SCHOOL PROJECT FOR UTILITY RATE REDUCTION (SPURR)

(A Joint Powers Authority)

ANNUAL REPORT

JUNE 30, 2023 AND 2022

CONTENTS

1850 Gateway Boulevard, Suite 235, Concord, Ca 94520 | **925.743.1292** | spurr.org

December 29, 2023

Board of Directors
School Project for Utility Rate Reduction

Re: Managing Director's Letter

During FYE June 30, 2023, SPURR provided our program participants (Participants) with aggregated purchasing power and expertise to help control and reduce utility costs.

Our **Natural Gas Procurement Program** provides access to the wholesale supply market for thousands of facilities operated by hundreds of Participant public K-12 and community college districts, county offices of education, universities, municipal agencies, and other eligible organizations. We have initiated a transition away from SPURR acting as a retail natural gas commodity provider, to bring our program structure in line with our other programs. In June 2023, SPURR issued a Request for Qualifications & Proposal (RFQP) for retail natural gas supply to core and noncore accounts. We plan to transition to one or more retail providers by June 2024.

Our **Electricity Procurement (Direct Access) Program** takes advantage of customer choice grid power opportunities for eligible Participant accounts. We advise on procurement options with qualified retail providers. We conduct competitive solicitations as requested.

Our **Renewable Energy Aggregated Procurement (REAP) Program** conducts competitive Requests for Proposal (RFPs) for solar PV and energy storage installations. Our master contracts offer excellent terms and pricing for either Power Purchase Agreement or capital purchase transactions.

Our **Telecom & Internal Networking Program** allows Participants to access pricing and terms procured from qualified retail providers through SPURR's RFPs. Our program master contracts are widely used for Participant E-Rate funding applications, and for non-E-Rate projects.

Our **Procurement Assistance for Vehicle Electrification (PAVE) Program** offers competitively sourced options for Participants to reduce their use of fossil-fueled vehicles. In March 2023, we issued our first program RFP for EV Charging Infrastructure & Roadmapping. The RFP resulted in awards to multiple turnkey providers.

Our **Energy Manager Program** provides independent data services and expert advice and assistance to help Participants understand and control their utility costs.

Our **LED Program** conducts RFPs for LED lighting equipment and conservation services. Participants receive competitively procured contract terms and pricing.

We provide **Regulatory Representation** on behalf of our constituents in proceedings at the Public Utilities Commission and at the Legislature. Since we have limited resources for advocacy, we often participate in coalitions with other parties who share our goals.

We repaid our most recent annual **Revenue Anticipation Notes (RANs)**, issued for working capital, as scheduled. In the current fiscal year, we issued RANs that received an "Investment Grade 1" rating from Moody's Investors Services.

To maximize confidence in our programs, we subject our finances to rigorous **annual independent audits**. We are honored to continue serving our Participants.

Michael Rochman
SPURR Managing Director

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS JUNE 30, 2023 AND 2022

Overview, History, and Operation

The School Project for Utility Rate Reduction ("SPURR") is a joint exercise of powers authority formed pursuant to the terms of a Joint Powers Agreement dated September 1, 1989, under Title 1, Division 7, and Chapter 5 of the California Government Code. SPURR's purpose is to seek reduction and control of utility costs on behalf of its members.

In 1992, SPURR inaugurated a program of self-procurement of natural gas supplies that are delivered and accounted for by the local monopoly distribution company, either Pacific Gas & Electric Company ("PG&E") or Southern California Gas Company ("SCG" and, collectively with PG&E, the Utility Distribution Companies, or "UDCs").

Currently, just over 214 public agencies in Northern California participate in SPURR's natural gas program for service to about 3619 "core" accounts and 18 "noncore" accounts. SPURR gas program participants (the "Participants") may opt to leave the gas aggregation program of SPURR effective at the start of the next fiscal year (July 1) if they provide notice to SPURR prior to the preceding March 1, unless the Participant has agreed to a longer notice period as part of specific energy procurement for that Participant. Participants in the SPURR gas program pay for their natural gas by depositing monthly payments into an escrow account managed by Union Bank of California. No Participant has ever defaulted on its gas purchases; nor has any vendor not been paid.

