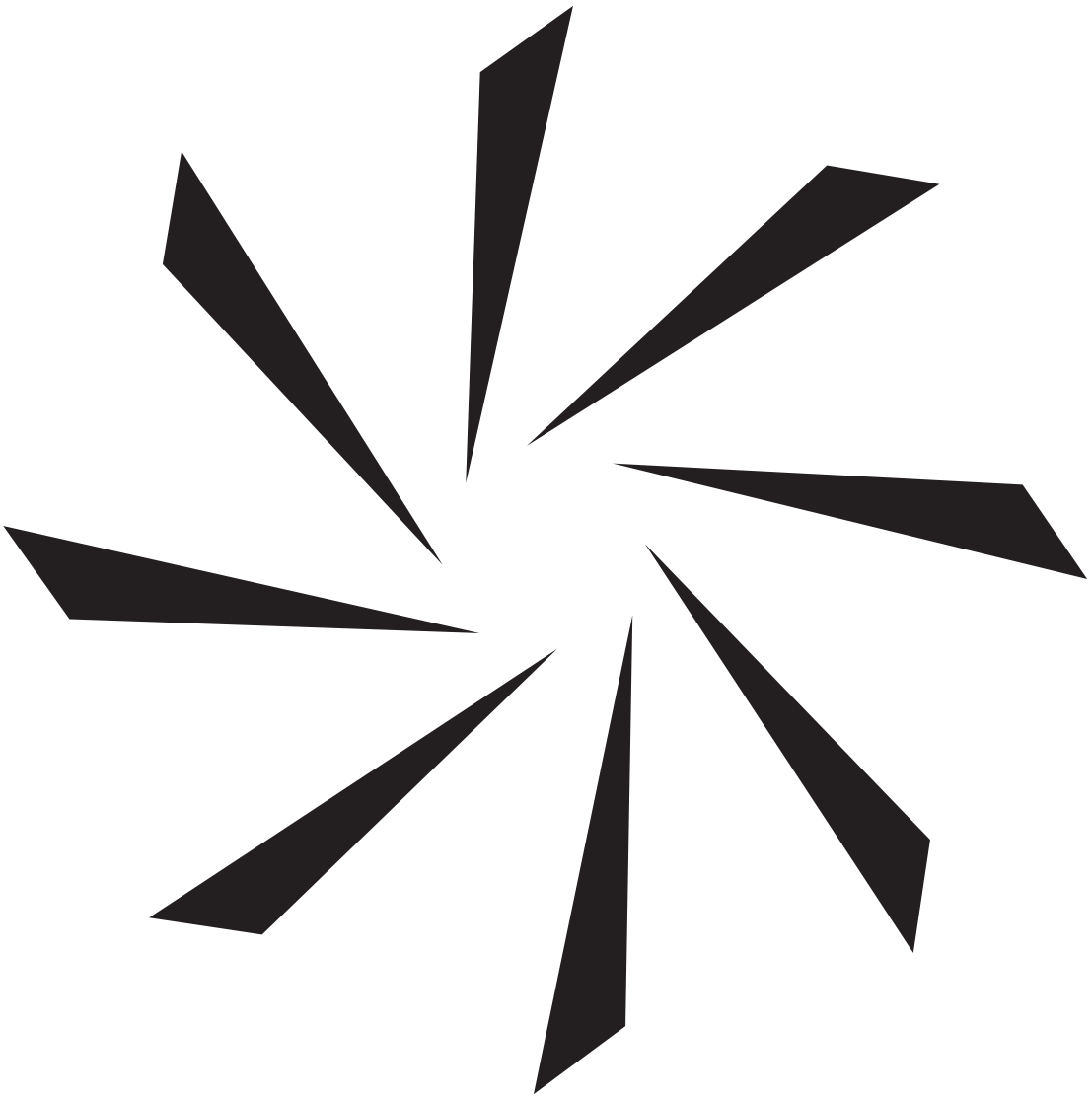
EnergyTrust

Annual Report to the Oregon Public Utility Commission
April 15, 2003



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Executive Summary

The Energy Trust of Oregon, Inc., fulfills a vision held by a coalition of over one hundred community and social service organizations. In partnership with utilities and large Oregon industries, the coalition persuaded the 1999 Oregon legislature to set aside 3% of Portland General Electric and Pacific Power utility bills for energy-related "public purposes." The measure is part of Oregon's electric energy restructuring legislation.

Starting March 1, 2002, three-quarters of these public purpose funds were directed to the nonprofit, independent Energy Trust under an agreement with the Oregon Public Utility Commission. The Energy Trust was created to streamline and stabilize energy conservation and renewable energy programs across PGE and Pacific Power service territories, delivering benefits to 1.3 million electricity users.

In only 10 months of operation, the Energy Trust of Oregon, Inc., has initiated award-winning programs and delivered money-saving services to thousands of Oregonians.

Energy Efficiency Results

Total energy efficiency savings for 2002 exceed the Energy Trust's 2002 goal by 7% and represent 4.5% of the Energy Trust's goal to save 300 average megawatts by 2012. The 2012 goal would meet nearly a third of the projected growth in Oregon's electricity needs over 10 years – enough to power a city twice the size of Bend.

The Energy Trust invested $13.7 million in partnership with PGE and Pacific Power to continue efficiency services for their customers. These programs saved 9.0 average megawatts by year's end. In addition, $519,344 was used to launch four initial Energy Trust quick-savings programs, achieving a savings of .3 average megawatts. The investment of $2.7 million in a market transformation partnership with the Northwest Energy Efficiency Alliance saved 4.1 average megawatts.

While efficiency services to electric customers continued without pause, two of the Energy Trust's quick-savings programs won national recognition from the American Council for an Energy Efficient Economy as examples of energy efficiency best practices. Two other major long-term programs were designed. By year end, one had been awarded to a competitively selected program management contractor.

Renewable Energy Results

Total 2002 renewable energy commitments exceed 2002 goals by 13% and represent 4% of the Energy Trust's goal to provide one-tenth of Oregon's electric energy from renewable energy resources by 2012. The 2012 goal represents an eight-fold increase in the amount of renewable energy available to Oregonians.

Between March and December 2002, the Energy Trust approved six renewable energy projects expected to generate 18.1 average megawatts of clean energy. Three other projects were recommended for funding.

In addition to funding solicitations and decisions, the Energy Trust began design of a comprehensive program to promote the widespread application of solar energy technology in Oregon homes and businesses.

Benefits to Oregonians from Energy Trust 2002 Programs

- 12,567 homes and 1,583 businesses enjoy improved electric energy efficiency and related power bill savings
- 13 Oregon communities received energy-saving green light-emitting-diode traffic lights
- Nearly 1,000 manufactured home owners and residents in 23 Oregon communities save an average of 6 percent on their power bills
- An Oregon restaurant saves 12% annually through a new energy management system
- Funding is committed to increase Oregon energy from wind power by 20%
- Solar power helps run the laundry in a Sutherlin affordable housing project and supplements a downtown Portland office building's energy supply
- Eight Habitat for Humanity-built homes in Bend use solar hot water systems
- $7.8 million in wages, $1.5 million in new business income and creation of 204 new jobs related to energy efficiency investments in 2002, assuming these investments would not have occurred in the absence of the Energy Trust and public purpose collections
- 166.2 thousand tons less carbon dioxide output, the equivalent of taking 33,244 cars off the road or planting nearly 45 thousand acres of trees

A Transparent, Responsive Approach

Meetings of the Energy Trust's independent board of directors and its two standing advisory councils are announced in advance and open to the public. Meeting minutes and discussion documents are posted on the organization's easy-to-use website, www.energytrust.org. Wide-ranging public outreach solicits participation by a variety of consumers, community representatives, trade organizations, unions, utilities, nonprofit organizations and government officials. Virtually all aspects of the Energy Trust's operating framework, policies, strategic direction, programs, contracting, budgeting and other activities are developed with public input and review from diverse advisors.

The Energy Trust's commitment to open, accessible decision making led a journalist to note: "This organization is putting the public in public purposes."[1]

[1] Mark Ohrenschall, editor of ConWeb on-line newsletter, writing in the May 2002 newsletter of the Northwest Energy Efficiency Council.

1. Introduction

The mission of the Energy Trust of Oregon, Inc., is to change how Oregonians produce and use energy by investing in efficient technologies and renewable resources that save dollars and protect the environment. In its initial year of operation, the Energy Trust maintained services for PGE and Pacific Power customers while designing its own energy efficiency programs, approving major renewable energy projects and implementing several award-winning "quick savings" efficiency initiatives. The organization set up an office and hired a small staff. It created operating policies, principles and program designs in an open, public forum. It achieved significant results.

This annual report was prepared to meet requirements of the Grant Agreement between the Energy Trust and the Oregon Public Utility Commission (OPUC).

2. Background

The nonprofit Energy Trust of Oregon, Inc., was established in March 2001 in keeping with Oregon's electric energy restructuring law, SB 1149. The law, adopted by the Oregon legislature in 1999, directed the Oregon Public Utility Commission to select an organization to manage the investment of public purpose funds in programs that save electricity and develop renewable energy resources. In November 2001, OPUC signed an agreement with the Energy Trust for these services.

OPUC and others shared the vision that an independent, nongovernmental organization could streamline management of conservation and renewable programs across the two utility service territories and provide stable funding over the 10-year life of the public purpose charge. Operating efficiencies and a market-based approach would maximize electricity savings and clean power production.

