



# Fourth Quarter and Year End 2009 Investor Update

**Kevin Evans, President & CEO**

**Andrew Warner, CFO**

**March 18<sup>th</sup>, 2010**



# Forward Looking Statements

THIS JOINT CONFERENCE CALL AND PRESENTATION MAY CONTAIN CERTAIN FORWARD LOOKING STATEMENTS. THESE STATEMENTS ARE MADE PURSUANT TO THE SAFE HARBOR PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. FORWARD LOOKING STATEMENTS INHERENTLY INVOLVE RISKS AND UNCERTAINTIES THAT COULD CAUSE OR CONTRIBUTE TO DIFFERENCES IN ACTUAL RESULTS. RISKS OF FORWARD LOOKING STATEMENTS INCLUDE BUT ARE NOT LIMITED TO COMPETITIVE FACTORS, THE SUCCESS OF NEW PRODUCTS IN THE MARKETPLACE, CHANGES IN THE REGULATORY ENVIRONMENT, DEPENDENCE ON THIRD PARTY VENDORS ON THE ABILITY TO OBTAIN FINANCING. BY MAKING THESE FORWARD LOOKING STATEMENTS, THE COMPANY UNDERTAKES NO OBLIGATION TO UPDATE THESE STATEMENTS WITH REVISIONS OR CHANGES.

# Agenda

- 2009 Operational Overview
- Financial Review
- 2010 Outlook
- Questions & Answer Session

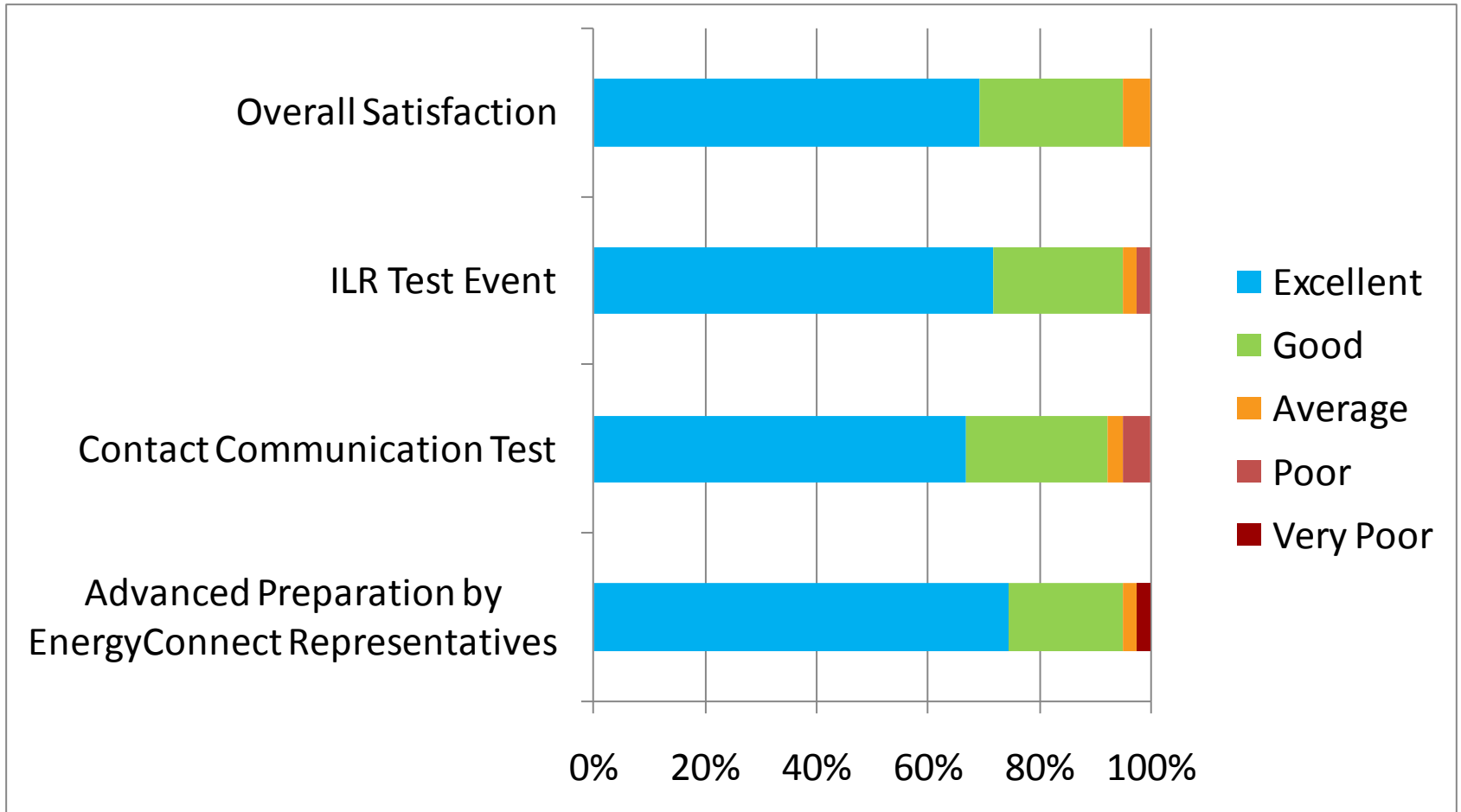
# Full Year 2009 Review

- 2009 Revenue \$19.9M
  - 2009 Capacity revenues more than double 2008
  - Economic business weakness tied to historically low prices
- Maintained a strong focus on Customer Satisfaction
- Reduced operating expenses by \$2.8M, while investing in technology
- FERC granted Market Base Rate Authority (MBRA)
- Strengthened our management team
- Secured funding for the business into 2012

