



Spokane

Pioneer Cities: Renewable Energy & Distributed Generation

Technologies Summarized in this Presentation

- Small-scale
 - Solar photovoltaics (PV)
 - Small-scale wind
 - Solar thermal
 - Biogas
 - Biomass
 - Small hydro
- Large-scale
 - Wind
- Distributed Generation
 - Fuel cells

Federal Incentives

- Investment tax credit (30% of up-front costs)
- Accelerated depreciation (over 5 years)
- Production tax credit (2.1 cents/kWh)
- Clean Renewable Energy Bonds (Feds pay holder a tax credit in lieu of interest from issuer)
- USDA incentives (REAP, EQIP)

Federal Incentive Implications for Projects

- Federal tax incentives allow for multiple equity investors in projects
- Dramatically lowers cost of energy to the project host (e.g., landowner)
 - Host may just pay for the power output – at a predictable rate into the future!
- Today, more common for commercial building projects

Washington State Policies

- Renewable energy standards: 15% of power from renewables by 2020
 - A new value stream for projects (renewable energy credits)
 - Small projects get a bonus credit (and more value)

- Net metering: retail credit on your bill for delivering excess power to the grid

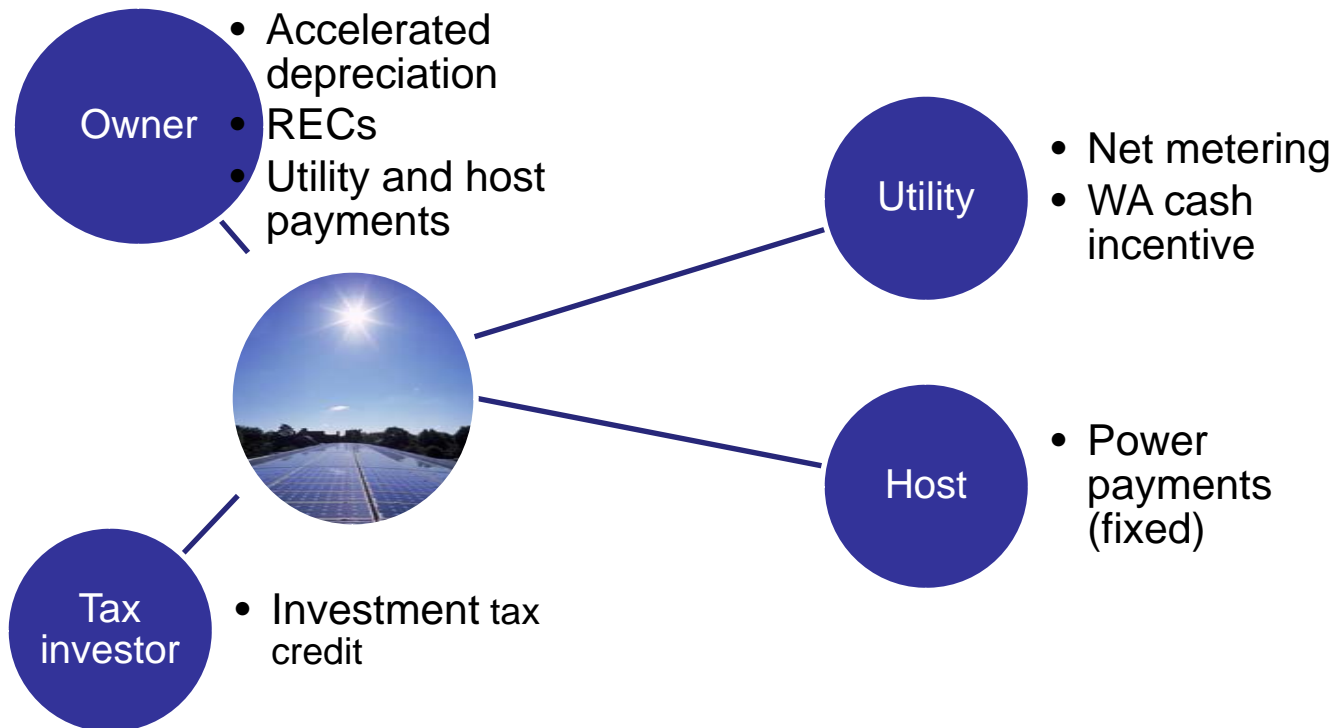
- Cash incentive: Receive \$0.12-1.08/kWh for solar, wind, and biogas from waste
 - Includes government-sited solar projects with local ownership, or utility-owned solar projects funded voluntarily by ratepayers

