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The Honorable Wilbur L. Ross
Secretary of Commerce
US Department of Commerce
APO/Dockets Unit, Room 1870
14th Street and Constitution Avenue, NW
Washington, DC 20230

Attention: Davina Friedmann; Chelsey Simonovich

Re: Antidumping Duty Investigation of Carbon and Alloy Steel Wire Rod from Spain: Pre-Preliminary Determination Comments

Dear Secretary Ross:

On behalf of Global Steel Wire SA ("GSW"), CELSA Atlantic SA ("CELSA Atlantic"), and Compañía Española de Laminación ("CELSA Barcelona") (collectively, "CELSA"), we submit comments for the Department's consideration in reaching a preliminary determination in the above-referenced antidumping duty investigation. The comments that follow pertain to

(1) the date of sale the Department should use when calculating the dumping margin; and (2) various cost-related issues.

I. DATE OF SALE

A. Introduction

CELSA has submitted home-market and US sales databases containing all sales for which an order confirmation was issued ***or*** that were invoiced during the period of investigation ("POI"). CELSA provided reported POI home-market and US sales based both on the order confirmation date and invoice date because (1) CELSA believes and has demonstrated that the material terms of sale are fixed on (and do not change after) the date of the order confirmation; and (2) the Department might still use the invoice date as the date of sale, even if the material terms of sale were fixed on the date of the order confirmation, because it is the Department's normal practice to do so. In any event, because CELSA has reported complete sales data using ***both*** the order confirmation date and the invoice date as the date of sale,[1] the Department can calculate the dumping margin using either one.

B. The Order Confirmation Date is the Date of Sale for all Home-Market and US Sales

The material terms of CELSA's sales to all home-market and US customers during the POI, including CELSA's sales to its [ ], were fixed on the date that CELSA issued order confirmations. With regard to CELSA's US sales to [ ], CELSA provided the Department with one of the periodic forecasts that [ ] issued to GSW to project [ ] supply needs.[2] [ ] did not issue separate purchase orders to GSW. In

[1] *See* CELSA's Response to the Fourth Supplemental Questionnaire (September 21, 2017), Exhibit FSQ-1 and Exhibit FSQ-2 (order confirmation date reported in home-market sales database Field OCDTH and US sales database Field OCDTU; invoice date reported in Field SALINDTH and Field SALINDTU, or SALEDATH and SALEDATU).

[2] *See* Response to the Second Supplemental Questionnaire (August 30, 2017), Exhibit SSQ-5.

response to these forecasts, GSW entered orders into SAP, generated order confirmations, and scheduled production. The order confirmations established the products shipped to [ ], the quantities sold, and the prices charged for the subject merchandise based on the price formula set forth in Section 2 of the agreement.[3] GSW also provided the Department with a copy of an order confirmation that GSW issued to [ ] during the POI.[4] As shown on that order confirmation, the quantities and prices differ from the base price and general shipment quantities set forth in the corresponding supply forecast issued by [ ]. However, GSW's invoices reflected the same products and quantities shown on the order confirmations issued to [ ] for the sales.[5] Thus, the material terms of GSW's US sales to [ ] were fixed on the date of the order confirmation.

The material terms of GSW's sales to other US customers during the POI also did not change materially between GSW entering the customer's order in SAP, GSW issuing the order confirmation to the customer, and when GSW shipped the merchandise from Spain and issued the invoice to the customer.[6]

For the same reasons, CELSA also believes the order confirmation date sets the date of sale for home-market sales.[7]

C. GSW's Supply Agreement with [ ] Does Not Set the Material Terms of Sale

Contrary to Petitioner Nucor's suggestion that CELSA's general supply agreement with [ ] is the date on which the material terms of sale were established for CELSA's US sales

[3] *Id.*, page SSQ-8; *see also* Response to Section A of the Questionnaire (June 23, 2017), Exhibit A-11.

[4] *See* Response to the Second Supplemental Questionnaire (August 30, 2017), Exhibit SSQ-5.

[5] *Id.*, pages SSQ-8 and SSQ-9.

[6] *Id.*, pages SSQ-9 and SSQ-10 and Exhibit SSQ-5.

[7] *See* Response to Section B of the Questionnaire (July 17, 2017), page B-28; *see also* Response to the Second Supplemental Questionnaire (August 30, 2017), page SSQ-14.

to [ ], CELSA has already explained, demonstrated, and documented that this general supply agreement does not (1) describe the specific products to be sold; or (2) establish specific sales quantities sold; or (3) set the timing of sales.[8] As described above, these terms are not set until an order confirmation is issued.

