



NorthWestern Corporation
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May 29, 2009

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

RE: NorthWestern Energy's:

- 1) Unreflected Gas Supply Cost Account Balance as of June 30, 2009, and the Projected Gas Cost for the 12-Month Period July 1, 2009 through June 30, 2010; and
- 2) Gas Transportation Adjustment Clause (GTAC) Balance as of April 30, 2009.

Dear Ms. Whitney:

Pursuant to Montana law, the Montana Public Service Commission (MPSC or Commission) rules, the Deferred Accounting Gas procedure initially approved by the Commission in Order No. 4598 in Docket No. 6706 on January 4, 1980, and the Gas Transportation Adjustment Clause (GTAC) mechanism initially approved in Order No. 5474c in Docket No. 90.1.1 on October 3, 1991, NorthWestern Energy (NWE or NorthWestern) hereby transmits its annual Application for approval of natural gas rates which:

- Reflects rate treatment for the balance in Unreflected Gas Costs, for the 12-month period ending June 30, 2009;
- Reflects rate treatment for amortization of the GTAC Balance as of April 30, 2009;
- Extinguishes the unit amortizations in the current rate schedules, approved in the order from Docket D2008.5.44; and
- Reflects the projected load, supply and related natural gas costs for the 12-month tracker period July 1, 2009 through June 30, 2010.

NorthWestern purchases wholesale natural gas from suppliers and passes the cost directly to customers without mark-up. Each year NWE estimates how much it will cost to purchase natural gas for the upcoming annual tracker period and this estimate is updated each month within the tracking period. At the same time, the difference between revenue resulting from the estimated natural gas cost and the actual gas cost for the prior tracker period is computed.

The projected natural gas price for 12-month period starting July 1, 2009 is \$5.7562 per Dkt, compared with the 12-month period starting July 1, 2008 of \$10.6309 per Dkt and the June 2009 price of \$5.1227 per Dkt. Mr. John Smith's testimony provides detailed information pertaining to current market conditions and forecasted prices.

In this filing, NWE also requests approval to extinguish the current Unreflected Gas Cost Account (UGCA) Balance Amortization approved in Order 6930d in Docket D2008.5.44, and to reflect the UGCA Balance of \$(4,238) for the 12-month period ending June 30, 2009. Also, NWE requests that the remaining UGCA balance of \$24,363 approved from Docket D2008.5.44 be included in the Unreflected Gas Cost balance. The estimated Total Unreflected Gas Account Balance at the end of June 2009 is \$20,125. Since this Total Unreflected Gas Account Balance of \$20,125 estimated at the end of June 2009 is immaterial, NWE proposes to set the associated rate at zero. After actuals are recorded for the months of May and June 2009 NWE will review the account balance again and determine if the amount merits a filing proposing a rate adjustment.

NWE further requests approval to extinguish the current GTAC Balance Amortization approved in Order 6930d from Docket D2008.5.44, and to reflect the GTAC Balance as of April 30, 2009 in rates. The proposed GTAC balance for this filing is \$(218,363) which is the sum of the GTAC booked balance for the period ending April 30, 2009 of \$115,873 and the current balance of the amortization approved in Order 6930d from Docket D2008.5.44 of \$(334,236), which will be reflected in rates over the 12-month period ending June 30, 2010.

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

The increase for a typical residential customer using 10 Dkt per month will be \$6.99 per month or \$83.88 per year on the total bill. This results in an overall increase of 7.47% on the total bill. The actual increase will depend on each customer's type and usage. The typical bill computations are included in Appendix B.

Other documents submitted with this filing are:

1. Application for interim and final approval of new monthly natural gas rates;
2. Notice of Filing;
3. Certificate of Service to Media;
4. Notice of Interim Rate Adjustment Request;

Whitney Letter

May 29, 2009

Page 3 of 4

5. Prefiled Testimony and Exhibits of Kevin Markovich, John M. Smith, Patrick J. DiFronzo and William M. Thomas; and
6. Supporting Workpapers.

As in previous tracker dockets, certain information contained in John Smith's Exhibit__(JMS-2) page 1 of 1 and associated workpapers pages 1 through 3 is considered trade secret and/or confidential business information and a Motion for Protective Order was filed on May 29, 2009 in this Annual Tracker Filing. Thus, these exhibits, which include forecasted information related to detailed monthly costs and volumes associated with purchases of natural gas and storage activities will be provided pursuant to the Commission's Order regarding NWE's Motion. Unprotected versions of Exhibit__(JMS-2) and associated workpapers with the information considered trade secret and/or confidential business information redacted are included in the Filing.

In accordance with Order No. 5667a, FOF No. 3, NWE requests approval to continue to reflect accounting treatment, through the GTAC mechanism, for certain expansions that generate Interruptible Transportation revenues or Interruptible and Firm Transportation revenues. The rationale for this treatment remains viable, since a disincentive would exist for the Natural Gas Utility to invest in new plant if there is no mechanism by which costs related to these investments can be recovered until the next general rate case.

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

NWE's next monthly tracking filing will be for rates effective August 1, 2009 unless natural gas prices move dramatically in either direction prior to June 15, 2009. If this occurs, NWE will file an amended monthly natural gas cost tracking filing for a July 1, 2009 monthly rate adjustment.

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

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

Applicant's attorney in this matter is:

Whitney Letter
May 29, 2009
Page 4 of 4

Richard J. Garlish
Attorney for NWE
40 E. Broadway
Butte, MT 59701
Richard.Garlish@northwestern.com

Along with Joe Schwartzberger and Richard J. Garlish, please add Connie Moran 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 connie.moran@northwestern.com

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

Sincerely,

Joe Schwartzberger
Director of 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:)
(1) Unreflected Gas Cost Account Balance and) Docket No. D2009.5.63
Projected Gas Cost; and (2) Gas Transportation)
Adjustment Clause Balance.)

APPLICATION FOR INTERIM AND FINAL RATE ADJUSTMENT

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

I.

Applicant's full name and Post Office address are:

NorthWestern Energy
40 East Broadway
Butte, MT 59701

II.

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

III.

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

IV.

The following described tariff sheets are the only natural gas sheets impacted by the proposals in this submittal that are presently in effect in the State of Montana and on file with the Commission. All other natural gas tariff sheets remain as previously approved by the PSC:

<u>Schedule</u>	<u>Description</u>	<u>Sheet No.</u>
D-RG-1	Residential Natural Gas Service	10.1
D-GSG-1	General Service Natural Gas	20.1
D-RGCA-1	Residential Natural Gas Aggregation	11.1
D-GSGCA-1	General Service Natural Gas Aggregation	21.1
T-FUGC-1	Firm Utility Gas Contract	30.1
D-FTG-1	Firm Transportation Natural Gas – DBU	25.1
T-FTG-1	Firm Transportation Natural Gas – TBU	80.1
T-ITG-1	Interrupt. Trans. Natural Gas – TBU	85.1
T-FSG-1	Firm Storage Natural Gas – TBU	90.1

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

V.

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

<u>Schedule</u>	<u>Description</u>
D-RG-1	Residential Natural Gas Service (1 page)
D-GSG-1	General Service Natural Gas (1 page)
D-RGCA-1	Residential Natural Gas Aggregation (1 page)
D-GSGCA-1	General Service Natural Gas Aggregation (1 page)
T-FUGC-1	Firm Utility Gas Contract (1 page)
D-FTG-1	Firm Transportation Natural Gas – DBU (1 page)
T-FTG-1	Firm Transportation Natural Gas - TBU (1 page)
T-ITG-1	Interrupt. Transport. Natural Gas - TBU (1 page)
T-FSG-1	Firm Storage Natural Gas – TBU (1 page)

VI.

In accordance with the Deferred Accounting Gas Rate Schedule initially approved by the Commission in Order 6930d in Docket D2008.5.44, the balance in Account No. 191, Unreflected Gas Costs, for the 12-month period ending June 30, 2009 is an over collection of \$(4,238). NWE proposes to amortize this balance, together with an adjustment for the actual Unreflected Gas Cost Account Balance of \$24,363 resulting from cessation of the amount approved for amortization in Order 6930d in Docket D2008.5.44. Since the Total Unreflected Gas Account Balance of \$20,125 estimated at the end of June 2009 is immaterial, NWE proposes to set the rate at zero. After actuals are recorded for the months of May and June NWE will review the account balance again and determine if the amount merits a filing proposing a rate adjustment. The tracking market, supply and gas costs for the 12-month period, July 1, 2009 to June 30, 2010 produce a gas cost of \$5.7562/Dkt.

In addition, NWE proposes to continue to use the same the monthly tracking methodology as it has used in the last several years. A forecast of 12-months is used in this annual filing for the period July 1 thru June 30 of the tracking year. However, the subsequent monthly calculation is based on the balance of the tracking year forecasts instead of a rolling 12-month forecast. NWE believes this method has helped decrease the over or under collection during the tracking period.

VII.

Pursuant to MPC's proposal in Docket No. 90.1.1, and approved in final Order No. 5474c, NWE is filing for treatment of the Gas Transportation Adjustment Clause (GTAC) Balance. For the period ending April 30, 2009, the GTAC Balance is \$115,873. NWE proposes to amortize this Balance, adjusted for the actual GTAC balance from the Final Order 6930d in Docket D2008.5.44 of \$(334,236). The resulting GTAC Balance proposed in this filing is \$(218,363).

VIII.

Pursuant to Order No. 5667a, Finding of Fact No. 3, NWE requests approval to continue to

reflect accounting treatment, through the GTAC mechanism, for certain expansions that generate interruptible transportation revenues and/or firm transportation revenues. As of June 30, 2009, there are no offsets for capital investments being reflected in the calculation of the GTAC Net Balance because all of the investments previously reflected in the calculation have been included in rate base as a result of general rate case proceedings. However, if this accounting treatment is not extended, the disincentive still exists for the Gas Utility to invest in new plant if there is no mechanism by which costs related to the investments can be recovered until the next general rate case. Therefore, Applicant requests that this accounting treatment be extended and continue in effect for as long as the GTAC mechanism continues in effect.

IX.

The proposed new rates contained in Appendix A reflect:

1. The amortization of the Unreflected Gas Cost Account Balance described in Paragraph No. VI,
2. The projected monthly market supply and gas cost described in Paragraph No. VI, and
3. The amortization of the GTAC Balance described in Paragraph No. VII.

X.

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. Attached hereto are the following documents that are by this reference made a part hereof:

- Current and proposed rates, Appendix A;
- Typical residential 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 Kevin Markovich, John M. Smith, Patrick J.

- DiFronzo and William M. Thomas; and
- Supporting Workpapers.

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

WHEREFORE, Applicant respectfully requests that the Commission:

1. Grant interim and final approval of the proposed rates, included as Appendix A, to be effective on a monthly basis for service on and after July 1, 2009,
2. Approve extension of the accounting treatment for certain expansion projects handled through the GTAC mechanism, and
3. Grant such other and additional relief, as the Commission shall deem just and proper.

DATED: May 29, 2009.

Respectfully submitted,
NorthWestern Energy

By: _____

Richard J. Garlish
Attorney for NWE
40 E. Broadway
Butte, MT 59701
Richard.Garlish@northwestern.com

**NorthWestern Energy
Natural Gas Utility
Unit Rate Adjustments/Proposed Rates
July 1, 2009**

	Current	Proposed	Rate Change	Percentage Change
Core:				
D-RG-1 Rate Schedule				
Residential				
Monthly Service Charge per Meter	\$ 6.75	\$ 6.75	\$ -	0.00%
Commodity Charges (\$/Dkt)				
Distribution Charge	\$ 1.839552	\$ 1.839552	\$ -	0.00%
Transmission Charge	\$ 1.089308	\$ 1.089308	\$ -	0.00%
Storage Charge	\$ 0.331528	\$ 0.331528	\$ -	0.00%
Gas Supply Charge	\$ 5.122700	\$ 5.756200	\$ 0.633500	12.37%
Deferred Gas Cost Amortization	\$ (0.129400)	\$ -	\$ 0.129400	100.00%
DBU GTAC Amortization	\$ 0.001953	\$ 0.000525	\$ (0.001428)	-73.12%
TBU GTAC Amortization	\$ 0.045713	\$ (0.003166)	\$ (0.048879)	-106.93%
Storage GTAC Amortization	\$ 0.008310	\$ (0.004623)	\$ (0.012933)	-155.63%
Total Commodity	\$ 8.309664	\$ 9.009324	\$ 0.699660	8.42%
D-RGCA-1 Rate Schedule				
Residential Gas Core Aggregation				
Monthly Service Charge per Meter	\$ 6.75	\$ 6.75	\$ -	0.00%
Commodity Charges (\$/Dkt)				
Distribution Charge	\$ 1.839552	\$ 1.839552	\$ -	0.00%
Transmission Charge	\$ 1.089308	\$ 1.089308	\$ -	0.00%
Storage Charge	\$ 0.331528	\$ 0.331528	\$ -	0.00%
DBU GTAC Amortization	\$ 0.001953	\$ 0.000525	\$ (0.001428)	-73.12%
TBU GTAC Amortization	\$ 0.045713	\$ (0.003166)	\$ (0.048879)	-106.93%
Storage GTAC Amortization	\$ 0.008310	\$ (0.004623)	\$ (0.012933)	-155.63%
Total Commodity	\$ 3.316364	\$ 3.253124	\$ (0.063240)	-1.91%
D-GSG-1 Rate Schedule				
General Natural Gas Service				
Monthly Service Charge per Meter				
0 to 300	\$ 16.95	\$ 16.95	\$ -	0.00%
301 to 1,000	\$ 22.35	\$ 22.35	\$ -	0.00%
1,001 to 2,000	\$ 36.05	\$ 36.05	\$ -	0.00%
2,001 to 5,000	\$ 60.55	\$ 60.55	\$ -	0.00%
5,001 to 10,000	\$ 74.35	\$ 74.35	\$ -	0.00%
10,001 to 30,000	\$ 117.60	\$ 117.60	\$ -	0.00%
> 30,000	\$ 142.90	\$ 142.90	\$ -	0.00%
Commodity Charges (\$/Dkt)				
Distribution Charge	\$ 1.818025	\$ 1.818025	\$ -	0.00%
Transmission Charge	\$ 1.088231	\$ 1.088231	\$ -	0.00%
Storage Charge	\$ 0.330452	\$ 0.330452	\$ -	0.00%
Gas Supply Charge	\$ 5.122700	\$ 5.756200	\$ 0.633500	12.37%
Deferred Gas Cost Amortization	\$ (0.129400)	\$ -	\$ 0.129400	100.00%
DBU GTAC Amortization	\$ 0.002034	\$ 0.000535	\$ (0.001499)	-73.70%
TBU GTAC Amortization	\$ 0.047594	\$ (0.003229)	\$ (0.050823)	-106.78%
Storage GTAC Amortization	\$ 0.008310	\$ (0.004623)	\$ (0.012933)	-155.63%
Total Commodity	\$ 8.287946	\$ 8.985591	\$ 0.697645	8.42%

**NorthWestern Energy
Natural Gas Utility
Unit Rate Adjustments/Proposed Rates
July 1, 2009**

	<u>Current</u>	<u>Proposed</u>	<u>Rate Change</u>	<u>Percentage Change</u>
D-GSGCA-1 Rate Schedule				
General Natural Gas Service Core Aggregation				
Monthly Service Charge per Meter				
0 to 300	\$ 16.95	\$ 16.95	\$ -	0.00%
301 to 1,000	\$ 22.35	\$ 22.35	\$ -	0.00%
1,001 to 2,000	\$ 36.05	\$ 36.05	\$ -	0.00%
2,001 to 5,000	\$ 60.55	\$ 60.55	\$ -	0.00%
5,001 to 10,000	\$ 74.35	\$ 74.35	\$ -	0.00%
10,001 to 30,000	\$ 117.60	\$ 117.60	\$ -	0.00%
> 30,000	\$ 142.90	\$ 142.90	\$ -	0.00%
Commodity Charges (\$/Dkt)				
Distribution Charge	\$ 1.818025	\$ 1.818025	\$ -	0.00%
Transmission Charge	\$ 1.088231	\$ 1.088231	\$ -	0.00%
Storage Charge	\$ 0.330452	\$ 0.330452	\$ -	0.00%
DBU GTAC Amortization	\$ 0.002034	\$ 0.000535	\$ (0.001499)	-73.70%
TBU GTAC Amortization	\$ 0.047594	\$ (0.003229)	\$ (0.050823)	-106.78%
Storage GTAC Amortization	\$ 0.008310	\$ (0.004623)	\$ (0.012933)	-155.63%
Total Commodity	<u>\$ 3.294646</u>	<u>\$ 3.229391</u>	<u>\$ (0.065255)</u>	<u>-1.98%</u>
T-FUGC-1 Rate Schedule				
Firm Utility Gas Contract Service				
Monthly Service Charge per Meter				
10,001 to 30,000	\$ 107.60	\$ 107.60	\$ -	0.00%
> 30,000	\$ 277.40	\$ 277.40	\$ -	0.00%
Transmission Charges:				
Reservation Rate (MDDQ)	\$ 5.237721	\$ 5.237721	\$ -	0.00%
Transmission Commodity Rate (Dkt)	\$ 0.062431	\$ 0.062431	\$ -	0.00%
GTAC Amortization (Dkt)	\$ 0.052670	\$ (0.003987)	\$ (0.056657)	-107.57%
Storage Charges:				
Reservation Rate (MDDQ)	\$ 4.165635	\$ 4.165635	\$ -	0.00%
Storage Commodity Rate (Dkt)	\$ 0.015069	\$ 0.015069	\$ -	0.00%
GTAC Amortization (MDDQ)	\$ 0.111773	\$ (0.066162)	\$ (0.177935)	-159.19%
Gas Supply Charge (Dkt)	\$ 5.122700	\$ 5.756200	\$ 0.633500	12.37%
Deferred Gas Cost Amortization (Dkt)	\$ (0.129400)	\$ -	\$ 0.129400	100.00%

