From: Steve McGrath <smcgrath@downeastenergy.com>
Sent: Monday, April 19, 2010 5:40 PM
To: secretary <secretary@CFTC.gov>
Subject: Comments on Proposes Speculative Position Limits for Energy (File #10-002)

Dear Secretary Stawick,

I'm writing to you today to share my thoughts on what should be done to limit speculative positions in futures and option contracts. I am the CFO of an energy distributor in Brunswick, Maine. We distribute oil and Propane to customers from Dover, New Hampshire to Waterville, Maine. We also hedge our purchases with futures, options, and forward contracts.

I would define speculation, for the purposes of this email, as taking long or short positions in futures, options, or forward commodity contracts without intending to re-sell the physical product. The economist Keynes once said something to the effect that as long as speculation was a bubble in a stream of commerce, no harm could be done. But if speculation was to become a whirlpool of bubbles with a small stream of commerce, great harm could be done. It's in this spirit that I define a speculator as one who is not a part of the stream of commerce, but rather is a bubble upon it.

I think it's great that the Commission has proposed a limit to the number of positions that may be held by a speculative trader. This is a start. I am concerned about how this would get practically implemented. A speculator could trade through multiple accounts, and through multiple brokers, in multiple names. I'm not sure that the transgression would or could be caught.

I understand that the PMAA has also proposed limiting large, passive, long positions. Commodity index funds would be an example of such a position. I like this idea as well. I fear that the public has come to think of commodities as an "asset class", rather than as the raw materials which we use up every day. It is the same thinking that led so many citizens to buy real estate, and which led us to this unhappy economic circumstance. The path from "House prices always go up" to "Oil prices always go up" takes but one step. These index funds are simply another way to risk the nation's pensions and savings on something which does not directly produce a return to the nation.

I also have a suggestion to share with the Commission. It seems to me that limiting the financial leverage of the companies that engage in pure speculation would serve the same purpose, and would be easier to police, than limiting positions. If the limit were 10 to 1 leverage, I would think much of the speculative activity would move elsewhere. That, at least, is how the Treasury is handling our Banking system.

If I can be of further service to you, please let me know.

Sincerely Yours,

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