The Department's established practice has been to conclude that agreements like CELSA's general supply agreement with [ ] are merely long-term framework agreements that do not establish the material terms of sale, in particular the specific products and the specific sales quantities sold, and therefore do not set the date of sale for dumping margin calculation purposes.[9]

Finally, we note the Department has not questioned the accuracy of CELSA's reporting of all home-market and US sales for which an order confirmation was issued ***or*** that were invoiced during the POI, or requested that CELSA report home-market and US sales using a different date of sale (*e.g.*, the date of GSW's general supply agreement with [ ]).

D. Conclusion

The Department should calculate the dumping margin using the order confirmation date as the date of sale. Alternatively, the Department could use the invoice date, although we do not believe that is the earliest point in time or earliest document in CELSA's accounting system

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[8] *See e.g.* CELSA's Response to Section A of the Questionnaire (June 23, 2017), pages A-21 through A-22 and Exhibit A-11; CELSA's Response to the Second Supplemental Questionnaire (August 30, 2017), pages SSQ-6 through SSQ-10 and Exhibit SSQ-5; CELSA's Response to the Fourth Supplemental Questionnaire (September 21, 2017), pages FSQ-10 through FSQ-12.

[9] *See e.g. Stainless Steel Bar from Brazil: Preliminary Results of Antidumping Duty Administrative Review; 2011 – 2012*, 78 Fed. Reg. 4383 (January 22, 2013), Unpublished Decision Memorandum, Page 3 (the Department reaching a date-of-sale decision based, in part, on the conclusion that the respondent's framework "purchase order agreement" supported the respondent's assertion that "quantity is subject to change"); *see also Large Power Transformers from the Republic of Korea: Final Determination of Sales at Less Than Fair Value*, 77 Fed. Reg. 40857 (July 11, 2012), Unpublished Decision Memorandum, Page 30 (the Department concluding "the material terms of sale—particularly quantity—were not firmly established in {the respondent's} alliance agreements" (*i.e.*, long-term agreements) and that those long-term agreements do not reflect the date of sale).

setting forth the material terms of sale. In no case should the Department use the agreement date as the date of sale because neither the product nor quantity are set at that time.

II. PRODUCTION COST-RELATED ISSUES

The Department should use for its preliminary determination the most recent cost database ("Cost Database") submitted with CELSA's October 4, 2017 response to the September 22, 2017 Second Supplemental Section D questionnaire ("Second Supplemental Section D Response.") There is no reason to make any changes to the reported Cost Database, which has been refined and corrected in the process of responding to the Department's two Supplemental Section D Questionnaires, except to reduce GSW's G&A expenses as discussed in Point C.

Below, CELSA addresses issues that have been raised by the Department in its Supplemental Section D Questionnaires and by Nucor in various submissions, regarding the following elements of the reported costs: direct materials (scrap offsets and major inputs), variable and fixed overhead (accruals), and general and administrative expenses (G&A).

A. Direct Materials (Scrap Offsets and Major Inputs)

The Department should use for the preliminary determination (1) the direct material costs reported in the Cost Database in Field DIRMATORIG (and the variable overhead costs reported in Field R_VOHORIG),[10] and (2) the "major input" data reported by CELSA (not the so-called "market" data submitted by Nucor) to evaluate the reported costs.

[10] Variable overhead costs are relevant because (as further elaborated in section 1.a. below) CELSA Atlantic in the normal course of business records scrap recoveries as offsets to variable overhead; as such, the reported amounts for variable overhead (in Field R_VOHORIG) reflect CELSA Atlantic's variable overhead costs net of scrap offsets.

B. The Department Should Use CELSA's Reported Fields DIRMATORIG and R_VOHORIG, Rather than Alternative Fields DIRMATGROSS and R_VOHGROSS

The Department should use CELSA's reported direct materials costs (reported in the Cost Database in Field DIRMATORIG) and variable overhead costs (reported in Field R_VOHORIG), which reflect the scrap offsets that CELSA records in the normal course of business. Field DIRMATORIG reflects all three mills' record costs for direct materials. It also reflects the scrap offsets which GSW and CELSA Barcelona record in the normal course of business for recovered scrap. Field R_VOHORIG reflects the scrap offsets that CELSA Barcelona records in the normal course of business for recovered scrap, as discussed below.

These scrap offsets accurately reflect the quantity and value of (1) steel scrap that is recovered and reintroduced into the production process (which is valued at € [ ] / MT both upon recovery and upon reintroduction); and (2) other recoveries (*e.g.*, scale) that are sold (and are recorded at sales value). As such, the amounts reported in Fields DIRMATORIG and R_VOHORIG should be used to calculate the mills' costs for the preliminary determination. The Department should ***not*** use the alternative fields in the cost database, from which the scrap offset (at the Department's direction) have been removed: DIRMATGROSS and R_VOHGROSS. Using these fields would artificially inflate the mills' costs.

