

FUEL PRICE RISK MANAGEMENT POLICY REPORT

"FUEL HEDGE"

Jun-11

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(Budget Services 7/1/11)

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 eight hedges totaling 12.10M gallons at an average price of \$2.9254 and in FY2013 five hedges totaling 2.02M gallons at an average price of \$2.8150 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 \$8.72M.

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
FY2008, FY2009, FY2010, FY2011, FY2012 and FY2013 Fuel Hedge (Diesel) - Status 6/1/11
(Budget Services 7/1/11)

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
		13,314,000				\$1.9504	\$ 25,966,962
l.	FY2012	1,512,000	USLD		12/22/10	\$2.6025	\$ 3,934,980
m.	FY2012	1,512,000	USLD	Goldman, Sachs & Co. Koch Supply & Trading, LP	1/11/11	\$2.6880	\$ 4,064,256
n.	FY2012	1,512,000	USLD		1/27/11	\$2.7800	\$ 4,203,360
o.	FY2012	1,512,000	USLD	Goldman, Sachs & Co. Koch Supply & Trading, LP	1/31/11	\$2.8405	\$ 4,294,836
p.	FY2012	1,512,000	USLD		2/22/11	\$2.9875	\$ 4,517,100
q.	FY2012	1,512,000	USLD	Goldman, Sachs & Co. 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
		12,096,000				\$2.9254	\$ 35,385,336
t.	FY2013	378,000	USLD	Koch Supply & Trading, LP	12/27/10	\$2.6310	\$ 994,518
u.	FY2013	378,000	USLD		1/11/11	\$2.6980	\$ 1,019,844
v.	FY2013	378,000	USLD	Goldman, Sachs & Co. 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		2/22/11	\$3.0060	\$ 1,515,024
		2,016,000		Goldman, Sachs & Co.		\$2.8150	\$ 5,675,103

ATTACHMENT B

METRO
FY2011 DIESEL FUEL

(Budget Services 7/1/11)

Month	Fuel Source	Gallons in Financial Hedge	Gallons Purchased	Gallons Used	Gallons Used Variance	Swap Receipts
Oct-10	Financial Hedge	1,176,000	1,041,497	1,144,432	-31,569	\$ 623,515
Nov-10	Financial Hedge	1,134,000	1,076,070	1,014,582	-119,418	\$ 477,527
Dec-10	Financial Hedge	1,050,000	1,071,179	1,065,211	15,211	\$ 567,840
Jan-11	Financial Hedge	1,092,000	982,002	1,004,054	-87,946	\$ 1,038,492
Feb-11	Financial Hedge	1,092,000	1,013,453	945,873	-146,127	\$ 1,281,134
Mar-11	Financial Hedge	1,092,000	1,318,952	1,145,925	53,925	\$ 1,581,653
Apr-11	Financial Hedge	1,176,000	1,035,183	1,129,659	-46,341	\$ 1,231,390
May-11	Financial Hedge	1,008,000	1,000,691	1,080,853	72,853	\$ 855,792
Jun-11	Financial Hedge	1,134,000	1,060,155	1,176,521	42,521	\$ 1,057,909
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	9,599,182	9,707,108	-246,892	\$ 8,715,252

NOTE

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