

pipelines, marketers, gatherers, international natural gas companies and industry associates. Today, natural gas meets more than one-fourth of the United States energy needs.

AGA members are regulated energy utilities that have an obligation to serve their customers. They must stand ready to meet their customers' needs at all times, under just and reasonable rates, under terms and conditions set by state regulatory authorities. To meet these physical delivery obligations, AGA members use non-financial, physical commodity contracts with volumetric optionality to secure reliable gas supplies at the lowest reasonable cost to customers, while managing commercial and operational conditions that may cause unexpected constraints on their delivery systems. AGA members require regulatory certainty to incorporate compliance into their contractual planning, including certainty as to the rules implementing the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act).

In implementing the Dodd-Frank Act, the CFTC has defined "swap" and "commodity option" broadly, such that significant physical natural gas contracts that contain flexible delivery terms or "optionality" are being viewed as subject to CFTC regulation as "swaps." AGA and other gas industry participants have asked the CFTC to clarify that physical natural gas contracts containing delivery flexibility do not constitute "swaps," however, these requests remain pending.

The resulting regulatory uncertainty is creating tremendous confusion and disagreement in the natural gas industry and disrupting contracting practices, reducing liquidity in the physical natural gas commodity markets, and drying up the innovative contracting practices which have supported affordable prices for American natural gas consumers. AGA members are seeing a decrease in the kinds of offerings commercial counterparties are willing to make because counterparties are concerned that their offerings will be less competitive and desirable if they contain provisions for "optional" delivery that might trigger compliance with CFTC requirements. AGA members are also experiencing a decrease in the number of commercial counterparties willing to enter into flexible gas supply arrangements.

Given these trends, AGA is very concerned that the implementation of the Dodd-Frank Act is having the unintended consequence of reducing physical commodity market liquidity with fewer opportunities to take advantage of the flexible and reliable services that are available under physical contracts with volumetric optionality. In turn, these market constraints can lead to increased natural gas procurement costs, particularly in periods of unexpected customer demand, severe weather or unexpected operational constraints. As gas utilities are regulated entities that pass through commodity costs in customer rates, increased gas costs borne by utilities will also lead to higher natural gas prices paid by American energy consumers.

AGA therefore supports H.R. 4267, to clarify that CEA Section 1(a)(47)(B)(ii) excludes from the definition of "swap" normal commercial merchandizing transactions used to buy and sell energy for ultimate delivery to end-users, including transactions that contain stand-alone or embedded options, so long as the transaction is intended to be physically settled. By passing this legislation, Congress can resolve significant natural gas market confusion and restore regulatory certainty as to the treatment of ordinary physical merchandizing transactions.

AGA believes that Congress did not intend the Dodd-Frank Act to constrain the phys-

ical commodity markets, create business-changing impacts on regulated natural gas utilities, or ultimately increase the costs of reliable service for natural gas consumers. As such, AGA supports the passage of H.R. 4267 to clarify Congressional intent, and to require that the CFTC redirect its resources to comprehensive regulation of financial entities, oversight of financial commodity markets, and protection of end-users' ability to hedge and mitigate commercial risk in these markets. H.R. 4267 provides natural gas utilities the regulatory confidence they need to continue procuring natural gas supplies at lowest reasonable costs for the benefit of American energy consumers.

Sincerely,

DAVE MCCURDY.

JUNE 18, 2014.

HOUSE OF REPRESENTATIVES.

DEAR REPRESENTATIVE: The National Association of Manufacturers (NAM)—the nation's largest industrial trade association—supports provisions in the Customer Protection and End User Relief Act (H.R. 4413), to clarify that non-financial companies, like manufacturers, that use derivatives to manage business risk, will not be subject to onerous and harmful margin and clearing requirements.

Manufacturers use derivatives to manage and mitigate against fluctuations in commodity prices and currency and interest rates. The NAM worked to include provisions in the Dodd-Frank Wall Street Reform and Consumer Protection Act (P.L. 111-203) to protect manufacturers' use of over-the-counter derivatives. We continue to work to ensure that, as Dodd-Frank is implemented, end-users do not face undue burdens. Imposing unnecessary regulation on end-users would limit their ability to use these important risk management tools, increasing costs and negatively impacting business investment, U.S. competitiveness and job growth.

