efficiency MAINE

Trust

(A component unit of the State of Maine)

Financial Report

June 30, 2010

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Independent Auditors' Report

To the Trustees
Efficiency Maine Trust
Augusta, Maine

We have audited the accompanying financial statements of the governmental activities and major fund of Efficiency Maine Trust, a component unit of the State of Maine, as of and for the nine months ended June 30, 2010, which collectively comprise the Trust's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Trust's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of Efficiency Maine Trust, as of June 30, 2010, and the respective changes in financial position for the nine months then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Budgetary Comparison Schedule - Special Revenue Fund on pages 2 through 4 and 18, respectively, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

MacDonald Page & Co, LLC

Augusta, Maine
October 27, 2010

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Management's Discussion and Analysis

The following narrative overview and analysis is intended to assist the readers in understanding the financial activities of Efficiency Maine Trust (The Trust) for the period from inception September 15, 2009 through June 30, 2010. Information contained within the discussion and analysis should be considered in conjunction with the basic financial statements when focusing on significant financial issues and identifying any significant changes in financial position.

Overview of Trust

On June 12, 2009, Governor Baldacci signed into law *An Act Regarding Maine's Energy Future* (LD 1485), putting Maine on a path to reduce statewide heating oil consumption 20% by 2020. The bill was enacted with an emergency provision so that it would take effect immediately upon passage. The bill became effective September 12, 2009, 90 days after LD 1485 was signed.

The legislation establishes the new, independent Trust for the purpose of administering programs for energy efficiency and alternative energy resources to help individuals and businesses in Maine "meet their energy needs at the lowest cost." The law states that on July 1, 2010, the existing Efficiency Maine programs will be moved out of the Maine Public Utilities Commission (MPUC) and merged with the existing Energy and Carbon Savings Trust programs. The new Trust is governed by an independent, 9-member board representing diverse state agencies, customer classes, and expertise and is subject to oversight by the MPUC.

The Trust was directed to develop a three-year plan, known as the "Triennial Plan", providing integrated planning, program design and implementation strategies for all energy efficiency and alternative energy resources programs in the state, for all customer classes, for all fuels, except that Maine State Housing Authority's energy programs are exempted from coverage by the Plan. The plan would be designed to advance enumerated "targets," including:

- Weatherizing 100% of Maine residences and 50% of Maine businesses by 2030,
- Achieving energy savings of at least 30% of electric consumption, 30% of natural gas consumption, and 20% heating fuels consumption by 2020,
- Capturing all cost-effective energy efficiency resources available for electric and natural gas utility ratepayers, and
- Reducing greenhouse gas emissions from the heating and cooling of buildings in Maine consistent with the statewide goals of reducing such emissions at least 10% below 1990 levels by 2020 and ultimately, 75-85% below 2003 levels.

Financial Highlights

The law provided for a transfer of $700,000 from the reimbursement fund at the MPUC to the Trust for operating costs during the transition year.

The Trust's program revenues and expenditures in the Statement of Activities were $700,050 and $524,615, respectively. Those revenues and expenditures reflect the transition-period activity of the Trust. Prior to June 30, 2010 the MPUC advanced program funds in the amount of $12,900,000. The funds are to be used for program activities starting July 1, 2010.

The Trust's net assets as of June 30, 2010 were $175,435. The term "net assets" refers to the difference between assets and liabilities. Net assets consist of those invested in capital assets of $46,659 and the remaining restricted net assets of $128,776. The change in net assets for the year ended June 30, 2010 was an increase of $175,435.

Management's Discussion and Analysis

Overview of the Financial Statements

The financial statements are designed to provide readers with an overview of the Trust's financial resources, expenditures and remaining resources available for future periods.

The financial statements on pages 5 and 6 represent the Trust's Statement of Net Assets and Statement of Activities, respectively. These statements focus on the net assets remaining as an indicator of the Trust's financial health. The statements include all assets and liabilities using the accrual basis of accounting, which is an accounting method used by most private-sector companies.

