Choice	11	10	11	12	14	13	8	9	10	14	12	10	134
Total Residential	**187,955**	**187,039**	**167,340**	**182,980**	**201,991**	**167,109**	**150,485**	**175,018**	**209,715**	**264,044**	**226,613**	**204,652**	**2,324,942**
GS Secondary Non-Choice	213,763	225,249	218,959	248,301	272,154	226,393	208,059	210,124	218,858	240,491	232,816	217,727	2,732,895
GS Secondary Choice	7,076	6,943	7,397	8,051	8,707	7,715	7,125	6,789	6,971	7,195	7,014	6,701	87,683
GS Primary Non-Choice	26,732	25,553	25,231	25,973	28,352	27,525	25,253	28,528	27,443	30,307	29,046	24,974	324,917
GS Primary Choice	6,786	6,136	6,349	6,709	6,782	6,275	6,399	6,493	5,659	6,291	6,776	6,828	77,484
Total General Service - 1	**254,357**	**263,881**	**257,936**	**289,034**	**315,995**	**267,909**	**246,835**	**251,934**	**258,931**	**284,284**	**275,653**	**256,230**	**3,222,979**
GS Substation Non-Choice	26,898	26,452	23,537	24,061	23,771	25,380	26,235	27,725	25,760	25,995	26,444	24,575	306,833
GS Substation Choice	160,040	153,132	162,816	161,287	170,372	162,459	158,608	166,044	155,515	172,519	139,031	144,772	1,906,594
GS Transmission Non-Choice	13,289	12,080	12,162	11,904	12,562	12,994	11,695	12,645	11,357	10,993	12,340	11,389	145,411
GS Transmission Choice	6,631	6,886	6,505	6,543	7,048	6,495	6,957	7,211	6,788	6,592	6,077	6,449	80,183
Total General Service - 2	**206,859**	**198,551**	**205,020**	**203,795**	**213,752**	**207,328**	**203,496**	**213,625**	**199,420**	**216,098**	**183,892**	**187,185**	**2,439,021**
Irrigation Non-Choice	27	1,163	8,333	22,420	32,282	16,164	6,043	740	27	34	2	185	87,419
Irrigation Choice	0	27	22	54	60	23	19	15	1	0	0	0	221
Total Irrigation	**27**	**1,190**	**8,355**	**22,474**	**32,342**	**16,186**	**6,063**	**755**	**28**	**34**	**2**	**185**	**87,640**
Lighting Non-Choice	4,918	4,882	4,850	4,845	4,890	4,785	4,873	4,882	4,903	4,921	4,896	4,868	58,513
Lighting Choice	373	373	373	373	373	366	366	366	366	366	366	366	4,424
Total Lighting	**5,291**	**5,255**	**5,222**	**5,218**	**5,263**	**5,151**	**5,239**	**5,248**	**5,269**	**5,287**	**5,261**	**5,233**	**62,937**
Yellowstone Contract	416	910	3,288	3,084	2,900	2,426	2,631	1,450	364	413	442	413	18,736
Total Yellowstone	**416**	**910**	**3,288**	**3,084**	**2,900**	**2,426**	**2,631**	**1,450**	**364**	**413**	**442**	**413**	**18,736**
REC	56,633	48,678	58,433	56,148	51,707	55,050	61,659	59,943	61,162	61,086	61,995	57,844	690,339
Special Contract	**56,633**	**48,678**	**58,433**	**56,148**	**51,707**	**55,050**	**61,659**	**59,943**	**61,162**	**61,086**	**61,995**	**57,844**	**690,339**
Total Distribution	**711,537**	**705,504**	**705,593**	**762,733**	**823,950**	**721,161**	**676,406**	**707,974**	**734,891**	**831,245**	**753,858**	**711,742**	**8,846,594**
Total Electric Supply Usage	473,986	483,317	463,688	523,557	578,889	482,765	435,266	461,103	498,419	577,184	532,586	488,773	5,999,533
Total Choice Usage	237,551	222,186	241,905	239,176	245,062	238,396	241,140	246,870	236,472	254,062	221,271	222,969	2,847,061
	711,537	**705,504**	**705,593**	**762,733**	**823,950**	**721,161**	**676,406**	**707,974**	**734,891**	**831,245**	**753,858**	**711,742**	**8,846,594**

TABLE 2 - Table 1 normalized

NorthWestern Energy Calendar Month Sales (MWh) - With Forecast and Known Change Adjustments

Class	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Total
Residential Non-Choice	194,028	180,765	156,471	178,886	202,049	244,736	240,939	207,114	194,342	171,120	162,097	159,641	2,292,187
Residential Choice	11	11	9	10	12	14	14	12	11	10	9	9	133
Total Residential	**194,040**	**180,776**	**156,480**	**178,896**	**202,061**	**244,750**	**240,953**	**207,126**	**194,353**	**171,129**	**162,107**	**159,650**	**2,292,320**
GS Secondary Non-Choice	259,140	253,542	221,206	224,099	220,368	240,980	242,699	218,061	228,948	214,606	220,932	226,332	2,770,912
GS Secondary Choice	8,360	8,180	7,137	7,230	7,110	7,775	7,830	7,035	7,386	6,924	7,128	7,302	89,396
GS Primary Non-Choice	28,494	28,367	25,645	28,581	27,611	31,394	30,897	26,584	28,194	26,816	26,347	26,170	335,101
GS Primary Choice	6,677	6,386	6,332	6,489	5,607	6,337	6,756	6,828	6,816	6,138	6,372	6,613	77,353
Total General Service - 1	**302,670**	**296,475**	**260,320**	**266,398**	**260,696**	**286,486**	**288,182**	**258,508**	**271,345**	**254,484**	**260,779**	**266,417**	**3,272,761**
GS Substation Non-Choice	14,663	14,416	15,191	16,834	16,019	15,845	16,877	15,225	17,223	16,896	16,352	14,710	190,252
GS Substation Choice	168,652	161,254	157,933	165,077	153,987	151,636	156,663	143,087	157,488	150,191	160,741	160,324	1,887,033
GS Transmission Non-Choice	12,824	12,989	12,024	12,860	11,204	11,654	12,413	11,598	13,107	12,075	12,280	11,614	146,641
GS Transmission Choice	7,048	6,495	6,957	7,211	6,788	6,592	6,077	6,449	6,631	6,886	6,505	6,543	80,182
Total General Service - 2	**203,187**	**195,155**	**192,105**	**201,982**	**187,997**	**185,727**	**192,029**	**176,360**	**194,450**	**186,048**	**195,878**	**193,190**	**2,304,108**
Irrigation Non-Choice	30,245	22,016	8,411	1,650	69	7	10	6	16	466	6,719	17,287	86,903
Irrigation Choice	64	46	18	3	0	0	0	0	0	1	14	36	183
Total Irrigation	**30,308**	**22,062**	**8,429**	**1,654**	**69**	**7**	**10**	**6**	**16**	**467**	**6,733**	**17,324**	**87,086**
Lighting Non-Choice	3,225	4,058	4,673	5,699	5,766	6,457	6,520	4,941	5,371	4,020	3,620	3,020	57,369
Lighting Choice	247	307	345	424	209	323	482	375	415	301	283	227	3,937
Total Lighting	**3,472**	**4,365**	**5,018**	**6,123**	**5,975**	**6,780**	**7,002**	**5,316**	**5,786**	**4,321**	**3,902**	**3,246**	**61,306**
Yellowstone Contract	2,418	2,349	2,293	1,197	717	878	984	872	847	1,097	2,336	2,747	18,736
Total Yellowstone	**2,418**	**2,349**	**2,293**	**1,197**	**717**	**878**	**984**	**872**	**847**	**1,097**	**2,336**	**2,747**	**18,736**
REC	51,707	55,050	61,659	59,943	61,162	61,086	61,995	57,844	56,633	48,678	58,433	56,148	690,338
Special Contract	**51,707**	**55,050**	**61,659**	**59,943**	**61,162**	**61,086**	**61,995**	**57,844**	**56,633**	**48,678**	**58,433**	**56,148**	**690,338**
Total Distribution	**787,803**	**756,232**	**686,305**	**716,194**	**718,676**	**785,714**	**791,154**	**706,031**	**723,431**	**666,225**	**690,167**	**698,722**	**8,726,656**
Total Electric Supply Usage	545,037	518,502	445,915	469,805	483,803	551,951	551,338	484,401	488,049	447,096	450,683	461,519	5,898,101
Total Choice Usage	242,766	237,730	240,390	246,389	234,874	233,763	239,817	221,630	235,382	219,129	239,484	237,203	2,828,555
	787,803	**756,232**	**686,305**	**716,194**	**718,676**	**785,714**	**791,154**	**706,031**	**723,431**	**666,225**	**690,167**	**698,722**	**8,726,656**

TABLE 3 - Comparison of Tables 1 & 2

NorthWestern Energy Sales (MWh)

Class	Table 1	Large Cust Known Changes	Irrigation Normalization	Res/GS-1 Forecasts & Shift to Calendar Mth	Table 2	Diff MWh
Residential Non-Choice	2,324,808			-32,621	2,292,187	-32,621
Residential Choice	134			-1	133	-1
Total Residential	**2,324,942**	**0**	**0**	**-32,622**	**2,292,320**	**-32,622**
GS Secondary Non-Choice	2,732,895			38,017	2,770,912	38,017
GS Secondary Choice	87,683			1,713	89,396	1,713
GS Primary Non-Choice	324,917	6,552		3,632	335,101	10,184
GS Primary Choice	77,484			-131	77,353	-131
Total General Service - 1	**3,222,979**	**6,552**	**0**	**43,231**	**3,272,762**	**49,783**
GS Substation Non-Choice	306,833	-131,410		14,829	190,252	-116,581
GS Substation Choice	1,906,594	-3,968		-15,593	1,887,033	-19,561
GS Transmission Non-Choice	145,411			1,230	146,641	1,230
GS Transmission Choice	80,183	-1			80,182	-1
Total General Service - 2	**2,439,021**	**-135,379**	**0**	**466**	**2,304,108**	**-134,913**
Irrigation Non-Choice	87,419		-516		86,903	-516
Irrigation Choice	221		-38		183	-38
Total Irrigation	**87,640**	**0**	**-554**	**0**	**87,086**	**-554**
Lighting Non-Choice	58,513			-1,144	57,369	-1,144
Lighting Choice	4,424			-487	3,937	-487
Total Lighting	**62,937**	**0**	**0**	**-1,631**	**61,306**	**-1,631**
Yellowstone Contract	18,736			0	18,736	0
Total Yellowstone	**18,736**	**0**	**0**	**0**	**18,736**	**0**
REC	690,339			-1	690,338	-1
Special Contract	**690,339**	**0**	**0**	**-1**	**690,338**	**-1**
Total Distribution	**8,846,594**	**-128,827**	**-554**	**9,443**	**8,726,656**	**-119,938**
	-				-	-
Total Electric Supply Usage	5,999,532	-124,858	-516	23,943	5,898,101	-101,431
Total Choice Usage	2,847,062	-3,969	-38	-14,500	2,828,555	-18,507
	8,846,594	**-128,827**	**-554**	**9,443**	**8,726,656**	**-119,938**
	-	-	-	-	-	-

TABLE 4: Table 2 w/cyclical adj

NorthWestern Energy Revenue Month Sales (MWh)

Class	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Total
Residential Non-Choice	176,834	187,397	168,618	167,678	190,467	223,392	242,837	224,026	200,728	182,731	166,608	160,869	2,292,187
Residential Choice	10	11	10	10	11	13	14	13	12	11	10	9	133
Total Residential	**176,845**	**187,408**	**168,628**	**167,688**	**190,478**	**223,405**	**242,851**	**224,039**	**200,740**	**182,741**	**166,618**	**160,878**	**2,292,320**
GS Secondary Non-Choice	242,736	256,341	237,374	222,653	222,234	230,674	241,839	230,380	223,504	221,777	217,769	223,632	2,770,912
GS Secondary Choice	7,831	8,270	7,658	7,183	7,170	7,442	7,802	7,433	7,211	7,155	7,026	7,215	89,396
GS Primary Non-Choice	27,332	28,430	27,006	27,113	28,096	29,503	31,146	28,741	27,389	27,505	26,582	26,259	335,101
GS Primary Choice	6,645	6,532	6,359	6,410	6,048	5,972	6,547	6,792	6,822	6,477	6,255	6,493	77,353
Total General Service - 1	**284,543**	**299,573**	**278,398**	**263,359**	**263,547**	**273,591**	**287,334**	**273,345**	**264,926**	**262,914**	**257,632**	**263,598**	**3,272,761**
GS Substation Non-Choice	14,663	14,416	15,191	16,834	16,019	15,845	16,877	15,225	17,223	16,896	16,352	14,710	190,252
GS Substation Choice	168,652	161,254	157,933	165,077	153,987	151,636	156,663	143,087	157,488	150,191	160,741	160,324	1,887,033
GS Transmission Non-Choice	12,824	12,989	12,024	12,860	11,204	11,654	12,413	11,598	13,107	12,075	12,280	11,614	146,641
GS Transmission Choice	7,048	6,495	6,957	7,211	6,788	6,592	6,077	6,449	6,631	6,886	6,505	6,543	80,182
Total General Service - 2	**203,187**	**195,155**	**192,105**	**201,982**	**187,997**	**185,727**	**192,029**	**176,360**	**194,450**	**186,048**	**195,878**	**193,190**	**2,304,108**
Irrigation Non-Choice	23,766	26,130	15,214	5,031	860	38	9	8	11	241	3,593	12,003	86,903
Irrigation Choice	50	55	32	11	2	0	0	0	0	0	8	25	183
Total Irrigation	**23,816**	**26,185**	**15,246**	**5,041**	**861**	**38**	**9**	**8**	**11**	**242**	**3,600**	**12,028**	**87,086**
Lighting Non-Choice	4,781	4,781	4,781	4,781	4,781	4,781	4,781	4,781	4,781	4,781	4,781	4,781	57,369
Lighting Choice	328	328	328	328	328	328	328	328	328	328	328	328	3,937
Total Lighting	**5,109**	**5,109**	**5,109**	**5,109**	**5,109**	**5,109**	**5,109**	**5,109**	**5,109**	**5,109**	**5,109**	**5,109**	**61,306**
Yellowstone Contract	2,583	2,384	2,321	1,745	957	798	931	928	860	972	1,717	2,542	18,736
Total Yellowstone	**2,583**	**2,384**	**2,321**	**1,745**	**957**	**798**	**931**	**928**	**860**	**972**	**1,717**	**2,542**	**18,736**
REC	51,707	55,050	61,659	59,943	61,162	61,086	61,995	57,844	56,633	48,678	58,433	56,148	690,338
Special Contract	**51,707**	**55,050**	**61,659**	**59,943**	**61,162**	**61,086**	**61,995**	**57,844**	**56,633**	**48,678**	**58,433**	**56,148**	**690,338**
Total Distribution	**747,790**	**770,864**	**723,466**	**704,868**	**710,112**	**749,754**	**790,258**	**737,633**	**722,729**	**686,704**	**688,986**	**693,493**	**8,726,656**
													-
Total Electric Supply Usage	505,518	532,868	482,529	458,694	474,617	516,685	550,832	515,687	487,603	466,978	449,681	456,408	5,898,101
Total Choice Usage	242,271	237,996	240,936	246,174	235,495	233,069	239,426	221,946	235,126	219,726	239,305	237,085	2,828,555
	747,790	**770,864**	**723,466**	**704,868**	**710,112**	**749,754**	**790,258**	**737,633**	**722,729**	**686,704**	**688,986**	**693,493**	**8,726,656**
													-

TABLE 5 - Table 4 modified for rate design

NorthWestern Energy Revenue Month Sales (MWh) - Electric Supply Rate Design Load

Class	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	Total
Residential Non-Choice	176,472	187,028	168,287	167,337	190,068	222,928	242,349	223,583	200,331	182,362	166,260	160,537	2,287,542
Residential Employee	362	369	331	341	400	464	488	443	397	369	349	332	4,644
Residential	**176,834**	**187,397**	**168,618**	**167,678**	**190,467**	**223,392**	**242,837**	**224,026**	**200,728**	**182,731**	**166,608**	**160,869**	**2,292,187**
	-	-	-	-	-	-	-	-	-	-	-	-	-
GS Secondary Non-Demand	22,345	23,578	21,723	20,314	21,902	25,422	30,259	27,036	25,374	24,009	22,723	21,528	286,214
GS Secondary Demand	220,390	232,763	215,651	202,338	200,332	205,252	211,580	203,343	198,130	197,768	195,046	202,104	2,484,698
Total GS-1 Secondary	**242,736**	**256,341**	**237,374**	**222,653**	**222,234**	**230,674**	**241,839**	**230,380**	**223,504**	**221,777**	**217,769**	**223,632**	**2,770,912**
	-	-	-	-	-	-	-	-	-	-	-	-	-
GS Primary Non-Demand	90	81	51	56	54	25	20	19	18	30	34	59	538
GS Primary Demand	27,241	28,350	26,955	27,057	28,042	29,478	31,126	28,721	27,371	27,475	26,547	26,199	334,562
Total GS-1 Primary	**27,332**	**28,430**	**27,006**	**27,113**	**28,096**	**29,503**	**31,146**	**28,741**	**27,389**	**27,505**	**26,582**	**26,259**	**335,101**
	-	-	-	-	-	-	-	-	-	-	-	-	-
Total GS-2 Substation	**14,663**	**14,416**	**15,191**	**16,834**	**16,019**	**15,845**	**16,877**	**15,225**	**17,223**	**16,896**	**16,352**	**14,710**	**190,252**
Total GS-2 Transmission	**12,824**	**12,989**	**12,024**	**12,860**	**11,204**	**11,654**	**12,413**	**11,598**	**13,107**	**12,075**	**12,280**	**11,614**	**146,641**
Total Irrigation	**23,766**	**26,130**	**15,214**	**5,031**	**860**	**38**	**9**	**8**	**11**	**241**	**3,593**	**12,003**	**86,903**
Total Lighting	**4,781**	**4,781**	**4,781**	**4,781**	**4,781**	**4,781**	**4,781**	**4,781**	**4,781**	**4,781**	**4,781**	**4,781**	**57,369**
MPSC Electric Supply Load	**502,935**	**530,484**	**480,208**	**456,949**	**473,660**	**515,887**	**549,901**	**514,759**	**486,744**	**466,006**	**447,965**	**453,867**	**5,879,364**
Yellowstone Park Load	**2,583**	**2,384**	**2,321**	**1,745**	**957**	**798**	**931**	**928**	**860**	**972**	**1,717**	**2,542**	**18,736**
Total Electric Supply Load	**505,518**	**532,868**	**482,529**	**458,694**	**474,617**	**516,685**	**550,832**	**515,687**	**487,603**	**466,978**	**449,681**	**456,408**	**5,898,101**
												-	**-**

NorthWestern Energy
Deferred Electric Supply Cost Account Balance
July 2007 - June 2009

Month	Monthly Collection	Collection to-date	Balance Remaining
Jul07-Jun08 over collected balance as filed in D2008.5.45			**$ (15,884,333)**
Prior Period Tracker Year True-up:			
May08: Estimated as filed in D2008.5.45		$ 1,245,778	
May08: Actual		$ 1,375,514	$ 129,736
Jun08: Estimated in D2008.5.45		$ 1,278,226	
Jun08: Actual		$ 1,312,859	$ 34,633
Jul07-Jun08 Tracker Year True-up:			
Jul07-Jun08: Estimated as filed in D2008.5.45		$ (16,244,834)	
Jul07-Jun08: Revised (see page 2)		$ (14,748,665)	$ 1,496,169
Actual Jul07-Jun08 over collected balance [1]			**$ (14,223,795)**
Jul08-Jun09 Monthly Activity:			
July 2008	$ (1,460,216)	$ (1,460,216)	$ (12,763,579)
August 2008	$ (1,552,931)	$ (3,013,147)	$ (11,210,649)
September 2008	$ (1,292,526)	$ (4,305,673)	$ (9,918,122)
October 2008	$ (1,163,781)	$ (5,469,454)	$ (8,754,341)
November 2008	$ (1,236,292)	$ (6,705,747)	$ (7,518,049)
December 2008	$ (1,340,864)	$ (8,046,611)	$ (6,177,184)
January 2009	$ (1,553,026)	$ (9,599,636)	$ (4,624,159)
February 2009	$ (1,432,381)	$ (11,032,018)	$ (3,191,778)
March 2009	$ (1,314,576)	$ (12,346,594)	$ (1,877,201)
April 2009	$ (1,297,530)	$ (13,644,124)	$ (579,672)
May 2009 (Estimated)	$ (1,273,403)	$ (14,917,526)	$ 693,731
June 2009 (Estimated)	$ (1,407,884)	$ (16,325,411)	$ 2,101,615
Estimated Ending Balance			$ 2,101,615
Jul08-Jun09 market-based supply cost balance (see page 3)			$ (22,492,299)
Total market-based supply cost over collection [2]			$ (20,390,683)
Total CU4 variable cost over collection (see page 4)			$ (1,732,778)
Net Total Supply Cost Over Collection to be refunded			**$ (22,123,461)**

[1] Source: Exhibit_(FVB-1).07-08, page 2, line 13.
[2] Source: Exhibit_(FVB-2).08-09, page 2, line 13.

NorthWestern Energy
Supply Cost Account Balance
July 2007 - June 2008

Month	Electric Supply Cost Revenues	Electric Supply Cost Expense	Jul07-Jun08 Supply Cost
Revised in Compliance with Docket No. D2007.5.46 Order No. 6836c:			
July 2007	$ 28,284,144	$ 33,183,533	$ 4,899,389
August 2007	$ 32,255,473	$ 29,239,571	$ (3,015,902)
September 2007	$ 27,964,024	$ 24,354,620	$ (3,609,404)
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	$ 29,080,512	$ 23,139,118	$ (5,941,395)
June 2008 Estimated	$ 28,148,800	$ 22,244,324	$ (5,904,476)
	$ 339,446,828	$ 322,009,352	$ (17,437,476)

Note: Above initially submitted to MPSC July 17, 2008 (Exhibit_(FVB-1_Rev_Jul 16).

Tracker Year True-up:			
June 2008 Actual	$ 28,148,800	$ 24,933,135	$ (3,215,665)
Revised Jul07-Jun08	**$ 339,446,828**	**$ 324,698,163**	**$ (14,748,665)**

Source:
Revenues: Exhibit_(FVB-1).07-08, page 1, line 16.
Expense: Exhibit_(FVB-1).07-08, page 1, line 47.

NorthWestern Energy
Supply Cost Account Balance
July 2008 - June 2009

Month	Electric Supply Cost Revenues	Electric Supply Cost Expense	Jul08-Jun09 Supply Cost
July 2008	$ 33,126,821	$ 35,544,063	$ 2,417,242
August 2008	$ 37,145,391	$ 32,540,487	$ (4,604,905)
September 2008	$ 30,217,842	$ 23,687,998	$ (6,529,844)
October 2008	$ 25,613,822	$ 25,735,820	$ 121,998
November 2008	$ 26,349,863	$ 28,046,973	$ 1,697,110
December 2008	$ 27,939,698	$ 33,578,030	$ 5,638,332
January 2009	$ 30,896,924	$ 25,421,235	$ (5,475,689)
February 2009	$ 25,813,330	$ 21,562,940	$ (4,250,390)
March 2009	$ 23,465,303	$ 23,234,135	$ (231,168)
April 2009	$ 22,629,093	$ 18,023,096	$ (4,605,997)
May 2009 (Estimated)	$ 20,700,109	$ 18,831,423	$ (1,868,686)
June 2009 (Estimated)	$ 24,054,719	$ 19,254,417	$ (4,800,303)
Estimated Jul08-Jun09	**$ 327,952,916**	**$ 305,460,617**	**$ (22,492,299)**

Source:
Revenues: Exhibit_(FVB-2).08-09, page 1, line 16.
Expense: Exhibit_(FVB-2).08-09, page 1, line 47.

