

August 1, 2012

Chairman Gary Gensler  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21<sup>st</sup> St., NW  
Washington, DC 20581

Dear Chairman Gensler:

We watched with interest your testimony on July 25th, before the House Agriculture Committee and were pleased to hear that the Commodity Futures Trading Commission (CFTC) may soon act on our petition to exempt from the requirements of the Commodity Exchange Act electric operations-related transactions entered into between and among government-owned and cooperative electric utilities.

However, as you may have noted from testimony and questions at the hearing, concerns remain over our July 12th petition for a narrow exemption to the \$25 million special entity sub-threshold to the *de minimis* exception under the swap dealer rule. We hope that your statement at the hearing that you will continue to work with us on remaining “narrow, but important issues” indicates a willingness to address this important matter.

Without a fix, the \$25 million sub-threshold will leave government-owned utilities, which need to hedge commercial risks of their energy operations in the same way as other utility providers, as hostage counterparties to large financial institutions, or in some cases without any available counterparties.

Many of our current counterparties are nonfinancial entities engaged in the electric and natural gas industry in the same geographic area as we are. They have said they will not risk tripping over the special entity sub-threshold and having to register as a “swap dealer.” These counterparties can rely on a much higher safe harbor threshold of \$3 billion (during an initial phase-in period, this threshold will be \$8 billion) when transacting with investor-owned or cooperative utilities. The protection intended by the Commission in establishing the \$25 million sub-threshold would in fact put special entity utilities at a competitive disadvantage to other utilities by hindering their ability to hedge operational risks. If we cannot cost-effectively hedge our commercial risks, consumers will pay more volatile and higher rates for energy.

Again, we hope your comments indicate a willingness to resolve this important issue, and we remain willing to work with you to find a solution through whatever mechanism might be most expeditious, including the petition the government-owned utilities have filed.

Thank you in advance for your time and consideration.

Anaheim Public Utilities (California)  
Blue Ridge Power Agency (Virginia)  
Bonneville Power Administration  
Chelan County Public Utility District (Washington)  
City of Banning (California)  
City of Colton (California)  
Clark Public Utilities (Washington)  
Colorado Springs Utilities (Colorado)  
CPS Energy (San Antonio, Texas)  
Grand River Dam Authority (Oklahoma)  
Grant County Public Utility District (Washington)  
Imperial Irrigation District (California)  
JEA (Jacksonville, Florida)  
Long Island Power Authority (New York)  
Los Angeles Department of Water and Power  
Municipal Electric Authority of Georgia  
Missouri Public Utility Alliance  
Missouri River Energy Services  
Nebraska Public Power District  
New York Power Authority  
Oklahoma Municipal Power Authority  
Orlando Utilities Commission (Florida)  
Paducah Power System (Kentucky)  
Pasadena Water and Power (California)  
Riverside Public Utilities (California)  
Sacramento Municipal Utility District (California)  
Salt River Project (Arizona)  
Santee Cooper (South Carolina)  
Southern Minnesota Municipal Power Agency  
Southeastern Power Administration  
Southwestern Power Administration  
Tacoma Public Utilities (Washington)