



WHEREAS:

Utilities face unprecedented disruptions to their business model from climate change due to climate change driven regulatory, physical, financial, and technological shifts. One important example is a consumer shift to distributed electricity generation through widespread residential and commercial adoption of rooftop solar. In 2014, Barclays downgraded bonds for the entire U.S. electric utility sector due to the rapidly declining costs of solar power and energy storage technologies. UBS projects distributed solar and batteries will disrupt the energy industry, noting that, "Large-scale power stations could be on a path to extinction." Deutsche Bank predicts total solar photovoltaic power costs could be equivalent to, and thus competitive with, average electricity prices in 36 U.S. states as soon as 2017.

Regulations designed to halt and mitigate climate change are also requiring utilities to increase non-carbon-emitting generation sources. The U.S. EPA recently released its final Clean Power Plan that requires states to achieve approximately 32% reductions in carbon emissions from 2005 levels, listing renewable energy as a key pillar of the plan. Similarly, Washington State has established law requiring utilities to source 15% of their electricity from renewable sources by 2020, which includes the goal of reducing carbon emissions 70% by 2050.

Utilities can get ahead of emerging climate regulation by planning for and integrating distributed generation. Moody's reports that "a proactive regulatory response to distributed generation is credit positive as it gives utilities improved rate designs and helps in the long-term planning for their infrastructure." Navigant Research notes "Utilities that proactively engage with their customers to accommodate distributed generation - and even participate in the market themselves - limit their risk and stand to benefit the most." Yet, distributed non-carbon-emitting power sources only accounts for 0.1% of Avista's total generating capacity.

Other peer utilities, including Georgia Power and CPS Energy, are taking a proactive approach, for example by participating in the distributed generation market themselves, providing company-owned rooftop solar to their own customers. These regional utilities demonstrate the viability of this approach for a company like Avista.

BE IT RESOLVED:

With board oversight, shareholders request that Avista create a report by October 2016 (at reasonable cost, omitting proprietary information) describing how Avista could adapt its company-wide business model to significantly increase deployment of distributed-scale non-carbon-emitting electricity resources as a means of reducing societal greenhouse gas emissions and protecting shareholder value.

For purposes of this resolution "distributed-scale non-carbon-emitting electricity resources" refers to renewable power infrastructure located on customer property.

SUPPORTING STATEMENT:

Shareholders suggest the report consider revenue models for significantly increased deployment of distributed non-carbon-emitting electricity resources for commercial, industrial and residential customers (including but not limited to customer sited and community solar, consumer and commercial energy storage).