

STATE OF SOUTH DAKOTA
BEFORE THE
PUBLIC UTILITIES COMMISSION

In the matter of the Petition of Gevo Net-Zero 1, LLC to have Kingsbury Electric Cooperative, Inc. Assigned as its Electric Provider in the Service Area of Otter Tail Power Company)	
)	Consolidated
)	Docket Nos. EL24-024
)	and EL24-025
)	
In the Matter of the Petition of Dakota Renewable Hydrogen, LLC to Have Kingsbury Electric Cooperative, Inc. Assigned as its Electric Provider in the Service Area of Otter Tail Power Company)	

REBUTTAL TESTIMONY
OF MARK HOFFMAN

1 **Q: Please state your name and business address for the record.**

2 **A:** Mark Hoffman. My business address 211 South Harth Ave., Madison, SD 57042.

3 **Q: Have you previously submitted testimony in this proceeding?**

4 **A:** Yes. I submitted direct testimony dated November 1, 2024.

5 **Q: To whose testimony are you responding in rebuttal?**

6 **A:** I am responding to the testimony of Christopher Waltz, Dylan Stupca and Darren Kearney.

7 **Q: Do you agree with Mr. Waltz’s summary of Otter Tail’s request in this proceeding**

8 **that the Commission (1) restrict the service territory exemption to the planned**

9 **development of the eastern 145-acre portion described in the Petitions; (2) restrict the loads**

10 **exempted to the NZ1 Project as described in the Petitions; (3) affirm Otter Tails Power’s**

11 **right to serve new loads under 2 MW and that SDCL 49-34A-56 still applies to the**
12 **undeveloped 100 acres; (4) condition its approval upon East Rivers cost responsibility for**
13 **the modification to Otter Tail Power’s emergency interconnection cause by this exemption**
14 **request; and (5) that final effect to the service territory exemption be conditioned on**
15 **commercial operation of the sustainable aviation fuel facility as described in the Petition?**

16 **A:** No. I do not.

17 **Q. Should the service territory exemption be restricted to the planned development of**
18 **the eastern 145-acre portion described in the Petitions.**

19 **A.** No. The service territory exemption should be the 245-acre property. This will allow NZ1
20 and DRH to adjust the design of their facilities if needed and allow for expansion and other
21 ancillary, complementary or related facilities. NZ1 should have the ability, on its property, to have
22 new KEC-serviced load in connection with, appurtenant to, or related to the NZ1 and DRH facility,
23 without having to seek subsequent Commission approval. This is a major project that will benefit
24 South Dakota and the region. The 245-acre footprint provides greater flexibility which increases
25 the likelihood of the success of the project. The 245-acres is owned by NZ1, has been surveyed
26 and the boundaries are clear and identifiable.

27 **Q. Should the PUC restrict the service exemption to the loads described in the Petitions?**

28 **A.** No, limiting the exemption to the loads described in the Petitions would not align with the
29 elimination of duplication of utilities and wasteful spending. NZ1 will require some form of CO2
30 capture, transportation, and sequestration or related technologies. If those facilities are located on
31 the service territory exemption site, they should be served by KEC regardless of their size. Imagine
32 if they weren’t. You could have a situation where there are facilities connected to and/or
33 intertwined to either NZ1 or DRH facilities that provide additional benefits to the facility’s

34 production, which are served by Otter Tail Power. This would result in duplication and wasteful
35 spending. Not to mention compromise the safe and efficient operation of each system. Intertwined
36 utilities create safety risks when they are maintained or under the control of more than one utility.

37 **Q. Should the PUC grant Otter Tail Power the right to serve new loads under 2 MW and**
38 **find that SDCL 49-34A-56 applies to the undeveloped 100 acres?**

39 **A.** No, for the reasons I have just stated. Allowing Otter Tail Power to serve other loads on the
40 site would create uncertainty, duplication, wasteful spending, increase safety risks and make
41 maintenance more difficult. Once the location of the exemption territory is determined
42 geographically, the location should become the exclusive service territory of KEC for all loads
43 regardless of size.

44 **Q. Should the PUC condition its approval upon East River's alleged cost responsibility**
45 **for the modification to Otter Tail Power's emergency interconnection caused by this**
46 **exemption request?**

47 **A.** No, this is not a condition the PUC should consider. The exemption request is not creating
48 the modification to the emergency interconnection Otter Tail Power is referring to. As stated in my
49 pre-filed testimony, East River's transmission upgrade is happening regardless of this proceeding.
50 The connection arrangement is governed by contract and is not subject to PUC jurisdiction. If there
51 is a dispute the parties have agreed to dispute resolution in the contract. Such dispute resolution
52 does not include requesting the PUC to resolve the dispute. Approval of the exemption should not
53 be conditioned on any alleged speculative cost responsibility of East River related to the
54 emergency interconnection.

