

Public Hearing on the Current and Future Wholesale Electricity Markets

22 October 2008

REMARKS BY ARTHUR K. MANN, SR., CHAIRMAN, DONSCO, INC.

Donsco is a recycler of steel scrap, operating three foundries and a machine shop, employing over 500 people in three counties in PA

We are currently looking to expand capacity in PA, spending \$10,000,000 over four years. This expansion of production and jobs is now on hold because these investments have a 10 to twenty years life and the return on this investment depends greatly on what we will be paying for electric power.

Our primary issue is our inability to know within reasonable bounds what we will be paying for electric power over that time period versus what we would experience in non-de-regulated states.

Under the old system, companies like Donsco had a stable and predictable environment for its electric power. While there may have been over capacity there was good reliability and few brownouts and reasonable, predictable costs.

We now are faced with an unstable and unpredictable market. PP&L cannot, as of today, tell us what our power rates will be in 2010. How can we plan?

The irony is Donsco's foundries are sitting next to Three Mile Island and Peach Bottom nuclear plants, the Brunner Island coal fired plant, Muddy Run pumped power storage, York Haven, Safe Harbor, Holtwood and Conowingo dams.

The majority of the power produced in our backyard is exported out of the state and we, who live here under the shadow of those plants, receive no benefit for our proximity.

Shouldn't there be incentives for plants to locate close to power plants to reduce the need for transmission lines?

Deregulation has also made the installation of new power feeds financially onerous. Where, in the past, the utility would design and install the necessary lines. Now the cost of a 69Kva line is a direct up front cost to the user. Such a policy is a big disincentive for industry to locate here or to expand capacity.

In my opinion, this deregulation benefits only the power companies. The promised cost reductions have not materialized for us consumers. What cost reductions that have occurred appear to have benefited the power companies who have no downside risk in this environment.

to that point, the stranded cost payments from Donsco, Inc. over the past years has amounted to over \$1,500,000. That is money that went solely to beef up the utilities' balance sheets without us ever getting something in return such as equity in their companies or new power feeds. That money we paid amounts to a direct taking as those stranded costs have turned out to be phantom. I wish I could have the same arrangement with my customers.

The fact is, this new deregulated environment will turn out to be a tremendous disincentive for my company and others. Instead of focusing our attention on the difficult job of making castings, we are being forced to become amateur speculators in an electric market where we are at a severe disadvantage to professional speculators.

As far as I can tell, the promised benefits to us of electrical deregulation are nowhere to be seen for Donsco, Inc.