

Public VERSION

BEFORE THE SOUTH DAKOTA PUBLIC UTILITIES COMMISSION

DOCKET

**EL25-032 - In the Matter of the Petition of Sweetman Const. Co. dba Knife River,
to have Xcel Energy Assigned as its Electric Provider in the Service Area of Sioux
Valley Electric**

**DIRECT TESTIMONY OF JOSEPH REZAC
ON BEHALF OF THE PUBLIC UTILITIES COMMISSION STAFF
February 17, 2026**

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EXHIBITS

Exhibit_JR-1: Map of the KNIFE RIVER Site from Minnehaha County MinnEmap

I. **INTRODUCTION AND QUALIFICATIONS**

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Q. State your name.

A. Joseph Rezac.

Q. State your employer and business address.

A. South Dakota Public Utilities Commission, 500 E Capitol Ave, Pierre, SD, 57501.

Q. State your position with the South Dakota Public Utilities Commission.

A. I am a Staff Analyst, which is also referred to as a Utility Analyst.

Q. What is your educational background and work experience?

A. In May of 2014, I earned Bachelor of Science degrees in Mathematics and Economics, from the University of South Dakota. I graduated *cum laude* and was recognized as a University Scholar for completing the institution's Honors Program. I began my employment with the Commission as a staff analyst in June of 2014. During my employment with the PUC, I have worked on a variety of matters in the telecom, natural gas, and electric industries. The major dockets that I have worked on are utility rate cases, energy efficiency programs, electric territory boundary mapping, and electric service rights exceptions. I also have attended several seminars and workshops on utility related matters during my employment with the Commission.

II. **PURPOSE OF TESTIMONY**

Q. On whose behalf was this testimony prepared?

A. This testimony was prepared on behalf of the Staff of the South Dakota Public Utilities Commission.

1 **Q. Did Staff participate in discovery?**

2 A. Yes. Staff sent discovery to all the parties in the docket. The responses to those
3 discovery requests are all filed in the docket.
4
5

6 **Q. What is the purpose of your direct testimony?**

7 A. The purpose of my direct testimony is to highlight certain facts the Commission may
8 want to consider when determining whether to grant the Petition for Electric Service
9 (Petition) from Sweetman Const. Co. dba Knife River (Knife River) that request the
10 Commission allow Xcel Energy (Xcel) to be assigned as their electric service provider.
11

12 I also provide my analysis of the six factors under the large load statute (SDCL 49-34A-
13 56).
14
15

16 **III. THE LARGE LOAD STATUTE**
17

18 **Q. What statute is at issue in this docket?**

19 A. The relevant statute is SDCL 49-34A-56. The full text of the statute is provided below for
20 reference.
21
22

23 **49-34A-56. Large new customers not required to take service from assigned utility--Notice**
24 **and hearing by commission--Factors considered.**

25 Notwithstanding the establishment of assigned service areas for electric utilities provided
26 for in §§ 49-34A-43 and 49-34A-44, new customers at new locations which develop after March
27 21, 1975, located outside municipalities as the boundaries thereof existed on March 21, 1975, and
28 who require electric service with a contracted minimum demand of two thousand kilowatts or more
29 shall not be obligated to take electric service from the electric utility having the assigned service
30 area where the customer is located if, after notice and hearing, the Public Utilities Commission so
31 determines after consideration of the following factors:

- 32 (1) The electric service requirements of the load to be served;
- 33 (2) The availability of an adequate power supply;
- 34 (3) The development or improvement of the electric system of the utility seeking to
35 provide the electric service, including the economic factors relating thereto;
- 36 (4) The proximity of adequate facilities from which electric service of the type required
37 may be delivered;
- 38 (5) The preference of the customer;

1 (6) Any and all pertinent factors affecting the ability of the utility to furnish adequate
2 electric service to fulfill customers' requirements.
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5

6 **Q. Is it your opinion that SDCL 49-34A-56 is a customer choice statute for contracted**
7 **minimum demand of 2,000 Kilowatts or more?**

8 A. While the statute incorporates an element of customer choice, it is not a pure customer
9 choice statute in the sense that a large load customer can freely select their electric
10 supplier. The statute clearly outlines additional factors that the Commission must
11 consider beyond customer preference. In my view, if the Legislature wanted large-load
12 customers to have the ability to choose their electric service provider under any
13 circumstances, it would not have included these other mandatory considerations for the
14 Commission
15

