

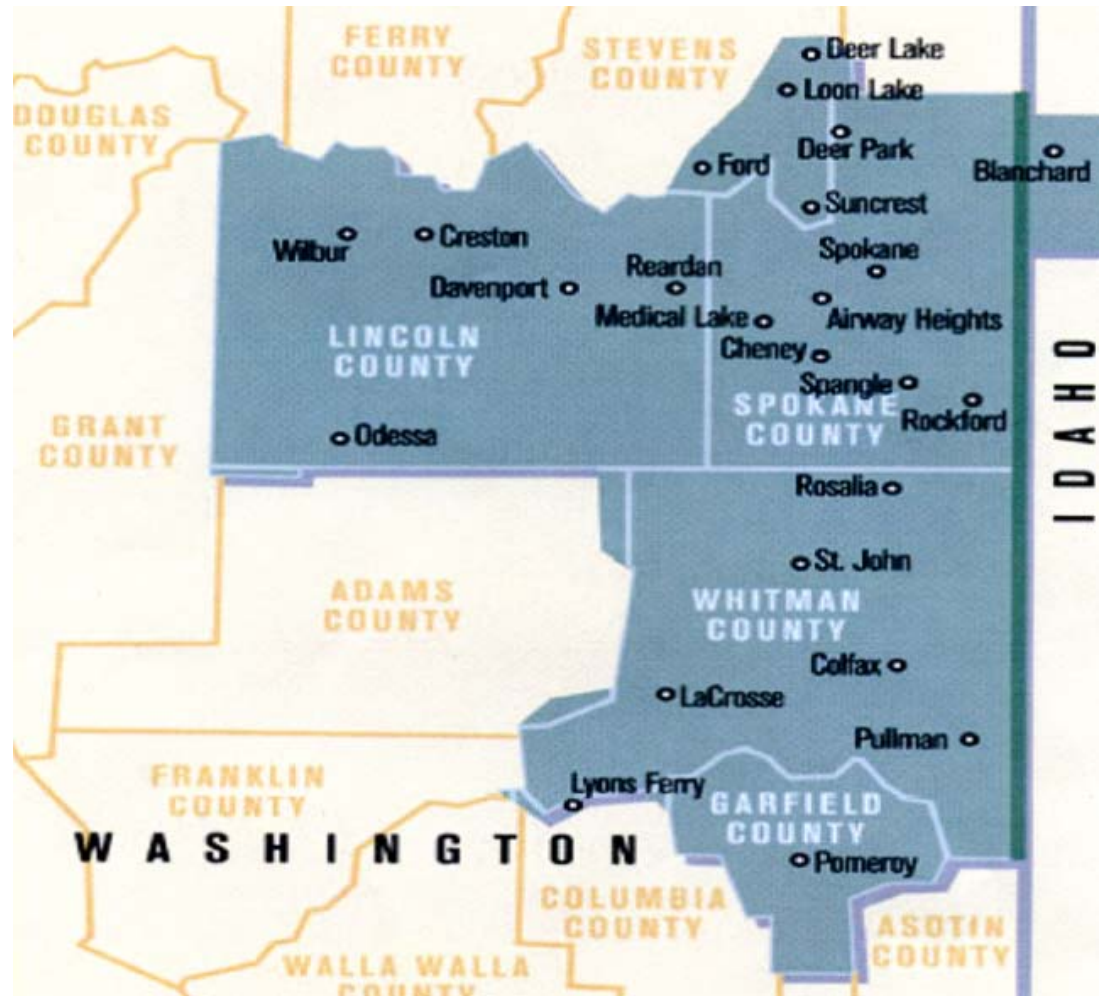
UTILITY PLANNING ISSUES

Northwest Power and Conservation Council August 9, 2011