# Capacity Market Progress

- **2009 Capacity Transactions**
  - 20MWs contracted capacity Q1 2009
  - 60+MWs contracted capacity market participants Q2 2009
  - 225+MWs direct C&I callable capacity 2009-10
- **Interruptible Load for Reliability (ILR) Test Completed in June**
  - Conducted tests, system, communication protocol, by zone
  - All but one customer location participated in the test (99.5%)
  - Very positive results – 110%+ of committed MWs
- **Customer Satisfaction – Respondent Rated Good/Excellent**

# How would you rate your satisfaction with EnergyConnect ?



# Enabling Our Customers Through Technology

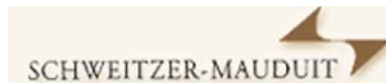
Commercial

Industrial

Government & Institutional



Building the future™



pennsylvania  
DEPARTMENT OF GENERAL SERVICES



ISO / RTO / Utility Partners



# Complete Technology Platform and Services

## Price Responsive Load Management



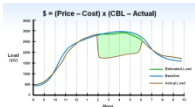
Assess Curtailment Capability



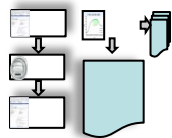
Install Telemetry



Set Notification Criteria



Establish Baseline



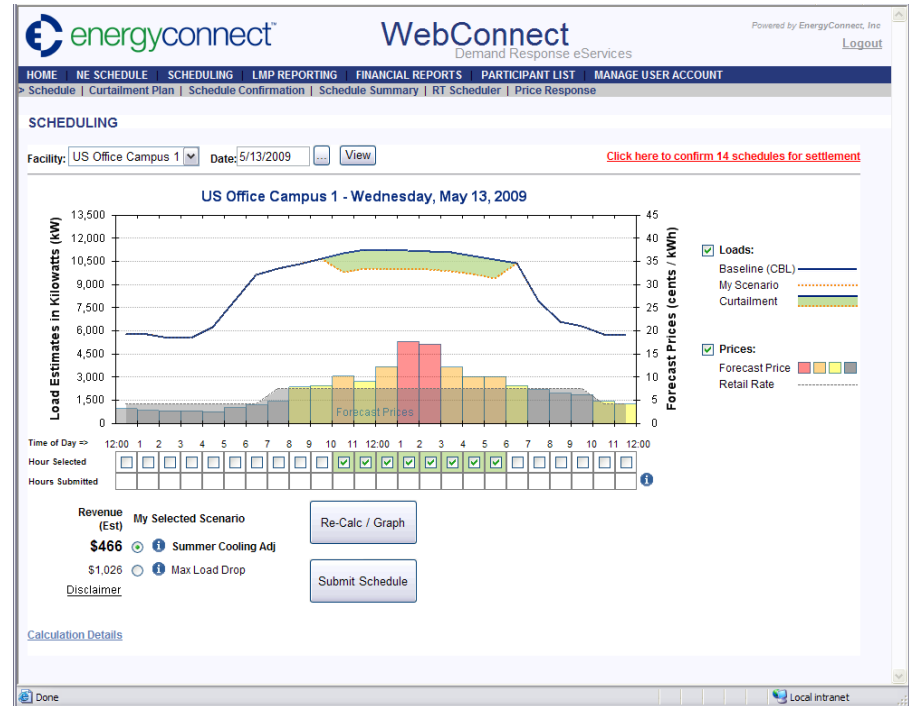
Test & Certify



Accept, Modify, or Ignore



Payment Settlement



# FERC Market Based Rate Authority (MBRA)

- **Nation's First Demand Response Provider Granted MBRA**
  - To ensure our obligations as a Demand Response Provider
  - Expanded range of wholesale services including purchase and sale
    - Capacity
    - Energy
    - Ancillary Services
- **Our Goal**
  - To provide seamless access to wholesale electricity markets
- **“Google wins FERC nod on market-based rate authority..”**
  - Validates EnergyConnect's focus to provide expanded capabilities.

# Seasoned Executive Team

Kevin Evans	President & CEO	Former SVP, CBO & CFO of Electric Power Research Institute, PlaceWare, Sequel, Madge, Merisel, Wells Fargo; MBA
Andrew Warner	CFO	Former CFO, SmartDisk Corporation, Zio Corporation, SCM Microsystems, Madge; BA, ACMA
John Stremel	CTO	Former VP, Software Development – Automated Power Exchange (APX), Electric Power Software, TVA; MS
Mark Boucher	VP, System Dev.	Former Director of Centerlogic, M Financial, Providence Health, Siebel Certified Consultant; BA
Joe Bugica	VP, Product Mgmt.	Former VP Marketing Electric Power Research Institute, General Electric, Westinghouse; ME, MBA
Jay Crookston	VP, WW Sales	Former VP Worldwide Sales – PlaceWare, MCI Teleconferencing, Xerox; MBA
Bill Munger	VP, Human Resources and Chief of Staff	Former Human Resources Director – Intel Corporation, Safety-Kleen Corporation; MBA, PHR
Rich Quattrini	VP, Marketing and Business Development.	Former Sr. Director, Corporate Marketing – KLA – Tencor, Inspex, Prometrix, Digital Equipment Corporation; MSE





