



Financial Statements
For the Years Ended December 31, 2005 and 2004
With Independent Auditors' Report

ENERGY TRUST OF OREGON, INC.
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS:	
Statements of Financial Position	2
Statements of Activities	3
Statements of Functional Expenses	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-10



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INDEPENDENT AUDITORS' REPORT

The Board of Directors
Energy Trust of Oregon, Inc.

We have audited the accompanying statements of financial position of the Energy Trust of Oregon, Inc. as of December 31, 2005 and 2004, and the related statements of activities, functional expenses and cash flows for the years then ended. These financial statements are the responsibility of the Trust's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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 December 31, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Perkins & Company PC

March 3, 2006

ENERGY TRUST OF OREGON, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2005 AND 2004

<u>ASSETS</u>	<u>2005</u>	<u>2004</u>
Cash and cash equivalents	\$ 36,833,489	\$ 36,789,781
Restricted cash	475,000	475,000
Accrued interest receivable	143,421	71,823
Advances paid to contractor	705,983	1,036,494
Prepaid expenses	41,047	26,784
Property and equipment	400,181	606,492
Other assets	<u>47,002</u>	<u>36,912</u>
	<u>\$ 38,646,123</u>	<u>\$ 39,043,286</u>
<u>LIABILITIES AND NET ASSETS</u>		
LIABILITIES:		
Accounts payable and accrued expenses	\$ 1,788,968	\$ 2,212,833
Accrued payroll and related expenses	200,111	182,153
Deferred rent liability	<u>113,132</u>	<u>-</u>
	2,102,211	2,394,986
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted:		
Available for programs and general operations	23,817,226	36,421,614
Board-designated PGE master agreement	<u>12,500,000</u>	<u>-</u>
Total unrestricted	36,317,226	36,421,614
Temporarily restricted - PGE wind power projects	<u>226,686</u>	<u>226,686</u>
Total net assets	<u>\$ 38,646,123</u>	<u>\$ 39,043,286</u>

See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
<u>UNRESTRICTED NET ASSETS</u>		
FUNDING:		
Public purpose funding	\$ 52,602,527	\$ 50,642,826
Interest income	1,250,909	491,730
Total funding	53,853,436	51,134,556
EXPENSES:		
Program expenses:		
Energy efficiency	49,160,135	37,637,076
Renewable resources	2,547,675	2,767,623
Total program expenses	51,707,810	40,404,699
Administrative expenses:		
Management and general	1,633,919	1,904,348
Communication and outreach - general	616,095	558,727
Total administrative expenses	2,250,014	2,463,075
Total expenses	53,957,824	42,867,774
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	(104,388)	8,266,782
<u>TEMPORARILY RESTRICTED NET ASSETS</u>		
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	-	-
TOTAL INCREASE (DECREASE) IN NET ASSETS	(104,388)	8,266,782
NET ASSETS AT BEGINNING OF YEAR	36,648,300	28,381,518
NET ASSETS AT END OF YEAR	\$ 36,543,912	\$ 36,648,300

