



OHIO CHAMBER COMMERCE – OHIO'S ENERGY FUTURE

Fellow Ohio Business Leaders:

I am here to share my story as a business owner in Cincinnati who has committed his company to becoming a leader in the new energy economy. I am not here as a member of a trade organization; and I am not getting paid to be on this panel. I am here because I believe in what we are doing as a company, and because I want Ohio and the United States to become a stronger, safer, and healthier place to live for both our generation and our children's generation.

Melink has been in the business of selling energy efficiency since 1987. But it wasn't until 2004 – after being inspired at a green building conference in Cleveland - that we decided to get really serious about energy efficiency. We started by designing the first LEED Gold certified building in Ohio for our headquarters. Features include a super-insulated envelope, geothermal heat pumps, intelligent lighting controls, a solar PV system, among others. The incremental cost of these improvements was 10% of the total building cost, but this reduced our energy costs more than 50% compared to a conventional code-compliant building based on third-party energy modeling. Therefore the expected payback on these improvements was only 5-7 years for assets that will last us more than 25 years.

A surprising result was that suddenly our building became an attraction for thousands of people across the region. Architects, engineers, contractors, consultants, manufacturers, school teachers, public officials, and countless other professionals were visiting us almost every day for the next few years to learn how and why we did what we did, how much it cost and what were the benefits.

The enormous interest in our green building motivated us to further raise the bar and so we invested in additional solar PV, a solar thermal system, a low-wind turbine, and solar shades. The incremental cost of these improvements was another 10% of the total building cost, but this further reduced our energy costs such that now our building is 75% more efficient than a conventional code-compliant building. This is validated by data from the Building Owners and Managers Association which indicates the average energy cost for an office building is more than \$2 per square foot per year whereas our utility bills show our energy cost is less than \$0.50 per square foot per year. As an example, our August utility bill was only \$1200 for a 30,000 square foot building. These improvements led to our earning the Energy Star rating and applying for the LEED Platinum Existing Building certification. And in 2010 we plan to install additional solar PV to make our building net zero energy. Though we will still be connected to the grid for when the sun doesn't shine or the wind doesn't blow, we will be virtually insulated from price volatility in electric rates for the life of our building.

Our next question was, where besides our building can we demonstrate energy leadership? We responded by investing in a fleet of hybrid cars for our technicians. These cars get almost 50 miles per gallon whereas before our technicians were driving trucks, SUVs, and sport vehicles that were averaging less than 20 MPG. And we also took these ideas home with us and educated our families about what we can do to save energy. For example, I personally invested in a geothermal heat pump, compact fluorescent lights, extra attic insulation, and a solar PV system at a total cost of \$25,000. And now my home energy bills are 75% lower with an expected payback of 5-7 years.

Some people say renewable energy is not cost-effective. But I say that it depends on several factors including: a) What's your definition of cost-effective? b) What return are you making on alternative investments? c) How long do you plan on staying in your building? d) What are your assumptions about future rate increases? e) Have you looked at combining energy efficiency with renewable energy improvements to yield a combined return that is acceptable? And f) Have you factored in all the available incentives, such as federal tax credits, accelerated depreciation, federal and state grants, utility rebates, and renewable energy credits – in addition to the usage and



peak demand savings?

Most every business here and across Ohio can do what we did. For us it was a matter of committing to a goal, vision, and even culture where eliminating energy waste is a strategic priority. Of course it's easier to maintain the status quo and continue to use energy like it will be forever cheap, but that is not a plan for long term success. Energy will not be forever cheap, and energy will have increasing consequences relating to our economy, national security and the environment.

I would like to add that embracing energy conservation, energy efficiency, and renewable energy has turned out to be one of the best things we have ever done in our 23 year history. Not just because it has reduced our energy costs by 75% – but because it made Melink a more credible leader in our industry - which has top-line benefits. In fact, our business has grown on average 20-30% per year for the last 5 years with the exception of last year when we only grew 13% during the peak of the recession.