Initial members of the Energy Trust citizen board of directors were named by the OPUC in March 2001. An interim executive director worked under contract to establish two advisory councils, draft an interim strategic plan and hire a permanent executive director. Margie Harris, selected as executive director in November 2001, began hiring staff and negotiated transition agreements with the two electric utilities collecting public purpose funds, Portland General Electric and PacifiCorp. Under these agreements, PGE and Pacific Power continued their energy conservation programs while the Energy Trust designed and began implementing its own programs.

The Energy Trust officially opened its doors on March 1, 2002, the day designated by SB 1149 for the start of public purpose charge collection. This annual report covers the period starting March 1 and ending December 31, 2002. Audited financials in the report cover the period from March 1 through September 30, 2002, then the designated end of the Energy Trust's fiscal year. (Starting in 2003, the Energy Trust fiscal year shifts to a calendar year. The audit for 2003 will include the last three months of 2002.)

3. Summary of 2002 Activities

The new organization hired a small staff. The board of directors met monthly to develop operating policies and oversee program investments.

As required by its agreement with the OPUC, the Energy Trust created an action plan to guide its initial months of operation from March 1 through September 30, 2002. This initial action plan outlined an extensive process of public outreach to shape a five-year strategic plan and companion two-year action plan for the period starting October 1, 2002. The outreach effort included public meetings in 12 communities from Coos Bay to Enterprise. In addition, the Energy Trust met with stakeholder organizations and individuals, and held monthly meetings of two advisory groups, the Conservation Advisory Council and the Renewable Energy Advisory Council.

Organizational accomplishments during the Energy Trust's first 10 months of operation, from March 1-December 31, 2002, include:

- Assured utilities would continue providing energy efficiency services while the Energy Trust ramped up its own programs.

- Hired core staff of 18 by December 31 (toward a maximum of 25 through the end of 2003).

- Established policies and procedures that:
  - Balance the risk of innovative approaches against the need for reliable results
  - Assure equitable distribution of benefits to residential, commercial and industrial electricity users
  - Assure funding goes toward cost-effective energy conservation and above-market costs of renewable power, as required by SB 1149
  - Define approach to evaluation, monitoring and verification of program results

- Created initial action plan for first seven months.

- Conducted wide-ranging public outreach to understand needs and seek ideas for Energy Trust programs.

- Created a website and call center to share information.

- Completed studies of energy efficiency "best practices" and renewable energy "innovative practices."

- Initiated an interim assessment of energy efficiency resources in Oregon.

- Commissioned an analysis of the economic and multiplier effects of Energy Trust expenditures in 2002 and budgeted expenditures in 2003 to capture job creation and other non-energy benefits of Energy Trust activities.

- Adopted a five-year strategic plan for 2002-2007 and two-year action plan for Oct. 1, 2002 - Sept. 30, 2004.

- Presented quarterly reports to the OPUC in May, September and December of 2002.

- Conducted an independent audit of financial records and internal controls for the period from October 1, 2001 to September 30, 2002. *See Appendix 1.* (Note: financial report

for the additional fiscal period October 1, 2002, to December 31, 2002, is also attached – *Appendix 2*.)

- Maintained average administrative costs at 3.4% of revenue for the 15-month period October 1, 2001 through December 21, 2002.

4. Energy Efficiency Program Accomplishments

By law, 56 percent of public purpose funds support energy efficiency in homes and businesses. Efficient buildings, lighting, appliances, manufacturing and farm equipment help businesses perform better with less electricity. Energy conservation programs in the Northwest began in the late 1970s. Over the ensuing 25 years, utility investment in conservation rose and fell in cycles. By helping stabilize investment levels, the Energy Trust and public purpose funds strengthen and help develop the energy efficiency service sector. In turn, they also strengthen the overall economy by helping businesses optimize their resources retain jobs and remain competitive.

Goals

The Energy Trust established a goal to help consumers save 300 average megawatts of electricity by 2012, emphasizing results from long-lasting energy efficiency measures. Accomplishing this goal would meet more than 30% of the projected growth in Oregon electricity needs for the next 10 years – enough to power a city more than twice the size of Bend.

Two related goals would extend Energy Trust programs to consumers who historically have not benefited from such programs, and help create a stable economy in which businesses promoting energy efficiency (and renewable energy) succeed and thrive.

2002 energy efficiency program results

1. *Utility transition programs:* To assure energy savings and to sustain service to electricity users, the Energy Trust contracted with PGE and PacifiCorp to continue their energy efficiency programs. By the end of December 2002 these "transition programs" had saved 9.0 average megawatts of electricity (79,116,826 million kilowatt hours) at a cost of $13.7 million.

2. *Quick-savings programs:* Additionally, the Energy Trust implemented four "quick-savings" programs of its own design. By the end of December 2002, the $519,344 invested in these programs had saved .3 average megawatts of electricity (2,674,019 kilowatt hours). The quick-savings programs included green light-emitting-diode traffic lights, duct-sealing for mobile homes, restaurant energy management systems and low-interest energy efficiency loans for government buildings. [2]

3. *Market transformation:* The Energy Trust invested $2.7 million in market transformation activities through the Northwest Energy Efficiency Alliance. These efforts saved 4.1 average megawatts of electricity (36,177,950 kilowatt hours).

[2] The American Council for an Energy-Efficient Economy (ACEEE) selected the duct-sealing and green light-emitting-diode streetlight programs to receive national recognition as two of America's best energy efficiency programs.

(See Appendix 3 for descriptions of Energy Trust programs and projects in 2002.)

2002 Energy Trust efficiency program benefits to Oregonians

- 12,567 homes and 1,583 businesses improved their electric energy efficiency and enjoyed related reductions in their power bills.

- 13 Oregon communities received 2,781 green light-emitting-diode traffic lights at one-third the typical cost. The bulbs use 90.6% less electricity and last 3.5 times as long as conventional incandescent green traffic lights.

- Owners and residents of 967 manufactured homes in 23 Oregon communities saved an average of 6% of their home electric bills after the Energy Trust provided free duct sealing.

- One Oregon restaurant had a newly installed energy management system, saving an estimated 12% annually. At least 59 other restaurants are eligible for the same benefit in 2003.

- A low-interest loan program (2%) was available to governments and other institutions for energy efficiency improvements. One commitment for a project at Oregon State University will install a chiller with lifetime energy savings estimated at 6,231 megawatt hours.

- Oregon businesses and residents benefited from programs of the Northwest Energy Efficiency Alliance to promote energy efficient appliance sales, green building design, energy control systems and other programs to make affordable, energy-efficient products and services available in the marketplace.

- A study of Energy Trust energy efficiency investments in 2002 by Eco Northwest concluded that these efforts generated $7.8 million in wages, $1.5 million in new business income and the creation of 204 new jobs, assuming these investments would not have happened in the absence of the Energy Trust and public purpose collections.

- Energy Trust energy efficiency programs reduced carbon dioxide (CO_2) output by nearly 70.9 thousand tons, the equivalent of taking 14,180 passenger cars off the road or planting 19 thousand acres of trees to sequester CO_2.

Energy Trust energy efficiency savings in 2002

Below is a breakdown of 2002 electric energy savings by service territory and market sector.

2002	PGE territory		Pacific Power territory		Combined	
	kWh	aMW	kWh	aMW	kWh	aMW
Residential	28,132,332	3.211	10,905,952	1.245	39,038,284	4.456
Commercial	42,621,949	4.866	18,781,635	2.144	61,403,584	7.010
Industrial	8,158,369	0.931	9,368,558	1.069	17,526,927	2.001
All sectors	78,912,650	9.008	39,056,145	4.458	117,968,795	13.467
Note: Figures include energy savings for transition, quick savings and market transformation programs.						

Energy Trust progress in 2002 toward energy efficiency goals

Together, Energy Trust energy efficiency initiatives saved 13.5 average megawatts of electricity (117 million kilowatt hours) between March 1 and December 31, 2002. This savings represents 4.5% of the Energy Trust's 2012 goal of 300 average megawatts of electricity saved through energy efficiency measures, and 107.2% of our 2002 goal. *See Appendix 4.*

Evaluations

The Energy Trust established a policy and plan to evaluate all efficiency and renewable energy programs. Evaluations will establish reliable estimates of savings and suggest improvements in marketing and delivering programs. Evaluations of the green light-emitting diode streetlight and duct-sealing programs were begun in 2002, along with an evaluation of market status of residential energy-efficient windows. Evaluation results will be available in 2003.

Status of Energy Trust efficiency program designs

By end of 2002, the Energy Trust had defined our program approach to serving existing commercial facilities. A competitive request for proposals for the Building Efficiency program management contractor was issued in October. It attracted five responses, from which Aspen Systems Corporation was selected to run the program, set to start February 1, 2003.

The Energy Trust also completed the program design for existing residences. A request for proposals for the Home Energy Savings program was issued in November. It drew six responses, and by year end the proposals were being reviewed. The program was set to start March 1, 2003.

Planning for three more major energy efficiency programs began. Service delivery for the New Building Efficiency, Industrial Process Efficiency and New Home Energy Savings programs will begin by summer 2003.

Status of NW Natural gas programs

A decoupling settlement between the OPUC and NW Natural Gas (02-634, September 12, 2002) directed NW Natural to fund the new energy efficiency programs and transfer existing energy efficiency programs to the Energy Trust or another independent entity approved by the OPUC.

The Energy Trust and NW Natural entered into negotiations to fund new and enhanced programs, and define a Memorandum of Understanding to broadly govern the working relationships between the two parties in their efforts to promote energy efficiency.

