Progress Report to the Bonneville Power Administration

from

The Bonneville Environmental Foundation

Reporting Period: October 2003 through September 2004[1]

June 2005

[1] This first report covers expenses from April 2004 – September 2004 only. Future reports will cover 12-month periods, from October through September in accordance with BPA's fiscal year.

BONNEVILLE ENVIRONMENTAL FOUNDATION

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Purpose of this Report

This report is provided to BPA in fulfillment of BEF's obligations under MOA No. 04PB-11472, Section 4(c), executed July 15, 2004.

About this Report

BEF's Board of Directors establishes the goals for our renewable energy activities, which include project support, education and market-building, in partnership with and in support of both public and private utilities. BEF's activities are guided by its Board's broad vision of the public good, so many activities will not fit neatly into categories of public and private power. A project undertaken with a publicly-owned utility may thereafter inform and benefit people and businesses served by private power. While this report endeavors to segregate such benefits, it is a short-term calculation at best. The collective interests of all Northwest utilities and the customers they serve are long-term and deeply intertwined with each other. Those are the interests BEF seeks to identify, and serve.

Our current activities are outlined in the Current Activities section. This section includes an itemized list of expenditures incurred during the reporting period.

Information on the future direction of our programs, as envisioned at the time of this report, can be found in the Anticipated Activities section.

Use of Funds

Funds provided to BEF under this agreement shall be used for the following activities for the benefit of BPA's public utility and electric cooperative customers:

1. Renewable education programs;
2. Renewable research, development and demonstration (RD&D) activities;
3. Direct Application Renewable Resources by end-use customers served by BPA's public utility and electric cooperative customers.

Eligible Expenses include:

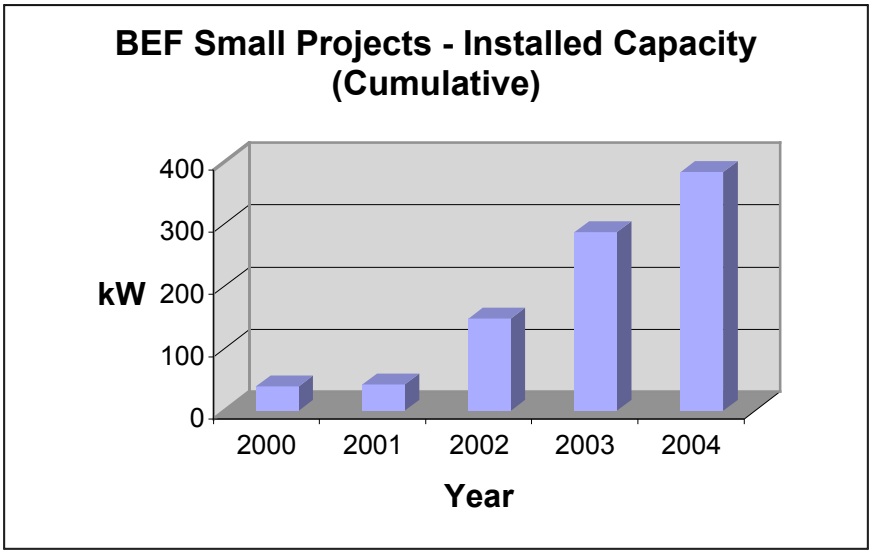
1. Capital expenses associated with renewable education programs, RD&D or Direct Application Renewable Resources projects;
2. Expenses associated with activities directly related to installing or implementing renewable education programs, RD&D projects, or Direct Application Renewable Resources projects;
3. Expenses associated with studies or research demonstrating the viability or new renewable technologies;
4. Expenses associated with other activities that have been approved in writing by BPA;
5. A maximum of 20% may be used for general and administrative expenses that jointly support BEF in general, and this agreement in particular.

