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Mr. Brad Botwin
Director, Industrial Studies
Office of Technology Evolution, Bureau of Industry and Security
U.S. Department of Commerce
1401 Constitution Avenue, NW
Room 1093
Washington, DC 20230

RE: Comments of Power Partners Inc.
Section 232 Investigation on Steel Imports

Dear. Mr. Botwin,

Please accept this letter as the written comments of Power Partners Inc. (“Transformer Manufacturer”) in response to the Department of Commerce’s (“Department”) April 21st, 2017 Request for Public Comments and Public Hearing on Section 232 National Security Investigation of Imports of Steel, and comments made at the public hearing dated May 24th, 2017.

Power Partners Inc. is a large manufacturer of overhead power distribution transformers based in Athens, Georgia. This facility has manufactured over 8.5 million transformers since it opened in 1954 and represents almost 500 hard-working Americans. Power Partners relies on a vibrant, competitive and diverse marketplace for purchasing electrical grade steel, and transformer components. Due to the special needs associated with building a transformer, the United States transformer manufacturers require a specific type of steel, electric grade Grain Oriented Electric Steel or GOES, to produce a transformer. The current grade of GOES that Power Partners purchases is UNAVAILABLE from the US steel industry.

The proposal made in oral comments, that the Department initiate remedies on the import of electrical grade steel, including GOES, transformer components, and transformers, deeply troubles our company. If adopted as recommended, would severely damage the transformer marketplace, the underlying companies, and their employees including those working at Power Partners Inc.

Power Partners Inc. purchases transformer core components from a long-term supplier – Cogent Power Inc. based in Ontario, Canada. The purchased parts are covered under the North American Free Trade Agreement (NAFTA). Cogent Power Inc. provides GOES steel components that are not available through a US supplier – either in the grades of steel required, or the component manufacturing and services that are required. As such, we believe it is necessary that the NAFTA and Canadian supply chain be exempt from any remedy. This is important for PPI to continue to invest in growth and employment.

Power Partners Inc. benefits greatly from securing GOES from a strong, high quality, and reliable source of supply in Canada. This vital Canadian partnership allows us to run a just in time inventory program, which has saved our company millions of dollars in inventory and carrying costs. They only represent OEM GOES producers from an economically important, strategic partner.



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AK Steel's CEO testified during the May 24th, 2017 public hearing that his company is the sole domestic producer of GOES. Considering the scarcity of domestic GOES product, many of the transformer manufacturers rely upon international sources for GOES to purchase variations of GOES products not available domestically, supplement the domestic source, and diversify their supply chain. Notwithstanding, only a portion of the GOES used in the manufacturing of power transformers in the United States is sourced from imported GOES. The overwhelming majority of GOES is sourced domestically, and presently only from AK Steel.

In addition, distribution transformer manufacturers like Power Partners Inc. are regularly required to supply immediate demand for recovery of the electrical grid after significant storms like hurricanes and tornadoes. There are industry concerns that AK Steel does not have sufficient capacity to fulfill all the requirements of electrical steel demand during normal periods and is unable to meet the demands of a large storm requirement, such as another Super Storm Sandy. Clearly, it is in the interest of national security to have a safe and reliable alternative to satisfy those needs. It is likely for these reasons that Mr. Roger Newport, CEO of AK Steel testified in your public hearing on May 24th, 2017 that they were not against imports, and were not after measures eliminating imports; but managed, reliable and respectful imports. Cogent Power Inc. has been this reliable, safe, and respectful supplier to Power Partners Inc.

The importance to national security of a locally accessible, internationally competitive, and strong US transformer industry is vital to the country and cannot be overstated. This industry is essential to support the energy infrastructure investments being made in reliability, redundancy and efficiency by the country's investor owned, rural electrical cooperative, and municipal utility industries.

While Mr. Newport noted in his oral testimony that AK Steel has the capacity to fully service the needs of the market for GOES in the United States, he presented no evidence in support of that claim. At present, AK Steel does not manufacture all products in the necessary grades (such as domain refined GOES products that are mechanically scribed) it suggests should be subject to these proposed remedies – thus, transformer manufacturers are forced to the international market for supply. Power Partners Inc. expressed this concern in our 2014 response to the U.S. Purchasers' Questionnaire on Grain-Oriented Electrical Steel from outside the US and have met with AK Steel personnel on numerous occasions to discuss this deficiency, however a comparable solution has not been made available.

The United States transformer manufacturers stand ready to support the Department in making a wise, considered determination in this proceeding. However, the proposals from AK Steel to impose tariff and other restrictions on imported electrical grade steel, transformer components and transformers are unsound both from a policy and an economic perspective, and if adopted will have a devastating impact on the industry and its employees.

Respectfully,

Jack Roberts
CEO