SPURR's primary source of revenues each year is derived from the sale of natural gas to Participants who share the costs of program energy procurement, operational expenses, and administrative overhead. For the fiscal year 2023/24, SPURR projects total revenues of approximately $95,500,000 from the sale of natural gas and the collection of local transportation charges for gas delivery.

As of June 30, 2023, SPURR had no outstanding debt other than its 2022 Revenue Anticipation Notes in the principal amount of $12,000,000, which were fully redeemed on the stated due date of August 1, 2023. A new Series of 2023 Revenue Anticipation Notes in the principal amount of $12,000,000 was issued on October 19, 2023 and are due for repayment on August 1, 2024.

Annual Report Presentation

This annual report must be read in its entirety—Managing Director's Letter, Management's Discussion and Analysis, financial statements & related notes, and Independent Auditors' Report—to obtain a thorough understanding of SPURR, its financial condition, and results of operations as of, and for the year ended June 30, 2023. This section, Management's Discussion and Analysis, provides an overview of SPURR's financial activities for the fiscal year ending June 30, 2023.

Condensed Statements of Net Position

The Statements of Net Position include all assets and liabilities using the accrual basis of accounting, similar to accounting methods used by most private-sector entities. Net position is the difference between total assets and total liabilities.

	(In thousands) 2023	(In thousands) 2022	% change
ASSETS			
Cash and cash equivalents	$ 10,924	$ 3,642	199.99%
Accounts receivable	5,996	6,521	-8.05%
Earned but unbilled	2,692	2,695	-0.11%
Investments	10,083	6,290	60.30%
Gas in storage	1,297	1,576	-17.70%
Total assets	$ 30,992	$ 20,724	49.55%
LIABILITIES			
Accounts payable and accrued liabilities	$ 10,534	$ 6,305	67.07%
Revenue anticipation notes	12,000	7,500	60.00%
Operating imbalance	9	82	-89.02%
Deferred revenue	543	1,207	-55.01%
Total liabilities	$ 23,086	$ 15,094	52.95%
NET POSITION			
Restricted	$ 7,906	$ 5,630	40.43%
Unrestricted	-	630	-100.00%
Total net position	$ 7,906	$ 5,630	40.43%

All assets and liabilities are current. Unrestricted net positions of $0 on June 30, 2023, and $629,795 on June 30, 2022, are not reserved or designated and may be used for any matters authorized in the bylaws or as otherwise approved by the Board of Directors.

Condensed Statements of Revenues and Expenses

The Statements of Revenues and Expenses presents the revenues received by SPURR along with costs associated with generating the revenues and other costs of managing and financing the program.

	(In thousands) 2023	(In thousands) 2022	% change
Program revenues	$ 100,588	$ 64,553	55.82%
Program costs	97,023	64,316	50.85%
Margin	3,565	237	1404.21%
Management costs	(1,444)	(1,191)	21.24%
Interest income	630	165	281.82%
Interest expenses	(305)	(168)	81.55%
Other expenses	(170)	(146)	16.44%
Net income (loss)	$ 2,276	$ (1,103)	306.35%

As a general rule, SPURR's gas prices are based on the wholesale cost of natural gas in Northern California, including related costs such as transportation, gas storage, management fees, and anticipated working capital requirements. SPURR's gas revenues also include "local transportation" costs owed by Participants to the Utility Distribution Companies (UDC) and collected by SPURR for remittance to UDC. (Some Participants prefer to pay their local transportation costs directly to the UDCs, but most prefer that SPURR collect and remit such charges).

During the fiscal year ending June 30, 2023, SPURR's core program had a volume of 41.6 million therms compared to a volume of 33.2 million therms for the fiscal year ending June 30, 2022. Non-core program volumes for the fiscal year ended June 30, 2023, were 5.6 million therms, compared to 5.4 million therms in the prior fiscal year. Changes in therm volume are due to changes in weather, accounts, facility usage patterns, and Participants from year to year.

