

Comprehensive Energy Project Planning Enables Significant Efficiencies

RILA Retail Energy Management Program: Dec 2017

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TRANSFORMATION

Implementation Model:

Comprehensive Energy Project Planning Enables Significant Efficiencies



BARRIER

Energy projects compete with many other business priorities for funding and are not typically part of a more comprehensive planning process

SOLUTION

Develop a comprehensive planning approach which:

- Highlights how energy projects help the company meet its strategic goals
- Is guided by the Finance Team's expectations and calendar
- Strengthens proposals through socialization with impacted business units

OUTCOME

After establishing a comprehensive energy project planning approach, Food Lion's Energy Team has built a trusting relationship with finance and other departments. By incorporating long and short-term considerations with stakeholder engagement, the value of energy management is recognized and realized.

OVERVIEW

Food Lion is a company of Zaandam-based Ahold Delhaize based in Salisbury, N.C. and operates more than 1,000 grocery stores in 10 Southeastern and Mid-Atlantic states. The company's strong commitment to efficient operations and sustainability—as evidenced by its public goal to reduce greenhouse gas (GHG) emissions by 20 percent by 2020 —has incentivized them to incorporate energy reduction projects in to a comprehensive approach for corporate project proposals and planning.

As part of a recent merger between Ahold and Delhaize, a new organization, Retail Business Services LLC (RBS), was created to leverage scale. RBS aims to drive synergies and best practices as

"Smart project management has been the keystone of Food Lion's energy management success. We know our energy team will align the right internal partners and communicate effectively with our stores about new projects, so that we can save energy without sacrificing customer comfort."

John Laughead
Sustainability Manager

well as provide industry-leading expertise, insights, and analytics to support the companies' brand centric strategies. This approach ensures that Food Lion and other Ahold Delhaize brands collaborate on energy reduction projects that are customer-focused and help the company meet its goals.



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Process

Energy professionals at Food Lion take both a short-term and long-term view when it comes to energy projects, applying many of the leading practices RILA reports from other industry leaders in [Navigating a Successful Project Proposal: Energy Project Workflow and Approval Process](#).

The Food Lion Energy Team's process aligns closely with many of the steps described in the [RILA tool](#):



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?

Food Lion has a public GHG emissions reduction goal, which helps **instill energy management as a company-wide priority**. In addition to financial benefits, senior management understands that completing energy projects will contribute to the company's overall GHG emissions reduction goal.

In fact, when Food Lion successfully completes an energy project, the implemented energy conservation measures are often adopted as a standard business practice for future build out specifications or procurement. This allows new construction and renovation projects to **make progress towards the company's energy reduction goal without requiring a new capital allocation**.

Ultimately, the Energy Team's **highest priority is the same as any other department within Food Lion - to serve the customer**.

Through this lens, the team views and communicates **energy projects as opportunities to improve customer experience** as much as they are a chance to save money and energy. For example, in addition to energy savings, LED bulbs produce a higher output and quality of light, which enhances the visibility of Food Lion's products. Further, a well-maintained HVAC unit saves energy, but also creates a more comfortable shopping environment.

Through participation in initiatives like EPA ENERGY STAR building certification, Food Lion has improved its reputation with customers, investors, and employees by displaying the company's commitment to efficiency and sustainability.

DEFINE METRICS

Which metrics does your Finance Team prefer and what is their risk tolerance for uncertainties?

Which benefits are your organization forfeiting by not funding the project?

The Food Lion Energy Team understands financial expectations. As a result, their **project proposals prioritize key metrics** including Net Present Value (NPV), and simple payback. Clarity around these metrics is important for project proposals.

Procuring utility and tax rebates and incentives can be a major area of uncertainty. To **minimize that uncertainty, the team provides two scenarios in financial proposals**: one assuming all rebates and incentives are accessible and another assuming none are available.

Food Lion recognizes the risk of relying solely on vendor savings projections for certain technologies. To mitigate this risk, Food Lion developed a verification process and built **a reputation of accuracy and dependability with the Finance Team.**

Energy savings opportunities are often verified by piloting projects in a few stores equipped with load-level submeters. The team leverages a **dedicated pool of pilot funding** to accurately verify the savings opportunity and **the opportunity cost of not implementing the technology.** This allows Food Lion to present energy savings opportunities with a high degree of accuracy.

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?

The Energy Team informs **finance of potential rebates and incentives without guaranteeing their availability.** By incentivizing vendors to handle applications, Food Lion avoids research and administrative costs associated with tracking rebate programs.



PHASE 2:

IMPROVE PROJECT
ACCEPTANCE/BUY-IN
THROUGH FEEDBACK
FROM IMPACTED
DEPARTMENTS



SOCIALIZE INTERNALLY & GET BUY-IN

Which departments will be affected by the project?

How will the project operationally and financially impact their teams in the short- and long-term?

How can you revise your approach to recognize and minimize negative impacts?

When implementing energy projects, Food Lion works closely with the Stores and Operations departments to explain its purpose, impact, and benefits to the store.

Because the Vice President of Store Development presents projects to senior management, the Energy Team is accustomed to **socializing projects with other departments to identify and mitigate any impacts they will have on business operations**. This requires gleaning learnings from past experiences and cultivating trusting internal relationships.

