

Association of Bay Area Governments Publicly Owned Energy Resources

ABAG POWER

Board of Directors

December 11, 2023

Agenda Item 5.b.2.

Adoption of Resolution 23-05 to Admit Current Participants of the School Project for Utility Rate Reduction (SPURR), a Joint Powers Authority, as New Members of ABAG POWER

Subject:

Adoption of Resolution 23-05 to admit current participants of SPURR as New Members of ABAG POWER, provided they meet the requirements set forth in the ABAG POWER Joint Powers Agreement and Bylaws.

Background:

The School Project for Utility Rate Reduction (SPURR) is a California Joint Powers Authority (JPA) formed to seek reduction and control of utility costs on behalf of its members. SPURR has acted as a natural gas energy service provider for approximately 30 years, with a membership open to all California public K-12 school districts, county offices of education, and community college districts. SPURR's membership also includes a small number of universities, tribes, and county governments. In total, the membership consists of over 300 member organizations, for whom it aggregates purchasing power and expertise. SPURR also offers other aggregated purchasing programs, including solar and energy storage, LED lighting and conservation, telecom and networking, electricity supply, and other related services.

While the primary participant types in each JPA differ – schools for SPURR, and cities and counties for ABAG POWER – many of the core services and benefits are similar, and result in aligned interests between ABAG POWER and SPURR. In fact, ABAG POWER and SPURR are the only known non-utility gas suppliers (known as “core transport agents”) in Pacific Gas and Electric Company (PG&E) service territory offering Core Transport Agent (CTA) Consolidated Billing, meaning that the CTA consolidates all applicable charges and presents program participants with a single bill that includes PG&E's charges. For these reasons, both organizations and other CTAs have occasionally joined a “CTA Consortium” that participates in regulatory proceedings and other avenues to advocate for the interests of CTAs.

On June 16, 2023, SPURR released a Request for Qualifications and Proposals (RFQP) seeking qualified vendors to provide retail natural gas commodity service for “core” (small usage) and “noncore” (large usage) accounts. The RFQP stated:

1. SPURR's decision to terminate its core natural gas program on or about June 30, 2024.
2. The RFQP would result in SPURR's recommendation that current SPURR natural gas program participants transition to an awarded vendor, if any.

Agenda Item 5.b.2. – Approval of Resolution 23-05 to Admit Current Participants of SPURR as New Members of ABAG POWER

December 11, 2023

Page 2 of 3

3. An award issued pursuant to the RFQP did not represent an obligation of SPURR's members to purchase services through the RFQP, nor a guarantee of any particular level of service.

SPURR evaluated responses and recommended ABAG POWER for award for the core accounts only, subject to execution of a SPURR Master Contract (SMC) between SPURR and ABAG POWER. The award was approved by the SPURR Board of Directors on October 26, 2023. In anticipation of the Board's approval, ABAG POWER and SPURR have successfully negotiated and executed an SMC which became effective October 1, 2023. Additionally, routine meetings have occurred during the past few months to plan for required actions and coordinate several joint outreach events.

While the award does not represent a guarantee regarding any particular level of service, SPURR has over 220 participants in its core natural gas program, and an annual gas usage of approximately 3.8 million MMBtu – about five times greater than the current annual gas usage of ABAG POWER's portfolio. A list of SPURR's natural gas program participants as of July 31, 2022, is attached to this memorandum. This list is not intended to be exhaustive, nor restrict admittance to ABAG POWER to only the listed organizations.

An increase in ABAG POWER's membership is beneficial for multiple reasons:

- An increase in gas usage allows fixed expenses to be allocated over a larger usage pool, resulting in a lower rate for participants and a greater likelihood of providing cost savings.
- An increase in the number of members results in a:
 - larger financial reserve due to the working capital deposit requirement, which results in a greater ability to weather extreme volatility.
 - broader range of participants on the ABAG POWER Board of Directors and Executive Committee which bring expertise and perspective to the programs.
 - greater likelihood of attracting additional members and serving as an attractive option for grant funding opportunities.

The ABAG POWER JPA, Bylaws, and member agreements each establish eligibility and enrollment requirements, which provide that a new member must be a member or cooperating member of ABAG at the time they join ABAG POWER. Members of SPURR – public agencies and non-profits – are eligible to join ABAG POWER and may join by adopting a resolution approving entry into ABAG POWER, designating a voting director, authorizing execution of the JPA, and acknowledging the Bylaws.

Issues:

A significant increase in ABAG POWER's membership as a result of the SPURR RFQP poses several potential challenges dependent upon the number of entities choosing to enroll. These challenges may include:

- Processing up to 220 additional member contracts.

Agenda Item 5.b.2. – Approval of Resolution 23-05 to Admit Current Participants of SPURR as New Members of ABAG POWER

December 11, 2023

Page 3 of 3

- Performing initial account set up including entering site (addresses, account numbers, facility details, etc.) and billing (bill to addresses, subaccount grouping, etc.) information.
- Performing recurring actions related to invoice generation, payment application, usage and cost validation, and account management.

To identify areas of concern, staff have met with representatives of each ABAG/MTC section expected to be impacted by the above challenges. In general, the majority of identified challenges will result in a need for increased support provided by program staff in coordination with the contracts, legal, and finance teams. Financial support for these positions may be included in a future budget proposal, with revenue from the program to cover additional staff costs. Although this may result in an increase in staff cost, the net result of increasing the program's membership is expected to result in a lower rate charged for administrative services.

Recommended Action:

The ABAG POWER Board of Directors is requested to adopt Resolution 23-05 to admit current participants of the School Project for Utility Rate Reduction (SPURR) as new members of ABAG POWER, pursuant to the SPURR Request for Qualifications and Proposals (RFQP) and SPURR Master Contract, and provided they meet the requirements set forth in the ABAG POWER Joint Powers Agreement and Bylaws.

Attachments:

- Overview of SPURR RFQP Presentation
- Resolution 23-05
- SPURR Natural Gas Program Participants as of July 31, 2022

Reviewed:

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Brad Paul