SPURR's ten largest Participants accounted for 27.8% of total gas volume in the fiscal year ending June 30, 2023, as compared to 28.6% in the prior fiscal year.

Interest expense increased in 2023 due to increases in interest rates and changes in maturity size. Interest income increased due to an increase in interest rates, and amortization of bond premiums.

Condensed Statements of Cash Flows

The Condensed Statements of Cash Flows present information about cash activity during the year. The statements are divided into sections that detail cash provided or used by all activities affecting the program operating, investing, and financing plus the beginning and ending cash balances.

	(In thousands) 2023	(In thousands) 2022
Cash provided (used) by:		
Operating activities	$ 6,149	$ (2,925)
Investing activities	(3,062)	460
Financing activities	4,195	1,932
Net change in cash	7,282	(533)
Cash, beginning of the year	3,642	4,174
Cash, end of year	$ 10,924	$ 3,642

The major changes in cash provided or used by SPURR are the result of the timing of vendor payments with the alternative of maximizing safe, highly liquid investments.

Prospective Outlook Affecting Subsequent Fiscal Years

As this Annual Report is being finalized in December 2023, wholesale natural gas prices for January 2024 delivery to the PG&E CityGate have vacillated between a price of about $4.50 per MMBtu and about $12.00 per MMBtu during the most recent twelve months. Factors that directly affect the price of natural gas include (a) the value of the US dollar, (b) rates of domestic and international economic growth, (c) geopolitical conflicts, and (d) various technical, economic, and political constraints on development and operation of natural gas production and transportation facilities. We believe that the continued unpredictability of these factors will cause continued volatility in pricing indefinitely.

SPURR manages price risk in two basic ways. First, we contract with multiple wholesale suppliers. We purchased significant supplies from at least eight different wholesale distributors in the fiscal year ending June 30, 2023. This provides us with good visibility on prices (as we have multiple sources of information) as well as better prices overall (as numerous suppliers compete for our business). Second, we purchase some gas for future delivery under a variety of fixed-price contracts. This allows SPURR to offer Participants "customized" levels of fixed and variable rate pricing, as well as other pricing structures, to meet their own risk tolerances. SPURR has adopted a formal Natural Gas Commodity Risk Management Policy to guide SPURR staff in the management of the program and to better inform participants regarding the goals and operation of the natural gas program.

One issue not within our control is the performance of the UDCs, which are responsible for delivering our gas to Participants' facilities, as well as for handling metering responsibilities. Since the UDC has a legal monopoly on those functions, we cannot shop elsewhere if we are dissatisfied with the UDC's services.

SCHOOL PROJECT FOR UTILITY RATE REDUCTION

STATEMENTS OF NET POSITION
JUNE 30, 2023 AND 2022

	2023	2022
ASSETS		
Cash and cash equivalents	$ 10,924,366	$ 3,641,637
Accounts receivable	5,995,579	6,521,438
Earned but unbilled	2,692,130	2,694,937
Gas in storage	1,296,686	1,575,678
Investments	2,080,132	1,290,474
Investments-Restricted	8,002,965	5,000,000
Total assets	30,991,858	20,724,164
LIABILITIES AND NET POSITION		
Liabilities		
Accounts payable	10,240,269	6,112,602
Revenue anticipation notes	12,000,000	7,500,000
Operating imbalance	9,000	82,500
Accrued interest on revenue anticipation notes	293,636	192,647
Deferred revenue	542,587	1,206,620
Total liabilities	23,085,492	15,094,369
Net Position		
Restricted	8,002,965	5,000,000
Unrestricted	(96,599)	629,795
Total net position	7,906,366	5,629,795
Total liabilities and net position	$ 30,991,858	$ 20,724,164

The accompanying notes are an integral part of these financial statements.

