

NEW ISSUE—BOOK ENTRY ONLY

RATING:
Moody's: "MIG 1"
(See "Rating" herein)

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, under existing law, subject to SPURR's compliance with certain covenants, interest on the Notes is excludable from gross income of the owners thereof for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and, under section 55 of the Code, is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Code but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "TAX MATTERS" herein.

\$7,500,000

**SCHOOL PROJECT FOR UTILITY RATE REDUCTION
2008 Revenue Anticipation Notes**

**(Natural Gas Purchase Program for Member California School Districts and
Community Colleges and Other Non-Member Affiliated Public Entities)**

**Dated: October 30, 2008****Due: September 15, 2009**

The Notes will be issued in denominations of \$1,000 or any multiple thereof. Principal and interest on the Notes will be payable upon maturity by check or draft of Wells Fargo Bank, National Association, San Francisco, California (the "Paying Agent").

MATURITY SCHEDULE

<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>CUSIP+</u>
\$7,500,000	4.50%	4.125%	807862 AM9

The Notes, in accordance with California law, are general obligations of the School Project for Utility Rate Reduction ("SPURR") payable solely from income, revenue and other moneys of SPURR attributable to SPURR's 2008-2009 fiscal year and lawfully available for payment thereof. As security for the payment of the Notes and the interest thereon, SPURR has pledged (i) an amount equal to \$2,500,000 from the first unrestricted revenues received by SPURR attributable to the month of April, 2009, (ii) an amount equal to \$2,500,000 from the first unrestricted revenues received by SPURR attributable to the month of May, 2009, and (iii) an amount equal to \$2,500,000, plus an amount sufficient to pay interest on the Notes and any deficiency in the amounts required to be deposited during any prior month, from the first unrestricted revenues received by SPURR attributable to the month of June, 2009.

The Notes will be issued by a book entry system with no physical distribution of Notes made to the public. The Depository Trust Company ("DTC"), New York, New York, will act as Depository for the Notes, which will be immobilized in their custody. The Notes will be registered in the name of Cede & Co., as nominee for DTC. The Notes will not be subject to redemption prior to maturity. Principal of and interest on the Notes will be paid at maturity by Wells Fargo Bank, National Association to DTC, for payment to the DTC Participants. See "Book Entry Only System" herein for a further explanation. The Notes are, to the extent more fully described herein, legal investments for commercial banks in California and are eligible to secure deposits of public moneys in the State of California.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Notes will be offered when, as and if issued and received by the Underwriter, subject to the approval as to their legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel. It is anticipated that the Notes will be available for delivery, through the facilities of DTC, on or about October 30, 2008.

Wells Fargo Institutional Securities, LLC

Dated: October 23, 2008

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No dealer, broker, salesperson or other person has been authorized by SPURR or the Underwriter to give any information or to make any representations other than those contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale. This Official Statement is not to be construed as a contract between SPURR or the Underwriter and the purchasers of the Notes. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representation of facts.

The information set forth herein has been obtained from sources believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as representation by SPURR or the Underwriter. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of SPURR since the date hereof. This Official Statement is submitted with respect to the sale of the Notes referred to herein and may not be reproduced or used, in whole or in part, for any other purpose, unless authorized in writing by SPURR. All summaries of the documents and laws are made subject to the provisions thereof and do not purport to be complete statements of any or all such provisions.

WITH RESPECT TO THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE NOTES AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

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From time to time, Wells Fargo Bank, N. A. and other banks and companies affiliated with WFIS may lend money to an issuer of securities or debt that are underwritten or dealt in by WFIS. Within the prospectus or other documentation provided with each such underwriting or placement there will be a disclosure of any material lending relationship by an affiliate of WFIS with such an issuer and whether the proceeds of such an issuance of such debt securities will be used by the issuer to repay any outstanding indebtedness of any WFIS affiliate.

From time to time, WFIS may participate in a primary or secondary distribution of securities bought or sold by a purchase of bonds or notes. WFIS and its affiliates may also act as an investment advisor to issuers whose securities may be sold to a purchaser of those bonds or notes.

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**SCHOOL PROJECT FOR UTILITY RATE REDUCTION
("SPURR")**

Board of Directors

Steven Adams, *SPURR Board President/Clerk*, Clovis Unified School District
John W. Bitoff, *Vice President/Clerk* San Francisco Unified School District
Carlene Naylor, *SPURR Treasurer*, Alameda County Office of Education
Paul Bielen, Sonoma County Junior College District
Joyce Lopes, Sierra Community College District
John Quinto, Fresno Unified School District
Scott Siegel, Ceres Unified School District
Brian Stephens, Northern Humboldt Union High School District
William Stephens, Fremont Unified School District

SPURR Officials

Michael Rochman, J.D., Managing Director
Alethea Rollins, Accounting Manager
Gary Mingle, CPA, Accounting Consultant

Counsel to SPURR

Kronick, Moskovitz, Tiedemann & Girard
Sacramento, California

Bond Counsel

Quint & Thimmig LLP
San Francisco, California

Paying Agent

Wells Fargo Bank, National Association
San Francisco, California

Underwriter

Wells Fargo Institutional Securities, LLC
San Francisco, California

OFFICIAL STATEMENT

\$7,500,000

SCHOOL PROJECT FOR UTILITY RATE REDUCTION ("SPURR") 2008 Revenue Anticipation Notes

INTRODUCTION

This Preliminary Official Statement has been prepared under the direction of the School Project for Utility Rate Reduction ("SPURR") in order to furnish information with respect to its sale of certain revenue anticipation notes designated "School Project for Utility Rate Reduction (SPURR), 2008 Revenue Anticipation Notes" (the "Notes") in the principal amount of \$7,500,000. The Notes have been authorized pursuant to a resolution adopted by SPURR on September 9, 2008 (the "Resolution"). The Notes will be issued in full conformity with the Constitution and laws of the State of California (the "State"), including Article 7.6, Chapter 4, Part 1, Division 2, Title 5 (commencing with Section 53850) of the California Government Code (the "Act") and under such statute are general obligations of SPURR but are payable solely from income, revenue and other moneys of SPURR attributable to the fiscal year commencing on July 1, 2008 (the "Fiscal Year 2008-2009") and legally available therefor.

Proceeds from the sale of the Notes will be used for the purchase of natural gas to be sold by SPURR to member school districts and non-member affiliated public entity participants (members and non-member participants to be referred to hereinafter as jointly, the "Participants" or individually as "Participant"). SPURR may issue the Notes only if the principal of and interest on the Notes will not exceed 85 percent of the estimated amount of the then uncollected moneys legally available for the payment of the Notes.

THE NOTES

Authority for Issuance

The Notes are issued under the authority of the Act and pursuant to the Resolution.

Purpose of Issue

SPURR was formed, among other things, for the purpose of aggregating gas and other utility purchases for its member school districts and community college districts and county offices of education. Subsequent to its formation and commencement of operations, SPURR added to and included in its gas aggregation program certain non-member participants. See "THE SCHOOL PROJECT FOR UTILITY RATE REDUCTION—Non-Member Participants—Continued Program Participation—Other Joint Powers Authority Membership Non-Member Affiliated Public Entity" below. SPURR's non-members currently account for less than 20% of the total gas program by both volume and expenditure.

SPURR has been providing natural gas aggregation services since 1991. SPURR aggregates purchasing for the purpose of reducing and managing price 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, i.e., interstate and intrastate transportation of gas, gas storage, billing and reporting, the program is intended to provide the benefits of direct access to wholesale markets, as well as the ability, in management's opinion, 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 entered the 2008-2009 program year with fixed price contracts for approximately 35% of projected gas usage of Participants. It is the opinion of SPURR that, as a consequence of this risk-reduction strategy, Participants have a much higher level of budgetary protection than they had in program years prior to the implementation of this fixed price strategy (in the 2001-2002 program year). **There can be no assurance as to whether or not these fixed prices will be above or below spot market prices that may be available over the course of the 2008-2009 fiscal year which is the subject of these Notes.**

Issuance of the Notes will provide moneys for the timely monthly purchase of natural gas to be sold by SPURR to Participants in the State of California. From FY 1994-1995 through FY 1998-1999, SPURR's billing practice had been to base invoices to Participants on estimated gas purchases by the various Participants in their gas purchase program. This method of billing by SPURR had over the years presented certain accounting difficulties for many of the Participant districts with regard to their ability to recognize exact monthly expenditures on a timely basis. For this reason SPURR decided, after consultation with a representative cross section of its membership and Participants, that it was in the best interest of its Participants to be invoiced for gas purchases on an "actual" gas usage, i.e., metered, rather than an "estimated" gas usage basis. SPURR would thereby most likely incur monthly operating cash flow deficits resulting from the timing of SPURR's payment for gas it purchases on behalf of its Participants and the time that it is reimbursed for the gas following payment by individual Participants on an actual gas delivery basis. SPURR estimates a cash flow gap of up to 90 days or longer from the time that SPURR pays for monthly gas purchases and the point in time when they are paid by individual member and non-member Participant districts for the respective monthly gas amounts. This is why, commencing with the FY 1999-2000 Revenue Anticipation Notes, SPURR provided an interim financing source for their gas delivery programs. The Notes continue this interim financing approach.

Description of the Notes

The Notes will be dated October 30, 2008, and will mature on September 15, 2009. The Notes will bear interest at the rate specified thereon, payable at maturity and computed on a 30-day month/360-day year basis. The Notes will be issued in fully registered form in denominations of \$1,000, or any multiple thereof. Principal and interest on the Notes will be payable upon maturity by check or draft of Wells Fargo Bank, National Association (the "Paying Agent"). The Notes will not be subject to redemption prior to maturity.

Book Entry Only System

The Notes will be issued by a book entry system, evidencing ownership of the Notes in principal amounts of \$1,000 or integral multiples thereof with no distribution of Notes made to the public. DTC will act as depository for the Notes, which will be immobilized in its custody. The Notes will be registered in the name of Cede & Co., as nominee for DTC. DTC is a limited-purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve system, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" physical registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of securities certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others such as banks, brokers, dealers and trust companies that clear through or maintain a

custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants").

Purchases of the Notes under the book entry system may be made through brokers and dealers who are, or act through, DTC participants. The DTC Participants shall receive a credit balance in the records of DTC. The ownership interest of the actual purchaser of each Note (the "Beneficial Owner") will be recorded through the records of the DTC Participant. Beneficial Owners will receive a written confirmation of their purchase providing details of the Note acquired. Transfers of ownership interests in the Notes will be accomplished by book entries made by DTC and by the DTC Participants who act on behalf of the Beneficial Owners. Beneficial Owners will not receive Notes representing their ownership interest in the Notes. Interest and principal will be paid to DTC, or its nominee, and then paid by DTC to the DTC Participants and thereafter paid by the DTC Participants to the Beneficial Owners when due.

SPURR WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE PAYMENTS TO THE DTC PARTICIPANTS OR THE INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

Beneficial Owners of the Notes will not receive or have the right to receive physical delivery of such Notes, and will not be or be considered to be owners thereof so long as Cede & Co. is the registered owner of the Notes, as nominee of DTC, references herein to the holders or registered owners of the Notes shall mean Cede & Co. and shall not mean the Beneficial Owners of the Notes.

DTC may determine to discontinue providing its service with respect to the Notes at any time by giving notice to SPURR and discharging its responsibilities with respect thereto under applicable law. Under such circumstances, unless a substitute depository is retained by SPURR, Notes will be delivered and registered as designated by the Beneficial Owners. The Beneficial Owner, upon registration of Notes held in the Beneficial Owner's name, will become the Noteholder.