55 **Q. Should the final effect of the service territory exemption be conditioned on the**
56 **commercial operation of the sustainable aviation fuel facility as described in the Petition?**

57 A. No, that is not a requirement of the statute. Such a strict interpretation of the statute defies
58 logic. If sustainable aviation fuel doesn't come to fruition but some other product does as a result
59 of NZ1 and/or DRH and the load meets the "new customer" and "new location" requirement the
60 territory should remain KEC's. To allow some type or reversion after infrastructure has been built
61 to serve a load 2 MW or greater is contrary to the principle of avoiding duplication and waste.
62 Furthermore, NZ1 and DRH or any other third-party being served by KEC on the site should be
63 able to assign as collateral or otherwise and/or transfer any and all rights they have in their
64 respective facilities without having to get PUC approval prior to, or after, commercial operation.
65 Any successor in interest to NZ1, DRH or third-party being served by KEC on the site should
66 continue to be served by KEC without having to get PUC approval.

67 **Q. Is there other testimony of Mr. Waltz that you would like to respond to?**

68 A. Yes, on Page 4 lines 28-31 Mr. Waltz states, "Additionally, in discovery, KEC has noted
69 that the transmission buildout will be sized in excess of the needs of the NZ1 project which
70 suggests that there are plans to service other loads on the 245-acre parcel." The transmission
71 buildout has been sized to serve NZ1, DRH, the existing KEC system, new loads in KEC's
72 territory, the future Kingsbury County Wind Farm and potential load growth in East River's
73 system. It's common in transmission planning to include extra capacity as part of a system upgrade
74 to avoid inefficient development and consistent with that practice that is what East River did.

75 **Q. Is there testimony of Dylan Stupca that you would like to respond to?**

76 A. Yes, page 2, lines 31-33 Mr. Stupca states, "East River identified that its planned
77 construction will cause the loss of an emergency interconnection arising from the Commission
78 granting this service area exemption." That is not a true statement. East River plans to proceed

79 with conversion of its system to 115 kV with or without the Commission granting this service area
80 exemption.

81 **Q. Is there more?**

82 A. Yes. Mr. Stupca raises concerns on page 3 about anticipated costs to maintain the
83 connection in light of the NZ1 project. The connection arrangement is governed by contract and
84 is not subject to PUC jurisdiction. The contract speaks for itself. East River will comply with the
85 terms of the contract. If there is a dispute the parties have agreed to dispute resolution. Such
86 dispute resolution does not include requesting the PUC to resolve the dispute. The connection
87 agreement should not be an issue that the PUC considers.

88 **Q. Any other response to Mr. Stupca's testimony?**

89 A. Yes, I would also like to respond to Mr. Stupca's comment on page 4, beginning at line 7,
90 "This leads me to believe that all the customers in SPP will be shouldering the burden of additional
91 capacity that appears to have no obvious purpose." NZ1 and DRH are paying for the cost for
92 transformation to the voltage to serve them at 34.5 kV. No other transformation is occurring at the
93 site. The Kingsbury County substation offsite of NZ1 is a transmission substation utilized to tie
94 East River's system and was recommended and approved by SPP to benefit the SPP system. This
95 is a rebuild/conversion of East River's existing system and SPP customers are not shouldering the
96 burden of additional capacity that has no obvious purpose as such improvements have been
97 approved via the prudent SPP transmission planning stakeholder process.

98 **Q. Is there testimony of Darren Kearney that you want to respond to?**

99 A. Yes. The PUC's final decision should be broad and allow KEC to serve NZ1/DRH
100 facilities, along with ancillary, complementary or related thereto, including future expansions and
101 any future third-party on the 245 acres. The final decision should allow KEC to serve facilities

102 connected to and/or intertwined to either facility that provide additional benefits to the facility's
103 production, to include carbon capture, carbon liquification, and other similar technologies. A broad
104 decision is consistent with the elimination of duplication and wasteful spending and provides for
105 greater safety and efficiency of operations. Once the location of the exemption territory is
106 determined geographically, the location should become the exclusive service territory of KEC for
107 all loads regardless of size.

108 **Q. Anything else?**

109 **A.** As I have stated earlier NZ1 and DRH or any other third-party being served by KEC on
110 the site should be able to assign as collateral and/or transfer any and all rights they have in their
111 respective facilities without having to get PUC approval prior to, or after, commercial operation.
112 Any successor in interest to NZ1, DRH or third-party being served by KEC on the site should
113 continue to be served by KEC without having to get PUC approval. Any final decision to the
114 contrary increases the likelihood of stranding assets, waste and duplication.

115 **Q: Does this conclude your rebuttal testimony?**


116 **A:** Yes.

117 Dated this 20th day of November 2024

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Mark Hoffman