NorthWestern Energy
CU4 Variable Cost Account Balance
July 2008 - June 2009

Month	Electric CU4 Variable Cost Revenues	Electric CU4 Variable Cost Expense	Jul08-Jun09 Electric CU4 Variable Cost
July 2008	$ -	$ -	$ -
August 2008	$ -	$ -	$ -
September 2008	$ -	$ -	$ -
October 2008	$ -	$ -	$ -
November 2008	$ -	$ -	$ -
December 2008	$ -	$ -	$ -
January 2009	$ (900,265)	$ (2,033,430)	$ (1,133,165)
February 2009	$ (2,241,742)	$ (2,133,160)	$ 108,582
March 2009	$ (2,057,442)	$ (1,928,439)	$ 129,003
April 2009	$ (2,030,770)	$ (2,843,621)	$ (812,851)
May 2009 (Estimated)	$ (2,804,959)	$ (2,817,089)	$ (12,130)
June 2009 (Estimated)	$ (2,585,127)	$ (2,597,343)	$ (12,216)
Estimated Jul08-Jun09	**$ (12,620,304)**	**$ (14,353,082)**	**$ (1,732,778)**

Source:
Revenues: Exhibit_(FVB-2).08-09, page 6, line 16.
Expense: Exhibit_(FVB-2).08-09, page 6, line 40.

Northwestern Energy
Deferred Supply Derivation of Rates
Electric Supply Excl CU4
July 1, 2009 to June 30, 2010

Customer Rate Class	Loss Factor	Electric Supply Retail kWh Sales	Sales Adjusted for Employee Discount	Sales Weighted by Losses	Deferred Supply Excl CU4 Rate After Losses	Deferred Supply Excl CU4 Revenue Check
Residential	8.5100%	2,287,542,395	2,287,542,395	2,482,212,253	$ (0.003482)	$ (7,965,223)
Residential Employee	8.5100%	4,644,156	2,786,494	3,023,624	$ (0.002089)	$ (9,702)
GS 1 Secondary NonDemand	8.5100%	286,214,491	286,214,491	310,571,345	$ (0.003482)	$ (996,599)
GS 1 Secondary Demand	8.5100%	2,484,697,593	2,484,697,593	2,696,145,358	$ (0.003482)	$ (8,651,717)
GS 1 Primary NonDemand	5.5400%	538,398	538,398	568,225	$ (0.003387)	$ (1,824)
GS 1 Primary Demand	5.5400%	334,562,461	334,562,461	353,097,221	$ (0.003387)	$ (1,133,163)
General Service Substation	4.6300%	190,251,919	190,251,919	199,060,583	$ (0.003358)	$ (638,866)
General Service Transmission	4.0000%	146,640,634	146,640,634	152,506,259	$ (0.003337)	$ (489,340)
Irrigation	8.5100%	86,903,147	86,903,147	94,298,605	$ (0.003482)	$ (302,597)
Lighting	8.5100%	57,368,843	57,368,843	62,250,932	$ (0.003482)	$ (199,758)
		5,879,364,038	5,877,506,375	6,353,734,405	$ (0.003469)	$ (20,388,788)
YNP Contract		18,736,477			Rounding Adjustment	$ (1,896)
Total Electric Supply Load		5,898,100,515				$ (20,390,683)
		-				

2008-09 Deferred Supply Excluding Cu4 Cost Over Collection	$ (20,390,683)
Total Deferred Electric Supply Excl Cu4 Rate Before Losses	**$ (0.003209)**
Total Deferred Electric Supply Excl Cu4 Rate After Losses	**$ (0.003468)**

Northwestern Energy
Deferred Supply Derivation of Rates
Electric CU4 Variable
July 1, 2009 to June 30, 2010

Customer Rate Class	Loss Factor	Electric Supply Retail kWh Sales	Sales Adjusted for Employee Discount	Sales Weighted by Losses	Deferred CU4 Variable Rate After Losses	Deferred CU4 Variable Revenue Check
Residential	8.5100%	2,287,542,395	2,287,542,395	2,482,212,253	$ (0.000296)	$ (677,113)
Residential Employee	8.5100%	4,644,156	2,786,494	3,023,624	$ (0.000178)	$ (827)
GS 1 Secondary NonDemand	8.5100%	286,214,491	286,214,491	310,571,345	$ (0.000296)	$ (84,719)
GS 1 Secondary Demand	8.5100%	2,484,697,593	2,484,697,593	2,696,145,358	$ (0.000296)	$ (735,470)
GS 1 Primary NonDemand	5.5400%	538,398	538,398	568,225	$ (0.000288)	$ (155)
GS 1 Primary Demand	5.5400%	334,562,461	334,562,461	353,097,221	$ (0.000288)	$ (96,354)
General Service Substation	4.6300%	190,251,919	190,251,919	199,060,583	$ (0.000286)	$ (54,412)
General Service Transmission	4.0000%	146,640,634	146,640,634	152,506,259	$ (0.000284)	$ (41,646)
Irrigation	8.5100%	86,903,147	86,903,147	94,298,605	$ (0.000296)	$ (25,723)
Lighting	8.5100%	57,368,843	57,368,843	62,250,932	$ (0.000296)	$ (16,981)
		5,879,364,038	5,877,506,375	6,353,734,405	$ (0.000295)	$ (1,733,401)
YNP Contract		18,736,477			Rounding Adjustment	$ 623
Total Electric Supply Load		5,898,100,515				$ (1,732,778)
		-				

2008-09 Deferred CU4 Variable Cost Over Collection	$	(1,732,778)
Total Deferred Electric CU4 Variable Rate Before Losses	**$**	**(0.000273)**
Total Deferred Electric CU4 Variable Rate After Losses	**$**	**(0.000295)**

NorthWestern Energy
Deferred Supply Derivation of Rates
Total Proposed Deferred Supply Rate
July 1, 2009

	Current Deferred Rate 7/1/08	Proposed Supply Excl CU4 Rates	Proposed CU4 Variable Rates	Total Proposed Deferred Rates
Residential				
Residential	(0.002704)	(0.003482)	(0.000296)	(0.003778)
Residential Employee	(0.001622)	(0.002089)	(0.000178)	(0.002267)
Total Residential				
General Service 1				
GS-1 Sec Non-Demand	(0.002704)	(0.003482)	(0.000296)	(0.003778)
GS-1 Sec Demand	(0.002704)	(0.003482)	(0.000296)	(0.003778)
GS-1 Pri Non-Demand	(0.002630)	(0.003387)	(0.000288)	(0.003675)
GS-1 Pri Demand	(0.002630)	(0.003387)	(0.000288)	(0.003675)
Total GS-1				
General Service 2				
GS-2 Substation	(0.002607)	(0.003358)	(0.000286)	(0.003644)
GS-2 Transmission	(0.002592)	(0.003337)	(0.000284)	(0.003621)
Total GS-2				
Irrigation				
Irrigation	(0.002704)	(0.003482)	(0.000296)	(0.003778)
Total Irrigation				
Lighting				
Lighting	(0.002704)	(0.003482)	(0.000296)	(0.003778)
Total Lighting				
Average Billed Rate	**(0.002691)**	**(0.003468)**	**(0.000295)**	**(0.003763)**

NorthWestern Energy
Deferred Supply Derivation of Rates
Total Deferred Revenue Summary

	Electric Supply Retail kWh Sales	Deferred Revenue Current Rate 7/1/08	Proposed Deferred Supply Excl CU4 Revenue	Proposed Deferred CU4 Variable Revenue	Proposed Deferred Total Deferred Revenue	Revenue Difference Proposed vs Current	% Change
Residential							
Residential	2,287,542,395	$ (6,185,515)	$ (7,965,223)	$ (677,113)	$ (8,642,335)	$ (2,456,821)	-39.72%
Residential Employee	4,644,156	$ (7,533)	$ (9,702)	$ (827)	$ (10,528)	$ (2,995)	-39.77%
Total Residential		$ (6,193,047)	$ (7,974,924)	$ (677,939)	$ (8,652,863)	$ (2,459,816)	
General Service 1							
GS-1 Sec Non Demand	286,214,491	$ (773,924)	$ (996,599)	$ (84,719)	$ (1,081,318)	$ (307,394)	-39.72%
GS-1 Sec Demand	2,484,697,593	$ (6,718,622)	$ (8,651,717)	$ (735,470)	$ (9,387,188)	$ (2,668,565)	-39.72%
GS-1 Pri Non Demand	538,398	$ (1,416)	$ (1,824)	$ (155)	$ (1,979)	$ (563)	-39.73%
GS-1 Pri Demand	334,562,461	$ (879,899)	$ (1,133,163)	$ (96,354)	$ (1,229,517)	$ (349,618)	-39.73%
Total GS-1		$ (8,373,862)	$ (10,783,302)	$ (916,699)	$ (11,700,002)	$ (3,326,140)	
General Service 2							
GS-2 Substation	190,251,919	$ (495,987)	$ (638,866)	$ (54,412)	$ (693,278)	$ (197,291)	-39.78%
GS-2 Transmission	146,640,634	$ (380,093)	$ (489,340)	$ (41,646)	$ (530,986)	$ (150,893)	-39.70%
Total GS-2		$ (876,079)	$ (1,128,206)	$ (96,058)	$ (1,224,264)	$ (348,184)	
Irrigation							
Irrigation	86,903,147	$ (234,986)	$ (302,597)	$ (25,723)	$ (328,320)	$ (93,334)	-39.72%
Total Irrigation		$ (234,986)	$ (302,597)	$ (25,723)	$ (328,320)	$ (93,334)	
Lighting							
Lighting	57,368,843	$ (155,125)	$ (199,758)	$ (16,981)	$ (216,739)	$ (61,614)	-39.72%
Total Lighting		$ (155,125)	$ (199,758)	$ (16,981)	$ (216,739)	$ (61,614)	
Total Rate Schedule	5,879,364,038	$ (15,833,100)	$ (20,388,788)	$ (1,733,401)	$ (22,122,188)	$ (6,289,089)	-39.72%
	-						
Total Rate		**(0.0027)**	**(0.0035)**	**(0.0003)**	**(0.0038)**		

Northwestern Energy
Electric Supply Derivation of Rates
Supply Excl CU4 Base Rates - Prior to Cap Adjustment
July 1, 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%	2,287,542,395	2,287,542,395	2,482,212,253	$ 0.045709	$ 104,561,275
Residential Employee	8.5100%	4,644,156	2,786,494	3,023,624	$ 0.027425	$ 127,366
GS 1 Secondary NonDemand	8.5100%	286,214,491	286,214,491	310,571,345	$ 0.045709	$ 13,082,578
GS 1 Secondary Demand	8.5100%	2,484,697,593	2,484,697,593	2,696,145,358	$ 0.045709	$ 113,573,042
GS 1 Primary NonDemand	5.5400%	538,398	538,398	568,225	$ 0.044458	$ 23,936
GS 1 Primary Demand	5.5400%	334,562,461	334,562,461	353,097,221	$ 0.044458	$ 14,873,978
General Service Substation	4.6300%	190,251,919	190,251,919	199,060,583	$ 0.044074	$ 8,385,163
General Service Transmission	4.0000%	146,640,634	146,640,634	152,506,259	$ 0.043809	$ 6,424,180
Irrigation	8.5100%	86,903,147	86,903,147	94,298,605	$ 0.045709	$ 3,972,256
Lighting	8.5100%	57,368,843	57,368,843	62,250,932	$ 0.045709	$ 2,622,272
		5,879,364,038	5,877,506,375	6,353,734,405	$ 0.045537	$ 267,646,047
YNP Contract		18,736,477			Rounding Adjustment	$ (2,155)
Total Electric Supply Load		5,898,100,515				$ 267,643,892
		-				

Supply Excluding CU4 Costs	$ 268,678,145
less: YNP Contract Revenues	$ (1,034,254)
Supply Excluding CU4 Rate Design Revenues	$ 267,643,892
Total Supply Excl CU4 Rate Before Losses	**$ 0.042124**
Total Supply Excl CU4 Rate After Losses	**$ 0.045523**

YNP Contract Load	18,736,477
YNP May09-Apr10 Contract Supply Rate	0.055200
YNP Supply Revenue	$ 1,034,254

NorthWestern Energy
Electric Supply Derivation of Rates
Supply Excl CU4 Rate Capped at Residential Increase

CAPPED RATES	Energy (mWh)	Current Revenue	Proposed Rates	Proposed Revenue	$ Change	% Change	$ at Res Cap -5.28%	Capped $ Change	Capped % Change	Capped kWh Rates
Residential										
Residential	2,287,542	$ 110,385	0.045709	$ 104,561	$ (5,824)	-5.28%	$ 104,561	$ 105,815	-4.14%	0.046257
Res Employee	4,644	$ 134	0.027425	$ 127	$ (7)	-5.28%	$ 127	$ 129	-4.14%	0.027754
Total Residential	2,292,187	$ 110,520		$ 104,689	$ (5,831)	-5.28%	$ 104,689	$ 105,944	-4.14%	
General Service 1										
GS1 Sec NonDmd	286,214	$ 12,494	0.045709	$ 13,083	$ 589	4.71%	$ 11,835	$ 11,977	-4.14%	0.041845
GS1 Sec Dmd	2,484,698	$ 119,899	0.045709	$ 113,573	$ (6,326)	-5.28%	$ 113,573	$ 114,934	-4.14%	0.046257
GS1 Prim NonDmd	538	$ 25	0.044458	$ 24	$ (1)	-5.27%	$ 24	$ 24	-4.14%	0.044989
GS1 Prim Dmd	334,562	$ 14,338	0.044458	$ 14,874	$ 536	3.74%	$ 13,581	$ 13,744	-4.14%	0.041081
Total GS-1	3,106,013	$ 146,756		$ 141,554	$ (5,202)	-3.54%	$ 139,013	$ 140,679	-4.14%	
General Service 2										
GS2 Substation	190,252	$ 8,852	0.044074	$ 8,385	$ (467)	-5.27%	$ 8,385	$ 8,486	-4.14%	0.044601
GS2 Transmission	146,641	$ 6,782	0.043809	$ 6,424	$ (358)	-5.27%	$ 6,424	$ 6,501	-4.14%	0.044332
Total GS-2	336,893	$ 15,634		$ 14,809	$ (824)	-5.27%	$ 14,809	$ 14,986	-4.14%	
Irrigation										
Irrigation	86,903	$ 3,793	0.045709	$ 3,972	$ 179	4.71%	$ 3,593	$ 3,636	-4.14%	0.041845
Total Irrigation	86,903	$ 3,793		$ 3,972	$ 179	4.71%	$ 3,593	$ 3,636	-4.14%	
Lighting										
Lighting	57,369	$ 2,504	0.045709	$ 2,622	$ 118	4.71%	$ 2,372	$ 2,401	-4.14%	0.041845
Total Lighting	57,369	$ 2,504		$ 2,622	$ 118	4.71%	$ 2,372	$ 2,401	-4.14%	
Total Rate Schedule	5,879,364	$ 279,207		$ 267,646	$ (11,561)	-4.14%	$ 264,476	$ 267,646		
Capped Rate Adjustment Factor							0.011987			

NorthWestern Energy
Electric Supply Derivation of Rates
Supply Excl CU4 Revenue at Current Rates

	Load Statistics	Current Rates 6/1/09	Current Supply Excl CU4 Revenue
Residential			
Residential	2,287,542	0.048255	$ 110,385
Residential Employee	4,644	0.028953	$ 134
Total Residential			$ 110,520
General Service 1			
GS-1 Sec Non-Demand	286,214	0.043652	$ 12,494
GS-1 Sec Demand	2,484,698	0.048255	$ 119,899
GS-1 Pri Non-Demand	538	0.046932	$ 25
GS-1 Pri Demand	334,562	0.042855	$ 14,338
Total GS-1			$ 146,756
General Service 2			
GS-2 Substation	190,252	0.046528	$ 8,852
GS-2 Transmission	146,641	0.046247	$ 6,782
Total GS-2			$ 15,634
Irrigation			
Irrigation	86,903	0.043652	$ 3,793
Total Irrigation			$ 3,793
Lighting			
Lighting	57,369	0.043652	$ 2,504
Total Lighting			$ 2,504
Total Rate Schedule	**5,879,364**		**$ 279,207**
	-		

Northwestern Energy
Electric Supply Derivation of Rates
Colstrip Unit 4 Fixed Cost of Service Rates
January 1, 2009

Customer Rate Class	Loss Factor	Jan07 to Dec07 Supply Retail kWh Sales	Sales Adjusted for Employee Discount	Sales Weighted by Losses	CU4 Fixed Cost of Service After Losses kWh Charges	CU4 Fixed Cost of Service Revenue/Cost Check
Residential	8.5100%	2,053,138,068	2,053,138,068	2,227,860,117	$ 0.013273	$ 27,251,302
Residential Employee	8.5100%	4,939,386	2,963,632	3,215,837	$ 0.007964	$ 39,337
GS 1 Secondary NonDemand	8.5100%	277,828,944	277,828,944	301,472,187	$ 0.013273	$ 3,687,624
GS 1 Secondary Demand	8.5100%	2,478,410,591	2,478,410,591	2,689,323,332	$ 0.013273	$ 32,895,944
GS 1 Primary NonDemand	5.5400%	718,525	718,525	758,331	$ 0.012910	$ 9,276
GS 1 Primary Demand	5.5400%	298,666,542	298,666,542	315,212,668	$ 0.012910	$ 3,855,785
General Service Substation	4.6300%	319,966,625	319,966,625	334,781,080	$ 0.012798	$ 4,094,933
General Service Transmission	4.0000%	159,484,480	159,484,480	165,863,859	$ 0.012721	$ 2,028,802
Irrigation	8.5100%	88,668,858	88,668,858	96,214,578	$ 0.013273	$ 1,176,902
Lighting	8.5100%	59,498,890	59,498,890	64,562,246	$ 0.013273	$ 789,729
MPSC System Average	7.4189%	5,741,320,908	5,739,345,154	6,199,264,235	$ 0.013212	$ 75,829,633
YNP Contract		19,124,893			Rounding Adjustment	$ 2,396
Total Supply Load		5,760,445,801				$ 75,832,029
		-				

Colstrip Unit 4 Fixed Cost of Service	$	75,832,029
Total CU4 Fixed COS Rate Before Losses	**$**	**0.012232**
Total CU4 Fixed COS Rate After Losses	**$**	**0.013208**

Northwestern Energy
Electric Supply Derivation of Rates
Colstrip Unit 4 Variable Cost of Service & Price Stability Rates
July 1, 2009

Customer Rate Class	Loss Factor	Electric Supply Retail kWh Sales	Sales Adjusted for Employee Discount	Sales Weighted by Losses	CU4 Variable & Price Stability After Losses kWh Charges	CU4 Variable & Price Stability Revenue/Cost Check
Residential	8.5100%	2,287,542,395	2,287,542,395	2,482,212,253	$ (0.004487)	$ (10,264,203)
Residential Employee	8.5100%	4,644,156	2,786,494	3,023,624	$ (0.002692)	$ (12,502)
GS 1 Secondary NonDemand	8.5100%	286,214,491	286,214,491	310,571,345	$ (0.004487)	$ (1,284,244)
GS 1 Secondary Demand	8.5100%	2,484,697,593	2,484,697,593	2,696,145,358	$ (0.004487)	$ (11,148,838)
GS 1 Primary NonDemand	5.5400%	538,398	538,398	568,225	$ (0.004364)	$ (2,350)
GS 1 Primary Demand	5.5400%	334,562,461	334,562,461	353,097,221	$ (0.004364)	$ (1,460,031)
General Service Substation	4.6300%	190,251,919	190,251,919	199,060,583	$ (0.004326)	$ (823,030)
General Service Transmission	4.0000%	146,640,634	146,640,634	152,506,259	$ (0.004300)	$ (630,555)
Irrigation	8.5100%	86,903,147	86,903,147	94,298,605	$ (0.004487)	$ (389,934)
Lighting	8.5100%	57,368,843	57,368,843	62,250,932	$ (0.004487)	$ (257,414)
MPSC System Average	7.4952%	5,879,364,038	5,877,506,375	6,353,734,405	$ (0.004470)	$ (26,273,100)
YNP Contract		18,736,477			Rounding Adjustment	$ 1,585
Total Supply Load		5,898,100,515				$ (26,271,515)
		-				

Colstrip Unit 4 Variable Cost of Service	$ (24,384,203)
Colstrip Unit 4 Price Stability Contract Benefits	$ (1,887,312)
CU4 Variable Cost of Service & Price Stability Design Revenue	$ (26,271,515)
Total CU4 Variable COS & Price Stability Rate Before Losses	**$ (0.004135)**
Total CU4 Variable COS & Price Stability Rate After Losses	**$ (0.004469)**

NorthWestern Energy
Electric Supply Derivation of Rates
Total Colstrip Unit 4 Rate Revenue Summary

	Load Statistics	CU4 Fixed Current Rates 1/1/2009	CU4 Fixed Current Rate Revenue	CU4 Variable & Price Stability Current Rates 6/1/2009	CU4 Variable & Price Stability Current Rate Revenue	CU4 Variable & Price Stability Proposed Rates 7/1/2009	CU4 Variable & Price Stability Proposed Rate Revenue	Revenue Diff Proposed vs Current
Residential								
Residential	2,287,542	0.013273	$ 30,363	(0.004422)	$ (10,116)	(0.004487)	$ (10,264)	$ (149)
Residential Employee	4,644	0.007964	$ 37	(0.002653)	$ (12)	(0.002692)	$ (13)	$ (0)
Total Residential			$ 30,400		$ (10,128)		$ (10,277)	$ (149)
General Service 1								
GS-1 Sec Non Demand	286,214	0.013273	$ 3,799	(0.004422)	$ (1,266)	(0.004487)	$ (1,284)	$ (19)
GS-1 Sec Demand	2,484,698	0.013273	$ 32,979	(0.004422)	$ (10,987)	(0.004487)	$ (11,149)	$ (162)
GS-1 Pri Non Demand	538	0.012910	$ 7	(0.004301)	$ (2)	(0.004364)	$ (2)	$ (0)
GS-1 Pri Demand	334,562	0.012910	$ 4,319	(0.004301)	$ (1,439)	(0.004364)	$ (1,460)	$ (21)
Total GS-1			$ 41,104		$ (13,694)		$ (13,895)	$ (201)
General Service 2								
GS-2 Substation	190,252	0.012798	$ 2,435	(0.004264)	$ (811)	(0.004326)	$ (823)	$ (12)
GS-2 Transmission	146,641	0.012721	$ 1,865	(0.004238)	$ (621)	(0.004300)	$ (631)	$ (9)
Total GS-2			$ 4,300		$ (1,433)		$ (1,454)	$ (21)
Irrigation								
Irrigation	86,903	0.013273	$ 1,153	(0.004422)	$ (384)	(0.004487)	$ (390)	$ (6)
Total Irrigation			$ 1,153		$ (384)		$ (390)	$ (6)
Lighting								
Lighting	57,369	0.013273	$ 761	(0.004422)	$ (254)	(0.004487)	$ (257)	$ (4)
Total Lighting			$ 761		$ (254)		$ (257)	$ (4)
Total Rate Schedule	**5,879,364**		**$ 77,719**		**$ (25,893)**		**$ (26,273)**	**$ (380.357)**
	-						-	