**NorthWestern Energy
Natural Gas Utility
Unit Rate Adjustments/Proposed Rates
July 1, 2009**

	<u>Current</u>	<u>Proposed</u>	<u>Rate Change</u>	<u>Percentage Change</u>
Non-Core				
Distribution Business Unit				
D-FTG-1 Rate Schedule				
Firm Transportation Natural Gas Service				
Monthly Service Charge per Meter				
2,000 to 5,000	\$ 103.05	\$ 103.05	\$ -	0.00%
5,000 to 10,000	\$ 117.75	\$ 117.75	\$ -	0.00%
10,001 to 30,000	\$ 161.90	\$ 161.90	\$ -	0.00%
> 30,000	\$ 187.95	\$ 187.95	\$ -	0.00%
Distribution Charge: (MDDQ)				
Reservation Rate	\$ 6.518627	\$ 6.518627	\$ -	0.00%
GTAC Amortization	\$ 0.014202	\$ 0.004000	\$ (0.010202)	-71.84%
D-ITG-1 Rate Schedule				
Interruptible Transportation Natural Gas Service				
Monthly Service Charge per Meter				
2,000 to 5,000	\$ 103.05	\$ 103.05	\$ -	0.00%
5,000 to 10,000	\$ 117.75	\$ 117.75	\$ -	0.00%
10,001 to 30,000	\$ 161.90	\$ 161.90	\$ -	0.00%
> 30,000	\$ 187.95	\$ 187.95	\$ -	0.00%
Distribution Charge: (Dkt)				
Distribution Commodity Rate	\$ 0.214288	\$ 0.214288	\$ -	0.00%
Transportation Business Unit				
T-FTG-1 Rate Schedule				
Firm Transportation Natural Gas Service				
Monthly Service Charge per Meter				
5,001 to 10,000	\$ 100.75	\$ 100.75	\$ -	0.00%
10,001 to 30,000	\$ 144.90	\$ 144.90	\$ -	0.00%
> 30,000	\$ 321.50	\$ 321.50	\$ -	0.00%
Transmission Reservation Rate (MDDQ)	\$ 8.238700	\$ 8.238700	\$ -	0.00%
Transmission Commodity Rate (Dkt)				
Maximum	\$ 0.062431	\$ 0.062431	\$ -	0.00%
GTAC Amortization	\$ 0.019020	\$ (0.001275)	\$ (0.020295)	-106.70%
T-ITG-1 Rate Schedule				
Interruptible Transportation Natural Gas Service				
Monthly Service Charge per Meter				
5,001 to 10,000	\$ 100.75	\$ 100.75	\$ -	0.00%
10,001 to 30,000	\$ 144.90	\$ 144.90	\$ -	0.00%
> 30,000	\$ 321.50	\$ 321.50	\$ -	0.00%
Transmission Commodity Rate (Dkt)				
Maximum	\$ 0.352283	\$ 0.331988	\$ (0.020295)	-5.76%
T-FSG-1 Rate Schedule				
Firm Storage Natural Gas Service				
Monthly Rate:				
Withdrawal Reservation Rate:	\$ 4.165635	\$ 4.165635	\$ -	0.00%
Injection Commodity Rate:	\$ 0.021529	\$ 0.021529	\$ -	0.00%
Withdrawal Commodity Rate:	\$ 0.021529	\$ 0.021529	\$ -	0.00%
Storage Capacity Rate:	\$ 0.020451	\$ 0.020451	\$ -	0.00%
GTAC Amortization	\$ 0.111813	\$ (0.066203)	\$ (0.178016)	-159.21%



Residential Services - Typical Bill Amount

Usage in Dkt.	Current as of June 1, 2009		Proposed		Bill Change	Percentage Change
	Rate	Total Bill Amount	Rate	Total Bill Amount		
Monthly Service Charge per Meter	\$ 6.75	\$ 6.75	\$ 6.75	\$ 6.75	\$ -	0.00%
Commodity Charges: (Monthly \$/Dkt)						
Distribution Charge	\$ 1.839552	\$ 18.40	\$ 1.839552	\$ 18.40	\$ -	0.00%
Transmission Charge	\$ 1.089308	\$ 10.89	\$ 1.089308	\$ 10.89	\$ -	0.00%
Storage Charge	\$ 0.331528	\$ 3.32	\$ 0.331528	\$ 3.32	\$ -	0.00%
Gas Supply Charge	\$ 5.122700	\$ 51.23	\$ 5.756200	\$ 57.56	\$ 6.33	12.36%
Deferred Gas Cost Amortization	\$ (0.129400)	\$ (1.29)	\$ -	\$ -	\$ 1.29	100.00%
DBU GTAC Amortization	\$ 0.001953	\$ 0.02	\$ 0.000525	\$ 0.01	\$ (0.01)	-48.80%
TBU GTAC Amortization	\$ 0.045713	\$ 0.46	\$ (0.003166)	\$ (0.03)	\$ (0.49)	-106.52%
Storage GTAC Amortization	\$ 0.008310	\$ 0.08	\$ (0.004623)	\$ (0.05)	\$ (0.13)	-162.50%
USBC	\$ 0.164300	\$ 1.64	\$ 0.164300	\$ 1.64	\$ -	0.00%
CTC-RA	\$ 0.123000	\$ 1.23	\$ 0.123000	\$ 1.23	\$ -	0.00%
CTC-RA Credit	\$ (0.071090)	\$ (0.71)	\$ (0.071090)	\$ (0.71)	\$ -	0.00%
CTC-GP	\$ 0.207000	\$ 2.07	\$ 0.207000	\$ 2.07	\$ -	0.00%
CTC-GP Credit	\$ (0.048300)	\$ (0.48)	\$ (0.048300)	\$ (0.48)	\$ -	0.00%
Total Commodity	\$ 8.684574	\$ 86.86	\$ 9.384234	\$ 93.85	\$ 6.99	8.05%
Total Bill (Price per Dkt Incl. Service Charge)	\$ 9.360950	\$ 93.61	\$ 10.060000	\$ 100.60	\$ 6.99	7.47%

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

In the Matter of NorthWestern Energy's)
Application For: (1) Unreflected Gas Cost Account) Docket No. D2009.5.63
Balance and Projected Gas Cost; and (2) Gas)
Transportation Adjustment Clause Balance)

NOTICE OF FILING

NorthWestern Energy (NWE or NorthWestern) has filed an Application with the Montana Public Service Commission (MPSC) in support of a net increase in rates for natural gas supply service to core gas supply customers, a net decrease in rates for core aggregation customers, a net decrease in rates for non-core DBU transportation service and a net decrease for TBU firm transportation and storage service. NWE is requesting that these rates become effective for service on and after July 1, 2009. This request is a result of the annual implementation of the natural gas tracking procedure approved by the MPSC on January 4, 1980 in Order No. 4598, Docket No. 6706, and the Gas Transportation Adjustment Clause (GTAC) accounting procedure approved in Order 5474c, Docket No. 90.1.1 on October 3, 1991.

The natural gas tracking procedure includes a reconciliation of the actual natural gas costs and revenues for the 12 months ending June 30, 2009, in the form of the amortization of the Unreflected Gas Cost Account (UGCA) Balance, and the projection of natural gas costs for the 12-month tracking period July 1, 2009 through June 30, 2010.

The Gas Transportation Adjustment Clause (GTAC) mechanism includes a reconciliation of actual interruptible transportation (IT) revenues received for the 12-months ending April 2009 compared to the ordered IT revenues from the NWE's revenue requirement in the last general rate case.

NorthWestern's proposal also requests the extinguishing of the amortizations approved in Order No. 6930d in last year's UGCA Balance and GTAC net balance filing.

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

- An increase in gas costs from \$5.1227 per Dkt to \$5.7562 per Dkt.
- UGCA Balance, for the 12-month period ending June 30, 2009 was \$(4,238). NWE requests that the remaining UGCA balance of

\$24,363 approved in Order 6930d in Docket D2008.5.44 be included in the UGCA balance. The estimated Total UGCA Balance at the end of June 2009 is \$20,125. Since this Total UGCA Balance of \$20,125 estimated at the end of June 2009 is immaterial, NWE proposes to set the associated rate at zero. After actuals are recorded for the months of May and June, NWE will review the account balance again and determine if the amount merits a filing proposing a rate adjustment.

- GTAC balance for this filing is \$(218,363), which is the sum of the GTAC booked balance for the period ending April 30, 2009 of \$115,873 and the current balance of the amortization approved in Order 6930d from Docket D2008.5.44 of \$(334,236) and is to be charged to customers over the 12-month period ending June 30, 2010.

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

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: (1) Unreflected Gas Cost Account) Docket No. D2009.5.63
Balance and Projected Gas Cost; and (2) Gas)
Transportation Adjustment Clause Balance)

CERTIFICATE OF SERVICE
OF NOTICE OF INTERIM/FINAL RATE ADJUSTMENT REQUEST
FOR NATURAL GAS 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
40 East Broadway Street
Butte, Montana 59701

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

In the Matter of the Application of NorthWestern)
Energy's: (1) Unreflected Gas Cost Account) Docket No. D2009.5.63
Balance and Projected Gas Cost; and (2) Gas)
Transportation Adjustment Clause Balance)

NOTICE OF INTERIM RATE
ADJUSTMENT REQUEST

NorthWestern Energy, Applicant, serves notice pursuant to the Administrative Rules of Montana, Section 38.5.503, that it has filed with the Montana Public Service Commission (MPSC) a request for an overall interim increase for core customers and an interim decrease for core aggregation customers in natural gas rates in this Docket to reflect Forecast Gas Costs, the Unreflected Gas Cost Account (UGCA) Balance and Gas Transportation Adjustment Clause (GTAC) Balance procedures. This request also includes an interim decrease for non-core DBU distribution transportation service and a decrease for non-core TBU transportation firm and storage service customers relating to the GTAC adjustment. This Interim request includes the use of monthly gas cost adjustments going forward. Applicant requests that the proposed rates and monthly gas 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 Gas Cost Adjustment Filing. Applicant requests an interim change in rates effective July 1, 2009 pending a final decision on this request.

The rate adjustments are required to: 1) reflect an increase in the projected gas costs; 2) amortize the balance in the UGCA Balance for the 12-month period ending June

30, 2009; 3) amortize the GTAC Balance as of April 30, 2009; and 4) extinguish the unit amortizations in the current rates.

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

- An increase in gas costs from \$5.1227 per Dkt to \$5.7562 per Dkt.
- UGCA Balance, for the 12-month period ending June 30, 2009 was \$(4,238). NWE requests that the remaining UGCA balance of \$24,363 approved in Order 6930d in Docket D2008.5.44 be included in the UGCA balance. The estimated Total UGCA Balance at the end of June 2009 is \$20,125. Since this Total UGCA Balance of \$20,125 estimated at the end of June 2009 is immaterial, NWE proposes to set the associated rate at zero. After actuals are recorded for the months of May and June, NWE will review the account balance again and determine if the amount merits a filing proposing a rate adjustment.
- GTAC balance for this filing is \$(218,363), which is the sum of the GTAC booked balance for the period ending April 30, 2009 of \$115,873 and the current balance of the amortization approved in Order 6930d from Docket D2008.5.44 of \$(334,236) and is to be charged to customers over the 12-month period through June 30, 2010.

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

Dated: May 29, 2009

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**PREFILED TESTIMONY OF KEVIN MARKOVICH
ON BEHALF OF NORTHWESTERN ENERGY**

14

TABLE OF CONTENTS

15

16

17	<u>Description</u>	<u>Starting Page No.</u>
18	Witness Information	2
19	Purpose of Testimony	3
20	Natural Gas Procurement Guidelines	3
21	Natural Gas Procurement Plans	4
22	2009 / 2010 Tracking Period Forecast	6
23	Introduction of Other Witnesses	8

1 **Witness Information**

2

3 **Q. Please state your name and business address.**

4 **A.** My name is Kevin Markovich. My work location is 40 East Broadway, Butte, MT
5 59701.

6

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

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

10

11 **Q. Please summarize your educational and employment experiences.**

12 **A.** I attended Montana State University, graduating in 1983 with a Bachelor of Science
13 degree in Business, Accounting option. Upon graduation, I went to work for
14 Marathon Oil Company in Casper and Cody, WY as a production accountant. In
15 1985, I enrolled at the University of Wyoming in Laramie where I earned a Master
16 of Business Administration (MBA) degree in December 1986. In 1987, I went to
17 work in the Treasury department of Entech, Inc., a wholly owned subsidiary of The
18 Montana Power Company (MPC). In 1996, I transferred to Montana Power
19 Trading & Marketing Company (MPT&M) where I worked in various capacities
20 including real-time electric scheduler, gas marketer, and executive director of retail
21 marketing. In 2000, prior to the sale of MPT&M to Pan Canadian, I transferred to
22 MPC, now NorthWestern Energy, where I have worked on numerous energy supply
23 activities. In January 2005 I accepted the Director of Risk Management position
24 and in September 2006 I assumed my current role.

25

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

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

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

3
4 **Q. Do you hold any professional certifications?**

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

7
8 **Purpose of Testimony**

9
10 **Q. What is the purpose of your testimony?**

11 **A.** My testimony will describe the history of NWE's Natural Gas Procurement
12 Guidelines (NGPG), provide an overview of the procurement plan that was in place
13 to guide procurement activities during the 2008 / 2009 tracking period, and discuss
14 the 2009 / 2010 tracking period forecast.

15
16 **Natural Gas Procurement Guidelines**

17
18 **Q. Please describe the NGPG mentioned above.**

19 **A.** The NGPG, included in NWE's Natural Gas Tariff, Preliminary Statement, Part D,
20 approved by the Montana Public Service Commission (MPSC or Commission) in
21 Docket No. N2005.6.101, Order No. 6683d, are intended to provide guidance to
22 NWE in natural gas default supply planning and procurement activities. Guideline 1
23 of the current NGPG states:

24
25 **GUIDELINE 1 INTRODUCTION AND APPLICABILITY**

26
27 (1) These tariff guidelines provide guidance to the utility regarding natural gas
28 default supply resource planning and procurement. These tariff guidelines do
29 not impose specific resource procurement processes and do not mandate
30 particular resource acquisitions. These tariff guidelines provide a framework
31 for considering resource needs, obtaining input on planned actions prior to
32 finalization of procurement arrangements, and the recovery of prudently
33 incurred natural gas default supply costs.

34
35 (2) The utility should document its natural gas default supply portfolio planning
36 processes, resource procurement processes, and management decision-making

1 so that the utility can fully demonstrate to the utility's retail customers, the
2 Commission, and other stakeholders that natural gas default supply costs have
3 been prudently incurred.
4

- 5 (3) These tariff guidelines provide the basis for Commission review and
6 consideration of the prudence of the utility's natural gas default supply
7 resource planning and procurement actions. As a result, the tariff guidelines
8 should assist the utility in making prudent decisions and in fully recovering
9 prudently incurred natural gas default supply costs. Successful application of
10 the tariff guidelines requires a commitment from the Commission, the utility,
11 and other stakeholders to honor the spirit and intent of the tariff guidelines.
12

13 **Natural Gas Procurement Plans**

14

15 **Q. Please explain how the NGPG came about.**

16 **A.** On April 14, 2005, NWE and the Montana Consumer Counsel (MCC) entered into
17 a stipulation in Dockets D2003.6.66 and D2004.6.88 that included a condition that
18 NWE must file a proposal regarding natural gas procurement planning by June 15,
19 2006. In Docket N2005.6.101, Application for Approval of a Natural Gas
20 Procurement Plan, NWE filed proposed guidelines related to natural gas planning
21 and procurement activities. Order 6683b issued on January 13, 2006 approved the
22 NGPG on an interim basis and mandated that NWE file a natural gas procurement
23 plan within the first few months of 2006. On March 15, 2006, in Docket
24 D2006.2.21, NWE filed its initial Abbreviated Natural Gas Procurement Plan
25 covering the 2006 / 2007 natural gas tracking period. The MPSC provided
26 comments on that plan on June 22, 2006.
27

28 On December 14, 2006, NWE filed its first Natural Gas Biennial Procurement Plan
29 in Docket N2006.12.184 (Procurement Plan) covering procurement activities from
30 2007 through 2008. The MPSC provided comments on that plan on April 11, 2007,
31 and the interim approved NGPG were updated and made permanent by the
32 Commission in Final Order 6683d issued on April 12, 2007. On December 15,
33 2008 NWE filed its second Natural Gas Biennial Procurement Plan in Docket
34 N2008.12.138 covering procurement activities from 2009 through 2010. As of this
35 date NWE has not received comments on the Procurement Plan filed in Docket
36 N2008.12.138.

1 The NGPG and the Procurement Plans provided the framework for energy supply
2 decisions made during the 2008 / 2009 tracking period and they will be used to
3 direct energy supply activities during the upcoming 2009 / 2010 tracking period.
4

5 **Q. Describe the conceptual framework and main attributes of the Natural Gas**
6 **Procurement Plans that have been filed by NWE.**

7 **A.** As stated in the plans, NWE's objectives in operating the Energy Supply
8 procurement function are to: provide customers with reliable natural gas supply;
9 provide customers reasonable and stable prices that reflect market conditions over
10 time; and assure NWE cost recovery for all prudently-incurred natural gas supply
11 related expenditures. Furthermore, the goal of NWE's hedging strategy is to
12 dampen natural gas price volatility in an effective, systematic, and efficient
13 manner. The hedging strategy involves five main areas:

- 14 1) Utilize storage to provide reliability and remove a portion of expected price
15 volatility;
- 16
- 17 2) When applicable, use storage to capture the difference between winter and
18 summer priced natural gas and flow that value back as a reduction to rates;
- 19
- 20 3) Enter into transactions that convert index priced purchases to fixed or known
21 values;
- 22
- 23 4) Set "hard target" price values which supplement other hedging techniques
24 and allow for increased purchases of fixed price natural gas when market
25 conditions are deemed favorable;
- 26
- 27 5) Enter into fixed price purchases one, two, and three years forward to dampen
28 volatility and protect against price spikes due to changes in market
29 fundamentals.
- 30

31 NWE's hedging strategy is intended to provide a structured, disciplined, non-
32 speculative approach to natural gas procurement that utilizes market intelligence,

1 knowledge, and experience to make timely procurement decisions. But, we must
2 keep in mind that this approach cannot completely protect customers from overall
3 market price trends; to attempt to do so would subject customers to risks that go
4 beyond a normal procurement function, and it would most likely require
5 speculative transactions which are the very thing we are trying to avoid by utilizing
6 this hedging strategy.

7
8 **Q. What do you do to ensure the Procurement Plan is working as intended?**

9 **A.** NWE monitors its procurement activities to ensure that results are consistent with
10 the overall goals that have been established. Should new opportunities arise or
11 products be discovered that allow NWE to meet procurement goals in a more
12 efficient and effective manner, they will be discussed and analyzed with
13 stakeholders such as the Commission and Montana Consumer Counsel Staff for
14 feedback. If, after such considerations the opportunity appears viable, it will be
15 presented to NWE management and, upon approval, incorporated into the next
16 biennial Procurement Plan and ultimately implemented. The planning and
17 procurement of natural gas is a fluid activity that requires constant attention, but it
18 is very important that each biennial Procurement Plan be followed over its entire
19 planning horizon to ensure the individual components have had adequate time to
20 perform under various market and operating scenarios.

21
22 **Q. During the 2008 / 2009 tracking period did NWE adhere to its current natural
23 gas Procurement Plan?**

24 **A.** Yes. In his testimony and exhibits John Smith describes the results for the 2008 /
25 2009 tracking period that document NWE's adherence to the Procurement Plan and
26 guidelines that were in place.

27
28 **2009 / 2010 Tracking Period Forecast**

29
30 **Q. Please comment on the 2009 / 2010 tracking period forecast in light of the
31 overall decrease in natural gas market prices.**

1 A. John Smith's testimony and related exhibits contrast the actual costs incurred
2 during the 2008 / 2009 tracking period with forecasted costs and prices expected
3 during the 2009 / 2010 tracking period. There are a number of points worth noting
4 when making this comparison:

5 1) First, keep in mind the 2009 / 2010 tracking period is a forecast, and actual
6 values will be different than those presented in this filing.

7
8 2) The spot and forward market prices of natural gas have decreased
9 substantially during the past year, as they have for other commodities.

10
11 3) This spring, market prices reached levels contemplated by the hard targets in
12 the Procurement Plan, and NWE entered into appropriate purchase
13 transactions. In his testimony John Smith describes these hard target
14 purchases.

15
16 4) As mentioned earlier, the procurement activities we have incorporated cannot
17 completely guard against overall changes in market price trends, but certain
18 components serve to counteract those trends. Beginning in November 2009,
19 30% of NWE's annual supply needs will be served with purchases made one,
20 two, and three years prior, when market prices were substantially higher than
21 today. While these purchases are forecasted to increase the overall cost of
22 supply by \$13.2 million during the 2009 / 2010 tracking period, they
23 nevertheless serve a very important function in the overall hedging strategy.
24 While during this period of decreasing market prices the longer term
25 purchases will not allow us to realize the lowest possible rates, during periods
26 of increasing prices the opposite will occur; the longer term purchases will
27 reduce the overall cost of supply and avoid having the highest possible rates.
28 These purchases dampen volatility, increase price stability, and keep
29 customers from being totally exposed to current market prices.

