



Energy Price Risk Management Update

Greater Cleveland
Regional Transit Authority

Presented by:
Office of Management & Budget
&
Procurement



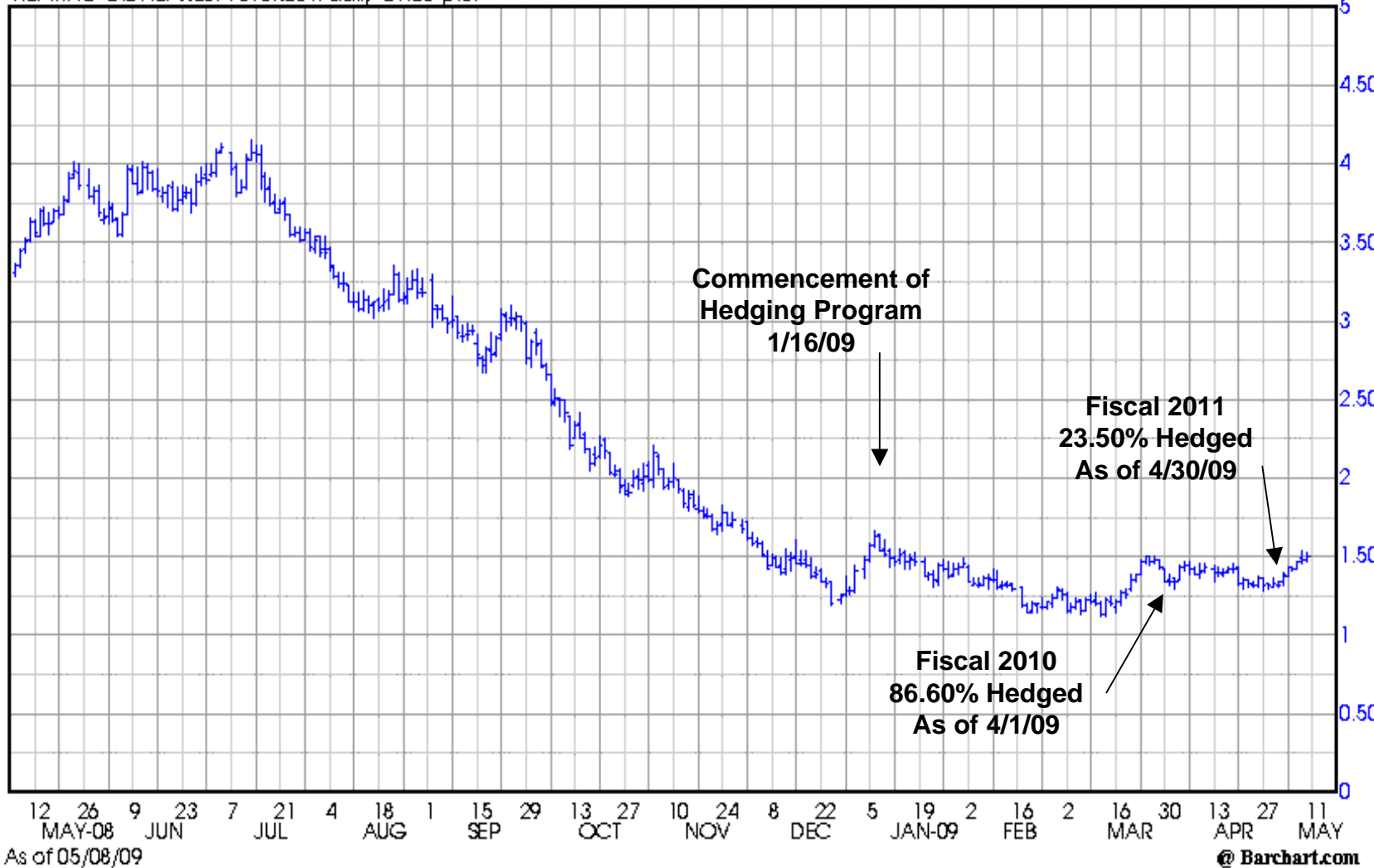
Energy Price Risk Management Program

- Decrease Energy Volatility
- Increase Certainty of Future Fuel Costs
- Stabilize and Control Budget
- Lower Overall Long-Term Energy Costs