Solar Photovoltaics

- Rising in growth due to technology cost cuts and strong state policy mandates
- Spokane has good solar resource
 - In between rainy Seattle and sunny Boulder
- Relative ease in permitting and installation compared to large-scale renewables
- Third-party financing model very successful – minimizes cost to host and can fix host's energy prices



Third-Party Financing for PV



Small-Scale Wind

Has lagged behind PV in market growth,
due to lower policy support

Cost competitive with PV

A bit more work: wind measurement,
permitting for tall structures

Most feasible in semi-rural and rural
settings: siting, wind availability



Solar Thermal

- Established technology for water heating, especially in residential & multifamily applications
- Qualifies for federal investment tax credit and accelerated depreciation, but not production tax credit, state cash incentives, or net metering
- Less than 10-year payback versus electric, longer versus gas
 - Federal tax incentives are key



Biogas

- Many sources: animal waste, wastewater treatment, landfills
- Strong, measurable, and clearly defined environmental benefits
- Internal combustion the most popular conversion choice
- Future climate change regulation + energy incentives = opportunity?
- 9 dairies in Spokane County
- New Spokane County WWTP will convert gas to heat and power!



Biomass

- Many sources: wood (waste or other), agricultural residues or commodity crop
 - Fuel availability is dependent on dynamics in other industries - e.g., timber, ag
- Strong environmental benefits with proper management
- The wood products industry has produced power from process waste for decades—many are refurbishing old systems for higher efficiency
- Avista's Kettle Falls plant fed by lumber mills and forest thinning



Small Hydropower

- Very cost competitive versus other power sources
 - Qualifies for net metering (<100 kW), federal production tax incentive,
- Loose definition: is it generation size, or project design to limit impoundments?
 - Definitions vary
- Increasingly popular as “run-of-river” in existing irrigation canals: opportunities in Eastern Washington...
- Be aware of extra permitting hurdles (Federal Energy Regulatory Commission) and associated lead times

Large-Scale Wind

- Most mature renewable energy technology today with dramatic growth
- Spokane County has promising resources
- Some concerns over its variability, but many regional utilities have invested based on least cost
- For Spokane, possible community-owned wind opportunities in the county?