The financial statements on pages 7 and 9 represent the Trust's Special Revenue Fund. The fund focuses on how money flows into and out of the Trust and balances left at the end of the reporting period on the modified accrual basis of accounting. The modified accrual basis of accounting measures cash and all other financial assets that can be readily converted into cash. Basically, the fund financial statements provide a short-term perspective on financial sources and any fund balance that can be spent in the near future on the Trust's programs.

The primary adjustments to convert the fund statements to the accrual basis of accounting are the accounting for capital assets. A detailed explanation regarding these differences is provided on pages 8 and 10 to the financial statements.

The required supplementary Budgetary Comparison Schedule is presented on page 18. The schedule presents the original budget and final budget compared to actual results based on the accounting method used to prepare the budget. Additional information is discussed in the financial analysis section regarding the budget compared to actual results.

Financial Analysis

The enabling legislation provided the Trust with $700,000 for transition costs. The Trust also received $50 in other revenues. Of the amount provided, $571,274 was expended by June 30, 2010 leaving $128,776 available during FY 2011. The primary budget areas that are under expended budget are contracted services ($89,397) and payroll and benefits ($36,900). Various contracts that were in force as of June 30, 2010 provide continuing services that are carried over into FY 2011. Among those contracts are legal, audit and information technology services. The contracted service budget also included funds for consultants who assisted with the development of the Triennial Plan. Personnel budgets exceeded expenses due to the timing of hiring staff which occurred much later in the transition process than was anticipated. As of July 1, 2010, the excess funds will be used for the continuing contracts, development of the supplemental filing for the Triennial Plan at the MPUC and to purchase additional furniture and office equipment for both the existing space and for the new space when the Trust relocates to larger space to accommodate its full staff.

Also during FY 2011, the MPUC transferred staff as well as a portion of the cash balances for various programs that were being transferred to the Trust. In June, $12,900,000 of cash was advanced from the MPUC. In July and August, MPUC transferred $8,573,484 in close-out funds to the Trust.

The budget for the fiscal year ended June 30, 2011 is approximately $99,500,000.

The Trust's primary revenue sources are system benefit charges. These are assessments levied and collected by the MPUC to transmission and distribution utilities at a fixed rate of .0145 cent per kilowatt hour. These revenues are intended to fund electric efficiency and conservation programs. The transmission and distribution utilities are also assessed a system benefit charge of .005 cent per kilowatt hour for the solar and wind energy rebate program.

The revenues collected are transferred to the Trust monthly. The solar-wind rebate assessments expires on December 31, 2010 and new Legislative authorization is required to assess and collect those fees after January 1, 2011. Natural gas utilities that serve at least 5,000 residential customers are assessed a fee of at least 3% of the gas utility's delivery revenues. The assessments are levied and collected by the MPUC and delivered to the Trust monthly.

Financial Analysis - Continued

The Trust receives quarterly payments from the Regional Greenhouse Gas Initiative (RGGI). This is an agreement of ten northeastern states for the sale of carbon dioxide allowances. Through December 31, 2011, no less than 85% of the project expenditures must be allocated to reduce electricity consumption and no more than 15% must be allocated for fossil fuel conservation measures. The Trust participates with ISO New England in its forward capacity market, by bidding reductions in electricity demand through various projects. The annual auction is forward looking three years hence, and if the Trust achieves the proposed and bid reduction in demand, it will receive a revenue stream for up to five years.

In the Triennial Plan, the Trust anticipated new revenue sources from an increase in the system benefit charge for electricity and natural gas, a new source of revenues (to be the subject of a staff report, informed by stakeholder input, in the fall of 2010) for heating fuels efficiency measures, and the resumption of system benefit charge assessments for solar-wind rebates.

