

Tennessee Power Company®



April 17, 1998

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VIA FACSIMILE & US MAIL

Ms. Jean A. Webb
Secretary
Commodity Futures Trading Commission
Three Lafayette Centre
1155 21st Street, NW
Washington, DC 20581

COMMENT

**RE: Chicago Board of Trade - Tennessee Valley Authority Hub for
Electricity Futures and Options Contracts**

Dear Ms. Webb:

Tennessee Power Company (TPCO) is a power marketer with principal offices at 4612 Maria Street, Chattanooga, TN 37411-1209; phone: (423) 624-0852, fax: (423) 624-4906, and e-mail: tpco@earthlink.net.

TPCO often finds itself competing with the Tennessee Valley Authority (TVA), and has petitioned the Federal Energy Regulatory Commission regarding TVA using its Federal agency status and lack of regulatory oversight to its advantage (Docket No. EL96-64-000 & Docket No. TX97-5-000). TPCO has legitimate concerns regarding this proceeding which should be addressed before approval of the TVA Hub Futures and Options Contract Market.

The territorial limitations of the TVA Act (section 15d.(a)) states that:

Unless otherwise specifically authorized by Act of Congress the Corporation shall make no contracts for the sale or delivery of power which would have the effect of making the Corporation or its distributors, directly or indirectly, a source of power supply outside the area for which the Corporation or its distributors were the primary source of power supply on July 1, 1957...

It is conceivable that a futures contract could go to physical delivery; therefore, it is possible that such delivery could result in TVA (the "Corporation") violating the above territorial limitations. If restrictions

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President

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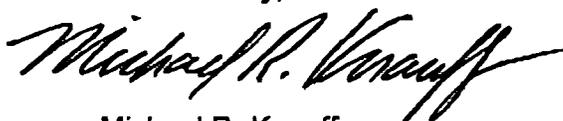
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are placed on futures contracts in TVA's hand, then it appears that their liquidity would be severely diminished and they would not be the same commodity. Before establishing a TVA Hub, TVA's involvement needs to be clearly established.

The second issue that should be considered is the extent to which the Federal government should be involved as a competitor in a free market. Many concerns have been raised nationally regarding TVA's original regional mission as set forth in the TVA Act, and its position today as one of the largest electric systems in the nation, posturing to compete nationally with investor-owned utilities. As a Federal agency, TVA is exempt from anti-trust laws and has no regulatory oversight, which raises many concerns.

In addition, rightly or wrongly, it is assumed by many involved in the financial markets that the Federal government will back up TVA's massive debt, which results in favorable treatment for TVA in the financial markets. This has serious implications as to TVA's ability to manipulate the markets. TVA's future role as an agency of the Federal government needs to be clarified before the TVA Hub is established.

Sincerely,



Michael R. Knauff

cc: Congressman Dan Burton
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Congressman Rodney Frelinghuysen
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