SPURR may determine that continuation of the system of book entry transfers through DTC (or a successor depository) is not in the best interests of the Beneficial Owners. In such event, Notes will be delivered and registered as designated by the Beneficial Owners. The principal of and interest on the Notes will be paid to DTC or its nominee, Cede & Co., as registered owner of the Notes. Upon receipt of moneys, DTC's current practice is to immediately credit the accounts of the DTC Participants and in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and Indirect Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant or Indirect Participant and not of DTC or SPURR, subject to any statutory and regulatory requirements as may be in effect from time to time.

Security for the Notes and Available Sources of Repayment

The Notes and the interest thereon are general obligations of SPURR but are payable solely from income, revenue and other moneys received by SPURR during Fiscal Year 2008-2009 and legally available for payment thereof. Certain of said moneys have been specifically pledged to the total payment of the Notes and the interest thereon. As security for the payment of the Notes and the interest thereon, SPURR has pledged (i) an amount equal to \$2,500,000 from the first unrestricted revenues received by SPURR in the month of May, 2009, attributable to the month of April, 2009, (ii) an amount equal to \$2,500,000 from the first unrestricted revenues received by SPURR in the month of June, 2009, attributable to the month of May, 2009,

and (iii) an amount equal to \$2,500,000, plus an amount sufficient to pay interest on the Notes and any deficiency in the amounts required to be deposited during any prior month, from the first unrestricted revenues received by SPURR in the month of July, 2009, attributable to the month of June, 2009. The principal of the Notes and the interest thereon shall constitute a first lien and charge against, and shall be payable from, the first moneys received by SPURR from the Pledged Revenues and, to the extent not so paid, shall be paid from any other moneys of SPURR lawfully available therefor (all as provided in Sections 53856 and 53857 of the California Government Code).

The Resolution requires SPURR to transfer the Pledged Revenues, during the month such moneys are received, to the Paying Agent for deposit in a special account (the "Repayment Account") and such moneys to be so held until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity. Amounts deposited in the Repayment Account may not be used for any other purpose, although they may be invested in investments, as permitted by Section 53601 of the Government Code of the State of California, and all investments of funds therein shall be deposited with the "Local Agency Pooled Investment Fund ("LAIF") maintained by the Office of the State Treasurer of California.

After such date as the amount of Pledged Revenues deposited in the Repayment Account will be sufficient to pay in full the principal of and interest on the Notes, when due, any moneys in excess of such amount remaining in or accruing to the Repayment Account will be transferred to the Gas Enterprise Fund of SPURR. Until the Notes and all interest thereon are paid or until provision has been made for the payment of the Notes at maturity with interest to maturity, the moneys in the Repayment Account will be applied only for the purposes for which the Repayment Account is created.

Not including Note proceeds, SPURR expects to receive an estimated \$63,773,638 in revenues on a cash basis in Fiscal Year 2008-2009. The amount of revenues needed to pay principal and interest on the Notes will be \$7,795,312.50, providing a note coverage of approximately eight times.

THE SCHOOL PROJECT FOR UTILITY RATE REDUCTION

History and Operation

The School Project for Utility Rate Reduction ("SPURR") is a joint exercise of powers authority duly organized and existing under the laws of the State of California. SPURR was formed pursuant to the terms of a Joint Powers Agreement dated as of September 1, 1989 and Title 1, Division 7, Chapter 5 of the Government Code, with the express purpose to seek reduction of utility rates, especially for electricity and natural gas on behalf of its members, in the service areas of Pacific Gas & Electric Company ("PG&E") and the Sacramento Municipal Utility District.

SPURR inaugurated a program of self-procurement of natural gas supplies that are delivered and accounted for by PG&E in February 1992. Participants pay for their natural gas by depositing monthly payments into an escrow account managed by Union Bank of California which, upon direction from SPURR, shall transfer payment amounts to Wells Fargo Bank, National Association, the Paying Agent for the Notes.

No SPURR member participating district has ever defaulted on its gas bill; nor has any payee not been paid.

Bankruptcy of Pacific, Gas & Electric Company, Inc.

On April 6, 2001, 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. On December 18, 2003 The Court approved a plan of reorganization for PG&E (the "PG&E Plan") and PG&E emerged from bankruptcy in April 2004 in accordance with the PG&E Plan.

SPURR has no way of predicting how the future disposition of the PG&E Plan shall be implemented and what its ultimate effects on the California energy industry may be, nor, what financial and operational conditions PG&E will face after the implementation of the PG&E Plan or thereafter.

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.

Board of Directors

SPURR is governed by a nine-person board of directors selected in accordance with the SPURR By-Laws. Non-member Participants are not represented on the board. The principal occupation of each member and officer are as follows:

Steven Adams—Administrator of Assessment and Accountability—Clovis Unified School District—SPURR Board President. Responsible for all mandated State and Federal testing, local assessments, categorical funding, geographic information system analysis, and demographic analysis.

John W. Bitoff—Director, Facilities Management—San Francisco Unified School District—SPURR Board Vice President/Clerk. Responsible for facilities operations and management, including energy conservation programs, for the district.

Carlene Naylor—Associate Superintendent, Business—Alameda County Office of Education—SPURR Treasurer. Responsible for all phases of business management for the office of education including the overall supervision of the business services of each school district in the county.

Paul Bielen—Manager, Buildings and Equipment Maintenance Department—Sonoma County Junior College District. Manages maintenance programs and construction projects, and related staff and contracting issues, for the district.

Joyce Lopes—Director of Finance—Sierra Community College District. Oversees finance, payroll, cashiering, purchasing, food service and the bookstore for the District.

John Quinto—Manager of Environmental Services—Fresno Unified School District. Supervisor of environmental management systems, energy management systems, and safety training for the district.

Scott Siegel—Chief Business Official—Ceres Unified School District. Responsible for business management of the district, including fiscal controls, budgetary planning, and related services.

Brian Stephens—Assistant Superintendent, Business Services—Northern Humboldt Union High School District. Responsible for business management of the district, including fiscal controls, budgetary planning, and related services.

William Stephens—Assistant Superintendent for Business Services—Fremont Unified School District. Responsible for business management of the district, including fiscal controls, budgetary planning, and related services.

Staff Management

Michael Rochman, J. D.—Managing Director of SPURR. Responsible for managing all phases of SPURR's operation including the natural gas program. Mr. Rochman is an attorney and non-practicing member of the Bar of the State of California. Prior to assuming the role of Managing Director of SPURR, Mr. Rochman practiced law with a firm of attorneys in San Francisco and he specialized in commercial transactions and general law. He received his J.D. from Boalt Hall School of Law of the University of California, Berkeley, and currently resides in Sacramento, California.

Alethea Rollins, Accounting Manager. Responsible for managing day to day operations of the natural gas program including all aspects of accounting, billing and customer service. Alethea works closely with the Finance Manager to prepare for the annual audit.

Gary Mingle, Accounting Consultant. Responsible for managing the day-to-day finance and banking. In addition, Mr. Mingle works closely with accounting manager to maintain the daily accounting books and records. Mr. Mingle is a licensed C.P.A. with a MBA from the University of Chicago.

Member School Districts – Continued Program Participation

There are currently 255 school districts and colleges predominantly in Northern California which are members of SPURR. A complete list of SPURR's membership is contained in Appendix B. Additionally, 200 member and non-member school districts, universities or public agencies in Northern California participate currently in the natural gas program that supports the repayment of these Notes. These participating members are listed in Appendix "A."

Participants may opt to leave the SPURR gas aggregation program on any July 1 if they provide sufficient notice to SPURR. In effect, although they enter into multi-year contracts with SPURR for gas aggregation and related services, Participants may nevertheless exit the program on 120 days notice prior to the start of the next fiscal year. They remain however responsible for their share of gas payment obligations incurred while participating in the program. Also, any Participant that has specifically agreed to a longer term arrangement with SPURR will be obligated for the duration of that term. The Participants identified in Appendix A—"SPURR Natural Gas Program Participants" are all under contract at least through June 30, 2009, unless specifically noted in the appendix.

Non-Member Participants—Continued Program Participation—Other Joint Powers Authority Membership

Non-member Participants currently comprise less than 20% of the total gas aggregation program, by volume and dollars, of the overall gas aggregation efforts of SPURR. It has been the policy of SPURR to permit a limited number of non-member Participants into the gas program. Non-member Participants may be cities, counties, public universities, departments of the state government, Southern California school districts which commenced participation in the gas program during a period in which they were not eligible to join SPURR based on geography, departments of the federal government, and, to a very limited extent (less than 5% of program volume), not-for-profit educational institutions. These non-members are referenced by asterisk in Appendix A—"SPURR Natural Gas Program Participants."

Non-member Participants may opt to leave the SPURR gas aggregation program in the same manner as Member School Districts (See above – “Member School Districts – Continued Program Participation”).

Revenues and Expenses

The audited statements of revenues, expenditures and changes in net assets for the four fiscal years ended June 30, 2007, and the unaudited statement of revenues, expenditures and changes in net assets for the fiscal year ended June 30, 2008, are shown in the following table.

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN NET ASSETS
for the five fiscal years ended June 30, 2008**

	2004 (Audited)	2005 (Audited)	2006 (Audited)	2007 (Audited)	2008 (Unaudited)
Revenues					
Operations					
Natural gas revenues	\$25,029,315	\$31,169,345	\$43,283,358	\$44,180,371	\$49,337,197
Investing					
Interest income	59,704	103,930	228,672	501,472	326,789
Total revenues	<u>25,089,019</u>	<u>31,273,275</u>	<u>43,512,030</u>	<u>44,681,843</u>	<u>49,663,985</u>
Expenditures					
Operations					
Natural gas costs:					
Gas supply costs	16,304,106	21,062,939	30,200,974	31,238,488	34,872,301
Transportation costs	7,875,847	9,287,760	11,135,606	12,110,415	12,304,370
Total natural gas costs	24,179,953	30,350,699	41,336,580	43,348,903	47,176,671
Management and administration	434,128	505,170	631,072	688,263	1,364,496
	<u>24,614,081</u>	<u>30,855,869</u>	<u>41,967,652</u>	<u>44,037,166</u>	<u>48,541,167</u>
Financing					
Interest Expense	43,288	66,602	173,995	404,256	295,138
Other expense	29,423	23,475	30,000	46,718	66,962
Bank Charges	34,644	41,896	31,549	49,298	26,964
	<u>107,355</u>	<u>131,973</u>	<u>235,544</u>	<u>500,272</u>	<u>389,064</u>
Total expenditures	<u>24,721,436</u>	<u>30,987,842</u>	<u>42,203,196</u>	<u>44,537,438</u>	<u>48,930,231</u>
Net Income (Loss)	367,583	285,433	1,308,834	144,405	733,754
Net assets at beginning of year	975,769	1,343,352	1,628,785	2,937,619	3,082,024
Net assets at end of year	<u>\$1,343,352</u>	<u>\$1,628,785</u>	<u>\$2,937,619</u>	<u>\$3,082,024</u>	<u>\$3,815,778</u>

**SCHOOL PROJECT FOR UTILITY RATE REDUCTION/CUB
ESTIMATED GAS USAGE OF TOP 12 PARTICIPANTS**

<u>Rank</u>	<u>District/Agency</u>	<u>Share of Program Total</u>
1.	San Francisco Unified School District	6.7%
2.	Fresno Unified School District	3.8
3.	Sacramento City Unified School District	3.1
4.	City of Stockton	2.6
5.	Clovis Unified School District	2.3
6.	Mt. Diablo Unified School District	2.3
7.	University of California, Berkeley–Housing	2.2
8.	San Jose Unified School District	2.2
9.	Modesto City Schools	1.9
10.	Peralta Community College	1.8
11.	University of the Pacific	1.7
12.	San Mateo Community College	<u>1.7</u>
	TOP TWELVE TOTAL	<u>32.3%</u>

SPURR expects to provide more than 40 million total therms to the program participants during this fiscal year period. The “Top 12” users are estimated to represent approximately 32.3% of the total program volume.