Additional funding will cover Energy Trust "successor programs" to take the place of existing NW Natural gas programs. That funding will be determined through settlement of NW Natural's rate case with the OPUC and will become available late in 2003.

5. Renewable Energy Program Accomplishments

SB 1149 dedicates 17 percent of public purpose funds to generating electricity from renewable energy resources like wind, solar, animal and plant waste, and underground hot water (geothermal).

Goals

The Energy Trust established a goal to provide 10% of Oregon's electric energy from renewable resources by 2012. This represents an eight-fold increase in the amount of renewable energy available to Oregonians. At least 450 average megawatts of new clean power is needed to meet the goal, enough to meet more than half of Oregon's anticipated electricity growth over the next decade.

2002 renewable energy programs

There were no ready-to-go renewable energy programs for the Energy Trust to support on March 1, 2002. Central power stations that produce electricity for many thousands of homes and businesses can take months or years to site and build. Advance planning is needed to ready technologies like solar electric for widespread application. Installer networks must be trained. The benefits, in terms of renewable power generated, typically follow the initial investment by months or years.

The Energy Trust approved several renewable energy projects in 2002:

1. *Combine Hills Turbine Ranch:* In June the Energy Trust issued a request for proposals for one or more large wind turbine developments. By the end of the year negotiations were moving forward on a 41-megawatt (14.25 average megawatt) wind central station near Milton-Freewater. The developer, Eurus Oregon Wind Power, plans to begin generating power by December 2003, pending a power purchase agreement with PacifiCorp.

2. *Three-Mile Canyon Farms Biogas Project:* In June the Energy Trust approved funding for a 4.1-megawatt (3.85 average megawatt) biogas project at a large dairy farm near Boardman. An unexpected delay in the power purchase agreement between the farm and PGE had not been resolved by the end of 2002.

3. *Unsolicited Proposals:* The Energy Trust sets aside a portion of its renewable energy budget for unsolicited proposals. Nineteen unsolicited renewable energy proposals were received in 2002, of which four had been approved for funding by the end of 2002. The approved projects were:

    - 22.4 kilowatt photovoltaic installation on an office building in Portland's Brewery Blocks development.
    - Solar hot water systems for eight Habitat for Humanity homes in Bend.
    - Wind anemometer loan program to measure and test suitability of wind for small to mid-sized wind turbines.
    - 3.9 kilowatt solar photovoltaic system in Sutherlin to produce 4,700 kilowatt hours per year to power laundry facilities in an affordable housing project

Other unsolicited projects recommended for funding in 2002 were:

- A small hydro project with the City of Albany to revive 511 kilowatts of generation, producing 2,561,000 kilowatts per year at their municipal water facilities.
- 60-kilowatt microturbine demonstration project using waste biogas from the Durham Water Treatment facility in Tigard to produce 442,000 kilowatt hours per year
- 25-kilowatt small wind turbine to help power an irrigation system for an orchard in Hood River producing 40,000 kilowatt hours per year

See Appendix 3 for descriptions of Energy Trust programs and projects in 2002.

Energy Trust progress in 2002 toward renewable energy goals

For the most part, renewable energy projects do not begin generating power for months or years after financing is approved. Looking forward, Energy Trust renewable energy projects approved in 2002 are expected to generate 18.1 average megawatts of electricity. This achievement would represent 4% of our renewable energy goal for 2012, and 113% of our 2002 goal for renewable energy generation. *See Appendix 4.*

2002 Energy Trust renewable energy benefits to Oregonians

Projecting forward, Energy Trust renewable energy projects approved in 2002 will benefit Oregon's economy and environment.

- Energy Trust renewable energy programs reduced carbon dioxide (CO_2) output by nearly 95.3 thousand tons, the equivalent of taking 19,064 passenger cars off the road or planting nearly 26 thousand acres of trees to sequester CO_2.

Status of planning for more Energy Trust renewable energy programs

In fall 2002, the Energy Trust conducted statewide focus groups with representatives of the Oregon solar energy industry as a first step in designing a comprehensive program to promote widespread application of solar technology in Oregon homes and businesses. The program was being readied for launch in spring 2003. A baseline analysis of the solar industry and market in Oregon was launched in preparation for the final drafting of an integrated solar program for PacifiCorp and PGE ratepayers.

Programs to promote small to mid-sized wind turbines, geothermal power and biomass projects are scheduled for implementation in 2003 and 2004.

6. Outreach and Communication Accomplishments

Commitment to open, public decision making is a cornerstone of the Energy Trust's operations, The Energy Trust drew an early characterization by the energy conservation news organization Con-Web: "This organization is putting the "public" in public purposes."

Goals

One of the Energy Trust's goals is to encourage Oregonians to integrate energy efficiency and renewable resources into their daily lives. In part this is achieved by effective communications that explain and attract participation in Energy Trust programs.

2002 communication tools

The Energy Trust's chief communications vehicle is its web page, www.energytrust.org. Agendas and pertinent documents are posted there in advance of advisory council and board meetings. Minutes, board actions and reports are kept in the archives section. Information requests are encouraged and promptly answered.

By year end, the organization had procured a toll-free telephone number, 1-866-ENTRUST. A contract call center was engaged to refer callers to Energy Trust programs as they begin coming on line starting February 2003.

Following a competitive selection, won by a small advertising agency based in Salem, the Energy Trust logo was redesigned and guidelines developed for the family of print materials to be developed in 2003 and used by program management contractors.

Board and Advisory Councils

The Energy Trust's two advisory councils, the Conservation Advisory Council (CAC) and the Renewable Energy Advisory Council (RAC), meet monthly and are open to all. Notice of each meeting is sent to anyone expressing interest, a list that by year end comprised 46 individuals interested in the Renewable Energy Advisory Council and 155 on the Conservation Advisory Council's distribution list. Agendas, meeting notes and packet materials are posted on the web.

The two groups reviewed and discussed every major Energy Trust policy and program initiative. The CAC considered proposed energy efficiency policies and programs, while the RAC focused on renewable energy policies and projects.

The Energy Trust Board of Directors met nine times in 2002. Notice of board meetings is sent via email to a growing list totaling several hundred individuals by the end of 2002. Board agendas, minutes and packet materials are posted in advance on the web.

Membership rosters of the board and advisory councils are included in *Appendix 5*.

2002 outreach

The Energy Trust executive director and lead staff traveled to 12 communities around the state in 2002. In each community, meetings open to the public were announced in local papers and by advance email and regular mail notice to a list of nearly 2,000 potentially interested individuals.

An initial set of meetings in April and May sought to gather ideas for the Energy Trust's strategic and action plans. Draft plans were discussed at the second round of meetings in September. Communities hosting meetings included Bend, Coos Bay, Enterprise, Hermiston, Klamath Falls, Medford, Pendleton, Portland, Roseburg, Salem, Seaside and Tigard.

Energy Trust staff maintains ongoing communications and working partnerships with a wide range of organizations throughout the state. In addition, we exchange information and participate in a number of national and international organizations. A partial list is included in *Appendix 7*.

Appendix 1 Energy Trust of Oregon, Inc.

Financial Statements as of and for
the Year Ended September 30, 2002
and Report of Independent Accountants

ENERGY TRUST OF OREGON, INC.

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GaryMcGee & Co.
CERTIFIED PUBLIC ACCOUNTANTS

REPORT OF INDEPENDENT ACCOUNTANTS

The Board of Directors
Energy Trust of Oregon, Inc.:

We have audited the accompanying statement of financial position of the Energy Trust of Oregon, Inc. as of September 30, 2002, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Energy Trust of Oregon, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Energy Trust of Oregon, Inc. as of September 30, 2002, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States.

The financial statements of the Energy Trust of Oregon, Inc. for the period from March 1, 2001 (date of inception) through September 30, 2001 were reviewed by us, and our report thereon, dated October 31, 2001, stated we were not aware of any material modifications that should be made to those statements for them to be in conformity with generally accepted accounting principles. However a review is substantially less in scope than an audit and does not provide a basis for the expression of an opinion on the financial statements taken as a whole.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the schedule of functional expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information, which is also the responsibility of the Energy Trust of Oregon, Inc.'s management, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gary McGee & Co.

November 22, 2002

ENERGY TRUST OF OREGON, INC.

STATEMENT OF FINANCIAL POSITION

SEPTEMBER 30, 2002

(WITH COMPARATIVE AMOUNTS FOR 2001)

	2002	2001
Assets:		
Cash and cash equivalents	$ 54,413	7,553
Short-term investments *(note 4)*	8,950,260	–
Accrued interest receivable	8,835	–
Advances paid to contractor	225,484	–
Prepaid expenses	27,923	1,856
Office furnishings and equipment *(note 5)*	163,343	4,338
Long-term deposit	10,412	–
Total assets	$ 9,440,670	13,747
Liabilities:		
Accounts payable and accrued expenses	2,284,468	56,666
Accrued payroll and related expenses	82,271	–
Total liabilities	2,366,739	56,666
Unrestricted net assets:		
Available for programs and general operations	6,910,588	(47,257)
Net investment in capital assets	163,343	4,338
Total unrestricted net assets	7,073,931	(42,919)
Commitments *(notes 6, 9, 10 and 11)*		
Total liabilities and net assets	$ 9,440,670	13,747

See accompanying notes to financial statements.

