

**REPORT TO THE LEGISLATURE
on
Diesel Fuel Price Hedging, Fiscal Year 2020**

**WASHINGTON STATE DEPARTMENT OF TRANSPORTATION
FERRIES DIVISION**

February 1, 2021



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 hedges¹ were executed in fiscal year 2012. In 2012, the Legislature expanded the authorization to include other methods of hedging approved by the Fuel Hedging Oversight Committee. The first financial hedges² were executed in fiscal year 2015. The objectives of this hedging program are to decrease the volatility of fuel costs and increase the likelihood that actual net fuel cost will remain below the budgeted amount, with immediate cost savings being secondary to managing the overall price risk.

During fiscal year 2020, the fuel hedging program continued to accomplish its goal of decreased volatility of fuel costs. For fiscal year 2020, the amount hedged totaled 11,592,000 gallons – or 61 percent of budgeted gallons. The price for hedged gallons in fiscal year 2020 was lower than non-hedged gallons purchased in fiscal year 2020 by an average of 42 cents, and hedges were an average of 2 cents lower compared to the price forecast at the time the hedges were executed. Of the 5 hedges executed for fiscal year 2020, 3 were below the forecast price at the time of the hedge. The 2 hedges which were executed above the relevant forecast price were within parameters pre-approved by the Fuel Hedging Oversight Committee.

For fiscal year 2021, all hedges were executed below the fiscal year fuel budget price at that time, and 1 hedge was executed below the price forecast at the time of the hedge. The 2 hedges executed above the relevant forecast price were within parameters pre-approved by the Fuel Hedging Oversight Committee. Hedges have been executed for fiscal year 2021 for 49 percent of budgeted gallons.

Fuel Hedging Authority and Policy

During fiscal year 2020, the WSDOT ferries division continued a hedging program for the purpose of stabilizing fuel expense³. 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 program⁴. The Executive Order established a Fuel Hedging Oversight Committee (hereafter, "the 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 Committee consists of the WSDOT Chief Financial Officer, the Assistant Secretary for the Washington State Ferries (WSF), a transportation Budget Assistant to the Governor from the Office of Financial Management, and a representative from the Department of Enterprise Services. The Committee meets to receive periodic updates on the status of

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. The hedging program does not involve futures contracts or a "locked in" forward price for B5 biofuels. This is because the market for B10 does not have depth or liquidity comparable to other commodities such as gasoline or diesel. Rather, the Department employs a derivative security known as a "Swap Contract Agreement." The Department and a counterparty (usually an investment bank) agree to swap floating prices on a commodity for a fixed price over a set period of time. 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 2020.

⁴ Please see Attachment B for the full Executive Order.

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 fuel cost will remain below the budgeted cost. 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. In January 2017, it was changed again to remove this authorization for “standard recommendation.” The limits established by the Executive Order as of January 6, 2017 are:

Amount Hedged:

- 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.

Duration:

- The maximum maturity of any contracts entered into in conjunction with the program is twenty-four months. Contract terms may cross biennial lines.
- 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.