Fuel Price June 2008 – May 2009

HEATING OIL NEAREST FUTURES .. daily OHLC plot





Energy Price Risk Execution

- Began January 16
- Commodity Average Cost \$1.70/Gallon

- 55 Contracts 2.310 Million Gallons
 - Total Cost \$3,927,120
 - Diesel Equivalent \$1.91/Gallon



Energy Price Risk Execution (Cont)

| ISDAs | | | | |
|-------------------------|------------|----------------|---------------------------|------------------|
| 2/4/09 | Key Bank | Calendar Strip | 504,000 Gallons | \$1.6975/Gallon |
| 2/24/09 | RBS Sempra | Calendar Strip | 504,000 Gallons | \$1.53/Gallon |
| 3/4/09 | Key Bank | Calendar Strip | 504,000 Gallons | \$1.5475/Gallon |
| 4/1/09 | RBS Sempra | Calendar Strip | 504,000 Gallons | \$1.68/Gallon |
| | | | Average | \$1.61375/Gallon |
| No Margin | | | 3.75 Cents over NYMEX | |
| Total Cost: \$3,253,320 | | | Diesel Equivalent: \$1.83 | |



Energy Price Risk Execution (Cont)

| Strategic Plan | | | |
|-------------------------|-----------------|-----------------|------------------|
| | Current | Target | Remainder |
| Commodities | 2.310 M Gallons | 2.352 M Gallons | 0 Contracts |
| ISDAs | 2.016 M Gallons | 2.016 M Gallons | 0 Calendar Strip |
| 4.326M Gallon | | 4.368M Gallon | |
| 86.6% Hedged | | | |
| Total Cost: \$7,180,440 | | \$1.65/Gallon | |
| Diesel Equivalent | | \$1.86/Gallon | |



