

Board Decision

Approval of Audit Committee Charter

December 17, 2003

Purpose

This resolution will adopt an Audit Committee Charter defining the committee's specific responsibilities in carrying out its oversight role.

Background

The board created an independent, three-member board audit committee at its April 30, 2003, meeting. The committee was empowered to select an independent auditor, determine the auditor's functions, develop and implement an independent reporting system, review the audit, and report to the board at the time the audit is presented to the board.

At its July 2, 2003, meeting, the board:

- Expanded the membership of the Audit Committee to include an individual from outside the board who has a financial background.
- Empowered the Audit Committee to select an outside auditor subject to ratification by the board.
- Determined the Audit Committee should create a charter for board consideration and action.

The Audit Committee met with the Finance Committee on December 1, 2003, to define roles and compare charters.

Recommendation

The Audit Committee recommends adoption of the charter as revised following the meeting with the Finance Committee.

Resolution

BE IT RESOLVED: That Energy Trust of Oregon, Inc., Board of Directors approves the Audit Committee Charter attached hereto as Exhibit A.

Moved by: _____ Seconded by: _____

Vote: _____ in favor _____ opposed _____ abstained

Adopted on (date) _____ by Energy Trust of Oregon, Inc., Board of Directors.

Exhibit A

Audit Committee Charter

Role

The Audit Committee ("Committee") of the Board of Directors ("board") for the Energy Trust of Oregon ("Trust") assists the board in fulfilling its responsibility for oversight of the quality and integrity of the accounting and reporting practices of the Trust, establishes qualifications and independence criteria of the public accounting firms that may be engaged to prepare or issue an audit report on the financial statements of the Trust (the "independent auditor"), and such other duties as directed by the board. The Committee's role includes discussing any action with management the Trust's processes to manage financial risk, and complying with significant applicable legal, ethical, and regulatory requirements. The Committee has sole authority over the appointment and replacement of the independent auditor and is directly responsible for compensation, and oversight of the independent auditor.

Membership

The membership of the Committee consists of three directors. The committee may also include not more than two member(s) outside of the board. Outside committee members must have a strong audit or financial background and be accepted by a majority vote of the board. Each member will be free of any relationship that, in the opinion of the board, would interfere with his or her individual exercise of independent judgment. The board appoints the Committee and its chair.

Operations

The Committee meets at least three times annually. Additional meetings may occur as the Committee or its chair deems advisable. The Committee will cause to be kept adequate minutes of all its proceedings, and will report its actions at the next meeting of the board. Committee members will be furnished with copies of the minutes of each meeting and any action taken by unanimous consent. The Committee generally will be governed by the same rules regarding board meetings (including meetings by conference telephone or similar communications equipment), and actions without a meeting. These rules include notice requirement, waiver of notice, and quorum and voting requirements. Due to the nature of the Committee's function of reviewing confidential matters such as personnel and management issues, meetings will not be open to the public. Further, the Committee is not involved in policymaking decisions. The Committee is authorized and empowered to adopt its own rules of procedure not inconsistent with (a) any provision hereof; (b) any provision of the Bylaws of the Corporation, or (c) the laws of the state of Oregon.

Communications/Reporting

The independent auditor reports directly to the Committee. The Committee is expected to maintain free and open communication with the independent auditor and the Trust's management. This communication will include periodic separate executive sessions with each of these parties.

Authority

The Committee will have the resources and authority necessary to discharge its duties and responsibilities, including the authority to retain outside counsel or other experts or consultants, as it deems appropriate. Any communications between the Committee and legal counsel, in-house or external, in the course of obtaining legal advice will be considered privileged communications of the Trust, and the Committee will take all necessary steps to preserve the privileged nature of those communications.

Responsibilities

The Committee’s specific responsibilities in carrying out its oversight role are delineated in the Audit Committee Responsibilities Chart. As the compendium of Committee responsibilities, the most recently updated Responsibilities Chart will be considered to be an addendum to this Charter. The Committee will review and reassess the adequacy of this Charter annually to reflect changes in regulatory requirements, authoritative guidance and evolving oversight practices, and recommend any proposed changes to the board.

