EnergyTrust of Oregon, Inc.

Finance Report

December 3, 2007

The finance committee met at 3:30 pm on December 3rd, with John Klosterman, treasurer; Debbie Kitchin, board member; Margie Harris, executive director, Sue Sample, chief financial officer, and Pati Presnail, controller, in attendance. Alan Meyer and Tom Foley were not able to attend.

Proposed Final 2008-2009 Budget and Projection

Margie presented excerpts from her presentation of the proposed final 2008-2009 budget and action plan to be offered to the full Board on December 12, 2007, highlighting the changes between the first draft seen by the Board on November 14th and this proposed final version. She solicited feedback from the committee on both the format and the content.

Initially, she focused the committee on the comments received during the budget process. Outreach is complete with the exception of a presentation to BPA on December 6th and the formal presentation to the OPUC, currently scheduled for December 11th, postponed from the original December 4th date. Unfortunately, because of the delay of the OPUC meeting, substantive recommendations from that meeting will not be incorporated in the budget the Board hears about on the following day. Those recommendations will instead be considered in the next round of budgeting estimated to take place next Spring. Hopefully that round will also incorporate estimates of the incremental funding resulting from the electric utility filings based on SB 838. Comments received to date on the budget and action plan have primarily been very positive. John suggested that Margie highlight the fact that we have actively solicited feedback, both positive and negative, from stakeholders and have received little to nothing in the way of negative responses.

Margie commented that there was little change between budget versions for the renewables programs; changes took place in revenue adjusted for the utility forecasts and in the small cleanup and reallocation of costs and generation figures. The net result was roughly $240k and .4 aMW, respectively. Based on revenues, this represented less than a 1% change.

The change in energy efficiency programs was more substantial. The increase in revenues based on the utility forecasts was $1.3 million. The net increase in expenses was $5.5 million reflecting an addition in PGE service territory of $7 million combined with a reduction in Pacific Power service territory of $1.5 million. Best case savings increased by 2.3 aMW between versions. Therm impact was negligible. The motivation for this change was to be more deliberate about balancing carryover between the electric utilities in anticipation of increased funding from the pending utility filings. Therefore Pacific Power work was moved from the base case (SB 1149) expense category and into the incremental (SB 838) case funding category. In contrast, PGE work was shifted from the incremental (SB 838) category and into the base level (SB 1149) category in order to more fully utilize available carryover funds. Almost 70% of the change occurred in the commercial sector, where there will be greater emphasis on small businesses and new commercial construction.

Debbie noted the reduction in the New Homes program and shared some information about housing permits and starts that indicate 2008 will likely provide a continuation of the downturn in the Portland area for new home construction. She suggested an additional resource for information on current market activity, which Margie will forward to Kendall Youngblood, Energy Trust's residential sector manager.

Themes in communications and outreach and in management and general stayed the same between budget versions, as did proposed staffing and program highlights.

At year end for 2009 on an activity basis, there is currently estimated to be a shortfall of $1.6 million in the renewables programs in Pacific Power service territory, due to the high demand in that area. While we currently have enough in reserves in investment income to cover that shortfall, it is not recommended that we shift those funds yet. On an accounting basis, there will still be enough cash to cover the amount, so no real cash transfer would be necessary at that time; it will be more a case of enabling the commitments to happen in 2009. Since completion rates are still volatile, the committee agreed to postpone consideration of that topic.

John asked if there were any controversial items or internal conflicts about this year's budget. Sue responded that the primary issues regarded the discount rates to be used in the performance measures and in the balancing of efforts and dollars between the service territories based in the estimated receipt of incremental funding. Margie also commented that we are currently not facing revenue constraints, so competition for funds has not really been an issue.

Margie outlined next steps for the budget process and continued to solicit feedback.

October 31, 2007 Financial Statements

Sue asked for questions or comments about the October financial statements sent out previously to the committee for their review. She gave a brief overview of the statements. Pati indicated that we fell short of our incentive forecast again for November by about $2 million. Steve Lacey has indicated that project completions will still come in this year, anticipating a pretty sharp curve in the typical "hockey stick" curve for activity.

SB 838 Update

Margie provided the committee with an update on the status of the utilities filings for incremental funding for Energy Trust and the expected timeline. Depending on the timing by the OPUC and input from other stakeholders, we currently expect to receive funding from Pacific Power early in 2008. For PGE, we currently believe they will begin collecting funds in June 2008, and transmitting them to Energy Trust in July. There are still several issues to be resolved.

The meeting adjourned at 4:30 pm.