REPORT TO THE LEGISLATURE
on
Diesel Fuel Price Hedging, Fiscal Year 2016

WASHINGTON STATE DEPARTMENT OF TRANSPORTATION

FERRIES DIVISION

December 2016

Washington State Ferries

Executive Summary

In 2011, the Washington State Legislature authorized the Washington State Department of Transportation (WSDOT) to enter into a distributor-controlled fuel hedging program. The first distributor-controlled hedges[1] were executed in fiscal year 2012. In 2012, the Legislature expanded the authorization to include other methods of hedging approved by the fuel hedging committee. The first financial hedges[2] were executed in fiscal year 2015.

During fiscal year 2016, the fuel hedging program continued to accomplish its goal of decreased volatility of fuel costs. For fiscal year 2016, the amount hedged totaled 14,658,000 gallons – or 80 percent of budgeted gallons. Although hedging had the effect of increasing the expected price for hedged gallons in fiscal year 2016 by an average of 18 cents compared to the price as of the February 2016 forecast upon which the 2016 supplemental budget was based, hedges were an average of 45 cents lower compared to the price forecast at the time the hedges were executed.

For the 2017-19 biennium, hedges are in place for both fiscal years at a combined price below the 2016 enacted fuel budget. In a market where prices were declining, the department entered into hedges below forecast. Subsequently, market prices dropped further. Consistent within the limits of fuel hedging policy, hedges have been executed for the upcoming biennium for 50 percent of forecasted consumption in fiscal year 2018 and 33 percent of forecasted consumption in fiscal year 2019.

Fuel Hedging in Fiscal Year 2016

During fiscal year 2016, WSDOT ferries division continued a hedging program for the purpose of stabilizing fuel expense[3]. The statutory authority to conduct hedging is provided in RCW 47.60.830.

The Secretary of Transportation's Executive Order 1078 provides specific direction for implementing a hedging program[4]. The Executive Order established a Fuel Hedging Oversight Committee to provide guidance; provides for the use of a hedging consultant to advise on the timing, quantities, and tenure of hedge contracts; sets maximum hedging limits; and outlines other operating parameters. The Fuel Hedging Oversight Committee consists of the Assistant Secretary for Financial Administration, the Assistant Secretary for the Washington State Ferries (WSF), and a transportation Budget Assistant to the Governor from the Office of Financial Management. The committee meets to receive periodic updates on the status of the market, hedges in place, and future hedging plans, or when a need arises to make a policy decision or to set parameters for the program. The committee is staffed by the Director of Finance and Administration at WSF, and receives advisory input from a hedging consultant.

The hedging policy sets forth limitations within which hedges will be executed in terms of maximum quantities, length of contracts, administrative structure, and consultant assistance. The policy states that the purpose of the hedging program is to seek to decrease the volatility of fuel cost and increase the likelihood that actual net

---

[1] Distributor-controlled hedges make use of price contracts with fuel distributors for quantities of fuel to be delivered at fixed times.

[2] With financial hedges, the department enters into futures contracts directly, guaranteeing the fuel price in the financial market at a set date in the future. For both distributor-controlled and financial hedges, WSF retains the services of a Fuel Hedging Program Advisor by way of a consultant contract.

[3] Please see Attachment A for specifics of each hedge contract entered into for fiscal year 2016.

[4] Please see Attachment B for the full executive order.

fuel cost will remain below the budgeted cost, not to save money. The Executive Order establishing the policy was changed in August 2014 to authorize hedge contracts at the discretion of the Assistant Secretary for Ferries, provided that the quantities and length of contract were within limits of the "standard recommendation," which can change by action of the committee. The limits established by the standard recommendation as of January 13, 2016 were:

Amount Hedged:

- Up to the first twelve months, on a rolling basis, a maximum of 85 percent of the forecasted consumption may be hedged. In addition, hedges will not exceed the forecasted monthly consumption level for any specific month.
- Between the thirteenth and twenty-fourth months, on a rolling basis, the volume of fuel hedged will not exceed 80 percent through March 31, 2016, and 70 percent effective April 1, 2016.
- Individual hedging transactions in excess of 20 percent of total projected fuel consumption will not be permitted unless otherwise approved by the Fuel Hedging Oversight Committee.

Duration:

- The maximum maturity of any contracts entered into under the standard recommendation is twenty-four months. Contract terms may cross biennial lines.
- Transactions that extend the maximum maturity of twenty-four months will not be permitted unless otherwise approved by the Fuel Hedging Oversight Committee.

Price:

- Transactions that cause the projected total hedged cost to exceed budget will not be permitted unless otherwise approved by the Fuel Hedging Oversight Committee.

Other:

- The Fuel Hedging Oversight Committee will be notified immediately upon completion of any transactions executed under this standard recommendation.
- The Fuel Hedging Oversight Committee may set lower limits, including in consideration of potential service reductions.