The Trust has benefited from a number of federal grants, most of which are funded through the American Reinvestment and Recovery Act (AARA). The ARRA funding streams will expire in 2012 and there are no expectations that these funds will be replaced with other federal funds. One of the ARRA programs is being used to develop a revolving loan fund for home energy savings projects. It is expected that as the loans made with these funds begin to make repayments, the repayment stream can be used to leverage revenue bond issues to provide a new source of funds for issuing new loans.

Other Financial Information:

The Trust's capital asset acquisitions amounted to $48,268 during the year. Details regarding capital assets policies and activity for the year are included in the notes to the financial statements.

The Trust had no borrowing activity during the year. The Trust has no plans for borrowing during the next several fiscal years. As noted above, one of the ARRA programs is being used to develop a revolving loan fund for home energy savings projects. It is expected that as the loans made with these funds begin to make repayments, the repayment stream can be used to leverage revenue bond issues to provide a new source of funds for issuing new loans. There is no expectation that such borrowing will occur until FY 2014 or FY 2015.

All contracts of the MPUC entered into pursuant to the existing electric and natural gas conservation program continue in effect until amended or rescinded by the Trust. On July 1, 2010, the Trust is the successor to the programs currently managed under the name of "Efficiency Maine" at the MPUC. Contracts in place on July 1, 2010 may be extended for up to two years, subject to approval by the Trust.

On April 23, 2010, the Trust submitted its Triennial Plan (2011 – 2013) to the MPUC for approval. The MPUC issued a conditional approval on July 19, 2010 and required the Trust to provide a supplemental filing by October 1, 2010. The Triennial Plan assumes that certain new revenue sources will be authorized by the Maine Legislature. The failure of those revenues sources to materialize in whole or in part will impact the ability of the Trust to deliver the programs and services included in the Plan. As part of the supplemental filing, the Trust will provide information about the impact to and changes in planned programs due to a lack of resources. The Trust is also making contingency plans to reductions in anticipated revenues from RGGI and the forward capacity market as current economic conditions have reduced the demand for electricity and the need for carbon dioxide allowance.

This financial report is intended to provide readers with a general overview of the Efficiency Maine Trust's finances and show accountability for expenditures relating to its program activity. If you have questions regarding this report or need additional information, please contact the Chief Financial Officer of the Efficiency Maine Trust.

Statement of Net Assets

June 30, 2010

		Governmental Activities
ASSETS		
Cash	$	12,081,281
Cash held in escrow		1,022,516
Prepaid expenses		34,514
Capital assets		
Equipment, net of accumulated depreciation		46,659
Total Assets	$	13,184,970
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable	$	99,259
Accrued salaries and benefits		10,276
Advances from MPUC		12,900,000
Total Liabilities		13,009,535
Net Assets		
Invested in capital assets		46,659
Restricted for:		
Transition		128,776
Total Net Assets		175,435
Total Liabilities and Net Assets	$	13,184,970

See accompanying independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Statement of Activities

Nine Months Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities
Governmental Activities					
Transition	$ 524,615	$ -	$ 700,050	$ -	$ 175,435
Total Governmental Activities	$ 524,615	$ -	$ 700,050	$ -	
Change in Net Assets					175,435
Net Assets, Beginning					-
Net Assets, Ending					$ 175,435

See accompanying independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Balance Sheet - Governmental Fund

June 30, 2010

	Special Revenue Fund
ASSETS	
Cash	$ 12,081,281
Cash held in escrow	1,022,516
Prepaid expenses	34,514
Total Assets	$ 13,138,311
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts payable	$ 99,259
Accrued salaries and benefits	10,276
Advances from MPUC	12,900,000
Total Liabilities	13,009,535
Fund Balance	
Reserved for:	
Transition	128,776
Total Liabilities and Fund Balance	$ 13,138,311

See accompanying independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Reconciliation of the Governmental Fund Balance to Net Assets of Governmental Activities

June 30, 2010

Governmental Fund Balance	$	128,776
Amounts reported for governmental activities in the Statement of Net Assets are different because of the following:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the Special Revenue Fund.		**46,659**
Net Assets of Governmental Activities	$	175,435