ENERGY TRUST OF OREGON, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED SEPTEMBER 30, 2002

(WITH COMPARATIVE TOTALS FOR THE PERIOD FROM MARCH 1, 2001 (DATE OF INCEPTION) THROUGH SEPTEMBER 30, 2001)

	2002	2001
Revenues, gains and other support:		
Public purpose funding *(note 7)*	$ 19,160,688	395,216
Private contributions	6,998	–
In-kind contributions	99,191	3,145
Interest income	31,650	37
Total revenues, gains and other support	19,298,527	398,398
Expenses *(note 8)*:		
Program services:		
Energy efficiency	10,923,304	47,653
Renewables	211,976	20,774
Communication and outreach	323,652	–
Capacity building	–	225,618
Total program services	11,458,932	294,045
Management and general	722,745	147,272
Total expenses	12,181,677	441,317
Increase (decrease) in net assets	7,116,850	(42,919)
Net assets at beginning of year	(42,919)	–
Net assets at end of year	$ 7,073,931	(42,919)

See accompanying notes to financial statements.

ENERGY TRUST OF OREGON, INC.

STATEMENT OF CASH FLOWS

YEAR ENDED SEPTEMBER 30, 2002

(WITH COMPARATIVE TOTALS FOR THE PERIOD FROM MARCH 1, 2001 (DATE OF INCEPTION) THROUGH SEPTEMBER 30, 2001)

	2002	2001
Cash flows from operating activities:		
Cash received in public purpose funding	$ 19,160,688	395,216
Interest received	31,650	37
Cash from contributions and other sources	29,813	–
Cash paid to contractors, suppliers and employees	(9,966,613)	(383,107)
Interest expense	(61,952)	–
Net cash provided by operating activities	9,193,586	12,146
Cash flows from investing activities:		
Capital expenditures	(164,816)	(4,593)
Net purchases of short-term investments	(8,950,260)	–
Reinvestment of interest income	(31,650)	–
Net cash used in investing activities	(9,146,726)	(4,593)
Net increase in cash and cash equivalents	46,860	7,553
Cash and cash equivalents at beginning of year	7,553	–
Cash and cash equivalents at end of year	$ 54,413	7,553

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2002

1. Organization

The Energy Trust of Oregon, Inc. (the Energy Trust) began operations as a nonprofit organization in March of 2001 to fulfill a mandate to invest "public purpose funding" for energy efficiency and renewable energy resources in Oregon. The mandate emerged from 1999 energy restructuring legislation (Oregon Senate Bill 1149) that included a 3.0% public purposes investment to the rates collected in Oregon by the two largest investor-owned utility companies. Subsequent action by the Oregon Public Utility Commission encouraged the start-up of a new nonprofit organization to administer the energy efficiency and renewable resource portions of these funds.

On November 20, 2001, the Energy Trust entered into a grant agreement with the Public Utility Commission of Oregon to control the manner in which the Energy Trust will receive and expend funds for the statutory purposes and in conformity with the requirement and intent of the Oregon Senate Bill 1149. The agreement is effective as of March 1, 2002 for a term of three years from the effective date, with provisions for an automatic extension for one additional year for a rolling three-year commitment through 2012.

When fully operational, the Energy Trust expects the public purpose funding described above to generate approximately $45 million annually.

2. Program Services

The Energy Trust seeks a future that includes reliable and affordable power for all consumers, informed energy consumers whose consumption patterns are efficient and responsible, energy supplies that have the lowest possible environmental impacts, and increasing reliance on renewable resources and corresponding reductions in greenhouse gas emissions. The Energy Trust will evaluate efficiency and renewable programs to ensure reliability of energy savings and renewable generation estimates. The evaluation function will also aid in enhancing the management, marketing, and overall effectiveness of all programs.

To that end, during the year ended September 30, 2002 the Energy Trust incurred development costs to guide future investment in the following major categories:

Energy Efficiency – Investments in cost effective energy efficiency, including programs that include all classes of electrical consumers; that stimulate innovation and quality service in the development and delivery of efficiency products and services; that make "state-of-the-art" energy technology commonplace; that integrate direct use energy applications into energy efficiency efforts; that reduce peak loads and transmission and distribution costs; and that include partnership opportunities for energy efficiency activities with other energy providers.

Renewables – Programs to diversify Oregon's renewable energy resources, including investments that reduce the production costs and eliminate other barriers of generating renewable energy by and for Oregon consumers; that demonstrate technologies and opportunities for distributed generating systems; that promote innovation and quality service within the renewable industry supporting Oregon; that promote the integration of renewable resources with sustainable buildings and other energy efficiency projects; and that attract new private investment to renewable technologies.

Communication and Outreach – Programs to provide the public with general information, awareness and outreach activities associated with communicating about the Energy Trust and the purpose and benefits of its mission. This includes the timely involvement of key citizens and stakeholders in program development, the coordination of messages and marketing strategies to promote energy efficiency and renewable energy programs, and the development of a centralized information energy clearinghouse function.

Management and General – Management and general expenses, sometimes referred to as administrative and general expenses, represent supporting services costs that are not identified with a single program activity, but that are indispensable to the conduct of those activities and to the organization's existence. They include oversight, business management, general recordkeeping, budgeting, and all management and administration except for the conduct of program services.

3. Summary of Significant Accounting Policies

The significant accounting policies followed by the Energy Trust are described below to enhance the usefulness of the financial statements to the reader.

Basis of Accounting – The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

Basis of Presentation – Net assets and all balances and transactions are presented based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of the Energy Trust and changes therein are classified and reported as follows:

- *Unrestricted net assets* – Net assets not subject to donor-imposed stipulations.

- *Temporarily restricted net assets* – Net assets subject to donor-imposed stipulations that will be met either by actions of the Energy Trust and/or the passage of time.

The Energy Trust did not receive or hold any temporarily restricted net assets during the year ended September 30, 2002.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments – Investments are carried at market value. Net appreciation in the fair value of investments, which consists of the realized gains or losses and the unrealized appreciation (depreciation) of those investments, is shown in the statement of activities. Interest income is accrued as earned.

Grants and Contributions – During the year ended September 30, 2002, the Energy Trust received $6,998 in contributions restricted for the underwriting of interest costs, and $99,191 in various in-kind contributions (see the following paragraph). Grants and contributions, which include unconditional promises to give (pledges), are recognized as revenues in the period the commitment is received. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

In-Kind Contributions – Significant services received which create or enhance a non-financial asset or require specialized skills that the Energy Trust would have purchased if not donated are recognized in the statement of activities. During the year ended September 30, 2002, contributed services valued at approximately $43,525 were recorded.

In-kind donations of equipment and other materials are recorded when there is an objective basis upon which to value the contribution and where the contribution is an essential part of the Energy Trust's activities. During the year ended September 30, 2002, $55,666 in contributed software and other materials were recorded.

Capital Assets and Depreciation – Equipment is carried at cost, and at market value when acquired by gift. Depreciation is provided on a straight-line basis over the estimated useful lives of the respective assets, which is generally 3 to 5 years.

Revenue Recognition – All contributions and grants are considered available for unrestricted use unless specifically restricted by the donor. Public purpose funding is accounted for on the cash basis. Other service revenues are recognized at the time services are provided and the revenues are earned.

Advertising Expenses – Advertising and promotional costs are charged to expense as they are incurred.

Income Taxes – The Energy Trust is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and comparable state law.

Concentrations of Credit Risk – The Energy Trust's investments generally consist of money market funds and other investments in cash equivalents. These financial instruments may subject the organization to concentrations of credit risk as, from time to time, balances may exceed amounts insured by the Federal Deposit Insurance Corporation, the market value of securities are dependent on the ability of the issuer to honor its contractual commitments, and the investments may be subject to changes in market values. However, the Energy Trust strictly limits the banking institutions holding its funds to large money center banks and considers the attendant risks to be minimal.

Conflict of Interest Policies – Included among the organization's Board members, committee members, and executives are volunteers from the community who provide valuable assistance to the Energy Trust in the development of policies and programs, and in the evaluation and oversight of services. The Energy Trust has established a conflict-of-interest policy whereby Board and committee members must advise the Board of Directors of any direct or indirect interest in any transaction or relationship with the Energy Trust, and do not participate in discussions and decisions regarding any action affecting their individual, professional, or business interests.

Summarized Financial Information for 2001 – The accompanying financial information as of and for the period from March 1, 2001 (date of inception) through September 30, 2001 is presented for comparative purposes only and is not intended to represent a complete financial statement presentation.

Other Significant Accounting Policies – Other significant accounting policies are set forth in the financial statements and the following notes.

4. Short-Term Investments

At September 30, 2002, the Energy Trust held $8,950,260 in funds invested in money market instruments.

5. Office Furnishings and Equipment

A summary of office furnishings and equipment at September 30, 2002 is as follows:

Computer equipment and software	$	18,065
Leasehold improvements		88,460
Office equipment and furniture		62,885
		169,410
Less accumulated depreciation		(6,067)
	$	163,343

6. Line of Credit

At September 30, 2001, the Energy Trust has available an unsecured line of credit in the amount of $4,000,000. Interest is at prime rate less 0.25%. The line matures on April 1, 2003. As of September 30, 2002, no balances were outstanding under the line of credit.

7. Public Purpose Funding

Public purpose funding received during the year ended September 30, 2002 is summarized as follows:

Portland General Electric:	
Energy efficiency	$ 9,005,606
Renewables	2,774,138
	11,779,744
PacifiCorp:	
Energy efficiency	5,657,037
Renewables	1,723,907
	7,380,944
	$ 19,160,688

The above figures are net of advances received for start-up costs incurred during the period ended September 30, 2001 and repaid.