C. Fields DIRMATORIG and VOHORIG Reflect the Scrap Offsets Used in the Normal Course of Business

In the cost database submitted with the Section D Response, the reported direct materials costs (Field DIRMAT) reflected the direct materials costs from the CELSA mills' normal accounting system. This cost was net of the scrap offset for GSW and CELSA Barcelona. (CELSA Atlantic's scrap offset was reflected in Field R_VOH for the reasons discussed below.)

The Department requested revisions to the cost database in the first supplemental section D questionnaire, dated August 15, 2017 ("Supplemental Section D Questionnaire"). Question 18 requested that CELSA revise its cost database so that any claimed scrap offset "is reported in a separate field rather than embedded in the direct materials field" and "confirm that the direct materials field is reported gross of any scrap offset."

CELSA complied with this request in the revised cost database submitted with its response to the Supplemental Section D Questionnaire, dated September 5, 2017 ("Supplemental Section D Response").[11] Specifically, in the revised cost database, CELSA:

- Renamed Field DIRMAT of the cost database submitted with the Section D Response to Field DIRMATORIG. (Field DIRMATORIG contained the same data as Field DIRMAT (in € / MT).)
- Added the following fields to comply with the Department's instructions (all amounts are in € / MT):
    - DIRMATGROSS contains the cost of materials "gross" of / without including the scrap offset.
    - SCRAP OFFSET contains the value of the scrap amounts that were offset to costs in Field DIRMAT of the cost database submitted with the Section D Response (except for CELSA Atlantic; for the reasons discussed below, CELSA Atlantic reports zero in Field SCRAP OFFSET).
    - R_VOHORIG, R_VOHGROSS, R_VOHSCRAP_OFFSET. These fields are relevant to CELSA Atlantic. Specifically, as CELSA explained at pages 21-22 of the Supplemental Section D Response:
        - In the cost database submitted with the Section D Response, CELSA Atlantic reported DIRMAT gross of the scrap offset, but reported R_VOH net of the scrap offset.

[11] The electronic database was uploaded to ACCESS and a print-out was provided in Exhibit Supp-D-18.

- This reflected the fact that CELSA Atlantic (unlike the other two mills) purchased, rather than produced, billet.

- To take account of CELSA Atlantic's reporting, the revised cost database contains the following Fields: R_VOHORIG (which contains the data from Field R_VOH of the cost database submitted with the Section D Response); R_VOHGROSS (which contains the R_VOH "gross" of the scrap offset), and R_VOHSCRAP OFFSET (which is negative for CELSA Atlantic and zero for GSW and CELSA Barcelona (because GSW's and CELSA Barcelona's scrap offsets are reflected in Field "SCRAP OFFSET" discussed above). R_VOHGROSS equals the sum of R_VOHORIG plus R_VOHSCRAP_OFFSET.

- These descriptions remain correct with regard to the revised Cost Database submitted with the Second Supplemental Section D Response.

D. The Department Should Use CELSA's Reported Direct Material Costs (Field DIRMATORIG) and Reported Variable Overhead Costs (Field VOHORIG)

The Department should use CELSA's reported direct materials costs (Field DIRMATORIG) and reported variable overhead costs (Field R_VOHORIG), which reflect the scrap offsets recorded in the normal course of business. It should not use the "gross" costs reported in fields DIRMATGROSS and VOHGROSS – effectively denying the scrap offsets and thereby overstating direct material costs.

The scrap offsets reflect the actual values of recovered scrap recorded in the normal course of business by the CELSA mills. These values accurately reflect the value of recovered scrap. They also (1) reflect the same per-unit value used for steel scrap that was reintroduced into production, and (2) reflect the per-unit values of recoveries that are sold. Specifically:

- GSW and CELSA Barcelona value recovered steel scrap at € [ ] / MT. When the recovered steel scrap is reintroduced into production, it is valued at the same € [ ] / MT.

- CELSA Atlantic also values recovered steel scrap at € [ ] / MT. CELSA Atlantic cannot use steel scrap in its production because it has no melt shop. It usually sells the steel scrap to [ ], as stated in the Section D Response at page D-26. The average price at which CELSA Atlantic sold scrap to [ ] during the POI was € [ ] / MT, as shown in the "major input" chart of [ ], which was provided in the Supplemental Section D Response, **Exhibit Supp-D-11-e**. Because the sale price of the scrap is higher than the recorded value of the recovered scrap, there is no basis for the Department to adjust (or "cap") the value of the recovered scrap.

