

# Financial Management for Retail Energy Efficiency

2017 Building Technologies Office Peer Review

# RILA

**RETAIL INDUSTRY LEADERS ASSOCIATION**

**Educate. Collaborate. Advocate.**

U.S. DEPARTMENT OF  
**ENERGY**

Energy Efficiency &  
Renewable Energy

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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

1. 1<sup>st</sup> Finance 101 & 201 Workshops; Sept. 2015
2. 1<sup>st</sup> EDF Climate Corps Fellowships; Summer 2016
3. CFO Interview Deliverables Suite; Nov. 2016

## Budget:

### **Total Project \$ to Date:**

- DOE: \$369,179.86
- Cost Share: \$369,179.86

### **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 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.

# 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 brands 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.

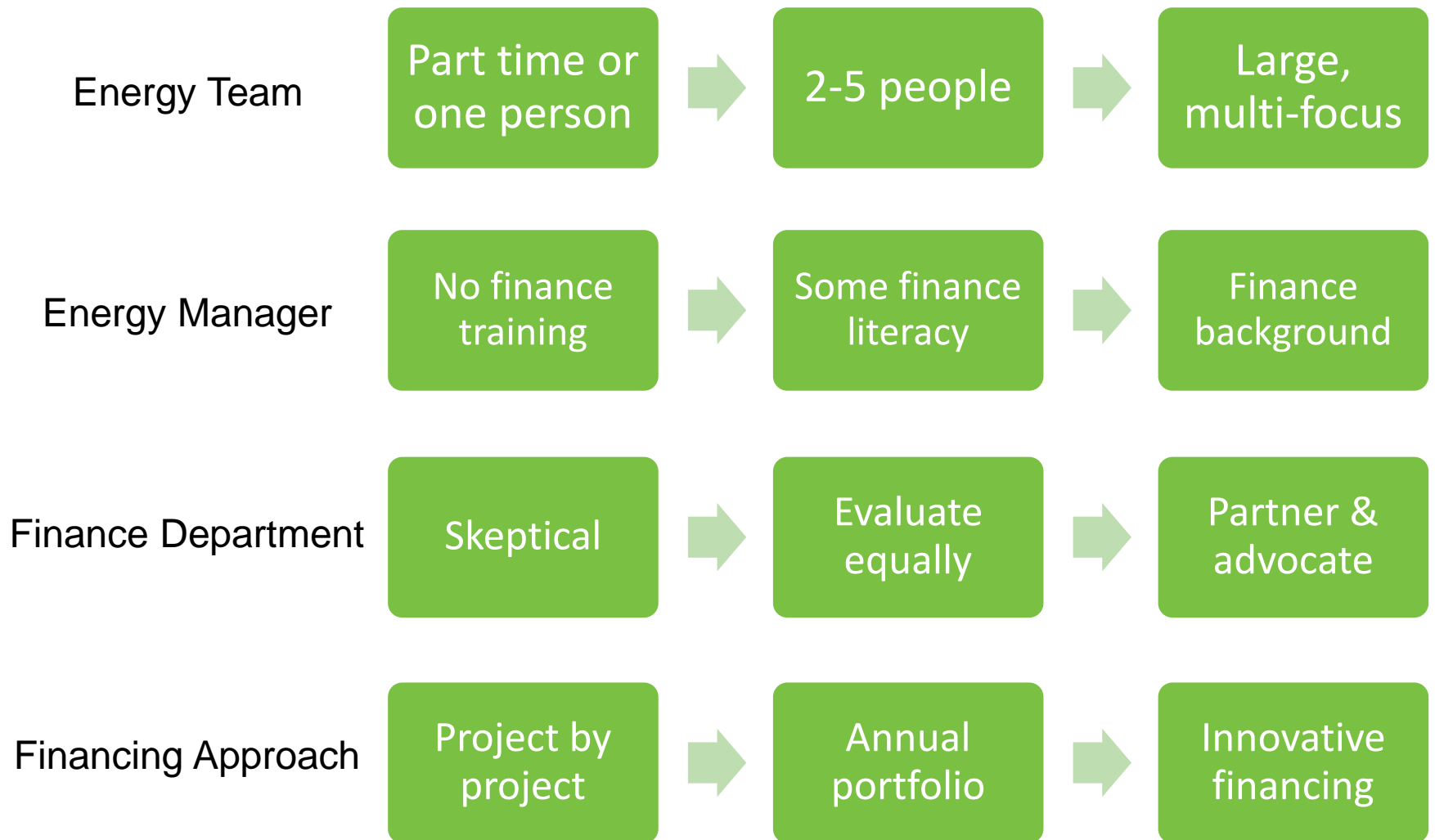
**Audience:** Over 80 retail companies’ energy managers are members of RILA’s Energy Management Program.

