

Financial Management for Retail Energy Efficiency

2016 Building Technologies Office Peer Review – New Project

RILA

RETAIL INDUSTRY LEADERS ASSOCIATION

Educate. Collaborate. Advocate.

U.S. DEPARTMENT OF
ENERGY

Energy Efficiency &
Renewable Energy

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Project Summary – New Project

Timeline:

Start date: April 9, 2015 (pre-award letter)

Planned end date: December 31, 2018 (6 month extension requested)

Key Milestones

1. Finance 101 & 201 Workshops; Sept., 2015
2. CFO Interview Summary; April, 2016

Budget:

Total Project \$ to Date:

- DOE: \$96,608.76
- Cost Share: \$96,608.76

Total Project \$:

- DOE: \$750,000
- Cost Share: \$750,000

Key Partners:

- Deloitte Finance
- Institute for Market Transformation (IMT)
- Environmental Defense Fund (EDF)
- Massachusetts Institute of Technology (MIT)

Project Outcome:

Increase retail company access to capital for funding energy projects by educating retail energy managers on leading practices.

These new projects represent up to 4 billion kWh in industry attainable energy savings and address EERE Goals 3 & 5 as well as National energy productivity and GHG goals.

Purpose and Objectives

Problem Statement: Retail energy managers lack access to capital for implementing energy efficiency projects.

Overcoming financing barriers was identified as a priority market solution by the DOE Better Buildings Alliance (BBA).

BBA is “a platform for commercial building owners, corporate sustainability directors, facilities managers, and engineers to collaborate with other experts, and together work to accelerate adoption of innovative energy efficiency solutions nationwide”.

This project engages influential companies in the retail commercial market.

Target Market: The U.S. retail industry, representing tens of thousands of facilities and up to 4 billion kWh in attainable energy savings

Audience: Over 70 retail companies’ energy managers engaged in RILA’s Energy Management Program

RILA Retail Energy Management Program Members

- 7-Eleven, Inc.
- Abercrombie & Fitch, Co.
- Adidas AG
- Advance Auto Parts, Inc.
- Aldo Group Inc.
- American Eagle Outfitters, Inc.
- ANN INC.
- Apple, Inc.
- AT&T
- Bed Bath & Beyond Inc.
- Belk, Inc.
- Best Buy Co., Inc.
- Big Lots Stores, Inc.
- BJ's Wholesale Club, Inc.
- CarMax, Inc.
- Costco Wholesale Corporation
- Cracker Barrel Old Country Store
- CVS Health
- Delhaize America Shared Services Group, LLC
- DICK'S Sporting Goods, Inc.
- Dillard's, Inc.
- Dollar General Corporation
- Dollar Tree, Inc.
- Eileen Fisher
- Estee Lauder Companies, Inc.
- Family Dollar Stores, Inc.
- Foot Locker, Inc.
- GameStop Corp.
- Gap Inc.
- Giant Eagle, Inc.
- H-E-B
- Hy-Vee, Inc.
- IKEA North America Services, LLC
- J.C. Penney Company, Inc.
- J.Crew Group, Inc.
- Kohl's Corporation
- Kroger Company
- LEGO Systems, Inc.
- Lowe's Companies, Inc.
- Lululemon Athletica, Inc.
- Luxottica Retail Group
- Macy's Inc.
- Meijer, Inc.
- Neiman Marcus, Inc.
- NIKE, Inc.
- Nordstrom, Inc.
- Office Depot, Inc.
- Petco Holdings, Inc.
- PetSmart, Inc.
- Publix Super Markets, Inc.
- QuikTrip Corporation
- RaceTrac Petroleum
- Ralph Lauren Corporation
- Recreational Equipment, Inc.
- Rite Aid Corporation
- Ross Stores Inc.
- Safeway Inc.
- Saks Incorporated
- Sears Holdings Corporation
- Sephora USA, LLC
- Sheetz, Inc.
- Shoe Sensation, Inc.
- SUPERVALU INC.
- Target Corporation
- TBC Corporation
- The Disney Store, Inc.
- The Home Depot, Inc.
- The Michaels Companies, Inc.
- The Sports Authority, Inc.
- The TJX Companies, Inc.
- Tractor Supply Company
- Verizon Wireless
- VF Corporation
- Walgreen Co.
- Wal-Mart Stores, Inc.
- Wegmans Food Markets, Inc.