SCHOOL PROJECT FOR UTILITY RATE REDUCTION

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Operating revenues		
Natural gas and program revenues	$ 100,587,997	$ 64,552,874
Operating expenses		
Natural gas and program costs	97,022,717	64,316,296
Management and administration	1,444,316	1,191,120
Total operating expenses	98,467,033	65,507,416
Operating income (loss)	2,120,964	(954,542)
Nonoperating revenues (expenses)		
Interest income	630,066	165,281
Interest expense	(304,633)	(167,984)
Other expenses	(129,402)	(99,984)
Bank charges	(40,424)	(46,497)
Total nonoperating revenues (expenses)	155,607	(149,184)
Change in net position	2,276,571	(1,103,726)
Net position at beginning of year	5,629,795	6,733,521
Net position at end of year	$ 7,906,366	$ 5,629,795

The accompanying notes are an integral part of these financial statements..

SCHOOL PROJECT FOR UTILITY RATE REDUCTION

STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022

	2023	2022
Cash flows from operating activities		
Receipts from natural gas customers and programs	$ 116,864,959	$ 65,780,973
Payments to suppliers and programs	(109,271,713)	(67,514,419)
Payments for management and administration fees	(1,444,316)	(1,191,120)
Net cash provided by (used in) operating activities	6,148,930	(2,924,566)
Cash flows from investing activities		
Interest received	630,066	165,281
Purchases of investments	(3,801,247)	(41,845)
Proceeds from sales of investments	109,613	337,036
Net cash provided by (used in) investing activities	(3,061,568)	460,472
Cash flows from capital and related financing activities		
Interest payments	(304,633)	(167,984)
Issuance of revenue anticipation notes	12,000,000	7,500,000
Retirement of revenue anticipation notes	(7,500,000)	(5,400,000)
Net cash provided by capital and related financing activities	4,195,367	1,932,016
Net increase (decrease) in cash and cash equivalents	7,282,729	(532,078)
Cash and cash equivalents at beginning of year	3,641,637	4,173,716
Cash and cash equivalents at end of year	$ 10,924,366	$ 3,641,637
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating income (loss)	$ 2,120,964	$ (954,542)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities		
Bank charges	(40,424)	(46,497)
Other expense	(129,402)	(99,984)
Changes in assets and liabilities:		
(Increase) decrease - accounts receivable	525,859	(2,868,545)
(Increase) decrease- gas in storage	278,992	(1,000,601)
(Increase) decrease- earned but unbilled	2,807	(671,800)
Increase - accounts payable	4,127,667	2,084,071
Increase (decrease) - operating imbalance	(73,500)	107,500
Increase (decrease) - deferred revenue	(664,033)	525,832
Net cash provided by (used in) operating activities	$ 6,148,930	$ (2,924,566)

The accompanying notes are an integral part of these financial statements.

NOTE 1. ORGANIZATION

Membership and Purpose

School Project for Utility Rate Reduction (“SPURR”) membership is open to all California public school K-12 districts, community college districts, and County Offices of Education, as specified in SPURR's bylaws. SPURR was formed to seek reduction and control of utility costs for its members. Governance is provided by a Board of Directors representing a cross-section of the members. As of July 2023, there were approximately 323 members of SPURR. Not all members participate in the SPURR natural gas acquisition program.

SPURR is a "core aggregator" that aggregates the natural gas requirements of 214 Participants, including SPURR members and non-member public agencies and non-profit educational institutions. SPURR purchases gas from natural gas wholesale suppliers under a program seeking a combination of low prices, price stability, and supply reliability. SPURR also arranges for the delivery of this gas to the Utility Distribution Company (UDC), which then transports the natural gas to the Participants at their usage sites (meters). For most Participants, SPURR collects the UDC's local transportation charges from Participants and remits those funds to the UDC. SPURR also pays other transportation and commodity vendors, as necessary, and charges those costs to Participants as part of the cost of natural gas.

SPURR also operates a "noncore" natural gas buying program for several larger gas accounts at facilities operated by Participants. SPURR's core natural gas program operates solely within PG&E's natural gas service territory, while the noncore program may serve accounts in PG&E and other UDC service territories.

