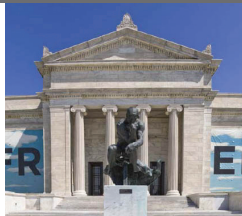


Planning for our Future – A Community Update

Serving the
Energy Needs
of the Circle

The Medical Center Company
of Cleveland, Ohio



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The Medical Center Company is a non-profit district energy company. For more than three-quarters of a century, MCCo has safely, efficiently and reliably delivered steam, electrical power and chilled water to heat, light and cool Cleveland's educational, cultural and health care institutions in the University Circle neighborhood. MCCo has provided its non-profit members with below-market energy prices and services they can count on while operating in a safe, efficient and environmentally responsible manner.

District energy systems are a highly efficient way to heat and cool many buildings from a central plant. Providing heating and cooling from a central plant requires less fuel and enables MCCo members to avoid the cost of installing separate systems in each building. As part of its mission, MCCo works to reduce its impact on the environment. To meet growing demand from its members over the past 40+ years, MCCo has added cleaner gas-fired boilers to supplement its older coal-fired boilers.

In 2006, faced with the necessity of replacing its 40-year-old coal-fired boilers, MCCo commenced a strategic planning process to assess needed investment in its aging steam generation facilities. MCCo recognized that it must develop and implement a strategy to provide the most efficient, environmentally responsible and reliable energy production possible to the non-profits that deliver vital medical and educational services and economic benefit to the community.

In advancing that process in 2010, the Company determined that there would be no new investment in coal-fired steam generators, and that the existing coal-fired generators would be phased out.

2011 A Year of Both Planning and Action

In 2011, MCCo has begun planning for a future without coal. At the same time, the Company has initiated several new sustainability programs.

In planning for a coal-free future, MCCo has begun to define the key questions. What will the fuel sources be? What role will alternatives play? How much energy will MCCo's members need? What role should co-generation of heat and electricity play? Will additional natural gas-fired boilers be needed? Can biomass provide a reliable fuel source? What is the potential for other renewable resources?

These questions are part of a comprehensive strategic plan now under development to first reduce member energy demand, explore the potential of sustainable alternative fuel and design and construct a new facility that will meet that anticipated demand. MCCo is focused on energy efficiency both in how energy is produced and how much is consumed. MCCo must determine the most economical and environmentally responsible mix for energy production. Because it is neither economical nor environmentally responsible to produce more energy than necessary, MCCo must first evaluate opportunities to reduce customer energy needs. To effectively address the long-term energy needs of MCCo members, the following key items must be sequentially considered as part of the evaluation:

- A. Identify & implement demand-side management opportunities to reduce energy usage
- B. Determine how remaining energy requirements will be met through on-site energy production and renewable energy production

MCCo made two significant hires in 2011 to help lead the way. Meghan Riesterer CEM, LEED BD+C, began as MCCo's first Director of Sustainability in February. Yoon Lee joined MCCo in August as Chief Financial Officer to assist in strategic planning and the financing of MCCo's modernization and sustainability programs.

To complement its enhanced internal staff resources, MCCo has also assembled an impressive team of experts to assist in meeting these goals. These consultants include URS Corporation as Demand-side Management Consultant, RMF Engineering as Strategic Planning & Design Engineering Consultant, Fellon McCord as Energy Supply Consultant and Gateway Consulting as Local Planning Consultant.

Using these resources, MCCo has developed and is moving forward with an aggressive sustainability program, including the following initiatives:

- **Smart Metering.** MCCo is investing \$2 million to upgrade its utility metering and billing system, which will help MCCo and its members make informed decisions about using energy in a responsible way.
- **Member Energy Audits.** MCCo is conducting energy audits and utility assessments of all of its member facilities as well as its own facilities, which will identify opportunities to use energy in a more efficient way. The completion of the project is anticipated in the second quarter of 2012.
- **Energy Efficiency Fund.** MCCo has established a \$3 million "Energy Efficiency Fund" to help implement the energy reduction findings from the audits. MCCo has set aside funds that the members could draw upon for energy efficiency projects. These funds will be replenished through member assessments in order to support and sustain additional energy efficiency projects.
- **Renewable Energy.** MCCo has been working closely with newly created sustainability departments within its membership to begin to develop renewable energy goals. As part of these discussions, MCCo has funded a geothermal feasibility study for CWRU's Maltz Performing Arts Center.

The sustainability initiatives that MCCo has begun in 2011 will enable the Company to design and implement a sizable demand-side management program that will significantly reduce members' energy usage — and enable MCCo to avoid expensive over-investment in new energy production facilities. Understanding the true level of demand is one of the important drivers that go into the decision process on the size, scope and amount of investment needed to build production facilities that meet the long-term needs of MCCo's members.

Demand-side management opportunities, fuel costs, EPA regulatory requirements and funding the capital needs must be evaluated in the course of the planning process. Once that process is completed, MCCo will be in a position to move forward with a district energy model that provides the highest efficiency possible, while maintaining superior reliability to its members in an environmentally responsible manner.