See accompanying independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Statement of Revenues, Expenditures and Change in Fund Balance - Governmental Fund

Nine Months Ended June 30, 2010

	Special Revenue Fund
Revenues	
State Grant - Maine Public Utilities Commission Reimbursement Fund	$ 700,000
Other revenue	50
Total Revenues	700,050
Expenditures	
Payroll and benefits	61,392
Supplies	1,995
Purchased professional and technical services	
Marketing and advertising	557
Human resources services	4,745
Legal and professional fees	14,079
Payroll service fees	92
Information technology services	53,593
Contract services	
Stakeholder process	24,906
Technical services and consultants	292,120
Executive director search	58,642
Telephone and telecommunications	1,662
Travel, conferences and training	6,266
Bank fees	60
Capital outlays	51,165
Total Expenditures	571,274
Excess of Revenues Over Expenditures/Net Change in Fund Balance	128,776
Fund Balance, Beginning	-
Fund Balance, Ending	$ 128,776

See accompanying independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Reconciliation of Statement of Revenues, Expenditures and Change in Fund Balance of the Governmental Fund to the Statement of Activities

Nine Months Ended June 30, 2010

Net Change in Fund Balance - Governmental Fund			$	128,776
Amounts reported for governmental activities in the Statement of Activities are different because:				
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.				
Capital outlays	$	48,268		
Depreciation expense		(1,609)		
				46,659
Change in Net Assets - Governmental Activities			$	175,435

See accompanying independent auditors' report.
The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Under the criteria of Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," as outlined below under Reporting Entity, Efficiency Maine Trust (the Trust) is considered a component unit of the State of Maine. Accordingly, the financial statements of the Trust will be incorporated into the State of Maine's financial statements.

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

Reporting Entity

In evaluating the Trust as a reporting entity, management has addressed all potential component units for which the Trust may or may not be financially accountable, and as such, be includable within the Trust's financial statements. In accordance with GASB Statement No. 14, the Trust is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefit to or impose specific financial burden on the organization. Additionally, the Trust is required to consider other organizations for which the nature and significance of their relationship with the Trust are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the application of these criteria, there are no other entities that should be included as part of these financial statements.

On June 12, 2009, Governor Baldacci signed into law *An Act Regarding Maine's Energy Future* (LD 1485). The bill became effective September 12, 2009.

The legislation establishes the new, independent Efficiency Maine Trust for the purpose of administering programs for energy efficiency and alternative energy resources to help individuals and businesses in Maine "meet their energy needs at the lowest cost." The law states that on July 1, 2010, the existing Efficiency Maine programs will be moved out of the Maine Public Utilities Commission (MPUC) and merged with the existing Energy and Carbon Savings Trust programs. The new Trust is governed by an independent, 9-member board representing diverse state agencies, customer classes, and expertise and is subject to oversight by the MPUC.

The Trust was directed to develop a three-year plan, known as the "Triennial Plan", providing integrated planning, program design and implementation strategies for all energy efficiency and alternative energy resources programs in the State of Maine, for all customer classes, for all fuels, except that Maine State Housing Authority's energy programs are exempted from coverage by the plan. The plan would be designed to advance enumerated "targets," including:

- Weatherizing 100% of Maine residences and 50% of Maine businesses, whose owners wish to participate, by 2030,
- Achieving energy savings of at least 30% of electric consumption, 30% of natural gas consumption, and 20% heating fuels consumption by 2020,
- Capturing all cost-effective energy efficiency resources available for electric and natural gas utility ratepayers, and

Notes to Financial Statements

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Reporting Entity - Continued

- Reducing greenhouse gas emissions from the heating and cooling of buildings in Maine consistent with the statewide goals of reducing such emissions at least 10% below the 1990 levels by 2020 and ultimately 75-85% below the 2003 levels.