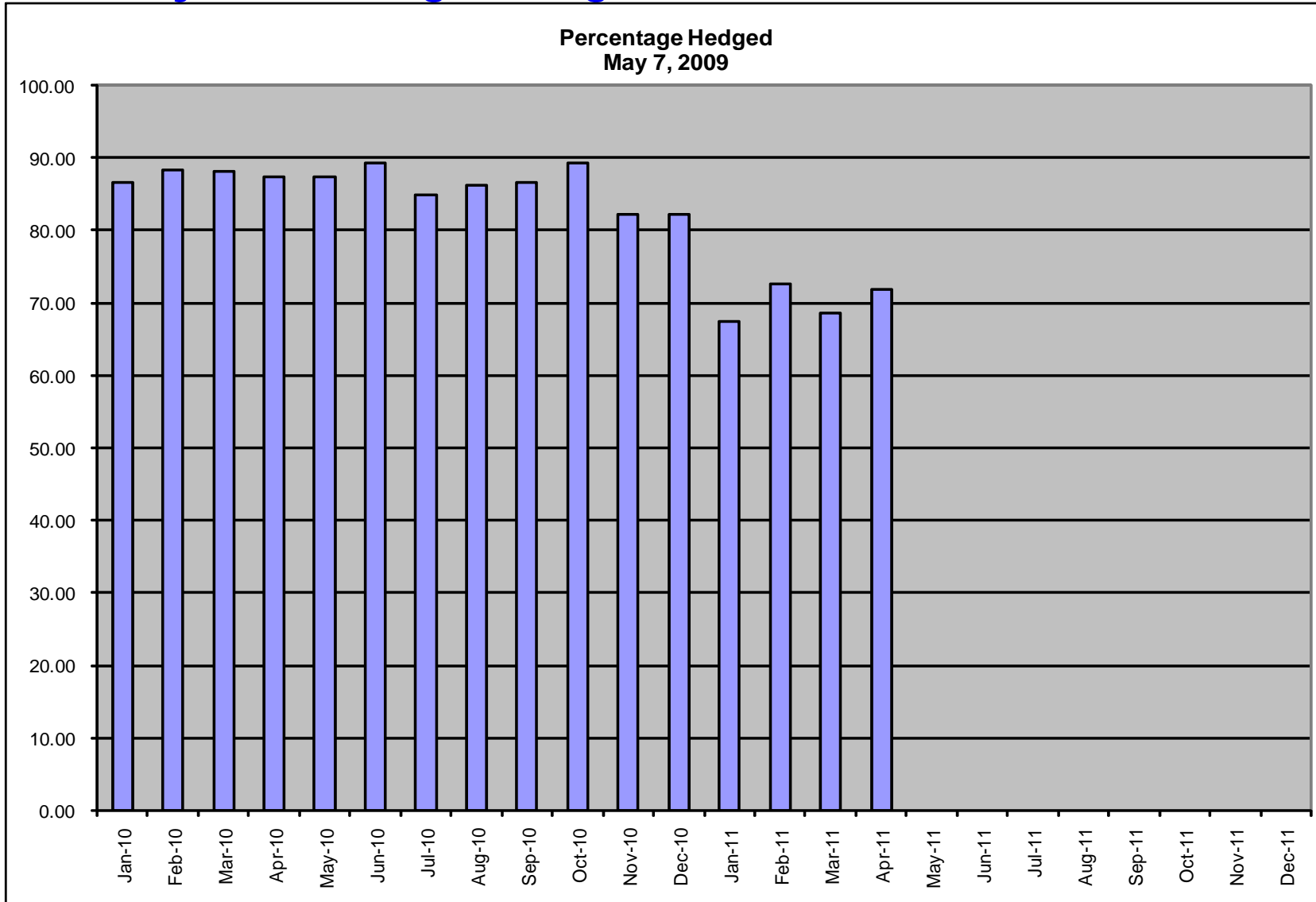
Energy Price Risk Management Program

- 2010 Fuel Costs
 - 86.6% Hedged \$1.86/Gallon

- Budgeted \$18.8M
- Fuel Hedging Projected \$9.8M
Reduction \$9.0M

Energy Price Risk Execution (Cont)

Monthly Percentage Hedged





Energy Price Risk Management Program

2011 Fuel Hedged

- Physical Commodity 840,000 Gallons \$1.83/Gallon
- ISDAs 336,000 Gallons \$1.87/Gallon
- 1,176,000 Gallons \$1.84/Gallon

- Diesel Equivalent \$2.05/Gallon
23.5% Hedged



Energy Price Risk Management Program

- Maximum Hedge Maturity 24 Months
 - Maximum has been reached
 - Can not buy ISDAs
 - 5 Contracts/Month on Physical Commodities



Energy Price Risk Management Program

- Diesel Costs low

- Physical Commodities (\$14,000)
- ISDAs (\$0.0375/Gallon) \$76,000

Total: \$62,000

\$485/Contract



Energy Price Risk Execution (Cont)

- Unrealized Gains

- Physical Commodities \$582,000
 - ISDAs \$484,000
- \$1,066,000

\$8,328/Contract



Energy Price Risk Execution (Cont)

- Extend to 36 Months – Maximum Hedge Maturity

| | |
|---------------|----------------|
| • 2011 Budget | \$20.7M |
| • 2011 Hedged | <u>\$11.5M</u> |
| Savings | \$9.2M |