As required by UDCs and applicable regulations, SPURR "nominates" a projected program gas usage amount onto the gas distribution system to match the projected load. After the usage dates, the UDCs read the meters at each usage site and transmit that information to SPURR for use in billing Participants and program accounting. The differences between amounts nominated by SPURR and metered usages constitute "imbalances" that are cured by purchases, sales, or trades of natural gas by SPURR. In the core program, imbalances are typically settled three months after the usage month but may be settled several years after the usage month under the applicable regulation.

SPURR also operates other procurement programs for the benefit of member and non-member entities. For example, SPURR has conducted aggregated procurements to negotiate terms of supply for electricity, LED, solar, and energy storage, electricity demand response, and telecommunications products and services. SPURR charges administrative fees for these programs, as authorized by the SPURR Board. SPURR does not take the title of the goods and services procured in these programs, unlike in the natural gas programs. The non-gas programs currently generate less than 5% of SPURR’s change in net position.

NOTE 1. ORGANIZATION (CONTINUED)

SPURR does not charge dues or membership fees to member agencies. SPURR collects Program Fees in each SPURR program to fund operations. SPURR Administrative Fee rates have been authorized by the SPURR Board and are made available to program participants through program documentation. In some programs (e.g., the natural gas program), SPURR collects Administrative Fees from program participants. In other programs (e.g., the telecommunications and networking program), SPURR collects Administrative Fees from winning vendors selected through a competitive solicitation process, in accordance with Administrative Fee rates outlined in solicitation documents. In the fiscal year ending June 30, 2023, SPURR collected an aggregate of $3,719,568 in gross Administrative Fees from all non-gas program sources. In the fiscal year ending June 30, 2022, SPURR collected an aggregate of $3,598,975 in gross Administrative Fees from all non-gas program sources.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SPURR's accounting policies conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants. Significant accounting policies are summarized below.

Fund Accounting

To ensure the proper identification of individual revenue sources and the expenditures made from those revenues, SPURR's accounts are organized into one fund. The operation of the fund is accounted for with a separate set of accounts that comprise its assets, liabilities, net position, revenues, and expenditures, as appropriate.

Basis of Presentation

In 2011, the GASB released Statement No. 63, *"Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position"*, which established a new reporting format for annual financial statements. SPURR adopted GASB 63 in the fiscal year 2012. That financial statement presentation provides a more comprehensive, entity-wide perspective of SPURR's assets, liabilities, revenues, expenses, net position, and cash flows.

Measurement Focus and Basis of Accounting

For financial statement purposes, SPURR is considered a special-purpose government entity engaged only in business-type activities. Therefore, SPURR's financial statements are reported using the total economic resources measurement focus and full accrual basis of accounting. SPURR follows those Financial Accounting Standards Board (“FASB”) Statements issued before November 30, 1989, which do not conflict with GASB statements and does not apply to FASB statements issued subsequent to November 30, 1989.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounts Receivable

Total accounts receivable consist of amounts billed and earned but unbilled amounts to members based on actual gas usage. Billings are rendered monthly to Participants based on actual gas usage. Unbilled receivables are the result of gas usage through year-end, which is not billed until after year-end. Management is of the opinion that member account receivables are collectible in full and consequently, no allowance for bad debts has been included in the accounts.

Net Position, Reserves, and Designations

The net position represents all of SPURR's assets less its liabilities. Portions of SPURR's net position may be reserved or designated to indicate limitations placed by the agency providing the funds or designated by Board action. No such reserves or designations existed on June 30, 2023, or 2022, except in connection with the issuance of Revenue Anticipation Notes ("RANs"). Pursuant to the terms of the RANs issued, SPURR held \$8,002,965 and \$5,000,000 in trust accounts as of June 30, 2023, and 2022, respectively, for the retirement of the RANs, and are shown as "Investments – restricted" on the Statements of Net Position.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates are used when accounting for the operating imbalance and contingencies among others. Actual results could differ from those estimates.

NOTE 3. DATE OF MANAGEMENT'S REVIEW

In preparing the financial statements, SPURR has evaluated events and transactions for potential recognition or disclosure through December 29, 2023, the date the financial statements were available to be issued.