The plan is to be developed through an open and consultative process. The Board is to offer to provide a briefing to the joint standing committee of the legislature that has jurisdiction over energy matters. After making such a presentation and incorporating any comments received, the plan is then submitted to the MPUC to be approved or rejected.

LD 1485 directs the Trust to design programs that will address both electric and thermal energy needs of customers at the same time, through an integrated set of programs. Energy efficiency and alternative energy options are eligible for funding from these programs, so long as they meet tests for "cost-effectiveness."

Proposals to establish a reliable funding stream to help middle income customers and businesses reduce their consumption of heating oil, kerosene or propane were eliminated from the bill. Instead, short term funds for this purpose will be limited to amounts from the federal stimulus package (American Recovery and Reinvestment Act) and ongoing federal weatherization funds for low income households. By 2012, there will be no assured funding for programs to help non-low income homes or businesses reduce costs of heating with oil, propane or kerosene. In lieu of a reliable funding stream, the bill (a) directs the Trust to submit a report to the legislature, by January, 2011, recommending appropriate levels and mechanisms of funding ongoing programs sufficient to capture cost-effective thermal efficiency resources, including heating oil, kerosene and propane and (b) directs the first $50 million of any future sale or lease of state-owned lands used for energy infrastructure to go into the Trust to promote energy independence.

LD 1485 prohibits state authorities from issuing permits or entering lease or sale agreements for state-owned lands to be used by energy transmission facilities (e.g., pipelines, high voltage DC electric transmission lines) until a "plan" regarding best use of these lands, appropriate valuations, and assessment of the effects on ratepayers, the environment, and development of new energy projects is enacted.

The following programs, as listed below by section, are outlined in LD 1485:

§10109 Regional Greenhouse Gas Initiative (RGGI) Trust Fund

§10110 Electric Efficiency and Conservation Programs

§10111 Natural Gas Efficiency and Conservation Program

§10112 Solar and Wind Energy Rebate Program

§10113 Training for Installers of Solar Equipment

§10114 Training for Energy Auditors

Notes to Financial Statements

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Reporting Entity - Continued

§10115 Federal Energy Programs

§10116 Energy Conservation Small Business Revolving Loan Program

§10117 Energy Efficiency of Rental Properties

§10118 Public Information and Outreach

§10119 Heating Fuels Efficiency and Weatherization Program

All contracts of the MPUC entered into pursuant to the existing electric and natural gas conservation program continue in effect until amended or rescinded by the Trust. On July 1, 2010, the Trust is the successor to the programs currently managed under the name of Efficiency Maine at the MPUC. Contracts in place on July 1, 2010 may be extended for up to two years, subject to approval by the Trust.

The bill also provides for an administration fund to be established to be used solely to defray administrative costs. The Trust may annually deposit funds authorized to be used for administrative costs from program funds into the administration fund. Any interest on funds in the administration fund must be credited to the administration fund and any funds unspent in any fiscal year must either remain in the administration fund to be used to defray administrative costs or be transferred to the program funds.

Basis of Presentation

The Trust's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-wide Financial Statements:

The statement of net assets and the statement of activities display information about the Trust's special-purpose activities. These statements reflect the financial activity of the Trust's governmental program. The governmental activity is generally financed through federal and state operating grants, and system benefit charges and fees.

Fund Financial Statements:

The fund financial statements provide information about the Trust's governmental fund. The Trust reports the following governmental fund:

Special Revenue Fund:

The Special Revenue Fund is a governmental fund type used to account for federal, state and other financial programs where unused balances are returned to the grantor at the close of specified project periods, if necessary. Project accounting is employed to maintain integrity for the various sources of funds. Generally, revenues in the Special Revenue Fund are restricted to expenditure for specified purposes.

Notes to Financial Statements

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Measurement Focus, Basis of Accounting

Government-Wide Financial Statements

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Government Funds

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. General capital asset acquisitions are reported as expenditures in governmental funds.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Capital Assets

Capital assets consist of office equipment. These assets are reported in the governmental activity column of the government-wide statement of net assets but are not reported in the fund financial statements.

