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**WAUKESHA** 

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**VIA e-MAIL ONLY ([Steel232@bis.doc.gov](mailto:Steel232@bis.doc.gov))**

The Honorable Wilbur Ross  
Secretary of Commerce  
C/O Mr. Brad Botwin  
U.S. Department of Commerce  
1401 Constitution Avenue, NW  
Room 1093  
Washington, DC 20230

Dear Secretary Ross:

I am writing today on behalf of SPX Transformer Solutions, Inc. (SPX). SPX is one of the largest manufacturers of medium, large (LPT), and extra high-voltage (EHV) power transformers in the United States. SPX is a wholly U.S.-owned and operated corporation with 1,200 employees. SPX's supply chain for transformer production is also primarily U.S. based and extends to support an additional 500-1,000 jobs in the U.S. Over the past decade, SPX has invested over \$150M in our manufacturing equipment, employee training, and facilities located in Waukesha, Wisconsin; Goldsboro, North Carolina; and Dallas, Texas.

SPX supports the comments made by AK Steel Corporation related to the current Section 232 investigation on foreign steel imports and specifically to the impact on national security of grain oriented electrical steel (GOES) and EHV/LPT transformers. (GOES is a specialty version of cold rolled steel that has properties required specifically for use in electrical equipment, including transformers and large motors and generators. AK Steel is currently the sole domestic producer of GOES (with limitations in product range and capacity), although Allegheny Technologies has also produced GOES in the recent past.) Specifically, we support measures that protect the U.S. steel industry, but only so long as such measures do not at the same time do damage to other U.S. manufacturers in general and to U.S. LPT and EHV transformer manufacturers in particular.

The U.S. electrical grid is vital to national security, and the Office of Electricity Delivery and Energy Reliability of the Department of Energy (DOE) has stated, "LPTs have long been a concern for the U.S. Electricity Sector, because the failure of a single unit can cause temporary service interruption

and lead to collateral damage, and it could be difficult to quickly replace it. Key industry sources have identified the limited availability of spare LPTs as a potential issue for critical infrastructure resilience in the United States ....” The DOE further stated, “Since the late 1990’s, the United States has experienced an increased demand for LPTs; however, despite the growing need, the United States has a limited domestic capacity to produce LPTs. In 2010, six power transformer manufacturing facilities existed in the United States, and together, they met approximately 15 percent of the Nation’s demand for power transformers of a capacity rating greater than or equal to 60 megavolt-amperes (MVA). Although the exact statistics are unavailable, global power transformer supply conditions indicate that the Nation’s reliance on foreign manufacturers was even greater for extra high-voltage (EHV) power transformers with a maximum voltage rating greater than or equal to 345 kilovolts (kV).”<sup>1</sup>

Starting in 2010, four new facilities were built and began production in the U.S. to produce LPTs and EHV transformers: Efacec’s first U.S. transformer plant in Rincon, Georgia, in April 2010; Hyundai Heavy Industries’ transformer plant in Montgomery, Alabama, in November 2011; SPX Transformer Solution’s EHV facility in Waukesha, Wisconsin, in April 2012; and Mitsubishi’s new transformer plant in Memphis, Tennessee, which became operational in April 2013.

Notwithstanding this investment in U.S.-based manufacturing, in a few short years, the U.S. LPT and EHV transformer manufacturers are already seeing increasing foreign imports volume due to the onslaught of lower-priced and state-subsidized units from South Korea, Mexico, China, Brazil, and Europe. U.S.-based manufacturers are currently estimated to supply less than 35% of the U.S. market and are in danger of needing to shed more U.S. capacity. We have already seen the Efacec facility built in 2010 cease operations, with its assets purchased by a newly formed U.S. company, Georgia Transformers, that is now battling to re-establish operations.

As a major customer of AK Steel and an integral part of the transformer supply chain in the U.S., we support AK Steel’s position that the Department of Commerce take a holistic approach related to ensuring the security of the nation’s electric grid. We agree that, in order to do so, the Department of Commerce must apply any remedy it may choose to put into place not only to foreign electrical steel, but also to the electrical steel content of fabricated cores and transformers (whether fully or only partially assembled) that may be imported into the U.S., in order to ensure the entire U.S. supply chain is preserved to serve national interests. If this is not done, then foreign transformer manufacturers will be able to use lower-priced foreign electrical steel to manufacture cores and transformers outside the U.S. and then export those products to the U.S. without being subject to the same restraints that would restrict or increase the cost of U.S. transformer manufacturers’ access to electrical steel. A result like this would injure U.S. transformer manufacturing and could cause the loss of U.S. manufacturing capacity. Additionally, any action that fails to take a holistic approach

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<sup>1</sup> All quoted material in this paragraph from Office of Electricity Delivery and Energy Reliability, U.S. Department of Energy, “*Large Power Transformers and the U.S. Electrical Grid*,” April 2014 Update.

could cause the loss of special skills in the current U.S. employment base, as well as the benefits to the economy of that employment base.

We believe that a complete and immediate ban on all foreign GOES and fabricated cores would materially impair SPX's ability to design and manufacture LPTs due to limited U.S. supply, while foreign LPT manufacturers could readily obtain GOES from foreign sources. Keeping foreign imports of foreign-made electrical steel, cores, and transformers, as well as plate steel, at a reasonable level through a trade remedy measure such as quotas would balance the interests of (i) protecting our national security by ensuring the continued existence of a domestic supply chain for vital electrical grid components; and (ii) allowing a reasonable level of imports to meet the ongoing needs of buyers of these materials, without allowing circumvention and a gutting of the sought-after results. Failure to address foreign-made cores and transformers along with foreign steel would not only fail to remedy the injury suffered by AK Steel and the domestic electrical steel market caused by unfairly-traded electrical steel imports, but would also threaten domestic manufacturers of cores and transformers like SPX Transformer Solution, Inc., as imports of those goods would skyrocket, with attendant injury to the national security interest in the nation's electrical grid.

Broadly speaking, protecting national security means more than just protecting U.S. steel manufacturing. Protecting national security also means protecting the U.S. manufacturing industries that build products from steel and employ and train hundreds of thousands of U.S. workers with specialized skills. If the Department acts only to protect U.S. steel manufacturers, then it will provide an unfair advantage to foreign manufacturers that will use that advantage to undercut U.S. manufacturing. National security requires both robust U.S. steel manufacturing and robust U.S. manufacturing industries that use steel.

Please do not hesitate to contact me if I can provide you with any additional information or materials. We thank you for your efforts to ensure that America's manufacturing base remains strong and our national security interests are served.

Sincerely,

**SPX TRANSFORMER SOLUTIONS, INC.**



Brian G. Mason  
President