



May 3, 2011

Dear Representative:

The undersigned energy trade associations, whose members serve virtually all electricity consumers in the U.S., strongly support H.R.1573 that would provide a reasonable extension of the statutory deadlines for Title VII of the Wall Street Reform and Consumer Protection Act (Dodd-Frank) to allow regulators sufficient time to write and vet rules, conduct a meaningful cost-benefit analysis and consider the interdependence and cumulative impact of the rules. We have consistently supported the bi-partisan goals of the Dodd-Frank Act to enhance regulatory oversight and transparency in the derivatives markets. However, we are concerned that the difficulty of promulgating the complex and numerous rules required under Dodd-Frank within the short timeline dictated by the Act will result in unintended consequences and unnecessary burdens and costs on end-users.

While we recognize the need to establish a derivatives regulatory regime quickly, it is more important that it be established correctly. Derivatives provide utilities and energy companies an important tool to insulate our customers from wholesale commodity price volatility, and offer the stability and certainty our members need to make critical capital investments that contribute to economic growth and job creation.

Dodd-Frank requires federal agencies to write nearly 240 rules in a single year—most by July 15, 2011. Notwithstanding the significant increases in the Commodity Futures Trading Commission (CFTC) staffing and budget during the past two years, it has understandably fallen behind in implementation. The CFTC has stated that the new regulatory scheme under the Dodd-Frank Act represents a complex “mosaic.” We agree. More time is needed to appropriately assess the costs and benefits of these rules and to prevent negative unintended consequences.

We are concerned that in the haste to meet the Dodd-Frank deadlines some of the proposed rules appear to be at cross-purposes with the intent of the Act. For example, although the CFTC has proposed not to assess margin on 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 transaction exceeding a threshold set by the bank. In addition, the CFTC proposes to unnecessarily raise capital requirements for transactions that use the margin exception. These proposals clearly go beyond the intent of Congress as was most 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.”

The energy end-user community is grateful for Congress’s 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.1573 that would provide a reasonable extension of the statutory deadlines for final rule publication, allowing regulators sufficient time to develop a transparent and orderly system that minimizes unintended consequences.

Sincerely,

American Public Power Association  
Edison Electric Institute  
Electric Power Supply Association  
National Rural Electric Cooperative Association