



March 31, 2017

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

RE: EL17 - _____ - NorthWestern Energy 2017 Proposed Electric Utility 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 EL14-106, NorthWestern Corporation, dba NorthWestern Energy ("NorthWestern") hereby submits its proposed electric utility economic development 2017 budget for the South Dakota Public Utilities Commission's ("Commission") review and approval. Also for the Commission's review and approval is NorthWestern's 2016 Economic Development Report for the electric utility that details actual versus budgeted expenses.

NorthWestern is proposing its 2017 economic development budget (Attachment A) in accordance with the Commission's order dated November 4, 2015 in EL14-106. The stipulation agreement for EL14-106 provides for an economic development annual budget cap of \$70,000 that is to be allocated to NorthWestern's electric customers. These costs are to be split 50/50 between NorthWestern Energy and our electric customers. Therefore, the customer share of those expenses is capped at \$35,000. While our overall 2017 budget exceeds the \$70,000 cap, NorthWestern is providing a full representation of its proposed economic development expenditures that will benefit our electric customers for the Commission's information. No economic development funding proposed by NorthWestern Energy in its 2017 economic development budget will be used for lobbying at the state or federal level.

Also included in this submittal is NorthWestern's 2016 Economic Development Annual Report (Attachment B) that details the company's actual expenditures as compared to the 2016 budget approved in Docket EL16-011. The final adjusted dollar amount that was spent in 2016 was \$943 less than the overall adjusted budget as approved by the Commission in Docket EL16-011. Budgets will have some fluidity from year to year as community economic development needs or priority projects change. An example of this budget fluidity is the line item expense for Smart Solutions. Smart Solutions completed a business attraction analysis for the Advantage South Dakota group. To help defray some of the cost, NorthWestern Energy contributed \$2,500 toward the effort. As stated above, no economic development funds supplied by NorthWestern were used for lobbying at the state or federal level.

Advantage South Dakota is 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 electric utility communities included Aberdeen, Mitchell, Huron, and Yankton. These workforce initiative grants will run through the end of 2017. Additional information related to Advantage South Dakota can be found on its website (<http://www.advantagesouthdakota.com>).

During 2017, NorthWestern Energy will 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 Advantage South Dakota. One area of focus within that initiative relates to workforce development/creation. 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 economic development expenditures for our electric utility. If there are any questions regarding this filing, please contact me at your convenience.

Thank you,

Pamela A. Bonrud

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