8. Expenses

The costs of providing the various programs and other activities of the Energy Trust have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

9. Operating Lease Commitments

The Energy Trust leases its administrative offices under an operating lease agreement which expires in August of 2007. At September 30, 2002, the aggregate annual commitments under the terms of this lease are payable as follows:

Years ending September 30,	
2003	$ 109,323
2004	109,323
2005	110,624
2006	124,940
2007	114,528
	$ 568,738

Rental expense for the year ended September 30, 2002 totaled $30,594.

10. Retirement Plan

The Energy Trust provides all employees with a qualified profit sharing retirement plan as described under Section 401(k) of the Internal Revenue Code. Generally, employees who have completed at least three consecutive months of work may elect to make voluntary contributions to the plan on a pre-tax basis, up to the limits allowed by law. Employees select from various investment options. On a discretionary basis as determined annually by the Board of Directors, the Energy Trust may make matching contributions to the plan. During the year ended September 30, 2002, the organization accrued an amount equal to 6.0% of the compensation of each eligible employee earned for the nine-month period ended September 30, 2002. Contributions to the plan from both the employees and the Energy Trust vest as accrued. Retirement plan expense recorded by the Energy Trust totaled $25,047 for the year ended September 30, 2001.

11. Contractual Commitments

As of September 30, 2002, the Energy Trust had entered into contract commitments totaling $29,136,674. Of this total, $20,872,184 is expected to be paid during the year ended September 30, 2003.

12. Statement of Cash Flows Reconciliation

The following presents a reconciliation of the increase in net assets (as reported on the statement of activities) to net cash provided by operating activities (as reported on the statement of cash flows):

Increase in net assets	$ 7,116,850
Adjustments to reconcile increase in net assets to net cash provided by operating activities:	
Depreciation	5,811
Reinvestment of interest income	31,650
Net changes in:	
Accrued interest receivable	(8,835)
Advances paid to contractor	(225,484)
Prepaid expenses	(26,067)
Long-term deposit	(10,412)
Accounts payable and accrued expenses	2,227,802
Accrued payroll and related expenses	82,271
Total adjustments	2,076,736
Net cash provided by operating activities	$ 9,193,586

13. Subsequent Event

Pursuant to an order by the Oregon Public Utility Commission in September of 2002, Northwest Natural filed a tariff implementing public purpose funding from residential and commercial customers with an effective date of October 1, 2002. Part of this funding will be forwarded to the Energy Trust for the creation of enhanced energy efficiency programs. A funding agreement between Northwest Natural and the Energy Trust will be dated October 1, 2002 for the purpose of establishing the transfer of funds and initial expenses. The first receipt of public purpose funds is expected on November 20, 2002. A program implementation and transition agreement regarding the programs to be funded is planned for execution in the first calendar quarter of 2003.

■

ENERGY TRUST OF OREGON, INC.

SUPPLEMENTARY FINANCIAL INFORMATION - SCHEDULE OF FUNCTIONAL EXPENSES

YEAR ENDED SEPTEMBER 30, 2002

(WITH COMPARATIVE TOTALS FOR THE PERIOD FROM MARCH 1, 2001 (DATE OF INCEPTION) THROUGH SEPTEMBER 30, 2001)

	2002						
	Program services						
	Energy efficiency	Renewables	Communi-cation and outreach	Total	Manage-ment and general	Total	2001
Payroll and related expenses	$ 190,057	67,155	141,279	398,491	213,164	611,655	–
Professional services	482,737	85,775	90,649	659,161	378,339	1,037,500	19,314
Contract services	1,887	1,887	–	3,774	11,684	15,458	387,542
Grants and contracts	10,137,966	17,385	–	10,155,351	–	10,155,351	–
Supplies	3,395	1,343	4,851	9,589	5,170	14,759	448
Postage and shipping	609	229	731	1,569	691	2,260	399
Communications	3,722	1,379	2,782	7,883	3,835	11,718	600
Printing	1,613	548	4,571	6,732	1,548	8,280	6,388
Occupancy	12,347	4,882	9,543	26,772	13,584	40,356	–
Insurance	1,119	443	865	2,427	1,232	3,659	279
Equipment	38,006	15,030	29,378	82,414	42,691	125,105	5,462
Travel	3,964	1,253	5,321	10,538	4,102	14,640	3,395
Meetings	10,485	4,568	13,736	28,789	5,921	34,710	10,515
Training	3,009	241	471	3,721	1,026	4,747	–
Interest	18,954	7,495	14,651	41,100	20,852	61,952	–
Depreciation	1,778	703	1,374	3,855	1,956	5,811	–
Other	11,656	1,660	3,450	16,766	16,950	33,716	6,975
Total expenses	$ 10,923,304	211,976	323,652	11,458,932	722,745	12,181,677	441,317

GOVERNING BOARD AND MANAGEMENT

Board of Directors

Steven Schell, *President*
Attorney, Black Helterline

John Klosterman, *Vice-President*
Vice-President of Manufacturing
Rejuvenation Inc.

Tom Foley, *Treasurer*
Tom Foley Consultants

Christine Ervin, *Secretary*
President and Chief Executive Officer
US Green Building Council

Jason Eisdorfer
Legal Counsel and Energy Program Director
Citizen's Utility Board

Cheryl Perrin
Executive Director
Campaign for America

John Reynolds
Professor of Architecture Emeritus
University of Oregon

Lynn Kittilson, *ex-officio*
Senior Economic Analyst
Electric & Natural Gas Division
Oregon Public Utility Commission

Management

Margie Harris
Executive Director

Fred Gordon
Director of Planning and Evaluation

Steven Lacey
Director of Energy Efficiency

Peter West
Director of Renewable Energy

Jan Schaeffer
Director of Communications and Marketing

Monica Gruher
Director of Finance and Operations

INQUIRIES AND OTHER INFORMATION

Administrative Offices

ENERGY TRUST OF OREGON, INC.
733 S.W. Oak Street, Suite 200
Portland, Oregon 97205-3712

(503) 493-8888
(503) 546-6862
info@energytrust.org

Website

www.energytrust.org

Appendix 2
Unaudited Energy Trust of Oregon Income Statement
Year to Date by Program/Service Territory
For the Three Months Ending December 31, 2002

	ENERGY EFFICIENCY				RENEWABLE RESOURCES			TOTAL
	PGE	PacifiCorp	NW Natural	Total	PGE	PacifiCorp	Total	All Programs
REVENUES								
Public Purpose Funding	$5,011,149	$3,291,540	$379,495	$8,682,184	$1,535,882	$1,011,418	$2,547,300	$11,229,484
Wind - Restricted					226,686		226,686	226,686
Revenue from Investments								41,064
TOTAL PROGRAM REVENUE	**5,011,149**	**3,291,540**	**379,495**	**8,682,184**	**1,762,568**	**1,011,418**	**2,773,986**	**11,497,234**
EXPENSES								
Program Mgmt and Implementation	3,367,676	2,364,032	95	5,731,803	77,000	5,385	82,385	5,814,188
Incentives to Participants	96,550	65,996	1,314	163,860				163,860
Technical Assistance Subcontractors	4,079	2,680	309	7,068				7,068
Utility Incentives-PGE & Pacif	531,000	222,339		753,339				753,339
Evaluation and Planning Services	42,674	27,306	3,823	73,803				73,803
Outsourced Services	22,377	14,698	2,087	39,161	22,414	14,760	37,174	76,335
Salaries & Related Expenses	73,487	48,269	15,034	136,790	17,772	11,703	29,475	166,265
Other Program Expenses	40,327	26,488	7,607	74,422	9,912	6,527	16,439	90,861
TOTAL DIRECT PROGRAM EXPENSES	**4,178,169**	**2,771,808**	**30,269**	**6,980,246**	**127,098**	**38,375**	**165,473**	**7,145,719**
ALLOCATION OF ADMINISTRATIVE EXPENSES (Note 5)								
Management & General	117,141	84,682	896	202,719	4,819	1,259	6,078	208,797
Communication & Outreach	53,530	35,319	4,616	93,465	18,370	10,873	29,243	122,708
Total Allocations	**170,671**	**120,001**	**5,512**	**296,184**	**23,189**	**12,132**	**35,321**	**331,505**
TOTAL PROGRAM EXPENSES	**4,348,840**	**2,891,809**	**35,781**	**7,276,430**	**150,287**	**50,507**	**200,794**	**7,477,224**
TOTAL REVENUE LESS EXPENSES	**662,309**	**399,731**	**343,714**	**1,405,754**	**1,612,281**	**960,911**	**2,573,192**	**4,020,010**

Note 1) Shared territory expenses have been allocated based on Public Purpose Revenue from each Territory
Note 2) Shared program expenses have been allocated based on direct labor incurred on each program area, including administrative
Note 3) Management and General (Administrative) Expenses, net of interest income, have been allocated based on total expenses
Note 4) General Communication and Outreach expenses have been allocated based on Public Purpose Revenue from each Territory
Note 5) Mgmt & General and Communication & Outreach are 2.88% of revenue

Appendix 3
Energy Trust 2002 Program and Project Descriptions

Energy Efficiency Programs and Projects

1. Utility Transition Programs

Portland General Electric and Pacific Power. In its initial year of operation, the Energy Trust maintained services for PGE and Pacific Power customers while designing its own energy efficiency programs. By the end of December 2002 these transition programs had saved 9.0 average megawatts of electricity (79,116,826 million kilowatt hours) at a cost of $13.7 million. Through the transition program the Energy Trust funds Pacific Power's Home Energy Efficiency, Energy FinAnswer and Small and Large Retrofit Incentive programs for existing residential dwellings, new and existing commercial buildings and industrial and agricultural facilities. For PGE, the utility transition program funds their Energy-Efficient Equipment and Information, Multi-family Direct Installation, Residential Weatherization, Earth Advantage Home and Nonresidential Energy Efficiency programs for new and existing residential dwellings, and new and existing commercial buildings and industrial facilities. The utility transition programs will be phased out throughout 2003 and 2004 as the Energy Trust launches and implements its own programs.

