

Energy Price Risk Management Update



November 18, 2014

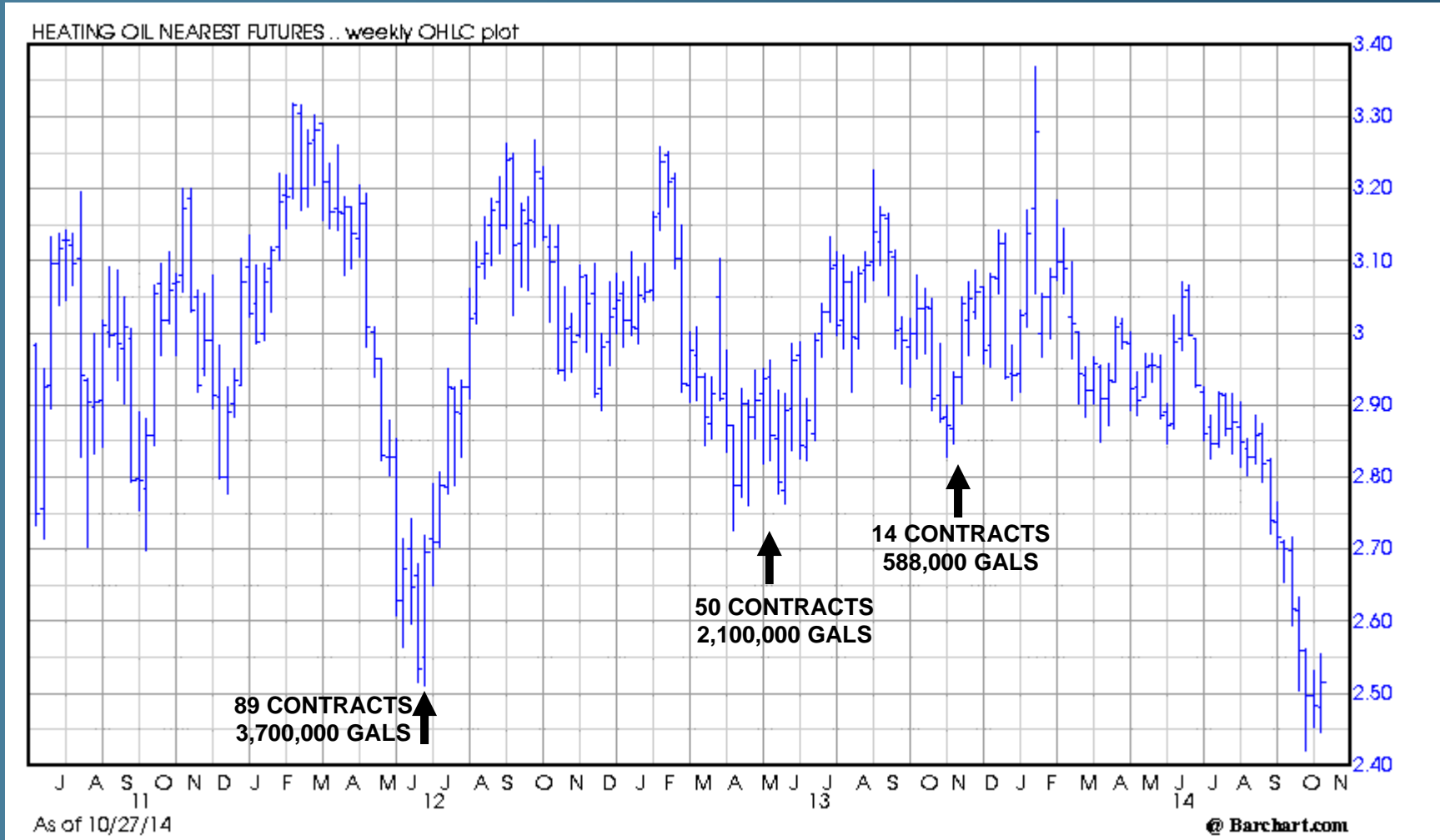
Greater Cleveland
Regional Transit Authority

Presented by:
Office of Management & Budget
& Procurement

Greater Cleveland Regional Transit Authority



Fuel Price - 3 Year History



Fuel Price - 1 Year History



Factors Affecting Markets

Prices have decreased significantly in the past several weeks due to:

- A strong dollar which decreases the price of petroleum in dollar terms.
- Weaker than expected global economies which decreases global demand growth.
- Ample supply with domestic production reaching 28-year high levels and with OPEC not yet announcing any production cuts.
- Four year low speculation levels down from record high levels this past summer.

Factors Affecting Markets

Mitigating factors to further downward price movements include:

- Lower petroleum prices will stimulate sluggish world economies and increase petroleum demand expectations.
- Lower prices will discourage new supply in the form of fewer new wells being drilled.
- Speculative capital on the sidelines that will return to the market when the fundamental picture improves.