- Recovered materials (*e.g.*, steel scale) which are sold (not reintroduced into the production process) are valued at the sales price. This is demonstrated in the Supplemental Section D Response, **Exhibit Supp-D-19-a**.

In sum, CELSA has demonstrated that the costs reported in the Cost Database in Fields DIRMATORIG and R_VOHORIG reflect the scrap offsets recorded by the mills in the normal course of business; and that this offset accurately reflects the value of (1) steel scrap that is reintroduced into the production process, and (2) other recoveries that are sold. As such, there is no basis for the Department to deny (nor modify) the scrap offsets reflected in the reported costs. The Department therefore should not use Fields DIRMATGROSS and R_VOHGROSS, as this would amount to a denial of the scrap offset and artificially increase the reported costs.

E. Nucor's Arguments Regarding the Scrap Offset Are Wrong

Nucor, in its comments of September 15, 2017 regarding CELSA's Supplemental Section D Questionnaire ("Nucor Comments on Supplemental Section D Response"), raised several arguments on CELSA's scrap valuation.[12] None of these arguments have merit, as demonstrated in CELSA's rebuttal to those comments, dated September 9, 2017 ("Rebuttal to Nucor Comments on Supplemental Section D Response") at 8 – 9 which are recapped below.

[12] Nucor Comments on Supplemental Section D Response at pages 7 through 9.

First, Nucor claims that, in its Supplemental Section D Questionnaire Response, CELSA "***undervalues*** the scrap purchased from its affiliates and the Department should adjust the scrap values reported by CELSA."[13] This is false. The CELSA mills reported the scrap costs from their normal records, as required by the Department. CELSA provided "major input" charts for each mill, enabling the Department to assess for itself the market price and affiliated-party cost of scrap, as discussed in the next section of these comments, below.

Second, Nucor rejects CELSA's explanation that CELSA Barcelona's total scrap costs as a percentage of the COM of its wire rod production facilities is higher than the percentage for GSW.[14] Nucor is wrong.

- Nucor's criticism relates to CELSA's Answer to Question 7 of the Supplemental Section D Questionnaire. Question 7 asked CELSA to explain differences in the breakdown of total COM of wire rod production facilities at GSW and CELSA Barcelona, which were provided in Exhibit D-4 of the Section D Response. Exhibit D-4 provided a breakdown for each mill's facilities used in the production of wire rod (*i.e.*, the melt shops that produce billet for wire rod and the rolling mills that roll wire rod).

- Nucor focuses on the fact that CELSA Barcelona has a higher proportion of scrap compared to total wire rod production facilities COM ([ ]%) compared to GSW ([ ]%).

- Nucor seems unable to grasp a simple concept – CELSA Barcelona's two melt shops (*i.e.*, the place where scrap is consumed) produce many more tons of billet than are used in the rolling mill that produces wire rod (hence, melt shop costs are high compared to total COM of wire rod producing facilities). In contrast, GSW's single melt shop produces billet which is almost entirely consumed in its single wire rod rolling mill (hence, melt shop costs are lower compared to total COM of wire rod producing facilities).

- Specifically – as shown in Exhibit Supp-D-7-a:

[13] Nucor Comments on Supplemental Section D Response at page 7 (emphasis added).

[14] Nucor Comments on Supplemental Section D Response at pages 7 through 8.

- CELSA Barcelona's ***two*** melt shops (which ***both*** produce billet for wire rod and non-subject products) produced [ ] MT of billet in 2016. Its one rolling mill, which produces wire rod (and rebar) produced only [ ] MT of wire rod and rebar. (CELSA Barcelona's two rolling mills which do not produce wire rod were not included in Exhibit Supp-D-7-a because they are not relevant to wire rod production.)

- GSW's ***single*** melt shop (which produces billet for wire rod only (including some sold billet) produced [ ] MT of billet in 2016. Its one rolling mill which produces wire rod (only) produced [ ] MT.

- Bottom line: (1) CELSA Barcelona's melt shops produced about [ ] ***times*** as many MT of billet compared to the output of its wire rod (and rebar) rolling mill, whereas (2) GSW's melt shop produced about [ ] ***times*** as many MT of billet compared to the output of its wire rod rolling mill.

- Because CELSA Barcelona produced many more tons of billet than it used for the wire rod rolling mill, it is unsurprising that CELSA Barcelona's total scrap cost (as a proportion of total COM of wire rod production facilities) is higher than GSW's (which consumed nearly all of its billet in producing wire rod).

- This is precisely why CELSA provided an analysis of the per-MT costs of the two mills, which took into account the differences in their production facilities. ***The analysis was provided in Exhibit Supp-D-7-a and was explained in detail on page 11 of the Supplemental Section D Response***. There, CELSA showed that the consumption patterns of the two mills are similar, and any differences are easily explained, *e.g.*, by product mix. For example, GSW's per-MT costs for scrap, ferroalloys and labor are all higher than CELSA Barcelona's, which is fully consistent with GSW's production of higher-quality products.

