



Public Energy Authority of Kentucky

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Office of the Comptroller of the Currency  
400 7<sup>th</sup> Street, SW, Suite 3E-218  
Washington, DC 20219  
Email: [regs.comments@occ.treas.gov](mailto:regs.comments@occ.treas.gov)

Ann E. Misback, Secretary  
Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue, NW  
Washington, DC 20551  
Email to: [regs.comments@federalreserve.gov](mailto:regs.comments@federalreserve.gov)  
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Robert E. Feldman, Executive Secretary  
Attention: Comments/RIN 3064-AE80  
Federal Deposit Insurance Corporation  
550 17<sup>th</sup> Street, NW  
Washington, DC 20429  
Email: [Comments@FDIC.gov](mailto:Comments@FDIC.gov)

Re: **Comments on Standardized Approach for Calculating the Exposure Amount of Derivative Contracts**, as proposed by:

Department of Treasury, Office of the Comptroller of the Currency, 12 CFR Parts 3 and 32, Docket ID OCC-2018-0030, RIN 1557-AE44;  
Federal Reserve System, 12 CFR Part 217, Docket R-1629, RIN 7100-AF22; and  
Federal Deposit Insurance Corporation, 12 CFR Part 324, RIN 3064-AE80

Dear Ms. Misback, Mr. Feldman and the Comptroller of the Currency:

The Public Energy Authority of Kentucky (“PEAK”) respectfully submits these comments to the Board of Governors of the Federal Reserve System the Federal Deposit Insurance Corporation; and the Office of the Comptroller of the Currency, Treasury regarding the above-captioned notice of proposed rulemaking (hereinafter, “NOPR”), published at 83 Fed. Reg. 64,660 (December 17, 2018).

PEAK appreciates the efforts of the banking regulators, through the NOPR, to update their respective derivatives-related capital requirements for certain banking institutions to be more risk sensitive. However, PEAK is very concerned that the rule would undermine the end-user exception to

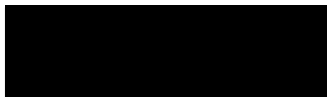
the clearing requirement for swaps the margin requirements established by the Commodities Futures Trading Commission. Accordingly, it submits these brief comments.

PEAK is a Natural Gas Acquisition Authority formed under the Natural Gas Acquisition Authority Act of the Commonwealth of Kentucky (KRS §353.400 et seq.) pursuant to an Amended and Restated Interlocal Cooperation Agreement Providing for the Organization and Operation of the Public Energy Authority of Kentucky dated as of July 15, 2008 (the “Interlocal Agreement”) between the Cities of Carrollton and Henderson, Kentucky (the “Members”). The purpose of PEAK is to act as the agency, instrumentality and constituted authority of the Members and other public agencies that contract with PEAK to develop, acquire, finance and promote secure, reliable and economic sources and supplies of natural gas for the benefit of the Members and other public agencies. Such purpose includes acquisition, transportation, storage, management and related services and functions to provide supplies of natural gas to the Members and other public agencies. PEAK routinely engages in commodity forward contracts for physical sales of natural gas as a method to control price risk of its Members, ultimately born by their consumers.

More significant, PEAK has completed several prepayment transactions for the supply of long-term natural gas (“Municipal Prepayment Transactions”). These Municipal Prepayment Transactions each is a set of contractual undertakings in which PEAK has acquired a long-term supply of natural gas to meet the needs of retail gas consumers served by publicly-owned gas distribution systems or to generate electricity used by retail consumers of a municipal electric distribution system. A long-term “matched” commodity swap is the foundation of that transaction. PEAK is extremely concerned that the NOPR would unnecessarily add capital requirements to its counterparties, adding to the cost of the swap and potentially driving counterparties out of this limited market.

This is explained in detail in the comments of the American Public Gas Association filed on February 15, 2019, PEAK is very concerned that the NOPR if implemented would disrupt these vital natural gas transactions on which PEAK and its members have relied. PEAK endorses the comments of APGA and its request that the NOPR be altered accordingly.

Sincerely,

A solid black rectangular box used to redact the signature of Gerald L. Ballinger.

Gerald L. Ballinger  
President & General Manager