Finance Committee Notes

December 6, 2010

The Finance Committee met at 2:30 p.m. on December 6, 2010, with John Klosterman, Treasurer and Finance Committee chair; Debbie Kitchin, Board member; Dan Enloe, Board member; Margie Harris, Executive Director; Sue Sample, CFO; and Pati Presnail, Controller, attending. John Reynolds was not able to attend.

FDIC Insurance Changes

The Board of Directors of the Federal Deposit Insurance Corporation (FDIC) approved a final rule to implement section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) in November 2010. Section 343 provides temporary unlimited coverage for noninterest-bearing transaction accounts. This separate coverage will become effective on December 31, 2010, and will end on December 31, 2012.

The temporary provision for unlimited coverage of deposit insurance for noninterest-bearing transaction accounts is similar to the FDIC's Transaction Account Guarantee Program (TAGP) but differs significantly in the definition of "noninterest-bearing transaction account." The TAGP, which expires December 31, 2010, includes low-interest NOW (negotiable order of withdrawal) accounts where Energy Trust currently holds most of its funds. The final rule expressly states that NOW accounts are not covered under the Dodd-Frank Act definition of noninterest-bearing transaction accounts and do not qualify for temporary unlimited FDIC coverage after December 30,2010.

Energy Trust will begin to move as much money as feasible back into CDARs accounts earning a very modest interest return. However it will need to maintain a fairly high amount in readily accessible funds as a sweep account to fund incentive and other payments as they clear our general accounts. The question was raised as to the committee's preference with regard to Treasury-backed accounts versus non-interest bearing accounts for these funds.

The committee wishes to maintain FDIC insurance coverage on all accounts to the extent possible, but would be willing to consider other options upon written assurances that any treasury backed funds or accounts really involve the purchase of offsetting treasuries as a guarantee. Sue will discuss with both the Bank of the Cascades and Umpqua Bank and determine the appropriate course of action prior to December 20, 2010, and ask John Volkman to review any assertions or prospectuses provided for additional assurance.

Review of revised 2011 Budget Materials

The committee reviewed the 2011 budget changes between the draft offered at the November 9th Board meeting and the round 2 budget expected to become the proposed final budget to be approved by the Board at its meeting on December 17, 2010. Changes were relatively modest between the two versions, reflecting:

- Slightly reduced spending from the 2010 forecast, primarily in renewables
- Increased spending in 2011, primarily in renewables and the gas programs
    - Renewables due to movement from 2010 into 2011
    - Gas due to increase opportunities identified principally for NW Natural customers
    - Savings and generation figures changed accordingly

The committee went on to discuss several aspects of the budget:

- Support for increased spending a result of additional SB 838 revenue
- Dan's recommendation that we use an S curve to describe our pattern of growth
- John K.'s interest in public comments received:
    - Mostly positive
    - Have not heard yet from PGE or Pacific Power despite December 1st deadline
    - Cascade's response positive in Peter's presentation to them last week
- Debbie's interest in factoring in impact of tax credit changes
    - Federal credit to be eliminated (except for solar); has been considered in budget
    - Fate of BETC and RETC still unknown; will need to re-evaluate once determined.
- Margie's desired to display carryover and dedicated funds in presentation

October 2010 Financial Statements

The Committee had reviewed the financial statements and found nothing unusual in the results. They noted that receivables increased due to the increased funding agreement with NEEA and professional services remained underspent. Energy Trust expects the "hockey stick" affect to be most notable again in December this year.

Other Topics

The committee asked about the status of the office space search and when they would be seeing a recommendation. Sue said we have narrowed the candidates down to three buildings and will be having "test fits" prepared on each of them, prior to making a recommendation. She expects the Board to see a recommendation of two finalists in February and a proposal for consideration at the March Board meeting.

The meeting adjourned at 3:45 pm.

Next Meeting

The Finance Committee's next regularly scheduled meeting is on March 14, 2011 at 3:00pm.