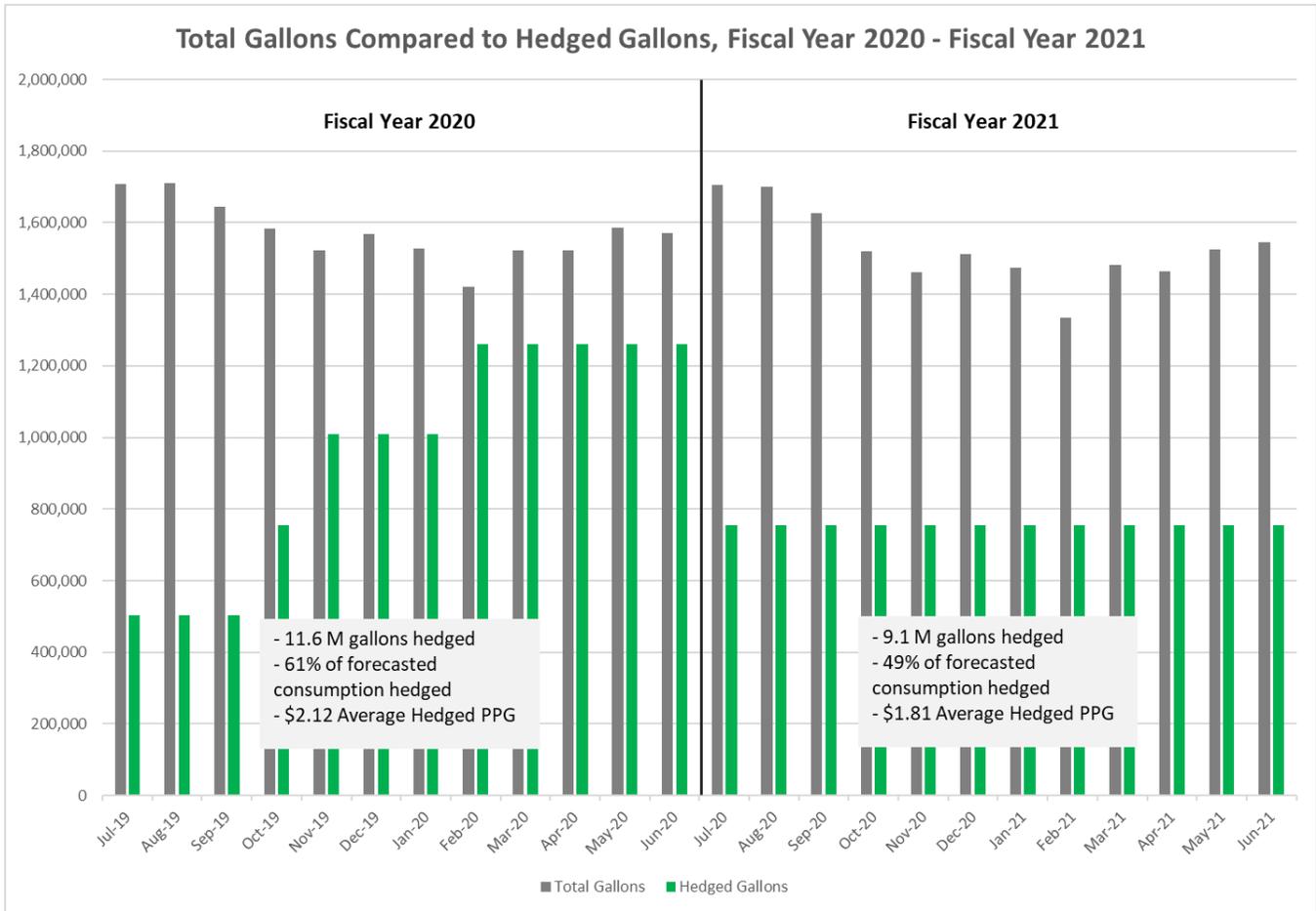
Fuel Hedging in Fiscal Year 2020

For fiscal year 2020, 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. Financial contracts are the structure used for hedging by many transit agencies or other government entities. 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 2020, hedged fuel totaled 11.6 million gallons, or 61 percent of budgeted gallons, at an average price of \$2.12 per gallon. Currently, there are hedges in place for fiscal year 2021 for 9.1 million gallons, or approximately 49 percent of budgeted gallons at an average price of \$1.81 per gallon. Figure 1 shows fiscal years 2020 and 2021 hedged gallons compared to total budgeted consumption.

As of December 2020, there are no hedges in place for fiscal year 2022 or beyond.

Figure 1



Hedging had the effect of decreasing the price for hedged gallons in fiscal year 2020 by an average of 42 cents compared to fiscal year 2020 actual supplier prices. Hedges were an average of 2 cents lower than the price forecast at the time the hedges were executed. For fiscal year 2021, the average hedge price is 3 cents higher than the adopted budget and 41 cents above the November 2020 forecast. Two of the fiscal year 2021 hedges were executed prior to the global pandemic, which caused fuel prices to significantly decrease. Figure 2 below shows the hedge prices compared to the price forecasts at the time the fiscal year 2020 hedges were put in place.

