Energy Trust of Oregon, Inc.

Financial Statements
For the Years Ended December 31, 2007 and 2006
With Independent Auditors' Report

ENERGY TRUST OF OREGON, INC.
FOR THE YEARS ENDED DECEMBER 31, 2007 AND 2006
CONTENTS

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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, 2007 and 2006, 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, 2007 and 2006, 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 28, 2008

ENERGY TRUST OF OREGON, INC.
STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2007 AND 2006

	2007	2006
ASSETS		
Cash and cash equivalents	$ 40,358,008	$ 42,594,932
Restricted cash	8,504,054	475,359
Investments	12,636,975	4,922,734
Restricted investments	3,592,595	6,272,094
Accrued interest receivable	62,208	51,758
Advances paid to contractor	922,974	1,002,823
Prepaid expenses	77,367	71,691
Property and equipment	135,062	160,781
Other assets	75,684	61,069
	$ 66,364,927	$ 55,613,241
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 6,248,828	$ 6,092,681
Accrued payroll and related expenses	325,432	255,508
Deferred rent liability	171,430	188,318
	6,745,690	6,536,507
COMMITMENTS AND CONTINGENCIES		
NET ASSETS:		
Unrestricted:		
Available for programs and general operations	59,619,237	36,350,048
Board-designated PGE master agreement	-	12,500,000
Total unrestricted	59,619,237	48,850,048
Temporarily restricted - PGE wind power projects	-	226,686
Total net assets	59,619,237	49,076,734
	$ 66,364,927	$ 55,613,241

See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENTS OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
UNRESTRICTED NET ASSETS		
FUNDING:		
Public purpose funding	$ 63,328,071	$ 58,101,063
Interest income	3,197,780	2,270,829
Other income	550,000	53,598
Total funding	67,075,851	60,425,490
EXPENSES:		
Program expenses:		
Energy efficiency	44,143,111	43,193,172
Renewable resources	9,928,524	2,424,565
Total program expenses	54,071,635	45,617,737
Administrative expenses:		
Management and general	1,684,965	1,613,897
Communication and outreach - general	776,748	661,034
Total administrative expenses	2,461,713	2,274,931
Total expenses	56,533,348	47,892,668
CHANGE IN UNRESTRICTED NET ASSETS:		
Net assets released from restriction	226,686	-
INCREASE IN UNRESTRICTED NET ASSETS	10,769,189	12,532,822
TEMPORARILY RESTRICTED NET ASSETS		
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS:		
Net assets released from restriction	(226,686)	-
TOTAL INCREASE IN NET ASSETS	10,542,503	12,532,822
NET ASSETS AT BEGINNING OF YEAR	49,076,734	36,543,912
NET ASSETS AT END OF YEAR	$ 59,619,237	$ 49,076,734

See notes to financial statements.

ENERGY TRUST OF OREGON, INC.
STATEMENT OF FUNCTIONAL EXPENSES
YEAR ENDED DECEMBER 31, 2007

	Energy Efficiency	Renewable Resources	Total Program Expenses	Management and General	Communication and Outreach - General	Total Administrative Expenses	Total Expenses
EXPENSES:							
Incentives and program management	$ 39,377,824	$ 8,322,269	$ 47,700,093	$ -	$ -	$ -	$ 47,700,093
Payroll and related expenses	934,794	665,108	1,599,902	1,028,865	395,255	1,424,120	3,024,022
Outsourced services	1,744,708	567,598	2,312,306	238,238	224,199	462,437	2,774,743
Planning and evaluation	666,563	80,209	746,772	13,829	-	13,829	760,601
Customer service management	315,903	30,826	346,729	-	-	-	346,729
Supplies	5,000	3,935	8,935	5,538	3,124	8,662	17,597
Postage and shipping	40,947	1,111	42,058	3,462	1,132	4,594	46,652
Telephone	3,765	2,835	6,600	2,701	701	3,402	10,002
Printing and publications	64,498	8,846	73,344	4,778	26,825	31,603	104,947
Occupancy expenses	80,534	58,061	138,595	75,151	35,269	110,420	249,015
Insurance	12,834	9,253	22,087	11,976	5,620	17,596	39,683
Equipment	3,180	6,812	9,992	2,967	1,420	4,387	14,379
Travel	31,968	18,714	50,682	24,683	3,798	28,481	79,163
Meetings, trainings and conferences	25,620	10,979	36,599	58,533	5,515	64,048	100,647
Interest expense and bank fees	-	250	250	88	-	88	338
Depreciation and amortization	6,212	5,825	12,037	5,797	2,721	8,518	20,555
Dues, licenses and fees	22,848	1,608	24,456	5,701	4,077	9,778	34,234
Miscellaneous expenses	1,211	240	1,451	1,046	251	1,297	2,748
IT services	804,702	134,045	938,747	201,612	66,841	268,453	1,207,200
Total expenses	$ 44,143,111	$ 9,928,524	$ 54,071,635	$ 1,684,965	$ 776,748	$ 2,461,713	$ 56,533,348

