

W e l c o m e

10th Year Anniversary – The Journey up the Mountain

This year, Green Mountain Energy Company celebrates its 10 year anniversary, marking us as a renewable energy pioneer and the longest serving green power marketer in the United States.

When I joined the company over seven years ago, it was based in an old airplane hangar in the Green Mountains of Vermont. We operated in the newly developed deregulated electricity markets of California, Pennsylvania and New Jersey and were building some of the first solar and wind facilities as a result of our customers' demand for renewable energy products. Today, I am proud to report that Green Mountain is the leading provider of cleaner energy and carbon offset solutions in the United States and has served over 1.5 million customers as part of the company's mission to change the way power is made.

Like any ascent up a mountain trail, our history has been marked with ups and downs, both of which you will learn more about throughout this report. As a company we have had to be creative and constructive and rely on our instincts to move forward at times when it seemed like the trail had disappeared. We are confident that our participation in the renewable energy market has played a key role in the movement to make the green power market more mainstream. Since 2000, the amount of renewable energy capacity serving green power markets has increased approximately 20-fold and we've grown by offering residential and business customers an easy way to purchase cleaner, competitively priced electricity and carbon offset products, and by remaining passionate about providing cleaner energy solutions.

There is no doubt that much of our success is due to the fact that we run our business with a strong commitment to environmental stewardship. By practicing the same principles that we ask of our customers, Green Mountain proves that a corporation can be both profit oriented and environmentally sound. These core values were integrated into the organization from the top down since its very inception 10 years ago and differentiate us from our competitors in both the energy and carbon offset sectors. As a result, we are positioned for the future as a strong and trustworthy national brand for cleaner energy products and carbon offset solutions.

We often talk about our environmental achievements and products; however as a for-profit business our financial achievements should not be ignored. Most notably, we achieved the milestone of cash flow positive in 2006 proving that an environmental products company can operate successfully in today's economy. Looking forward to the future, we expect to continue on our path of profitability, proving that a for profit company can do good for the environment and simultaneously be self sustaining and profitable. With the recent media attention on climate change and related effects of energy consumption and its impacts, we believe that the market for renewable energy products and carbon offset solutions will continue to skyrocket. We are proud to have been one of the earliest participants in this market and look forward to a successful future.

Sincerely,

Paul Thomas
Chief Executive Officer, Green Mountain Energy Company



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Company Overview

Green Mountain Energy Company is the nation's leading retail provider of cleaner energy and carbon offset solutions. Green Mountain offers residential, business, institutional and governmental customers an easy way to purchase cleaner, affordable electricity products, as well as the opportunity to offset their carbon footprint.

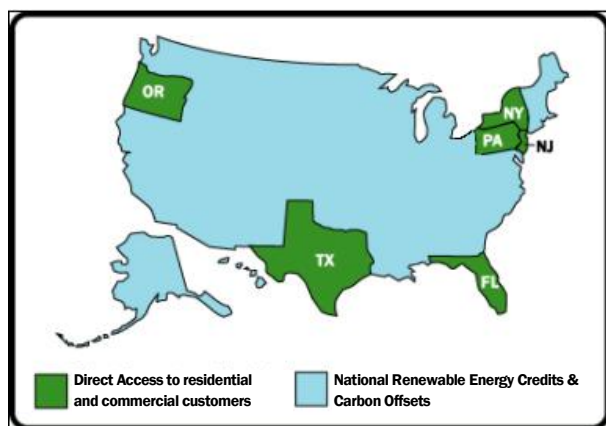
Headquartered in Austin, Texas, Green Mountain Energy Company began in Vermont in 1997 with a simple idea: Use the power of consumer choice to change the way power is made. We have done that by helping make possible 35 new renewable facilities over the last ten years, as well as selling more than 33 billion kilowatt-hours of cleaner energy to our customers.

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Green Mountain at a Glance:



Green Mountain's electricity service area covers Texas, Oregon, Florida, New York, Pennsylvania, and New Jersey. Additionally, our new carbon offset division BeGreen allows customers to purchase renewable energy credits, carbon offsets, and eco-products nationally.

Our Leadership

Management Team

- Chief Executive Officer and President
- Chief Financial Officer and Treasurer
- Chief Legal Officer
- Senior Vice President of Residential Services
- Senior Vice President, Supply
- Chief Environmental Officer
- President of Commercial Services

Growing an energy company takes more than just a good idea. It takes strong leaders. Green Mountain's leadership from our board of directors, environmental advisory board, and management team provides the direction and vision necessary for the next ten years. Please visit the links below to learn more about our leadership team.

[Board
of
Directors](#)

[Environmental
Advisory
Board](#)

scale, 58-kW facility, consisting of 594 solar panels, is the largest solar array in Dallas. The facility also serves as a learning tool for the students at The Winston School and was constructed, in part, due to the support of [Big Texas Sun Club®](#) members.

May 2002 — Green Mountain Energy Solar at Lake Farm Park — Kirtland, Ohio This ground-mounted facility is a commercial scale, 26-kW solar array comprised of 264 solar panels. The array also serves as a solar education opportunity for visitors to Lake Earmarking Kirtland, Ohio.

May 2002 — Green Mountain Energy Solar at Southern New Jersey — Deptford, N.J. This 52-kW system consists of 1,330 solar panels.

Feb. 2001 — Green Mountain Energy Solar at Pittsburgh — Pittsburgh, Penn. This 30-kW system is comprised of 175 solar electric panels installed on top of the IKEA store in Robinson Towne Centre.

Dec. 2000 — Green Mountain Energy Solar at Berkeley — Berkeley, Calif. This 100-kW facility has 924 panels and, when completed, was the largest photovoltaic solar array in the San Francisco Bay area.

May 2000 — Green Mountain Energy Wind Farm at Garrett, Penn. — Garrett, Penn. The company's first commercial wind farm (also a first for Pennsylvania) consists of eight, 187-foot high wind turbines. The wind farm is 10.4 megawatts (MW) in size.

Sept. 1999 — Green Mountain Energy Solar 2000 Mendocino — Hopland, Calif. This 106-kW facility is comprised of 1200 photovoltaic panels.

Apr. 1999 — Green Mountain Energy BJ's Solar — Conshohocken, Penn.

This 50-kilowatt (kW) facility, located on the roof of BJ's Wholesale Club, was the largest solar generation facility in Pennsylvania when built.