Third, Nucor calls into question CELSA's valuation of recovered and reintroduced scrap which (as CELSA showed via SAP screenshots, *e.g.*, in the Supplemental Section D Response, Exhibit Supp-D-19-a) are both valued at € [ ] / MT. Nucor argues that this valuation is inconsistent with CELSA's updated major input chart which "shows that GSW purchased scrap from affiliated company, [ ], for an average price of € [ ] / MT and

[ ] cost to produce the scrap was € [ ] / MT. Furthermore, the chart shows the purchases from other affiliates, [ ] as being € [ ] / MT and € [ ] / MT, respectively. Finally, the same exhibit shows that GSW purchased scrap from unaffiliated suppliers at € [ ] / MT."[15]

Nucor is wrong – there is no inconsistency. GSW (like CELSA Barcelona and CELSA Atlantic) values both recovered and reintroduced steel scrap at the same value: € [ ] / MT. Because the same value is used for recovered and reintroduced scrap, there is no distortion in the costs. Nucor would have the Department increase the cost of reintroduced scrap to the "market" value. There is no basis for such an adjustment in Department precedent or in simple logic. So long as the same value is used for recovery and reintroduction of scrap, there is no distortion. There is no basis to increase reintroduced scrap to a "market" level because the scrap is not a "major input" obtained from an affiliate – the scrap is self-generated. (Purchased scrap is, of course, valued at the purchase price, not at the € [ ] / MT, which applies only to recovered and reintroduced scrap.)

Finally, Nucor claims that "CELSA reported that the scrap recovery for merchandise under consideration ('MUC') and non-MUC was the [ ], which indicates that both MUC and non-MUC have the [ ]. That the MUC and non-MUC [ ] directly undermines the respondent's product mix arguments to explain the differences in scrap costs between mills."[16] This too is simply wrong. As shown above, CELSA Barcelona's scrap cost is proportionally higher because CELSA

[15] Nucor Comments on Supplemental Section D Response at page 8.

[16] Nucor Comments on Supplemental Section D Response at pages 8 through 9.

Barcelona produced [ ] MT of billet for every MT rolled at the rolling mill that produces wire rod; whereas GSW produced [ ] MT of billet for every MT rolled at its rolling mill.

F. The Department Should Use the Data Reported by CELSA With Regard to "Major Inputs"

The Department values "major inputs" that a respondent obtains from an affiliate at the highest of the purchase price, the market value, and the affiliate's cost. The Department's consistent practice is to use the data reported by the respondent for these data points. CELSA provided full details on each point in the "major input" charts submitted for the three wire rod mills and for the affiliates that supply them. Specifically:

- In Exhibit D-7 to its Section D Response (July 17, 2017), CELSA provided (in accordance with the Department's instructions) the mills' average purchase price of the inputs from unaffiliated parties, or (where a mill did not purchase an input from unaffiliated parties) the affiliated suppliers' sales prices of the inputs to unaffiliated parties.

- In the Supplemental Section D Response, CELSA provided pursuant to the Department's requests:

  - A revised "major input" chart and supporting documentation for GSW in **Exhibit Supp-D-10-a**. The chart included information that was inadvertently omitted from the major input table in Exhibit D-7 to the Section D Response due to a technical problem with the file, but was provided in Exhibit D-6 to the Section D Response.

  - "Major input" tables and supporting documentation for affiliated suppliers [ ], [ ] and [ ] **Exhibits Supp-D-11-d-ii** and **Supp-D-11-e.**

- In the Second Supplemental Section D Response, provided a supplement to the "major input" chart for CELSA Barcelona. In preparing the Second Supplemental Section D Response, CELSA Barcelona discovered that it had used during the POI a small amount ([ ] MT) of billet purchased from [ ] in the production of MUC. Although this amount is negligible (constituting [ ]% of CELSA Barcelona's TOTCOM for MUC, and in quantity terms [ ]% of the MT of billet that CELSA Barcelona consumed in producing the MUC in the POI), CELSA provided

at **Exhibit 2-Supp-D-16a** "major input" chart to reflect the billet purchased from [ ] (which supplemented the "major input" chart that CELSA Barcelona already provided in Exhibit D-7 of the Section D Response).

