

FUEL PRICE RISK MANAGEMENT POLICY REPORT

"FUEL HEDGE"

Sep-15

FUEL PRICE RISK MANAGEMENT POLICY REPORT

Sep-15

(Budget Services 10/1/15)

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 FY2015 four hedges totaling 10.84M gallons have been executed at an average price of \$2.7428. As of 09/30/2015 a total of seven hedges totaling 10.58M gallons at an average price of \$2.6797 have been executed for FY2016 and eight hedges totaling 9.16M gallons at an average price of \$1.9466 have been executed for FY2017.

Note that for FY2014 eight hedges totaling 11.09M gallons were executed at an average price of \$2.7973 (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 FY2014 hedged gallons, actual usage and hedge collections is outlined in Attachment B. Hedge payments fiscal year to date total \$10.17M.

B. 5 Year Contract for Electricity

In May 2015 the Board authorized the President and CEO to execute and deliver a contract for electricity provider services for an amount not-to-exceed \$26,491,835, with a 25% energy component and an option to participate in demand response services. The contract was awarded in June 2015 to GDF SUEZ Energy Resources NA Inc. (Suez) to supply electricity for 5 years beginning June 2015 to June 2020. The contract rate of \$.03841 per kilowatt hour was fixed for the term of contract while the Transmission and Distribution (TDSP) charges may vary depending on the Texas Utilities Commission policies.

This contract hedges METRO's electricity requirements for 5 years, providing budget certainty on price in accord with the Board's Fuel Price Risk Management Policy adopted February 2006.

ATTACHMENT A

METRO
FY2014, FY2015, FY2016 and FY2017 Fuel Hedge (Diesel) - Status 09/30/2015
(Budget Services 10/1/15)

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.	FY2014	252,000	USLD	Koch Supply & Trading, LP	12/1/11	\$2.7555	\$ 694,386
b.	FY2014	1,470,000	USLD	Koch Supply & Trading, LP	5/17/12	\$2.8355	\$ 4,168,185
c.	FY2014	1,008,000	USLD	Goldman, Sachs & Co.	5/30/12	\$2.7491	\$ 2,771,055
d.	FY2014	1,344,000	USLD	Goldman, Sachs & Co.	6/21/12	\$2.5925	\$ 3,484,320
e.	FY2014	1,512,000	USLD	Goldman, Sachs & Co.	10/11/12	\$2.9375	\$ 4,441,500
f.	FY2014	1,512,000	USLD	Goldman, Sachs & Co.	3/20/13	\$2.8800	\$ 4,354,560
g.	FY2014	1,092,000	USLD	Goldman, Sachs & Co.	4/12/13	\$2.8425	\$ 3,104,010
h.	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>
i.	FY2015	1,512,000	USLD	Goldman, Sachs & Co.	12/18/12	\$2.7960	\$ 4,227,552
j.	FY2015	2,058,000	USLD	Goldman, Sachs & Co.	4/18/13	\$2.7040	\$ 5,564,832
k.	FY2015	3,990,000	USLD	Merrill Lynch	9/24/13	\$2.7195	\$ 10,850,700
l.	FY2015	3,276,000	USLD	Merrill Lynch	4/2/14	\$2.7710	\$ 9,077,943
		<u>10,836,000</u>				<u>\$2.7428</u>	<u>\$ 29,721,027</u>
m.	FY2016	1,512,000	USLD	Goldman, Sachs & Co.	1/3/14	\$2.6900	\$ 4,067,280
n.	FY2016	1,386,000	USLD	Merrill Lynch	1/15/14	\$2.6830	\$ 3,718,638
o.	FY2016	2,226,000	USLD	Goldman, Sachs & Co.	4/2/14	\$2.7000	\$ 6,010,200
p.	FY2016	3,024,000	USLD	Merrill Lynch	9/11/14	\$2.7025	\$ 8,172,310
q.	FY2016	1,512,000	USLD	Merrill Lynch	9/29/14	\$2.6820	\$ 4,055,184
r.	FY2016	420,000	USLD	Merrill Lynch	10/7/14	\$2.6035	\$ 1,093,478
s.	FY2016	504,000	USLD	Merrill Lynch	10/16/14	\$2.4693	\$ 1,244,536
		<u>10,584,000</u>				<u>\$2.6797</u>	<u>\$ 28,361,626</u>
t.	FY2017	420,000	USLD	Merrill Lynch	10/7/14	\$2.6005	\$ 1,092,202
u.	FY2017	210,000	USLD	Merrill Lynch	10/16/14	\$2.4871	\$ 522,291
v.	FY2017	840,000	USLD	Goldman, Sachs & Co.	12/19/14	\$2.0275	\$ 1,703,100
w.	FY2017	420,000	USLD	Goldman, Sachs & Co.	1/22/15	\$1.8225	\$ 765,450
x.	FY2017	2,100,000	USLD	Merrill Lynch	6/8/15	\$1.9820	\$ 4,162,200
y.	FY2017	1,932,000	USLD	Merrill Lynch	7/2/15	\$1.9640	\$ 3,794,494
z.	FY2017	2,016,000	USLD	Merrill Lynch	7/17/15	\$1.8225	\$ 3,674,215
aa.	FY2017	1,218,000	USLD	Goldman, Sachs & Co.	8/11/15	\$1.7320	\$ 2,109,530
		<u>9,156,000</u>				<u>\$1.9466</u>	<u>\$ 17,823,481</u>

ATTACHMENT B

METRO
FY2015 DIESEL FUEL

(Budget Services 10/1/15)

Month	Fuel Source	Gallons in Financial Hedge	Gallons Purchased	Gallons Used	Gallons Used Variance	Swap Receipts From/ (Payments To) Trader/s
Oct-14	Financial Hedge	966,000	1,136,114	1,122,562	156,562	\$ (278,901)
Nov-14	Financial Hedge	798,000	901,045	896,112	98,112	\$ (365,228)
Dec-14	Financial Hedge	840,000	995,585	983,516	143,516	\$ (838,278)
Jan-15	Financial Hedge	840,000	869,565	945,109	105,109	\$ (1,013,061)
Feb-15	Financial Hedge	798,000	914,450	919,514	121,514	\$ (741,166)
Mar-15	Financial Hedge	924,000	1,066,179	1,042,315	118,315	\$ (953,602)
Apr-15	Financial Hedge	924,000	1,098,948	1,052,054	128,054	\$ (884,856)
May-15	Financial Hedge	924,000	994,035	1,008,399	84,399	\$ (755,441)
Jun-15	Financial Hedge	966,000	1,048,630	1,091,438	125,438	\$ (895,268)
Jul-15	Financial Hedge	966,000	1,127,162	1,107,147	141,147	\$ (1,066,582)
Aug-15	Financial Hedge	966,000	1,113,024	1,126,300	160,300	\$ (1,212,317)
Sep-15	Financial Hedge	924,000	1,114,594	1,071,332	147,332	\$ (1,169,364)
Total		10,836,000	12,379,331	12,365,796	1,529,796	\$ (10,174,064)

NOTE

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