



AMERICAN PUBLIC GAS ASSOCIATION

October 30, 2014

The Honorable Stanley Fischer
Board of Governors of the Federal Reserve System
20th Street and Constitution Avenue, NW
Washington, DC 20551

Dear Vice-Chairman Fischer,

On behalf of the American Public Gas Association (APGA), I express appreciation for the recognition by the Board of Governors of the Federal Reserve System for recognizing, in statements made during the approval of new liquidity standards for banks, the potential benefits of including certain types of municipal securities within the definition of “High Quality Liquid Assets”.

APGA is the national association for publicly-owned natural gas distribution systems. There are currently approximately 1,000 public gas systems located in 37 states. Publicly-owned gas systems are not-for-profit, retail distribution entities owned by, and accountable to, the citizens they serve. Public gas systems’ primary focus is on providing safe, reliable, and affordable service to their customers.

Revenue bonds and general obligation bonds are critical tools utilized by public gas systems for investments in infrastructure as well as for the long-term purchases of natural gas supply. APGA believes that investment grade municipal bonds satisfy the criteria that has been established for eligibility within the definition of “High Quality Liquid Assets” eligibility and urges you to include these bonds within the definition. In past periods of market stress, investment grade municipal bonds, especially those for essential services, like natural gas, have performed better

than other securities. This is exactly the type of investment that banks need in their HQLA portfolios. Municipal bonds can provide not only the necessary liquidity, but also the diversity that enables banks to raise capital with minimal market impact.

Failure to include these bonds within the definition would reduce the appeal for banks to underwrite them, ultimately increasing borrowing costs for public gas systems and increasing costs for their customers. The cost impacts on public gas systems and their consumers would potentially be significant given that bank holdings of municipal securities and loans have increased by 86 percent since 2009.

I thank you in advance for your consideration of our views.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bert Kalisch", with a stylized, cursive script.

Bert Kalisch

APGA President & CEO