Finance Committee Notes

May 14, 2012

The Finance Committee met at 3:00 pm on May 14, 2012 with Dan Enloe, Finance Committee chair; Debbie Kitchin, Board Vice Chair; Margie Harris, Executive Director; and Sue Sample, CFO attending. Also present for the Savings within Reach pilot discussion was Adam Bartini, NW Natural Project Manager.

Savings within Reach Loan Pilot

Adam described the Savings within Reach product as our moderate income track offering. The program began in 2010 and offers prescriptive incentives based on participant income and focused on long-term gas and electric weatherization improvements. The incentive rate is typically 40% higher than the standard existing homes program. Response in the program has been positive, with 700 projects expected in 2012.

To improve uptake and expand participation options for this target audience, staff proposes to add a new loan product to the Savings within Reach (SWR) program with the following parameters:

- 5.99% interest rate, 10-year term, unsecured loans up to $5k, repaid on utility bills using the existing Clean Energy Works Oregon (CEWO) model available to NW Natural, PGE and Pacific Power customers.
- $600k loan pool with Energy Trust contributing $300k and Craft3 (formerly Enterprise Cascadia) the other $300k. ETO and CEWO would each contribute to loan loss reserves at 7.5% of total or ~$45k each. CEWO would be in a first-loss position, followed by Energy Trust and then Craft3.
- Customers would have no-upfront costs and minimal net monthly utility bill impacts. The advent of a loan is expected to enable the program to better reach this underserved market and to acquire additional energy savings.
- The approach would apply the current prescriptive incentive structure and tap the existing 58 Savings within Reach trade allies. The group already knows the needs of this target market and currently drives successful incentive offerings to benefit participants.
- ETO would pay an additional $300-350 incentive to Craft3 to cover loan administrative fees. Other incentives would remain the same as they are now. The additional savings that the program anticipates acquiring justifies this additional expense.
- Cost effectiveness has been analyzed from a program portfolio perspective.
- Heating system loans would only be provided with pre-approval and would be subject to an individual analysis.
- Consistent with the demonstration elements of the Energy Efficiency and Sustainable Technology Act (EEAST), loan product projects must pay living wages, which are 180% of minimum wage.
- Modeling was conducted on projects from inception to date. Such projects averaged ~$2,000 in net cost: project cost less ETO incentives. Though staff cannot predict exactly what the measure mix will be going forward; it is hoped that projects will maintain a close to zero impact on the individual's utility bill with the savings achieved from measure installation.

The Finance Committee was enthusiastic about the addition of the proposed loan product to enable Energy Trust to more effectively reach this market. Members also cautioned that Energy Trust should take whatever steps necessary to prevent issues similar to that described in a recent Oregonian article about the Oregon Homeownership Stabilization Initiative, which awarded more than $1.7 million to homeowners it later determined did not qualify for the program. The state made no effort to recover the money and has written it off, according to the article. The committee recommended instituting strong underwriting parameters for the SWR loans, with provisions for “claw back” of funds and legal action, if necessary, to reduce the opportunity for fraud. Adam said staff would identify and explore such approaches with Craft3. The committee also recommended some further clarifications in the briefing paper to be provided to the board.

Reserve Fund Management

The committee reviewed the briefing materials and resolution describing Energy Trust’s reserve funds. The briefing materials outlined the history of the reserves, their purpose and the proposal about when prior board approval would be necessary for future reserve usage.

Energy Trust currently has two reserve accounts, one resulting from interest earnings on all unspent income and one specific to utilities for energy efficiency programs. Staff sought the committee’s perspective on the clarity of the paper in describing this complex topic and on the resolution. The committee provided some very good feedback which will be incorporated into the version the board of directors will receive for the May 23 meeting.

Review March 31, 2012 Financial Statements

The committee had been previously provided copies of the March 2012 financial statements and the contract summary report. Comments and questions were solicited. The committee identified nothing unusual in the reports, merely a continuation of trends from earlier in the year.

Finance Committee Schedule

The next finance committee meeting is scheduled for June 25th. At staff’s request, the committee approved moving the meeting to July 23rd. Sue will ask Nancy to make the changes in the outlook invitations.

The meeting adjourned at 3:40 pm.