

Discovery Valley Utility NEWS

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City Chooses ASTRUM



On December 9, 2003, the San Marcos City Council authorized the City Manager to negotiate a contract with ASTRUM Utility Services to provide gas and electricity services to the City's "Greenfield" or future developments.

ASTRUM Gets Green Light

ASTRUM's proposal provides numerous benefits for the citizens of San Marcos:

- \$189 million in electric revenues.
- \$52.3 million in gas revenues.
- Guaranteed 20% more in-lieu franchise fees paid to the City than would be received from SDG&E.
- Guaranteed consumer rates comparable to SDG&E.
- Agreed to a "Hold Harmless" clause for the City.

ASTRUM agreed to finance, construct, operate, and maintain all facilities needed to provide services to DVU electric and natural gas customers in newly developed areas within the City, which include the areas know as the Heart of the City and the central/southern portion of the City. ASTRUM's estimates of the infrastructure costs to the Discovery Valley Utility were also more realistic than other proposals. The initial estimated cost for providing electric and gas infrastructure, including the purchase of a substation site, is \$27 million. The capital costs are roughly 9% of the initial forecasted revenues of \$241.3 million over the next 14 years.

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Council Moves Ballot Date



City wants Competing Measures on Voter's Ballot

Members of San Marcos' City Council want to make sure voters have a choice when deciding on the future of the Discovery Valley Utility. The Council voted to put the SDG&E-funded initiative on a June 2004 ballot to give the city time to finish its contract negotiations with ASTRUM.

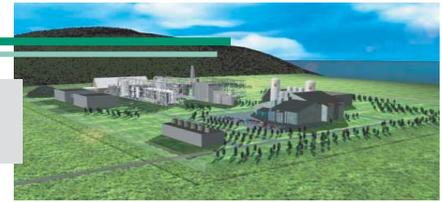
At the December 9th DVU hearing, Council Member Pia Harris-Ebert asked the City Manager if the City would have a competing measure on the June ballot. The City Manager said there would likely be a City measure on the same June ballot as the SDG&E-sponsored initiative. Council Member Mike Preston agreed. "I feel strongly we should have a City measure on the ballot competing with SDG&E," he said.

City leaders want San Marcos voters to have a clear choice between the "Citizens for the Right to Vote" Charter Amendment written and funded by SDG&E, which restricts San Marcos energy options while protecting the interest of the local Investor Owned Utility; or a City ballot measure, which encourages competition and **local control** of the City's energy future.



Competition Begins:

ASTRUM Utility Services Proposal



The start-up costs over the next two years are estimated at about \$7.5 million, all of which will be born by ASTRUM. These costs include planning and engineering, an interconnection with SDG&E, backbone facilities and distribution facilities.

Contract Length:

ASTRUM asked the City for a 25 year contract from the Operative Date (the date of DVU's first paying customer). The proposal recognizes that the City itself may be the DVU's first customer. The City can terminate the agreement for any reason after the tenth anniversary of the Operative Date. This will enable ASTRUM enough time to repay its initial financing costs and make a profit from energy sales to the DVU.

Overarching Principles:

The ASTRUM proposal agreed with all of the City's overarching principles: DVU rates will be equal to or less than SDG&E; Service reliability and customer service would be equal to or better than SDG&E; DVU revenues to the City's general fund will exceed what would have been received from SDG&E by 20%; Third-party contractors must be well qualified, licensed and bonded in California; Construction, operations and maintenance services must be performed using utility-grade equipment and must be consistent with good utility practice; and, the Public Benefit Program benefits that the utility pays must be at least at the same level of funding as those currently available to City residents and must be used only within the City of San Marcos.

Deal Points:

ASTRUM agreed to every deal point the City requested: The company agreed to finance, operate and maintain all necessary equipment needed to provide electric and gas service to DVU customers in newly developed areas. The company also agreed to provide electricity and gas to DVU's customers; and assist in the maintenance of the City's GIS database with DVU's electric and gas facilities.

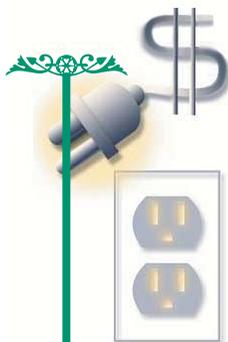
Contract Terms:

ASTRUM said yes to 7 of 10 of the City's desired contract terms, with only slight modifications on the other three:

- (1) **Performance Bond:** ASTRUM agreed to provide a performance bond, line of credit and/or corporate guarantee as required for the life of the contract.
- (2) **Insurance:** ASTRUM agreed to provide the DVU with insurance in the amounts and types typically maintained by similar utilities for the life of the contract.