G. The Department Should Not Use Alleged "Market Prices" Submitted by Nucor

Nucor, in a "Major Input Allegation" on August 7, 2017, alleged that the "market prices" of major inputs used by CELSA were higher than the prices CELSA mills paid to affiliates for those inputs (and higher than the affiliates' cost of production), and that the Department should therefore reject CELSA's reported costs for the major inputs purchased from affiliates and value them at the "market prices" that the Petitioner submitted with its Allegation. Nucor's alleged "market prices" were based on quantities and values that Nucor claimed to have downloaded from the United Nations COMTRADE website, covering certain Harmonized Tariff System ("HTS") codes that Petitioner claims were the relevant ones for imported scrap, billet, and direct reduced iron ("DRI").

Nucor's arguments should be disregarded, for the reasons stated in CELSA's Rebuttal to Petitioner's Major Input Allegation, dated August 17, 2017 ("Major Input Rebuttal") (to which Nucor did not respond). Specifically:

- The Department's established practice under the "major input rule" is to use market price data (*i.e.*, unaffiliated transaction data) submitted by the respondent. The Department does not resort to other data (such as import statistics) unless the respondent has not provided usable market price data. Nucor has given no reason why the Department should depart from its consistent practice in this case.

- The import data that Nucor submitted are wrong – not just rounding or minor mistakes, but pervasive errors of large magnitude.

    - Petitioner's data do not match, nor do they even come close to, the claimed source (the United Nations COMTRADE website). Nor are the data anywhere near official import statistics extracted from

Eurostat/COMEXT and from official Spanish import statistics. (COMTRADE and the official sources all match closely with each other.)

- We did not identify a single data point in Petitioner's import charts (Exhibits 1 through 3 of its Major Input Allegation) that is correct.

- One of the HTS codes Petitioner claims to have used (7204.90) does not exist. And Petitioner's average unit values within each HTS code vary widely from country-to-country, from a few cents to several Euros per kilogram. This further demonstrates that the data are not usable.

- Even correcting Petitioner's import data does not make them usable as "market prices" for purposes of the major input rule because the HTS codes on which the data are based do not accurately reflect the inputs used by the CELSA mills to produce CASWR. The HTS codes are overly broad. They include material specifically designated for non-scope products; material that could be used both for scope- and non-scope products; and material (*e.g.*, of different grades) not used by the relevant mills to produce CASWR.

- Moreover, the HTS codes were not correctly chosen because (1) one of the codes Petitioner cites for semi-finished products does not exist (as mentioned above); and (2) Petitioner failed to use three HTS codes under which CELSA does import scrap.

- Besides scrap and billet, Petitioner also argues that the Department should use the data it submitted for DRI (included in Exhibit 3 of Petitioner's major input allegation). The Department should reject this claim too. The DRI data are irrelevant because GSW, the only CELSA mill that uses DRI, does not purchase DRI from affiliates. Also, Petitioner's DRI data are wrong.

Nucor never responded to CELSA's Major Input Rebuttal, presumably because it is aware that its Major Input Allegation was inaccurate and incorrect.

Consequently, as stated in CELSA's Major Input Rebuttal, the Department should reject Petitioner's Major Input Allegation and disregard its alleged "market values," which are: (1) inconsistent with the Department's consistent practice of using a respondents actual purchase data; (2) incorrect; and (3) unrepresentative of the inputs used by CELSA to product CASWR

and the mills' sourcing of the inputs. Instead, the Department should use CELSA's submitted data regarding actual purchases from and sales to unaffiliated parties.

H. Variable and Fixed Overhead

This section addresses issues raised by the Department in the Supplemental Section D Questionnaire regarding accruals that resulted in negative amounts for some CONNUMs in GSW's mill-specific database in the fields for treatment overhead (Field T_VOH) and rolling mill fixed overhead (Field R_FOH).

1. Background

In Question 1 of the First Supplemental Section D Questionnaire, the Department identified certain CONNUMs for which GSW's mill-specific cost database reported negative values for (1) treatment costs (Field T_VOH) (*i.e.*, external treatment which is reported as a variable overhead cost in the cost database); and (2) the fixed overhead costs up to the rolling mill (Field R_FOH). The Department asked CELSA to explain these figures.

CELSA explained in the Supplemental Section D Response at pages 1 – 4, and demonstrated in **Exhibit Supp-D-1,** that the reported overhead costs (like all of GSW's reported costs), are actual, product-specific costs and were extracted from GSW's SAP system. These actual, product-specific costs tie, in the aggregate, to cost-center costs and to the financial accounts.

The actual, product-specific costs were weight-averaged (using sales quantities) to calculate the CONNUM costs reported in the cost database, as explained in CELSA's July 17, 2017 response to Section D of the antidumping questionnaire ("Section D Response") and demonstrated in the cost reconciliation in Exhibit D-19 of the Section D Response (as updated in the Second Supplemental Section D Response, **Exhibit 2-Supp-D-9a**).

