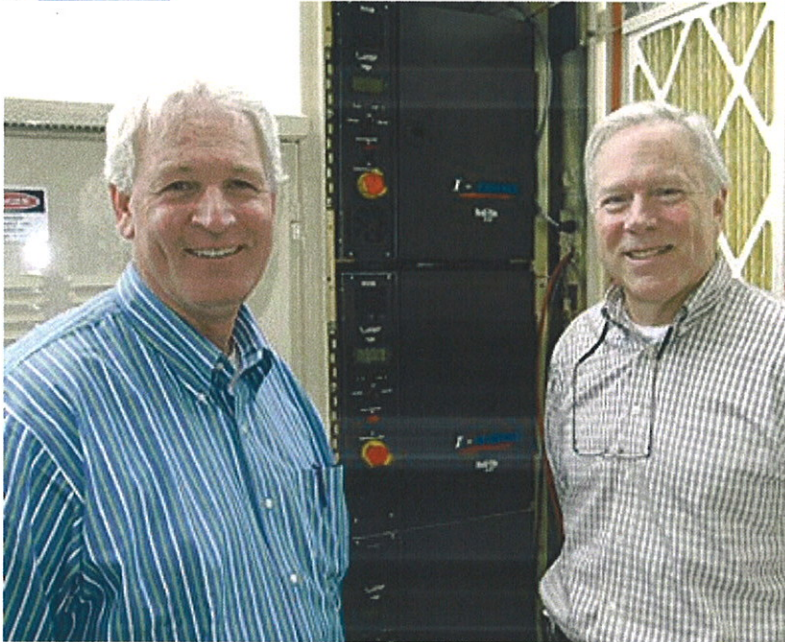


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## ReliOn quadruples sales volume

Spokane Valley fuel-cell maker could be profitable within next couple of years

By [Linn Parish](#)



Spokane Valley-based fuel-cell maker ReliOn Inc. quadrupled its sales volume in 2005 and is on track to grow at that same aggressive rate this year.

In the not-too-distant future, the company, which uses its fuel-cell technology to make backup power sources for telecommunications operations, could generate an annual profit—something that few, if any, fuel-cell companies have been able to do so far.

“They very easily over the next couple of years could become the first profitable fuel-cell company in the country,” says Scott Morris, president of Avista Utilities and a member of ReliOn’s board. “They continually meet their milestones and their

projections.”

The company’s technology still is in an early-adoption phase, but as its sales grow and it moves closer to operating in the black, ReliOn continues to ramp up its work force, says Jim Baumker, the company’s chief financial officer. By the end of this year, he says, ReliOn expects to have roughly 70 employees, which would be about double its staffing level two years ago. Currently, it employs 65 people, 60 of whom work in its operations here.

Much of the company’s work force consists of engineers and other technical personnel. The company contracts out the bulk of its manufacturing to Servatron Inc. and Logan Industries Inc., both of which are located near ReliOn’s quarters in Spokane Valley.

ReliOn’s technology includes what are called proton-exchange membrane fuel cells. Such technology generates an electric current through an electrochemical reaction using hydrogen and oxygen.

Other than electricity, the only by-product of the process is traces of water. The fuel cells are located inside cartridges about the size of a desk phone that fit into a unit that’s placed, along with tanks of hydrogen, inside a large, weather-resistant outdoor storage cabinet.

To accommodate its growth, ReliOn has leased an additional 6,500 square feet of floor space in a building neighboring its current location, at 15913 E. Euclid, in the business park portion of the Spokane Business &

Industrial Park. Baumker says the company plans to move some of its operations into the new space later this month, after some remodeling work is completed there.

ReliOn's executives decline to disclose the company's revenues. Baumker says ReliOn has contracted production capacity to make between 50 and 100 backup units a year, but declines to disclose the number of units sold.

Baumker does say, "We still have a very small market share for backup power for telecommunications. There's still a lot of market for us to take."

ReliOn CEO Gary Flood says the primary market for the company's fuel-cell technology is in replacing battery-powered backup systems at remote telecommunications sites. That's only part of the overall telecommunications backup-power market, but it's a large market in its own right, he says.

Industry observers have estimated recently that fuel-cell technology displacement of battery systems is a \$3 billion-plus industry. That doesn't include the market for telecommunications sites backed up by motorized generators, which is another large market segment. Flood says ReliOn's technology replaces generators at times, but is used in place of batteries most of the time.

In the future, Flood says, ReliOn's fuel-cell technology might be coupled with other forms of alternative energy, such as wind energy or solar power, to serve as a primary power source for an end user. The technology to do that is available now, but it's rarely used.

"That's off in the distant future with the hydrogen-powered car," Flood says.

Within the communications sector, the largest share of ReliOn's sales are in the wireless industry, and that segment is its fastest growing as well. Next is the public sector, through which ReliOn serves emergency communications centers, air-traffic control towers, and other government communications outposts. Third is conventional telephone companies.

ReliOn started in 1995 as Avista Laboratories Inc. and operated as a subsidiary of Avista Corp. until 2003, when Avista sold a portion of Avista Labs to a group of venture capitalists. The company changed its name to ReliOn in 2004. In November 2004, the company received a \$25 million infusion of venture capital.

Morris says Avista Corp. now owns less than 10 percent of ReliOn.

The company's fuel-cell units are modular, meaning that additional fuel-cell cartridges can be added to generate more power. The cartridges can be added and removed without disrupting power supply that other fuel cells in the unit might be generating. Baumker says this is in contrast to a stacked method that other fuel cell makers use, in which none of the cells can generate power if one fails—similar to a string of Christmas lights in which an entire section of lights goes dim when one bulb dies.

Flood says ReliOn's fuel-cell units are set up to generate between one kilowatt and 12 kilowatts of electricity. By comparison, he says, the average household uses a maximum of five kilowatts at any given time.

The units are set up to provide backup power continuously for anywhere from eight hours to 48 hours, he says.