For fiscal year 2016, hedges were executed using financial contracts whereby WSF agrees to pay a fixed dollar amount for a certain volume of fuel and, in return, receives a variable dollar amount based on a fluctuating index that is highly correlated with the price WSF pays to its fuel supplier. By hedging in this manner, the price for hedging fuel is lower than the price for an identical hedge with the supplier. WSF takes some price risk because the index is not perfectly correlated with the price.

For fiscal year 2016, hedged fuel totaled 14.7 million gallons, or 80 percent of budgeted gallons, at an average price of $2.46 per gallon. Currently, there are hedges in place for fiscal year 2017 for 15.3 million gallons, or approximately 84 percent of projected consumption at an average price of $2.01 per gallon. There are hedges in place for fiscal year 2018 for 9.1 million gallons, or approximately 50 percent of projected consumption at an average price of $1.73 per gallon. There are also hedges in place for fiscal year 2019 for 6.0 million gallons, or approximately 33 percent of projected consumption at an average price of $1.82 per gallon. Figures 1 and 2 show fiscal years 2016, 2017, 2018, and 2019 hedged gallons compared to total budgeted consumption.

Figure 1

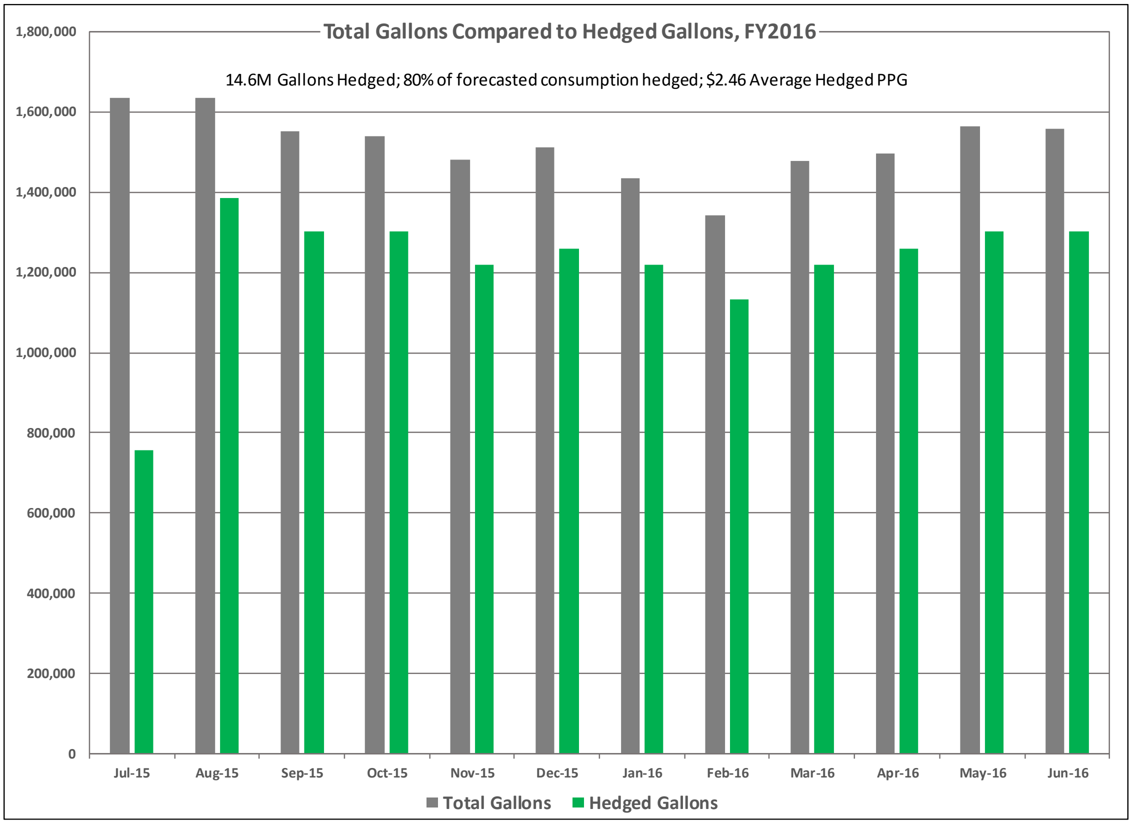
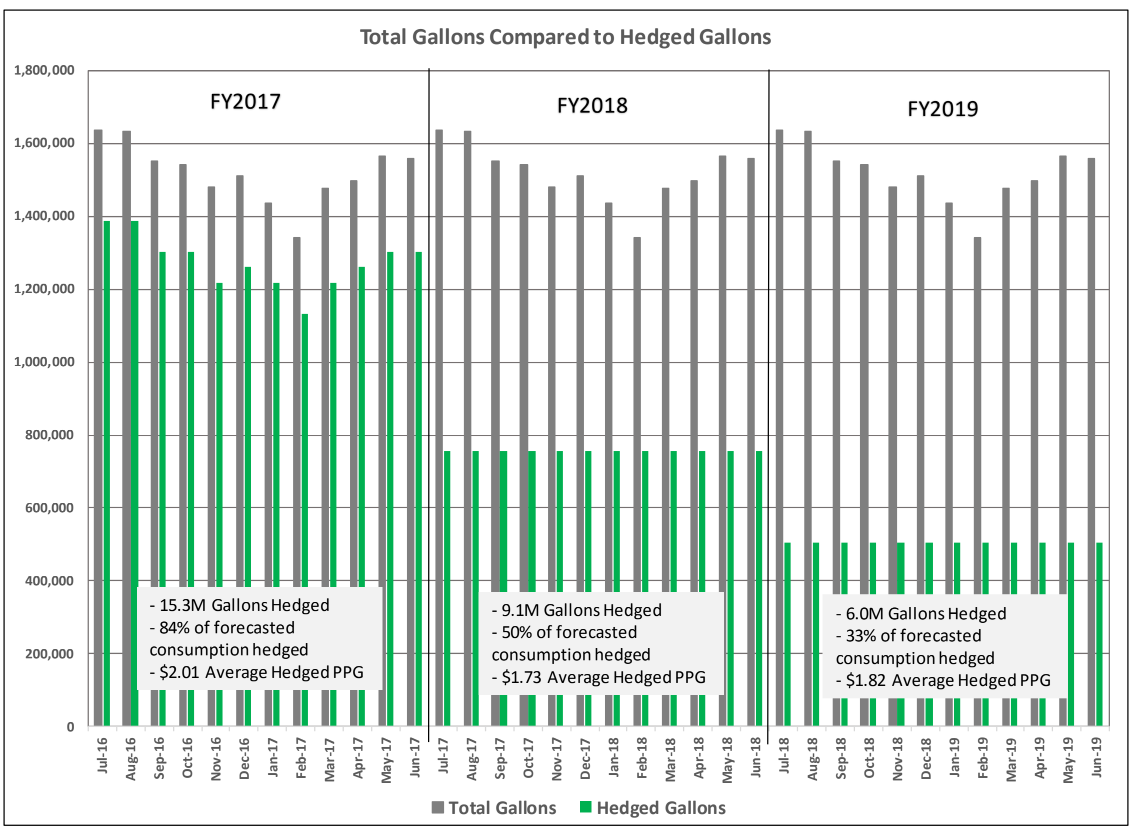


