

FUEL PRICE RISK MANAGEMENT POLICY REPORT

"FUEL HEDGE"

Jun-16

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(Office of Management and Budget 07/7/2016)

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 FY2016 seven hedges totaling 10.58M gallons were executed at an average price of \$2.6797. For FY2017, nine hedges totaling 9.99M gallons at an average price of \$1.8780 were executed. As of June 30, 2016, two hedges totaling 6.00M gallons at an average price of \$1.3202 have been executed for FY2018.

(Hedge prices are market price only, not including transportation, additive and taxes). See Attachment A for hedge details. METRO currently has chosen, Merrill Lynch Commodities Inc., and Goldman, Sachs & Co. to bid financial hedges. A comparison of the FY2016 hedged gallons, actual usage and hedge collections is outlined in Attachment B. Hedge payments fiscal year to date total \$11.24M.

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
FY2016, FY2017 and FY2018 Fuel Hedge (Diesel) - Status 06/30/16
(Office of Management and Budget 07/7/2016)

Financial Hedge (Oct-Sep Delivery)

	<u>Delivery Year</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>
a.	FY2016	1,512,000	USLD	Goldman, Sachs & Co.	1/3/14	\$2.6900	\$ 4,067,280
b.	FY2016	1,386,000	USLD	Merrill Lynch	1/15/14	\$2.6830	\$ 3,718,638
c.	FY2016	2,226,000	USLD	Goldman, Sachs & Co.	4/2/14	\$2.7000	\$ 6,010,200
d.	FY2016	3,024,000	USLD	Merrill Lynch	9/11/14	\$2.7025	\$ 8,172,310
e.	FY2016	1,512,000	USLD	Merrill Lynch	9/29/14	\$2.6820	\$ 4,055,184
f.	FY2016	420,000	USLD	Merrill Lynch	10/7/14	\$2.6035	\$ 1,093,478
g.	FY2016	504,000	USLD	Merrill Lynch	10/16/14	\$2.4693	\$ 1,244,536
		10,584,000				\$2.6797	\$ 28,361,626
h.	FY2017	420,000	USLD	Merrill Lynch	10/7/14	\$2.6005	\$ 1,092,202
i.	FY2017	210,000	USLD	Merrill Lynch	10/16/14	\$2.4871	\$ 522,291
j.	FY2017	840,000	USLD	Goldman, Sachs & Co.	12/19/14	\$2.0275	\$ 1,703,100
k.	FY2017	420,000	USLD	Goldman, Sachs & Co.	1/22/15	\$1.8225	\$ 765,450
l.	FY2017	2,100,000	USLD	Merrill Lynch	6/8/15	\$1.9820	\$ 4,162,200
m.	FY2017	1,932,000	USLD	Merrill Lynch	7/2/15	\$1.9640	\$ 3,794,494
n.	FY2017	2,016,000	USLD	Merrill Lynch	7/17/15	\$1.8225	\$ 3,674,215
o.	FY2017	1,218,000	USLD	Goldman, Sachs & Co.	8/11/15	\$1.7320	\$ 2,109,530
p.	FY2017	840,000	USLD	Merrill Lynch	1/20/16	\$1.1292	\$ 948,528
		9,996,000				\$1.8780	\$ 18,772,009
q.	FY2018	2,520,000	USLD	Merrill Lynch	1/20/16	\$1.1290	\$ 2,844,954
r.	FY2018	3,486,000	USLD	Merrill Lynch	5/9/16	\$1.4585	\$ 5,084,331
		6,006,000				\$1.3202	\$ 7,929,285

ATTACHMENT B

METRO
FY2016 DIESEL FUEL

(Office of Management and Budget 07/7/2016)

Month	Fuel Source	Gallons in Financial Hedge	Gallons Purchased	Gallons Used	Gallons Used Variance ⁽¹⁾	Swap Receipts From/ (Payments To) Trader/s
Oct-15	Financial Hedge	966,000	1,066,902	1,074,554	108,554	\$ (1,260,395)
Nov-15	Financial Hedge	798,000	918,965	1,065,957	267,957	\$ (1,061,626)
Dec-15	Financial Hedge	840,000	979,257	941,661	101,661	\$ (1,328,794)
Jan-16	Financial Hedge	798,000	847,803	890,895	92,895	\$ (1,237,641)
Feb-16	Financial Hedge	798,000	886,381	892,203	94,203	\$ (1,357,877)
Mar-16	Financial Hedge	924,000	1,024,726	1,009,910	85,910	\$ (1,444,582)
Apr-16	Financial Hedge	882,000	873,705	916,234	34,234	\$ (1,299,345)
May-16	Financial Hedge	882,000	933,105	975,635	93,635	\$ (1,139,955)
Jun-16	Financial Hedge	924,000	1,015,114	1,018,891	94,891	\$ (1,115,040)
Jul-16	Financial Hedge	924,000				
Aug-16	Financial Hedge	966,000				
Sep-16	Financial Hedge	882,000				
Total		10,584,000	8,545,958	8,785,938	973,938	\$ (11,245,253)

NOTE

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