



# Management Committee Meeting, 08-22-12

Report on  
Investments: 2Q2012

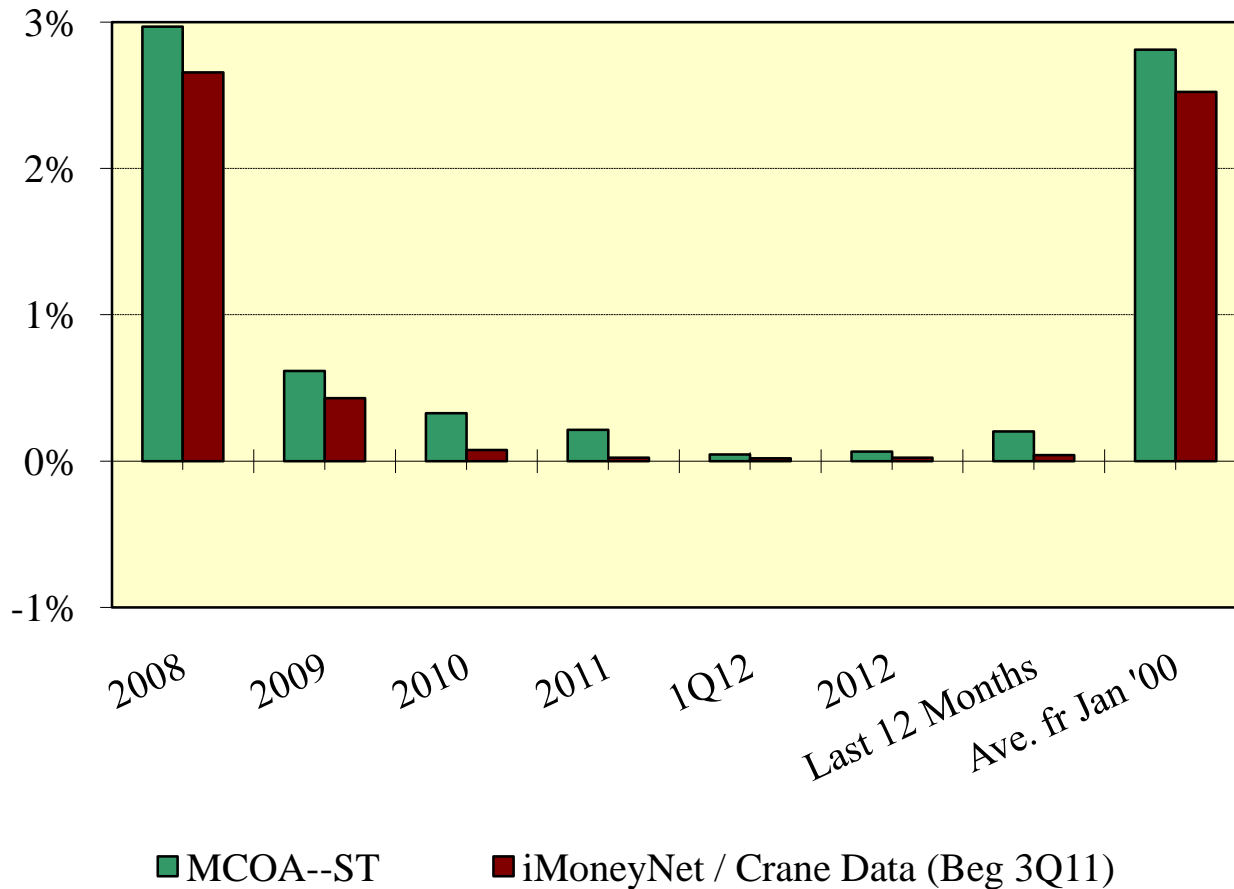
# Short Term Yields

Rates	<u>03-31-11</u>	<u>08-20-12</u>
30-Day Commercial Paper	0.18%	0.14%
Federated Prime Fund	0.20%	0.15%
Goldman Sachs Govt Fund	0.05 %	0.04%
US Bank Checking Account	0.00%	0.00%

Source: Metropolitan Council, Goldman Sachs MMF Portal

# Total Return, ST Port 2Q12

Total Return (by Periods)



- +6 bps above Index in 2Q12
- +29 bps/year ave. over index for last 13.5 yrs



# Expectations: ST Port

- Short rates stay low until FRB reverses course.
- Fed action hinges on reductions in unemployment and pick-up of productivity.