1 **Introduction of Other Witnesses**

2
3 **Q. Would you please introduce the other witnesses in this filing?**

4 **A.** Yes, in addition to my testimony, this natural gas tracker filing includes the
5 testimony of:

- 6 • Mr. Patrick DiFronzo, Manager of Regulatory Affairs. Mr. DiFronzo's
7 testimony:

8 ○ Presents the natural gas cost revenues and natural gas cost expenses
9 for the period July 1, 2008 to June 30, 2009. This includes the
10 Unreflected Gas Cost Account details. The information is actual
11 through April 2009 and estimated for May and June 2009;

12 ○ Presents the proposed amortization of the Gas Transportation
13 Adjustment Clause (GTAC) Balance as of April 30, 2009;

14 ○ Explains the cessation of the prior period Unreflected Gas Cost
15 Account and GTAC Balance amortizations; and

16 ○ Sponsors the proposed rates resulting from the various natural gas cost
17 and amortization adjustments proposed in this filing.

- 18 • Mr. John Smith, Manager of Natural Gas Supply, sponsors testimony that
19 presents:

20 ○ Updated 12-month ended June 2009 tracker period with ten months
21 of actual numbers and two months of estimated numbers;

22 ○ The benefits of storage and off-peak system storage optimization;
23 and

24 ○ The forecasted 12-month ended June 2010 tracker period.

- 25
26 • Mr. William Thomas, Manager of Regulatory Support Services. Mr. Thomas'
27 testimony:

28 ○ Presents results of Natural Gas Default Supply Demand Side
29 Management (DSM) energy efficiency programs conducted by NWE for
30 Tracker Year 2008-09 and describes the status of and plans for the DSM
31 Programs and related activities in the forthcoming Tracker period, and

- 1 ○ Presents updated numbers for the DSM Program Cost Tracking and Lost
2 Revenue Recovery mechanism (Natural Gas DSM Tracker) for recovery
3 of Natural Gas Default Supply DSM Program costs and lost transmission
4 and distribution revenues (Lost Revenues) associated with DSM
5 programs.

6

7 **Q. Does this complete your testimony?**

8 **A. Yes, it does.**

6 **PREFILED DIRECT TESTIMONY OF JOHN M. SMITH**
7 **ON BEHALF OF NORTHWESTERN ENERGY**
8

9 **TABLE OF CONTENTS**
10

11	<u>Description</u>	<u>Starting Page No.</u>
12	Witness Information	2
13	Purpose of Testimony	3
14	Actual 10-Months Plus 2-Months Est. Ended June 30, 2009	4
15	Storage Optimization and Other Customer Benefits	6
16	2009 – 2010 Expected Natural Gas Market, Supply and Cost	8
17		
18		
19	<u>Exhibits:</u>	
20		
21	10-Months Actual & 2-Months Est. Versus Docket No. 2008.5.44	Exhibit __ (JMS-1)
22		
23	2009 – 2010 Expected Natural Gas Market, Supply and Cost	Exhibit __ (JMS-2)

1 **Witness Information**

2

3 **Q. Please state your name and business address.**

4 A. I am John M. Smith and my business address is 40 East Broadway, Butte, Montana
5 59701.

6

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

8 A. I am employed by NorthWestern Energy (NWE or NorthWestern) as Manager, Energy
9 Supply, in the Energy Supply Department.

10

11 **Q. Please state your educational background and experience.**

12 A. I attended Montana State University, graduating in 1979 with a Bachelor of Science
13 degree in Business Management. Upon graduation, I went to work for The Montana
14 Power Company (MPC) in the Revenue Requirements Department. I have worked in
15 various capacities in the Electric and Gas Utilities, and assumed the position of Director
16 of Gas Supply in May of 1988, Director of Resource Acquisition in May of 1996 and
17 Manager of Strategic Sourcing in April 1998. I worked on the ConnectMPC project
18 from April 1999 to April 2000, when I returned to the Energy Supply Division of MPC.
19 In July 2002, after the acquisition of MPC by NorthWestern Energy my title was
20 changed to Manager, Energy Supply.

1 **Q. What are your responsibilities as Manager, Energy Supply?**

2 A. In this capacity, my duties include short and long-term core natural gas supply planning
3 and day-to-day natural gas portfolio management. This responsibility encompasses
4 NorthWestern's natural gas purchase contract negotiations and administration. I also
5 supervise the development of required data on these topics for presentation to the
6 Montana Public Service Commission (MPSC or Commission). My position requires
7 significant coordination with natural gas suppliers and transportation services providers,
8 as well as other departments of NWE, particularly as they relate to budget planning,
9 natural gas purchase contracts, operations and reliability, and other core gas supply
10 issues.

11

12 **Q. Have you previously filed testimony before this Commission?**

13 A. Yes. I have presented testimony addressing natural gas market and supply matters in
14 various Gas Utility natural gas cost tracking filings.

15

16 **Purpose of Testimony**

17

18 **Q. What specific topics do you address in your testimony in this proceeding?**

19 A. My testimony addresses the following topics:

20 1. An explanation of the 10-months actual and 2-months estimate natural gas market,
21 supply, and cost for the twelve months ended June 30, 2009;

- 1 2. A brief description of the customer benefit of NWE's Storage Optimization and
2 other customer benefits provided during the tracking period ending on June 30,
3 2009; and
- 4 3. A description of the forecast natural gas market, supply, and cost for the twelve-
5 month period, July 1, 2009 through June 30, 2010.

6

7 **Actual 10-Months Plus 2-Months Est. Ended June 30, 2009**

8

9 **Q. Do you sponsor an exhibit, which summarizes the actual operations during the 12-**
10 **months ended June 30, 2009, with the last two months based on estimated data?**

11 A. Yes. Exhibit___(JMS-1) is a detailed comparison of the natural gas market, supply and
12 cost proposed by NorthWestern in Docket No. D2008.5.44 and the actual natural gas
13 market, supply and cost realized for the 10-months actual and 2-months estimated period
14 ending June 30, 2009. Since this filing is being prepared in late May, the May and June
15 2009 figures are estimates.

16

17 **Q. Please compare the 10-month actual and 2-month estimated natural gas cost which**
18 **NWE experienced on behalf of core customers from July 1, 2008 through June 30,**
19 **2009 with the natural gas cost estimated by NorthWestern for this period in Docket**
20 **D2008.5.44.**

21 A. The total net gas cost (line 64) is estimated to be \$65,378,000 lower than expected at the
22 time of the filing.

1 **Q. Did this lower total net gas cost result in a lower unit cost per Dkt?**

2 A. Yes. The 12-month cost per Dkt that was initially calculated for core customer rates was
3 \$10.6309/Dkt. The actual 12-month cost per Dkt was \$7.1824. These costs are
4 presented on Exhibit__(JMS-1) on line 67.

5

6 **Q. What is the current estimated balance in the deferred account at the end of the**
7 **tracking year on June 30, 2009?**

8 A. The estimated balance in the deferred account as of June 30, 2009, is an under-collection
9 (revenues < expenses) of \$20,125. This dollar value is also discussed in the testimony
10 of Patrick J. DiFronzo.

11

12 **Q. Why is the estimated ending balance in the deferred account such a small figure?**

13 A. NWE's revised monthly tracker methodology was initiated on July 1, 2006. This
14 method uses the current tracking year actual data and balances the remaining estimated
15 months deferred account to be as close to zero as possible at the end of the tracking year.
16 When actual data is known for May and June the balance may be larger and may be
17 either an under or over collection.

18

19 **Q. Will there be a rate component for a prior-year true up of this deferred account**
20 **balance?**

21 A. Not at this time. Based on the estimated deferred account balance of \$20,125, no charge
22 is necessary. Once the actual data for May and June 2009 are known and an actual

1 deferred account balance is quantified, NWE will determine whether there needs to be a
2 rate true-up component and, if necessary, will request the appropriate \$/Dkt rate
3 adjustment. This rate adjustment will be an additional collection if the deferred account
4 is under-collected or will be a reduction to the monthly rate if the deferred account is
5 over-collected. Any such rate adjustment will be implemented in August or September
6 of 2009. The remaining deferred account balance will be divided by the remaining
7 tracking year market to calculate the revised rate.

8

9 **Q. Are there any other issues to discuss pertaining to the 2008/2009 10-month actual**
10 **plus 2-month estimated gas cost?**

11 A. Yes. "Lost DSM Revenues" for distribution, transmission and storage are included in
12 this filing. On page 2, line 15 of the Exhibit__ (JMS-1) work papers, the lost revenue
13 amount of \$(369,175) is reported as negative revenue. The foundation for this number
14 is included in the testimony of William M. Thomas.

15

16 **Storage Optimization and Other Customer Benefits**

17

18 **Q. Were there any unique transactions that provided additional value to NWE's**
19 **customers during the 2008/2009 tracking year?**

20 A. Yes. In conjunction with NWE's current Biennial Gas Procurement Plan, NWE looked
21 to aggressively optimize the 1.8 BCF of underground storage that it controls. As part of
22 this effort, NWE utilized 0.9 Bcf of the top 1.8 Bcf of storage and captured the value of
23 the price in the late summer versus the forward price during the upcoming winter. NWE

1 purchased 0.9 Bcf at a price of \$6.08/Dkt during September of 2008, and simultaneously
2 committed to sell 0.9 Bcf during the first quarter of 2009, at the price of \$7.08/Dkt. The
3 gross spread before carrying cost and transportation was \$1.00Dkt. The transportation
4 and carrying cost on this transaction averaged \$0.5459/Dkt. The resulting net spread
5 was \$0.4541/Dkt and the total benefit to the customer was \$408,722. Additional
6 opportunities were not available in 2008/2009 to capture additional Storage
7 Optimization benefits. The lack of sufficient price spreads to cover transportation and
8 carrying cost were discussed in this section of my tracking case testimony last year.

9
10 **Q. Will NWE attempt to utilize Storage Optimization transactions to the benefit of**
11 **customers during the 2009/2010 tracking year?**

12 A. Yes. NWE has already entered into 1.5 Bcf of Storage Optimization deals that will
13 create approximately \$1.0 million in additional revenue that will benefit customers.
14 NWE can enter into an additional 0.3 Bcf when and if a suitable opportunity presents
15 itself. The carrying cost and the transportation cost must be covered before any net
16 revenues are realized that can be returned to customers. NWE will continue to monitor
17 this situation and will enter this type of transaction only if and when it makes sense.

18
19 **Q. Did NWE enter into any other unique transactions that captured benefits for the**
20 **customers?**

21 A. Yes. This year, NWE was able to net customers approximately \$1.1 million dollars by
22 selling March 2009 natural gas and simultaneously buying May 2009 natural gas at an

1 average spread of \$1.29/Dkt. When the March and May prices were close to equal to
2 each other or “flat” the transactions were reversed and the \$1.1 million dollars was
3 realized without any natural gas being purchased or sold.

4

5 **Q. Will NWE continue to watch the March to May spread and look for opportunities**
6 **to make optimization trades to create value that can flow back to customers?**

7 A. Yes. NWE continues to watch these types of spreads.

8

9 **2009 - 2010 Expected Natural Gas Market, Supply and Cost**

10

11 **Q. Do you sponsor an Exhibit that sets forth NWE’s expected natural gas market and**
12 **supply balance for the July 1, 2009 through June 30, 2010, twelve-month tracking**
13 **period?**

14 A. Yes. Exhibit__(JMS-2) sets forth the projected market and natural gas supply.

15

16 **Q. What gas cost (\$/Dkt) does NWE project for the Core and Firm Utility Gas**
17 **Contract (FUGC) customers during the upcoming twelve-month tracking year?**

18 A. The projected gas cost for Core and FUGC sales is \$5.7562/Dkt as shown on line 44 of
19 Exhibit__(JMS-2).

20

21 **Q. Explain why this projected natural gas cost is a decrease of more than \$2.00/Dkt**
22 **from the twelve-month average cost ending June 2009.**

1 A. The price for natural gas in North America has fallen dramatically in the last ten months.
2 NWE's monthly tracker filings have reflected this decrease. NWE's initial July 2008
3 rate request was \$10.6309/Dkt and the request for December 2008 was \$7.4838/Dkt.
4 The April, May, and June requests have been in the range from \$5.57/Dkt down to
5 \$5.12/Dkt.

6

7 **Q. Have the declining natural gas prices had additional impacts on NWE's gas cost?**

8 A. Yes. NWE's Natural Gas Procurement Plan calls for NWE to fix the price on 2 Bcf for
9 three years one year following actual procurement of the fixed price. In November
10 2009, NWE will have the full 6.0 Bcf of long-term fixed prices implemented. Last year
11 during the period of high natural gas prices when I submitted this same tracking case
12 testimony, the 12-month value of the hedges was a positive \$10.9 million. During this
13 spring, (low natural gas prices) a 12-month look forward at the value of the three-year
14 hedges resulted in a negative value of \$16.6 million dollars. Currently, the 12-month
15 look forward at the three-year hedges results in a value of a negative \$13.2 million. The
16 hedges are in place to protect customers from price volatility in a rising market such as
17 May and June of last year. As noted earlier, even with the negative value of these
18 hedges, NWE's commodity rate continued to decline due to the lower natural gas prices.

19

20 **Q. Are there any other developments resulting from the decline in natural gas prices?**

21 A. Yes. For the first time since NWE has had its Natural Gas Procurement Plan in place
22 (December 2004), NWE has triggered a hard target. In April of 2009, NWE was able to

1 procure 25% of its non-hedged 2009/2010 supply at an average price less than the initial
2 Hard Target level. Through a combination of incremental fixed price purchases in May
3 and June for storage injection and a May through October fixed price physical swap,
4 NWE was able to fix the price on 3.5 Bcf of supply at an average price of \$3.16/Dkt.
5 These transactions will help stabilize the 2009/2010 monthly rates. The average cost of
6 NWE's storage gas going into the upcoming winter is projected to be \$4.46/Dkt.

7

8 **Q. How does the \$5.7562/Dkt compare to the rate in last year's annual natural gas**
9 **cost tracking filing?**

10 A. A quick examination of line 66 on Exhibit __ (JMS-1) shows that last year's requested
11 rate was \$10.6309. This year's requested rate is a decrease of \$4.87/Dkt.

12

13 **Q. Do you propose any adjustments to the projected \$5.7562/Dkt unit gas cost?**

14 A. No. NWE proposes \$5.7562/Dkt as the July 1, 2009 effective rate. The next monthly
15 tracking filing will be for an August 1, 2009 rate change. If natural gas prices move
16 dramatically in either direction prior to June 15, 2009, NWE will file an amended
17 monthly natural gas cost tracking filing for a July 1, 2009 monthly rate adjustment.

18

19 **Q. Are there any other issues to discuss pertaining to the 2009/2010 estimated gas**
20 **cost?**

21 A. Yes. "Lost DSM Revenues" for distribution, transmission and storage are included in
22 this filing. On page 2, line 15, of the Exhibit __ (JMS-2) Work Papers, the lost revenue

1 amount of \$(786,877) is reported as negative revenue. The foundation for this number
2 is included in the testimony of William M. Thomas.

3

4 **Q. Are the DSM Lost Revenues reported on Exhibit__(JMS-1) and Exhibit__(JMS-**
5 **2)?**

6 A. Yes. The DSM Lost Revenues are reported on Exhibit__(JMS-1) on line 62, and on
7 Exhibit__(JMS-2) on line 41. On both exhibits, the DSM Lost Revenues are reported as
8 an additional cost rather than the negative revenue. Since both exhibits include only
9 costs, reporting the "Lost DSM Revenues" as a cost was the only way to make both
10 exhibits work mathematically.

11

12 **Q. Does this conclude your testimony?**

13 A. Yes.

ACTUAL OPERATIONS
10 MONTHS ACTUAL & 2 MONTHS ESTIMATE ENDING June 30, 2009 VERSUS DOCKET No. 2008.5.44

CITY GATE REQUIREMENTS DKT	Docket No. 2008.5.44 as filed 05/30/08	10 ACT/2 ES1 12 MO.END. 06/30/09	OVER/(UNDER) Docket No. 2008.5.44	OVER/(UNDER) %
1 GAS COST SALES				
2 DBU SALES - BILLED	19,428	19,760	332	1.7
3				
4 DBU SALES - CITY GATE DELIVERIES	19,428	19,760	332	1.7
5 FUGC	204	196	(8)	(3.9)
6				
7 TOTAL CITY GATE REQUIREMENTS	19,632	19,956	324	1.7
8				
9 Cycle Billing Adj.	0	(55)	(55)	
10 CORE FUEL U & UAF	483	490	7	1.4
11				
12				
13 TOTAL GAS SUPPLY REQUIREMENTS	20,115	20,391	276	1.4
14				
15				
16 GAS SUPPLY (Dkt)				
17				
18 CANADIAN PIPELINE	3,930	4,671	741	
19				
20 HAVRE PIPELINE	6,059	5,967	(92)	(1.5)
21				
22 ENCANA PIPELINE	7,156	8,267	1,111	15.5
23				
24 COLORADAO INTERSTATE PIPELINE	0	178	178	
25				
26 INTRA - MONTANA PURCHASES	3,807	3,470	(337)	(8.9)
27				
28 STORAGE NET (-Inj. / +With.)	(757)	(1,911)	(1,154)	
29				
30 STORAGE FUEL USE	(80)	(104)	(24)	
31				
32 TOTAL GAS SUPPLY	20,115	20,538	423	2.1
33				
34 COST (\$M)				
35				
36 NOVA CAPACITY	1,728	741	(987)	
37 TRANS CANADIAN PIPELINE	29,004	40,953	11,949	
38				
39 HAVRE PIPELINE	63,016	29,726	(33,290)	(52.8)
40				
41 ENCANA PIPELINE	74,170	43,562	(30,608)	(41.3)
42				
43 COLORADAO INTERSTATE PIPELINE	0	1,206	1,206	
44				
45 INTRA - MONTANA PURCHASES	40,444	17,933	(22,511)	(55.7)
46				
47 STORAGE	(7,578)	2,390	9,968	
48				
49				
50 TOTAL GAS SUPPLY COST	200,784	136,511	(64,273)	(32.0)
51				
52				
53 NET GAS COSTS TO MT MKT	200,784	136,511	(64,273)	(32.0)
54				
55 WORKING GAS REVENUE REQUIREMENT	5,018	4,009	(1,009)	(20.1)
56				
57 DEFERRED ACCOUNT INTEREST	832	77		
58				
59 ADMINISTRATIVE COSTS	1,643	2,366		
60				
61 NET GAS COSTS (INCL. W.G. REV REQ)	208,277	142,963	(65,314)	(31.4)
62 Lost D.S.M. Revenues (D,T,& S)	433	369		
63 Lost D.S.M. Revenues Adjustment	0	0		
64 TOTAL GAS COST (Incl Lost DSM Rev)	208,710	143,332	(65,378)	(31.3)
65 UNIT NET GAS COSTS (\$/DKT)				
66				
67 CORE	10.6309	7.1824	(3.4485)	(32.4)

