



JPB Finance Committee
Meeting of November 17, 2025

Supplemental Reading File

Subject

1. Receive Quarterly Fuel Hedge Report Fiscal Year 2026 Quarter 1

**Peninsula Corridor Joint Powers Board
Staff Report**

To: JPB Finance Committee

Through: Michelle Bouchard, Executive Director

From: Kate Jordan Steiner, Chief Financial Officer

For: December 2025 JPB Board of Directors Meeting

Subject: **Receive Quarterly Fuel Hedge Report Fiscal Year 2026 Quarter 1**



Finance Committee
Recommendation



Technology, Operations, Planning,
and Safety Committee
Recommendation



Advocacy and Major Projects
Committee Recommendation

Purpose and Recommended Action

Staff propose that the Board review and receive into the record the presentation providing an update on the fuel hedging strategy for Caltrain.

Discussion

The purpose of this presentation is to provide an update on the performance of the Diesel Fuel Hedging Program (Program) established for Caltrain. The Program, implemented in partnership with Linwood Capital, LLC was designed to reduce expense volatility caused by fluctuations in diesel fuel prices, thereby supporting financial stability in operations.

In September 2024 Caltrain launched fully electric service between San Francisco and San Jose; however, Caltrain still provides diesel service between San Jose and Gilroy.

Caltrain's diesel fuel hedging program, managed in partnership with Linwood Capital, LLC, was initiated in May 2020. The primary objective of this program has been to mitigate budget volatility stemming from fluctuations in diesel fuel prices, thereby enhancing financial stability and predictability for Caltrain's operations.

Following electrification of Caltrain in October 2024, diesel fuel consumption declined significantly, leading to the wind-down of the diesel fuel hedge program. By the end of the Fiscal Year 2025 (FY25) Quarter (Q4), the hedge account was fully liquidated, with a final disbursement of \$4,369,988.20 issued to Caltrain. Following the close of FY25Q4, a recommendation was presented to management to reinstate the fuel hedging program, and management approved the reinstatement. During FY26Q1, Caltrain did not immediately enter into fuel hedge contracts, as staff observed a continuing downward trend in diesel prices and recommended waiting for further price declines before executing any positions. This approach

was intended to optimize hedge timing and secure more favorable pricing once the market stabilized at lower levels.

In October 2025, following the close of FY26Q1, as diesel fuel prices declined, Caltrain reinstated its fuel hedge program. Shortly after the contracts were executed, fuel prices spiked due to supply chain disruptions and sanctions from the Russia-Ukraine war. Caltrain is currently hedged for 294,000 gallons of diesel, covering the period from October 2025 through January 2027, with a current net unrealized gain of approximately \$47,000 as of the end of October 2025.

Update on Hedging Electricity

At present, there is no viable mechanism for Caltrain to hedge electricity costs as a retail customer. Effective hedging would require access to the wholesale energy market through long-term power purchase agreements (PPAs), which is not currently available to Caltrain. However, since retail electricity rates are already partially insulated from market volatility through utility-level PPAs and other instruments, they inherently function as a hedged cost. Staff will continue to explore long-term strategies and opportunities to hedge electricity costs, with a note that access to the wholesale market is essential for any meaningful hedging program.

Fiscal Year 2026 Performance

- As of FY26Q1, the fuel hedging program had no realized gains or loss.
- There was no hedging activity in FY26Q1.
- Subsequently in October 2025, after the close of FY26Q1, fuel hedging was resumed.

Prospective

Following the electrification of Caltrain services in October 2024, diesel fuel consumption has significantly decreased from an average of 325,923 gallons to 32,329 gallons per month.

Subsequent Fuel Hedge Asset Information as of October 31, 2025:

During FY26Q1, \$250,000 was deposited into the hedging account. At the end of October 2025, the current value of the hedging account is \$297,000, reflecting a \$47,000 gain since the fuel hedging program was reinstated.

Budget Impact

This is an informational item. There is no budget impact.