

STATE OF SOUTH DAKOTA  
BEFORE THE  
PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE PETITION FOR )  
SWEETMAN CONST. CO. D/B/A KNIFE )  
RIVER, TO HAVE XCEL ENERGY )  
ASSIGNED AS ITS ELECTRIC ) Docket No. EL25-32  
PROVIDER IN THE SERVICE AREA OF )  
SIOUX VALLEY ELECTRIC )  
)

PRE-FILED INTERVENOR TESTIMONY  
OF MARK HOFFMAN  
ON BEHALF OF EAST RIVER ELECTRIC POWER COOPERATIVE, INC.

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: Please state your title and responsibilities.

4 A: Chief Operations Officer for East River Electric Power Cooperative, Inc. (“East River”). I  
5 am responsible for the operations of East River, including system planning, engineering, project  
6 management, transmission, substation and control, telecommunications, system operations,  
7 regulatory compliance and regional transmission organization coordination.

8 Q: Do you have a resume or CV?

9 A: Yes. See Exhibit MH-1.

10 Q: What is the purpose of your direct testimony?

11 A: To explain East River’s ability to provide wholesale power to Sioux Valley-Southwestern  
12 Electric Cooperative, Inc. (“Sioux Valley Energy”), and provide reliable transmission and related

13 infrastructure in conjunction with Sioux Valley Energy to serve the electric service needs of  
14 Sweetman Const. CO. D/B/A Knife River (“Knife River”) for Knife River’s Rock Crushing Plant  
15 (the “Plant”) in Minnehaha County, near the City of Corson, South Dakota. This will include  
16 addressing the requirements of SDCL 49-34A-56 and explaining the relationship between Sioux  
17 Valley Energy , East River, Basin Electric Power Cooperative (“Basin Electric”), and the Western  
18 Area Power Administration (“WAPA”). I incorporate herein East River’s Petition to Intervene filed  
19 in the above docket.

20 **Q. Explain the cooperative governance model.**

21 **A.** The cooperative network in our region follows a democratic grassroots governance model  
22 which provides representation from all members through each stage of the three-tiered cooperative  
23 power delivery network. Distribution cooperative board members are democratically elected by  
24 their fellow member-owners to represent them on the local distribution cooperative board of  
25 directors. Any eligible member-owner can run for the board of directors of their local distribution  
26 cooperative if they meet the requirements of their specific bylaws. Each member-owner has one  
27 vote, no matter the amount of electricity they use, and elections are held at a cooperative’s annual  
28 or district meetings where member-owners vote for their preferred candidate. Directors are elected  
29 to serve three-year terms. Members of a distribution cooperative board of directors then  
30 democratically elect one of their own to represent the cooperative on the East River board of  
31 directors. The East River board then elects one of their own to represent the cooperative on the  
32 Basin Electric board of directors. The cooperative model of governance provides accountability  
33 and representation for member-owners at each level of the cooperative network. The board of  
34 directors at each level have a fiduciary responsibility to choose management personnel, set

35 direction, provide oversight, ensure adequate resources and monitor progress as they delegate day-  
36 to-day responsibilities to the cooperative's management personnel.

37 **Q. What is the relationship between Sioux Valley Energy , East River, and Basin?**

38 **A.** East River, Sioux Valley Energy, and Basin Electric are part of a three-tiered cooperative  
39 power supply network following the cooperative governance model. East River is a Class A  
40 Member owner of Basin Electric and has entered into a long-term, bilateral wholesale power  
41 supply contract with Basin Electric, pursuant to which Basin Electric sells and delivers capacity  
42 and energy requirements to East River for resale by East River to its member distribution  
43 cooperatives, including Sioux Valley Energy. Sioux Valley Energy is a member-owner of East  
44 River and East River is Sioux Valley Energy's wholesale power supply provider for South Dakota.  
45 Sioux Valley Energy provides retail electric service to its members, including Knife River at the  
46 existing site. Basin Electric generates power from a mix of generation sources, including coal,  
47 natural gas, wind, solar, hydropower, recovered energy, oil/diesel/jet fuel, and market purchases.

