

January 11, 2012

The Honorable Steven Chu
Secretary of Energy
Forrestal Building
1000 Independence Avenue, SW
Washington, DC 20585

Via e-mail and U.S. Mail

Dear Secretary Chu:

We write to you on behalf of our companies and organizations which represent thousands of U.S. manufacturing employees, and ultimately hundreds of millions of electricity consumers in the United States. We believe that the Department of Energy (DOE) could soon propose efficiency standards for liquid-immersed electric distribution transformers so stringent that they would have the effect of mandating the use of a single type of core material - amorphous metal - for the manufacture of these transformers in the future. The only U.S. source for such material is a single, foreign-owned company. We are also extremely concerned about the impact of such stringent standards on utility rates, manufacturing jobs and the U.S. economy in general.

A large contingent of industry and utility representatives participated in formal Negotiated Rulemaking sessions with DOE and other stakeholders last fall. This contingent proposed an increase to Efficiency Level 1 (EL1) for most liquid-immersed transformer design lines, and offered substantial technological and economic justification for these efficiency standard increases. A standard of EL1, in most cases, would yield transformers with efficiencies greater than 99 percent, which is among the highest in the world.

However, if the DOE proposes standards above EL1 for these transformers, it will create a monopoly for a foreign-owned company and essentially eliminate the jobs of thousands of Americans at U.S. manufacturing companies who currently produce competing core materials and transformers. Distribution transformers utilizing electrical steel core material have been produced in the U.S. for more than 100 years and are among the most energy- and cost-efficient in the world. A standard no more stringent than EL1 would allow for both electrical steel and amorphous metal to compete without jeopardizing thousands of jobs. Conversely, mandating a standard more stringent than EL1 could increase transformer costs by more than 40 percent for incremental efficiency gains that may not be economically justified during the entire useful life of the transformer.

In addition to the negative impact on the American economy and jobs, there are other strong reasons not to mandate standards which would result in the exclusive use of amorphous metal for liquid-immersed electric distribution transformers.

First, such standards would actually create strong financial incentives to rebuild existing transformers to their original specifications. Because of their long service life (many are more than 30 years old), such rebuilt transformers could have continued useful service for decades, forestalling the very energy efficiency gains sought by new standards. In addition, expert analysis indicates that amorphous metal transformers are actually considerably less efficient at high loads than electrical steel transformers.

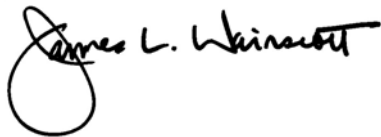
Second, directing the use of amorphous metal for liquid-immersed distribution transformers would violate Congress's statutory mandate to DOE to establish minimum efficiency standards that are technologically feasible and economically justified. It would create a significant market disruption for the industries and their employees currently serving the distribution transformer market.

For example, thousands of American steelworkers, who produce highly efficient electrical steels could face the loss of their jobs. Transformer makers would be forced to re-tool their plants or be forced out of business. In contrast, efficiency standards that allow for the use of competing core materials, such as electrical steels, are technologically feasible and economically justified.

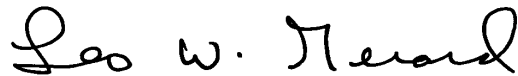
Third, the foreign-owned manufacturer that would receive monopolistic pricing power as a result of a new standard requiring the use of amorphous metal acknowledges on its website that it exports more than 90 percent of its U.S. production. Thus, it is unclear that this company could even satisfy the domestic demand by U.S. based transformer manufacturers for amorphous metal.

We respectfully urge DOE to propose efficiency standards for liquid-immersed distribution transformers that are no greater than EL1, thereby allowing electrical steels to compete with amorphous metal, promoting a healthy and cost-competitive marketplace to serve the goal of improving the United States' electrical efficiency.

Sincerely,



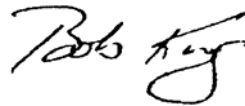
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CC:

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Background

In October 2007, DOE finalized rules on liquid-immersed electric distribution transformers that created minimum energy efficiency standards which took effect on January 1, 2010. In many cases, the efficiency levels selected were higher than those proposed by energy efficiency and electric utility experts. However, the standards were challenged in a federal lawsuit filed on behalf of several environmental organizations and other parties. In a court-ordered settlement, DOE agreed to re-evaluate the standards and determine whether or not more stringent standards would be justified.

As part of its review, DOE embarked upon a formal Negotiated Rulemaking process among affected stakeholders to see if a consensus on the standards could be reached. All parties to the Negotiated Rulemaking process actively negotiated in good faith. In most of the cases, unanimous consensus on new efficiency standards were reached. However, the environmental and amorphous metal representatives rejected the higher standard of EL1 for liquid-immersed transformers proposed by manufacturers and utility representatives. Therefore, DOE has indicated that it will propose a standard for these transformers on or before February 1, 2012.

About The Signatories

AK Steel Corporation produces flat-rolled carbon, stainless and electrical steels, primarily for automotive, infrastructure and manufacturing, construction and electrical power generation and distribution markets. The company employs about 6,200 men and women in Ohio, Pennsylvania, Kentucky and Indiana. Hourly production and maintenance employees are represented by the United Steelworkers, United Autoworkers and International Association of Machinists international unions.

Allegheny Technologies Incorporated has approximately 11,300 full-time employees world-wide who use innovative technologies to offer global markets a wide range of specialty metals solutions. Our major markets are aerospace and defense, oil and gas/chemical process industry, electrical energy, medical, automotive, food equipment and appliance, machine and cutting tools, and construction and mining. Our products include titanium and titanium alloys, nickel-based alloys and superalloys, grain-oriented electrical steel, stainless and specialty steels, zirconium, hafnium, niobium, tungsten materials, forgings, castings and fabrication and machining capabilities.

Cooper Power Systems is a global manufacturer of world-class power delivery and reliability solutions for the utility, commercial, and industrial markets. It is a leading provider of innovative Smart Grid technologies that optimize electrical grid performance.

The International Association of Machinists and Aerospace Workers (IAM) represents over 700,000 active and retired members in the United States, Canada, the Caribbean, Guam, and other locations. IAM-represented members work in manufacturing, aerospace, transportation, electronics, shipbuilding, steel, woodworking, defense, government and many other sectors. IAM-represented employees produce steel products at AK Steel in Ohio.

The United Autoworkers of America (UAW) is one of the largest and most diverse unions in North America, with members in virtually every sector of the economy. UAW-represented workplaces range from multinational corporations, small manufacturers and state and local governments to colleges and universities, hospitals and private non-profit organizations. The UAW has more than 390,000 active members and more than 600,000 retired members in the United States, Canada and Puerto Rico. UAW-represented employees produce electrical steels in AK Steel plants in Ohio and Pennsylvania.

The United Steelworkers (USW) is the largest industrial union in North America and has 850,000 members in the U.S., Canada, and the Caribbean. It represents workers employed in pulp, paper and packaging, metals, rubber, chemicals, oil refining, atomic energy, government and the service sector. USW-represented employees produce electrical steels in Allegheny plants in Pennsylvania.