# RILA Retail Energy Management Program Members

- 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



# A Spectrum of Corporate Conditions



# Purpose and Objectives (Continued)


**Impact of Project:** Final outcomes will include:

1. Finance Workshops & Tools
2. Retail External Financing Guide
3. Retail Internal Financing Guide
4. Retail Financial Calculator
5. CFO Interview Summary & Tools
6. Education of dozens of retail professionals
7. Energy savings in over 100 buildings
8. 5-8 New Implementation Models
9. Retail Workflow & Approval Maps
10. Articles & Blog Posts

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## 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 Patsornil**  
Vice President of Sustainability, Regency Centers

**Better Buildings**  
An American Enterprise

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 [betterbuildingsolutioncenter.energy.gov](http://betterbuildingsolutioncenter.energy.gov)



# Spotlight: Resources & Workshops

## Finance 101

**Does energy efficiency align with the CFO's role?**

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CFOs & energy managers share goals related to risk, capital & innovation & growth

**The CFOs primary goal is to manage risk while creating value & improving performance**

Role	CFOs
Innovation & Growth	Drive profitable growth through capital investment balancing the long-term strategy with near-term pressures
Risk	Assess & mitigate financial and operational risks using data-backed insights
Capital	Deploy capital productively & prioritize projects with higher than average returns; grow business with minimal additional risk.

**The Energy Managers primary goal is to manage risk while creating value & improving performance!**

Role	Energy Managers
Innovation & Growth	Drive growth by creating new customer relationships as well as inspiring new products & business models
Risk	Enable better risk management by providing greater visibility into potential exposures including: energy price volatility, regulations, supply chain disruptions, reputational damage
Capital	Increase capital productivity by reducing costs, optimizing the supply chain, & increasing employee productivity

## Finance 201

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Prepared By:  
IMT  
INSTITUTE FOR MARKET TRANSFORMATION

### GREEN BONDS

Bonds are the largest source of capital in the global market. Many of the financiers and investors who offer bonds are interested in the environmental impact of the projects they fund. Green bonds provide a stable channel for investors to provide capital for projects that promote sustainability or mitigate climate change.

Bond labeling has been a popular tool since bonds were created. Labeled bonds have been used to fund the railroad, aircraft, highway, and war industries. Retailers are starting to take advantage of the benefits green bonds have to offer.

**Why should you use it?**

- Your company wants to pursue high capital, [sustainability bond issuance](#). The company will use

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## RILA'S ENERGY EFFICIENCY FINANCE CALCULATOR

**Background**  
This calculator is designed to help retail professionals understand how they can leverage external financing to fund energy or sustainability projects within their portfolios as well as view basic finance metrics for a specific project.

**Featured External Financing Mechanisms**

- [Green Bonds](#)
- [Tax Increment Financing \(TIF\)](#)
- [Energy Service Agreement \(ESA\)](#)
- [Managed Energy Service Agreement \(MESA\)](#)
- [Energy Performance Contract \(EPC\)](#)
- [Property Assessed Clean Energy \(PACE\)](#)
- [On-Bill Financing/Repayment \(OBF/OBR\)](#)

**How does the calculator work?**  
Enter project specifications in Table A (Tab 1: Starting Questions) and the tool will determine viable external financing mechanisms based on your inputs. Similarly, when you answer questions in Table B, the tool will calculate basic finance metrics to help you better understand the financial feasibility of your project. These outcomes are determined with built in calculations and by using detailed research for each external financing option.

**Who can I talk to for more information?**  
If you want more information about the functionality of this tool, please feel free to reach out to the RILA/IMT team:  
- Erin Hiatt, Senior Manager, Sustainability & Compliance, Retail Industry Leaders Association (RILA): [erin.hiatt@rila.org](mailto:erin.hiatt@rila.org)  
- Andrew Feleman, Senior Associate, Institute for Market Transformation (IMT): [andrew.feleman@imt.org](mailto:andrew.feleman@imt.org)

[Get Started! >](#)

This resource 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 [betterbuildingsolutioncenter.energy.gov](http://betterbuildingsolutioncenter.energy.gov)

**Better Buildings**  
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# 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



# Spotlight: CFO Deliverables

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## The Evolving Role of Retail Finance

Senior Finance Executive Interview  
Financial Planning and Capital Bud

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## Keys to Collaborating with Other Business Units

*What Retail Finance Professionals Should Know*

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## Keys to Collaborating with Your Finance Team

*What Retail Energy & Sustainability Professionals Should Know*

RILA conducted research on how to improve retailer access to financing for energy & sustainability projects, including interviews with senior retail finance professionals.