Provisions included in H.R. 4413 would ensure that regulators do not impose margin requirements on non-financial end-users and that end-users trading through a centralized treasury unit ("CTU") are covered by the end-user clearing exemption. These two issues also are addressed in legislation (H.R. 634 and H.R. 677) approved by the House Agriculture and Financial Services Committees with bipartisan support. Based on a survey by the Coalition for Derivatives End-Users, absent clarification on margin requirements, manufacturers and other end-users that use derivatives to manage risk may be forced to sideline a median of \$125 million away from business investment, R&D and job creation. Similarly, without the clarification on CTUs, non-financial end-users may be swept into costly clearing requirements meant for financial entities, simply because they use a CTU to manage internal and external trading to mitigate risk within a corporate entity—an industry "best practice".

The CFTC reauthorization also includes an NAM-supported provision from H.R. 3814 that requires the CFTC to take an affirmative action before lowering the swap dealer de minimis threshold. Without this provision, the de minimis level of swap dealing automatically drops from the \$8 billion to \$3 billion in a few years.

Almost four years after the enactment of Dodd-Frank, implementation of the Act is well underway and deadlines for compliance with various regulations are looming. End-users remain extremely concerned about final regulations on margin, the lack of clarity on the CTU issue, and the automatic drop in the de minimis threshold for swap dealing. Thank you in advance for supporting provisions in H.R. 4413 to ensure that derivatives regulation is focused on needed areas and not

on imposing unnecessary regulatory burdens on manufacturers.

Sincerely,

DOROTHY COLEMAN,  
Vice President—Tax and  
Domestic Economic Policy.

APRIL 8, 2014.

Hon. FRANK LUCAS,  
Chairman, House Committee on Agriculture,  
Washington, DC.

Hon. COLLIN PETERSON,  
Ranking Member, House Committee on Agriculture,  
Washington, DC.

DEAR CHAIRMAN FRANK LUCAS AND RANKING MEMBER COLLIN PETERSON: The National Rural Electric Cooperative Association (NRECA) supports H.R. 4413, the Customer Protection and End-User Relief Act, legislation to reauthorize the Commodity Futures Trading Commission (CFTC) to be considered by the House Committee on Agriculture on April 9, 2014.

NRECA is the national service organization for more than nine hundred rural electric utilities and public power districts that provide electric energy to approximately forty-two million consumers in forty-seven states or twelve percent of the nation's population. Kilowatt-hour sales by rural electric cooperatives account for approximately eleven percent of all electric energy sold in the United States. Cooperatives operate on a not-for-profit basis and all the costs of the cooperative are directly borne by their consumer-members.

Importantly, H.R. 4413 includes language that protects the National Rural Utilities Cooperative Finance Corporation (CFC), a non-profit cooperative lender owned by the rural electric cooperatives, from the potentially significant costs of margin requirements under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010.

The CFTC reauthorization legislation also amends the Commodity Exchange Act (CEA) in a very narrow but important way: to clarify Congressional intent that CFTC shall not regulate as "swaps," contracts relating to nonfinancial commodities, where the parties intend physical settlement of their contract obligations. These nonfinancial, physical commodity contracts with optionality are necessary for electric cooperatives to secure adequate power supplies and hedge their fuel risks.

On behalf of rural electric cooperatives across the country, NRECA would like to thank the leaders of the House Agriculture Committee for seeking to clarify in statute that not-for-profit cooperatives do not pose risk to our financial system, and need not be regulated in the same way as a Wall Street bank.

We would like to urge all members of the House Committee on Agriculture to vote in support of H.R. 4413.

Sincerely,

JO ANN EMERSON,  
CEO, NRECA.

## CUSTOMER PROTECTION AND END USER RELIEF ACT

SPEECH OF

**HON. FRANK D. LUCAS**

OF OKLAHOMA

IN THE HOUSE OF REPRESENTATIVES

Monday, June 23, 2014

The House in Committee of the Whole House on the state of the Union had under consideration the bill (H.R. 4413) to reauthorize the Commodity Futures Trading Commission, to better protect futures customers,

to provide end users with market certainty, to make basic reforms to ensure transparency and accountability at the Commission, to help farmers, ranchers, and end users manage risks to help keep consumer costs low, and for other purposes:

Mr. LUCAS. Mr. Chair, I submit the following exchange of letters:

SIFMA,  
June 19, 2014.