Figure 2



Note: In fiscal year 2016 and fiscal year 2017, some hedges the department entered into comprised a variable number of gallons per month.

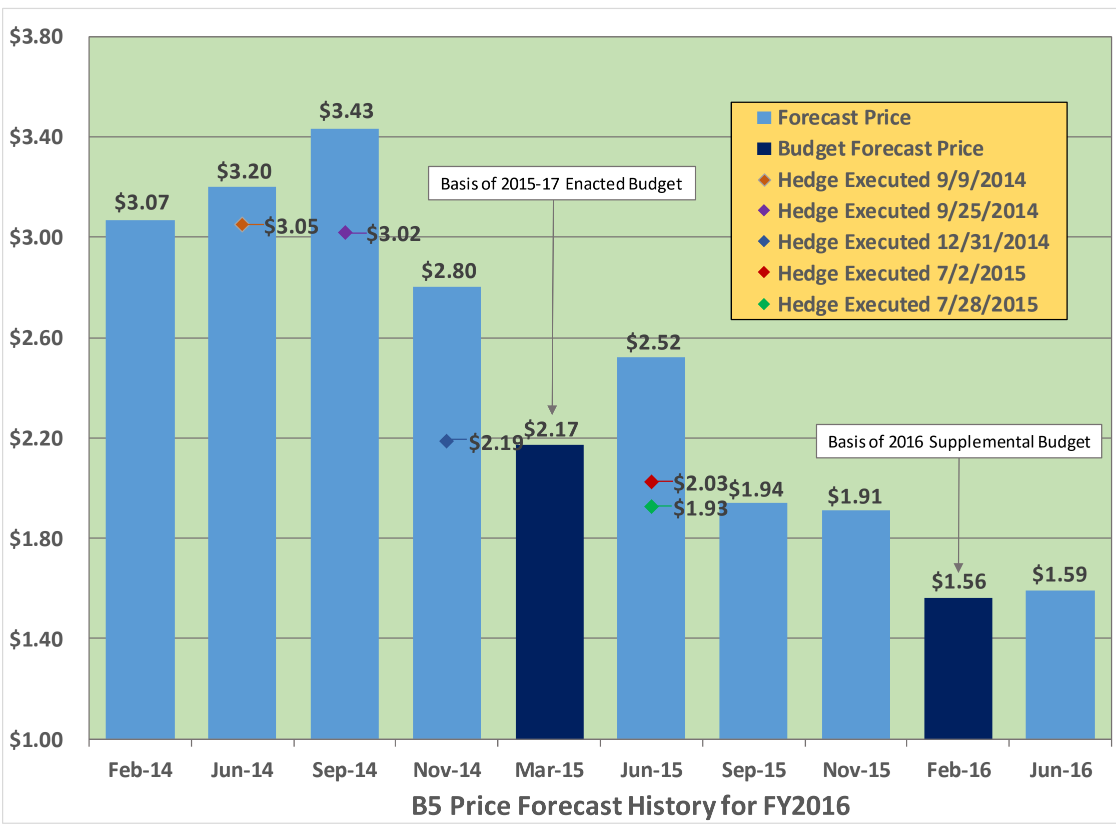
Although hedging had the effect of increasing the expected price for hedged gallons in fiscal year 2016 by an average of 18 cents compared to the price as of the February 2016 forecast, they were 45 cents lower compared to the price forecast at the time the hedges were executed. Forecasts were lowered for the hedge period after the hedges were executed. The revised forecast, which were lower than the executed hedges, and the hedge prices were used to size the 2015-17 budgets. For fiscal year 2017, the average hedge price is $2.01 per gallon, which is equal to the adopted budget and five cents below the June 2016 forecast. Figure 3 below shows the hedge prices compared to the price forecasts at the time the hedges were put in place.