SPURR’s Sources of Revenue

SPURR’s primary source of revenues each year is derived from the sale of natural gas to the program Participants who share in the payment of the operational and administrative fees of the program. For fiscal year 2008-2009, SPURR projects that it will have total revenues of approximately \$63,773,638 of which more than 99% are from the sale of natural gas and the collection of local transportation charges for gas delivery.

Outstanding Debt

As of June 30, 2008, SPURR had no outstanding debt other than its \$6,300,000 2007 Revenue Anticipation Notes (the “2007 Notes”) which were fully redeemed on October 10, 2008.

Estimated Monthly Cash Flow

SPURR has prepared the accompanying monthly cash-flow statements covering the past fiscal year and projected fiscal year 2008-2009. The projected fiscal 2008-2009 cash flow shows and takes into consideration the Notes. Without the proceeds of the Notes, a cumulative cash-flow deficit of approximately \$5,327,000 is anticipated in February, 2009. The anticipated deficit occurs due to the timing of expenditures occurring prior to the timing of the receipts during the fiscal year.

The estimates of amounts and timing of receipts and disbursements in the tables on the following pages are based on certain assumptions and should not be construed as statements of fact. The assumptions are based on present circumstances and currently available information and are believed to be reasonable. The assumptions may be affected by numerous factors, and there can be no assurance that such estimates will be achieved.

The Fiscal Year 2008-09 projected and Fiscal Year 2007-08 actual cash flows are shown on the following pages.

Cash Flows and Cash Accounts
Projected for the Period
July 1, 2008 through June 30, 2009

Operating Funds														Total
Projected or Actual:	Projected*	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	FYE
	Jul-08	Aug-08	Sep-08	Oct-08	Nov-08	Dec-08	Jan-09	Feb-09	Mar-09	Apr-09	May-09	Jun-09	6/30/2009	
Beginning Cash Balance	\$ 8,478,694	\$ 8,303,232	\$ 5,961,982	\$ 6,060,682	\$ 13,290,982	\$ 11,995,382	\$ 10,157,882	\$ 7,379,682	\$ 5,913,482	\$ 7,070,082	\$ 9,220,382	\$ 7,432,782	\$ 8,478,694	
Sources of Cash:														
Natural Gas Receipts	4,827,975	3,479,000	3,108,000	3,254,000	3,401,000	4,207,000	5,684,000	7,269,000	8,491,000	7,825,000	6,837,000	5,459,000	63,630,975	
Interest on Operating Cash	5,663	6,000	2,200	2,300	19,400	17,500	14,800	10,800	8,600	10,300	13,400	7,200	112,500	
Interest on Restricted Cash	7,900	6,500	6,500									3,600	24,500	
RANS (2008) Net Proceeds				7,500,000									7,500,000	
Total Sources of Cash:	4,841,538	3,490,500	3,116,700	10,756,300	3,420,400	4,224,500	5,698,800	7,279,800	8,489,600	7,835,300	6,650,400	5,469,800	71,273,638	
Uses of Cash:														
Natural Gas Supply	2,868,000	3,420,000	2,982,000	3,490,000	4,676,000	6,009,000	8,412,000	8,651,000	7,232,000	5,597,000	5,878,000	3,672,000	62,887,000	
Admin Fees	49,000	44,000	36,000	36,000	40,000	53,000	65,000	95,000	101,000	88,000	60,000	78,000	745,000	
RANS (2007) Prin Repayment	2,100,000	2,100,000											4,200,000	
RANS (2007) Int Payment		267,750											267,750	
RANS (2008) Restrictions												2,500,000.00	2,500,000.00	5,000,000.00
Total Uses of Cash:	5,017,000	5,831,750	3,018,000	3,526,000	4,716,000	6,062,000	8,477,000	8,746,000	7,333,000	5,685,000	8,438,000	6,250,000	73,099,750	
Ending Cash Balance	\$ 8,303,232	\$ 5,961,982	\$ 6,060,682	\$ 13,290,982	\$ 11,995,382	\$ 10,157,882	\$ 7,379,682	\$ 5,913,482	\$ 7,070,082	\$ 9,220,382	\$ 7,432,782	\$ 6,652,582	\$ 6,652,582	

* July Beginning Cash Balance is actual less 2007 RANS Restriction in the amount of 2,110,000

Cash Accounts														
Cash accounts:														
Operating Cash	\$6,203,232	\$1,494,232	\$1,592,932	\$13,290,982	\$11,995,382	\$10,157,882	\$7,379,682	\$5,913,482	\$7,070,082	\$9,220,382	\$4,932,782	\$4,152,582		
Rans (2007) Restricted	2,100,000	4,467,750	4,467,750											
Rans (2008) Restricted											2,500,000	2,500,000		
Ending Cash Balance	\$8,303,232	\$5,961,982	\$6,060,682	\$13,290,982	\$11,995,382	\$10,157,882	\$7,379,682	\$5,913,482	\$7,070,082	\$9,220,382	\$7,432,782	\$6,652,582		

School Project For Utility Rate Reduction
Cash Flows and Cash Accounts
Actual for the Period
July 1, 2007 through June 30, 2008

Operating Funds													
	Actual Jul-07	Actual Aug-07	Actual Sep-07	Actual Oct-07	Actual Nov-07	Actual Dec-07	Actual Jan-08	Actual Feb-08	Actual Mar-08	Actual Apr-08	Actual May-08	Actual Jun-08	Total FYE Jun-08
Beginning Cash Balance	\$ 6,314,885	\$ 3,648,606	\$ 2,083,142	\$ 1,972,959	\$ 8,319,079	\$ 8,677,451	\$ 7,207,515	\$ 6,296,015	\$ 1,418,106	\$ 6,688,845	\$ 8,154,323	\$ 6,133,029	\$ 6,314,885
Sources of Cash:													
Natural Gas Receipts	2,856,456	3,123,276	1,779,397	2,998,474	2,761,069	4,523,719	7,092,534	6,316,772	7,998,465	4,762,650	4,618,645	4,853,547	53,685,004
Interest on Operating Cash	19,002	13,285	7,571	18,519	29,777	32,865	29,127	9,112	4,254	11,159	4,551	5,514	184,736
Misc. Revenues	221	2,981	6,363	2,499	15,451	18,968		3,933	9,301	3,679	5,530	5,626	74,551
Interest on Restricted Cash				22,138						77,937	4,810	4,207	109,092
RANS (2007) Net Proceeds				6,351,597								37,121	6,388,718
Total Sources of Cash:	2,875,679	3,139,542	1,793,331	9,393,227	2,806,297	4,575,552	7,121,661	6,329,817	8,012,020	4,855,425	4,633,536	4,906,014	60,442,100
Uses of Cash:													
Natural Gas Supply	2,406,802	1,605,006	1,897,116	2,977,120	2,319,866	6,039,154	7,969,250	11,079,537	2,630,766	3,217,282	4,457,447	2,124,102	48,723,448
Admin Fees	128,738		-	40,032	111,601	-	55,669	121,886	105,659	168,400	93,063	431,644	1,256,693
Misc. Expenses	6,418		6,398	29,955	16,458	6,334	8,241	6,303	4,856	4,266	4,320	4,375	97,924
RANS (2006) Trust Deposit	3,000,000	3,100,000											6,100,000
RANS (2007) Trust Deposit											2,100,000		2,100,000
Total Uses of Cash:	5,541,958	4,705,006	1,903,514	3,047,107	2,447,925	6,045,488	8,033,161	11,207,726	2,741,281	3,389,947	6,654,829	2,560,122	58,278,064
Ending Cash Balance	\$ 3,648,606	\$ 2,083,142	\$ 1,972,959	\$ 8,319,079	\$ 8,677,451	\$ 7,207,515	\$ 6,296,015	\$ 1,418,106	\$ 6,688,845	\$ 8,154,323	\$ 6,133,029	\$ 8,478,922	\$ 8,478,922

Beginning Balance is reduced by the 2007 RANS cash restriction in the amount of \$3,000,000

Cash Accounts													
Cash accounts:													
Operating Cash	\$ 3,648,606	\$ 2,083,142	\$ 1,972,959	\$ 8,319,079	\$ 8,677,451	\$ 7,207,515	\$ 6,296,015	\$ 1,418,106	\$ 6,688,845	\$ 8,154,323	\$ 6,133,029	\$ 8,478,922	
Rans (2006)													
Restricted	6,000,000	9,100,000	9,103,100										
Rans (2007)													
Restricted											2,105,565	2,109,772	
Ending Cash Balance	9,648,606	11,183,142	11,076,059	8,319,079	8,677,451	7,207,515	6,296,015	1,418,106	6,688,845	8,154,323	8,238,594	10,588,694	

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING SPURR'S REVENUES

Article XIII A of the California Constitution

Section 1(a) of Article XIII A limits the maximum ad valorem tax on real property to one percent of full cash value (as defined in Section 2), to be collected by the counties and apportioned according to law. As recently amended, Article XIII A exempts from the one percent tax limitation any taxes above that level required to pay debt service on voter-approved general obligation bonds for real property or improvements thereon. Section 1(b) provides that the one percent limitation does not apply to ad valorem taxes to pay interest or redemption charges on indebtedness approved by the voters prior to July 1, 1978. Section 2 of Article XIII A defined "full cash value" or, thereafter, "the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment." The full cash value may be adjusted annually to reflect inflation at a rate not to exceed two percent per year, or reduction in the consumer price index or compatible local data, or reduced in the event of declining property value caused by damage, destruction or other factors. The State Board of Equalization has adopted regulations, binding on county assessors, interpreting the meaning of "change in ownership" and "new construction" for purposes of determining full cash value of property under Article XIII A.

Article XIII A required a vote of two-thirds of the qualified electorate to impose special taxes, while generally precluding the imposition of any additional ad valorem, sales or transaction tax on real property. As recently amended, Article XIII A requires the approval of two-thirds of all members of the State Legislature to change any State laws resulting in increased tax revenues.

Future assessed valuation growth under Article XIII A (new construction, change of ownership and two percent annual value growth) will be allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and schools will share the growth of "base" revenues from the tax rate area. SPURR is unable to predict the nature or magnitude of future revenue sources which may be provided by the State to replace lost property tax revenues. Section 4 of Article XIII A effectively prohibits the levying of any other ad valorem property tax above the limits set in Section 1, even with the approval of the affected voters.

Article XIII B of the California Constitution

Article XIII B limits the annual appropriations of the State and any city, county, school districts or other political subdivision of the State to the level of appropriations for the prior fiscal year, as adjusted for changes in the cost of living, population and services rendered by the governmental entity. The "base year" for establishing such appropriation limit is the 1978-79 fiscal year and the limit is to be adjusted annually to reflect changes in population, consumer prices and certain increases in the cost of services provided by these public agencies.

Appropriations subject to Article XIII B include generally the proceeds of taxes levied by the State or other entity of local government, exclusive of certain State subventions, refunds of taxes, benefit payments from retirement, unemployment insurance and liability insurance funds. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to an entity or government from (1) regulatory licenses, user charges, and user fees (but only to the extent such proceeds exceed the cost of providing the service or regulation), and (2) the investment of tax revenues. Article XIII B includes a requirement that if an entity's revenues in any year exceed the amounts permitted to be spent, the excess would have to be returned by revising tax rates or fee schedules over the subsequent two years.

