



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

May 22, 1998

R-00973954

Mr. Joseph Knecht
Vice President - Melting Operations
Titanium Hearth Technologies, Inc.
Hemlock Road
Morgantown Business Park
Morgantown, PA 19543

RECEIVED
98 MAY 26 AM 10:16
PA.P.U.C.
SECRETARY'S BUREAU

Dear Mr. Knecht:

Thank you for your recent letter regarding the recommendation by an Administrative Law Judge with respect to the restructuring filing made by Pennsylvania Power and Light (PP&L) under the Electricity Generation Customer Choice and Competition Act.

Please know that on May 14, 1998, the Public Utility Commission modified the Administrative Law Judge's decision by a vote of 5-0. Please find under cover of this letter a copy of the Commission's press release and summary points outlining the Commission's tentative decision. The Commission will conduct a final vote on PP&L's restructuring plan on June 4, 1998.

Please know that I have also taken the liberty of forwarding your letter to the Secretary of the Commission for inclusion into the official file of this proceeding. Thank you again for the benefit of your thinking on this very important matter.

Sincerely,

Rosemary Chivetta, Esq.
Director of Legislative Affairs

Enclosure

cc: Chairman John Quain
Secretary James McNulty ✓

POCKETED

MAY 28 1998

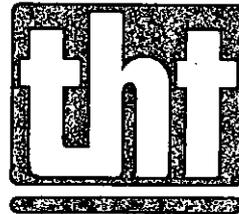
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May 11, 1998

98 MAY 12 AM 9:23

CHAIRMAN QUAIN'S OFFICE



Titanium Hearth
Technologies, Inc.

Mr. John M. Quain
Chairman
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Hemlock Road
Morgantown Business Park
Morgantown, PA 19543

Telephone
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Telecopier
610 286-3831

DOCKETED

MAY 28 1998

Dear Sir,

I am writing to you regarding the Administrative Law Judge's recommendation to the PUC with respect to the PP&L restructuring filing. Titanium Hearth Technologies, Inc. (THT) would respectfully ask the Commission to strongly consider alternatives before deciding how economic incentive riders (such as EDI and IDI credits) and tariffs (such as the PRS rate) will be handled under the restructuring associated with deregulation of the electric utility industry. We strongly recommend that the PUC extend the EDI/IDI credits and the PRS rate through the end of the transition period to full deregulation. We fully support PP&L's position that these rates are primarily related to generation, and that they should be available to PP&L customers who elect to purchase generation from PP&L. Other potential suppliers can develop their own incentives.

Titanium Hearth Technologies, Inc. is extremely troubled and opposed to the Judges recommendation that the economic incentives terminate on January 1, 1999. THT has significantly grown our manufacturing operations in Pennsylvania, and we have two large capacity expansion projects well underway. We based our decision to expand in Morgantown, PA on several factors, but a major factor was the availability of competitive electricity rates.

Currently, our monthly electricity bills are in the neighborhood of \$150,000 and \$.048 per kWh. With the projected increase in load, and the incentive rates available from PP&L, we planned to lower our average costs to the neighborhood of \$.040 per kWh. If these rates are not extended through the transition period, THT's electrical costs could actually increase by \$600,000 annually to over \$.065 per kWh (at our present volume level), and to in excess of \$1,000,000 in additional costs as our new capacity comes on-stream. THT does not believe the intent of the Commission or the Legislature was or is to increase rates to large industrial customers and employers. We also do not believe that THT will be able to obtain similar rates under deregulation until the end of the transition period. Further, we believe the intent of the "rate freeze" was to prevent cost shifting from the present balance (in existence at the time of the Legislation).

Obviously, THT cannot speak for other large industrial customers, but we believe our position is consistent with several other Pennsylvania manufacturers who have grown their businesses and employment in Pennsylvania based on competitive electricity rates.

Regarding the specific competitive dynamics of the Titanium Industry that THT serves:

- Our parent company, Titanium Metals Corp. (TIMET) is the largest producer of titanium in the world, with multiple manufacturing facilities located in the Unites States and Europe.

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TIMET's primary sponge production and melting facilities are located in Henderson, NV, and take advantage of the low electrical costs (ave. cost is approx. 1.7¢/KWH for a 25,000,000 KWH/month @ 25MW demand load) resulting from the Hoover Dam and other cost effective generation facilities. We convinced TIMET to build capacity in Pennsylvania based on overall costs, but they certainly have many other alternative locations.

