

Exhibit No.:
Witness: Don Schuette
Type of Exhibit: Direct Testimony
Sponsoring Party: Lone Star Cement Co.
Case No: EO-2000-580

**Before the Public Service Commission
of the State of Missouri**

In the Matter of an Investigation)
Into an Alternative Rate Option for)
Interruptible Customers of Union)
Electric Company d/b/a/ AmerenUE)
_____)

Case No. EO-2000-580

Direct Testimony of Don Schuette
Lone Star Industries, Inc.

Exhibit No. 4
Date 11-30-00 Case No. EO-2000-580
Reporter ma

July 2000

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Direct Testimony of Don Schuette

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

2 A My name is Don Schuette and my business address is Lone Star Industries, Inc,
3 2534 South Sprigg Street, Cape Girardeau, Missouri 63701.

4 **Q BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?**

5 A I am employed by Lone Star Industries in the position of Electrical/Electronic
6 Superintendent.

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

8 A The purpose of my testimony is to comment, on behalf of my company on the
9 curtailment tariffs presently in effect on the Union Electric system, the Union Electric
10 curtailment tariff 10M which was in effect with respect to my company until June 1st of
11 this year and also the curtailment tariff proposal of Maurice Brubaker.

12 **Q DESCRIBE THE MANUFACTURING ACTIVITIES OF YOUR COMPANY?**

13 A Lone Star Industries, Inc. is engaged in the business of manufacturing portland
14 cement.

1 Q HAS YOUR COMPANY PREVIOUSLY BEEN TAKING INTERRUPTIBLE SERVICE
2 ON UNION ELECTRIC SYSTEM?

3 A Yes. Lone Star Industries has been served on interruptible power rate 10M since
4 July 30, 1993.

5 Q CAN YOU DESCRIBE HOW RIDER 10M OPERATES?

6 A Yes. Under Rider 10M, Union Electric could interrupt us for the following reasons

7 (A) To maintain a firm power supply to non-interruptible customers;

8 (B) Meet contractual obligations for the delivery of firm power to other utilities;

9 (C) Maintain water elevation levels at the companies hydro plants consistent with

10 preservation of the desired systems reliability levels and applicable regulatory

11 operating requirements; or (D) prevent jeopardizing the companies

12 interconnected generation and transmission system.

13 Q DESCRIBE YOUR COMPANIES RESPONSE TO A CURTAILMENT CALL FROM
14 THE UTILITY.

15 A Once notification was given to Lone Star to interrupt, we would begin shutting down
16 our processes in order to meet our obligations to Union Electric. It was a burden to
17 shut down parts of the system when we really needed to continue operating, but we
18 were obligated to meet the emergency needs of Union Electric and ensure the
19 reliability of its system.

20 Q HAS YOUR COMPANY BEEN CURTAILED DURING 1998 AND 1999?

21 A Yes. The following schedule indicates the dates in 1998 and 1999 on which electric
22 service was curtailed to Lone Star together with the period of curtailment.

1998 Interrupted Power Dates and Time

May 19th 5.0 Hrs.

June 12th 6.8 Hrs.

June 24 th	8.7 Hrs.
June 25 th	9.9 Hrs.
June 26 th	13.3 Hrs.
July 20 th	10.0 Hrs.
July 21 st	4.5 Hrs.
August 24 th	7.5 Hrs.
August 31 st	<u>2.9 Hrs.</u>
Total	68.60 Hrs.

1999 Interrupted Power Dates and Times

July 26 th	6.7 Hrs.
July 29 th	8.0 Hrs.
July 30 th	12.5 Hrs.
August 11 th	11.1 Hrs.
August 13 th	12.6 Hrs.
October 25 th	<u>10.5 Hrs.</u>
Total	61.40 Hrs.

1 **Q DID LONE STAR REALIZE SIGNIFICANT SAVINGS BY BEING ON THE**
2 **INTERRUPTIBLE POWER RATE OF UNION ELECTRIC?**

3 **A Yes. In 1999 for example Lone Star saved \$567,724.00 in electric power cost when**
4 **measured against the cost of firm service. I estimate that over the last three years**
5 **the savings to Lone Star on this basis were approximately 1.5 million dollars.**
6 **However, this savings to our electric cost was partially offset by production losses**

1 experienced during curtailments. Production losses are experienced during
2 curtailment due to reduced cement production and sales.

3 **Q HAVE YOU HAD THE OPPORTUNITY TO REVIEW THE UNION ELECTRIC**
4 **TARIFF RIDER M WHICH RECENTLY WENT INTO EFFECT.**

5 A Yes

6 **Q WHAT IS YOUR ANALYSIS OF UNION ELECTRIC RIDER M?**

7 A The new "options" Rider M will not be of any benefit to Lone Star Industries. The
8 credits are too small for Lone Star Industries to enter into this type of agreement. The
9 frequency that Union Electric could interrupt would cause loss of production and
10 adversely effect the profits of my company. Furthermore the fact that these
11 interruptions are market driven and not for the purpose of addressing reliability of the
12 system are of great concern to my company. We are particularly concerned that
13 increasing frequencies of curtailment due to market prices rather than system
14 reliability creates too great a risk of operating losses for my company.

15 **Q WHAT IS YOUR CONCLUSION WITH RESPECT TO RIDER M.**

16 A My conclusion is that Rider M would not be beneficial to my company and accordingly
17 we have not agreed to take service under this Rider.

18 **Q CAN YOU DETERMINE WHETHER OR NOT YOUR COMPANY WOULD REALIZE**
19 **ANY SAVINGS UNDER RIDER M IF YOUR COMPANY SIGNED UP FOR RIDER**
20 **M?**

21 A It's very difficult to analysis the future impact of Rider M because of the complexity of
22 the tariff and further and perhaps more importantly because the tariff is driven by
23 market pricing of electric power. This makes predictability very difficult. From what
24 we know it is our conclusion that our company would not realize any significant
25 savings under Rider M.

1 Q ARE YOU FAMILIAR WITH THE PROPOSED TARIFF OUTLINE PREPARED BY
2 MAURICE BRUBAKER?

3 A Yes.

4 Q IN YOUR OPINION WOULD THE BRUBAKER TARIFF BE APPROPRIATE FOR
5 AND BENEFICIAL TO YOUR COMPANY OPERATIONS?

6 A The Brubaker Tariff would be beneficial to Lone Star Industries and permit it to
7 achieve operational savings.

8 Q CAN YOU ESTIMATE THE AMOUNT OF SAVINGS THAT LONE STAR
9 INDUSTRIES WOULD REALIZE UNDER THE BRUBAKER TARIFF BASED UPON
10 THE FREQUENCY AND DURATION OF INTERRUPTIONS THAT OCCURRED ON
11 UNION ELECTRIC SYSTEM IN RECENT YEARS?

12 A Yes. It is our estimate that under the Brubaker Tariff Lone Star Industries would
13 realize savings that would approximate the savings under the original Rider 10M or
14 possibly slightly less than we achieved in past years.

15 Q DOES THIS COMPLETE YOUR TESTIMONY IN THIS MATTER?

16 A Yes.