Unitary Property

Assembly Bill 454 (Chapter 921, Statutes of 1986) ("AB 454") provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

Statutory Limitations

On November 4, 1986, State voters approved Proposition 62, an initiative statute limiting the imposition of new or higher taxes by local agencies. The statute (a) requires new or higher general taxes to be approved by two-thirds of the local agency's governing body and a majority of its voters; (b) requires the inclusion of specific information in all local ordinances or resolutions proposing new or higher general or special taxes; (c) penalizes local agencies that fail to comply with the foregoing; and (d) required local agencies to stop collecting any new or higher general tax adopted after July 31, 1985, unless a majority of the voters approved the tax by November 3, 1988. A final State Court of Appeal decision has declared the majority voter provisions referred to in (d) above to be unconstitutional. A second appellate court decision held unconstitutional both the effective date and majority-vote provisions of Proposition 62. However, the State Supreme Court has ordered that the latter decision to be depublished (making it unavailable for citation as precedent) thus creating uncertainty as to the voter-approval requirement of Proposition 62.

Propositions 98 and 111

On November 8, 1988, the voters approved Proposition 98, an initiative constitutional amendment and statute called "The Classroom Instructional Improvement and Accountability Act" ("Proposition 98"). In addition to adding certain provisions to the Education Code, Proposition 98 also amended Article XIII B and Section 8 of Article XVI of the State Constitution and added Section 8.5 of Article XVI to the State Constitution, the effects of which are to establish a minimum level of State Funding for school districts, to allocate to school districts, within limits, State revenues in excess of the State's appropriations limit and to exempt such excess funds from school SPURR appropriations limits.

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("Proposition 111") which further modified Article XIII B and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation. Article XIII B, as amended by both Proposition 98 and Proposition 111, is discussed below under "CONSTITUTIONAL LIMITATIONS ON TAXES AND APPROPRIATIONS—Article XIII B of the California Constitution."

The provisions of Sections 8 and 8.5 of Article XVI, as added and/or amended by Proposition 98 and 111, may be summarized as follows:

(a) State Funding of Schools (Section 8). Moneys to be applied by the State for the support of school districts must be at a level equal to the greater of the following "tests":

(i) The amount which, as a percentage of the State general fund ("General Fund") revenues which may be appropriated pursuant to Article XIII B, equals the percentage of General Fund revenues appropriated for school districts in fiscal year 1986-87;

(ii) The amount actually appropriated to school districts in the prior fiscal year from General Fund proceeds and from allocated local proceeds of taxes (excluding any excess state revenues allocated pursuant to Section 8.5), adjusted for changes in enrollment and for the change in the cost of living (operative only in a fiscal year in which the percentage growth in California per capita personal income is less than or equal to the percentage growth in per capita General Fund revenues plus one-half of one percent);

(iii) The amount actually appropriated to school districts in the prior fiscal year from General Fund proceeds and from allocated local proceeds of taxes (excluding any excess state revenues allocated pursuant to Section 8.5) adjusted for changes in enrollment and for the change in per capita General Fund revenues, and, in addition, an amount equal to one-half of one percent times the prior year appropriations (excluding any excess state revenues) adjusted for changes in enrollment (operative only in a fiscal year in which the percentage growth in California per capita personal income is greater than the percentage growth in per capita General Fund revenues plus one-half of one percent).

If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when the General Fund revenue growth exceeds personal income growth.

The State Legislature by a two-thirds vote of both houses, with the Governor's concurrence, may suspend for one year the minimum funding provisions for school districts as provided for in Section 8.

(b) Allocations to the State School Fund (Section 8.5). In addition to the amounts applied to school districts under the tests discussed above, the State Controller is directed to allocate available excess state revenues (pursuant to Article XIII B) to the State School Fund. However, no such allocation is required at any time that the Director of Finance and the Superintendent of Public Instruction mutually determine that current annual expenditures per student equal or exceed the average annual expenditures per student and the average class size equals or is less than the average class size of the 10 states with the lowest class size.

Such allocations do not constitute appropriations subject to Article XIII B limitations and are to be made in an equal amount per enrollment.

STATE OF CALIFORNIA FINANCES AND SUPPORT OF SCHOOL EDUCATION

General

Public school districts in California are dependent on revenues from the State for a large portion of their operating budgets. California school districts receive an average of about 55 percent of their operating revenues from various State sources. The primary source of funding for school districts is the revenue limit, which is a combination of State funds and local property taxes. State funds typically make up the majority of a district's revenue limit. School districts also receive substantial funding from the State for various categorical programs.

The availability of State funds for public education is a function of constitutional provisions affecting individual school district revenues and expenditures, the condition of the State economy (which affects total revenue available to the State general fund), and the annual State budget process.

The State requires that from all State revenues there first shall be set apart the moneys to be applied for support of the public school system and public institutions of higher education. California school districts receive a significant portion of their funding from State appropriations. As a result, decreases in State revenues may significantly affect appropriations made by the legislature to school districts.

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. **Neither SPURR nor the Underwriter is responsible for the information relating to the State's budgets provided in this section.** Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process

The State's fiscal year begins on July 1 and ends on June 30 of the following year. The annual budget is proposed by the Governor by January 10 for the next fiscal year. In May the Governor offers a revision to the proposed budget and a final budget act must be adopted by a two-thirds vote of each house of the Legislature no later than June 15, although this deadline is routinely breached. The budget becomes law upon the signature of the Governor, who retains veto power over specific items of expenditure.

As required by Proposition 58, beginning with fiscal year 2004-05, the Legislature may not pass a budget bill in which State general fund expenditures exceed estimated State general fund revenues and fund balances at the time of the passage.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of annual expenditure appropriations is the annual budget act, however, appropriations may be included in other legislation. Bills containing State general fund appropriations must be approved by a two-thirds majority vote in each house of the Legislature and be signed by the Governor, except bills containing appropriations for K-12 schools or community colleges ("K-14 education"), which require a simple majority vote, and continuing appropriations, which are available without regard to the fiscal year and may be provided by statute or the State Constitution. Funds necessary to meet an appropriation are not required to be in the State Treasury at the time an appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets

The following information concerning the State's budgets for the current and most recent preceding years has been compiled from publicly-available information provided by the State. **Neither SPURR nor the Underwriter is responsible for the information relating to the State's budgets provided in this section.** Further information is available from the Public Finance Division of the State Treasurer's Office.

The Budget Process. The State's fiscal year begins on July 1 and ends on June 30. The annual budget is proposed by the Governor by January 10 of each year for the next fiscal year (the "Governor's Budget"). Under State law, the annual proposed Governor's Budget cannot provide for projected expenditures in excess of projected revenues and balances available from

prior fiscal years. Following the submission of the Governor's Budget, the Legislature takes up the proposal.

Under the State Constitution, money may be drawn from the Treasury only through an appropriation made by law. The primary source of the annual expenditure authorizations is the Budget Act as approved by the Legislature and signed by the Governor. The Budget Act must be approved by a two-thirds majority vote of each House of the Legislature. The Governor may reduce or eliminate specific line items in the Budget Act or any other appropriations bill without vetoing the entire bill. Such individual line-item vetoes are subject to override by a two-thirds majority vote of each House of the Legislature.

Appropriations also may be included in legislation other than the Budget Act. Bills containing appropriations (except for K-14 education) must be approved by a two-thirds majority vote in each House of the Legislature and be signed by the Governor. Bills containing K-14 education appropriations only require a simple majority vote. Continuing appropriations, available without regard to fiscal year, may also be provided by statute or the State Constitution.

Funds necessary to meet an appropriation need not be in the State Treasury at the time such appropriation is enacted; revenues may be appropriated in anticipation of their receipt.

Recent State Budgets. Certain information about the State budgeting process and the State Budget is available through several State sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites has not been reviewed by SPURR and is not incorporated herein by reference.

(i) The State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information," posts various State Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

(ii) The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information," posts the State's audited financial statements. In addition, the "Financial Information" section includes the State's Rule 15c2-12 filings for State bond issues. The "Financial Information" section also includes the "Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation" from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

(iii) The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget," includes the text of proposed and adopted State Budgets.

(iv) The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Products."

THE STATE HAS NOT ENTERED INTO ANY CONTRACTUAL COMMITMENT WITH SPURR OR THE OWNERS OF THE NOTES TO PROVIDE STATE BUDGET INFORMATION TO THE DISTRICT OR THE OWNERS OF THE NOTES. ALTHOUGH THEY BELIEVE THE STATE SOURCES OF INFORMATION LISTED ABOVE ARE RELIABLE, THE DISTRICT ASSUMES NO RESPONSIBILITY FOR THE ACCURACY OF THE STATE BUDGET INFORMATION SET FORTH HEREIN OR INCORPORATED BY REFERENCE HEREIN.

LEGAL MATTERS

Litigation

No litigation is pending or, to the best of the knowledge of SPURR, threatened concerning the validity of the Notes, and an opinion, representation or certificate of SPURR's Counsel to that effect will be given at the time of the original delivery of the Notes. SPURR is not aware of any litigation pending or threatened questioning the political existence of SPURR or contesting SPURR's ability to collect or receive pledged revenues or contesting SPURR's ability to issue and retire the Notes.

Legality for Investment

Under provisions of the California Financial Code, the Notes are legal investments for commercial banks in California to the extent that the Notes, in the informed opinion of the bank, are prudent for the investment of funds of its depositors and are eligible to secure deposits of public moneys in the State of California under provisions of the California Government Code.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Notes, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of note proceeds and certain other matters. SPURR has covenanted to comply with all requirements that must be satisfied in order for the interest on the Notes to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Notes to not be excludable from gross income under section 103 of the Internal Revenue Code of 1986, as amended (the "Code") for federal income tax purposes retroactively to the date of issuance of the Notes.

Subject to SPURR's compliance with the above-referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, interest on the Notes is excludable from the gross income of the owners thereof for federal income tax purposes under section 103 of the Code and under section 55 of the Code is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations. Interest on the Notes is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations and in computing the branch profits tax on certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of SPURR with respect to certain material facts solely within SPURR's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

Purchasers should be aware that the Internal Revenue Service has issued Notice 94-84, which may have federal income-tax consequences with respect to the Notes. This Notice provides generally that in the case of short-term tax-exempt obligations (such as the Notes), the Internal Revenue Service is studying whether interest payable at maturity on the obligations should or should not be included in the stated redemption price at maturity for purposes of the rule that original-issue discount represents the excess of stated redemption price at maturity over issue price.

Notice 94-84 states that until the Internal Revenue Service provides further guidance, taxpayers may treat stated interest on certain short-term obligations, such as the Notes, either as includable in stated redemption price at maturity or as not included in stated redemption price at maturity. A taxpayer, however, must treat stated interest payable at maturity on all short-term tax-exempt bonds in a consistent manner. A short-term tax-exempt bond is defined as a tax-exempt bond with a term that is not more than one year from the date of issue.

Purchasers of the Notes are cautioned that the opinion of Bond Counsel does not identify the amount of interest that is excluded from gross income for federal income-tax purposes.

Purchasers of the Notes should consult their tax advisors regarding effects of Notice 94-84 upon individual tax circumstances.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Notes. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to Notes issued prior to enactment. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Notes. If an audit is commenced, under current procedures the Service will treat SPURR as the taxpayer and the Noteholders may have no right to participate in such procedure. *The commencement of an audit could adversely affect the market value and liquidity of the Notes until the audit is concluded, regardless of the ultimate outcome.*

In the further opinion of Bond Counsel, interest on the Notes is exempt from California personal income taxes.

Ownership of the Notes may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Notes. Prospective purchasers of the Notes should consult their tax advisors regarding the applicability of any such state and local taxes.

