EnergyTrust of Oregon, Inc.

Finance Report

March 13, 2007

The Finance Committee met at 7:30 am on March 13, 2007, with John Klosterman, treasurer; Debbie Kitchin, Margie Harris and Pati Presnail in attendance. Tom Foley, Preston Michie, and Sue Sample were unable to attend.

Review FINAL December 2006 financial statements

Pati presented the final financial statements for December 2006, along with an explanation page, which was added in response to a request made at the previous meeting. The new explanation page will help draw attention to significant variances and the reasons for them. John and Debbie said they find the information helpful.

- No significant changes from version already presented to Finance Committee
- Net affect of adjustments made less than $2 thousand
- Public purpose revenue above budget by $3.1 million (5.6% variance)
    - Source: increases in rates approved subsequent to budget preparation
    - Utility forecasts generally conservative
- Interest income exceeded budget by $1.6 million
    - Interest rates more than doubled over previous year
    - Higher invested balances than expected; result of reduced spending
- Expenses overall below budget by $35.6 million (43%)
    - By line item
        - Incentives $31.5 million (88.5% of expense variance)
            - Primarily utility scale incentives budgeted but not yet paid
            - Gas incentives from delays in project completions and overly optimistic goals
            - Program subcontracts $3 million (8.3% of expense variance)
    - By division
        - Energy efficiency
            - Electric efficiency $4 million underspent (10%)
            - Gas efficiency $3.6 million underspent (28%)
        - Renewable energy
            - $28 million underspent from budget—primarily utility scale (PGE)
            - Have changed the way we budget renewables to reflect spending patterns better; differences between accounting versus activity perspectives

The final changes derive from a $100,000 decrease in NEEA support, which is estimated and then trued-up quarterly, offset by an accrual for 2006 PMC performance compensation of $99,000, based on savings achieved, to be paid in 2007. In addition, three small invoices were recorded late in the process. All of the changes were made prior to the audit and were included in the auditors' scope.

In reference to the cash flow analysis, John said cash remains high through 2007, with decreases occurring in 2008 and later. Pati pointed out that much of the cash is spoken for as renewable project dedicated funds. Those costs will be recorded as expense as they are paid in 2008 and 2009.

The committee asked that staff ensure the term "dedicated funds" appears in the glossary of financial terms.

2006 audit
The committee inquired about the progress of the external financial audit. Margie informed them that the audit is complete and we received a clean opinion. Margie said the auditors enjoyed working on the Energy Trust audit.

2007 budget
Pati presented the most recent 2007 budget reallocation, to be proposed for board approval on March 28, 2007. The March budget realignment was anticipated back in December in order to reallocate any funds left remaining from 2006. All changes noted below compare the original 2007 budget to this most recent proposal.

Net increase in resources is $5.8 million:
- Adding $5.8 million more in resources to carry forward from 2006 to 2007
- Adding $1.9 million of electric conservation rate credit funds
- Subtracting $1.6 million in PGE funds due to change in PGE forecast
- Subtracting $.3 million in Avista funds due to change in Avista contract

Net increase in expenditure is $3.7 million:
- Adding $1.7 million to incentives
- Adding $1.2 million in program delivery costs to support more activity
- Adding $187,000 for evaluation
- Adding $376,000 for program marketing
- Adding $78,000 for a staff position to support CRC activities and benefits
- Adding $5,000 for the 5 year anniversary celebration
- And adding another $70,000 for all other expenses

Projection of 2008 expenditures increased by $1.9 million in incentives due to deferral of projects from 2007 to 2008.

Debbie suggested several opportunities for attracting commercial projects, including participating in the BetterBricks seminars and perhaps doing a press release announcing that more funds are being added to the budget (which might also help combat perception that Energy Trust is "out of money").

Margie noted that she will be working with Pati later today to develop board presentation materials. Advice from the committee regarding level of detail and call-outs is appreciated.

Next steps in the budget reallocation are review by the policy committee, RAC and CAC (advisory committees), and a full presentation at the upcoming board meeting.

Margie asked Debbie and John to consider the merits of a two-year budget cycle, to align with the two-year planning cycle. This proposal will go before the policy committee for further discussion.

Guidelines for reserve funds from interest
The discussion was postponed to the next meeting when Sue will be able to participate.

Next Meeting
The next meeting of the Finance Committee is scheduled for Monday, April 9, 3:30 pm.

The meeting adjourned at 8:30 am.