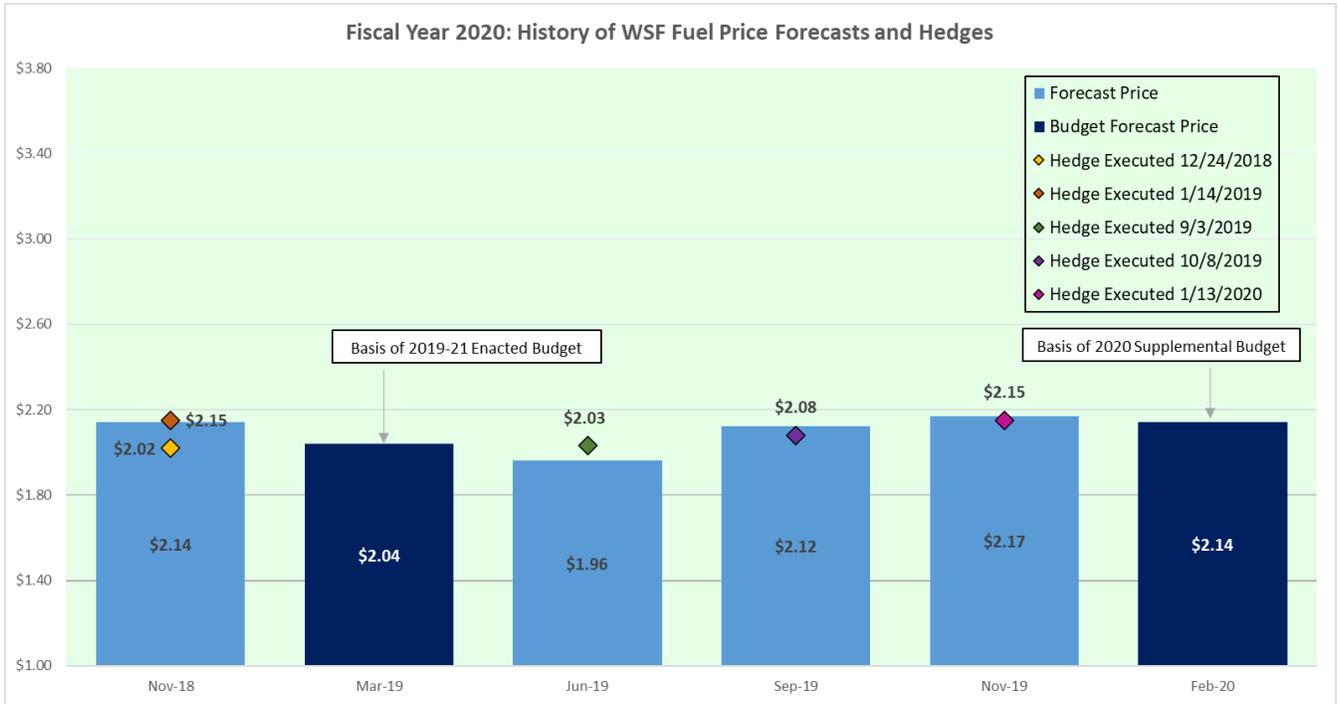
Hedge Prices Compared to Budget and Forecast

In Figure 2, the quarterly price forecasts are represented by vertical bars. The diamond shaped markers are the prices at which hedges were executed.

For fiscal year 2020, 2 hedges were based on activity that occurred before the fiscal year, dating to November 2018. Three subsequent hedges were executed during fiscal year 2020, meaning more hedges were in place for the latter months of fiscal year 2020. Therefore, while 61 percent of total budgeted gallons were hedged, from February 2020 through June 2020 over 80 percent of budgeted gallons were hedged. Of the 3 hedges executed in fiscal year 2020, 1 was executed above the forecast price but below the budget forecast, with prior approval by the Committee, and 2 were executed below the forecast price at that time. The diamond shaped markers in Figure 2 follow this activity.