Purchased capital assets are reported at cost or estimated historical cost and updated for additions and retirements during the year. Donated fixed assets are recorded at their estimated fair value at the date of donation. The Trust maintains a capitalization threshold of $1,000. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Computer Software	3 years
Office equipment	5 years

Capital assets are recorded as expenditures of the current period in the governmental fund financial statement.

Notes to Financial Statements

June 30, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Budgetary Accounting

A substantial portion of the funding is appropriated through the State of Maine legislative process. Budgets are formally adopted through the Board of Trustees and prepared on a basis consistent with accounting principles generally accepted in the United States of America, except for transfers received from the MPUC during the fiscal period ended June 30, 2010. The budget for the fiscal year ended June 30, 2011 is approximately $99,500,000.

Encumbrances are recorded when purchase orders and contracts are issued but are not considered expenditures for GAAP purposes until liabilities for payments are incurred. The Trust typically would issue purchase orders before June 30 to encumber expenditures in the current year budget. The Trust did not have any outstanding purchase orders or contracts for the fiscal year ended June 30, 2010.

Recent Accounting Pronouncements

Hierarchy of Generally Accepted Accounting Principles

In April 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles (GAAP) for State and Local Governments*. This statement incorporates the hierarchy of GAAP for state and local governments into the GASB's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The GASB is responsible for establishing GAAP for state and local governments, however, prior to GASB No. 55 the GAAP hierarchy was set forth in the American Institute of Certified Public Accountants' (AICPA) Statement on Auditing Standards (SAS) No. 69, *The Meaning of Present Fairly in Conformity with GAAP,* rather than in the authoritative literature of the GASB. The adoption of this statement did not have a material affect on the Trust.

Codification of Accounting and Financial Reporting Guidance

In April 2009, the GASB issued GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.* This statement incorporates into the GASB authoritative literature accounting and financial reporting guidance on related party transactions, going concern considerations and subsequent events previously only contained in AICPA Statements on Auditing Standards. The statement does not establish new accounting standards but rather incorporates the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards. The adoption of this statement did not have a material affect on the Trust.

Fund Balance

In March 2009, the GASB issued GASB Statement No. 54, *Fund Balance Reporting and Governmental Type Definitions*. This statement enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing government fund type definitions. The statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The new statement is effective for financial statement periods beginning after June 15, 2010. The Trust is currently assessing the impact of this statement on the reporting of its fund balance.

Notes to Financial Statements

June 30, 2010

NOTE 2 - CASH

Custodial credit risk is the risk that in the event of a bank failure, the Trust's deposits may not be returned to it. The Trust does not have a formal deposit policy for custodial credit risk. The Trust's deposits are held in a checking account at Camden National Bank and an escrow account at TD Bank.

At June 30, 2010, the Trust's bank balances totaled $13,114,949. Of this balance, $12,091,433 was held at Camden National Bank and was insured in full by the Transaction Account Guarantee Program through the Federal Deposit Insurance Corporation (FDIC). The remaining $1,022,516 was held in an escrow deposit account at TD Bank, and was insured up to $250,000 by the FDIC, leaving an uninsured balance of $772,516 at June 30, 2010. On August 17, 2010, the bank collateralized the uninsured cash through an Irrevocable Stand-by Letter of Credit issued by the Federal Home Loan Bank of Pittsburgh for a three-month term in the amount of $1,400,000.

The cash in the escrow deposit account held at TD Bank is pledged to secure a letter of credit issued by the financial institution. (See Note 4).

NOTE 3 - CAPITAL ASSETS

Capital asset activity is as follows for the year nine months ended June 30, 2010:

	Beginning Balance	Additions	Ending Balance
Capital assets:			
Office equipment	$ -	$48,268	$48,268
Less: accumulated depreciation			
Office equipment	-	1,609	1,609
Total capital assets, net	$ -	$46,659	$46,659

Depreciation expense in the amount of $1,609 has been included in transition expenses in the Statement of Activities.