CELSA explained that the negative amounts reported for the six CONNUMs (in the chart in Question 1 of the Supplemental Questionnaire) resulted from accruals used in the normal course of business by GSW which also affected other CONNUMs:

- The negative T_VOH amounts reported for five CONNUMs reflected an accrual in 2015 for treatment costs. The costs were not incurred, so the accrual was reversed in 2016.

- The negative R_FOH costs for one CONNUM in the Department's chart resulted from an accrual that GSW made in January 2016 (when production was stopped for most of the month); this accrual was offset (reversed) by accruals recorded in February through December 2016. The net accrual for 2016 was zero.

In the Second Supplemental Section D Response, at the Department's request, CELSA provided in its cost database fields that separately reported the amounts of these accruals.

- The amount of the 2015 accrual reversal (for external treatment) was reported in Field TVOHACC.

- The amount of the January 2016 accrual (for low production quantity) was reported in Field RFOHACC (and additional Field RFOHACC2 reported the "positive" accruals recorded in February through December 2016, as discussed below.)[17]

CELSA explained on page 7 of its Second Supplemental Section D Response the accruals which resulted in the negative reported R_FOH cost and also affected other CONNUMs:

- When GSW stops production (*e.g.*, for maintenance), it uses an accrual to reflect the stoppage; the point of the accrual is to adjust the Euro per MT amounts for the month to normal levels. The accrual is negative, reflecting that costs are spread over a smaller amount of MT.

- This monthly accrual has no impact on the total annual costs because offsetting (positive) accruals are made later and the total accrual for the year is, therefore, zero. As demonstrated in the monthly summary of rolling mill and melt shop accruals provided in (**Exhibit 2-Supp-D-3(1)-**

[17] GSW's normal cost accounting system records accruals as fixed overhead, and the same approach was taken in the cost database, as explained in the Section D Response at page D-17 and shown in Exhibit D-10 of that response (which demonstrated the classifications and allocations of costs used by GSW in the normal course of business and for the cost database).

c), the accruals are necessary in balancing the costs for the entire year, and are designed to (and do) zero out at the end of the year.

As explained on page 8 of CELSA's Second Supplemental Section D Response, GSW updated its cost database to include

- Field RFOHACC, which reports the CONNUM-specific negative accrual amounts (*i.e.*, amounts resulting from the January accrual) which have been included in Field R_FOH.
- Field, RFOHACC2, which reports the CONNUM-specific portion of the accruals (reversals) in subsequent months (February through December 2016) which offset the accruals in January.

CELSA provided Field RFOHACC2 because the Department, to avoid artificially inflating the costs, must take into account the accruals recorded in February through December 2016 which offset the accruals recorded in January.[18]

2. The Department should adjust R_FOH for both "negative" and "positive" accruals (RFOHACC and RFOHACC2)

The Department should adjust the amounts reported in R_FOH both for the amounts in RFOHACC and RFOHACC2, as explained in CELSA's Second Supplemental Section D Response at 8, and as elaborated above. It would be distortive to adjust only for the amounts in RFOHACC, but not RFOHACC2. That would take account only of the accrual in January without the offsetting (reversing) entries in February through December (which, together with the January accrual, total zero at year end). Including only the January accrual would artificially increase the cost.

[18] As stated in the Second Supplemental Section D Response at 9, the amounts in Field RFOHACC2 were calculated using the same methodology that was used in calculating the amounts for Field RFOHACC. RFOHACC2 is reported for CONNUMs which contain material codes that (1) were produced in February through December 2016, and (2) were produced from billet types that were produced in those months. **Exhibit 2-Supp-D-3(1)-c** provides (1) a schedule of the affected CONNUMs, and (2) worksheets/documentation demonstrating and supporting the calculation of the reported RFOHACC amounts.

Alternatively, the Department could use the data as reported in R_FOH without making any adjustment.

3. The Department Should Subtract the Amounts in Fields TVOHACC from T_VOH and Subtract the Amounts in Fields RFOHACC and RFOHACC2 from R_FOH

The amounts reported in Field TVOHACC (which are negative) should be subtracted from T_VOH. This will reinstate the reversed amounts, and yield T_VOH values "gross" of the reversal. Similarly, the amounts reported in Field RFOHACC (the "negative" accruals that reduce cost) and Field RFOHACC 2 ("positive" accruals that increase cost) should be subtracted to arrive at R_FOH net of these offsetting accruals.

I. G&A Expenses

The Department should use for the preliminary determination the G&A expenses that the CELSA mills reported in the Cost Database; but should decrease the G&A of GSW to reflect the adjustment for tax-based depreciation (*i.e.*, the difference between (1) the accelerated depreciation used for the financial statements as allowed by tax law, and (2) the depreciation recorded in the accounts based on the useful life of assets) which the Department required GSW to exclude from its last submitted G&A calculation.

