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 PROVIDER IN THE SERVICE AREA OF SIOUX VALLEY ELECTRIC	)))))	**Docket No. EL25-32**

PRE-FILED INTERVENOR TESTIMONY

OF MARK HOFFMAN

ON BEHALF OF EAST RIVER ELECTRIC POWER COOPERATIVE, INC.

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

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

Q: Please state your title and responsibilities.

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

Q: **Do you have a resume or CV?**

A: Yes. *See* Exhibit MH-1.

Q: What is the purpose of your direct testimony?

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

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

Q. Explain the cooperative governance model.

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

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

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

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

Q. What is East River's power supply?

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

Q. What is the Southwest Power Pool?

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

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

Q. What is your involvement if any with SPP?

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

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

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

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

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

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

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

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

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

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

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

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

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

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

A. Yes.

Q. Please explain.

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

Q. What is a biddable load?

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

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

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

A. No.

Q. Why not?

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

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

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

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

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

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

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

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

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

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

requests, Knife River says Xcel is doing it. In Xcel's answers to data requests, Xcel says they are providing power at 34.5 kV, and distribution facilities beyond that point are Knife River's responsibility. Not only is there a disconnect regarding on-site distribution, but I believe Knife River has incorrectly assumed that there won't be substantially higher costs and curtailment requirements associated with Xcel's Rate Code E20, the rate Xcel has stated that Knife River will be charged. East River's rate does not require Knife River to curtail its load. Xcel's E20 rate requires the load to elect a maximum load during control periods or a fixed amount of load control that is utilized during curtailment calls. Knife River did not indicate to Sioux Valley Energy that it was able to or interested in curtailment, and as such, the pricing provided by Sioux Valley Energy does not include the benefit of load control.

Knife River's preference should be disregarded because it is not informed and not binding. Knife River has no electric service agreement with Xcel and therefore has not agreed to any specific rate, minimum demand, curtailment obligation, or service terms. Its preference is based on incomplete and conflicting information regarding system design, on-site distribution responsibility, and cost. A preference formed without a finalized plan or contractual commitment should not override the Commission's obligation to prevent duplication of facilities and ensure efficient and economical system development.

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

A: Yes.

Dated this 17th day of February, 2026.

Mark Hoffman