

To the Board of Directors of Three Phases Energy LLC and the California Energy Commission, Technology Evaluation Office

We have performed the procedures enumerated below, which were agreed to by Three Phases Energy, solely to assist you with the respect to complying with annual reporting requirements of the California Energy Commission's Power Source Disclosure and Customer Credit Programs for the three months ended March 31, 2003. The agreed-upon procedure engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report.

Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

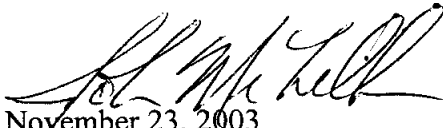
1. We obtained an internally generate report from Three Phases Energy LLC that listed the kilowatts of *green energy purchased* during the three months ended 2003, the date of the purchase and energy supplier. We performed the following procedures:
 - a. Vouched the all purchases to the supplier's original invoices without exception. There was no need to make a sample selection; since, there were so few transactions to vouch.
 - b. Recalculated the quality listed on the invoice and recalculated the subtotal of KwHs purchased for the year without exception.
 - c. Traced the payment of the green energy invoices without exception.
 - d. Contacted the energy supplier and obtained confirmation that the energy was generate from Biomass as well as Geothermal at the supplier's generating plant.
 - e. Traced the purchases by the generating facility ID number and the gross kWWhs purchased by the fuel type to the Annual Report Schedule 1: Power Purchases and Resales Report that is attached hereto as exhibit.

2. We obtained an internally generate report from Three Phases Energy LLC that listed the kilowatts of green energy *sold* during the three months ended 2003, the date of the sale and energy consumer. We performed the following procedures:
 - a. Recalculated the amounts listed on the Retail Sales by Month Report without exception
 - b. We obtained Annual Wholesale Sales Report and traced amounts to the monthly reports for both residential and commercial power supplied without exception.
 - c. We recalculated the mathematical accuracy of the Power Content Label without exception.
 - d. We traced a customer detail billing usage to the monthly report and vouched the monthly total to Energy usage reports prepared and provided by a Utility Distribution Company for both resident and commercial power supplied.

Auditor was able to complete the testing on selected date.

We were not engaged to, and did not perform an examination, the objective of which would be the expression of an opinion on the compliance of the annual reporting requirements of the California Energy Commission's Power Source Disclosure and Customer Credit Program. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would be reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.



November 23, 2003
Manhattan Beach