2. "Quick Save" Projects/Programs

Green LED Traffic Light. This program offered an incentive of $60 per lamp for installation of green LED traffic lights. The incentive covered approximately one-third the typical cost. Green LEDs use 90.6% less electricity and last 3.5 times as long as conventional traffic lights. Participating municipalities and agencies included Albany, Bend, Corvallis, Cottage Grove, Klamath Falls, Lake Oswego, Lebanon, Medford, Multnomah County, Oregon City, Oregon Department of Transportation's Region One, Port of Portland, Tigard, and Washington County. The program was administered for the Energy Trust by the City of Portland Office of Sustainable Development. The 2,781 bulbs installed, at a cost of $205,559, are estimated to save .169 average megawatts for seven years. Additional LEDs were installed in early 2003; related costs and results will be included in the 2003 annual report. The Energy Trust Board of Directors approved funding for the program on April 3, 2002.

Manufactured Home Duct Sealing. This program offered free testing and sealing of furnace/air conditioning ducts for manufactured homes. Leaking ducts account for a loss of up to a third of heated or cooled air. The program treated 967 manufactured homes in 23 municipalities for a total cost of $307,770. Locations included Beaverton, Bend, Benton, Carus, Chiloquin, Clackamas, Fairview, Jacksonville, Keno, Klamath Falls, Medford, Milwaukie, Myrtle Creek, Newburg, North Plains, Phoenix, Portland, Roseburg, Salem, Sutherlin, Talent, Troutdale and Yamhill. Estimated electricity savings are .132 average megawatts. Additional homes were treated in early 2003; related costs and results will be included in the 2003 annual report. Funding for the program was approved by the Energy Trust Board of Directors on April 3, 2002.

Small-scale Energy Loan Program Buy-down. This program buys down the interest rate on Oregon energy loans for government buildings from 5.75% to 2%. It is available only to projects that do not receive utility rebates. As of the end of 2002, one commitment for a buy-down of $50,200, with expected energy savings of .047 average megawatts, had been processed through this program. Additional commitments were received in early 2003; related costs and results will be included in the 2003 annual report. Based on a budget of $500,000, expected electricity savings are .9 average megawatts. The Energy Trust Board of Directors approved the program on April 3, 2002.

Restaurant Energy Efficiency. This program provides an incentive of $2,750 for installation of qualified energy management systems in 60 restaurants using at least 250,000 kilowatt hours of electricity per year. Combined with the Oregon Business Energy Tax Credit, the incentive reduces the installed cost of an EMS by about 50 percent, and lowers electricity used by about 10%. The Energy Trust works closely with the Oregon Restaurant Association to reach restaurants with the incentive offer and other information about energy-saving strategies and practices. As of the end of 2002, one system had been installed in a locally-owned McDonald's in Portland, saving an estimated .003 average megawatts. The program is expected to save 0.21 average megawatts and continues through June 2003. The Energy Trust Board of Directors approved $237,000 in funding for the project on May 22, 2002.

Renewable Energy Projects

1. Combine Hills Turbine Ranch project

The Combine Hills Turbine Ranch project, to be built by Eurus Oregon Wind Power, is located west of Milton-Freewater, Oregon, at the eastern end of the Vansycle Ridge in Umatilla County. The project would generate up to 41 megawatts in the approved first phase and could be expanded to produce an additional 63 megawatts. Turbines are likely to be sized at 1 megawatt, probably with 195-foot towers and 90-foot blades. The project is planned to be operational by the end of 2003. A power purchase agreement with PacifiCorp is pending. The project will provide as many as 120 construction jobs and permanently employ up to 6 full-time operators. The project originated from a request for proposals issued by the Energy Trust on July 12, 2002. Out of seven proposals received, two finalists were selected. One finalist dropped out when it could not assemble financing. The Energy Trust Board of Directors approved up to $4.15 million in funding for the Eurus Oregon project on December 12, 2002.

2. Three-mile Canyon Farms Biogas project

The Three-Mile Canyon Farms project in Boardman will generate 4.1 megawatts of electric power from biogas. It will convert animal wastes from three dairies with 21,000 cows into electric energy. An anaerobic digester facility will generate methane gas for recovery from the waste stream. The methane will be captured and combusted in reciprocating engines to produce electricity. The project is expected to operate 95% of the time, providing 3.85 average megawatts per year for 15 years. It is planned to begin producing electricity in 2004. PGE will be the turn-key developer and will operate the completed project. The Energy Trust Board of Directors approved $1.5 million in funding for the project on May 22, 2002.

3. Brewery Blocks Building #4

Solar photovoltaic panels on this office building in the Brewery Blocks development in downtown Portland will generate 22.4 kilowatts of electricity. The project consists of 192

amorphous solar panels on the face of the building and 77 polycrystalline panels on the roof. The PV panels were procured in partnership with Bonneville Energy Foundation, which packaged the procurement with panels for an installation at White Bluffs in Hanford, Washington. Power production began in early 2003. The system is net-metered into the PGE grid. The project originated in an unsolicited proposal by Gerding/Edlen Developers, developers of the Brewery Blocks. The Energy Trust Board of Directors approved $167,000 in funding for the project on January 30, 2002.

4. Habitat for Humanity solar hot water systems

In September 2002 the Energy Trust committed $15,000 to place solar hot water installations on eight Habitat for Humanity homes served by Pacific Power in Bend. Estimated annual energy savings is 2,100 kilowatts per home. Habitat and New Path Renewables, Inc., managed the installation. Several of the initial installations were conducted as training sessions for solar installers. The co-developers agreed to provide further community marketing, training and outreach to build public awareness of the benefits of solar hot water. The Energy Trust received credit for the green tags from this project in return for providing funding support.

5. Anemometer Loan Program

This program partners with the Energy Resources Research Laboratory at Oregon State University to install loaned anemometers for 12 months at up to 19 Oregon locations over three years. The anemometers are automated wind measurement stations, about 30 feet tall and very slender. OSU maintains the application process, screens prospective borrowers, evaluates candidate sites, selects final sites, assists the landowner with installation, performs initial testing, conducts monthly checks of data received, and assists in evaluating wind resources at each site. The Energy Trust will establish a program for small-scale wind projects that will be a potential source of funding for wind projects on favorable sites. The anemometer loan program originated in an unsolicited proposal by Oregon State University. The Energy Trust Board of Directors approved $210,000 over three years for the program on July 24, 2002.

5. Calapooia Crossing Affordable Housing Photovoltaic Project

The Energy Trust committed $20,664 in December 2002 to help fund a 3.9-kilowatt photovoltaic system for an Umpqua Community Development Corporation affordable housing development in Sutherlin. The project is in Pacific Power territory. The development, to be completed in May 2003, consists of five single-family homes for first-time homebuyers and 11 rental units for low-income residents. The PV array helps power a community laundry facility and is net-metered. The development has numerous other energy-efficient elements, including passive solar orientation, active solar water heating, radiant in-floor heating, heat recovery piping to capture waste heat from shower drains, and heat-recovery air-exchange ventilators.

