

## **Finance Report**

March 23, 2006

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### **Finance Committee Notes**

The Finance Committee met at 7:30 am on March 23, 2006, with John Klosterman, Treasurer; Debbie Kitchin, board member; Sue Meyer Sample, Chief Financial Officer; and Pati Presnail, Controller, in attendance. Karen Fornshell and Elise Bouneff from the Bank of the Cascades joining shortly thereafter.

#### **Introduction of Pati Presnail, Controller**

Sue began by introducing Pati Presnail, the new Controller for the Energy Trust. Pati was formerly the Finance Director and Director of Administration for the Hearing and Speech Institute. She has an MBA from Marylhurst University and served on the board of the Special Olympics for three years. She has been a wonderful addition to the Finance team and is taking the lead on the development and implementation of forecasting procedures and forms.

Both John and Debbie welcomed Pati to the organization.

#### **New Banking Relationship**

Karen Fornshell and Elise Bouneff from the Bank of the Cascades began by expressing their pleasure at being selected as the bank for the Energy Trust. Karen has been interested in the operation of the Trust since its inception. She described the Bank, its evolution, its strong performance and its interest in the energy community.

Karen also described the account structure implemented for the Energy Trust and provided a flowchart of accounts. She also described the investment structure, based on the Trust's investment policy. Currently \$25M of cash is in the CDARS program, an FDIC insured program of CD's issued by other banks. Those deposits are used to support lending opportunities throughout Oregon and are invested on tiered terms, with the maximum currently at 6 month maturity. The remaining money is in a sweep account and in treasury obligation funds accounts.

With this transition, the Energy Trust has implemented "positive pay" for all checks, providing additional assurance that our funds are reaching the appropriate recipients. From the Trust's perspective, the transition to the Bank of the Cascades has been very successful, thanks to the efforts of Karen and Elise and their staff and of our Great Plains implementation partner, Borek Business Solutions. The only account remaining at the Bank of America is the Albany escrow account which will either be spent or be closed by the end of this year.

#### **Draft Audited December 31, 2005, Financial Statements**

Sue presented copies of the audited financial statements for December 31, 2005. The statements will be officially presented at the Board meeting by Julie Hammond for the audit committee. The Energy Trust received an unqualified opinion on the statements. The audit went very smoothly. Issues for next year will include the financial accounting for Green Tags which were deemed to be immaterial for 2005. Sue also reviewed with the Finance Committee the two management letter comments proposed by the auditors and our anticipated responses. John asked about additional work performed. During the interim work in December, Perkins reviewed project files at Aspen as part of their in-depth work. Julie intends to discuss with the auditors and the audit committee what additional procedures the auditors will conduct this coming year.

**January 2006 Financial Statements**

Next the committee reviewed the January 2006 financial statements. We were approximately \$2.5M below budget for the month, which is fairly typical for January. With the budget refinements taking place in October and November, it's difficult to estimate what will be accrued into December versus what will be expensed in January which leads to these variations. We also rely heavily on the forecasts provided by the utilities in October for our revenue projections. Rate changes that occur in the meantime are not reflected in budgets once they are approved. John suggested that we document why we aren't able to budget more closely, so the variances are more clearly understood. Two additional statements were provided with January's financial statements, both related to cash projections. One will be forwarded to the bank on a monthly basis; the other will be included in the regular financial statement package.

Debbie described some recommendations being discussed for program funding. One option described is to take advantage of the current upswing in the business cycle and initiate long-term borrowing against future revenues to maintain the high levels and acquire additional savings. She would like the Management Team and the Board to research and discuss the alternatives, weighing taking advantage of stability versus the acquisition of savings (and possibly a savings of administrative costs) by financing projects while there is high level of interest in the programs.

**Minimum Cash Requirement Options**

Next the committee reviewed a summary of work developed by Sue and Pati regarding minimum cash requirements. They evaluated and summarized a number of options, including: monthly net cash deficit; one month's operating expenses, revenue risk, etc. Staff recommended a minimum balance of around \$6M. Debbie would like to bring the summary to the full board for discussion. John asked about the progress on additional revenue sources. Sue updated them on progress in the Cascade Natural Gas agreement. She also indicated that Steve had reflected that progress was being made with PGE on funding from BPA.

**Revised 2006 Budget**

Lastly Sue presented the revised 2006 Budget based on the Board approved changes from February 22 and from March 8<sup>th</sup>. New charts and graphs will be provided with the Board packet; only the actual financial statements were available at the time of this meeting. Sue noted that the disparity between energy efficiency electric balances will occur sooner than she originally anticipated (sometime in 2006) if the additional \$1.7M of production efficiency incentives actually pays out in 2006. Debbie believes steps to improve the disparity between PGE and PacifiCorp projects need to be taken soon to mitigate the impact of borrowing between funds.

As an additional note, Debbie also brought up the issues she has been encountering with the perception of the Energy Trust being "closed for business", particularly with regard to the multifamily program. One of her concerns centered around hearing that we were aggressively marketing the program in December, but by February, we were "out of money". She has asked that Margie help address these concerns at meetings with the Oregon Remodelers' Association and at BOMA. Debbie expressed concern about raising expectations and having sufficient funds available to meet them. Sue responded that she would do some preliminary evaluation and bring this to the Management Team for further discussion.

The meeting adjourned at 8:50 am.