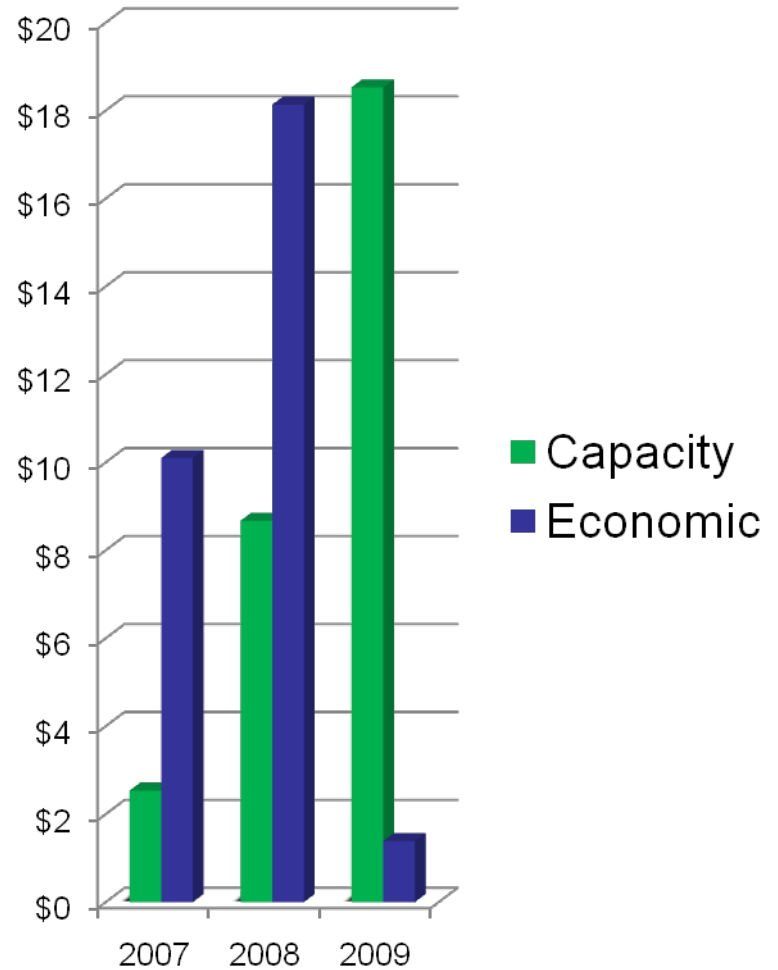
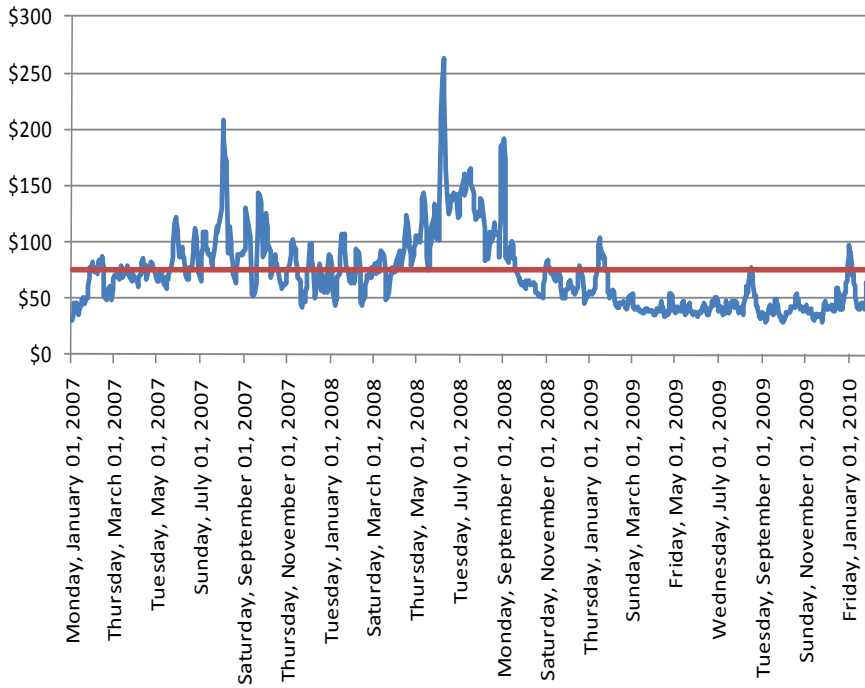
# Financial Review

**Andrew Warner**

**Chief Financial Officer**

# Wholesale Prices and Revenue Mix \$M

**RTLMP (PECO zone)  
5 day Moving Average (Noon to 6 PM)**



# Income Statement by Quarter \$000's

	Q3 2008	Q4 2008	Q1 2009	Q2 2009	Q3 2009	Q4 2009
<b>Revenue</b>	<b>11,641</b>	<b>1,776</b>	<b>1,210</b>	<b>7,522</b>	<b>10,338</b>	<b>850</b>
<b>Gross Margin</b>	<b>5,183</b>	<b>301</b>	<b>568</b>	<b>3,224</b>	<b>3,118</b>	<b>129</b>
Gross Margin %	45%	17%	47%	43%	30%	15%
<b>Operating Expenses</b>	<b>3,024</b>	<b>2,899*</b>	<b>2,571</b>	<b>2,311</b>	<b>2,243</b>	<b>2,191</b>
<b>EBITDA</b>	<b>2,429</b>	<b>(2,187)</b>	<b>(1,737)</b>	<b>1,255</b>	<b>1,154</b>	<b>(1,774)</b>
Operating Income (Loss)	2,159	(2,510)*	(2,003)	913	875	(2,062)
<b>Net Income (Loss)</b>	<b>2,166</b>	<b>(2,580)*</b>	<b>(2,082)</b>	<b>601</b>	<b>498</b>	<b>(2,270)</b>
Headcount	50	48	37	36	32	35

