

UTAH TRANSIT AUTHORITY POLICY

No. UTA.02.09

FUEL PRICE RISK MANAGEMENT PROGRAM

1) Purpose.

UTA will establish and maintain a fuel price risk management program addressing petroleum fuels that will:

- seek to decrease the volatility of fuel cost;
- seek to increase the certainty of future fuel cost;
- seek to manage year-over-year changes in fuel cost.

The purpose of this program is not to make or lose money but to manage risk. This program is not an investment and should not be construed as such. Realized gains or losses will be considered and accounted for as an element of fuel cost.

2) Definitions. As used in this Policy:

“*Advisor*” means the person at a Futures Commission Merchant who acts as an agent to execute buy or sell orders for futures contracts or commodity options.

“*Futures Commission Merchant (FCM)*” means an entity that solicits and accepts orders to buy or sell futures contracts, options on futures, retail off-exchange or swaps, and accepts money or other assets from customers to support such orders.

“*Hedging*” means the use of financial derivatives such as futures contracts or options, making advance purchases of fuel at a fixed price for future contract settlement to protect against market volatility.

“*UTA*” means Utah Transit Authority

3) Policy

A. Program Infrastructure:

1. Instruments

UTA will establish and maintain a futures account with a Futures Commission Merchant. UTA, through the management and direction of a contracted Advisor, will acquire, hold, and dispose of petroleum futures contracts (typically heating oil futures) in the operation of its program. The high correlation between the movement of the price that UTA pays for its fuel and the movement of the value of the futures contracts produces the program’s effectiveness as a hedge. The volume of each petroleum futures contract is 42,000 gallons and there is a futures contract corresponding to each month for the next 0-36 months.

2. Maximum Hedge Ratio

UTA’s volume of fuel consumption is highly predictable and without significant variability over time. Given this, the maximum hedge ratio will be limited to 100% of forecasted consumption.

3. Maximum Hedge Maturity

To allow the establishment of cost certainty in current and future budget periods, the maximum maturity of the futures contracts taken in conjunction with the program is 36 months forward from the acquisition date.

4. Exiting Market Positions

The Advisor will exit the futures contracts evenly through time to coincide with UTA's purchase and consumption of fuel evenly through time. This even liquidation of hedges and purchases of fuel across time by UTA assures the effectiveness of the hedging process. Based on the difference between the hedge price (entry price) and the settlement price (exit price), there will be a realized gain/loss associated with each futures contract. Futures contracts will be held to maturity (exited when the corresponding fuel is purchased). There will be no interim trading or early exit allowed unless situations where the volume of forecasted fuel consumption decreases in which case the hedge position may be adjusted to comply with policy.

B. Physical Supply:

1. The physical supply of fuel will continue according to the current process of UTA. The physical supply will be priced according to the floating daily price according to the current fuel supply process.

C. Strategy:

1. The Strategy is how the program's objectives are achieved. The strategy will utilize a process that:
 - a. addresses market opportunities and market risks
 - b. examines fundamental and technical market factors in the hedge decision-making process
 - c. holds the risk of exceeding budget at or below an acceptable level
 - d. uses historical pricing ranges as pricing parameters
 - e. is continuously applied through time
 - f. will take advantage of the inherent "dollar cost averaging" properties of a continuous hedging program
 - g. mitigates transaction timing risk by making more numerous smaller volume transactions
2. Operationally, the portfolio will be:
 - a. expanded further forward in time when the market is offering a relatively low price opportunity
 - b. maintained at a minimum of 12 months forward at the policy maximum to insure cost certainty in the short-term
 - c. expanded to protect budgets/cost targets when prices are rising

These things will be accomplished by executing (to the greatest extent possible), the appropriate transactions at the appropriate times and at the appropriate prices, and in the appropriate volumes in order to create the desired effect within the constraints of the policy under the direction of the Advisor.

D. Execution, Monitoring & Reporting:

1. The Advisor will be responsible for the day-to-day execution and operation of the program including the execution of transactions, generating reports on the program's status and results, and monitoring the program and the energy markets.

2. The Advisor will generate periodic updates on the status and results of the program.
3. Oversight of the program will be primarily the responsibility of the Chief Financial Officer (CFO) at UTA.
4. Reporting to/communicating with UTA’s CFO on the performance and status of the program will occur periodically as the CFO deems appropriate. This reporting and communication may include weekly and monthly reporting and periodic conference calls/meetings according to UTA’s needs and wishes.

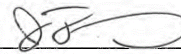
4) Cross-References.

- Board Policy 2.1 - Financial Management

This UTA Policy was reviewed by UTA’s Chief Officers on 09/09/22, approved by the Board of Trustees on 10/12/2022 and approved by the Executive Director on 10/12/2022. This policy takes effect on the latter date.

DocuSigned by:


 William Greene, Chief Financial Officer
 Accountable Executive

DocuSigned by:


 Jay Fox
 Executive Director

Approved as to form and content:

DocuSigned by:


 Mike Bell
 Counsel for the Authority

History

Date	Action	Owner
10/12/2022	Board Approved – UTA.02.09 – Fuel Price Risk Management Policy	Chief Financial Officer
10/12/2022	Adopted - UTA.02.09 – Fuel Price Risk Management Policy	Chief Financial Officer