RATING

The Notes are rated "MIG 1" by Moody's Investors Service. Such rating reflects only the view of Moody's Investors Service. An explanation of the significance of such rating may be obtained from the Moody's Investors Service, 99 Church Street, New York, New York 10007, (212) 553-0300. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward entirely by the rating organization if, in the judgment of said organization, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Notes.

APPENDIX A
LIST OF SPURR NATURAL GAS PROGRAM PARTICIPANTS



School Project for Utility Rate Reduction

Natural Gas Program Participants, as of July 1, 2008

- Ackerman Elementary School District
- Alameda County Superintendent of Schools
- Alameda Unified School District
- Albany Unified School District
- Alum Rock Elementary School District
- Arcata School District
- Atwater Elementary School District
- Bellevue Union School District
- Berkeley Unified School District
- Brentwood Union School District
- Burlingame School District
- Byron Union School District
- Calaveras Unified School District
- California Maritime Academy*
- California State University, Monterey Bay*
- Campbell Union High School District
- Campbell Union School District
- Carmel Unified School District
- Castro Valley Unified School District
- Center Unified School District
- Central Marin Sanitation Agency*
- Central Unified School District
- Ceres Unified School District
- Chabot-Los Positas Community College*
- Chowchilla Union High School District
- Chualar Union Elementary School District
- Cinnabar Elementary School District
- City of Stockton*
- Clovis Unified School District
- Colusa Unified School District
- Contra Costa Community College District
- Correctional Training Facility, (CTC)*
- County of Sonoma*
- County of Tulare*
- Cupertino Union School District
- Davis Joint Unified School District
- Delhi School District
- Department of Motor Vehicles, Northern California*
- Dixie School District
- Dixon Unified School District
- Dos Palos Oro Loma Joint Unified School
- Dry Creek Joint Elementary School District
- Dublin Unified School District
- Empire Union School District
- Escalon Unified School District
- Eureka City Schools
- Eureka Union School District
- Evergreen School District
- Fairfield - Suisun Unified School District
- Firebaugh-Las Deltas Unified School District
- Folsom Cordova Unified School District
- Fortuna Union High School District
- Fowler Unified School District
- Fremont Unified School District
- Fremont Union High School District
- Fresno Unified School District
- Geyserville Unified School District
- Golden Plains Unified School District
- Gonzales Unified School District
- Greenfield Union School District
- Layward Unified School District
- Hillsborough City School District
- Humboldt County Office of Education
- Hydesville Elementary School District
- Jacoby Creek School District
- Jefferson Elementary School District
- Kentfield Elementary School District
- Kern Community College District*
- Kern County Superintendent of Schools*
- Kern High School District*
- King City Union School District
- Lakeside Union Elementary School District*
- Liberty Union High School District
- Lincoln Unified School District
- Linden Unified School District
- Live Oak Union High School District
- Livermore Valley Joint Unified School District
- Lodi Unified School District
- Loleta Union School District
- Loomis Union School District
- Los Banos Unified School District
- Los Gatos - Saratoga Joint Union High School Dist
- Los Gatos Union Elementary School District
- Madera County Office of Education
- Madera Unified School District
- Manteca Unified School District
- Maricopa Unified School District*
- Marin Community College District
- Marin County Office of Education
- Maxwell Unified School District
- Mc Gee Correctional Training Facility*
- Mckinleyville Union School District
- Mendocino Lake Community College
- Merced City School District
- Merced County Office of Education
- Merced Union High School District
- Metropolitan Education District
- Midway School District
- Millbrae School District
- Milpitas Unified School District
- Mill Valley School District
- Modesto City Schools
- Monterey County Office of Education
- Morgan Hill Unified School District
- Mt Diablo Unified School District
- Napa Valley Unified School District
- Natomas Unified School District
- Nevada Joint Union High School District
- New Haven Unified School District
- Newark Unified School District
- Northern Humboldt Union High School District
- Novato Unified School District
- Oak Grove Union School District
- Oakdale Joint Unified School District
- Oroville City Elementary School District
- Oroville Union High School District
- Pacific Grove Unified School District
- Pajaro Valley Unified School District
- Panama-Buena Vista Union School District
- Patterson Joint Unified School District
- Peralta Community College
- Petaluma City Joint Union School District
- Pittsburg Unified School District
- Placer Union High School District
- Red Bluff Joint Union High School District
- Redwood City School District
- Redwoods Community College District
- Riverbank School District
- Rocklin Unified School District
- Rohnerville School District
- Roseland School District
- Roseville City School District
- Roseville Joint Union High School District
- Ross School District
- Sacramento Unified School District
- Salinas City Elementary School District
- San Bruno Park School District
- San Francisco Unified School District
- San Jose State University, Student Union*
- San Jose Unified School District
- San Leandro Unified School District
- San Lorenzo Valley Unified School District
- San Mateo County Community College Dist
- San Mateo Union High School District
- San Mateo-Foster City School District
- San Rafael City Schools
- San Rafael Elementary District
- San Ramon Valley Unified School District
- Santa Clara Unified School District
- Santa Cruz City Schools
- Santa Cruz County Office of Education
- Santa Rita Union School District
- Scotts Valley Unified School District
- Selma Unified School District
- Sierra Community College
- Shandon Unified School District*
- Shasta County Office of Education
- Solano County Office of Education
- Sonoma County Junior College District
- Sonoma County Office of Education
- Sonoma Valley Unified School District
- South Bay Elementary School District
- St. Helena Unified School District
- Stanislaus Union School District
- State Center Community College
- Stockton Unified School District
- Sylvan Union School District
- Taft City School District*
- Tamalpais Union High School District
- The California Medical Facility*
- Tracy Unified High School District
- Trona Joint Unified School District
- Turlock Unified High School District
- Twin Rivers Unified School District
- UC Davis Medical Center*
- Ukiah Unified School District
- University of California, Berkeley*
- University of California, Berkeley-Housing*
- University of California, Davis - Campus*
- University of California, San Francisco*
- University of Pacific*
- Vacaville Unified School District
- Vallejo Unified School District
- Washington Colony School District
- Washington Unified School District
- West Contra Costa Unified School District
- West Kern Community College*
- West Valley/Mission College
- Western Placer Unified School District
- Wheatland School District
- Williams Unified School District
- Willits Unified School District
- Windsor Unified School District
- Winton Elementary School District
- Woodland Unified School District
- Wright Elementary School District
- Yolo County Office of Ed

* Non-member school district, university or public agency

APPENDIX B
LIST OF CURRENT MEMBERSHIP OF SPURR

Ackerman Elementary School District
 Alameda County Superintendent of Schools
 Alameda Unified School District
 Albany Unified School District
 Alum Creek Union Elementary School District
 Antelope School District
 Antioch Unified School District
 Arcata School District
 Arena Union Elementary School District
 Atwater Elementary School District
 Ballico-Cressey Elementary School District
 Bellevue Union School District
 Berkeley Unified School District
 Berryessa Union School District
 Brentwood Union School District
 Buckeye Union Elementary School District
 Buena Vista Elementary School
 Burlingame School District
 Butte Community College
 Burnt Ranch Elementary School District
 Byron Union School District
 Calaveras Unified School District
 Caruthers Union High School District
 Castro Valley Unified School District
 Camino Union School District
 Campbell Union School District
 Campbell Union High School District
 Carmel Unified School District
 Center Unified School District
 Central Unified School District, Fresno
 Ceres Unified School District
 Chabot-Los Positas Community College
 Chico Unified School District
 Chicago Park School District
 Chowchilla Union High School District
 Chualar Union Elementary School District
 Chowchilla Union High School District
 Cinnabar Elementary School District
 Coalinga-Huron Unified School District
 Clovis Unified School District
 Coarsegold Union School District
 Contra Costa Community College
 Colusa Unified School District
 Cupertino Union School District
 Davis Jt Unified School District
 Del Paso Heights School District
 Delhi School District
 Dixie School District
 Dixon Unified School District
 Dos Palos Oro Loma Jt Unified School District
 Douglas City Elementary School District
 Dry Creek Jt Elementary School District
 Dublin Unified School District
 Elk Grove Unified School District
 Empire Union School District
 Escalon Unified School District
 Eureka Union School District
 Eureka City Schools
 Evergreen School District
 Evergreen Union Elementary School District
 Fairfield - Suisun Unified School District
 Farmersville Unified School District
 Firebaugh-Las Dellas Unified School District
 Folsom Cordova Unified School District
 Fortuna Union High School District
 Fowler Unified School District
 Fremont Union High School District
 Fremont Unified School District
 Fresno Unified School District
 Gateway Unified School District
 Gerber Union Elementary School District
 Gilroy Unified School District
 Geyserville Unified School District
 Gold Oak Union School District
 Gold Trail Union School District
 Golden Feather Union School District
 Golden Plains Unified School District
 Gonzales Unified School District
 Grant Jt Union High School District
 Grant Elementary School District
 Greenfield Union School District
 Gustine Unified School District
 Happy Valley School
 Hartnell Community College
 Hayward Unified School District
 Hillsborough City School District

Horicon Elementary School District
 Humboldt County Office of Education
 Hydenville Elementary School District
 Igo-Ono Platina Union School District
 Jacoby Creek School District
 Jefferson Elementary School District
 John Swett Unified School District
 Junction School District
 Kentfield Elementary School District
 Kings Canyon Unified School District
 King City Union School District
 Klamath-Trinity Jt Unified School District
 Kneeland School District
 La Honda-Pescadero Unified School District
 Lake Tahoe Unified School District
 Larkspur Elementary School District
 Laytonville Unified School District
 Le Grand Union Elementary School District
 Liberty Union High School District
 Lincoln Unified School District
 Linden Unified School District
 Live Oak Elementary School District
 Livermore Valley Joint Unified School District
 Lodi Unified School District
 Lodi Union School District
 Loomis Union School District
 Los Banos Unified School District
 Los Gatos Union Elementary School District
 Los Gatos-Saratoga Jt Union High School District
 Los Molinos Unified School District
 Madera County Office of Education
 Madera Unified School District
 Manteca Unified School District
 Maple Creek Elementary School District
 Marin Community College District
 Marin County Office of Education
 Mariposa County Unified School District
 Maxwell Unified School District
 McKinleyville Union School District
 Mendota Unified School District
 Merced County Office of Education
 Metropolitan Education District
 Millbrae School District
 Milpitas Unified School District
 Mendocino Lake Community College
 Merced City School District
 Merced Union High School District
 Modesto City Schools
 Monterey County Office of Education
 Monterey Peninsula Unified School District
 Morgan Hill Unified School District
 Mt Diablo Unified School District
 Napa Valley Unified School District
 Natomas Unified School District
 Nevada County Office of Education
 Nevada Jt Union High School District
 New Haven Unified School District
 Newark Unified School District
 Nicasio Elementary School District
 North Monterey County Unified School District
 Northern Humboldt Union High School District
 Novato Unified School District
 Oak Grove Union School District
 Oakdale Jt Union High School District
 Oakland Unified School District
 Oroville City Elementary School District
 Oroville Union High School District
 Outside Creek School District
 Pacific Grove Unified School District
 Pajaro Valley Unified School District
 Parlier Unified School District
 Patterson Jt Unified School District
 Peninsula Union Elementary School District
 Peralta Community College
 Petaluma City - Elementary & Jt Union School District
 Pittsburg Unified School District
 Placer Union High School District
 Plainsburg Union Elementary School District
 Planada Elementary School District
 Pleasant Valley School District, Penn Valley
 Pleasanton Unified School District
 Point Arena Jt Union High School
 Pollock Pines School District
 Red Bluff Jt Union High School District
 Redwood City School District