1 Natural Gas Default Supply Tracking Mechanism

	Actual Jul-08	Actual Aug-08	Actual Sep-08	Actual Oct-08	Actual Nov-08	Actual Dec-08	Actual Jan-09	Actual Feb-09	Actual Mar-09	Actual Apr-09	Estimate May-09	Estimate Jun-09	Total
2 Volume Balancing													
3 Billed Market (Dekatherms)													
4 Residential	372,097	259,142	341,187	555,256	1,028,867	1,541,774	2,178,344	1,831,763	1,571,927	1,275,873	761,550	539,130	12,256,910
5 LIEAP	17,726	10,431	14,611	22,892	41,133	65,758	99,927	91,702	87,641	77,409	46,563	32,982	608,775
6 Employee	1,377	783	1,246	1,817	3,593	4,649	6,567	5,446	4,721	4,166	3,051	2,079	39,495
7 Commercial	224,805	177,555	195,946	294,847	514,823	817,679	1,136,082	1,005,221	844,408	672,388	420,115	277,151	6,581,021
8 Firm Industrial	5,798	3,937	5,173	6,422	12,275	22,556	33,759	28,311	23,865	15,744	9,403	6,001	173,246
9 Governmental	1,207	971	1,774	3,014	4,309	8,236	8,392	8,218	6,795	4,923	3,014	2,350	53,201
10 Inter-Department	1,168	655	1,128	1,898	3,902	5,958	8,688	7,431	6,641	4,684	3,208	2,077	47,437
11 CNG Vehicles													
12 Total Distribution Sales	624,178	453,474	561,065	886,147	1,608,902	2,466,610	3,471,759	2,978,092	2,545,997	2,055,187	1,246,904	861,770	19,760,084
13 Cycle Billing Adjustment	-85,352	53,795	162,541	361,378	428,854	502,574	-246,833	-216,048	-245,405	-404,141	-192,567	-173,603	(54,806)
14 Distribution City Gate Deliveries	538,826	507,269	723,606	1,247,524	2,037,756	2,969,185	3,224,926	2,762,045	2,300,592	1,651,045	1,054,337	688,168	19,705,278
15 Firm Utility Gas Sales (Dekatherms)													
16 Cut Bank	2,724	443	883	3,326	10,377	15,353	34,743	29,846	23,643	25,147	11,972	4,297	162,754
17 Kevin	137	68	383	447	473	526	1,142	994	800	808	364	258	6,400
18 Sunburst	604	324	520	1,146	1,667	2,536	5,577	4,847	3,776	3,940	1,367	770	27,074
19 Total Utility Sales	3,465	835	1,786	4,919	12,517	18,415	41,462	35,687	28,219	29,895	13,703	5,325	196,228
20 Total City Gate Deliveries	542,291	508,104	725,392	1,252,443	2,050,273	2,987,600	3,266,388	2,797,732	2,328,811	1,680,940	1,068,040	693,493	19,901,506
21 Transmission U&AF	13,340	12,499	17,845	30,810	50,437	73,495	80,353	68,824	57,289	41,351	26,274	17,080	489,577
22 Total Supply Requirements	555,631	520,603	743,237	1,283,253	2,100,710	3,061,095	3,346,741	2,866,556	2,386,100	1,722,291	1,094,314	710,553	20,391,083
23 Gas Supply (Dekatherms)													
24 Nova Capacity	465,000	562,500	1,349,991	-	-	(146,000)	(310,500)	(280,000)	-	-	1,830,000	1,200,000	4,670,991
25 Canada Pipeline	510,619	512,636	494,612	510,821	492,745	506,939	505,388	455,626	503,634	485,560	502,200	486,000	5,966,780
26 Havre Pipeline	636,170	690,356	737,039	777,922	740,991	718,742	722,469	635,083	675,599	632,291	660,585	640,085	8,267,332
27 Colorado Interstate Pipeline	56,000	62,000	60,000	-	-	-	-	-	-	-	-	-	178,000
28 Williston Basin Interstate Pipeline	194,069	190,819	179,429	181,142	489,939	499,975	458,582	402,664	448,242	42,780	193,166	188,986	3,469,813
29 Intra-Montana Purchases													
30 Total Purchases	1,861,858	2,018,311	2,821,071	1,468,885	1,723,675	1,578,656	1,375,939	1,213,373	1,627,475	1,160,631	3,185,971	2,515,071	22,552,916
31 Storage Activity													
32 Storage Supply Activity	1,433,093	1,582,311	2,126,285	56,923	(240,756)	(2,090,341)	(2,017,176)	(1,220,523)	(978,114)	(652,623)	2,091,657	1,804,519	1,895,255
33 Storage U&AF (injection only)	16,526	18,246	24,519	656	-	-	-	-	-	-	23,576	20,340	103,863
34 Metered Storage Activity	1,449,619	1,600,557	2,150,804	57,579	(240,756)	(2,090,341)	(2,017,176)	(1,220,523)	(978,114)	(652,623)	2,068,081	1,784,179	1,911,286
35 Net Difference (delivered vs. supply)	159,918	121,095	97,489	(128,397)	136,279	(608,903)	(46,374)	432,660	(219,489)	(90,963)	(0)	0	0

05/20/09

Exhibit (JMS-1)
Work papers
Page 1 of 3

1 Natural Gas Default Supply Tracking Mechanism

	Actual Jul-08	Actual Aug-08	Actual Sep-08	Actual Oct-08	Actual Nov-08	Actual Dec-08	Actual Jan-09	Actual Feb-09	Actual Mar-09	Actual Apr-09	Estimate May-09	Estimate Jun-09	Total
2 Supply Revenue/Cost Calculations													
3 Total Sales	627,643	454,309	562,851	891,066	1,621,419	2,485,025	3,513,221	3,013,779	2,574,216	2,085,082	1,260,607	867,095	19,956,312
4 Debitmemos	10,6309	10,7688	8,7996	8,0853	7,5298	7,4838	6,8293	6,8293	6,6826	5,5712	5,5177	5,1227	
5 Prior Year(s) Deferred Expense	(0,1119)	(0,1294)	(0,1294)	(0,1294)	(0,1294)	(0,1294)	(0,1294)	(0,1294)	(0,1294)	(0,1294)	(0,1294)	(0,1294)	
6 Current Year Deferred Adjust.													
7 Total Revenue	6,996,133	4,816,536	5,499,621	7,488,769	12,678,186	18,595,838	25,284,969	20,483,926	17,314,932	12,780,743	6,955,651	4,441,868	143,336,171
8 Current Year Gas Cost	(69,663)	(53,620)	(72,352)	(114,740)	(209,050)	(320,444)	(453,095)	(388,029)	(331,398)	(265,184)	(163,123)	(112,202)	(2,552,899)
9 Prior Year(s) Deferred Adjust.													
10 Current Year Deferred Adjust.	(36,107)	(36,107)	(36,107)	(36,107)	(36,107)	(36,107)	(36,107)	(36,107)	(36,107)	(36,106)	(4,053)	(4,053)	(369,175)
11 Lost DSM Revenue (D, T, & S.)	6,890,364	4,726,809	5,390,162	7,337,921	12,433,029	18,239,287	24,795,767	20,059,790	16,947,427	12,479,452	6,788,476	4,325,612	140,414,097
12 Total Revenue	36,326	39,570	38,570	37,326	38,570	52,401	49,601	62,473	70,872	62,473	126,283	126,283	740,749
13 Natural Gas Expenses	4,323,999	4,054,592	8,471,007	2,252,270	2,683,497	1,588,421	1,040,618	1,560,286	518,015	1,376,563	10,309,206	4,831,366	40,952,839
14 NOVA Capacity	4,817,274	3,576,749	2,856,540	2,878,203	2,688,626	2,652,394	2,347,991	1,712,186	1,638,418	1,389,108	1,413,929	1,754,895	29,726,263
15 Canada Pipeline	6,632,934	5,438,884	4,627,918	4,429,999	4,127,300	3,929,895	3,594,799	2,602,530	2,299,390	1,756,812	1,834,577	2,286,704	43,581,743
16 EnCana Pipeline	525,200	401,302	279,218										1,205,720
17 Colorado Interstate Pipeline													
18 Williston Basin Interstate Pipeline	1,914,255	1,456,710	978,943	975,562	2,746,361	2,809,902	2,408,841	1,773,211	1,579,952	96,605	527,243	666,185	17,933,770
19 Intra-Montana Purchases	(14,209,209)	(11,869,740)	(13,153,194)	(334,782)	1,940,819	16,850,972	16,261,163	9,839,064	7,884,920	5,261,023	(9,224,814)	(6,856,568)	2,389,652
20 Storage Injection/Withdrawal	4,040,779	3,098,066	4,099,003	8,211,577	14,225,173	27,853,985	25,703,013	17,549,749	13,991,566	9,942,585	4,986,424	2,808,805	136,510,727
21 Total Natural Gas Expenses	9,675	6,658	7,581	5,887	9,951	14,585	19,669	15,867	13,404	9,850	5,431	3,460	122,020
22 Administrative Expenses	21,301	14,716	16,729	19,020	32,083	47,047	63,131	50,946	43,072	31,504	17,458	11,177	368,184
23 MCC Tax Collection													
24 MPSC Tax Collection													
25 Labor & Benefits													
26 DSM Expense	92,809	36,947	90,488	40,212	278,904	438,608	488,662	31,564	240,684	31,309	19,470	20,000	1,809,655
27 Computer Expense & Support	2,000	2,000	2,000	2,000	1,250	3,250	54,539	3,250	24,830	1,250			96,369
28 Travel/Education Expense													
29 Legal Expense													5,560
30 Basin Creek Storage Rebate	(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)
31 Total Administrative Expenses	122,785	57,322	113,798	69,679	319,187	500,490	623,000	98,626	318,990	70,913	39,359	31,638	2,365,787
32 Rate Base Expenses	365,719	486,989	621,370	624,791	604,962	432,801	266,666	166,144	85,586	31,836	126,083	196,134	4,009,084
33 Storage Working Gas	(36,200)	(44,497)	(48,943)	(37,695)	(17,864)	60,096	73,844	57,768	39,307	21,577	9,620	148	77,160
34 Deferred Expense													
35 Total Rate Base Expense	329,519	442,492	572,428	587,096	587,098	492,897	340,511	223,912	124,894	53,413	135,703	196,282	4,086,243
36 Total Expenses	4,493,083	3,597,879	4,785,228	8,868,351	15,131,458	28,847,372	26,666,524	17,872,288	14,435,450	10,066,911	5,161,486	3,036,726	142,962,757
37 Deferred Cost Amortization	(69,663)	(53,620)	(72,352)	(114,740)	(209,050)	(320,444)	(453,095)	(388,029)	(331,398)	(265,184)	(163,123)	(112,202)	(2,552,899)
38 Monthly Deferred Cost	2,466,943	1,182,550	677,286	(1,415,690)	(2,489,380)	(10,287,641)	(1,417,662)	2,575,531	2,843,376	2,677,726	1,790,112	1,401,089	4,239
39 Cumulative Deferred Cost	2,466,943	3,649,493	4,326,778	2,911,089	421,709	(9,865,932)	(11,283,595)	(8,708,063)	(5,864,688)	(3,186,962)	(1,396,850)		

1 Natural Gas Default Supply Tracking Mechanism

	Actual Jul-08	Actual Aug-08	Actual Sep-08	Actual Oct-08	Actual Nov-08	Actual Dec-08	Actual Jan-09	Actual Feb-09	Actual Mar-09	Actual Apr-09	Estimate May-09	Estimate Jun-09
3 Total Supply Cost Calculations												
5 Rate Base Storage												
6 Beginning Inventory	2,327,524	3,777,143	5,377,700	7,528,504	7,586,083	7,345,327	5,254,986	3,237,810	2,017,287	1,039,173	386,550	2,454,631
7 Net Storage Activity	1,449,619	1,600,557	2,150,804	57,579	(240,756)	(2,090,341)	(2,017,176)	(1,220,523)	(978,114)	(652,623)	2,068,081	1,784,179
8 Ending Inventory	3,777,143	5,377,700	7,528,504	7,586,083	7,345,327	5,254,986	3,237,810	2,017,287	1,039,173	386,550	2,454,631	4,238,810
9 Beginning Rate Base \$	\$ 21,587,149	\$ 35,796,358	\$ 47,666,098	\$ 60,819,293	\$ 61,154,074	\$ 59,213,256	\$ 42,362,284	\$ 26,101,121	\$ 16,262,058	\$ 8,377,138	\$ 3,116,115	\$ 12,340,929
11 Net Storage Activity \$	\$ 14,209,209	\$ 11,869,740	\$ 13,153,194	\$ 334,782	\$ (1,940,819)	\$ (16,850,972)	\$ (16,261,163)	\$ (9,839,064)	\$ (7,884,920)	\$ (5,261,023)	\$ 9,224,814	\$ 6,856,568
12 Ending Rate Base \$	\$ 35,796,358	\$ 47,666,098	\$ 60,819,293	\$ 61,154,074	\$ 59,213,256	\$ 42,362,284	\$ 26,101,121	\$ 16,262,058	\$ 8,377,138	\$ 3,116,115	\$ 12,340,929	\$ 19,197,497
13												
14 Beginning Unit Cost	\$ 9,2747	\$ 9,4771	\$ 8,8637	\$ 8,0785	\$ 8,0614	\$ 8,0614	\$ 8,0614	\$ 8,0614	\$ 8,0614	\$ 8,0614	\$ 8,0614	\$ 5,0276
15 Activity Unit Cost	\$ 9,8020	\$ 7,4160	\$ 6,1155	\$ 5,8143	\$ 8,0614	\$ 8,0614	\$ 8,0614	\$ 8,0614	\$ 8,0614	\$ 8,0614	\$ 4,4606	\$ 3,8430
16 Ending Unit Cost	\$ 9,4771	\$ 8,8637	\$ 8,0785	\$ 8,0614	\$ 8,0614	\$ 8,0614	\$ 8,0614	\$ 8,0614	\$ 8,0614	\$ 8,0614	\$ 5,0276	\$ 4,5290
17												
18												
19 Deferred Supply Cost Expense												
20 Beginning Balance	\$ (2,528,535)	\$ (4,925,815)	\$ (6,054,745)	\$ (6,659,679)	\$ (5,129,249)	\$ (2,430,820)	\$ 8,177,265	\$ 10,048,023	\$ 7,860,520	\$ 5,348,543	\$ 2,936,002	\$ 1,309,012
21 Monthly Activity	\$ (2,397,280)	\$ (1,128,930)	\$ (604,934)	\$ 1,530,430	\$ 2,698,429	\$ 10,608,085	\$ 1,870,757	\$ (2,187,502)	\$ (2,511,977)	\$ (2,412,542)	\$ (1,626,990)	\$ (1,288,887)
22 Ending Balance	\$ (4,925,815)	\$ (6,054,745)	\$ (6,659,679)	\$ (5,129,249)	\$ (2,430,820)	\$ 8,177,265	\$ 10,048,023	\$ 7,860,520	\$ 5,348,543	\$ 2,936,002	\$ 1,309,012	\$ 20,125
23												
24												
25 Total Capital	\$ 30,870,543	\$ 41,611,353	\$ 54,159,613	\$ 56,024,825	\$ 56,782,436	\$ 50,539,550	\$ 36,149,144	\$ 24,122,578	\$ 13,725,681	\$ 6,052,117	\$ 13,649,941	\$ 19,217,622
26												
27 Cost of Capital												
28 Equity	Rate 10.75%	Percent COC 45.00%	ROR Pre Tax Return 4.84%									
29 Preferred	6.40%	6.97%	0.45%	0.74%								
30 Debt	7.13%	40.17%	2.86%	2.86%								
31 QUIPS Preferred	8.54%	7.86%	0.67%	0.67%								
32 Average Cost of Capital			8.82%	12.26%								
33												
34 Interest												
35 Working Gas	Interest Rate 12.26%											
36 Deferred Account	8.82%											
37 Interim Interest	10.75%											
38												
39 Income Tax												
40 State	6.75%											
41 Federal	35.00%											
42 Effective Tax Rate	39.39%											
43												
44 Regulatory Taxes		Oct 1, 2008										
45 MCC Rate	0.14%	0.08%										
46 MPSC Rate	0.31%	0.26%										
47												
48												
49												
50												

2009/2010 TRACKING CASE
GAS MARKET/SUPPLY/COST
SUMMARY

	<u>Dkt (000)</u>	<u>\$/DKT</u>	<u>\$ (000)</u>
1			
2 CITY GATE REQUIRMENTS			
3 DBU Sales Billed	20,677		
4 FUGC	204		
5 Subtotal Sales Volumes	20,881		
6 Core Fuel U&UAF	514		
7 Grand Total HER	21,395		

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11 GAS SUPPLY

Gas Supply and Costs Provided Under Protective Order

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1 **Natural Gas Default Supply Tracking Mechanism**

	Estimate Jul-08	Estimate Aug-08	Estimate Sep-08	Estimate Oct-08	Estimate Nov-08	Estimate Dec-08	Estimate Jan-09	Estimate Feb-09	Estimate Mar-09	Estimate Apr-09	Estimate May-09	Estimate Jun-09	Total
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05/28/08