- (3) **Construction Standards:** ASTRUM agreed that its construction standards, operations and maintenance practices, system reliability and emergency response time will be equal to or better than general practices currently provided by SDG&E.
- (4) **Extension Policy:** ASTRUM agreed to meet the same standards as SDG&E for electric line and gas main extensions, as well as lower the cost by not charging SDG&E's gross up tax. ASTRUM also agreed to speed up review and inspection for new utility hookups.
- (5) **Hold Harmless:** Above and beyond these guarantees, ASTRUM agreed to the greatest extent possible to hold the City harmless from financial risk and any other liabilities to the City's general fund.
- (6) **Public Benefit Programs:** Long a sticking point between San Marcos and SDG&E, ASTRUM agreed to spend all of the State's mandated 2.85% public purpose funds on programs pre-qualified by the DVU; all of these funds collected in San Marcos will be used to benefit new and existing San Marcos residents and businesses.
- (7) **Branding:** ASTRUM agreed to brand all correspondence to customers, any advertisements, brochures, billings and call center interactions as the Discovery Valley Utility.
- (8) **DVU Costs:** The City had asked that all costs for DVU operations, maintenance, capital improvement costs, contractor payments, etc., be paid from DVU revenues. ASTRUM modified this and agreed to provide investment capital for initial start-up and construction costs. Of course, any outside investment capital would be repaid through DVU's gross revenues.
- (9) **Contract Length:** The City had asked for a 15-year contract with a unilateral right to terminate the agreement any time after the first five years. ASTRUM agreed to a 15-year contract and provided the City with the right to provide the required financing.
- (10) **Renewable Energy:** The City had asked, to the extent that it is economically feasible, that the electric commodity portfolio of the DVU include renewable energy resources such as solar and wind power. ASTRUM is working with San Marcos and Victorville to build up to three hybrid solar-gas-fired electric generating units in the high desert.





PROJECT FEATURES LUXURY AMENITIES AND ENERGY EFFICIENT SOLAR POWER

GRANDON VILLAGE BEGINS LEASING FOR SENIORS 55 AND OLDER

Grandon Village, a new affordable housing development for seniors 55 and older, has announced that leasing has commenced for its 161-unit apartment complex, located in San Marcos. Developed by Enhanced Affordable Housing Development Company, the rental homes are a part of the city of San Marcos' affordable housing program, primarily financed with tax-exempt bonds and low income housing tax credit equity. The project is expected to have residents start moving in by mid February 2004.

Grandon Village, located at the corner of Grandon Avenue and Rancho Santa Fe Road, features three, three-story buildings with a total of 52 one bedroom and 109 two bedroom units, as well as a community center and 11,000 square feet of retail space. The grounds offer residents a sparkling pool, lush landscaping, subterranean parking, elevator service, and subsidized solar electricity. Inside, the apartment homes feature large living areas, satellite TV hook-up, mirrored wardrobe doors and a host of other gracious decorator touches.

But Grandon Villages' most unique feature is its source of electricity; the sun. Electric power to many of the project's units is augmented by a state-of-the-art \$1 million solar photovoltaic system designed and installed by Allied Sun Technologies, a Southern California solar energy company. The 160-kilowatt system is tied to the electric utility grid and takes advantage of "net metering". Under the "net metering" plan the solar power system supplements electricity from the utility company during the day. Any excess power generated during daylight hours is credited to the electric accounts of the tenants and can be used at anytime during the year,

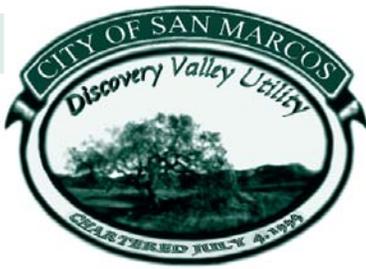
thus reducing the cost to tenants. Brian Weintaub of Allied Sun Technologies states, "Solar is clean power and saves natural resources. This reduces emissions of carbon dioxide, thought to contribute to global warming, by 309,273 lbs per year. The system will also reduce sulfur dioxide emissions (causes smog) by 2,414 lbs, and nitrous oxide emissions (causes acid rain) by 787 lbs." In addition solar power will help alleviate the power shortage and resulting higher prices. Grandon Village and Allied Sun Technologies received almost \$650,000 in special renewable energy funding for this project from the California Energy Commission. This project is the largest solar power system installed on an affordable housing project in California. Grandon Village highlights the successful combination of affordable housing with affordable, renewable energy. According to Councilmember Pia Harris-Ebert "Two of San Diego County's most pressing needs, affordable housing and alternative energy sources, are fulfilled within this landmark project."

The development's principals, David Rubin and Marc Gelman, bring years of experience to the Grandon Village management team. "Communities all over the nation are struggling to provide quality housing for seniors and lower income households. Our approach provides a higher standard of lifestyle amenities and affordability for the residents - both of which are ultimately beneficial for the city," Gelman said.

Grandon Village is located at 1607 Grandon Avenue. The leasing office may be reached at 760-752-3282.

Allied Sun Technologies can be reached at 888-765-2740.





Discovery Valley Utility

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Let Us Hear From You...



**The more you ask,
the better we can
respond...**

What programs should the City fund with its portion of the public benefits from DVU's greenfield development?

What information do you need to make an informed decision about the City's energy policies and directions?

What issues would you like the City to address in formulating its energy policies and directions?

What articles would you like to see in future editions of the Discovery Valley News?

Contact Us!

We're here to serve you.

Email us at: cityhall@ci.san-marcos.ca.us

Call us at: (760) 744-1050 ext. 3108

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Find previous DVU Newsletters on line at:

<http://www.ci.san-marcos.ca.us>

Look Under: City Newsletter



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