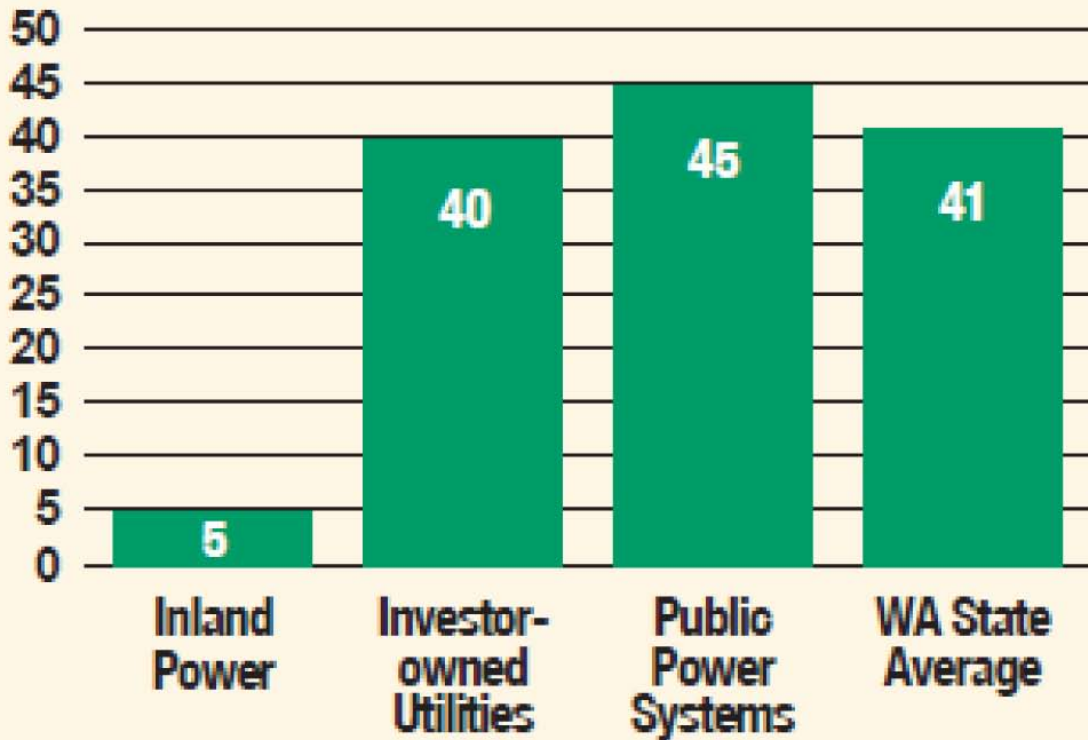


Inland Overview

Largest co-op in
Washington
39,000 meters
13 counties
7500 miles of line

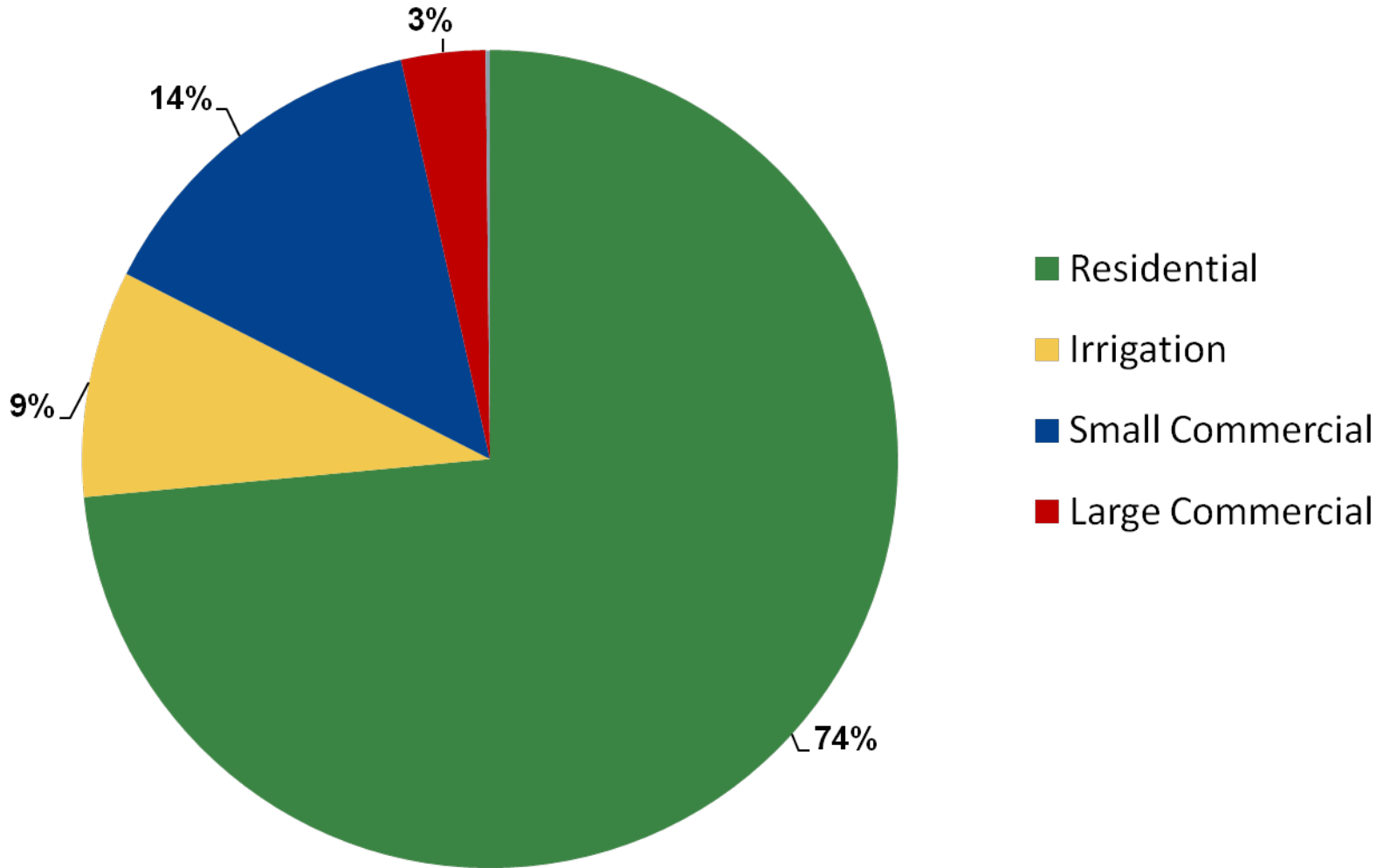