16
17 **Q. In your opinion, why are other factors included for Commission consideration in**
18 **addition to customer preference?**

19 A. The laws that established the original electric service territory boundaries are SDCL 49-
20 34A-43 and SDCL 49-34A-44. The initial boundaries were to be set at a line equidistant
21 between the electric lines of the adjacent electric utilities. However, in cases where that
22 method was not feasible or the adjacent utilities agreed upon a different method or
23 boundary location, the Commission could modify the boundaries as needed. In those
24 cases, specific factors were provided for Commission consideration including: 1) the
25 elimination or avoidance of the duplication of facilities, 2) the ability of the utility to
26 provide adequate electric service, and 3) the efficient and economical use and
27 development of the electric system.
28

29 Based on the factors considered when establishing the initial boundaries, it is clear to
30 me that the Legislature was concerned about the duplication of facilities, the ability for
31 customers to receive reliable electricity, and the efficient and economical use of the
32 electric system. It is my opinion that the factors beyond customer preference were
33 included in the large load statute (SDCL 49-34A-56) to ensure the large load customer
34 had the ability to receive reliable electric service in an efficient and economical way,

1 while also preventing the unnecessary duplication of facilities that existing customers
2 may need to pay for.

3
4
5 **IV. KNIFE RIVER'S ELIGIBILITY UNDER THE LARGE LOAD STATUTE**

6
7 **Q. One of the requirements for Knife River to be eligible for the large load statute is
8 that they must be a new customer. Is Knife River a new customer?**

9 A. Yes. It is my opinion that Knife River is a new customer as it relates to the new rock
10 crushing plant being proposed.

11
12 Knife River indicates in its petition that it plans to build and operate a new rock crushing
13 plant on undeveloped property. Also important to my conclusion that Knife River is a new
14 customer lies in my understanding that the property which the new plant is proposed to
15 be built has not been served by any electric service provider.

16
17
18 **Q. Do the intervenors dispute that Knife River is a new customer?**

19 A. Yes. It is my understanding that the new customer requirement is a disputed fact at
20 issue for Sioux Valley, East River, and Basin.

21
22
23 **Q. One of the requirements for Knife River to be eligible for the large load statute is
24 that they must be at a new location. Is the Knife River facility at a new location?**

25 A. Yes. It is my opinion that the new rock crushing plant will be at a new location. The new
26 facility will be located in the assigned service territory of Sioux Valley as shown in Exhibit
27 1. to East River's response to staff's data request. It is my understanding that there is no
28 utility infrastructure to the proposed plant location.

29
30
31 **Q. Do the intervenors dispute that Knife River's facility will be at a new location?**

32 A. Yes. It is my understanding that the new location requirement is a disputed fact at issue
33 for Sioux Valley, East River, and Basin.

1 **Q. One of the requirements for Knife River to be eligible for the large load statute is**
2 **that they must be located outside municipalities as the boundaries thereof existed**
3 **on March 21, 1975. Is the proposed Knife River facility located outside**
4 **municipalities as the boundaries thereof existed on March 21, 1975?**

5 A. Yes. In order to verify the municipal boundaries, I looked up the Knife River parcel and
6 Brandon municipal boundaries on the Minnehaha County's MinnEmap¹. Attached as
7 Exhibit_JR-1 to my testimony is the map showing Knife River's parcel located outside of
8 Brandon's municipal boundaries that I obtained from the Minnehaha County's
9 MinnEmap.

10

11

12 **Q. Do the Intervenor dispute that the Knife River facility will be located outside any**
13 **municipal boundary as the boundary thereof existed on March 21, 1975?**

14 A. No. It is my understanding that the municipal boundary requirement is not at issue for
15 the proposed Knife River rock plant.

16

17

18 **Q. One of the requirements for Knife River to be eligible for the large load statute is**
19 **that they must require electric service with a contracted minimum demand of two**
20 **thousand kilowatts or more. Will Knife River have a contracted minimum demand**
21 **of two thousand kilowatts or more?**

22 A. It is my understanding the new plant will meet the two thousand kilowatts demand
23 requirement. In response to Staff's Data Request 1-1, Knife River indicates 11
24 Megawatts is the anticipated load for the plant. Although I have not seen an electric
25 service agreement or any official document that outlines the exact contracted minimum
26 demand, much of the analysis related to costs and serving the rock plant is based
27 around the 11-Megawatt load.

