Financial Management for Retail Energy Efficiency

Retail Industry Leaders Association (RILA)
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Project Summary

**Timeline:**
Start date: April 9, 2015 (pre-award letter)
Planned end date: December 31, 2018 (6 month extension will be requested)

**Key Milestones** (insert 2-3 key milestones and dates)
1. 1st Finance 101 & 201 Workshops; Sept. 2015
2. 1st EDF Climate Corps Fellowships; Summer 2016
3. Finance 101 & 201 E-learnings; Summer 2018

**Budget:**
**Total Project $ to Date:**
- DOE: $556,137.74
- Cost Share: $556,137.74

**Total Project $:**
- DOE: $750,000
- Cost Share: $750,000

**Key Partners:**
- Deloitte Finance
- Institute for Market Transformation (IMT)
- Environmental Defense Fund (EDF)

**Project Outcome:**
Increase retail company access to capital for funding energy projects by educating retail energy managers and finance professionals 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.
## Team

<table>
<thead>
<tr>
<th>Team Member/ Stakeholder</th>
<th>Contribution</th>
<th>Timing</th>
<th>Track Record</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deloitte Finance</td>
<td>• Finance exec interviews&lt;br&gt; • Finance 101 workshops and e-learning</td>
<td>• As teaching opportunities arise</td>
<td>• Finance specialists&lt;br&gt; • Industry credibility</td>
</tr>
<tr>
<td>Institute for Market Transformation (IMT)</td>
<td>• Finance 201 workshops and e-learning&lt;br&gt; • Direct retail consultations</td>
<td>• As teaching opportunities arise&lt;br&gt; • Ongoing retail consultations</td>
<td>• Former retail executive&lt;br&gt; • Energy efficiency expertise – related past projects</td>
</tr>
<tr>
<td>Environmental Defense Fund (EDF) &amp; Fellows</td>
<td>• Well-regarded existing fellowship program</td>
<td>• Summer fellowships</td>
<td>• Satisfied past retail hosts</td>
</tr>
<tr>
<td>RILA</td>
<td>• PI&lt;br&gt; • Provide direction for deliverables</td>
<td>• Continuous supervision and coordination</td>
<td>• Retail community convener&lt;br&gt; • Trusted resource</td>
</tr>
<tr>
<td>Retailers</td>
<td>• Executors</td>
<td>• Continuously applying learnings</td>
<td>• Target audience</td>
</tr>
</tbody>
</table>

**Gap:** Direct connection to retail finance professionals
The Problem: Many retail energy managers – even at multi-national companies - lack even basic relationships with their internal finance teams, and less than one-third of 46 respondents to a RILA survey saw efficiency budgets increase from 2013 to 2014, if they had a dedicated budget at all.

Why it Matters: In 2014, the retail industry represented an opportunity of up to an estimated 4 billion kWh in energy savings

CBI Program Alignment:
1. Partnering with market leaders to increase the adoption of [cost-effective, high-impact] technologies
2. Providing design and management tools and performance data to reduce perceived risks and address market barriers that have inhibited wide-scale adoption
3. RILA is a Better Buildings Alliance Partner
4. RILA serves on the Retail, Food Service, and Grocery Sector Steering Committee for the DOE Better Buildings Alliance
5. RILA supports the Better Buildings Alliance Advanced Rooftop Unit (RTU) Campaign
A Spectrum of Corporate Conditions

Energy Team
- Part time or one person
- 2-5 people
- Large, multi-focus

Energy Manager
- No finance training
- Some finance literacy
- Finance background

Finance Department
- Skeptical
- Evaluate equally
- Partner & advocate

Financing Approach
- Project by project
- Annual portfolio
- Innovative financing
Approach

Step 1: Develop Implementation Models
- Research leading practices in the industry
- Document case studies (Implementation Models)

Step 2: Educate the Industry
- Highlight successful Implementation Models through various channels
- Create new resources
- Host in-person and online workshops/trainings

Step 3: Spur Adoption of Models
- Facilitate use of Implementation Models
- Provide support & consultation through partner organizations

RILA will...

Financial Management
Key Issues Being Addressed:
1. Energy managers need finance education to better 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 often 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
Spotlight: Workflow & E-Learnings

Navigating a Successful Energy Project Proposal: Workflow and Approval Process

Phase 1: Define Project Objectives & Goals
In the early stages of a project, focus on making a connection between your project and your company's goals.

Define Project Strategy
- How does the project help the company meet its public or internal energy goals?
- Which short- or long-term corporate priorities does the project align with?

Define Metrics
- Which metrics does your finance team prefer and what is their risk tolerance for uncertainties?
- Which benefits are your organization forecasting by not funding the project?

Develop Initial Budget
- Can you fund the project with external financing?
- Are incentives or tax breaks available?
- Should any figures in the budget be flagged as uncertain?

Phase 2: Improve Project Acceptance/Buy-In Through Feedback from Impacted Departments

RILA
Alternative Financing

This course explains the different internal and external financing options available.

