

Doosan Bobcat North America

Rebuttal Testimony of

Timothy Eggert

Before the
North Dakota Public Service Commission

In the Matter of the Application of Otter Tail
Power Company for Authority to Increase
Increase Rates for Electric Service in North Dakota

Docket No. PU-17-398

Exhibit __

June 22, 2018

1 **I. Introduction and Background**

2 Q. PLEASE STATE YOUR NAME AND OCCUPATION.

3 A. My name is Timothy Eggert. I am the Plant Manager of the Bobcat Doosan Gwinner
4 factory (“Bobcat Doosan”).

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6 Q. PLEASE STATE YOUR BUSINESS ADDRESS.

7 A. My office is located at 210 1st Ave NE, Gwinner, ND 58040.

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9 Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?

10 A. I am testifying as a witness on behalf of the Midwest Large Energy Consumers
11 (“MLEC”).

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13 Q. PLEASE DESCRIBE THE PURPOSE OF YOUR TESTIMONY.

14 A. I am testifying to explain the impact of high and increasing rates on an energy intensive
15 business that competes on a national and international basis.

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17 **II. Impact of High and Increasing Rates on Energy Intensive Business**

18 **A. Doosan Bobcat Company**

19 Q. PLEASE EXPLAIN DOOSAN BOBCAT’S OPERATION.

20 A. Doosan Bobcat North America is the U.S. and Canadian subsidiary of Doosan Bobcat
21 Inc., representing the world-renowned brands of Bobcat® compact equipment, Doosan®
22 portable power products and Geith® attachments. These companies are industry leaders
23 in the engineering, manufacturing, and marketing of compact construction equipment,
24 generators, air compressors, lighting systems, light compaction equipment, and
25 attachments.

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27 Bobcat North American operations are based in North Dakota, with administrative, sales
28 and marketing offices in West Fargo, and production and engineering facilities in
29 Bismarck, Gwinner, and Wahpeton, North Dakota; Litchfield, Minnesota; and Statesville,
30 North Carolina. Doosan Bobcat employs more than 3,000 people in the state of North
31 Dakota.

1 As a global company serving a worldwide market, Doosan Bobcat has manufacturing,
2 parts distribution, research and development, and sales facilities around the world.

- 3 ■ Manufacturing facilities are in Dobříš, Czech Republic; Pont-Château, France;
4 Suzhou, China; Wahpeton, Bismarck and Gwinner, North Dakota.
- 5 ■ International sales offices are in Bangalore, India; Chennai, India; Dublin, Ireland;
6 and Sydney, Australia.
- 7 ■ Parts distribution centers are in Chicago, Illinois; Mississauga, Ontario; and Leipzig,
8 Germany.
- 9 ■ Research and development facilities are in Bismarck, North Dakota; Dobříš, Czech
10 Republic; Fargo, North Dakota; Statesville, North Carolina; and Tucson, Arizona.

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12 Q. HOW MANY EMPLOYEES DOES DOOSAN BOBCAT EMPLOY?

13 A. There are roughly 3,000 employees in North Dakota with over 1,500 full-time employees
14 and almost 50 student interns at the Gwinner facility and approximately 135 full-time
15 employees at the Wahpeton facility.

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17 Q. WHICH OF DOOSAN BOBCAT OPERATIONS ARE IN OTTER TAIL SERVICE TERRITORY?

18 A. Our primary manufacturing facility is in Gwinner and another is in Wahpeton.

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20 The Gwinner factory complex, established in 1947, manufactures Bobcat loaders, utility
21 work machines and attachments. The total operation covers 750,000 square feet,
22 including the main plant, product engineering and marketing services.

23
24 The Wahpeton facility manufactures hydraulic cylinders and valves used in Bobcat
25 loaders, excavators and attachments.

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27 Q. PLEASE EXPLAIN HOW ELECTRICITY COST IMPACTS DOOSAN BOBCAT

28 A. Every cost added to production increases the cost of our products. In a globally
29 competitive marketplace, higher electricity rates in North Dakota reduce the chances of
30 increased investment in the state, and in the long run, could impact the viability of the
31 plants in Gwinner and Wahpeton.

