

Energy Price Risk Management Update



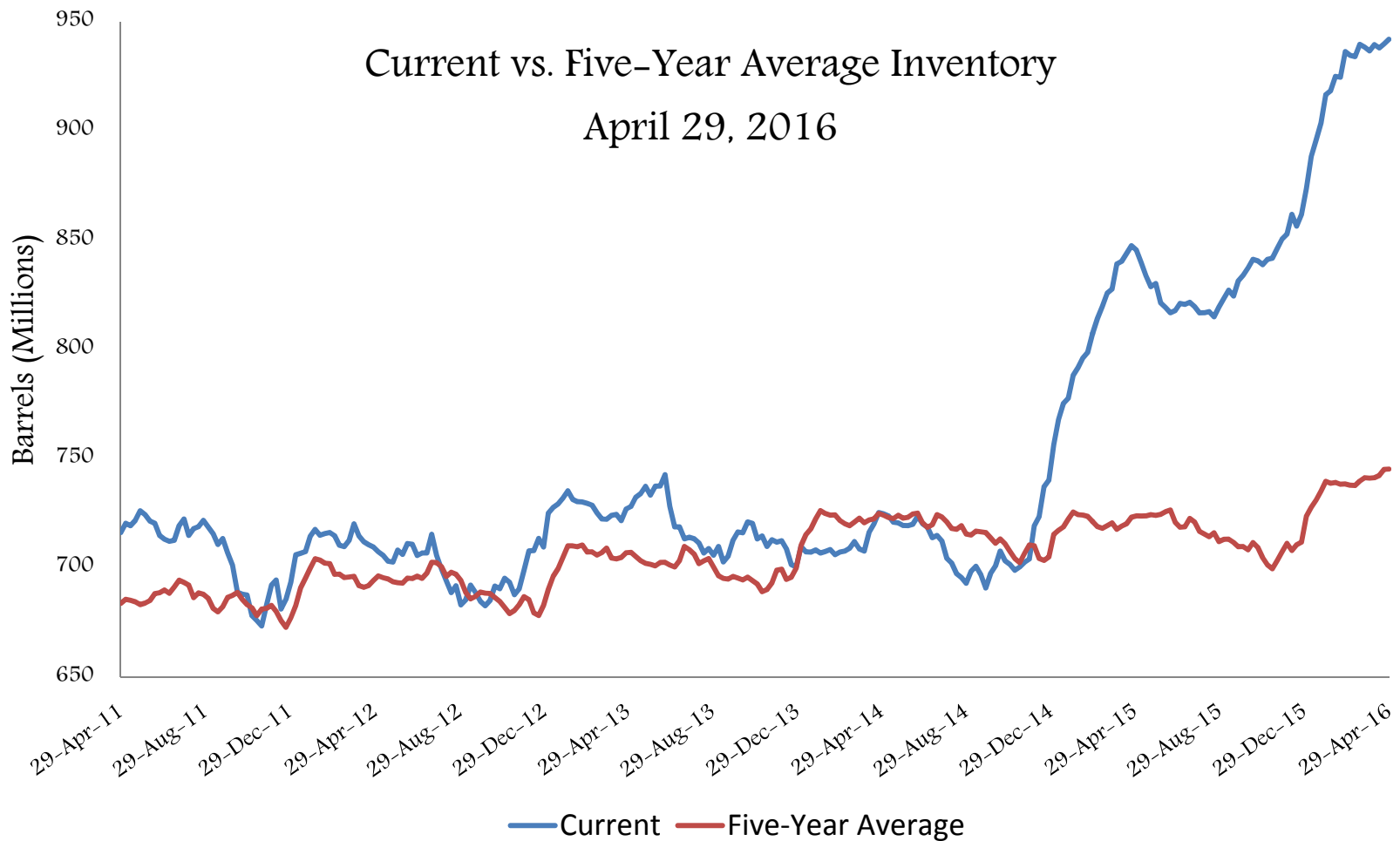