Hedges vs. Forecasts

In Figure 3, the 2016 quarterly price forecasts are represented by the bars. The diamond shaped markers are the prices at which hedges were executed. All the hedges were below the budget forecast at the time they were executed.

At the time the first hedge for fiscal year 2016 was executed, the price forecast was $3.20 per gallon; the hedged price was $3.05 per gallon. The forecast later dropped further to as low as $1.56 per gallon. So, during a biennium where forecast-to-forecast price adjustments were declining sharply, hedges were locked in below forecast – which achieved the price and budget stability desired. However, subsequent forecasts continued to decline.

Figure 3

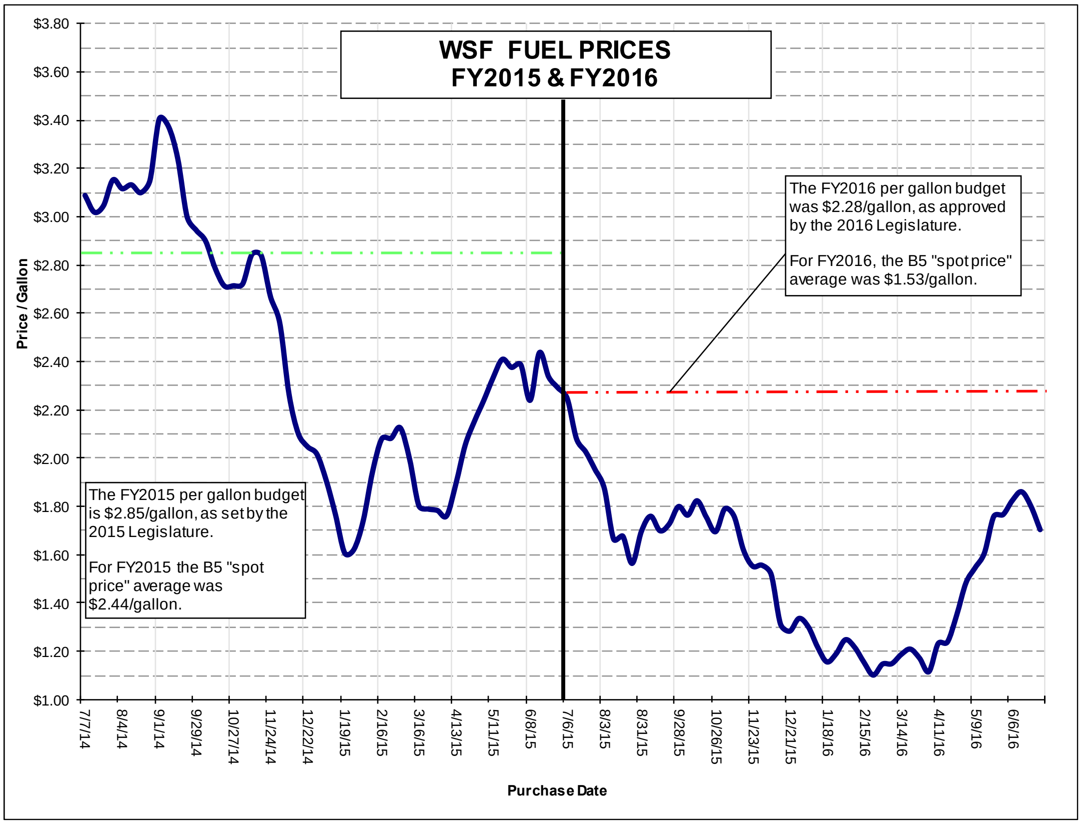


As opportunities arise, the department will execute hedges for 2017-19 in accordance with statute and the executive order.

