

PROJECT INCENTIVE AGREEMENT

Agreement # _____

This Agreement is made this _____ day of _____ 2014 by and between **NorthWestern Corporation, a Delaware corporation d/b/a NorthWestern Energy (NWE)** with offices at 40 East Broadway, Butte, Montana, 59701-9394 and **The City of Billings in care of the Wastewater Treatment Facility**, (hereinafter Customer) of 725 US Highway 87 East, Billings, MT 59101.

NorthWestern Energy makes available energy efficiency incentives to eligible NorthWestern Energy customers who implement electric energy efficiency and/or load management measures in their facility.

This Agreement documents in the Technical Specifications, attached as Exhibit A, the electric energy efficiency and/or load management measures to be implemented at the Customer facility. Customer understands and agrees that execution of this Agreement may impact eligibility for participation in any other existing or future NWE incentive program(s) and, specifically, Customer will not qualify for any additional NWE energy efficiency incentives for those measures identified in Exhibit A of this Agreement.

The Customer is an existing customer of NWE, electric account number(s) 0100591-7 located at 725 US Highway 87 East, Billings, MT 59101 (the Facility).

1. Agreement Execution: This agreement must be executed by the customer and submitted to NWE on or before **January 15, 2014** or the parties hereto will be required to renegotiate the terms and conditions stated herein.

2. Required Completion Date: The electric energy efficiency and/or load management measures documented in the Technical Specifications, attached as Exhibit A (hereinafter "Project"), shall be completed and fully operational by **December 31, 2014**. The Customer shall provide NWE with written notification stating the Project is complete and fully operational on or before the required completion date. If the Project will not be complete on or before the required completion date the Customer shall notify NWE in writing. If the Customer does not meet the Project completion date, then at NWE's election, (a) the parties hereto may be required to renegotiate the terms and conditions stated herein or (b) for each thirty(30) calendar days Customer remains delinquent, NWE may elect to reduce the total incentive payment by ten percent (10%).

3. Payment: Within 45 days of NWE's receipt of written notice from Customer that the Project is complete, NWE at its discretion may inspect the Project to ensure it is complete, fully functional and meets the Technical Specifications set forth in Exhibit A. NWE shall pay to Customer an incentive payment in the amount of **\$145,000.00** (One Hundred and Forty Five Thousand and no/100 Dollars) within thirty (30) days from NWE's inspection and approval that the Project is complete, fully functional, and meets the Technical Specifications. This incentive represents NWE's full payment and obligation under this Agreement.

4. Installation and Ownership: The Customer shall contract with firm(s) to perform the services required to procure and implement the Project ("Customer's Contractors"). The Customer shall be responsible for hiring Contractors with the expertise necessary to implement the approved design plans outlined in Exhibit A. All equipment installed shall be the property of the Customer who is solely responsible for the proper operation and maintenance of all such equipment. Customer is solely responsible for obtaining all necessary and required governmental and third party consents

and permits, meeting applicable code requirements, proper disposal of waste material, determining the adequacy of the installation, and paying contractors and/or suppliers.

5. Liability: The Customer agrees that NWE shall have no responsibility whatsoever with respect to workmanship or materials provided by the contractor(s), and that NWE shall have no responsibility for any warranties or guarantees provided by the contractor(s). The Customer understands and agrees that although NWE may inspect the application, NWE shall have no liability whatsoever as a result of such inspection.

The Customer agrees to indemnify, defend and save harmless NWE, its officers, agents and employees against and from any and all actions, suits, claims, demands or liability of any character whatsoever, brought or asserted for injuries to or death of any person or persons, or damages to property arising out of, resulting from or occurring in connection with the performance of the work herein specified.

The Customer shall independently evaluate any advice or direction given by NWE related to estimates of electric savings or the cost, selection or installation of the electric conservation and/or load management measures. In no event will NWE be liable for the failure of Customer to achieve a specified amount of energy savings, the operation of Customer's facility, or any incidental or consequential damages of any kind in connection with this Agreement or the installation of energy conservation and/or load management measures, and in no event shall NWE liability exceed any obligation to pay the incentive for which Customer is eligible under this agreement.