The Trust incurred capital outlays in the amount of $51,165, of which $2,898 was individual items that were under the capitalization threshold of $1,000.

NOTE 4 - LETTER OF CREDIT

On June 24, 2010, TD Bank issued an irrevocable non-transferrable standby letter of credit of behalf of the Trust in favor of ISO New England Inc. (ISO), in its individual capacity and on behalf of the participants in the ISO's Markets and the participating transmission owners whose facilities are operated by the ISO in an amount not exceeding $1,022,467. The letter of credit expires June 30, 2011.

In consideration of the bank's extending the letter of credit, the Trust has pledged a security interest in an escrow account with the bank limited to $1,022,467 plus all interest which accrues thereon.

As of July 16, 2010, the board ratified an amendment to the existing irrevocable standby letter of credit agreement increasing the value from $1,022,467 to $1,250,000.

Notes to Financial Statements

June 30, 2010

NOTE 5 – ADVANCES FROM THE MAINE PUBLIC UTILITY COMMISSION

The following program funds were advanced to the Trust prior to June 30, 2010:

Regional Greenhouse Gas Initiative Trust Fund	Conservation Program Funds	Solar & Wind Energy Rebate Program	Total
$5,500,000	$7,200,000	$200,000	$12,900,000

The following program funds were transferred to the Trust subsequent to June 30, 2010:

Regional Greenhouse Gas Initiative Trust Fund	Conservation Program Funds	Solar & Wind Energy Rebate Program	Total
$3,649,527	$4,469,679	$454,278	$ 8,573,484

NOTE 6 - LEASE

The Trust's offices are located in a building leased by the MPUC. The Trust is currently considered a tenant-at-will. The utilization of office space at the MPUC during the transition period was insignificant, hence there was no charges for rent during the period ended June 30, 2010. Beginning July 2010, payments to the MPUC for rent amounted to $9,214 per month.

NOTE 7 - PENSION PLAN

Effective August 20, 2010, the Trust established a pension plan under Section 401(k) of the Internal Revenue Code. All employees who normally work more than 20 hours per week are eligible to participate in the Plan. Participation with respect to employee deferral starts on the date of hire. Employees who have completed one year of service and are eighteen years old are eligible to receive employer contributions to the Plan. The Trusts matches 100% of employee deferrals up to 5%.

NOTE 8 - ECONOMIC DEPENDENCY

The Trust obtained 100% of its funding from a State grant for the nine month period ended June 30, 2010. The Trust will be deriving approximately 70% of its total revenues from the State of Maine federal pass-through and state grant awards and approximately 30% of its total revenues from system benefit charges and fees.

NOTE 9 - ON-BEHALF PAYMENTS PAID BY THE PRIMARY GOVERNMENT

LD 1485 provided state employees of MPUC who would transfer to the Trust with the option of retaining their status and benefits as state employees. Four employees elected to retain their state employment status. Those employees are paid through the State of Maine's personnel system which is overseen by the Department of Administrative and Financial Services (DAFS) of the State of Maine. The Trust is currently negotiating a Memorandum of Understanding through at least June 30, 2011 with DAFS to outline policies, salaries and benefits for the four state employees.

Budgetary Comparison Schedule - Special Revenue Fund

Nine Months Ended June 30, 2010

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
State Grant - MPUC Reimbursement Fund	$ 700,000	$ 700,000	$ -
Other revenue		50	50
Total Revenues	700,000	700,050	50
Expenditures			
Contract services	538,131	448,734	89,397
Payroll and benefits	98,292	61,392	36,900
Contingencies and incidentals	63,577	61,148	2,429
Total Expenditures	700,000	571,274	128,726
Excess of Revenues over Expenditures	-	128,776	128,776
Fund Balance, Beginning	-		-
Fund Balance, Ending	$ -	$ 128,776	$ 128,776