



June 30, 2015

The Honorable Janet L. Yellen
Chairman
Board of Governors of the Federal
Reserve System
20th St. and Constitution Ave. NW
Washington, DC 20551

The Honorable Thomas J. Curry
Comptroller of the Currency
400 7th St. SW
Washington, DC 20219

The Honorable Martin J. Gruenberg
Chairman
Federal Deposit Insurance Corporation
550 17th St. NW
Washington, DC 20429

RE: Support HR 2209 – Classify Municipal Securities as High Quality Liquid Assets

Dear Chairman Yellen, Comptroller Curry and Chairman Gruenberg:

On behalf of City Public Service Board of San Antonio, Texas (also referred to as CPS Energy), we request that you support HR 2209, bipartisan legislation that directs the Federal Deposit Insurance Corporation (FDIC), the Board of Governors of the Federal Reserve System, and the Office of the Comptroller of the Currency (OCC) to classify all investment grade municipal securities as High Quality Liquid Assets (HQLA).

This important legislation is necessary to amend the 2014 *Liquidity Coverage Ratio: Liquidity Risk Measurement Standards; Final Rule - 79 Fed. Reg. 61439*. While the rule established a minimum liquidity requirement for large banking organizations and identified acceptable investments – deemed HQLA – to meet this requirement, it failed to include municipal securities in any of the acceptable investment categories.

A news release issued by the Board of Governors of the Federal Reserve System, dated May 21, 2015, indicated the Federal Reserve Board proposed adding certain uninsured general obligation state and municipal bonds to the range of satisfactory HQLA. While we recognize this as a positive development, this proposal will still leave out those highly-rated entities such as CPS Energy (rated Aa⁺ / AA / AA+) that issue revenue bonds. In its explanation, the Board of Governors stated that it did not include revenue bonds because those bonds are dependent on a single project for repayment. To the contrary, this does not reflect the actual structure of CPS Energy's public power debt; our debt is fully secured by the revenues of our utility. There is no project financing of our debt. Further, investment-grade municipal bonds, including

CPS Energy's bonds, have low price volatility, high transaction volume and are traded in deep and stable funding markets. As such, they should be included in the HQLA.

Not classifying all investment grade municipal securities as HQLA will increase borrowing costs for state and local governments to finance public infrastructure projects. Also, banks will demand higher interest rates on yields on the purchase of municipal bonds during times of national economic stress, or even forgo the purchase of municipal securities, ultimately placing the burden on the citizens of our San Antonio metropolitan community which ultimately owns this utility. This will unfavorably affect other communities which also own their utility. As written, the requirement could eventually diminish the perceived value of the overall municipal bond market and the individual issuers alike.

CPS Energy is the exclusive provider of retail electric service within our service area, including the provision of electric service to six federal military installations located within the service area, including Lackland AFB, the home of the U.S. Air Force Basic Training Program. Outside of Washington, D.C., San Antonio has the largest population of military in the nation. Classifying all investment grade municipal securities as HQLA will help ensure low-cost infrastructure financing remains available for CPS Energy to continue to build the infrastructure for strong, stable, clean and diversified public power that our city and our nation's military rely on. For these reasons, we urge you to support HR 2209.

Thank you for your consideration of this request.

Sincerely,



Paula Gold-Williams
Group EVP, Financial & Administrative Services
CFO & Treasurer

PGW: dvz/dv