6. Correspondence: The Customer shall transmit all correspondence to the individual identified below who shall be designated as the NWE Representative and the City of Billings Representative.

NorthWestern Energy
40 East Broadway
Butte, MT 59701-9394
Attn: **Dan Yeoman**

City of Billings
2224 Montana Avenue
Billings, MT 59101
Attn: **Vern Heisler**
Public Works Deputy Director

All correspondence by Customer shall reference:
Agreement # _____

7. Termination: NWE shall have the right to terminate this Agreement should NWE determine that the Customer is not performing any of its obligations under this Agreement. If NWE so terminates this Agreement, then NWE shall not be liable for any further incentive payment to the Customer whatsoever, and the Customer shall be liable for any costs to NWE resulting from the termination. NWE's rights herein are in addition to any other remedies it may have under the law.

In such event, NWE shall first give Customer written notice of its intent to terminate. Said notice shall state the basis for such termination and allow the Customer ten (10) working days to either effect a cure or propose a corrective plan satisfactory to NWE.

8. Force Majeure: If either party is prevented in whole or in part from performing its obligations under this Agreement by unforeseeable causes beyond its reasonable control and without its fault or negligence, then the party so prevented shall be excused from whatever performance is affected by such cause, to the extent the performance is actually affected; provided

that such party provides written notice to the other party of such condition within five (5) calendar days from the onset of such condition.

9. Assignment: It is expressly agreed that Customer shall not assign this Agreement in whole or in part without the prior written consent of NWE.

10. Third Party Not To Benefit: This Agreement is not intended for the benefit of any person other than NWE and the Customer and shall not confer or be deemed to confer upon any other such person (including, but not limited to the contractor and subcontractors performing conservation work for the owner) any benefits or rights or remedies hereunder.

11. Authority: The Customer represents that it has obtained any written or oral permission necessary for Customer to make alterations, additions, or capital improvements to the premises where the contract work will be performed.

12. Toxic Material: NWE shall have no responsibility for the discovery, presence, handling, removal, or disposal of or exposure of persons to hazardous materials of any kind in connection with Customer's Facility, including without limitation, asbestos, asbestos products, PCB's, or other toxic substances.

13. Applicable Law; Attorney's Fees: This Agreement shall be governed in all respects by the laws of the State of Montana. All actions or proceedings seeking enforcement of this Agreement may be brought against either of the parties in the courts of the State of Montana, County of Yellowstone. If litigation is commenced by either party to enforce or interpret any of the provisions of this Agreement, the prevailing party shall be entitled to recover reasonable costs and attorney's fees through trial and appeal.

14. Entire Agreement/Modification: This Agreement contains the entire agreement between the parties with respect to the subject matter hereof, and unless otherwise provided in this Agreement, no modification or waiver of any of the provisions, or any future representation, promise, or addition, shall be binding upon the parties unless made in writing and signed by both parties.

Each party represents that it has full power and authority to enter into and perform this Agreement, and the person signing this Agreement on behalf of each party has been properly authorized and empowered to enter into this Agreement, understands it, and agrees to be bound by it.

In WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed in **duplicate the day and year first** above written.

**NorthWestern Corporation d/b/a
NorthWestern Energy
(NWE)**

**City of Billings in care of the
Wastewater Treatment Facility
(Customer)**

By _____

By _____

Printed Name _____

Printed Name **Thomas W. Hanel**

Title _____

Title **Mayor**

Date _____

Date _____

Taxpayer Identification Number: 81-6001237

Exhibit A
to the
Incentive Agreement Between

NorthWestern Energy

and

Billings Wastewater Treatment Facility

Agreement #_____

Technical Specifications

Background:

The Billings Wastewater Treatment Facility in Billings, MT is used to treat municipal wastewater for the City of Billings and the surrounding areas. The total energy consumption for the facility in 2013 was approximately 7,300,000 kWh. The facility is proposing to upgrade the aeration system blowers with a new more efficient blower equipped with a variable frequency drive and a new controls system.