Purpose and Objectives (Continued)

Impact of Project: Final outcomes will include:

1. Energy savings in over 100 buildings
2. 5-8 New Implementation Models
3. CFO Interview Summary
4. Finance Workshop Tools
5. Retail External Financing Guide
6. Retail Financial Calculator
7. Retail Workflow & Approval Maps
8. Articles & Blog Posts

RILA
Retail Industry Leaders Association
Educate. Collaborate. Advocate.

Regency Centers – Landlord-Retailer PPA

RILA Retail Energy Management Program August 2015



Implementation Model:
Landlord-Owned Solar Helps Retailer Offset More than 65% of Energy Use

BARRIER
Retailers in leased spaces are challenged to install on-site solar when it requires purchasing the system or relying on a third-party lease provider

SOLUTION
Work with the landlord who installs, owns, and maintains the solar array and sells power directly to the retailer at a fixed rate that is at or below electricity rates

OUTCOME
Retailer saves money and accesses clean power to meet 65% of store's energy needs

Overview
Regency Centers is a national owner, operator, and developer of grocery-anchored shopping centers, with over 320 thriving centers and 37,800,000 square feet of retail space. In 2011, Regency partnered with Trader Joe's to install 253 kW roof-top solar system at Regency Shops of Saugus center in Saugus, Massachusetts. Regency owns, maintains and operates the system and sells 100 percent of the power to Trader Joe's at a discount to utility prices. Trader Joe's is able to offset approximately 65 percent of their total electricity use with clean, affordable and reliable power.

"This project is truly a win-win for Regency Centers and Trader Joe's. It provides reliable and cost-effective electricity with a hedge against future rate increases for Trader Joe's and a new source of income for Regency. We hope that we can expand this success story to other locations throughout the country."

Mark Pafomell
Vice President of Sustainability, Regency Centers

Better Buildings
U.S. DEPARTMENT OF ENERGY

This Implementation Model was completed with support from the Department of Energy's Office of Energy Efficiency and Renewable Energy and the Better Buildings Initiative to highlight innovative proven energy solutions from market leaders in the Retail sector. Find more ideas at the Better Buildings Solution Center at betterbuildingssolutioncenter.energy.gov

Approach



RILA will...

- Research leading practices in the industry
- Document case studies (Implementation Models)
- Highlight successful Implementation Models through various channels
- Create new resources
- Host in-person and online workshops/trainings
- Facilitate use of Implementation Models
- Provide support & consultation through partner organizations

Approach

Key Issues Being Addressed:

1. Energy managers cannot communicate the merits of energy projects
 2. Companies require project-by-project funding approval
 3. Finance teams see other expenditures as better uses of capital
 4. New technologies face skepticism; once proven, there is no path to scale
 5. External financing is not well understood (aside from utility rebates)
- ... all of which reduce retail energy manager access to capital for projects

Distinctive Characteristics:

- Leverages highly engaged community
- Addresses the key issues above
- Solutions inherently sustain ongoing completion of new energy projects

Progress and Accomplishments

Accomplishments & Market Impact:

1. Identified over 25 companies interested in project participation
2. Hosted 3 finance workshops with a combined audience of over 50 retail energy and sustainability managers and 6 workshops planned for 2016
3. Created 2 Implementation Models (Regency/Trader Joe's; adidas Group) with 3 more in development (Belk; Abercrombie & Fitch; Nike)
4. Summarized CFO interviews in actionable recommendations
5. Facilitated 8 benchmarking calls to date, gathering project input or featuring replicable leading industry practices

Efforts to Ensure/Accelerate Impact:

- Developing a communications plan for broad industry reach
- Identifying as many participants as early in the grant as possible
- Prioritizing retailers who will benefit most and are most committed

Planned vs. Actual Impacts: On track with expectations for this point in the project

Progress and Accomplishments

Recognition:

Invited to present finance workshop material at 2016 DOE Better Buildings Summit and October 2016 EEI Key Accounts Meeting.

