

BEFORE THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

BLACK HILLS POWER, INC. d/b/a BLACK)
HILLS ENERGY’S APPLICATION FOR)
APPROVAL OF ITS 2019 ECONOMIC) Docket EL20-_____
DEVELOPMENT REPORT AND 2020)
ECONOMIC DEVELOPMENT PLAN)

**2019 ECONOMIC DEVELOPMENT REPORT AND 2020 ECONOMIC
DEVELOPMENT PLAN**

Black Hills Power, Inc. d/b/a Black Hills Energy (“Black Hills Power” or the “Company”), files its 2019 Economic Development Report and 2020 Economic Development Plan in compliance with the settlement stipulation approved in Docket EL14-026. Black Hills Power respectfully requests an order from the South Dakota Public Utilities Commission (the “Commission”) approving the Company’s 2019 Economic Development Report and its 2020 Economic Development Plan.

BACKGROUND

Black Hills Power is committed to being the energy partner of choice for communities within its service territory. This commitment has led to strong partnerships with local and regional economic development organizations. Through these partnerships, Black Hills Power provides leadership and financial support promoting economic growth in local communities. All of the funds invested in the prior year were used only for economic development activities, and were not used for lobbying activities. All of the funds budgeted for 2020 will be used for economic development activities, not lobbying activities.

In Docket No. EL14-026, the Commission established the following economic development cost recovery and reporting requirement for Black Hills Power:

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.

2019 ECONOMIC DEVELOPMENT REPORT

Exhibit A to this Application shows the budget approved in Docket No. EL19-009 compared to the actual expenses incurred in 2019. The approved 2019 budget totaled \$155,675 and Black Hills Power spent \$147,556 for economic development activities throughout the year. Exhibit A also contains variance explanations to the approved budget.

Black Hills Power's 2019 economic development strategy was to promote the advancement of the workforce and labor pool within the service territory of Black Hills Power. Results from several economic development studies outlined developing the workforce as a key growth factor. This task encompasses numerous aspects that include job training, readily available housing, and improving the overall quality of life throughout local communities in the Black Hills Power service territory.

Financial contributions were specifically made to local organizations and community events throughout the year; examples include a retail trade study, a housing study, tuition for economic development courses, and sponsoring the Women's Business Conference. These actions highlight some of the steps taken towards the goal but do not demonstrate the full level of commitment from Black Hills Power. There were numerous other activities throughout the year the Company participated in to develop the workforce including its investment in Elevate Rapid City ("ERC").

Currently, ERC is in the final stages of development and represents a partnership between the Rapid City Chamber of Commerce, Ellsworth Development Authority, Rapid City Economic Development Partnership, and the Economic Development Foundation. In prior years, Black Hills Power supported the efforts of the Rapid City Economic Development Partnership and paid membership dues. 2019 will be the last year Black Hills Power will pay Rapid City Economic Development Partnership membership fees, as ERC will consolidate efforts with the Rapid City Economic Development Partnership. Black Hills Power donated \$150,000 to ERC in 2019, and has pledged to continue this level of donation for the next four years. The overall commitment totals at \$750,000 over a five-year period.

Black Hills Power also plans to continue its support of other economic development organizations located throughout its service area. Such organizations maintain a strong understanding of their community's strengths and weaknesses, and are highly motivated to promote growth. Strong local economies increase wage growth and drive a higher demand for goods and services. Business growth also increases the energy consumption in the area. Higher energy loads decrease the average utility cost for customers by spreading fixed costs over more units.

2019 ECONOMIC DEVELOPMENT GRANT PROGRAM

The Economic Development Grant Program was Black Hills Power's primary economic development activity in 2019. This program offered support through grants within the Black Hills Power's service territory to organizations that provide benefit to the local economy. The grant process included an application and a presentation by interested organizations. Each request was presented to the Economic Development Grant Committee and determined whether it should be approved or denied.

Nine local economic development organizations were selected by Black Hills Power in 2019, Table 1 lists those organizations. These participating organizations requested financial support to enhance the strategic plans currently in place to achieve growth initiatives. Grant types consisted of professional, organizational, and community development along with a number of sponsorships.

Table 1 - Grant Program Participating Organizations

<u>Line</u>	<u>Organization</u>
1	Deadwood - Lead - Central City Economic Development
2	Southern Hills Economic Development Corporation
3	Sturgis Economic Development
4	Vision Piedmont
5	Whitewood Economic Development Organization
6	BHSU SD Center for Enterprise Opportunity
7	Spearfish Economic Development Corporation
8	South Dakota School of Mines Student Business Plan Competition
9	Custer Economic Development

Sponsorship grants and development grants serve different purposes and accordingly show success differently. Sponsorship grants work to promote and market local organizations/events. Success is tracked from the amount of exposure and attendance levels. Whereas development grants show more delayed success. These grants are designated for the advancement of individuals and results are subtle. The majority of grants in 2019 were used to improve the labor pool in the region. The actual dollar amount spent on grants in 2019 was just slightly under the budgeted amount, which was driven by budgeting variances.

Leadership development is another key component to economic development. Building support between local businesses and government officials pays dividends. Clear communication about community-wide strategies from economic development organizations ensures efficiency and synergies within local communities. Black Hills is proud to be a partner with local economic development organizations and takes pride ensuring they remain sustainable for future benefit.

2020 ECONOMIC DEVELOPMENT PLAN

Exhibit B to this Application contains Black Hills Power's proposed 2020 economic development budget. For the upcoming year, Black Hills Power will continue its partnership with community leaders, chambers of commerce, and economic development organizations to focus on business development and increased economic opportunities for Black Hills Power's customers. The 2020 economic development plan is again designed to attract, retain, and improve the labor pool within the service territory. This will be accomplished through financial

contributions towards community event sponsorships, housing improvement initiatives, and quality of life upgrades. Employees of Black Hills Power will continue to be actively involved in economic development activities. This includes participating in leadership capacities for various organizations and committees, and participating in strategic planning initiatives. Community planning and downtown revitalization projects will also be a point of emphasis. Table 2 below lists the economic development organizations the Company will invest in during 2020.

Table 2 - 2020 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	Whitewood Economic Development Organization
8	Spearfish Economic Development Corp.
9	Black Hills & Badlands Association
10	South Dakota Chamber & Economic Development Council
11	Sturgis Economic Development Corp.
12	Dakota Land Trust

In 2020, Black Hills Power will continue to offer economic development grant funding within its service area. Grant requests will be channeled through a formal request process and approved by the Grant Committee as outlined in Exhibit C to this Application.

COMPANY CONTACTS

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

Ms. Jana White
 Associate General Counsel
 P.O. Box 1400
 Rapid City, SD 57709

Mr. Jason Keil
 Manager – Regulatory and Finance
 P.O. Box 1400
 Rapid City, SD 57709

605-399-5059
Jana.White@blackhillscorp.com

605-721-1502
Jason.Keil@blackhillscorp.com

EXHIBITS

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

- Exhibit A: 2019 Economic Development Report
- Exhibit B: 2020 Economic Development Plan
- Exhibit C: 2020 Grant Program Guidelines and Criteria
- Exhibit D: 2019 Membership Invoices and Payments
- Exhibit E: 2019 Community Sponsorship Invoices and Payments
- Exhibit F: 2019 Grant Program Invoices and Payments
- Exhibit G: 2019 Other Cost Invoices and Payments
- Exhibit H: 2019 Membership Report
- Exhibit I: 2019 Grant Report

CONCLUSION

Black Hills Power respectfully requests that the Commission issue an order approving its 2019 Economic Development Report and its 2020 Economic Development Plan.

