

BUSINESS PROFILE

Small startup plugs into big projects

Go Electric lands \$3M military contract for microgrid system

By Jeff Swiatek
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ANDERSON — Startups don't get much smaller than Go Electric. It has just three employees. Its rented office in a business incubator here doesn't even have its name on the door.

What Go Electric does have is a \$3 million federal contract that it hopes will prove its street cred in the fast-growing energy microgrid business.

"We were unbelievably elated when we found out we won it," CEO Lisa Laughner said of the contract that Go Electric nabbed to build a backup power system for Camp Smith, a Marine Corps base in Hawaii that's home to the Pacific Command.

Laughner was sitting with her staff, all two of them, at the incubator office last month awaiting the arrival of the first pieces of its microgrid system for testing.

The initial tests and demonstrations are occurring now through August at another local business incubator where Go Electric leases industrial space.

By September, Go Electric will take possession of two trailer-sized diesel generators that will provide most of the power for its microgrid and ship the whole shebang to Hawaii for installation this fall.

Laughner is already thinking beyond the field tests and the upcoming demos in Hawaii to the military brass. She's thinking about the potential for Go Electric to profit from the growing demand for backup power systems, or microgrids, by governments, companies and individuals. It's a global market that's expected to be worth \$40 billion by 2020.



GO ELECTRIC

Business: building microgrid systems that create uninterruptible power supply.
Founded: 2011.
Employees: 3.
Address: 2705 Enterprise Drive, Anderson.
CEO: Lisa Laughner.
Sales: Negligible.
First project: Building a \$3 million backup power system for Camp Smith in Hawaii.

Go Electric principals (from left) Tony Soverns, Alex Creviston and Lisa Laughner at Flagship Enterprise Center in Anderson.

PHOTO BY JEFF SWIATEK

"If we perform well on this," she said of the Hawaii contract, "it could open the doors for us to be invited to projects, hopefully around the world."

If this all sounds a bit exotic for an Indiana company, it shouldn't. Indiana has long-established expertise in battery technology (think Delphi and EnerDel) and diesel generation (think Cummins or Caterpillar), which are the favored power sources in the emerging world of microgrids.

"We've got a good critical mass for this important new technology here in Indiana ... and Go Electric is kind of like the lightning rod," said Peter Schubert, director of the Lugar Center for Renewable Energy at Indiana University-Purdue University Indianapolis.

Demand for uninterruptible power supply (UPS) is as old as Ben Franklin's 18th century experiments with kites and lightning, but new battery breakthroughs and advanced software for electricity management are making UPS more affordable and opening doors for companies like Go Electric.

Driving the demand is the in-

creasing instability of electrical grids, even in the U.S. and Europe, as intermittent power from solar and wind energy is spliced into the electric grid, making it difficult to ensure a smooth, consistent supply of juice to customers.

The military is an early buyer of microgrids for its field operations and, now, military bases, to ensure that the bases will have power if the electrical grid goes down.

The microgrid installation the Marine Corps is building for Camp Smith is meant to be a pilot program that could be installed at other bases if it works in Hawaii.

The Camp Smith microgrid will be a first-of-its kind system that Go Electric jury-rigged using its trademarked Blinkless technology, which allows a smooth switch to a backup electrical system without any noticeable blip in the power supply.

It uses powerful batteries that supply instant power when the regular electric source fails. (Go Electric shares the Blinkless patent with Mechanical Electrical Systems Inc. of Indi-

anapolis, which helped develop it.)

"Pacific Command does not want their systems, their radar, their communications to go off at all," in case of an electrical outage on Hawaii, Laughner said.

With the Blinkless system, "When the power goes out, you don't even know you're off the grid," said Tony Soverns, engineering director at Go Electric.

To meet the electrical needs of the 220-acre Camp Smith — which equal the power consumed by 2,000 homes — Go Electric's 2 megawatt microgrid combines eight hybrid bus batteries with two Caterpillar diesel generators. The huge generators must be housed in insulated buildings to deaden the diesel roar.

Go Electric is using several contractors, including Generac Power Systems of Wisconsin, to build the Camp Smith system, which it hopes to have up and running by the end of the year.

Laughner, a Purdue-educated mechanical engineer, worked at engine maker Rolls-Royce before getting the bug in 2008 to start a company of her

own. She hooked up with Soverns and Alex Creviston, a former colleague of Soverns at Delphi, to delve into new forms of UPS systems. The result was Go Electric.