Hon. JOHN BOEHNER,  
Speaker, House of Representatives,  
Washington, DC.

Hon. NANCY PELOSI,  
Democratic Leader, House of Representatives,  
Washington, DC.

DEAR SPEAKER BOEHNER AND LEADER PELOSI: SIFMA and its member firms strongly support H.R. 4413, the Consumer Protection and End User Relief Act, bipartisan legislation that seeks to reauthorize the Commodity Futures Trading Commission (CFTC) to better protect futures customers, provide market certainty for end-users, and make basic reforms to improve the functioning of the CFTC.

One provision in this bill seeks to create harmonization of cross-border swaps regulation by requiring the CFTC and SEC to jointly promulgate rules in full compliance with the Administrative Procedures Act and within 270 days. This is necessary as the two agencies share jurisdiction over the swaps markets and currently have inconsistent approaches to the extraterritorial application of rules under Title VII of the Dodd-Frank Act. This provision is largely similar to H.R. 1256, Swap Jurisdiction Certainty Act, which passed the House by vote of 301–124.

Another provision in the bill would prevent costly margin requirements from being imposed on non-financial end-users for their derivatives activity used to hedge commercial risks. This provision is largely similar to H.R. 634, Business Risk Mitigation and Price Stabilization Act of 2013, which passed the House by vote of 411–12.

SIFMA strongly urges you to vote for H.R. 4413. Thank you for your consideration of our views.

Sincerely,

ANDY BLOCKER,  
EVP, Public Policy and Advocacy, SIFMA.

EDISON ELECTRIC INSTITUTE,  
Washington, DC, June 18, 2014.

Hon. FRANK LUCAS,  
Chairman, House Agriculture Committee,  
Washington, DC.

Hon. COLLIN PETERSON,  
Ranking Member, House Agriculture Committee,  
Washington, DC.

DEAR CHAIRMAN LUCAS AND RANKING MEMBER PETERSON: On behalf of EEI's member companies, I am writing to express our strong support for H.R. 4413, the Customer Protection and End-User Relief Act. The legislation provides additional certainty and clarifies congressional intent on a number of issues of significant importance to EEI members.

EEI is the association of all the U.S. investor-owned utilities, international affiliates and industry associates worldwide. Our members provide electricity for 220 million Americans, directly employ more than a half-million workers, and operate in all 50 states. With more than \$85 billion in annual capital expenditures, the electric utility industry is responsible for providing reliable, affordable, and sustainable electricity that powers the economy and enhances the lives of all Americans.

EEI members are non-financial entities that primarily participate in the physical commodity market and rely on swaps and futures contracts mainly to hedge and miti-

gate their commercial risk. The goal of our member companies is to provide their customers with reliable electric service at affordable and stable rates, which has a direct and significant impact on literally every area of the U.S. economy. Since wholesale electricity and natural gas historically have been two of the most volatile commodity groups, our member companies place a strong emphasis on managing the price volatility inherent in these wholesale commodity markets to the benefit of their customers. The derivatives market has proven to be an extremely effective tool in insulating our customers from this risk and price volatility. In sum, our members are the quintessential commercial end-users of swaps.

As such, regulations that make effective risk management options more costly for end-users of swaps will likely result in higher and more volatile energy prices for retail, commercial, and industrial customers. H.R. 4413 goes a long way in providing much needed regulatory relief and an even greater clarity to the compliance landscape facing EEI and the entire end-user community going forward.

Thank you for your leadership on these important issues.

Sincerely,

THOMAS R. KUHN.

JUNE 17, 2014.

DEAR MEMBER OF THE HOUSE OF REPRESENTATIVES: The undersigned organizations represent a very broad cross-section of U.S. production agriculture and agribusiness. We urge you to cast an affirmative vote on H.R. 4413, the "Customer Protection and End-User Relief Act," when it moves to the floor for consideration.

