Finance Committee Notes

February 17, 2009

The finance committee met at 3:00 pm on February 17, 2009, with John Klosterman, finance committee chair and board treasurer; Debbie Kitchin, secretary; Dan Enloe, board member, John Reynolds, board chair, Steve Lacey, operations director, Sue Sample, chief financial officer, and Pati Presnail, controller in attendance. Margie Harris did not attend.

December 31, 2008 Financial Statements

Steve attended to make sure the committee was aware of the details surrounding the over spending that took place at the end of the year in the gas programs. Primarily in the existing buildings program, the existing homes and in the new homes and products programs, these expenditures used up almost $2.5 million more in carryover than was originally anticipated in the forecast provided with the approved budget in December. While savings also exceeded our stretch goals, the impact of the overage will mean shortfalls in availability of funds in 2009. In 2010, that shortfall will become even more significant. The compromise being offered at the February 18th CAC meeting around incentives for furnaces, duct and air sealing, etc. will only increase the effect. Energy Trust is pursuing alternatives to manage this:

- Already in contact with NW Natural to pursue potential rate increase in July or October of this year. Steve estimated that the increase required would be roughly .9% for NWN.
- Management of incentives in commercial and industrial programs via the reservation system, which has been replaced by the forecasted commitments system.
- Quarterly caps being placed on residential contractors to manage quarterly demand so that Energy Trust is not caught by surprise.
- Monitoring mitigating impacts of economy on demand.

The committee wanted to make sure that any communication around a rate increase be couched in terms of being the gas company's low cost capacity investment as other alternatives would be more expensive.

Steve and the committee also discussed some specifics of potential program offerings, including a more comprehensive home evaluation with certain trade allies and on-bill financing piloting plans. Debbie shared some anecdotal information about perceptions of costs with Energy Trust trade allies. Steve also indicated that we're looking into more behavioral type programs to improve our uptake.

Dan suggested that Energy Trust consider changing its fiscal year to something other than the calendar year to mitigate the effects of the lack of predictability of year end activity (the "hockey stick").

Year End Results

Sue reminded the committee about the 2008 accomplishments, as below:

- Electric efficiency: results 34 aMW, 27% above conservative goal, 95% of stretch goal.
- Gas efficiency: results 2.633 million annual therms, 52% above conservative goal, 14% above stretch goal.
- Renewable energy: results 33.3 aMW, 92% above stretch goal

In all, 2008 was a very good year for Energy Trust.

4rd Quarter OPUC/Board Report (Draft)
Not available at this time.

Line of Credit
The line of credit is due for renewal with the Bank of the Cascades on April 1, 2009. The principal amount is $4,000,000. Energy Trust has never used the line, but wishes to keep the option available. The interest rate is variable, at prime minus .5 percent. Today that rate would be 2.75%. Energy Trust does not pay a fee to maintain the line of credit.

The committee discussed consideration of the RFP for banking services Energy Trust originally planned for this spring. Bank of the Cascades is currently in the process of a bank examination. Preliminary results should be available within the next few weeks. Sue has reviewed the bank's most recent performance report (12/31/08) and is meeting with representatives of bank next week to discuss the credit line and other topics. Given the current banking industry problems the committee felt it would be wise to wait until we obtain information as to the results of the examination prior to undertaking an RFP.

John K. requested that an analysis of reserve requirements be prepared in order to determine whether the committee should consider increasing the line amount. [Based on preparation 2/18/09, reserve requirements for Energy Trust for 2009/2010 amount to $6.8 million; Sue will discuss increasing the line credit to $7 million when she meets with the bank representatives on February 23rd.]

Other Topics

Form 990
John K. brought up the topic of the Form 990 which was presented at the last board meeting by Perkins and Co. He wanted some clarity about the Board's responsibility for reviewing the form, specifically whether it was better for the full Board to review or for just a committee of the Board to review. The question on the Form 990 is: "Was a copy of the Form 990 provided to the organization's governing body before it was filed? All organizations must describe in Schedule O the process, if any, the organization uses to review the Form 990." Sue described her understanding from trainings she's attended of the intent of the question, which is to determine that the Board is meeting its fiduciary responsibilities with regard to the activities of the organization. The finance committee decided it would be best for the entire board to receive a draft copy of the Form 990 for their review and acceptance prior to filing. John K. would prefer that Energy Trust meet the highest standard in compliance with the disclosures to improve transparency.

Living Building
John also brought up the discussion the Board held about the Living Building Initiative. Sue let the committee know that she notified the LBI steering committee that we would contribute our share of the original fundraising contribution, but that Margie would prefer that we not serve as fiscal agent until such time as Energy Trust formally agrees to become a participant in the project, so as not to give any false impressions of the level of our involvement. Since we are still in the exploratory phases of our evaluation, the committee felt this was reasonable.

The committee discussed both the risks and potential rewards for our participation in the LBI process. All agreed that it was a very compelling opportunity with lots of potential advantage, but also held more risks (beyond cost) for the Energy Trust.

Next Meeting
The next Finance Committee meeting is scheduled for Tuesday, March 23, 2009 at 3:00 pm.
The meeting adjourned at 4:20 pm.