

**Oral Testimony of Brad Wilkins (TAMCO Steel) to the CPR Commission  
August 13, 2004**

Good afternoon, my name is Brad Wilkins and I am Vice President and Chief Financial Officer of TAMCO. TAMCO is a steel producer located in Southern California and recycles scrap metal into usable steel, mainly steel reinforcing bars (rebar) used in the construction of reinforced concrete structures. Our steel rebar is used throughout California, Arizona and Nevada in highways, bridges, parking structures and buildings. About 100,000 tons of our steel will be used in the construction of the first phase of the new Oakland/Bay Bridge.

As is the case with many other heavy industrial companies, we are dependent on energy to manufacture our products. Therefore, natural gas and electricity policies are extremely important to us especially as it relates to reliability and price. We convert about 600,000 tons of scrap metal into rebar each year. Our process requires about 330,000 megawatt hours of electricity and over 1 million mmBTU's of natural gas each year to melt and roll the steel rebar we sell. Energy accounts for over 30% of the cost to convert scrap metal to the finished product.

We believe that the energy crisis of 2000 / 2001 and its aftermath was exasperated by the fractured decision making of the State agencies that had and continue to have a hand in California's energy planning and regulation. The effect on TAMCO and other heavy industrial companies has been substantial. We have seen our power costs double in the last few years. Energy now costs TAMCO more than all salaries, wages and benefits combined for all of our 320 employees. Presently, we face major uncertainty with respect to the future direction of electric policy and power markets in the State, making it very difficult for us to plan for the future.

Furthermore, we are concerned that issues related to electricity generation, transmission, natural gas pipelines and LNG terminals are not being addressed adequately to ensure long-term supply and reliability in this State. We support the energy related recommendations detailed in the Infrastructure Chapter of Volume 4 of the California Performance Review. Consolidating energy related infrastructure licensing authority from the various state agencies to improve overall Statewide planning and coordination and improving accountability through a clear line of authority from the Governor will help to more capably address many of the energy issues we face in this State.

With respect to energy conservation and efficiency, we are happy to see that the report recognizes the importance of the role of demand reduction programs in managing peak load. TAMCO is an interruptible electricity customer and can reduce load substantially within a half hour if called upon to do so. We believe that the interruptible program is often times a better alternative to managing peak load than supplying more power to the grid by firing up old polluting "peaker" generating plants.

Also, we support the recommendation that the State use strong performance measurement and verification protocols to ensure that Public Goods Charge monies are used as

effectively as possible, whether the program being funded is for loans or grants. We believe grants can be an effective means to accomplish program goals, but agree that loan programs are preferred. Well managed loan programs will not only help preserve some of the capital in the Public Goods fund, but will also act as an incentive to those implementing energy efficiency projects to make sure the project truly does save energy in order to pay back the loan.

In conclusion, while I cannot speak for every manufacturer in California, we at TAMCO support many of the energy related infrastructure recommendations made in the California Performance Review report. The State's need for centralized decision making on critical electric transmission and energy supply proposals, such as the siting of new LNG facilities, has never been greater. The economy is recovering, but growth will be hampered unless we site the plants and infrastructure we need to serve that growth. Confusion and conflicts between State agencies regarding solutions to our energy infrastructure challenges should be minimized with the recommendations of the CPR for agency reorganization.

It's encouraging and refreshing to see that our government is willing to take a fresh look at how it conducts its operations just as we in business must from time-to-time review and reorganize our organizations to stay competitive in our industries.

Thank you