# Investment Plans for Short-term Portfolio

- Maintain our liquid cash holdings in a prime money market fund – currently yielding 0.15%.
- Invest in high quality domestic commercial paper issuers.
- Purchase short high quality municipal bonds if available.



# Treasury Yields

## 1Q, 2Q, 7/20, and Present



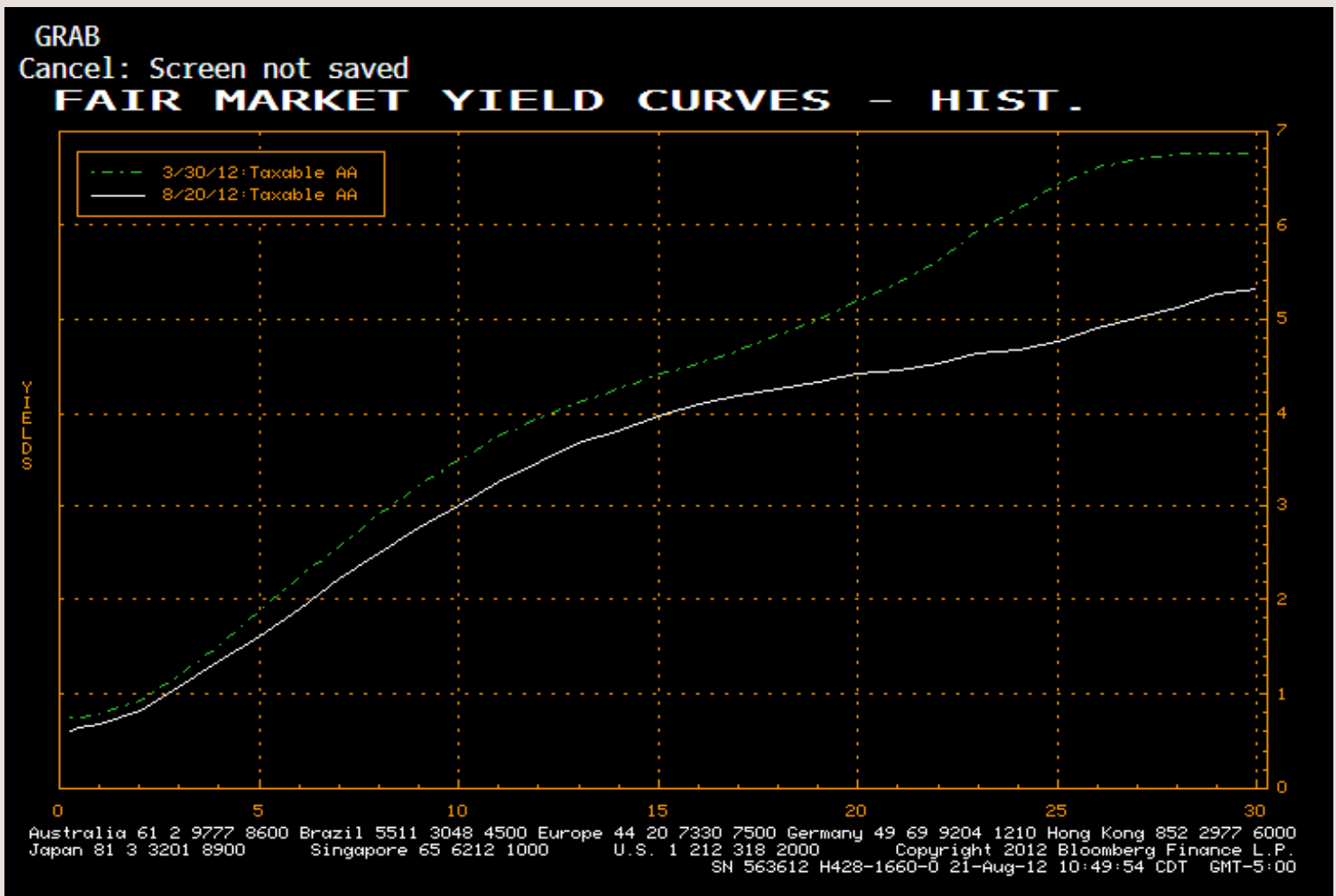
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# Taxable AA Muni Yields

