



CEOCFO

Interviews & News!

ceocfointerviews.com – All rights reserved. – Issue: July 11, 2008

The Leading Demand Response Provider, EnerNOC Is Moving More Deeper Into The Energy Management Arena



Services
Business Services
(ENOC-NASDAQ)

EnerNOC, Inc.

75 Federal Street, Suite 300
Boston, MA 02110
Phone: 617-224-9900



Timothy G. Healy
Co-Founder, Exec. Chairman and CEO

BIO:

As CEO, Chairman, and Co-Founder of EnerNOC, Tim has guided the company's strategic course since its inception in 2001. Under Tim's leadership, EnerNOC has experienced exponential growth in size, capacity, and revenue, significantly expanding into untapped markets

across the United States and diversifying from demand response to total energy management. Today, EnerNOC is a premiere full-service energy management provider with unparalleled performance and services.

Prior to EnerNOC, Tim worked in the Energy Technology Laboratory for Northern Power Systems, Inc., a firm that has integrated over 800 distributed power systems and related equipment for customers throughout the world. Tim also held positions with Merrill Lynch, International Fuel Cells (now UTC Fuel Cells), and Commonwealth Capital Ventures, an early stage technology venture capital firm in Wellesley, MA, and co-founded Student Advantage, which went public in 1999.

Tim graduated from Dartmouth College with a Bachelor of Arts in Government and Economics and received his Master of Business Administration from the Tuck School of Business at Dartmouth.

Company Profile:

EnerNOC, Inc. is a leading developer and provider of clean and intelligent energy solutions to commercial, institutional, and industrial customers, as well as electric power grid operators and utilities. EnerNOC's technology-enabled demand response and energy management solutions help optimize the balance of electric supply and demand. The Company uses its Network Operations Center, or NOC, to remotely manage and reduce electricity consumption across a network of commercial, institutional, and industrial customer sites and make demand response capacity and energy available to grid operators and utilities on demand.

Interview conducted by:
Lynn Fosse, Senior Editor
CEOCFOinterviews.com

CEOCFO: Mr. Healy, what was your vision when you started the company and where are you today?

Mr. Healy: "When we started EnerNOC, we had a vision of becoming the world's leading energy data and communications company. We felt that energy management was an underinvested area, and we could apply the latest and greatest technologies to provide real value to commercial and institutional companies. We focused on a niche of that market early on: demand response. Today we are the leading national demand response provider for businesses, and we continue to move further along the demand-side spectrum to do more and more in the energy management arena over all."

CEOCFO: What is energy management?

Mr. Healy: "Demand response is simply having the ability to reduce electricity demand instead of creating new sources of supply. For example, when the grid operator or the utility needs additional supply, they traditionally fire up another peak generating plant. When there are no more plants to tap, blackouts and brownouts will occur. Instead, EnerNOC provides grid operators and utilities the ability to reduce electricity demand to bring supply and demand back into balance. EnerNOC works with commercial, industrial and institutional end user facilities to curtail energy use when the grid is peaking – to reduce the risk of blackouts and brownouts."

CEOCFO: Please give us an example of what you are providing to the typical customer.

Mr. Healy: “We have two types of customers – our end user network and the utilities and grid operators. An end-user customer is an organization like a grocery store, manufacturing plant, hotel or a university, etc. – basically any large user of electricity. We install a gateway device in the electrical closet that allows us to monitor and communicate with the site to manage electricity consumption. When we get warning signs that the grid is hitting peak demand, we can throttle back electricity usage by shutting off non-essential assets directly at their facility. For example, we can change the set point so air conditioners do not run as frequently or turn off some non-essential lights. Depending on the site’s specific program, this could happen just a few times a year when the grid is stressed, when the utility or grid operator realizes that it does not have enough electricity supply and needs to curb demand, on demand, at a moment’s notice.

While this type of customer does not pay us (in fact, we actually pay them) they do rely on us to manage their energy consumption. In aggregate, these sites represent a substantial supply resource for the utilities and grid operators –so they don’t have to buy or build another peaking power plant. Instead they can basically just push a button and turn off electricity across a broad network.”

