

FUEL PRICE RISK MANAGEMENT POLICY REPORT

"FUEL HEDGE"

Dec-11

FUEL PRICE RISK MANAGEMENT POLICY REPORT

Dec-11

(Budget Services 01/03/12)

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. Diesel Fuel Hedges

For FY2012 eight hedges totaling 12.10M gallons have been executed at an average price of \$2.9254. As of 12/31/2011 a total of ten hedges totaling 9.45M gallons at an average price of \$2.7946 have been executed for FY2013 and one hedge totalling 0.25M gallons at an average price \$2.7555 has been executed for FY2014. Note that for FY2011 eleven hedges totaling 13.31M gallons were executed at an average price of \$1.9504 (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 FY2012 hedged gallons, actual usage and hedge collections is outlined in Attachment B. Hedge collections fiscal year to date total \$0.14M.

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, FY2013 and FY2014 Fuel Hedge (Diesel) - Status 12/31/11
(Budget Services (1/03/12))

Financial Hedge (Oct-Sep Delivery)

<u>Delivery</u>					<u>Date of</u>	<u>Avg. Price</u>	
<u>Year</u>	<u>Gallons</u>	<u>Fuel Type</u>	<u>Vendor</u>		<u>Purchase</u>	<u>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
	<u>13,314,000</u>					<u>\$1.9504</u>	<u>\$ 25,966,962</u>
l. FY2012	1,512,000	USLD	Goldman, Sachs & Co.		12/22/10	\$2.6025	\$ 3,934,980
m. FY2012	1,512,000	USLD	Koch Supply & Trading, LP		1/11/11	\$2.6880	\$ 4,064,256
n. FY2012	1,512,000	USLD	Goldman, Sachs & Co.		1/27/11	\$2.7800	\$ 4,203,360
o. FY2012	1,512,000	USLD	Koch Supply & Trading, LP		1/31/11	\$2.8405	\$ 4,294,836
p. FY2012	1,512,000	USLD	Goldman, Sachs & Co.		2/22/11	\$2.9875	\$ 4,517,100
q. FY2012	1,512,000	USLD	Koch Supply & Trading, LP		4/8/11	\$3.2870	\$ 4,969,944
r. FY2012	1,512,000	USLD	Koch Supply & Trading, LP		5/5/11	\$3.0680	\$ 4,638,816
s. FY2012	1,512,000	USLD	Koch Supply & Trading, LP		5/5/11	\$3.1495	\$ 4,762,044
	<u>12,096,000</u>					<u>\$2.9254</u>	<u>\$ 35,385,336</u>
t. FY2013	378,000	USLD	Koch Supply & Trading, LP		12/27/10	\$2.6310	\$ 994,518
u. FY2013	378,000	USLD	Goldman, Sachs & Co.		1/11/11	\$2.6980	\$ 1,019,844
v. FY2013	378,000	USLD	Koch Supply & Trading, LP		1/27/11	\$2.8115	\$ 1,062,747
w. FY2013	378,000	USLD	Koch Supply & Trading, LP		1/31/11	\$2.8650	\$ 1,082,970
x. FY2013	504,000	USLD	Goldman, Sachs & Co.		2/22/11	\$3.0060	\$ 1,515,024
y. FY2013	1,008,000	USLD	Koch Supply & Trading, LP		9/12/11	\$2.9275	\$ 2,950,920
z. FY2013	1,512,000	USLD	Koch Supply & Trading, LP		9/21/11	\$2.8830	\$ 4,359,096
aa. FY2013	1,512,000	USLD	Goldman, Sachs & Co.		9/22/11	\$2.8000	\$ 4,233,600
ab. FY2013	2,268,000	USLD	Koch Supply & Trading, LP		10/4/11	\$2.6187	\$ 5,939,262
ac. FY2013	1,134,000	USLD	Koch Supply & Trading, LP		12/1/11	\$2.8667	\$ 3,250,863
	<u>9,450,000</u>					<u>\$2.7946</u>	<u>\$ 26,408,844</u>
ad. FY2014	252,000	USLD	Koch Supply & Trading, LP		12/1/11	\$2.7555	\$ 694,386
	<u>\$ 252,000</u>					<u>\$2.7555</u>	<u>\$ 694,386</u>

ATTACHMENT B

METRO
FY2012 DIESEL FUEL

(Budget Services 1/03/12)

Month	Fuel Source	Gallons in Financial Hedge	Gallons Purchased	Gallons Used	Gallons Used Variance	Swap Receipts
Oct-11	Financial Hedge	1,008,000	1,084,013	1,156,561	148,561	\$ 36,553
Nov-11	Financial Hedge	1,008,000	1,100,361	1,005,293	(2,707)	\$ 142,771
Dec-11	Financial Hedge	1,008,000	1,003,439	1,046,826	38,826	\$ (34,700)
Jan-12	Financial Hedge	1,008,000				
Feb-12	Financial Hedge	1,008,000				
Mar-12	Financial Hedge	1,008,000				
Apr-12	Financial Hedge	1,008,000				
May-12	Financial Hedge	1,008,000				
Jun-12	Financial Hedge	1,008,000				
Jul-12	Financial Hedge	1,008,000				
Aug-12	Financial Hedge	1,008,000				
Sep-12	Financial Hedge	<u>1,008,000</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$ -</u>
Total		12,096,000	3,187,813	3,208,681	184,681	\$ 144,623

NOTE

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