



metavû

Creating a Return on EnvironmentSM

RECs vs. Energy: Issues and Considerations

**Renewable Energy Markets '09
Atlanta
September 16**

- **Electric Consumers are Becoming More Sophisticated**
- **Utilities May Wish to Employ more Energy (as opposed to RECs)**
- **There are Issues and Challenges with Energy Supplies**
 - Matching supplies to sales
 - Recovering Costs in the event of sales reductions
 - Undesirable Balance Sheet Impacts of PPAs
 - Competing against Yourself for Compliance Resources
 - Higher Product Prices
- **Review Innovative Product Ideas**
- **Alternative measures for Renewable Energy Performance**

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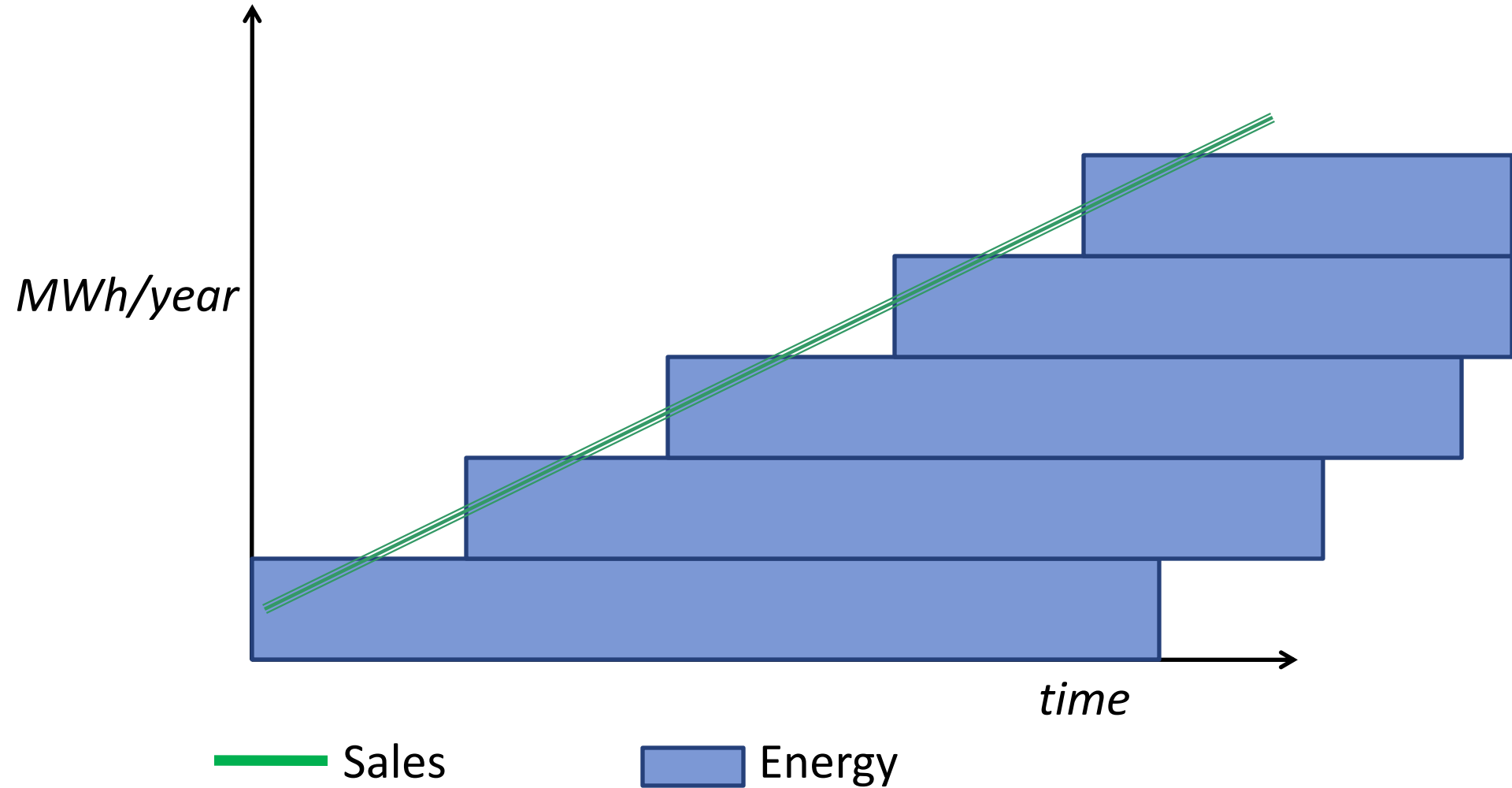
Sustainable Value Creation since 2002