See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2005

	<u>Energy Efficiency</u>	<u>Renewable Resources</u>	<u>Total Program Expenses</u>	<u>Management and General</u>	<u>Communication and Outreach - General</u>	<u>Total Administrative Expenses</u>	<u>Total Expenses</u>
EXPENSES:							
Incentives and program management	\$ 45,992,847	\$ 1,785,631	\$ 47,778,478	\$ -	\$ -	\$ -	\$ 47,778,478
Payroll and related expenses	1,156,801	507,404	1,664,205	916,310	214,550	1,130,860	2,795,065
Outsourced services	235,291	25,730	261,021	295,539	261,315	556,854	817,875
Customer service management	400,976	13,460	414,436	-	-	-	414,436
Trade allies network	177,341	16,506	193,847	-	-	-	193,847
Supplies	13,059	6,039	19,098	11,205	2,657	13,862	32,960
Postage and shipping	11,271	3,017	14,288	3,711	2,599	6,310	20,598
Telephone	7,511	3,278	10,789	4,451	4,918	9,369	20,158
Printing and publications	70,995	5,358	76,353	5,773	25,550	31,323	107,676
Occupancy expenses	133,970	60,686	194,656	99,780	26,216	125,996	320,652
Insurance	17,764	8,047	25,811	13,195	3,476	16,671	42,482
Equipment	18,524	8,391	26,915	20,970	4,535	25,505	52,420
Travel	18,620	15,898	34,518	16,553	1,546	18,099	52,617
Meetings, trainings and conferences	26,894	7,126	34,020	52,836	867	53,703	87,723
Interest expense and bank fees	4,233	1,000	5,233	29,213	-	29,213	34,446
Depreciation and amortization	14,002	6,343	20,345	10,401	2,740	13,141	33,486
Dues, licenses and fees	23,809	814	24,623	11,544	4,360	15,904	40,527
Miscellaneous expenses	6,136	893	7,029	1,157	581	1,738	8,767
IT Services	<u>830,091</u>	<u>72,054</u>	<u>902,145</u>	<u>141,281</u>	<u>60,185</u>	<u>201,466</u>	<u>1,103,611</u>
Total expenses	<u>\$ 49,160,135</u>	<u>\$ 2,547,675</u>	<u>\$ 51,707,810</u>	<u>\$ 1,633,919</u>	<u>\$ 616,095</u>	<u>\$ 2,250,014</u>	<u>\$ 53,957,824</u>

See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2004

	<u>Energy Efficiency</u>	<u>Renewable Resources</u>	<u>Total Program Expenses</u>	<u>Management and General</u>	<u>Communication and Outreach - General</u>	<u>Total Administrative Expenses</u>	<u>Total Expenses</u>
EXPENSES:							
Incentives and program management	\$ 35,196,087	\$ 2,245,571	\$ 37,441,658	\$ -	\$ -	\$ -	\$ 37,441,658
Payroll and related expenses	884,427	352,544	1,236,971	909,563	211,299	1,120,862	2,357,833
Outsourced services	295,495	40,286	335,781	597,827	209,601	807,428	1,143,209
Customer service management	362,376	2,066	364,442	-	2,277	2,277	366,719
Supplies	13,969	4,897	18,866	11,626	4,670	16,296	35,162
Postage and shipping	4,637	1,776	6,413	3,302	4,248	7,550	13,963
Telephone	9,676	4,745	14,421	9,822	9,682	19,504	33,925
Printing and publications	20,129	5,881	26,010	2,249	17,527	19,776	45,786
Occupancy expenses	58,740	24,691	83,431	58,766	15,260	74,026	157,457
Insurance	5,381	2,262	7,643	29,354	1,398	30,752	38,395
Equipment	33,556	10,630	44,186	36,538	6,652	43,190	87,376
Travel	10,970	6,910	17,880	10,798	3,829	14,627	32,507
Meetings, trainings and conferences	19,599	6,708	26,307	23,354	6,396	29,750	56,057
Interest expense and bank fees	-	-	-	34,222	-	34,222	34,222
Depreciation and amortization	15,915	6,690	22,605	15,923	4,135	20,058	42,663
Dues, licenses and fees	17,112	857	17,969	8,931	5,871	14,802	32,771
Miscellaneous expenses	4,776	849	5,625	2,234	61	2,295	7,920
Trade allies network	35,016	2,999	38,015	-	-	-	38,015
IT services	<u>649,215</u>	<u>47,261</u>	<u>696,476</u>	<u>149,839</u>	<u>55,821</u>	<u>205,660</u>	<u>902,136</u>
Total expenses	<u>\$ 37,637,076</u>	<u>\$ 2,767,623</u>	<u>\$ 40,404,699</u>	<u>\$ 1,904,348</u>	<u>\$ 558,727</u>	<u>\$ 2,463,075</u>	<u>\$ 42,867,774</u>