NorthWestern Energy
Electric Supply Derivation of Rates
Total Proposed Supply Rate
July 1, 2009

	Supply Excl CU4 Rates	CU4 Fixed Rates	CU4 Variable & Price Stability Rates	Proposed Total Supply Rates
Residential				
Residential	0.046257	0.013273	(0.004487)	0.055043
Residential Employee	0.027754	0.007964	(0.002692)	0.033026
Total Residential				
General Service 1				
GS-1 Sec Non-Demand	0.041845	0.013273	(0.004487)	0.050631
GS-1 Sec Demand	0.046257	0.013273	(0.004487)	0.055043
GS-1 Pri Non-Demand	0.044989	0.012910	(0.004364)	0.053535
GS-1 Pri Demand	0.041081	0.012910	(0.004364)	0.049627
Total GS-1				
General Service 2				
GS-2 Substation	0.044601	0.012798	(0.004326)	0.053073
GS-2 Transmission	0.044332	0.012721	(0.004300)	0.052753
Total GS-2				
Irrigation				
Irrigation	0.041845	0.013273	(0.004487)	0.050631
Total Irrigation				
Lighting				
Lighting	0.041845	0.013273	(0.004487)	0.050631
Total Lighting				
Average Billed Rate	**0.045523**	**0.013208**	**(0.004469)**	**0.054262**
Total Supply Rate	**45.52**		**8.74**	**54.26**

NorthWestern Energy
Electric Utility
Electric Supply & Deferred Electric Supply Rates
Rate Change Detail
Effective July 1, 2009

Electric Supply Rate ($/kWh)	Current 6/1/2009	Proposed	Rate Change	Percentage Change
Residential	$ 0.057106	$ 0.055043	$ (0.002063)	-3.61%
Employee	$ 0.034264	$ 0.033026	$ (0.001238)	-3.61%
GS-1 Secondary Non-Demand	$ 0.052503	$ 0.050631	$ (0.001872)	-3.57%
GS-1 Secondary Demand	$ 0.057106	$ 0.055043	$ (0.002063)	-3.61%
GS-1 Primary Non-Demand	$ 0.055541	$ 0.053535	$ (0.002006)	-3.61%
GS-1 Primary Demand	$ 0.051464	$ 0.049627	$ (0.001837)	-3.57%
GS-2 Substation	$ 0.055062	$ 0.053073	$ (0.001989)	-3.61%
GS-2 Transmission	$ 0.054730	$ 0.052753	$ (0.001977)	-3.61%
Irrigation	$ 0.052503	$ 0.050631	$ (0.001872)	-3.57%
Lighting	$ 0.052503	$ 0.050631	$ (0.001872)	-3.57%

Deferred Electric Supply Rate ($/kWh)	Current 7/1/2008	Proposed	Rate Change	Percentage Change
Residential	$ (0.002704)	$ (0.003778)	$ (0.001074)	-39.72%
Employee	$ (0.001622)	$ (0.002267)	$ (0.000645)	-39.77%
GS-1 Secondary Non-Demand	$ (0.002704)	$ (0.003778)	$ (0.001074)	-39.72%
GS-1 Secondary Demand	$ (0.002704)	$ (0.003778)	$ (0.001074)	-39.72%
GS-1 Primary Non-Demand	$ (0.002630)	$ (0.003675)	$ (0.001045)	-39.73%
GS-1 Primary Demand	$ (0.002630)	$ (0.003675)	$ (0.001045)	-39.73%
GS-2 Substation	$ (0.002607)	$ (0.003644)	$ (0.001037)	-39.78%
GS-2 Transmission	$ (0.002592)	$ (0.003621)	$ (0.001029)	-39.70%
Irrigation	$ (0.002704)	$ (0.003778)	$ (0.001074)	-39.72%
Lighting	$ (0.002704)	$ (0.003778)	$ (0.001074)	-39.72%

Department of Public Service Regulation
Montana Public Service Commission
Docket No. D2009.5.62
NorthWestern Energy

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

TABLE OF CONTENTS

Witness Information

Q. Please state your name and business address.

A. My name is William M. Thomas, and my business address is 40 East Broadway, Butte, Montana 59701.

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

A. I am employed by NorthWestern Energy (NorthWestern or NWE) 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 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 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 2008-09 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 historical lost transmission and distribution revenues (Lost Revenues) associated with Electric Supply DSM and USB programs.

2008-09 Program Results

Q. Please describe the overall results of USB and Electric Supply DSM energy efficiency program activities in the 2008-09 Electric Supply tracking period.

A. NorthWestern's 2007 Electric Supply Procurement 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 2004-2009 tracker periods.

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

Program Year	Calendar Period	Installed Annual DSM Capability (Incremental)				Electric Supply DSM Tracker Budget ($)	Electric Supply DSM Program Expenditures ($)
		Target (aMW)	Reported Program Results (aMW)				
			USB	DSM	Total		
1	2004-05	2.60	2.04	0.22	2.26	$1,457,888	$ 320,389
2	2005-06	3.70	1.33	2.08	3.41	$2,097,734	$1,596,076
3	2006-07	5.00	0.36	3.04	3.40	$3,232,080	$2,497,359
4	2007-08	5.00	0.82	4.55	5.37	$3,631,683	$3,688,745
5	2008-09	5.00	1.03	5.58	6.61	$4,917,141	$5,416,160
6	2009-10	5.00				$6,625,192	

Work to prepare the annual tracker begins in April of each year with a planned filing date of June 1. This schedule requires estimation of DSM energy savings and program costs for May and June of the current tracking period. Accordingly, the figures for DSM electric energy savings for the Program Year 4 (2007-08) in the table above have been updated to reflect a full 12 months of actual reported energy

savings. Previously in Docket D2008.5.45, NorthWestern reported 5.02 aMW for this period based on 10 months of actual reported energy savings and 2 months of estimated energy savings. That amount was underestimated, and the corrected amount of 5.37 aMW now appears in Table 1 above. This 5.37 aMW is also used as a calculation input to the DSM Lost Revenue calculations in this Tracker filing (refer to Exhibit__(WMT-3). Similarly, Electric Supply DSM Program Expenditures for the 2007-08 period (Program Year 4) were provided in the previous Docket D2008.5.45 in the amount of $3,767,834 based on a 10-month actual plus two month estimate. The updated amount of $3,688,745 based on 12 months of recorded DSM Program expenditures now appears in Table 1 above.

The figures for DSM Program Year 5 (2008-09) are based on 10 months of recorded expenses and reported energy savings, and 2 months (May and June 2009) 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 are counted toward the overall annual aMW target, USB Programs are funded through a separate charge and USB spending is not reported or included in Table 1.

Q. Have general economic conditions had any effect on NorthWestern's DSM Programs during the 2008-09 period?

A. The recent economic downturn in the U.S. has negatively impacted many, if not most, businesses and individuals to some degree. Businesses have closed, unemployment has increased, and consumers' discretionary funds available for DSM measures and projects have likely decreased during the past year. The effect is particularly noticeable in the commercial/industrial sector where 18 industrial or large commercial DSM projects were cancelled between July 2008 and May 2009 as a result of the recent U.S. economic downturn. The projected DSM resource that NorthWestern will not acquire because of these 18 project cancellations is estimated at approximately 2,785,000 kWh/yr (0.32 aMW). These 18 projects are for six different customers in six different locations. In 2008 and 2009, NorthWestern DSM staff developed preliminary projects with 11 different large customers in 11 different locations. According to the customers, these cancellations are the direct result of the economic downturn.

Q. Please provide additional detail on the costs and energy savings of individual USB and DSM Programs in operation during the 2008-09 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 2008-09 USB and DSM Program Activity.

The data presented in this table represents summarized reported program results for reported energy savings for programs and projects for the tracker period July 2008 through April 2009. 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 2008-09 tracker period (May 2009 and June 2009) estimates of 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.

Like previous years, NorthWestern's proposal for DSM cost recovery in tracker period 2008-09 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 2008-09 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 (67.5%) and commercial (32.5%) 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 2009-10 tracker year?

A. NorthWestern continues its efforts to develop and offer new DSM Programs to its customers. As an example, NorthWestern implemented a special residential energy

efficiency pilot project called Green Blocks in the community of Missoula. Much additional effort has been directed toward marketing and outreach activities. Exhibit__(WMT-2) presents DSM spending by program for 2008-09 (actuals through April 2009, estimates for May and June 2009) and estimated spending for Tracker Year 2009-10.

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 2008-09 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
- *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. In the 2008-09 tracker period, the following results were observed:

Table 2: 2008-09 Energy Efficient Lighting Program Data

Sector	Participants	CFLs/Projects	Rebates
Residential	28,497	297,790	$168,418
Commercial	500	45,715	$ 89,156

NorthWestern is now in the second year of its 2-year contract with KEMA for services related to the E+ Lighting Programs. NorthWestern will offer these programs again in 2009-10.

2. E+ Business Partners: NorthWestern is in the second year of its 2-year contract with The National Center for Appropriate Technology (NCAT) to perform work intended to increase customer interest and participation in the program. Services provided 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 2008-09 period, NCAT made 1,756 contacts, 475 site visits, and prepared 325 proposals to customers. This effort resulted in submittal of 22 Business Partners projects to NorthWestern for review and possible approval and funding. All of these project proposals were from electric supply customers, and all of these customers signed project agreements and are committed to proceed.

NorthWestern continued its contract 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 432 contacts and expressions of interest from 286 customers.

Additionally, NorthWestern DSM staff made direct contact with electric supply industrial customers to solicit interest in development of customized, site-specific projects. Staff effort resulted in expressions of interest from 11 customers and 2 completed projects.

Increased marketing effort led by direct face-to-face contact with owners and decision makers of commercial and industrial facilities has produced good participation in the E+ Business Partners program during 2008-09.

3. Northwest Energy Efficiency Alliance (NEEA): NorthWestern continued funding of NEEA during the 2008-09 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 1.38 aMW during the 2008-09 tracker period. Information on NEEA's numerous projects and initiatives that were in progress during 2008-09 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 2009-10 period.

4. E+ New Homes: Formerly named E+ Residential New Construction, NorthWestern now markets this program as a combined electric and natural gas DSM effort using the E+ New Homes label. This program offers a variety of rebates for individual energy efficiency measures in newly constructed homes. KEMA now administers the rebate portion of this program for electric and natural gas conversation measures and provides program data collection, maintenance of program records, and reporting of findings and recommendations to NorthWestern. KEMA also makes presentations to mobile home distributors, and

individual homebuilders and/or contractors to promote participation in this program.

NorthWestern renewed its contract with NCAT to provide services related to this program, including builder/owner education, technical assistance, marketing, and outreach. 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. Separately, NEEA funds some of the infrastructure development of ENERGY STAR® Northwest activities. In the Montana NorthWestern service area, four new electrically heated homes were certified in 2008-09 and 5 new natural gas heated homes installed at least 50% ENERGY STAR® lighting as the 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, and send targeted mailings that promote this program.

6. E+ Electric Motor Rebate: NorthWestern contracted with KEMA to operate this new DSM program that offers cash rebates for purchase of premium efficiency electric motors. Prescriptive rebates are available 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 72 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 2008-09 tracker period.

NorthWestern modified this program to include motor rewinding. Currently three electric motor service centers in the NorthWestern electric service area perform motor rewinding service. KEMA made visits and presentations to electric motor dealers in the NorthWestern Montana service area to promote this program and seek their continued support and active participation.

This program has not gained much interest from consumers and NorthWestern is considering eliminating this program from its DSM program portfolio. In the forthcoming program period, NorthWestern will test the effectiveness of offering incentives directly to motor dealers who agree to stock premium efficiency motors instead of standard efficiency motors. This incentive will be offered in addition to the current rebates available to customers who purchase energy efficient motors. Depending on the results of this enhancement to the program, NorthWestern will make a decision whether to continue it beyond 2009-10.

7. Green Blocks Pilot Project: In 2008, NorthWestern formed a partnership with the city of Missoula to operate a pilot residential DSM program. This program combined elements of the E+ Energy Audit For The Home, E+ Residential Lighting Program, the E+ Residential Electric Savings Program, and the E+ Natural Gas Savings Rebate Program. The objective of this effort was to provide energy audits and some energy efficiency measures free of charge to targeted and concentrated groups of program participants in the hopes of achieving cost effective electric and natural gas savings. The City of Missoula was responsible for marketing, outreach, recruiting and selection of up to 100 program

participants. NorthWestern provided home energy audits and installation of known, cost-effective DSM measures at no direct cost to program participants. The project served 93 homes at a total cost of $146,117 and produced an estimated 50,250 kWh/year of electric energy savings. Economic analysis at the conclusion of the effort yielded a Total Resource Cost (TRC) test value of 0.86, which NorthWestern considers marginally cost-effective.[1]

Exhibit__(WMT-4) provides a detailed report on the elements and results of the Green Blocks Pilot Program conducted in Missoula during 2008. Although this report isolates the costs and energy savings directly attributable to the program, the costs and associated energy savings related to the Green Blocks Pilot Program are incorporated into the respective program totals in Table 1 above and Table A of Exhibit__(WMT-1) that provided the source funding for NorthWestern's contribution to the effort.

Additional information about all of the DSM programs is available at NorthWestern's website at http://www.northwesternenergy.com.

Q. Are there other supporting activities by NorthWestern to build interest and participation in its DSM programs?

A. NorthWestern DSM staff and contractors sponsor many training seminars during the year to increase awareness of energy conservation and energy efficiency opportunities

[1] NorthWestern has established a minimum cost-effectiveness threshold value of TRC = 0.9. NorthWestern considers this economic result to be preliminary and will again evaluate the economics of the program following one full year of post-program metered energy consumption at each of the participating residences, expected in December 2009.

in buildings and facilities. The objectives of these training sessions are to educate and inform building operators, designers, and builders about using electric equipment efficiently and to promote the company's DSM programs, services, information resources and incentives. A blend of USB and DSM funds covers the cost of these activities. Following is a list of DSM program-related training seminars that NorthWestern sponsored during 2008-09:

1. Efficient Motor Management – targeted to motor users, electricians, motor service shops; Continuing Education Units were offered.
    a. Fall 2008 - Butte, Helena, and Great Falls
    b. Spring 2009 – Missoula, Butte, Great Falls, Bozeman, and Billings

2. Compressed Air Workshop - targeted to large commercial and small industrial customers; funding provided for tuition. One session was held in Butte.

3. Fundamentals for Pumping (NEEA Industrial) – targeted to large commercial and small industrial customers; funding was provided for tuition. One session was conducted in Helena.

4. Building Operator Certification – targeted to public schools, non-profit hospitals, state and local government; funding provided for tuition and travel.
    a. Level 1 Training & Certification:
        - Helena - Oct 17-21, 2008
        - Helena - April 13-17, 2009
        - Butte - June 1-5, 2009

b. Level 2 Training & Certification:

- Helena - Nov 10-14, 2008
- Helena - July 26-31, 2009

5. Lighting Design Lab – Two sessions held in Bozeman (October 2008 and April 2009)

6. Northwest ENERGY STAR® Verifier Training (Home Energy Rating System)

- Butte – July 21-25, 2008
- Butte – December 8-12, 2008
- Billings – January 12-16, 2008
- Billings – April 13-17, 2009
- Great Falls – April 21-23, 2009

7. Northwest ENERGY STAR® Builder Training

- Great Falls – April 30, 2009
- Helena – May 21, 2009
- Bozeman – May 27, 2009

Q. Were there additional efforts during the 2008-09 tracker period made by NorthWestern to promote DSM?

A. To communicate information about DSM and other NorthWestern programs to its customers NorthWestern sustains a presence in Montana communities through media, events, appearances, meetings, speaking engagements, booth sponsorships, trade fairs and shows, conferences and other special events. NorthWestern maintains networks of retailers, distributors and other trade allies and provides a steady stream of information about its DSM programs through print, radio, television, distribution

literature, and personal contact. As with the training seminars described above, a mix of USB and DSM funding is used. The following list provides examples of the many activities performed by Northwestern during the past year to market its DSM programs:

1. NorthWestern Energy Lighting Trade Ally Network – focused on commercial lighting
    a. Six meetings during Fall, 2008 – Billings, Bozeman, Butte, Missoula, Helena, and Great Falls
    b. Six meetings during Spring, 2009 – Billings, Bozeman, Butte, Missoula, Helena, and Great Falls

2. Crescent Electric Customer Meetings – 4 meetings (Bozeman, Great Falls, Helena, Butte) for commercial lighting

3. Joint Engineers Conference – 3 presentations and display booth in cooperation with BetterBricks and NCAT

4. Montana Hospital Association Conference - (booth)

5. Montana American Institute of Architects Conference - (training and booth)

6. Montana Innkeepers Association Conference - (presentation and booth)

7. Montana School Board Association Convention -(booth)

8. CFL Instant Savings Coupon Campaigns
    a. Fall 2008 and Spring 2009
    b. The number or participating retailers/towns grows with each campaign

9. Bonneville Power Administration CFL Campaign - upstream manufacturers buy-down for specialty CFLs

10. Home Energy Events - (40+ events around Montana)
    a. Distribution or air sealing and CFLs
    b. Direct mail, web, radio, newspaper advertising in advance of events
    c. “How-to-install” DVD
    d. Saturday events included sessions on NWE programs, ENERGY STAR®, renewable energy, and installing insulation, air-sealing, window plastic etc., and the instant rebate for programmable thermostats

11. E+ Audit for the Home – direct mail in January/February, 2009

12. Act Now Tips and CFL television spots – 3 different TV flights and spot placement during select events

13. Empowering Montana Schools Conference – speaking presentations and a booth by NCAT and Community Relations Managers in Helena on January 14-15, 2009

14. National Utility Day of Service – January 19, 2009 Program information for national website and news release

15. Inaugural Montana Better Bricks Award – publicity event at Montana Ambassadors meeting in Helena in February 2009.

16. Montana Society of Healthcare Engineers (MSHE)/American Society of Heating, Refrigeration, and Air-conditioning Engineers (ASHRAE) Conference - Two speaking presentations and booth display through BetterBricks and NCAT; May, 2009

17. Home & Garden Improvement Shows
    a. Fall of 2008 - Billings, Missoula, and Bozeman
    b. Spring of 2009 - Hamilton, Missoula (2 shows), Billings, Bozeman, Great Falls, and Butte

18. Farmers Markets - CFL distribution

19. Kalispell Mall Energy Efficiency Fair

20. Parade of Homes sponsorships
    a. Fall 2008 - Billings, Bozeman, Great Falls, Missoula
    b. Spring 2009 - Billings

21. Earth Day 2009 at the Capitol Rotunda with state employees (booth)

22. Display-In-A-Box – used at various events for CFLs or natural gas rebates (Missoula, Kalispell, Bozeman – Montana State University and Historic Preservation group)

23. Montana Annual Building Code Conference - April 2009 Bozeman

24. Other Special Events

    a. Missoula Home Builders Association Annual Meeting

    b. Southwest Home Builders' Association

    c. Montana Association of Elementary & Middle School Principals

    d. Economic Development Outlook Seminars – (6 locations in Montana)

Q. Does NorthWestern plan to offer these DSM programs again in the forthcoming 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 2009-10 tracker period. NorthWestern operates and administers a full portfolio of programs for electric and natural gas DSM. A coordinated and comprehensive marketing and communications effort that integrates USB and DSM funding for marketing and outreach has been developed and employed over the past several years, and many of the methods and techniques that have proven effective in the past will be repeated in the future. More specific details about the techniques, mechanisms, locations, forms of media, and

calendar schedule are presented in Exhibit__(WMT-5a) which describes the goals, objectives, audiences, strategies, tactics, methods and tools of the DSM Communications Plan. Exhibit__(WMT-5b) provides a detailed schedule of specific programs and activities that will be implemented during a typical calendar year period. Together, these exhibits present a clear view of the scope and scale of NorthWestern's communications activities and sustained efforts to support its DSM programs, gain customer participation, and acquire cost-effective DSM resources. The DSM Communication Plan serves as a working plan that can and will be changed and adapted as conditions warrant or new knowledge is gained.

Q. Are there other developments during the past DSM program period that impact future plans for operation of DSM programs?

A. The American Recovery and Reinvestment Act of 2009 (ARRA) is expected[2] to provide funds to the state of Montana and local governments through the State Energy Program and Energy Efficiency Block Grants Program. NorthWestern is involved in continuing discussions with the State Energy Office of the Montana Department of Environmental Quality and numerous other units of state and local government to explore ways to assist these entities in applying to the federal government for ARRA funds. NorthWestern is working to find ways to blend and leverage its DSM programs and budgets with ARRA and other funding sources to increase the level of services offered, numbers of participants served, and amounts of cost-effective DSM acquired.

[2] At this writing, final amounts of funding are not yet determined. Some funding is provided by formula and other funding will be awarded competitively. Funding is not automatic; jurisdictions must submit proposals and applications for funding that include specific plans for use of ARRA funds.

In those situations where there can be joint funding, ARRA may potentially increase the amount of DSM NorthWestern can capture through its DSM programs. Conversely, where ARRA provides the sole source of funding for DSM projects, the result is less DSM potentially available for acquisition by NorthWestern.

Q. What action is NorthWestern taking to better define the amount of electric DSM potential remaining on the NorthWestern electric system?

A. NorthWestern completed a competitive bidding process for outside services to update the Electric DSM Assessment. NEXANT, Inc., with The CADMUS Group, Inc. as its subcontractor, was selected as the winning bidder and was contracted in 2009 to perform research and analysis needed to refresh the DSM Assessment and provide NorthWestern with updated estimates of remaining electric DSM potential. Work is well underway, and NEXANT is on schedule with the scope of work. Preliminary findings and conclusions will be available in September 2009; final results are due at the end of 2009.

Q. What other actions is NorthWestern planning in 2009-10?

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.

Recovery of DSM Program Costs and Lost Revenues

Q. What are the DSM Program costs for Tracker Year 2009-10 and how does NorthWestern propose to recover them?

A. Exhibit__(WMT-2) presents budget figures for individual supply DSM Programs that total $6,625,192 (refer to cell T38) for the 2009-10 Tracker Year. This amount represents estimated DSM Program costs and is included as a line item with other supply expenses in the Prefiled Direct Testimony of Frank V. Bennett. The electric supply rates established to recover all supply power expenses would include recovery of $6,625,192 for DSM Program costs projected for 2009-10.

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[3] 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 (T&D) 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. This reset of

the DSM Lost Revenue calculations was presented in Docket D2008.5.45 for the 2008-09 tracker period. From that point in time, additional DSM has been acquired and increased Lost Revenues caused by accumulating energy savings have occurred.