At the time the first hedge for fiscal year 2020 was executed, the price forecast was \$2.14 per gallon; the hedged price was \$2.02 per gallon. The forecast later dropped further to as low as \$1.96 per gallon to start fiscal year 2020. Forecast-to-forecast price adjustments generally increased over the course of the fiscal year. A final hedge was locked in below forecast and prior to the full effects of the global pandemic.

Figure 2

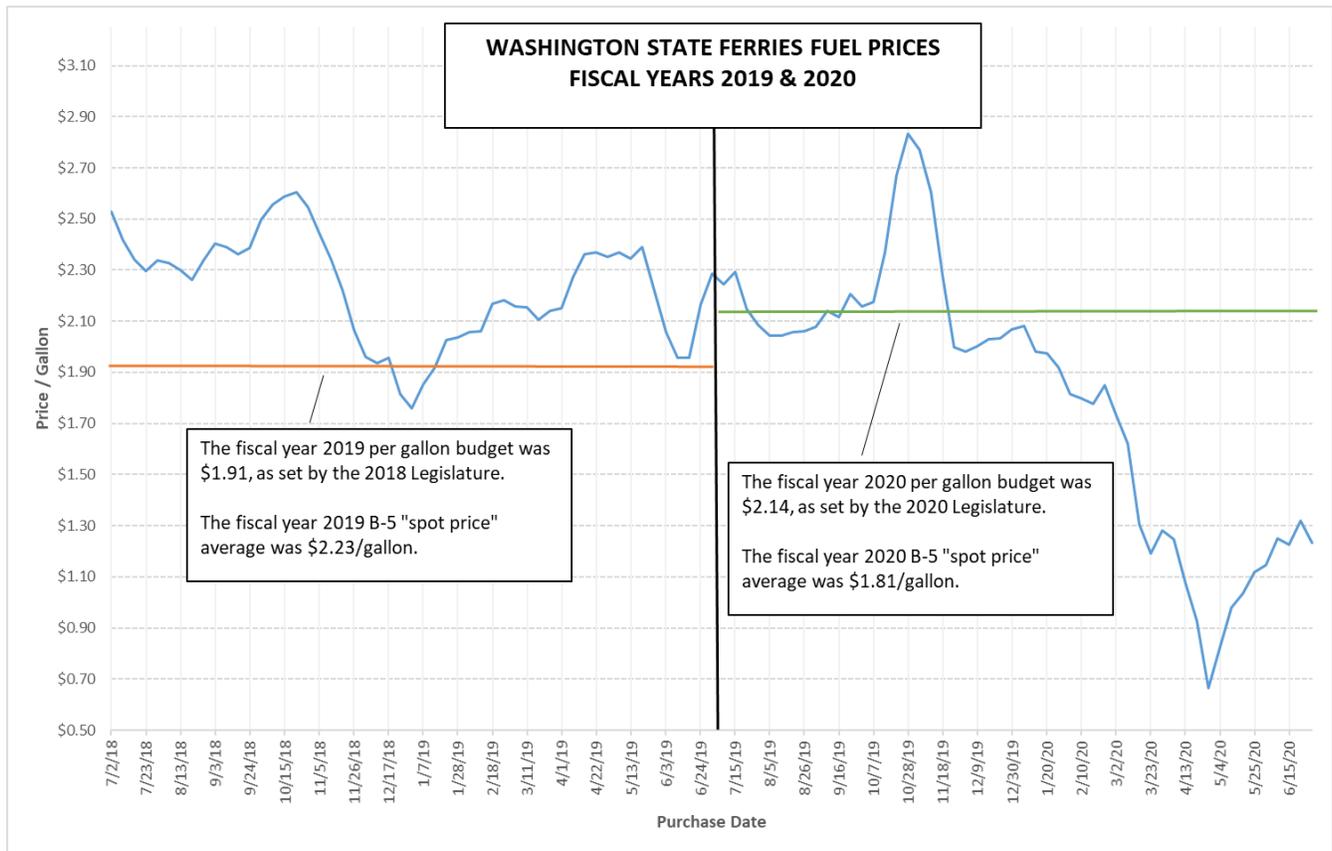


As opportunities arise, the department will execute future hedges in accordance with statute and the Executive Order.