- › **Define corporate sustainability strategies** for long term shareholder value creation
- › **Develop product and market strategies** to seize opportunities & mitigate risks as markets become more environmentally and socially sophisticated
- › **Optimize corporate operations models** to manage financial , regulatory, social and environmental risk throughout the business value chain
- › **Build the organizational capabilities** to execute strategies and measure performance

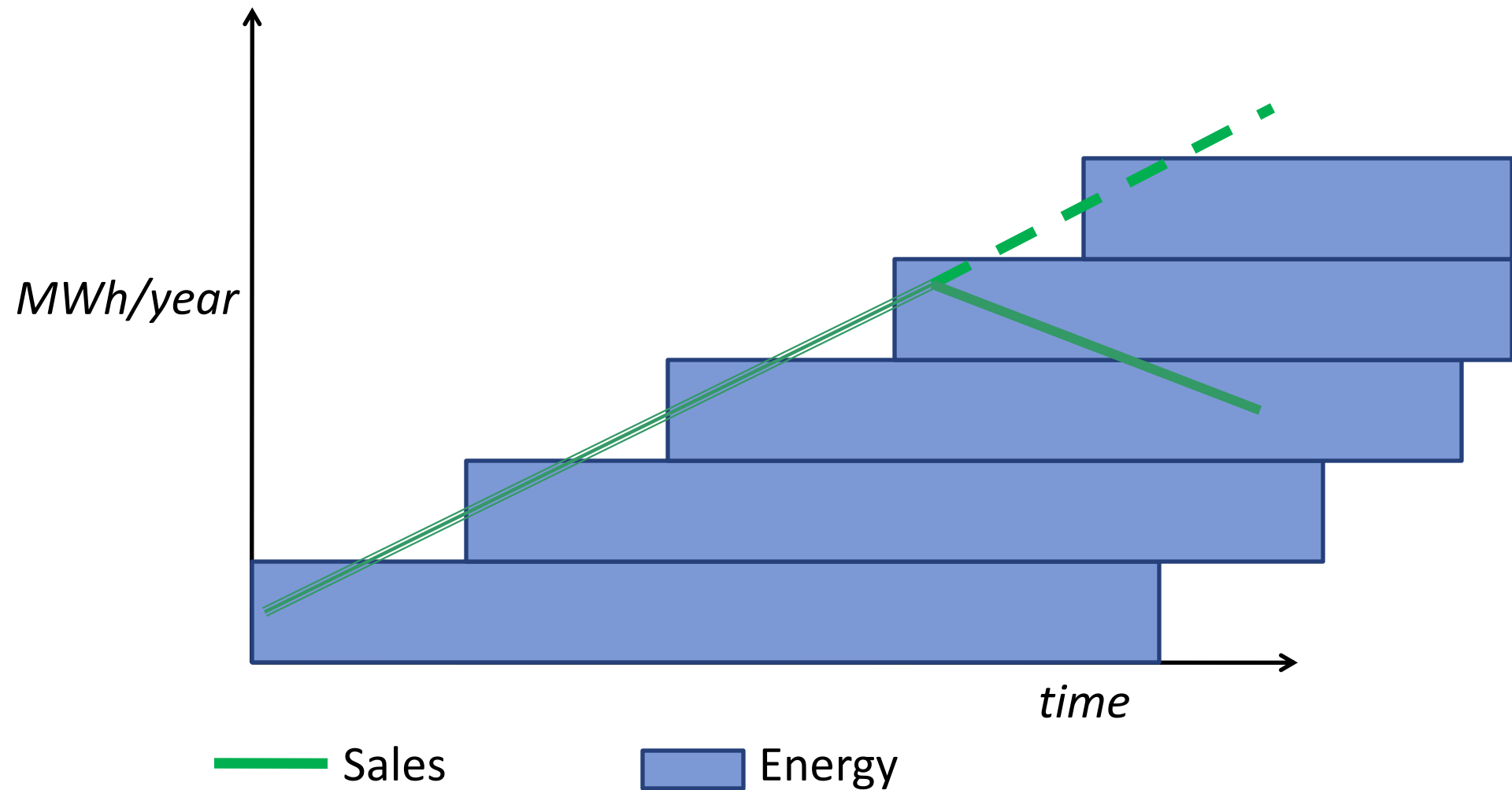


- **Interest in independence from utility fundamental, pervasive**
- **Biomass, biogas not considered ‘clean’ generation (burning perceived as dirty regardless of fuel source)**
- **Interested in ‘evidence’ that product purchases result in increased renewable generation**
- **Local, visible installations are most compelling**
 - Local jobs and economic development
 - Local environmental and (long-term) cost benefits