Customers Per Mile of Line



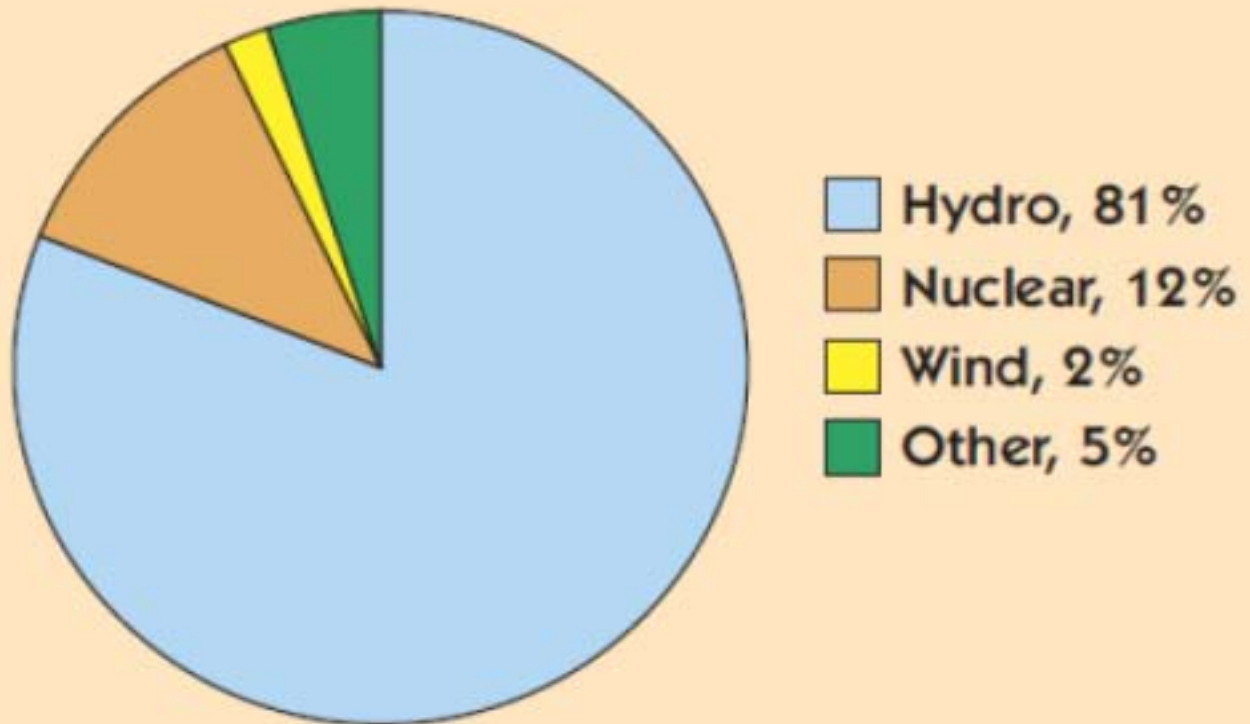
Customers per mile of distribution line in Washington state