Currently, (3) axial turbine blowers manufactured by Lamson supply air for the fine-bubble diffusers located at the bottom of the aeration basins. Blowers are cycled on/off to meet the biological oxygen demand (BOD) loading rates in the aeration basins. The suction side of the blowers are throttled to control the airflow rates for each blower. Also, a throttling valve is interfaced with a dissolved oxygen (DO) probe on each of six branch lines served from the main header pipe. The valves are throttled to maintain the desired DO set-point in each of the aeration basins. The discharge pressure on the main header is typically maintained at 9 psi.

Baseline energy consumption data was collected for the existing blowers. The baseline energy consumption for the three existing blowers was measured at approximately 1,970,000 kWh/yr. The three aeration blowers account for approximately 23% of the electrical end-use at the wastewater treatment facility.

Proposed Project:

One of the existing Lamson multi-stage turbine blowers will be removed from service and replaced with a new ABS (Model 9000) high speed turb-blower. This blower shall be equipped with a sound attenuated enclosure and a variable frequency drive (VFD). The ABS blower shall also be equipped with an uninterruptible power supply (UPS) that provides a secondary source of power for the magnetic bearings and the magnetic bearing controller.

The existing concrete curb and some of the existing piping shall be used with the new ABS blower. Modifications to the intake and discharge air piping will be required to fit the new blower. Engineering drawings developed for the project will show these piping modification details.

A new programmable logic controller (PLC) will be installed and interfaced with the new ABS blower and the existing human machine interface (HMI) system. A more advanced "most open valve" (MOV) control system will be installed. The MOV control system shall incorporate programming to minimize the discharge blower pressure by opening one of the balancing valves on the branch circuits to a near wide-open position. It is anticipated that the MOV system will utilize flow-based controls programming or two PID loops with C_v values for the existing valves and the appropriate algorithms to maintain one of the branch valves in a near wide-open position. The control system will function to provide enough air to meet all of the DO set-point aeration requirements while maintaining the lowest header pressure set-point.

The following scope-of-work shall constitute the conservation project:

1. The project shall include the removal of (1) of the existing Lamson axial turbine blowers. This turbine blower shall be replaced with (1) high speed turbo-blower manufactured by ABS company. The ABS model 9000 turbo-blower shall be equipped with a sound attenuated enclosure and a variable frequency drive (VFD). The ABS blower shall also be equipped with an uninterruptible power supply (UPS) that provides a secondary source of power for the magnetic bearings and the magnetic bearing controller.
2. The concrete curb for the existing Lamson blower, the intake piping and valves and the discharge piping and valves shall be utilized when appropriate with the new ABS blower. Modifications will be required to piping to fit the intake and discharge manifold on the ABS blower with the existing piping. Engineering drawings developed for the project will show these piping modifications.
3. The variable frequency drive on the ABS blower will be interfaced with the control system and function to increase/decrease blower speed to match the air-flow BOD loading rates. One (or multiple) PLCs shall be installed and programmed to match blower speed to airflow demand. The control system shall utilize MOV control technology to reduce the discharge pressure in supply piping. It is anticipated that the control system would incorporate "flow-based" programming or several PID loops and C_v values for the existing balancing valves (interfaced with the existing DO sensors). The controls contractor or the operating staff at the facility shall demonstrate the MOV controls programming for the inspection performed by a Northwestern Energy representative.
4. Upon project completion, and prior to the required contractual completion date, the customer shall provide NorthWestern Energy a signed letter, on the customer's company letterhead, referencing this agreement number and stating: "The energy conservation project is complete, fully operational, and ready for inspection. After the project inspection has been performed, we request NorthWestern Energy issue the customer incentive associated with this energy conservation project in the amount of \$145,000.00."

Along with the letter referenced above, the customer shall provide copies of all invoices associated with the electric conservation project scope of work detailed above.

The customer shall mail the project completion letter, with invoice copies, to:

NorthWestern Energy
40 East Broadway Street
Butte, MT 59701-9394
Attn: Dan Yeoman

A NorthWestern Energy program representative will then schedule the project inspection. After the inspection, providing the project scope of work is implemented as proposed and detailed above, the customer incentive will be issued to the customer.