# Energy Price Risk Management Update
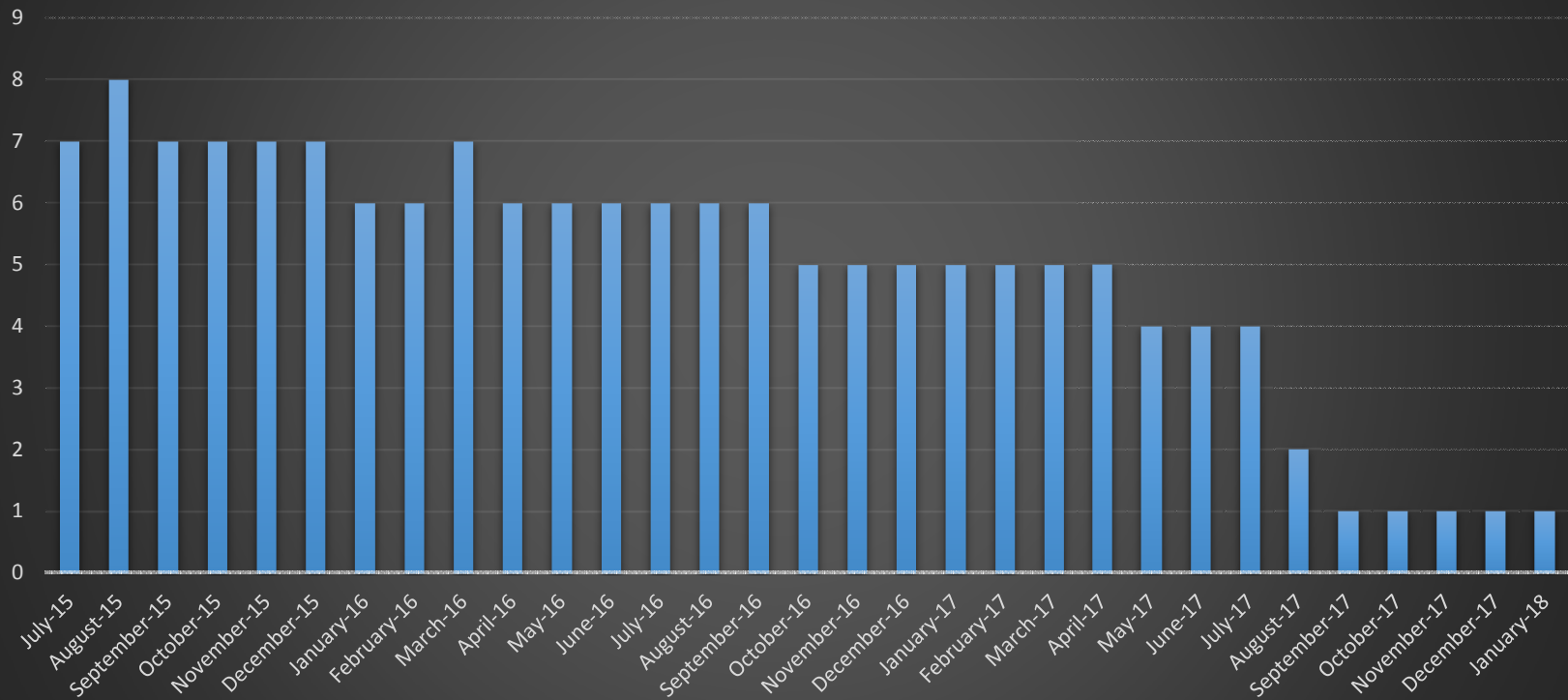
## July 7, 2015

Greater Cleveland

Regional Transit Authority

Presented by:

Office of Management and Budget

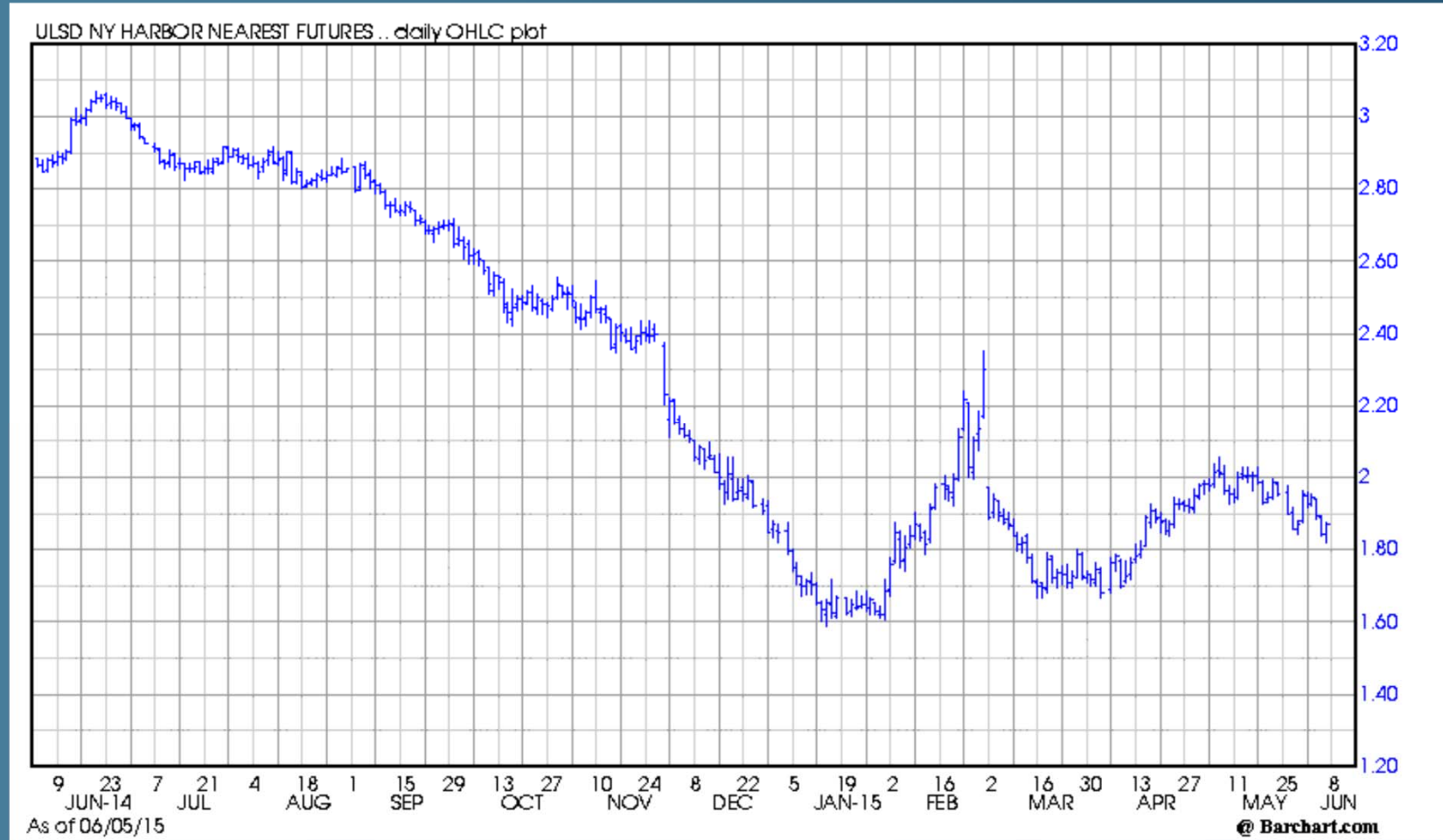Procurement

# Energy Price Risk Execution
## Future Contracts Hedged



Futures Contracts Hedged and Pricing Breakout
March 3, 2015

# Fuel Price - One Year Market



ULSD NY HARBOR NEAREST FUTURES .. daily OHLC plot

As of 06/05/15

@ Barchart.com

# Factors Affecting Markets

- U.S. demand for petroleum increased 5.5%. Demand up 4.3% vs one year ago.

- U.S. production is at an all time high despite lower rig count.

- U.S. can rapidly increase production – wells drilled but not producing.

- U.S. producers have reduced marginal cost of production.

- Global market oversupplies by 1.5 – 2.0 million BBL per day.

- Greek economic crisis is affecting world outlook.

- Speculation 266.1 MMBBLs causing 25 cent increase in price.