### Seven leading practices emerged to improve a department's relationship with Finance:

- #### 1. Initiate Communication

Even before there's a proposal to submit, establishing a relationship with your Finance team opens opportunities to informally discuss projects and understand their needs and expectations.
- #### 2. Perfect the Project Proposal Template

Ask Finance what characterizes their easiest-to-review proposals and emulate them. If Finance does not supply templates, ask for their suggestions on the template you currently use, using a hypothetical project as a model. Ensure that the key metric(s), cost/benefit, and assumption detail provides exactly what they need. Study the metrics you are uncomfortable with and ask questions.
- #### 3. Plan According to Finance's Calendar

Request financial calendar details and plan your project proposals according to Finance's annual cycle. Ask yourself, when will your Finance team be most amenable to new projects? When might they need to quickly invest excess capital? When is best to socialize a new idea or reintroduce a project?
- #### 4. Learn & Integrate the Business's Priorities

Articulate how your project complements senior management's priorities to broaden its appeal. Lead with the project's best quality from your audience's viewpoint.
- #### 5. Implement Large-Scale Projects in Phases

A proposal that implements in phases is easier to finance when limited capital is available. Capital is often not all invested during a single planning cycle, leaving flexibility that could allow you to quickly scale up a project. Phased projects can also be easier to course correct, manage, and measure.

To help retail business units understand how to interact with Finance, including interviews with senior finance professionals.

### Seven leading practices emerged for how sophisticated departments interact with other departments:

- #### 1. Evolve from Capital Gatekeeper to Strategic Partner

Finance's role is evolving from a capital gatekeeper to a strategic partner. Core responsibilities include increasing value and meeting financial goals, and evaluating and executing on projects beyond simply setting financial hurdles. Collaborating with Finance's role more directly to strategic project successes.
- #### 2. Build Mutual Trust and Transparency

Work with other business units to build mutual trust and transparency. Be able to answer questions and check on past project proposals from other departments (and your team) that Finance is a strategic partner in development rather than to just police proposals.
- #### 3. Create a Project Proposal Template

Develop a standard proposal template. Make it clear how to provide the key assumption details that you need. Create a project proposal that improves if it already does. Provide educational materials that most readers will be non-experts.
- #### 4. Make Information Easy to Access

Make information easy to access. Be clear about the most and least important projects. What do you want proposers to know about a project that initially gets turned down, when should it be re-

# Approach (Continued)

## 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: EDF Climate Corps Fellowships

- Class of 2016:
  - American Eagle
  - Best Buy
  - Express
  - Gap
  - REI
- Project Topics
  - Strategic Planning
  - Business Case Development
  - Revolving Loan Fund
  - HVAC, lighting, plug loads, solar, demand response, submetering, controls
- Potential Project Impact
  - 46 million kWh
  - Over 2,000 facilities



# Progress and Accomplishments

## Accomplishments & Market Impact:

1. Hosted 12 finance workshops with a combined audience of over 250 and 6 workshops planned for 2017
2. Created 4 Implementation Models (Regency/Trader Joe's; adidas Group; Whole Foods; Belk) with 3 more in development
3. Summarized CFO interviews in 3 actionable deliverables
4. Facilitated 20 benchmarking calls to date, gathering project input or featuring replicable leading industry practices with between 8-20 companies per call
5. Assisted 5 EDF Climate Corps fellows with summer projects identifying a total of 45,000MW of potential savings if fully implemented

## 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 conferences) to expand reach across industries & roles

**Planned vs. Actual Impacts:** Revised approach to educate CFOs; on track with expectations for this point in the project

# Progress and Accomplishments

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## **Recognition:**

Invited to present finance workshop material at 2016 & 2017 DOE Better Buildings Summit and October 2016 and April 2017 EEI Key Accounts Meetings.