Appendix 4
Energy Trust Progress in 2002 Toward Goals for 2002 and 2012

EnergyTrust

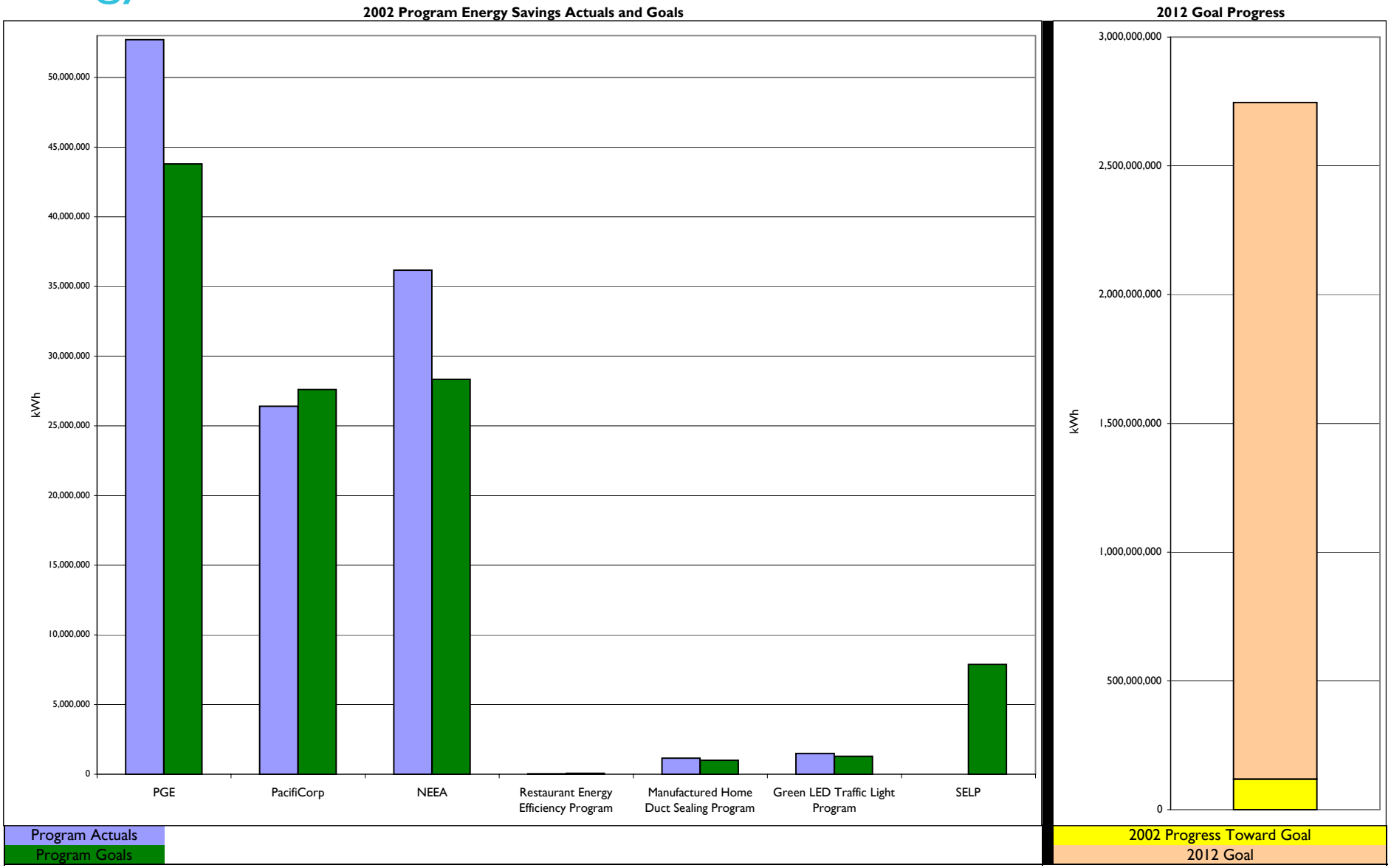
2002 Progress Toward 2012 Energy Savings Goal

Summary	Energy Savings Goal by 2012	To Date Energy Savings	To Date Energy Savings % of Goal	Key
	aMW 300	aMW 13.47	aMW 4.49%	Estimate / Program Start / Program End
	kWh 2,628,000,000	kWh 117,968,795	kWh 4.49%	To Date/Yearly Total
				Unless noted all numbers are in kWh

	Programs								
Calendar Year	Month	PGE	PacifiCorp	NEEA	Restaurant Energy Efficiency Program	Manufactured Home Duct Sealing Program	Green LED Traffic Light Program	SELP	Total of Programs by Month
2002	March	3,078,060	4,054,779	3,954,514	N/A	N/A	N/A	N/A	11,087,353
	April	1,345,780	3,902,322	3,954,514	N/A	0	N/A	N/A	9,202,616
	May	2,641,534	1,036,656	3,954,514	N/A	0	0	N/A	7,632,704
	June	4,173,745	1,093,959	3,954,514	N/A	76,800	0	N/A	9,299,018
	July	2,167,835	706,764	3,954,514	N/A	247,200	0	0	7,076,313
	August	3,597,538	1,698,317	3,954,514	N/A	271,200	0	0	9,521,569
	September	4,743,411	924,672	3,954,514	N/A	290,400	26,674	0	9,939,671
	October	2,667,078	5,099,586	2,832,117	30,000	223,200	378,774	0	11,230,755
	November	2,882,418	1,824,924	2,832,117	0	38,400	234,199	0	7,812,058
	December	25,420,585	6,056,863	2,832,117	0	13,200	843,972	0	35,166,737
	Total	52,717,984	26,398,842	36,177,950	30,000	1,160,400	1,483,619	0	**117,968,795**
	Annual Goal	43,800,000	27,604,530	28,344,246	61,320	1,003,418	1,280,362	7,884,000	109,977,876
	% of Annual Goal	120.36%	95.63%	127.64%	48.92%	115.64%	115.87%	0.00%	107.27%

Appendix 4 (continued)
Energy Trust Progress in 2002 Toward Goals for 2002 and 2012

2002 Progress Toward 2012 Energy Savings Goal



Appendix 4 (continued)
Energy Trust Progress in 2002 Toward Goals for 2002 and 2012

Renewable Energy Progress Toward 2012 Generation Goal

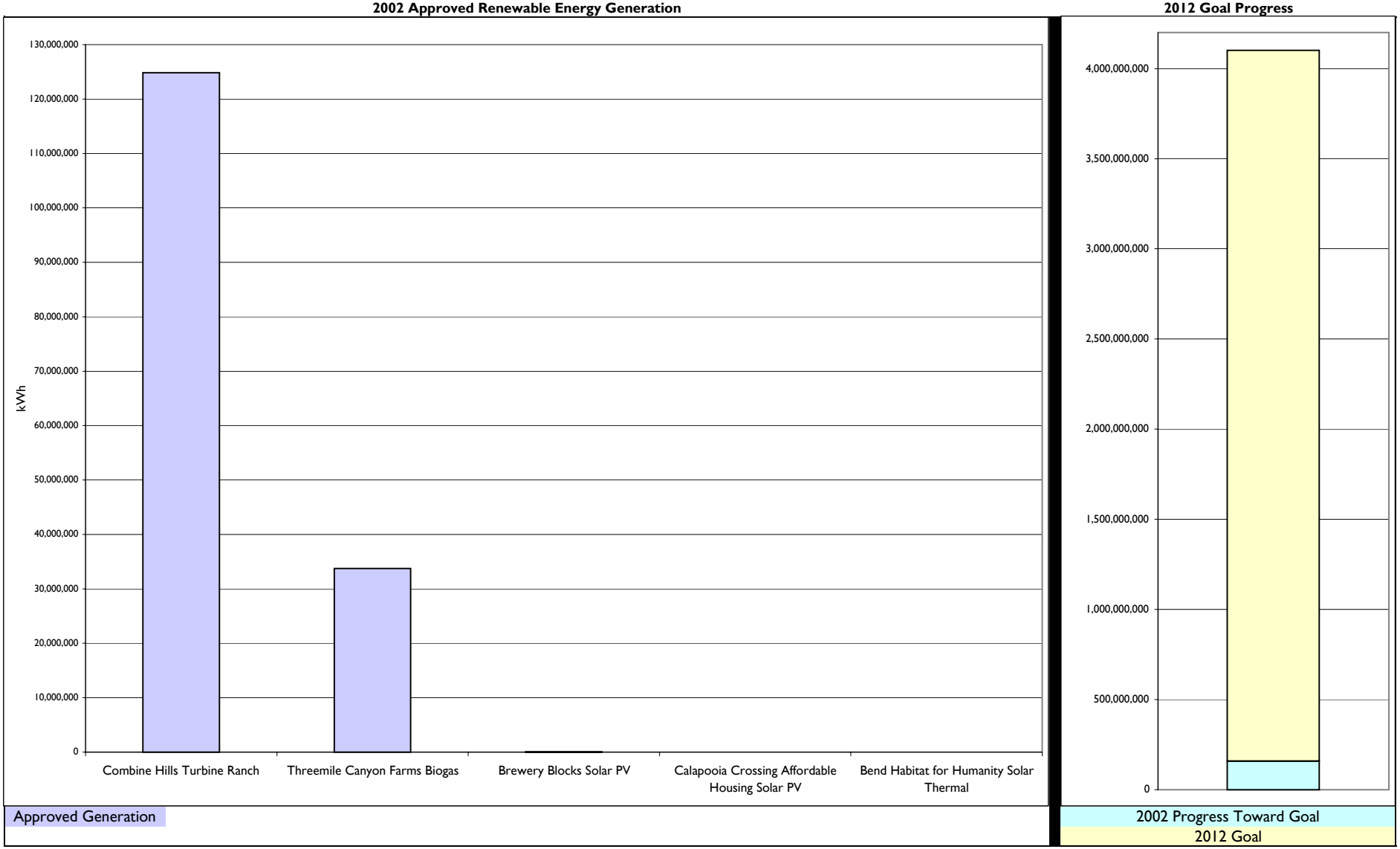
Summary	Renewable Energy Generation Goal by 2012	To Date Approved Renewable Energy Generation	To Date Approved Renewable Energy Generation % of Goal
	aMW 450	aMW 18.11	aMW 4.02%
	kWh 3,942,000,000	kWh 158,606,408	kWh 4.02%

Calendar Year	Projects	Combine Hills Turbine Ranch	Threemile Canyon Farms Biogas	Brewery Blocks Solar PV	Calapooia Crossing Affordable Housing Solar PV	Bend Habitat for Humanity Solar Thermal	Total of Projects	Annual Goal	% of Annual Goal
2002	kWh	124,830,000	33,726,000	28,908	4,700	16,800	158,606,408	140,160,000	113.16%

Key	
	Solicited Projects
	Unsolicited Projects
	Unless noted all numbers are in kWh

Appendix 4 (continued)
Energy Trust Progress in 2002 Toward Goals for 2002 and 2012

2002 Progress Toward 2012 Renewable Energy Generation Goal



Appendix 5
Energy Trust Board and Advisory Council Rosters

Membership as of December 31, 2003

Board of Directors

PRESIDENT - Steven Schell is an attorney at Black Helterline focusing on environmental, land use, real estate and construction issues. He served on the Land Conservation & Development Commission from 1973-1976 and on the Energy Facility Siting Council from 1990-1998.