Sales by Type

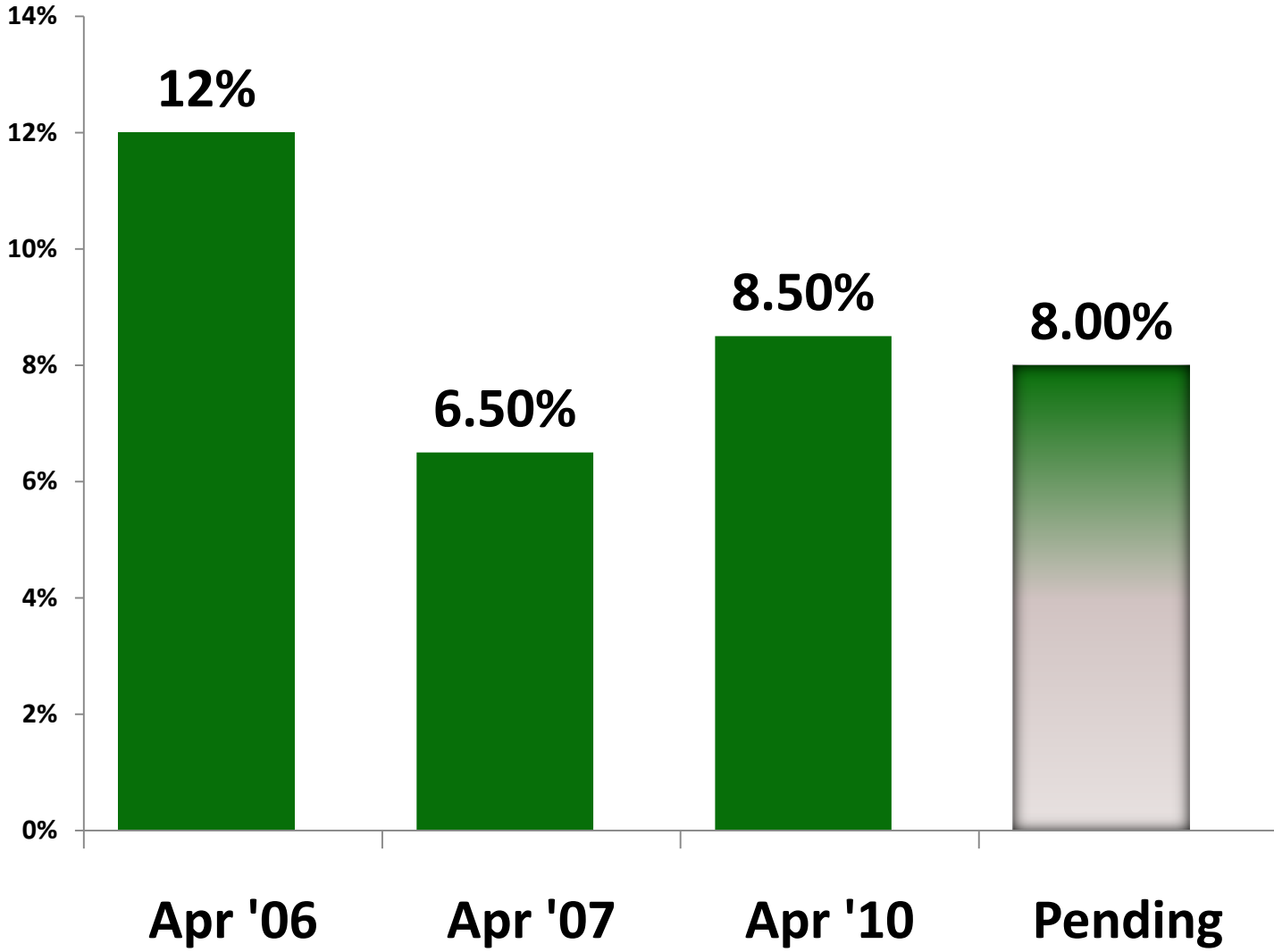


Resources

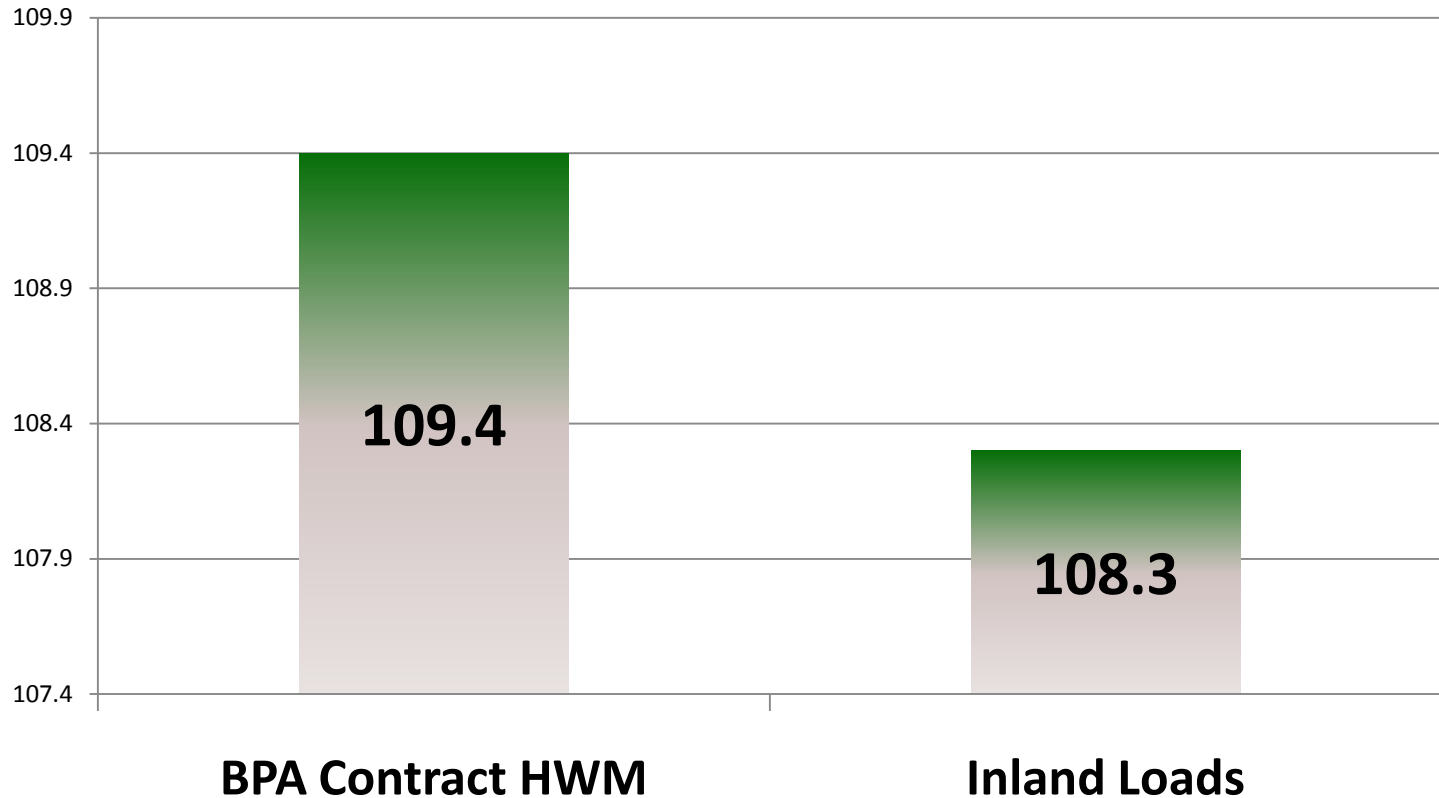
83% renewable and 95% carbon free



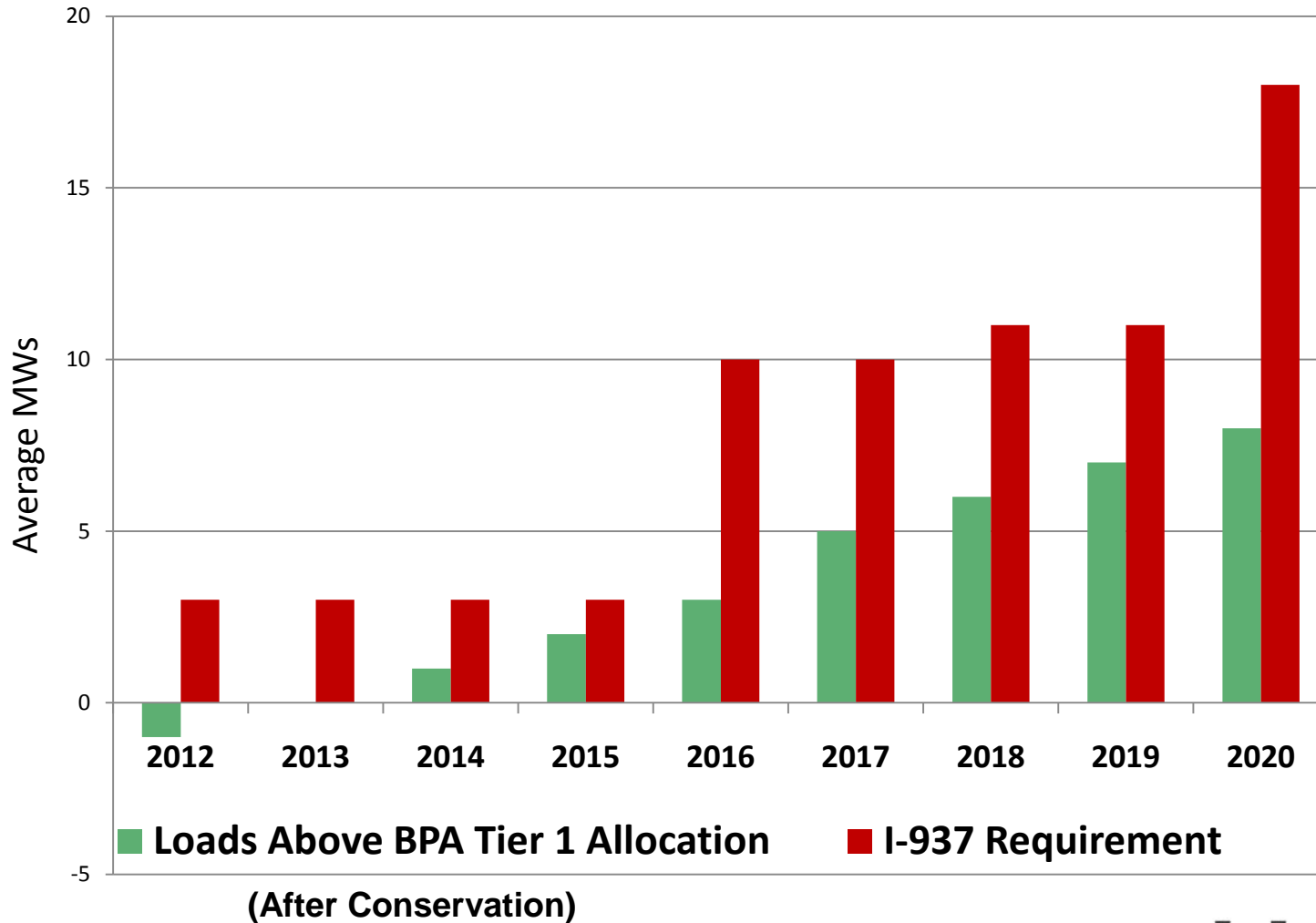
Rate History



2012 Loads Compared to BPA Contract High Water Mark



Inland Above HWM Needs Compared to I-937 Requirement



Planning Issues - Power

Don't need a lot of additional power

3 MW by 2016; 8 by 2020

Formed group of 20 smaller utilities to jointly purchase

NEMS – John Saven

No one else needs much power either

Only 1 other I-937 utility in group

Little scale to develop or own resources

Market prices are low

Small resource development is difficult

Developers lack experience/relative high risk to small utilities

Transmission has been problematic

Looks to be getting better

Planning Issues – I-937 – More RECs than Power

Harder to come by than you might think

Digesting/composting project

In service area

About 2 MW



Wood Waste Cogeneration on West Side

Green E certification only
Insufficient for WA RPS



Smaller Utility Wind Project

Better offer at 11th hour for bundled power & RECs



Plan D

Term sheet with Idaho wind project that is underdevelopment

Not yet built but looks good

As is the case with all but the first project, we are working with a REC broker

- 7% commission, 3.5% from each side

- 2013-2016 REC purchase \$100K in total

Market not transparent or liquid

I-937 restrictions have made it very difficult to buy anything other than wind

PLANNING ISSUES CONSERVATION



The Benefit of Incremental Sales

Old Paradigm

Revenue	6 cents
Power Costs	<u>(3 cents)</u>
Margin to Cover Other Costs	3 cents

- Utilities have lots of fixed costs
- Each new kWh sold helped pay for fixed costs
- Rates lower for everyone