This legislation, unanimously approved on a bipartisan basis by the Committee on Agriculture, provides important protections for futures customers:

Enhanced reporting, transparency and accountability in futures markets. These much-needed improvements will help prevent another MF Global.

The ability for customers to "claw back" assets from a parent firm in the event of a shortfall of customer funds in FCM insolvencies—something that wasn't possible with MF Global.

A clear roadmap for meaningful cost-benefit analysis to be performed by the Commodity Futures Trading Commission before proposing major rules.

A solution to the very troubling "residual interest" rule approved last fall by CFTC that would force customers to pre-margin hedge accounts, thereby putting perhaps twice as much customer money at risk, dramatically increasing hedging costs, and likely driving farmers, ranchers and small hedgers out of the futures market.

Relief from technologically infeasible recordkeeping requirements in the cash commodity markets.

Thank you in advance for your support of this bill that is so important to U.S. farmers, ranchers, hedgers and futures customers.

Sincerely,

Agribusiness Association of Iowa, Agribusiness Council of Indiana, Amcot, American Cotton Shippers Association, American Feed Industry Association, American Soybean Association, Commodity Markets Council, Grain and Feed Association of Illinois, Indiana Grain and Feed Association, Iowa Institute for Cooperatives, Kansas Cooperative Council, Kansas Grain and Feed Association, Michigan Agri-Business Association, Michigan Bean Shippers, Minnesota Grain and Feed Association, Montana Grain Elevators Association, National Association of Wheat Growers, National Cattlemen's Beef Association.

National Corn Growers Association, National Cotton Council, National Council of Farmer Cooperatives, National Grain and Feed Association, National Milk Producers Federation, National Pork Producers Council, North American Export Grain Association, North Dakota Grain Dealers Association, Ohio Agribusiness Association, Oklahoma Agricultural Cooperative Council, Oklahoma Grain and Feed Association, South Dakota Association of Cooperatives, South Dakota Grain & Feed Association, Texas Agricultural Cooperative Council, United Egg Producers, USA Rice Federation.

IN HONOR OF SCOTT OBERG

HON. JUAN VARGAS

OF CALIFORNIA

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 3, 2014

Mr. VARGAS. Mr. Speaker, I rise today to honor Scott Oberg for his outstanding commitment and dedication of 29 years of service to law enforcement, specifically the California Highway Patrol, the community, and his service to the United States of America.

Scott Oberg began his law enforcement career as an officer when he joined the California Highway Patrol El Centro Area Office on May 23, 1985 after graduating from the academy. Soon after, Scott Oberg served as a Field Training Officer from 1988 until 2002; during this time he trained seventeen officers, served on the Critical Incident Investigations Team from 2009 until 2012, as Court Officer from 2011 to 2013, and currently serves as a Front Desk Officer.

Additionally, from 1992 to 1996, Scott Oberg served on the elite Imperial County Narcotics Task Force, where he participated in 24 undercover investigations and assisted in many seizures and arrests. Furthermore, Scott Oberg has an exemplary record of approximately 21,000 citations issued, 1,000,000 patrol miles, 12,000 motorist services, 900 collisions investigations, 425 DUI arrests and 95 felony arrests.

I applaud Scott Oberg for his distinguished service to California, the Imperial Valley community, and California's 51st Congressional District.

STATEMENT COMMEMORATING  
MELROSE'S 100TH ANNIVERSARY

HON. RON KIND

OF WISCONSIN

IN THE HOUSE OF REPRESENTATIVES

Thursday, July 3, 2014

Mr. KIND. Mr. Speaker, today I rise in honor of the centennial celebration of Melrose, Wisconsin. Originally known as "Bristol," the village was first settled by Robert Douglas in 1839. Located in Jackson County, the village served as an important hub for the lumber industry during Wisconsin's early development. After the lumber boom, Melrose's mill and proximity to water helped support the development of the agricultural industry that is so abundant in southwest Wisconsin. In 1854, the village post office was established, and the community name was changed to Melrose. In 1913, the village of Melrose was incorporated.

With a population of 503 residents, Melrose is proud of its many close-knit community connections. The village boasts two wonderful