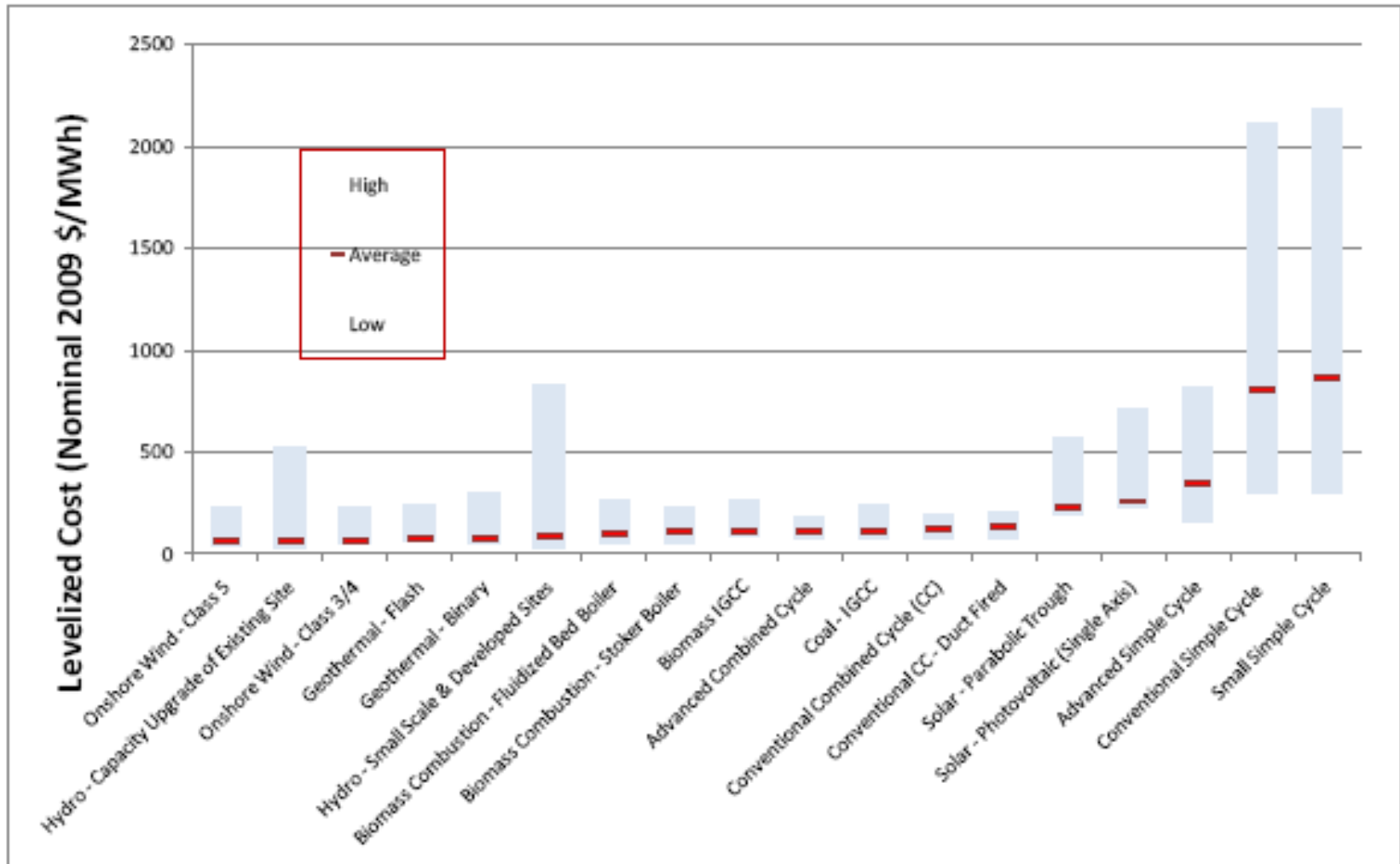
Fuel Cells

- Possible for mobile (cars) and stationary (buildings) applications
- Fuel formulation costs and fuel quality problems have raised performance risks
- Most common with natural gas, rather than biogas
- Still awaiting its promise touted by developers a decade ago