## current vs. 1Q12

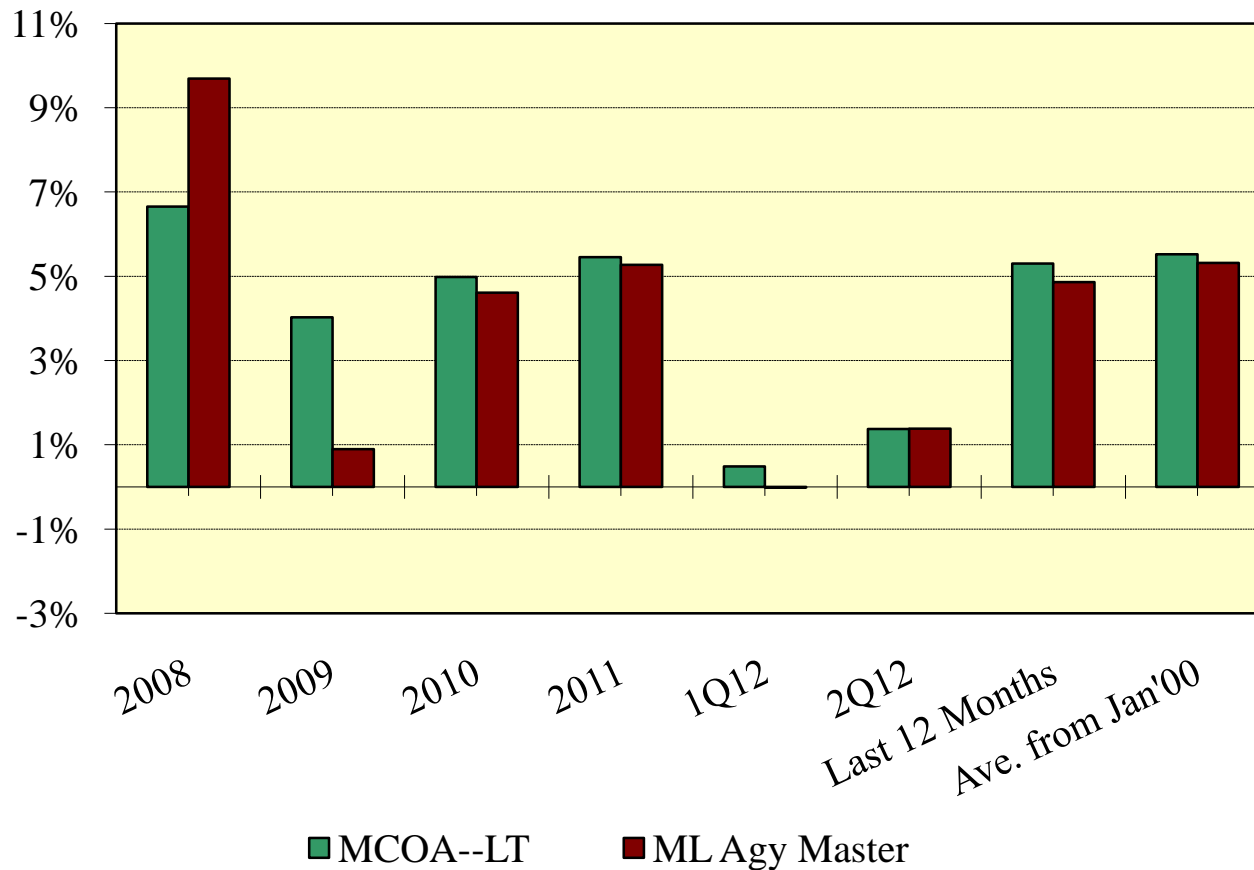


Source: Bloomberg

# Total Return, LT Port

## 2Q12

Total Return (by Periods)



- +20 bps/yr ave over index for last 13.5 yrs





# Expectations: LT Port

- LT rates won't move much higher if we don't see inflation and/or a pick-up in general economic activity.
- Inflation: Watch capacity utilization, unemployment reductions, growth in average hourly wages, influences of international markets; and, commodity inflation.



# Investment Plans for Long-term Portfolio

- Deploy cash into callable agencies and tier one commercial paper.
- Invest in good quality municipal bonds, G.O bonds rated “A” or better and revenue bonds rated “AA” or better.