See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2005 AND 2004

	<u>2005</u>	<u>2004</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received in public purpose funding	\$ 52,602,527	\$ 50,642,826
Interest received	1,179,311	446,154
Cash paid to contractors, suppliers, and employees	(53,666,626)	(46,072,973)
Net cash provided by operating activities	115,212	5,016,007
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(71,504)	(186,235)
Net cash used in investing activities	(71,504)	(186,235)
NET INCREASE IN CASH AND CASH EQUIVALENTS	43,708	4,829,772
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>36,789,781</u>	<u>31,960,009</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 36,833,489</u>	<u>\$ 36,789,781</u>
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase (decrease) in net assets	\$ (104,388)	\$ 8,266,782
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	273,437	212,250
Loss on disposal of property and equipment	4,379	-
Net changes in:		
Restricted cash	-	(475,000)
Accrued interest receivable	(71,598)	(45,576)
Advances paid to contractor	330,511	228,609
Prepaid expenses	(14,263)	246
Other assets	(10,090)	(26,500)
Accounts payable and accrued expenses	(423,864)	(3,198,076)
Accrued payroll and related expenses	17,956	53,272
Deferred rent liability	113,132	-
	<u>219,600</u>	<u>(3,250,775)</u>
Net cash provided by operating activities	<u>\$ 115,212</u>	<u>\$ 5,016,007</u>

See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005 AND 2004

NOTE 1 - ORGANIZATION

The Energy Trust of Oregon, Inc., a nonprofit organization, began collecting public purpose revenues in March 2002. It is charged by the Oregon Public Utility Commission (OPUC) with investing in cost-effective energy conservation, helping to pay the above-market costs of renewable energy resources, and encouraging energy market transformation in Oregon.

Energy Trust funds come from a 1999 energy restructuring law, which required Oregon's two largest investor-owned utilities to collect a three percent "public purposes charge" from their customers. The law also dedicated separate portions of the public-purpose funding to energy conservation efforts in low-income housing energy assistance, low-income housing and K-12 schools.

The law authorized the OPUC to direct a majority of these public purpose funds to a non-governmental entity for investment. Energy Trust was organized as a nonprofit organization for this purpose. The Energy Trust organized as a nonprofit corporation and entered into a November 2001 grant agreement with the OPUC to guide the Energy Trust's electric energy work. The grant agreement was developed with extensive input from key stakeholders and interested parties, and has been amended several times since 2001. The agreement is reviewed annually and is effective through 2012.

In addition to its work under the 1999 energy restructuring law, the Energy Trust administers gas conservation programs for residential and commercial customers of NW Natural. The arrangement emerged from an OPUC settlement with NW Natural (PUC Order No. 02-634). Under the settlement and implementing contracts, NW Natural collects and transfers to Energy Trust a surcharge of 1.5% of the total monthly amount billed residential and commercial energy (but not industrial) customers. Energy Trust uses the funds for conservation and market transformation activities to benefit NW Natural's Oregon customers.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Presentation - The Energy Trust is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets and permanently restricted net assets. The Energy Trust had no permanently restricted net assets as of December 31, 2005 and 2004.

Concentrations of Credit Risk - The Energy Trust's cash and cash equivalents consist of money market funds and cash accounts. 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.

Cash and Cash Equivalents - Cash and cash equivalents consist of highly liquid investments with an initial maturity of three months or less. Cash and cash equivalents consist of the following at December 31:

	2005	2004
Cash	\$ 723,138	\$ 222,425
Money market instruments	36,110,351	36,567,356
	\$ 36,833,489	\$ 36,789,781

Restricted Cash - The Energy Trust is required to maintain funds in restricted accounts under certain program agreements. The Energy Trust has money market instruments with a value of \$475,000 at December 31, 2005 and 2004, held in an escrow account for the benefit of program recipients, as contractually required.

Property and Equipment - Property and equipment is stated at cost less accumulated depreciation. Donations of property and equipment are recorded as contributions at their estimated fair value. Property and equipment is depreciated using the straight-line method over their estimated useful lives, which is generally three to five years. It is the Energy Trust's policy to capitalize property and equipment over \$2,500. Lesser amounts are expensed.