- Oregon Metallurgical Corp. (OREMET), a large integrated titanium producer, announced they will be starting-up the world's largest electron beam furnace dedicated to titanium melting during May '98. Carlos Aguirre, OREMET's president & CEO, was formerly our President during the time both of our Morgantown, PA furnaces were installed. OREMET also has low cost electricity available due to the hydro generation in the North-West. We view this new capacity as a direct threat to our Morgantown, PA based titanium melting business. THT must remain cost competitive to keep and grow our market share.
- In addition, we have lost business due to low cost Russian material imported into the U.S. RMI Titanium, a major THT customer, has reduced orders because we were not competitive with the Russian product. The Russian titanium industry is also a real threat to THT's business. The Russian Salda plant has melting capacity greater than the total U.S. installed capacity! This facility benefits from extremely low labor costs, and we believe low (but difficult to quantify) energy costs.

THT is contributing significantly to economic development in Berks County Pennsylvania. We currently employ approximately 300 people in relatively high paying manufacturing jobs, and will likely be hiring 50 to 100 additional employees over the next two years. We are also expanding the use of many local suppliers for parts and services. THT is a large consumer of electricity, with current demand of 6.5 megawatts, and plans to grow to near 20 megawatts over the next three-year period.

In summary, we respectfully ask you to take responsible action on behalf of THT and other Pennsylvania manufacturers by extending the EDI/IDI and PRS initiatives through the end of the transition period. Thank you in advance for understanding and supporting our position.

Sincerely,

Titanium Hearth Technologies, Inc.

A handwritten signature in black ink, appearing to read 'J. A. Knecht', is written over the printed name.

Joseph A. Knecht
Vice President - Melting Operations

cc: Sr. Staff, JESY, PP&L

ALJ APPEARANCE SHEET

ALJ Hearing Report

Docket No. R-00973954

Case Name Pa. P.U.C. v. Pennsylvania
Power & Light Company

Location Harrisburg

Date August 18, 19, 20, 21, 22, 1997

ALJ George M. Kashi

Reporting Firm Commonwealth Reporting

CHECK THOSE BLOCKS WHICH APPLY:

Prehearing Held YES NO

Hearing Held YES NO

Testimony Taken YES NO

Transcript Due YES NO

Hearing Concluded YES NO

Further Hearing Needed YES NO

Estimated Add'l Days

RECORD CLOSED YES NO

Briefs to be Filed YES NO

BENCH DECISION YES NO

REMARKS:

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JUN 02 1998

DATE 98 JUN 2 11:03 AM

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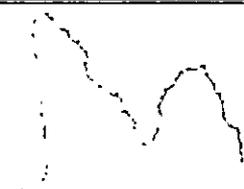
Names, Addresses and Telephone Numbers of Parties or Counsel of Record
PLEASE PRINT CLEARLY
Incomplete Information may Result in Delay of Processing

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Usher Fogel Telephone No.	City State Zip	PHAC Pennsylvania Plumbing Heating & Cooling Council, Inc.
Deborah Swanstrom (202) 371-6137 Telephone No.	Verner, Liptfert, Bernhard, McPherson and Hand 901 15th St NW City Washngtn State DC Zip 20005	Allegheny Power (dba West Penn Power Company)
Johnnie E. Simms Scott H. DeBroff Telephone No. 717-787-1976	P.O. Box 3265 City Hbg State PA Zip 17105	Office of TRIAL STAFF

Check this box if additional parties or counsel of record appear on back of form.

8/20, 8/18 John A. Kelly, CVR
8/19 Judith A. Valerick, CRP
8/22 Sandra Miles Brown, CCR
William P. Hunt

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Todd S. Stewart Telephone No. 717 236 1300	PO Box 1778, 100 N 10th St City: Harrisburg PA Zip: 17105	NA PSA
Craig Burgraff James Mullins Telephone No. (717) 783-5048	1425 Strawberry Sq. City: HBG PA Zip: 17120	OFFICE of CONSUMER ADVOCATE
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Paul E. Russell Telephone No. (610) 774-4254	2 N 9th St City: ALLENTOWN PA Zip: 18101	PA. POWER & LIGHT COMPANY
Donald A. Kaplan Lisa M. Helpert Telephone No. 202-628-1700	Preston Gates Ellis & Powell Meeds, LLP, 1735 New York Ave NW, Suite 500 City: Washington DC Zip: 20006	PA. POWER + LIGHT COMPANY
John P. Lavelle, Jr. Telephone No. 215-496-7037	Hangley Bronckich Segal & Pudlin One Logan Square City: Phila PA Zip: 19103	New Energy Ventures
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Telephone No.	City State Zip	