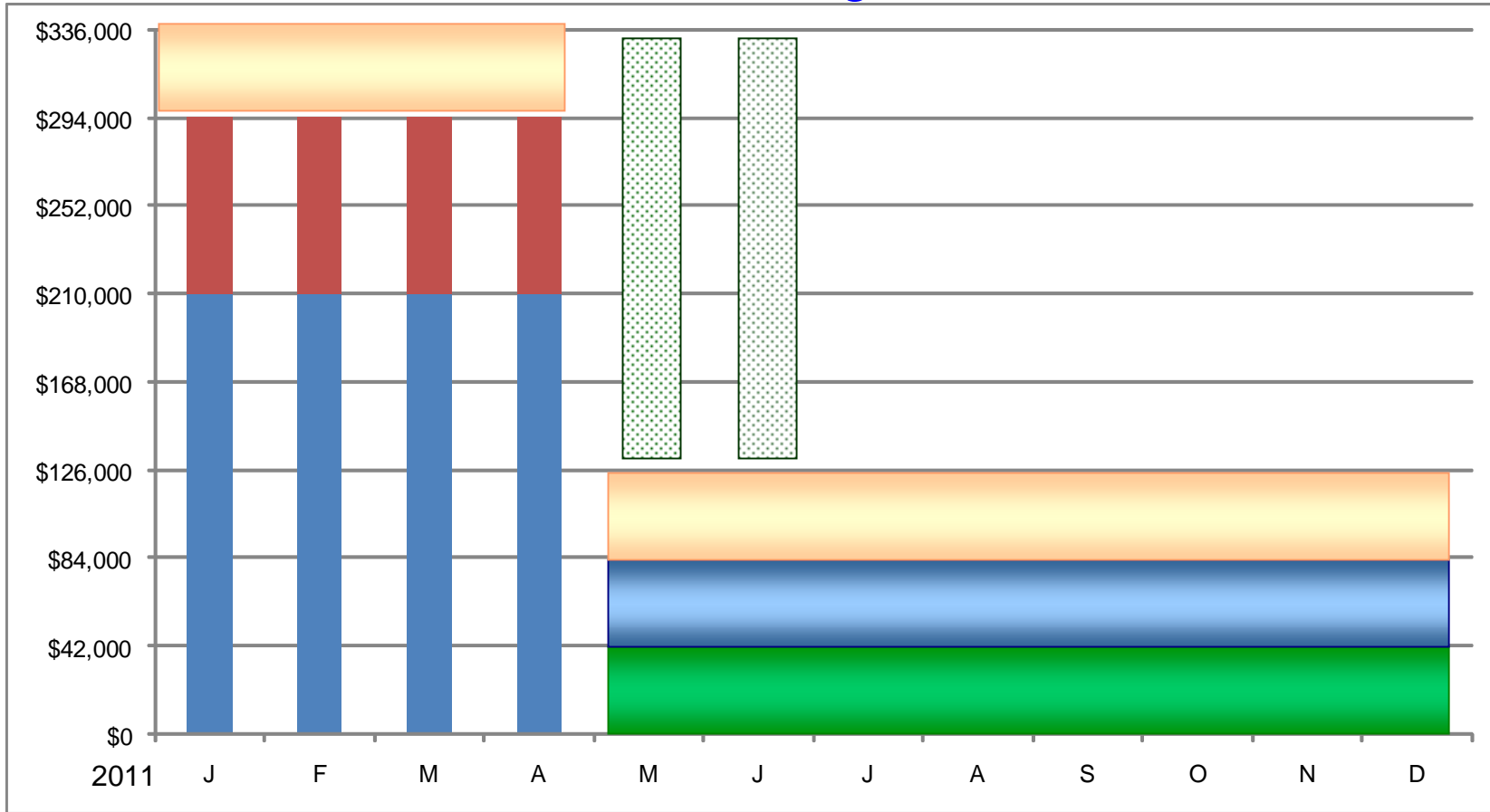
Energy Price Risk Management Program

■ Opportunity

- Prices Increased \$0.20/Gallon (May 1 – May 8)
- No Flexibility
 - ☞ Prices ↑: Unable to buy quickly to beat climb
 - ☞ Prices ↓ (\$0.10): Unable to buy to take advantage



Plan- If 36 Month Maturity Authorized



\$1,176,000 Bought

23.5%

\$1,176,000 (3 ISDAs)

47.0%

\$210,000

51.0%

\$420,000

55.0%



Questions & Answers

Energy Price Risk Management Presentation

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