Market Status

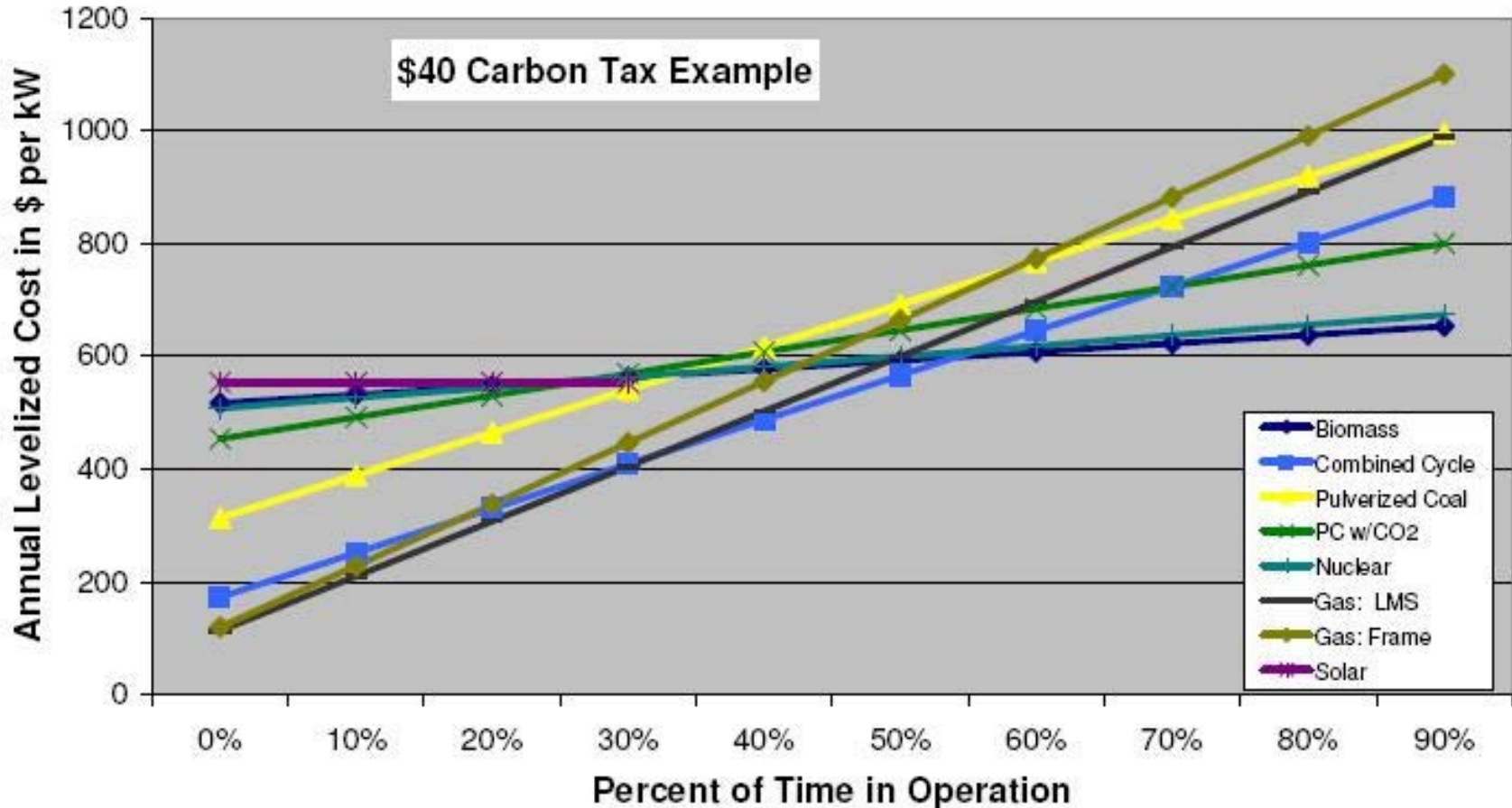
Large wind	8,500 MW installed in U.S. in 2008. Over 25,000 MW installed at end of 2008.
Small wind	2,500 systems in operation in U.S. in 2006, totaling 18 MW
Small hydro	1,402 projects in operation in U.S., generating 5,400 MW
Fuel cells	Approx. 3,000 stationary fuel cell projects globally, at approx 800 MW
Biogas - water	106 wastewater treatment plants in U.S. use biogas for energy
Biogas - dairy	111 projects in operation at approx 34 MW
PV	292 MW of grid-tied installed in U.S. in 2008, with 791 MW total.

Relative Costs



Source: Energy Commission

Greenhouse Gas Regulation May Play a Role...



