EnergyTrust of Oregon, Inc.

Finance Report

Q3 2008

Review Q3 2008 year-to-date financial statements

Balance Sheet and Cash Flow Statements

Total assets increased $3.5 million from June 2008 to September 2008. The most significant change is a $3.4 million increase in cash. This increase is primarily due to having higher revenues compared to expenses in Q3. Also, accounts payable increased by $.7 million during this time frame.

Income Statements

- Public purpose revenues year to date varied only 2% from budgeted amounts. In the analysis that follows, PGE and PacifiCorp funds resulting from SB 838 are included with the balance of their energy efficiency revenues.
- The variances for both gas utility's revenues are continuing to grow.
- Q3 2008 year to date expenses were approximately 63% of budget. The major variances are described below.

Revenue

Public Purpose Revenue

Public Purpose Revenue	Over Budget	Under Budget	Total Over/ (Under)	% over/(under) budget
PGE				
Energy Efficiency	905,637	-	$ 905,637	4.1%
Renewable Energy	-	(276,936)	(276,936)	(4.5%)
PacifiCorp				
Energy Efficiency	-	(36,528)	(36,528)	(0.2%)
Renewable Energy	-	(86,627)	(86,627)	(2.3%)
NW Natural	703,161	-	703,161	9.7%
Cascade	73,205	-	73,205	10.5%
Total	**$ 1,682,003**	**$ (400,091)**	**$ 1,281,912**	**2.2%**

Interest income is approximately 5% lower than budget, reflecting the decline in interest rates experienced in 2008.

Expenses

Overall Expenses: below budget by $24.2 million (37% under budget)

Program Management, Delivery & Marketing (7% of expense variance)

Prog Mgmt, Deliv & Mktng	Over Budget	Under Budget	Total Over/ (Under)	% over/(under) budget
Energy Efficiency				
Commercial	-	(652,648)	(652,648)	(12%)
Industrial	-	(215,981)	(215,981)	(7%)
Residential	$ -	$ (794,715)	$ (794,715)	(9%)
Renewable Energy				
Biopower	-	-	-	0%
Open Solicitation	-	(45,000)	(45,000)	(100%)
Solar	16,826	-	16,826	57%
Utility Scale	-	-	-	0%
Wind	-	(20,122)	(20,122)	(38%)
Total	**$ 16,826**	**$ (1,728,466)**	**$ (1,711,640)**	**(10%)**

Incentives (80% of expense variance)

Incentives	Over Budget	Under Budget	Total Over/ (Under)	% over/(under) budget
Energy Efficiency				
Commercial	-	(1,899,311)	(1,899,311)	(28%)
Industrial	-	(3,718,712)	(3,718,712)	(63%)
Residential	$ -	$ (529,085)	$ (529,085)	(6%)
Renewable Energy				
Biopower	-	(615,890)	(615,890)	(63%)
Open Solicitation	-	(3,108,025)	(3,108,025)	(95%)
Solar	-	(1,738,628)	(1,738,628)	(47%)
Utility Scale	-	(2,818,720)	(2,818,720)	(86%)
Wind	-	(4,826,805)	(4,826,805)	(99%)
Total	**$ -**	**$ (19,255,176)**	**$ (19,255,176)**	**(52%)**