28

29

30 **Q. Do the Intervenor dispute that the Knife River rock plant will have a contracted**
31 **minimum demand of two thousand kilowatts or more?**

¹ Minnehaha County MinnEmap accessible a: <https://mcgis-minnehahacounty.opendata.arcgis.com/>

1 A. Yes. It is my understanding that the contracted minimum demand requirement is at issue
2 for the proposed Knife River facilities.

3

4 In response to Staff's Data Request 1-4, Sioux Vally stated:

5

6 *Sioux Valley disputes the existence of a contracted minimum demand of*
7 *2,000 kilowatts.*

8

9 Basin and East River also offered similar responses to staff regarding the contracted
10 minimum demand.

11

12

13 **Q. Are you aware of any facts that would call into question Knife River's eligibility to**
14 **use the large load statute?**

15 A. At the time of writing this testimony, I am not aware of any facts that would call into
16 question the eligibility for Knife River to use the large load statute. However, I have not
17 reviewed the Intervenor's testimony, and I reserve the right to amend my testimony
18 should new facts come to light.

19

20

21 **V. ANALYSIS OF THE SIX FACTORS**

22

23 **Q. SDCL 49-34A-56(1), the first factor, requires the Commission to consider the**
24 **electric service requirements of the load to be served. How do you think about**
25 **this factor?**

26 A. I read this factor as intended to verify that the large load does have a minimum demand
27 of 2,000 kilowatts or more. Which, as noted earlier, I believe that Knife River does meet
28 that requirement based on the current fact set.

29

30

31 **Q. What opinion do you have on the first factor, regarding the consideration of the**
32 **electric service requirements of the Knife River loads?**

33 A. As noted earlier, it is my opinion that electric service requirements of Knife River will
34 meet the minimum demand threshold and are eligible under the large load statute.

1 **Q. SDCL 49-34A-56(2), the second factor, requires the Commission to consider the**
2 **availability of an adequate power supply. How has Xcel indicated it would serve**
3 **the new rock crushing plant?**

4 A. In Staff Data Request 1-2 to Xcel, I asked for details related to the second factor. Xcel
5 responded:

6

7 *9-34A-56(1) addresses the electric service requirements of the load to be*
8 *served. It is Xcel Energy's understanding that the new customer has*
9 *standard service requirements that can be served by Xcel Energy with*
10 *the construction of additional transmission level infrastructure. Xcel*
11 *Energy would construct 10 miles of 34.5 kV of transmission level*
12 *infrastructure along the mapped route provided in Attachment A. The*
13 *customer has stated they will want primary service. The primary meter*
14 *location is marked as "New Service Location" in Attachment A to this*
15 *response. This 34.5 kV line would be served from Xcel Energy's*
16 *Lawrence Substation highlighted on the map in Attachment A. Xcel*
17 *Energy would serve this 34.5 kV line with an existing substation*
18 *transformer and would need to upgrade the Lawrence Substation with an*
19 *additional feeder bay to support the feeder infrastructure. The load would*
20 *be served from the NSP System.*

21

22

23

24 **Q. How has Sioux Valley indicated it would serve the new rock crushing plant?**

25 A. In Staff Data Request 1-1 to Sioux Valley, I asked for details related to the second factor.
26 Sioux Valley responded:

27

28 *Sioux Valley currently has a 7.2/12.47 kV distribution feed to the Knife*
29 *River plant site extending from East River's Corson substation, which is*
30 *located 1.3 miles away. The current distribution feed has limited capacity*
31 *and would not be capable of serving the 11 MW load without upgrades to*
32 *the distribution system and substation facilities. There is a robust 115 kV*
33 *transmission system in the area operated by Sioux Valley's supplier East*
34 *River which has ample capacity to service the 11 Megawatt load. The*
35 *existing 115 kV line is located either 1 mile west of the plant site or 1 mile*
36 *north of the plant site.*

37

38

39 **Q. Do the intervenors dispute that Xcel has access to a reliable supply of power to**
40 **serve the Knife River load?**

41 A. As of the time of writing my testimony, I am not aware that the intervenors are disputing
42 Xcel's ability to fulfill Knife Rivers electric demand requirements.

43

44

1 **Q. What opinion do you have on the second factor, regarding the availability of an**
2 **adequate power supply?**

3 A. I believe Xcel as well as Sioux Valley will have access to an adequate power supply to
4 serve the Knife River rock plant. Ultimately, I don't believe that one utility is better
5 positioned to serve the Knife River plant over the other utility as it relates to the second
6 factor.

