



National Association of Energy Service Companies Northwest Regional Meeting

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Three Areas of Discussion

- Customer risk management in time of price volatility
- Customer energy management response to price and market signals
- Role of ESCOs in shaping future markets

Customer risk management in time of price volatility

■ @ facility level

- Grapple with adequacy of budgets
- Gamble on market prices/use third parties to help hedge market position
- Pitch EE projects in hopes of CFO support (largely framed in terms of payback)

Customer risk management

- @ executive level

Market Leaders

- Energy on the radar (more on that later)
- Understanding: energy not a fixed cost but manageable through a *strategic energy management approach* that mitigates risk
- CFOs that analyze EE investments from total cost of ownership perspective (IRR/NPV)

Customer risk management

Market Laggards

- Business as usual
- Try to absorb cost increases;
 - Reductions in O&M staff
 - Reductions in training
 - Short term repairs to building systems; deferral in purchase of new building technologies
- Result: decrease in bldg. performance, comfort, employee productivity and increase in cost = unsustainable facility management

Pricing and Market Signals

- Complicated area of discussion
- Differing regulatory schemes for energy types, but all tied at the hip (*only given – they ain't going to get cheap*)
- No coherent national energy policy (supply or demand side)
- States are stepping up – 20+ now with Renewable or Clean Energy Portfolio Standards (OR & WA latest)
- 10,000 lb. gorilla – when and how will carbon get monetized (that will open the floodgates)

Role of ESCOs

- Keep up with customers (market leaders) who need energy management services as a part of their strategic operational plans
- Strong growth will continue to diversify the ESCO industry with new and expanded energy services products

Role of ESCOs

■ Industry characterization

- Increasing demand for full facility management services
- Integration of site based renewables & on-site generation with energy efficiency
- Increase in demand for CHP design, construction, and on-going management
- Development and deployment of smart grid technologies



Role of ESCOs

- Industry must work proactively with government and energy utilities to hasten the movement of laggards to leaders
- Industry must be actively involved in pushing for a national energy policy framework that deals with carbon
- Help create a national performance goal and incentive structure for end use efficiency across our economy