

FUEL PRICE RISK MANAGEMENT POLICY REPORT

"FUEL HEDGE"

Dec-10

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(OMB 1/3/11)

The Fuel Price Risk Management Policy approved by the Board on February 16, 2006 requires monthly reports to the Finance/Audit Committee. Per the Finance Chair in 2009, the report is to be presented quarterly to the F/A committee. The Board has approved resolutions authorizing implementation of the Fuel Hedge Policy for FY2008 (October 2006). In July 2008 the Board amended the Fuel Risk Management Policy by eliminating the July 15 deadline for hedging the next fiscal years fuel requirement.

A. FY2008-FY2011 Diesel Fuel Hedge

Financial hedges were executed for FY2008 - FY2013. In FY2011 eleven hedges totaling 13.31M gallons at an average price of \$1.9504, in FY2012 one hedge totaling 1.5M gallons at an average price of \$2.6025 and in FY2013 one hedge totaling 0.4M gallons at an average price of \$2.6310 have been executed. (Hedge prices are market price only, not including transportation, additive and taxes). See Attachment A for hedge details. METRO currently has chosen Koch Supply & Trading LP, Merrill Lynch Commodities Inc., BP Products North America Inc. and Goldman, Sachs & Co. to bid financial hedges. A comparison of the FY2011 hedged gallons, actual usage and hedge collections is outlined in Attachment B. YTD hedge collections are \$1.67M.

B. 3 Year Contract for Electricity

In March 2010 the Board Approved a new 3 year contract with the Texas General Land Office (GLO) to supply electricity for April 1, 2010 to March 31, 2013. The contract rate of \$0.05866 per kilowatt hour is fixed for the term of the contract while the Transmission and Distribution (TDSP) floats.

This contract hedges METRO's electricity requirements for 3 years, providing budget certainty on price in accord with the Board's Fuel Price Risk Management Policy adopted February 2006.

ATTACHMENT A

METRO
FY2011, FY2012 and FY2013 Fuel Hedge (Diesel) - Status 1/3/11
(OMB 1/3/11)

A. Financial Hedge (Oct-Sep Delivery)

	<u>Delivery Year</u>	<u>Gallons</u>	<u>Fuel Type</u>	<u>Vendor</u>	<u>Date of Purchase</u>	<u>Avg. Price per gallon</u>	<u>Cost</u>
a.	FY2011	1,134,000	ULSD	Koch Supply & Trading, LP	12/12/08	\$1.9000	\$ 2,154,600
b.	FY2011	1,050,000	ULSD	Koch Supply & Trading, LP	12/12/08	\$1.9000	\$ 1,995,000
c.	FY2011	1,176,000	ULSD	Koch Supply & Trading, LP	2/13/09	\$1.7200	\$ 2,022,720
d.	FY2011	1,092,000	ULSD	Koch Supply & Trading, LP	2/17/09	\$1.6500	\$ 1,801,800
e.	FY2011	1,092,000	ULSD	Koch Supply & Trading, LP	3/3/09	\$1.6300	\$ 1,779,960
f.	FY2011	1,092,000	ULSD	Koch Supply & Trading, LP	3/11/09	\$1.6200	\$ 1,769,040
g.	FY2011	1,008,000	ULSD	Koch Supply & Trading, LP	6/3/09	\$2.1500	\$ 2,167,200
h.	FY2011	1,134,000	ULSD	Koch Supply & Trading, LP	7/7/09	\$2.0800	\$ 2,358,720
i.	FY2011	1,176,000	ULSD	Koch Supply & Trading, LP	6/8/10	\$2.1840	\$ 2,568,384
j.	FY2011	1,134,000	ULSD	Koch Supply & Trading, LP	6/8/10	\$2.2185	\$ 2,515,779
k.	FY2011	2,226,000	ULSD	Koch Supply & Trading, LP	7/2/10	\$2.1715	\$ 4,833,759
		13,314,000				\$1.9504	\$ 25,966,962
l.	FY2012	1,512,000	USLD	Goldman, Sachs & Co.	12/22/10	\$2.6025	\$ 3,934,980
		1,512,000				\$2.6025	\$ 3,934,980
m.	FY2013	378,000	USLD	Koch Supply & Trading, LP	12/27/10	\$2.6310	\$ 994,518
		378,000				\$2.6310	\$ 994,518

ATTACHMENT B

METRO
FY2011 DIESEL FUEL

(OMB 1/3/11)

Month	Fuel Source	Gallons in Financial Hedge	Gallons Used	Variance	Swap Receipts
Oct-10	Financial Hedge	1,176,000	1,144,432	-31,569	\$ 623,515
Nov-10	Financial Hedge	1,134,000	1,014,582	-119,418	\$ 477,527
Dec-10	Financial Hedge	1,050,000	1,066,461	16,461	\$ 567,840
Jan-11	Financial Hedge	1,092,000			
Feb-11	Financial Hedge	1,092,000			
Mar-11	Financial Hedge	1,092,000			
Apr-11	Financial Hedge	1,176,000			
May-11	Financial Hedge	1,008,000			
Jun-11	Financial Hedge	1,134,000			
Jul-11	Financial Hedge	1,134,000			
Aug-11	Financial Hedge	1,134,000			
Sep-11	Financial Hedge	1,092,000			
Total		13,314,000	3,225,474	-134,526	\$ 1,668,883

NOTE

1. The gallons above the financial hedge volumes, as shown in the variance, were bought at the prevailing market prices.