The big question is what will happen at the regularly scheduled OPEC meeting on November 27th. Will OPEC and Saudi Arabia in particular curtail production in order to support price or will they leave production unchanged thus enforcing a new lower price range, protecting their market share, and discouraging the pace of oil supply growth.

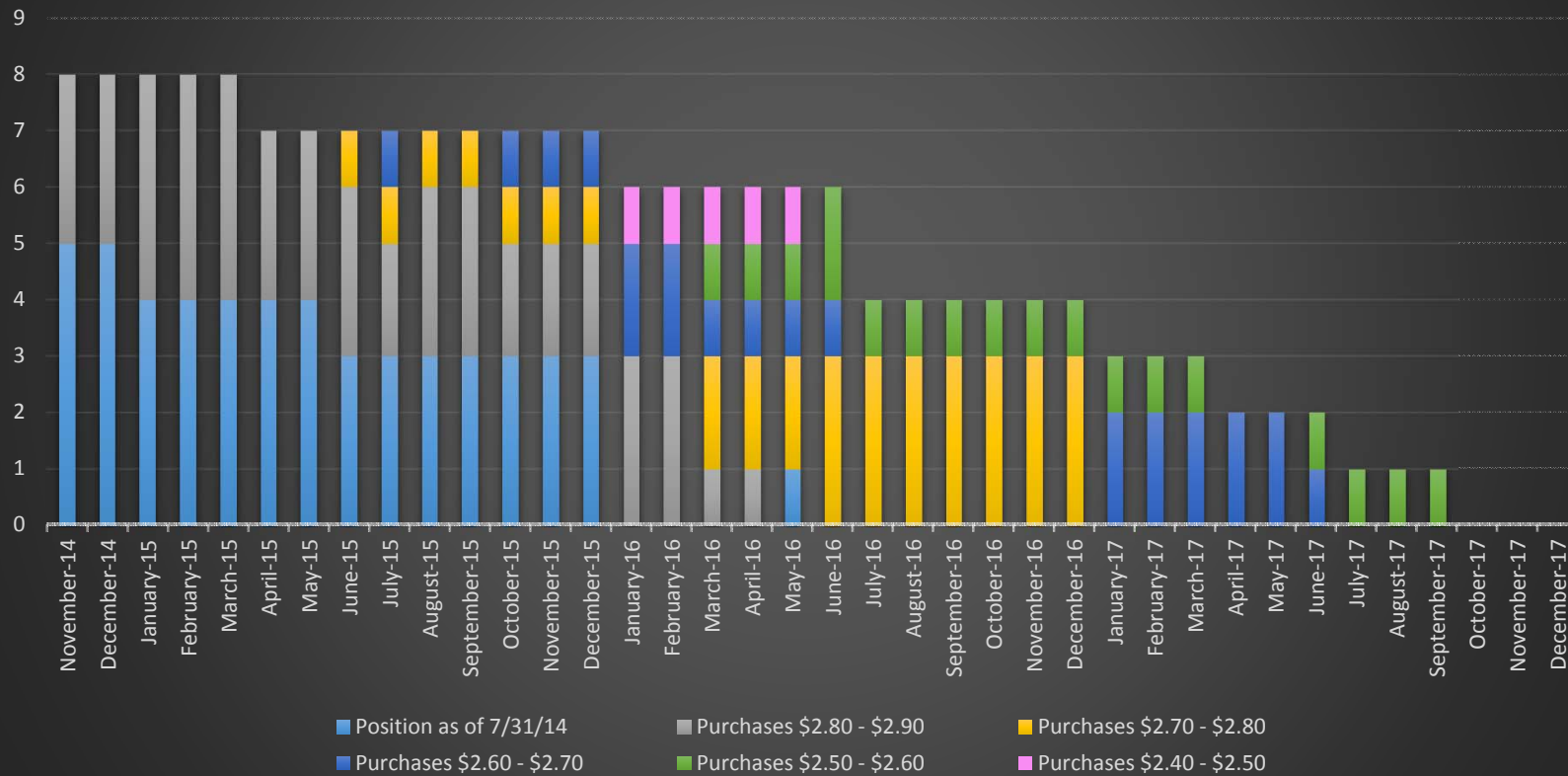
Recent Purchases

- **Prices Dropped to \$2.89 - \$2.80**
 - Bought 53 Contracts
 - 2,226,000 GALS
- **Dropped to \$2.79 - \$2.70**
 - Bought 30 Contracts
 - 1,260,000 GALS
- **Dropped to \$2.69 - \$2.60**
 - Bought 24 Contracts
 - 1,008,000 GALS
- **Dropped to \$2.59 - \$2.50**
 - Bought 20 Contracts
 - 840,000 GALS
- **Dropped to \$2.49**
 - Bought 5 Contracts
 - 210,000 GALS