CEOCFO: Are the utilities and grid operators also your customers?

Mr. Healy: “That is right, the utilities and the grid operators pay us to provide additional supply, and we pass along a percentage of that money to our end-user network of commercial, industrial, institutional sites to conserve electricity. We essentially pay them to be a part of our demand response network, but it is important to note that we treat them like customers because they are choosing EnerNOC to be their provider -- selecting our technology and service. They rely on our Network Operation Center (NOC) to manage their electricity use for them and that activity results in a direct cost savings on their electricity bill.”

CEOCFO: This allows you to have the utilities pay you because you are saving them money.

Mr. Healy: “That is right.”

CEOCFO: Will you tell us about the competitive landscape?

Mr. Healy: “The competitive landscape is healthy. The demand response industry is no longer in its infancy. I would say that there are a handful of competitors that are pure-play demand response aggregators. We have differentiated ourselves from the rest of the industry by developing technology to automate more demand response processes than any of our competitors can. We have invested tens of millions of dollars in the technology that we have developed here to automate everything that we are doing.

In addition, while most of our competitors operate regionally, because as you

“Energy management is a healthy market. EnerNOC is the largest national provider when you measure us along most dimensions including revenues, megawatts under management and the number of commercial and industrial customers in our demand response network.”

- Timothy G. Healy

know, electricity is regional, EnerNOC is national. In fact, we’re an international provider because we are doing this across the border in Canada as well these days.

Energy management is a healthy market. EnerNOC is the largest national provider when you measure us along most dimensions including revenues, megawatts under management and the number of commercial and industrial customers in our demand response network. Our footprint is the largest, but there are others out there that are trying to innovate – it keeps us on our toes.”

CEOCFO: How do you get new business?

Mr. Healy: “In some ways it’s a chicken versus egg problem – which comes first, the utility contract or the deal with the end user site? It’s different depending on which market you’re in. In about 60% of the US market, we work direct with the utility. Generally speaking, it’s a vertically integrated utility so they are in

charge of making sure they have adequate resources and supply to serve all of the customers in that particular electricity region. In these cases, we strike a deal with the utility, generally a five or ten-year contract that says we are going to provide demand response programs to your customers base, and in return, you are going to pay us the same way you would typically pay for buying a new peaking power plant.

In the other 40% of the country, we have a deregulated electricity market so the path has been paved for us to simply go out and work directly with commercial industrial customers to bring them into the competitive market structure. Because the utilities are no longer in charge of what resources get built in those regions, the regional transmission operators (RTOs) that generally run a multi-state operation have already created competitive market structures that welcome demand response resources as the equivalent of a new power plant.

Therefore, it is up to us to continue to add as many megawatts of resources or as many commercial and industrial customers to those programs as we possibly can.”

CEOCFO: Are people seeking you out today where they might not have when you first started?

Mr. Healy: “Yes, it’s a pleasant thing that has occurred over the last twelve to fifteen months. It is due, in part, to the increased attention that demand response has received as a result of the energy policy act of 2005 that put demand response squarely in the minds of our public utility commissioners and regulators. It was strengthened again in 2007 with new energy legislation and it’s been further strengthened through the Federal Energy Regulatory Commission statements recently. They are proposing new rules that enhance the opportunities for demand response to compete on a more level playing field than ever before with traditional power resources. They are saying that they want to remove all barriers to demand response and as a viable resource that our nation’s electricity planners should be looking at first and foremost. We have states like Connecticut and Massachusetts in EnerNOC’s backyard

that have adopted legislation that can be summed up in two words: “efficiency first.” When utilities are charged with looking first at maximizing the amount of energy efficiency that they put into their planning, you start to see increased attention on demand response. It’s not uncommon these days that I get a phone call from someone that I have never met before who wants us to educate them on demand response.”

CEOCFO: You had an outstanding quarter of record growth; what is the financial picture of the company?