Matching Supplies to Sales



Cost Recovery If Sales Drop



Undesirable Balance Sheet Impacts of PPAs



Present Value of future wind PPA payments: \$10

Regulated Debt to Equity Ratio: 50:50

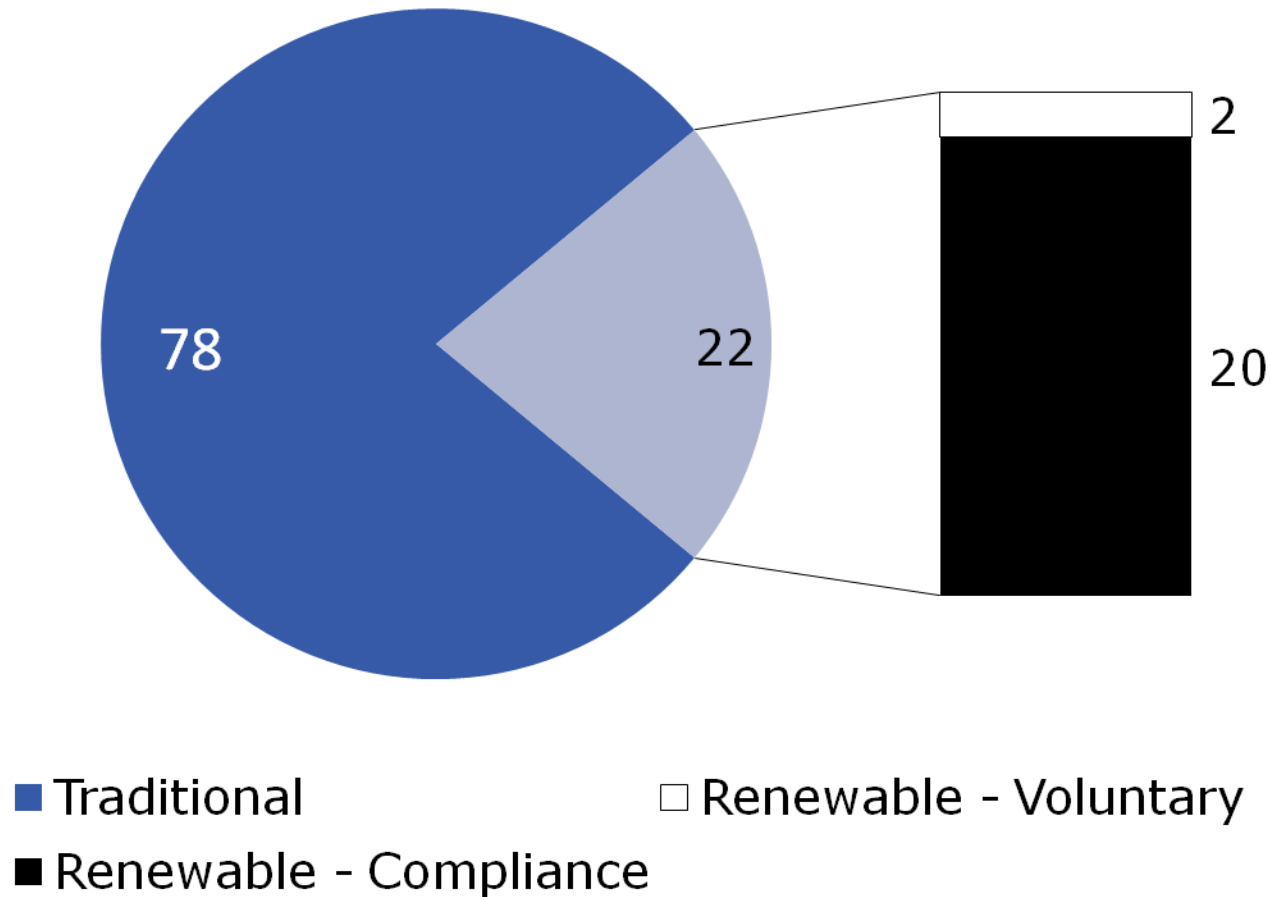
	Per GAAP	Per Bond Rating Agencies	Per GAAP After Equity Issue
Assets	\$100	\$110	\$110
Debt	50	60	50
Equity	50	50	60

