

BEFORE THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

**BLACK HILLS POWER, INC. d/b/a BLACK
HILLS ENERGY'S APPLICATION FOR)
APPROVAL OF ITS 2018 ECONOMIC)
DEVELOPMENT REPORT AND 2019)
ECONOMIC DEVELOPMENT PLAN**

Docket EL19-_____

**2018 ECONOMIC DEVELOPMENT REPORT AND 2019 ECONOMIC
DEVELOPMENT PLAN**

Black Hills Power, Inc. d/b/a Black Hills Energy (“Black Hills” or the “Company”), files its 2018 Economic Development Report and 2019 Economic Development Plan in compliance with the settlement stipulation that was approved in Docket EL14-026. Black Hills respectfully requests an order from the South Dakota Public Utilities Commission (“Commission”) approving the Company’s 2018 Economic Development Report and its 2019 Economic Development Plan.

BACKGROUND

Black Hills Energy is committed to being the energy partner of choice within the communities in its service territory, and includes serving the local and regional economic development organizations. This partnership provides financial support along with leadership support from the Company’s employees to help promote community growth and economic development opportunities. All of the monies invested in 2018 Economic Development organizations are for economic development activities only and were not utilized for lobbying activities.

In Docket EL14-026, the Commission established the following economic development cost recovery and reporting requirement for Black Hills:

The Parties agree that economic development expenses up to \$100,000 shall be equally shared by shareholders (\$50,000) and customers (\$50,000). The economic development expenses shall include, but not be limited to, all South Dakota labor, expenses, and monetary contributions. This program will begin on October 1, 2014, and shall continue thereafter until revised by the Commission. Black Hills Power

will submit, on an annual basis, no later than March 1st of each year beginning in 2015, for Commission approval a filing which describes the cost, design, and benefit of Black Hills Power's economic development programs. Program costs will be reported on a calendar year basis. Any portion of the annual customer contribution that remains unspent at the end of a program year shall be carried over into the next program year for Commission approval of expenditures or refund. No carry over shall occur for amounts spent annually in excess of \$100,000. This agreement does not preclude Black Hills Power from spending more on economic development nor does it restrict Black Hills Power from asking for modification of these economic development terms in its next general rate filing.

2018 ECONOMIC DEVELOPMENT REPORT

Black Hills Energy's 2018 Economic Development budget, as approved in Docket No. EL18-009, and actual expenses for 2018 are shown in Exhibit A – 2018 Economic Development Report. During 2018, Black Hills administered an approved budget of \$127,700 and spent a total of \$110,336 on economic development activities. Budget variance explanations are included within Exhibit A – 2018 Economic Development Report filed in this docket.

The goal of the Company's 2018 plan was to attract and retain businesses in the Black Hills Energy's service territory. This was accomplished in a variety of ways including financial contributions to organizations, community event sponsorships, and labor. Black Hills Energy invested about \$10,000 in the hiring of the Site Location Partnership (SLP). The goal was to support the efforts to promote existing businesses, industrial parks, and commercial facilities available in key Black Hills Energy communities. These strategic communities include, Rapid City, Spearfish, Belle Fourche, Hot Springs and Sturgis. SLP worked to target and participate in several industry shows that promoted the ideal industries for the Black Hills region. The process provided follow up information for communities to reach out to prospective companies. The information outlined how each community can best sell their unique business environment as a great place for relocation and long-term business.

The Company also planned to continue its partnership with community leaders, chambers of commerce, and economic development organizations that focus on business development and increase economic opportunities for Black Hill Energy's customers. Growing the local economy creates a dynamic job market for our customers. Better employment opportunities create

increased wages and higher demands for goods and services. Business growth also provides the added benefit of an expanded sales and property tax base. Economic development also gives the benefit of additional energy consumption. Growing the energy load for the local area lowers the average utility cost by spreading the fixed costs over more units.