Q. Is the DSM Lost Revenue computation the same as NorthWestern prepared and presented in past tracker proceedings?

A. Yes, with the qualification that one additional set of calculations is now included to capture the Lost Revenues associated with a fixed revenue requirement associated with rate-based electric supply from Colstrip Unit #4 (CU-4). Similar to T&D rates, the fixed revenue requirement portion of CU-4 will be reset in a future CU-4 revenue requirements proceeding. The Lost Revenue calculations associated with these fixed costs appear as a separate additional worksheet Tab (Tab 8) in the Electric DSM Lost Revenues spreadsheet described immediately below.

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 8 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

[3] Refer to Electric Supply Service D2007.7.80, Tariff 144-E and General Rate Case D2007.7.82 Interim Order No. 6852b,Tariff 145-E

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 results of the DSM Lost Revenue computations for the various tracker periods, including the calculations for Lost Revenues related to Colstrip Unit #4, 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.

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 for commercial and industrial Supply customers. The percentages are based on actual program experience. The calculations on this Tab are driven by results from the calculations on 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 DSM Evaluation.

7. **Calc Lost Revenues** (Exhibit__(WMT-3), pages 7-9) calculates lost revenues based on input from Tabs 2, 5 and 6. Results from this Tab are used as input to Tab 1.

8. **CU-4 Related LRs** (Exhibit__(WMT-3), pages 10-13) calculates lost revenues that are specific to the portion of the energy supply rate associated with recovery of fixed costs for NorthWestern's share of Colstrip Unit #4 that serves Montana jurisdictional loads. The same lost revenue calculation methodology used in Tabs 2 through 7 is applied, and the time frame for DSM energy savings relevant to the calculation is adjusted to reflect the fact that the CU-4 rate became effective on January 1, 2009.

Q. How are the Lost Revenues trued up and what amounts are you proposing to include as an adjustment to supply rates to recover Lost Revenues?

A. Exhibit__(WMT-3) provides updated calculations of electric Lost Revenues. A true up to the Lost Revenue calculations is required each time a new DSM tracker is prepared because NorthWestern prepares and files a new annual tracker before the current tracking period ends. This schedule requires computation of DSM Lost Revenues based on 10 months of actual reported energy savings (July through April) and 2 months of estimated energy savings (May & June) for the concluding (or current) tracking period.

In the 2008-09 Electric Tracker, NorthWestern proposed recovery of electric DSM Lost Revenues in the amount $297,499 for the January – June 2008 period.[4] NorthWestern calculated this amount based on a prorated portion (one-half year) of 5.02 aMW of DSM energy savings for the full 2007-08 tracking period.[5] This 5.02

[4] Refer to Docket D2008.5.45, Exhibit__(WMT-3); page 1 of 7, line 7.

[5] Lost Revenues were reset to a zero starting point on January 1, 2008. This was halfway through the 2007-08 tracking period so one-half of the 2007-089 DSM energy savings was used to calculation Lost Revenues for Jan-June 2008.

aMW of DSM was, at that time, based upon 10 months of actual and 2 months of estimated DSM energy savings. Now, one year later, the updated DSM energy savings for the 2007-08 period is 5.34 aMW (refer to Table 1 on page WMT-4 above). Incorporating this updated value of 5.37 aMW into the Lost Revenue calculations, and prorating it in the same way for one-half year, produces an updated and slightly higher value of $323,302 for the January-June 2008 period.

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 period, and for 10 months of reported energy savings and 2 months of estimated energy savings from DSM measures installed during the 2008-09 tracker period.

NorthWestern proposes that electric supply rates include recovery of the amount of $1,606,190 for Electric DSM Lost Revenues for the 2008-09 Tracker Year (refer to cell B7 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 Prefiled Direct Testimony of Frank Bennett.

Q. Exhibit__(WMT-3) also shows DSM Lost Revenues in the amount of $3,281,553 for the forthcoming tracker period 2009-10. Is NorthWestern also proposing that these DSM Lost Revenues should be recovered in this tracker?

A. No. NorthWestern is authorized to include actual lost electric transmission and distribution revenue as an electricity supply cost in its future electricity supply cost trackers but may not include forecast or estimated future lost transmission and distribution revenue.[6] The DSM Lost Revenues for the time period 2009-10 are included in Exhibit__(WMT-3) for information purposes only and are not part of the request for cost recovery in this Docket associated with DSM program activity.

Q. Does this complete your testimony?

A. Yes, it does.

[6] Refer to Docket D2007.5.45, Order 6836c; page 63, item 4.

Table A: Reported Electricity Savings From 2008-09 USB and DSM Program Activity

Programs	Annualized Energy Savings[1]			
	USB		Energy Supply DSM	
	kWh	aMW	kWh	aMW
General Default Supply DSM Expenses	-	-	-	-
E+ Energy Audit for the Home or Business	1,484,007	0.17		-
E+ Business Partners Program		-	3,394,698	0.39
E+ Irrigation	462,313	0.05		-
E+ Commercial Lighting Rebate Program		-	7,573,441	0.86
E+ Residential Lighting Programs		-	25,055,776	2.86
Builder Operator Certification	6,296,405	0.72		-
Northwest Energy Efficiency Alliance (NEEA)		-	12,097,396	1.38
80 Plus		-	201,384	0.02
E+ Free Weatherization Program & Fuel Switch	199,424	0.02		-
E+ Renewable Energy Program	603,065	0.07		-
E+ New Homes Program		-	329,459	0.04
E+ Residential Electric Savings Program		-	184,501	0.02
Motor Management Training	-	-		-
Vending Miser	11,528	0.00		-
E+ Electric Motor Rebate Program		-	464	0.00
E+ Natural Gas Savings Rebate Program		-		-
Demand Response		-		-
Total	**9,056,742**	**1.03**	**48,837,120**	**5.58**

Note 1: Annualized energy savings are based on 10 months of actual reported savings (July - April) and 2 months estimated.

USB + DSM savings acquired in 2008-09 Tracker Period (aMW):	**6.61**

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[2]	Commercial % of Total[2]
E+ Energy Audit for the Home or Business	95.0%	1,409,806	5.0%	74,200	1,484,007		
E+ Business Partners Program	0.0%	-	100.0%	3,394,698	3,394,698		
E+ Irrigation	0.0%	-	100.0%	462,313	462,313		
E+ Commercial Lighting Rebate Program	0.0%	-	100.0%	7,573,441	7,573,441		
E+ Residential Lighting Programs	100.0%	25,055,776	0.0%	-	25,055,776		
Builder Operator Certification	0.0%	-	100.0%	6,296,405	6,296,405		
Northwest Energy Efficiency Alliance (NEEA)	93.0%	11,250,578	7.0%	846,818	12,097,396		
80 Plus	93.0%	187,287	7.0%	14,097	201,384		
E+ Free Weatherization Program & Fuel Switch	100.0%	199,424	0.0%	-	199,424		
E+ Renewable Energy Program	78.0%	470,390	22.0%	132,674	603,065		
E+ New Homes Program	100.0%	329,459	0.0%	-	329,459		
E+ Residential Electric Savings Program	100.0%	184,501	0.0%	-	184,501		
Motor Management Training	95.0%	-	5.0%	-	-		
Vending Miser	0.0%	-	100.0%	11,528	11,528		
E+ Electric Motor Rebate Program	0.0%	-	100.0%	464	464		
E+ Natural Gas Savings Rebate Program	0.0%	-	100.0%	-	-		
Demand Response	100.0%	-	0.0%	-	-		
Total		**39,087,223**		**18,806,639**	**57,893,862**	**67.5%**	**32.5%**

Note 2: Overall Residential and Commercial percentages are used in calculation of Lost Revenues in Exhibit __(WMT-3).

Electric Supply DSM Program Spending & Budget

2008-09 Tracker Year

Actual Recorded Spending - from SAP Records / Estimated

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
DSM Assessment	17016	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
General Expenses Related to All DSM Programs	17054	49,236	1,087	1,087	879	27,668	20,165	3,317	7,409	9,513	3,301	-	-
Residential Lighting Program	17055	157,999	124,493	170,401	3,542	272,006	67,865	433,817	1,250	98,473	171,942	214,017	275,000
Residential Electric Savings Program	17056	2,282	2,165	6,413	8,437	-	15,719	25,061	-	17,365	13,667	5,500	5,500
Residential New Construction Program	17059	-	190	103	-	1,263	-	-	29,920	-	-	-	-
Commercial Lighting Program	17060	12,133	47,715	46,146	-	117,753	-	85,272	43,399	305,729	169,995	37,382	2,750
Electric Motor Rebates Program	17061	375	651	350	382	-	1,177	626	-	-	6,911	1,100	1,100
Commercial Business Partners Program	17063	340,498	124,083	124,036	68,467	214,152	114,871	86,694	46,785	186,370	82,249	218,900	249,546
Demand Response Program	17065	-	-	-	-	-	-	-	-	-	-	-	-
Market Transformation (NEEA)	17067	-	25	-	90,216	10,561	90,802	165	324	225	101,944	-	136,250
Monthly Total Spending		$ 562,523	300,409	348,536	171,923	643,403	310,598	634,953	129,087	617,675	550,007	$ 476,899	$ 670,146
Cumulative Total Spending (for 2008-09 Tracker Year)		$ 562,523	862,932	1,211,468	1,383,391	2,026,795	2,337,393	2,972,346	3,101,433	3,719,108	4,269,115	4,746,014	**5,416,160**

Note: Actual DSM Program expenses as of April 30, 2009; May & June 2009 and beyond are estimates.

2009-10 Tracker Year

Estimated

Electric DSM Program Spending	Order	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10
DSM Assessment	17016	-	-	-	-	-	-	-	-	-	-	-	-
General Expenses Related to All DSM Programs	17054	77,643	77,643	77,643	77,643	77,643	77,643	77,643	500	500	500	500	500
Residential Lighting Program	17055	5,444	271,913	222,572	5,266	322,214	150,795	477,199	1,375	108,320	189,136	235,418	302,500
Residential Electric Savings Program	17056	4,983	-	4,303	9,894	-	7,767	27,567	-	19,102	15,033	6,050	6,050
Residential New Construction Program	17059	4,103	438	2,501	674	-	-	-	15,000	-	-	-	-
Commercial Lighting Program	17060	-	16,697	24,975	7	44,854	46,667	93,799	47,739	336,301	186,994	41,121	3,025
Commercial Motor Rebates Program	17061	411	-	1,660	260	-	584	626	-	-	6,911	1,100	1,100
Commercial Business Partners Program	17063	109,504	115,954	110,657	405,120	21,818	115,589	95,364	51,463	205,007	90,474	240,790	274,501
Demand Response Program	17065	-	-	-	-	-	-	-	-	-	-	-	-
Market Transformation (NEEA)	17067	-	-	136,250	-	-	136,250	-	-	350,000	-	-	350,000
Monthly Total Spending		$ 202,089	482,645	580,561	498,864	466,528	535,296	772,198	116,077	1,019,231	489,048	524,979	937,676
Cumulative Total Spending (for 2009-10 Tracker Year)		$ 202,089	684,734	1,265,295	1,764,159	2,230,687	2,765,983	3,538,181	3,654,258	4,673,489	5,162,537	5,687,516	**6,625,192**

	A	B
1	**Electric DSM Lost Revenues**	
2		
3		
4	**Time Period[1]**	**DSM Lost Revenue[2]**
5		
6	January-June 2008	$ 323,302
7	Tracker 2008-09	$ 1,606,190
8	Tracker 2009-10	$ 3,281,553
9		
10		
11		
12	Notes:	
13	1. Electric DSM Lost Revenues are reset Jan. 1, 2008 due to newly established T&D rates	
14	Refer to Electric Default Supply Service D2007.7.80, Tariff 144-E and General Rate Case D2007.7.82 Interim Order No.	
15	6852b, Tariff 145-E	
16		
17	In Docket 2008.5.45 the values reported for electric DSM Lost Revenues were based on reported electric	
18	savings of 5.02 aMW for the 2007-08 tracker period. This figure was based on 10 months of actual and 2 months	
19	of estimated savings. The updated 12-month actual reported 2007-08 electric DSM savings is 5.37 aMW.	
20		
21	Using this higher annualized energy savings figure results in an increase in the Lost Revenues for both the	
22	January-June 2008 and Tracker 2008-09 periods (see table above) than were originally reported in	
23	Exhibit__(WMT-3) in Docket 2008.5.45.	
24		
25	2. Inclusion of a portion of NorthWestern's share of Colstrip Unit #4 into rate base resulted in the establishment	
26	of new rates that include recovery of fixed revenue requirement associated with this resource. These costs remain	
27	fixed until they are re-established in a future CU-4 revenue requirement filing. DSM energy savings affects	
28	full recovery of those CU-4 fixed costs through rates. Therefore, additional DSM Lost Revenues related to	
29	Colstrip #4 are calculated on Tab 8 and are added to the T&D Lost Revenues in cells B7-8 in the above table.	

	A	B	C	D	E	F	G	H	I	J	K	L
1												
2	**Electric DSM Lost Revenues**											
3	**Jan-June 2008**				**2008-09**				**2009-2010**			
4												
5	Rates as of January 1, 2008				Rates as of January 1, 2008				Rates as of January 1, 2009			
6												
7	**Residential:**				**Residential:**				**Residential:**			
8	Supply Energy	$0.056600	per kwh		Supply Energy	$0.056600	per kwh		Supply Energy	$0.056600	per kwh	
9	Supply Deferred Costs	-$0.002865	per kwh		Supply Deferred Costs	-$0.002865	per kwh		Supply Deferred Costs	-$0.002865	per kwh	
10	Transmission Energy	$0.008803	per kwh		Transmission Energy	$0.008803	per kwh		Transmission Energy	$0.008385	per kwh	
11	Distribution Energy	$0.027401	per kwh		Distribution Energy	$0.027401	per kwh		Distribution Energy	$0.026101	per kwh	
12	BPA Credit Exchange	$0.000449	per kwh		BPA Credit Exchange	$0.000449	per kwh		BPA Credit Exchange	$0.000449	per kwh	
13	CTC-QF	$0.003209	per kwh		CTC-QF	$0.003209	per kwh		CTC-QF	$0.003209	per kwh	
14	USBC	$0.001334	per kwh		USBC	$0.001334	per kwh		USBC	$0.001334	per kwh	
15	Distribution Service Charge	$5.00	per month		Distribution Service Charge	$5.000000	per month		Distribution Service Charge	$5.000000	per month	
16												
17												
18	**GS 1 Secondary, non-demand**				**GS 1 Secondary, non-demand**				**GS 1 Secondary, non-demand**			
19	Supply Energy	$0.051201	per kwh		Supply Energy	$0.051201	per kwh		Supply Energy	$0.051201	per kwh	
20	Supply Deferred Costs	-$0.002865	per kwh		Supply Deferred Costs	-$0.002865	per kwh		Supply Deferred Costs	-$0.002865	per kwh	
21	Transmission Energy	$0.008007	per kwh		Transmission Energy	$0.008007	per kwh		Transmission Energy	$0.007627	per kwh	
22	Distribution Energy	$0.037077	per kwh		Distribution Energy	$0.037077	per kwh		Distribution Energy	$0.035318	per kwh	
23	CTC-QF	$0.003209	per kwh		CTC-QF	$0.003209	per kwh		CTC-QF	$0.003209	per kwh	
24	USBC	$0.001143	per kwh		USBC	$0.001143	per kwh		USBC	$0.001143	per kwh	
25	Distribution Service Charge	$7.45	per month		Distribution Service Charge	$7.450000	per month		Distribution Service Charge	$7.450000	per month	
26												
27												
28	**GS 1 Secondary, demand**				**GS 1 Secondary, demand**				**GS 1 Secondary, demand**			
29	Supply Energy	$0.056600	per kwh		Supply Energy	$0.056600	per kwh		Supply Energy	$0.056600	per kwh	
30	Supply Deferred Costs	-$0.002865	per kwh		Supply Deferred Costs	-$0.002865	per kwh		Supply Deferred Costs	-$0.002865	per kwh	
31	Transmission Demand	$2.870244	per kw		Transmission Demand	$2.870244	per kw		Transmission Demand	$2.734045	per kw	
32	Distribution Energy	$0.004641	per kwh		Distribution Energy	$0.004641	per kwh		Distribution Energy	$0.004421	per kwh	
33	Distribution Demand	$5.850929	per kw		Distribution Demand	$5.850929	per kw		Distribution Demand	$5.573291	per kw	
34	CTC-QF	$0.003209	per kwh		CTC-QF	$0.003209	per kwh		CTC-QF	$0.003209	per kwh	
35	USBC	$0.001143	per kwh		USBC	$0.001143	per kwh		USBC	$0.001143	per kwh	
36	Distribution Service Charge	$8.70	per month		Distribution Service Charge	$8.700000	per month		Distribution Service Charge	$8.700000	per month	
37												
38												
39	**General Service - 1 Primary, Non Demand:**				**General Service - 1 Primary, Non Demand:**				**General Service - 1 Primary, Non Demand:**			
40	Supply Energy	$0.055049	per kwh		Supply Energy	$0.055049	per kwh		Supply Energy	$0.055049	per kwh	
41	Supply Deferred Costs	-$0.002786	per kwh		Supply Deferred Costs	-$0.002786	per kwh		Supply Deferred Costs	-$0.002786	per kwh	
42	Transmission Energy	$0.007859	per kwh		Transmission Energy	$0.007859	per kwh		Transmission Energy	$0.007486	per kwh	
43	Distribution Energy	$0.018019	per kwh		Distribution Energy	$0.018019	per kwh		Distribution Energy	$0.017164	per kwh	
44	CTC-QF	$0.003121	per kwh		CTC-QF	$0.003121	per kwh		CTC-QF	$0.003121	per kwh	
45	USBC	$0.001143	per kwh		USBC	$0.001143	per kwh		USBC	$0.001143	per kwh	
46	Distribution Service Charge	$7.45	per month		Distribution Service Charge	$7.450000	per month		Distribution Service Charge	$7.450000	per month	
47												
48												
49	**General Service - 1 Primary, Demand:**				**General Service - 1 Primary, Demand:**				**General Service - 1 Primary, Demand:**			
50	Supply Energy	$0.050267	per kwh		Supply Energy	$0.050267	per kwh		Supply Energy	$0.050267	per kwh	
51	Supply Deferred Costs	-$0.002786	per kwh		Supply Deferred Costs	-$0.002786	per kwh		Supply Deferred Costs	-$0.002786	per kwh	
52	Transmission Demand	$3.683143	per kw		Transmission Demand	$3.683143	per kw		Transmission Demand	$3.508370	per kw	
53	Distribution Energy	$0.007084	per kwh		Distribution Energy	$0.007084	per kwh		Distribution Energy	$0.006748	per kwh	
54	Distribution Demand	$4.044304	per kw		Distribution Demand	$4.044304	per kw		Distribution Demand	$3.852394	per kw	
55	CTC-QF	$0.003121	per kwh		CTC-QF	$0.003121	per kwh		CTC-QF	$0.003121	per kwh	
56	USBC	$0.001143	per kwh		USBC	$0.001143	per kwh		USBC	$0.001143	per kwh	
57	Distribution Service Charge	$24.80	per month		Distribution Service Charge	$24.800000	per month		Distribution Service Charge	$24.800000	per month	
58												

Electric DSM Lost Revenues

Annual Energy Savings:

		January-June 2008		Tracker 2008-09		Tracker 2009-10	
1)	**DSM Targets and Results:**	**Target**	**Reported**	**Target**	**Reported**	**Target**	**Reported**
	Annual (Avg. MW)	2.50	2.69	5.00	6.61	5.00	5.00
	Cumulative (Avg. MW)	2.50	2.69	7.69	9.30	14.30	14.30

		January-June 2008		Tracker 2008-09		Tracker 2009-10	
2)	**Disaggregate Targets into Residential & Commercial/Industrial** [1]	**Target**	**Reported**	**Target**	**Reported**	**Target**	**Reported**
	% Residential	69%	68%	68%	68%	68%	68%
	% Commercial & Industrial	31%	32%	32%	32%	32%	32%
	Incremental Res. (Avg. MW)	1.72	1.81	3.38	4.46	3.38	3.38
	Cumulative Res. (Avg. MW)	1.72	1.81	5.09	6.28	8.47	9.65
	Incremental C/I (Avg. MW)	0.78	0.87	1.62	2.15	1.62	1.62
	Cumulative C/I (Avg. MW)	0.78	0.87	2.41	3.02	4.03	4.64
	check fig:	2.50	2.69	5.00	6.61	5.00	5.00

1. Residential/commercial split based on DSM Program results

		January-June 2008		Tracker 2008-09		Tracker 2009-10	
3)	**Cumulative Annual Energy Savings**[2]	**Target**	**Reported**	**Target**	**Reported**	**Target**	**Reported**
	Residential (MWH)	7,516	7,947	30,680	35,438	69,767	69,767
	C/I (MWH)	3,434	3,824	14,762	17,051	33,568	33,568
	Total Savings (MWH)	10,950	11,771	45,442	52,489	103,336	103,336
	Total Savings (Avg. MW)	1.25	1.34	5.19	5.99	11.80	11.80

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	H	I
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**		**Tracker 2009-10**	
9				**Target**	**Reported**	**Target**	**Reported**	**Target**	**Reported**
10			C/I Energy Savings (MWH)	3,434	3,824	14,762	17,051	33,568	33,568
11			C/I Energy Savings (Avg. MW)	0.4	0.4	1.7	1.9	3.8	3.8
12			C/I Avg. Monthly Demand Reduction (KW/Mth)*	594	661	2,553	2,949	5,806	5,806
13			C/I Annual Demand Reduction (KW-Mths)	7,128	7,936	30,638	35,390	69,673	69,673
14									
15	**3)**	**Coincidence Factor:**		100%	*				
16									
17		*	Coincidence Factor is estimated. 100% load factor assumes that, from a billing perspective, the impacts						
18			of class coincidence are offset by the potential of the impacts of specific technologies/projects to be non-coincident with the peak loads						
19			of individual customers.						
20									
21				**January-June 2008**		**Tracker 2008-09**		**Tracker 2009-10**	
22				**Target**	**Reported**	**Target**	**Reported**	**Target**	**Reported**
23	**4)**	**C/I Annual Demand Reduction (KW-Mths)***		7,128	7,936	30,638	35,390	69,673	69,673
24									
25		*	Represents total C/I Demand reduction. Tariffs for GS-1 Primary and Secondary Non-demand customers do not include a demand charge.						
26			Demand reductions associated with such customers do not result in lost revenues.						