- **Commercial –** Incentives are under budget due to several large projects being postponed indefinitely or cancelled as the properties have either changed ownership or have slowed construction opportunities in response to the current economic situation. This trend will continue through year-end. Marketing outreach activities are still underway, but new building construction has not been as active as originally expected.
- **Industrial –** While delivery costs remain under budget through the third quarter, that variance will likely be eliminated with the costs for transitioning to new PDCs and closing out projects. Projects continue to slide but PDCs are still planning to close projects in Q4 to get very close to our savings goal. Projects have been delayed for various reasons. One $400k project is held up for permitting reasons, 2 large projects are held up awaiting BETC approvals, one $250k project moved into 2009 due to market conditions. PDCs are checking in with participants regularly to ensure that we get projects closed out this year.
- **Biopower** –Documentation for two large incentive payments totaling over $500 thousand which were expected to be paid earlier this year is not completed and will be queued for payment in October. A number of program development activities originally anticipated were not executed as originally planned and will be carried over into 2009.
- **Open Solicitation** –Several large projects and corresponding incentive payments have been delayed into late this year and early next year. They were originally expected to be completed earlier in 2008. Among those projects are the East Portland Community Center, ProLogis and the Portland Habilitation Center.
- **Solar –** In general, commercial PV activity relative to budget has been delayed due to the Pacific Power/Honeywell case before the PUC, and the uncertainty/downturn in the financial markets. We anticipate a more rapid payout in the last quarter of the year. With the extension of the 30% investment tax credit, some projects will be delayed into 2009, now that the urgency to complete by end of 2008 is past. Residential PV activity relative to budget has been slower than anticipated due to the industry's focus on pursuing commercial projects, the slowdown in the economy and speculation about the potential for an increased federal tax credit. With the removal of the $2,000 cap on the federal tax credit for residential projects, it is expected that several projects will be delayed until 2009.
- **Utility Scale** – Pacific Power is now regularly billing us for the committed incentives for the GoodNoe Hills 94 MWE wind project. The project start was delayed much later than forecast as was the payment of incentives. The underpaid funds in 2008 will be paid in 2009.
- **Wind** – Several large projects have been withdrawn and will not go forward. As such, the board authorized $2.5 million of those funds to be made available for the Solar program. For *community wind*, an indefinite delay has occurred on a project for which major payments were anticipated in 2008. Two projects have decided not to go forward after all. The lack of availability of turbines has kept projects from going forward. The slow down in project activity decreased the need for professional services. 2008 was an industry development year for the *small wind* program, focused on educating and marketing to community members and contractors. Money was included in the 2008 budget for project incentives, but with a new program for a nearly undeveloped industry few projects are being completed in 2008 with an anticipated increase in 2009.

Professional Services (9% of expense variance)

Professional Services	Over Budget	Under Budget	Total Over/ (Under)	% of total
Marketing	-	(581,733)	(581,733)	28%
Evaluation & Planning	$ -	$ (574,808)	$ (574,808)	28%
Renewables	-	(307,709)	(307,709)	15%
Energy Efficiency	-	(269,925)	(269,925)	13%
Information Technology	-	(142,080)	(142,080)	7%
Administrative	-	(127,033)	(127,033)	6%
Shared Office Costs	-	(75,000)	(75,000)	4%
Total	**$ -**	**$ (2,078,289)**	**$ (2,078,289)**	**100%**

- **Marketing** – The main explanation is that most costs for the fall campaign (creative, professional services and media buys) and website usability improvements will not come through until the fourth quarter.
- **Evaluation & Planning** –Evaluation spending continues to be somewhat lumpy and unpredictable. Several evaluation projects are coming in later in the year, including billing analysis, building efficiency, new buildings, and the heat pump pilot. And several evaluations were scaled back or done internally.
- **Renewables** – The delays/abandonment of projects has decreased the current need for anticipated professional services. Precise timing of individual payments is difficult to predict, but most work is still expected to be completed.
- **Energy Efficiency** – The variances are scattered throughout the programs and all items of significant amounts continue to reflect timing differences.
- **Information Technology –** Primarily due to turnover of staff, the RFP for evaluation and potential replacement of our financial, project management and contact management systems has been delayed until 2009. The corresponding professional service costs are also being postponed.
- **Administrative –** Several of the projects planned for 2008 have been postponed to 2009. Among the projects are the development and pre-implementation of new financial and contracting systems, coaching services, and external legal services which were budgeted but not required.

By Division - Total Expenses

By Division		Over Budget	Under Budget	Total Over/ (Under)	% of total
Energy Efficiency					
	Electric	$ -	$ (9,813,952)	$ (9,813,952)	40%
	Gas	-	(23,259)	(23,259)	0%
Renewable Energy					
	Biopower	-	(921,536)	(921,536)	4%
	Open Solicitation	-	(3,499,818)	(3,499,818)	14%
	Solar	-	(1,901,851)	(1,901,851)	8%
	Utility Scale	-	(2,918,182)	(2,918,182)	12%
	Wind	-	(5,156,312)	(5,156,312)	21%
Total		**$ -**	**$ (24,234,910)**	**$ (24,234,910)**	**100%**

Program delivery efficiency (administrative costs plus program support costs)

- 5.2% actual, budgeted at 7.1%; performance measure is 11.0%
- Last year Q3 2007 was 5.7%. Last quarter's rate was 5.1%.