Source: Public Service of New Mexico

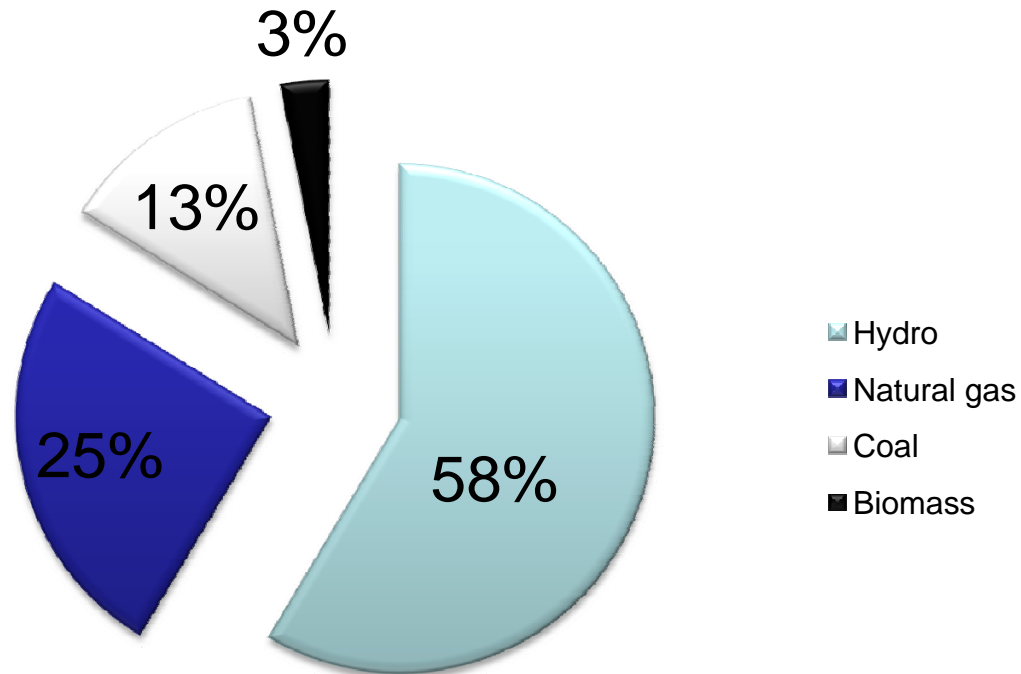
Typical Barriers

- Up-Front Cost (other than large wind)
- Transmission (currently large-scale only)
- Permitting (large wind, small wind, small hydro)
 - County zoning and building requirements
- Credit markets for new technologies (teaching the financiers—less of an issue for large wind and PV)
 - Credit availability overall is a challenge for everybody—someone needs to have a tax appetite for federal tax incentives

Avista's Efforts on Renewable Energy

- Purchased a 50-MW wind project site in Spokane County for near-term development
- Current RFP out for 35 aMW of renewable energy (~100 MW of wind power), with a 50 aMW target by 2012
- Proposing an upgrade to Spokane River hydro to increase emissions-free generation
- Voluntary “Buck a Block” green power program that sold 67,000 MWhs in 2007 (~23 MW of wind power)

Avista's Current Power Mix



Avista's Long-Term Plans

Resource	By the End of Year	Nameplate (MW)	Energy (aMW)
NW Wind	2012	150.0	48.0
Distribution Efficiencies	2010-2015	5.0	2.7
Little Falls Unit Upgrades	2013-2016	3.0	0.9
NW Wind	2019	150.0	50.0
CCCT	2019	250.0	225.0
Upper Falls	2020	2.0	1.0
NW Wind	2022	50.0	17.0
CCCT	2024	250.0	225.0
CCCT	2027	250.0	225.0
Conservation	All Years	339.0	226.0
Total		1,449.0	1,020.6

One Example: Austin, Texas

Municipal	Govt to be “neutral” by 2020
Utility	All new generation to be carbon neutral; expand efficiency and RE programs
Homes and buildings	Green building codes; improve existing buildings
Community	City-wide emissions measurement
“Go neutral”	New tools for citizens and businesses to measure and reduce themselves