	A	B	C	D	E	F	G	H
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**		**Tracker 2009-10**	
7			**Target**	**Reported**	**Target**	**Reported**	**Target**	**Reported**
8	**1)**	**Residential Savings (KWH)**	7,515,849	7,947,141	30,680,137	35,437,894	69,767,360	69,767,360
9								
10	**2)**	**C/I Savings**						
11		Energy (KWH)	3,434,151	3,823,731	14,761,607	17,050,781	33,568,246	33,568,246
12		Demand (KW-Mths)	7,128	7,936	30,638	35,390	69,673	69,673
13								
14	**3)**	**Disaggregate C&I Savings by service level (tariff)**						
15								
16		C&I Savings is broken out as:*						
17		GS-1 Secondary, non demand	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
18		GS-1 Secondary, demand	98.0%	98.0%	98.0%	98.0%	98.0%	98.0%
19		GS-1 Primary, non demand	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
20		GS-1 Primary, demand	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
21		Total C&I	100%	100%	100%	100%	100%	100%
22								
23	**4)**	**C&I Reported Programmatic "Bill" Savings Based on Breakout in 3) Above:**						
24								
25			**January-June 2008**		**Tracker 2008-09**		**Tracker 2009-10**	
26			**Target**	**Reported**	**Target**	**Reported**	**Target**	**Reported**
27		**Energy (KWh)**						
28		GS-1 Secondary, non demand	34,342	38,237	147,616	170,508	335,682	335,682
29		GS-1 Secondary, demand	3,365,468	3,747,256	14,466,375	16,709,765	32,896,881	32,896,881
30		GS-1 Primary, non demand	0	0	0	0	0	0
31		GS-1 Primary, demand	34,342	38,237	147,616	170,508	335,682	335,682
32		Check Total	3,434,151	3,823,731	14,761,607	17,050,781	33,568,246	33,568,246
33								
34		**Demand (KW-mth)**						
35		GS-1 Secondary, demand	6,985	7,778	30,026	34,682	68,279	68,279
36		GS-1 Primary, demand	71	79	306	354	697	697
37		Total*	7,056	7,857	30,332	35,036	68,976	68,976
38								
39		Totals are less than totals in row 12 above because non-demand C&I customers are not billed for demand.						

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

	A	B	C	D	E	F	G	H	I
1									
2	**Electric DSM Lost Revenues**								
3									
4	**January-June 2008**								
5									
6	**Residential**								
7				**Gross**					**Estimated**
8				**Program**			**Net**		**Lost**
9		**Rate[1]**		**Savings**		**Adjustment**	**Savings**		**Revenue**
10	Bill Line Item	**($ per kwh)**		**(kwh)**		**Factor**	**(kwh)**		**($)**
11	Transmission Energy	0.008803		7,947,141		0.87	6,931,276		61,016
12	Distribution Energy	0.027401		7,947,141		0.87	6,931,276		189,924
13					**Sub Total Residential:**		**6,931,276**		**$ 250,940**
14									
15									
16	**Commercial & Industrial**								
17				**Gross**	**Gross**				**Estimated**
18				**Program**	**Program**		**Net**	**Net**	**Lost**
19		**Rate[1]**	**Rate[1]**	**Savings**	**Savings**	**Adjustment**	**Savings**	**Savings**	**Revenue**
20	Bill Line Item	**($ per kwh)**	**($ per kw-mth)**	**(kwh)**	**(kw-mth)**	**Factor**	**(kwh)**	**(kw-mth)**	**($)**
21	GS-1 Secondary, non demand, TX Energy	0.008007		38,237		0.82	31,504		252
22	GS-1 Secondary, non demand, Dist. Energy	0.037077		38,237		0.82	31,504		1,168
23									
24	GS-1 Secondary, demand, TX Demand		2.870244		7,778	0.82		6,408	18,392
25	GS-1 Secondary, demand, Dist. Energy	0.004641		3,747,256		0.82	3,087,344		14,328
26	GS-1 Secondary, demand, Dist. Demand		5.850929		7,778	0.82		6,408	37,492
27									
28	GS-1 Primary, non demand, TX Energy	0.007859		0		0.82	0		0
29	GS-1 Primary, non demand, Dist. Energy	0.004641		0		0.82	0		0
30									
31	GS-1 Primary, demand, TX Demand		3.683143		79	0.82		65	241
32	GS-1 Primary, demand, Dist. Energy	0.007084		38,237		0.82	31,504		223
33	GS-1 Primary, demand, Dist. Demand		4.044304		79	0.82		65	264
34				**Sub Total Commercial & Industrial:**			**3,150,351**		**$ 72,362**
35									
36			**January-June 2008**	**Totals:**			**10,081,627**		**$ 323,302**
37	Note 1: using rates in effect at the time (see Rates tab)								
38									

File: EXHIBIT__(WMT-3).xls
Tab: 7.Calc Lost Revenues

	A	B	C	D	E	F	G	H	I
39									
40	**Tracker 2008-09**								
41	**Based on Cumulative DSM Savings Since January 2008**								
42									
43	**Residential**								
44				**Gross**					**Estimated**
45				**Program**			**Net**		**Lost**
46		**Rate[1]**		**Savings**		**Adjustment**	**Savings**		**Revenue**
47	Bill Line Item	**($ per kwh)**		**(kwh)**		**Factor**	**(kwh)**		**($)**
48	Transmission Energy	0.008803		35,437,894		0.87	30,907,948		272,083
49	Distribution Energy	0.027401		35,437,894		0.87	30,907,948		846,909
50					**Sub Total Residential:**		**30,907,948**		**$ 1,118,991**
51									
52									
53	**Commercial & Industrial**								
54				**Gross**	**Gross**				**Estimated**
55				**Program**	**Program**		**Net**	**Net**	**Lost**
56		**Rate[1]**	**Rate[1]**	**Savings**	**Savings**	**Adjustment**	**Savings**	**Savings**	**Revenue**
57	Bill Line Item	**($ per kwh)**	**($ per kw-mth)**	**(kwh)**	**(kw-mth)**	**Factor**	**(kwh)**	**(kw-mth)**	**($)**
58	GS-1 Secondary, non demand, TX Energy	0.008007		170,508		0.82	140,480		1,125
59	GS-1 Secondary, non demand, Dist. Energy	0.037077		170,508		0.82	140,480		5,209
60									
61	GS-1 Secondary, demand, TX Demand		2.870244		34,682	0.82		28,574	82,015
62	GS-1 Secondary, demand, Dist. Energy	0.004641		16,709,765		0.82	13,767,084		63,893
63	GS-1 Secondary, demand, Dist. Demand		5.850929		34,682	0.82		28,574	167,186
64									
65	GS-1 Primary, non demand, TX Energy	0.007859		0		0.82	0		0
66	GS-1 Primary, non demand, Dist. Energy	0.018019		0		0.82	0		0
67									
68	GS-1 Primary, demand, TX Demand		3.683143		354	0.82		292	1,074
69	GS-1 Primary, demand, Dist. Energy	0.007084		170,508		0.82	140,480		995
70	GS-1 Primary, demand, Dist. Demand		4.044304		354	0.82		292	1,179
71				**Sub Total Commercial & Industrial:**			**14,048,045**		**$ 322,676**
72									
73			**Tracker 2008-09**	**Totals:**			**44,955,993**		**$ 1,441,667**
74	Note 1: using rates in effect at the time (see Rates tab)								
75									
76									

File: EXHIBIT__(WMT-3).xls
Tab: 7.Calc Lost Revenues

	A	B	C	D	E	F	G	H	I
77	**Tracker 2009-10**								
78	**Based on Cumulative DSM Savings Since January 2009**								
79									
80	**Residential**			**TARGET**					
81				**Gross**					**Estimated**
82				**Program**			**Net**		**Lost**
83		**Rate[1]**		**Savings**		**Adjustment**	**Savings**		**Revenue**
84	Bill Line Item	**($ per kwh)**		**(kwh)**		**Factor**	**(kwh)**		**($)**
85	Transmission Energy	0.008385		69,767,360		0.872	60,849,156		510,220
86	Distribution Energy	0.026101		69,767,360		0.872	60,849,156		1,588,224
87					**Sub Total Residential:**		**60,849,156**		**$ 2,098,444**
88									
89									
90	**Commercial & Industrial**			**TARGET**	**TARGET**				
91				**Gross**	**Gross**				**Estimated**
92				**Program**	**Program**		**Net**	**Net**	**Lost**
93		**Rate[1]**	**Rate[1]**	**Savings**	**Savings**	**Adjustment**	**Savings**	**Savings**	**Revenue**
94	Bill Line Item	**($ per kwh)**	**($ per kw-mth)**	**(kwh)**	**(kw-mth)**	**Factor**	**(kwh)**	**(kw-mth)**	**($)**
95	GS-1 Secondary, non demand, TX Energy	0.007627		335,682		0.824	276,567		2,109
96	GS-1 Secondary, non demand, Dist. Energy	0.035318		335,682		0.824	276,567		9,768
97									
98	GS-1 Secondary, demand, TX Demand		2.734045		68,279	0.824		56,255	153,803
99	GS-1 Secondary, demand, Dist. Energy	0.004421		32,896,881		0.824	27,103,560		119,825
100	GS-1 Secondary, demand, Dist. Demand		5.573291		68,279	0.824		56,255	313,524
101									
102	GS-1 Primary, non demand, TX Energy	0.007486		0		0.824	0		0
103	GS-1 Primary, non demand, Dist. Energy	0.017164		0		0.824	0		0
104									
105	GS-1 Primary, demand, TX Demand		3.508370		697	0.824		574	2,014
106	GS-1 Primary, demand, Dist. Energy	0.006748		335,682		0.824	276,567		1,866
107	GS-1 Primary, demand, Dist. Demand		3.852394		697	0.824		574	2,211
108				**Sub Total Commercial & Industrial:**			**27,656,694**		**$ 605,121**
109									
110			**Tracker 2009-10**	**Totals:**			**88,505,849**		**$ 2,703,565**
111	Note 1: using rates in effect at the time (see Rates tab)								

File: EXHIBIT__(WMT-3).xls
Tab: 7.Calc Lost Revenues

DSM Lost Revenues - Colstrip Unit 4

(fixed cost portion of CU-4 supply rate)

		January-June 2009		Tracker 2009-10	
DSM Targets and Results:		**Target**	**Reported**	**Target**	**Reported**
	Annual (Avg. MW)	2.50	3.30	5.00	5.00
	Cumulative (Avg. MW)	2.50	3.30	8.30	8.30

		January-June 2009		Tracker 2009-10	
Disaggregate Targets into Residential & Commercial/Industrial [1]		**Target**	**Reported**	**Target**	**Reported**
	% Residential	68%	68%	68%	68%
	% Commercial & Industrial	32%	32%	32%	32%
	Incremental Res. (Avg. MW)	1.69	2.23	3.38	3.38
	Cumulative Res. (Avg. MW)	1.69	2.23	5.06	5.61
	Incremental C/I (Avg. MW)	0.81	1.07	1.62	1.62
	Cumulative C/I (Avg. MW)	0.81	1.07	2.44	2.70
	check fig:	2.50	3.30	5.00	5.00

1. Residential/commercial split based on DSM Program results

		January-June 2009		Tracker 2009-10	
Cumulative Annual Energy Savings[2]		**Target**	**Reported**	**Target**	**Reported**
	Residential (MWH)	7,393	9,772	34,329	34,329
	C/I (MWH)	3,557	4,702	16,517	16,517
	Total Savings (MWH)	10,950	14,473	50,847	50,847
	Total Savings (Avg. MW)	1.25	1.65	5.80	5.80

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	H
38								
39	**3)**	**Disaggregate C&I Savings by service level (tariff)**						
40								
41		C&I Savings is broken out as:*						
42		GS-1 Secondary, non demand	1.0%	1.0%	1.0%	1.0%		
43		GS-1 Secondary, demand	98.0%	98.0%	98.0%	98.0%		
44		GS-1 Primary, non demand	0.0%	0.0%	0.0%	0.0%		
45		GS-1 Primary, demand	1.0%	1.0%	1.0%	1.0%		
46		Total C&I	100%	100%	100%	100%		
47								
48								
49								
50		**Rates:**						
51		**CU4 Fixed Rates - as of January 1, 2009**						
52		source: Appendix E - 1/01/09 Rate Change Page 8 of 10						
53								
54								
55		Residential	$0.013273	per kwh				
56								
57		GS-1 Sec Non-Demand	$0.013273	per kwh				
58		GS-1 Sec Demand	$0.013273	per kwh				
59		GS-1 Pri Non-Demand	$0.012910	per kwh				
60		GS-1 Pri Demand	$0.012910	per kwh				
61								
62		GS-2 Substation	$0.012798	per kwh				
63		GS-2 Transmission	$0.012721	per kwh				
64								
65								

	A	B	C	D	E	F	G	H
66								
67		**Calculate CU-4 related DSM Lost Revenues**						
68		**January - June 2009**						
69		**Based on Cumulative DSM Savings Since January 2009**						
70								
71		**Residential**		**Gross**			**Estimated**	
72				**Program**		**Net**	**Lost**	
73			**Rate[1]**	**Savings**	**Adjustment**	**Savings**	**Revenue**	
74		Bill Line Item	**($ per kwh)**	**(kwh)**	**Factor**	**(kwh)**	**($)**	
75		Residential	$0.013273	9,771,806	0.87	8,522,698	113,122	
76						**8,522,698**	**$ 113,122**	
77								
78		**Commercial & Industrial**		**Gross**			**Estimated**	
79				**Program**		**Net**	**Lost**	
80			**Rate[1]**	**Savings**	**Adjustment**	**Savings**	**Revenue**	
81		Bill Line Item	**($ per kwh)**	**(kwh)**	**Factor**	**(kwh)**	**($)**	
82		GS-1 Sec Non-Demand	$0.013273	47,017	0.82	38,737	514	
83		GS-1 Sec Demand	$0.013273	4,607,626	0.82	3,796,198	50,387	
84		GS-1 Pri Non-Demand	$0.012910	0	0.82	0	0	
85		GS-1 Pri Demand	$0.012910	47,017	0.82	38,737	500	
86								
87		GS-2 Substation	$0.012798	0	0.00	0	0	
88		GS-2 Transmission	$0.012721	0	0.00	0	0	
89					**Sub Total General Service:**	**3,873,672**	**$ 51,401**	
90								
91				**Total CU-4-related DSM Lost Revenues**			**$ 164,523**	
92								
93								

	A	B	C	D	E	F	G	H
94		**Tracker 2009-10**						
95		**Based on Cumulative DSM Savings Since January 2009**						
96								
97		**Residential**		**Gross**			**Estimated**	
98				**Program**		**Net**	**Lost**	
99			**Rate[1]**	**Savings**	**Adjustment**	**Savings**	**Revenue**	
100		Bill Line Item	**($ per kwh)**	**(kwh)**	**Factor**	**(kwh)**	**($)**	
101		Residential	$0.013273	34,329,466	0.87	29,941,207	397,410	
102						**29,941,207**	**$ 397,410**	
103								
104		**Commercial & Industrial**		**Gross**			**Estimated**	
105				**Program**		**Net**	**Lost**	
106			**Rate[1]**	**Savings**	**Adjustment**	**Savings**	**Revenue**	
107		Bill Line Item	**($ per kwh)**	**(kwh)**	**Factor**	**(kwh)**	**($)**	
108		GS-1 Sec Non-Demand	$0.013273	165,175	0.82	136,086	1,806	
109		GS-1 Sec Demand	$0.013273	16,187,116	0.82	13,336,476	177,015	
110		GS-1 Pri Non-Demand	$0.012910	0	0.82	0	0	
111		GS-1 Pri Demand	$0.012910	165,175	0.82	136,086	1,757	
112								
113		GS-2 Substation	$0.012798	0	0.00	0	0	
114		GS-2 Transmission	$0.012721	0	0.00	0	0	
115				**Sub Total General Service:**		**13,608,649**	**$ 180,578**	
116								
117				**Total CU-4-related DSM Lost Revenues**			**$ 577,988**	
118								

File: EXHIBIT__(WMT-3).xls
Tab: 8.CU-4 Related LRs

Green Blocks Pilot Program Report

INTRODUCTION

In the spring of 2008, the City of Missoula partnered with NorthWestern Energy on a conservation pilot program called "Green Blocks". The project group consisted of the Missoula Mayor's Advisory Group on Climate Change, the Mayor's staff, Allied Waste Co., Mountain Water Co., and NorthWestern Energy. The goal of this cross-functional team was to demonstrate basic residential resource conservation techniques in several neighborhoods or "blocks" within the City of Missoula by removing any economic barriers from the conservation process. NorthWestern Energy's focus was to provide energy audits and some energy efficiency measures free of charge to program participants in the hopes of achieving cost effective electric and natural gas savings.

Participation in the pilot-program was voluntary. To keep program costs low, NorthWestern Energy did no marketing directly. The City of Missoula solicited participation in the pilot program by encouraging residents to team up with their neighbors and submit applications to enter the program as a "block". Information about the program was communicated in local news stories, a meeting with the Missoula Community Forum on April 24th, and a website the City of Missoula created for the program (http://www.ci.missoula.mt.us/greenblocks.htm).

An application process was used in order to limit the number of participants to no more than 150, to ensure applicants were NorthWestern Energy customers in good standing, and to try to achieve some diversity in the vintage of home construction and block locations. All blocks were to submit applications as a group. Individual applications were not accepted. The Mayor's Advisory Group on Climate Change was the participant selection committee.

KEMA Services, Inc. (KEMA), NorthWestern Energy's efficiency program contractor, coordinated and supervised all energy-related program work and recorded information about energy saving measures installed in each home. Once participants were selected, KEMA led several participant informational meetings and scheduled each home for an energy audit. A total of 93 energy audits were performed on 91 homes (2 homes were duplexes). Standard energy audits last about two hours whereas the extended, Green Blocks energy audit lasted up to four hours.

The following tasks are performed during a standard energy audit where applicable:

- Customer education and recommendation of system adjustments such as reduction of temperature on hot water heater, unplugging unused appliances, vacuuming refrigerator coils, etc.
- Gas appliance safety check
- Blower door test to determine air exchange rate
- RECAP analysis of structures
- Installation of CFLs
- Installation of low-flow kitchen sink aerators
- Installation of low-flow bathroom sink aerators
- Installation of low flow showerheads
- Hot water tank insulation wrap and 10 feet of hot water tank pipe insulation (where accessible)

In addition to the standard energy audit, the following additional tasks were performed during the Green Blocks audit where applicable:

- Installation of weather-stripping for exterior swing-type doors
- Installation of door sweeps for exterior swing-type doors
- Application of foam gap sealant or caulk for exterior walls, doors and windows
- Application of window plastic for single pane windows
- Installation of electrical outlet and switch plate cover gaskets for exterior walls

- Installation of programmable thermostat
- Recommendations for additional insulation of attic, basement walls, crawlspace, and/or exterior walls

Where the energy audit recommended additional insulation be installed and where insulation type and level would be rebated under the pre-existing NorthWestern Energy Residential Electric and Gas Savings programs, KEMA arranged for installation of the required level of insulation by a NorthWestern Energy Preferred Contractor. NorthWestern Energy paid for only insulation materials and insulation costs. Structural or electrical modifications were not covered. KEMA received insulation samples from customers prior to performing energy audits in order to determine if vermiculite was present. Insulation containing vermiculite was then subjected to a test for the presence of asbestos. No samples were found that contained asbestos. If asbestos had been identified, no blower door test would have been performed during the audit and no insulation would have been installed.

Energy audits were performed in July and August of 2008 and insulation work continued through the end of September. The City of Missoula hosted two open houses on Saturday October 25th to showcase conservation measures implemented through the program. In addition to print media and public radio advertisement, Green Blocks-logo yard signs were developed for the home of each participant in the program. NorthWestern Energy contributed monetarily to the production of signs and marketing of the event.

The energy audit and all applicable energy savings measures and insulation were installed free-of-charge to the customer. Universal Systems Benefits (USB) funding pays for standard audits and energy efficiency measures installed during audits. Demand Side Management (DSM) funding pays for lighting installed during an audit, other energy saving measures installed during the green blocks, and insulation installed after the audit. Only those energy efficiency measures that are proven to be cost effective in existing NorthWestern Energy residential energy savings programs were selected for use in this program.

Mountain Water and Allied Waste were to monitor water use and the amount of garbage for three months. NorthWestern Energy agreed to track energy use for at least one year to note any benefits and changes in energy consumption. This report provides preliminary NorthWestern Energy findings based on calculated natural gas and electric savings expected over the course of one year. Individual and household information will remain confidential and only generalized data will be used to assess the program and to discuss it in news coverage and promotion.

MARKETING AND MEDIA

The focus of the City of Missoula was to gather and evaluate participants for the pilot-program and market the conservation efforts of the program, including the audits and energy saving measures paid for by NorthWestern Energy. The program provided NorthWestern Energy with a new and unique opportunity to bring attention to its existing residential energy savings programs.

To inform the public about the upcoming pilot program, The City of Missoula gained coverage in local newspapers and informed the neighborhood councils at the Missoula Community Forum meeting April 24th. A copy of print media coverage is located in Appendix 1 of this document. Program applications were distributed at the council meeting and posted on a website The City created for the program (http://www.ci.missoula.mt.us/greenblocks.htm). A copy of the program application is located in Appendix 2 of this document.

Media coverage during the energy audit and insulation installation process was slight. NorthWestern Energy contributed $1000 to the City of Missoula to market the post-program event, which took place on October 25th in conjunction with a NorthWestern Energy Customer Appreciation event in Missoula the same day. Allied Waste and Mountain Water each contributed

$500 towards marketing the open house event. The event money spent to date is $1876.75. The remaining $123 will remain in The City's Green Blocks fund until spring when it will be redistributed to the contributors. A breakdown of the money spent on marketing of the post-program open house event is shown in Table 1.

Table 1: Post-Program Event Marketing Expenditures

Item Description	Cost
Yard Sign Fabrication	$1,243.00
Missoula Independent Advertising	$130.00
Montana Public Radio Promotion	$200.00
Missoulian Advertising	$303.75
Total	**$1876.75**

Two participant houses were open to the public to showcase conservation measures that had been implemented. KEMA and NorthWestern Energy staff was on hand to answer questions and call attention to the energy saving measures installed. In addition to money spent on advertising the event, each of the 91 homes that participated in the Green Blocks program received a weather resistant yard sign denoting the Green Blocks logo. Visitors to the open house event were steady although many were neighbors and fellow Green Blocks participants.

The City of Missoula plans to obtain additional media attention with the release of post-program data around Earth Day in April.

PARTICIPANTS

The City of Missoula solicited participation in the pilot program by encouraging residents to team up with their neighbors and submit applications to enter the program as a two-block group. Participants were required to group into neighborhood blocks to both call attention to the program and condense the effort of NorthWestern Energy's efficiency contractor, KEMA.

Guidelines for participation are as follows:

- Participants must be located in the City of Missoula
- Participants 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. Renters will need permission from landlords to participate.
- A 90% participation rate for each block area is preferable, meaning that 90% of the residential addresses in the block area will need to submit an individual application and agree to participate.
- Each block area should represent a distinct, predominant vintage of homes ranging from homes built before 1920 to homes built before 1990.
- Participants must sign an agreement allowing access into the home and allowing for contractors to perform work (See Appendix 4).
- Participants must be present at the time of any scheduled work or follow-up inspection
- Participants should be willing to participate in publicity

At the outset of the program, the City of Missoula was to evaluate the applications and select four, two-block areas to participate. Ideally these blocks would represent varied parts of the city and a broad spectrum of housing vintages. Seven total blocks or groups applied representing a total of 100 individual NorthWestern Energy accounts. Seven applicants dropped out of the program leaving a total of 91 homes to audit or 93 total NorthWestern Energy customers (two of the homes are duplexes). Although seven groups/blocks applied, the total number of applicants was lower than expected. The NorthWestern Energy pilot program budget allowed for all seven groups to be accepted into the program. The participant list is shown in Appendix 5.