Big Texas Sun Club®

2005 — Lake Sheldon (6 kW) — Houston, Texas
 2005 — Dallas Habitat for Humanity (1.2 kW) — Dallas, Texas
 2004 — Dallas ISD Environmental Education Center (1 kW) — Dallas, Texas
 2003 — Houston Habitat for Humanity (1.2 kW) — Houston, Texas
 2003 — Seabrook Intermediate School (1kW) — Seabrook, Texas
 2003 — Alvin High School (1kW) — Alvin, Texas

SunSmart Schools

2007 — M.A.S.T. Academy (2 kW) — Miami, Florida
 2007 — South Miami Senior High (2 kW) — Miami, Florida
 2007 — Palm City Elementary School (2 kW) — Palm City, Florida
 2007 — Edgewood Jr./Sr. High School (2 kW) — Merritt Island, Florida

Solar Powered Schools Program

2004 — Park Elementary (1 kW) Geauga County, Ohio
 2003 — Stanton Middle School (1 kW) Portage County, Ohio
 2003 — Franklin Elementary (1 kW) Lorain County, Ohio
 2003 — Ledgeview Elementary (1 kW) Summit County, Ohio
 2003 — Chambers Elementary (1 kW) Cuyahoga County, Ohio
 2003 — C R Towslee Elementary (1 kW) Medina County, Ohio
 2003 — Longfellow Elementary (1 kW) Lake County, Ohio
 2003 — Jefferson Elementary (1 kW) Ashtabula County, Ohio
 2000 — East Lake High School (2 kW) — Chula Vista, California
 1999 — Cabot School (2 kW) — Cabot, Vermont
 1999 — Vermont Commons School (2 kW) — Burlington, Vermont

Section

1

The Journey Up the Mountain: Lessons in green product marketing

Typically, our annual environmental reports focus on just the past year's performance and metrics. However, with the celebration of our 10 year anniversary, 2007 has been a year of reflection within the company. We have therefore decided to combine our 2006 and 2007 reporting years so that we can more comprehensively assess our corporate performance over this new ten year milestone.

The market for renewable energy and green consumer products has in many ways evolved in parallel to our company, making the learning processes and successes and failures even more varied than if we had been in an established industry. We began our journey up the mountain with the mission to "Change the Way Power is Made" and while a lot of things may have changed along the way, we remain true to that goal. It's clear from the recent consumer and business interest in renewable energy and carbon offset products that while we are still going to be leaping over crevasses or building bridges, we will also certainly get a chance to start enjoying the view.

Green Before Green Was Mainstream

Green Mountain Energy Company helped create the renewable energy industry during the past 10 years as markets opened to electric competition, and consumers and businesses began making the environment a top priority. The company:

- Launched the nation's first retail renewable energy product in 1997, in California, the first state to deregulate its electricity market.
- Became the first renewable energy provider in Texas in 2001, and the first retail electric provider to help build a wind farm in the state since Texans were given the option to choose electricity providers. Today the wind farm is the fifth largest in the state and the 10th largest in

Green Mountain Energy Company

Milestones

1997 – Signed up [first Green Mountain customer](#) in California.

1999 – First [Green Mountain Energy solar and wind generation projects](#) built in Pennsylvania.

2001 – Became [first renewable electricity service provider](#) in Texas.

2002 – Began providing [renewable electricity service in Oregon](#) through a partnership with Portland General Electric (PGE).

2004 – Launched [green pricing program with Florida Power & Light](#) and began offering [cleaner electricity solutions to Texas commercial customers](#).

2006 – Established [BeGreenNow.com](#) to provide customers with carbon offset solutions and [eMission Solutions](#) to help commercial clients improve their environmental position.

2007 – Green Mountain's [10 year anniversary!](#)

the nation. Green Mountain Energy Company is Texas' only electricity provider dedicated to cleaner energy.

- Helped create what is currently the nation's largest residential utility green pricing program in 2002 with Portland General Electric (PGE), delivering the sales, marketing and supply services to provide renewable energy products to PGE's customers. The program was the top ranked green power program in residential sales in 2007.
- Began partnering with the nation's largest utility, Florida Power & Light (FPL), in 2004 to offer a green pricing program. The program currently ranks as one of the nation's top green pricing programs.
- Launched BeGreenNow.com in 2006 and 2007, an online carbon calculator and suite of eco friendly products for individuals interested in measuring and offsetting their carbon footprints.

"Green Mountain Energy Company was a pioneer in the renewable energy market, and has helped make green power more accessible to consumers and businesses. The company has been a leader in the cleaner energy movement, giving more people a choice in where their energy comes from." - Jan Hamrin, former president of the Center for Resource Solutions (CRS)

CRS administers Green-e, a program that certifies renewable power products sold by marketers, utilities, and energy-service providers in wholesale and retail markets. Like Green Mountain, CRS is also celebrating its 10th anniversary this year.

Marketing Case Study: Changing approaches to educating the public on electricity choice and the environment

As several new green products and services are introduced into the market each day, Green Mountain stands as an organization that has in many ways paved the way for these companies. Ten years ago the average person on the street knew very little about how their electricity was made and the impact it had on the environment. They didn't connect environmental issues like air pollution to making electricity from fossil fuels. Most had never heard about electricity choice or deregulation and when it was explained they were skeptical: "If I switch from my electricity provider, will I have the same reliability?" As the first company in this market space, it was clear that we had a significant amount of consumer confidence issues to address.

In the early years, we spent a significant portion of the company's time, energy and financial resources to educate consumers on the environmental problems created by burning fossil fuels to make electricity. This approach was based on the fact that most people did not realize the link between electricity production, fossil fuels, and carbon emissions. Educational events such as The "Know Your Power Festival", in Philadelphia, PA in 1998 are a perfect example of a grassroots event that we created to educate the newly deregulated Pennsylvania public on their power to choose different energy sources. Over 60,000 people attended the one day rock festival that included powerful speeches from celebrity spokespeople. We learned from this

experience that education had to be reinforced with innovative marketing and sales programs to motivate potential customers. In late 1999 our approach to marketing green products shifted to more traditional marketing that would reach a greater audience. Our marketing collateral became infused with lifestyle shots of families in natural settings and our messaging became focused on the value proposition that a purchase of renewable energy was “helping to make a difference for the environment”. By bringing the marketing focus into the mainstream and continuing to stay true to our environmental roots we developed a trustworthy and approachable brand for renewable energy products. This shift in approach enabled us to acquire customers beyond the “early adopters” and “tree huggers” and to grow our business into the success that it is today, proving the case that environmental products can have mass appeal.



