

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF LOUISVILLE)
GAS AND ELECTRIC COMPANY FOR AN)
ADJUSTMENT OF ITS ELECTRIC AND GAS)
RATES AND FOR CERTIFICATES OF PUBLIC)
CONVENIENCE AND NECESSITY)

CASE NO. 2016-00371

PRE-FILED DIRECT TESTIMONY OF
ERIC WALLIN
GENERAL MANAGER
JBS SWIFT & CO

Filed: March 3, 2017

1 **Q. PLEASE STATE YOUR FULL NAME, ADDRESS, AND OCCUPATION.**

2
3 A. My name is Eric Wallin. I am the General Manger for the JBS Swift & Co. pork
4 processing facility located at 1200 Story Ave. in Louisville, KY 32090.

5

6 **SUBJECT OF TESTIMONY AND SUMMARY OF RECOMMENDATIONS**

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8 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

9 A. JBS has been evaluating the use of on-site generation to improve reliability and
10 reduce cost at the facility. During the process, we learned that LG&E proposed significant
11 changes to rate structure which are detrimental to these efforts. We wish to communicate the
12 following information to the Commission:

13

14 1. JBS has an interest in utilizing the curtailable service rider (CSR) pending further
15 investigation of the cost. We contest that LG&E should be able to close the rate
16 retroactively effective January 1, 2017. We request the Commission direct LG&E
17 to have a one-year period before closing the rate to new participants allowing time
18 to evaluate the program.

19

20 2. It is JBS's position that effectively preventing schedulable natural gas generators
21 from being able to utilize the firm transportation tariff and third-party supplied
22 gas is discriminatory.

23

- 1 3. It is JBS's position that demand caused by the loss of generating units scheduled
2 for maintenance during off-peak hours should be excluded from the base period
3 demand calculation.
- 4 4. JBS believes that it is unfair for LG&E to exclusively offer firm standby service
5 when many generators only need non-firm service.
- 6 5. JBS believes that it is unfair for LG&E to change the credit calculation method
7 under the CSR tariff for existing customers that would rely on this method to
8 make investment decisions.

9

10 **Q. WHAT HAPPENS IF THE ELECTRICITY GOES OUT UNEXPECTEDLY AT**
11 **YOUR FACILITY?**

12 A. Even a momentary outage from LG&E will trip our equipment and require a re-start.
13 The ramp-up period takes up to 1.5 hours. This stretches us to the limit on maintaining the
14 wholesomeness of meat in process. An outage greater than 4 hours additionally puts us at
15 risk of losing meat that is already in storage.

16

17 **Q. WHAT IS THE APPROXIMATE COST OF LOSING MEAT IN PROCESS?**

18 A. There is the potential for a **daily** loss of between \$2,000,000 and \$5,000,000
19 depending on the time of day the interruption occurs.

20

21 **Q. HOW MUCH MEAT DO YOU HAVE IN STORAGE AT ANY TIME?**

22 A. An average of about 9,500 hog carcasses, which are the greatest risk to us due to
23 being in an unsaleable form. Un-packaged, in process, cuts of meat on the tables, up to about
24 400,000 pounds. And, finally, up to 2,000,000 pounds of boxed, finished products.

1 **Q. WHAT WOULD BE THE IMPACT OF LOSING MEAT IN STORAGE AT**
2 **THE FACILITY?**

3 A. Loss of the meat in storage would severely impact the company. We could default on
4 customer supply agreements, receive compliance violations from the USDA, and have to
5 destroy thousands of pounds of meat.

6 **Q. WHAT OTHER IMPACTS WOULD A LONG-TERM POWER LOSS**
7 **CAUSE?**

8 A. Our workforce would be idled. We would have to try to meet our delivery
9 obligations from alternative plants. We would have to re-route or cancel incoming shipments
10 of hogs. We would have to seek third-party cold storage. Our equipment could suffer
11 mechanical problems. A health hazard could arise if we can't remove waste. These issues
12 would affect our facility and could extend to the community as a whole.

