



Consumer Federation of America

May 17, 2013

The Honorable Frank D. Lucas
Chairman
Committee on Agriculture
2311 Rayburn House Office Building
Washington, DC 20515

The Honorable Collin C. Peterson
Ranking Member
Committee on Agriculture
2109 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Lucas and Ranking Member Peterson:

The Consumer Federation of America encourages the House Agriculture Committee to approve H.R. 1038, the Public Power Risk Management Act. This narrowly crafted legislation would protect public utility ratepayers from increased costs and rate volatility by ensuring that these utilities have the same ability as other utilities to hedge operational risks.

CFA has long-recognized the central importance of a strong swap dealer definition to the effective oversight of the derivatives markets and, by extension, to the stability of the financial system. We believe it is essential that those entities that are genuinely acting as swap dealers remain subject to appropriate regulatory requirements and oversight.

However, we also believe it is inappropriate for non-financial counterparties – such as natural gas producers, independent generators, and other utilities – to be treated as swap dealers in their transactions with public utilities, who are essentially functioning as business units, not as governing bodies. In the past, these transactions have given no cause for concern. Public utilities should be as free as other utilities to engage in these transactions to hedge risks.

The Commodity Futures Trading Commission has recognized this unique problem and has taken steps to try to mitigate it. But as yet, these measures have not been sufficient to persuade nonfinancial counterparties to resume normal dealings with public utilities. We believe that H.R. 1038 would provide the clarity that allows such a resumption.

Sincerely,

Stephen Brobeck
Executive Director

CC: Members of the Committee on Agriculture