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Craig A. Doll Telephone No. 717-230-9555	214 State St. City Hbg. State PA Zip 17101	Connectiv Energy
Mary McFall Hopper Telephone No. 215-881-9941	PECO ENERGY CO. 2301 Market Street City PHILA State PA Zip 19101	PECO ENERGY
Ethan Halberstadt David Francis Telephone No. 610-354-9700	367 S. Gulph Rd City King of Prussia State PA Zip 19406	Quaker Oats Company Mount Joy Wire Corp.
Fred Zalcman (pro hac vice) Alan Barak Telephone No. 717-541-1967	1417 Blue Mtn PKWY City Hburg State PA Zip 17112	Environmentalists
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ROBERT KOKOR ROBERT CONDEWELL Telephone No. (717) 237-7160	305 W. FRONT ST. 506 City Hbg State PA Zip 17101	Eaton Power MARKET, INC.
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Telephone No.	City	State	Zip	
Telephone No.	City	State	Zip	

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ALJ APPEARANCE SHEET

ALJ Hearing Report

Docket No. R-00973954

Case Name Pennsylvania Public Utility

Commission v. Pennsylvania Power & Light Company

Location **DOCUMENT FOLDER** Harrisburg

Date August 25, 26, 27, 28, 29, 1997

ALJ George M. Kashi

Reporting Firm Commonwealth Reporting

CHECK THOSE BLOCKS WHICH APPLY:

Prehearing Held YES NO

Hearing Held YES NO

Testimony Taken YES NO

Transcript Due YES NO

Hearing Concluded YES NO

Further Hearing Needed YES NO

Estimated Add'l Days _____

RECORD CLOSED YES NO

Briefs to be Filed YES NO

BENCH DECISION YES NO

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REMARKS: *closed*

Names, Addresses and Telephone Numbers of Parties or Counsel of Record
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FRED ZALCHAN PALE ENERGY PROJECT DAKE UNIVERSITY SCHOOL OF LAW Telephone No. (914) 422-4082	78 N. BROADWAY W City <i>White Plains</i> State <i>NY</i> Zip <i>10603</i>	ENVIRONMENTALISTS

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John A. Kelly 8/27/97
John A. Valmet 8/25/97
REPORTER
Sandra Melus Bin 8/26
Will f. Hart 8/27

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PAUL E. RUSSELL Telephone No. (610) 774-4254	2 NORTH 9TH ST. City ALLENTOWN State PA Zip 18101	PP&L
DONALD A. KAPLAN LISA M. HELPERT PRESTON GATES ELLIS + ROUMELA Telephone No. MEED, LLP (202) 628-1700	1735 NEW YORK AVE NW SUITE 500 City WASHINGTON State DC Zip 20006	PP&L
4600 KOHLER ROBERT LOGGWEILL Telephone No. (717) 237-7172	305 N. FRONT ST. City HARRISBURG State PA Zip 17101	E.ON ED
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Karen Oill Moury Telephone No. (717) 783-2525	150 N 2nd St Suite 1102 City Hbg State PA Zip 17101	OSBA
Paul E. Nordstrom Telephone No. 202/371-6096	901 15th St NW City Wash State DC Zip 20005	Allegheny Power
David A. McCormick Telephone No. (703) 696-1646	US Department of the Army 901 N. Stuart Street Rm 713 City Arlington State VA Zip 22203	Consumer interest of the U.S. Department of Defense & Federal Executive Agencies
Thomas Thomas Armstrong & Nease Pat Armstrong John Albanese Regina Muth Telephone No. 717 255 7600	P O Box 9500 City Hbg State PA Zip 17108	Allegheny Electric Coop. Inc
JOHN P. LAVELLE, JR. HANGLEY ARONCHICK SEGAL + PUDIN Telephone No. (215) 496-7037	ONE LOGAN SQUARE 12th FL. City PHILA State PA Zip 19103	NEW ENERGY VENTURES, INC.
Scott J. Rubin Telephone No. 717-743-2233	3 LOST CREEK DR. City SELINGSGROVE State PA Zip 17870	FBEW LOCAL 1600

ORIGINAL

COMMITTEES

BANKING & INSURANCE,
MINORITY CHAIRMAN
APPROPRIATIONS
VETERANS AFFAIRS AND EMERGENCY
PREPAREDNESS
POLICY
RULES AND EXECUTIVE NOMINATIONS

150753



Senate of Pennsylvania

June 3, 1998

RAPHAEL MUSTO
14TH DISTRICT
SENATE BOX 203014
THE STATE CAPITOL
HARRISBURG, PA 17120-3014

DISTRICT OFFICE:
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20 N. MAIN ST.
PITTSBURGH, PA 15222-0786
(717) 654-1483
823-2711
459-6366
FAX (717) 826-5470