13 **Q. IF INTERRUPTIONS ARE SO DETRIMENTAL TO YOUR BUSINESS, WHY**
14 **DO YOU WANT LG&E TO KEEP THE CURTAILABLE SERVICE RIDER**
15 **PROGRAM OPEN AND UNCHANGED?**

16 A. Being located in a densely populated area has shown us the importance of distributed
17 generation. Our local disturbances have increased in duration substantially from momentary
18 outages to ones of 20-40 minutes duration.

19 With re-start time added to these periods, our risk of losing meat in process increases.
20 The CSR program offers credits to partially offset the cost of generators to protect against
21 unexpected local outages and can also be used to provide support to LG&E during broader
22 system emergencies.

1 **Q. WHEN DID JBS BEGIN THE EVALUATION PROCESS FOR**
2 **PARTICIPATION IN THE CURTAILABLE SERVICE RIDER?**

3 A. Late October of last year.

4 **Q. WHY HASN'T JBS APPLIED FOR THE CSR YET?**

5 A. We are waiting to see whether the program will remain open and continue with the
6 same level of credits. We have focused our attention to legal proceedings for this
7 intervention before funding an engineering evaluation at this time.

8 **Q. HOW WOULD YOU UTILIZE THE GENERATORS?**

9 A. Future engineering studies would determine exactly how we can and should use the
10 generators. However, we have a substantial steam load and the boiler house is located in
11 proximity to the majority of our electrical load and where the electrical feed enters the
12 facility. As a result, we may have the ability to cogenerate a steady volume of power, but not
13 likely enough to offset the entire facility load. Therefore, we could end up with a blend of
14 cogeneration and single-cycle generation. If cost-effective, the cogeneration would be used
15 on a regular basis while any single cycle generation (either natural gas or diesel) would be
16 used as back-up to LG&E service and in the CSR program.

17 **Q. WOULD RATE CHANGES PROPOSED BY LG&E ALTER YOUR PLANS**
18 **TO INSTALL GENERATION?**

19 A. Proposed changes to the CSR program would definitely inhibit the installation of
20 generation of any type. Likewise we believe that LG&E's proposals for standby provisions

1 need modification to encourage generation. Finally, the firm transportation tariff is
2 discriminatory to customers with regularly scheduled generation.

3 **Q. WHAT CHANGE DO YOU THINK NEEDS TO BE MADE TO THE FIRM**
4 **TRANSPORTATION NATURAL GAS RATE SCHEDULE?**

5 A. The current FT rate schedule does not allow generators of any type to use the rate,
6 preventing the use of third-party supplied natural gas. We request that rate FT be modified to
7 restrict only those generating units that are for unscheduled emergency use and allow use by
8 generators scheduled to run with advance daily notice.

9

10 **Q. WHY DOES JBS DESIRE NON-FIRM BACK-UP SERVICE?**

11 A. If we cogenerate power and steam, we anticipate our generator would have a very
12 high run-time percentage but could either 1) have scheduled maintenance outages during
13 non-peak times or 2) incur unanticipated outages on a random basis. In the case of the latter,
14 we would not expect an outage to coincide with an emergency curtailment event by LG&E
15 and could accept supply from LG&E on an as-available basis. As a result, we request that
16 LG&E offer non-firm standby service.

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1 **Q. WHAT DO YOU THINK ABOUT LG&E'S PROPOSAL TO ELIMINATE**
2 **THE STANDBY RATE SCHEDULE AND REPLACE IT WITH A MINIMUM OF**
3 **100% OF HIGHEST ACTUAL DEMAND FOR THE NEXT 11 MONTHS FOR THE**
4 **BASE DEMAND PERIOD?**

5 A. JBS requests that the Commission allow an exemption from the ratchet for scheduled
6 maintenance of customer owned generators, including but not limited to JBS, during off-peak
7 hours.

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

9 A. Yes.