During the past two years we have seen tremendous growth in awareness around global warming, carbon emissions, renewable energy, and tips for people wanting to make less of an impact on the environment. Mainstream publications such as Vanity Fair and Newsweek Magazine have dedicated entire issues to this subject and this has helped to more effectively distribute the enormous task of educating the public so that behavioral changes can be made. Today we find ourselves still taking on the responsibility to educate about renewable energy, global warming and carbon offsets. We take note that the questions from consumers are getting increasingly more sophisticated. The discussion today has evolved to focus more on the mechanics of renewable energy technologies and other carbon offset technologies, product integrity, the methodologies underlying online carbon calculators, and third party certification programs.

Visit our websites to learn more about how renewable energy and carbon offsets work:



www.greenmountain.com



www.begreennow.com

Helping to Shape the Legal and Regulatory Landscape

As the deregulated electricity markets have opened to competition, allowing businesses and individuals to choose their electricity provider throughout the U.S., Green Mountain has participated at the regulatory level to help develop rules and processes that support those markets. Our participation in Pennsylvania, New Jersey, Connecticut, California and Texas rules has been integral to the success of the company and has lifted barriers allowing consumers to choose their electricity providers in those states. Green Mountain has been a consistent advocate for market based solutions to environmental issues and has helped expand the market for renewables in deregulated states.

Several key characteristics of the Texas RPS have led to its success:

- The establishment of a tracking system which ensures credibility of the renewable energy credits that are being bought and sold in the Texas market place.
- A clear definition of qualifying renewable energy sources
- An abundant supply of class 4 and 5 wind sites in Texas
- A requirement that only “new” renewable resources qualify to participate in the RPS.

Specifically in Texas, our early participation during the rule development process helped to pass SB 7, the legislation that not only supported electricity choice in Texas but also implemented a renewable portfolio standard (RPS), which set an aggressive goal for the installation of new renewable capacity in the state. This program has been hailed as one of the most successful programs in the United States, and Texas is now the nation’s leader in installed wind capacity.

The success of the RPS and abundant supply of wind power has also led to the development of a robust voluntary market for RECs. This is important because it enables businesses and consumers the ability to purchase high quality renewable energy products from companies such as ours.

We anticipate the success of the Texas renewable market to continue. In a recent report provided by the Texas Public Utility Commission there was over 9,000 MW of new wind power either announced or under construction. This is in addition to the 4,000 MW of installed capacity that has been completed since 1995. The combination of Texas’s strong public policy commitment to renewable energy combined with rigorous market based mechanisms for implementation promise to provide a paradigm that other states and countries have and will continue to look to as a model of success.

Section 2 [A Measurable Impact]

Green Mountain Energy Company, the nation's leading provider of cleaner energy and carbon offset solutions, is committed to continue innovating and adapting to the dynamic conditions in these rapidly evolving and growing markets. The company's three-pronged business strategy positions Green Mountain to continue our leadership at the intersection of the renewable energy and carbon solutions industries.

Product Overview

1. Residential Electricity Sales

Deregulated Markets - Green Mountain offers retail customers cleaner energy options in markets that are deregulated, providing customers the opportunity to choose their electricity provider and, consequently, to choose how their power is made.

Utility Partnering - Green Mountain also partners with utilities in regulated markets to offer renewable energy products to their customers. Through these arrangements, Green Mountain provides the sales, marketing and supply services that are required to operate a "green pricing" program. Green Mountain's utility partners include Florida Power and Light (FPL), the largest utility in the country to offer a green pricing program, and Portland General Electric (PGE), who has the nation's largest residential utility green pricing program. Green Mountain also participates in multi-supplier utility partnering programs in New York and New Jersey.

2. Commercial Services (C&I)

Green Mountain established the Commercial Services Division to provide cleaner energy products to Texas businesses looking for competitively priced, environmentally-friendly electricity products. Some of the C&I division's notable customers include: the Hyatt Regency Dallas at Reunion and Hyatt Regency DFW International Airport, ClubCorp, FedEx Kinko's and REI.

3. Carbon Offset Solutions

eMission Solutions - Green Mountain is uniquely positioned to deliver innovative and cost effective carbon reduction solutions to commercial sector clients seeking to improve their environmental position. In addition to carbon offset products, the eMission Solutions division offers a comprehensive suite of services including assistance with voluntary emissions calculations, development of corporate sustainability initiatives and green branding and marketing strategy.

BeGreenSM Carbon Offsets - For individuals, Green Mountain offers BeGreenSM Carbon Offsets, an easy way for consumers nationwide to reduce their impact on global warming. The innovative products offered through our web site (www.BeGreenNow.com) provide consumers with simple solutions to offset their carbon footprint and take steps towards becoming carbon neutral.

Gifts of Green – Green Mountain also sells Gift of Green cards through the BeGreenNow website, which consist of a card with a plantable seed ornament along with a native tree planted in an ecosystem restoration project. Each tree planted absorbs CO₂ over its lifetime and helps restore the ecosystem to its former state. Customers can choose between cilantro, chili pepper, and forget-me-not ornaments and send the cards directly to the recipient with a personalized message.

Case Study: Discovery Channel Pro Cycling Team offsets carbon emissions with Green Mountain



In 2007, the Discovery Channel Pro Cycling Team recorded a record-setting eighth Tour de France title and left behind a reduced carbon footprint with their "green" commitment. The team partnered with Green Mountain on the project and offset 100% of the carbon dioxide (CO₂) emissions created by race support vehicles, uniform production and website hosting. Overall, the team offset a total of 89 metric tons of CO₂ from vehicular usage and purchased 70 Megawatt-hours of renewable energy credits to offset the production of racing uniforms and powering the team's website, www.thepaceline.com.

To celebrate their green commitment, the cyclists wore special green accented jerseys, shown to the left. The team also developed a reforestation program surrounding the Tour de France in which 30 trees were planted each time a

Discovery Channel rider won a stage or wore a special classification jersey. The commitment resulted in 780 total trees planted in Northern California's Mendocino Forest, a favorite training ground of Discovery rider Levi Leipheimer.

Entering the Carbon Offset Market

With the creation of our BeGreenNow and eMission Solutions divisions, Green Mountain embarked on a new challenge of selling carbon offsets to individual and corporate consumers. Part of that challenge was educating people about how carbon offsets work to combat global warming.

