Fuel Hedge Program Report

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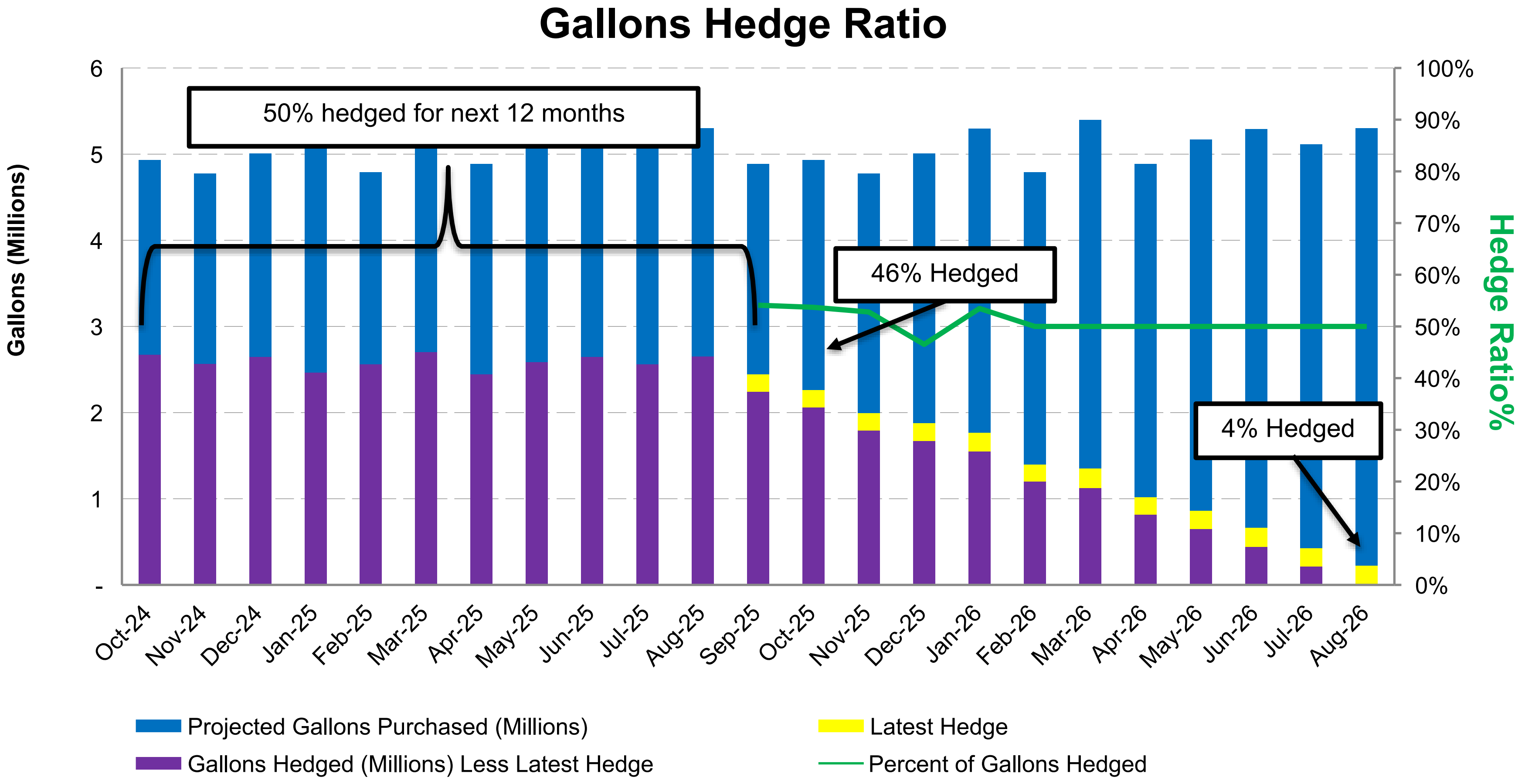
Fuel Hedging Program

- Fuel hedging is a method of controlling cost and budget risk by locking in the price of fuel that will be purchased and utilized at a later date.
- The fuel hedging program was established by the MTA Board authorization in December 2011.
- The goal of MTA's fuel hedging is to mitigate budget risk by dollar cost averaging approximately half of our ultra-low sulfur diesel ("ULSD") expenses.
- The 2024 July Financial Plan projects $216 million in total fuel expenses (including ULSD, Gasoline, Compressed Natural Gas, and other fuel) in 2024, of which, $85 million of ULSD costs are hedged.
- The program currently has 24 outstanding hedges with 4 counterparties.
- Current hedges have a final maturity of 2026, but each monthly hedge continues to ladder fuel purchases over time.
- Average locked in rate for the next 12 months is $2.48/gallon and the average budgeted rate for the same period is $2.60/gallon.

Current portfolio hedges 50% of the next 12 months of projected fuel purchases laddered in over time

- Each hedge is competitively bid on a monthly basis and is structured to lock in price for 4% of the projected fuel monthly purchases expected to occur 13-24 months from each hedge execution date.



Hedge program provides budget stability while protecting against commodity price spikes

- Executing monthly forward hedges defers the impact of major market changes in any current budget year by shifting them 12 months forward into future budgets, and helps protect the budget from negative volatility thus reducing the immediate impact of potential spikes in fuel prices.
- Hedges have had a slight negative impact over the first two quarters of 2024 but have had an overall positive impact in recent years, resulting in $60 million in savings since January 2020.