Exhibit_(JMS-2)
Work papers
Page 1 of 3

1 Natural Gas Default Supply Tracking Mechanism

	Estimate Jul-08	Estimate Aug-08	Estimate Sep-08	Estimate Oct-08	Estimate Nov-08	Estimate Dec-08	Estimate Jan-09	Estimate Feb-09	Estimate Mar-09	Estimate Apr-09	Estimate May-09	Estimate Jun-09	Total
2 Supply Revenue/Cost Calculations													
3 Total Sales													
4 Dekatherms	518,716	386,538	452,416	925,716	1,594,087	2,879,901	3,046,840	3,269,790	2,609,293	1,881,445	1,260,607	867,095	19,632,444
5 Current Year Supply Cost	10,6309	10,6309	10,6309	10,6309	10,6309	10,6309	10,6309	10,6309	10,6309	10,6309	10,6309	10,6309	10,6309
6 Prior Year(s) Deferred Expense	0.1165	0.1165	0.1165	0.1165	0.1165	0.1165	0.1165	0.1165	0.1165	0.1165	0.1165	0.1165	0.1165
7 Current Year Deferred Adjust.													
8 Lost DSM Revenue (D, T, & S.)	(36,107)	(36,107)	(36,107)	(36,107)	(36,107)	(36,107)	(36,107)	(36,107)	(36,107)	(36,106)	(36,106)	(36,106)	(453,281)
9 Total Revenue	5,538,741	4,118,172	4,826,189	9,912,933	16,451,340	30,915,341	32,709,501	35,105,634	28,007,009	20,184,536	13,512,142	9,282,911	210,564,448
10 Gas Cost Revenues													
11 Current Year Gas Cost	5,514,418	4,109,247	4,809,589	9,841,194	16,308,725	30,615,940	32,390,651	34,760,811	27,739,133	20,001,454	13,401,387	9,218,000	208,710,549
12 Prior Year(s) Deferred Expense	60,430	45,032	52,706	107,846	178,721	335,508	354,957	380,931	303,983	219,188	146,861	101,017	2,287,180
13 Current Year Deferred Adjust.													
14 Total Revenue	(36,107)	(36,107)	(36,107)	(36,107)	(36,107)	(36,107)	(36,107)	(36,107)	(36,107)	(36,106)	(36,106)	(36,106)	(453,281)
15 Total Revenue	5,538,741	4,118,172	4,826,189	9,912,933	16,451,340	30,915,341	32,709,501	35,105,634	28,007,009	20,184,536	13,512,142	9,282,911	210,564,448
16													
17 Natural Gas Expenses													
18 NOVA Capacity													
19 Canada Pipeline													
20 Havre Pipeline													
21 EnCana Pipeline													
22 Colorado Interstate Pipeline													
23 Williston Basin Interstate Pipeline													
24 Intra-Montana Purchases													
25 Storage Injection/Withdrawal													
26 Total Natural Gas Expenses	4,952,767	4,803,280	7,422,895	12,751,178	22,620,920	30,566,176	32,973,795	30,519,474	23,346,216	14,565,944	9,862,953	6,507,871	200,763,468
27													
28 Administrative Expenses													
29 MCC Tax Collection	7,754	5,765	6,757	13,878	23,032	43,281	45,793	49,148	39,210	28,258	18,917	12,996	294,790
30 MPSC Tax Collection	17,032	12,688	14,897	30,585	50,308	95,130	100,081	107,902	85,919	61,377	41,431	28,800	645,930
31 Labor & Benefits													
32 DSM Expense	45,650	330	86,660	284,090	31,550	150,790	6,100	49,110	53,840	30,850	19,470	-	738,440
33 Computer Expense & Support													
34 Travel/Education Expense													
35 Legal Expense													
36 Basin Creek Storage Rebate	(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)
37 Total Administrative Expenses	67,436	15,784	105,314	305,534	101,889	286,201	148,974	203,160	175,969	117,486	76,818	38,596	1,643,161
38													
39 Rate Base Expenses													
40 Storage Working Gas	16,224	24,435	50,023	79,118	131,076	135,405	142,165	112,342	81,038	42,462	17,786	(0)	832,075
41 Deferred Expense	438,679	616,409	779,699	815,230	798,408	662,080	506,606	324,914	225,256	152,004	214,795	316,166	5,850,246
42 Total Rate Base Expense	5,458,882	5,235,473	8,307,908	13,871,941	23,521,217	31,504,457	33,629,375	31,047,548	23,747,441	14,935,434	10,154,566	6,862,632	208,276,874
43													
44 Total Expenses	60,430	45,032	52,706	107,846	178,721	335,508	354,957	380,931	303,983	219,188	146,861	101,017	2,287,180
45													
46 Monthly Deferred Cost	19,429	(1,162,333)	(3,534,425)	(4,066,854)	(7,248,598)	(924,625)	(1,274,831)	3,677,156	3,955,585	5,029,914	3,210,715	2,319,262	394
47 Cumulative Deferred Cost	19,429	(1,142,904)	(4,677,329)	(8,744,183)	(15,992,781)	(16,917,406)	(18,192,237)	(14,515,081)	(10,559,496)	(5,529,583)	(2,318,868)	-	-
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05/28/08

**PREFILED DIRECT TESTIMONY OF PATRICK J. DIFRONZO
ON BEHALF OF NORTHWESTERN ENERGY**

TABLE OF CONTENTS

<u>Description</u>	<u>Starting Page No.</u>
Witness Information	2
Purpose of Testimony	3
Unreflected Gas Cost Account	3
Gas Transportation Adjustment Clause (GTAC)	5
Unit Rate Adjustments/ Proposed Rates	7
<u>Exhibits</u>	
Unreflected Gas Cost Account Balance	Exhibit__(PJD-1)
GTAC Allocation and Rate Calculations	Exhibit__(PJD-2)
Unit Rate Adjustments/Proposed Rates	Exhibit__(PJD-3)
Maximum IT Commodity Rate	Exhibit__(PJD-4)

Witness Information

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Q. Please state your name and business address.

A. Patrick J. DiFronzo, 40 East Broadway, Butte, Montana 59701.

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

A. I am NorthWestern Energy's (NWE or NorthWestern) Manager of Regulatory Affairs.

Q. Please summarize your education and employment experience.

A. I graduated from Montana State University with a Bachelor of Science Degree in Accounting in 1981. In August 1983, I completed the requirements to become a Certified Public Accountant. I have also attended several rate-related courses since my employment at NorthWestern, which commenced in July 1984. The first position I held was Accountant in the Income Tax Department, from 1984 through 1989. During this time frame I worked on several Montana Public Service Commission (MPSC or Commission) and Federal Energy Regulatory Commission (FERC) rate filings preparing tax statements and exhibits. I then spent a year in the Regulatory Affairs Department as part of a cross-training program learning more about cost of service and other regulatory matters. After this, I transferred into Internal Auditing where I spent the next six years working on various financial and information system control audits. In 1996, I transferred into the Financial Resources Department as a Senior Analyst. In the Financial Resources Department I prepared annual and forecasted business plans for NorthWestern and performed various financial analysis. In May of 1999, I was promoted to Manager of Treasury Services. In the Treasury Department, I worked on several MPSC and FERC rate filings preparing cost of capital statements and exhibits. In October of 2000, I accepted a position in the Regulatory Affairs Department as a Senior Analyst. In December of 2003, I was promoted to Manager of Regulatory Affairs.

1 **Q. What are your responsibilities as Manager of Regulatory Affairs?**

2 **A.** I am the manager in charge of state and federal regulatory activities, for NorthWestern in
3 Montana.

4
5 In my present role, among other things, I participate in the preparation and/or
6 consideration of the testimony, exhibits and work papers in NorthWestern's proceedings
7 before the MPSC and FERC.

8
9 **Purpose of Testimony**

10
11 **Q. What is the purpose of your testimony?**

12 **A.** My testimony:

- 13 1. Presents the natural gas cost revenues and natural gas cost expenses for the period July 1,
14 2008 to June 30, 2009. This includes the Unreflected Gas Cost Account details. The
15 information is actual through April 2009 and estimated for May and June 2009;
- 16 2. Presents the proposed amortization of the Gas Transportation Adjustment Clause
17 (GTAC) Balance as of April 30, 2009;
- 18 3. Explains the cessation of the prior period Unreflected Gas Cost Account and GTAC
19 Balance amortizations; and
- 20 4. Sponsors the proposed rates resulting from the various natural gas cost and amortization
21 adjustments proposed in this filing.

22
23 **Unreflected Gas Cost Account**

24
25 **Q. What is the Unreflected Gas Cost Account Balance for the 12-month period ending**
26 **June 2009?**

27 **A.** The Unreflected Gas Cost Account Balance for the 12-month period ending June 2009,
28 recorded on NWE's books and records, is an over collection of \$(4,238) shown on
29 Exhibit__(PJD-1), page 1. This Exhibit is a summary table that presents, on a monthly
30 basis, the actual natural gas cost revenues and the corresponding natural gas cost
31 expenses commencing July 1, 2008, and ending June 30, 2009. The balance for each
32 month and the total for the 12-month period ending June 2009 are reported in the column

1 titled "Deferred Gas Cost". This table reflects the amounts recorded in the Unreflected
2 Gas Cost Account (Account No. 191) for this period and is a summary of the totals taken
3 from the individual monthly natural gas cost revenue and natural gas cost expense reports
4 NWE files with the Commission. The months of May and June are estimated and will be
5 trued-up as part of the next year's filing.
6

7 **Q. What is the source of natural gas cost revenues and natural gas cost expenses?**

8 A. Natural gas cost revenues are the portion of the booked natural gas revenues associated
9 with natural gas costs. Each month, the recorded consumption provides the source data to
10 which the appropriate unit natural gas cost rate component (as approved in respective rate
11 orders) is applied. The product of this computation is the Total Gas Cost Revenue. The
12 natural gas cost expenses are based on the actual costs recorded on the books and records
13 of NWE.
14

15 **Q. What is the Total Unreflected Gas Cost Account Adjustment proposed for
16 amortization in this filing?**

17 A. The total Unreflected Gas Cost Account Adjustment proposed for amortization in this
18 filing is \$20,125 shown on Exhibit_(PJD-1), page 2. The prior period amortization
19 adjustment of \$24,363 shown on Exhibit__(PJD-1), page 2 is the balance remaining after
20 cessation of the amortization initially approved in Docket D2008.5.44, Order No. 6930d.
21 NWE is proposing to cancel this Unreflected Gas Cost Account Balance unit
22 amortization in the current rates upon approval of the rate treatment proposed in this
23 filing. NWE is including the remaining balance of this amortization to be included with
24 the Unreflected Gas Cost Account Balance of \$(4,239) for the period ending June 30,
25 2009.
26

27 **Total Unreflected Gas Cost Account Balance**

28 2008-2009 Unreflected Gas Account Balance (Exhibit_(PJD-1), page 1)	\$ (4,238)
29 Plus: 2008-2009 Prior Period Deferred Account Balance (Exhibit_(PJD-1), page 2)	<u>\$ 24,363</u>
30	\$ 20,125

1 The \$20,125 is the starting amount for the 2009 amortization as shown on Mr. Smith's
2 workpapers supporting Exhibit_(JMS-1) and discussed in his testimony. Since the Total
3 Unreflected Gas Account Balance estimated at the end of June 2009 is immaterial, NWE
4 proposes to set the rate at zero. After actuals are recorded for the months of May and June,
5 NWE will review the account balance again and determine if the amount merits a filing
6 proposing a rate adjustment.

7
8 **Gas Transportation Adjustment Clause (GTAC)**

9
10 **Q. Would you briefly describe the purpose of the GTAC mechanism?**

11 A. The purpose of the GTAC mechanism is to track the difference between the actual
12 Interruptible and Off-system transportation sales received and the amount established
13 from the most current general rate filing. The Interruptible and Off-system sales from the
14 latest general rate filing are basically revenue credits in establishing Montana jurisdiction
15 rates. The GTAC mechanism is used to track any differences between actual Interruptible
16 and Off-system transportation sales and the amount established in the general rate filing.
17 If actual Interruptible and Off-system revenues exceed the amounts established in the
18 general rate filing, then customers are given a credit through the GTAC rates and vice
19 versa if actual revenues are less than the amounts established. The GTAC mechanism
20 was implemented pursuant to Order No. 5474c, Docket No. 90.1.1. NWE files for
21 treatment of the GTAC Balance annually, in conjunction with its annual natural gas
22 tracking filing.

23
24 In addition, pursuant to Order No. 6197c, Docket No. 99.8.176, NWE has the flexibility
25 to discount its transmission, storage and/or distribution rates and recover the discounted
26 amounts from its other customers. The discounted amounts are flowed through to
27 customers using the GTAC.

28
29 **Q. Has NWE revised the Interruptible and Off-system sales used in calculating the
30 GTAC rate?**

31 A. Yes, the Interruptible and Off-system transportation sales were reset to reflect the sales
32 amount included in NWE's recent general rate filing in Docket No. D2007.7.82. The

1 GTAC computation reflects the new sales amounts starting on January 1, 2008 to
2 coincide with implementation of MPSC jurisdiction natural gas delivery services rates
3 adjusted per Interim Order 6852f. Prior to this date the amounts were based on Docket
4 No. D2000.8.113, Order 6271c.

5
6 **Q. What are the new Interruptible and Off-system transportation sales amounts
7 included in NWE's filing in Docket No. D2007.7.82?**

8 A. Below are the amounts reflected in Statement H for the Natural Gas Utility.

9 DBU Interruptible Transportation	\$ 29,773
10 TBU Interruptible Transportation	\$ 702,242
11 Off-System IT	\$ 388,576
12 CMPL Transportation	<u>\$ 71,344</u>
13 Total	\$1,191,935

14
15 **Q. What is the most recent GTAC Balance?**

16 A. The GTAC Balance reflected on NWE's books and records as of April 30, 2009 is
17 \$115,873 as shown on Exhibit__(PJD-2) page 5. This is the actual Interruptible and Off-
18 system transportation revenues of \$907,166 offset by the previously ordered revenues of
19 \$1,191,935 and the Interruptible Transportation (IT) rate discount of \$(168,896).

20
21 **Q. What is the GTAC prior period balance currently being amortized pursuant to
22 Docket D2008.7.44, Order No. 6930d?**

23 A. Exhibit__(PJD-2) pages 2 through 4 show the calculation of the remaining estimated
24 GTAC Balance as of April 30, 2009, currently being amortized for the 2008-2009 GTAC
25 adjustment, Order No. 66930d of \$(146,295) for Storage, \$(1,100) for DBU and
26 \$(186,842) for TBU for a total of \$(334,237).

27
28 **Q. What is the GTAC net balance being proposed for amortization in this filing?**

29 A. Similar to the adjustment for the prior period made to the Unreflected Gas Cost Account
30 Balance described above, it is necessary to make an adjustment of \$(334,237) to the
31 current GTAC balance as of April 30, 2009, for the prior GTAC amortization approved
32 in Order No. 6930d. NWE is proposing cessation of the amortization of this GTAC prior

1 period balance upon approval of the rate treatment proposed in this filing and inclusion
2 of this balance of \$(334,236) with the current balance of \$115,873 for a total GTAC
3 amortization in rates of \$(218,363).
4

5 **Q. Please explain the derivation of the GTAC rates.**

6 A. The amortization is related to three functions on the natural gas system: storage,
7 distribution and transmission. The amortization is first separated into the appropriate
8 functions, and then allocated among the different customer classes that utilize each
9 function. The customer class balances within each function are then divided by each
10 customer class' billing determinants to develop the customer class unit rates. This
11 calculation is provided on Exhibit_(PJD-2), page 1.
12

13 **Unit Rate Adjustments/Proposed Rates**
14

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

17 A. Yes, Exhibit__(PJD-3) includes a table that reflects the rates that result from the
18 adjustments included in this filing. The exhibit reflects the current tariffed rates, the
19 proposed rates and the resulting change.
20

21 **Q. Have you prepared an exhibit for the proposed maximum IT commodity rate at
22 transmission level?**

23 A. Yes, Exhibit__(PJD-4) reflects the calculation of the proposed maximum IT commodity
24 rate at transmission level. Pursuant to NWE's approved maximum IT rate design
25 (initially approved in Docket No. 90.1.1) the maximum IT commodity rate at
26 transmission level is based on the 100% load factor Firm Transportation (FT) commodity
27 rate at transmission level. Therefore, it is necessary to recalculate the maximum IT rate
28 at transmission level after deriving the new FT commodity rate.
29

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

1 A. NWE proposes an interim rate effective date for its proposed rate adjustments and
2 implementation of monthly natural gas cost adjustments for service on and after July 1,
3 2009.

4

5 **Q. Does NWE plan to continue to utilize a monthly tracking procedure?**

6 A. Yes, as proposed and ordered in Docket D2003.6.66, NWE continues to promote the use
7 of monthly trackers.

8

9 **Q. Is the monthly tracking procedure based on an adjustment to actual for the 12-**
10 **month forecasted tracking period ending June 30, 2009 as proposed and ordered in**
11 **Docket D2008.5.44?**

12 A. Yes, it is.

13

14 **Q. Does this complete your testimony?**

15 A. Yes, it does.

NorthWestern Energy
Unreflected Gas Cost Account Balance
July 2008 - June 2009

Month	Gas Cost Revenues	Gas Cost Expense	Deferred Gas Cost
July-08	\$6,960,026	\$4,493,083	(\$2,466,943)
August-08	\$4,780,429	\$3,597,880	(\$1,182,549)
September-08	\$5,462,514	\$4,785,228	(\$677,286)
October-08	\$7,452,662	\$8,868,352	\$1,415,690
November-08	\$12,642,079	\$15,131,459	\$2,489,381
December-08	\$18,559,731	\$28,847,372	\$10,287,641
January-09	\$25,248,862	\$26,666,524	\$1,417,662
February-09	\$20,447,819	\$17,872,288	(\$2,575,531)
March-09	\$17,278,825	\$14,435,450	(\$2,843,376)
April-09	\$12,744,636	\$10,066,911	(\$2,677,725)
May-09 (Estimated)	\$6,951,598	\$5,161,486	(\$1,790,112)
June-09 (Estimated)	\$4,437,817	\$3,036,726	(\$1,401,091)
	\$142,966,998	\$142,962,759	(\$4,239)

NorthWestern Energy
Unreflected Gas Cost Account
Prior Period Deferred Balance (07/01/07 - 06/30/08) & 2009 Amortizations
Docket No. D2008.5.44, Order 6930d

Month	Monthly Collection/(Give Back)	Collection to-date	Balance Remaining
Balance			(\$2,528,535)
July-08	(\$69,663)	(\$69,663)	(\$2,458,873)
August-08	(\$53,620)	(\$123,283)	(\$2,405,253)
September-08	(\$72,352)	(\$195,634)	(\$2,332,901)
October-08	(\$114,740)	(\$310,374)	(\$2,218,161)
November-08	(\$209,050)	(\$519,424)	(\$2,009,112)
December-08	(\$320,444)	(\$839,868)	(\$1,688,667)
January-09	(\$453,095)	(\$1,292,963)	(\$1,235,573)
February-09	(\$388,029)	(\$1,680,992)	(\$847,543)
March-09	(\$331,398)	(\$2,012,390)	(\$516,145)
April-09	(\$265,184)	(\$2,277,575)	(\$250,961)
May-09 (Estimated)	(\$163,123)	(\$2,440,698)	(\$87,838)
June-09 (Estimated)	(\$112,201)	(\$2,552,899)	\$24,363
Deferred Estimated Balance @ June 30, 2009			<u>(\$4,239)</u> Exhibit_(PJD-1), Page 1
Total Under/(Over) Recovery			\$20,125

NorthWestern Energy
GTAC Allocation and Rate Calculation
2009 Tracker Filing Estimate

Storage

Current Section 311							
			\$0.00				
Prior Period Balance			(\$146,294.94)				
			(\$146,294.94)				
				July - June			
				Billing			
				Determinant	Rate	Current	
	<u>MDDQ</u>	<u>Allocators</u>			<u>Estimate</u>	<u>Rates</u>	<u>Change</u>
Core	120,322	0.65339	(\$95,587.65)	20,677,298	(\$0.004623)	\$0.008310	(\$0.012933)
Utility	1,487	0.00807	(\$1,180.60)	1,487	(\$0.066162)	\$0.111773	(\$0.177935)
Transportation	62,340	0.33853	(\$49,525.22)	62,340	(\$0.066203)	\$0.111813	(\$0.178016)
	184,149	0.99999	(\$146,293.47)				

DBU IT

Current Section 311			\$13,094.12				
Prior Period Balance			(\$1,100.07)				
			\$11,994.05				
				July - June			
				Billing			
				Determinant	Rate	Current	
	<u>MDDQ</u>	<u>Allocators</u>			<u>Estimate</u>	<u>Rates</u>	<u>Change</u>
Residential	148,013	0.59230	\$7,104.13	13,532,310	\$0.000525	\$0.001953	(\$0.001428)
General Service	79,699	0.31893	\$3,825.30	7,144,988	\$0.000535	\$0.002034	(\$0.001499)
DBU	22,181	0.08876	\$1,064.62	22,181	\$0.004000	\$0.014202	(\$0.010202)
	249,893	1.00000	\$11,994.05				

TBU IT

Current Section 311			\$102,778.81				
Prior Period Balance			(\$186,841.80)				
			(\$84,062.99)				
				July - June			
				Billing			
				Determinant	Rate	Current	
	<u>MDDQ</u>	<u>Allocators</u>			<u>Estimate</u>	<u>Rates</u>	<u>Change</u>
Residential	148,013	0.50968	(\$42,844.84)	13,532,310	(\$0.003166)	\$0.045713	(\$0.048879)
General Service	79,699	0.27444	(\$23,070.30)	7,144,988	(\$0.003229)	\$0.047594	(\$0.050823)
Utility	2,703	0.00931	(\$782.43)	196,228	(\$0.003987)	\$0.052670	(\$0.056657)
TBU	59,991	0.20658	(\$17,365.42)	13,615,000	(\$0.001275)	\$0.019020	(\$0.020295)
	290,406	1.00000	(\$84,062.99)				

