OPower

Smart Grid/Utility Software Systems /Customer Management & Billing

Initiating Coverage – Software-as-a-Service Leader has the early KISS of success

Company Insight

While most software and web services vendors in the home energy management space are touting pilots with hundreds, or at best thousands of homes, OPower is the only SaaS (Software-as-a-Service) solution that is credibly touching millions of consumers. The company has achieved this impressive momentum by following a time tested business adage – KISS (Keep It Simple Stupid). While other vendors were pursuing elaborate hardware and software solutions, OPower maintained a sharp focus on the customer billing experience – both offline and online. In doing so, it has carved out a powerful position as the market leading solution for customer engagement. With a significant infusion of new capital, a talented, entrepreneurial team, and a growing list of case studies, we are believers in the OPower story.

Market Insight

The list of companies pursuing home energy management offerings is long and growing longer every week. The roster of firms developing products for consumers is diverse and includes global technology titans (e.g. Microsoft, Google, Intel, and Cisco), hardware manufacturers (e.g. GE, Motorola, and LG), and well capitalized, venture-backed companies (e.g. OPower, Silver Spring Networks, Control4, eMeter, and Tendril). The home energy management market is being targeted by utilities, demand response aggregators, telecommunications providers, consumer electronics retailers, as well as a variety of ancillary service providers. Despite this widespread interest, there are still big open questions around the consumer value proposition and what the right feature set, cost point, and business model will be in this sector.

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Company Description:
Software-as-a-Service developer of full suite of customer engagement and billing analytics tools for utilities.

Competitors:
Tendril Networks, eMeter, Silver Spring Networks, Efficiency 2.0, Earth Aid

Company Profile	
Location (HQ)	Arlington, VA
Founded	2007
Employees	200
Revenue (2010)	$30,000,000
Website	http://www.opower.com

Financing Profile	
Company Status	Private (Venture-Backed)

Recent News:
03/14/11: Named Cleantech Group's 2010 Entrepreneurial Company of the Year

03/04/11: Named one of the WSJ's Top 10 Companies in Cleantech

11/30/10: Closed $50M in new financing from Kleiner Perkins and Accel

Venture Market Insights		
Date	**Investors**	**Amount**
2010	Kleiner Perkins, Accel	$50,000,000
Total		$65,500,000

Company and Market Snapshot

Overview

OPower provides a software-as-a-service platform that helps utilities better engage customers around energy usage and savings opportunities.

Products/Technology

Opower is a web-based service that integrates with utility billing data - both legacy data and new smart meter data - and provides improved analytics, more effective communication mechanisms, and aims to drive savings behavior. In its most basic form, OPOWER is fundamentally an enhancement to the current utility billing system. OPOWER allows a utility to deliver usage data to a customer, either through traditional paper bills, a web portal, or mobile device that compares usage data to neighborhood averages and offers easy to accomplish conservation tips. A customer can reduce his/her energy use by a few percentage points with no hardware installations and very little input.

Strategy/Sales Channels

Opower sells its platform to utilities and is focused solely on this direct sales channel. Six of the ten largest U.S. utilities and over 50 total utilities are engaged with OPOWER including PG&E, BG&E, Com Ed, National Grid, AEP, Xcel Energy, SMUD, SDG&E, and Dominion.

Key Competitors

Tendril Networks
eMeter
Silver Spring Networks
Efficiency 2.0

Management Team

Dan Yates, CEO & Founder

Alex Laskey, President & Founder

Jeremy Kirsch, SVP of Client Solutions

Roderick Morris, SVP Consumer Marketing & Operations

Jeff Barrett, VP Engineering

Ogi Kavazovic, VP Marketing & Strategy

Key Relationships

Company	Date	Relationship Type	Notes
National Grid	Feb-11	Customer	OPower's work with National Grid was recently awarded 2010 energy efficiency program of the year at the 2011 Distributech Conference
General Electric	Nov-10	Investor	OPower was a winning firm in GE's Ecomagination "Powering the Grid" contest which included an undisclosed financial investment
AEP Ohio	Jun-10	Customer	AEP, one of the country's largest utilities, announced in June that they will be using Opower's engagement platform
PG&E	Jan-10	Customer	PG&E has been a key early customer for Opower

