
Transportation Committee

HB 2385

Brief Description: Concerning fuel purchasing for the state ferry system.

Sponsors: Representatives Hutchins, Paul, Low, Robertson, Timmons, Barkis, Donaghy, Lekanoff, Caldier, Couture and Shavers.

Brief Summary of Bill

- Authorizes the Washington State Department of Transportation (WSDOT) to employ outside expertise for the diesel price fuel hedging program (program) to advise on timing of transactions, quantities of fuel, tenure of contracts, maximum limits, and other operating parameters.
- Requires the program to be guided by an oversight committee including the WSDOT's Chief Financial Officer, the Assistant Secretary for the Marine Division, a representative of the Office of Financial Management, and a representative of the Department of Enterprise Services.

Hearing Date: 1/24/24

Staff: Beth Redfield (786-7140).

Background:

The Washington State Department of Transportation (WSDOT) is authorized to implement strategies designed to reduce the overall cost of fuel and mitigate the impact of market fluctuations on fuel costs for the operation of the ferry system. Fuel cost fluctuation control strategies may include, but are not limited to, futures contracts, hedging, swap transactions, option contracts, costless collars, and long-term storage. Taken together, the strategies are

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not part of the legislation nor does it constitute a statement of legislative intent.

known as the diesel price fuel hedging program (program). The WSDOT must periodically report to the transportation committees of the Legislature and the Department of Enterprise Services on the status of strategies implemented, including cost mitigation results, a description of contracts established to mitigate fuel costs, the amounts of fuel covered by the contracts, cost mitigation results, and any related recommendations.

To implement the program, the Secretary of the WSDOT issued an executive order establishing a Fuel Hedging Oversight Committee and the hiring of a consultant to be the fuel hedging program advisor.

The most recent report on diesel fuel price hedging was submitted for fiscal year (FY) 2022 and reports that, since 2015, the program has used financial hedges, also known as "swap contract agreements." In FY 2022, 5.4 million gallons of diesel fuel were subject to swap contract agreements, accounting for 36 percent of consumed gallons. Three contracts were executed: two were for prices below budgeted prices and one contract was above budgeted prices, for a net contract payment to the WSDOT of \$3.7 million.

Summary of Bill:

The WSDOT is authorized to employ outside expertise for the diesel price fuel hedging program to advise on timing of transactions, quantities of fuel, tenure of contracts, maximum limits, and other operating parameters.

For the adoption of fuel cost control fluctuation strategies, WSDOT must be guided by an oversight committee including the WSDOT's Chief Financial Officer, the Assistant Secretary for the Marine Division, a representative of the Office of Financial Management, and a representative of the Department of Enterprise Services.

Appropriation: None.

Fiscal Note: Not requested.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.