



December 7, 2011

Dear Representative:

The undersigned energy trade associations, whose members serve virtually all electricity and natural gas consumers in the U.S., strongly support **H.R. 3527, *Protecting Main Street End-Users from Excessive Regulation***, which would ensure that commercial end-users are not miscast as swap dealers under Title VII of the Wall Street Reform and Consumer Protection Act (Dodd-Frank). We are concerned that the swap dealer definition and *de minimis* exception under the Commodity Futures Trading Commission's (CFTC's) proposed "entity definition" rules are overly restrictive, and would result in commercial end-users, who use swaps for hedging purposes, being misclassified as swap dealers, as well as imposing other unnecessary burdens and costs on end-users.

We also strongly support **H.R. 2682, *Business Risk Mitigation and Price Stabilization Act of 2011***, which would ensure that commercial end-users are exempt from margining requirements. The rules proposed by the various financial regulators (including the CFTC and the prudential or banking regulators) on margin requirements are inconsistent, work at cross-purposes with Congressional intent, and have caused much uncertainty for commercial end-users. For example, although the CFTC has proposed not to require margin to be posted for end-users' uncleared swaps, the prudential regulators have taken the opposing view that end-users transacting with banks must provide one-way margining for any uncleared swap transaction exceeding a threshold set by the bank. In addition, the CFTC proposes to unnecessarily impose capital requirements for transactions with end-users where margin is not posted. These proposals clearly go beyond the intent of Congress as was recently articulated in the bi-partisan April 6 letter from the four Senate and House Chairmen of the committees of jurisdiction. The Chairmen write, "Specifically, regulators should exempt end-users from margin requirements and seek to limit other regulatory burdens that could have the unintended effect of driving up costs for end users and increasing systemic risk for our economy."

We have consistently supported the bi-partisan goals of the Dodd-Frank Act to enhance regulatory oversight and transparency in the derivatives markets. However, derivatives provide electric and gas utilities, electricity providers, natural gas producers and energy companies an important tool to insulate our energy customers from wholesale commodity price volatility, and offer the stability and certainty that our members need to make critical capital investments that contribute to economic growth and job creation. These bi-partisan bills, H.R. 3527 and H.R. 2682, will help to ensure that Dodd-Frank is implemented appropriately, will assure a robust commercial end-user exemption as intended by the Congress and will NOT create loopholes in the regulations.

The energy end-user community is grateful for Congress' ongoing efforts to help ensure the country's future economic stability and prosperity. We look forward to continuing to work with Congress and regulators to help implement rules that will strengthen the derivatives market without unduly burdening end-users and the economy at large. For these reasons, we strongly support H.R. 3527 and H.R. 2682.

Sincerely,

American Gas Association  
American Public Power Association  
Edison Electric Institute  
Electric Power Supply Association  
Independent Petroleum Association of America  
Large Public Power Council  
National Rural Electric Cooperative Association  
Natural Gas Supply Association