



Wall Street Impacts Main Street

Proposed SA-CCR Rule Will Increase Costs For
Consumers of Natural Gas

Publicly Owned Natural Gas Systems in the US

- Over 900 public gas systems in the United States
- Most municipally owned gas distribution companies are small and often serve rural areas
 - Exceptions – Philadelphia was the first municipally owned gas company in the US, formed in 1836
- Reliable, competitively priced natural gas must be a constant focus for systems with smaller constituencies

Long Term Prepaid Natural Gas Transactions

- Over 400 public gas systems have participated in long term purchases of natural gas using favorable tax treatment for financing of the purchases
- Purchases lock in a reliable source of natural gas, priced with a set discount off the market cost of gas
- On average participants contract to purchase approximately 1000 MMBtu's per day for long term periods of time.
- Savings are often used to reduce consumer rates, provide resources for maintenance and repair, and allow the public gas system to provide competitive pricing for recruiting and maintaining industry

SA-CCR

- Public gas systems participating in prepaid transactions utilize natural gas swaps to hedge against fluctuations in the price of gas in the market.
 - The ability and advisability of hedging is itself designed to lower risk of unexpected financial changes in the market
 - The transactional costs of hedging is a modest cost in comparison to the protection offered against unforeseen market changes
- The proposed rule would require increased capital set asides for banks engaging in swaps with commodity end users – such as public gas distributors
- The proposed rule would indirectly undermine existing statutory exemptions for municipal end users