Current Activities

Current Direct Application Renewable Resource Activities

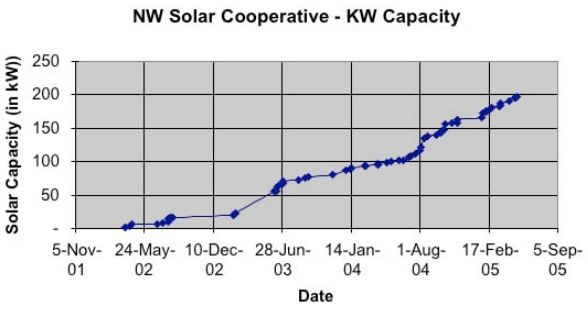
This section covers current direct application renewable resources by end-use customers served by BPA's public utility and electric cooperative customers.

BEF has continued its support of distributed generation, supporting close to 100 additional kW in 2004, bringing our total to over 380 kW.



Project	Year	Capacity kW	Program	# Of Projects
NW Solar Co-op Installs 2004	2004	76.261	-Direct Application	27
Wind Co-op Installs 2004	2004	10	-Direct Application	1
Oregon City High School (Oregon City, OR)	2004	1.1	-Direct Application -Solar School	1
PSEJATC[2]	2004	9	-Direct Application	1
Totals -		**96.361**		**30**

[2] Puget Sound Electrical Joint Apprenticeship and Training Committee's (PSEJATC) Training Center



The Northwest Solar Co-op – The co-op added 27 new systems and over 76 kW of capacity in calendar year 2004. BEF created this program in 2002 in collaboration with Cascade Solar Consulting. The co-op provides BEF-funded, production-based incentives for new solar energy installations in Oregon and Washington. BEF purchases the tags from the solar co-op for 5 years.

NW Solar Co-op Manager Doug Boleyn hands a check to a solar co-op member.

BEF provided substantial staff support including defining rules under which the co-op continues to operate to ensure product credibility. As of the writing of this report, the Solar Co-op supported over 160 kW of solar, 39% of which is in the service territories of BPA's public utility and electric cooperative customers. BEF provided over $7,500 to support Green Tag payments to over 65 kW of small solar systems in BPA's public power service territory through the NW Solar Co-op for 2004 energy production.[3]

BEF Staff Support – contracts, policies, etc- $907

"Our Wind Co-op" – BEF provides loans of $6,000 per turbine to the co-op for its first 10, 10-kW turbine installations.[4] The loans provide crucial up-front capital to help cover equipment costs. During this reporting period, BEF provided staff support including defining rules under which the co-op operates to ensure product credibility, assisting with contract language, assisting the co-op in finding a buyer for the co-op's Green Tags, and negotiating an agreement with Seattle City Light which provided an additional $20,000 of support for the co-op and a likely 11th turbine installation. We also worked with the co-op to determine the viability of a 300 kW wind project near Goldendale, WA (in the service territory of one of BPA's public power customers).

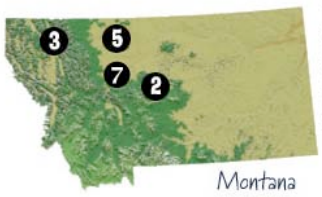
Five turbines were installed prior to the period covered in this report, one was installed during the 6 months covered in this report, and one was installed between the end of the reporting period and the writing of this report. Three of the seven co-op installations are in BPA's public power customer's service territories, and all of the installations are inside BPA's control area. BEF's expenses under the MOA are for supporting Northwest SEED in its institutional development.

[3] All of this money is recovered through Green Tag sales. None is charged against this agreement.
[4] These loans are recovered over time by BEF. No loan funds are charged against this agreement.

Turbine Number	Installation Date	Size	Location	Interconnecting Utility
1	May 23, 2003	10 kW	Peshastin, WA	Chelan County PUD
2	Sep. 29, 2003	10 kW	Stanford, MT	NorthWestern Energy
3 BPA public power customer	Oct. 9, 2003	10 kW	Glacier, MT	Glacier Electric
4 BPA public power customer	Nov. 3, 2003	10 kW	Goldendale, WA	Klickitat PUD
5	Dec. 16, 2003	10 kW	Chester, MT	NorthWestern Energy
6 BPA public power customer	Sep. 2, 2004	10 kW	Goldendale, WA	Klickitat PUD
7	June 1, 2005[5]	10 kW	Belt, MT	Sun River Elec. Cooperative

Don and Beverly Grim receive a check from BEF as an up-front payment for their Green Tags.[6]

Washington
1) Peshastin
4) Goldendale
6) Goldendale
8) Under Development
9) Under Development



Montana
2) Stanford
3) Browning
5) Chester
7) Belt

Installation sites for the first 7 "Our Wind Co-op" small wind turbines.