May 10, 2016

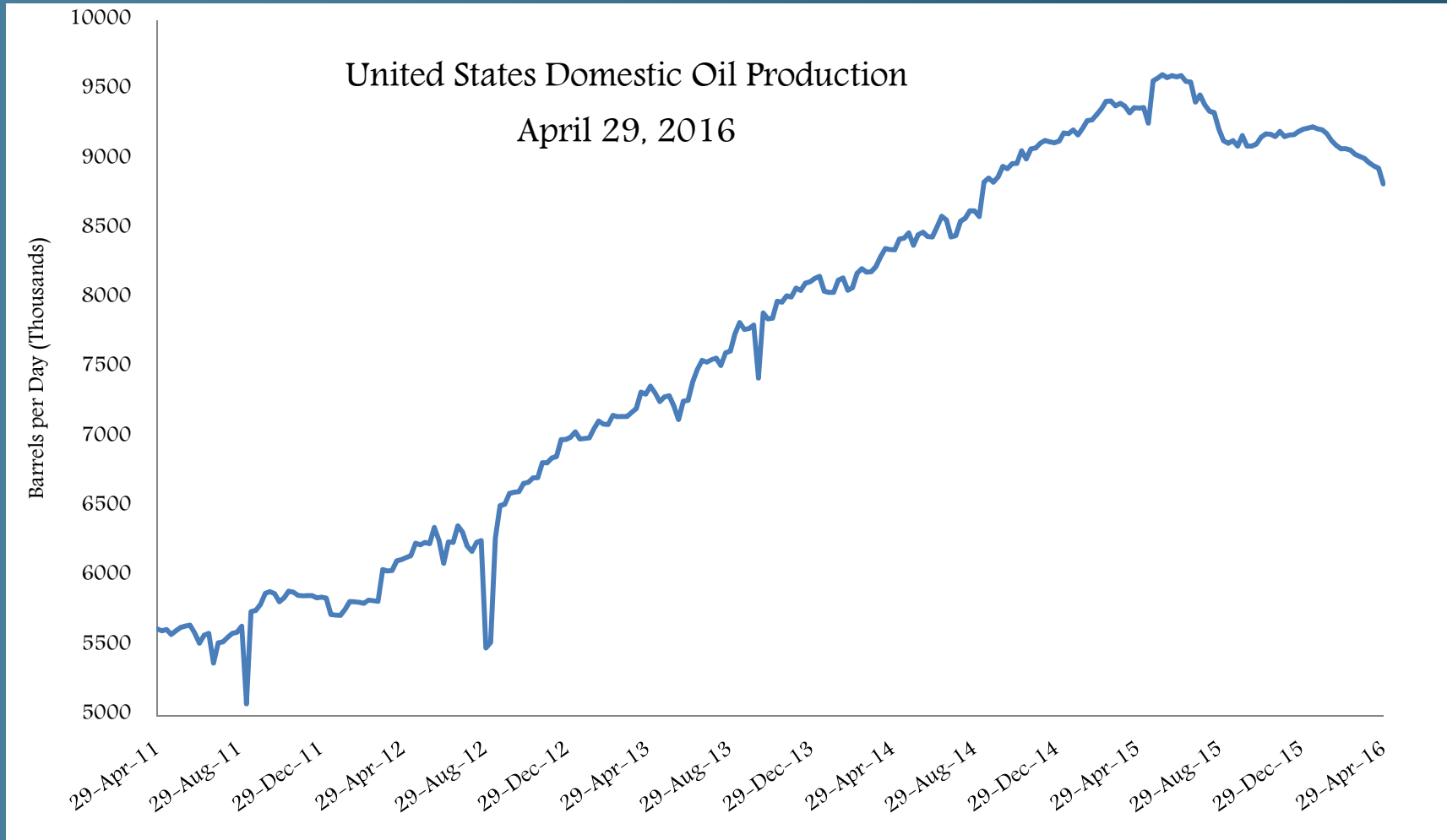
Greater Cleveland