Total

Current Section 311			\$115,872.93				
Prior Period Balance			(\$334,236.81)				
			(\$218,363.87)				

**NorthWestern Energy
Storage GTAC Amortization
Prior Period Deferred Balance (07/01/07 - 06/30/08) & 2009 Amortizations
Docket No. D2008.5.44, Order 6930d**

Month	Monthly Collection	Collection to-date	Balance Remaining
Balance			\$241,754.88
May-08	\$64,851.50	\$64,851.50	\$176,903.38
June-08	\$46,999.67	\$111,851.17	\$129,903.71
July-08	\$39,353.79	\$151,204.96	\$90,549.92
August-08	\$28,562.96	\$179,767.93	\$61,986.95
September-08	\$13,487.43	\$193,255.36	\$48,499.52
October-08	\$16,189.89	\$209,445.25	\$32,309.63
November-08	\$22,193.30	\$231,638.55	\$10,116.33
December-08	\$29,316.61	\$260,955.16	(\$19,200.28)
January-09	\$37,669.39	\$298,624.55	(\$56,869.67)
February-09	\$33,561.77	\$332,186.32	(\$90,431.44)
March-09	\$29,971.06	\$362,157.39	(\$120,402.51)
April-09	\$25,892.43	\$388,049.82	(\$146,294.94)

**NorthWestern Energy
DBU GTAC Amortization
Prior Period Deferred Balance (07/01/07 - 06/30/08) & 2009 Amortizations
Docket No. D2008.5.44, Order 6930d**

Month	Monthly Collection	Collection to-date	Balance Remaining
Balance			\$42,251.90
May-08	\$3,374.32	\$3,374.32	\$38,877.58
June-08	\$2,033.18	\$5,407.50	\$36,844.40
July-08	\$1,362.65	\$6,770.15	\$35,481.75
August-08	\$1,192.56	\$7,962.72	\$34,289.18
September-08	\$1,433.80	\$9,396.51	\$32,855.39
October-08	\$2,077.26	\$11,473.78	\$30,778.12
November-08	\$3,500.33	\$14,974.11	\$27,277.79
December-08	\$5,200.83	\$20,174.94	\$22,076.96
January-09	\$7,199.78	\$27,374.72	\$14,877.18
February-09	\$6,222.18	\$33,596.90	\$8,655.00
March-09	\$5,364.23	\$38,961.13	\$3,290.77
April-09	\$4,390.84	\$43,351.97	(\$1,100.07)

**NorthWestern Energy
TBU GTAC Amortization
Prior Period Deferred Balance (07/01/07 - 06/30/08) & 2009 Amortizations
Docket No. D2008.5.44, Order 6930d**

Month	Monthly Collection	Collection to-date	Balance Remaining
Balance			\$1,145,351.82
May-08	\$149,557.89	\$149,557.89	\$995,793.93
June-08	\$93,541.74	\$243,099.63	\$902,252.19
July-08	\$69,576.92	\$312,676.55	\$832,675.27
August-08	\$43,745.16	\$356,421.71	\$788,930.11
September-08	\$42,272.98	\$398,694.69	\$746,657.13
October-08	\$57,117.06	\$455,811.76	\$689,540.06
November-08	\$94,149.94	\$549,961.69	\$595,390.13
December-08	\$134,294.40	\$684,256.10	\$461,095.72
January-09	\$192,917.57	\$877,173.66	\$268,178.16
February-09	\$165,938.39	\$1,043,112.06	\$102,239.76
March-09	\$153,486.41	\$1,196,598.47	(\$51,246.65)
April-09	\$135,595.15	\$1,332,193.62	(\$186,841.80)

**NorthWestern Energy
GTAC Balance
As Of April 30, 2009**

Monthly GTAC Revenues	May 2008 through <u>April 2009</u>
DBU IT	\$ 10,607.92
TBU On-System IT	318,989.23
TBU Off-System IT	511,664.79
Off-System Storage	-
CMPL IT	65,903.96
Total GTAC Revenues	<u>\$ 907,165.90</u>
Less Offsets	
(per Order No. 6852f):	
Off-System IT Rev.	\$ 388,575.96
Off-System IS Rev.	-
DBU On-System IT Rev.	29,772.60
TBU On-System IT Rev.	702,241.92
CMPL Trans. Rev.	71,344.08
	<u>\$ 1,191,934.56</u>
FT Rate Discount Shortfall:	
TBU FT Discount Rev. Impact	\$ (162,825.17)
DBU FT Discount Rev. Impact	(6,070.56)
	<u>\$ (168,895.73)</u>
Total Offsets	\$ 1,023,038.83
NET GTAC Revenues	\$ 115,872.93
Storage	\$ -
Distribution	13,094.12
Transmission	102,778.81
NET GTAC Revenues	<u>\$ 115,872.93</u>

**NorthWestern Energy
Natural Gas Utility
Unit Rate Adjustments/Proposed Rates
July 1, 2009**

	Current	Proposed	Rate Change	Percentage Change
Core:				
D-RG-1 Rate Schedule				
Residential				
Monthly Service Charge per Meter	\$ 6.75	\$ 6.75	\$ -	0.00%
Commodity Charges (\$/Dkt)				
Distribution Charge	\$ 1.839552	\$ 1.839552	\$ -	0.00%
Transmission Charge	\$ 1.089308	\$ 1.089308	\$ -	0.00%
Storage Charge	\$ 0.331528	\$ 0.331528	\$ -	0.00%
Gas Supply Charge	\$ 5.122700	\$ 5.756200	\$ 0.633500	12.37%
Deferred Gas Cost Amortization	\$ (0.129400)	\$ -	\$ 0.129400	100.00%
DBU GTAC Amortization	\$ 0.001953	\$ 0.000525	\$ (0.001428)	-73.12%
TBU GTAC Amortization	\$ 0.045713	\$ (0.003166)	\$ (0.048879)	-106.93%
Storage GTAC Amortization	\$ 0.008310	\$ (0.004623)	\$ (0.012933)	-155.63%
Total Commodity	\$ 8.309664	\$ 9.009324	\$ 0.699660	8.42%
D-RGCA-1 Rate Schedule				
Residential Gas Core Aggregation				
Monthly Service Charge per Meter	\$ 6.75	\$ 6.75	\$ -	0.00%
Commodity Charges (\$/Dkt)				
Distribution Charge	\$ 1.839552	\$ 1.839552	\$ -	0.00%
Transmission Charge	\$ 1.089308	\$ 1.089308	\$ -	0.00%
Storage Charge	\$ 0.331528	\$ 0.331528	\$ -	0.00%
DBU GTAC Amortization	\$ 0.001953	\$ 0.000525	\$ (0.001428)	-73.12%
TBU GTAC Amortization	\$ 0.045713	\$ (0.003166)	\$ (0.048879)	-106.93%
Storage GTAC Amortization	\$ 0.008310	\$ (0.004623)	\$ (0.012933)	-155.63%
Total Commodity	\$ 3.316364	\$ 3.253124	\$ (0.063240)	-1.91%
D-GSG-1 Rate Schedule				
General Natural Gas Service				
Monthly Service Charge per Meter				
0 to 300	\$ 16.95	\$ 16.95	\$ -	0.00%
301 to 1,000	\$ 22.35	\$ 22.35	\$ -	0.00%
1,001 to 2,000	\$ 36.05	\$ 36.05	\$ -	0.00%
2,001 to 5,000	\$ 60.55	\$ 60.55	\$ -	0.00%
5,001 to 10,000	\$ 74.35	\$ 74.35	\$ -	0.00%
10,001 to 30,000	\$ 117.60	\$ 117.60	\$ -	0.00%
> 30,000	\$ 142.90	\$ 142.90	\$ -	0.00%
Commodity Charges (\$/Dkt)				
Distribution Charge	\$ 1.818025	\$ 1.818025	\$ -	0.00%
Transmission Charge	\$ 1.088231	\$ 1.088231	\$ -	0.00%
Storage Charge	\$ 0.330452	\$ 0.330452	\$ -	0.00%
Gas Supply Charge	\$ 5.122700	\$ 5.756200	\$ 0.633500	12.37%
Deferred Gas Cost Amortization	\$ (0.129400)	\$ -	\$ 0.129400	100.00%
DBU GTAC Amortization	\$ 0.002034	\$ 0.000535	\$ (0.001499)	-73.70%
TBU GTAC Amortization	\$ 0.047594	\$ (0.003229)	\$ (0.050823)	-106.78%
Storage GTAC Amortization	\$ 0.008310	\$ (0.004623)	\$ (0.012933)	-155.63%
Total Commodity	\$ 8.287946	\$ 8.985591	\$ 0.697645	8.42%

**NorthWestern Energy
Natural Gas Utility
Unit Rate Adjustments/Proposed Rates
July 1, 2009**

	<u>Current</u>	<u>Proposed</u>	<u>Rate Change</u>	<u>Percentage Change</u>
D-GSGCA-1 Rate Schedule				
General Natural Gas Service Core Aggregation				
Monthly Service Charge per Meter				
0 to 300	\$ 16.95	\$ 16.95	\$ -	0.00%
301 to 1,000	\$ 22.35	\$ 22.35	\$ -	0.00%
1,001 to 2,000	\$ 36.05	\$ 36.05	\$ -	0.00%
2,001 to 5,000	\$ 60.55	\$ 60.55	\$ -	0.00%
5,001 to 10,000	\$ 74.35	\$ 74.35	\$ -	0.00%
10,001 to 30,000	\$ 117.60	\$ 117.60	\$ -	0.00%
> 30,000	\$ 142.90	\$ 142.90	\$ -	0.00%
Commodity Charges (\$/Dkt)				
Distribution Charge	\$ 1.818025	\$ 1.818025	\$ -	0.00%
Transmission Charge	\$ 1.088231	\$ 1.088231	\$ -	0.00%
Storage Charge	\$ 0.330452	\$ 0.330452	\$ -	0.00%
DBU GTAC Amortization	\$ 0.002034	\$ 0.000535	\$ (0.001499)	-73.70%
TBU GTAC Amortization	\$ 0.047594	\$ (0.003229)	\$ (0.050823)	-106.78%
Storage GTAC Amortization	\$ 0.008310	\$ (0.004623)	\$ (0.012933)	-155.63%
Total Commodity	<u>\$ 3.294646</u>	<u>\$ 3.229391</u>	<u>\$ (0.065255)</u>	<u>-1.98%</u>
T-FUGC-1 Rate Schedule				
Firm Utility Gas Contract Service				
Monthly Service Charge per Meter				
10,001 to 30,000	\$ 107.60	\$ 107.60	\$ -	0.00%
> 30,000	\$ 277.40	\$ 277.40	\$ -	0.00%
Transmission Charges:				
Reservation Rate (MDDQ)	\$ 5.237721	\$ 5.237721	\$ -	0.00%
Transmission Commodity Rate (Dkt)	\$ 0.062431	\$ 0.062431	\$ -	0.00%
GTAC Amortization (Dkt)	\$ 0.052670	\$ (0.003987)	\$ (0.056657)	-107.57%
Storage Charges:				
Reservation Rate (MDDQ)	\$ 4.165635	\$ 4.165635	\$ -	0.00%
Storage Commodity Rate (Dkt)	\$ 0.015069	\$ 0.015069	\$ -	0.00%
GTAC Amortization (MDDQ)	\$ 0.111773	\$ (0.066162)	\$ (0.177935)	-159.19%
Gas Supply Charge (Dkt)	\$ 5.122700	\$ 5.756200	\$ 0.633500	12.37%
Deferred Gas Cost Amortization (Dkt)	\$ (0.129400)	\$ -	\$ 0.129400	100.00%

**NorthWestern Energy
Natural Gas Utility
Unit Rate Adjustments/Proposed Rates
July 1, 2009**

	<u>Current</u>	<u>Proposed</u>	<u>Rate Change</u>	<u>Percentage Change</u>
Non-Core				
Distribution Business Unit				
D-FTG-1 Rate Schedule				
Firm Transportation Natural Gas Service				
Monthly Service Charge per Meter				
2,000 to 5,000	\$ 103.05	\$ 103.05	\$ -	0.00%
5,000 to 10,000	\$ 117.75	\$ 117.75	\$ -	0.00%
10,001 to 30,000	\$ 161.90	\$ 161.90	\$ -	0.00%
> 30,000	\$ 187.95	\$ 187.95	\$ -	0.00%
Distribution Charge: (MDDQ)				
Reservation Rate	\$ 6.518627	\$ 6.518627	\$ -	0.00%
GTAC Amortization	\$ 0.014202	\$ 0.004000	\$ (0.010202)	-71.84%
D-ITG-1 Rate Schedule				
Interruptible Transportation Natural Gas Service				
Monthly Service Charge per Meter				
2,000 to 5,000	\$ 103.05	\$ 103.05	\$ -	0.00%
5,000 to 10,000	\$ 117.75	\$ 117.75	\$ -	0.00%
10,001 to 30,000	\$ 161.90	\$ 161.90	\$ -	0.00%
> 30,000	\$ 187.95	\$ 187.95	\$ -	0.00%
Distribution Charge: (Dkt)				
Distribution Commodity Rate	\$ 0.214288	\$ 0.214288	\$ -	0.00%
Transportation Business Unit				
T-FTG-1 Rate Schedule				
Firm Transportation Natural Gas Service				
Monthly Service Charge per Meter				
5,001 to 10,000	\$ 100.75	\$ 100.75	\$ -	0.00%
10,001 to 30,000	\$ 144.90	\$ 144.90	\$ -	0.00%
> 30,000	\$ 321.50	\$ 321.50	\$ -	0.00%
Transmission Reservation Rate (MDDQ)				
Transmission Commodity Rate (Dkt)	\$ 8.238700	\$ 8.238700	\$ -	0.00%
Maximum	\$ 0.062431	\$ 0.062431	\$ -	0.00%
GTAC Amortization	\$ 0.019020	\$ (0.001275)	\$ (0.020295)	-106.70%
T-ITG-1 Rate Schedule				
Interruptible Transportation Natural Gas Service				
Monthly Service Charge per Meter				
5,001 to 10,000	\$ 100.75	\$ 100.75	\$ -	0.00%
10,001 to 30,000	\$ 144.90	\$ 144.90	\$ -	0.00%
> 30,000	\$ 321.50	\$ 321.50	\$ -	0.00%
Transmission Commodity Rate (Dkt)				
Maximum	\$ 0.352283	\$ 0.331988	\$ (0.020295)	-5.76%
T-FSG-1 Rate Schedule				
Firm Storage Natural Gas Service				
Monthly Rate:				
Withdrawal Reservation Rate:	\$ 4.165635	\$ 4.165635	\$ -	0.00%
Injection Commodity Rate:	\$ 0.021529	\$ 0.021529	\$ -	0.00%
Withdrawal Commodity Rate:	\$ 0.021529	\$ 0.021529	\$ -	0.00%
Storage Capacity Rate:	\$ 0.020451	\$ 0.020451	\$ -	0.00%
GTAC Amortization	\$ 0.111813	\$ (0.066203)	\$ (0.178016)	-159.21%

NorthWestern Energy
Maximum IT Commodity Rate Calculation

Firm TBU Transportation Reservation Rate	\$8.238700
Average number of days per month	<u>30.42</u>
Reservation rate per day (Reservation rate / days)	\$0.270832
plus: Firm TBU Transportation Commodity Rate	\$0.061156
Interruptible TBU Transportation Commodity Rate	\$0.331988 per Dkt

7 **PREFILED DIRECT TESTIMONY OF WILLIAM M. THOMAS**
8 **ON BEHALF OF NORTHWESTERN ENERGY**
9

10
11 **TABLE OF CONTENTS**
12

13	<u>Description</u>	<u>Starting Page No.</u>
14	Witness Information	2
15	Purpose of Testimony	3
16	Natural Gas DSM Program Status Report	3
17	2008-09 Natural Gas DSM Program Results	6
18	DSM Program Activities for 2009-10	16
19	Proposed Adjustment to Natural Gas Supply Tracker Filing	18
20		
21	<u>Exhibits:</u>	
22		
23	Natural Gas DSM + USB Reported Savings 2008-09	Exhibit__(WMT-1)
24		
25	Natural Gas DSM Spending and Budget 2008-10	Exhibit__(WMT-2)
26		
27	Natural Gas DSM Lost Revenues 2008-10	Exhibit__(WMT-3)
28		
29	Green Blocks Pilot Program Report	Exhibit__(WMT-4)
30		
31	DSM Communications Plan	Exhibit__(WMT-5a)
32		
33	DSM Communications Plan Calendar	Exhibit__(WMT-5b)

1 **Witness Information**

2
3 **Q. Please state your name and business address.**

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

6
7 **Q. By whom and in what capacity are you employed?**

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

10
11 **Q. Please state your educational background, experience and responsibilities.**

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

1 **Purpose of Testimony**

2
3 **Q. What is the purpose of your testimony?**

4 A. My testimony:

- 5 1. Provides a status report on and results of the expanded E+ Natural Gas DSM
6 program operated by NorthWestern for natural gas supply customers during the
7 2008-09 tracker period.
- 8 2. Describes NorthWestern's plans for continuing this program during the 2009-10
9 tracker period.
- 10 3. Provides updated numbers for the natural gas DSM Lost Revenues associated
11 with the E+ Natural Gas DSM program and certain other programs funded by the
12 Universal System Benefits (USB) charge that also produce natural gas savings
13 that affect Lost Revenues.

14
15 **Natural Gas DSM Program Status Report**

16
17 **Q. Please discuss the status and elements of NorthWestern's expanded Natural**
18 **Gas DSM program.**

19 A. NorthWestern Energy met with the Montana Public Service Commission (MPSC) on
20 June 24, 2008 to discuss high natural gas commodity prices expected for the 2008-
21 09 winter heating season. With potentially significant impacts to customer heating
22 bills, the MPSC encouraged NorthWestern to take whatever actions possible to
23 inform customers of the coming higher costs, and assist them with ways to control or
24 reduce their natural gas use.

1 Responding to MPSC concerns, NorthWestern Energy has taken steps to
2 significantly expand its Natural Gas Demand Side Management (DSM) Program.
3 This program assists NorthWestern's natural gas customers with installation of
4 energy efficiency measures through information and financial rebates and incentives
5 for qualified DSM measures such as insulation and programmable thermostats.

6
7 Effective September 1, 2008, NorthWestern's E+ Natural Gas DSM Program offered
8 incentives and rebates for a significantly expanded list of DSM measures. Work
9 performed and materials purchased by customers after January 1, 2008 qualified for
10 the new rebates. Additional effort has been directed toward marketing and outreach
11 activities. For customers, an important change to the earlier program is the inclusion
12 of space and water heating systems (furnaces, boilers, room heaters and tankless
13 water heaters). Rebates under the expanded E+ Natural Gas DSM Program now
14 include:

15
16 **Existing Measures** (qualified for the program since 2005):

- 17 • Attic Insulation
- 18 • Basement Wall Insulation
- 19 • Crawlspace Insulation
- 20 • Exterior Above Grade Wall Insulation
- 21 • Programmable Thermostat

22
23 **New Measures** (*equipment requires NorthWestern operational inspection):

- 24 • High Efficiency Condensing Boiler*
- 25 • High Efficiency Condensing Furnace*
- 26 • High Efficiency Gas Room Heater*
- 27 • High Efficiency Water Heater*
- 28 • Gas Fired Tankless Water Heater*
- 29 • Slab Insulation
- 30 • Heating Duct Sealing and Insulation

- Hot Water Pipe Insulation
- Water Heater Tank Insulation
- Boiler Controls
- Gas Convection Oven

The new rebate levels are substantial. Equipment rebates cover up to approximately one-half of the incremental costs consumers face when purchasing high efficiency equipment rather than standard equipment. The equipment rebates are not such that they will encourage people to replace existing equipment in good working order. Rather, when it is time to replace old equipment, the rebates should encourage people to purchase high efficiency models rather than standard equipment.

