

TO: COMMISSIONERS AND ADVISORS

FROM: COMMISSION STAFF

SUBJECT: NG14-001 MEMORANDUM

DATE: APRIL 23, 2014

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#### STAFF MEMORANDUM

In 2011 with the Northwestern rate case, NG11-003, it was established that NorthWestern would split the economic development expenses 50/50, up to \$30,000 total with \$15,000 responsible to ratepayers in their Natural Gas territories. Any expense over the \$30,000 would be covered by NorthWestern. If the total economic development expense did not reach \$30,000 then NorthWestern would refund \$0.50 for every dollar under the \$30,000 total expense requirement.

Docket NG14-001 NorthWestern shows that they spent \$64,512 towards economic development in 2013, \$32,256 of which is allocated to the customers, as a 50% share of expenses developed in NG11-003. This \$32,256 shows that NorthWestern did meet the \$15,000 required to not have to refund any money but they will only be allowed to collect \$15,000 from ratepayers per the settlement in NG11-003.

One of the biggest economic development expenses is the Advantage SD Marketing. The part that Staff feels makes this a beneficial program is the face to face interaction recruiters have with potential employees. In 2013 there was the Advantage SD Jobs Showcase Tour that was a 2 day bus tour that allowed recruiters to come into contact with multiple potential employees in different areas. As a result of the tour, multiple recruiters met with Advantage SD in a follow-up meeting expressing their pleasure with the tour. Improvement recommendations were made by recruiters and other recruiter contacts were made which indicates that the 2013 tour was a success and that this event has the potential to reach multiple communities each year and potential to fill open positions within South Dakota.

As noted in the cover letter, Advantage SD is considering opportunities to try to generate interest by veterans to look at South Dakota. One career fair in particular that Advantage SD is looking at is in Ft. Riley, KS. If Advantage SD does in fact attend this career fair not only could this possibly bring out of state people to South Dakota, but would encourage veterans from out of state to seek employment in South Dakota. NorthWestern will be filing a response to staff's data request Monday, April 28 detailing if Advantage SD will be travelling to any career fairs for veterans and more specifically Ft. Riley.

Another thing to note is on revised exhibit B, an expense for Yankton Development Corp has been removed. While NorthWestern does serve electricity in this territory, they do not supply gas service to the Yankton community therefore the allocation to the customers is 0%. One last thing to note is the response to data request 1-3. As confirmed by NorthWestern, none of the expenses that are included within the Economic Development report for 2013 paid for lobbying costs and none of the budgeted expenses for 2014 are for lobbying costs.

Staff has reviewed all 2013 expenses and the proposed 2014 budget and agrees that the programs submitted should all be included and that the 2014 budget is consistent with those in past dockets. Staff has also confirmed that none of the incurred or proposed expenses relate to lobbying. Staff recommends approval of NorthWestern's 2014 Economic Development Budget and 2013 Economic Development Expenses.