The following table provides information about the groups and the number of individuals in each group that participated in NorthWestern Energy programs *prior* to being selected for participation in the Green Blocks program. The blocks vary in size from 5 to 21 homes and construction vintage is relatively evenly spread from 1920 through 1970. Homes are typically not allowed a second home energy audit but, for the Green Blocks program, all participants were provided with an audit regardless of having had a prior audit.

Table 2: Green Blocks Participant Overview by Group

Block Location	Home Vintage	Number of Participants	Prior Audits Performed	Homes Previously Received CFLs	Prior Free Weatherization	Prior Weatherization Kits Received	Prior Gas Rebate Participation
Lincoln/Heritage	1960-1970	21	11	8	0	6	1
Wapikiya	1960	5	2	2	0	0	1
Woodford	1920-1930	12	7	2	0	2	0
Blaine/Mount/ Plymouth	1940-1950	11	3	5	0	4	1
Cooper/Burton/ Bulwer	1930-1940	19	5	2	3	2	3
6th/7th/8th/Johnson	1950-1960	11	3	3	0	3	0
Agnes/Mary/ Sentinel/Lester	1950	14	3	2	0	0	0

It is unclear as to why each block did not have more participants or why more groups did not apply. Perhaps people found it uncomfortable soliciting the participation of their neighbors or perhaps people simply did not hear about the program in time to apply. Since Green Blocks is a pilot program, it is possible too, that people had heard of the program but were unfamiliar with the details or goals of the program.

Individual participants that dropped out of the program before receiving a home energy audit cited several reasons for leaving the program. Some had signed up for the program to help their block gain enough participation to be accepted into the program while others decided they did not have the time for an extended, Green Blocks audit after all.

During the energy audit, recommendations were made about insulation improvements. Where insulation type and level would typically be rebated under the existing Residential Electric and Gas Savings programs, KEMA arranged for installation of the required level of insulation by a preferred contractor. The following represents the pre-existing insulation levels required to qualify for each type of insulation:

- 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)

While some homeowners were interested in improving insulation levels but did not qualify for upgrades under the program, others qualified for upgrades but chose not to receive the free insulation. More detail about insulation improvements and insulation-related energy savings is shown in the next section of this report. However, information about participation in the insulation portion of the Green Blocks program is relevant to the topic of this section. Eighty-six of the 91 participating homes qualified for at least one type of insulation upgrade. Table 3 provides a summary of insulation improvement eligibility and participation. Note that some homes qualified for insulation upgrades of more than one type.

Table 3: Insulation Improvement Eligibility and Participation

Insulation Type	No. Qualified	No. Insulated	No. Not Insulated
Attic	58	23	35
Exterior Wall	11	6	5
Basement Wall	58	29	29
Crawl Space	35	25	10

The fact that 86 of the 91 homes in the program (95%) qualified for one or more types of insulation upgrade is startling. Combine this with the fact that only 6 of the 91 homes (7%) had previously participated in the NorthWestern Energy gas savings program for insulation and programmable thermostat rebates, and it is clear that there are many homes that could benefit from participation in NorthWestern Energy's rebate programs (See Table 2).

The following is a list of reasons why customers chose not to insulate:

- 8 - Too much work to prepare basement walls (moving shelves, etc.)
- 8 – Did not want to disturb finished basement walls
- 4 – Had knob and tube wiring
- 3 – Basement walls made with 2x2 framing so too shallow to insulate cavity
- 3 – Unknown
- 2 – Did not want holes drilled for interior/exterior insulation
- 2 – In middle of remodeling
- 2 – Not interested
- 1 – Chemical allergies to fiberglass inside the home

ENERGY SAVINGS AND COSTS

The calculated natural gas and electric savings achieved through the Green Blocks pilot program can be separated into three areas of program focus:

- Energy saving measures and education performed during a standard home energy audit
- Additional energy saving measures installed as part of the extended Green Blocks audit (includes savings from CFLs installed as part of a standard or Green Blocks audit)
- Insulation improvements installed after the Green Blocks audit

Standard Home Energy Audit Savings

The 2007 Nexant Program Evaluation Report produced average electric and natural gas savings values that are attributed to an audit as a result of direct installation of energy-saving measures. A 2008 study performed by Summit Blue produced average electric and natural gas savings values that are attributed to an audit as a result of indirect energy saving measures such as customer education. Using a combination of the direct and indirect electric and natural gas savings values, and applying those values to each audit, produces the energy savings results in Table 4 below. An extended accounting of the energy savings attributable to the standard home energy audit portion of the Green Blocks program can be found in Appendix 6 of this document.

Table 4: Energy Savings Attributable to Standard Home Energy Audit

	No. Audits	Savings/Audit/Year	Total Energy Savings/Year	Dollar Savings/Year*
Electric	93	14.1 dKt	1311 dKt	$13,550
Natural Gas	93	240 kWh	22320 kWh	$2,121

* Dollar savings calculated using January 2009 residential rates of $10.33/dKt and $0.095/kWh.

Green Blocks Installed Measure Savings

The 2008 KEMA-XENERGY Natural Gas DSM Assessment document provides average natural gas savings values that are attributed to each energy saving measure installed in an existing residential home. The 2004 KEMA-XENERGY DSM Assessment document provides similar

information about electric savings values. Using the average energy savings values produced in the KEMA reports, and applying those values to the total number of each energy saving measure installed, produces the results shown in Tables 5 and 6 below. An extended accounting of the energy savings attributable to the installed measure savings portion of the Green Blocks program can be found in Appendix 6 of this document.

Table 5: Natural Gas Savings Attributable to Green Blocks Installed Measures

Measure	Quantity Installed	Savings/Item/Year (dKt)	Total Energy Savings/Year (dKt)	Dollar Savings/Year*
Programmable Thermostat	43	4.49	193	$1,994
Window Plastic	82	2.26	185	$1,916
Insulation Foam Can	16	2.35	38	$389
Switch/Outlet Gaskets	364			
Door Weather Strip	49			
Door Sweep	35			
Total	**589**	**--**	**416**	**$4,298**

* Dollar savings calculated using January 2009 residential rates of $10.33/dKt and $0.095/kWh.

Table 6: Electric Savings Attributable to Green Blocks Installed Measures

Measure	Quantity Installed	Savings/Item/Year (kWh)	Total Energy Savings/Year (kWh)	Dollar Savings/Year*
CFL	490	57	27,930	$2,655

* Dollar savings calculated using January 2009 residential rates of $10.33/dKt and $0.095/kWh.

Insulation Improvement Savings

The 2008 KEMA-XENERGY Natural Gas DSM Assessment produced average natural gas savings values that are attributed to each type and level of insulation installed in an existing residential home. Using the average energy savings values produced in the KEMA report and applying those values to the total square footage of each insulation type installed produces the results shown in Table 7 below. An extended accounting of the energy savings attributable to the insulation improvement portion of the Green Blocks program can be found in Appendix 6 of this document.

Table 7: Natural Gas Savings Attributable to Insulation Improvements

Insulation Type	Quantity Installed (sqft)	Savings/sqft/Year (dKt)	Total Energy Savings/Year (dKt)	Dollar Savings/Year*
Attic R0 – R49	1,963	0.050	98	$1,079
Attic R11 – R49	5,067	0.011	56	$613
Attic R19 – R49	7,780	0.006	47	$513
Exterior Wall R0 – R13	7,026	0.018	126	$1,390
Basement Wall R0 – R13	14,829	0.012	178	$1,956
Crawl Space R0 – R19	5,834	0.025	146	$1,603
Total	**42,499**	**--**	**651**	**$7,153**

* Dollar savings calculated using January 2009 residential rates of $10.33/dKt and $0.095/kWh.

Program Cost-Effectiveness

The Green Blocks pilot program costs and associated savings can be divided into the following segments:

- Energy saving measures and education performed during a standard home energy audit
- Additional energy saving measures installed as part of the extended Green Blocks audit (includes savings from CFLs installed as part of a standard or Green Blocks audit) and insulation improvements

The Total Resource Cost Test (TRC Test) is used by NorthWestern Energy to evaluate the cost-effectiveness of its energy efficiency programs. To pass the TRC Test, the program costs should be less than the energy savings in terms of 2009 avoided costs (the TRC value must be greater than 0.9). Table 8 shows the results of the TRC Test for the Green Blocks pilot program as a whole and individually for the above mentioned program segments. TRC Test calculation sheets can be found in Appendix 7 of this document.

Table 8: Total Resource Cost Test (2009 Avoided Costs)

	Electric Savings (kWh)	Natural Gas Savings (dKt)	Cost	TRC
Standard Audit Results	22,320	1,311	$45,500.00	1.48
Additional Green Blocks Results	27,930	1,067	$100,617.13	0.58
Total Program Results	50,250	2,378	$146,117.13	0.86

The Green Blocks pilot program as a whole passes the TRC test and is cost effective. However, taken alone, the additional measures installed as part of the extended Green Blocks audit and insulation improvements did not pass the TRC test. A detailed cost breakdown is provided in Table 9. The insulation labor and material costs are reasonable. They very closely match the estimated cost per square foot values provided in the 2008 KEMA-Xenergy Natural Gas DSM Assessment. Additional labor costs ("General Labor Overhead") required to coordinate and manage the new program appear to be the reason why the additional Green Blocks energy efficiency measures and insulation do not pass the TRC Test. In other words, the additional labor does not provide enough energy savings benefit to outweigh the additional program cost. As a pilot program it should be expected that some additional effort be required to develop and administer the process. Such costs may be decreased in future Green Blocks programs. Increasing program participation, therefore increasing total energy savings, should also increase program cost-effectiveness by increasing the benefit to cost ratio.

Table 9: Green Blocks Pilot Program Cost Breakdown

Description	Cost
Marketing	$1,000.00
Standard Audit Labor & Materials	$45,500.00
Green Blocks Audit Labor & Materials	$27,300.00
General Labor (Overhead)	$31,352.50
General Expense (Overhead)	$4,320.06
Insulation Labor & Materials	$36,644.57
Total	**$146,117.13**

CONCLUSION

The goal of the Green Blocks program was to demonstrate basic residential resource conservation techniques in several neighborhoods or "blocks" within the City of Missoula by removing any economic barriers from the conservation process. NorthWestern Energy's focus was to provide energy audits and some energy efficiency measures free of charge to program participants in the hope of achieving cost effective electric and natural gas savings. This report provides preliminary NorthWestern Energy findings based on estimated natural gas and electric savings expected over the course of one year. Actual one-year post-program energy usage data should provide more definitive results.

Only those energy efficiency measures that have been proven to be cost effective in existing NorthWestern Energy residential energy savings programs were selected for use in this program. While the existence of established and proven programs made easy the development of an all-inclusive pilot program, the cost-effectiveness of individual measures does not necessarily make

a cost-effective program as a whole. It is important to look at the program segments to determine where opportunity for improvement lies. The estimated natural gas and electric savings expected from the Green Blocks pilot program can be separated into three areas of program focus:

- Energy saving measures and education performed during a standard home energy audit
- Additional energy saving measures installed as part of the extended Green Blocks audit (includes savings from CFLs installed as part of a standard or Green Blocks audit)
- Insulation improvements installed after the Green Blocks audit

Using 2009 avoided costs, the total energy savings derived from basic home energy audits alone is cost-effective when indirect energy savings (e.g., education) are included in the analysis. Separately, the additional natural gas and electric savings measures installed as part of the extended Green Blocks audit and insulation portion of the program did not prove to be cost effective. This is likely due to a proportionately high overhead cost for new program development combined with a relatively low program participation rate. The individual parts of the program show disparate cost-effectiveness results. Together, the program as a whole is marginally cost-effective when the Total Resource Cost Test is applied.

Insightful information can be gained by evaluating program participation:

- While participation in the program was completely free of charge to customers, and while investment in each home by NorthWestern Energy averaged over $1,500 (including labor and materials), only 91 homes applied to participate.
- Some participating homes chose not to have their insulation levels upgraded.
- Of those who did participate in the program, 95% qualified for insulation upgrades in one or more areas of the home.
- Only 7% of homes had previously participated in NorthWestern Energy's existing rebate program for insulation improvements and programmable thermostats.
- Reasons for not participating in one or more parts of the program ranged from lack of time to disruption of lifestyle to difficulties arising from existing home design.

As initially suspected and as confirmed by this pilot program, when the requirement for marketing funds are reduced, additional dollars are available to fund energy efficiency measure installation. This pilot program also illustrates that reducing or completely removing economic barriers to energy efficiency is, alone, not enough to encourage involvement in efficiency programs.

NorthWestern Energy

2009 DSM/USB Communications Plan

NorthWestern Energy offers a broad selection of energy efficiency, renewable energy, and low-income programs and services funded by customers through electric and natural gas supply rates and the electric and natural gas Universal System Benefits Charges (USBC). The energy savings resulting from these programs are a key piece of NorthWestern Energy's supply portfolio.

The electric and natural gas resource acquisition targets for these programs are defined in the set forth in the supply portfolio plans filed with the Montana Public Service Commission (MPSC). For 2009, the targets are to acquire 5.0 aMW and approximately 210,000 Dkt for energy efficiency.

Program offerings and participation have been accelerated over the past several years. New, higher natural gas resource acquisition targets have been established and new programs have been introduced to reach these goals. Compact Fluorescent Light bulbs (CFLs) continue to contribute a significant portion of the electric savings in recent years while commercial and industrial markets have not grown as rapidly.

A comprehensive independent evaluation of all NorthWestern Energy demand side management (DSM) and USB programs was completed in 2007. The evaluation concluded that NorthWestern Energy's programs deliver cost effective natural gas and electric savings, are well run and follow many best practices. The evaluation provided specific recommendations for program changes, some of which relate to communication, education, and marketing.

Nationally and locally, attention to energy efficiency, renewable energy, and "green" or sustainable is increasing.

The DSM targets and the heightened awareness of "green" help frame the need and opportunities set forth in this communication plan. The plan is intended to be an active, adaptive product.

When referring to DSM in this plan, both DSM activities funded with supply rates and USB activities funded by the USBC are included. Generally, DSM refers to both activities but where appropriate, USB has been specifically broken out.

The plan refines and sustains residential, low income, and renewable generation communications strategies and substantially increases the communication of the commercial/industrial programs. The following table lists the programs by customer sector addressed in the plan.

Table 1: DSM Programs

DSM Programs	Customer Sector
E+ Energy Audit for the Home (natural gas and electric)	Residential
E+ Home Lighting Rebate Program (electric)	Residential
E+ Natural Gas Savings for the Home Program (natural gas)	Residential
E+ New Homes Program (electric and natural gas)	Residential
E+ Residential Electric Savings Program (electric)	Residential
E+ Free Weatherization Program (natural gas and electric)	Residential
E+ Commercial Lighting Rebate Program (electric)	Commercial/Industrial
E+ Energy Appraisal for Businesses (electric emphasis)	Commercial
E+ Business Partners Program (natural gas and electric)	Commercial/Industrial
E+ Natural Gas Savings Rebates for Commercial Customers—existing facility (natural gas)	Commercial/Industrial
E+ Natural Gas Savings Rebates for Commercial Customers—new construction (natural gas)	Commercial/Industrial
E+ Electric Motor Rebate Program (electric)	Commercial/Industrial
E+ Electric Green Motor Rewind Program (electric)	Commercial/Industrial
E+ Irrigator Program (electric)	Agricultural
E+ Renewable Energy (electric)	All
E+ Green Power (electric)	All
Northwest Energy Efficiency Alliance (NEEA) (primarily electric)	All

The DSM programs are not offered to Large USB Electric Choice customers or to Natural Gas Choice customers so these customers are not targeted in the plan.

The DSM Communications Plan is intended as a guide to identify and direct the communications strategies associated with the implementation of NorthWestern Energy's DSM programs. The plan will be modified as needed to suit changing opportunities and conditions.

NorthWestern Energy has entered into a contract with a new advertising agency. A new Stakeholder Consultation Initiative is being developed and implemented. The 2009 DSM activities include a Customer End Use Survey and an updated Electric DSM Resource Assessment. Congress has passed the American Recovery and Reinvestment Act of 2009 (ARRA) which includes new sources of funding for qualifying energy efficiency and renewable projects. These are examples of dynamics that may influence the execution and refinements of the communication plan.

GOAL

Effectively and efficiently market DSM programs to achieve cost effective natural gas and electric resource acquisition results for the electric and natural gas supply portfolios through NorthWestern Energy employees and its program contractors, and by generating increased public awareness of the programs and the opportunity to save energy.

OBJECTIVES

- Engage trade ally community and public entities to incorporate energy efficiency in their messages and marketing
- Engage customers to demand energy efficiency from service providers
- Build participation with emphasis on commercial/industrial DSM sector projects

AUDIENCES

- NorthWestern Energy Employees
- NorthWestern Energy program contractors
- Commercial and Industrial Sector Customers (electric and natural gas supply)
- Residential customers (natural gas and electric supply)
- Trade Allies: Electrical vendors—i.e., Crescent Electric, Grainger, WesCo, CED; Service providers—electricians, refrigeration, HVAC, motors, architects, engineers, insulation; Distributors—lighting, equipment; Retailers—of CFLs, building supplies, appliances, air sealing, and water measures; Building Contractors and general contractors; HVAC and insulation contractors; trade associations—i.e., AIA, ASHRAE, Montana Hospital Association, Innkeepers.
- Public Officials and Government departments
- Media—mass and trades
- Related organizations—Green Build, Community climate change organizations

IMPLEMENTATION STRATEGIES

NorthWestern Energy will engage its employees, program implementation representatives, and program contractors to utilize existing and new methods and tools to cultivate greater customer participation in the DSM programs.

Implementation tactics are targeted by customer sector and directed at defined audiences in most cases. Cross-marketing of programs within the customer sector is incorporated as appropriate. A general calendar of implementation tactics by quarter, sector, program and audience is provided.

TACTICS

Residential Programs

- Update program materials/resources (Web and Brochures)
- Coordinate display materials for Spring Home Shows (Shows run February – May)
- Continue existing natural gas program campaign
- Develop updated *DSM Programs-at-a-Glance* summary
- Continue to incorporate 4L's theme into various residential lighting messages for Lighting activities (Direct Mail, Tradeshows, Events)
- Targeted direct mail for E+ audits with cross marketing of Energy Appraisal
- Continue contacts by program contractors/CRMs
- Facilitate Earth Day Activities
- Update Customer Service Representative (CSR) training on DSM programs for new CSRs
- Messages in Energy Connections and news releases regarding saving energy
- Meet with Community Relations Managers (CRMs) regarding program changes
- Participate in local events as appropriate
- Contact various program trade allies with updates and solicitations of new trade allies (Preferred Contractors, lighting retailers, homebuilding associations)
- Cultivate "Green Blocks" participation in MT communities in NWE service territory
- Target participation in Fall Weatherization events

Commercial/Industrial Programs

- Update existing program materials/resources to incorporate additions and changes.
- Develop new materials (brochure copy, case studies, feature articles, etc.) for expanded Business Partners (natural gas and electric), Motors Program, new commercial Natural Gas Rebate Programs
- Finalize 12 project case studies on Commercial/Industrial Customers
- Integrate Commercial program messages into Tradeshow displays
- Meet with Community Relations Managers (CRMs) regarding program changes
- Continue customer and trade ally contacts by program contractors/CRMs
- Participate in local events where appropriate
- Develop timeline and strategy for Energy Conservation Conference
- Targeted outreach for customer/trade ally training and partnership opportunities
- Review and update trade ally databases
- Develop updated DSM Program-at-a-Glance summary
- Update Web resources to coincide with program changes and additions
- Sustain energy efficiency and renewable messages for kids in Kidsville News (rotates with Safety messages)

METHODS/TOOLS

Residential Sector

Residential family of Program Brochures that describe individual program and cross-market same sector programs and highlight resources "for more information" (FMI) directing customers to website or program contact phone numbers. GENERAL AUDIENCES

Web Promotion/Applications/descriptions on NorthWestern Energy web site GENERAL AUDIENCES

Internal Communications throughout the year such as FYI, TEAM, TeamLink, e-mails, CSR trainings, etc. to inform all or targeted groups of employees of programs, featured projects/promotions, training, and events. EMPLOYEES

Billing messages in the message box of the NorthWestern Energy billings statement and in Energy Connections to encourage program participation. RESIDENTIAL CUSTOMERS

Direct Mail to Trade Allies and targeted customers of individual program offering and related trainings along with cross-marketing of other programs. TARGETED FOR INDIVIDUAL MAILING

One-on-one by Program Reps, Program Contractors, Community Relations Managers (CRMs), and Customer Service Representatives (CSRs) – communicate residential program offerings based upon opportunity and direct to appropriate resources. May include interactions during: E+ Audit for the Home, Tradeshow discussions, Customer Care calls, or normal company interactions with the customer. OPPORTUNITY DRIVEN

One-to-Many through Speakers Bureau: service organization presentations by Program Contractors and CRMs to increase awareness of programs and opportunities to save energy. COMPANY OR CUSTOMER INITIATED

Home Improvement Shows, Farmers' Markets, Parade of Homes, Community Events to reach targeted audiences with information about programs and opportunities and, as appropriate, distribute Compact Fluorescent Lightbulbs (CFLs). COMPANY OR ORGANIZATION INITIATED

Trade Association Events, Publications, and Websites to target presentations, displays and messages about opportunities for customers to save energy and the programs that NorthWestern Energy offers. TARGETED TRADE ALLIES OR CUSTOMER GROUP

NorthWestern Energy Weatherization Events to distribute starter weatherization kits, educate residential customers on low cost ways to save energy, and to inform residential customers of the various programs and services offered by NorthWestern Energy. CFLs are also provided to residential electric customers who have not received free CFLs at a distribution event earlier in the year. TARGETED RESIDENTIAL CUSTOMERS THAT HAVE NOT PARTICIPATED IN THE PAST

Targeted media advertising tied to special campaigns, programs or events. TARGETED TO ELIGIBLE RESIDENTIAL AUDIENCE

Earned Media feature stories on projects and opportunities in trade or mass media. GENERAL AUDIENCE WITH EMPHASIS ON ELIGIBLE AUDIENCE.

Other Resources Coordinate activities and messages with the American Recovery and Reinvestment Act of 2009 (ARRA) initiatives and Montana Tax Credits where possible.