\*Q4 2008 excludes \$29.4M goodwill impairment charges

# Income Statement \$000's

	2008	2009
<b>Revenue</b>	<b>25,859</b>	<b>19,921</b>
<b>Gross Margin</b>	<b>7,439</b>	<b>7,038</b>
Gross Margin %	30%	35%
<b>Operating Expenses</b>	<b>12,132*</b>	<b>9,317</b>
<b>EBITDA</b>	<b>(3,264)</b>	<b>(1,103)</b>
Operating Income (Loss)	(4,693)*	(2,279)
<b>Net Income (Loss)</b>	<b>(4,712)*</b>	<b>(3,222)</b>
Headcount	48	35

\*Q4 2008 excludes \$29.4M goodwill impairment charges and \$11K loss on discontinued operations

# Balance Sheet Highlights \$000's

	Q4 2008	Q3 2009	Q4 2009
Cash and CD's	710	1,725	1,163
Accounts Receivable	4,374	10,712	6,811
Other Assets	2,273	2,146	1,801
<b>Total Assets</b>	<b><u>7,357</u></b>	<b><u>14,583</u></b>	<b><u>9,775</u></b>
Accounts Payable and other liabilities	5,631	10,601	7,833
Note Payable (net of discount)	-	1,879	1,913
Total Liabilities	5,631	12,480	9,746
Shareholders Equity	1,996	2,103	29
<b>Total Liabilities and Shareholders Equity</b>	<b><u>7,357</u></b>	<b><u>14,583</u></b>	<b><u>9,775</u></b>

# Cash Flow Movement \$000's

	Q3 to Q4 2009	Full Year 2009
Adjusted Net Income	(2,074)	(1,697)
(Increase)/ Decrease in AP and Other assets	4,246	(1,965)
Increase /(Decrease) in AP and Other Liabilities	(2,768)	2,202
<b>Inflow /(Outflow) of Cash</b>	<b><u>(596)</u></b>	<b><u>(1,460)</u></b>
Increase / (Decrease) in Note Payable	34	1,913
<b>Movement in Cash</b>	<b>(562)</b>	<b>453</b>

# Guidance 2010

- Expect full year 2010 revenue growth of 35% to 40%, or revenues of \$27 million to \$28 million
- Plan to continue R&D investment and expense management
- Expect to be EBITDA positive for the year

*When considering guidance is it important to note revenue recognition will be cyclical and most likely stronger in the summer months. However, there can be other Capacity transactions creating lumpy revenue streams.*



# 2010 Outlook

**Kevin Evans**

**Chief Executive Officer**

# 2010 Outlook

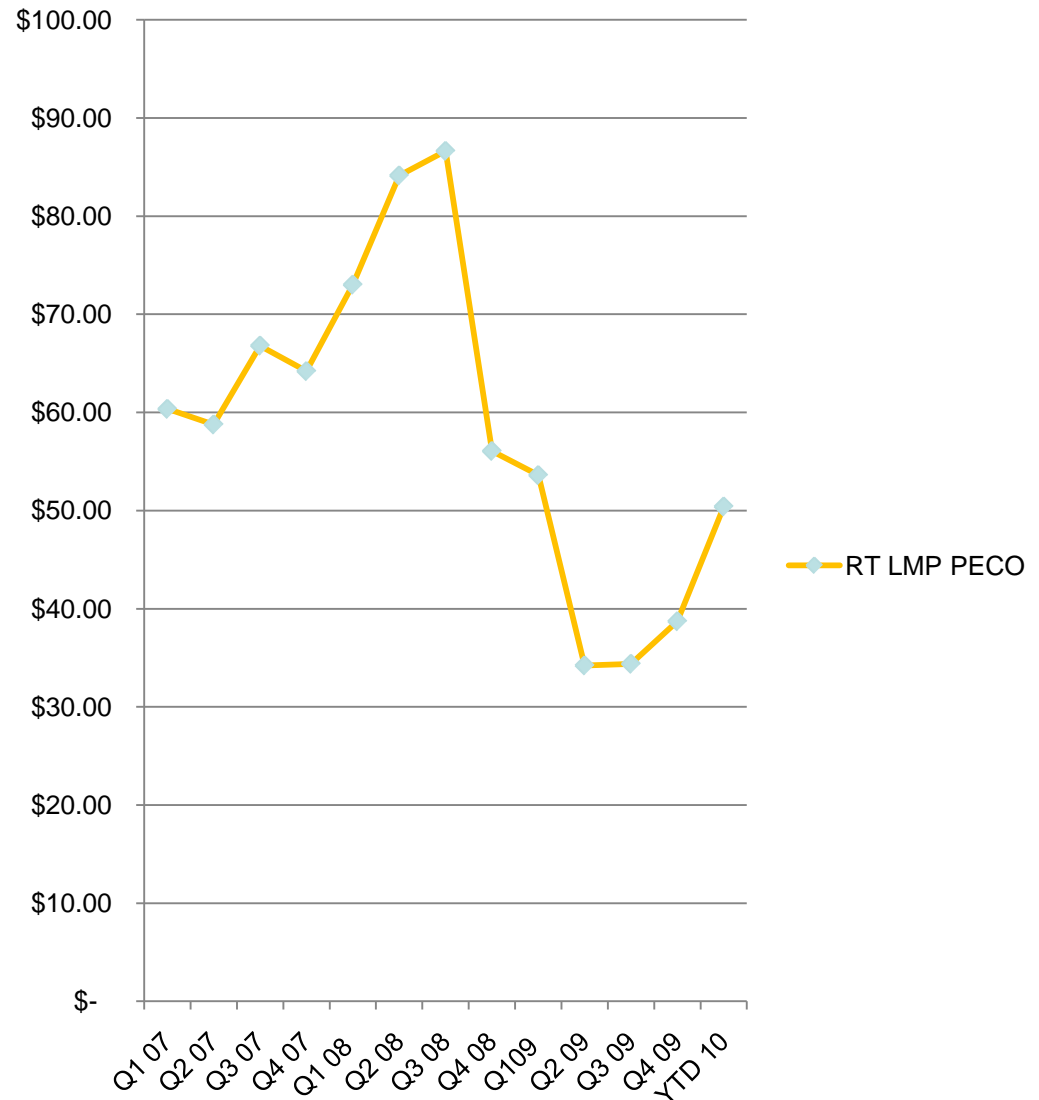
- **Capacity prices up from 2009 to ~\$63K/MWyr.**
- **Energy prices appear to be firming YTD Avg. \$50MW/Hr.**
- **FERC ruling on economic compensation**
- **Technology partnerships with EMS/BAS/SGT**
- **Private label economic demand response programs**
- **National Direct Access pilots**
- **Act129 pilots for 2012 delivery year**