2019 ECONOMIC DEVELOPMENT PLAN

Exhibit B – 2019 Economic Development Plan contains Black Hills Energy’s proposed 2019 economic development budget. In 2019, Black Hills Energy will continue its partnership with community leaders, chambers of commerce, and economic development organizations to focus on business development and increase economic opportunities for Black Hills Energy’s customers. The 2019 economic development plan is designed to attract and retain businesses in our service territory through financial contributions to organizations, community event sponsorships, and workforce development and housing initiatives. The Company’s employees will continue to remain actively involved in leadership capacities in various economic development organizations and committees, and participate in economic development strategic planning, community planning and downtown association’s revitalization projects. Table 2 below lists the economic development organizations the Company will invest in during 2019.

Table 2 - 2019 Economic Development Memberships

<u>Line</u>	<u>Organization</u>
1	Belle Fourche Development Corp.
2	Black Hills Community Economic Development, Inc.
3	Custer Area Economic Development Corp.
4	Southern Hills Economic Development Corp.
5	Deadwood-Lead-Central City Economic Development Corp.
6	Heart of the Hills Economic Development Corp.
7	Greater Rapid City Area Development
8	Spearfish Economic Development Corp.
9	Black Hills & Badlands Association
10	South Dakota Chamber & Economic Development Council
11	Sturgis Economic Development Corp.

In 2019, Black Hills Energy will also offer economic development grant funding support within Black Hills’ service area. Grant requests will again be channeled through a formal request

process and approved by the Grant Committee. Black Hills Energy's 2019 grant program guidelines and criteria is attached at Exhibit C filed in this docket.

2018 Economic Development Grant Program

In 2018, Black Hills Energy's main economic development activity was its Economic Development Grant Program. This program offered economic development support through grants within the Black Hills Energy service area. Grants were channeled through a request process that included an application and a presentation. Each grant request was presented to the Black Hills Energy's Sr. Manager of Community Affairs. That Economic Development Grant Committee at Black Hills Energy consists of the following members: Black Hills' Vice President, Operations Manager – Black Hills Area, Operations Manager – Rapid City Area, Energy Services Manager, and Sr. Manager Community Affairs. The mentioned members reviewed each request and determined if it should be approved or denied.

Black Hills Energy's 2018 economic development grant program selected ten (10) local Economic Development organizations. Participating groups were in need of financial support for programs that have strategic value to meeting the community and organization growth initiatives and goals. Table 1 below lists the ten (10) organizations that received grants during 2018.

Table 1 - Grant Program Participating Organizations

<u>Line</u>	<u>Organization</u>
1	Belle Fourche Development Corporation
2	Black Hills Community Economic Development -Rushmore Region
3	City of Sturgis - Mayor's Ride
4	Custer Area Economic Development Corporation
5	Deadwood - Lead - Central City Economic Development Corporation
6	Heart of the Hills Economic Development
7	Southern Hills Economic Development Corporation
8	Southern Hills Future Foundation
9	Spearfish Economic Development Corporation
10	Sturgis Economic Development Corporation

Success from the grant program varies based on the type of request. Most grants pertained to marketing support to aid in the promotion of specific communities as a great place to

do business. In 2018 the actual grant budget was lower than anticipated due to the change in emphasis for communities. The focus of the local communities was directed more towards workforce development and affordable housing, than new business attraction and marketing.

Economic development leadership development is also a critical component of building support through local businesses and local/state government officials. Supporting their economic development board and community-wide strategic plan sessions, organizational annual and semi-annual meetings and reports ensures that each community is aware of economic development activities. Black Hills is proud to be a partner in ensuring that the economic development organizations remain sustainable while becoming effective in reaching their economic development goals.

COMPANY CONTACTS

The Company will be represented in this proceeding by the following persons. Correspondence regarding this proceeding should be directed to the following:

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EXHIBITS

In support of this Economic Report and Plan, the Company submits the following:

- Exhibit A: 2018 Economic Development Report
- Exhibit B: 2019 Economic Development Plan
- Exhibit C: 2019 Grant Program Guidelines and Criteria
- Exhibit D: 2018 Membership Invoices and Payments
- Exhibit E: 2018 Community Sponsorship Invoices and Payments

Exhibit F: 2018 Grant Program Invoices and Payments

Exhibit G: 2018 Other Cost Invoices and Payments

Exhibit H: 2018 Membership Report

Exhibit I: 2018 Grant Report

CONCLUSION

Black Hills respectfully requests that the Commission issue an order approving its 2018 Economic Development Report and its 2019 Economic Development Plan.