Revenue Recognition - All contributions are considered available for unrestricted use unless specifically restricted by the donor. Public purpose and utility funding are recognized when funds are received from the funding source. Other service revenues and investment income are recognized at the time services are provided and the revenues are earned.

Advertising - The Energy Trust expenses advertising costs as incurred. Advertising costs includes activities to create or stimulate a desire to use the Energy Trust's services that are provided without charge. Advertising expense amounted to \$333,254 and \$271,239 for 2005 and 2004 respectively.

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.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2005	2004
Computer equipment and software	\$ 758,857	\$ 692,689
Leasehold improvements	113,343	105,499
Office equipment and furniture	65,620	82,722
	937,820	880,910
Less accumulated depreciation	537,639	274,418
	\$ 400,181	\$ 606,492

NOTE 4 - LINE OF CREDIT

The Energy Trust has available an unsecured line of credit in the amount of \$1,000,000. Interest is at the prime rate less 0.25%. The prime rate was 7.25% at December 31, 2005. The line matures on June 1, 2006. As of December 31, 2005 and 2004, no borrowings were outstanding under the line of credit.

NOTE 5 - PUBLIC PURPOSE FUNDING

Public purpose funding received is as follows for the years ending December 31:

	<u>2005</u>	<u>2004</u>
Portland General Electric:		
Energy efficiency	\$ 21,065,813	\$ 20,542,914
Renewable resources	6,374,910	6,230,939
	<u>27,440,723</u>	<u>26,773,853</u>
PacifiCorp:		
Energy efficiency	13,584,551	13,346,771
Renewable resources	4,114,817	4,137,189
	<u>17,699,368</u>	<u>17,483,960</u>
Northwest Natural:		
Energy efficiency	7,462,436	6,385,013
	<u>\$ 52,602,527</u>	<u>\$ 50,642,826</u>

NOTE 6 - OPERATING LEASE COMMITMENTS

The Energy Trust leases its administrative offices under operating lease agreements which expire in December 2011. The Energy Trust also leases various office equipment under operating lease agreements. At December 31, 2005, the aggregate annual commitments under the terms of these leases are payable as follows:

Years ending December 31,

2006	\$ 364,765
2007	403,628
2008	318,539
2009	327,855
2010	337,450
Thereafter	347,333
	<u>\$ 2,099,570</u>

Rent expense for the years ended December 31, 2005 and 2004 was \$348,911 and \$143,778, respectively.

Beginning in February 2005, the Energy Trust began subleasing its former office space. The future minimum sublease rental income is as follows:

Years ending December 31,

2006	\$ 62,750
2007	43,750
	<u>\$ 106,500</u>

NOTE 7 - 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. For each of the years ended December 31, 2005 and 2004, the organization contributed to the plan an amount equal to 6.0% of the compensation earned by each eligible employee during the period. Employees are immediately vested in all contributions to the plan. Retirement plan expense recorded by the Energy Trust of Oregon was \$148,595 and \$96,047 for the years ended December 31, 2005 and 2004, respectively. Of the 2005 expense approximately \$13,500 was attributable to 2004 compensation under a prior plan.

NOTE 8 - CONTRACTUAL COMMITMENTS

The Energy Trust enters into contract commitments for various energy efficiency and renewable resource programs. As of December 31, 2005, \$70,922,757 is expected to be paid in future periods. Expenditures for these commitments are recorded in the period in which they are incurred.

NOTE 9 - BOARD-DESIGNATED NET ASSETS

In October 2005, the Energy Trust entered into a Master Agreement with Portland General Electric Company (PGE) to support PGE's acquisition of electricity and environmental attributes from one or more new renewable energy resources for the benefit of PGE's Oregon retail electric customers. At its September 7, 2005 meeting, the Board designated \$12.5 million to be earmarked for use in accordance with the terms of this agreement. These net assets now appear as "board-designated" on the statements of financial position and are designated for use in accordance with the terms of the Energy Trust-PGE Master Agreement. As of December 31, 2005, none of these net assets had been released for use under the terms of the agreement.