# As the Economy strengthens, so will Energy Demand

## PJM RT Prices Firming

- 2007 Avg. RT Price \$62.56
- 2008 Avg. RT Price \$75.02
- 2009 Avg. RT Price \$40.10
- YTD 10 Avg. RT Price \$50.40

### RT LMP PECO



# PJM's Economic Program FERC Filing

## Load Profile

- Customer Baseline 4 of the highest 5 like days
- Exclude Curtailment Days

## Load Drop

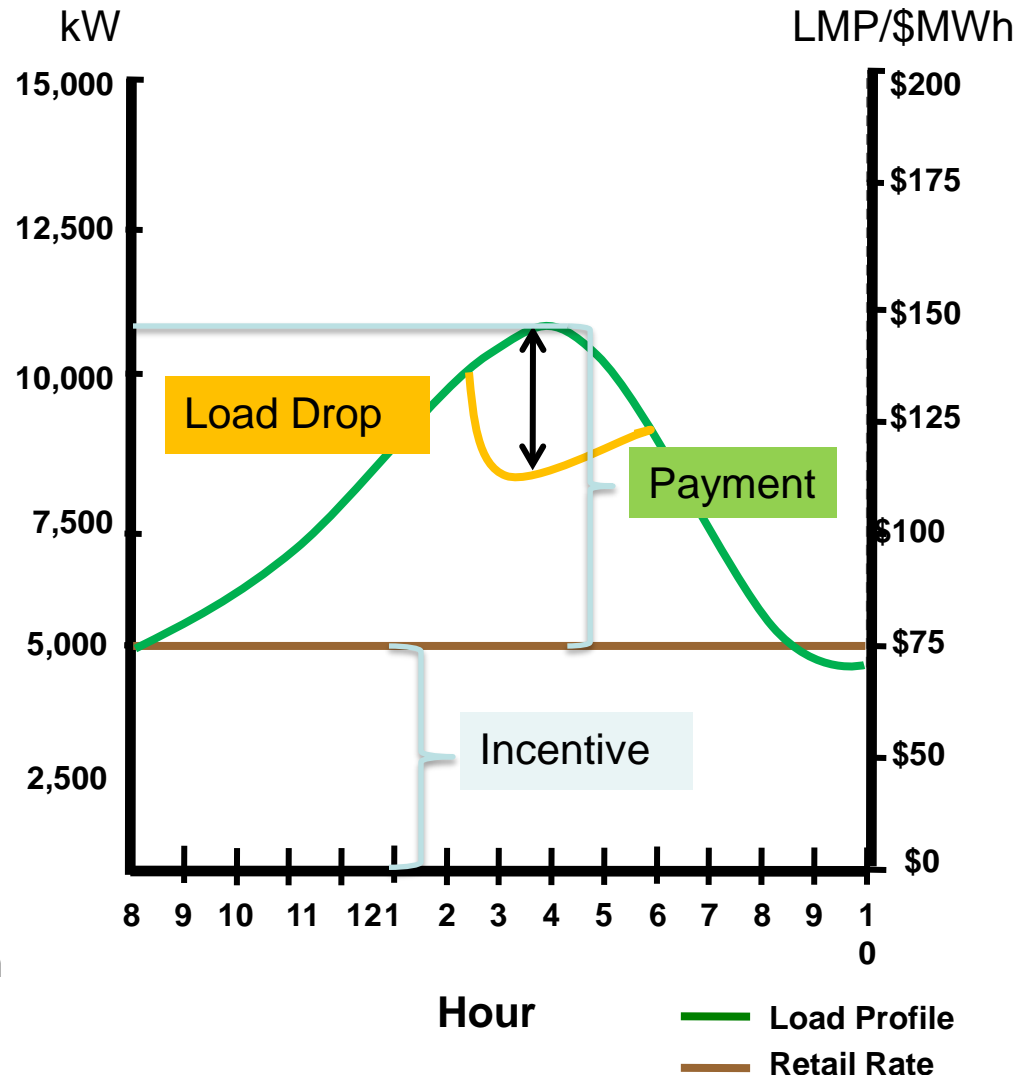
- Curtailment from Baseline

## Payment

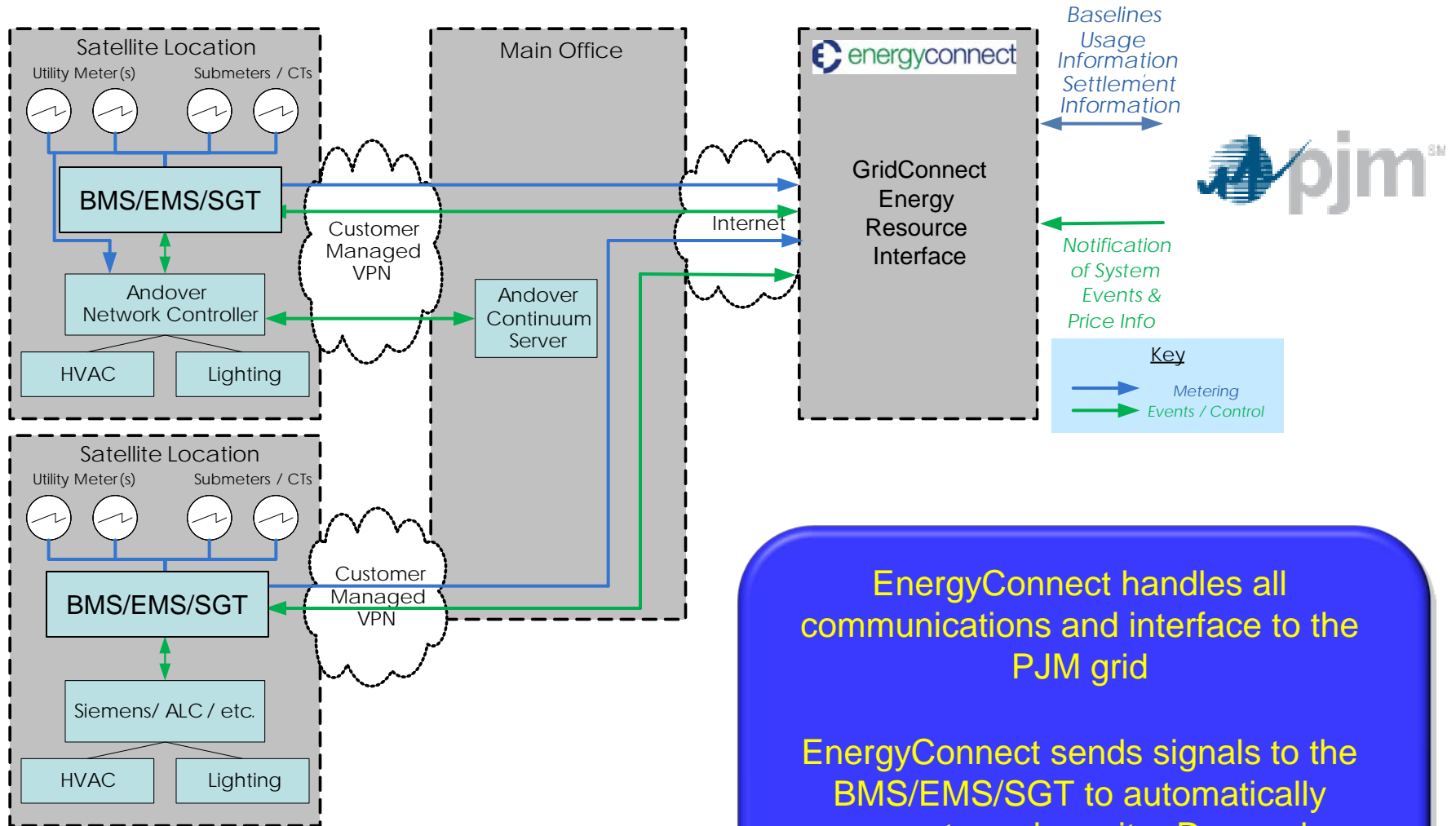
- $LMP - Generation = Price$
- $MWh \text{ of Load Drop} = \text{Quantity}$
- $Price \times \text{Quantity} = \text{Payment}$

## Incentive Threshold

- 9% highest LMP, + Retail deduction  
( $LMP \times MWh = \text{Payment}$ )



# Automated Load Management



EnergyConnect handles all communications and interface to the PJM grid

EnergyConnect sends signals to the BMS/EMS/SGT to automatically execute and monitor Demand Response