In Question 13.j. of the Second Supplemental Section D Questionnaire, the Department asked that GSW confirm whether it included a tax-based depreciation adjustment and, if so, to recalculate GSW's G&A expenses without regard to the tax based depreciation adjustment.

In its Answer to Question 13.j. (at page 41 of the Second supplemental Section D Response), GSW confirmed that the tax-based depreciation adjustment had been included in its reported G&A. To comply with the Department's directions, GSW (as stated at page 43 of that response), recalculated its G&A to exclude (1) the tax-based depreciation adjustment; and, for

consistency, (2) the related cancellation of amortization expense (which was described in the Answer to Question 13.i). The revised G&A factor calculation was provided in Exhibit 2-Supp-D-13-I, and was used in the cost database submitted with the Second Supplemental Section D Response.

GSW continues to believe that its G&A expense calculation should include the adjustment for tax-based depreciation because it is related to the general operations of the company, reflects a difference between the financial statement and trial balance accounts, and the adjustment is classified normally as G&A. The related cancellation of amortization expense should be included in the G&A calculation for the same reasons.

Nucor's Comments on the First Supplemental Section D Response claimed that "CELSA" had reduced its G&A expenses by the difference in depreciation expenses reported for tax purposes and the amount reported in the cost system.[19] Nucor is wrong.

- "CELSA" (*i.e.*, all three mills) did not reduce G&A expenses; only GSW did. No such adjustments were made to the G&A expenses of CELSA Barcelona and CELSA Atlantic (as may be seen from the details provided on their G&A adjustments at pages 52 through 54 of the Supplemental Section D Response and as reiterated in the Second Supplemental Section D Response at pages 41 and 43).

- It is appropriate to reflect the tax-based adjustment in GSW's G&A because it relates to the general operations of the company, and is needed to account for a difference between the financial accounting and the audited financial statements, as discussed above.

Separately, in the Second Supplemental Section D Questionnaire (Questions 13 and 15) the Department requested information on the nature of several accounts which were included in the calculation of the G&A expenses. As explained in CELSA's Second Supplemental Section D Response at 37 - 40, all of those items were appropriately included in G&A because they

[19] Nucor Comments on Supplemental Section D Response at pages 6 through 7.

(1) are recorded as G&A in the normal course of business, (2) relate to the general operations of the company, and (3) are not related directly to production. Further details regarding each item are provided in the Second Supplemental Section D Response at 37 – 40.

The Department therefore should use for the preliminary determination the G&A expenses that the CELSA mills reported without excluding any items that were included in those reported amounts. Moreover, the Department should reinstate in GSW's G&A calculation the items that GSW excluded in the Second Supplemental Section D Response pursuant to the Department's instructions (the adjustment for tax based depreciation and the related cancellation of amortization expense). The revised G&A percentage for GSW would be [ ] %.

J. Conclusion

The Department should use for its preliminary determination the Cost Database submitted with CELSA's Second Supplemental Section D Response, adjusting GSW's G&A as stated in point C above.

* * *

This submission contains factual information that CELSA previously submitted to the Department in response to the initial and supplemental questionnaires.

Pursuant to 19 CFR § 351.304(a)(i), CELSA requests proprietary treatment of the bracketed business proprietary information ("BPI") contained in this submission. We describe below the nature of the information for which CELSA requests proprietary treatment and the basis for CELSA's request for proprietary treatment:

- Terms of Sale. Contained in these comments. Protected under 19 C.F.R. § 351.105(c)(5).
- Information Regarding Customers, Distributors, or Suppliers. Contained in these comments. Protected under 19 C.F.R. § 351.105(c)(6).

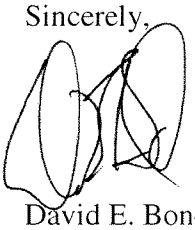
- Production costs. Contained in these comments. Protected under 19 C.F.R. § 351.105(c)(2).

- Any Other Specific Business Information. Contained in these comments. Protected under 19 C.F.R. § 351.105(c)(11).

Releasing the information for which CELSA requests proprietary treatment would cause substantial harm to its competitive position. As a result, the information may not be disclosed to the public. CELSA consents, however, to the release of the business proprietary information contained in this submission under an appropriately issued Administrative Protective Order.

Please let us know if you have questions regarding this submission.

Sincerely,



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Carbon and Alloy Steel Wire Rod
Case No. A-469-816

CERTIFICATE OF SERVICE

I, David E. Bond, certify that the attached document was served by first-class mail on this 12th day of October, 2017, on the following interested parties:

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