[5] This turbine was installed after the period covered in this report, but before the report was written. No expenses associated with this turbine are included. It is listed for informational purposes only.
[6] No Green Tag funds are charged against this agreement.

BEF Staff Support – contracts, policies for NW SEED, etc- $ 745

Signage for Solar School– BEF provided signage for the solar school projects at West Salem High School, Oregon City High School and the CREST Center in Wilsonville, OR.

Solar Schools Signage - $206

Letters of Enquiry (LOE) – Since 2000, BEF has offered an open solicitation process, allowing Northwest residents and organizations to apply for support for renewable energy projects. This open process is a relatively minor part of our renewable energy program. We find the majority of our projects through a direct negotiation process with partners.

However, some very good projects do come to our attention through this process. For instance a LOE from Eugene Water and Electric Board resulted in BEF's first solar school project. BEF also uses the LOE process to standardize information on the projects we advance through negotiation. For instance, when BEF negotiates solar school projects with our partners, and schools are identified, we then ask the schools to use the LOE process to submit information we need to evaluate the projects.

BEF reviewed 20 requests for funding under the solicitation process on our web site. Ten of those were under the open solicitation process and ten were under new processes developed specifically for our partners who utilize our Project Management service.[7] Sixty percent of the open solicitations are from the service territories of BPA's public power customers. Three of those did not meet BEF criteria, and 3 of them are under discussion with the proposer.

BEF staff time and expenses associated with reviewing LOE's from within the service territories of BPA public power customers - $1,689

Project Management Services Program – Based on our success installing solar schools and other distributed generation projects and in anticipation of significant BPA funding for small-scale generation projects, BEF opened discussions with some of our utility partners regarding their interest in using BEF to manage small projects on their behalf. For many of our partners, it is quite cumbersome to install small renewable projects. To help these partners avoid "reinventing the wheel," we chose to build on our knowledge

[7] As part of BEF's new Project Management Services program line, BEF reviews Letters of Enquiry and manages installations under contract with some specific utilities, utilizing funds from those utilities. BEF staff time and expenses associated with those projects are paid for under those contracts and are not included in these calculations.

base and capabilities to provide this value-added service to any utility for which it is valuable.

We signed new contracts with Clark Public Utilities, Puget Sound Energy, a group of nationally recognized musicians, and the Energy Trust of Oregon to provide such project management services[8]. With each of these partners, BEF will manage all aspects of project review, evaluation, budgeting, contracting, installation, public education and invoicing.

In order to expand and enhance this service, we hired a full-time consultant to streamline the process and to move projects to completion more rapidly and cost-effectively.[9] We expect to offer this service to BPA customers directly, and through the "Access-to-Tools" capability being developed at the Last Mile Electric Cooperative, with our involvement.

We are very pleased with our results to date, which are listed below.

1) Projects
   a) Oregon City High School solar installation completed. This was BEF's 7th solar school project and was funded in collaboration with the Energy Trust of Oregon, Portland General Electric and Green Mountain Energy.

      This project did not utilize BPA funds.

   b) PSEJATC (9 kW union training center solar project) completed.

The Puget Sound Electrical Joint Apprenticeship and Training Committee's (PSEJATC) Training Center in Renton, WA will teach hundreds of union electricians and apprentices the skills necessary to install solar systems. This system was funded in large part by Puget Sound Energy and was managed by BEF.