How do carbon offsets help the environment?

As consumers make the positive choice to support carbon offsets made from sources like renewable energy projects, their purchases help add sources like wind, solar and biomass to the national power grid. As the demand increases for these cleaner energy sources, less of our electricity comes from limited and polluting fossil fuels. In addition to the desirable environmental benefits obtained through carbon offsets and green energy, supporting the move toward greater diversity in the fuels we use creates a more balanced and sustainable energy future.

Transparency in the sourcing and verification of our carbon offset products helps bolster consumer confidence in our environmental claims. Green Mountain provides a full list of the different sources of our offsets, their locations, and the verification processes we use. The following information is available to all BeGreen customers on our website BeGreenNow.com.

Where does the money go?

When customers calculate and purchase BeGreen Carbon Offsets, their purchase is used in one of three ways:

- Buying renewable energy credits (RECs) from solar, wind and biomass facilities around the country — many of them created as a result of Green Mountain Energy customer demand;
- Funding reforestation projects through our partnership with organizations like [American Forests](#);
- Supporting other project-based carbon offset technologies — for example, new projects to increase energy efficiency.

Locations of Green Mountain's Carbon Offset Sources:



How do we verify our offsets?

Currently there is not one universally accepted and preferable certification scheme that has emerged for carbon offset products. Until there is a program that is universally acceptable, Green Mountain's offsets are verified by the following integrated approach:

- For offsets derived from Renewable Energy Credits, many are certified by the Green-e certification standard — the nation's leading independent certification and verification program administered by the Center for Resource Solutions.
- Energy Efficiency offsets are sourced and verified by The Climate Trust, a leading non-profit organization that provides high quality greenhouse gas offset projects and advances sound offset policy. The Climate Trust is widely acknowledged for their development of transparent, verifiable and additional offsets.
- Green Mountain has contracted with a third-party auditing firm to verify the purchases and sales for its 2006 sales and beyond. In addition, all offsets purchased from Green Mountain are subject to an annual internal audit managed by our Settlements Division.

The lack of a single standard for verification methods has caused some less than favorable media perceptions of carbon offsets. Several stories have been recently published expressing skepticism about the positive environmental impact of carbon offsetting. Green Mountain is prepared to dispel these concerns, and our environmental affairs department is more than happy to sit down with members of the media to go over the logic behind carbon offsetting.

For instance, we often get asked, “How does offsetting my carbon footprint help the environment?” Although a consumer’s individual carbon emissions are not being reduced by offsetting, purchasing offsets supports the growth of lower-emitting activities, like installing new energy efficient technology and building renewable energy facilities. The dollars spent on an offset help fuel the market for more environmentally friendly choices, creating the incentive for even more of these choices to be made in the future.

Another common concern involves transparency and accountability. In the absence of universal standards for carbon offsets, consumers are responsible for researching carbon offset companies’ verification standards and sources. Potential carbon offset customers should look for information similar to that provided in this section about sourcing, verification, and audits before making a purchase. In general, the environmental literacy of consumers has been increasing, and Green Mountain has been answering increasingly sophisticated questions about carbon offsets. Read on to find a detailed description of how each source we use for carbon offsets actually works.

Focus on...

Renewable Energy Credits

Known as a renewable energy credit, a REC represents the environmental attributes of 1 MWh of power generated from renewable sources. Purchasing RECs ensures that more electricity comes from renewable energy sources, which reduces the amount of electricity generated from polluting fossil fuels. All RECs included in our BeGreen Carbon Offsets™ come from “new” renewable facilities, so they help make a difference by supporting growth in the renewable energy industry.

Forest Sequestration

As they breathe, trees remove carbon dioxide and other pollutants from the air. By purchasing BeGreen Carbon Offsets™, a portion of the investment goes towards carbon sequestration projects in the form of tree planting. Carbon sequestration means simply that carbon dioxide is removed from the atmosphere. We work with partners like American Forests to plant native trees in ecosystem restoration projects across the U.S. Forest sequestration offsets also improve community aesthetics and provide homes for wildlife.

Energy Efficiency

Energy efficiency offsets represent the carbon dioxide avoided by a reduction in energy consumption. For example, replacing old, inefficient heating and cooling systems with efficient ones reduces energy consumption. This reduction leads to lower CO₂ emissions, so there is some net amount of CO₂ avoided. We work with groups like The Climate Trust that implement these energy efficiency projects. By purchasing energy efficiency offsets, more projects can be completed.

How can consumers calculate their carbon footprint?

Green Mountain provides a carbon calculator on the BeGreenNow website where consumers can input details about their fossil fuel consumption. Our calculator allows users to be as accurate or general as they want by providing both national averages and fields for exact personal usage in every category. Read below to find out more about our methodologies for each section.



Vehicles

Vehicle emissions are calculated by determining your annual gasoline usage and multiplying that number by a CO₂ emissions rate for gasoline. Our emissions rates for gasoline come from the EPA Climate Leaders Mobile Source guidance manual.



Electricity

To calculate your CO₂ emissions from electricity, we simply multiply your monthly electric usage times the CO₂ emission rate of typical system power in your area. The CO₂ emissions rate is determined using the EPA's eGRID 2006, Version 2.1, year 2004 database.



Natural Gas

We calculate your emissions from natural gas by multiplying your monthly usage in therms by a natural gas emissions factor. The CO₂ emissions factor for natural gas comes from the EPA Climate Leaders Direct Source guidance manual.



Travel

For CO₂ emissions from air travel, we calculate your total flight mileage based on the data you entered. Then, we divide the flights into long, medium, and short distances and multiply those by emissions factors from the World Resources Institute's GHG Protocol.

New Renewable Goals

A Measurable Impact

By increasing our demand for “new” renewable energy year on year, we are making a difference for the environment and helping to expand clean energy markets.

