Greater Cleveland Regional Transit Authority

Energy Price Risk Management Program Update

Presented to: Organizational, Services & Performance Monitoring Committee

March 1, 2022

History of Price Risk Management Program

Program started in 2009 after sharp Diesel Fuel price increases in 2008

	Jan 2008	July 2008
Pump Price	$2.64	$4.16

	2007	2008
Fuel Cost	$12.1MM	$19.3MM

What is the Program?

- Establishing pricing in advance through purchase of futures contracts
- Strategically purchasing contracts at perceived low points in market
- Guidance on market provided by Fuel Consultant – Linwood Capital

Program Rules – Ohio Revised Code

- Intended to mitigate, for the TERM of the contract
- A budgetary and financial tool ONLY and not a contract for the procurement of the energy source
- Energy price risk management contract is NOT an investment

GCRTA Policy

- Maximum hedge ratio 90% of forecasted consumption
- No interim trading – only if forecasted usage decreases
- Maximum hedge maturity 36 months

Energy Price Risk Management Program

The Program

- It is not an investment
- Its objective is not to make or lose money
- Increases Budget Certainty
- Protects against sharp price increases
- Manages Risk

Example – Diesel Price Increases

Current Price – Price at pump		$2.60
Bought contract for Dec 2022 @		$1.74
Sell contract for Dec 2022@		$2.75
Dec 2022 – Price at pump		$2.80
Dec 2022 – Gain on sale	($2.75-$1.74)	$(1.01)
Net Dec 2022 Cost	($2.80-$1.01)	$1.79

Example – Diesel Price Decreases

Current Price – Price at pump		$2.60
Bought contract for Dec 2022@		$1.74
Sell contract for Dec 2022 @		$1.45
Dec 2022 – Price at pump		$1.50
Dec 2022 – Loss on sale	($1.45-$1.74)	$0.29
Net Dec 2022 Cost	($1.50+$0.29)	$1.79

Energy Price Risk Management Program

Program Risk Management

- Narrows gap of both price increases and decreases
  - Authority can handle paying less
  - Cannot quickly react to paying more
- Price Peaks – reduces net increase in cost
- Price Drops – reduces net decrease in cost

Fuel Hedge Contract Status

Year	Status	Avg Monthly Price
2022	Fully Hedged	$1.77
2023	Fully Hedged	$1.56

YTD 2021 Diesel Fuel

Budgeted Cost	$3,065,000
Net Cost	3,422,000
(Over)/Under	$ (357,000)

Total % over budget	11.6%
Gallons % over budget	8.4%
Price % over budget	2.9%

Total Diesel & CNG Fueling (in millions)

	2015	2016	2017	2018	2019	2020	2021
Diesel Gallons	4.4	3.4	3.0	2.5	2.1	1.7	1.7
CNG Diesel Gal Equiv	0.4	1.2	1.4	1.5	1.7	1.6	1.8
Cost - Diesel+CNG	$12.5	$9.9	$7.8	$5.6	$5.0	$4.8	$4.8
Cost/Gal	$2.59	$2.16	$1.79	$1.43	$1.30	$1.44	$1.38
Cost/Gal Net of Tax Cr	$2.54	$2.01	$1.61	$1.22	$1.05	$1.17	$1.09

Questions?