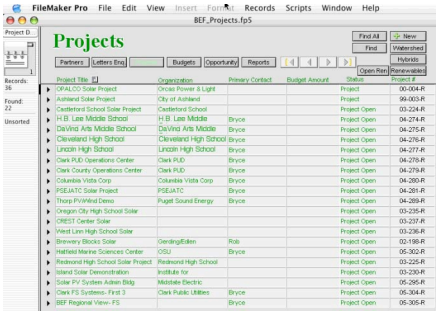
This project did not utilize funds allocated under this BPA agreement.

   c) Four Energy Trust of Oregon solar schools are underway and nearly complete.
   d) Two Clark PUD projects are underway and nearly complete.
2) Education – Two Solar 4RSchools curriculum units were developed addressing:
   a) Using the CO2 Calculator on BEF's website to evaluate household CO_2 "footprints".
   b) Interpreting solar data using a spreadsheet
3) Miscellaneous

[8] No MOA funds are utilized for work under these agreements.
[9] We have since hired this person to manage the stream of projects currently under contract.

a) Financed a bulk order of PV modules at reasonable prices, which has been useful given the current tight market for modules. This has allowed us to deliver panels for approximately 20% less than if we purchased the modules for each individual project.
b) Conducted extensive due diligence on data monitoring companies. All of our partners have indicated a strong interest in viewing data from their project installations on the web. BEF researched approximately 10 companies that provided this technology, and we now provide a high quality, reasonably priced system as part of our standard installation. Clark Public utilities, Puget Sound Energy, the Energy Trust or Oregon, MidState Electric, Idaho Power, and others have been able to avoid performing these research tasks at their own expense due to our efforts.
c) Contracted with Fat Spaniel to provide monitoring (and the associated increase in education and marketing value) to all our projects with minimal marginal cost.
    i) This new partner will be able to satisfy all of our monitoring needs, from simple power monitoring to elaborate kiosks.
    ii) Negotiated attractive pricing that enables BEF to offer discounted monitoring services to current and future partners.
    iii) Developed web-based regional views for BEF's and partners' web sites. Partners included Clark Public Utilities and the Energy Trust of Oregon. We anticipate launching those sites shortly.

4) Process
a) Developed a detailed project process document that can be easily updated in the future.
b) We now have standardized:
    i) Partner contract templates
    ii) RFP's to potential project hosts/funding recipients
    iii) Response template letters for most types of LOE applicant correspondence
    iv) Bidding process for contractors
    v) Contracts for contractors and project hosts
    vi) Equipment specs for projects
    vii) Press release process
    viii) Project binders that contain hard copies of all appropriate project information (contracts, permits, correspondence, etc)



c) Created Project Database that details history, current status, and next steps.
d) Created Partner Database that details partner info, contract specifics, and related budgets and projects.
e) Created Project Application Database that allows us to easily view and sort all LOEs, significantly reducing the time, paperwork, and confusion associated with LOE's history, current status, and next steps.
f) Upgraded web site with electronic LOEs that are automatically imported into the database.

BEF invested substantial resources to develop the Project Management Services program in anticipation of significant BPA funding for small-scale generation projects. We plan to make this service widely available in the coming year for all of BPA public power customers.

BEF staff and consulting time developing internal capabilities to install distributed Generation[10] - $23,960

[10] As part of BEF's new Project Management Services program line, BEF performs services under contract with some specific utilities, utilizing funds from those utilities. BEF staff time and expenses associated with those projects are paid under those contracts and are not included in these calculations.

Current Renewable Research, Development And Demonstration Activities

Building-Integrated Solar – We continue our efforts to utilize building-integrated solar. We are in discussions with a builder who hopes to provide us with standardized building-integrated designs for an awning system, a bus stop, and a carport. If these efforts are successful, we plan to utilize these designs in projects in the future. Costs associated with these activities are part of the Project Management Services program line discussed in the Current Direct Application Renewable Resources section above.

Biomass

Project Enquiries - Although BEF has found few developers able to develop cost-effective biomass projects over the last six years, we continue to field enquiries from hopeful developers of projects that would rely upon animal waste, lumber mill waste, agricultural processing waste, forest slash and other biomass fuels. (We are not encouraging interest from liquid biofuels, since their electrical generation potential is low). Since 2003, we have had ongoing project discussions with Warm Springs Forest Products and the Colville Tribal Economic Development Office, from which project collaboration may result.

Forest Wood Waste Gasification - In the spring/summer of 2004, BEF initiated a staff study of the application of biomass gasification technology to the forest fuel-loading problem. The accumulation of such fuel has been identified as a major contributor to the intense forest fires suffered in the Pacific Northwest over the preceding five to ten years. We consulted with BPA and NREL staff and with regional and Central Oregon authorities on fuel and technologies.