In summary our company has shown the following:

- 1) Energy savings of more than 50% are feasible and practical today; we don't have to wait for new technologies to be developed.
- 2) Investments in EE and RE can beat alternative investment opportunities, especially in this economy when stocks, bonds, and real estate are yielding such low returns.
- 3) Advantages of becoming a leader in the new energy economy go beyond the actual energy savings and include PR benefits that can increase the top line.
- 4) Our company has become stronger and more successful as a result of our commitment to energy leadership, and yours can too.

Regarding the American Clean Energy and Security legislation, or Cap and Trade bill as it is often referred, I believe our country needs a strong national energy policy that will lead rather than follow the world economy; that significantly reduces our dependence on foreign oil and natural gas; and respects the natural environment for future generations.

Opponents label this bill an energy tax, but I think of it as an investment opportunity. While rates may have to slightly increase, your usage savings can more than offset this increase as our company has already shown. Opponents also label this bill a job killer, but I believe the new energy economy will be bigger than any other economy the U.S has seen. Again, our company and many others investing in EE and RE are creating jobs not losing them.

In fact I would say that many opponents of the bill have never really tried to make energy efficiency and renewable energy a strategic priority. Contrast that with some of the largest and most successful companies in the world who ARE making it a strategic priority and you get a wide cross-section of industry leaders like GE, Wal-mart, Toyota, Applied Materials, Google, and Duke Energy. They already know that the way of the future is: super-insulated buildings, CFLs and LEDs, intelligent controls, geothermal heat pumps, solar PV, wind turbines, smart grid, and electric vehicles. A whole host of Ohio businesses also know this based on their recent diversification into energy-related technologies, from manufacturing, to installation, to service and maintenance.

I do agree that heavy industrial manufacturers who spend, say, more than 10% of sales on energy will be more impacted than other businesses. But this makes an even stronger case for energy efficiency since a small improvement can yield a large impact to the bottom line. It also makes a stronger case for renewable energy since the fuel source for solar and wind power is forever free. Furthermore, since the utilities will need to meet a national RPS under the ACES bill, they will be compelled to pay manufacturers for the REC's generated from a distributed renewable energy system. Ultimately though, in my opinion, the national and state benefits of the ACES bill would be greater than any local problems or opportunities seen by individual companies.



Another benefit of a national energy policy – besides moving away from a cheap energy at any cost mentality - would be that it promotes a standard set of rules by which all businesses – manufacturers, investors, and end-users - can plan for the future. For example, putting a price on carbon would unleash an unprecedented level of innovation and investment toward clean tech. And while the new Ohio SB 221 RPS requirements and other recent State legislation are a move in the right direction and make Ohio a regional energy leader, they represent a patchwork solution at best on a national level. A comprehensive national energy policy would allow the U.S. to more quickly mainstream energy efficiency and renewable energy and lead the world again in job creation related to their manufacturing, installation, and servicing.

The last thing I would like to say is America and Ohio have been business and technology leaders for over 100 years. We led the industrial age with Ford's mass production of the automobile. We led the flight age with the Wright Brothers' development of the airplane. We led the computer and information age with the invention of the vacuum tube and later the microprocessor. We led the space age with the Apollo space program and several brave astronauts. We led the digital age with the creation of the internet and World Wide Web. Are we going to give up on what could be the biggest age of them all – the energy age – and let the Germans, Chinese, or God forbid the Californians, lead the world in clean energy technologies?

I think we can and must lead the world again, and one way to ensure this is to support a strong national energy policy. Our company is only a microcosm of what is possible in Ohio and across the U.S. If our success was multiplied by a million times, collectively we could change the world for the better. Let's embrace this as a once-in-a-lifetime opportunity! Thanks you.

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Note 1: Fortune Magazine recently showed that 4 of the 5 largest companies in the world are oil companies, ie. Royal Dutch Shell (1), Exxon Mobil (2), BP (4), and Chevron (5). The only other company in the top 5 is Wal-Mart (3).

Note 2: Business Week recently showed that the 8 largest energy companies make up 28% of the total market capitalization in the business world. In other words, energy makes up almost a third of the world economy.

Note 3: The United Nations issued a statement on 9/25/09 that global temperatures will rise by 6F degrees by the year 2100. How much will temperatures rise by the end of 2200? Will the planet even be inhabitable then? The answer is ours to make – today.