Energy Trust of Oregon, Inc.

Financial Statements
For the Years Ended December 31, 2006 and 2005
With Independent Auditors' Report

ENERGY TRUST OF OREGON, INC.
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005
CONTENTS

PERKINS & COMPANY, P.C.
1211 SW Fifth Avenue, Suite 1000
Portland, Oregon 97204-3710
Phone: (503) 221-0336
Fax: (503) 294-4378
www.perkins-group.com

Certified Public Accountants and Business Advisors
A member of Perkins Group

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, 2006 and 2005, 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, 2006 and 2005, 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 12, 2007

ENERGY TRUST OF OREGON, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2006 AND 2005

ASSETS	2006	2005
Cash and cash equivalents	$ 42,594,932	$ 36,833,489
Restricted cash	6,747,453	475,000
Investments	4,922,734	-
Accrued interest receivable	51,758	143,421
Advances paid to contractor	1,002,823	705,983
Prepaid expenses	71,691	41,047
Property and equipment	160,781	400,181
Other assets	61,069	47,002
	$ 55,613,241	$ 38,646,123

LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 6,092,681	$ 1,788,968
Accrued payroll and related expenses	255,508	200,111
Deferred rent liability	188,318	113,132
	6,536,507	2,102,211
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted:		
Available for programs and general operations	36,350,048	23,817,226
Board-designated PGE master agreement	12,500,000	12,500,000
Total unrestricted	48,850,048	36,317,226
Temporarily restricted - PGE wind power projects	226,686	226,686
Total net assets	49,076,734	36,543,912
	$ 55,613,241	$ 38,646,123

See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
UNRESTRICTED NET ASSETS		
FUNDING:		
Public purpose funding	$ 58,101,063	$ 52,602,527
Interest income	2,270,829	1,250,909
Other income	53,598	-
Total funding	60,425,490	53,853,436
EXPENSES:		
Program expenses:		
Energy efficiency	43,193,172	49,160,135
Renewable resources	2,424,565	2,547,675
Total program expenses	45,617,737	51,707,810
Administrative expenses:		
Management and general	1,613,897	1,633,919
Communication and outreach - general	661,034	616,095
Total administrative expenses	2,274,931	2,250,014
Total expenses	47,892,668	53,957,824
INCREASE (DECREASE) IN UNRESTRICTED NET ASSETS	12,532,822	(104,388)
TEMPORARILY RESTRICTED NET ASSETS		
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	-	-
TOTAL INCREASE (DECREASE) IN NET ASSETS	12,532,822	(104,388)
NET ASSETS AT BEGINNING OF YEAR	36,543,912	36,648,300
NET ASSETS AT END OF YEAR	$ 49,076,734	$ 36,543,912

See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2006

	Energy Efficiency	Renewable Resources	Total Program Expenses	Management and General	Communication and Outreach - General	Total Administrative Expenses	Total Expenses
EXPENSES:							
Incentives and program management	$ 39,959,313	$ 1,587,163	$ 41,546,476	$ -	$ -	$ -	$ 41,546,476
Payroll and related expenses	1,240,182	529,928	1,770,110	968,436	310,596	1,279,032	3,049,142
Outsourced services	327,657	55,815	383,472	249,142	205,270	454,412	837,884
Customer service management	320,303	32,042	352,345	-	-	-	352,345
Trade allies network	78,722	7,245	85,967	-	-	-	85,967
Supplies	10,402	4,273	14,675	7,097	3,034	10,131	24,806
Postage and shipping	19,051	1,996	21,047	3,590	6,419	10,009	31,056
Telephone	4,639	3,348	7,987	3,122	991	4,113	12,100
Printing and publications	46,973	17,557	64,530	4,227	23,084	27,311	91,841
Occupancy expenses	131,378	55,173	186,551	94,200	31,737	125,937	312,488
Insurance	17,831	7,488	25,319	12,785	4,308	17,093	42,412
Equipment	8,794	3,849	12,643	6,306	2,488	8,794	21,437
Travel	29,235	18,358	47,593	24,404	6,130	30,534	78,127
Meetings, trainings and conferences	29,792	10,770	40,562	58,540	5,772	64,312	104,874
Interest expense and bank fees	-	1,000	1,000	14,178	-	14,178	15,178
Depreciation and amortization	12,444	5,226	17,670	8,923	3,006	11,929	29,599
Dues, licenses and fees	46,212	729	46,941	6,583	3,791	10,374	57,315
Miscellaneous expenses	1,042	389	1,431	-	339	339	1,770
IT services	909,202	82,216	991,418	152,364	54,069	206,433	1,197,851
Total expenses	$ 43,193,172	$ 2,424,565	$ 45,617,737	$ 1,613,897	$ 661,034	$ 2,274,931	$ 47,892,668

See notes to financial statements.