BEF's time and expenses through September 2004 went to:

- Initial communications with ODOE, NREL, NRDC, gasification equipment manufacturers and others to develop information that framed and supported the initial technical/financial strategy;
- Initial discussions with Warm Springs Forest Products and Mater Engineering to establish fuel availability and distribution;
- Initial discussions with ODOE to determine potential for cost-sharing a reconnaissance study.

BEF spent significant time on biomass-related activities. However, we have concluded that during this reporting period, documentation of biomass-related time and expenses is insufficiently precise, and no funds from this agreement are allocated to these expenses during this reporting period.

Current Renewable Education Program Activities

Regional Puget Sound Green Power Awareness Campaign – This campaign was a collaborative effort between BEF, Puget Sound Energy, Snohomish Public Utilities and Tacoma Power. The campaign was designed to raise awareness of the availability of renewable energy in the region. The campaign included over 2 million bill inserts and a 3-month television campaign. Neither Tacoma Power nor Snohomish Public Utilities could have pursued the campaign (and received the associated benefits) without the significant financial participation of Puget Sound Energy. The campaign received the National Beacon Award from the Environmental Protection Agency and the Center for Resource Solutions (Green-e). The television spot won an Emmy Award from the National Academy of Television Arts and Sciences.

Support for Utility GP programs - Awareness Campaign - $35,307

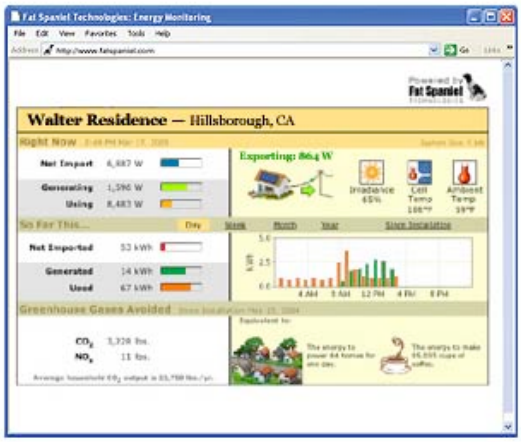
Last Mile Electric Cooperative – BEF joined LMEC shortly after it was organized in 2002. While most of LMEC's visibility is associated with its utility wind project development at White Creek[11], the group's activities have always been far more diverse, and have always been focused on educating public utility organizations and members about renewable energy opportunities. LMEC initiatives have included supporting the NW SEED small wind turbine program, identifying Animal Waste to Energy (AWE) opportunities in member territories and reviewing AWE technologies for suitability to these opportunities, and participating in renewable energy environmental forums. LMEC is currently developing a web-based "access-to-tools" education initiative targeted to Northwest publicly-owned utilities that will offer information and links on renewable technologies particularly suited to smaller, often rural, publicly-owned utilities.

BEF spent significant time on LMEC-related activities. However, we have concluded that during this reporting period, documentation of LMEC-related time and expenses is insufficiently precise, and no funds from this agreement are allocated to these expenses during this reporting period.

Internet-Based Monitoring for Small Renewable Projects – BEF contracted with a company that provides web-based monitoring of small renewable energy technologies. We expect to provide web-based access to data as a standard feature of all the small-scale projects we support starting in 2005. We will also likely install the monitoring system on many previously funded projects in order to provide additional educational opportunities. This technology should be particularly useful for solar schools. Costs associated with the implementation of this technology and associated materials are allocated under the

[11] BEF activities related to the LMEC wind project are not included in this report and expenses associated with that work are not charged against this agreement.

Project Management Services Program elsewhere in this report. For a demonstration of this technology visit this link: http://www.b-e-f.org/renewables/index.shtm



Solar Schools Curriculum Development – BEF has spent considerable staff and consulting time developing a curriculum associated with our Solar 4R Schools program. To date, much of the cost for this program has been covered under a contract with the Energy Trust of Oregon. During this reporting period, BEF installed one additional project under this program, bringing the total to seven.