The Benefit of Incremental Sales

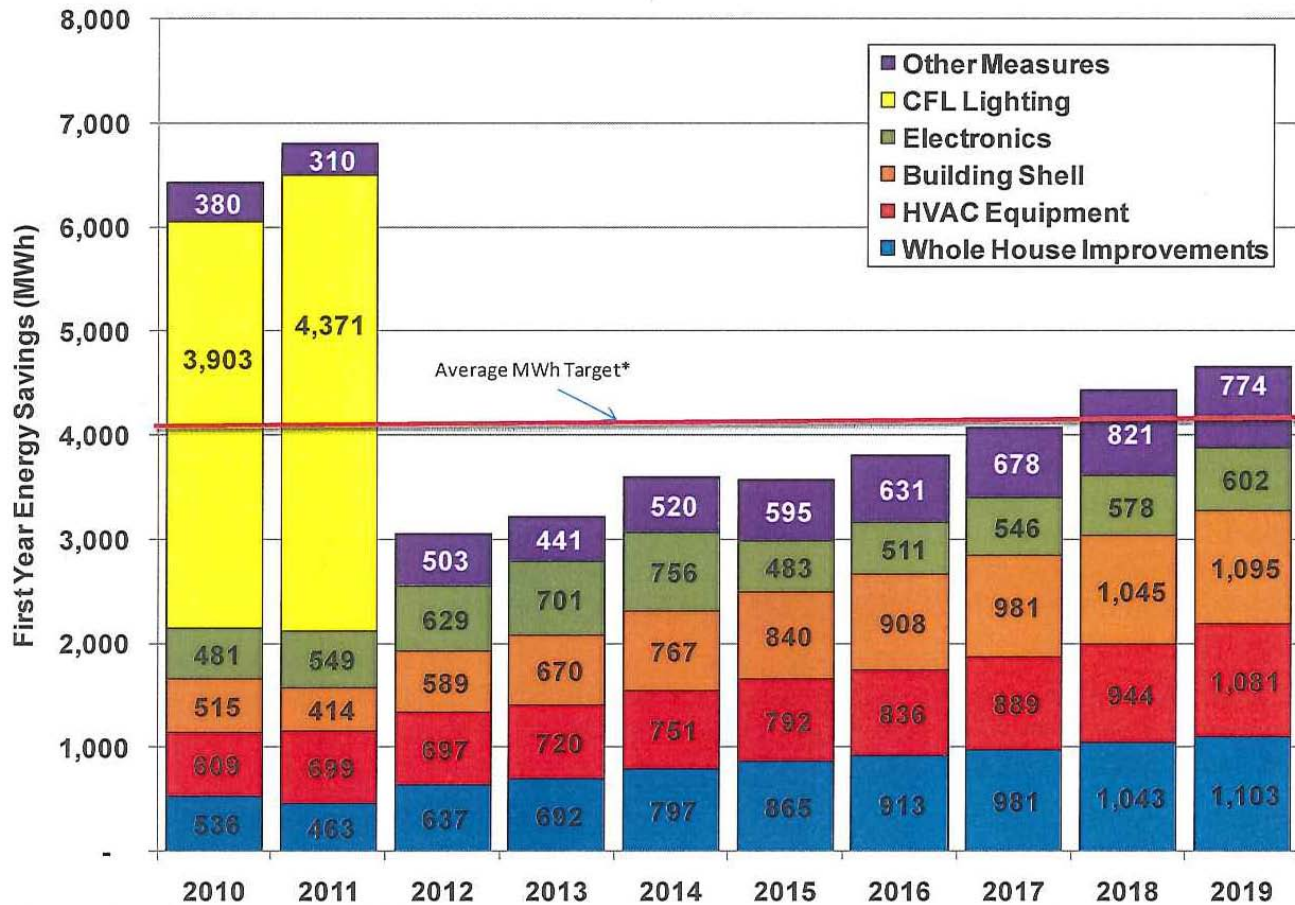
New Paradigm

Revenue	6 cents
Power Costs	<u>(7 cents)</u>
Margin to Cover Other Costs	(1 cents)

Planning Issues - Conservation

Resource Type	CCCT	Coal	IGCC	Wind	Market	Energy Efficiency/ DSM
Fuel Price Risk	High	Medium	Medium	Low	Medium	Net Reduction
Development Risk	Low	High - Siting/ Regulatory Challenges	High - Immature Technology	Low	NA	Flexible/ Divisible
Environmental Impact	Medium	High	Medium	Low	Medium Low	Low or Net Positive
Operations	Dispatchable	Baseload	Baseload	Intermittent	Baseload	Depends on Measure