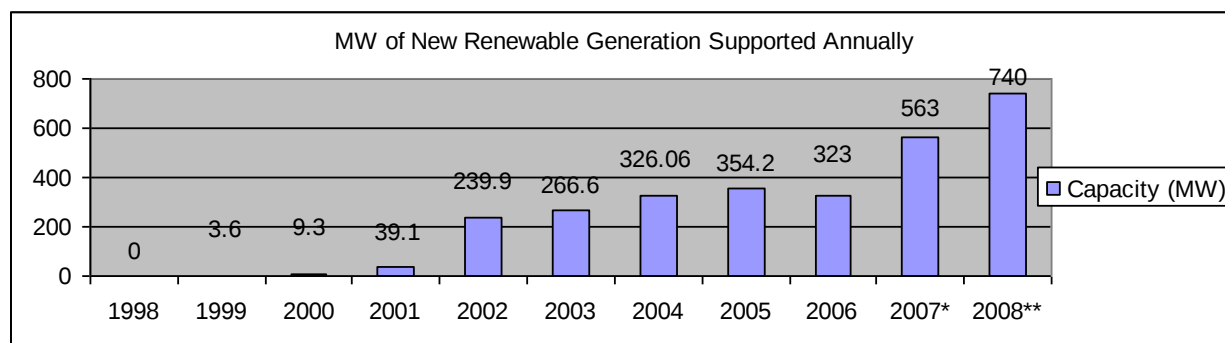
The company’s annual corporate sales and marketing goals are inherently tied to the amount of “new” renewable energy that Green Mountain will offer through its cleaner electricity products. We have achieved year on year increases during the past 10 years and have in most years even exceeded our goals.



The term “new” renewables indicates renewable energy that comes from facilities that begin producing power on or after January 1, 1997. These eligible facilities are considered to have been built to meet the increasing demand of the voluntary and regulatory renewable energy markets and for each MWh of energy generated from them an additional commodity called a renewable energy credit or REC is created. RECs carry with them the environmental attributes and benefits of renewable energy. One of the most important of which is the intrinsic carbon dioxide (CO₂) emissions benefit. Therefore, only the RECs coming from “new” renewable facilities are counted towards carbon dioxide emissions offsets.

*2007 numbers are estimated and only include data up to the third quarter.

**2008 numbers represent goals



The only anomaly in the overall trend of continuous improvement in new renewables supported shows that in 2006 there was a slight decrease from 2005. This decrease occurred because the Company chose to exit the Ohio market due to adverse market conditions and regulatory

environment. To reverse this trend, the company implemented strategies to support the growth of new customers in our other regions like Texas, Florida, Oregon and national RECs sales and improve the overall product content.

In 2007, our corporate goal for new renewables was 475 MW of renewable energy and we surpassed this goal by almost 125 MW. According to the most recent data at the time of this report, which reflects volumes only through the end of the third quarter of 2007, we are at almost 92% of our goal. The majority of our new renewable content is sourced from wind and biomass facilities located through the nation.

Our 2007 success can be attributed to:

- Product development improvements in the utility partnering product offerings in Oregon (with Portland General Electric) and Florida (with Florida Power and Light).
- Through an annual process with our utility partners and some of their stakeholders, we analyze the products being offered in their markets and recommend improvements for the coming year. These discussions cover the product content (i.e. % new renewable in the product) as well as the product sources (i.e. % wind, biomass, water, etc). It is often important to our partners to consider specific geographical and market based requirements. For example, it makes sense to set goals to include solar energy for customers purchasing renewable products in the Sunshine state.
- While product improvement can be defined in many ways, the increase in the amount of new renewables in the product provides a clearly measurable impact. From the tables below, it is evident that as the Florida and Oregon Utility partnering products increase in their new renewable contents year on year, there is a correlating increase in the amount of carbon dioxide emissions (CO₂) avoided.

FPL Sunshine Energy Product - Increase in new renewable content correlated to CO ₂ avoided		
Product Year	% New Renewable	CO ₂ avoided (short tons)
2005	50%	79,096
2006	55%	115,429
2007* (January – September)	65%	124,714

PGE Green Source Product – Increase in new renewable content correlated to CO ₂ avoided		
Product Year	% New Renewable	CO ₂ avoided (short tons)
2005	50%	109,304
2006	50%	88,530
2007	100%	144,531

→ Increases in REC only sales to businesses through our eMission Solutions product line.

- All products sold under the eMission Solutions REC only business are comprised of 100% new renewable content.

A Measurable Impact

The environmental impact of our products can be expressed through their ability to avoid carbon dioxide (CO₂), a greenhouse gas and the leading cause of global warming.

Purchasing cleaner electricity products and carbon offsets is one of the most powerful ways that an individual or business can lessen its impact on global warming. According to the EPA, the average U.S. household creates approximately 20.75 metric tons of CO₂ annually. The chart below shows how many tons of CO₂ are offset by our cleaner electricity products.

Green Mountain Energy Products*	KWh/ Month	KWh annually	CO ₂ avoided annually (tons) 2006	CO ₂ avoided annually (tons) 2007	% Comparison to average household's footprint (207.75 tons)
FPL Sunshine Energy	1,000	12,000	4	5	26%
NJ Utility Partnering	750	9,000	2	3	14%
NY National Grid product	571	6,852	2	1	5%
OR PGE Clean Wind	200	2,400	2	1	5%
OR PGE Green Source	900	10,800	4	5	24%
OR PGE Healthy Habitat	1,000	12,000	4	5	24%
TX Residential 100% wind	1,000	12,000	9	9	41%
TX Residential Pollution Free	1,000	12,000	1	1	4%
TX Apartment Community	800	9,600	1	1	4%
[this is not a current C&I product; need to replace with current C&I products]					
TX C&I 100% Wind	3,750	45,000	33	32	--
C&I Tag only (10%)	40,726	4,073	3	3	14%
BeGreen Carbon Offsets for Home electricity usage		11,255	--	8	37%

*Products that were not offered in 2007 were not indicated for comparison, neither were commercial and industrial products.

A Measurable Impact

Helping to build new renewable facilities throughout the nation is a tangible way to live up to our mission to “change the way power is made”

Achieving our stated mission to “change the way power is made” relies on our unsurpassed commitment to supporting the development of new renewable facilities across the nation. This is a key differentiator between Green Mountain and its competitors in the market. Over the last ten years, the company has helped develop 35 wind and solar facilities equaling over 180,000 KW of renewable energy. Our financial support in the early stages of development was crucial to the success of these facilities, and Green Mountain is proud to have contributed toward cleaner energy in such a concrete way. The environmental impact of our facilities in 2006 and 2007 shows how our mission is being carried out with every pound of carbon dioxide avoided.

2006 & 2007 GMEC Facilities CO2 Avoided

Region	Total CO2 Avoided in 2006 (lbs)	Total CO2 Avoided in 2007 (lbs)
Pennsylvania	12,023,578	9,856,407
Texas	97,942,311	421,316,031
California	246,558	265,500
Connecticut	14,133	16,816
Ohio	22,474,450	23,017,979
Other Facilities	67,090	149,964
TOTAL	132,768,120	454,622,697



The Big Texas Sun Club® is a unique program developed by Green Mountain in 2001 and has alone been responsible for the development of 129 kW of solar in and around Texas.

