



Huntsville Utilities

ELECTRICITY • NATURAL GAS • WATER

January 11, 2024

The Honorable Michael S. Barr
Vice Chairman for Supervision
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th Street, NW
Washington, DC 20499

Mr. Michael J. Hsu
Acting Comptroller of the Currency
The Office of the Comptroller of the Currency
400 7th Street, SW
Washington, DC 20219

Submitted via www.regulations.gov

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; System Risk Report (FR Y-15)” (Board Docket No. R-1814 (RIN 7100-AG65))*

Dear Vice Chair Barr, Chairman Gruenberg, and Acting Comptroller Hsu:

On September 18, 2023, the Board of Governors of the Federal Reserve System (Board), the Federal Deposit Insurance Corporation (FDIC), and the Office of the Comptroller of the Currency (OCC) (collectively, the agencies) published in the Federal Register proposals that would substantially revise the capital requirements applicable to large banking organizations and to banking organizations with significant trading activity.

Our organization supports a stable banking system in the US, but we are concerned about a number of intended consequences arising from these proposals and encourage amendments before these regulations are finalized.

As part of normal operations, public natural gas utilities (or their contracted purchasers) often enter into commodity derivative contracts, whether futures contracts or swaps, as a commercial risk-reducing



256-535-1200



www.hsvutil.org



P.O. Box 2048
Huntsville, AL 35804



112 Spragins Street,
Huntsville, AL 35801



Huntsville Utilities

ELECTRICITY • NATURAL GAS • WATER

activity. Instead of speculating, a public gas utility uses the existing, well-functioning derivatives markets to hedge natural gas commodity costs to both help minimize a customer's exposure to market volatility in natural gas prices as well as keep a customer's gas utility bills low.

Huntsville Utilities is a public, not-for-profit utility providing natural gas, electric, and drinking water services to customers in North Alabama. Currently, we serve a total of 62,796 natural gas customers (56,764 Residential, 6,009 Commercial, 14 Industrial, and 9 Transportation), which include some large industries such as Mazda Toyota Manufacturing, the U.S. Army, Huntsville Hospital, and more. Huntsville Utilities consumes approximately 6 – 7 Bcf of natural gas annually. To protect our customers and provide rate stability, Huntsville Utilities frequently enters into financial transactions to hedge this price risk with counterparties who would be affected by this legislation. If Huntsville Utilities were unable to hedge this risk, our customers would be subject to the daily prices swings in a very volatile commodity market.

We believe that these proposed regulations were intended to help protect participants in the derivatives markets. However, we are concerned that these proposed rules will instead reduce public gas systems' continued access to cost-effective commercial risk management tools. The increased cost to use commodity derivative contracts to hedge will most likely be directly passed onto public gas systems' customers in the form of higher utility bills. In some circumstances, these increased costs could also discourage hedging and expose utility customers to market volatility. These regulations, if finalized without amendments, will unfortunately burden consumers with higher utility bills due to costs of upstream regulatory compliance obligations, instead of helping.

Lastly, we are proud members of the American Public Gas Association (APGA), which also submitted comments on this proposal. APGA also signed onto two other comment letters: one from a coalition of energy trades, which highlights the negative impacts these rulemakings will likely have on the energy industry¹ and one from the Coalition for Derivatives End-Users, which looks at the broader commercial and consumer impacts these rules will have, if finalized.²

Thank you for your consideration of our comments.

Sincerely,



Wes Kelley
Huntsville Utilities, President/CEO

¹ Comment letter from Energy Trading Institute, Electric Power Supply Association, et al. (Dec. 11, 2023).

² Comment letter from Coalition for Derivatives End-Users (Jan. 16, 2023).



256-535-1200



www.hsvutil.org



P.O. Box 2048
Huntsville, AL 35804



112 Spragins Street,
Huntsville, AL 35801