Price History, Fiscal Year 2016

Price volatility that emerged in fiscal year 2015 has continued and trended lower. Prices through June 30, 2016, are shown in Figure 4.

Figure 4



Diesel fuel futures prices declined over the course of fiscal year 2016. The global imbalance of supply and demand, where supply continued to outstrip demand by 1.46 million barrels per-day during fiscal year 2016 versus the fiscal year 2015 global surplus of 1.53 million barrels per-day, has influenced prices in fiscal year 2016. U.S. domestic production was virtually unchanged on a fiscal year-over-year basis. Domestic production was 9.100 million barrels per-day for fiscal year 2015 and 9.103 million barrels per-day for fiscal year 2016. Comparing the same time periods, OPEC production increased by 1.653 million barrels per-day. This increase in OPEC production is one of the main reasons for the persistence of the global over supply situation and why prices remain relatively low. In response to this low-priced and over-supplied environment, domestic crude oil producers reduced the number of operating oil rigs that are drilling new oil wells from an average of 1,235 in fiscal year 2015 to an average of 499 in fiscal year 2016.

In addition to basic supply and demand fundamentals, there are other factors that have contributed to the volatility of the price of petroleum such as speculation, foreign political instability, the strength of the domestic and foreign economies, and the strength of the U.S. dollar. The structure of the department's executive order and associated limitations allow for continued efforts to achieve budget stability within a constrained format.

Hedge Effectiveness Test

The hedge effectiveness is established by Government Accounting Standards Board Statement No. 53 (GASB 53) and serves to ensure that the hedging activity of a governmental or public entity is producing the desired effect which, in this case, is to offset increases and decreases in diesel fuel costs in order to make future diesel costs more certain and manage fuel budget risk. The effectiveness test requires the hedging instrument index, in this case diesel fuel futures, to exhibit a minimum level of statistical relationship to WSF's fuel cost in terms of correlation, regression slope, and F-Statistic confidence and is typically performed using 36 months of historical data on WSF fuel cost per gallon and the hedging index price.

Although the regression analysis for the hedge effectiveness test is prepared by the hedging consultant, the department ensures that the results fall within the acceptable categories of an effective hedge.

The test is performed to ensure that the hedge is operating and performing as expected and desired. Generally speaking, the test is to answer the question, "is the hedge doing what it should be doing and what it was expected to do?" If the test determines that the hedge is effective, the department can include the results of the hedging activity on its income statement as an element of cost of the hedged item, in this case diesel fuel. When the hedge is effective and there are hedge gains, this is accounted for as a negative fuel cost. When there are hedge losses, this is accounted for as a positive fuel cost. If there were a situation where the hedge were determined to be not effective, then, according to GASB 53, the financial effects of the hedge could not be included in the income statement and would have to be accounted for as a change in asset value on the balance sheet. This is an extremely remote possibility for WSF.

The hedge effectiveness test is performed quarterly, and is included in annual financial statements.

Hedge effectiveness analysis for the three years ending June 30, 2016, has proven that the department's hedges fall within the acceptable tolerance level. The data analyzed included the various rack prices weighted according to WSF consumption (without the multiplier), and diesel futures prices, which is the index upon which WSF hedges are based.

The WSF statistical results, compared to GASB 53 rules:

- The R-squared statistic must be greater than 0.8000 and the WSF result is 0.9768.
- The regression slope must be between -0.80 and -1.25 and the WSF result is -1.0004.
- The F-statistic must be significant within a 95 percent confidence interval, which it is.

With these statistical tests, WSF hedging is effective, according to GASB 53 rules.

The current five-year average differential to futures is now $0.1291 per gallon, compared to a five-year differential of $0.1479 as of June 30, 2015.

Attachment A

Fiscal Year 2016 Hedge Contracts

Hedge #4
Executed 9/9/2014

	Gallons	FY2016 Price	W fees&diff
07/01/15	252,000	2.8084	3.06046
08/01/15	252,000	2.8131	3.06516
09/01/15	252,000	2.8168	3.06886
10/01/15	252,000	2.8166	3.06866
11/01/15	252,000	2.8153	3.06736
12/01/15	252,000	2.8158	3.06786
01/01/16	252,000	2.8110	3.06306
02/01/16	252,000	2.7989	3.05096
03/01/16	252,000	2.7831	3.03516
04/01/16	252,000	2.7683	3.02036
05/01/16	252,000	2.7590	3.01106
06/01/16	252,000	2.7587	3.01076
	3,024,000		
	Average	$2.7971	$3.0492