NOTE 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are \$10,924,366 and \$3,641,637 as of June 30, 2023, and 2022 respectively, and include a disbursement account and a temporary investment account. The investment account is administered by US Bank and Wells Fargo Bank in which, on a daily basis, excess cash is swept into/out of these accounts. Money market investments, which were uninsured and unsecured, totaled approximately \$10,066,043 and \$6,273,711 on June 30, 2023, and 2022, respectively.

NOTE 5. BUDGET

SPURR's budget is subject to public hearings and is legally enacted through the passage of a resolution by SPURR's Board of Directors prior to the start of each fiscal year. The budget is prepared on the accrual basis of accounting and budget/actual comparisons in this report use that basis. These budgeted amounts are as originally adopted or as amended by the Board of Directors. Individual amendments were not material in relation to the original appropriations.

The following tables present a comparison of the 2023 revised budget and 2023 actual for SPURR along with the 2024 budget.

	(in thousands)			
	2024 Budget	2023 Revised	2023 Actual	Variance
Gas and program revenues	$ 65,700	$ 65,500	$ 100,588	$ 35,088
Gas and program costs	64,500	64,000	97,023	33,023
Margin	1,200	1,500	3,565	2,065
Management costs	(1,200)	(1,100)	(1,444)	(344)
Interest expense	(300)	(25)	(305)	(280)
Interest income	600	4	630	626
Other expenses	(130)	(100)	(130)	(30)
Bank charges	(47)	(31)	(40)	(9)
Net income	123	248	2,276	2,028
Net position at beginning of year	5,878	5,630	5,630	-
Net position at end of year	$ 6,001	$ 5,878	$ 7,906	$ 2,028

NOTE 6. INVESTMENTS

SPURR invests in the Pooled Money Investment Account ("PMIA") of the Local Agency Investment Fund ("LAIF") maintained by the Office of the Treasurer of the State of California. The carrying value of the investments approximates their fair market value. As such, all amounts cannot be classified in terms of market risk because they do not represent specifically identifiable investments. The PMIA consists of highly liquid investment instruments such as certificates of deposits, high-grade commercial paper, etc. Additionally, SPURR has short-term investments in Wells Fargo Bank and Union Bank of California. The banks invest the funds in U.S. government bonds and high-grade commercial paper.

NOTE 6. INVESTMENTS (CONTINUED)

The Organization's investments are reported at fair value in the accompanying statement of net position. The methods used to measure fair value may produce an amount that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although SPURR believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

SPURR's investments, at fair value on June 30, 2023, and 2022 were based on the following:

	2023	2022
Money market funds	$ 10,066,043	$ 6,273,711
Local agency investment fund	17,054	16,763
Total	$ 10,083,097	$ 6,290,474

NOTE 7. GAS SUPPLY AND TRANSPORTATION COSTS

Gas supply and transportation costs includes the following for the years ended June 30, 2023 and 2022:

	2023	2022
Gas supply costs	$ 59,209,855	$ 24,593,281
Transportation costs, net	37,812,862	39,723,015
Total gas supply and transportation costs	$ 97,022,717	$ 64,316,296

Transportation costs, net, includes miscellaneous revenue related to the sale of excess pipeline capacity.

NOTE 8. GAS IN STORAGE AND DEFERRED REVENUE

As of June 30, 2023, and 2022, in anticipation of winter consumption requirements, SPURR had purchased gas and placed it in storage with independent gas storage providers. The gas costs were allocated to Participants and billed to them at the time of purchase. Such billings totaled $542,587 and $1,206,620 on June 30, 2023, and 2022, respectively. Gas is withdrawn from storage during high-consumption months from November through March and credits are applied to Participants' accounts during those withdrawal months. As of June 30, 2023 and 2022, gas in storage was $1,296,686 and $1,575,678, respectively. Such gas is stated at cost using a first-in, first-out basis.

