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Tennessee Valley Authority, 400 West Summit Hill Drive, Knoxville, Tennessee 37902

Edward S. Christenbury
General Counsel

May 4, 1998

VIA FACSIMILE AND FEDERAL EXPRESS

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

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COMMODITY FUTURES
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Re: Chicago Board of Trade Application for Designation as a Contract Market
in TVA Hub Electricity Futures and Options 63 FR 16250 (April 2, 1998)

Dear Ms. Webb:

This is in regard to the May 1, 1998, request by Commodity Futures Trading Commission ("CFTC") staff for our view on whether the Tennessee Valley Authority ("TVA") would be subject to the jurisdiction and regulatory authorities granted to the CFTC to ensure and enforce compliance with the provisions of the Commodity Exchange Act (7 U.S.C.A. § 1 et seq.) if TVA engages in activities subject to that Act.

It is our understanding that it is the CFTC's legal interpretation that its jurisdiction and regulatory authorities under the Commodity Exchange Act do apply to a Federal agency, such as TVA, which elects to engage in activities regulated by that Act. TVA recognizes that this interpretation by the CFTC, as the agency charged by Congress with the authorities and responsibilities for enforcing the Commodity Exchange Act, would be accorded great weight by the courts if there were ever a dispute on this matter.

Based upon our review of the Commodity Exchange Act, there is adequate statutory evidence (specifically the provisions of 7 U.S.C.A. §§ 6(c)(3)(H) and 6a(d)) to demonstrate that Congress intended for a Federal agency to fall within the definition of a "person" subject to the CFTC's jurisdiction and regulatory authorities. Consequently,

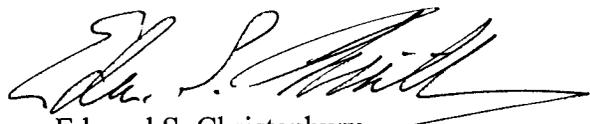
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TVA agrees with the CFTC that its jurisdiction and regulatory authorities under the Commodity Exchange Act would apply to TVA if TVA were to engage in activities regulated by that Act.

We believe it is important to emphasize that there are significant legal distinctions between TVA's view with respect to the applicability of CFTC's jurisdiction and regulatory authorities and TVA's view with respect to the inapplicability of certain other regulatory laws identified by individuals who have submitted comments to the CFTC. These distinctions are due to clear differences in statutory language and congressional intent.

As already stated, there is sufficient evidence that Congress intended for a Federal agency to be subject to the CFTC's jurisdiction and regulatory authorities if that agency elects to engage in the types of activities covered by the Commodity Exchange Act. On the other hand, with respect to those regulatory authorities of the Federal Energy Regulatory Commission ("FERC") identified by commentors, Congress clearly had a different intent on the issue of applicability because it specifically exempted Federal agencies, such as TVA, and other publicly owned entities from those FERC regulatory authorities. With respect to the antitrust laws identified by commentors, the courts have determined that Congress did not intend for Federal agencies to be subject to those laws and, hence, determined that those laws do not apply to TVA.

If we may provide the CFTC with any additional information on this or related matters, please let us know.


Edward S. Christenbury