

# **Gainesville Regional Utilities Energy Risk Management Hedging Program**

**Item #190063  
Utility Advisory Board  
June 13, 2019**

# Risk Management Hedging Program Purpose and Background

- The Risk Oversight Committee (ROC) of Gainesville Regional Utilities (GRU) approves hedging activity to lock in natural gas prices when the natural gas market is favorable.
- Allows GRU to purchase natural gas later at a favorable rate when the natural gas market becomes unfavorable.
- GRU has been using Morgan Stanley Smith Barney as our Futures Commission Merchant (FCM) to transact trades to hedge fuel and electric energy prices.

# Current Status

Morgan Stanley is no longer servicing our fuel hedging account as of March 29, 2019, because they are exiting the Municipal Clearing business due to additional reporting and capital requirements imposed on them by new regulations.

# Searching for a New FCM

With the help of The Energy Authority's Credit and Risk Control Department (TEA), GRU has identified ADM Investor Services, Inc., as one of the few FCMs who will transact trades to hedge fuel and electric energy prices at reasonable cost to the utility for the volume of trades that we transact.

## **Recommendation:**

**To recommend approval of ADM Investor Services, Inc., as our new Futures Commission Merchant by the City Commission.**