Increased Credit Risk/Interest/Rates

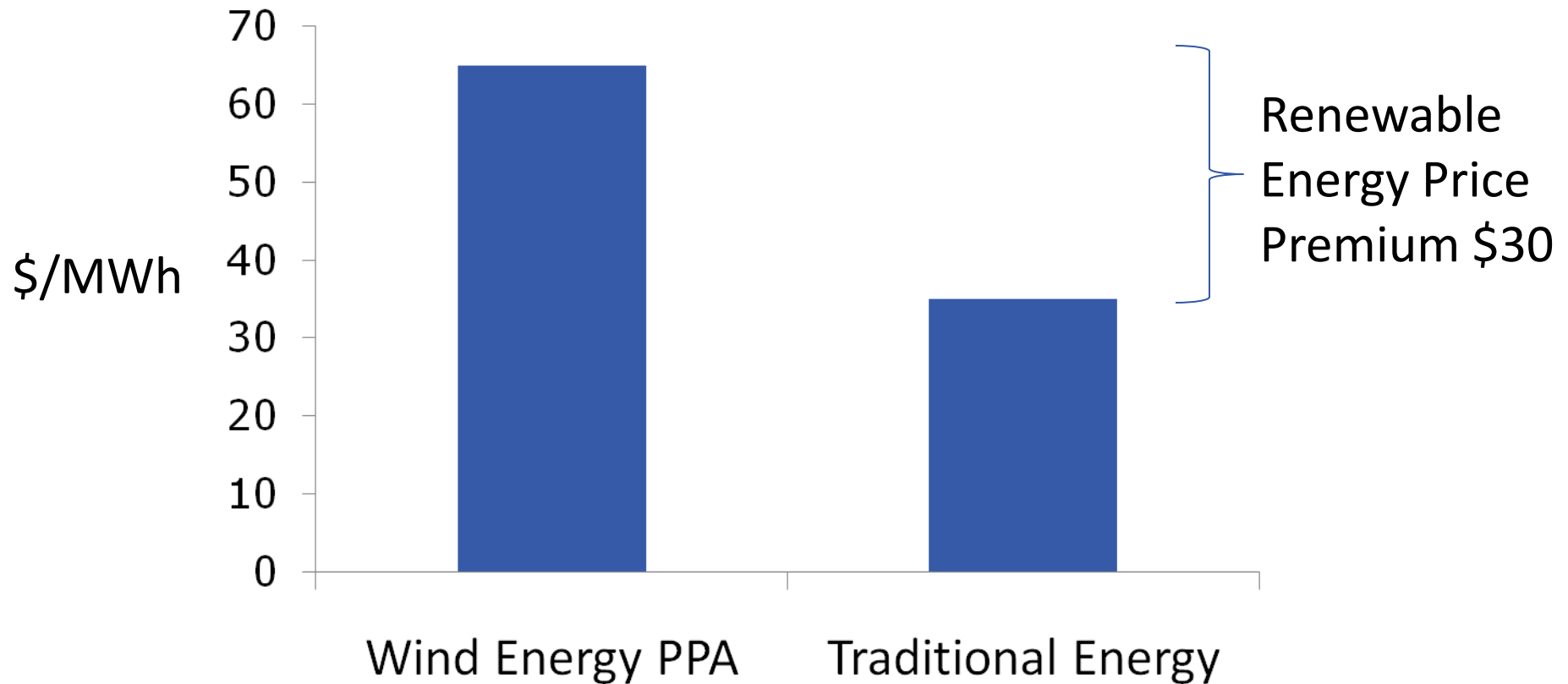
Increased Regulatory Risk



Energy Percentages



Higher Product Prices



- **Long-term Fixed Price Products**
 - Sacramento Municipal Utilities District
 - Austin Energy
- **Donation Products (fund for school & government projects)**
- **Greenhouse Gas Emission Offsets**

- **Percent of customers participating**
- **Simplicity of product enrollment and participation**
- **Number of product options available**
- **Product designs that protect non-participants**
- **Renewable Energy Standard**
 - Opportunities for shareholders?
 - Transparency for customers?
 - Incentive program designs?
- **Overall Environmental Performance**

Thank You!



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