

# **FUEL PRICE RISK MANAGEMENT POLICY REPORT**

## **"FUEL HEDGE"**

**Sep-11**

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(Budget Services 10/10/11)

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. Diesel Fuel Hedges

For FY2011 eleven hedges totaling 13.31M gallons were executed at an average price of \$1.9504. For FY2012 eight hedges totaling 12.10M gallons have been executed at an average price of \$2.9254. As of 09/30/2011 a total of eight hedges totaling 6.05M gallons at an average price of \$2.8470 have been executed for FY2013. (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. Total year hedge collections were \$11.47M.

## 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 9/30/11**  
(Budget Services 10/10/11)

**Financial Hedge (Oct-Sep Delivery)**

	<u>Delivery</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>
	<u>Year</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
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
		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	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
		6,048,000				\$2.8470	\$ 17,218,719

# **ATTACHMENT B**

**METRO**  
**FY2011 DIESEL FUEL**

(Budget Services 10/10/11)

<b>Month</b>	<b>Fuel Source</b>	<b>Gallons in Financial Hedge</b>	<b>Gallons Purchased</b>	<b>Gallons Used</b>	<b>Gallons Used Variance</b>	<b>Swap Receipts</b>
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	1,063,335	1,182,851	48,851	\$ 1,017,538
Aug-11	Financial Hedge	1,134,000	1,335,019	1,235,856	101,856	\$ 920,808
Sep-11	Financial Hedge	<u>1,092,000</u>	<u>1,146,372</u>	<u>1,162,267</u>	<u>70,267</u>	<u>\$ 821,293</u>
Total		13,314,000	13,143,908	13,288,081	-25,919	\$ 11,474,891

**NOTE**

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