# Purchases
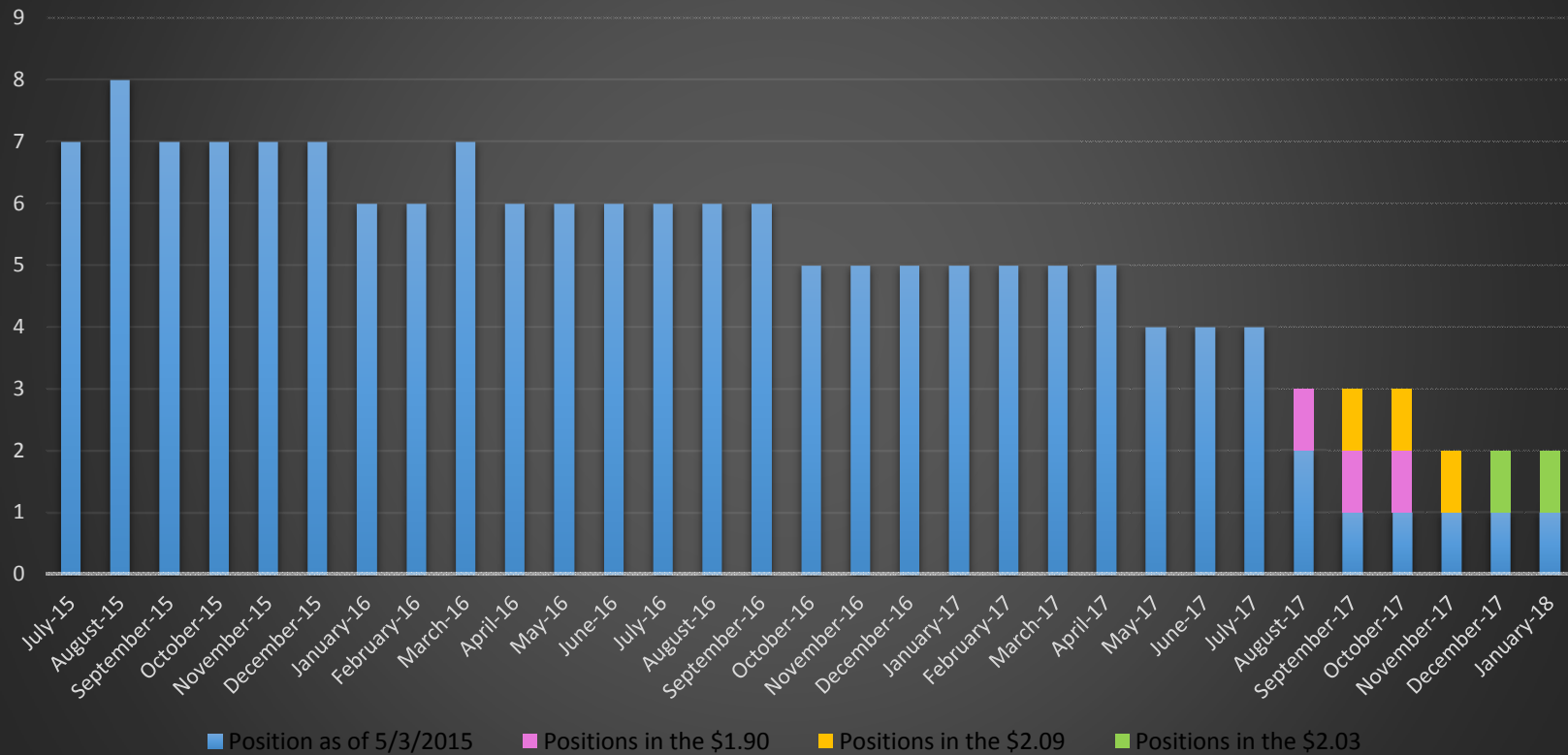## March 1 – July 1

- **5/7/15 – 3 Contracts $1.90          126,000 GALS**

- **5/26/15 – 3 Contracts $2.09          126,000 GALS**

- **7/1/15 – 2 Contracts $2.03          84,000 GALS**

- **7/2/15 – 2 Contracts $1.99          84,000 GALS**

### Total Purchase of 420,0000 GALS

# Energy Price Risk Execution
## Updated Future Contracts Hedged



**Futures Contracts Hedged and Pricing Breakout**
**July 1, 2015**

Legend:
- Position as of 5/3/2015
- Positions in the $1.90
- Positions in the $2.09
- Positions in the $2.03

# April 2015 Fuel Results

- Actual = 389,531 GALS x $1.86 =          $790,748

- Realized Gain/ (Loss) =                   ($291,706)

- Net Cost =                                $1,018,734

- Net Cost per GAL =                        $2.69

- Budgeted Cost =                           $1,263,204

- Over/(under) =                            $244,470

# 2012 – 2014 Fuel Results

|  | 2012 | 2013 | 2014 |
|---|---|---|---|
| **Realized Gain/(Loss)** | $2,108,072 | $617,676 | ($192,351) |
| **Actual** | $14,661,084 | $14,646,024 | $14,554,023 |
| **Net Cost** | $12,552,953 | $14,028,347 | $14,746,374 |
| | | | |
| **GALS** | 4,585,505 | 4,675,534 | 4,778,893 |
| **Cost per GAL** | $2.74 | $3.00 | $3.04 |

# 2015 – 2017 Projected Fuel Results

|  | 2015 | 2016 | 2017 |
|---|---|---|---|
| **Realized Gain/(Loss)** | ($3,392,719) | ($1,908,594) | ($510,721) |
| **Actual** | $8,466,811 | $7,692,711 | $7,364,864 |
| **Net Cost** | $11,859,530 | $9,601,305 | $7,866,585 |
|  |  |  |  |
| **GALS** | 4,189,872 | 3,598,550 | 3,344,550 |
| **Cost per GAL** | $2.75 | $2.66 | $2.35 |

# Questions & Answers

Energy Price Risk Management

Presentation

## Greater Cleveland

## Regional Transit Authority

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