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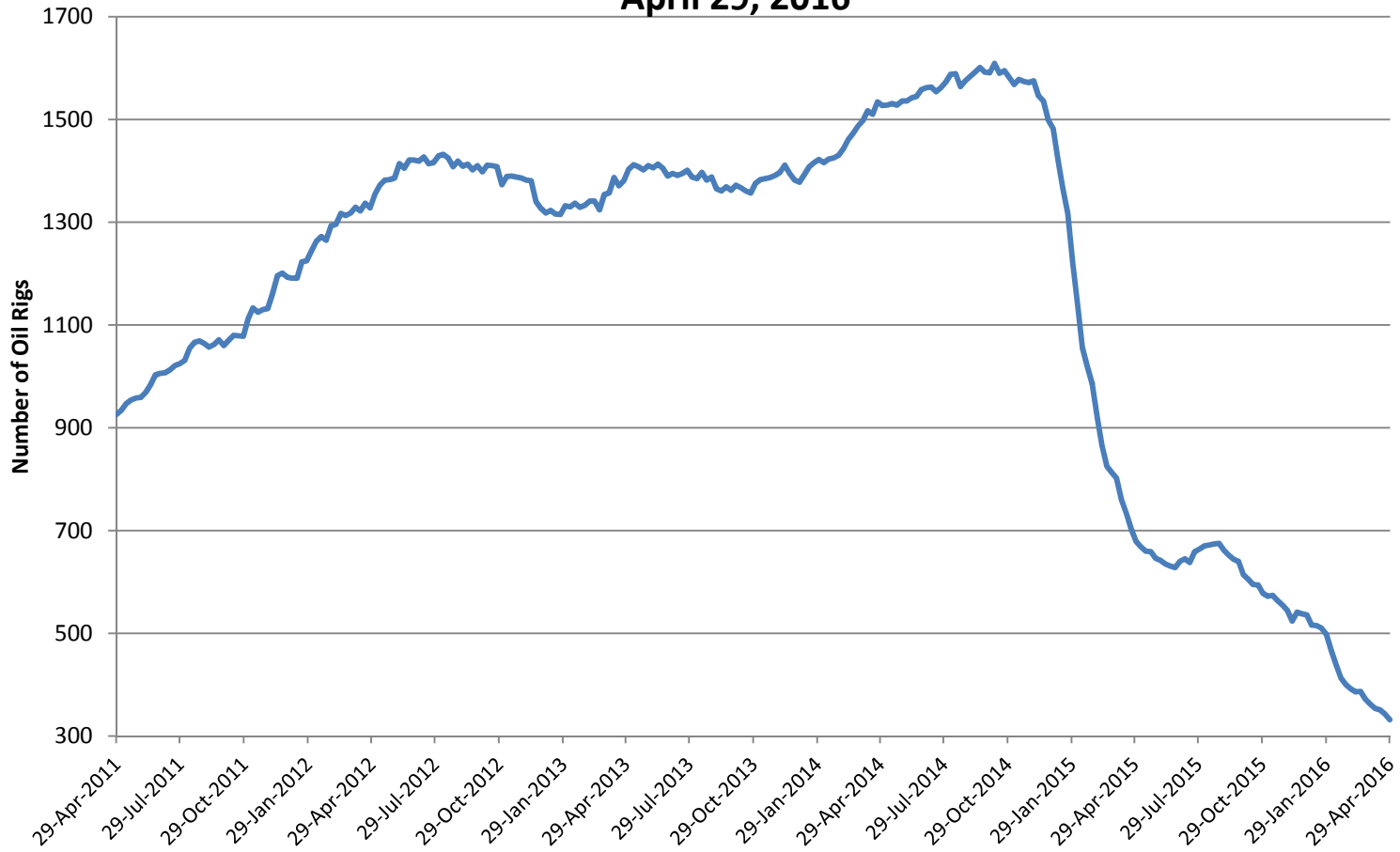


