

Direct Testimony  
Eric M. Egge

Before the South Dakota Public Utilities Commission  
of the State of South Dakota

In the Matter of the Application of  
Black Hills Power, Inc. d/b/a Black Hills Energy

for Authority to Increase Rates for Electric Service in South Dakota

Docket No. EL26-\_\_\_\_\_

February 19, 2026

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**TABLE OF ABBREVIATIONS AND ACRONYMS**

BA	Balancing Authority
BHC	Black Hills Corporation
BHSC	Black Hills Service Company, LLC
Black Hills Power	Black Hills Power, Inc. d/b/a Black Hills Energy
CAISO	California Independent System Operator
FERC	Federal Energy Regulatory Commission
IRP	Integrated Resource Planning
JOATT	Joint Open Access Transmission Tariff
NERC	North American Electric Reliability Corp
RTO	Regional Transmission Organization
SPP	Southwest Power Pool
WAPA	Western Area Power Administration
WEIM	Western Energy Imbalance Market
WEIS	Western Energy Imbalance Service

1 **I. INTRODUCTION AND QUALIFICATIONS**

2 **Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.**

3 A. My name is Eric M. Egge. My business address is 7001 Mount Rushmore Road, Rapid  
4 City, South Dakota 57702.

5 **Q. PLEASE DESCRIBE YOUR EMPLOYMENT.**

6 A. I am employed by Black Hills Service Company, LLC (“BHSC”), a subsidiary of Black  
7 Hills Corporation (“BHC”), as Director of Electric Strategy, Planning, and Policy.

8 **Q. PLEASE DESCRIBE YOUR EDUCATION AND BUSINESS BACKGROUND.**

9 A. I graduated from North Dakota State University in 2000 with a Bachelor of Science  
10 degree in Electrical Engineering and received a Master of Business Administration  
11 degree from Indiana University in 2017. I have 19 years of electric utility industry  
12 experience in the areas of transmission operations, long-range transmission planning,  
13 North American Electric Reliability Corp (“NERC”), and Federal Energy Regulatory  
14 Commission (“FERC”) regulatory compliance, and wholesale power markets. I held the  
15 position of Director of Corporate Development, focusing on transmission development  
16 from July 2021 to August 2022, the position of Director of Transmission & Engineering  
17 Services from March 2020 to July 2021, and previously served as Director of Generation  
18 Dispatch & Power Marketing.

19 **Q. PLEASE DESCRIBE YOUR RESPONSIBILITIES IN YOUR CURRENT**  
20 **POSITION.**

21 A. As the Director of Electric Strategy, Planning, and Policy, I am responsible for the overall  
22 leadership and direction of the long-range electric infrastructure planning and market

1 policy engagement for BHC. I oversee the functional areas and programs of transmission  
2 & distribution planning, resource planning, and wholesale energy market policy.

3 **Q. FOR WHOM ARE YOU TESTIFYING?**

4 A. I am testifying on behalf of Black Hills Power, Inc. d/b/a Black Hills Energy (“Black  
5 Hills Power”).

6 **II. PURPOSE OF TESTIMONY**

7 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

8 A. My testimony discusses the drivers for the Neil Simpson II dual-fuel conversion, and  
9 Black Hills Power’s approach to balancing authority services and real-time market  
10 participation.

11 **III. NEIL SIMPSON II CONVERSION**

12 **Q. PLEASE PROVIDE A BRIEF DESCRIPTION OF THE NEIL SIMPSON II**  
13 **CONVERSION PROJECT.**

14 A. Neil Simpson II is an 80MW net capacity (90 MW nameplate capacity) coal-fired steam  
15 generator wholly owned by Black Hills Power and located at the Gillette Energy  
16 Complex. Neil Simpson II began operations in September 1995. As a result of Black  
17 Hills Power’s resource planning efforts, Black Hills Power converted Neil Simpson II to  
18 a dual-fuel (coal and natural gas) generator to continue the unit as a dispatchable resource  
19 while improving the reliability of the unit by adding multi-fuel resiliency.

20 **Q. WHEN DID BLACK HILLS POWER CONVERT NEIL SIMPSON II TO A DUAL**  
21 **FUEL GENERATOR?**

22 A. Black Hills Power began the construction related to the conversion in May 2025 and  
23 completed all construction and placed the unit in service on October 31, 2025.