48 **Q. What is East River's power supply?**

49 **A.** East River has electric power supply and transmission capacity/services contracts with  
50 Western Area Power Administration ("WAPA"), which markets power generated at the  
51 hydroelectric dams within the Missouri River basin, and Basin Electric for and on behalf of East  
52 River's members. East River has a fixed contract rate of delivery with WAPA which accounts to  
53 about 15% of energy purchases with the remaining coming from a supplemental all requirements  
54 contract with Basin Electric.

55 **Q. What is the Southwest Power Pool?**

56 **A.** Southwest Power Pool ("SPP") is a regional transmission organization ("RTO"): a  
57 nonprofit corporation mandated by the Federal Energy Regulatory Commission to ensure reliable

58 supplies of power, adequate transmission infrastructure and competitive wholesale electricity  
59 prices on behalf of its members. It manages the electric transmission system in parts of 14 states  
60 in the central and western United States including South Dakota. SPP's members include  
61 cooperatives, investor-owned utilities, municipal systems, state agencies, federal agencies,  
62 independent transmission companies, and independent power producers. SPP is responsible for  
63 coordinating the reliability of the transmission system and balancing electric supply and demand  
64 in its footprint.

65 **Q. What is your involvement if any with SPP?**

66 **A.** I am a member of the SPP Markets and Operations Policy Committee (MOPC). The MOPC  
67 is responsible, through its designated organization groups, for developing and recommending  
68 policies and procedures related to the technical operation of SPP, as approved by the SPP Board of  
69 Directors. The policy and procedures developed by the MOPC include system design, planning,  
70 adequacy, regional transmission service tariff, interconnections, operation, reliability, market  
71 designs and efficiency, and market power mitigation that will help to assure efficient and reliable  
72 power supply among the systems in SPP and SPP transmission customers.

73 I provided direct testimony to FERC for East River's original filing to FERC in which East  
74 River, as a Transmission Owner in SPP, requested implementation of the formula rate template  
75 associated with the transfer of functional control of certain East River transmission facilities to  
76 SPP.

77 **Q. How do East River and Basin Electric deliver power?**

78 **A.** Basin Electric and East River Electric deliver power in South Dakota through two Regional  
79 Transmission Organizations: Midcontinent Independent System Operator (MISO) and SPP. Basin  
80 Electric is a market participant, buying and selling power in the MISO and SPP markets. East River

81 is classified as a Transmission Owner in SPP and delivers power through MISO, although it is not  
82 classified as a Transmission Owner in MISO. If served via Basin Electric and East River Electric,  
83 Knife River would be part of SPP. East River delivers wholesale power to our members through  
84 its approximately 3,300 miles of transmission line and approximately 269 substations. East River  
85 operates its transmission facilities at voltages of 230 kV, 115 kV, 69 kV, 41.6 kV and 34.5 kV.

86 **Q. Does East River have adequate power supply for the anticipated Plant's load of 11**  
87 **Megawatts?**

88 **A.** Yes, through its contract with Basin Electric, East River has adequate power supply to serve  
89 the Knife River Plant expansion. Basin Electric has an adequate power supply for the anticipated  
90 load of 11 Megawatts. According to SPP as specifically set forth in the 2025 SPP Summer Season  
91 Resource Adequacy Report, Basin has a 355 MW surplus in 2025. For future resources to meet  
92 forecasted load, Basin is currently building the Bison Generation Station in North Dakota. Once  
93 complete, it will have capacity for additional power supply of approximately 1,490 MW in SPP.

94 **Q. How would East River deliver power to the Plant?**

95 **A.** East River delivers wholesale power to our members through its approximately 3,300 miles  
96 of transmission line and approximately 269 substations. East River maintains a 115 kV  
97 transmission system around the Knife River site, as shown in Exhibit MH-2, adequate to serve the  
98 existing loads and the plant expansion. East River maintains a substation, Corson Substation,  
99 located on the northwest side of the city of Corson within section 27-102-48 that currently serves  
100 Knife River via Sioux Valley Energy's distribution system along with other Sioux Valley Energy  
101 load. Knife River's expansion can be served via the Corson Substation, or a new independent  
102 substation can be built for Knife River on site, extending the transmission system into the plant. If  
103 served via the Corson Substation, improvements would be needed to be made including a feeder