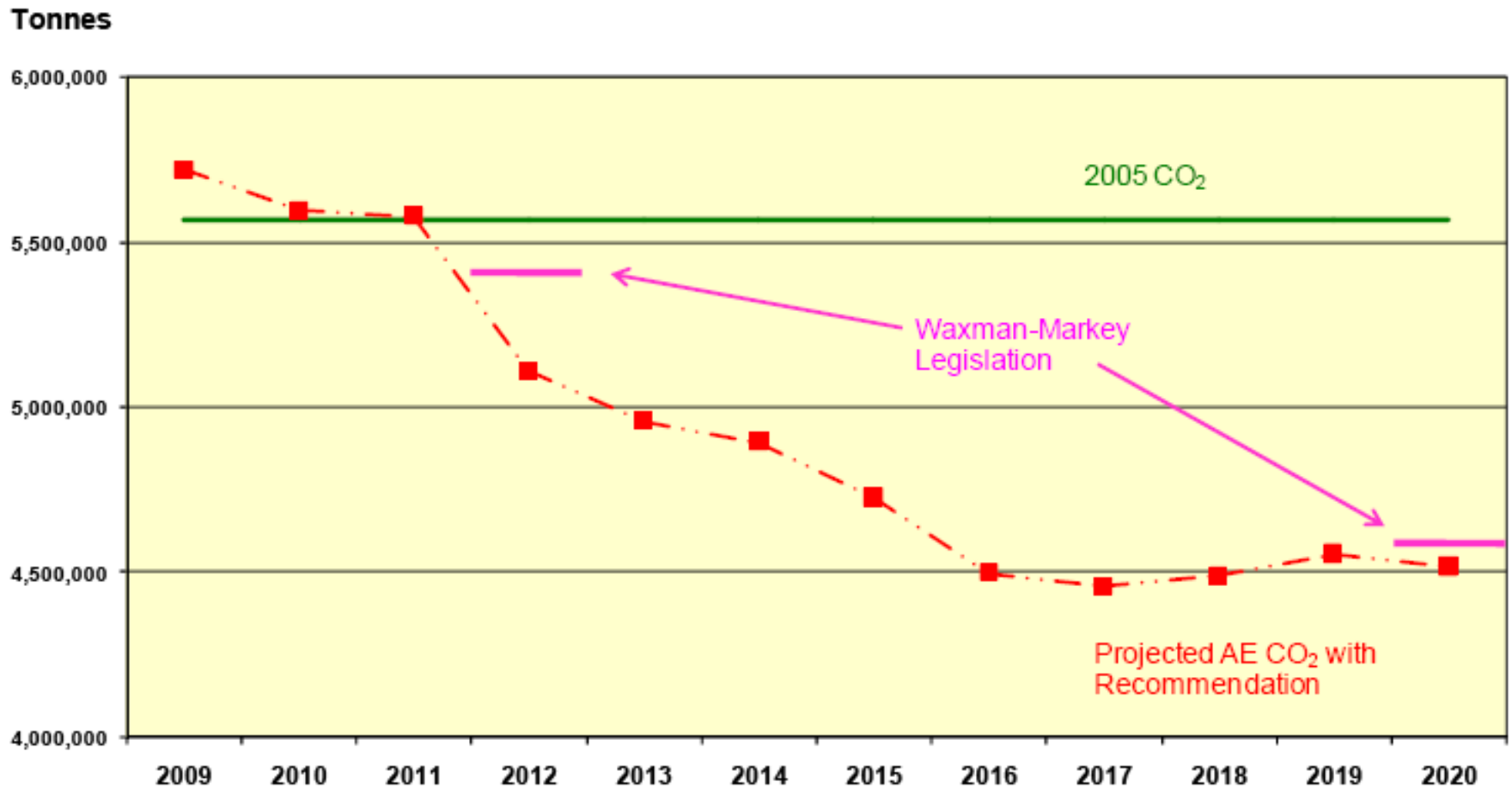


Austin Climate Protection Plan
Cool Austin. Cool Planet.™

Renewable Energy in the Austin Plan

- Austin Energy
 - 8-year commitment to help fund municipal solar
 - Established a special renewable energy contract with the City
 - Customer rebates for solar: 900 projects so far
 - Local installers grew from 4 to 24 firms
 - Targeting 30% renewable energy by 2020, including 100 MW of solar
 - The utility is now recommending 35% renewable energy

Austin Energy's Carbon Goal



Questions & Answers