

SPURR Statement at Peralta Community College

Board of Trustees Regular Meeting

July 19, 2011 – Public Comment Period

Good evening. I very much appreciate this opportunity to address the Board of Trustees tonight. Public comments are limited to three minutes per speaker, so I will be brief.

My name is Michael Rochman and I am the Managing Director of SPURR, the School Project for Utility Rate Reduction. SPURR a joint powers authority, formed in 1989 by California public school districts, community college districts, and county offices of education to aggregate purchasing power for utilities services. SPURR's Treasurer agency is the Alameda County Office of Education. SPURR's office is located in Concord, California.

SPURR acts as a natural gas buying group on behalf hundreds of school and college districts and other public agencies and we supply energy to thousands of facilities across California. The local utility distribution company, in this case PG&E, delivers the energy through pipes, wires, and meters that PG&E owns and operates.

Peralta Community College joined SPURR in 1996 and has participated in our natural gas buying group for many years, for both "core" (that is, small) and "noncore" (large) accounts. On the consent agenda tonight is a recommendation to stay with SPURR for noncore supply, but to move core supply to a private natural gas marketing firm.

We very much appreciate the district's continued confidence in SPURR's noncore program and we will continue to work hard every day to earn that trust. However, with respect to the smaller, core accounts, there appears to be a misunderstanding reflected in the Board agenda package that we would like to correct for the record. At page 9 of 16, the agenda packet states that "SPURR's core pricing . . . has been higher than most other commodity deliverers, since California public educational institutions need budget pricing for the next fiscal year by May, meaning that prices must be locked in and gas forward-purchased in late winter (February)."

In fact, based on all information available to us, SPURR's core natural gas rates have been lower than private marketer rates for comparable products. This is primarily due to SPURR's low administrative fees, set by our Board every year. Also, SPURR has no incentive, and no ability, to "buy low and sell high" as private marketers do. Our incentives are to "buy low" and to pass low rates on to our member schools and colleges.

We believe that the agenda packet statement quoted above may be based on an erroneous comparison between variable rates, which float with the market, and fixed rates, which are contracted in advance. Those are two different products, used for different purposes.

SPURR does recommend that schools and colleges have at all times a portfolio of fixed and variable rates to better manage risk. That is our default program for core accounts.

However, our schools and colleges can, and some do, set their own mix of fixed and variable rate supplies. Schools and colleges in our program can also control the timing of fixed rate purchases, if they so choose.

When we have compared our variable rates to comparable rates offered by private marketers, SPURR has been cheaper by a significant amount. We have provided our computations to anyone who has requested it. We are not aware of any evidence to the contrary.

We would like to request that the Board Clerk include this written statement in the Board minutes. Thank you for your time.