St. Louis - General Office

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H. S. Bergen - HBERG
G. R. Buchanan
H. Carder - HCARD
[redacted]

ELECTRICAL AROCLORS 1242 and 1254 - PRICING G.E. CONTRACT

D. B. Hosmer - DHOSM

In the late 1930s when the old G.E. contract was established to regulate pricing of electrical grade Aroclor, the base price was $10.39 F.O.B. per 100 pounds. At that time we were allowed 17¢ per gallon plus freight for our delivered cost of benzene. We were allowed $40.00 plus freight per ton of chlorine as our delivered cost.

Our allowed delivered cost of raw materials as related to the $10.39 base price is quite obvious. Please give us your best estimate of all other costs comprising our final total cost for making Aroclor and selling it to G.E. at $10.39 per 100 pounds at that time.

Then we will want to compare that cost composition with our similar cost composition that exists today. You will recall that today our delivered price is $14.95/hundred weight. If the old G.E. contract were in effect today our price would be $13.42/hundred weight F.O.B. In accordance with today's market price for benzene and chlorine, and the present freight cost for shipping Aroclor from Anniston to Hudson Falls, our sales price for Aroclor is 30¢ per hundred pounds higher than would have been allowed by the old G.E. contract.

Historically, until 1954 we had priced Aroclor exactly in accordance with the G.E. contract. Then from 1954 through 1962 our material was priced to give G.E. a saving that ranged from 17¢ per hundred pounds to as high as $2.09 per hundred pounds. Then in March of 1962 and until January of 1964, our material was priced in a way that gave G.E. a loss ranging from 13¢ to 15¢ per hundred pounds as compared with their contract price. In January 1964 and through February of 1966, our material was priced to give a saving over the G.E. contract that ranged from 6¢ per hundred pounds to 15¢ per hundred pounds. As mentioned above, currently our material is priced 30¢ per hundred pounds above what the G.E. coutract would have allowed.

With the exception of Kraft paper and Aroclor, today G.E. manufactures all of their own capacitor raw materials. Obviously they investigate

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the possibility of making their own Aroclor.

They are well aware of the cost of chlorine and benzene, but then they get confused about the other cost items for manufacturing Aroclor. Specifically, they wonder about the rest of the composition of this original $10.39 per hundred pounds base price and how it compares with today's values.

Obviously, regards the items of chlorine and benzene we are only .3 of 1¢ per pound higher today than we were away back in the 1930s. Therefore this is not of great interest.

In light of all increased costs through the years, you may find that our present price is indeed quite reasonable as related to our costs or to the cost that G. E. would encounter if they made their own material. However, we seek the detailed accounting of this as G. E. has confronted me with discussing this matter to defend our price structure. We, of course, seek to thwart their ideas of making their own Aroclor.

P. G. Benignus

/ecd

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