Insulation rebates, on the other hand, may cover up to one-half of the project cost, providing strong encouragement for people to take action to insulate their homes. Ideally, customers will make insulation improvements in advance of heating system replacements so the new equipment will be sized appropriately. NorthWestern introduced additional natural gas DSM measures and cash incentives for commercial customers in 2009.

In June 2008, NorthWestern received the final quantitative results of a thorough study of potential natural gas DSM that is available on its Montana distribution system. NorthWestern was able to use the analytical results from this work to identify the expanded list of qualifying DSM measures, thereby enabling NorthWestern to respond quickly to the MPSC call to action.

In late 2008, NorthWestern prepared a complete Natural Gas DSM Plan, incorporating the full body of work and findings of this new Natural Gas DSM Assessment Study. This Natural Gas DSM Plan was included as part of the 2008 Natural Gas Resource Procurement Plan.

2008-09 Natural Gas DSM Program Results

Q. Please describe the activity and results of NorthWestern’s E+ Natural Gas DSM Program during the 2008-09 natural gas supply tracking period.

A. The E+ Natural Gas DSM Program, introduced in October 2005, has continued throughout the 2008-09 tracker period. NorthWestern renewed its contract with KEMA, Inc. to provide services needed to operate the expanded program during 2008 and 2009. Table 1 below summarizes the annual targets, reported savings, spending and budget for the expanded program to date and for the 2009-10 natural gas supply tracker period.

Table 1: Natural Gas Supply DSM Targets, Reported Savings, Spending and Budget

Program Period	Installed Annual Natural Gas DSM Capability (Incremental)						Natural Gas Supply Tracker	
	Target (Dkt)			Reported Savings (Dkt)			Budget	Expenses ¹
	USB	DSM	Total	USB	DSM	Total		
2005-06	N/A	96,277	96,277	42,177	128,761	170,938	\$1,125,000	\$1,015,679
2006-07	N/A	114,526	114,526	42,393	70,058	112,450	\$ 800,000	\$ 608,000
2007-08	N/A	114,526	114,526	58,482	74,198	131,078	\$ 698,030	\$ 679,677
2008-09	60,000	115,000	175,000	60,094	76,102	137,006	\$ 738,440	\$1,808,655
2009-10	60,000	150,000	210,000				\$2,300,000	

Note 1: Expenses and reported natural gas savings for 2008-09 are 10 months of actual and 2 months of estimates.

1 Two primary program mechanisms, Community Events and Mail-in Rebates, were
2 used to encourage customers to install DSM measures to reduce their consumption
3 of natural gas.

4
5 1. Community Events: Community Events were scheduled, promoted and conducted
6 during the 2008-09 tracker period. Events were held throughout the Montana
7 NorthWestern natural gas service territory. Various promotional activities,
8 including a direct mail postcard, newspaper advertising, press releases, media
9 events, selective radio, posters, web site information, interaction with customers
10 at trade shows, home energy audits and/or other customer contact opportunities,
11 and billing insert messages were used to notify customers of the events and
12 encourage them to attend. The purpose of the events was to provide customers,
13 at no direct charge, with low-cost weatherization materials they could install to
14 reduce natural gas usage in their homes. Education and instruction on installation
15 and use of the various DSM measures was provided. Event attendees were also
16 given information about other DSM program rebates available for insulation and
17 programmable thermostats. At the events, customer eligibility was verified, then
18 customers were given some or all of the following items:

- 19 • Low-flow shower heads
 - 20 • Window plastic covering kits
 - 21 • Door weather-stripping
 - 22 • Door threshold sweeps
 - 23 • Outlet foam gaskets
 - 24 • Insulating aerosol foam
 - 25 • Kitchen faucet aerators
 - 26 • Bathroom faucet aerators
- 27

1 Locations for Community Events included 43 Montana towns and cities
2 throughout the NorthWestern service area during the 2008-09 tracker period.
3 Events were conducted primarily in the late fall and early winter months. Where
4 possible, these events were coordinated with NorthWestern Customer
5 Appreciation events, and 5,269 natural gas customers were provided with various
6 combinations of natural gas weatherization and energy-savings measures.
7 Included in this total participant count are the results from 35 additional events
8 that were conducted in smaller communities located geographically between the
9 larger towns and cities. At these additional locations NorthWestern used a two-
10 person team with a truck/trailer load of weatherization materials, distributing them
11 as supplies lasted. This approach helped NorthWestern to reach more customers
12 who may have had scheduling or transportation difficulties reaching events held in
13 the larger community locations.

- 14
- 15 2. Mail-in Rebates: NorthWestern offers cash rebates to customers who install
16 approved DSM measures, including insulation (attic/ceiling, basement wall,
17 crawlspace wall, exterior above grade wall) and programmable thermostats.
18 NorthWestern maintains a list of Preferred Contractors who enter into an
19 agreement with NorthWestern to meet certain requirements. Different levels of
20 rebates are paid depending on whether or not customers use Preferred
21 Contractors to install insulation measures. Participating customers are
22 responsible for purchasing and installing approved insulation measures and/or
23 programmable thermostats and applying to NorthWestern for incentives or
24 rebates. Interested customers are provided program information, forms, a

1 schedule of rebate amounts for various measures, and step-by-step instructions
2 on how to participate in the program process. To receive a rebate, customers are
3 required to submit proof-of-purchase (receipts and paid invoices). NorthWestern,
4 or its agent KEMA, verified installations by performing site inspections on a
5 randomly selected sample of projects.

6
7 **Q. Did NorthWestern experiment with any other DSM program approaches during**
8 **the 2008-09 tracker period?**

9 A. NorthWestern implemented a special residential energy efficiency project called
10 Green Blocks in the community of Missoula. Green Blocks began as a partnership
11 agreement with the city of Missoula to operate the pilot residential DSM program.
12 This program combined elements of the E+ Energy Audit For The Home, E+
13 Residential Lighting Program, the E+ Residential Electric Savings Program, and the
14 E+ Natural Gas Savings Rebate Program. The objective of this effort was to provide
15 energy audits and some energy efficiency measures free of charge to targeted and
16 concentrated groups of program participants. By concentrating participants and
17 resources and minimizing marketing costs, the experiment tested whether cost
18 effective natural gas savings could be acquired at a level of 100% funding of all
19 measures and program services. The City of Missoula was responsible for
20 marketing, outreach, recruiting and selection of up to 100 program participants.
21 NorthWestern provided home energy audits and installation of known, cost-effective
22 DSM measures at no direct cost to program participants. The project served 93
23 homes at a total cost of \$146,117 and produced an estimated 52,378 Dkt/year of
24 natural gas savings. Preliminary economic analysis at the conclusion of the effort

1 yielded a Total Resource Cost (TRC) test value of 0.86, which NorthWestern
2 considers marginally cost-effective.¹

3
4 Exhibit__(WMT-4) provides a detailed report on the elements and results of the
5 Green Blocks Pilot Program conducted in Missoula during 2008. Although this report
6 isolates the costs and energy savings directly attributable to the program, the costs
7 and associated natural gas savings from the Green Blocks Pilot Program are
8 incorporated into the respective totals (shown on Exhibit__(WMT-1) and
9 Exhibit__(WMT-2)) of the various programs that provided the source funding for
10 NorthWestern's contribution to the effort.

11
12 Additional information about all of the DSM programs is available at NorthWestern's
13 website at <http://www.northwesternenergy.com>.

14
15 **Q. What amount of natural gas savings will result from the 2008-09 E+ Natural Gas**
16 **DSM Program?**

17 A. Reported natural gas savings from operation of the E+ Natural Gas DSM Program for
18 the tracker period 2008-09 total 137,006 Dkt/year. This amount represents
19 annualized natural gas savings that would result if all the program measures were
20 installed and in operation for a full year.

21 **Q. Are there other programs that produce natural gas savings that affect Lost**
22 **Revenue calculations?**

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.

1 A. NorthWestern operates other energy efficiency programs, the E+ Free Weatherization
2 Program and the E+ Energy Audit For The Home, that are funded through USB and
3 produce natural gas savings in the residential customer sector. The total amount of
4 additional natural gas DSM savings from these programs is 60,094 Dkt/year for 2008-
5 09 (refer to Table 1 above). Although the expenses associated with operation of
6 these programs are not included in the Natural Gas Supply Tracker, the savings
7 produced contributes to Lost Revenues and is counted toward the total natural gas
8 savings used to calculate Lost Revenues. Exhibit__(WMT-1) presents individual
9 program detail on the 2008-09 amount of natural gas DSM savings produced by
10 these USB programs (60,094 Dkt/year), as well as the E+ Residential Natural Gas
11 DSM Program (76,102 Dkt/year) funded through natural gas supply. Total savings
12 for the USB and Natural Gas Supply DSM programs equals 137,006 Dkt/year. This
13 amount is used as an input to the calculation of Lost Revenues for the 2008-09 and
14 2009-10 periods.

15

16 **Q. Please provide details on the costs associated with NorthWestern's 2008-09**
17 **Natural Gas DSM Program.**

18 A. Natural Gas DSM expenses fall into two categories. The first category is program
19 costs for operation of the specific Natural Gas DSM Programs:

- 20 1. Residential Existing Construction Program
- 21 2. Residential New Construction Program
- 22 3. Business Partners Program
- 23 4. Commercial Existing Construction Program
- 24 5. Commercial New Construction Program

1 This category includes contractor labor and expenses, equipment and building rental,
2 materials for community events, advertising and promotion, and rebates paid to
3 customers. The total for this category of costs for the 2008-09 tracker period is
4 \$1,737,335.

5
6 The second category is General Expenses in the amount of \$72,320 for all Natural
7 Gas DSM programs. Most of this amount was expended in July 2008 to cover a
8 portion of the Natural Gas DSM Assessment work.

9
10 The total for the 2008-09 tracker period is \$1,809,655. This amount does not include
11 NorthWestern labor. Exhibit__(WMT-2) presents monthly spending associated with
12 the Natural Gas DSM program. The figures include 10 months (July 2008 through
13 April 2009) of actual recorded expenses and 2 months (May and June 2009) of
14 estimated expenses. This is the amount included in the Natural Gas Supply Tracker
15 for DSM program costs.

16
17 The annual Dkt targets and reported savings are comprised of amounts of installed
18 annual energy savings capability contributed from measures and actions
19 implemented under both USB Programs and Natural Gas DSM Programs. Although
20 energy savings produced by USB Programs is counted toward the overall annual Dkt
21 target, USB Programs are funded through a separate charge and USB spending is
22 not reported or included in Exhibit__(WMT-2).

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

3 A. The recent economic downturn in the U.S. has negatively impacted many, if not most,
4 businesses and individuals to some degree. Businesses have closed, unemployment
5 has increased, and consumers' discretionary funds available for DSM measures and
6 projects have decreased during the past year.

7
8 **Q. Were there additional efforts during the 2008-09 tracker period made by**
9 **NorthWestern to promote DSM?**

10 A. To communicate information about DSM and other NorthWestern programs to its
11 customers NorthWestern sustains a presence in Montana communities through
12 media, events, appearances, meetings, speaking engagements, booth sponsorships,
13 trade fairs and shows, conferences and other special events. Northwestern
14 maintains networks of retailers, distributors and other trade allies and provides a
15 steady stream of information about its DSM programs through print, radio, television,
16 distribution literature, and personal contact. As with the training seminars above, a
17 mix of USB and DSM funding is used. The following list provides examples of the
18 many activities performed by Northwestern during the past year to market its DSM
19 programs:

- 20 1. Joint Engineers Conference – 3 presentations and display booth in cooperation
21 with BetterBricks and NCAT
- 22 2. Montana Hospital Association Conference - (booth)
- 23 3. Montana American Institute of Architects Conference - (training and booth)
- 24 4. Montana Innkeepers Association Conference - (presentation and booth)

- 1 5. Montana School Board Association Convention -(booth)
- 2 6. Home Energy Events - (40+ events around Montana)
 - 3 a. Distribution or air sealing and CFLs
 - 4 b. Direct mail, web, radio, newspaper advertising in advance of events
 - 5 c. "How-to-install" DVD
 - 6 d. Saturday events included sessions on NWE programs, ENERGY STAR®,
 - 7 renewable energy, and installing insulation, air-sealing, window plastic etc.,
 - 8 and the instant rebate for programmable thermostats
- 9 7. E+ Audit for the Home – direct mail in January/February, 2009
- 10 8. Act Now Tips and CFL television spots – 3 different TV flights and spot placement
- 11 during select events
- 12 9. Empowering Montana Schools Conference – speaking presentations and a booth
- 13 by NCAT and Community Relations Managers in Helena on January 14-15, 2009
- 14 10. National Utility Day of Service – January 19, 2009 Program information for
- 15 national website and news release
- 16 11. Inaugural Montana Better Bricks Award – publicity event at the Montana
- 17 Ambassadors meeting in Helena in February 2009.
- 18 12. Montana Society of Healthcare Engineers (MSHE)/American Society of Heating,
- 19 Refrigeration, and Air-conditioning Engineers (ASHRAE) Conference - Two
- 20 speaking presentations and booth display through BetterBricks and NCAT; May,
- 21 2009

- 1 13. Home & Garden Improvement Shows
- 2 a. Fall of 2008 - Billings, Missoula, and Bozeman
- 3 b. Spring of 2009 - Hamilton, Missoula (2 shows), Billings, Bozeman, Great
- 4 Falls, and Butte
- 5 14. Kalispell Mall Energy Efficiency Fair
- 6 15. Parade of Homes sponsorships
- 7 a. Fall 2008 - Billings, Bozeman, Great Falls, Missoula
- 8 b. Spring 2009 – Billings
- 9 16. Earth Day 2009 at the Capitol Rotunda with state employees (booth)
- 10 17. Display-In-A-Box – used at various events for CFLs or natural gas rebates
- 11 (Missoula, Kalispell, Bozeman – Montana State University and Historic
- 12 Preservation group)
- 13 18. Montana Annual Building Code Conference - April 2009 Bozeman
- 14 19. Other Special Events
- 15 a. Missoula Home Builders Association Annual Meeting
- 16 b. Southwest Home Builders' Association
- 17 c. Montana Association of Elementary & Middle School Principals
- 18 d. Economic Development Outlook Seminars – (6 locations in Montana)

1 **DSM Program Activities for 2009-10**

2
3 **Q. Does NorthWestern plan to offer this program again in the 2009-10 tracker**
4 **period?**

5 A. Yes, the E+ Natural Gas DSM Program will be continued through the 2009-10 period.
6 NorthWestern will conduct one round of at least 40 Community Events in September-
7 October 2009. Marketing and promotional activities in advance of the events will be
8 similar to the effort made during Autumn 2008. Where possible, NorthWestern will
9 again coordinate these natural gas DSM Community Events with its Customer
10 Appreciation Events in the larger cities in Montana. The Mail-in Rebate portion of the
11 program will continue uninterrupted throughout the program period from July 1, 2009
12 through June 30, 2010. NorthWestern is hopeful that the Green Blocks Program on
13 an expanded scale can be offered, and is working with cities and towns to leverage
14 government funds with NorthWestern's DSM funds to achieve this objective. The
15 estimated budget for the 2009-10 E+ Natural Gas DSM Program is \$2,300,000.
16 Monthly budget detail is included on Exhibit__(WMT-2).

17
18 NorthWestern will continue its contracts with outside service providers and will offer
19 this group of Natural Gas DSM programs during the 2009-10 tracker period. A
20 coordinated and comprehensive marketing and communications effort that integrates
21 USB and DSM funding for marketing and outreach has been developed and
22 employed over the past several years, and many of the methods and techniques that
23 have proven effective in the past will be repeated in the future. More specific details
24 about the techniques, mechanisms, locations, forms of media, and calendar schedule

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

10
11 **Q. Are there other developments during the past DSM program period that impact**
12 **future plans for operation of DSM programs?**

13 A. The American Recovery and Reinvestment Act of 2009 (ARRA) is expected² to
14 provide funds to the state of Montana and local governments through the State
15 Energy Program and Energy Efficiency Block Grants Program. NorthWestern is
16 involved in continuing discussions with the State Energy Office of the Montana
17 Department of Environmental Quality and numerous other units of state and local
18 government to explore ways to assist these entities in applying to the federal
19 government for ARRA funds. NorthWestern is working to find ways to blend and
20 leverage its DSM programs and budgets with ARRA and other funding sources to
21 increase the level of services offered, numbers of participants served, and amounts
22 of cost-effective DSM acquired.

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

5
6 **Proposed Adjustments Included in the 2009-10 Natural Gas Supply Tracker Filing**

7
8 **Q. What DSM Program costs are you proposing to include in the 2009-10 Natural**
9 **Gas Supply Tracker?**

10 A. On Exhibit__(WMT-2) the amounts to be included in the 2009 annual Natural Gas
11 Supply Tracker filing are presented on line 12 in the amount of \$1,809,655 for DSM
12 Program Costs for the 2008-09 period and a budgeted amount of \$2.300,000 shown
13 on line 24 for the 2009-10 period.

14
15 **Q. What amounts are you proposing to include for recovery of DSM Lost**
16 **Revenues?**

17 A. Effective January 1, 2008 natural gas transmission and distribution rates were
18 adjusted³ based on updated historical test period data that includes the effects on
19 total energy sales of past DSM program activity. Because DSM Lost Revenues are a
20 function of reduced transmission and distribution throughput caused by DSM activity,
21 when the transmission and distribution rates are reset in a general revenue

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.

1 requirements proceeding, it is also necessary to reset the calculation of DSM Lost
2 Revenues to zero at the same time, in this instance, January 1, 2008.

3
4 The natural gas DSM Lost Revenues presented here as Exhibit__(WMT-3) provide
5 updated calculations of Lost Revenues as a result of DSM program activity. The
6 2008-09 tracker period Lost Revenues (forecasted one year ago in the previous
7 Tracker filing) have been updated to reflect reported energy savings from observed
8 program activity during July 2008 through April 2009, and estimates for energy
9 savings from program activity in May and June 2009. In addition, the calculation of
10 natural gas DSM Lost Revenues for the 2009-10 tracker period reflect a reset to a
11 zero starting point of January 1, 2008 related to establishment of new transmission
12 and distribution rates. The amount of natural gas DSM Lost Revenues for the 2009-
13 10 tracker period is shown on Exhibit__(WMT-3) on page 1, line 6 in the amount of
14 \$786,877.

15
16 The Lost Revenues for January – June 2008 have been updated to reflect actual
17 activity for May and June 2008.

18
19
20 **Q. Please describe the individual components of the DSM Cost Tracking and Lost**
21 **Revenue Recovery spreadsheet model and the various data inputs used in its**
22 **calculations.**

³ Natural Gas DSM Lost Revenues were reset in January 2008 due to newly established transmission and distribution rates; refer to Gas Supply Monthly Tracker D2006.7.102 and General Rate Case D2007.7.82, Interim Order 6852b, Tariff 133-G and MT monthly natural gas cost rate adjustment D2007.7.81 Tariff 132-G.

