Finance Committee Notes

October 19, 2009

The finance committee met at 3:00 pm on October 19, 2009, with John Klosterman, Treasurer and Finance Committee chair; Debbie Kitchin, Board Secretary; Margie Harris, Executive Director; Pati Presnail, Controller; Steve Lacey, Director of Operations; and Tosha McCardle, Finance Administrative Assistant, in attendance.

Update on SB 838 Revenue Negotiations (Steve Lacey)

Steve Lacey updated the committee on revenue negotiations with the utilities. On October 20, 2009 NW Natural will file for a 2% increase (more than doubling current funding) The rate increase would be effective November 1, 2009 and the funds would flow to Energy Trust beginning in December this year.

Negotiations with PGE & PacifiCorp are underway. Rate increases would be effective in January. There is a planning meeting scheduled with the OPUC, utilities, CUB and other stakeholders to discuss the benefits of additional funding. The PacifiCorp meeting is scheduled for October 30, 2009.

John K. asked if ratepayer groups are opposed to the rate increases. Margie responded that rate payer groups are in favor, recognizing that conservation is the lower cost alternative.

Margie and Steve described the current thinking regarding building reserves, with the OPUC advocating for 10%, and the utilities more likely to support 5%. The reserves would be added to the increases. More discussion will take place between now and October 30th.

Margie expressed the committee's appreciation for Steve's attendance at the meeting.

Review of 2009 Year End Forecast

Margie advised there has been a drop in revenue from PGE and Pacific Power, resulting in a projected revenue shortfall of $3.5 million. Incentives are projected to be $17.4 million less than budget, with $12 million of the shortfall in Renewable projects. Of the remaining $5.7 million, $4.1 million is in Efficiency PGE territory. Margie explained we will meet 94% of our stretch goal.

John asked whether the underspending in renewables in 2009 might attract criticism. Margie explained that lack of financing is interfering with large projects, but smaller projects like those in the solar program are not encountering the same problems. Margie described the very successful "Solarize Portland" project in SE Portland. Debbie had a question about how the contractor will be selected for future iterations of "Solarize Portland." Pati and Margie believe there was an RFP to obtain the best pricing. A similar process would be followed by the next community group.

August 2009 Financial Statements

John asked for clarification on the cash flow forecast included in the August financial statements. Pati confirmed the remaining months in the cash flow forecast are based on the budget approved in July, not the more recently updated forecast discussed today. Based on more recent information, we project higher cash balances at the end of the year.

Margie explained the strategy for diversifying cash deposits, given the low interest rates at Bank of the Cascades. Five million dollars was moved to another bank in October.

A quirk in one of the graphs showing revenues against expenses was identified. The graph will be updated for the board packet.

Other than the recent dip in PGE revenues, August financial results are quite typical of previous months.

Review of the 2010 Draft Budget

Program staff has been working on the 2010 Draft Budget. Slides from the presentation to the conservation advisory council were distributed, showing electric savings increasing 34% to almost 49 aMW. Gas savings are projected to increase 58% from 2009 forecast. Efficiency expenditures are expected to go up to $113 million, assuming the rate filings by the electric utilities are successful. Challenges in the efficiency programs include maintaining momentum for the industrial program when 838 funding specifically excludes industrial projects, and continuing to remove barriers to participation for all sectors.

Slides from the renewable advisory council were distributed next, showing expenditures of $31.9 million and generation between 5.3 and 9 aMW. Challenges in 2010 will be similar to 2009: the economy and difficulty financing large projects, the impact of state and federal tax credits, and policy changes.

John asked what the biggest challenges are this budget season, and Margie responded that it is staff well-being – a large number of high profile initiatives in the works, coupled with the increased likelihood of seasonal illness are her top concerns. Margie described how we are managing the business risk – working at home, cross training, and regular project communications are some examples.

Other

September financial statements have been produced but not yet reviewed. The reports are not ready for discussion at this time.

Margie provided an update on the Build America program. This is a collaboration between Energy Trust, Efficiency Vermont and Wisconsin Energy Services to pursue opportunities using federal stimulus dollars. Energy Trust would receive one million dollars per year for five years if the proposal is accepted. While the initial dollar amount is small relative to Energy Trust's overall budget, the opportunity opens the door to future stimulus-funded efforts. Margie advised there are some additional administrative costs that will be incurred and some changes in policy around accounting, contracting, and hiring practices. Among other things, the funds subject the organization to an additional audit each year. Sue attended a seminar on the requirements under the stimulus program, ARRA. Margie will be taking additional administrative costs to the board and the OPUC. John expressed a desire to better understand federal stimulus dollars and how they flow, so that the organization can be best positioned for new opportunities. Margie explained that federal dollars flow through the states. Because of this, the majority of the stimulus dollars are targeted for public entities.

Next Meeting

The next Finance Committee meeting is tentatively scheduled for Monday, November 16, 2009 at 3:00 pm. The meeting adjourned at approximately 4:30 pm.