The \$3 million military contract is paying for most of Go Electric's expenses so far, but another \$500,000 to \$1 million in funding is needed by the end of this year to keep things going, Laughner said.

Go Electric is looking to develop smaller microgrid systems of 30 to 250 kilowatts for civilian use, such as by companies or apartment owners. It hopes to bid on contracts to build systems for the City of New York, where officials want to get microgrids in place to avoid future outages like the one in 2012 from Hurricane Sandy that wiped out part of New York's power grid and caused widespread havoc.

Paul Mitchell, president of Energy Systems Network, an Indianapolis initiative to promote clean energy, said microgrids can help integrate renewable energy like solar and wind into the bigger electrical grid.

"There are a lot of companies in this state that have a lot of potential in microgrids and UPS," he said.

One big hurdle he sees: How willing governments and companies are to pay the fairly steep costs for backup power and microgrid systems that companies like Go Electric want to build.

If sales of smaller units catch on, Laughner hopes to grow to 20 employees by 2016. She can't see moving operations out of state.

Indiana "is a good state to be in when you're in this space. There is a lot of engineering know-how to tap into."

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Board

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Skillman.

And from academia, there's former Purdue President Martin Jischke, who pocketed \$450,742 from three boards last year (more than his final-year salary at Purdue), and an ex-dean of Indiana University's Kelley School of Business, Jack Wentworth, who earned \$60,000 last year from Kimball International in Jasper.

There's even an ex-astronaut doing board duty. Franklin Chang Diaz, who orbited on the space shuttle and was the first Hispanic-American in space, serves on the board of engine-maker Cummins Inc.

Pay is without doubt a lure for serving on boards of for-profit companies. Many, perhaps most, board members at big companies have eased into retirement and don't have the big incomes and perks they enjoyed as full-time executives.

An Indianapolis Star review of the boards of Indiana's 26 public companies with a market capitalization above \$500 million shows membership on a board surely ranks among the more lucrative of jobs if figured by the hour.

The average compensation to members of those 26 boards was \$161,962. The pay includes fees, stock and expenses and was given for attending eight to 15 meetings a year, plus some side homework.

Indiana's top-paid board member in 2013 was Keith Busse, 71, the chairman of Steel Dynamics of Fort Wayne, whose compensation totaled \$581,381. He used to be the steelmaker's CEO and was its co-founder. Runner-up was the 68-year-old chairman of insurer WellPoint, George Schaefer, a retired CEO of Fifth Third Bancorp, at \$468,951.

Nationally, board pay has risen 3 percent to 5 percent annually over the past five years, several percentage points less than the increases over the five preceding years, said Bryan Ortwein, director of executive compensation in Milwaukee at Towers Watson, a professional services firm.

Ortwein says money is a factor in why people take board jobs, but there are other drivers at work.

Like this one: Board jobs ex-

ude power. At public companies, boards represent shareholders and have far-reaching say on all the key issues their company faces. They oversee budgets and legal matters, hire top executives and handle mergers and acquisitions.

"The job is more complex than 10 years ago," with such hot-button issues as legal liability and executive pay demanding more time from board members, said Ortwein. Companies, he said, require their board members to have "lots of skills and experiences."

Glasscock said serving on the boards of Simon Property Group, Zimmer Holdings and Sysco (he left Sprint Nextel's board last year) feels like "a full-time career for me." But after retiring early from his CEO job at WellPoint, where he earned \$14.5 million in his last full year, Glasscock said he doesn't mind the growing demands of board work.

"Frankly it's not about the money for me. I love the business world. I love representing the interests of shareholders and it's a chance for me to share my experiences, for what they're worth."

Landing a board spot can be one of the ripest plums in the business world. That means the jobs often end up going to CEO-types who don't look all that diverse.

Consider that most board members, in Indiana and nationally, are older men. Women hold only 14.2 percent of board positions at the largest 26 public companies in Indiana, while occupying 16.6 percent of board seats at Fortune 500 companies.

Board members skew decidedly older. In fact, most in Indiana have long since earned their AARP card, with an average age of 61.5 years. It's not uncommon for companies to have multiple board members in their 70s. Last year Simon Property Group and Duke Realty had four septuagenarians apiece, while Lilly and WellPoint each had two.

The oldest board member at the state's largest public companies is Wentworth, 85, the ex-Kelley Business School dean who's been on the board of Jasper furniture and electronics manufacturer Kimball since 1984 and was re-elected last fall to another term.

