



POLICY ON CLIMATE CHANGE LEGISLATION

April 2009

Avista strongly supports timely enactment of federal “cap and trade” legislation or other alternatives to achieve dramatic reductions in the emissions of greenhouse gases (GHG). Avista supports the following climate legislative principles:

- One National Cap and Trade System. A system of multiple cap and trade systems at the federal, regional and state level will be unworkable and costly. Congress should preempt regional/state cap and trade systems or at a minimum provide strong incentives for their dismantlement. Congress should establish a single national cap-and-trade program as the core element of a comprehensive, economy-wide climate change policy.
- Allocation of Allowances to Emit GHG Should Credit, Or At Least Not Punish, Low Emission Utilities and Regions. We support allocation of allowances based on electricity output or sales and oppose allocation based on historic emissions. Allowances should be allocated to load serving utilities with the benefits passed on to customers. The Edison Electric Institute allocation compromise that splits the difference between emission-based and load-based allocation is reasonable. National legislation should include free allowance allocation with a transition to auction over 10 years with revenues returned to consumers and investment in energy efficiency programs.
- Low-Water Year Allowance Set-Aside Amendment. In a low-water year hydro-dependent utilities such as Avista will be doubly burdened by high electricity prices due to diminished hydro generation and by the need to purchase costly emission allowances to emit due to increased production of fossil-fired energy. Avista has developed a low-water year allowance allocation amendment that protects consumers by providing additional allowances to hydro dependent utilities during low water years.
- Protect the Economy. If the price of allowances goes too high, the U.S. economy could suffer. Therefore, a reasonable ceiling on the price of emission allowances is needed. An allowance price floor may also be necessary to encourage investments in emission reduction technology.

Climate change and climate-related legislation should not penalize companies and their customers for early actions taken to invest in zero-and low-carbon energy resources, energy efficiency and other greenhouse gas reduction measures.

The transition to a low-emission economy will be a challenge. Avista is ready to do its part