Finance Committee Notes

August 17, 2009

The finance committee met at 3:00 pm on August 17, 2009, with John Klosterman, Treasurer and Finance Committee chair; Debbie Kitchin, Board Secretary; Dan Enloe, Board member, John Reynolds, Board Chair, Margie Harris, Executive Director, Sue Sample, Chief Financial Officer, Tosha McCardle, Finance Administrative Assistant, Elise Bouneff, Vice President, Bank of the Cascades and Walt Krumbholz, Executive Vice President, Bank of the Cascades, in attendance.

Bank of the Cascades update (Elise Bouneff, Walt Krumbholz)

Elise Bouneff and Walt Krumbholz from the Bank of the Cascades came to update the committee on current investment rates and to present their second quarter 2009 results. Rates for CDARs investments (the bulk of Energy Trust's holdings) have dropped substantially this week. For example, 13 week investments have dropped from 1.0% to .3%. They were unable to place last week's reinvestments. Energy Trust will likely start moving more funds into its NOW account, earning .45%, until CDARs interest rates start climbing again. Elise indicated that she does not expect rates to increase significantly in the near future. These accounts are all fully FDIC insured.

Walt indicated that the Bank experienced an elevated loan loss provision expense, decreased interest income and an increase in noninterest expense due to OREO valuation charges along with a higher FDIC deposit insurance assessment requirement which all contributed to a net loss of $28.1 million or ($1.00) per share as compared with a net loss of $3.4 million or ($0.12) per share a year ago. The Bank indicated their current strategy is to raise capital and to strengthen their liquidity. The bank is continuing in their efforts to reduce their non-performing assets (NPA's) to the extent possible. But they had been involved with lending to the real estate markets for residential developments in Portland, Bend and Boise which have been among the hardest hit. There is little opportunity to sell those assets.

The bank's rating was reduced from "well capitalized" to "adequately capitalized" under federal regulatory guidelines which will likely result in the FDIC issuing a public regulatory order based on the regulatory examination completed last February. The bank has been and is continuing to actively work on improving the issues that arose in the annual regulatory examination.

John K. asked the bank to provide graphical representations, if possible, of their targets and actual performance to give the committee a perspective on the bank activity and the economic drivers.

John K. expressed the committees' appreciation for Elise and Walt's attendance at the meeting and asked for their return in the November meeting to keep the committee updated on the banking situation.

[Walt and Elise have been very forthright in communicating with Sue between committee meetings with regard to the items above and keeping her apprised of new developments.]

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Debbie had a question about the shortfall in revenues and the causes. Margie explained that the utilities are experiencing a decrease in demand, growth is nonexistent, and collections are down since people's accounts are in arrears. Utilities are reporting about 20% of their customers in arrears. Since Energy Trust's revenues are based on actual utility collections, Energy Trust revenues are also down. Staff attempted to modify its projected revenue receipts from all utilities accordingly in the revised budget approved by the Board on July 29th.

Margie questioned how current year revenues and incentives compared with prior year revenues and incentives. The information was not readily available. However, it will be added to the graphs for comparison.

2nd Quarter OPUC/Board report
Margie stated she had revisions to page 2, which will be sent out to report recipients.

Proposed reporting for NW Natural in Washington
Sue presented the proposed quarterly reporting template for NW Natural in Washington. In section III Energy Efficiency Programs Dan had a question as to why electric is listed. Sue advised that all references to electric will be removed. Sue advised that this report will be an addendum to the regular quarterly OPUC and Board reports. The report is slightly different from the normal version to assist NW Natural in addressing their filing requirements.

Dan had a question from an IT standpoint of possibly having (or is there currently in place) a master database for saving and incentives. FastTrack is the tool Energy Trust uses for this purpose. He has in mind a data warehouse where program management contractors and trade allies are filling out the forms and the reports auto populate. Margie will follow up with Dan outside the meeting for further clarification, but it is something that is being address in the BI plan and the ERP system. Sue advised that a process to create web forms with participants entering the data into our database through their application is already in use and is underway for several additional forms.

Review of the 2010 Budget Calendar
Program staff have been given their budget workbooks to complete information entry and have been given instructions about incorporating facets of the strategic plan and the design team recommendations into this round. The commercial sector will build their budgets by customer focus instead by measure as is done in the residential sector. The question was asked – will there still be the “hockey stick” effect with re-budgeting/adjustments. Yes, it is very likely this will continue to some degree, perhaps with a higher default rate for residential.

John K. asked for an update on the NW Natural budget shortfall. Margie advised that some actions have been taken including NW Natural curtailment of marketing. Based on negotiations, we will likely get the high case scenario of revenues ($23.7 million) for next year. In return Margie has promised that we will focus more efforts on the low to mid-income sector (60-80% of median income) and that we will reduce our costs and increase our productivity. These will be natural outcomes from the work of the design team. Margie will be presenting result of design team efforts to the Board at their next meeting on September 2nd.

Margie will be meeting next week with the OPUC and NW Natural to define the roles and responsibilities for key players, including Energy Trust in generating the funding to meet efficiency goals. Similar meetings will be held with the other utilities.

Other
Margie advised the next meeting of the Board will have a presentation from the NW Power Planning Council of the 6th power plan even though it was not approved last week.

Next Meeting
The next Finance Committee meeting is scheduled for Monday, October 19, 2009 at 3:00 pm. John Reynolds, Debbie Kitchin and Dan Enloe all asked that any documents for the next meeting be sent to them via pdf prior to the meeting. The meeting adjourned at 4:40 pm.