Hedge #6
Executed 9/25/2014

	Gallons	FY2016 Price	W fees&diff
07/01/15	252,000	2.7676	3.0195
08/01/15	252,000	2.7676	3.0195
09/01/15	252,000	2.7676	3.0195
10/01/15	252,000	2.7676	3.0195
11/01/15	252,000	2.7676	3.0195
12/01/15	252,000	2.7676	3.0195
01/01/16	252,000	2.7676	3.0195
02/01/16	252,000	2.7676	3.0195
03/01/16	252,000	2.7676	3.0195
04/01/16	252,000	2.7676	3.0195
05/01/16	252,000	2.7676	3.0195
06/01/16	252,000	2.7676	3.0195
	3,024,000		
	Average	$2.7676	$3.0195

Hedge #7
Executed 12/31/2014

	Gallons	FY2016 Price	W fees&di
07/01/15	252,000	1.9412	2.1873
08/01/15	252,000	1.9412	2.1873
09/01/15	252,000	1.9412	2.1873
10/01/15	252,000	1.9412	2.1873
11/01/15	252,000	1.9412	2.1873
12/01/15	252,000	1.9412	2.1873
01/01/16	252,000	1.9412	2.1873
02/01/16	252,000	1.9412	2.1873
03/01/16	252,000	1.9412	2.1873
04/01/16	252,000	1.9412	2.1873
05/01/16	252,000	1.9412	2.1873
06/01/16	252,000	1.9412	2.1873
	3,024,000		
	Average	$1.9412	$2.1873

Hedge #9
Executed 7/2/2015

	Gallons	FY2016 Price	W fees&diff
07/01/15	0	0	0.0000
08/01/15	252,000	1.7257	1.9707
09/01/15	252,000	1.7437	1.9887
10/01/15	252,000	1.7623	2.0073
11/01/15	252,000	1.7800	2.0250
12/01/15	252,000	1.7900	2.0350
01/01/16	252,000	1.8000	2.0450
02/01/16	252,000	1.8000	2.0450
03/01/16	252,000	1.7900	2.0350
04/01/16	252,000	1.7900	2.0350
05/01/16	252,000	1.8000	2.0450
06/01/16	252,000	1.8148	2.0598
	2,772,000		
	Average	$1.7815	$2.0265

Hedge #11
Executed 7/28/2015

	Gallons	FY2016 Price	W fees&diff
07/01/15	0	0	0.0000
08/01/15	378,000	1.6252	1.8695
09/01/15	294,000	1.6400	1.8843
10/01/15	294,000	1.6583	1.9026
11/01/15	210,000	1.6767	1.9210
12/01/15	252,000	1.6946	1.9389
01/01/16	210,000	1.7042	1.9485
02/01/16	126,000	1.7036	1.9479
03/01/16	210,000	1.6965	1.9408
04/01/16	252,000	1.7028	1.9471
05/01/16	294,000	1.7138	1.9581
06/01/16	294,000	1.7287	1.9730
	2,814,000		
	Average	$1.6820	$1.9263

Note: Hedge #1, 2, and 5 were in effect in fiscal year 2015. Hedge #8 and 10 will be in effect in fiscal year 2017.

The hedge price reflected in the fuel cost estimates for WSF reflect the cost of the hedge with fees and differential.
The differential is the average amount we expect to pay because it's an adjustment for Tacoma and Anacortes instead of New York Harbor, and makes the advantage of the hedge formula closer to the amount we would pay the vendor.

Attachment B

Washington State Department of Transportation

Secretary's Executive Order
Number: E 1078.05

Signature on file

Lynn Peterson
Secretary of Transportation

January 14, 2016
Date

Fuel Hedging Program

I. Introduction

A. Purpose

This Secretary's Executive Order informs employees how to administer fuel hedging in the Ferries Division.

B. Background

In 2011 the Washington State Legislature authorized the Washington State Department of Transportation (WSDOT) to enter into a distributor-controlled fuel hedging program for the biennium of 2011-13. In 2012 the Legislature expanded this authorization to include other methods of hedging approved by the fuel hedging committee. The department is required to consult with the Department of Enterprise Services' Master Contracts and Consulting Program on strategies to reduce the overall cost of fuel and mitigate the impact of market fluctuations and pressure on short-term and long-term fuel costs to the Ferries Division.

C. Definitions

Forward Pricing Period – The term of any fuel hedging contract.

Fuel Hedging – A contractual tool used to reduce exposure to volatile and potentially rising fuel costs. Fuel hedging results in price stability, not necessarily budget savings.

Fuel Hedging Program – The fuel price risk management program.

Hedge Ratio – The ratio of hedged fuel compared to total fuel purchases projected for a certain period of time.

Maximum Maturity – The maximum length of time that a fuel price contract may be extended.

D. Supersession

This Secretary's Executive Order supersedes and replaces the prior version with the same title dated December 17, 2015. All references to the superseded E 1078.04 now reference E 1078.05.

E. What Has Changed

- In III.E, this revision adds a new third bullet that allows hedging in the twenty-fifth month and beyond in extraordinary circumstances.
- In III.G, this revision adds language to allow hedges that extend the maximum maturity beyond twenty-four months in extraordinary circumstances on a case-by- case basis.
- In Appendix A, this revision adds a new fifth bullet to the Standard Recommendation to require Oversight Committee approval for transactions that extend the maximum maturity of twenty-four months, as adopted by the Oversight Committee on January 13, 2016.