# OPEB 2Q12 Port Results

- S&P 500 @ - 2.78% vs. OPEB@ - 2.74%
- 2Q12 unrealized gain/loss is \$ (0.9)MM
- Value:      12-31-11:    \$ 106.2MM  
                  06-30-12:    \$ 120.00MM  
                  08-20-12:    \$ 126.20MM
- 100% allocation to equities

# S & P 500 Stock Index, 10-Yrs



Source: Bloomberg



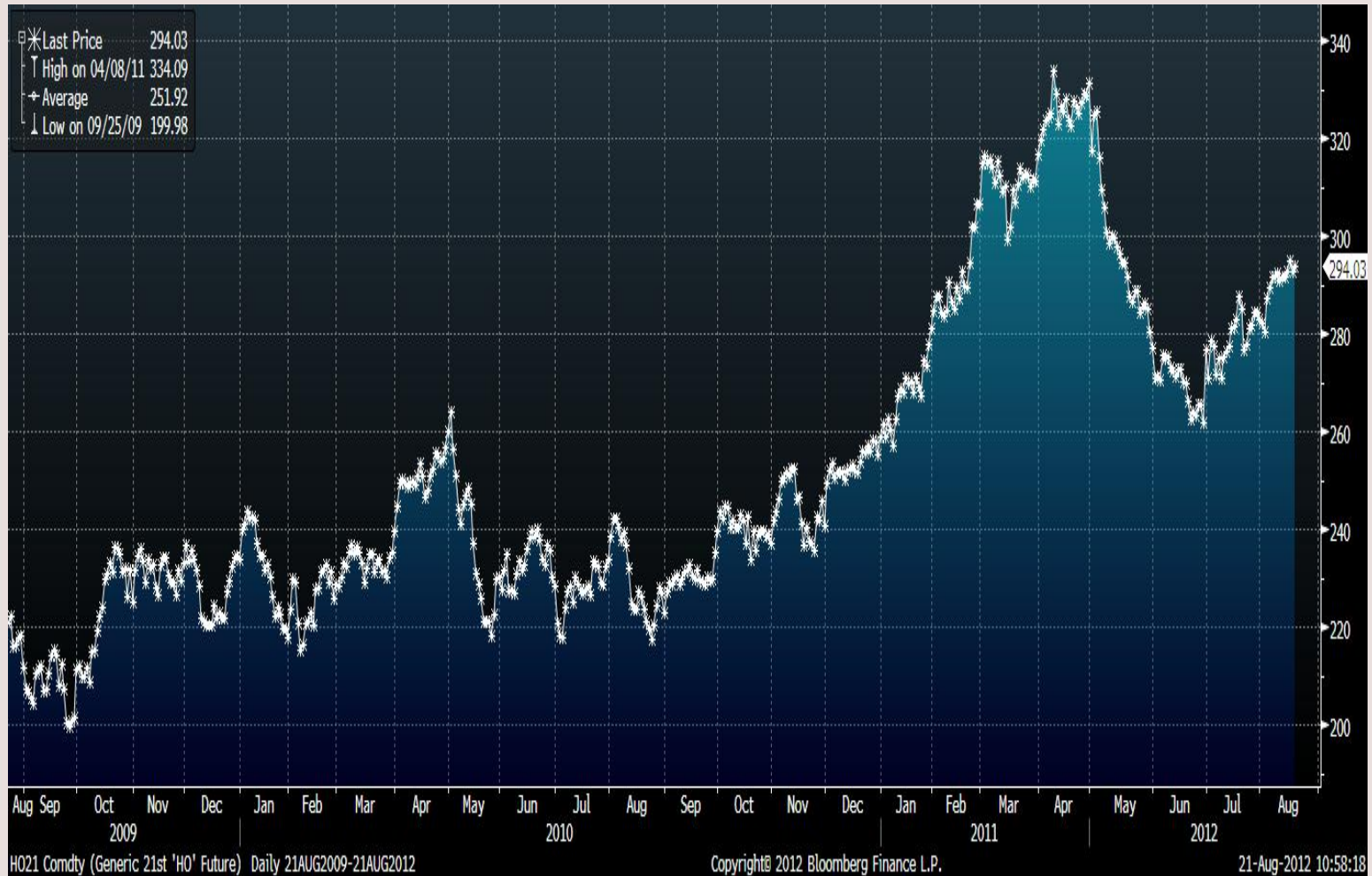
# Expectations: OPEB

- Stock market performance was weak during the 2Q12 vs. 1Q12, largely driven by headline risk. Company fundamentals remain strong.
- We expect price appreciation.
- Stay invested in equities in 2012.