VICE-PRESIDENT - John Klosterman is the vice-president of manufacturing at Rejuvenation Inc., and has been with the company for 10 years. As part of a state pilot project, he led his company's implementation of an ISO 14001-based EMS with the sustainability principles of The Natural Step. His involvement with Business for Social Responsibility includes board membership, along with practical implementation of socially responsible policies and programs at Rejuvenation.

SECRETARY - Christine Ervin is president and chief executive officer of the US Green Building Council, a national coalition of 600 leaders from across the building industry to advance buildings that are environmentally responsible, profitable, and healthy places to live and work. She served as assistant secretary for the Clinton Administration's $1 billion portfolio of energy efficiency and renewable energy programs for buildings, vehicles, major industries and utilities. Christine directed the Oregon Department of Energy from 1991-93 and chaired former Governor Barbara Roberts' Livable Communities Task Force.

TREASURER - Tom Foley has over 26 years of experience in the field of energy analysis and management, including 10 years as manager of conservation and generating resources analyses for the Northwest Power Planning Council and 10 years at Battelle Northwest. He presently runs Tom Foley Consultants, providing resource planning and consultation with utilities throughout the country.

Jason Eisdorfer is legal counsel and energy program director for the Citizen's Utility Board. He served as the public interest representative in worksessions of the Oregon Legislature's House Committee on Power Deregulation in 1997, and in 1999 helped author Oregon's electricity industry restructuring legislation, which passed into law in July 1999. He is on the executive boards of the Fair and Clean Energy Coalition, the Northwest Energy Coalition and the Renewable Northwest Project.

Rick Kroon is the Oregon site corporate services manager for Intel Corporation, where his responsibilities include utility management and energy conservation. Prior to moving to Oregon in 1992, Rick worked in California and New Mexico. Rick has an MBA in addition to an engineering degree from the University of Wisconsin. He also represents Intel on the International SEMATECH facilities council, whose membership represents global semiconductor manufactures and scope includes worldwide utility/energy management.

Cheryl Perrin is the executive director of Campaign for America, a nonprofit organization focused on campaign finance reform. She served as a senior executive officer with Fred Meyer,

Inc., for 22 years, where she was responsible for the company's government and political activities, news media relations, community and civic activities and environmental programs. She is a commissioner and vice-president of the Port of Portland, and serves on the board of STARS, the Willamette River Initiative, the Lewis & Clark 2005 Committee, Portland Public Schools Foundation and the Lewis & Clark Board of Trustees.

John Reynolds is professor of architecture emeritus at the University of Oregon and has been involved in energy issues in Oregon since 1972, when he was elected to the Eugene Water and Electric Board. Since then he has served as the president of the Pacific Northwest Solar Energy Association and of the subsequent Solar Energy Association of Oregon. He also serves on the Energy Committee of the Building Codes Structures Board.

Lynn Kittilson ***(ex officio)*** is a senior economic analyst in the Electric & Natural Gas Division of the Oregon Public Utility Commission. She has worked for the commission on energy-related issues since 1984. Her work experience over the last 10 years has focused primarily on review of investor-owned utility conservation programs. Lynn is also the commission's non-voting member of the Northwest Energy Efficiency Alliance Board of Directors.

(The following two board members joined the Energy Trust in January and April 2003, respectively.)

Rick Applegate is the superfund coordinator at the City of Portland Bureau of Environmental Services. He has worked for more than 18 years on energy and environmental issues as an advocate for salmon and their watersheds. Rick was the Fish and Wildlife Director for the Northwest Power Planning Council from 1987 to 1995. Before that, he was the chair of the US Southern Stakeholders Pacific Salmon Treaty Negotiations, a member of the Pacific Northwest Comprehensive Energy Review, on the executive committee For the Sake of Salmon, and on the board of directors for the Sustainable Fisheries Foundation. Currently Rick serves on the board of the Pacific Salmon Watershed Fund.

Julie Hammond is the vice president of operations at Sage Insurance Center in Bend. She has over 15 years experience in the insurance industry. Julie currently serves on the Safeco Advisory Council and Deschutes United Way. She brings a customer service orientation, small business perspective and regional representation to the Energy Trust.

Conservation Advisory Council

Susan Anderson, Portland Office of Sustainable Development
Jeff Bissonnette, Fair and Clean Energy Coalition
Julie Brandis, Associated Oregon Industries
Carol Brown, Portland General Electric
Jeff Bumgarner, PacifiCorp
Gary Curtis, D&R International
Thomas Eckhart, UCONS LLC
Tom Eckman, Northwest Power Planning Council
Terry Egner, Micro Grid
Margie Gardner, Northwest Energy Efficiency Alliance
Ken Keating, Bonneville Power Association
Steve McCoid, Oregon Restaurant Association
Bill Nesmith, Oregon Office of Energy
Mat Northway, Eugene Water & Electric Board

Sara Patton, Northwest Energy Coalition
Stan Price, Northwest Energy Efficiency Council

Renewable Resources Advisory Council

Doug Boleyn, Consultant
George Darr, Bonneville Power Association
Angus Duncan, Bonneville Environmental Foundation
Thor Hinkley, Portland General Electric
Jeff King, Northwest Power Planning Council
David McClain, Geothermal Consultant
Virinder Singh, PacifiCorp
Lisa Schwartz, Oregon Office of Energy
Sonja Ling, Renewable Northwest Project
Frank Vignola, Solar Monitoring, University of Oregon
Alan Zelenka, Emerald People's Utility District

Appendix 6
Energy Trust 2002 Board Development Guidelines

This appendix refers to board development guidelines as specified in the OPUC grant agreement with the Energy Trust, section 5, guideline 'k', referring to the Energy Trust retaining the skills, broad representation, and diversity necessary to achieve its mission. Background of board development is provided.

The initial board of directors included nine9 members and one ex-officio member from the OPUC. The nine diverse members represented a variety of perspectives on energy matters combined with business acumen. Of the nine voting members and one ex-officio member, six provided collective strength, insights and experience relevant to energy policy and planning, program implementation and evaluation, facility siting, consumer advocacy, renewable energy development and sustainable practices. The remaining four members were all business community representatives, reflecting a subset of future commercial and industrial program participants. This latter group provided complementary skills and financial perspectives as marketers, energy consumers and users of anticipated Energy Trust goods and services.

During the first year, the board evolved from a start-up organization to one focused on program delivery. Two of the four initial business representatives resigned for personal reasons. A board subcommittee initiated a broad recruitment effort to attract new members and fulfill board development guidelines. In addition to soliciting input through advisory councils and at public board meetings, over a dozen individuals and partner organizations were specifically asked to identify candidates with the following expertise: business experience and "bottom line" financial orientation, industrial/manufacturing expertise, marketing awareness and skills, familiarity with renewable energy and demographic and geographic representation.

At this same time, the board expanded its size to 12 members to allow further diversity and representation. The targeted recruitment effort resulted in the selection of two new board members to fill vacancies, one of whom is employed by an international high tech manufacturing firm and brings a user/beneficiary industry perspective. The second member adds analytical skills appropriate to energy efficiency and renewable energy as well as relevant energy policy and program implementation experience.

Additional candidates were identified and are being pursued from outlying, smaller communities in eastern, central and southern parts of Energy Trust service territories. Anticipated membership will provide geographic and demographic complements to existing members and further expand and reflect the true diversity of customers throughout the service areas.

All new board members participate in an orientation session and are provided board handbooks containing historical information, policies, plans, budgets and program descriptions. The majority of board members also participate on the advisory councils and finance and policy committees. All such meetings are public, with relevant information accessible in advance on the web site. Advisory council and board meetings are well attended, with public comment a standard part of all meetings.

In addition, all board members complete and sign conflict of interest forms, retained on file and updated annually. Once a year, board and staff members jointly participate in a planning session to review and update the strategic direction of the organization and to compare program accomplishments and goals to results. Board development is a part of this planning session, as needed.

Appendix 7
Partial List of Energy Trust Peer and Partner Organizations

AFL-CIO
American Council for an Energy-Efficient Economy
American Solar Energy Society
American Wind Energy Association
Associated Oregon Industries
Bonneville Power Administration
Building Owners and Managers Association
California Energy Commission
Clean Energy Fund Network
Community Action Directors of Oregon
Efficiency Vermont
Florida Solar Energy Center
Homebuilders Association of Oregon
IBEW
Industrial Customers of Northwest Utilities
Interstate Renewable Energy Council
Lane Community College
National Renewable Energy Laboratory
New York State Energy Research & Development Authority
North Carolina University Solar Center
Northwest Energy Efficiency Alliance
Northwest Energy Efficiency Council
Northwest Power Planning Council
Oregon Energy Coordinators Association
Oregon League of Cities
Oregon Office of Energy
Oregon Restaurant Association
Oregon Solar Energy Industry Association
Oregon State University Energy Resources Research Laboratory
Oregon Wind Working Group
PacifiCorp
Portland Energy Conservation, Inc.
Portland General Electric
Portland Office of Sustainable Development
Remodelers Association of Oregon
Solar Energy Association of Oregon
Solar Energy Industry Association
University of Oregon Solar Resource Monitoring Laboratory
U.S. Department of Energy
Utility Wind Interest Group