Mr. Healy: “We feel really good about the fact that we raised capital last year at an important time in the company’s history. Many drivers are creating an immense amount of growth opportunity for us here in the United States. We have regions in the southeast that are expanding. We have regions in the mid-Atlantic and the south that require some investment on our part and we were able to do some of that initial investment towards the end of last year and the first quarter of this year. Now we are in a really good position to strengthen our footprint and increase our ability to provide this resource across the entire country. Just a year ago when you looked at EnerNOC, you would have seen an organization with most of its resources in California or in the northeast.

Today we have a healthy balance sheet that allows us to do a couple of important things. First, it allows us to instill confidence with the utilities and utility commissions. They want to know that if they are making a ten-year investment in demand response that there is going to be a healthy company behind it. It does take capital to grow and the capital in our case is not just for research and development to increase the efficacy of our technology, it also allows us to provide financial assurances that are required in certain regions before we can start doing business. For example, some contracts require letters of credit, bonds or other types of financial assurances because most programs have penalties if a demand re-

sponse provider doesn’t provide enough resources at the right time. We have a lot of financial strength and are on a path to profitability. That profitability is about first becoming cash flow positive from operations the second half of 2009 and then a full year of profitability in 2010 on an EPS basis.”

CEOCFO: You have been named one of the regions ‘Best Places To Work’ in the Boston Business Journal; would you tell us about that?

Mr. Healy: “In some ways it is not that hard to be a great place to work because of the industry we are in and the fact that people come to work here not just because they want to earn a paycheck. They are really jazzed up about the company’s

“Demand response is simply having the ability to reduce electricity demand instead of creating new sources of supply. For example, when the grid operator or the utility needs additional supply, they traditionally fire up another peak generating plant. When there are no more plants to tap, blackouts and brownouts will occur. Instead, EnerNOC provides grid operators and utilities the ability to reduce electricity demand to bring supply and demand back into balance. EnerNOC works with commercial, industrial and institutional end user facilities to curtail energy use when the grid is peaking – to reduce the risk of blackouts and brownouts.”

- Timothy G. Healy

mission of environmental stewardship and energy efficiency, optimizing the limited amount of energy resources that we have to achieve a lot of our nation’s objectives as it relates to climate change—about trying to change the world for the better.

EnerNOC is a unique place because we find people who are strong on three dimensions. Typically, you find two-dimensional people who are really smart and motivated, but they are no fun to work with. Or you can find people that are really fun and smart but not that hard working. In our case, we have folks that are all three dimensions: smart, motivated and fun. Being one of the “best places to work” is a reflection --not of the founders and executive management --but

of the individuals that come to work here day in and day out at every level that just bring an attitude of success and a positive entrepreneurial spirit. It really does pervade everything that we are doing.”

CEOCFO: In closing, why should potential investors be interested in EnerNOC today?

Mr. Healy: “It is a big opportunity that we are addressing and there is no doubt that the management of demand side resources, like demand response and energy efficiency, are an important part of our nation’s energy future. We can talk about wind, solar, nuclear, clean coal and all sorts of electricity resources for our nation’s future -- but the one that solution available today that can realistically meet our nation’s electricity demand is the management of demand side resources.

EnerNOC has established a leading position in demand resources side of the industry. We’re rapidly expanding our role as the trusted advisor for thousands of commercial and industrial companies that are looking for additional ways to save on energy costs. Companies need an expert third party because energy management is not something that most ever had the tools, time or expertise to manage on their own. Therefore, we believe we are on the verge of something really big--we have the patented technology and we

have a management team that has operated together for a number of years very effectively.

We have a leading position in the market, a very viable business plan and the financial resources to execute. At the end of the day, I would say that some of your strongest companies are the companies that are built in this type of economy – not just muddling through but actually prospering in economic downturns like we are having now. I have never been more bullish about the things that are going on at EnerNOC.”

CEOCFO: The right place, right time, with the right service and product!

Mr. Healy: “Yep!”



EnerNOC, Inc.
75 Federal Street, Suite 300
Boston, MA 02110
Phone: 617-224-9900