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Energy Management Bags Cash

Prenova raises \$11 million for software to cut energy costs for stores and restaurants.

May 5, 2006

Energy management company Prenova said Friday it raised an \$11-million round of venture capital funding, reflecting growing interest in energy savings in the wake of oil prices above \$70 per barrel.

The round brings Prenova's total venture capital funding to \$28 million. Investors included Arcapita Ventures, which led the round, as well as Austin Ventures, Frontenac Company, River Cities Capital Funds, and Colonnade Strategies.

"The company has assembled a set of highly referenceable, blue-chip customers who have realized significant returns on investment through their relationship with Prenova," said John Huntz, executive director of Arcapita Ventures. "We are confident that Prenova's solution set and experienced management team ideally position the company in a market where customers are increasingly focused on reducing and managing their energy-related expenses."

Actually, "return on investment" is a misnomer in this case, because customers pay no up-front cost for the system, instead paying a set price or percentage for the energy they save, said spokesperson Deb Spicer.

The new money will be used to further develop its technology delivery platform, and to meet increasing customer demand, according to the company.

"Customers are demanding innovative energy solutions that can produce significant returns at a fraction of conventional costs and time frames," said CEO Ed Smith. "Arcapita's strategic support, combined with the firm's extensive global resources, will enable us to extend our leadership position and greatly enhance our ability to deliver high-value energy management solutions to an even broader array of businesses."

A number of blue-chip customers are ready to come on board, and part of the financing will be used to "compress the timeline" to bring the system to those customers, Ms. Spicer said.

'Efficiency is an idea whose time has come. We've ignored it at our peril.'

-Robert Wilder,
WilderShares

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Prenova is the latest in a series of energy management companies to raise venture money.

Broadband Energy Network announced it raised money earlier this week (see [Energy Management Gets Cash](#)), and Fat Spaniel and Comverge also raised venture capital in March and April (see [Energy Startup Gets \\$3.5M](#), [Comverge Gets Another \\$5.5M](#)).

In November, another energy management startup, GridPoint, raised \$9 million (see [GridPoint Gets \\$9M](#)).

Oil Prices Spur Cleantech

Robert Wilder, president of WilderShares, which manages two clean-energy indices, said with oil at \$70 per barrel, energy management makes good sense.

"It's like suddenly discovering vast new oil supplies that are right under our feet," he said. "It's like putting \$20 bills in your pocket. These companies just enable us to know better how we're using energy, why we're using it, and—if we give it even a little bit of thought, we can save a lot of power. Efficiency is an idea whose time has come. We've ignored it at our peril."

Atlanta-based Prenova has software that can tap into companies' enterprise computer systems and manage their energy systems. Most of their customers are multi-site companies with retail stores, restaurants, or supermarkets, including Gap, Crate & Barrel, Friendly's Restaurants, and 24-Hour Fitness. "Multi-site operations would have the most to gain," Ms. Spicer said.

By automatically optimizing and managing the energy use of these customers' lighting, heating, and ventilation systems, among others, Prenova says its system saves customers an average of 3 to 5 percent on energy purchases, and 10 to 15 percent on other energy-related costs.

Customers see savings right away, and Prenova makes money "almost immediately" because the proprietary software is already built and needs very little customization to fit with new customers, she said.

Mr. Wilder says the business model makes sense.

"You might be saving a small amount of energy at each store, but if you have thousands of stores, suddenly nuclear power plants don't need to be built," he said. "In aggregate, these small changes make a big difference."

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