The Committee relies on the expertise and knowledge of management and the independent auditor in carrying out its oversight responsibilities. Management of the Trust is responsible for determining the Trust’s financial statements are complete, accurate and in accordance with generally accepted accounting principles. The independent auditor is responsible for auditing the Trust’s financial statements. It is not the duty of the Committee to plan or conduct audits, to determine that the financial statements are complete and accurate or that they are in accordance with generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations of the Trust’s internal policies, procedures and controls.

Energy Trust Audit Committee Responsibilities Chart
1. The Committee will perform such other functions as assigned by law, the Trust's charter or bylaws, or the board.
2. The Committee will have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The Committee will have the authority, as it deems necessary or appropriate, to retain independent legal, accounting or other advisors.
3. The Committee will meet at least 3 times annually or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.
4. The agenda for Committee meetings will be prepared by the Committee chair with input from the Committee members, Executive Director, Director of Finance, and the independent auditor.
5. Provide an open avenue of communication between the independent auditor, Executive Director and Director of Finance, and the board. Report Committee actions to the board with such recommendations, as the Committee may deem appropriate.
6. Review and update the Audit Committee Charter and Responsibilities Chart annually.
7. Appoint and replace the independent auditor, and approve the terms on which the independent auditor is engaged.
8. Provide oversight of the independent auditor and resolve any disagreements between management and the independent auditor about financial reporting.

9. Establish and oversee a policy designating permissible services that the independent auditor may perform for the Trust and providing for pre-approval of those services by the Committee.
10. Confirm annually the independence of the independent auditor.
11. Confirm annually the Committee consists of a minimum of three members who are financially literate, including at least one member who has financial sophistication.
12. Review the independence of each Committee member.
13. Inquire of the Executive Director, Director of Finance and the independent auditor about significant risks or exposures and assess the steps management has taken to minimize such risk to the Trust.
14. Review with the independent auditor, Executive Director and Director of Finance the audit scope and plan, and coordination of audit efforts to assure completeness of coverage, reduction of redundant efforts, the effective use of audit resources, and the use of independent public accountants other than the appointed auditors of the Trust.
15. Consider and review with Management and the independent auditor:
a. The Trust's annual assessment of the effectiveness of its internal controls.
b. The adequacy of the Trust's internal controls including computerized information system controls and security.
c. Any related significant findings and recommendations of the independent public accountants with management's responses thereto.
16. Review with the Executive Director and Director of Finance any significant changes to GAAP and/or Trust policies or standards.
17. Review with management and the independent auditor at the completion of the annual audit:
a. The Trust's annual financial statements and related footnotes.
b. The independent auditor's audit of the financial statements and its report thereon.
c. Any significant changes required in the independent auditor's audit plan.
d. Any serious difficulties or disputes with the Executive Director and Director of Finance encountered during the course of the audit.
e. Other matters related to the conduct of the audit, which are to be communicated to the Committee under generally accepted auditing standards.
18. Review with the Executive Director, Director of Finance and the independent auditor at least annually the Trust's critical accounting policies.
19. Review policies and procedures with respect to transactions between the Trust and officers and directors, or affiliates of officers or directors, or transactions that are not a normal part of the Trust's business.
20. Review with the General Counsel legal and regulatory matters that may have a material impact on the financial statements, related Trust compliance policies, and programs and reports received from regulators.
21. Develop and oversee procedures for (i) receipt, retention and treatment of complaints received by the Trust regarding accounting, internal accounting controls and auditing matters, and (ii) the confidential, anonymous submission of employee, sub contractors, program managers or any other party concerns regarding accounting or auditing matters
22. Take steps as necessary to independently evaluate management's effectiveness as required by the grant agreements between the Oregon Public Utility Commission and the Energy Trust of Oregon, Inc.
23. Meet with the Executive Director and Director of Finance in executive sessions to discuss any matters that the Committee or Executive Director and Director of Finance believe should be discussed privately with the Committee.