Commercial/Industrial Sector

Commercial/Industrial family of Program Brochures that describe individual program and cross-market same sector programs and highlight resources "for more information" (FMI) directing customers to website or program contact phone numbers. GENERAL AUDIENCES

Web Promotion/Applications/descriptions on NorthWestern Energy web site GENERAL AUDIENCES

Internal Communications throughout the year such as FYI, TEAM, TeamLink, e-mails, CSR trainings, etc. to inform all or targeted groups of employees of programs, featured projects/promotions, training, and events. EMPLOYEES AND PROGRAM PARTNERS AS APPROPRIATE

Case Studies of E+ Business Partners and substantial E+ Commercial Lighting Rebate Program projects to demonstrate various types of customer participation and customer benefits. TARGETED TRADE ALLIES AND KEY CONTACTS AND TARGETED CUSTOMERS

Billing messages in the message box of the NorthWestern Energy billings statement and in Energy Connections to encourage program participation COMMERCIAL/INDUSTRIAL CUSTOMERS

Direct Mail to Trade Allies and targeted customers of individual program offering and related trainings along with cross-marketing of other programs. TARGETED FOR INDIVIDUAL MAILING

Customer Care E-Newsletter to key customers will include information about programs, training, and case studies throughout the year

One-on-one by Program Reps, Program Contractors, Community Relations Managers(CRMs), and Customer Service Representatives (CSRs) – communicate commercial and industrial program offerings based upon opportunity and direct to appropriate resources. May include interactions during: E+ Energy Appraisal, informal facility assessment, project completion review, cold calls, trade ally visits, or normal company interactions with the customer. OPPORTUNITY DRIVEN

One-to-Many through Speakers Bureau: service organization presentations by Program Contractors and CRMs to increase awareness of programs and opportunities to save energy. COMPANY OR CUSTOMER INITIATED

Vendor breakfast/Brown Bags/After Hour events/Community Events to reach targeted audiences with information about programs and opportunities. COMPANY OR ORGANIZATION INITIATED

Trade Association Events, Publications, and Websites to target presentations, displays and messages about opportunities for customers to save energy and the programs that NorthWestern Energy offers. NorthWestern Energy Lighting Trade Ally Network is an example of an activity that provides technical training and cultivates trade ally participation in programs. TARGETED TRADE ALLY OR CUSTOMER GROUP

Targeted media advertising tied to events or projects. GENERAL AUDIENCE WITH EMPHASIS ON SPECIFIC PROJECT-RELATED AUDIENCES

Earned Media feature stories on projects and opportunities in trade or mass media. GENERAL AUDIENCE WITH EMPHASIS ON SPECIFIC PROJECT-RELATED AUDIENCES

BUDGET

NorthWestern Energy has defined an overall budget for marketing and communication for the electric and natural gas DSM programs of approximately $1 million/year. This includes mass media development and placement as well as all other marketing expenses.

MEASUREMENT

Measurement of this communications plan will be achieved through program participation in comparison to the resource acquisition goals set forth in the supply plans filed with the MPSC.

The DSM targets are based on a July 1 – June 30 year.

Other supporting measurement will gathered through existing customer and employee survey tools, tracking of participation in comparison to past performance.

	A	B	C	D	E	F	G	H	I	J	K	L	M
1		**DSM Communications Calendar** subject to change based upon Need or Opportunity	**Campaign/initiative**	**MO**	**Implement-ation Dates**	**E**	**G**	**Audience**	**Message**	**Media**	**Internal (includes employees and key contractors)**	**Web**	**Hard Materials**
2	R0x	**Residential**											
3	R0x	**Tips--electric**	Spot media and Campaigns			x		Residential electric customers	Act to save electricity; check out programs	Television; radio		Tips	
4	R0x	**Tips--Natural Gas**	Spot media and Campaigns				x	Residential natural gas customers	Act to save natural gas; check out programs	Television; radio		Tips	
5	R1x	***Residential Audits***			On-going	x	x	Residential space or water heating customers whose home has not previously been audit (home 5 yrs old or older), Residential electric baseload customers	Call to Action--Schedule an Audit; follow-up on recommendations	2 Xs /Year Energy Connections--more as needed; news releases as needed; bill statement messages	CSR, CRM reminders of qualifications	*On-going description, contact, qualifications*	Tradeshow and event handouts/sign-ups/display/brochures of all residential programs/resources in audit packets
6	R1x	Winter Outreach	Targeted Direct Mail	Jan	Jan Feb		x	Residential natural gas customers who've not previously had an audit	Call to Action--Schedule an Audit; follow-up on recommendations	Direct Mail/ reinforcing press release	E-mail notice of mailing		Direct Mail
7	R1x	Electric Baseload	Targeted Direct Mail		On-going	x		Residential electric baseload customers	Call to Action--Complete Energy Usage survey; follow-up on recommendations	Direct Mail			Direct Mail Non-NWE production
8	R2x	***E+ Home Lighting -- CFLs***			*On-going*	*x*		Residential electric customers	Call to Action--Install CFLs in High Use Locations (Educate--4L's)	4 Xs /Year Energy Connections--more as needed; Spot TV		*Mail-in offer, education messages, reinforce special offers/events, list participating retailers*	*Tradeshow Display/Retailer support & POP*
9	R2x	Mail-in Rebate Offer	Web, Audits, Distribution Events, Energy Connections		On-going	x		Residential electric customers	Call to Action--Install CFLs in High Use Locations (Educate--4L's) offer up to $2 off for up to 15 CFLs			on-line application	Brochure
10	R2a	Spring Trade Shows a)	CFL distribution (Missoula, Billings, Great Falls, Butte); Displays; promote all appropriate programs	Feb	Feb - May	x		Residential electric customers	Call to Action--Install CFLs in High Use Locations (Educate--4L's)	Spot Newspaper/TV	local market e-mail	List in events/training/ workshops?	Canvas Bags, Brochures/Signage

	A	B	C	D	E	F	G	H	I	J	K	L	M
1		**DSM Communications Calendar** **subject to change based upon Need or Opportunity**	**Campaign/initiative**	**MO**	**Implement-ation Dates**	**E**	**G**	**Audience**	**Message**	**Media**	**Internal (includes employees and key contractors)**	**Web**	**Hard Materials**
11	R2x	Earth Day Instant Coupon Offer	Direct Mail to residential electric customers for up to $2 off on CFLs from Participating Retailers	Apr	Apr 22-Jun 14	x		Residential electric customers	Call to Action--Buy from participating retailers. Ltd time offer. Install CFLs in High Use Locations (Educate--4L's)	Direct Mail, supporting POP, Retailer Ed, Newspaper, spot TV, bill message box, news release to electric markets	e-mail of mailing and qualifications	Reference, list of participating retailers	see media
12	R2x	Farmers' Market	CFL Distribution Events	Jun	Jun- Sep	x		Residential electric customers who've not rec'd Free CFLs at event earlier in year	Call to Action--Install CFLs in High Use Locations (Educate--4L's)	Newspaper, spot Radio	local market e-mail	List in events/training/workshops?	
13	R2a	Fall Trade Shows a)	Displays, all programs, CFL distribution (Missoula, Billings, Bozeman?, Helena?, Great Falls, Butte)	Sep	Sep - Oct	x		Residential electric customers who've not rec'd Free CFLs at event earlier in year	Call to Action--Install CFLs in High Use Locations (Educate--4L's)	Spot Newspaper	local market e-mail	List in events/training/workshops?	Canvas Bags, Brochures/Signage
14	R2x	Regional Buy downs	Review POP/agreements for Regional efforts	Jan	Jan- Sep	x		Residential electric customers	Call to Action for specialty CFLs	POP/Retailer ed		Info on specialty CFLs and retailers	
15	R2x	Fall Instant Coupon Offer	Direct Mail to residential electric customers for up to $2 off on CFLs from Participating Retailers	Oct	Tentative Oct 1 - Nov 15	x		Residential electric customers	Call to Action--Buy from participating retailers. Ltd time offer. Install CFLs in High Use Locations (Educate--4L's)	Direct Mail, supporting POP, Retailer Ed, Newspaper, spot TV, news release	e-mail of mailing and qualifications	Reference, list of participating retailers	see media
16	R2b	Weatherization Events b)	CFL Distribution Events in conjunction with Gas/Customer Appreciation	Oct	Oct-Dec 15	x		Residential electric customers who've not rec'd Free CFLs at event earlier in year	Call to Action--Install CFLs in High Use Locations (Educate--4L's)	Direct Mail, Newspaper, Radio, bill insert, participating partners recognition, news release, mass and locals	e-mail of mailing and qualifications, schedule, request for help, I-connect, local e-mails at time of events	Schedule, event descriptions, how-to-info	Canvas Bags, how-to-DVDs, Brochures/Signage

	A	B	C	D	E	F	G	H	I	J	K	L	M
1		**DSM Communications Calendar** **subject to change based upon Need or Opportunity**	**Campaign/initiative**	**MO**	**Implement-ation Dates**	**E**	**G**	**Audience**	**Message**	**Media**	**Internal (includes employees and key contractors)**	**Web**	**Hard Materials**
17	R3x	***E+ Gas Savings for the Home***	Promote Rebates for homes with natural gas space or water heat		On-going		x	Residential natural gas space and water heating customers (New or Existing Homes)	Call to Action--Install qualifying measures for rebates (Insulation, Programmable Thermostats, High Efficiency heating or water Equipment replacements, heating system retrofit upgrades)	2 Xs /Year Energy Connections--more as needed		Description of Rebate offers, forms, preferred contractor lists (Heating Contractors/Insula-tion Contractors)	General Brochure, description, application, preferred installers /Display materials / supporting Preferred Contractor advertising
18	R3x	Gas Savings Mass Media Campaign 1	Mass Media targeted at residential natural gas customers	Jan	Q 1-2		x	Residential natural gas space or water heating customers	Call to Action--Install qualifying measures for rebates	TV, Billboard, Radio, Newspaper	e-mail of campaign to CSRs, CRMs, key contractors	Call to Action	General Brochure, description, application, preferred installers /Display materials / supporting Preferred Contractor advertising
19	R3x	Gas Savings Mass Media Campaign 2	Expanded messages?	Sep	Q 3-4		x	Residential natural gas space or water heating customers	Call to Action--Install qualifying measures for rebates	TV, Billboard, Radio, Newspaper; direct mail?	e-mail of campaign to CSRs, CRMs, key contractors	Call to Action	General Brochure, description, application, preferred installers /Display materials / supporting Preferred Contractor advertising
20	R3b	Weatherization Events b)	Distribute Air Sealing Measures to qualifying natural gas residential customers, educate on programs	Oct	Oct-Dec 15		x	Residential natural gas space or water heating customers-- qualifications around past participation	Call to Action--Receive and Install air-sealing measures; learn about programs and saving energy	Direct Mail, Newspaper, Radio, bill insert, participating partners recognition, news release, mass and locals	e-mail of mailing and qualifications, schedule, request for help, I-connect, local e-mails at time of events;	Schedule, event descriptions, how-to-info	Canvas Bags, how-to-DVDs, Brochures/Signage
21	R3a	Spring Tradeshows a)	Program Education in Natural Gas markets	Feb	Feb- May		x	Residential natural gas space or water heating customers	Call to Action--Install qualifying measures for rebates	spot newspaper/TV		Call to Action	Displays/brochures program materials
22	R3a	Fall Tradeshows a)	Program Education in Natural Gas markets	Sep	Sep- Oct		x	Residential natural gas space or water heating customers	Call to Action--Install qualifying measures for rebates	Spot newspaper	local market e-mail	Call to Action	Displays/brochures program materials

	A	B	C	D	E	F	G	H	I	J	K	L	M
1		**DSM Communications Calendar** **subject to change based upon Need or Opportunity**	**Campaign/initiative**	**MO**	**Implement-ation Dates**	**E**	**G**	**Audience**	**Message**	**Media**	**Internal (includes employees and key contractors)**	**Web**	**Hard Materials**
23	R3x	Green Blocks	Promote natural gas energy efficiency programs in existing homes, partners with local allies, includes installation of qualifying measures,	Jul	Tentative Jul- Sep		x	Residential natural gas space or water heating customers in existing homes; targeted communities; CFLs installed as appropriate	Local partners coordinate participation; NWE provides information in advance; follow-up after event	as needed	CSR and local market e-mail	reports as appropriate	Educational brochures; signage
24	R0x	Special Events--Dust to Dazzle, CSR Training, Bozeman Historic Preservation	Promote natural gas energy efficiency programs in existing homes, partners with local allies,		As needed	x	x	Residential natural gas space or water heating customers in existing homes; targeted Events	Call to Action--Participate in programs; priotitize measures; Install qualifying measures for rebates;	Spot newspaper; news releases as appropriate	CSR and local e-mails as appropriate	Schedule on site	Educational brochures; signage; displays; presentations
25	R4x	***E+ New Homes***	Promote energy efficiency in new homes, rebates for qualifying measures, rebates for Energy Star manufactured homes; promote Northwest Energy Star Homes/builders					Residential customers building new homes		2 Xs /Year Energy Connections	E-mail of program qualifications and links	Rebate forms, link to all Energy Star builders, Energy Star support	Brochure
26	R4x	E+ New Homes Natural Gas	Promote natural gas energy efficiency in new homes, rebates for qualifying measures, promote Northwest Energy Star Homes	Sep	Sep		x	Residential natural gas customers building new homes	Call to Action--install high efficiency heating or water heating measures; Northwest Energy Star manufactured homes	Special Publication, Newspaper at Parade of Homes		Schedule/homes, Rebate forms, link to all Energy Star builders, Energy Star support	Brochures/Signage as needed
27	R4x	E+ New Homes Electric	Rebates for CFLs and Fixtures or Northwest Energy Star electrically heated manufactured homes, and information about Northwest Energy Star Homes		Apr Sep	x		Residential Electric Customers building new homes	Call to Action--Include ENERGY STAR lighting in new homes; Northwest Energy Star homes/builders	Special Publication, Newspaper at Parade of Homes		Schedule/homes, Rebate forms, link to all Energy Star builders, Energy Star support	Brochures/Signage as needed
28	R4x	***E+ Residential Electric Savings***	Promote energy efficiency and fuel switching in homes with electric space or water heat		as needed	x		Residential Electric space or water heat customers in existing homes	Call to Action--Install qualifying efficiency measures or switch to natural gas (NWE or other)	Targeted direct mail; trade ally		Description of Rebate offers, forms, preferred contractor lists (Heating Contractors/Insulation Contractors)	forms/application

	A	B	C	D	E	F	G	H	I	J	K	L	M
1		**DSM Communications Calendar** **subject to change based upon Need or Opportunity**	**Campaign/initiative**	**MO**	**Implement-ation Dates**	**E**	**G**	**Audience**	**Message**	**Media**	**Internal (includes employees and key contractors)**	**Web**	**Hard Materials**
29	R4x	**E+ Free Weatherization**	Supportive advertising for low income energy assistance--	Sep	Sep - Apr as needed	x	x	Income Qualified space or water heating customers for free Audit and installation of qualifying measures (LIEAP qualified) also receive NWE low income discount; may qualify for Energy Share	Call to Action--Apply for LIEAP as soon as possible to receive LIEAP and heating season discounts; and potentially qualify for free weatherization. Income Guidelines have been relaxed.	Energy Connections; Newspaper; radio , September? news release on NWE programs & funding		Description of program/discount and refer customers to Human Resource Councils to apply.	energy efficiency education materials
30													
31	C0	**Commercial ***											PowerPoint presentation for internal and key contractor use
32	C1	***E+ Commercial Lighting Rebates***	Promote rebates energy efficient lighting in commercial facilities		on-going	x		Commercial and industrial electric customers and the trade allies who serve them	Call to Action--Install high efficiency lighting products	Special Publications (display ads or articles); Case Studies; Lighting trade ally network; Association/Vendor Events; targeted direct mail; business Solutions E-newsletter; solicit features	e-mail to CRMs and key staff	Description of Rebate offers, forms, Lighting Trade Ally lists, case studies; schedule of training events; links to other resources as appropriate	Brochure/Case Studies/Display Signage
33	C1	***NWE Lighting Trade Ally Network***	Engage Lighting Trade Allies as Partners for program success		Mar - Apr (Fall?)	x		Lighting Trade Allies and key facility operators	Call to Action--technical training to improve ability to design, sell, install commercial/industrial energy efficient lighting equipment and to promote NWE Lighting Rebate Program	Newsletters, Direct Mail, e-mail, web	e-mail to CRMs and key staff	Schedule of training; Registration information; session description; "Qualified" List of Trade Ally Network Members for customers	Training invitation, Program brochure, Newsletter
34	C2	***E+ Energy Appraisal for Business***	Energy audits for commercial facilities under 300kW with emphasis on electric savings		on-going	x		Electric Commercial facilities under 300 kW	Call to Action--Schedule Appraisal and follow-up on recommendations	Energy Connections 2Xs a year; Business Solutions E newsletter; Event Displays; presentations		Description of offer and contact information	Brochure

	A	B	C	D	E	F	G	H	I	J	K	L	M
1		**DSM Communications Calendar** subject to change based upon Need or Opportunity	**Campaign/initiative**	**MO**	**Implement-ation Dates**	**E**	**G**	**Audience**	**Message**	**Media**	**Internal (includes employees and key contractors)**	**Web**	**Hard Materials**
35	C3	***E+ Business Partners***	Promote custom incentives for electric or natural gas cost effective energy efficiency measures in new or existing commercial/industrial facilities		on-going May- Jun & Fall emphasis	x	x	Commercial and industrial electric or natural gas customers and the trade allies who serve them	Call to Action--Install energy saving measures	Special Publications (display ads or articles); Case Studies; trade ally events; Association/Vendor Events; targeted direct mail; Business Solutions E-Newsletter, solicit feature articles	NEED KICK-OFF COMMUNICATION;	Description of program, application, case studies; Schedule of training events; links to other resources as appropriate	Brochure/Case Studies/Display Signage
36	C3a	***E+ Business Partners NEW Natural Gas Measures***	Introduce new commercial natural gas offering custom incentives for new or existing facilities		May- Jun & Fall emphasis		x	Commercial and industrial natural gas customers and the trade allies who serve them	Call to Action--Install energy saving measures; explore offer	Special Publications (display ads or articles); Case Studies as they become available; trade ally events; Association/Vendor Events; targeted direct mail; Business Solutions E-Newsletter	NEED KICK-OFF COMMUNICATION;	Description of program, application, case studies as become available; Schedule of training events; links to other resources as appropriate	Brochure/Case Studies/Display Signage; presentations
37	C3b	***NEW E+ Natural Gas Savings Rebates for Commercial Customers - - Existing Buildings***	Promote rebates for qualifying energy efficient equipment and improvements in existing commercial facilities		May-June & Fall emphasis		x	Commercial and industrial natural gas customers and the trade allies who serve them	Call to Action--Install energy saving measures for rebates	Special Publications (display ads or articles); Case Studies as they become available; trade ally events; Association/Vendor Events; targeted direct mail; Business Solutions E-Newsletter, solicit feature articles	NEED KICK-OFF COMMUNICATION;	Description of program, application, case studies as become available; Schedule of training events; links to other resources as appropriate	Brochure/Case Studies/Display Signage; presentations

	A	B	C	D	E	F	G	H	I	J	K	L	M
1		**DSM Communications Calendar** subject to change based upon Need or Opportunity	**Campaign/initiative**	**MO**	**Implement-ation Dates**	**E**	**G**	**Audience**	**Message**	**Media**	**Internal (includes employees and key contractors)**	**Web**	**Hard Materials**
38	C4a	***NEW E+ Natural Gas Savings Rebates for Commercial Customers--New Construction***	Promote rebates for qualifying energy efficient equipment and improvements in new construction commercial facilities		May-June & (Fall?)		x	Commercial and industrial natural gas customers and the trade allies who serve them	Call to Action--Install energy saving measures for rebates	Special Publications (display ads or articles); Case Studies as they become available; trade ally events; Association/Vendor Events; targeted direct mail; Business Solutions E-Newsletter		Description of program, application, case studies as become available; Schedule of training events; links to other resources as appropriate	Brochure/Case Studies/Display Signage presentations
39	C4b	***NEW E+ Commercial Gas Program Kick-off***	Engage natural gas Trade Allies as Partners for program success		May-June & (Fall?)		x	Commercial and industrial natural gas trade allies and key facility operators	Call to Action--Introduce NWE natural gas commercial rebate programs to improve trade allies ability to design, sell, install commercial/industrial qualifying energy efficient natural gas measures.	Multiple site introductory events. Direct Mail; e-mail; trade ally newsletters	NEED KICK-OFF COMMUNICATION;	Schedule of sessions; registration information; preferred contractors as available	Invitation to session; presentation; forms/ applications
40	C5a	***E+ Motor Rebates***	Promote rebates for NEMA Premium motors in commercial/industrial facilities		as needed	x		Commercial and industrial electric customers with motors and the trade allies who serve them	Call to Action--Choose NEMA Premium motors when buying new motors.	Special Publications (display ads or articles); Case Studies as they become available; trade ally events; Association/Vendor Events; targeted direct mail; Business Solutions E-Newsletter		Description of program, application, case studies; Schedule of training events; links to other resources as appropriate	Brochure/Case Studies/Display Signage; presentations
41	C5b	***E+ Green Motor Rewind Rebates***	Promote rebates for motors rewond to Green Motors Standards in commercial/industrial facilities		as needed	x		Commercial and industrial electric customers with motors and the trade allies who serve them	Call to Action-- Demand GREEN motor standards when having motors rewond	Special Publications (display ads or articles); Case Studies as they become available; trade ally events; Association/Vendor Events; targeted direct mail; Business Solutions E-Newsletter		Description of program, application, case studies as become available; Schedule of training events; links to other resources as appropriate	Brochure/Case Studies/Display Signage; presentations

	A	B	C	D	E	F	G	H	I	J	K	L	M
1		**DSM Communications Calendar** **subject to change based upon Need or Opportunity**	**Campaign/initiative**	**MO**	**Implement-ation Dates**	**E**	**G**	**Audience**	**Message**	**Media**	**Internal (includes employees and key contractors)**	**Web**	**Hard Materials**
42	C5	***Motor Training***	Training/education/ CEU		Mar May (Fall?)	x		Commercial and industrial electric customers with motors and the trade allies who serve them	Education on value of effective motor management techniques; information on NWE programs	Direct Mail; e-mail; trade ally newsletters	e-mail to CSRs, CRMs and key staff	Schedule of training events; course description; registration information	Direct Mail flyer and PDF of same; training manuals
43	C6	***E+ Irrigation***	Promote custom incentives for cost effective electric irrigation measures		Apr Sept	x		Irrigation customers	Call to Action--submit proposal for custom incentives for cost effective electric irrigation system improvements	Bi-annual mailing to irrigation customers through customer care	e-mail to CSRs, CRMs and key staff	Description of program, application,	Direct mail and Include in Business Partner brochure
44	C7	***Lighting Design Lab***	Promote energy efficient lighting design through training/education (CEUs)		Apr	x		Architects, Engineers, interested customers with lighting design and installation responsibilities	Improve energy efficiency of lighting with better knowledge; use NWE Rebates	Direct Mail; e-mail; trade ally newsletters;	e-mail to CSRs, CRMs and key staff	Schedule of training events; course description; registration information	
45	C8	***BetterBricks Awards***	Promote energy efficiency by recognizing individuals who are energy efficiency champions for commercial facilities Nominations in '09 Awards '10		Q-4	x	x	Architects, Engineers, facility managers, others with commitment in developing/operating high performance commercial facilities	Call to Action '09 solicit nominations (Awards in '10 at Montana Ambassador Conference)	Direct Mail, trade ally newsletters, e-mail, event booths	e-mail to CRMs and key staff	Nomination process; '09 winners	
46	C9	***Building Operator Certification Training***	Training/education/ certification for facility managers; emphasis on schools, public buildings, non-profit hospitals		Apr Jun	x	x	Facility managers with interest in reducing energy costs through operations and maintenance and incorporating energy efficiency in purchases and practices	Call to Action--enroll; scholarships for tuition and travel for public schools, public buildings, and non-profit hospitals	Direct Mail, trade ally newsletters, e-mail, event booths	e-mail to CSRs, CRMs and key staff	Schedule of training events; course description; registration information	Direct Mail flyer and PDF of same; training manuals
47													