Price History, Fiscal Year 2020

Prices in fiscal year 2020 were more volatile than in fiscal year 2019. In October 2019, an unusually high number of refinery outages in California caused prices to spike, while the global pandemic caused prices to crater in the latter half of the fiscal year. Prices through June 29, 2020 are shown in Figure 3.

Figure 3



Diesel fuel futures prices for fiscal year 2020 were lower by \$0.45 per gallon on average compared to fiscal year 2019 for fiscal year 2020 were in a price range from \$2.09 to \$0.61 per gallon.

During fiscal year 2020, there was more global petroleum production than global petroleum demand mainly due to the steep and sudden drop-off in demand due to restrictions caused by the global pandemic. For FY 2020, global production exceeded global consumption by 2.76 million barrels per day. In FY 2019, production exceeded production by only 0.41 million barrels per day. The sudden lack of demand due to the pandemic, and the inability of oil production to decrease as sharply as demand, caused global petroleum inventories to increase and prices to decrease. The mismatch in supply and demand did not occur until the third quarter of FY 2020 with the arrival of the pandemic.

Average U.S. daily domestic oil production increased from 11.66 million barrels per day during fiscal year 2019 to 12.39 million barrels per day during fiscal year 2020. This increase in U.S. production of 0.73 million barrels per day served to increase supply vs. demand during the period. Comparing the same time periods, OPEC production decreased by 3.31 million barrels per day. This year-over-year decrease in OPEC production is one of

the main reasons why the balance of global supply and demand was restored and caused prices to recover after crashing in March and April of 2020.

In response to lower prices and lower global demand, U.S. domestic crude oil producers sought to decrease production by decreasing the number of operating oil rigs that are drilling new oil wells from an average of 849 in fiscal year 2019 to an average of 605 in fiscal year 2020.

In addition to basic supply and demand fundamentals, other factors contribute to the level and volatility of the price of petroleum such as speculation, foreign political instability, the strength of domestic and foreign economies, and the value 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 test 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 the rolling spot-month diesel fuel futures price, 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, 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 five years ending June 30, 2020, shows that the department's hedges fall within the acceptable tolerance level. The data analysis compared WSF average fuel cost per gallon on a monthly basis to the monthly average settlement price for the nearest diesel fuel futures contract which is the index upon which WSF hedges are based.

The WSF statistical results for FY 2020, compared to GASB 53 rules:

- The R-squared statistic must be greater than 0.8000 and the WSF result is 0.9044.
- The regression slope must be between -0.80 and -1.25 and the WSF result is -1.0184.
- 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 between WSF diesel cost per gallon and diesel futures price per gallon (fiscal year 2016 – fiscal year 2020) is now \$0.2303 per gallon, compared to the previous five-year differential (fiscal year 2015 – fiscal year 2019) of \$0.1989.

Fuel Consumption and Efficiencies

In April 2018, the WSF Operational Efficiency Working Group introduced a directive to reduce maximum speeds for vessels. This directive is intended to encourage fuel savings and decrease CO₂ emissions as part of WSF's ongoing efforts to transition to a zero-carbon-emission ferry fleet, as mandated by Governor Inslee's Executive Order 18-01. Due in part to this identified efficiency, WSF fuel consumption was 162,859 gallons below budget for fiscal year 2019.

For fiscal year 2020, WSF fuel consumption was 1,779,423 gallons below budget. This consumption underrun was primarily due to pandemic-related service reductions implemented by WSF at the end of March 2020. In addition to reducing service on all routes, WSF removed one vessel from three Central Sound routes. For the last three months of fiscal year 2020, WSF fuel consumption was 1,394,513 gallons below budget.

