June 23, 2026

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

Mr. Benjamin W. McDonough
Secretary
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue NW
Washington, DC 20551

Ms. Jennifer M. Jones
Deputy Executive Secretary
Attention: Comments/Legal OES (RIN 3064-AF29)
Federal Deposit Insurance Corporation
550 17th Street NW
Washington, DC 20429

Via Agency Website

Re: *Comment Letter on Proposed Rules*: *"Regulatory Capital Rule*: *Category I and II Banking Organizations, Banking Organizations With Significant Trading Activity, and Optional Adoption for Other Banking Organizations" (OCC Docket Number OCC-2026-0265 (RIN 1557-AF52); Board Docket No. 1887 (RIN 7100-AH20); FDIC RIN 3064-AF29); "Regulatory Capital Rules*: *Regulatory Capital and Standardized Approach for Risk-Weighted Assets" (OCC Docket Number OCC-2026-0034 (RIN 1557-AF49); Board Docket No. R-1888 (RIN 7100-AH21); FDIC RIN 3064-AG23); and "Risk-Based Capital Surcharges for Global Systemically Important Bank Holding Companies; Systemic Risk Report (FR Y-15)" (Board Docket No. 1889 (RIN 7100-AH22))*

The Large Public Power Council ("LPPC") appreciates the opportunity to comment on the Agencies' re-proposed capital rules (collectively, the "Re-Proposal"). LPPC represents 29 of the largest locally owned and operated public power systems in the United States, serving more than 30 million customers across 23 states and territories. Our members are not banks. They are community-owned, not-for-profit electric utilities that exist to deliver reliable, affordable power to the households, businesses, and public institutions they serve.

LPPC writes separately from, and in support of, the comment letter submitted by the Coalition for Derivatives End-Users. We do not repeat the Coalition's detailed technical analysis of the capital framework. We write instead to underscore, from the perspective of public power, why two features of the Re-Proposal matter to the customers our members serve, and to urge two targeted changes.

I. Public Power Hedges to Protect Customers From Volatile Prices

Public power utilities use derivatives for one principal reason: to hold prices steady for the people who pay their bills. Our members hedge fuel and wholesale power, which together represent a large share of their cost of service, and they hedge interest rates on the long-term debt that finances generation and transmission. The purpose is not to speculate. It is to lock in predictable costs so that retail and small-commercial customers are spared sudden swings in their monthly bills.

This matters because customers and the regulators and governing boards who answer to them consistently prefer stable, predictable prices over volatile ones. Recent history illustrates the point. Disruptions such as the war in Ukraine and tensions in the Middle East have produced sharp, sudden movements in fuel and power markets. Utilities hedge precisely so that those shocks do not pass directly and immediately through to a family's electric bill. Interest rate hedging serves the same end, allowing members to finance capital projects more efficiently and at lower long-run cost to ratepayers.

A defining feature of public power is that our members are not-for-profit and have no shareholders to absorb cost. Two consequences follow, and both fall on the same place. First, higher hedging costs are paid by electric consumers: when the Re-Proposal raises the cost banks must recover for providing these products, that cost flows through our members directly to retail bills. Second, more volatile prices are paid by electric consumers: when hedging becomes more expensive and members hedge less, customers absorb the fuel and power price swings that hedging would otherwise have smoothed. Either way, the burden lands on the household and small business customer. That is the lens through which LPPC views the Re-Proposal.

II. The Absence of a CVA Exemption for Commercial End-Users Will Raise Costs for Electric Customers

The Agencies should exempt uncleared derivatives transactions with commercial end-users, and their associated hedges, from the credit valuation adjustment ("CVA") risk capital requirement.

The Coalition's letter explains in detail why the new CVA requirement is largely additive to capital that banking organizations already hold, and why it falls most heavily on long-dated, uncollateralized, directional transactions. LPPC will not restate that analysis. We note only its practical consequence for public power.

Those very characteristics, long tenor, no collateral posting, and a single hedging direction, describe the ordinary hedging that public power utilities undertake. Our members transact on an uncollateralized basis because Congress deliberately exempted commercial end-users from mandatory margin requirements under the Dodd-Frank Act, recognizing that end-user hedging reduces risk rather than creates it. They hedge over long horizons because their fuel, power, and financing exposures extend over many years. Applying a new and substantial CVA charge to these transactions at the bank level raises the cost banks must recover from end-users, and in our members' case that cost is ultimately borne by electric customers. The result works against the same policy judgment that Congress made when it exempted commercial end-users from margin and clearing.

The competitive dimension reinforces the point. The European Union exempts derivatives with commercial end-users from its CVA requirements. Absent a comparable exemption here, U.S. customers will pay more for the same risk management that European counterparts obtain on more favorable terms, with no offsetting benefit to the safety and soundness of U.S. banks. An express exemption for uncleared commercial end-user derivatives and their associated hedges would correct that imbalance and align the rule with the relief Congress and the Agencies have already extended to end-users.

III. The SA-CCR Alpha Multiplier Exemption for Commercial End-Users Should Be Retained

The Agencies should retain the commercial end-user exemption from the 1.4x alpha multiplier under the standardized approach for counterparty credit risk ("SA-CCR").

The Re-Proposal solicits comment on whether to eliminate the commercial end-user exemption from the SA-CCR alpha multiplier. LPPC urges the Agencies to retain it. When the Agencies finalized the SA-CCR rule in 2020, they recognized that the 1.4x multiplier, a gross-up designed to address risks that do not characterize commercial end-user hedging, should not apply to end-users. Nothing has changed since then to justify reversing that judgment.

Removing the exemption would layer an additional capital gross-up on top of the new CVA charge for precisely the kind of risk-reducing hedging our members rely on.

Like the CVA charge, that additional cost would ultimately reach electric customers. The Agencies should reaffirm the exemption in the final rule.

IV. Conclusion

LPPC commends the Agencies for the meaningful improvements reflected in the Re-Proposal. We respectfully urge two further changes that are squarely within the end-user interest: an express CVA exemption for uncleared commercial end-user derivatives and their associated hedges, and retention of the SA-CCR alpha multiplier exemption for commercial end-users. Both changes would protect the stability of the electric bills paid by the more than 30 million customers our members serve, without any cost to the safety and soundness of the banking system. To the contrary, preserving the ability of public power utilities to hedge efficiently supports the financial stability of the utilities on which those customers depend.

We appreciate your consideration and welcome the opportunity to discuss these comments further.

Respectfully submitted,

Large Public Power Council