Case Study – The Big Texas Sun Club®

An innovative way to give power to the people.

With the *Big Texas Sun Club*, customers pay an extra \$5 per month to support new solar energy generation. Thanks to thousands of *Big Texas Sun Club* members, 10 solar arrays are up and running on schools, museums and other community enriching buildings throughout our home state.

While most of Green Mountain branded facilities are located in rural areas where it is often difficult to visit, these solar arrays are located in major metropolitan areas like Dallas and Houston and help to educate the community on the accessibility of clean energy sources.

The support of Club members led directly to the 2007 installation of a 10.8 MW solar array at the new Ronald McDonald House in Austin, Texas. For more details on the project, see “New Renewable Facilities” on page 16. **Our 2008 goal is to build three new solar installations in Texas.**



The company and its customers, who support the development of renewable energy projects when they purchase Green Mountain Energy® electricity, have made a significant environmental impact the last 10 years, including:

- Delivering more than 33 billion kilowatt hours (kWh) of cleaner energy into the marketplace — enough electricity to power over 2.9 million average U.S. homes in one year.
- Spurring the development of 35 new renewable energy facilities.
- Avoiding more than 3 million tons of carbon dioxide (CO₂) emissions, which is the equivalent of not driving 7.3 billion miles or the annual sequestration of 290 million trees.
- Achieving 100% carbon neutrality for our business operations through our membership in the EPA Climate Leaders program.
- Planting over 100,000 trees in partnership with American Forests.
- Sourcing all of our renewable energy products in part with generation from new renewable sources.
- Building a year on year increase in the amount of new renewables demanded by our customers since 1999.

LEED Certification of our Corporate Headquarters

Why we care

In the spirit of ongoing leadership in corporate sustainability, we moved our headquarters to one of the greenest buildings in downtown Austin. We achieved LEED silver certification in early 2006 and are proud to be among the first interior office spaces in Austin to have followed the LEED process.

What we used

Recycled Materials

- Hot rolled steel panels line the hallways.
- Front lobby benches, desks, and some conference tables were crafted from reclaimed long-leaf pine.
- Acoustical tectum ceiling tiles were made out of leftover shavings from harvesting ash trees.
- Carpet blocks were manufactured using a high percentage of recycled nylon.
- Gypsum board sheet rock was made using 35% recycled content and 10% post-consumer waste.
- Herman Miller provided 99% recyclable office furniture made out of 27% recycled content.
- Fabric coverings for chairs, aluminum door frames, and ecoresin window frames all used recycled materials.
- Over 80% of all construction waste for the project was sent to a recycling facility instead of taken to a landfill!



Natural, Non-Toxic Components

- Concrete floors sealed using non-toxic low VOC sealant.
- Break room cabinets were manufactured using wheatboard, which is ground and compressed agricultural waste wheat residue.
- All walls painted using low VOC paint.
- Regionally sourced limestone and native plants decorate the front lobby.

Energy Efficiency

- Energy Star rated appliances were installed in the break room and coffee areas.
- Compact fluorescent light bulbs are in each of the task lights at the desks as well as in the hanging metal pendant lights.
- State of the art day lighting system senses when the room has enough daylight available and shuts off the overhead halogen lights.

What we think

"I was surprised to discover the magnitude of the positive impact that the new office environment had on productivity and employee morale. The design team did an exceptional job selecting natural and non-toxic building materials and creating a progressive exciting feel for employees to enjoy. It is nice for folks to be able to work in a professional setting that's environmentally friendly and sustainable, not generic and stifling." – Heidi Schrab

"It has been amazing to witness the powerful message that our LEED certified office space sends, not only to those of us who work here, but also to the many clients and colleagues who pass through. Having hosted several meetings of industry colleagues in our new space, I have proudly witnessed many times the faces that say 'Wow, this is *cool*'. Green Mountain is seriously green'." – Rob Bevill



Energy Savings

Our electricity usage has plummeted in the new LEED certified office. We used 514 MW of electricity in 2006, compared to 1,034 MW of electricity in the old office in 2005. That's a savings of over 50%, and the equivalent of taking 65 cars off the road per year or the annual carbon sequestration of over 44,000 trees.



Employee Commuting Program

Purpose:

Recognizing that traffic congestion contributes to air pollution and energy waste, Green Mountain implemented an employee commuting incentives program to encourage alternative transportation solutions. Miles avoided in traditional single-occupancy vehicles reduce congestion and improve local air quality.

Qualifying Transportation:

Walking, bicycling, utilizing public transportation, carpooling, low emissions vehicles such as scooters or electric bikes, and hybrid vehicles are all included in the definition of alternative commuting solutions.

Tracking & Awards Process:

Points were awarded to participants based on the method of commuting as well as the number of days commuting. The lowest emitting transportation methods, such as bicycles and hybrid vehicles, received the most points (see chart below). Employees also report the number of miles using traditional transportation saved for their personal commutes.

Participating employees are eligible to attend free monthly luncheons and receive small rewards. Employees reporting the most points and most miles saved also receive larger rewards quarterly and annually.

A Measurable Impact

- Employee participation rose from 15 commuters in 2006 to 26 commuters in 2007.
- In 2006, participants saved over 21,283 miles of transportation in single occupancy fossil fuel burning vehicles.
- In 2007, participants saved over 20,956 miles of transportation in single occupancy fossil fuel burning vehicles.

Commuting Type	Point Equivalent
Basic Carpooling – 2 people in a traditional vehicle	1 point
Scooter or electronic bike	1 point
More than two people in a traditional vehicle	2 points
Bus	2 points
Commuting in a hybrid or bio-diesel vehicle	3 points
Bike	5 points
Daily participation point	1 point

New Renewable Facilities

Ronald McDonald House: Austin, Texas

The 10.8 kW Green Mountain Energy® Solar facility at Ronald McDonald House was the first of its kind in the nation, opening in mid-2007. The solar facility is built with 54 photovoltaic (PV) solar panels; is nearly 950 square feet and powers up to 15 rooms in the new Ronald McDonald House. Additionally, there is educational signage located inside explaining how the solar array works and how it contributes to the building's energy efficiency.