Wentworth "keeps current on business trends and remains a trusted adviser," said Kimball

board Chairman Doug Habig. "We also believe that age is only a measure of time — being an effective board member is the key — and Mr. Wentworth has been and continues to be an effective and contributing member of our board."

Wentworth joins a short list of Indiana board members who've served for a quarter-century or longer on their boards. Other long-servers: Old National's board chair Larry Dunigan and Celadon Trucking founder and chairman Stephen Russell.

Old National's board, with an average age of 66.6, is the state's oldest among large public companies, which corporate secretary and legal counsel Jeff Knight considers nothing but a plus.

"As a result of the wisdom and experience of our board members, we have one of the most effective boards in the industry today. Our shareholders have been rewarded, and our company's performance through the recent financial crisis is clear evidence of the importance of having a seasoned and proven board."

Board members younger than 40 at Indiana's largest public companies are so rare there were only two of them last year.

The youngest is Alison Egidi, a 32-year-old board member at 1st Source Bank in South Bend. Turns out she has the bloodlines for the job. She's a niece of the bank's CEO, Chris Murphy, and a member of the family that controls close to 30 percent of the shares in 1st Source.

Egidi, who is a director of development at the University of Virginia and a former investment firm vice president, was appointed to 1st Source's board in 2011 along with Murphy's son, Christopher Murphy IV, a Chicago entrepreneur who is 44.

The two were put on the board to show investors and the South Bend community that the family members who control nearly a third of the bank's shares "are very committed to this part of the state and the markets we serve," said John Griffith, the bank's general counsel and secretary to the board.

Egidi, who earned \$47,700 for her board service last year, might want to get used to perusing bank financials and visiting South Bend several times a year. She could be around for a long time. Her uncle Chris, now 67, has been on the board for 41 years and counting.

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Diversity

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majority-owned by two private-equity firms that essentially control five of the nine board seats.

Corporate boards in Indiana and nationally also are predominately white.

Public companies have been called on to increase the percentage of African-Americans on boards. Nationally, that percentage fell from 7.6 percent in 2010 to 7.4 percent in 2013 for Fortune 500 companies, according to the Alliance of Board Diversity.

About a third of the 250 largest public companies don't have any African-Americans on their boards, according to Black Enterprise magazine. Similar statistics were not available for Indiana boards.

The most diverse corporate board in the state is probably Eli Lilly and Co.'s, with four women and three ethnic minorities among the 14 current members.

The global drug maker "believes diversity is an important factor in board effectiveness," said Lilly corporate secretary James Lootens. He said the board aims for "diversity in the broadest sense, including persons diverse in geography, gender, ethnicity and experiences."

The low percentage of women on corporate boards also remains an issue even after more than decade of effort by women's groups and others to persuade public companies to appoint more women to their boards.

Ann Murtlow, president of United Way of Central Indiana, said women get overlooked for board service partly because many lack experience as senior managers, compared with men.

Murtlow, who served on four for-profit boards last year, said her background as a chemical engineer, former president of Indianapolis Power & Light, and a fellow in the National Asso-

ciation of Corporate Directors has helped make her attractive as a board candidate.

Murtlow said women add value to boards by bringing "diversity of experience and perspective that allows for debate on important issues before decisions are made."

While some European countries mandate women on public-company boards, U.S. companies face nothing but public pressure to appoint more women. Proponents aren't making much headway.

"It's not just that the numbers (of female board members) are low, but that the numbers are stagnant," remaining in the mid-teens for the past eight years, said Kerry Goodenow, associate in corporate board services at Catalyst, a New York-based nonprofit group that promotes women in the workplace.

Catalyst last year created a job bank of several hundred women who have experiences that make them board-worthy. It offers up its list to companies seeking to stock their boards with more women. So far, dozens have consulted the list, Goodenow said.

Goodenow thinks the hurdle to getting more women on corporate boards lies in persuading boards that it's important to get female perspective on issues — and can be to a company's financial benefit.

A Catalyst-sponsored study from 2004 of 353 companies in the Fortune 500 showed that those with the highest representation of women in top management experienced a 35 percent higher return on equity during the study period of the late 1990s than companies with the lowest women's representation.

"It's good business to have more women on boards," Goodenow said. But "if people are not making this a priority and putting an emphasis on it, it doesn't just happen."

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Chang Diaz



Schaefer



Murtlow