Company Insight

OPower was co-founded by serial entrepreneur Dan Yates in 2007 after a cross-continental roadtrip opened his eyes to the environmental challenges facing the United States and the rest of the world. While the story makes for inspiring corporate mythology, the important element to understand about Yates' vision for OPower is that it was derived by a utility outsider. Yates had previously founded a successful software company in the education market, but this was his first foray into the cleantech world. He assembled a similarly fresh thinking team from leading web and consumer marketing companies.

Yates was recently interviewed by CNN about the company's founding where he stated:

"We realized there's a billion and a half utility bills going out a year in the U.S. And we just had this basic naive thought of, 'Wouldn't it be better if they were a lot more informative about energy usage?'"

This naiveté has come in handy for OPower as it has pursued a simple strategy for assisting utilities. The company has focused intensely on helping utilities improve the customer billing experience. OPower's software-as-a-service helps utilities provide customers more information about energy usage along with money-saving efficiency tips. OPower's data crunching platform makes use of smart meter data or legacy billing data and allows utilities to deliver new, more engaging reports to consumers through traditional paper mailings, web portals, or mobile means such as text alerts.

Unlike some competitors that have focused on hardware solutions that provide more granular energy control in the home, OPower has been content to deliver savings in an information-based model that makes use of behavioral analytics (note: the company has expressed some interest publically in integrating functionality around smart thermostats, but this is likely as far as it would go). OPower's "peer proof" model is based on showing individual consumers comparative energy usage data to drive voluntary reductions in consumption. Across millions of households, the company is now reporting that customers receiving OPower communications demonstrate a rock solid 2-3% reduction in energy use. The company is so confident in this statistic that it is pursuing demand curtailment contracts contingent on achieving this level of savings.

OPower's simple approach has allowed the company to break through notoriously conservative utility purchasing processes. While the platform may require customization based on individual utility environments and specific feature needs (setup costs may be substantial, six figure engagements for larger utilities), in general, it can be rolled out with minimal disruption to any of a utility's core systems. OPower's pricing model is based on a per customer charge which allows smaller utilities to get started with reasonable monthly fees. In general, OPower's service has allowed utilities to satisfy Public Utility Commission mandates and public demands for new consumer engagement tools while not taking big operational or capital risks. This has perhaps been the great element of OPower's success as it has rolled up customer wins at 6 of the 10 largest U.S. utilities including PG&E, BG&E, ComEd, and AEP. While the vast majority of OPower's business is in the United States today, it is in various discussions internationally to expand abroad.

This expansion and continued customer wins have propelled the company to a ~$30M annual revenue run rate which it expects to double in 2011. The company has also been on a roll in securing substantial corporate and venture backing. In December of 2010, OPower, which had originally been seed-financed by MHS Capital, and then later by NEA, closed a $50M financing round from Kleiner Perkins and Accel. It plans to continue to spend heavily on product development and has earmarked $10M annually in R&D. Additionally, the company was also selected as a recipient of financial support from GE's recent "Powering the Grid" Ecoimagination competition.

