



March 31, 2017

Patricia Van Gerpen, Executive Director
South Dakota Public Utilities Commission
500 E. Capitol
Pierre, SD 57501

RE: NG17 - _____ - NorthWestern Energy 2017 Economic Development Budget and 2016 Economic Development Annual Report

Dear Ms. Van Gerpen:

In accordance with the Decision and Order approving the Settlement Stipulation Agreement for NG11-03, NorthWestern Corporation, dba NorthWestern Energy ("NorthWestern") hereby submits its proposed economic development 2017 budget and 2016 actual expenses for the South Dakota Public Utilities Commission's ("Commission") review and approval.

NorthWestern's proposed 2017 economic development budget is shown in Attachment A. Attachment B is NorthWestern's 2016 economic development budget as approved in Docket NG16-004 and actual expenses for 2016. The stipulation agreement for NG11-03 provides for an economic development annual budget cap of \$30,000 that can be allocated to natural gas customers. These costs are to be split 50/50 between NorthWestern Energy and our natural gas customers. Therefore, the customer share of those expenses is capped at \$15,000. While our overall 2016 budget and expenses exceeded the \$30,000 cap, NorthWestern is providing a full representation of its economic development contributions that benefitted our natural gas customers in South Dakota for the Commission's information.

The Commission will note that there are some adjustments from the 2016 budget as presented in Docket NG16-004 and actual expenses in 2016. In some cases, NorthWestern did not receive a payment request from an organization that traditionally was supported or we decided to offer support to another organization that we have not in the past. The final adjusted dollar amount that was spent in 2016 was \$4,989 more than the overall adjusted budget as approved by the Commission in its order dated May 2, 2016 in Docket NG16-004. This increase was due primarily to company contributions to special, one-time community economic development projects that were unknown at the time the proposed budget was prepared. An example of that type of expenditure was for 'Smart Solutions', a group which completed some business attraction analysis for the Advantage South Dakota group. To help defray some of the cost, NorthWestern Energy contributed \$2,500 toward the effort. Budgets will have some fluidity from year to year as community economic development needs or priority projects change. No funding provided by NorthWestern Energy for economic development purposes is used for lobbying at the state or federal levels.

Advantage South Dakota remains the flagship economic development tool used by NorthWestern Energy. It is a regional partnership organization involving NorthWestern, community or regional economic development leaders from within our service territory, and the Governor's Office of Economic Development (GOED). Advantage South Dakota uses a regionalized approach in developing economic development opportunities and promoting job growth for member communities. During 2016, Advantage South Dakota continued its focus on workforce development and recruitment. As noted last year, Advantage South Dakota provided grants starting in 2015 to help fund local workforce initiatives within its membership. Workforce initiative grants provided to natural gas served communities included Aberdeen, Mitchell, Huron, Yankton, and DeSmet. These workforce initiative grants will run through the end of 2017. Madison applied for a workforce initiative grant in 2016 that is being used for an "English as a Second Language" program that is showing great success thus far. Madison's workforce initiative grant terminates at the end of 2018. Additional information related to Advantage South Dakota can be found on its website (<http://www.advantagesouthdakota.com>).

During 2017, NorthWestern Energy will continue its focus on working with local community leaders, chambers of commerce, and economic development organizations to promote their communities as good places to do



business. A key component of that partnership effort will be the ongoing Advantage South Dakota endeavor. We will also continue to work with existing service territory businesses that want to expand to see how we can help them achieve those goals. We will continue to leverage our key account activities to identify and support expansion and retention opportunities. In addition, we will look to attract out-of-state businesses that provide products and services to our local businesses, thus creating an employment cluster.

NorthWestern Energy takes its role in helping South Dakota to remain viable and competitive in the economic development arena very seriously. We understand the value of partnerships and well planned communications to highlight the advantages of South Dakota's business climate to businesses looking to locate or expand within our service territory. The importance of that collaborative effort translates to new jobs and business opportunities for our customers. NorthWestern appreciates the opportunity to assist our communities in reaching their goals.

NorthWestern Energy respectfully requests Commission approval of our proposed 2017 economic development budget and 2016 expenses. If there are any questions regarding this filing, please contact me at your convenience.

Thank you,

Pamela A. Bonrud

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