By the end of this course, learners should be able to identify which types of financing options are best suited to their project needs, and how to articulate this match in order to secure funding.

This course is about 40 minutes long.

Select each item to light orange.
Spotlight: EDF Climate Corps Fellowships

- **Class of 2017:**
  - CVS
  - Gap
  - Grocery Outlet
  - REI
  - Sephora
  - Walgreens

- **Project Topics**
  - Strategic Planning
  - Business Case Development
  - New Store Prototype
  - Technology Retrofits

- **Potential Project Impact**
  - 100 million kWh
  - Over 1,000 facilities
Impact

Program Goal Alignment:
1. Helps BTO achieve one of the three “prongs” in its mission strategy/ecosystem
2. Directly engages with and supports the Commercial Buildings Integration (CBI) program
3. Directly address two of the five “persistent market challenges” as identified by the BTO
4. Helps BTO meet two key goals (reduced EUI of U.S. buildings, secure actions by market leaders)
5. Supports numerous elements of the EERE CBI Program Logic Model

What’s Unique/Better:
- Level of industry exposure and engagement
- Available free of cost and publicly from an industry-specific, credible source
- Leveraging existing RILA systems, past tools, and personnel for lower cost

Impact Realized:
- Number of professionals (energy or sustainability, and finance) trained
- Project benefits quantified
Accomplishments & Market Impact:
1. Hosted 17 finance workshops with a combined audience of over 300, and online e-learnings planned for 2018
2. Created 7 Implementation Models (Regency/Trader Joe’s; adidas Group; Whole Foods; Belk; Best Buy; Food Lion; The Home Depot) with 2 more in development
3. Summarized CFO interviews in 3 actionable deliverables
4. Facilitated over 30 benchmarking calls to date, gathering project input or featuring replicable leading industry practices with between 8-20 companies per call
5. Assisted 11 EDF Climate Corps fellows with summer projects identifying a total of over 23 million kBTU realized/an additional 150 million kBTU of potential savings.

Efforts to Ensure/Accelerate Impact:
• Creating self-guided e-learning versions of financing guides
• Hosting webinar workshops to reach audience unable to attend events
• Leveraging relationships with other industry organizations (utilities, restaurants, landlords, CFO publications) to expand reach across industries & roles

Planned vs. Actual Impacts: Revised approach to educate CFOs; on track with expectations for all other areas
Stakeholder Engagement

- 7-Eleven
- adidas Group
- Advance Auto Parts
- Aldo Group
- American Eagle Outfitters
- ANN INC.
- Apple
- Bed Bath & Beyond
- Belk
- Best Buy
- Big Lots
- BJ's Wholesale Club
- Burlington Stores
- Canadian Tire
- CarMax
- Costco
- Cracker Barrel
- CVS Health
- Delhaize America
- DICK'S Sporting Goods
- Dillard's
- Dollar General
- Dollar Tree, Inc.
- Eileen Fisher
- Estee Lauder
- Express
- FedEx Office
- Food Lion
- Foot Locker
- GAP
- Giant Eagle
- H&M
- Harris Teeter
- H-E-B
- Hudson's Bay
- Hy-Vee
- IKEA North America
- JCPenney
- J.Crew
- Kohl's
- LEGO
- Lowe's
- lululemon athletica
- LUSH Fresh Handmade Cosmetics
- Luxottica Retail Group
- Macy's
- Meijer
- Neiman Marcus
- NIKE
- Nordstrom
- Petco
- PetSmart
- Publix Super Markets
- RaceTrac
- Ralph Lauren
- REI
- Rite Aid
- Ross Stores
- Safeway
- Sears
- Sephora
- Sheetz, Inc.
- Shoe Sensation
- Staples
- Starbucks
- SUPERVALU
- Target
- Coca-Cola
- The Disney Store
- The Home Depot
- Kroger
- Michaels
- TJX
- Toys"R"Us
- Tractor Supply
- ULTA Beauty
- Verizon Wireless
- VF
- Walgreens
- Walmart
- Wegmans
- Whole Foods Market
Stakeholder Engagement

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)
• Department of Energy (DOE) – through existing projects
• Energy Foundation (EF) – funder & cross promoter

• Edison Electric Institute (EEI),
• International Council of Shopping Centers (ICSC),
• Professional Retail Store Maintenance Association (PRSM),
• Schneider Electric, Edison Energy, Current Power by GE

• Solar Energy Industry Association (SEIA),
  The Solar Foundation (TSF), American Wind Energy Association (AWEA), and the Wind Energy Foundation (WEF)
**Remaining Project Work**

**Financial Management**

- **Step 1:** Develop Implementation Models
- **Step 2:** Educate the Industry
- **Step 3:** Spur Adoption of Models

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**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. Finance professional education
2. Release E-learning format of Finance 101 and 201 workshops
3. Third, final round of project EDF Climate Corps Fellowships (6)
4. Finalize all major resources (Financing Guides, Final Workflow/Approval Map, etc.)
Thank You