# Hedging

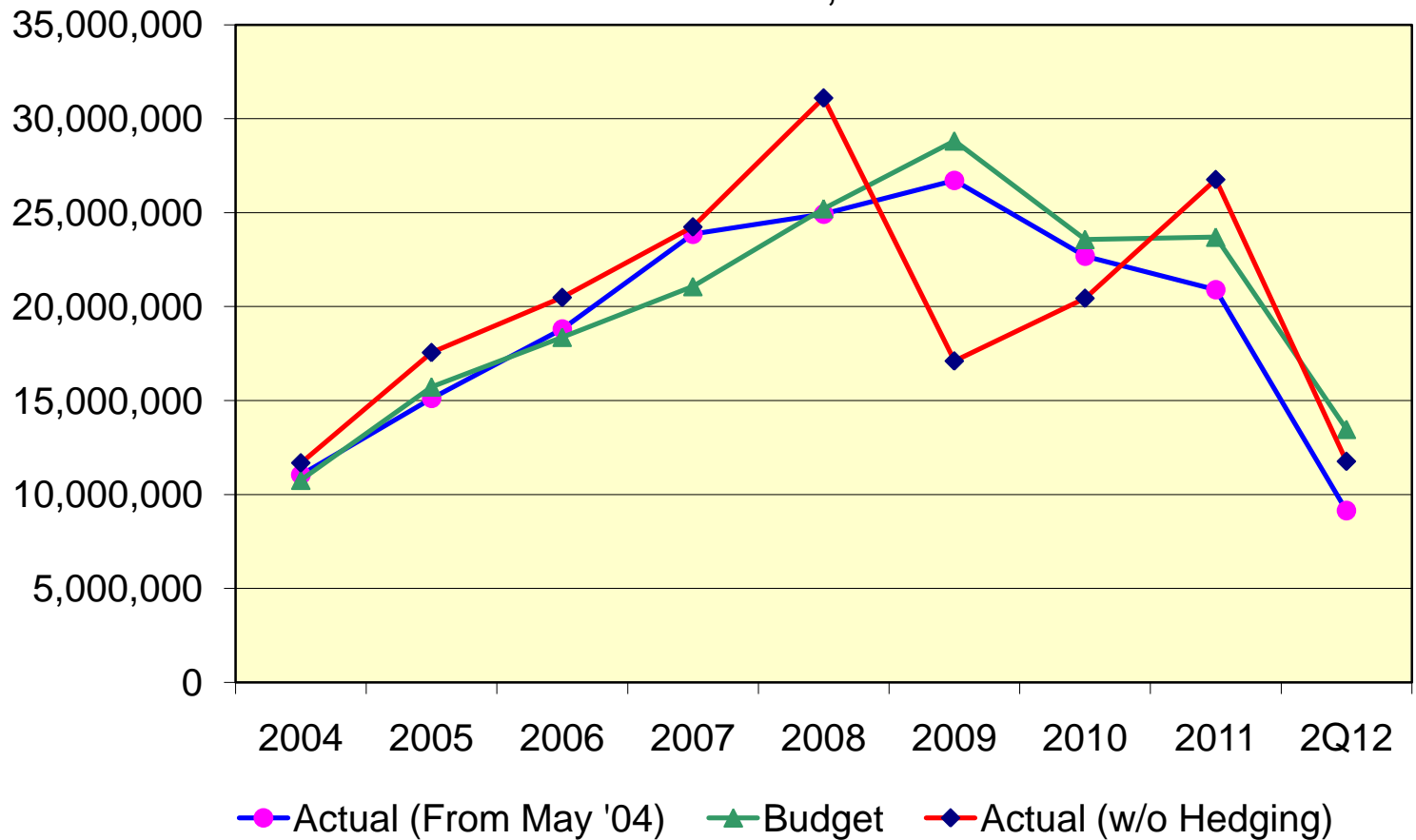
# Price of Heating Oil, 21-Month Contract, 3 years



