

**BEFORE THE
IOWA UTILITIES BOARD**

**FILED WITH
Executive Secretary
July 17, 2009
IOWA UTILITIES BOARD**

**Docket No. RPU-2009-0002
LARGE ENERGY GROUP**

**Direct Testimony
of
Thomas O'Neill**

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1 **Q. Please state your name.**

2 A. My name is Thomas O'Neill.

3 **Q. What is your current business address?**

4 A. My current business address is Lehigh Hanson, Inc., 700 25th St NW
5 Mason City, IA 50401.

6 **Q. Please identify your current employer and your current employment
7 position.**

8 A. My current employer is Lehigh Hanson, Inc. ("Lehigh"). I am the Plant
9 Manager of their cement manufacturing plant and supporting quarries
10 located in Mason City, Iowa.

11 **Q. What is your educational background?**

12 A. I have a Bachelor of Science degree in Ceramic Engineering from the
13 New York State College of Ceramics at Alfred University.

14 **Q. Please summarize your prior and current employment experience.**

15 A. From 2008 to the present I have been employed as Plant Manager for
16 Lehigh Cement located in Mason City, Iowa. Prior to that time, I held the
17 following positions with the indicated employers:

18 1992-1997 Commissioning Engineer, Fuller Company (Allentown, PA)

19 1997-1998 Sr. Commissioning Engineer, Fuller Company (Allentown)

20 1998-2004 Process Engineer, Lehigh Cement (Allentown)

21 2004-2006 Production Manager, Lehigh Cement (Mason City, IA)

22 2006-2008 Assistant Plant Manager, Lehigh Cement (Mason City, IA)

1 **Q. For which party are you offering written direct testimony in this**
2 **docket?**

3 A. At the request of Lehigh, I am testifying on behalf of the Large Energy
4 Group, which is one of the intervenors in this docket. Lehigh is one of the
5 members of the Large Energy Group.

6 **Q. Please describe Lehigh in greater detail.**

7 A. Lehigh is the North America subsidiary of the Heidelberg Cement Group,
8 one of the world's largest producers of cement and construction materials.
9 Lehigh operates more than a dozen major cement plants like the one I
10 manage in Mason City, and more than a thousand aggregate, concrete
11 mixing, concrete products, and asphalt plants across North America. The
12 plant that I manage produces about 3,200 tons of cement per day and has
13 operated in Mason City for 98 years. We directly employ over 133 people
14 as employees and contractors and indirectly support 931 jobs regionally.
15 Lehigh is a long-time member and supporter of the Mason City
16 community. The annual payroll including contractors is over \$14 million,
17 and we pay over \$500 thousand in property taxes annually based on the
18 size of our operation. Our annual costs for electricity are in excess of \$6.2
19 million.

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

21 A. The purpose of my direct testimony is to describe the harmful impact on
22 our Mason City operation of the electric rate increase proposed by

1 Interstate Power and Light Company (“IPL”) and how that impact can
2 negatively affect the community of Mason City.

3 **Q. Please describe the impact of the proposed rate increase on your**
4 **facility.**

5 A. This rate increase will make the Mason City cement plant the highest-cost
6 plant in the Midwest for Lehigh. That means Lehigh will be forced to
7 choose other plants in the Midwest over the Mason City plant when it
8 determines where to invest and modernize in order to remain competitive.
9 Cement manufacturing is recognized as the second most energy-intensive
10 manufacturing process; only integrated steelmaking is more energy-
11 intensive. Cement plants require periodic capital investments in order to
12 remain competitive. Starting about thirty years ago, Lehigh made
13 significant capital investments to enlarge and modernize the Mason City
14 plant. Higher electricity rates in Iowa mean that our Mason City operation
15 will move to the back of the line for the capital investments that will be
16 necessary to comply with expected new environmental regulations such
17 as a carbon cap-and-trade system. Without capital investment, however,
18 no cement plant can remain competitive in what is a global cement
19 industry.

20 **Q. Is this the only harm that would result from the approval of IPL’s**
21 **proposed rate increase?**

22 A. No. This rate increase is particularly harmful to our Mason City operation
23 and to the community of Mason City during this current economic

1 downturn, which has seen a dramatic fall in construction demand for
2 cement and concrete products. Substantially reduced cement production
3 capacity is needed to meet this reduced global demand. Lehigh has
4 several cement plants that can produce the cement needed by its
5 Midwestern customers, and approval of IPL’s proposed electric rate
6 increase will mean that other Lehigh plants will run more and Mason City
7 will operate less to serve those Midwestern needs. This will increase the
8 cost per ton of the Mason City product, which in turn will result in Lehigh
9 transporting cement into our market from other Lehigh plants. That is bad
10 for Lehigh overall, but worse for my operation in Mason City and for
11 Mason City as a whole.

12 **Q. Do you have any additional grounds for your belief that approval of**
13 **IPL’s proposed electric rate increase would be harmful to the local**
14 **economy?**

15 A. One of our competitors, Holcim USA, recently announced the mothballing
16 of its cement plant in Mason City located near my plant. Holcim did not
17 make the same capital investments that Lehigh did 30 years ago to
18 modernize its Mason City plant, which placed it at a “competitive”
19 disadvantage with other Holcim-owned plants in the region. That fact,
20 combined with the severe current economic downturn, compelled Holcim
21 to decide to mothball by the end of this summer.. Hundreds of direct
22 employees have lost their jobs and the region is feeling that pain.

23 **Q. What do you want the Iowa Utilities Board (“IUB”) to do?**

1 A. On behalf of Lehigh, our employees and our customers, and the
2 community of Mason City, I ask that the IUB accept the recommendations
3 of the Large Energy Group set forth in the direct testimony of another
4 Large Energy Group witness, Dr. Robert J. Latham. All consumers and
5 our region as a whole will suffer if the overall level of the rate increase is
6 not significantly reduced.

7 **Q. Does this conclude your written direct testimony?**

8 A. Yes.