	A	B	C	D	E	F	G	H	I	J	K	L	M
1		**DSM Communications Calendar** **subject to change based upon Need or Opportunity**	**Campaign/initiative**	**MO**	**Implement-ation Dates**	**E**	**G**	**Audience**	**Message**	**Media**	**Internal (includes employees and key contractors)**	**Web**	**Hard Materials**
48		**Renewables**											
49	G1	***E+ Renewable Energy***	Support education and development of small scale renewable generation			x		Residential and commercial electric customers and the renewable trade allies who support renewable generation	Educate electric customers on small scale renewables and direct them to resources to develop	Special NWE publications; ltd print ads; energy connections; montanagreenpower .com; trade allies & Associations		Description of program; NWE publications; Schedule of training events; List of events where NWE is present with display or speakers; links to other resources as appropriate	NWE publications and Brochures; Signage & presentations
50	G2	***E+ Green Power *****	Offer premium service option of green power product to electric customers		on-going	x		Residential and commercial electric customers who support renewable generation	Call to Action-- Opportunity to support renewable generation through premium on electric bill	Energy Connections; Public Radio Sponsorships; other events or sites as appropriate and available		Description of program; on-line enrollment	Brochure; signage
51													
52	O	***Northwest Energy Efficiency Alliance***	Promote		on-going	x		Residential, Commercial, Industrial, and agriculture customers and the trade allies and infrastructure that serve them	Varies with initiative	NWE supporting materials to NEEA messages	AS APPROPRIATE	Training Information; links to other resources	Varies with initiative
53	O	***Kidsville News***	Promote energy efficiency and renewable energy so K-8 students in monthly publication		on-going	x	x	Students, daycare children	Education on energy efficiency and small scale renewables for youth	Mix of information, activities on selected topic in six editions (other 6 are safety)		None at this time	Pages available for other activities or events
54													
55		*Large Universal System Benefits Choice (USBC) Customers are not eligible for electric programs. Natural gas commercial programs are not offered to natural gas Choice customers.											
56													
57		**E+ Green is not a DSM program but is part of NWE's renewable offerings.											
58													

	A	B	P	Q	R	S	T	U	V	W	X	Y	Z	AA
1		**DSM Communications Calendar** **subject to change based upon Need or Opportunity**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
2	R0x	**Residential**												
3	R0x	**Tips--electric**												
4	R0x	**Tips--Natural Gas**												
5	R1x	***Residential Audits***												
6	R1x	Winter Outreach												
7	R1x	Electric Baseload												
8	R2x	***E+ Home Lighting -- CFLs***												
9	R2x	Mail-in Rebate Offer												
10	R2a	Spring Trade Shows a)												

	A	B	P	Q	R	S	T	U	V	W	X	Y	Z	AA
1		**DSM Communications Calendar** **subject to change based upon Need or Opportunity**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
11	R2x	Earth Day Instant Coupon Offer												
12	R2x	Farmers' Market												
13	R2a	Fall Trade Shows a)												
14	R2x	Regional Buy downs												
15	R2x	Fall Instant Coupon Offer												
16	R2b	Weatherization Events b)												

	A	B	P	Q	R	S	T	U	V	W	X	Y	Z	AA
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17	R3x	***E+ Gas Savings for the Home***												
18	R3x	Gas Savings Mass Media Campaign 1												
19	R3x	Gas Savings Mass Media Campaign 2												
20	R3b	Weatherization Events b)												
21	R3a	Spring Tradeshows a)												
22	R3a	Fall Tradeshows a)												

	A	B	P	Q	R	S	T	U	V	W	X	Y	Z	AA
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23	R3x	Green Blocks												
24	R0x	Special Events--Dust to Dazzle, CSR Training, Bozeman Historic Preservation												
25	R4x	***E+ New Homes***												
26	R4x	E+ New Homes Natural Gas												
27	R4x	E+ New Homes Electric												
28	R4x	***E+ Residential Electric Savings***												

	A	B	P	Q	R	S	T	U	V	W	X	Y	Z	AA
1		**DSM Communications Calendar** subject to change based upon Need or Opportunity	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
29	R4x	**E+ Free Weatherization**												
30														
31	C0	**Commercial ***												
32	C1	***E+ Commercial Lighting Rebates***												
33	C1	***NWE Lighting Trade Ally Network***												
34	C2	***E+ Energy Appraisal for Business***												

	A	B	P	Q	R	S	T	U	V	W	X	Y	Z	AA
1		**DSM Communications Calendar** **subject to change based upon Need or Opportunity**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
35	C3	***E+ Business Partners***												
36	C3a	***E+ Business Partners NEW Natural Gas Measures***												
37	C3b	***NEW E+ Natural Gas Savings Rebates for Commercial Customers - - Existing Buildings***												

	A	B	P	Q	R	S	T	U	V	W	X	Y	Z	AA
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38	C4a	***NEW E+ Natural Gas Savings Rebates for Commercial Customers--New Construction***												
39	C4b	***NEW E+ Commercial Gas Program Kick-off***												
40	C5a	***E+ Motor Rebates***												
41	C5b	***E+ Green Motor Rewind Rebates***												

	A	B	P	Q	R	S	T	U	V	W	X	Y	Z	AA
1		**DSM Communications Calendar** **subject to change based upon Need or Opportunity**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
42	C5	***Motor Training***												
43	C6	***E+ Irrigation***												
44	C7	***Lighting Design Lab***												
45	C8	***BetterBricks Awards***												
46	C9	***Building Operator Certification Training***												
47														

	A	B	P	Q	R	S	T	U	V	W	X	Y	Z	AA
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49	G1	***E+ Renewable Energy***												
50	G2	***E+ Green Power *****												
51														
52	O	***Northwest Energy Efficiency Alliance***												
53	O	***Kidsville News***												
54														
55		*Large Universal System Benefits Choice (USB												
56		commercial programs are not offered to natural												
57		**E+ Green is not a DSM program but is part of												
58														

Department Of Public Service Regulation
Montana Public Service Commission
Docket No. D2009.5.62
NorthWestern Energy

PREFILED TESTIMONY OF KEVIN MARKOVICH

ON BEHALF OF NORTHWESTERN ENERGY

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Witness Information

Q. Please state your name and business address.

A. My name is Kevin Markovich, and my business address 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 (MPC). 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 MPC, 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'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 operational considerations involved with Colstrip Unit 4 (CU4) becoming a regulated asset as of January 1, 2009, the changes that have come about with the real-time (hourly) scheduling function at NWE, address the overall decline in electric market prices during the past tracking period, discuss and request comments regarding the use of financial swaps as part of our short-term hedging strategy, and describe how short and medium-term procurement activities were conducted during the 2008/2009 tracking period and how we propose to conduct them during the upcoming 2009/2010 tracking period.

Colstrip Unit 4 Operations

Q. Please provide a brief overview of how CU4 has been operated and managed since it became a regulated asset on January 1, 2009.

A. Including CU4 as a regulated asset in the NWE energy supply portfolio has been a seamless and straightforward process. Scheduling and tagging energy from the unit has caused no problems, communication protocol for plant output and operating conditions is in place and working well, and NWE schedulers have dispatched the plant in ways that optimize value.

Q. Describe the Reciprocal Sharing Agreement NWE has with PPL Montana associated with CU4.

A. The Reciprocal Sharing Agreement with PPL Montana (PPL) covering Colstrip Unit 3 (CU3) and CU4 allows NWE and PPL to operate and receive the output from CU3 and CU4 as if each entity owned 15% of CU3 and 15% of CU4, as opposed to PPL owning 30% of CU3 and NWE owning 30% of CU4. This agreement was put in place when Montana Power sold its generation resources to PPL, and it has benefited both parties by reducing the risk associated with output from a single unit or "shaft". CU3 and CU4 are virtually identical, with very similar operating characteristics and costs, so it is valuable to be able to diversify operational and catastrophic risk among two units rather than just one.

Q. Describe the power sales Agreement NWE has with Puget Sound Energy associated with CU4.

A. The power sales agreement NWE has with Puget Sound Energy (PSE), signed in 1989, is an arrangement whereby PSE receives a share of the output of CU3 and CU4 in return for capacity and energy payments. The amount of energy PSE is entitled to depends on the actual production of the units, which can change hourly. NWE schedulers are responsible for monitoring the output of the plants and ensuring PSE receives the proper amount of energy it is due under the contract. This contract ends on December 29, 2010, and at that time the energy that had been going to PSE will go to NWE. To my knowledge, NWE has managed and abided by both the Reciprocal Sharing Agreement and the PSE power sales agreement and the amount of energy scheduled and received is consistent with those agreements.

Q. Explain how NWE schedulers have dispatched CU4 in ways that optimize value.

A. The variable cost to operate CU4 consists primarily of fuel and variable operations and maintenance expenses. On certain infrequent occasions, market prices for power have fallen below the variable cost to operate the unit. When that has occurred and there was available energy to purchase from the market, and it was believed market prices would remain at those levels for an appropriate period of time, NWE schedulers backed down NWE's share of the output from CU3 and CU4 and replaced the energy with market purchases. The value realized was the difference between the purchased power cost and what the variable cost to operate the unit would have been. It should be noted that all three conditions must exist before backing down these plants, as they are base-load units and not designed for frequent adjustments to output.

Q. How have CU3 and CU4 performed since January 1, 2009?

A. CU3 and CU4 have performed very well from January through late March 2009 when CU4 was taken off-line for scheduled maintenance. During inspection, a small crack was discovered on one of the steeples holding the blades of the turbine. After further testing and analysis, it was decided to repair both low-pressure turbine rotors, resulting in a prolonged outage now expected to last until sometime in July 2009. This was a mechanical failure that occurred over the ordinary course of operating the equipment.

Q. What action did you take when you learned that CU4 would be off-line longer than anticipated?

A. Because of the Reciprocal Sharing Agreement with PPL mentioned earlier in my testimony, NWE's output deficiency was limited to one half of what it would have been had that agreement not been in place. While the unit is off-line, NWE and PSE's allotment from CU3 and CU4 are 50% of normal. NWE notified PSE, and NWE then updated its forecasting models to reflect the extended outage. NWE then analyzed the entire energy supply portfolio to see what effect this would have and decided to make some additional market purchases.

It should be noted that NWE does not attempt to "paint" megawatt hours from individual resources; rather NWE manages a portfolio consisting of multiple resources. Hence, NWE did not replace the exact quantity and type of power that we would have received had CU4 been operational. Instead, NWE purchased power that it felt would provide the best overall value to the portfolio.

Real-time (Hourly) Scheduling

Q. Describe the changes that have occurred during the past year with the real-time scheduling function.

A. From 2002 through 2008, NWE outsourced the real-time scheduling function, first to Power Resource Managers (PRM), and then to The Energy Authority (TEA), who purchased PRM in 2006. In 2008 NWE installed OATI's *webTrader* scheduling and tagging software system to improve data capture and reporting capabilities. NWE saw this as a necessary step in becoming a fully integrated utility as contemplated by the 2007 Montana Legislature's House Bill 25. With the implementation of *webTrader*, NWE's contract with TEA needed to be updated. As part of the negotiation, NWE asked that the termination notice provision in the contract be extended from 60 days to six months. TEA was unwilling to make this change. NWE considered this an unacceptable risk, as it would be virtually impossible to find another provider or to bring the function in-house on merely 60 days notice. Thus, NWE solicited real-time proposals from other potential providers and chose Highland Energy (Highland), a private, company located in Butte, MT.

The transition to Highland went smoothly, and on October 28, 2008, Highland took over the real-time function from TEA. During the transition and for the period of time Highland was NWE's real-time agent, it became apparent how valuable it was to have the real-time desk located near

NorthWestern's other energy supply functions. Communication was vastly improved, training was more efficient, meetings were easier to schedule, and there were no time zone differences.

In late November 2008 Highland notified NWE that it was going out of business. The contract with Highland contained a six month termination notice provision, and Highland said it would do everything it could to honor that commitment. Given that, NWE had three options: 1) continue with Highland and hope that at the end of six months it would reorganize and form a new company that would continue to provide real-time scheduling services to NWE; 2) look for a new real-time scheduling agent; or 3) bring the real-time function in-house.

NWE decided that the most desirable option was to find a way to bring the real-time function in-house. And, most importantly, the situation with Highland was a very unique opportunity to do so. With Highland preparing to go out of business, there existed a team of experienced professionals who were currently performing real-time services for NWE, who were residing in Butte, and who would soon be unemployed. Thus, NWE had an opportunity to have experienced personnel come on board and begin performing real-time scheduling with little or no interruption, training, relocation costs, or other start-up considerations.

NWE approached Highland with the idea of NWE purchasing its real-time operation. From Highland's perspective, it was going to very difficult to keep the function in place for six months because employees would realize they had a finite future and would surely be looking for new employment. NWE and Highland negotiated an asset purchase agreement whereby NWE purchased, for a nominal fee, miscellaneous office equipment and the right to recruit Highland employees in return for NWE waiving the termination notice provision in the contract. Within four weeks of receiving notice that Highland was planning to go out of business, NWE had interviewed

numerous Highland employees and made employment offers to five of its traders. On December 28, 2008, the real-time scheduling function was brought in-house at NWE.

Q. Were there any other issues involved with bringing the real-time scheduling function in-house?

A. Yes. From July 2002 forward, the contracted costs for real-time services had always been included and approved in the electric supply tracker filing with the Montana Public Service Commission (MPSC). However, NWE has never recovered any of its own internal labor or administrative costs associated with energy supply through the tracker filing. Bringing the real-time function in-house presented a unique situation in that expenses associated with contract services that had previously been recovered in the tracker were replaced by internal labor. NWE made the decision to move forward because bringing the real-time function in-house was the best option. NWE has forecasted the internal costs associated with the real-time function (as well as actual costs since January 2009) and included them in the tracker from January 2009 forward. Prior to doing so, NWE discussed this change with MPSC staff, noted it in the January 16, 2009 monthly tracker transmittal letter submitted to the MPSC, and is now seeking approval to include these costs as part of this Docket.

Q. Why do internal labor costs associated with the real-time scheduling function belong in the tracker?

A. These costs are directly attributable to energy supply and they are not related in any way to the transmission and distribution (T&D) functions, so it is most appropriate that they be recovered in the energy supply tracker. Real-time scheduling costs have historically been included in the tracker, and they should remain in the tracker as internal labor costs for as long as this function is staffed with NWE employees. NorthWestern believes it is appropriate and reasonable to include its real-time scheduler labor costs in this Docket.

Q. Have the benefits that were expected by bringing the real-time function in-house been realized?

A. While this function has only been in-house for approximately four months, the results so far have been very favorable. Benefits worth noting include: direct access to and communication with personnel conducting term and day-ahead transactions has provided very valuable information; the ability to develop and implement daily and weekly procurement strategies is much greater; the skills and abilities of the people hired have surpassed NWE's expectations; counterparties have been very receptive to the change and now seem to view NWE as a more traditional, solid utility; and NWE's overall procurement across the term, day-ahead, and hourly scheduling functions is much more efficient. The change has been very positive.

Changes in Forward Market Prices

Q. How have market prices changed during the past year, and what effect has this had on NWE's procurement strategies?

A. Forward prices for the period 2010 through 2017 have decreased approximately $25 per MWh from a year ago, and monthly Mid C market prices during the 2008 / 2009 tracking period have been at least $15 under what was in the 2007 / 2008 timeframe. The overall supply costs in the tracker reflect this.

NWE manages its energy supply portfolio in a systematic, structured manner with specific measures and timelines that provide a guided, disciplined approach to energy procurement over rolling look-forward periods. Its goals are to maintain reasonable rates while dampening volatility and enhancing price stability. NWE does not speculate on energy price movements that are motivated by short-term gains and therefore contain an unnecessary measure of risk. That said, during this recent period of declining electric supply prices, NWE has adhered to its 2007 Electric

Default Supply Procurement Plan ("Plan") including the Hedging Strategy that was processed in Docket No. N2007.11.138, which provides a framework by which the prudence of NWE's procurement activities can be judged, and NWE will continue to do so. As part of the Plan, NWE conducted RFPs in October 2008 and May 2009 to take advantage of the lower forward prices, and NWE continues to manage the short, medium, and long-term periods with this in mind. Please refer to the Prefiled Direct Testimony of David Fine for further elaboration on the RFPs that were conducted.

Financial Swaps

Q. In Docket N2007.11.138 – NWE 2007 Electric Default Supply Resource Procurement Plan, NWE asked for comments on the reasonableness of using financial swaps as part of its short-term hedging strategy. What comments did NWE receive?

A. Below are the comments received from the MPSC regarding financial swaps:

> "NWE requests PSC comments on the reasonableness of using financial swaps as part of its current short-term hedging strategy. None of the interested parties that submitted comments on NWE's 2007 plan addressed the hedging strategy or NWE's proposal to engage in financial swaps. NWE's proposed use of financial swaps, as described in the 2007 plan and by Mr. Markovich at the public hearing, appears reasonable. However, this docket is not a contested case and the PSC's comments do not constitute a finding that any costs NWE incurs as a result of financial swaps are prudent. The PSC evaluates the prudence of NWE's electricity supply-related costs in electricity cost tracking dockets. NWE should highlight its use of financial swaps in its next annual electricity supply cost tracking application and provide information on the relative proportion of financial swaps compared to physical swaps."

Q. Have you entered into financial swaps for electricity supply?

A. No. NWE believes it is necessary to receive authorization from the Commission to use financial swaps prior to entering into such transactions.

NWE wants to make sure all interested parties understand and are comfortable with their use before proceeding.

Q. Do you use financial swaps for any other energy supply activities?

A. Yes, NWE uses them in its Montana Natural Gas Supply function.

Q. Did NWE follow a similar regulatory process before employing the use of financial swaps for Montana Natural Gas Supply activities?

A. Yes. Order No. 6683d in Docket N2005.6.101 gave NWE approval to use financial swaps, and since then NWE has utilized them as part of our overall hedging program for Montana Regulated Natural Gas Supply activities.

Q. Have financial swaps worked as expected for Montana Natural Gas Supply activities?

A. Yes, they have worked exactly as expected in that they have reduced the impacts of market price volatility on NWE's natural gas supply rates. Additionally, financial swaps have helped reduce administrative tasks and have also helped manage credit issues much more efficiently. NWE also expects that for electric supply, the granting of authority to execute financial swaps will substantially increase the number of parties that energy supply will be able to enter into transactions with.

Q. Would you explain financial swaps and provide a brief example of such a transaction?

A. A financial swap is a transaction entered into between two parties whereby one pricing point is traded or "swapped" for another (usually a swap of a future index price for a fixed, known price, i.e. "fixed for float swap"). Financial swaps are considered paper transactions in that no physical delivery occurs; they are completely independent of the physical purchase of supply. Upon settlement, the pricing differential between the two pricing points is netted, with the owing party paying the other party the net amount. Below is an illustrative example of a financial swap:

Assume on November 25, 2009, NWE wants to lock in the price of 50 MW (438,000 MWh) of electricity to be purchased in 2011. On November 25, the forward price for 2011 electricity is $60. NWE would enter into a “fixed for float” financial swap with a counterparty (e.g. ABC Bank) whereby it swaps the 2011 actual market price for $60. A contract would be signed but no cash would change hands.

Now, assume it is the end of 2011 and the actual 2011 market price turned out to be $70. Since the actual market price was higher than the swapped price, ABC Bank must pay NWE $4,380,000 (438,000 MWh x ($70 - $60)).

Overall, the cost of those 438,000 MWh of electricity is $26,280,000 (438,000 x $60). NWE paid the physical supplier of the electricity $30,660,000 (438,000 x $70—i.e. the actual market price), but received $4,380,000 from ABC Bank, resulting in a net cost of $26,280,000 ($60 per Mwh). Again, financial swaps are considered paper transactions in that no physical delivery occurs, and upon settlement, the pricing differential between the two pricing points is netted with the owing party paying the other party the net amount.

One very important factor that must be considered when employing financial swaps is credit. Upon entering into a financial swap each party will mark the transaction to market (calculate the difference between the current market price and what the price of the swap was) and determine what exposure exists.

Following up on the previous example, if 2011 market prices were to go to $55 per MWh, NWE would have a $2,190,000 negative mark-to-market ($55 - $60 x 438,000) and ABC Bank would have a positive $2,190,000 mark-to-market on the transaction. ABC Bank would have $2.19 million of exposure to NWE, meaning that if NWE failed to perform, ABC Bank would not realize

$2.19 million of value. The opposite would be true if market prices were to go above $60 per MWh: NWE would not realize the value of the transaction if ABC failed to perform and would have exposure to ABC Bank.

Normally, each party to a financial swap provides an amount of open credit to the other. The amount of open credit is negotiated, and in large part is based on each party's credit rating. If exposure exceeds the amount of open credit, the party that is exposed will request some form of credit support (collateral) in order to protect itself from non-performance by the other party. Credit support can take a number of different forms. One very common form is a letter of credit issued by the bank of the party required to supply the collateral. Depending on market price movements and swap volumes, the amount of credit support can be very large.

NWE currently enters into physical fixed-for-float transactions that provide similar price stability and certainty, and it is now seeking approval to do virtually the same thing on a financial rather than physical basis.

2008 / 2009 Tracking Period Activities

Q. What planning document guided energy supply procurement activities during the 2008 / 2009 tracking period?

A. The Hedging Strategy that is Appendix 1 of the Plan is the document that primarily guided energy supply procurement activities during the 2008 / 2009 tracking period. For a description of this, please refer to my testimony included in last year's tracker filing, Docket No. D2008.5.45.

Q. Please provide an overview of the 2008 / 2009 tracking period.

A. As detailed in the Prefiled Direct Testimony of Frank V. Bennett and mentioned previously in my testimony, the 2008 / 2009 tracking period contained some substantial changes including: 1) CU4 became a regulated asset on January 1, 2009; 2) the real-time scheduling function changed

providers in October 2008 and was subsequently brought in-house on December 28, 2009; and 3) forward market prices for power decreased significantly during the year. NWE managed all of these changes with little or no operational disruption.

Q. Did NWE meet an acceptable prudency standard in its energy supply service during the 2008 / 2009 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 NorthWestern's 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 which resulted in reasonable rates and reduced exposure to market price volatility for customers.

2009 / 2010 Tracking Period Forecast

Q. Please comment on the 2009 / 2010 tracking period forecast.

A. Again, the Prefiled Direct Testimony of Frank V. Bennett provides 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 actual transactions and prices.

The Hedging Strategy in the Plan will guide our short and medium-term procurement activities for the 2009/2010 tracking period until such time as NWE files its 2009 Electric Supply Resource Plan (2009 Plan) and receives comments from the Commission. Upon receiving comments from the Commission on the 2009 Plan, NWE will follow the Hedging Strategy in the 2009 Plan. 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. NWE will continue to look for additional buying opportunities, especially during these times when forward prices are thought to be low. NWE will operate within the parameters set forth in the applicable Hedging Strategy, and NWE will not deviate from it unless a fundamental change occurs in the market or an opportunity presents itself that is not contemplated in the Plan

Specified quarterly and monthly fixed price targets will be followed, and NWE will continue to use physical swaps and exchanges where appropriate. NWE will continue to seek other products and transactions that create value and efficiencies for the benefit of customers. The forward market has not reached the hard target levels in the Plan, but if prices reach those levels we will make appropriate purchase commitments.

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

Q. Does this complete your testimony?

A. Yes, it does.