



October 8, 2014

Mr. Barry Mardock
Deputy Director, Office of Regulatory Policy
Farm Credit Administration
1501 Farm Credit Drive
McLean, Virginia 22102-5090

Dear Mr. Mardock,

On behalf of the roughly 190,000 members of Sumter Electric Cooperative Inc., I appreciate the opportunity to offer my comments to the Farm Credit Administration's proposed rule revising capital requirements for Farm Credit System institutions.

In the proposed rule, the Agency seeks specific comment as to whether it should retain current risk weighting for exposures to certain electrical cooperative assets. I strongly encourage the Agency to continue its traditional risk weighting methodology for loans made by the Farm Credit System institutions to rural electric cooperatives.

Since 2007, the FCA has, under its reservation of authority, "determined that exposure to certain loans, leases, participation interests, and debt securities of the electric cooperative industry warrant a lower regulatory capital risk weight." I strongly support the FCA's decision on this matter and encourage the Agency to maintain that position in its new capital regulation.

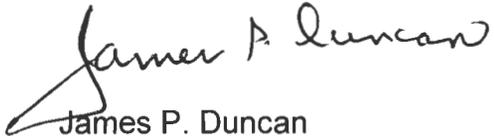
The rural electric cooperative industry is strong and serves a vital mission in rural communities. The availability of and the cost of credit to rural electric cooperatives is critical to our ability to continue to fulfill our mission and to serve our members. Our members rely on us to provide reliable electric service at the lowest financially prudent rates and, since the cost of debt is our second largest expense behind Purchased Power, increases in interest rates will have negative impacts on the rates paid by our members.

I applaud the FCA's 2007 decision and the Agency's acknowledgement of the "unique characteristics and lower risk profile of" the electric cooperative industry. In the explanation of its decision the FCA noted that this "lower risk profile is supported, in part, by the financial strength and stability of the underlying member systems, the ability to establish user rates with limited third party oversight, and the exclusive service territories encompassing rural America – all of which insulate the electric cooperative industry from many of the credit risks experienced by investor owned utilities." The Agency referenced the industry's minimal loss history and its sound credit ratings as further justification.

The FCA's judgment in this matter has stood the test of time. The original rationale for fifty percent weighting remains valid today and is just as important to the success of rural communities served by rural electric cooperatives.

I appreciate the opportunity to comment and urge the FCA to continue its current practice of applying fifty percent risk weighting to loans made by FCS institutions to rural electric cooperatives.

Thank you for considering my comments on this important matter.

A handwritten signature in black ink that reads "James P. Duncan". The signature is written in a cursive style with a large, sweeping initial "J".

James P. Duncan
CEO & General Manager
Sumter Electric Cooperative, Inc.