2010 Conservation Potential Assessment

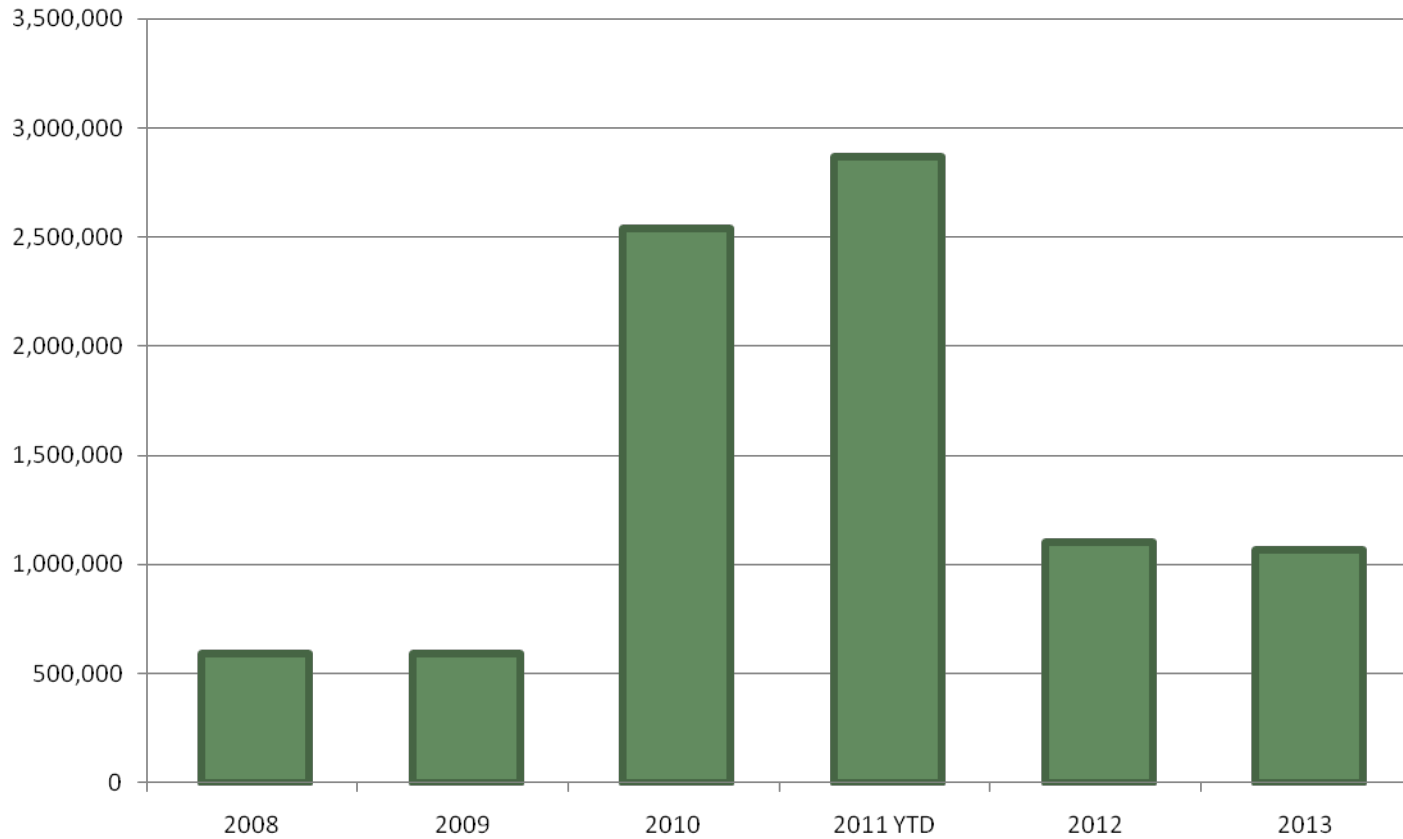


* Note that the residential target is 4,363 MWh

Figure ES-5
Achievable Conservation Potential for the Residential Sector by Measure Type

BPA Funding

Change in funding model



Conservation Issues Going Forward

Tension between I-937 renewable requirements and conservation acquisitions

Changes needed – conservation first

Funding pressures

Measures will be more expensive

Lighting gone

Rural service area challenges

Measurement and verification

Rates will continue to outpace inflation

Looming Prospect of Customer Problems

(Just over the horizon or, in some cases, already here)

- Rate increases will continue to outstrip inflation
 - Aging infrastructure, new resources, regulation
- Customers will blame utility
 - Difficulty looking past utility to underlying causes
- Increased credit and collection problems
- No silver bullet, but helping consumers use less energy is the best option for managing an increasingly challenging business case.
- So, in addition to all the important environmental reasons to use electricity more efficiently, delivering energy efficiency will be essential to utilities' future success