Source: Bloomberg

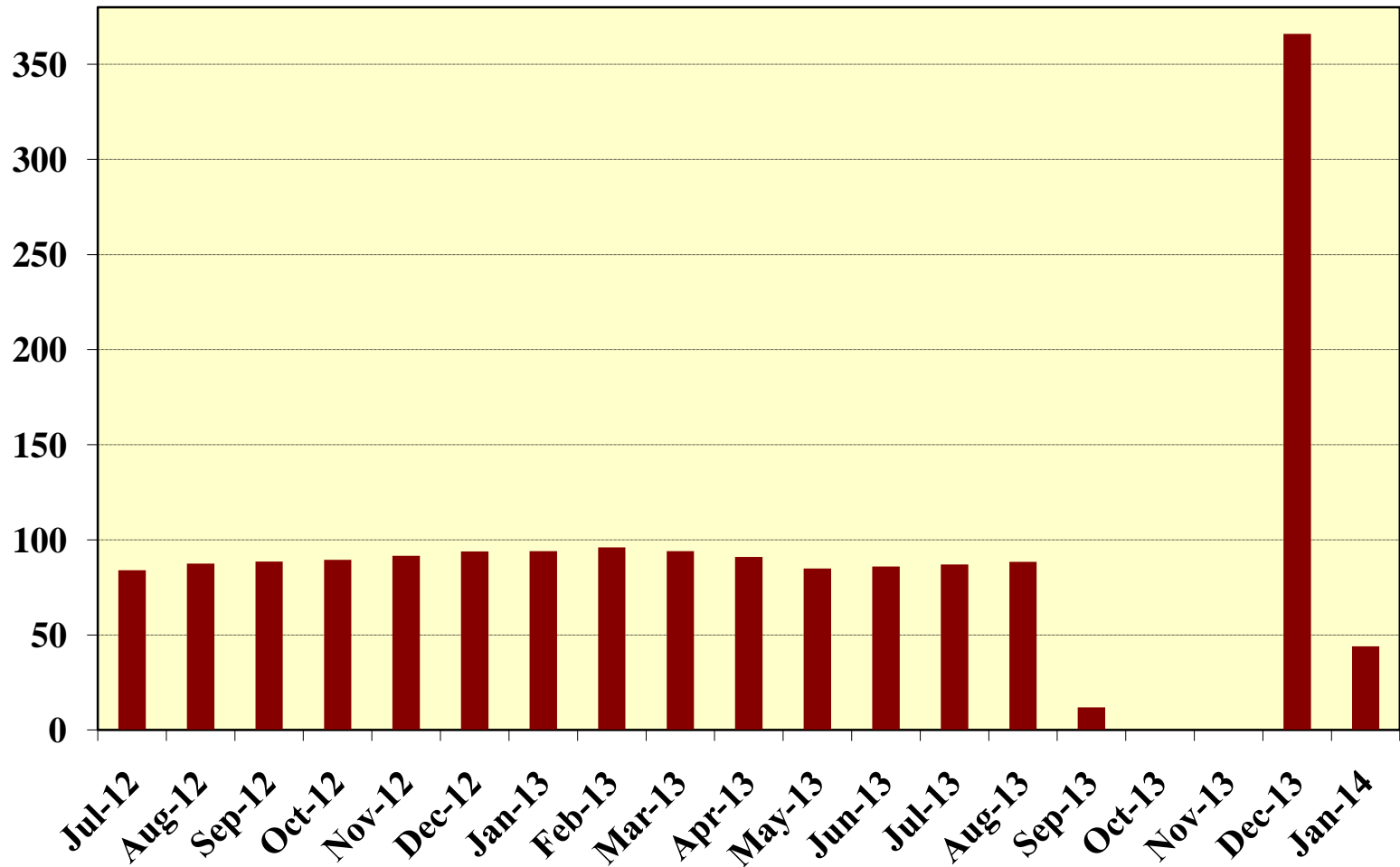
# Diesel Hedging-- Budget vs. Actual

DIESEL HEDGING IMPACT ON BUDGET (by Year)  
YTD June 30, 2012





# Monthly Hedged Ratios, Heating Oil Fut. Contracts





## Expectations: HO (diesel)

- In the short-run, price will remain volatile due to ever changing supply and demand factors.
- In the long-run, an uncertain global economic outlook will most likely limit current and future demand.
- Dec-13 contracts will be liquidated in the later part of 2013.



# QUESTIONS?