PLEASE RESPOND TO THE ADDRESS
OF THE BOX CHECKED

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Room 206 North Office Building
P.O. Box 3265
Harrisburg, Pennsylvania 17105-3265

R-00974954
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RECEIVED
SECRETARY'S BUREAU
98 JUN -4 AM 8:26

Dear Secretary McNulty:

It is my understanding that the Public Utility Commission soon will render its final order on PP&L's proposed restructuring plan. I am writing to urge the Commission to carefully consider in its deliberations the impact that the final order will have on communities and customers served by PP&L and the employees and families who depend on PP&L for their livelihood and well-being.

I would remind the Commission of the considerable difference between the April 7, 1998 recommendation of the Administrative Law Judge regarding PP&L's transition costs and the results of the Commission's non-binding poll on May 14, 1998. I hope you agree that for effective restructuring to occur, the transition to meaningful competition must allow for the recovery by utilities of a reasonable portion of their legitimate stranded costs. To impose unreasonable transition costs on a utility which has strived to be one of the lowest-priced power suppliers in the state seems inconsistent with efforts to create a level playing field for customer choice.

PP&L has established a solid reputation for community service and demonstrated a long-term commitment to the economic health of the regions it serves. It is important that PP&L have a reasonable opportunity to compete in the new electricity marketplace. Business and residential customers, communities in the company's current service area, and the families of PP&L employees stand to benefit from a balanced restructuring plan for the company.

Thank you for considering these comments. If I can be of any additional assistance, please do not hesitate to contact me.

Sincerely,

RAPHAEL MUSTO
State Senator

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COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

June 8, 1998

Geraldine S. Shepperson, Ph.D.
Superintendent of Schools
Hazleton Area School District
1515 West 23rd Street
Hazleton, PA 18201

R-00973954
KJR

Dear Doctor Shepperson:

Thank you for your letter of June 3, 1998, to Governor Tom Ridge on behalf of PP&L and your concerns that the Commission's decision in PP&L's restructuring case will jeopardize the company's financial strength.

Please know that on June 4, 1998, the Pennsylvania Public Utility Commission finally approved, by a 4-0 vote, the restructuring plan for PP&L. The plan allows PP&L to collect \$2.9 billion in stranded costs over a period of eight and one-half years beginning in January of 1999. The Commission's final decision did not vary from its May 14 Tentative Order.

I am sorry I cannot give you a more favorable response to your request. However, please know that I have taken the liberty of forwarding your letter to the Secretary of the Commission for inclusion into the official file of this proceeding.

Thank you again for the benefit of your thinking on this important issue.

Sincerely,

Rosemary Chiavetta, Esq.
Director of Legislative Affairs

cc: The Hon. Tom Ridge
Chairman John Quain
Secretary James McNulty

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SECRETARY'S BUREAU
98 JUN -9 AM 11:27

151804

HAZLETON AREA SCHOOL DISTRICT
1515 West 23rd Street
Hazleton, Pennsylvania 18201

GERALDINE S. SHEPPERSON, Ph.D.
Superintendent of Schools

Telephone
717-459-3111
Ext. 3101

June 3, 1998

Governor Tom Ridge
Capitol Building
Harrisburg, Pennsylvania

Dear Governor Ridge:

I present this letter to you asking that you intervene on behalf of PP&L and the May 14 Public Utilities Commission Motion on restructuring. It is my understanding that if this motion is adopted, PP&L's financial strength would be seriously jeopardized as their transition costs would reach \$4.5 billion.

It is quite apparent to all of us served by this strong, community oriented utility, that this decision will weaken PP&L and the people it serves. A profitable PP&L is an important component of Pennsylvania's economy. What happens to the 6,400 PP&L employees, to the community and economic development activities provided to help improve the economy of the State, to a vital component of Pennsylvania's economy? If PP&L stock prices lose value they become a target for takeover. Then every Pennsylvanian loses.

The loss of the PP&L in the Hazleton Area would be devastating. The community and economic development provided by this utility to my community is absolutely essential to any continued growth. PP&L is a vital part of our school-business partnership and if this link is not able to maintain itself, our students and community will be seriously jeopardized. We cannot afford to allow this to happen.

It is expected that a final order in PP&L's case could occur as soon as June 4. Please intervene on behalf of PP&L as you speak for the residents of this Commonwealth.

Thank you.

Sincerely,

Geraldine S. Shepperson
Geraldine S. Shepperson
Superintendent of Schools

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JUN 09 1998

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GSS/rmb