

May 31, 2017

Mr. Brad Botwin
Director, Industrial Studies
Office of Technology Evaluation
Bureau of Industry and Security
U.S. Department of Commerce
1401 Constitution Avenue, NW
Washington, DC 20230

Submitted via e-mail: Steel232@bis.doc.gov

Re: Section 232 National Security Investigation of Imports of Steel

Dear Mr. Botwin:

This document contains Eaton Corporation's comments on various issues relating to the U.S. Department of Commerce self-initiated Section 232 National Security Investigation of Imports announced on April 19, 2017. Eaton is concerned about the potential negative impact restrictions on the importation of electrical steels will have on the competitiveness of distribution transformers Eaton manufactures in the United States.

The Department of Commerce should carefully consider the impact restriction on fairly traded electrical steels will have on domestic manufacturing of electric distribution transformers. Specifically, Eaton Electrical's Waukesha, Wisconsin and Nacogdoches, Texas facilities rely on specialty electrical steel that is not available from U.S. domestic manufacturers. For this reason, we would request that the Department exempt Grain Oriented chemically or mechanically etched Domain Refined Electrical Steel.

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About Eaton

Eaton is a power management company with global 2016 sales of \$19.7 billion. Eaton provides energy-efficient solutions that help our customers effectively manage electrical, hydraulic and mechanical power more efficiently, safely and sustainably.

Eaton has over 25,000 associates working at 114 facilities in 26 states throughout the United States. We sell products to customers in more than 175 countries.

Eaton's electrical business is a global leader with expertise in power distribution and circuit protection; backup power protection; control and automation; lighting and security; structural solutions and wiring devices; solutions for harsh and hazardous environments; and engineering services. We power businesses with reliable, efficient and safe electrical power management solutions.

Comments on Section 232 investigation initiated on April 19, 2017

Low Voltage Dry Type Distribution Transformers

Placing restrictions on imports of electrical steels would not support domestic manufacturing of electric transformers and does not support domestic manufacturing competitiveness, employment, or national security.

Eaton believes the Department of Commerce should exclude Low and Medium Voltage Dry Type Distribution Transformers (DTDT) from any restrictions regarding component and/or product quota or tariffs. Distribution transformers are not the focus of the recent Department of Energy (DOE) report to Congress on the Strategic Transformer Reserve because they do not have the same lead time or strategic significance as power transformers. The US capacity to manufacture Low Voltage Dry Type Distribution Transformers cannot meet the great demand for these products in the United States. Quotas or restriction on these types of transformers would be detrimental to U.S. manufacturers and consumers in the U.S.

The Department should make a distinction between these two types of transformers and resist requests to set restrictions on imported transformers and transformer components.

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Grain Oriented chemically or mechanically etched Domain Refined Electrical steel

Eaton's Cooper Power System facilities in Waukesha, Wisconsin employs over 1,000 associates, and Nacogdoches, Texas employs over 230 associates. Eaton associates in these facilities develop, manufacture, market and sell cost-effective, reliable, safe and efficient electrical distribution transformers. These jobs rely on Grain Oriented chemically or mechanically etched Domain Refined Electrical steel suitable for Wound Core Electrical Transformers.

There is no domestic manufacturer of Grain Oriented chemically or mechanically etched Domain Refined Electrical steel needed to manufacture our specific transformers in Waukesha, WI and Nacogdoches, TX.

PRODUCT FOR EXCLUSION FROM 232 ACTION:

“Chemically or Mechanically etched Domain Refined Grain Oriented Electrical Steel or products thereof, used in the manufacture of cores or core assemblies for the production of Wound Core type Electrical Transformers.”

HTSUS CODE **Steel:** 7226.11.01 for slit coil **Cores:** 8504.90.95.42 for Cores

COUNTRY OF ORIGIN: JAPAN

EXPLANATION WHY IMPORTS OF THIS PRODUCT IS NEEDED:

There are NO PRODUCERS of this very specific Grain oriented electrical steel in North America. It is specifically manufactured to retain its electrical performance after undergoing an annealing process, typically done to Wound Cores before assembly into Wound Core Electrical Transformers (referred to as HEAT PROOF.) An extraordinary amount of research and development has gone into the production of this particular electrical steel. This particular grain oriented electrical steel is sought after in the developed world due to its very high performance in electrical distribution systems.

Restrictions placed on the importation of Grain Oriented chemically or mechanically etched Domain Refined Electrical steel might leave Eaton and other manufacturers without a supply of this vital material impacting hundreds of Eaton

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jobs in Wisconsin and Texas. Any restriction on the importation of this specialty steel would promote foreign manufacturing of these products.

Eaton Cooper Power Systems needs a reliable supply of this Domain Refined steel. We urge the Department of Commerce to avoid any restrictions on this specialty electrical steel that is not manufactured in the United States.

Electrical transformers are regulated by the U.S. Department of Energy (DOE). Distribution transformers must meet DOE efficiency standards while also meeting all specific customer requirements. Grain Oriented chemically or mechanically etched Domain Refined Electrical steel suitable for Wound Core Electrical Transformers is a critical component necessary to meet and exceed these efficiency standards. Currently, Eaton meets or exceeds the 2016 Department of Energy efficiency standards but would struggle to meet these requirements without access to this specialty steel.

In conclusion, the lack of US capacity to manufacture Low Voltage Dry Type Distribution Transformers threatens the ability of U.S. manufacturers to meet the current demand if any restrictions and/or product quota or tariffs are put in place against them. Careful consideration should be given to not unnecessarily restrict the importation of electrical steel and components used to manufacture distribution transformers.

Further, chemically or mechanically etched Domain Refined Grain Oriented Electrical steel used in the manufacture of Wound Core Electrical Transformers should be excluded from Section 232 actions. No domestic manufacturer supplies this type of steel, therefore, steel or products that use this specialty steel should be exempt from any restriction or actions as a result of the current Section 232 investigation.

Please contact me at 262-896-2309 (office) if you need any additional information or have any questions. Thank you for your consideration.

A handwritten signature in black ink, appearing to read "Matt C Hockman", with a stylized, flowing script.

Matt C Hockman
Vice President and General Manager
Power Delivery & Regulation Division
Power Systems Division