SELLING ENERGY SAVINGS TO THE C-SUITE AND FINDING THE FUNDING TO DO IT
INTRODUCTION

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SELLING SAVINGS TO THE C SUITE...

AND FINDING THE FUNDING TO DO IT
INVESTMENTS CONSIDERATIONS

I always start with “Do we need it?”

• Who
  — Who are the stakeholders?
  — Who are the approvers?

• What
  — What is it?

• When
  — When do we want to implement?
  — Can the stores/company accommodate the timing?

• Where
  — Geographically
  — Physically

• Why
  — Why are we considering? Finical? Sustainability?

• How
  — How do we implement and sustain?
ROI IN A LOW COST WORLD

The Homerun energy projects have already been hit
On top of that we have low cost energy rates

Framing up the secondary benefits

• Maintenance or Construction costs avoidance
• Time & Resource savings
• Sustainability Benefits
• Are there improvements to the look and feel or functionality of the store?
• When I sell a business case I provide all of the following
  — Current pending repairs = cost avoidance
  — Forecast future repairs = cost avoidance & Work Order Avoidance
  — Warranty Terms = Budget Certainty
  — Forecast future EMS/Monitoring Calls = Call avoidance
  — Sustainability = Carbon reduction
    • Houses/Cars removed from the Grid
FRAMING THE PITCH TO FINANCE

CFO’s and Finance leaders speak a different language

Learn to Speak the language and understand their terms

• Know what Discounted Payback is and how to calculate
• Know what the IRR is and how to calculate
• Always present your business cases in a format that they use
• Only show them what they need or want to see
• I always include the following metrics
  — Investment/Spend
  — P&L Savings
  — Avoidance
  — IRR & ROI
  — Discounted Payback
  — Rebates/Incentives
  — Must Have vs Nice to Have
Selling Savings To The C Suite… And Finding The Funding To Do It
Framing The Pitch

- Pitching C-Suite leaders on energy technology can be tricky even when rates are high
  - **Who**
    - Who is the provider? Do they have a proven track record?
  - **What**
    - What does the technology do? What effect does it have on operations?
  - **When**
    - When will the technology be mature? Are we comfortable being early adopters?
  - **Where**
    - Where does this technology make sense for us, geographically? What facility layouts?
  - **Why**
    - Does this align with our goals? Sustainability? Financially?
  - **How**
    - How would we support the project going forward? How would we measure success?
Overall Challenge

- In theory, most companies like the idea of improving environmental stewardship, but...
- Projects (usually) must also break even, at a minimum, but there can be other considerations
  - Is your company / leader comfortable leading the charge on a new technology?
  - Is there a PR benefit to being an early adopter?
  - Can your team help the technology itself develop?
- Where does energy efficiency fall in your company’s priorities?
  - When it comes to capital, a project may make sense, but solve a lower priority problem
  - In a world of increasing cybersecurity concerns, IT may grow first and fastest
- What is your payback period?
  - How much lead time do you have before your project needs to break even?
  - How dependent are results on variables outside your control, like weather or macroeconomics?
  - Does your company have a specific Return On Investment target or timeline?
ROI In A Low Cost World

- National Key Accounts may love low cost energy, but it brings its own challenges
  - Approval of energy improvement projects may come down to “avoided cost”
    - When the cost avoided is low, the rationale for the project diminishes
  - Is the “juice” of alternative energy worth the “squeeze” of
    - RFPs
    - Time spent rolling out a project
    - Capital that could be allocated elsewhere
      - IT Security, IT Security, IT Security

- Funding projects with expense dollars can free energy managers from capital requests
  - Fewer organizational hurdles when dealing with expense projects
  - More leeway to experiment with new ideas while not affecting Return On Invested Capital (ROIC)
  - Cost/benefit of a project can be rolled in with existing projects to cover for uncertainty
ROI In A Low Cost World

- **Goal: Sell more, do it more efficiently, invest more capital and get more from investments**
  - Long term sales target of $115-120 billion
  - Operating Margin target of 14.5%
  - $2.5 billion in capital expenditures
  - Return On Invested Capital target of 40%+

- **High bar set for projects**
  - Projects shouldn’t disrupt or distract from sales focus
  - Must contribute meaningfully to reduction in expense dollars
  - Must compete with all other potential capital projects
  - Challenge of being early adopters for projects with uncertain ROIC

- **Leverage expense dollars**
  - If capital is tight, focus on where you can leverage expense dollars
  - Power Purchase Agreements
  - Off site investments
  - Potentially simpler budgetary process

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Operating efficiencies support sales and margin driving investments

Investments

- Supply Chain Infrastructure
- Digital Platform / Systems
- Customer Service Investment
- Petsense

Operating Margin

- Energy Management
- Marketing
- Expense Management
- Product information and vendor onboarding
- Continuous Improvement

Efficiencies
What is this?

- **Current State:**
  - What is reality?  What is the future state?
  - What is the lifecycle?  Who owns what?

- **Recommendation:**
  - Replace X with Y.  Stop doing A.
  - Start doing B.

- **Benefit:**
  - Less SG&A because of conservation, power and energy.
  - Less SG&A because of efficiency, power and energy.
  - Reduced or eliminated building occupancy expense.
How are you going to pay for it????????? / CapEx or SG&A?

Well, no matter what:

- Do not impact the customer or store employee.
- Be able to prove it, CapEx or SG&A.
- Who is going to track and monitor this project?
- Is this the standard ROI calculation?
- Are you building on previous projects?
- What other 3 year payback projects do you have?
GHG / Carbon comparisons for Annual kWh reduction, impact is per year
(per EPA Greenhouse Gas Calculator)

- 98,771 tons of GHG
- GHG from 18,927 passenger vehicles per year
- CO2 emissions from 22 Wind turbines
- CO2 emissions from 477 railcars’ worth of coal burned
- Carbon sequestered by 84,819 acres of US forests / year
QUESTIONS