NOTE 9. OPERATING IMBALANCES

Imbalances as of June 30, 2023, represented an under-delivery of 15,212 therms of gas, with a projected liability of $9,000 based on actual market prices. The imbalances as of June 30, 2022, represented an under-delivery of 149,050 therms of gas with a projected liability of $82,500. In cases where there is a year-ending liability due to an outstanding “negative” imbalance, SPURR must subsequently acquire additional gas through purchase or trade. Where there is a “positive” imbalance at year-end, SPURR may apply that gas to future delivery requirements or may sell or trade that gas. The prices at which gas may be bought or sold to cure an imbalance may differ from prices in effect at the time the gas was consumed. In either case, the benefit or burden of imbalance trades will affect the cost of gas to Participants.

Under applicable state and federal regulations, the UDCs are allowed to correct or restate the actual amount of gas purchased in a given month for several years after that month has ended. Such retroactive adjustments are common in California, and give rise to certain imbalances, which must be cured as discussed above.

NOTE 10. REVENUE ANTICIPATION NOTES

SPURR issues Revenue Anticipation Notes ("RANs") to cover seasonal working capital requirements in anticipation of winter gas consumption and the normal billing and collection cycle of Participants' accounts.

On December 16, 2022, SPURR issued $12,000,000 in Revenue Anticipation Notes (the "2022 RANs"), with a coupon of 4.00% and a yield of 3.40% per annum. The 2022 RANS were repaid as scheduled on August 1, 2023.

NOTE 11. LINE OF CREDIT

On May 12, 2023, SPURR entered into a $3,000,000 line of credit with California Bank of Commerce. The amount outstanding on the line of credit bears interest at 8.25% per year. There was no amount outstanding on the line of credit at June 30, 2023.

NOTE 12. SUBSEQUENT EVENTS

On October 19, 2023, SPURR issued $12,000,000 in Revenue Anticipation Notes (the "2023 RANs"), with a coupon of 5.00% and a yield of 4.00% per annum. The 2023 RANs have a due date of August 1, 2024. SPURR is, and at all times since issuance, has been in full compliance with all provisions of the 2023 RANs loan indenture.

NOTE 13. RELATED PARTY

Effective July 1, 2019, SPURR entered into a contract with North Star Consulting, Inc. ("NSC"), of Concord, California, to provide program operational and other services. Operational services include managing the procurement, cost accounting, billing and collections, contract management, and vendor payments processes on behalf of SPURR and providing staff to SPURR, all under the direction of the SPURR Board.

In addition to operational responsibilities, NSC's responsibilities include managing, on behalf of SPURR: marketing services, advocacy at the California Public Utilities Commission and the California Legislature with respect to utility cost and competition issues, customer service, and new program development. NSC is responsible for the payment of fees to any of its subcontractors.

SPURR pays gas Administrative Management fees to NSC, pursuant to the services agreement between SPURR and NSC. The fees vary with participation or throughput levels in the gas program. For the natural gas program, SPURR paid NSC approximately $1,444,316 and $1,191,120 for the years ended June 30, 2023, and 2022, respectively, with approximately $296,470 payable on June 30, 2023, and $423,398 payable on June 30, 2022. Approximately 95% of collected SPURR Administrative fees for non-gas programs are paid to NSC to reimburse the Program manager for expenses incurred to manage all non-gas programs since NSC bears virtually all of the operational costs of these programs.

NOTE 14. CONTINGENCIES

Utility companies can and do make adjustments to their reported actual usage amounts for prior periods. These adjustments may be made several years after the gas was actually consumed. Prior period adjustments may add to, or subtract from, natural gas imbalances, as discussed above. For example, a prior period adjustment that increases in reported actual usage creates a “negative” imbalance that must be cured through the acquisition of additional gas supplies, through purchase, or trade. The prices at which gas may be bought or sold to cure an imbalance may differ from prices in effect at the time the gas was consumed. In either case, the benefit or burden of imbalance trades will affect the cost of gas to Participants.

The financial statements reflect all material purchases or sales of gas required as a result of imbalances, including imbalances due to prior period adjustments, which were known to management at the date these financial statements were prepared. However, no provision has been made for the effects of any additional future prior period adjustments which may be required by the IOUs.

