# Finance Committee Notes

October 24, 2011

The Finance Committee met at 3:00 pm on October 24, 2011, via teleconference with Dan Enloe, Finance Committee chair; Debbie Kitchin, Board Vice Chair; John Reynolds, Board Chair; Margie Harris, Executive Director; Pati Presnail, Controller; and Sue Sample, CFO attending.

**Review September 2011 financial statements**

Dan and the committee assessed the September 2011 financials with the following highlights:

- While there are modest variances in both directions in revenues, overall Energy Trust is receiving close to what was expected for revenues at this time.
- There is moderate underspending in program subcontracts, which is also pretty typical for this time of year.
- The largest variance continues to be in incentives where it appears that, while we are spending more and completing more projects than last year, we are not where we expected to be at this point in the year. Much of this is due to a slower than expected economic recovery and to changes in the BETC (Business Energy Tax Credit) particularly in the PGE service territory where projects early in the pipeline were placed on hold.
- The next largest variance is in professional services:
    - Variances are high in Planning and Evaluation where evaluations have been delayed.
    - Variances are also high in IT where many costs originally budgeted to expense were properly capitalized as part of the ISP implementation in accordance with audit guidelines. More information about the status and budget for the ISP project will be coming to the full Board at the November 9th meeting.
    - Variances are also high in one of the efficiency programs where one contract was transferred to PMC management. There will be a corresponding overage in that category.

**Review 2012 budget "flash" report and 2011 year end forecast**

The current year end forecast for 2011 shows Energy Trust:

Energy Efficiency savings goals:

- Electric
    - 93% of stretch goals
    - 91% of 2010 actual results
    - 10% above conservative goals

  Results are different by utility; PacifiCorp is forecasted to come in well above stretch, while PGE is expected to come in slightly above its conservative goal.
- Gas
    - 92% of stretch
    - 4% above 2010 actual results
    - 9% above conservative goals

  Again results different by utility; NW Natural is finishing better than Cascade where the economy has had a significant impact on new construction.
- Renewable forecasted to come in with 1.7 aMW of generation

The 2012 budget flash report was provided to the committee. This is a report developed for the Management Team to assess preliminary results of budget work prior to the completion of the full budget package of reports. Pati walked the committee through the 2012 flash report with the following highlights:

- 2012 budget indicates that, with the exception of the NW Natural industrial program, Energy Trust will be stretched to achieve IRP goals.
- Overall, Energy Trust is expected to spend roughly 58% of its budget on incentives next year
- Dan pointed out that costs per kwh are higher in the New Buildings and New Homes and Products programs. This is due to lower levels of expected activity while developing capacity for when activity improves.
- Performance measures
    - Administrative plus program support costs at 5.8% well below the 9%-11% target range.
    - Levelized costs within range for gas; slightly high for electric conservative goals, will need adjustment for final budget.

Margie and Sue are currently working on developing the presentation materials for the budget to be mailed out to the Board next week. Pati and team are working on preparing the rest of the materials to be included in the budget binder.

**Discuss status of HRIS/Payroll/Time and Labor system**

Energy Trust has completed the first phase of its implementation of a Human Resources Information System (HRIS) and payroll system through ADP. While two payrolls have now been successfully completed in the new system, work is continuing on sorting out some problem areas prior to implementing the time and labor portion. There are significant benefits in information availability due to the conversion of HR from a manual system and it is anticipated that the Time and Labor process will save even more time and effort, particularly in month end processing.

**Discuss expanded use of the REPO account through Umpqua Bank**

At its August meeting the finance committee reviewed the repurchase (REPO) account information from Umpqua Bank and approved the initiation of the non-insured, but treasury-backed sweep account with Energy Trust funds at no more than 20% of available funds. In practice however, Energy Trust has maxed out its capacity through Promontory in CDARs investments. Therefore it has maintained closer to 35-40% in the Umpqua Bank repurchase sweep account.

An alternative is to place funds in non-interest bearing accounts. Staff intends to pursue discussions with investment advisory groups to prepare a more thorough analysis of investment options, but until that analysis can be completed early next year, staff sought the approval of the committee to continue with the REPO account strategy.

Dan continues to request that staff pursue consideration of the purchase of Oregon government-issued bonds as an alternative to non-insured investments. In the past, staff and the committee had been told that those opportunities were not available because of Energy Trust's investment time constraints, but staff will pursue further with other advisors.

**Move Update**

The new office space is almost ready. Energy Trust staff expect to move beginning the evening of November 17 and will be working through that weekend. We anticipate that we will be back in operation on the morning of November 21st. All is going well with the construction. We have experienced some delays in receipt and installation of lighting fixtures that have caused some furniture staging issues and delays, but expect to be able to have furniture installed by November 10th. The space is very nice and very modest; it reflects Energy Trust's culture and mission and will accommodate growth for several years to come. The building is pursing LEED gold certification.

**Finance Committee Schedule**

The committee will meet next on December 5, 2011, to review the proposed final budget.

The meeting adjourned at 4:00 pm.