Workshops collectively received an average rating of 4.4 out of 5

## **Lessons Learned:**

- To educate CFOs on the value of energy projects, leveraging existing events is more efficient than creating a new event
- Quantifiable outcomes often aren't measurable until a year after retailers learn about a new concept when new projects have to be incorporated into the annual budgeting process for execution the following year



# 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

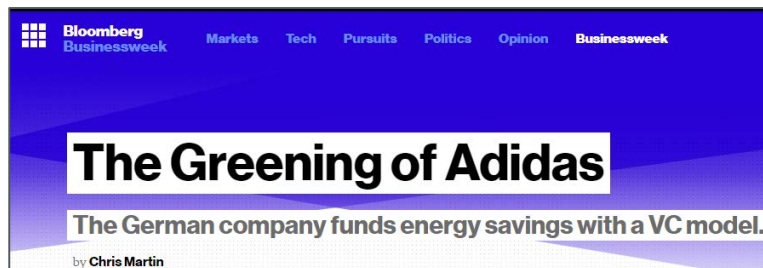
## Partners, Subcontractors, and Collaborators:

- 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
- Edison Electric Institute (EEI),
- International Council of Shopping Centers (ICSC),
- Professional Retail Store Maintenance Association (PRSM),
- Schneider Electric, Altenex, GE,
- Solar Energy Industry Association (SEIA), The Solar Foundation (TSF), American Wind Energy Association (AWEA), and the Wind Energy Foundation (WEF)

# Project Integration and Collaboration

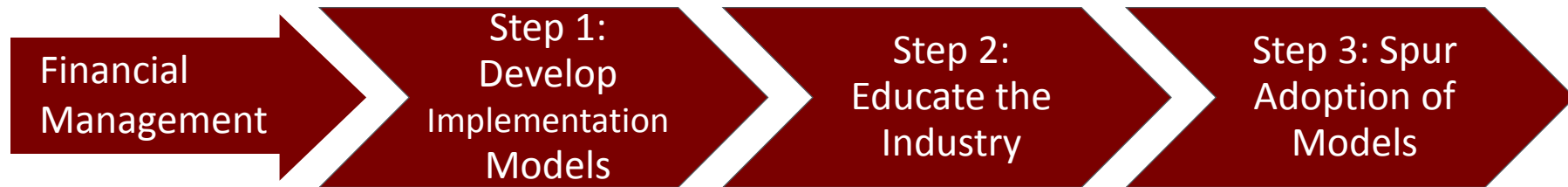
## Communications:

- In-person Workshops
  - 12 complete
  - 5 additional planned for 2017
- In-person & Virtual Consultations
- Virtual Educational Forums
  - 20+ Monthly Retail Energy Management Program benchmarking calls
  - Webinars
- Virtual Communications
  - As deliverables are completed, cross promotion by IMT, EDF, DOE, EF, DGA
  - Blog posts, articles, & newsletter articles by RILA, IMT, DOE





# 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. Second round of project EDF Climate Corps Fellowships (up to 9)
2. Updated Calculator, Financing Guides
3. Final Workflow/Approval Map
4. E-learning format of financing guides
5. Finance professional education

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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 impacted the project plan; no budget areas exceeding estimates

**Cost to Date:** 49.2%

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

## Budget History

April 9, 2015 – FY 2016 (past)		FY 2017 (current)		FY 2018 – Dec. 31, 2018 (planned)	
DOE	Cost-share	DOE	Cost-share	DOE	Cost-share
\$365,984.84	\$365,984.84	\$278,087	\$278,087	\$105,928.17	\$105,928.17

# 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, Q5 (Q1, Q5)	Initial delay less than a quarter after award posting in case changes were made to award. No delays for subsequent milestone dates.
2.1 IM Candidates & New IMs	Q1, Q4 (Q1, Q4)	Initial delay less than a quarter after award posting in case changes were made to award. No delays for subsequent milestone dates.
2.2 CFO Interviews	Q5 (Q1)	Delayed due to holiday season, retail financial calendars, & securing sufficient interviewees
3.1 Program Benchmarking Calls	Once a quarter (Once a quarter)	Q1 delayed less than a quarter after award posting in case changes were made to award. No delays for subsequent milestone dates.

# Project Plan and Schedule – Completed Milestones

Milestone	Actual (Planned) Completion	More Information
3.2 Financial Calculator	Q4, Q5 (Q4, Q5)	Annual revision
3.3 Finance Workshops (Curriculum, materials)	Q1 (Q1)	Initial delay less than a quarter after award posting in case changes were made to award. No delays for subsequent milestone dates.
3.4 Example Workflow/ Approval Maps	Q4 (Q4)	Annual revision
3.5 External Financing Guide	Q4 (Q4)	Annual revision
3.6 Articles/Blog Posts	Q3, Q4, Q6 (Q2, Q4, Q6)	Initial delay less than a quarter after award posting due to holiday season. No delays for subsequent milestone dates.
3.7 Website	Q4 (Q4)	Annual revision
4.1 Climate Corps Fellowships	Q4 (Q4)	
4.2 Direct Retailer Consultations	Q4 (Q4)	

# Project Plan and Schedule – Future Milestones

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