104 bay addition and transformer upgrade, to meet East River planning standards, and provide  
105 adequate service to Knife River and existing customers. This option would require Sioux Valley  
106 Energy to build approximately three miles of distribution line from the existing Corson substation.  
107 The costs for these upgrades would be the responsibility of Knife River to ensure the expansion of  
108 Knife River is not subsidized by other East River members. East River's cost estimates have been  
109 provided to Sioux Valley Energy and incorporated into Sioux Valley Energy's cost estimates to  
110 serve Knife River. This option is similar to that which appears to be Xcel's proposal to Knife  
111 River, with the important distinction that instead of constructing 10 miles of distribution  
112 infrastructure (as proposed by Xcel) versus Sioux Valley Energy would need to construct  
113 approximately three miles of distribution infrastructure. Sioux Valley serving Knife River would  
114 decrease infrastructure costs.

115 **Q. Can East River build an independent dedicated substation for Knife River?**

116 **A.** East River has a transmission system built around the Knife River site. This 115 kV  
117 transmission system has the capacity to serve the existing area load and the proposed expansion.  
118 A new independent substation can be built for Knife River on site, extending the transmission  
119 system into the plant. To serve the independent substation East River evaluated different locations  
120 to site the new substation. The new independent substation option would be built with redundant  
121 transmission built to the substation providing additional reliability to the plant. This option would  
122 lower the distribution circuit from 3 miles to ½ to 1 mile depending on final location of the new  
123 substation. The costs for these upgrades would be the responsibility of Knife River to ensure the  
124 expansion of Knife River is not subsidized by other East River members. East River's cost

125 estimates have been provided to Sioux Valley Energy and incorporated into Sioux Valley Energy's  
126 cost estimates to serve the customer

127 **Q. Do you believe Xcel's proposal to Knife River would result in the duplication of**  
128 **facilities and wasteful spending?**

129 **A.** Yes.

130 **Q. Please explain.**

131 **A.** Xcel's proposal requires construction of an entirely parallel distribution system. Xcel  
132 would build new facilities where adequate facilities already exist. East River already maintains a  
133 115-kV transmission system around the Knife River site, including the Corson Substation, which  
134 currently serves Knife River's existing site through Sioux Valley Energy's distribution system.  
135 Sioux Valley Energy/East River can serve the expanded load by upgrading the existing Corson  
136 Substation and extending distribution approximately three miles. By contrast Xcel proposes to  
137 construct approximately 10 miles of new 34.5-kV distribution line from its Lawrence Substation  
138 to the site. Xcel would also require upgrades at the Lawrence Substation (new feeder bay). Xcel's  
139 line would be built solely to serve Knife River, not to meet broader regional load needs. The longer  
140 lines mean higher costs, higher long-term maintenance costs, greater exposure to outages, greater  
141 environmental and land-use impacts. In short, adequate facilities already exist near the site; the  
142 existing utility can serve the load with modest upgrades; Xcel's proposal requires significantly  
143 more new infrastructure; Xcel's facilities would not replace existing facilities; and the result is  
144 overlapping systems serving the same load.

145 **Q. What is a biddable load?**

146 **A.** That refers to customers with loads that satisfy the criteria of SDCL 49-34A-56. Any new  
147 customers at new locations which develop after March 21, 1975, located outside municipalities as

148 the boundaries thereof existed on March 21, 1975, and who require electric service with a  
149 contracted minimum demand of two thousand kilowatts, or more are considered biddable  
150 loads. Subject to Commission approval, these customers are not obligated to take electric service  
151 from the electric utility having the assigned service area where the load is located. As such  
152 qualifying customers can take bids from competing utility providers for electrical service.

153 **Q. Do you consider Knife River's Plant a new customer?**

154 A. No.

155 **Q. Why not?**

156 A. Knife River is a member of Sioux Valley. Sioux Valley is currently providing electric  
157 service to Knife River's plant located in Sioux Valley's territory at 25944 482nd Ave, Brandon, SD  
158 57005. Knife River is an existing customer of Sioux Valley, not a new customer.