II. Secretary's Executive Order

The Assistant Secretary for the Ferries Division or designee is directed to establish and maintain a fuel hedging program with the primary purpose of managing price risk on fuel used by the Ferries Division. The fuel hedging program will be carried out by the Ferries Division, executing the appropriate transactions at the appropriate times and prices to create the desired effect within policy constraints.

The objectives of the fuel hedging program are to:

- Decrease the volatility of fuel cost.
- Increase the likelihood that actual net fuel cost will remain below the budgeted cost.

Immediate cost savings is secondary to managing overall price risk.

Specific fuel hedging program strategies may include:

- Entering into financial contracts with hedge providers for specific quantities of fuel at specific times, using a specific index.
- Using price contracts with fuel distributors for quantities to be delivered at fixed times.
- Mitigating transaction timing risk by making numerous small volume transactions as opposed to large transactions at a single point in time.
- Continually monitoring the market and assessing program effectiveness.
- Addressing market opportunities and market risks based upon budget goals.

III. Policy

A. Program Administered by Ferries Division

The Assistant Secretary for the Ferries Division is responsible for administration of the fuel hedging program. The Assistant Secretary or designee may enter into hedge contracts that meet the Oversight Committee's standard recommendation criteria.

The Assistant Secretary or designee may enter into hedge contracts that exceed the standard recommendation criteria with approval of the Fuel Hedging Oversight Committee.

B. Fuel Hedging Oversight Committee

The Fuel Hedging Oversight Committee shall meet at least quarterly, and includes the Assistant Secretary for the Ferries Division, the Chief Financial Officer, and a representative from the Office of Financial Management (OFM). The committee provides recommendations to the Assistant Secretary for the Ferries Division regarding hedge contracts. The committee reviews reports from Ferries Division staff and directs Ferries Division staff to provide information on program operations.

Ferries Division staff coordinates times, locations, and agendas for the committee. The committee reviews performance reports and policy and strategy recommendations from Ferries Division staff. The committee directs Ferries Division staff to provide additional information on program operations.

C. Fuel Hedging Program Advisor (Consultant)

The Fuel Hedging Program Advisor is selected by the department through a competitive process and will:

- Provide contracted services for a time period established by the department.
- Recommend an execution strategy.
- Generate monthly reports on the program's status and results.
- Monitor the program and energy markets.

The costs associated with the program advisor consultant position will be budgeted and accounted for separately from fuel purchases, but will be considered as part of Ferries Division's fuel budget.

D. Qualified Independent Representative

The Assistant Secretary for the Ferries Division or designee will designate one or more persons or entities that represent or otherwise demonstrate that they meet the requirements of a qualified independent representative as set forth in Title 17 Code of Federal Regulations (CFR) §23.450(b)(1) adopted by the Commodity Futures Trading Commission (CFTC) under the Dodd-Frank Wall Street Reform and Consumer Protection Act. Ferries Division staff will review at the time of each fuel hedge transaction whether the persons or entities continue to represent or otherwise demonstrate that they meet these requirements. These requirements may be satisfied through representations or other evidence that the qualified independent representative (which may be the Fuel Hedging Advisor to the extent the Fuel Hedging Program Advisor provides these representations or other evidence):

- Has undertaken a duty to act in the best interests of the Ferries Division.
- Has sufficient knowledge and capability to independently evaluate Fuel Hedging.
- Has appropriate risk management and valuation policies and procedures under

which the representative evaluates risks with regard to the relevant trade or trading strategy involving Fuel Hedging and the fair pricing and appropriateness of Fuel Hedging transactions.

- Has conflict of interest policies and procedures reasonably designed to manage and mitigate material conflicts of interest.
- Provides appropriate and timely disclosures to the Ferries Division, including disclosure of all material conflicts of interest that could reasonably affect the judgment or decision-making of the representative with respect to its obligations to the Ferries Division.
- Is independent of counterparties to Fuel Hedging transactions, and agrees to comply with restrictions on political contributions (if and when imposed by the CFTC).

E. Maximum Hedge Ratio

Ferries Division fuel consumption is highly predictable and without significant variability over time within a given service, schedule, and fleet. Given this predictability, the maximum hedge ratio will be:

- Up to the first twelve months, on a rolling basis, a maximum of 95 percent of the forecasted consumption may be hedged. In addition, hedges will not exceed the forecasted monthly consumption level for any specific month.
- Between the thirteenth and twenty-fourth months, on a rolling basis, the volume of fuel hedged will not exceed 80 percent.
- In times of extraordinary circumstances, the Oversight Committee may decide to hedge fuel in the twenty-fifth month and beyond, at a maximum ratio to be determined at that time by the committee.
- The Oversight Committee may set lower limits, including in consideration of potential service reductions. Current limits are set forth in Appendix A.

