

BEFORE THE MINNESOTA PUBLIC UTILITIES COMMISSION

121 7th Place East, Suite 350  
St. Paul, MN 55101-2147

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In the Matter of Otter Tail Power's Petition to  
Ensure Competitive Electric Rates for Energy-  
Intensive Trade-Exposed Customers

PUC Docket No. E-017/M-16-533

AFFIDAVIT OF DAVID GOETZ

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STATE OF MINNESOTA )

) ss.

COUNTY OF CASS )

I, David Goetz, being first duly sworn upon oath, state as follows:

1. I am the Chief Executive Officer of Cass Forest Products ("CFP"), which has one sawmill and dimension plant in Cass Lake, Minnesota and one sawmill in Aitkin, Minnesota.

CFP's Contributions to Minnesota

2. Our Cass Lake location employs 25 people and our Aitkin location employs 5 people. We are an employee-owned company through our employee stock ownership plan ("ESOP"). The cost to CFP for the ESOP last year was [TRADE SECRET DATA BEGINS... ██████████ ...TRADE SECRET DATA ENDS].
3. According to the UMD Labovitz School of Business study entitled "The Economic Impact of Minnesota's Forestry-Related Industries on the State of Minnesota" (the "Labovitz DNR Study"), a copy of which is attached to the affidavit of Wayne Brandt, every job in a sawmill or engineered wood product mill creates an additional 2.9 jobs

throughout the State. Thus, CFP indirectly supports 75 jobs in the surrounding community.

4. CFP paid approximately [TRADE SECRET DATA BEGINS... ██████████ ...TRADE SECRET DATA ENDS] in 2015 taxes [TRADE SECRET DATA BEGINS... ██████████

██████████ ...TRADE SECRET DATA ENDS].

5. CFP's annual budget is over [TRADE SECRET DATA BEGINS... ██████████

██████████ ...TRADE SECRET DATA ENDS].

6. According to the Labovitz DNR Study, CFP's [TRADE SECRET DATA BEGINS... ██████████

██████████ ...TRADE SECRET DATA ENDS] annual budget multiplies 12.43 times through the northern Minnesota economy, leaving an economic impact of over [TRADE SECRET DATA BEGINS... ██████████ ...TRADE SECRET DATA ENDS] per year.

7. CFP is also an active contributor to our community. We donated \$1,200 to the Bemidji Orchestra and Second Harvest food bank, and we have contributed \$4,300 to numerous local associations, including the Highway 2West Manufacturers' Association, the Timber Producers Association, the Bemidji Chamber of Commerce, the U.S. Chamber of Commerce, the Associated Contract Loggers and Truckers of Minnesota, the Minnesota Logger Education Program, the National Wood Flooring Association, the Mid-Minnesota Builders Association, the National Association of Home Builders, and the Better Business Bureau.

**CFP's Electric Rates are Currently Uncompetitive**

8. Energy costs are a significant component of CFP's operations, representing approximately [TRADE SECRET DATA BEGINS... [REDACTED] ...TRADE SECRET DATA ENDS] of CFP's overall cost of production.

9. Because energy costs are such a significant portion of our cost of production, we constantly work to reduce our energy consumption. Some projects we have undertaken to become more efficient are [TRADE SECRET DATA BEGINS... [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] ...TRADE SECRET DATA ENDS].

10. CFP has lost its competitive advantage in electrical rates over states where our competitors are located.

**CFP is Subject to Global and other Pressures**

11. The affidavits of Wayne Brandt and Peter Aube also demonstrate the severe global competition that sawmills like CFP are facing.

12. A challenge this year for CFP is the result of the heavy reliance on micronized copper azole (MCA) in the treating industry. MCA is a new low cost replacement for chromate copper arsenate (CCA) in all residential applications. CCA is banned in those applications because it contains arsenic. MCA has been tested by Scientific Certification

Systems (SCS) and classified as an Environmentally Preferable Product (EPP) and meets both EPA standards and residential building codes.

13. Unfortunately, almost all of this testing has been developed for and performed utilizing Southern Yellow Pine (SYP) and the chemical manufacturers are recommending that MCA be used with that wood specie. The limited testing done using red pine, our sole timber specie, shows reduced penetration levels compared to SYP. Although MCA has not been written into standards by the American Wood Protection Association (AWPA), thus not approved by American Lumber Standards Committee (ALSC), it is still approved for use in almost all building codes.
14. MCA was developed and lobbied heavily by the SYP industry and almost all treating companies, our customer base, are following the chemical manufacturer recommendations to prevent future issues or litigation and comply with EPA bans on arsenic.
15. Although there are other methods to treat red pine like alkaline copper quaternary (ACQ) and copper azole (CA), they require the addition of an enhancer to reach similar penetration levels. ACQ is also more corrosive to common steel fasteners so fasteners tend to be more expensive. These enhancers also work with MCA but do increase the cost of treating.
16. In short, the new reliance on MCA has placed SYP at a competitive advantage, which places further pressure on our cost structure and demonstrates how vulnerable CFP is to changing market conditions completely outside of our control.

17. Due to this competitive pressure, CFP is always looking for ways to reduce costs in all aspects of our business. For example, we recently spent [TRADE SECRET DATA BEGINS... [REDACTED]  
[REDACTED]  
[REDACTED]  
[REDACTED] ...TRADE SECRET DATA ENDS].

18. We will continue to evaluate any and all other mechanisms to reduce costs and strive to remain competitive.

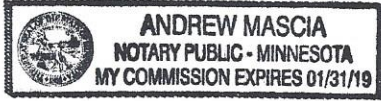
Consequences of Inaction

- 19. The combination of global competitive pressures and uncompetitive electric rates threaten the viability of CFP.
- 20. There would be significant costs to the region and the State if CFP were to shut down, including lost jobs and decreased tax revenue.
- 21. If CFP receives a 20% rate reduction as a result of the EITE tariff, it is reasonably likely that this discount could be one of the factors that will keep CFP viable.

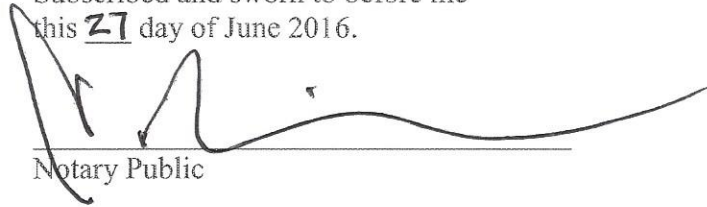
FURTHER YOUR AFFIANT SAYETH NOT.



David Goetz, Chief Executive Officer  
Cass Forest Products



Subscribed and sworn to before me  
this 27 day of June 2016.

  
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Notary Public

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