Total Purchase of 132 Contracts – 5,544,000 GALS

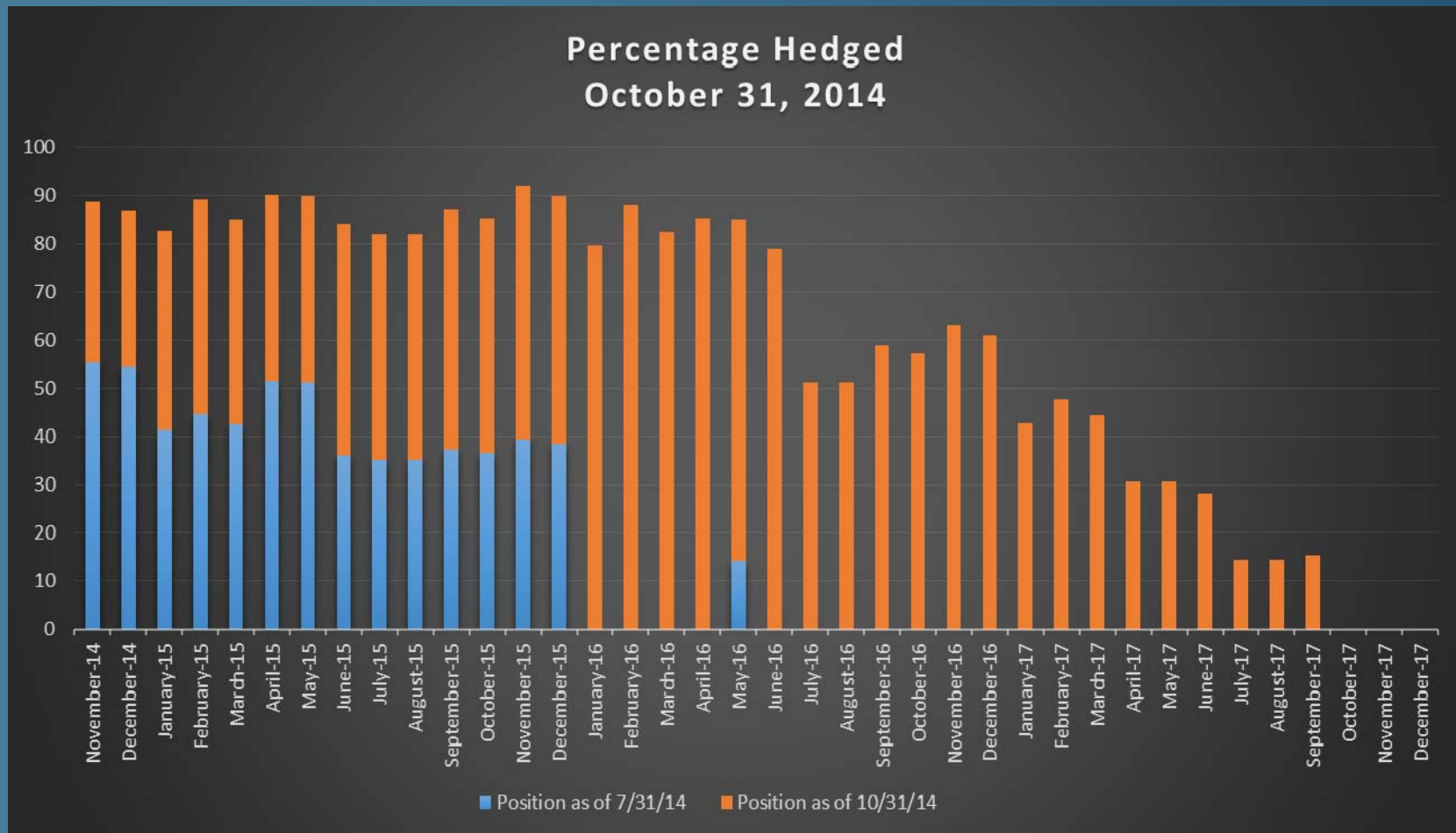
Energy Price Risk Execution Future Contracts Hedged

Futures Contracts Hedged & Pricing Breakout
October 31, 2014



Energy Price Risk Execution Monthly Percentage Hedged

Futures contract = 42,000 gallons



Average Hedge

- Feb 15 - \$2.85
- Aug 15 - \$2.77
- Dec 15 - \$2.73
- Mar 16 - \$2.67
- Jun 16 - \$2.63
- Dec 16 - \$2.67
- Apr 17 - \$2.59
- Oct 17 - \$2.52

September 2014

- $397,582 \text{ GALS} \times \$2.839 = \$1,125,334$
- Realized Gain = $\$(14,577)^*$
- Net Cost = $\$1,140,911$
- Net Cost/GAL = $\$2.869$
- $\$22,651$ Under Budget

***First Time Month Was Negative**

CNG Effect on Fuel Purchasing

Date	CNG Bus Delivery	Diesel (GAL)	Natural Gas (BTU)
2014		4.7 MGALs	
Mar–May 2015	60 Buses		100,000 MMBTUs
Nov–Dec 2015	30 Buses		
Jan 2016			
Nov-Dec 2016	22 Buses		
Jan 2017			
2017		3.4 MGALs	185,000 MMBTUs



Questions & Answers

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Presentation

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