1 **Q. PLEASE EXPLAIN THE DRIVERS OF THE NEIL SIMPSON II CONVERSION**  
2 **PROJECT.**

3 A. In Black Hills Power’s 2021 Integrated Resource Planning (“IRP”) process, Black Hills  
4 Power engaged B&V to evaluate the condition of Neil Simpson II and provided modeling  
5 inputs for life extension as a coal only resource, conversion to a natural gas-fired  
6 resource, and full retirement of the resource. The conversion project supports the  
7 continued use of the Neil Simpson II resource as a reliable, dispatchable resource for  
8 customers, improving unit resiliency through utilization of multiple fuels, and providing  
9 flexibility in meeting existing and previously proposed environmental requirements in the  
10 future. Additionally, the conversion project will provide operational flexibility by  
11 allowing the unit to reduce its minimum output level from the current 55 MW minimum  
12 to 25 MW minimum when using only natural gas. This added operational flexibility  
13 provides the opportunity to benefit customers during times where low-cost energy is  
14 available from the market.

15 **IV. BLACK HILLS POWER BALANCING AUTHORITY**

16 **Q. PLEASE EXPLAIN WHAT A BALANCING AUTHORITY IS.**

17 A. A Balancing Authority (“BA”) is an entity that is responsible for ensuring that load,  
18 generation, and interchange with neighboring BAs is balanced within a defined  
19 geographic boundary. Maintaining this balance supports real-time interconnection  
20 frequency and reliability. All electric utilities must take BA services, either through  
21 contract with a BA service provider or operating its own BA, as required under NERC  
22 reliability standards or the FERC *pro forma* tariff.

1 **Q. WHO CURRENTLY PROVIDES BLACK HILLS POWER WITH BALANCING**  
2 **AUTHORITY SERVICES?**

3 A. Black Hills Power currently receives BA services through a contract with Western Area  
4 Power Administration (“WAPA”).

5 **Q. WILL BLACK HILLS POWER CONTINUE TO TAKE BA SERVICES FROM**  
6 **WAPA INTO THE FUTURE?**

7 A. No. In the fall of 2023, WAPA made a formal decision to pursue membership in the  
8 Southwest Power Pool (“SPP”) Regional Transmission Organization (“RTO”) through a  
9 commitment agreement. Upon WAPA’s integration into the SPP RTO on April 1, 2026,  
10 balancing authority services from WAPA will no longer be available to Black Hills  
11 Power.

12 **Q. HOW WILL BLACK HILLS POWER CONTINUE TO MAINTAIN BALANCING**  
13 **AUTHORITY SERVICES AFTER WAPA JOINS THE SPP RTO?**

14 A. Black Hills Power determined the best solution for customers was the creation of a new  
15 BA administered by Black Hills Power, providing BA services to Black Hills Power and  
16 other electric utilities that are currently in the WAPA BA but are not joining the SPP RTO.  
17 Currently Black Hills Power has executed BA Service Agreements to provide BA  
18 services to Basin Electric Power Cooperative, City of Gillette, Montana-Dakota Utilities,  
19 and Cheyenne Light Fuel and Power. A filing was made at FERC on December 12, 2025  
20 in FERC Docket No. ER26-750, to make the necessary Joint Open Access Transmission  
21 Tariff (“JOATT”) changes and update rate schedules to fully implement BA services.

1 **Q. WHAT OTHER OPTIONS DID BLACK HILLS POWER EVALUATE AND**  
2 **COMPARE TO BECOMING ITS OWN BALANCING AUTHORITY?**

3 A. Black Hills Power explored joining neighboring BAs but was unable to find a BA service  
4 provider that could either incorporate the Black Hills Power system into their BA prior to  
5 the April 1, 2026 deadline, have sufficient long-term firm transmission service available  
6 to facilitate taking BA services, or was willing to provide contracted BA services. The  
7 entities that Black Hills Power reached out to directly regarding providing BA services  
8 included SPP and PacifiCorp.