NOTE 14. CONTINGENCIES (CONTINUED)

On January 29, 2019, PG&E filed a petition for relief, pursuant to Chapter 11 of the U.S. Bankruptcy Code, in the United States Bankruptcy Court for the Northern District of California (the "Court") requesting protection from its creditors. The bankruptcy cases of PG&E and certain of its affiliates were jointly administered under Case No. 19-30088 (the "PG&E 2019 Bankruptcy Case"). On June 20, 2021, the Court entered an order confirming a Plan of Reorganization dated June 19, 2021 (the "PG&E 2021 Reorganization Plan") in the PG&E 2019 Bankruptcy Case.

SPURR has no way of predicting whether the PG&E 2021 Reorganization Plan will be successfully implemented, what its ultimate effects on the California energy industry may be, or what financial and operational conditions PG&E will face during or after the pendency of the PG&E 2021 Reorganization Plan. SPURR can therefore give no assurances as to the future ability of PG&E to deliver gas and related services to SPURR or to the Participants.

NOTE 15. CONCENTRATIONS

As described above, the UDCs transport natural gas to Participants through UDC pipelines and transmission mechanisms. The UDCs also provide the metered usage data for the program. The program's operations depend upon these UDC services.

NSC has subcontracted with others to perform certain operational services. In the event that any sub-contractor no longer performed such services for the program, NSC would contract with other available service providers.

NOTE 16. COMMITMENTS - GAS PURCHASE PRICE MANAGEMENT

SPURR aggregates natural gas purchases for the purpose of reducing and managing volatility with respect to the net effective cost of gas and other gas-related services supplied to the Participants. By aggregating large purchases of natural gas and related services (e.g., interstate and intrastate transportation of gas, gas storage, billing, and reporting), the programs are intended to reap the benefits of direct access to wholesale markets, as well as the ability to protect against price spikes and to pass those benefits along to the Participants.

In particular, in response to continued volatility in natural gas prices on a national level and within California, which put a great deal of pressure on Participants' energy budgets, SPURR offers various rate plans for its gas program Participants to meet their risk management preferences.

NOTE 16. COMMITMENTS - GAS PURCHASE PRICE MANAGEMENT (CONTINUED)

Participants can request that SPURR provide “customized” levels of fixed and variable rate pricing, as well as other pricing structures. Absent such request from a Participant in the core program, SPURR’s default pricing plan is to provide 40% of projected fiscal year usage to Participants at fixed rates announced at the start of each fiscal year, with the remainder provided at variable rates based on current market prices. In the non-core program, Participants receive fully variable pricing, unless they request some level of a fixed rate or other structured rate pricing, such as capped or collared pricing. SPURR made no deposits during the fiscal year ending June 30, 2023, for gas deliveries in the subsequent fiscal year. It is the opinion of SPURR that the rate plans offered by SPURR to gas program Participants enable Participants to obtain the level of budgetary protection that meets their needs. Since SPURR charges through the actual costs of gas to its Participants, management believes that pricing under rate plans will not have a material effect on SPURR's financial operations.

NOTE 17. CORE AND NON-CORE FIXED-PRICE GAS PURCHASE COMMITMENTS

Core Fixed Price Gas Purchase Commitments as of June 30, 2023, and 2022, respectively:

	2023	2022
Fixed Price Commitments	$ 6,216,624	$ 6,302,962

Non-Core Fixed Price Gas Purchase Commitments as of June 30, 2023, and 2022, respectively:

	2023	2022
Fixed Price Commitments	$ 72,850	$ 200,563

INDEPENDENT AUDITORS' REPORT

Schwartz Giannini Lantsberger & Adamson
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To the Board of Directors
School Project for Utility Rate Reduction
Concord, California

Opinion

We have audited the accompanying financial statements of the business-type activities of School Project for Utility Rate Reduction ("SPURR") as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise SPURR's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of SPURR as of June 30, 2023 and 2022, and the respective changes in financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SPURR, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SPURR's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SPURR's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the SPURR's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 2-5 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standard generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Schwartz, Giannini, Lantsberger & Adamson

Stockton, California
December 29, 2023