159 **Q. Do you believe the Plant being built is at a new location?**

160 A. No. The Plant is an extension of an existing hard rock quarry operated by Knife River. It  
161 has the same 911 address and is referred to by Knife River in its own Conditional Use Permit  
162 ("CUP") as "Expansion of existing hard rock quarry" at least five times. *See* Exhibit MH-3.  
163 Minnehaha County approved Knife River's CUP application amending the prior CUP to expand  
164 quarry operations, not establish a new facility. *See* Exhibit MH-4. The Plant is contiguous with the  
165 existing Knife River quarry property. *See* Exhibit MH-5. It shares the same overall quarry  
166 footprint, mining plan, and reclamation plan, all owned by Knife River. It uses the same access,  
167 haul routes, and internal material handling systems as the existing hard rock quarry. The Water  
168 permit authorizes additional water for an existing and proposed sand & gravel operation. *See*  
169 Exhibit MH-6. The Air quality permitting covers the Plant as part of the nonmetallic mineral  
170 processing plant at the Corson quarry. *See* Exhibit MH-7. The Plant is not a greenfield site

171 disconnected from existing infrastructure; it is an incremental build-out of the same quarry  
172 complex. The regulatory permits treat the Plant as an extension of an existing quarry, and the PUC  
173 should as well.

174 **Q. Has Knife River satisfied the requirement of having a contracted minimum demand**  
175 **of two thousand kilowatts?**

176 **A.** No. Knife River is not legally obligated to purchase a minimum demand of two thousand  
177 kilowatts from Xcel. They have not entered into an Electric Service Agreement with Xcel or any  
178 other agreement that legally binds them to meet the minimum demand requirements.

179 **Q. Do you believe the Knife River Plant is a biddable load?**

180 **A.** No. It is not a biddable load. Knife River is not a new customer, the Plant is not at a new  
181 location, and they haven't satisfied the statutory contracted minimum demand. Any one of these  
182 things disqualifies Knife River from being a biddable load under South Dakota state law. Treating  
183 routine industrial expansions as "new customers" would undermine the exclusive service  
184 territories statewide, allow customers to shop utilities by incrementally relocating loads, and  
185 discourage utilities from investing in infrastructure to serve existing members.

186 **Q: Assuming the Commission determines the Knife River Plant is a new customer at a**  
187 **new location with a contracted minimum demand of two thousand kilowatts, why should the**  
188 **Commission disregard the preference of the Knife River?**

189 **A:** Awarding Xcel the right to serve Knife River's expansion would, among other things,  
190 result in the duplication of facilities and wasteful spending, which would not be an efficient and  
191 economical use and development of the electric system. In addition, Knife River and Xcel have  
192 not submitted a completed plan and design to power the Plant. According to Knife River and  
193 Xcel neither one of them will be providing on-site distribution. In Knife River's answers to data

194 requests, Knife River says Xcel is doing it. In Xcel's answers to data requests, Xcel says they are  
195 providing power at 34.5 kV, and distribution facilities beyond that point are Knife River's  
196 responsibility. Not only is there a disconnect regarding on-site distribution, but I believe Knife  
197 River has incorrectly assumed that there won't be substantially higher costs and curtailment  
198 requirements associated with Xcel's Rate Code E20, the rate Xcel has stated that Knife River  
199 will be charged. East River's rate does not require Knife River to curtail its load. Xcel's E20 rate  
200 requires the load to elect a maximum load during control periods or a fixed amount of load  
201 control that is utilized during curtailment calls. Knife River did not indicate to Sioux Valley  
202 Energy that it was able to or interested in curtailment, and as such, the pricing provided by Sioux  
203 Valley Energy does not include the benefit of load control.  
204 Knife River's preference should be disregarded because it is not informed and not binding. Knife  
205 River has no electric service agreement with Xcel and therefore has not agreed to any specific  
206 rate, minimum demand, curtailment obligation, or service terms. Its preference is based on  
207 incomplete and conflicting information regarding system design, on-site distribution  
208 responsibility, and cost. A preference formed without a finalized plan or contractual commitment  
209 should not override the Commission's obligation to prevent duplication of facilities and ensure  
210 efficient and economical system development.

211 **Q: Does this conclude your pre-filed written testimony?**

212 A: Yes.

213 Dated this 17th day of February, 2026.

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Mark Hoffman

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