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From the December 2, 2005 print edition

Metro mulling oil futures for hedge against fuel costs

[Dan Monk](#)

With fuel costs soaring, Cincinnati's Metro bus system has engaged a Minnesota consultant to help it develop a strategy to fight future price hikes.

"We're looking at buying home heating oil futures as a hedge against future increases in diesel," said Mike Setzer, general manager of Cincinnati's largest transit company.

Metro has already made some nifty moves to avoid major price hikes in 2005. Last December, it locked in low rates for half of the 3.7 million gallons of diesel fuel its 400 buses used this year. That, combined with federal tax credits it earns from the use of biodiesel, enabled the agency to avoid the serious cutbacks that other big-city transit agencies were forced to make this year.

Metro finished the year about \$325,000 over its \$5.1 million fuel budget in a year when many transit agencies were millions over budget. The horizon looks darker, however.

Next year, it expects to pay \$8.5 million for fuel and lubricants. That budget assumes it will be able to buy fuel at \$2.25 per gallon. Right now, diesel is selling at about \$2.48 per gallon, according to the [U.S. Department of Energy](#).

Setzer said Metro is talking about possible hedging strategies with Jeffrey LeMunyon, a principal at [Linwood Capital LLC](#) in Edina, Minn. He doesn't have any fixed parameters for how much Metro might invest in heating-oil futures, but added that Metro's board would be asked to approve any purchase contract that LeMunyon recommends.

LeMunyon bills himself as a "risk management" consultant whose clients include transit systems in Minneapolis and St. Louis. He said both agencies used home-heating oil futures to offset their fuel costs in 2005.

"Minneapolis had a net cost that's 27 cents per gallon lower than what the market was for the year," he said.

Metro recently adopted a 2006 budget of \$82.1 million, an 8.9 percent increase over last year. Fuel costs were by far the biggest area of increase.

On the capital side, Metro's budget includes the purchase of 40 new low-floor buses that should let disabled passengers use the transit system more easily.

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