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

	Energy Efficiency	Renewable Resources	Total Program Expenses	Management and General	Communication and Outreach - General	Total Administrative Expenses	Total Expenses
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	830,091	72,054	902,145	141,281	60,185	201,466	1,103,611
Total expenses	$ 49,160,135	$ 2,547,675	$ 51,707,810	$ 1,633,919	$ 616,095	$ 2,250,014	$ 53,957,824

See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2006 AND 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received in public purpose funding	$ 58,101,063	$ 52,602,527
Cash received from other sources	53,598	-
Interest received	2,362,492	1,179,311
Cash paid to contractors, suppliers, and employees	(43,520,397)	(53,666,626)
Net cash provided by operating activities	16,996,756	115,212
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(40,126)	(71,504)
Increase in restricted cash	(6,272,453)	-
Acquisition of investments	(9,012,681)	-
Proceeds from sale of investment	4,089,947	-
Net cash used in investing activities	(11,235,313)	(71,504)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,761,443	43,708
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	36,833,489	36,789,781
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 42,594,932	$ 36,833,489
RECONCILIATION OF INCREASE (DECREASE) IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase (decrease) in net assets	$ 12,532,822	$ (104,388)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	279,526	273,437
Loss on disposal of property and equipment	-	4,379
Net changes in:		
Accrued interest receivable	91,663	(71,598)
Advances paid to contractor	(296,840)	330,511
Prepaid expenses	(30,644)	(14,263)
Other assets	(14,067)	(10,090)
Accounts payable and accrued expenses	4,303,713	(423,864)
Accrued payroll and related expenses	55,397	17,956
Deferred rent liability	75,186	113,132
	4,463,934	219,600
Net cash provided by operating activities	$ 16,996,756	$ 115,212

See notes to financial statements.

NOTE 1 - ORGANIZATION

The Energy Trust of Oregon, Inc. (Energy Trust), 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.

In 2006, Energy Trust began administering natural gas conservation programs for residential and commercial customers of Cascade Natural Gas Corporation (Cascade) and Avista Corporation (Avista) under public purpose funds agreements. The agreement with Cascade stipulates that Cascade will provide 0.75% of its Oregon revenues to the Energy Trust. The agreement with Avista stipulates for modifiable fixed amounts of funds to be provided to the Energy Trust annually.

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, 2006 and 2005.

Concentrations of Credit Risk - The Energy Trust's cash and cash equivalents consist of cash, money market funds and certificates of deposit. 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:

	2006	2005
Cash	$ 10,653,700	$ 723,138
Money market instruments	241	36,110,351
Certificates of Deposit	31,940,991	-
	$ 42,594,932	$ 36,833,489

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 $6,747,453 and $475,000 at December 31, 2006 and 2005, held in escrow accounts for the benefit of program recipients, as contractually required.

Investments - Investments consist primarily of certificates of deposit and federal treasury obligations with a maturity of greater than three months. The Energy Trust regularly reviews its investments to determine whether a decline in fair value below the carrying value is other-than-temporary. If a decline in fair value is considered other-than-temporary, the cost basis/carrying amount of the security is written down and the amount of the write-down is included in results of operations.

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 $420,442 and $333,254 for 2006 and 2005, 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:

	2006	2005
Computer equipment and software	$ 789,290	$ 758,857
Leasehold improvements	113,343	113,343
Office equipment and furniture	70,721	65,620
	973,354	937,820
Less accumulated depreciation	812,573	537,639
	$ 160,781	$ 400,181

NOTE 4 - LINE OF CREDIT

On April 19, 2006, the Energy Trust entered into a line of credit agreement with Bank of the Cascades. Under the agreement, Energy Trust has available an unsecured line of credit in the amount of $4,000,000. The interest rate is based on the Bank of the Cascades Prime Rate less 0.5% (7.75% at December 31, 2006). The line matures on April 30, 2007. As of December 31, 2006, 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:

	2006	2005
Portland General Electric:		
Energy efficiency	$ 22,720,384	$ 21,065,813
Renewable resources	6,808,296	6,374,910
	29,528,680	27,440,723
PacifiCorp:		
Energy efficiency	14,561,329	13,584,551
Renewable resources	4,393,679	4,114,817
	18,955,008	17,699,368
Northwest Natural:		
Energy efficiency	9,126,336	7,462,436

Cascade:		
Energy efficiency	315,329	-
Avista:		
Energy efficiency	175,710	-
	$ 58,101,063	$ 52,602,527

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, 2006, the aggregate annual commitments under the terms of these leases are payable as follows:

Years ending December 31,

2007	$ 403,627
2008	318,542
2009	327,858
2010	337,454
2011	347,337
	$ 1,734,818

Rent expense for the years ended December 31, 2006 and 2005 was $359,898 and $348,911, respectively.

The Energy Trust subleases its former office space. The future minimum sublease rental income is as follows as of December 31, 2006:

Year ending December 31,

2007	$ 43,750

NOTE 7 - RETIREMENT PLAN

The Energy Trust provides all employees with a qualified profit sharing retirement plan as prescribed 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, 2006 and 2005, the Energy Trust contributed to the plan an amount equal to 6% 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 was $166,949 and $148,595 for the years ended December 31, 2006 and 2005, 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, 2006, $41,700,995 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, 2006, none of these net assets had been released for use under the terms of the agreement.