"This is a great opportunity for Green Mountain Energy Company to give something back to the Austin community, our corporate home. Building this solar facility supports our mission to change the way power is made."

- Paul Markovich, senior vice president of Residential Services

Green Mountain donated and funded the installation of the solar panels for the new Ronald McDonald House through the Big Texas Sun Club®, a program in which Texas customers can choose to support solar energy installations in Texas by paying an additional \$5 on their monthly Green Mountain Energy electric bill. With this installation, Green Mountain's Big Texas Sun Club® is responsible for creating about 129 kW of new solar energy capacity in Texas since 2002.

The solar array will help offset over 30,000 pounds of carbon dioxide (CO₂) annually, which removes the CO₂ equivalent of driving over 33,000 miles — about 85 roundtrips from Austin to Dallas. Also of note, the Ronald McDonald house will be one of two LEED Platinum buildings in Austin and among the first in the Southwestern U.S., thanks in part to the solar array made possible by Green Mountain.

Rothenbach Park: Sarasota, Florida

In partnership with Florida Power & Light, Green Mountain's Sunshine Energy® customers in Florida helped fund the largest solar array in their state. The FPL *Sunshine Energy* Solar Array at Rothenbach Park is located on an old landfill on Bee Ridge Road east of downtown Sarasota. The array is the state's largest solar power system and the second largest in the Southeast U.S. It will produce up to 250-kilowatts (kW) of electricity, which is enough to power about 45 average homes.



Rothenbach Park consists of 1,200 photovoltaic (PV) panels, covering an area the size of half a football field. Power generated by the solar array will prevent more than 654,000 pounds of carbon dioxide (CO₂) emissions each year. That's as much CO₂ as a car emits driving the 460 mile round-trip from Sarasota to Miami nearly 1,600 times!

The Evolution of Corporate Sustainability

Green Mountain was founded in 1997 with the conviction to “change the way power is made”. Part of that conviction was finding ways to walk the talk by improving our own corporate sustainability. Beginning with the Environmental Charter, Green Mountain planted the seed for an ongoing commitment to protecting the environment with our own internal policies, programs, and standards. Ten years later, we continue to grow in our adherence to sustainability principles, most recently through the addition of the Green Ambassadors program, the Employee Commuting program, and the U.S. Green Building Council’s LEED certification program. Future commitments include remaining carbon neutral through the EPA Climate Leaders program through 2010 and matching employee contributions to EarthShare, a network of nonprofit environmental and conservation organizations.

Overview of Green Mountain’s Environmental Policies, Programs and Standards			
Policy	Issue Date	Latest Revision	Geographic Scope
Environmental Charter	Fall, 1997	Summer 1999	Company wide
Ceres Principles Adoption	Spring, 1999	- - -	Company wide
Green Mountain Values	Fall, 1997	Winter 2003	Company wide
Commitment Regarding Old Growth Fiber	Winter, 2000	- - -	Company wide
Relocation Policy	August 2001	- - -	Corporate Headquarters
Recycling Policy	Fall 1997	Spring 1999	Company wide
Paper Standard	Winter 1999	Summer 2000	Company wide
Non-Energy Product Standard	Winter 2001	- - -	Company wide
Corporate CO ₂ Offset Policy	Fall 2003	Fall 2004	Company wide
Employee CO ₂ Offset Policy	Spring 2003	- - -	Company wide
Renewable Energy Supply Policy	Spring 2004	- - -	Company wide
Renewable Energy Facility Assessment Standard	Spring 2005	Spring 2006	Environmental Sourcing
Commuting Program	Spring 2004	Spring 2006	Company wide
Duplex Printing Policy	Winter 2004	- - -	Corporate Headquarters
Green Ambassadors Program	Winter 2004	- - -	Company Wide
Computer and Cell Phone Recycling Policy	Winter 2004	- - -	Company Wide
USGBC LEED – CI Certification	2005 - 2006		Corporate Headquarters

Green Mountain Energy Company

Corporate Values

Integrity

Integrity is the foundation of our business. We will adhere, individually and collectively, to our commitments, our values, and the ethical conduct of our business.

Sustainability

We are dedicated to the environment and maintaining lasting, mutually beneficial relationships in all aspects of our business.

- To customers, we are committed to providing quality products and services that consistently represent an exceptional value and result in high customer satisfaction.
- To society, we are committed to improving the environment through the products we sell and how we conduct our business.
- To employees, we are committed to offering a rewarding workplace that encourages mutual respect, communication, openness to challenge, and the opportunity for both personal and professional growth.
- To our investors, we are committed to creating value and consistently delivering outstanding financial returns.

Results

Customers, society, employees, and investors will measure us by what we deliver. We will relentlessly pursue outstanding results that meet our company goals and objectives.



Greenhouse Gas Reporting

EPA Climate Leaders



Climate Leaders is an EPA industry-government partnership that works with companies to develop comprehensive climate change strategies. Partner companies commit to reducing their impact on the global environment by completing a corporate-wide inventory of their greenhouse gas emissions based on a quality management system, setting aggressive reduction goals, and annually reporting their progress to EPA. Through program participation, companies create a credible record of their accomplishments and receive EPA recognition as corporate environmental leaders.

As a member of the EPA Climate Leaders program, Green Mountain has pledged to achieve net zero U.S. GHG emissions by 2005 and maintain that level through 2010. In order to prove that we are standing by that pledge, we are required to document and report our annual 'carbon footprint'. A carbon footprint is the total amount of greenhouse gases produced to directly and indirectly support our company's activities, expressed in metric tons of carbon dioxide (CO₂). The sources of carbon dioxide that contribute to Green Mountain's carbon footprint are natural gas use, electricity use, refrigerant use, corporate air travel, employee commuting, and other mobile sources like company vehicles.

The chart below documents our self-reported carbon footprint from 2004 to 2006, showing a decrease of 38%! Major contributing factors to our smaller carbon footprint include our more energy-efficient LEED certified corporate headquarters and our employee commuting incentive program. Even as our carbon footprint shrinks through conservation measures, we continue to offset 100% of our carbon emissions in keeping with our Climate Leaders obligation.