7
8
9 **Q. SDCL 49-34A-56(3), the third factor, requires the Commission to consider the**
10 **development or improvement of the electric system of the utility seeking to**
11 **provide the electric service, including economic factors relating thereto. Will Xcel**
12 **need to develop or improve the electric system to provide service to Knife River?**

13 A. Yes, Xcel Energy will construct an approximately 10 miles of 34.5 kV of transmission
14 level infrastructure to serve the customer. In Xcel Energy's Petition to intervene, Xcel
15 also indicated that the additional 34.5 kV line will shore up reliability in the area and add
16 operation flexibility.

17
18
19 **Q. What economic factors are considered when looking at Xcel's proposed**
20 **transmission upgrade plan?**

21 A. According to Xcel's Response to Staff Data Request 1-4 the estimated cost of Xcel's
22 transmission upgrade plan is **[begin confidential]** [REDACTED] **[end confidential]**. Xcel
23 indicates the cost is revenue justified using existing rate tariffs and there will be no
24 contribution in aid of construction necessary from Knife River. From an economic
25 standpoint, if the barrier of entry into a new market or product is lower, consumers will
26 benefit in that there are more products available at better prices. Large upfront costs
27 such as large deposits or construction costs could cause businesses to not move
28 forward.

29
30
31 **Q. Will Knife River be responsible for the entire cost of the proposed transmission**
32 **buildout by Xcel?**

33 A. No. It is my understanding that Knife River prefers Xcel to serve the new rock plant
34 because the cost to them is much less than a similar plan from Sioux Valley. Although, I

1 have not seen any Electric Service agreement between Xcel and Knife River that
2 outlines any contribution required by Knife River, Xcel indicates the cost of extending
3 service would be revenue justified and thus no contribution in aid of construction would
4 be required.
5
6

7 **Q. Who will pay for the portion of Xcel's proposed transmission upgrade plan that
8 isn't recovered through a CIAC from Knife River?**

9 A. It is my understanding that Xcel Energy will be paying for the upgrade plan. Xcel also
10 indicated in its Petition to Intervene that there would be no impact on existing customers,
11 suggesting that the additional revenues the company would receive would pay for such
12 upgrades.
13
14

15 **Q. How does Xcel's plan to serve the Knife River load differ from Sioux Valley?**

16 A. In responses to Staff's Data requests, Sioux Valley outlined its proposed plan to serve
17 the new Knife River rock plant. This includes a new transmission line, a new distribution
18 substation, and additional distribution circuits. Sioux Valley indicated that all costs would
19 be deemed dedicated facilities and charged to Knife River. It is my understanding that
20 Xcel's proposal does not include the costs of a new distribution substation.
21
22

23 **Q. What opinion do you have on the third factor regarding the development or
24 improvement of the electric system of the utility seeking to provide the electric
25 service, including economic factors relating thereto?**

26 A. I believe Xcel will need to make new investments in their transmission in order to serve
27 the new Knife River's rock plant. Similarly, Sioux Valley would also need to make new
28 investments in their transmission and distribution if they were to serve the new Knife
29 River rock plant.
30

31 It is my opinion that Xcel and Sioux Valley appear similarly situated as it relates to the
32 investment needed in the transmission system to serve the new Knife River rock plant.
33 Although if a new distribution substation would be deemed necessary and a dedicated
34 facility, it would make Sioux Valley's proposal less economically favorable to Knife River.

1 **Q. SDCL 49-34A-56(4), the fourth factor, requires the Commission to consider the**
2 **proximity of adequate facilities from which electric service of the type required**
3 **may be delivered. Are there existing facilities near the proposed Knife River plant**
4 **site that can meet the Knife River demand requirements?**

5 A. Not that I am aware of.

6
7 Both Xcel and Sioux Valley acknowledge that new facilities are going to need to be
8 constructed in order to serve the new proposed rock plant.