Redwoods Community College District
 Reed Union School District
 Reef-Sunset Unified School District
 Rio Dell Elementary School District
 Rio Linda Union School District
 Ripon Unified School District
 Riverbank School District
 Robla Elementary School District
 Rocklin Unified School District
 Rohnerville School District
 Roseland School District
 Roseville City School District
 Roseville Jt Union High School District
 Ross School District
 Sacramento City Unified School District
 Salinas Union High School District
 Salinas City Elementary School District
 San Antonio Union School District
 San Ardo Union Elementary School District
 San Bruno Park School District
 San Francisco Unified School District
 San Jose Unified School District
 San Leandro Unified School District
 San Lorenzo Valley Unified School District
 San Lucas Union School District
 San Joaquin Delta Community College
 San Mateo County Community College District
 San Mateo Union High School District
 San Mateo-Foster City School District
 San Rafael City - Elementary & High School District
 San Ramon Valley Unified School District
 Sanger Unified School District
 Santa Clara County Office of Education
 Santa Clara Unified School District
 Santa Cruz City Schools
 Santa Cruz County Office of Education
 Santa Rita Union School District
 Scotts Valley Unified School District
 Sebastopol Union Elementary School District
 Sierra Community College
 Sierra Sands Unified School District
 Selma Unified School District
 Shasta County Office of Education
 Shoreline Unified School District
 Solano County Office of Education
 Solidad Union Elementary School District
 Sonoma County Junior College District
 Sonoma Valley Unified School District
 South Bay Elementary School District
 Southern Humboldt Jt Unified School District
 St. Helena Unified School District
 Stanislaus Union School District
 State Center Community College
 Stockton Unified School District
 Sylvan Union School District
 Tahoe-Truckee Unified School District
 Tamalpais Union High School District
 Tracy Unified High School District
 Travis Unified School District
 Trinidad School District
 Twin Rivers Unified School District
 Tulare Union High School District
 Tutelake Basin Jt Unified School District
 Ukiah Unified School District
 Upper Lake Union High School District
 Vallejo Unified School District
 Vacaville Unified School District
 Washington Colony School District
 Washington Unified School District
 Waterford Elementary School District
 West Contra Costa Unified School District
 West Fresno Elementary School District
 West Valley/Mission College
 Western Placer Unified School District
 Wheatland School District
 Whitmore Union Elementary School District
 Williams Unified School District
 Willits Unified School District
 Windsor Unified School District
 Winton Elementary School District
 Wright Elementary School District
 Woodland Unified School District
 Yolo County Office of Education

APPENDIX C

**AUDITED FINANCIAL STATEMENTS OF SPURR
FOR THE FISCAL YEARS ENDED JUNE 30, 2006, AND JUNE 30, 2007**

**SCHOOL PROJECT FOR
UTILITY RATE REDUCTION
(SPURR)**

(A Joint Powers Authority)

**ANNUAL REPORT
FOR THE FISCAL YEARS ENDED
JUNE 30, 2007 & 2006**

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School Project for Utility Rate Reduction

MANAGING DIRECTOR'S LETTER

To the Board of Directors
School Project for Utility Rate Reduction
Concord, California

During the fiscal year ending June 30, 2007, the School Project for Utility Rate Reduction ("SPURR") continued to serve our participating agencies with the highest levels of expertise and professionalism.

Our **Natural Gas Procurement Program** provides our participants with access to the wholesale natural gas market that would otherwise be unavailable to them. We use the aggregated market presence of thousands of accounts and our relationships with multiple wholesaler suppliers to get the best prices and terms for our participants. We manage price risk, improve budgetary stability, and provide market expertise and information for our participants at levels not offered by California's regulated gas utilities. While utilities generally buy gas on spot markets, and always pass all price and volatility risk on to their commodity consumers, our program limits risk under fixed price agreements for significant portions of our supply. We publish much more information about our price commitments than any California utility, so our participants can budget more effectively and can improve their financial results.

Our financial performance and customer service functions continue to evolve to meet our constituents' needs. We continue to improve our billing functions and to provide new levels of information to our program participants. We monitor and evaluate our internal accounting control procedures, always alert for possible improvements. We manage our receivables and payables closely, to minimize program costs.

In October 2007, SPURR repaid its **Revenue Anticipation Notes** ("RANs") issued one year earlier, as scheduled. Later that month, SPURR issued another series of RANs, in the principal amount of \$6.3 million, with a coupon rate of 4.25% per annum. This favorable rate was a result of the "Investment Grade 1" rating of our RANs by Moody's Investors Services. The RANs afford SPURR's management flexibility in cash management practices. Excess funds are invested in government securities through Wells Fargo Bank, Union Bank of California, or the Local Agency Investment Fund (run by the State Treasurer).

SPURR also operates other programs to help schools and public agencies control utility costs.

In our **Utility Expense Management Program**, SPURR builds, hosts, and maintains a database of utility costs – gas, power, water – as invoiced to program participants, whether the services were supplied by SPURR or not. The database is available over the Web and can be used to audit utility bills, spot conservation opportunities, bring accountability to conservation activities, allocate costs, create accurate budgets, and perform other key management functions.

Under our **Voice and Data Program**, we can provide significant savings and advice on local and long distance telephone, wireless phone, e-mail, WiFi Internet access, and other services. We offer customized plans to meet the needs and budgets of our constituents.

We also conduct **Regulatory Representation** on behalf of our constituents. We appear in proceedings at the Public Utilities Commission and in Legislative hearings. Our recent efforts have focused on reducing natural gas Transportation rates for our participants and on establishing the right of electricity customers to choose their service providers.

We look forward to serving our members in the year ahead.

January 10, 2008

Michael Rochman
SPURR Managing Director

SCHOOL PROJECT FOR UTILITY RATE REDUCTION
Management's Discussion and Analysis of
Financial Condition and Results of Operations
Fiscal Years Ended June 30, 2007 & 2006

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 as of 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 Pacific Gas & Electric Company ("PG&E"). 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 SPURR member or participant has ever defaulted on its gas purchases; nor has any vendor not been paid.

Currently about 200 public agencies in Northern California participate in the SPURR "core" natural gas program for service to approximately 3,400 sites; also 23 public agencies participate in the "noncore" gas program for service to 27 sites. SPURR gas program participants ("Participants") enter into multi-year contracts with SPURR for gas aggregation and related services, but they may nevertheless exit the program on 120 days notice prior to the start of the next fiscal year (unless they have specifically agreed to a longer term commitment).

SCHOOL PROJECT FOR UTILITY RATE REDUCTION
Management's Discussion and Analysis of
Financial Condition and Results of Operations
Fiscal Years Ended June 30, 2007 & 2006

SPURR's primary source of revenues each year is derived from the sale of natural gas to Participants who share in the payment of the operational and administrative fees of the program. For fiscal year 2007/2008 SPURR projects total revenues of approximately \$45,000,000 from the sale of natural gas and the collection of local transportation charges for gas delivery.

As of June 30, 2007, SPURR had no outstanding debt other than its 2006 Revenue Anticipation Notes in the principal amount of \$8,750,000, which were fully redeemed on the stated due date October 4, 2007. A new Series of 2007 Revenue Anticipation Notes, in the principal amount of \$6,300,000, were issued on October 11, 2007, and are due for repayment on October 10, 2008.

Annual Report Presentation

This annual report must be read in its entirety—Managing Director's Letter, Management's Discussion and Analysis, financial statements and related notes and Independent Auditors' Report—to obtain a thorough understanding of the program, its financial condition and results of operations as of, or for the year ended June 30, 2007. This section, Management's Discussion and Analysis, provides an overview of SPURR's financial activities for the fiscal year ending June 30, 2007.

Condensed Statement of Net Assets

The Statement of Net Assets includes all assets and liabilities using the accrual basis of accounting, similar to accounting methods used by most private-sector entities. Net assets are the difference between total assets and total liabilities.

	(in thousands)		
	2007	2006	Change
<u>ASSETS</u>			
Cash and equivalents	\$ 1,467	\$ 1,382	6.2%
Accounts receivable	5,257	4,097	28.3%
Advances on behalf of CUB	-	234	-100.0%
Operating imbalance	198	194	2.0%
Investments	8,427	6,920	21.8%
Gas in storage	1,827	1,438	27.0%
Total assets	\$ 17,176	\$ 14,265	20.4%
<u>LIABILITIES</u>			
Accounts payable and accrued liabilities	\$ 3,523	\$ 3,103	13.5%
Revenue anticipation notes	8,750	6,890	27.0%
Deferred revenue	1,821	1,335	36.4%
Total liabilities	\$ 14,094	\$ 11,328	24.1%
<u>NET ASSETS</u>	\$ 3,082	\$ 2,937	4.9%

SCHOOL PROJECT FOR UTILITY RATE REDUCTION
Management's Discussion and Analysis of
Financial Condition and Results of Operations
Fiscal Years Ended June 30, 2007 & 2006

Condensed Statement of Net Assets (continued)

All assets and liabilities are current. Net assets of \$3,082,000 on June 30, 2007, and \$2,937,000 on June 30, 2006 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. The major year-to-year changes in the components of net assets are due primarily to the timing of payments to vendors and the increase in natural gas pricing volatility.

Condensed Statement of Revenues and Expenditures

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

	(in thousands)		
	2007	2006	Change
Gas revenues	\$ 44,180	\$ 43,308	2.0%
Gas costs	43,349	41,337	4.9%
Margin	\$ 831	\$ 1,971	-57.8%
Management costs	688	631	9.0%
Interest expense	404	174	132.1%
Interest income	(501)	(229)	118.7%
Other expenses	96	87	10.35%
Net income	<u>\$ 144</u>	<u>\$ 1,308</u>	-88.9%

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, plus anticipated working capital requirements. SPURR's gas revenues also include "local transportation" costs owed by consumers to PG&E and collected by SPURR for remittance to PG&E.

During the fiscal year ended June 30, 2007, SPURR's core program had a volume of 34.0 million therms compared to a volume of 31.0 million therms for the fiscal year ended June 30, 2006. Non core program volumes for the fiscal year ended June 30, 2007 were 5.7 million therms, compared to 4.1 million therms for the fiscal year ended June 30, 2006. Changes in therm volume are due to changes in weather, facility usage, accounts, and participants from year to year.

SPURR's ten largest customers in the core program accounted for 32.7% of total gas revenues in that program for the fiscal year ending June 30, 2007, up slightly from the prior fiscal year.

Interest expense and interest income increased in 2007 due to interest rate increases in the capital and investment markets.

SCHOOL PROJECT FOR UTILITY RATE REDUCTION
Management's Discussion and Analysis of
Financial Condition and Results of Operations
Fiscal Years Ended June 30, 2007 & 2006

Condensed Statement of Cash Flows

The Condensed Statement of Cash Flows presents information about cash activity during the year. The statement is 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) 2007	(in thousands) 2006
Cash provided (used) by:		
Operating activities	\$ (562)	\$ 1,151
Investing activities	(1,010)	(3,139)
Financing activities	1,656	2,619
Net change in cash	\$ 84	\$ 631
Cash, beginning of year	1,383	752
Cash, end of year	\$ 1,467	\$ 1,383

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 Fiscal Years 2007/2008 and Beyond

As this Annual Report is being finalized in early December 2007, wholesale spot market natural gas prices for January 2008 delivery in Northern California have vacillated between a price of \$ 5.30 and \$10.00 per MMBtu during the most recent six months. Elevated demand for energy on a worldwide basis, limits on other sources of energy (such as coal and nuclear) and limits on construction of additional natural gas infrastructure facilities (such as shipping terminals for liquified natural gas) are among the factors causing price volatility. We believe that continued tightness in supply may lead to extreme volatility in pricing for the foreseeable future.