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Q. HOW HAS DOOSAN BOBCAT TRIED TO MANAGE ITS ELECTRICITY COSTS?

A. Due to the cost impact of energy consumption, energy conservation is a central focus of our sustainability and business plans and an important way by which try to manage costs we can control. As a large energy user, Doosan Bobcat is constantly looking at ways to reduce its energy consumption. Below are some examples of our recent energy efficiency efforts:

- The West Fargo expansion project included adding additional pumps to the geothermal heating system, increasing outdoor fresh air and modulating levels based on occupancy, and adding all new energy-efficient lighting. The result is 80% more office space with only a 10% increase in energy costs. The West Fargo facility is currently pursuing LEED certification.
 - The Bobcat Acceleration Center in Bismarck, a newly constructed R&D facility that opened in 2014, was recently awarded LEED certification. This facility was designed and constructed with energy conservation in mind. Low emitting materials and composite wood and agrifiber products were selected. Energy efficient lighting and extensive controls for thermal comfort were installed in the building.
 - Lighting upgrades at the Gwinner facility.
- Additional initiatives are being evaluated at Bobcat’s facilities to reduce our energy consumption.

Q. CAN DOOSAN BOBCAT PASS ON ELECTRIC RATE INCREASES?

A. No, because the markets for compact equipment are in highly competitive, these costs cannot be passed on and must be absorbed.

Q. OTHER THAN ENERGY CONSUMPTION HOW HAS DOOSAN BOBCAT TRIED TO CONTROL COSTS?

1 A. There is constant pressure to control costs and remain competitive. Doosan Bobcat has
2 worked diligently with suppliers to negotiate the lowest possible costs of goods and
3 services. Bobcat has a dedicated sourcing team that works with suppliers visiting them
4 regularly to understand their operations to optimize the design and manufacturing of
5 components to keep costs down and ensure quality.

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7 Q. PLEASE EXPLAIN THE COMPETITIVE SITUATION THAT DOOSAN BOBCAT IS IN. CAN YOU
8 AFFORD ELECTRIC RATE INCREASES?

9 A. No. We compete on the open market nationally and internationally. The marketplace is
10 extremely competitive in this category. Doosan Bobcat is competing against global,
11 multi-national companies. Facilities all around the country have been shutting down.
12 We cannot afford increases in operating costs. Doosan Bobcat is continuously
13 monitoring the costs of operating each of our facilities in determining continued
14 operations, expansion opportunities, etc.

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16 Q. PLEASE EXPLAIN YOUR LOCAL SUPPLY CHAIN OR OTHER BUSINESSES THAT RELY ON YOU
17 PURCHASING THEIR PRODUCTS OR SERVICES.

18 A. In 2017, Doosan Bobcat purchased items from 208 North Dakota companies. Those
19 purchases combined totaled more than \$134 million. We are proud of all of our North
20 Dakota operations and appreciate the broad support we get from all of our area suppliers,
21 as well as service providers.

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23 Q. PLEASE EXPLAIN EXPANSION OR OTHER THINGS TO DISCUSS?

24 A. Since 2013, Doosan Bobcat has invested almost \$50 million into expanding our facilities
25 in North Dakota. These expansions include construction of the Acceleration Center in
26 Bismarck, as well as the expansion of our headquarters building in West Fargo, remodel
27 of the Gwinner engineering facility and other Gwinner factory improvements. When
28 Doosan Bobcat has considered expansion opportunities in the past, North Dakota has
29 been an attractive location. While we have made investments in the past, we are

1 concerned going forward, as we look to some cost inputs, like electricity, where in Otter
2 Tail's territory we do not compete well regionally or nationally.¹

¹ Note MLEC Witness Maini Direct testimony discussion on competitiveness of Otter Tail industrial rates on a regional and national basis.