Fiscal Year 2020 Hedge Contracts

Hedge #24 (Before differential) Executed 12/24/2018				Hedge #25 (Before differential) Executed 1/14/2019				Hedge #26 (Before differential) Executed 9/3/2019				
FY2020				FY2020				FY2020				
	Gallons	Price	/W fees&diff	Gallons	Price	/W fees&diff	Gallons	Price	/W fees&diff	Gallons	Price	/W fees&diff
07/01/19	252,000	1.7671	2.0171	252,000	1.9	2.1500						
08/01/19	252,000	1.7671	2.0171	252,000	1.9	2.1500						
09/01/19	252,000	1.7671	2.0171	252,000	1.9	2.1500						
10/01/19	252,000	1.7671	2.0171	252,000	1.9	2.1500				252,000	1.784	2.0340
11/01/19	252,000	1.7671	2.0171	252,000	1.9	2.1500				252,000	1.784	2.0340
12/01/19	252,000	1.7671	2.0171	252,000	1.9	2.1500				252,000	1.784	2.0340
01/01/20	252,000	1.7671	2.0171	252,000	1.9	2.1500				252,000	1.784	2.0340
02/01/20	252,000	1.7671	2.0171	252,000	1.9	2.1500				252,000	1.784	2.0340
03/01/20	252,000	1.7671	2.0171	252,000	1.9	2.1500				252,000	1.784	2.0340
04/01/20	252,000	1.7671	2.0171	252,000	1.9	2.1500				252,000	1.784	2.0340
05/01/20	252,000	1.7671	2.0171	252,000	1.9	2.1500				252,000	1.784	2.0340
06/01/20	252,000	1.7671	2.0171	252,000	1.9	2.1500				252,000	1.784	2.0340
	<u>3,024,000</u>			<u>3,024,000</u>						<u>2,268,000</u>		
Average		\$1.7671	\$2.0171	Average	\$1.9000	\$2.1500	Average	\$1.7840	\$2.0340			
Hedge #27 (Before differential) Executed 10/8/2019				Hedge #28 (Before differential) Executed 1/13/2020								
FY2020				FY2020								
	Gallons	Price	/W fees&diff	Gallons	Price	/W fees&diff						
07/01/19												
08/01/19												
09/01/19												
10/01/19												
11/01/19	252,000	1.829	2.079									
12/01/19	252,000	1.829	2.079									
01/01/20	252,000	1.829	2.079									
02/01/20	252,000	1.829	2.079	252,000	1.9025	2.1525						
03/01/20	252,000	1.829	2.079	252,000	1.9025	2.1525						
04/01/20	252,000	1.829	2.079	252,000	1.9025	2.1525						
05/01/20	252,000	1.829	2.079	252,000	1.9025	2.1525						
06/01/20	252,000	1.829	2.079	252,000	1.9025	2.1525						
	<u>2,016,000</u>			<u>1,260,000</u>								
Average		\$1.8290	\$2.0790	Average	\$1.9025	\$2.1525						

Note: Hedges for fiscal year 2020 were executed in fiscal years 2019 and 2020.

The hedge price reflected in the fuel cost estimates for WSF reflects the cost of the hedge with fees and differential.

The differential is an adjustment to reflect that WSDOT purchases fuel from Tacoma and Anacortes vs. New York Harbor, the index used in the hedge price



Signature on file

Roger Millar, PE, AICP
Secretary of Transportation

January 6, 2017

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 January 14, 2016. All references to the superseded E 1078.05 now reference E 1078.06.

E. What Has Changed

- Language was added to subsection III.B. to allow Fuel Hedging Oversight Committee members to appoint a designee to receive recommendations and take action on potential hedges in their absence.
- The Standard Recommendation and Appendix A and all of their references have been removed.

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 approval.

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.

Hedge committee members may each appoint a designee to receive recommendations and take action on potential hedges in their absence.

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.

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.

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.

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*

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.

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