We manage volatility in two ways. First, we have increased the number of suppliers on whom we rely. This provides us with better visibility on prices (as we have more sources of information) as well as better prices overall (as more suppliers compete for our business). Second, we purchase gas for future delivery under a variety of fixed price contracts with our multiple vendors. We enter into these fixed price contracts at different times, in a process similar to "dollar cost averaging" in a retirement plan. That is, we lock in prices a little bit at a time; so we may never have the "best" price for fixed price gas, but we should not have the "worst" price either. Our prices will be both more predictable and more stable than gas suppliers who do not engage in these types of risk management strategies.

SCHOOL PROJECT FOR UTILITY RATE REDUCTION
Management's Discussion and Analysis of
Financial Condition and Results of Operations
Fiscal Years Ended June 30, 2007 & 2006

Prospective Outlook Affecting Fiscal Years 2007/2008 and Beyond (continued)

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

On October 19, 2004, SPURR filed suit in California Superior Court (Alameda County) against several participants in California's natural gas markets. The case seeks recovery of damages related to the defendants' intentional false reporting of natural gas price and trading information and sham sales to artificially inflate natural gas prices and to fix the price of natural gas in California for the defendants' benefit. SPURR has separately settled its claims against two defendants for (a) cash and (b) cooperation. The cash payments have been modest, but the information obtained through the defendants' cooperation concerning non-settling defendants has been invaluable. The settlement funds have been placed in a trust account to cover litigation costs. At this time, it is not possible to predict accurately the resolution of this case but no material adverse outcome is anticipated.

SCHOOL PROJECT FOR UTILITY RATE REDUCTION

Statement of Net Assets

For the Fiscal Years June 30, 2007 and 2006

<u>ASSETS</u>	<u>2007</u>	<u>2006</u>
Cash and cash equivalents in bank	\$ 887,807	\$ 1,024,218
Cash in County treasury	578,694	358,675
Total cash and cash equivalents	<u>\$ 1,466,500</u>	<u>\$ 1,382,893</u>
Accounts receivable	5,257,217	4,096,621
Advances on behalf of CUB	-	234,426
Operating Imbalance	198,000	194,000
Investments	8,427,079	6,919,514
Gas in storage	1,827,372	1,389,000
Gas Option contracts	-	48,670
Total assets	<u>\$ 17,176,168</u>	<u>\$ 15,648,017</u>
 <u>LIABILITIES</u> 		
Accounts payable	\$ 3,163,250	\$ 2,942,509
Revenue anticipation notes	8,750,000	6,890,000
Accrued interest on revenue anticipation notes	359,844	159,996
Deferred revenue	1,821,051	1,335,000
Total liabilities	<u>\$ 14,094,145</u>	<u>\$ 11,327,505</u>
 <u>NET ASSETS</u> 		
Unreserved or undesignated	<u>\$ 3,082,024</u>	<u>\$ 2,937,619</u>
Total net assets	<u><u>\$ 3,082,024</u></u>	<u><u>\$ 2,937,619</u></u>

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

SCHOOL PROJECT FOR UTILITY RATE REDUCTION
Statement of Activities
For the Fiscal Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenues		
Operations		
Natural gas revenues	\$ 44,180,371	\$ 43,308,348
Expenses		
Operations		
Natural gas costs	\$ 43,348,903	\$ 41,336,581
Management and administration	688,263	631,072
Total operating expenses	<u>\$ 44,037,166</u>	<u>\$ 41,967,653</u>
Operating income	<u>\$ 143,205</u>	<u>\$ 1,340,695</u>
Other income (expenses)		
Interest income	\$ 501,472	\$ 228,672
Interest expense	(404,256)	(173,995)
Other expense	(46,718)	(42,067)
Bank charges	<u>(49,299)</u>	<u>(44,469)</u>
Total other income (expenses)	<u>\$ 1,200</u>	<u>\$ (31,859)</u>
Changes in net assets	\$ 144,405	\$ 1,308,834
Net assets at beginning of year	<u>2,937,619</u>	<u>1,628,785</u>
Net assets at end of year	<u><u>\$ 3,082,024</u></u>	<u><u>\$ 2,937,619</u></u>

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

SCHOOL PROJECT FOR UTILITY RATE REDUCTION
Statement of Cash Flows
For the Fiscal Years Ended June 30, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities		
Receipts from natural gas customers	\$ 43,790,815	\$ 43,900,047
Payments to suppliers	(43,900,616)	(42,558,293)
Payments of management and administration fees	(451,922)	(615,550)
Net reimbursements from CUB	-	424,856
Net cash provided by (used in) operating activities	\$ (561,723)	\$ 1,151,060
Cash flows from investing activities		
Interest received	\$ 497,302	\$ 234,793
Net sales of investments	(1,507,565)	(3,374,028)
Net cash (used in) investing activities	\$ (1,010,263)	\$ (3,139,235)
Cash flows from financing activities		
Issuance of RANS 2006	\$ 8,750,000	\$ 6,890,000
Repayment of RANS 2005	(6,890,000)	(4,200,000)
Interest payments	(204,408)	(70,783)
Net cash provided by financing activities	\$ 1,655,592	\$ 2,619,217
Net increase in cash and cash equivalents	\$ 83,607	\$ 631,042
Cash and cash equivalents at beginning of year	1,382,893	751,851
Cash and cash equivalents at end of year	\$ 1,466,500	\$ 1,382,893
Cash flows from operating activities		
Operating income	\$ 143,205	\$ 1,340,695
Adjustments to reconcile operating income to net cash provided by (used in) operating activities		
Changes in assets and liabilities		
Accounts receivable	(1,203,774)	(101,546)
Advances on behalf of CUB	234,426	424,856
Gas in storage	(438,372)	(337,670)
Accounts payable	220,741	53,202
Operating imbalance	(4,000)	(428,850)
Deferred revenue	486,051	200,373
Net cash provided by (used in) operating activities	\$ (561,723)	\$ 1,151,060

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

SCHOOL PROJECT FOR UTILITY RATE REDUCTION

Notes to Financial Statements

Fiscal Years Ended June 30, 2007 & 2006

Membership and Purpose

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 2007, there were approximately 255 members of SPURR. Not all members participate in the SPURR natural gas acquisition program.

SPURR is a "core aggregator" which aggregates the natural gas requirements of approximately 200 public agencies, including SPURR members and non-member public agencies (the "Program Participants" or "Participants"), as allowed by the California Public Utilities Commission. 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 local distribution utility, PG&E. PG&E then transports the natural gas to the program participants at their approximately 3,400 usage sites in Northern California. SPURR collects PG&E's local transportation charges from the participants and remits those funds to PG&E. SPURR also pays other transportation and commodity vendors as necessary and charges those costs to the participants as part of the cost of natural gas.

As required by PG&E and applicable regulation, SPURR "nominates" a projected program gas usage amount onto the PG&E system each day. Subsequent to the usage dates, PG&E reads the meters at each usage site and transmits that information to SPURR for use in billing participants and in program accounting. The differences between the amounts nominated by SPURR, the "determined usage", and "metered usage" subsequently computed by PG&E, constitute "imbalances" which are cured by purchases, sales, or trades of natural gas by SPURR. Imbalances are typically settled three months after the usage month, but may be settled up to several years after the usage month under applicable regulation. Imbalances at June 30, 2007 represented an over delivery of 27,100 MMBtu of gas, with a projected receivable of \$198,000 based on actual market prices.

SPURR also operates a "noncore" natural gas buying program for a number of larger gas accounts at facilities operated by schools and other public agencies on the PG&E system. SPURR's natural gas program operates solely within PG&E's natural gas service territory, except for one non-core account on the Southern California Gas Company System. Non core meters are read in a timelier manner than core meters, so imbalances are typically resolved within 30 days of the usage month.

Under applicable state and federal regulations, utility companies are allowed to correct or restate the actual amount of gas purchased in a given month for a period of several years after that month has ended. Such retroactive adjustments are common in California, and give rise to additional imbalances, which must be cured as discussed above. More commonly, imbalances are due to monthly differences between "determined usage" and "metered usage".

SCHOOL PROJECT FOR UTILITY RATE REDUCTION
Notes to Financial Statements
Fiscal Years Ended June 30, 2007 & 2006

Membership and Purpose (continued)

SPURR has entered into a contract with North Star Consulting, Inc. ("NSC"), of Concord, California, to provide gas program management services. Such services include nomination and balancing of gas supply, negotiation of supply and transportation arrangements, cost accounting and billing to participants, collection from participants, contract management, payment of supplier invoices, and collection and payment of PG&E local transportation costs. NSC has subcontracted certain operational services to Golden Valley Gas Services, Inc., of Dublin, California.

In addition to operational responsibilities, NSC's responsibilities include: marketing services, developing an advocacy strategy with respect to core gas aggregation and the unbundling of cost in the utility industry, customer service, communications, and new program development. NSC also provides administrative and accounting services to SPURR. SPURR pays management fees to NSC on a cents-per-therm basis. Management fees totaled approximately \$592,000 and \$562,000 for the years ended June 30, 2007 and 2006, respectively, with approximately \$106,000 payable at June 30, 2007 and \$89,000 payable at June 30, 2006. NSC is responsible for payment of fees to any subcontractors.

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 two funds. The operations of each fund are accounted for with a separate set of accounts that comprise its assets, liabilities, net assets, revenues and expenditures, as appropriate.

The Enterprise Fund is used to account for gas program revenues and gas supply and transportation expenses; the General Fund is used to account for management fees and any other non-gas program revenues and expenses. The net assets of both the Enterprise Fund and the General Fund are unreserved and undesignated for any specific purposes, excluding the assets pledged in connection with the RANs issuance.

SCHOOL PROJECT FOR UTILITY RATE REDUCTION
Notes to Financial Statements
Fiscal Years Ended June 30, 2007 & 2006

Summary of Significant Accounting Policies (continued)

Basis of Presentation

The Governmental Accounting Standard's Board (GASB) released Statement No. 34, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments", which established a new reporting format for annual financial statements; SPURR adapted GASB 34 in fiscal 2003. That financial statement presentation provides a more comprehensive, entity-wide perspective of SPURR's assets, liabilities, revenues, expenses and cash flows, following the "business-type activities" ("bta") reporting requirements of GASB 34.

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 Standard Board ("FASB") Statements issued before November 30, 1989, which do not conflict with GASB statements and does not apply FASB statements issued subsequent to November 30, 1989.

Net assets, reserves and designations

Net assets represent all of SPURR's assets less its liabilities. Portions of SPURR's net assets 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 at June 30, 2007 or 2006, except in connection with issuance of RANs.

Accounts receivable

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

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.

SCHOOL PROJECT FOR UTILITY RATE REDUCTION

Notes to Financial Statements

Fiscal Years Ended June 30, 2007 & 2006

Summary of Significant Accounting Policies (continued)

Budget

SPURR's budget is subject to public hearings and is legally enacted through 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 2007 revised budget and 2007 actual for SPURR along with the 2008 budget.

	(in thousands)			
	2008	2007		2007
	Budget	Revised	Actual	
Gas revenues	\$ 46,300	\$ 43,500	\$ 44,180	\$ 680
Gas costs	45,050	42,250	43,349	(1099)
Margin	\$ 1,250	1,250	831	419
Management costs	585	625	688	63
Interest expense	400	350	404	54
Interest income	(379)	(400)	(501)	(101)
Other expenses	100	100	96	(4)
Net income	\$ 544	\$ 575	\$ 144	\$ 431
Net assets at beginning of year	2,936	2,937	2,937	-
Net assets at end of year	<u>\$ 3,480</u>	<u>\$ 2,854</u>	<u>\$ 3,082</u>	<u>\$ 228</u>

Cash and Cash Equivalents in Banks and County Treasury

Cash and cash equivalents are \$1,466,500 and \$1,382,893 as of June 30, 2007 and 2006 respectively, and include: a disbursement account, a temporary investment account, and cash on deposit with the Alameda County Treasurer. The investment account is administered by Union Bank of California and Wells Fargo Bank in which, on a daily basis, excess cash is swept into the account. Money market investments, which were uninsured and unsecured, totaled approximately \$8,427,079 and \$6,919,514 at June 30, 2007 and 2006, respectively. Cash on deposit with the Alameda County Treasury is pooled with other funds and invested by the County in accordance with the provisions of the California Government Code.