1 A. The Natural Gas DSM Lost Revenue calculation is performed using a spreadsheet
2 workbook included herein as Exhibit__(WMT-3), that is comprised of 5 separate
3 worksheet tabs (name of tab in bold below) that compile program budgets, costs,
4 natural gas savings estimates, rates, revenues and adjustment factors into a series
5 of calculations that result in estimated Lost Revenues. Input variables used in the
6 Lost Revenue calculations are updated in each annual Natural Gas Supply Tracker
7 filing and are generally based on data collected throughout the year on program
8 costs, levels of customer participation, and costs, natural gas savings and numbers
9 of DSM measures installed. The 2007 NEXANT DSM Program Evaluation provided
10 information needed, and used, to update the spreadsheet calculations. Additional
11 notes and explanations are included on the individual spreadsheet tabs, identified as
12 separate pages of Exhibit__(WMT-3).

13
14 **1. LR Summary** (Exhibit__(WMT-3), page 1) presents natural gas actual recorded
15 and booked natural gas Lost Revenues for January – June 2008 and Lost
16 Revenues for the 2008-09 Tracker period based on 10 months of actual activity
17 and 2 months forecasted at the time of preparation of this filing. This tab also
18 presents the result of the forecasted Lost Revenue computations for the
19 upcoming tracker period that are performed on the subsequent tabs.

20
21 **2. Rates** (Exhibit__(WMT-3), page 2) details rates in effect for residential and
22 commercial customers by line item. The Natural Gas DSM Tracker calculations
23 use only transmission, distribution, and storage rates from this worksheet tab as
24 inputs to Tab 5 Calc Lost Revenues. These rates are updated each time the

1 Natural Gas DSM Tracker exhibit is prepared for the annual Natural Gas Supply
2 Tracker filing.

3
4 **3. Res and GS Gas Savings** (Exhibit__(WMT-3), page 3) uses the DSM annualized
5 Dkt targets or reported amounts for the natural gas DSM programs and converts
6 them into cumulative annual residential and/or commercial natural gas savings
7 using a 50% reduction factor. Use of this factor recognizes that first year realized
8 savings would be less than subsequent years, because natural gas DSM
9 measures are installed throughout the DSM program year and are not in place
10 and operating for a full year.

11
12 **4. Adjustment Factors** (Exhibit__(WMT-3), page 4) develops a factor to be applied
13 to residential reported energy savings for purposes of calculating Lost Revenues.
14 This factor recognizes that actual savings obtained typically differ and are
15 generally less than program savings based solely on engineering calculations.
16 This factor is taken from the final results of the 2007 NEXANT DSM Program
17 Evaluation.

18
19 **5. Calc Lost Revenues** (Exhibit__(WMT-3), page 5) calculates Lost Revenues
20 based on input from Tabs 2, 3 and 4. Results from this tab are used as input to
21 Tab 1.

1 **Q. How are amounts used to calculate Lost Revenues corrected or “trued up”**
2 **when reported savings differ from forecasted savings used at the beginning of**
3 **the tracker period to estimate Lost Revenues?**

4 A. This is accomplished in two ways. First, when each annual Natural Gas Supply
5 Tracker is prepared, DSM Lost Revenues are estimated looking forward, using
6 cumulative natural gas DSM savings, and included in the overall Tracker calculations
7 presented in the testimony of John Smith. Each successive year, the cumulative
8 DSM savings is recalculated in the Natural Gas DSM Tracker using reported energy
9 savings from the just-concluded tracker period (2008-09 in this case), and added to
10 the future estimate of additional natural gas DSM savings for the forthcoming tracker
11 period (2009-10 in this case). Thus, previous program year estimates are corrected
12 each year moving forward based on reported DSM savings for that same period.
13 The estimated Lost Revenues use updated DSM savings amounts and updated
14 transmission and distribution rates in effect at the time the calculations are prepared.
15 Over- or under-collection of Lost Revenues that results from differences between
16 forward-looking DSM savings estimates (used to prepare the Tracker) and reported
17 DSM Savings (at the end of that same tracker period) is handled in the Natural Gas
18 Tracker deferred account that nets any DSM over/under collections with other natural
19 gas supply transactions. The deferred account balance is then collected from or
20 returned to customers over the next 12-month period. In this 2009-10 tracker period
21 calculation of natural gas DSM Lost Revenues there has been an appropriate reset of
22 the calculations to a zero starting point of January 1, 2008 because of new of
23 transmission and distribution rates.

24

1 Second, DSM Evaluations like the one performed in 2007 by NEXANT will be used to
2 determine the accuracy of DSM estimates and adjustment factors used in previous
3 Lost Revenue calculations. Depending on the timing of the completion of future DSM
4 Evaluation work and availability of the study results, revised DSM savings estimates
5 and adjustment factors will be applied to past and forward-looking Lost Revenue
6 calculations and a true-up of the calculations will either be included in NorthWestern's
7 annual tracker filings, filed as supplemental testimony in the then-current Docket, or
8 in a subsequent proceeding.

9

10 **Q. Does this complete your testimony?**

11 A. Yes, it does.

	A	B	C	D
1	Table A: Reported Savings From 2008-09 Natural Gas USB and DSM Program Activity			
2				
3	Annualized Energy Savings			
4	Programs	USB	Natural Gas Supply DSM	Total
5		dKt	dKt	dKt
6	E+ Business Partners Program	-	1,169	1,169
7	Builder Operator Certification	12,593	-	12,593
8	Northwest Energy Efficiency Alliance (NEEA)	-	11,299	11,299
9	E+ Free Weatherization Program & Fuel Switch	20,412	-	20,412
10	E+ Energy Audit for the Home (NG)	27,899	-	27,899
11	E+ Natural Gas Savings Rebate Program	-	63,634	63,634
12	Totals	60,904	76,102	137,006
13				
14	Note 1: Annualized energy savings are based on 10 months of actual reported savings (July - April) and 2 months estimated.			
15				
16				

	A	B	C	D	E	F	G	H	I	J	K	L	M	N
1	Natural Gas Supply DSM Program Spending and Budget													
2														
3	Tracker Year 2008-09													
4	Actual Recorded Spending - from SAP Records											Estimated		
5	Natural Gas DSM Program													
6		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
6	General Expenses All Natural Gas DSM Programs	\$ 71,600	\$ -	\$ 167	\$ 67	\$ -	\$ 422	\$ -	\$ -	\$ -	\$ 64	\$ -	\$ -	\$ 72,320
7	E+ Natural Gas Residential Existing Construction Program	21,209	36,947	90,320	40,145	278,904	438,185	488,662	31,564	240,684	23,375	19,470	20,000	1,729,466
8	E+ Natural Gas Residential New Construction Program	-	-	-	-	-	-	-	-	-	70	-	-	70
9	E+ Natural Gas Business Partners Program	-	-	-	-	-	-	-	-	-	7,000	-	-	7,000
10	E+ Natural Gas Commercial Existing Construction Program	-	-	-	-	-	-	-	-	-	488	-	-	488
11	E+ Natural Gas Commercial New Construction Program	-	-	-	-	-	-	-	-	-	311	-	-	311
12	Total	\$ 92,809	\$ 36,947	\$ 90,488	\$ 40,212	\$ 278,904	\$ 438,608	\$ 488,662	\$ 31,564	\$ 240,684	\$ 31,309	\$ 19,470	\$ 20,000	\$ 1,809,655
13	Note: DSM expenses for the 2008-09 tracking period are based on 10 months of actual and 2 months of estimates.													
14														
15	Tracker Year 2009-10													
16	Estimated													
17	Natural Gas DSM Program													
18		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
18	General Expenses All Natural Gas DSM Programs	\$ 8,571	\$ 8,571	\$ 8,571	\$ 8,571	\$ 8,571	\$ 8,571	\$ 8,571	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 1,000	\$ 65,000
19	E+ Natural Gas Residential Existing Construction Program	108,333	108,333	108,333	108,333	108,333	108,333	108,333	108,333	108,333	108,333	108,333	108,333	1,300,000
20	E+ Natural Gas Residential New Construction Program	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	100,000
21	E+ Natural Gas Business Partners Program	41,667	41,667	41,667	41,667	41,667	41,667	45,833	45,833	45,833	45,833	45,833	45,833	525,000
22	E+ Natural Gas Commercial Existing Construction Program	16,667	16,667	16,667	16,667	16,667	16,667	18,333	18,333	18,333	18,333	18,333	18,333	210,000
23	E+ Natural Gas Commercial New Construction Program	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	8,333	100,000
24	Total	\$ 191,905	\$ 191,905	\$ 191,905	\$ 191,905	\$ 191,905	\$ 191,905	\$ 197,738	\$ 190,167	\$ 190,167	\$ 190,167	\$ 190,167	\$ 190,167	\$ 2,300,000

	B	C	D	E	F
1	2008-10 Natural Gas DSM Lost Revenues				
2	Time Period¹	Gas DSM Lost Revenue²			
3					
4	January-June 2008	\$ 92,294			
5	Tracker 2008-09	\$ 369,175			
6	Tracker 2009-10	\$ 786,877			
7					
8					
9	Notes:				
10	1. Natural Gas DSM Lost Revenues were reset in January 2008 due to newly established T&D rates;				
11	refer to Gas Supply Monthly Tracker D2006.7.102 and General Rate Case D2007.7.82, Interim				
12	Order 6852b, Tariff 133-G and MT monthly natural gas cost rate adj D2007.7.81 Tariff 132-G.				
13					
14	In Docket 2008.5.44 the values reported for natural gas DSM Lost Revenues were based on reported natural gas				
15	savings of 132,680 dKt for the 2007-08 tracker period. This figure was based on 10 months of actual and 2 months				
16	of estimated savings. The updated 12-month actual reported natural gas DSM savings is 131,078 dKt.				
17					
18	Using this slightly reduced annualized energy savings figure results in a small reduction in the Lost Revenues				
19	for the January-June 2008 and Tracker 2008-09 numbers in the table above than were originally reported in				
20	Exhibit__(WMT-3) in Docket 2008.5.44.				

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	
1		2008-10 Natural Gas DSM Lost Revenues														
2																
3		January-June 2008				Tracker 2008-09				Tracker 2009-10						
4		Rates as of January 1, 2008				Rates as of January 1, 2008				Rates as of January 1, 2009						
5																
6		Residential:				Residential:				Residential:						
7		Gas Distribution	\$ 1.873843	per dKt		Gas Distribution	\$ 1.873843	per dKt		Gas Distribution	\$ 1.839552	per dKt				
8		Gas Transmission	\$ 1.109614	per dKt		Gas Transmission	\$ 1.109614	per dKt		Gas Transmission	\$ 1.089308	per dKt				
9		Gas Storage	\$ 0.337708	per dKt		Gas Storage	\$ 0.337708	per dKt		Gas Storage	\$ 0.331528	per dKt				
10																
11		General Service:				General Service:				General Service:						
12		GS Distribution-Commodity	\$ 1.853984	per dKt		Gas Distribution	\$ 1.853984	per dKt		Gas Distribution	\$ 1.818025	per dKt				
13		GS Transmission-Commodity	\$ 1.156111	per dKt		Gas Transmission	\$ 1.156111	per dKt		Gas Transmission	\$ 1.088231	per dKt				
14		GS Storage-Commodity	\$ 0.344922	per dKt		Gas Storage	\$ 0.344922	per dKt		Gas Storage	\$ 0.330452	per dKt				
15																

	A	B	C	D	E	F	G	H	I	
1		2008-10 Natural Gas DSM Lost Revenues								
2										
3		Annual Energy Savings:								
4				Natural Gas DSM Program Gross Savings						
5		1) Gas DSM Savings -- Targets & Reported Savings			January-June 2008		Tracker 2008-09		Tracker 2009-10	
6				Target	Reported	Target	Reported¹	Target	Reported¹	
7			Annual (dKt)	85,469	65,539	175,000	131,078	210,000	210,000	
8			Cumulative (dKt)	85,469	65,539	260,469	196,618	470,469	406,618	
9										
10										
11			1. Reported savings in this tracker period is assumed to be the same as the target until year end numbers are available.							
12										
13		2) Percentage split between Residential & General Service:								
14			Residential	100%	100%	100%	100%	75%	75%	
15			General Service	0%	0%	0%	0%	25%	25%	
16			Total	100%	100%	100%	100%	100%	100%	
17										
18										
19				January-June 2008		Tracker 2008-09		Tracker 2009-10		
20		3) Cumulative Annual Gas Savings²			Target	Reported	Target	Reported¹	Target	Reported¹
21			Residential (dKt)	42,735	32,770	153,039	131,078	226,213	226,213	
22			General Service (dKt)	-	-	-	-	58,809	50,827	
23			Total	42,735	32,770	153,039	131,078	285,022	277,040	
24										
25										
26			2. Savings resulting from the "Increment" in any year (take Year 1 for example) is reduced by 50% in that year as associated projects							
27			are completed and start generating savings at different times throughout the first year. This assumption contemplates that							
28			associated projects start generating savings half way through the year on average. In the second year and							
29			beyond, projects completed in the first year generate savings for the entire year so the "Increment" is credited at 100%							
30			for the second year and each successive year.							
31										
32										

	A	B	C	D	E	F	G
1	2008-10 Natural Gas DSM Lost Revenues						
2							
3							
4	Adjustment Factor						
5	The Adjustment Factor recognizes that, for a number of reasons, actual program savings is likely to vary from reported savings.						
6							
7	The Net Savings Adjustment Ratio for these tracker periods is derived from the results						
8	of NEXANT's DSM Evaluation.						
9							
10							
11							
12						Net Savings Adjustment	
13		<u>Segment</u>				<u>Ratio</u>	
14		All				0.848	
15							
16							

	A	B	C	D	E	F	G	H	I	
1	2008-10 Natural Gas DSM Lost Revenues									
2										
3										
4										
5	January-June 2008									
6				Gross					Estimated	
7	Residential			Program			Net		Lost	
8		Rate		Savings		Adjustment	Savings		Revenue	
9	Bill Line Item	(\$ per dKt)		(dKt)		Factor	(dKt)		(\$)	
10	Gas Distribution	\$ 1.873843		32,770		0.848	27,790		52,073	
11	Gas Transmission	\$ 1.109614		32,770		0.848	27,790		30,836	
12	Gas Storage	\$ 0.337708		32,770		0.848	27,790		9,385	
13						Sub Total Residential:	27,790		\$ 92,294	
14										
15										
16	Tracker 2008-09									
17				Gross					Estimated	
18	Residential			Program			Net		Lost	
19		Rate		Savings		Adjustment	Savings		Revenue	
20	Bill Line Item	(\$ per dKt)		(dKt)		Factor	(dKt)		(\$)	
21	Gas Distribution	\$ 1.873843		131,078		0.848	111,158		208,293	
22	Gas Transmission	\$ 1.109614		131,078		0.848	111,158		123,343	
23	Gas Storage	\$ 0.337708		131,078		0.848	111,158		37,539	
24						Sub Total Residential:	111,158		\$ 369,175	
25										
26										
27	Tracker 2009-10			TARGET						
28				Gross					Estimated	
29	Residential			Program			Net		Lost	
30		Rate		Savings		Adjustment	Savings		Revenue	
31	Bill Line Item	(\$ per dKt)		(dKt)		Factor	(dKt)		(\$)	
32	Gas Distribution	\$ 1.839552		226,213		0.848	191,835		352,891	
33	Gas Transmission	\$ 1.089308		226,213		0.848	191,835		208,968	
34	Gas Storage	\$ 0.331528		226,213		0.848	191,835		63,599	
35						Sub Total Residential:	191,835		\$ 625,458	
36										
37				TARGET					Estimated	
38	General Service			Program			Net		Lost	
39		Rate		Savings		Adjustment	Savings		Revenue	
40	Bill Line Item	(\$ per dKt)		(dKt)		Factor	(dKt)		(\$)	
41	Gas Distribution	\$ 1.818025		58,809		0.848	49,871		90,667	
42	Gas Transmission	\$ 1.088231		58,809		0.848	49,871		54,272	
43	Gas Storage	\$ 0.330452		58,809		0.848	49,871		16,480	
44						Sub Total General Service:	49,871		\$ 161,419	
45										
46						Total Tracker 2009-10			\$ 786,877	

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
6 th /7 th /8 th /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, Tradeshow, 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.

Exhibit__(WMT-5b)
DSM Communications Plan Calendar

	A	B	C	D	E	F	G	H	I	J	K	L	M
		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
1													
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	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	<i>On-going description, contact, qualifications</i>	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		<i>Mail-in offer, education messages, reinforce special offers/events, list participating retailers</i>	<i>Tradeshow Display/Retailer support & POP</i>
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

Exhibit__(WMT-5b)
DSM Communications Plan Calendar

	A	B	C	D	E	F	G	H	I	J	K	L	M
		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
1													
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/work shops?	
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/work shops?	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	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

Exhibit__(WMT-5b)
DSM Communications Plan Calendar

	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/Insulation 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

Exhibit__(WMT-5b)
DSM Communications Plan Calendar

	A	B	C	D	E	F	G	H	I	J	K	L	M
		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
1													
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; prioritize 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

Exhibit__(WMT-5b)
DSM Communications Plan Calendar

	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

Exhibit__(WMT-5b)
DSM Communications Plan Calendar

	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

Exhibit__(WMT-5b)
DSM Communications Plan Calendar

	A	B	C	D	E	F	G	H	I	J	K	L	M
		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
1													
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 rewound 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 rewound	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

Exhibit__(WMT-5b)
DSM Communications Plan Calendar

	A	B	C	D	E	F	G	H	I	J	K	L	M
		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
1													
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													

Exhibit__(WMT-5b)
DSM Communications Plan Calendar

	A	B	C	D	E	F	G	H	I	J	K	L	M
		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
1													
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	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													

Exhibit__(WMT-5b)
 DSM Communications Plan Calendar

	A	B	P	Q	R	S	T	U	V	W	X	Y	Z	AA
		DSM Communications Calendar subject to change based upon Need or Opportunity												
1			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)												

Exhibit__(WMT-5b)
 DSM Communications Plan Calendar

	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)												

Exhibit__(WMT-5b)
 DSM Communications Plan Calendar

	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
17	R3x	<i>E+ Gas Savings for the Home</i>												
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)												

Exhibit__(WMT-5b)
 DSM Communications Plan Calendar

	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
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												

Exhibit__(WMT-5b)
 DSM Communications Plan Calendar

	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												

Exhibit__(WMT-5b)
 DSM Communications Plan Calendar

	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	<i>E+ Business Partners</i>												
36	C3a	<i>E+ Business Partners NEW Natural Gas Measures</i>												
37	C3b	<i>NEW E+ Natural Gas Savings Rebates for Commercial Customers - Existing Buildings</i>												

Exhibit__(WMT-5b)
DSM Communications Plan Calendar

	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
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												

Exhibit__(WMT-5b)
 DSM Communications Plan Calendar

	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														

Exhibit__(WMT-5b)
 DSM Communications Plan Calendar

	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
48		Renewables												
49	G1	E+ Renewable Energy												
50	G2	E+ Green Power **												
51														
52	O	Northwest Energy Efficiency Alliance												
53	O	Kidsville News												
54														
55		<div style="border: 1px solid black; padding: 2px;"> *Large Universal System Benefits Choice (USB commercial programs are not offered to natural </div>												
56														
57														
58														
		<div style="border: 1px solid black; padding: 2px;"> **E+ Green is not a DSM program but is part of </div>												