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.
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received in public purpose funding	$ 63,328,071	$ 58,101,063
Cash received from other sources	550,000	53,598
Interest received	3,187,330	2,362,492
Cash paid to contractors, suppliers, and employees	(56,132,991)	(43,520,397)
Net cash provided by operating activities	10,932,410	16,996,756
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(105,897)	(40,126)
Increase in restricted cash	(8,028,695)	(359)
Acquisition of investments	(16,665,625)	(9,012,681)
Proceeds from sale of investments	8,951,385	4,089,947
Acquisition of restricted investments	(3,551,684)	(6,272,094)
Proceeds from sale of restricted investments	6,231,182	-
Net cash used in investing activities	(13,169,334)	(11,235,313)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,236,924)	5,761,443
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	42,594,932	36,833,489
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 40,358,008	$ 42,594,932
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Increase in net assets	$ 10,542,503	$ 12,532,822
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	131,616	279,526
Net changes in:		
Accrued interest receivable	(10,450)	91,663
Advances paid to contractor	79,849	(296,840)
Prepaid expenses	(5,676)	(30,644)
Other assets	(14,615)	(14,067)
Accounts payable and accrued expenses	156,147	4,303,713
Accrued payroll and related expenses	69,924	55,397
Deferred rent liability	(16,888)	75,186
	389,907	4,463,934
Net cash provided by operating activities	$ 10,932,410	$ 16,996,756

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, 2007 and 2006.

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:

	2007	2006
Cash	$ 4,755,405	$ 10,653,700
Money market instruments	42	241
Certificates of deposit	35,602,561	31,940,991
	$ 40,358,008	$ 42,594,932

Restricted Cash and Investments - 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 $8,504,054 and $475,359 reported as restricted cash, and certificates of deposit with a value of $3,592,595 and $6,272,094 reported as restricted investments at December 31, 2007 and 2006, respectively, that are 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 $5,000. 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 $614,187 and $420,442 for 2007 and 2006, 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.

<u>Use of Estimates</u> - 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.

<u>Reclassification</u> – Certain reclassifications have been made to the 2006 financial statements in order to conform to the 2007 presentation.

<u>New Accounting Pronouncements</u> - In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* (SFAS 157). The purpose of SFAS 157 is to define fair value, establish a framework for measuring fair value, and enhance disclosures about fair value measurements. The measurement and disclosure requirements for nonfinancial assets and nonfinancial liabilities are effective for fiscal years beginning after November 15, 2008. The measurement and disclosure requirements for all other assets and liabilities are effective for fiscal years beginning after November 15, 2007. The Energy Trust is currently evaluating the potential impact of adopting this statement.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (SFAS 159). SFAS 159 permits organizations to choose to measure certain financial instruments and certain other items at fair value. The standard requires that unrealized gains and losses on items for which the fair value option has been elected be reported in earnings. SFAS 159 is effective for fiscal years beginning after November 15, 2007. The Energy Trust is currently evaluating the potential impact that the adoption of this Statement will have on its financial statements.

NOTE 3 - PROPERTY AND EQUIPMENT

Property and equipment consist of the following at December 31:

	2007	2006
Computer equipment and software	$ 885,669	$ 789,290
Leasehold improvements	113,343	113,343
Office equipment and furniture	41,323	70,721
	1,040,335	973,354
Less accumulated depreciation	905,273	812,573
	$ 135,062	$ 160,781

NOTE 4 - LINE OF CREDIT

The Energy Trust maintains 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% (7.0% at December 31, 2007). The line matures on April 30, 2008. As of December 31, 2007, 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:

	2007	2006
Portland General Electric:		
Energy efficiency	$ 25,123,961	$ 22,720,384
Renewable resources	7,290,983	6,808,296
	32,414,944	29,528,680
PacifiCorp:		
Energy efficiency	15,514,799	14,561,329
Renewable resources	4,681,250	4,393,679
	20,196,049	18,955,008
Northwest Natural:		
Energy efficiency	9,622,649	9,126,336
Cascade:		
Energy efficiency	934,266	315,329
Avista:		
Energy efficiency	160,163	175,710
	$ 63,328,071	$ 58,101,063

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, 2007, the aggregate annual commitments under the terms of these leases are payable as follows:

Years ending December 31,

2008	$ 329,929
2009	336,617
2010	337,454
2011	347,337
	$ 1,351,337

Rent expense for the years ended December 31, 2007 and 2006 was $341,139 and $359,898, respectively.

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, 2007 and 2006, 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 $174,750 and $166,949 for the years ended December 31, 2007 and 2006, respectively.

NOTE 8 - CONTRACTUAL COMMITMENTS

The Energy Trust enters into contract commitments for various energy efficiency and renewable resource programs. As of December 31, 2007, $22,370,609 is expected to be paid in future periods. Expenditures for these commitments are recorded in the period in which they are incurred.

The Energy Trust had projects and incentive payment requests in progress that did not meet its recognition criteria at both December 31, 2007 and 2006. The amounts are unquantifiable, and as such not disclosed in the notes to the financial statements.

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 appear as "board-designated" on the statements of financial position as of December 31, 2006 and were designated for use in accordance with the terms of the Energy Trust-PGE Master Agreement. As of December 31, 2007, these net assets had been released for use under the terms of the agreement.