# Turnkey Private Label Programs

Leverage Turnkey Program in PJM;  
Expand to Utility Bi-lateral Opportunities

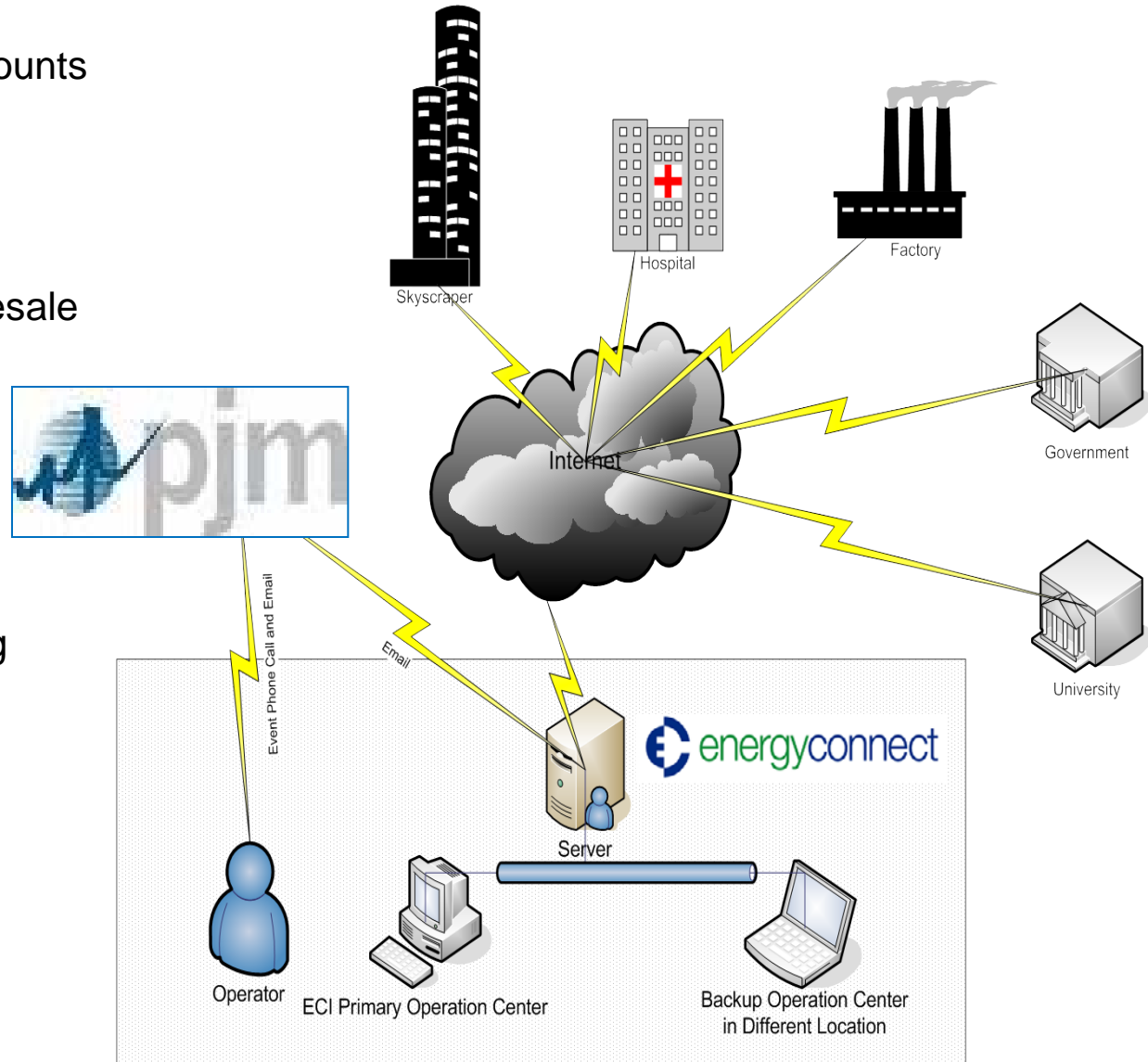
- Establish Pilot 2010
- Offer Private Label Solution
- Provide M&V and Settlement
- Scalable Value Added Pricing Structure



# National Direct Access

Initial Focus on National Accounts  
with PJM Footprint

- Establish Pilot 2010
- Offer Access to Wholesale Markets
- Aggregated Fleet Monitoring
- Provide M&V and Settlement Processing
- Scalable Value Added Pricing Structure

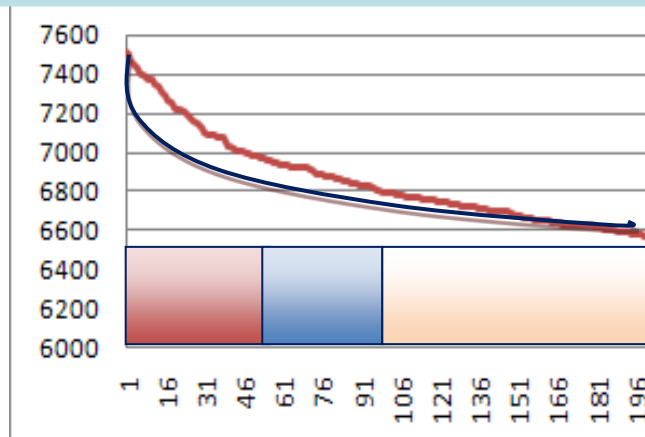


# Act129 - Dynamic Capacity Pricing

## Act 129 Mandated Peak Demand Reductions as Measured in Megawatts

EDC	Load	4.5% Reduction
Duquesne	2,518	113
Met-Ed	2,644	119
Penelec	2,395	108
Penn Power	980	44
PPL	6,592	297
PECO	7,899	355
West Penn	3,496	157
<b>Total</b>	<b>26,524</b>	<b>1,193</b>

## 2008 Top 200 Hours



## “Reconstituting” capacity payments to a “Pay for Performance” incentive

Assume the capacity payment is \$50,000/MWyr., the economic offer could be:

High Incentive

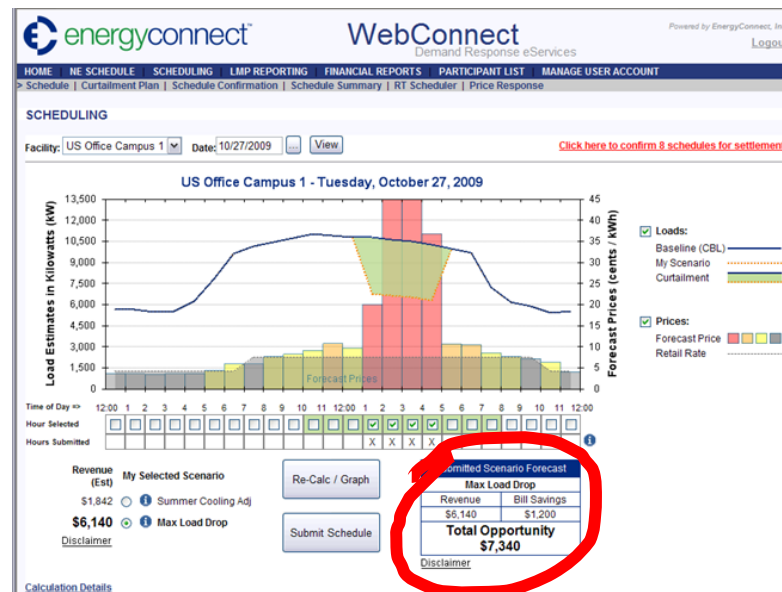
50 hours of \$500/MWh = \$25,000

Medium Incentive

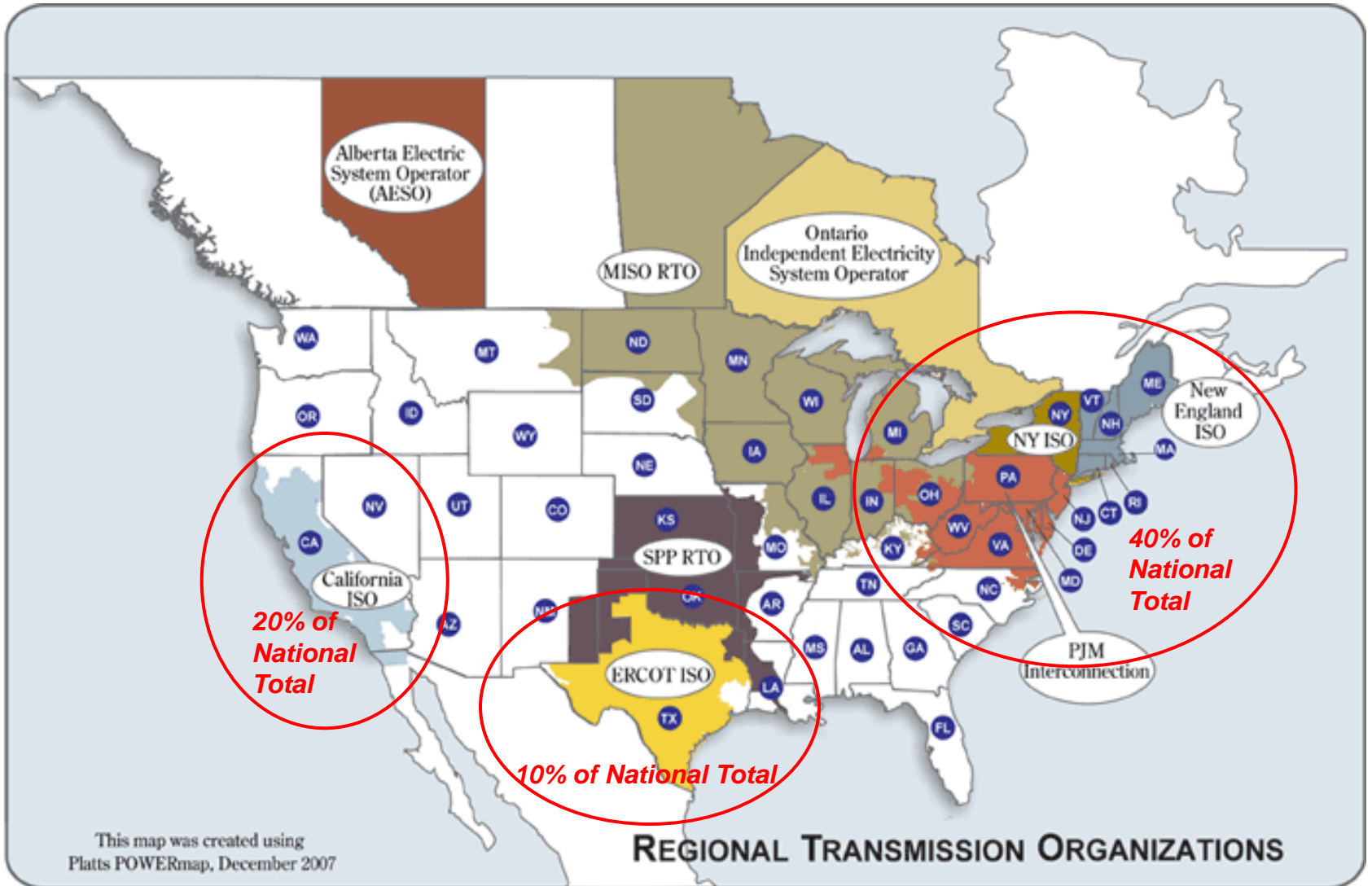
50 hours of \$300/MWh = \$15,000

Low Incentive

100 hours of \$100/MWh = \$10,000



# Looking beyond PJM



# Key 2010 Milestones

- **Grow our capacity business**
- **Energize the economic demand response market**
- **FERC approval of PJM economic incentive**
- **Technical partnership agreements**
- **Indirect channel success (private label, partnerships, alliances)**
- **Technology roadmap**
  - **Automated load management with technology partners**
  - **Private label integration**
  - **National Direct Access**
  - **Act129 dynamic capacity pricing**



## Question & Answers

# The Leading Solution for Demand Response

Full Suite of Demand Response Solutions

Scalable Software Platform

Over 250 Commercial & Industrial Customers

Large Market Opportunity

Seasoned Executive Team