9
10 In Response to Staff Data Request 1-3, Sioux Valley responded to the question about
11 the proximity of adequate facilities by saying:

12
13 *East River currently has a 115 kV transmission line approximately 1.25*
14 *miles west of a proposed new substation site that has been previously*
15 *discussed with Knife River. Given Knife River's request, Sioux Valley*
16 *proposed to serve the 11 Megawatt load by constructing approximately*
17 *1.25 miles of 115 KV transmission line, a new distribution substation, and*
18 *initially, two 7.2/12.47 kV distribution circuits.*

19
20 Xcel Energy appears to have facilities in the general area as well, although given the site
21 of the new rock crushing plant is located within the assigned territory of Sioux Valley,
22 Xcel's facilities that would be utilized to serve the plant are ultimately farther away in
23 comparison to Sioux Valleys.

24
25
26 **Q. Do you have an opinion on the fourth factor?**

27 A. Both Xcel's and Sioux Valley's existing facilities in the immediate vicinity of the Knife
28 River rock plant site cannot serve the anticipated new load. Investment in new
29 transmission from distant substations will need to be made by both Xcel and Sioux
30 Valley to serve the load. In my opinion, both Xcel and Sioux Valley are similarly situated
31 to serve the new rock plant in terms of the proximity to adequate facilities. Although it
32 does appear that Sioux Valley is closer in proximity to the plant.

33
34
35 **Q. SDCL 49-34A-56(5), the fifth factor, requires the Commission to consider the**
36 **preference of the customer. Do you have anything to add for Commission**
37 **consideration on this factor?**

1 A. It is clear through Knife River's Petition that they prefer to have Xcel as their electric
2 supplier. As such, I have nothing to add on this factor.

3
4
5 **Q. SDCL 49-34A-56(6), the sixth factor, requires the Commission to consider any and**
6 **all pertinent factors affecting the ability of the utility to furnish adequate electric**
7 **service to fulfill customers' requirements. What do you think about this factor?**

8 A. This final factor is broadly written and appears to be a catch all for any additional factors
9 that might have a material impact on the desired utility's ability to serve the large load
10 customer. In my mind, additional factors may include items like operation of the grid and
11 reliability of the system that the utility will use to serve the load.

12
13
14 **Q. Did you review information that may be relevant under the sixth factor?**

15 A. Yes, Xcel Energy outlined other pertinent facts to support Knife River's petition in Xcel's
16 response to Staff Data Request 1-4. One item that stuck out to me is the elimination of
17 duplicative and wasteful spending. Xcel indicates it would not be duplicative to assign
18 them the new service provider given it believes Sioux Valley does not currently have
19 capacity to serve the new Knife River rock plant. On the other hand, in response to a
20 similar question, Sioux Valley indicated that assigning Xcel to provide service would
21 result in the duplication of facilities and wasteful spending.

22
23
24 **Q. Do you have an opinion regarding the sixth factor the Commission must**
25 **consider?**

26 A. At the time of writing my testimony, I have not seen any information that would call into
27 question the ability of Xcel to furnish adequate electric service to the new Knife River
28 rock plant. Nor do I fully believe that assigning Xcel as the provider would result in a
29 duplication of facilities given the understanding that both Xcel Energy and Sioux Valley
30 are currently unable to serve the new Knife River rock plant, and both would require
31 investments to be made to serve the plant.

32
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1 **VI. CONTESTED ISSUES**

2
3 **Q. Do the intervenors contest Knife River's request to have Xcel be assigned as their**
4 **electric supplier?**

5 A. Yes, as previously indicated.
6
7

8 **Q. What is a brief overview and summary of the intervenors contested issues in this**
9 **matter?**

10 A. There are many contested issues in the case, but I believe the primary contention to be
11 that the newly proposed rock crushing facility to be built by Knife River is neither a new
12 customer nor at a new location and thus not subject to applicability of the large load
13 statute. If this facility is deemed not a new customer or if the proposed site of the plant is
14 not a new location, there is no need to do an analysis of the six factors listed in the
15 statute.
16
17

18 **VII. STAFF'S RECOMMENDATION**

19
20 **Q. Do you have a final recommendation for the Commission?**

21 A. I am withholding my final recommendation to the Commission until I review the
22 Intervenor's testimony. However, I will note that the eligibility of Knife River to qualify
23 under the large load statute is a contested issue. Further, as noted throughout my
24 testimony, I believe that both Xcel and Sioux Valley are similarly situated under the six
25 factors the Commission must consider to serve a new load of Knife River.
26
27

28 **Q. Does this conclude your testimony?**

29 A. Yes. However, I reserve the right to amend my testimony through supplemental
30 testimony, rebuttal testimony or at the evidentiary hearing if needed.