UPDATE SCOPE, FINANCIALS, & METRICS

How are you mitigating implementation risks?

Are there benefits to proposing a menu of project variations or implementing your project in separately-funded phases?

The aforementioned piloting process allows Food Lion to measure and verify the outcome of projects before scaling across their portfolio, further reducing risk.

For portfolio-wide initiatives, the Food Lion Energy Team knows that executing a project within one fiscal year may not be financially or logistically possible. To address that reality, Food Lion collaborates across departments to identify opportunities to **combine projects and reduce the impact on stores**. For example, energy projects such as sales floor LED lighting, case LED lighting, and energy-efficient doors on reach-in cases have now become standard updates during scheduled store remodels.

PHASE 3:
REFINE AND
PREPARE PROPOSAL
PRESENTATION



**FINALIZE SCOPE,
FINANCIALS, & METRICS**

Where is your Finance Team in the financial calendar year and how might that influence the way they evaluate the project?

The priorities of Food Lion's Finance Team are influenced by its financial calendar. Beyond the annual budgeting process, the Food Lion Energy Team also competes for **mid-year surpluses**. A **mid-year surplus is an opportunity to get more projects done**, so long as they are shovel ready for execution. The Energy Team's reputation as a reliable source for good capital investments helps position them as a strong candidate when Finance is allocating a mid-year surplus.

Outcomes

Thanks to a thoughtful workflow and approval process, Food Lion has realized financial, environmental, and ancillary benefits through its projects:

- Food Lion's Energy Team views energy management as an opportunity to not only have conversations about energy savings, but customer service benefits as well. They were able to secure the support of store operations and finance departments for their sales floor LED project because it improved the customer shopping experience by providing improved lighting levels. Food Lion store managers have given the lighting projects high marks with several noting that their store no longer appears dark and customers seem to agree with comments complimenting the brighter shopping experience making products easier to see.
- The Energy Team has built trust with the Finance Team by estimating financial metrics and energy savings with a high degree of certainty. Not only does this improve the project approval rate, but it also allows the Energy Team to compete for mid-year surpluses. Last year the team was given additional funding mid-year and was able to get an early start on LED projects in 100 stores. As a result, Food Lion was able to complete more projects in a shorter timeframe and realize energy savings more quickly.
- Once the Energy Team implements an energy project successfully, it often becomes a standard business practice across Food Lion's portfolio and is competitive for future funding. This was the case with Food Lion's LED projects.
- Food Lion has installed submeters in approximately 700 stores. The Energy Team often pilots new project ideas in stores with submeters in order to rigorously measure and verify energy savings. This allows them to build strong business cases for new technologies and increases their chances of receiving funding for future projects. To date, over 1,000 major projects have benefitted from gathering data during pilots in submetered stores since 2013.

Internal Process Spotlight: Collaborating with Your Finance Team

Retail energy professionals should [collaborate with company finance professionals](#) when designing their workflow and approval process. Proposal processes vary from one company to the next, but retailers should consider how planning around the financial calendar can improve the success of their proposals:

BENEFITS

- 1. Timing based on a fiscal year cycle** – First, know the company’s budgeting cycle. When is the budget deadline for project evaluation proposals? What specific information does the Finance Team want to see in these proposals? What steps are required to get the needed approvals to complete a project and how long could they take? Retail energy professionals should start planning months before the deadline.
- 2. Adherence to annual and long-term plans** – Budgets are typically based on an annual plan, which is developed by the Finance Team using strategic priorities outlined by executive leadership. Does the Energy Team know the company’s short and long-term strategic priorities and how its projects support them? Is approval more likely if the project is adaptable to a multi-year schedule?
- 3. Additional capital may be available later in the year** – Does your company always allocate its entire planned capital budget during the planning cycle? It is a leading practice to have several “shovel ready” energy projects on hand in case a budget reallocation or mid-year surplus becomes available.

RILA Energy Management Program

Program Background

Retailers have a significant opportunity to reduce energy consumption and associated greenhouse gases across their portfolios, to the benefit of both companies and the environment. The Retail Industry Leaders Association (RILA) is committed to helping its members overcome barriers to enhanced energy performance across their building portfolio through its [Retail Energy Management Program](#).

Program Workstreams

RILA and its program members are working to (1) Develop Implementation Models, (2) Educate the Industry, and (3) Spur Adoption of Implementation Models with a focus on three key areas:

1. **Financial management**, by exploring how to “speak finance”, improve project proposal and piloting processes, create innovation funds, and utilize external financing.
2. **Leased store management**, by engaging landlords and internal real estate, construction, and store associate teams to overcome the additional energy management challenges faced in leased store locations.
3. **Renewable energy**, by partnering with existing renewable energy organizations to educate energy managers on the landscape of renewable energy procurement options.

Join the Program

Retail energy managers interested in participating should email Erin Hiatt, Director of Energy, Sustainability & Research, at Erin.Hiatt@RILA.org.

Learn more at rila.org/energy

Find more Better Buildings resources at betterbuildingssolutioncenter.energy.gov

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