

January 16, 2024

Chief Counsel's Office
Attention: Comment Processing
Office of the Comptroller of the Currency
400 7th Street SW, Suite 3E-218
Washington, DC 20219

Ms. Ann E. Misback
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Mr. James P. Sheesley
Assistant Executive Secretary
Attention: Comments/Legal OES (RIN 3064-AF29)
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

RE: *Comment Letter on Proposed Rules: “Large Banking Organizations and Banking Organizations with Significant Trading Activity” (OCC Docket Number OCC-2023-0008 (RIN 1557-1557-AE78); Board Docket No. R-1813 (RIN 7100-AG64); FDIC RIN 3064-AF29); and “Risk Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15)” (Board Docket No. R-1814 (RIN 7100-AG65))*

These comments are submitted by:

Clarke-Mobile Counties Gas District, PO Box 608, Jackson, Alabama 36545

The Black Belt Energy Gas District, 2003 College Avenue, Jackson, Alabama 36545

The Lower Alabama Gas District, 714 W. Front Street, Evergreen, Alabama 36401

The Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, and the Federal Deposit Insurance Corporation (collectively, the “Federal Banking Agencies”) have proposed a rule referred to as the Basel III Endgame Proposal to increase risk-based regulatory capital requirements for major banks. The Board of Governors of the Federal Reserve System has separately proposed a rule referred to as the GISB Surcharge Proposal to change the methodology used to calculate the capital surcharge for the largest banks. These are referred in this letter as the proposed rules.

Your commenters who are submitting this letter are three governmental natural gas agencies from rural America – two joint action gas supply agencies and one gas distribution system that serve people and industry primarily in Alabama and other Southeastern states. All three were formed under the provisions of the Alabama Gas Districts Act, 11-50-390 *et seq*, Ala. Code (1975), as amended. They are: Clarke-Mobile Counties Gas District, headquartered

in Jackson, Alabama; The Black Belt Energy Gas District, headquartered in Jackson, Alabama; and The Lower Alabama Gas District, headquartered in Evergreen, Alabama (collectively, the “Alabama Gas Districts”). The Alabama Gas Districts are also signatories to the comment letter being submitted by the End User Coalition on January 16, 2024, fully support that comment letter, and submit this letter as a supplement to the points included in the End User Coalition comment letter. We thank the Federal Banking Agencies for considering these comments and acknowledge and support the Federal Banking Agencies’ intent to ensure safety and soundness and to strengthen financial stability.

The Alabama Gas Districts are small governmental entities that supply natural gas to wholesale and retail customers in the municipal gas world, which is a subset of the universe of companies that obtain and distribute supplies of natural gas to meet the needs of consumers nationwide. The Alabama Gas Districts are tax-exempt governmental entities that operate on a not-for-profit basis, for the benefit of the municipalities and customers they serve. Their mission is to supply gas to their residential, commercial, industrial and institutional customers at the lowest reasonable price and with the highest level of security and reliability. They save their customers millions of dollars annually, year in and year out, by passing along the benefits of discounted gas purchases and without any curtailment of firm loads. Through these services, they provide an essential public service that improves the economic vitality of rural communities and the quality of life for people who live in small towns and cities throughout the areas they serve.

For over 30 years now, natural gas commodity supplies are bought and sold in a deregulated marketplace. They are subject to significant price volatility as a result of market forces beyond the control of the Alabama Gas Districts, or the control of any gas purchasers. Accordingly, one of the essential tools the Alabama Gas Districts have available to them, and use, to protect against run ups in market prices for natural gas is a variety of hedging products offered by major banks.

The proposed rules would increase the cost of obtaining the gas supplies the Alabama Gas Districts need and the cost of protecting against increases in market prices, to the detriment of the natural gas customers we serve. The proposed rules would have this effect as a result of imposing additional capital requirements on the banks who provide these services that we rely on. We surmise that the proponents of the proposed rules do not know that their implementation will result in increased prices for consumers, but inevitably they will. As the *costs* to the major banks of providing these services and products go up, as they will if there is an increase in capital set-aside requirements, the *price* to the customer, like the Alabama Gas Districts, will inevitably increase as well. The projected cost increases are substantial, and could discourage some providers from offering the services.

The Alabama Gas Districts are veterans of earlier attempts by one or more of the Federal Banking Agencies to increase the regulatory requirements for major banks that operate in the commodity and commodity derivatives businesses, including even proposing to bar them from operating those businesses. Those earlier attempts were misguided, and so is this one. There is no compelling reason for the Federal Banking Agencies to pursue and implement the proposed rules. We see it as a regulatory over-reach, and an attempted end-run around the protections that

Congress so clearly and carefully provided to end users engaged in hedging activities in the Dodd-Frank Act.

The Alabama Gas Districts respectfully request that the proposed rules *not* be adopted and that the rulemaking proceedings be terminated. We are grateful for the opportunity to comment, and are available to discuss our comments if appropriate.

CLARKE-MOBILE COUNTIES (ALABAMA) GAS DISTRICT

THE BLACK BELT ENERGY GAS DISTRICT (ALABAMA)

THE LOWER ALABAMA GAS DISTRICT

By  _____

By  _____

By  _____