Educational Assistance to Public Utilities and Regional NGOs - BEF is viewed as a regional leader in information dissemination regarding the environmental benefits of renewable energy. Many regional utilities and NGOs utilize the research that BEF undertook with the Northwest Power and Conservation Council regarding the specific environmental benefits of renewable energy in the Northwest. We continue to engage in discussions with the region's utilities and NGOs to help them better understand and inform their customers about the complex issues associate with renewable energy. Those impacts vary widely by pollutant and region, and there is a great deal of misunderstanding regarding the environmental benefits renewable energy projects produce.

BEF has actively engaged with regional NGOs to develop materials and disseminate information that assists those entities. For instance: BEF works with the Renewable Northwest Project on regional renewable energy awareness campaigns; BEF participates in the Northwest Energy Coalition Board meetings; and BEF works with the Last Mile Electric Coop on educational activities focused on those public utilities.[12]

Materials development and information dissemination that assists public utilities and regional NGOs; staff time in preparing for and participating in educational activities (e.g, technical and educational conferences) - $1,188

[12] No activities related to the LMEC wind project are included in this report.

Itemized Expenditures

Direct Application Renewable Resources	
The Northwest Solar Co-op (BEF Staff Support – contracts, policies, etc)	$907
"Our Wind Co-op" (BEF Staff Support – contracts, policies for NW SEED, etc)	$745
West Salem HS Signage	$206
Grant Application Review (BEF staff time and expenses associated with reviewing LOE's from within the service territories of BPA public power customers)	$1,689
Project Management Services Program (BEF staff and consulting time developing internal capabilities to install distributed Generation)	$23,960
Sub-Total (DG)	$27,507
RD&D	
Biomass	$0
Sub-Total (RD&D)	$0
Education	
Puget Sound Regional Awareness Campaign (Support for Utility GP programs - Awareness Campaign)	$35,307
Last Mile Electric Coop	$0
Educational Assistance for our Public Utility Customers (Materials development and information dissemination that assists public utilities and regional NGOs)	$1,188
Sub-Total (Education)	$36,495
Total Program Expenses	**$64,002**
General and Administrative (20% of expenditures)	**$12,800.40**
Total Itemized Expenditures	**$76,802.40**

Total Available Budget	$86,000.00
Total Itemized Expenditures	$76,802.40
Total Dollars not yet allocated (to be used during next reporting period)	$9,197.60

Anticipated Activities

Anticipated Direct Application Renewable Resource Activities

This section covers anticipated direct application renewable resources by end-use customers served by BPA's public utility and electric cooperative customers.

The Northwest Solar Co-op – We anticipate that the solar co-op will continue to grow, and that this growth will require the co-op to expand its sales to buyers other than just BEF. We intend to work with the co-op to ensure that this is accomplished in a way that addresses the needs of all parties in the chain of ownership.

"Our Wind Co-op" – We anticipate continuing our support of the small wind co-op. We have begun discussions with Puget Sound Energy to explore delivering the wind co-op's Green Tags to the utility as a way to provide additional support to the co-op.

Other Direct Application Projects - We anticipate installing several solar projects during the next reporting period. Examples include:

- Clark Public Utilities – We will work with Clark to install 3-5 solar projects.
- We will work with Snohomish PUD under a new multi-year contract that allows for reinvestment in their service territory.
- We will work with Idaho Power to initiate a Solar 4R Schools program

We are in active conversations with the Portland General Electric, Oregon State University, the Energy Trust of Oregon, the City of Ellensburg and MidState Electric Co-op regarding BEF support for proposed solar installations. We anticipate significant progress towards those installations if the projects continue to look promising.

Development of Internal Capabilities to Install DG - We anticipate continuing to improve our ability to manage projects for our partners.

Assisting Regional Utilities with DG-Related Activities - We anticipate extending our relationship with Puget Sound Energy and Clark Public Utilities, and contracting with Idaho Power Company as well. We also anticipate advertising this program (including the Solar 4R Schools program) widely to BEF's public utility customers in hopes of signing contracts with many of them.

Solar Schools Installations – We anticipate completing at least four new solar schools installations during the next reporting period.