Current vs. Five-Year Average Inventory April 29, 2016

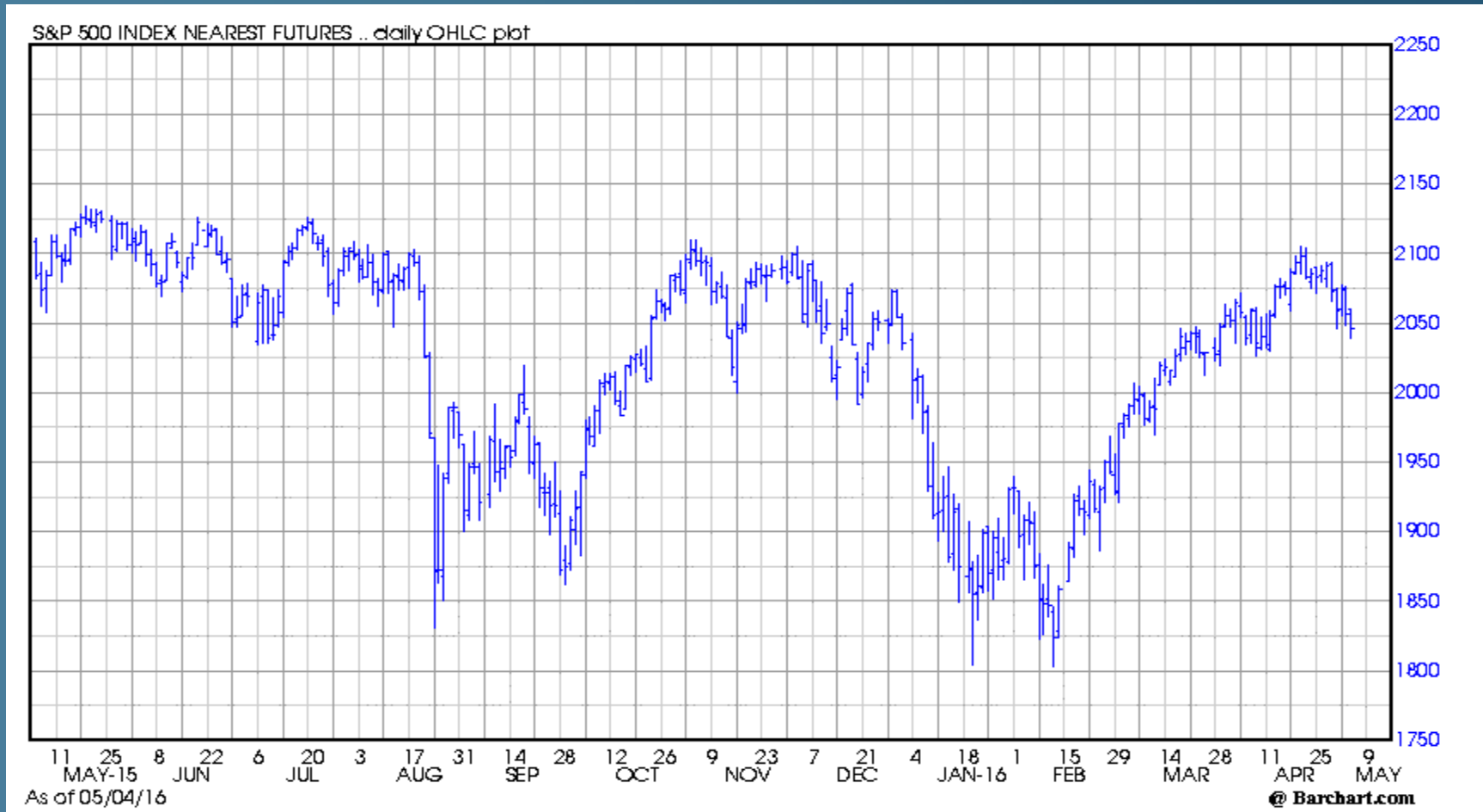




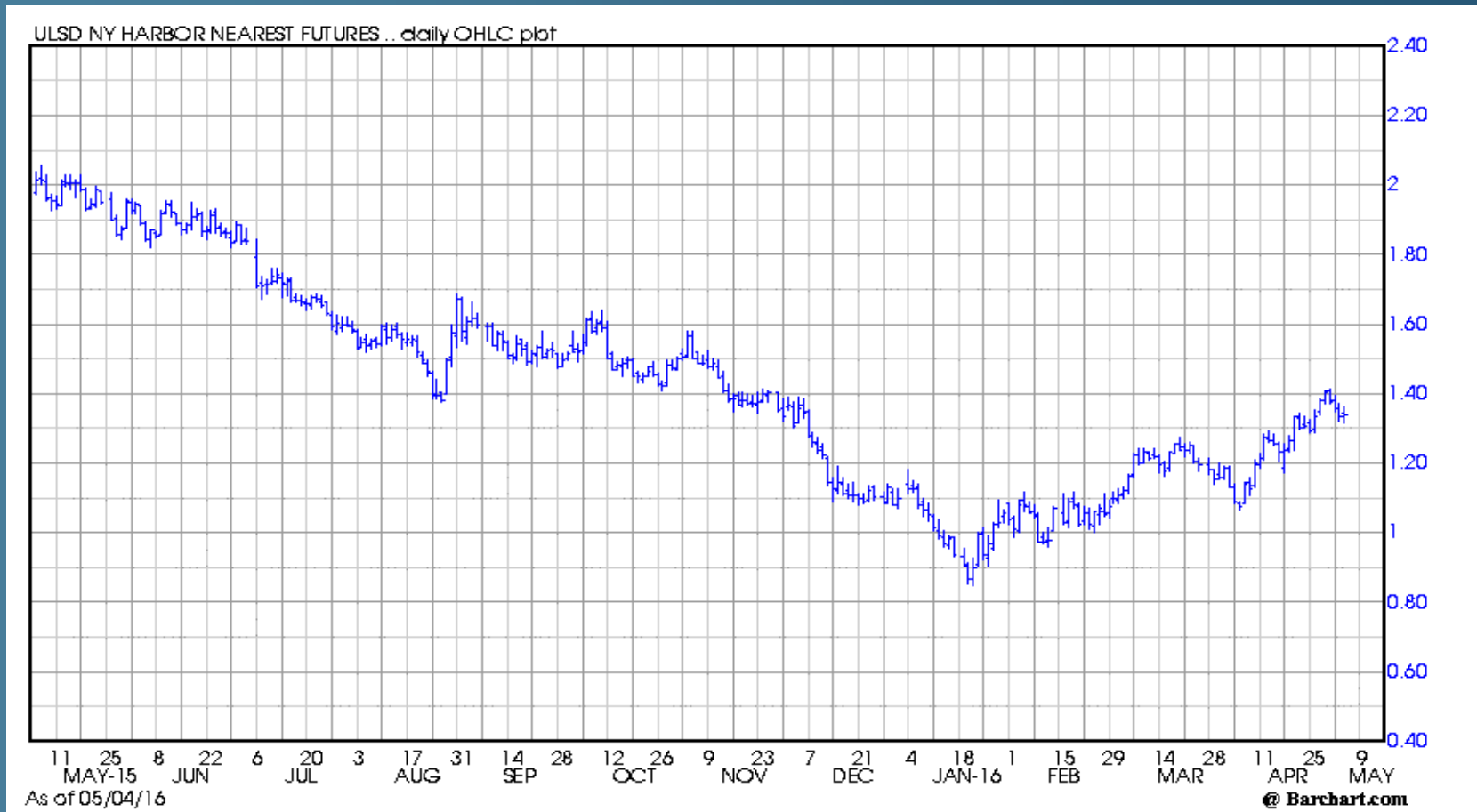
Oil Rigs Operating in the U.S. April 29, 2016



One-year chart S&P 500 Index Nearest Futures as of May 4th



One-year chart of spot diesel futures prices as of May 4th



Energy Price Risk Management Program Original Objectives

- Increase Budget certainty
- Protect against sharp price increases
- Manage Risk
 - Not to be treated as investment
 - Futures held to maturity – no interim trading