Retail Industry Leaders Association (RILA)
Erin Hiatt – Director of Energy, Sustainability & Research
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REFERENCE SLIDES
Project Budget

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

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

Cost to Date: 74.2%

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

<table>
<thead>
<tr>
<th>Budget History</th>
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<th></th>
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</thead>
<tbody>
<tr>
<td>April 9, 2015 – FY 2017 (past)</td>
<td>FY 2018 – Dec. 31, 2018 (present)</td>
<td></td>
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<tr>
<td>DOE</td>
<td>Cost-share</td>
<td>DOE</td>
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<tr>
<td>$401,185.50</td>
<td>$401,185.50</td>
<td>$348,814.50</td>
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## 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

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Actual (Planned) Completion</th>
<th>More Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 PMP</td>
<td>Q1, Q5, Q9 (Q1, Q5, Q8)</td>
<td>Initial delay less than a quarter after award posting in case changes were made to award. No delays for subsequent milestone dates.</td>
</tr>
<tr>
<td>2.1 IM Candidates &amp; New IMs</td>
<td>Q1, Q4, Q8 (Q1, Q4, Q8)</td>
<td>Initial delay less than a quarter after award posting in case changes were made to award. No delays for subsequent milestone dates.</td>
</tr>
<tr>
<td>2.2 CFO Interviews</td>
<td>Q5 (Q1)</td>
<td>Delayed due to holiday season, retail financial calendars, &amp; securing sufficient interviewees</td>
</tr>
<tr>
<td>3.1 Program Benchmarking Calls</td>
<td>Once a quarter (Once a quarter)</td>
<td>Q1 delayed less than a quarter after award posting in case changes were made to award. No delays for subsequent milestone dates.</td>
</tr>
</tbody>
</table>
# Project Plan and Schedule – Completed Milestones

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Actual (Planned) Completion</th>
<th>More Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.2 Financial Calculator</td>
<td>Q4, Q5 (Q4, Q5)</td>
<td>Integrating into DOE Financial Navigator</td>
</tr>
<tr>
<td>3.3 Finance Workshops (Curriculum, materials)</td>
<td>Q1, Q8 (Q1, Q8)</td>
<td>Initial delay less than a quarter after award posting in case changes were made to award. No delays for subsequent milestone dates.</td>
</tr>
<tr>
<td>3.4 Example Workflow/Approval Maps</td>
<td>Q4, Q7 (Q4, Q7)</td>
<td>Annual revision</td>
</tr>
<tr>
<td>3.5 External Financing Guide</td>
<td>Q4, Q7 (Q4, Q7)</td>
<td>Annual revision</td>
</tr>
<tr>
<td>3.6 Articles/Blog Posts</td>
<td>Q3, Q4, Q6, Q8, Q10 (Q2, Q4, Q6, Q8, Q10)</td>
<td>Initial delay less than a quarter after award posting due to holiday season. No delays for subsequent milestone dates.</td>
</tr>
<tr>
<td>3.7 Website</td>
<td>Q4, Q8 (Q4, Q8)</td>
<td>Annual revision</td>
</tr>
<tr>
<td>4.1 Climate Corps Fellowships</td>
<td>Q4, Q8 (Q4, Q8)</td>
<td></td>
</tr>
<tr>
<td>4.2 Direct Retailer Consultations</td>
<td>Q4, Q8 (Q4, Q8)</td>
<td></td>
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</tbody>
</table>
## Project Plan and Schedule – Future Milestones

<table>
<thead>
<tr>
<th>Milestone</th>
<th>Planned Completion</th>
<th>More Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1 IMs</td>
<td>Q14</td>
<td></td>
</tr>
<tr>
<td>3.1 Program Benchmarking Calls</td>
<td>All quarters</td>
<td></td>
</tr>
<tr>
<td>3.2 Financial Calculator</td>
<td>Q12</td>
<td>Final integration with DOE Financial Navigator</td>
</tr>
<tr>
<td>3.3 Finance Workshops</td>
<td>Q14</td>
<td>Final version as e-learnings</td>
</tr>
<tr>
<td>3.4 Example Workflow/ Approval Maps</td>
<td>Q14</td>
<td>Final version</td>
</tr>
<tr>
<td>3.5 External Financing Guide</td>
<td>Q14</td>
<td>Final version</td>
</tr>
<tr>
<td>3.6 Articles/Blog Posts</td>
<td>Q12, Q14</td>
<td></td>
</tr>
<tr>
<td>3.7 Website</td>
<td>Q14</td>
<td>Final version</td>
</tr>
<tr>
<td>3.8 Executive Education</td>
<td>Q14</td>
<td>Final campaign page</td>
</tr>
<tr>
<td>4.1 Climate Corps Fellowships</td>
<td>Q14</td>
<td></td>
</tr>
<tr>
<td>4.2 Direct Retailer Consultations</td>
<td>Q14</td>
<td></td>
</tr>
</tbody>
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