



August 6, 2014

Watertown Municipal Utilities Department
Attention: Steve Lehner
901 Fourth Avenue Southwest
Watertown, SD 57201-4107

Re: Notice of Exercise of Service Rights in Newly Annexed Area

Mr. Lehner:

The purpose of this correspondence is to respond to your *Notice of Exercise of Service Rights in Newly Annexed Area* dated May 21st, 2014 (the "Annexation Notice"). The Annexation Notice references the City of Watertown's annexation, pursuant to Resolution 14-10 dated April 21, 2014, of property generally identified as Lot 4 of Endres East First Addition.

The City asserts that NorthWestern Energy is serving a customer within the annexed area, but the facilities actually resided within territory assigned to Codington Clark Electric prior to the annexation. Accordingly, the City does not believe it is obligated to purchase NorthWestern's facilities or provide statutory compensation. After reviewing the issue in this particular instance, NorthWestern has decided not to challenge the City's conclusions.

The Codington County Geographic Information System Map provided with the Annexation Notice illustrates that the annexed area encroaches 95 feet into NorthWestern's territory. Accordingly, NorthWestern does reserve its right to future compensation pursuant to SDCL § 49-34A-50 if load is developed within this specified area.

Please call at your convenience to discuss the transition of the existing facilities to Watertown Municipal Utilities electric service.

Sincerely,

Michael Sydow
General Manager of Distribution Operations
michael.sydow@northwestern.com
O 605-343-7463

MUNICIPAL UTILITIES DEPARTMENT

901 Fourth Avenue Southwest

WATERTOWN, SOUTH DAKOTA 57201-4107

PHONE (605) 882-6233 • FAX (605) 882-6238

May 21st, 2014

Mr. Mike Sydow
Northwestern Energy
600 Market Street West
Huron, SD 57350

Re: *Notice of Exercise of Service Rights in Newly Annexed Area*

Dear Mr. Sydow:

The Watertown City Council approved a resolution on April 21st, 2014, annexing property generally known as Fireside Campers, 914 43rd ST Cir E. The property is legally described as Lot 4 of Endres East First Addition in Government Lot 3 and 4 of the Northwest Quarter of Section 2, Township 116 North, Range 52 West of the 5th P.M., and 15% interest in Endres Drive, also referred to as the 43rd Street Circle, Codington County, South Dakota. A copy of the annexation resolution; a map of the annexed property and the minutes from the April 21st, 2014 council meeting are enclosed for your reference.

It appears that the annexed property includes a small area of Northwestern Energy's designated territory while the existing customer service is located within Codington Clark Electric's territory but is nevertheless being served by Northwestern Energy. Given these facts, it appears you have no territorial service rights for the building you are serving on the property. As such, Watertown Municipal Utilities (WMU) believes we are under no legal obligation to purchase your facilities or provide compensation for your nonexistent service rights. We propose that within 90 days of the receipt of this letter, we mutually establish a date to convert the existing building to a Watertown Utilities electric service.

This letter is intended to serve as notice that WMU will provide and assert its electric service rights within the annexed area as provided for in SDCL Chapter 49-34A.

If you have any questions regarding this matter, I can be reached at 605-882-6233.

Sincerely,



Steve Lehner
General Manager

Enclosures

Cc: WMU Board Members (via email w/enclosures)
Stanton Fox, City Attorney (via email w/enclosures)