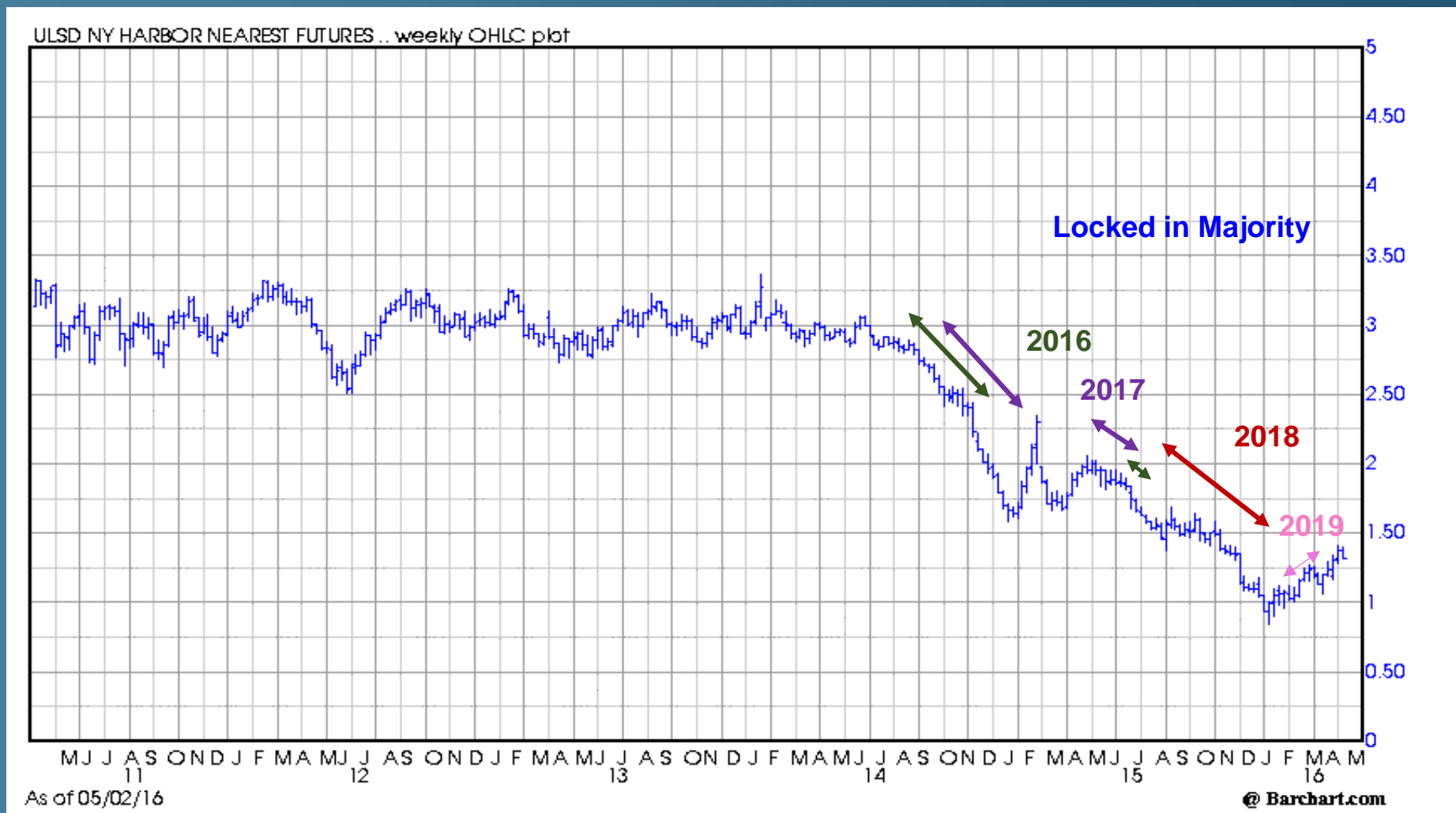
Energy Price Risk Management Program Original Objectives

- Risk Management
 - Narrows gap of both price increases and decreases
 - Price Peaks – reduce net increase
 - Price Drops - reduce net decrease

Historical Fuel Hedging Results

Year	<u>Realized</u> Gain / (Loss)
2010	\$2,260,000
2011	\$3,692,000
2012	\$2,108,000
2013	\$ 618,000
2014	(\$192,000)
2015	(\$4,217,000)
YTD Apr 2016	<u>(\$1,675,000)</u>
Cumulative	\$2,594,000

Five year chart of spot diesel futures prices



Fuel Hedge Status – 05/10/15

<u>Year</u>	<u>Status</u>	<u>Average Price</u>
2016	Fully Hedged	\$2.53
2017	Fully Hedged	\$2.17
2018	Fully Hedged	\$1.73
2019	Partially Hedged	\$1.48

YTD Apr 2016 Diesel Fuel Results

▪ Budgeted Cost	\$ 3,037,000
▪ Net Cost	<u>\$ 2,996,000</u>
▪ Over/(under)	(\$41,000)
▪ Actual Diesel Expense	\$1,321,000
▪ Realized (Gain)/Loss	<u>\$1,675,000</u>
	\$ 2,996,000

CNG Summary

Jan 16 – Apr 16

Natural Gas	\$203,000
Electricity	\$ 26,000
Operations/Maintenance	<u>\$ 59,000</u>
Total Cost	\$288,000
Diesel Gallon Equivalent (DGE)	295,000
Cost per DGE - Before Tax and Credits	\$0.97
Cost per DGE – After Tax and Credits	\$0.50

Total Diesel & CNG Fleet Fueling Expenses

	Jan-April 2015	Jan-April 2016
Diesel Fuel Expense	\$3,049,000	\$1,321,000
Hedging Loss/(Gain)	\$1,366,000	\$1,675,000
CNG Expenses	\$0	\$288,000
CNG Taxes & Credits	<u>\$0</u>	<u>(\$141,000)</u>
Net Cost	\$4,415,000	\$3,143,000
 Net Cost Reduction	 \$1,272,000	



Questions & Answers

Energy Price Risk Management
Presentation

Greater Cleveland
Regional Transit Authority

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