F. Biodiesel Hedging

Hedge ratios may be adjusted if Ferries Division's planned percentage of biodiesel changes significantly from a level of five percent, or if the price correlation between diesel and biodiesel diverges more than five percent from its historical average.

G. Maximum Maturity

To allow the establishment of cost certainty in current and future budget periods, the maximum maturity of any contracts entered into in conjunction with the program is twenty-four months. If extraordinary circumstances warrant longer maximum maturity periods, the Oversight Committee may approve hedges that extend the maximum maturity beyond twenty-four months on a case-by-case basis. Contract terms may cross biennial lines.

H. Physical Fuel Supply

The physical supply of fuel will continue according to the current process of Ferries

Division under the Department of Enterprise Services contract. The physical supply price is based on the Oil Price Information Service (OPIS) index for ultra-low sulfur diesel for Tacoma and Anacortes, with taxes and other costs determined by the supply contract.

I. Reporting Responsibilities

1. Ferries Division staff, along with the Program Advisor, will:
   a. Generate for the Assistant Secretary for the Ferries Division semiannual updates on the status and results of the Program. These updates will include:
      - The cost of fuel as delivered by the fuel supplier compared to prices that would have been available on the spot market.
      - Year to date and biennium to date performance of fuel expenses relative to the budget (including hedged purchases).
      - Any recommendations for changes in policy or strategy. These will also be reported by the Assistant Secretary for the Ferries Division to the Deputy Secretary for concurrence.

   b. Compile annual reports. Periodic reports are required per Revised Code of Washington (RCW) 47.60.830. The reports will be distributed to the Oversight Committee prior to submittal to the state legislature and the Department of Enterprise Services.

   c. Generate for the Fuel Hedging Oversight Committee quarterly updates on the status and results of the Program. These updates will include:
      - Details of hedge contracts entered into to include the transaction amount, gallons hedged, transaction price per gallon, variance between transaction price per gallon and budgeted price per gallon, and variance between transaction amount and budgeted amount.
      - Comparison of projected fuel usage and actual fuel usage in gallons.
      - Current energy market conditions.

2. Accounting and Financial Services Division staff will:
   a. Review the accounting and financial reporting for derivative instruments for compliance with Governmental Accounting Standards Board (GASB) standards.

   b. Make appropriate entries to record deferred inflows and outflows of resources related to financial contracts.

   c. Prepare notes to the Comprehensive Annual Financial Report (CAFR) for financial hedging contracts as required by GASB 53.

J. Standard Recommendation

The Oversight Committee shall adopt a standard recommendation that authorizes the Assistant Secretary or designee to enter into hedge contracts without further approval of or consultation with the Oversight Committee. The parameters of the standard recommendation will be reviewed at least annually and incorporated in Appendix A to this policy.

IV. Contact for More Information

For more information on the Fuel Hedging Program, please contact the Director of Finance and Administration of the Ferries Division at 206-515-3403.

V. References

- 17 CFR §23.450(b)(1) *Requirements for swap dealers and major swap participants acting as counterparties to Special Entities*
- RCW 47.60.830 *Ferry system operation — Fuel purchasing strategies — Report*

VI. Appendix

A. Standard Recommendation adopted January 13, 2016

VII. Review and Update Requirements

When changes are necessary to update this document, inform the Chief Financial Officer. The Chief Financial Officer periodically reviews this document and proposes updates to the Secretary of Transportation for approval.

Americans with Disabilities Act (ADA) Information

This material can be made available in an alternate format by emailing the WSDOT Office of Equal Opportunity at wsdotada@wsdot.wa.gov or by calling toll free, 855-362-4ADA (4232). Persons who are deaf or hard of hearing may make a request by calling the Washington State Relay at 711.

Appendix A: Standard Recommendation adopted January 13, 2016

- Up to the first twelve months, on a rolling basis, a maximum of 85 percent of the forecasted consumption may be hedged. In addition, hedges will not exceed the forecasted monthly consumption level for any specific month.
- Between the thirteenth and twenty-fourth months, on a rolling basis, the volume of fuel hedged will not exceed 80 percent through March 31, 2016, and 70 percent effective April 1, 2016.
- Individual hedging transactions in excess of 20 percent of total projected fuel consumption will not be permitted unless otherwise approved by the Oversight Committee.
- The maximum maturity of any contracts entered into under the standard recommendation is twenty-four months. Contract terms may cross biennial lines.
- Transactions that extend the maximum maturity of twenty-four months will not be permitted unless otherwise approved by the Oversight Committee.
- Transactions that cause the projected total hedged cost to exceed budget will not be permitted unless otherwise approved by the Oversight Committee.
- The Oversight Committee will be notified immediately upon completion of any transactions executed under this standard recommendation.
- The Oversight Committee may set lower limits, including in consideration of potential service reductions.