OPower Product Architecture
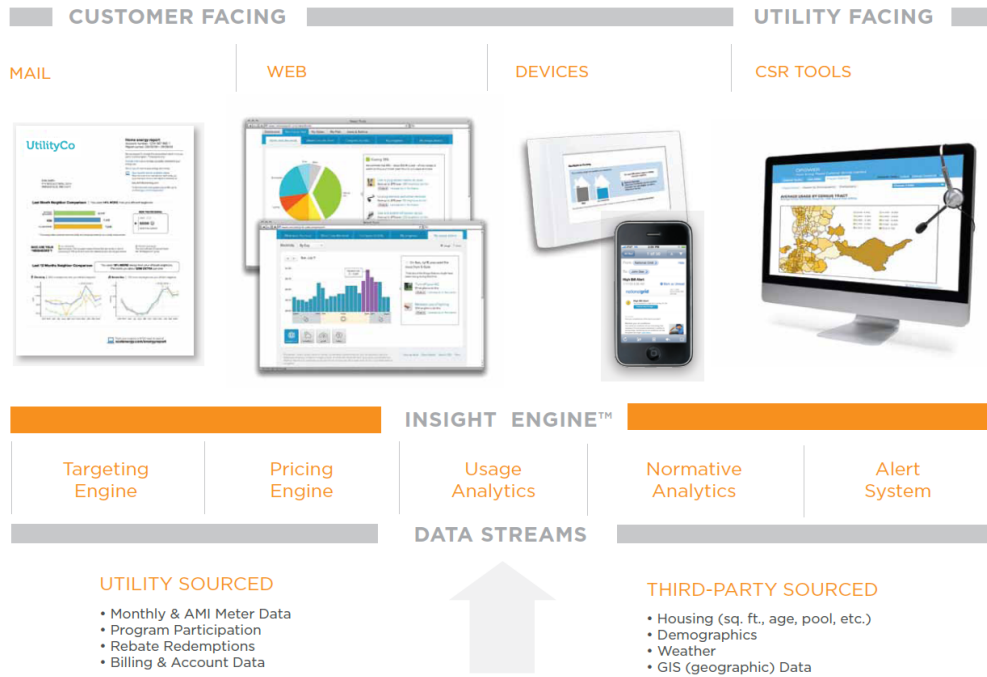

Source: OPower

OPower's success has spawned competition. Tendril Networks acquired Grounded Power specifically for its behavioral analytics capabilities, and eMeter and Silver Spring Network's have also debuted tools based on comparative data. In addition, all of these firms have their sights set on building a true platform approach to helping utilities with customer data. OPower is continuing to enhance their capabilities to work with a wide variety of utility billing and pricing data. While much of the customer experience and interface remains a truly differentiated part of the OPower platform, the company does envision a future where it would offer APIs into some of this data for authorized third party developers. The most apt analogy, for those familiar with software-as-a-service models, is Salesforce.com which has built a robust development community around its AppExchange, but still controls the majority of the user experience for customers of its CRM software. As utilities struggle to cope with the influx of new data from smart meters and distribution monitoring equipment, vendors such as OPower have a big business opportunity in assisting utilities trying to analyze this data. Ultimately, making sense of this data for consumers will be a key element in helping utilities justify capital expenditures on these network upgrades.

Market Insight

We believe it is important to view OPower's business in the context of the overall home energy management market. This is a market that we segment based on channel (i.e. who are vendors selling to? Utilities, direct to consumer, or via other third party service providers?) and on cost of solution per customer. The lowest price points in the market are being offered by software/web- services players such OPower and eMeter.   Players with minimal hardware (for example, just a smart thermostat), rank next in terms of cost per customer, while full home automation solutions are the most expensive and will likely only be adopted by higher end customers. We remain bearish on stand-alone home energy displays, with the exception of smart thermostats, and believe that in the

next 2-3 years, the primary mechanism that most consumers will use to interface utility data, outside of traditional paper bills, will be web-based services on personal computers and mobile devices.

