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Venture Capital: Investors banking on future of 'clean energy'



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ReliOn Inc., whose hydrogen fuel cells are used as a backup power source, has raised an additional \$20 million in venture capital financing from existing investors.

The financing comes 18 months after the Spokane company raised \$25 million from Oak Investment Partners, Enterprise Partners Venture Capital, Wall Street Technology Partners, Chrysalix Energy and Buerk Dale Victor.

Sandra Saathoff, director of marketing and communications at ReliOn, said the money will be used for new product development and to expand the sales force.

Executives were not available to comment, but investor Andy Dale of Seattle's Buerk Dale Victor called ReliOn "one of our most exciting companies."

While not as sexy as fuel cells for cars or personal computers, ReliOn is making a name for itself by providing backup for cell towers and air traffic control systems, Dale said. He added that backup power in these critical areas is one of the first arenas where hydrogen fuel cells have caught on.

"We think this company has the chance to be the poster child as far as leadership from our region in new energy sectors," he said.

Formerly Avista Labs and a spinoff of Spokane utility Avista Corp., ReliOn has deployed its fuel cells in dozens of government and telecommunication locations. The company's fuel cells have been used to create backup power for cellular phone systems during hurricanes and other natural disasters. It boasts customers in the United States, Europe, South America and Japan, with its fuel cells generating between 500 watts to 5 kilowatts

of power. Because hydrogen fuel cells use a chemical reaction rather than combustion to create electricity, they have been touted as an extremely clean energy source.

And clean energy is a hot area right now in venture capital, with some deep-pocketed venture capital firms chasing opportunities. On Thursday, Kleiner Perkins Caufield & Byers -- one of the best known Silicon Valley venture capital firms -- created a \$100,000 annual prize for the best technology or policy innovation in clean energy. It also set up the Greentech Innovation Network so scientists, entrepreneurs and policy-makers could discuss trends in the field.

Kleiner Perkins has eight so-called "greentech" investments, including a maker of fuel cells for portable devices and a solar panel developer.

Still, the market for fuel cells remains relatively small. According to a report from the U.S. Fuel Cell Council, sales of fuel cell products, parts and services totaled just \$331 million in 2004, while research and development expenditures totaled \$716 million. About 6,200 people work in the industry, according to the report.

ReliOn employs 67.