Letters of Enquiry – We anticipate continuing to review numerous requests for funding under the open solicitation process on our web site.

Anticipated Renewable Research, Development And Demonstration Activities

Building-Integrated Solar – We anticipate offering building-integrated designs for an awning system, a bus stop, and a carport during 2005 or early 2006, depending on design time. If these efforts are attractive to partner organizations, we plan to utilize these designs in projects in 2006.

Biomass - Forest Wood Waste Gasification Reconnaissance Study - We are focusing on the semi-mobile waste gasification technology for a reconnaissance-level technical and financial review to be jointly funded by BEF and the Oregon Department of Energy. The study is expected to cost $30K to $40K. If the study results are positive, BEF will proceed to a demonstration project. BEF has identified as prospective partners (for fuels assembly, funding, output purchase) the US Forest Service, the Warm Springs Tribal Government/Forest Products, Central Electric Cooperative, and a hop farm in central Washington served by public power. Applications for such an approach will be widespread throughout the region, especially concentrated in rural and forested areas generally served by public power. The reconnaissance studies and initial discussions with potential partners are expected to be concluded in 2005. If a feasible path forward is identified, facility design and siting would take place in 2006, along with fueling arrangements with the Forest Service and the Bureau of Land Management.

Biomass - Project and Technology Review - BEF will continue to support biomass activities in the Northwest through Tag purchases and sales, co-funding feasibility and demonstration projects with public utility partners among others, and seeking technology applications that have the potential to be cost-effective without extraordinary public subsidies. BEF will be partial in particular to approaches that contribute to multiple public goods: clean renewable energy, watershed and other environmental byproduct gains, and local economic development and job creation. BEF collaborates with other parties – from utility, environmental and industry groups to tribes and local governments – in both project development and education efforts. Thus BEF continues to purchase Green Tags from (and to financially support) the Port of Tillamook Animal-Waste-to-Energy facility, in cooperation with Tillamook PUD, and to remarket these Tags to public power utilities in the Pacific Northwest. BEF has ongoing negotiations with Tribal Governments, in particular the Colville Reservation Tribes and the Warm Springs Reservation Tribes, that may lead to similar Green Tag marketing arrangements or direct BEF investment and project development in cooperation with these parties. BEF participates in the Central Oregon BASE (Business Alliance for Sustainable Energy) Program, in collaboration with Central Electric Cooperative and Mid-State Electric Cooperative. BEF participates as a member of the Renewable Advisory Council to the Energy Trust of Oregon (along with Northwest Power Council and BPA staff) in seeking biomass technologies and development opportunities that will also benefit BPA's public power customers.

Anticipated Renewable Energy Education Program Activities

Support for Utility GP Programs – We intend to engage with our utility partners in efforts to:

1. Raise the general awareness of GP and its benefits
2. Create calls to action to buy public utility green power products
3. Develop marketing/support materials for public utility use

Development of The Solar Schools Program - We plan to continue to develop and implement our solar schools program, enhanced by the web-based system monitoring.

Internet-Based Monitoring for Small Renewable Projects – We anticipate rolling out numerous project-specific web sites providing web-based monitoring of small renewable energy technologies. We will also roll out regional views for our partners (including Clark Public Utilities) and for BEF's small-scale DG projects.

Education on Environmental Benefits, Attributes of Renewable Energy - We anticipate continuing our efforts to:

1. Develop materials and disseminate information that assists public utilities and regional NGOs in better understanding the environmental benefits of renewable energy generation
2. Participate in educational activities (e.g, technical and educational conferences)

Biomass - BEF chairs the Last Mile Electric Cooperative (LMEC) Project Development Committee. That committee is considering a LMEC collaboration with NW SEED to create access to renewable technology products, services and development tools for Northwest public utilities. LMEC, NWSEED and the Northwest Cooperative Development Center (NWCDC) will offer web site access to regionally- and nationally-available tools (tax credits, co-investment partners, siting and permitting guidance, technology selection guidance and assistance; finance structures for community energy projects), as well as access to project developers and contractors able to provide services to communities and small public utilities without such capabilities in-house.