EnergyTrust of Oregon, Inc.

# Finance Report

December 31, 2007

## Review December 2007 year to date financial statements

### Balance Sheet and Cash Flow Statements

December's balance sheet reflected an increase in activity for the month. The most significant change is reflected in the cash account as we paid $6 million to PGE for the Biglow Canyon wind farm. Accounts payable increased for end of year incentives paid in early January, by a total of $3.3 million. The balance sheet also reflects the expensing of approximately $145k of the prepaid for the "Fall Change a Light Campaign", the recording of a $41k receivable for the Cascade WA study, a full month's NEEA expense of $375k as well as some fixed asset purchases of phone equipment and new solar project management software. The balance sheet also shows the discharge of board designated ($12.5 million) and temporarily restricted ($226 thousand) net assets resulting from the combination of two PGE projects: payment of Biglow Canyon and funding the escrow agreement for Warm Springs biomass project.

### Income Statements

With the exception of PGE, public purpose revenues for the month tracked pretty closely with budget again this month. On a year-to-date basis, total revenue continues to exceed budget by about $3.9 million, with PGE representing $3.5 million of that variance. PGE's previous forecasts did not include the additional collections for the residential rate credit decision which was reversed earlier this year.

Expenses in December were approximately 84% of budget. The increase in total expenses compared to prior months reflects the projected "hockey stick" effect at the end of the year, with $12.9 million in incentive expense recorded for the month of December. Of this, $6 million is a single PGE wind project, the remaining $6.9 million is roughly 4 times the average of the other 11 months of the year.

**Revenue**

- Public purpose revenue above budget by $4.4 million (7% variance).
  - PGE 2007 YTD December
    - EE revenue variance $2.8 million
    - RE revenue variance $.6 million
  - PacifiCorp 2007 YTD December
    - EE revenue variance $.5 million
    - RE revenue variance $.1 million
  - NW Natural YTD December
    - EE revenue variance $.4 million
  - Cascade YTD December
    - EE revenue variance $.04 million
  - Avista YTD December
    - EE revenue variance - $.1 million less than budget
- Conservation rate credit revenue variance was consistent through the end of the year
  - Remained below budget by $1.35 million
  - Court ruling on BPA's residential exchange program will increase variances for remainder of year, unless overturned
  - Only received $550,000 of budgeted $1.1M in PGE revenue

    - Received none of budgeted $800,000 revenue from PacifiCorp
    - Not incurring/reporting any CRC related expenses for either utility
- Interest income exceeded budget by $863 thousand (37% variance)
    - Higher invested balances than expected; result of reduced spending and more revenue

**Expenses**

- Expenses overall below budget by $11.1 million (16% variance from budget)
    - By line item
        - Program management, delivery, marketing $619 thousand (6% of expense variance)
            - Delivery is under budget in commercial and residential sectors and over budget in industrial. The overage in industrial is an expected cost of transition from using an external PMC who was winding up activities simultaneous with new program delivery contractors gearing up for 2008.
            - PMC marketing costs are over budget in the commercial sector, particularly in the existing buildings program where efforts are continuing to improve and maintain the pipeline of projects.
            - Program management costs are $54 thousand over budget in the residential sector despite the downturn in the housing market.
        - Incentives $6.8 million (61% of expense variance) Overall, the Energy Efficiency program exceeded the total best case electric goal, and the total conservative gas goal, despite spending almost 20% less on incentives.
            - Commercial sector (28% of incentive variance)
                - Existing buildings
                - Existing buildings-although underspent, program doing well in acquiring savings through lighting projects. Buildings in this transition market are not doing expensive mechanical projects as expected, keeping incentive payments lower than budgeted.
            - Industrial sector (37% of incentive variance)
                - Program focusing on rebuilding pipeline and securing future commitments. Program has 45% of 2008 incentive budget committed.
            - Residential sector (18% of incentive variance)
                - New home construction underspending due to slumping market conditions
                - Lighting and washer campaigns initiated last spring continuing to do very well, offsetting electric underspending in New Homes.
                - Retrofit projects also much better than expected, particularly in gas projects
            - Renewable energy (17% of incentive variance)
                - Solar, Wind & Open Solicitation each under budget by 80%, 94% and 85%, respectively, while Utility Scale nearly doubled its budget. In Solar, incentives are below budget primarily due to decisions by businesses to delay installations until legislation to increase the state Business Energy Tax Credit from 35% to 50% was enacted. In PGE service territory new caps and new incentive offerings are being implemented to improve solar uptake. In Wind, feasibility studies are lagging and turbine

availability continue to contribute to delays. In the Open Solicitation Program feasibility studies are also lagging.

- Professional services $3 million (26% of expense variance)
    - Over 42% of variance is in evaluations and planning—delays in scheduling of some large evaluations
        - EB, NB and PE—work began in Fall
    - Renewables inspection and project analyses still delayed
    - Delayed contracting of IT consultants resulting from delay in letting of contract for enterprise architecture study and its results
    - Administrative units-postponement of analysis and implementation based on study results and system evaluations; still evaluating possibility of salvaging accounting and contracting systems

- By division
    - Energy efficiency
        - $8.9 million under spent from budget (16%)
            - Electric efficiency under spent $8.6 million
            - Gas efficiency under spent $.3 million
    - Renewable energy
        - $2.2 million under spent from budget (18%)—solar, wind open solicitation and biopower programs all underspent

- Program delivery efficiency (administrative costs plus program support costs)
    - 6%, budgeted at 8.1%; performance measure is 11.0%
    - Last year December was 6.5%. Last month's rate was 6%.