

# **FUEL PRICE RISK MANAGEMENT POLICY REPORT**

## **"FUEL HEDGE"**

**Sep-13**

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(Budget Services 10/2/13)

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 FY2013 eleven hedges totaling 11.21M gallons have been executed at an average price of \$2.8017. As of 09/30/2013 a total of eight hedges totaling 11.01M gallons at an average price of \$2.7973 have been executed for FY2014 and three hedges totalling 7.56M gallons at an average price \$2.7306 have been executed for FY2015. Note that for FY2012 eight hedges totaling 12.10M gallons were executed at an average price of \$2.9254 (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 FY2013 hedged gallons, actual usage and hedge collections is outlined in Attachment B. Hedge collections fiscal year to date total \$2.22M.

## B. 3 Year Contract for Electricity

In March 2010 the Board Approved a 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 was fixed for the term of the contract while the Transmission and Distribution (TDSP) floats. This contract was extended through June 30,2013 at a contract rate of \$0.05367 per kilowatt hour. A new contract has been finalized with GDF SUEZ Energy Resources NA, Inc ("Suez"). This contract span covers 2 years from July 1, 2013 through June 30, 2015 with a contract rate of \$0.05041 per kilowatt hour.

This contract hedges METRO's electricity requirements for 2 years, providing budget certainty on price in accord with the Board's Fuel Price Risk Management Policy adopted February 2006.

# **ATTACHMENT A**

**METRO**  
**FY2012, FY2013, FY2014 and FY2015 Fuel Hedge (Diesel) - Status 09/30/13**  
(Budget Services 10/2/13)

**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.	FY2012	1,512,000	USLD	Goldman, Sachs & Co.	12/22/10	\$2.6025	\$ 3,934,980
b.	FY2012	1,512,000	USLD	Koch Supply & Trading, LP	1/11/11	\$2.6880	\$ 4,064,256
c.	FY2012	1,512,000	USLD	Goldman, Sachs & Co.	1/27/11	\$2.7800	\$ 4,203,360
d.	FY2012	1,512,000	USLD	Koch Supply & Trading, LP	1/31/11	\$2.8405	\$ 4,294,836
e.	FY2012	1,512,000	USLD	Goldman, Sachs & Co.	2/22/11	\$2.9875	\$ 4,517,100
f.	FY2012	1,512,000	USLD	Koch Supply & Trading, LP	4/8/11	\$3.2870	\$ 4,969,944
g.	FY2012	1,512,000	USLD	Koch Supply & Trading, LP	5/5/11	\$3.0680	\$ 4,638,816
h.	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>
i.	FY2013	378,000	USLD	Koch Supply & Trading, LP	12/27/10	\$2.6310	\$ 994,518
j.	FY2013	378,000	USLD	Goldman, Sachs & Co.	1/11/11	\$2.6980	\$ 1,019,844
k.	FY2013	378,000	USLD	Koch Supply & Trading, LP	1/27/11	\$2.8115	\$ 1,062,747
l.	FY2013	378,000	USLD	Koch Supply & Trading, LP	1/31/11	\$2.8650	\$ 1,082,970
m.	FY2013	504,000	USLD	Goldman, Sachs & Co.	2/22/11	\$3.0060	\$ 1,515,024
n.	FY2013	1,008,000	USLD	Koch Supply & Trading, LP	9/12/11	\$2.9275	\$ 2,950,920
o.	FY2013	1,512,000	USLD	Koch Supply & Trading, LP	9/21/11	\$2.8830	\$ 4,359,096
p.	FY2013	1,512,000	USLD	Goldman, Sachs & Co.	9/22/11	\$2.8000	\$ 4,233,600
q.	FY2013	2,268,000	USLD	Koch Supply & Trading, LP	10/4/11	\$2.6187	\$ 5,939,262
r.	FY2013	1,134,000	USLD	Koch Supply & Trading, LP	12/1/11	\$2.8667	\$ 3,250,863
s.	FY2013	1,764,000	USLD	Goldman, Sachs & Co.	5/24/12	\$2.8400	\$ 5,009,760
		<u>11,214,000</u>				<u>\$2.8017</u>	<u>\$ 31,418,604</u>
t.	FY2014	252,000	USLD	Koch Supply & Trading, LP	12/1/11	\$2.7555	\$ 694,386
u.	FY2014	1,470,000	USLD	Koch Supply & Trading, LP	5/17/12	\$2.8355	\$ 4,168,185
v.	FY2014	1,008,000	USLD	Goldman, Sachs & Co.	5/30/12	\$2.7491	\$ 2,771,055
w.	FY2014	1,344,000	USLD	Goldman, Sachs & Co.	6/21/12	\$2.5925	\$ 3,484,320
x.	FY2014	1,512,000	USLD	Goldman, Sachs & Co.	10/11/12	\$2.9375	\$ 4,441,500
y.	FY2014	1,512,000	USLD	Goldman, Sachs & Co.	3/20/13	\$2.8800	\$ 4,354,560
z.	FY2014	1,092,000	USLD	Goldman, Sachs & Co.	4/12/13	\$2.8425	\$ 3,104,010
aa.	FY2014	2,898,000	USLD	Merrill Lynch	4/18/13	\$2.7600	\$ 7,998,480
		<u>11,088,000</u>				<u>\$2.7973</u>	<u>\$ 31,016,496</u>
ab.	FY2015	1,512,000	USLD	Goldman, Sachs & Co.	12/18/12	\$2.7960	\$ 4,227,552
ac.	FY2015	2,058,000	USLD	Goldman, Sachs & Co.	4/18/13	\$2.7040	\$ 5,564,832
ad.	FY2015	3,990,000	USLD	Goldman, Sachs & Co.	9/24/13	\$2.7195	\$ 10,850,700
		<u>7,560,000</u>				<u>\$2.7306</u>	<u>\$ 20,643,084</u>

# **ATTACHMENT B**

**METRO**  
**FY2013 DIESEL FUEL**

(Budget Services 10/2/13)

<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-12	Financial Hedge	966,000	1,222,132	1,150,911	184,911	\$ 294,613
Nov-12	Financial Hedge	966,000	975,746	956,535	(9,465)	\$ 153,031
Dec-12	Financial Hedge	966,000	895,796	975,615	9,615	\$ 131,594
Jan-13	Financial Hedge	924,000	1,082,811	1,012,039	88,039	\$ 196,820
Feb-13	Financial Hedge	924,000	945,291	970,183	46,183	\$ 364,064
Mar-13	Financial Hedge	924,000	1,099,286	1,070,520	146,520	\$ 184,019
Apr-13	Financial Hedge	924,000	1,032,282	1,042,733	118,733	\$ 72,454
May-13	Financial Hedge	924,000	1,075,541	1,112,159	188,159	\$ 58,859
Jun-13	Financial Hedge	924,000	972,828	1,081,235	157,235	\$ 82,580
Jul-13	Financial Hedge	924,000	1,265,800	1,143,001	219,001	\$ 198,878
Aug-13	Financial Hedge	924,000	1,082,802	1,170,940	246,940	\$ 254,906
Sep-13	Financial Hedge	<u>924,000</u>	<u>1,017,353</u>	<u>1,098,128</u>	<u>174,128</u>	<u>\$ 223,633</u>
Total		11,214,000	12,667,668	12,783,999	1,569,999	\$ 2,215,453

**NOTE**

1. The gallons above the financial hedge volumes, as shown in the variance, were bought at the prevailing market prices.
2. At year end the Authority hedged 88% of actual usage.