SCHOOL PROJECT FOR UTILITY RATE REDUCTION

Notes to Financial Statements
Fiscal Years Ended June 30, 2007 & 2006

Investments

SPURR has invested 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, and the like. The "Average Life of Portfolio" for the PMIA as reported by LAIF was 165 days as of June 30, 2007. In addition, LAIF reported that over 71% of PMIA maturities were 120 days or less as of June 30, 2007. Additionally, SPURR has short term investments in Wells Fargo Bank and Union Bank of California. The banks invest the funds in US government bonds and high-grade commercial paper.

Gas Supply and Transportation Costs

Gas supply and transportation costs included the following at June 30, 2007 and 2006, respectively:

	<u>2007</u>	<u>2006</u>
Gas supply costs	\$ 31,238,488	\$ 30,200,975
Transportation costs	12,110,415	11,135,606
Total gas supply and transportation costs	<u>\$ 43,348,903</u>	<u>\$ 41,336,581</u>

Gas in Storage and Deferred Revenue

At June 30, 2007, 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 \$1,821,000 and \$1,335,000 at June 30, 2007 and 2006, 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, 2007 and 2006, gas costing and \$1,827,000 and \$1,389,000 respectively had been placed in storage. Such gas is stated at cost using the first-in, first-out basis.

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 October 5, 2006, SPURR issued \$8,750,000 in Revenue Anticipation Notes (the "2006 RANs"). The 2006 RANs incurred a stated interest rate of 4.50% per annum and a due date of October 4, 2007. Such redemption was completed on that date. SPURR is, and at all times since issuance has been in full compliance with all provisions of the 2006 RANs loan indenture.

SCHOOL PROJECT FOR UTILITY RATE REDUCTION

Notes to Financial Statements

Fiscal Years Ended June 30, 2007 & 2006

Revenue Anticipation Notes (continued)

On October 11, 2007, SPURR issued \$6,300,000 in Revenue Anticipation Notes (the "2007 RANs"). The 2007 RANs incur interest at a rate of 4.25% per annum and are due on October 10, 2008. SPURR is, and at all times since issuance has been in full compliance with all provisions of the 2007 RANs loan indenture.

SPURR has pledged \$2,100,000 of revenues attributable to April 2008, \$2,100,000 of revenues attributable to May 2008, and \$2,100,000, plus interest due, attributable to June 2008. Pledged revenue represents approximately 13% of total estimated revenues from natural gas receipts.

Contingencies

Utility companies can and do make adjustments to their reported actual usage amounts for a period extending up to several years from the month in which the gas was used. Increases in reported actual usage require that gas be purchased in the open market to cure the imbalance, and there is a risk that open market prices will be higher than prices paid in the month the gas was used. Downward adjustments of reported actual usage require sales of gas, and these sales may be at prices lower than the price paid in the month the gas was used.

The financial statements reflect all material purchases or sales of gas required as a result of such 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 adjustments which may be required by the utility companies.

On October 19, 2004, SPURR filed suit in California Superior Court (Alameda County) against several participants in California's natural gas markets. The case seeks recovery of damages related to the defendants' intentional false reporting of natural gas price and trading information and sham sales to artificially inflate natural gas prices and to fix the price of natural gas in California for the defendants' benefit. At this time, it is not possible to predict accurately the resolution of this case but no material adverse outcome is anticipated.

Concentrations

As described above, PG&E transports natural gas to participants through its pipeline and transmission mechanisms. PG&E also provides the metered usage data for the program. The program's operations depend upon these PG&E services.

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

SCHOOL PROJECT FOR UTILITY RATE REDUCTION

Notes to Financial Statements
Fiscal Years Ended June 30, 2007 & 2006

Related Party Transactions

NSC previously performed management services for another joint powers authority, The California Utility Buyers JPA ("CUB"). To achieve certain economic benefits of scale for both CUB and SPURR, CUB operated in tandem with the SPURR program for the procurement of natural gas, gas transportation services and gas storage services; during the year, SPURR paid invoices for these items on CUB's behalf. As a result of those transactions, approximately \$0 and \$234,426 was advanced on CUB's behalf at June 30, 2007 and 2006, respectively. SPURR charged CUB interest based on each month's average outstanding balance computed at a market rate of interest. As of June 30, 2006 CUB ceased operations and any remaining CUB program participants were transferred to SPURR. During the year ending June 30, 2007, SPURR paid NSC for services and reimbursed expenses totaling \$354,554. At June 30, 2007, SPURR owed NSC \$365,699 for services and reimbursed expenses.

Commitments-Gas Purchase Price Management

SPURR aggregates purchases for the purpose of reducing and managing volatility with respect to the net effective cost of natural gas and other services supplied to its program 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 program is 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 their 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 began the 2007/2008 fiscal year with contractually fixed-price costs for approximately 25% of projected gas usage of participants (about the same as in the prior fiscal year). SPURR's goal is to have between 40% and 50% of projected fiscal year gas usage under fixed price contract by not later than 90 days in to the fiscal year. SPURR made no deposits during the fiscal year ending June 30, 2007 for gas deliveries in the subsequent fiscal year.

It is the opinion of SPURR that, as a consequence of this risk-reduction strategy, its participants have a much higher level of budgetary protection than they had in fiscal years prior to the implementation of this price protection strategy (for the 2001/ 2002 fiscal year). There can be no assurance as to whether or not these fixed-price contract rates will be above or below spot market prices that may be available over the course of the current fiscal year; however, management is of the opinion that the fixed-price rates will not have a material effect on SPURR's financial operations.

SCHOOL PROJECT FOR UTILITY RATE REDUCTION
Notes to Financial Statements
Fiscal Years Ended June 30, 2007 & 2006

Gas Purchase Commitments

SPURR's obligations for natural gas purchases at June 30, 2007 and 2006, were \$15,386,288 and \$13,733,514, respectively. The contract lengths and natural gas sources of SPURR's procurement contracts fluctuate based on market conditions.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
School Project for Utility Rate Reduction
Concord, California

We have audited the accompanying financial statements of School Project for Utility Rate Reduction ("SPURR") as of and for the years ended June 30, 2007 and 2006, as listed in the table of contents. These financial statements are the responsibility of SPURR's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of SPURR as of June 30, 2007 and 2006, and the change in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis ("MD&A") on pages 2 through 6 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Timothy J. Schwartz, CPA
Gary F. Giannini, CPA
Philip Lantsberger, CPA
William H. Adamson
Rebecca Ford Rey, CPA
Robert Gross, CPA



Stockton, California
November 28, 2007

4578 Feather River Drive
Suite D
Stockton, California 95219
Ph: 209.474.1084
Fx: 209.474.0301

APPENDIX D
FORM OF FINAL OPINION OF BOND COUNSEL

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Directors
School Project for Utility Rate Reduction
1430 Willow Pass Road, Suite 240
Concord, California 94520

OPINION: \$7,500,000 School Project for Utility Rate Reduction 2008 Revenue Anticipation Notes (Natural Gas Purchase Program for Member California School Districts and Community Colleges)

Members of the Board of Directors:

We have acted as bond counsel to the School Project for Utility Rate Reduction ("SPURR") in connection with the issuance by SPURR of \$7,500,000 principal amount of School Project for Utility Rate Reduction 2008 Revenue Anticipation Notes, dated October 30, 2008 (the "Notes"), pursuant to Article 7.6 (commencing with section 53850), Chapter 4, Part 1, Division 2, Title 5 of the California Government Code, and a resolution of the Board of Directors of SPURR (the "Board") adopted on September 9, 2008 (the "Resolution"). We have examined the law and such certified proceedings and other papers, as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of SPURR contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. SPURR is duly created and validly existing as a joint exercise of powers authority with the power to issue the Notes and to perform its obligations under the Resolution and the Notes.
2. The Resolution has been duly adopted by the Board and creates a valid first lien on the funds pledged under the Resolution for the security of the Notes.
3. The Notes have been duly authorized, executed and delivered by SPURR and are valid and binding general obligations of SPURR enforceable in accordance with their terms.
4. Subject to SPURR's compliance with certain covenants, interest on the Notes is excludable from gross income of the owners thereof for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code") and, under section 55 of the Code, is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations under the Code but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure by SPURR to comply with one or more of such covenants could cause interest on the Notes to not be excludable from gross income under section 103 of the Code for federal income tax purposes retroactively to the date of issuance of the Notes.
5. Interest on the Notes is exempt from personal income taxation imposed by the State of California.

Ownership of the Notes may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Notes.

The rights of the owners of the Notes and the enforceability of the Notes and the Resolution may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

In rendering this opinion, we have relied upon certifications of SPURR and others with respect to certain material facts. Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX E

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the SCHOOL PROJECT FOR UTILITY RATE REDUCTION ("SPURR") in connection with the issuance by SPURR of \$7,500,000 School Project for Utility Rate Reduction 2008 Revenue Anticipation Notes (the "Notes"). The Notes are being issued pursuant to a resolution adopted by the Board of Directors of SPURR on September 9, 2008 (the "Resolution"). SPURR covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by SPURR for the benefit of the holders and beneficial owners of the Notes and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Dissemination Agent" shall mean SPURR, or any successor Dissemination Agent designated in writing by SPURR and which has filed with SPURR a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section 3(a) of this Disclosure Certificate.

"Participating Underwriter" shall mean any of the original underwriters of the Notes required to comply with the Rule in connection with offering of the Notes.

"Repository" shall mean each State Repository.

"Rule" shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 3, SPURR shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Notes, if material:

- (i) Principal and interest payment delinquencies.
- (ii) Non-payment related defaults.
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
- (v) Substitution of credit or liquidity providers, or their failure to perform.
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
- (vii) Modifications to rights of security holders.
- (viii) Contingent or unscheduled bond calls.
- (ix) Defeasances.
- (x) Release, substitution, or sale of property securing repayment of the securities.
- (xi) Rating changes.

(b) Whenever SPURR obtains knowledge of the occurrence of a Listed Event, SPURR shall as soon as possible determine if such event would be material under applicable Federal securities law.

(c) If SPURR determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, SPURR shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each State Repository. Notwithstanding the foregoing, notice

of Listed Events described in subsections (a)(8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Notes pursuant to the Resolution.

Section 4. Termination of Reporting Obligation. SPURR's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Notes. If such termination occurs prior to the final maturity of the Notes, SPURR shall give notice of such termination in the same manner as for a Listed Event under Section 3(c).

Section 5. Dissemination Agent. SPURR may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be SPURR.

Section 6. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, SPURR may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Section 3(a) it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Notes, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Notes, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver either (i) is approved by holders of the Notes, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Notes.

Section 7. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent SPURR from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If SPURR chooses to include any information in any notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, SPURR shall have no obligation under this Disclosure Certificate to update such information or include it in any future notice of occurrence of a Listed Event.

Section 8. Default. In the event of a failure of SPURR to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Notes may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause SPURR to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of SPURR to comply with this Disclosure Certificate shall be an action to compel performance.

Section 9. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and SPURR agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The obligations of SPURR under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Notes.

Section 10. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of SPURR, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Notes, and shall create no rights in any other person or entity.

Date: [Closing Date]

SCHOOL PROJECT FOR UTILITY RATE
REDUCTION

By _____
Managing Director