Finance Committee Notes

October 18, 2010

The Finance Committee met at 3:00 pm via teleconference on October 18, 2010 with John Klosterman, Treasurer and Finance Committee chair; Debbie Kitchin, Board member; John Reynolds, Board Chair; Margie Harris, Executive Director; Sue Sample, CFO; and Pati Presnail, Controller, attending. Dan Enloe was not able to attend.

Review of 2011 Budget Materials

Pati described a little about the budget process this year before diving into the budget "flash" report provided to the Committee for review. The process started earlier this year with Planning and Evaluation folks working the programs and then with Steve Lacey to develop IRP background material for the utilities. This allowed Energy Trust to approach the budget this year from the savings and expense side up and from the resources side down to derive a realistic result. There are still some minor revisions to come with an anticipated increase in savings and decrease in spending. The Committee liked the format of the flash report and thought it provided some great analysis tools. Forecasting for year end is currently underway. Pati expects to have completed information for the budget revisions by Wednesday, October 20th. She will also research the wide variance between conservative and stretch goals in the Biomass program to determine that the cause is indeed just project mix.

Pati continued to highlight several areas in the budget:

- The spread between conservative and stretch goals is now 15% instead of 25% as it was in the past or 10% as the utilities requested
- Incentives continue to be slightly over 50% of total costs, reflecting the increase in delivery cost and effort required to deliver programs in absence of low hanging fruit
- Timing of both expenses and revenues continues to reflect "hockey stick" effect
- Levelized costs reflect the inclusion of shorter-lived measures due partly to the economy
- The shortfall in reserve amounts by utility will be addressed in the budget draft for the Board. Reserves of 5% of revenue are not reflected in this version
- Gas transformation savings are included separately as they represent the result of work done in prior years, representing code changes and furnaces for example
- Electric transformation is considered funded through our work with NEEA

Margie reported that she is working now on the draft budget presentation for the Board and intends to highlight several themes. Among them:

- Projected year end results
- Impact of economy
- Redesign impact, particularly on customer service

- Sector strategic plans-a synopsis will be included
- Diversification of offerings
- Integrated Solutions Project (ISP) monitoring tools and risk
- Upcoming legislative session and outreach efforts
- Potential office space move

Investment Policy Review

Committee members were able to review the Energy Trust investment policy and generally did not have any major concerns about it. Even though our actual implementation is more conservative, the Committee believes it is beneficial to maintain the flexibility as described in the adopted policy. The committee would like to re-examine the policy when Dan Enloe is able to join in the meeting and would like to gain some understanding of the value of the bond ratings in particular. They asked that a special meeting be set up prior to the Board meeting on November 10th to discuss. A suggestion was made for a teleconference meeting on November 8th at 3 pm. Sue will follow up with Nancy to schedule.

August 2010 Financial Statements

The Committee had reviewed the financial statements and found nothing unusual in the results.

Sue reflected that September statements (3rd quarter) would be out very soon as well as the forecast for year end. This information will provide a more current picture of our status.

Other Updates

The Oregon Employment Division is conducting an audit of Energy Trust employment records and practices. The audit will check compliance with Oregon employment laws, payment of unemployment insurance, etc. We have no indication that the audit is other than routine.

The committee members present agreed that Monday meetings at 3 pm continue to work for them. Sue will send out the 2011 schedule so the committee can get the meetings on their calendars.

The meeting adjourned at 4 pm.

Next Meeting

The Finance Committee's next regularly scheduled meeting is on December 6th at 3 pm. The intent is to have a teleconference meeting prior to the November 10th Board meeting to discuss the investment policy.