Cleantech Group Home Energy Management Landscape
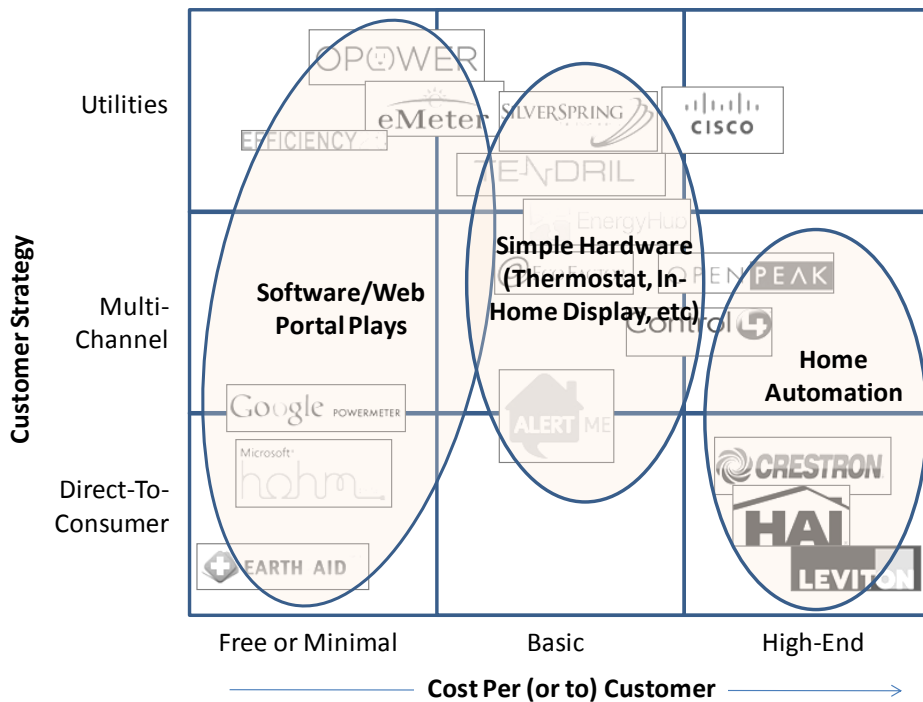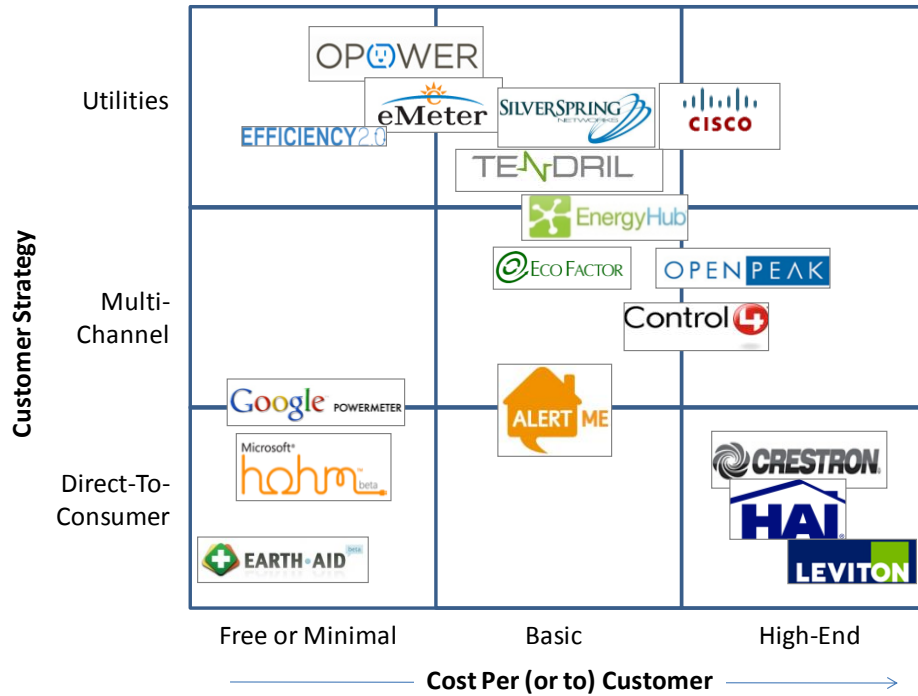
Full Capital and Transaction History

Investment History	
Stage	Series B
Date	2010
Amount	$50,000,000
Investors	Kleiner Perkins, Accel
Stage	Series A
Date	2008
Amount	$14,000,000
Investors	New Enterprise Associates
Stage	Seed
Date	2007
Amount	$1,500,000
Investors	MHS Capital
Fundraising Status	N/A
Total Paid in Capital	$65,500,000

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