

COLUMBUS BUSINESS FIRST

Arcos a hot commodity in short time

PIONEERING SOFTWARE HELPS UTILITIES PULL TOGETHER, MANAGE EMERGENCY CREWS



Arcos LLC rapidly has gained a foothold in the national utility scene, and it's looking to expand its work force by 43 percent this year.

Arcos' software helps utilities quickly assemble and track response crews in emergencies, whether it's to restore electricity after wind storms or manage a severed gas pipe from a homeowner's errant dig.

With more than 100 customers nationwide, including 23 of the top 25 electric utilities, Arcos appears to be on the verge of something big. We're calling it One to Watch in the energy sector. I sat down with CEO Bruce Duff to talk about the plan to corner the utility market before finding the next niche. Here is a condensed transcript.

What you do seems so obvious. Why hadn't it been done before? And I imagine you have competitors now. We used to, and we kind of knocked them all out. It sounds easy but the rules, the speed, the complexity and compliance – we made 4 million calls last year.

How did you pitch it originally if this product didn't exist? The founder (Mitch McLeod, now chairman) got hired (to design custom software) by Alliant Energy in Wisconsin, then Florida Power & Light, then Dominion Virginia Power, then Progress Energy in Florida. They said, "Build us a callout system. We're killing ourselves trying to call these people getting them in." If I've got a wire down because of a tree that's one thing, but if I've got half my service area out, to do an all-hands-on-deck callout could take six people 10 hours. He built a system, utilities started talking to each other, next thing he knows, five utilities show up and say, "We want what they have."

You say there's not much competition now. Why was this not really a market product before? One, there hadn't been a way to do it before we came along. Second is a lot of utilities think it's too complex to automate. We have 100 companies, 300 union agreements, they all have local deals at service centers that we have to accommodate. They think, "Our rules are really different, you probably can't do them." We've never found one we couldn't. This is a highly complex industry. It's almost like airlines, where everything is



JANET ADAMS

Arcos CEO Bruce Duff: "There's always a plan until the unplanned happens, which is every day."

planned today unless a wind storm comes in, someone puts a backhoe into a gas line. There's always a plan until the unplanned happens, which is every day.

You've had a new majority owner since November. How has that impacted the company? That's a great partnership. It's the Riverside Co. out of Cleveland. They provide great oversight, expertise and funding, quite frankly, to have us get up to this next level. Because there's always a ceiling you've got to crash when you're small and growing to medium and then medium to big.

Where do you see the company in 10 years? We know by name the remaining U.S. utilities that would have a need for our product. If we seeded all of them, we could be a \$50 million annual company in probably five years. That's just that market. Ten years down the road, if we decided we wanted to be \$100 million we would probably slip into ... telecommunications, cable. Regulated (industries). ... They have reliability metrics, customer satisfaction thresholds, and they need ways to make it easier for them to achieve that. One of the AEP executives spoke at a conference recently. He said, "The calls we used to get 10 years ago were, My power is out. If you guys can get it back on in the next 24-48 hours

► CLOSER LOOK

ARCOS LLC

Business: Makes cloud-based software that power plants and electric and gas utilities rely on in emergencies to automatically find, assemble and track crews.

Based: Columbus

Founded: 2005

Employees: 35, looking to expand to 50 by year's end

CEO: Bruce Duff

2013 revenue range:
\$8 million to \$10 million

Website: arcos-inc.com

that'd be great. Hopefully I won't lose things in my freezer." Now it's, "I've got to update my Facebook account, my cell phone is almost dead. I have a home-based business, now you've shut down my business." There's just new demands now and expectations. Those are going to carry over to telecom.