Workshops received an average quality rating of 4.1 out of 5 from attendees

Lessons Learned:

- Workshops should be designed for flexibility to meet the needs of the audience
- Stay in tune with similar efforts – RILA's Retail Financial Calculator, being developed by IMT, will align and complement an existing external financing tool under development by JDM

Project Integration and Collaboration

Project Integration:

- Project staff regularly coordinate with many retailers
- Other relevant stakeholders (e.g., other associations), regularly receive notification of new resources and encouragement to share

Partners, Subcontractors, and Collaborators:

- Deloitte Finance
- Institute for Market Transformation (IMT)
- Environmental Defense Fund (EDF)
- Massachusetts Institute of Technology (MIT)
- Department of Energy (DOE) – through existing projects
- Energy Foundation (EF) – funder & cross promoter

Project Integration and Collaboration

Communications:

- In-person Educational Forums
 - June 2015 - San Francisco, CA (Regional Workshop)
 - August 2015 – Columbus, OH (Regional Workshop)
 - September 2015 – Austin, TX (RILA Sustainability Conference)
- In-person Consultations
 - March 2016 – New York, NY
- Virtual Educational Forums
 - Monthly Retail Energy Management Program benchmarking calls
- Virtual Communications
 - As deliverables are completed, cross promotion by IMT, EDF, DOE, EF, DGA

Next Steps and Future Plans



Continue to execute on 3-step approach while:

1. Creating more DOE resources and increasing visibility, usage
2. Expanding the project's reach and impact
3. Measuring outcomes

Future tasks:

1. First round of project EDF Climate Corps Fellowships (up to 9)
2. Initial Calculator, External Financing Guide, Workflow/Approval Maps
3. Public website posting of resources
4. MIT Executive Education workshop for retail finance professionals
5. Possible additional deliverable: Internal Financing Guide

REFERENCE SLIDES

Project Budget

Project Budget: \$1.5 million total (50% cost share)

Variations:

- Minor shifts between budget years based on deliverables pacing
- Corrections made proactively and as actual expenses come in
- No changes impacted the project plan; no budget areas exceeding estimates

Cost to Date: 39%

Additional Funding: Energy Foundation grant (\$80,000/year) towards cost share

Budget History

April 9, 2015 – FY 2015 (past)		FY 2016 (current)		FY 2017 – Dec. 31, 2018 (planned)	
DOE	Cost-share	DOE	Cost-share	DOE	Cost-share
N/A	N/A	\$249,397	\$249,397	\$500,603	\$500,603

Project Plan and Schedule – Completed Milestones

Project Initiation: April 9, 2015

Planned Completion: December 21, 2018

Go/no-go decision points follow each budget year

Milestone	Actual (Planned) Completion	More Information
1.1 PMP	Q1	Delayed less than a quarter after award posting in case changes were made to award.
2.1 IM Candidates	Q1	Delayed less than a quarter after award posting in case changes were made to award.
2.2 CFO Interviews	Q3 (Q1)	Delayed due to holiday season & retail financial calendars
3.1 Program Benchmarking Calls	Q1, Q2	Q1 delayed less than a quarter after award posting in case changes were made to award.
3.3 Finance Workshops (Curriculum, materials)	Q1	Delayed less than a quarter after award posting in case changes were made to award.
3.6 Articles/Blog Posts	Q3 (Q2)	Delayed due to holiday season

Project Plan and Schedule – Future Milestones

Milestone	Planned Completion	More Information
1.1 PMP	Q5, Q9	Annual revision
2.1 IMs	Q4, Q8, Q12	
3.1 Program Benchmarking Calls	All quarters	
3.2 Financial Calculator	Q4, Q5, Q9	Annual revision
3.3 Finance Workshops	Q8, Q12	
3.4 Example Workflow/ Approval Maps	Q4, Q7, Q11	Annual revision
3.5 External Financing Guide	Q4, Q7, Q11	Annual revision
3.6 Articles/Blog Posts	Q4, Q6, Q8, Q10, Q12	
3.7 Website	Q4, Q8, Q12	Annual revision
3.8 Executive Education Workshop	Q8, Q12	
4.1 Climate Corps Fellowships	Q4, Q8, Q12	
4.2 Direct Retailer Consultations	Q4, Q8, Q12	