9 **Q. WHAT CONCERNS DOES BLACK HILLS POWER HAVE WITH JOINING THE**  
10 **SPP RTO EXPANSION?**

11 A. Black Hills Power has concerns with the small market footprint of the SPP RTO  
12 Expansion, the assumptions used in the RTO Expansion planning reserve margin  
13 requirements, resource diversity among the RTO Expansion participants, and sufficient  
14 market depth to create value.

15 **Q. DID BLACK HILLS POWER PERFORM ANY QUANTITATIVE ANALYSIS OF**  
16 **THE SPP RTO EXPANSION?**

17 A. No. At the point in time when Black Hills Power was required to indicate if it would join  
18 the RTO Expansion to integrate into the RTO on April 1, 2026 Black Hills Power did not  
19 have access to quantitative information that would have been important to fully  
20 understand and model the potential costs and benefits of joining the SPP RTO Expansion  
21 such as the west-side resource adequacy construct, planning reserve margin, rated path  
22 vs. flow gate methodology impacts on the Wyoming-Colorado constraint, and  
23 transmission pricing zone configuration.

1                   **V.     BLACK HILLS POWER ENERGY MARKET PARTICIPATION**

2   **Q.   DOES BLACK HILLS POWER PARTICIPATE IN AN ENERGY MARKET**  
3   **TODAY?**

4   A.   Yes, Black Hills Power began participating in the SPP Western Energy Imbalance Service  
5       (“WEIS”) market in April 2023 to support its management of real-time energy imbalance  
6       and expects to continue to participate in the WEIS until the RTO Expansion is  
7       implemented on April 1, 2026. At that time, SPP will no longer support the WEIS  
8       market.

9   **Q.   WILL BLACK HILLS POWER SEEK TO JOIN A DIFFERENT REAL-TIME**  
10   **MARKET, SIMILAR TO THE WEIS, WHEN IT OPERATES ITS OWN BA?**

11   A.   Yes. To continue to provide Black Hills Power customers with energy market value  
12       similar to the benefits WEIS provides customers today, Black Hills Power has decided to  
13       be a participant in the California Independent System Operator (“CAISO”)-operated  
14       Western Energy Imbalance Market (“WEIM”). The WEIM is an energy-only real-time  
15       market, optimized with other participating BAs and the CAISO, but separate and distinct  
16       from the full ISO functions, that leverages resource diversity across most of the Western  
17       Interconnection.

18   **Q.   WHAT WERE THE DRIVERS IN SELECTING THE PARTICIPATION IN THE**  
19   **WEIM?**

20   A.   Like the WEIS, the WEIM enables energy transfers between BAs, allowing WEIM  
21       participants to economically buy and sell lower-cost electricity near the time it’s  
22       consumed – while respecting transmission limits to support reliability. At the same time,  
23       WEIM gives participants real-time visibility into surrounding electric systems and an

1 improved ability for BAs to balance fluctuations in supply and demand. Given that the  
2 WEIS market will not be available when Black Hills Power begins providing BA services  
3 and no available alternative imbalance markets, Black Hills Power has made the decision  
4 to join WEIM.

5 **Q. WHAT STEPS HAS BLACK HILLS POWER TAKEN TOWARD**  
6 **PARTICIPATION IN THE WEIM?**

7 A. Black Hills Power signed an implementation agreement with CAISO to begin the process  
8 of joining the WEIM on July 31, 2024 in order to participate in the WEIM starting May  
9 6, 2026. Since that time, Black Hills Power has been configuring and implementing  
10 systems, testing communications capabilities, and participating in training sessions to be  
11 ready on that date.

12 **VI. CONCLUSION**

13 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

14 A. The conversion of the Neil Simpson facility was necessary and prudent investment for  
15 continued service to customers in a more reliable, flexible, and efficient manner.  
16 Likewise, Black Hills Power's decision to establish its own BA and join the WEIM is  
17 both necessary and prudent, and will strengthen operational oversight, improve reliability,  
18 and enable greater responsiveness to the evolving needs of our system for our customers.  
19 Together, these decisions reflect a data-driven approach to resource planning that  
20 prioritizes cost-effectiveness, operational integrity, and the long-term interests of those  
21 we serve.

22 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

23 A. Yes, it does.

**VERIFICATION**

This Direct Testimony of Eric M. Egge is true and accurate to the best of my knowledge, information, and belief.

/s/ Eric M. Egge  
Eric M. Egge