Carbon Dioxide Sources	2004 (mt)	2005 (mt)	2006 (mt)	% Change
Direct Emissions from Office Natural Gas Combustion	0.00	0.00	0.63	+100%
Indirect Emissions from Office Electricity Consumption	725.21	680.74	510.51	-40%
Refrigerant Emissions from Office AC use	2.00	3.51	2.33	-8%
Emissions from Corporate Air Travel	259.25	234.03	230.23	-12%
Emissions from Employee Commuting	928.69	473.32	618.33	-73%
Mobile Source Emissions	9.97	11.44	34.79	+80%
Total GME Carbon Footprint	1,925.11	1,403.04	1,396.82	-38%

Chicago Climate Exchange

In 2006, Green Mountain joined the Chicago Climate Exchange (CCX), which is the world's first and North America's only active voluntary, legally binding integrated trading system to reduce emissions of all six major greenhouse gases with offset projects worldwide. As an associate member, we committed to reduce our carbon emissions by 10%. Since completing the emissions reduction process for 2006, we have decided to focus our corporate emissions reporting on the EPA Climate Leaders program requirements. This decision was made after realizing that Climate Leaders offered a more comprehensive reporting program. However, the CCX also offers a robust carbon offset trading platform which Green Mountain continues to utilize for our eMission Solutions and BeGreen divisions.



Texas Clean Air Partners

Green Mountain has joined 105 other companies and public agencies in central Texas through the Texas Clean Air Partners program to reduce emissions in our local area. Clean Air Partners promotes the successes of their partners and documents good-faith emissions reductions annually, promoting a goal of 10% reductions for each of three years. As a division of the Clean Air Force of Central Texas, Clean Air Partners helps ensure regional visibility for the efforts of its partners to help improve our local air quality.



Corporate Emissions Reporting Standards

Through the years, we have used several different emissions reporting schemes in order to stand by our commitment to document and reduce our environmental impact. EPA Climate Leaders, Chicago Climate Exchange, and Texas Clean Air Partners are just a few among many disparate standards that companies can choose from in order to be responsible stewards of their environment. For our purposes, EPA Climate Leaders had emerged as the strongest, most comprehensive standard of emissions reporting, and Green Mountain intends to focus its energies on using that system in the future. We would also like to see the creation of a universal emission reporting standard that would eliminate the difficult decision between these reporting entities, enabling companies like ours to easily report their emissions reductions.

Section 4

Looking Forward: The Next 10 Years



Lessons Learned...

- There is substantial demand for cleaner electricity and carbon offsets.
- Education reinforced with integrated sales and marketing programs work well when marketing green products.
- It is important for companies selling green products to “walk the talk” by incorporating sustainable practices into business operations.
- Employees value green programs in the workplace.
- The public relations value of going green is often underestimated.

Having come so far in since 1997, Green Mountain is proud to celebrate accomplishments like 35 new renewable facilities and 3 million tons of CO₂ avoided with our products. With these milestones in our past, we feel confident that Green Mountain has the momentum to move forward to new successes. As such, we are cautiously optimistic for the future of the company within the larger renewable energy and carbon offsetting industries.

Growing Certificate Markets

In the past, state utility regulations have limited customers to purchasing power from their municipal electricity provider. Even if they wanted to choose a greener power option, they couldn't. This situation is slowly changing as states deregulate their electricity markets. Green Mountain has taken advantage of deregulation in several states, like Texas and New Jersey, to provide cleaner energy directly to consumers.

However, deregulation proceeds slowly, and growing demand shows that people want renewable power now. Tradable certificate markets for renewable energy and carbon offsets

have begun to fill the gap, allowing Green Mountain to sell renewable energy certificates and carbon offsets around the country. Now, anybody can choose to “be green now” by purchasing carbon offset products through our new BeGreen and eMission Solutions divisions.

Growing certificate markets mean more robust trading and better value for consumers who purchase carbon offsets from Green Mountain. According to a recent press release, the Chicago Climate Exchange showed a 68% increase in membership and more than a 100% increase in tons of carbon dioxide traded in 2007 alone. Although voluntary exchange platforms like the CCX are just getting off the ground, the future seems to hold great promise for these markets and the companies, like Green Mountain, that use them.

Climate Change Legislation

Voluntary markets like those discussed above have been growing in their own right, yet mandatory emissions caps will spur the market even further. National climate change legislation appears to be moving closer and closer to realization. Several different schemes have been proposed, including carbon emissions cap-and-trade, carbon taxes, and a national renewable portfolio standard. The end of 2007 saw a strong vote in the House of Representatives in favor of a national renewable portfolio standard, although it was cut in the final version of the bill. Nevertheless, the Energy Independence and Security Act of 2007 did include more stringent fuel economy standards for vehicles and other policies addressing energy efficiency and carbon emissions. Policies like these show that the United States may be on the cusp of major climate change legislation, which would provide the strongest impetus to involuntary emissions markets yet.

Increasing Consumer Awareness

Public knowledge of global warming has grown markedly in the past two years. The popularity of Al Gore's documentary *An Inconvenient Truth* and the release of the IPCC's latest report on the advance of climate change have been two landmark events that catapulted global warming into the consciousness of America. Also, the world's largest corporations have begun make public their carbon impacts and adopt emissions-cutting policies that aid their public image. All of these factors point to a green movement that is gathering momentum among consumers, and Green Mountain is poised to take advantage of it. 2007 saw record sales and new enrollment of electricity customers for the company, about 70% higher than in 2006. Demand growth on this scale indicates growing consumer demand for environmentally friendly power. Looking ahead, Green Mountain can expect to provide green power and carbon offsets to this new generation of climate conscious consumer.

"I can't describe the incredible change in consumer attitudes about the environment and willingness to consider environmental issues as they make purchasing decisions. There's a desire to make a difference by buying an environmentally responsible product."

-Paul Thomas, CEO

Austin Business Journal
"Gone Green" 2/4/08

A Winning Combination

Green Mountain is a major player in the market, providing both renewable energy *and* carbon offsets. Our growing portfolio means that clients can turn to us for assistance with a number of different environmental initiatives, most recently including help with the U.S. Green Building Council's LEED certification process. Green Mountain's diversity is an advantage in a today's voluntary emissions reduction market, where companies and consumers are already making an extra effort to do their part. We can help simplify the process of going green and make it more likely that people will choose to do so at all. Furthermore, the addition of carbon offsets to our list of products enlarges Green Mountain's growth opportunities. National and international clients are now able to use Green Mountain to shrink their carbon footprint, allowing the company to continue to grow our brand by capitalizing on widespread demand for cleaner energy. By 2017, we hope to be able to claim similar successes to those we have celebrated in our first ten years, but on an even larger scale.

