

BEATING BUREAUCRACY – HOW TO GET LARGE COMMERCIAL COMPANIES TO EMBRACE ENERGY EFFICIENCY

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Introduction

A strategic account management strategy with large commercial customers can assist in increasing the visibility of energy in decision making. This increased visibility of energy at higher levels in the corporation allows for easier approval of equipment expenditures therefore yielding large energy savings for the customer and for the energy efficiency program.

This paper will provide an example of how this strategic approach is working with a multi-billion dollar grocery store chain. However, before this case study discussion, the first sections of this paper will provide a background of where the Focus on Energy-Commercial program started, its evolution over time, a discussion of what strategic account management is, then provide the Roundy's case study, and finish with lessons learned.

Focus on Energy's Commercial Sector generates about 40 million kWh, 8,000 kW, and one million therms of energy savings annually. One method of our success is utilizing a strategic account management approach to large businesses through a Memorandum of Understanding (MOU) document. Our first MOU between the Focus program and Roundy's was signed in August of 2004 and was renewed again in April of 2005 when the utility was added to the agreement.

Roundy's has grown substantially in the last five years from less than 30 corporate owned stores to more than 130 stores. In their approximately 8 million square feet of grocery space, they use about 400 million kWh and spend more than \$25 million a year on utility bills; yet, they did not have an energy manager. Since August of 2004, an energy team consisting of the customer, the utility, and the public benefits program met at least monthly for a period of a year and worked together to understand their energy usage through benchmarking, performed detailed analysis in several key stores, participated in the One-2-Five program, hired a subcontractor energy manager, incorporated contractor ideas, and implemented significant energy savings projects by fall of 2005.

Goals of bringing in strategic account management techniques to our program design include:

- Establish richer relationships with top customers in our targeted market segments;
- Use our resources (technical assistance, energy advisor, engineering) more effectively;
- Achieve greater amounts of energy savings from our targeted initiatives;
- Reduce the amount of freeridership (increase attribution) of our program overall;

The account management / MOU approach for working with a large commercial corporation has yielded a trust with which the team can better understand the company's business, energy usage, and generate significant improvement to this usage in their stores. This experience provides a demonstration of what can be accomplished through this approach.

Description of Problem/Opportunity

The title of this paper uses the word *bureaucracy*. When we hear this word, we generally think of government, politics, excessive paperwork, few results, or a situation where it is difficult to make things happen. The dictionary definition of *bureaucracy* states “An administrative system in which the need or inclination to follow rigid or complex procedures impedes effective action”. In the context that we use here, it serves as the perfect word to identify a set of barriers, which exist in large companies or organizations, for our programs to be successful in the customer implementing our energy efficiency recommendations and receiving project incentives.

In the process of developing a program design, identification of barriers to implementation of energy efficiency opportunities is one of the first main steps. Chain store organizations for grocery, lodging, and restaurants present a real opportunity for larger projects and high potential amounts of energy savings resulting in cost effective delivery. However, these types of organizations usually come with some baggage (additional barriers) in the form of bureaucracy.

Specifically, these barriers may include few, or usually many, of the following:

- Facility or engineering department manager/director is not the main decision maker on capital investment;
- The engineering department is stretched thin in just ensuring that the equipment is operating – little time to expend and improving energy efficiency;
- The department that is in the best position to implement energy efficiency projects may not be the one who will benefit from the reduced cost of the energy;
- The corporate office is not the location where all the energy is being used;
- The corporate office may not be in the state where the energy efficiency program is trying to make impact;
- Executive management does not have energy efficiency on their radar as something important to the organization (they serve as a barrier because they must approve spending requests on something that doesn't increase sales);
- Forms, policies, and procedures which make proposing an investment in new equipment difficult/painful for the engineering manager;
- The CFO/Controller/VP-Finance needs to approve funding requests, but may not understand energy terms or believe the cost savings estimates (perhaps bad experience in the past or paid to be skeptical?);
- Corporate culture does not put much stock in energy efficiency projects;
- Little incentive for off-site facility managers to reduce energy usage (not held accountable for utility expenses);

What design enhancements can a commercial energy efficiency program incorporate that will be able to harvest high potential energy savings projects with large customers or large chain store organizations?

Background and Evolution of the Commercial Program

Focus on Energy – Commercial Sector

Focus on Energy, Wisconsin's Public Benefits program, started in 2001 and, as of the writing of this paper, is now entering our fifth fiscal year (FY06 – July 1, 2005 to June 30, 2006) of delivering energy efficiency services in Wisconsin. The Wisconsin Department of Administration collects the funds from utilities (who includes a charge on their customers' bills), provides policy direction, and oversees the Administrator of the Focus on Energy program. The Administrator, Wisconsin Energy Conservation Corporation (WECC), provides program leadership (directors), developed and maintains the tracking systems, writes incentive checks, coordinates with the evaluation contractor, and handles a myriad of other administrative responsibilities. There are three main segments – Business, Residential, and Renewable as shown in the organization chart below:

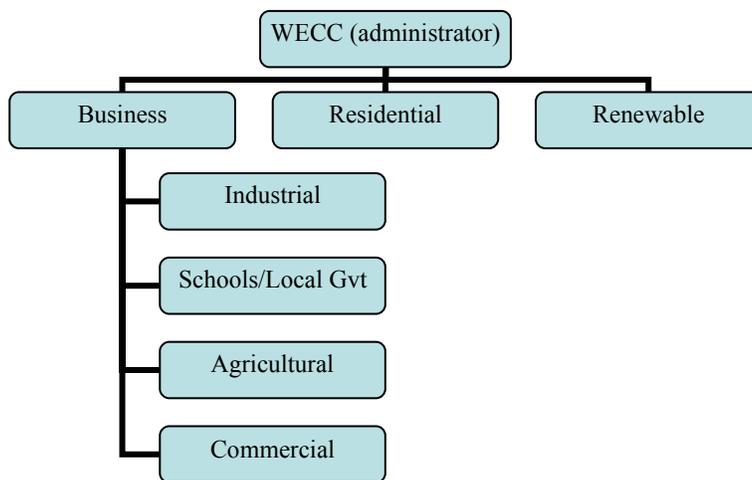


Figure 1: Organization Chart of Focus on Energy

Specifically, this paper describes how the Commercial Sector is designing and implementing programs to commercial customers. The Commercial Sector has limited resources to handle almost 200,000 businesses across the whole state of Wisconsin. In FY06, we have a budget of about \$2.1 million to handle this responsibility – about half of which is for project incentives and other half includes labor, expenses, marketing, and subcontractor technical assistance. Our energy savings targets for this fiscal year are 17,500,000 kWh, 2,167 kW, and 800,000 therms.

One of the challenges in delivering program services to the commercial market is that about 90% of the businesses are considered “small commercial”. Yet, as commercial program managers, we still need to achieve significant energy savings goals cost effectively. Because we manage “public benefit” dollars where all customers are contributing to the funding, our program must also allow all to participate. Therefore, we must design a program that cost effectively manages small projects completed by any business customer, but incorporates a strategy that can proactively target large opportunities. In working with larger businesses, you tend to run into a myriad of barriers including a bureaucratic structure. In addition, our resources are scarce – the commercial program has less than six FTEs of technical assistance available to serve the whole state. The next section will show how the commercial strategy/design has evolved over time.

Strategy evolution

Programs based solely on *resource acquisition* tend to focus on transactions – using rebates to change a specific buying decision. Programs based solely on *market transformation* tend to focus on changing markets. Many programs, such as Focus on Energy, have both resource acquisition and market transformation goals.

Our early program efforts concentrated on creating “transactions”. The more pressure program managers received to hit energy savings goals, or benefit/cost ratio, the more we paid attention to creating transactions. This attention to transactions did nothing to encourage developing relationships with key customer groups. Some Energy Advisors did this inherently, but the program design did nothing to support customer relationships.

Table 1 shows the progress of results as our program design has evolved. The first two fiscal years plus the first quarter of FY04 concentrated on the transactions of energy efficiency projects. Our Energy Advisors responded to incoming inquiries, performed energy audits, made energy efficiency recommendations, work with trade allies, and tried to “close” customers on implementing these recommendations. Given enough time and some momentum, the commercial program achieved its energy savings goals in those early fiscal years, but program personnel always tended to be in reactive mode to incoming customer and ally requests.

Table 1: Energy Savings and budget history for Commercial Sector

Fiscal Year	kWh*	kW*	Therms	Budget
FY02	8,900,000	1,700	450,000	\$2.6 million (15mo)
FY03	18,200,000	3,800	850,000	\$2.5 million
FY04**	17,000,000	2,950	600,000	\$2.3 million
FY05	21,200,000	3,650	1,000,000	\$2.4 million
FY06 (first 4 mo)	6,500,000	1,100	370,000	
FY06 Committed	13,900,000	1,800	830,000	
FY06 New	5,600,000	1,200	300,000	
FY06 Year-End Estimate	26,000,000	4,100	1,500,000	\$2.1 million
% change from FY03	+43%	+8%	+76%	-16%

* Does not include the commercial portion of Energy Star through retailer program.

** Started team approach to commercial markets.

Lighting through retailers program yielded the following energy savings:

FY02 0 kWh, 0 kW

FY03 16.7 million kWh, 4,568 kW

FY04 25.3 million kWh, 6,411 kW

FY05 20.3 million kWh, 5,485 kW

FY06 Lighting through retailers is now being credited to a channel program, not the commercial sector.

October of 2003 was the first step of our program’s evolution towards strategic account management, although we did not call it that at the time. The Commercial Sector researched the most energy intensive markets, looked for high potential technologies within each of the market segments, and developed three core teams as sub-groups to our sector. These teams were Grocery stores (including convenience), Health Care, and Hospitality (lodging and restaurants).

The significance of the teams was that we were starting, as a strategy, to create longer term relationships in specific market segments. Key elements of our team structure were created such as the following:

- Join and become active in industry associations (i.e. Wisconsin Restaurant Association);
- Identify key customers and their main contacts (i.e. Director Engineering at Marcus);
- Target specific technologies and develop initiatives around them (i.e. Guest Room Energy Management);
- Find trade allies that provide products/services in our targeted mission (i.e. Advanced Refrigeration);
- Create success stories and tell the industry about it (i.e. PR, articles in newsletters);
- Create a positions of Team Leads, assign Energy Advisor time by team, and develop energy savings and activity goals for each team;
- Develop a cost effective way to handle incoming customer request for services when the customer was outside of our targeted efforts.

Table 2: Energy Savings Goals submitted by the Segment Teams

Grocery Team	8,500,000	225	35,000
Hospitality Team	5,000,000	390	250,000
Health Care Team	8,500,000	900	356,000
Total From Teams	22,000,000	1,515	641,000
<i>All Commercial Goal</i>	<i>17,500,000</i>	<i>2,157</i>	<i>800,000</i>

This move to focus proactive efforts in specific market segments felt empowering. We were taking control of our program activities and driving these activities in a direction where they could create the most benefit. The final bullet point above on developing a cost effective way to handle all other requests was extremely important. There would have been no time to be proactive if this element of our strategy was not incorporated into our plans.

Establishing the team concept and making all the elements of our approach effective was not an overnight success. As Table 1 on program energy savings shows, our first year in our changed approach (FY04) achieved less than the previous fiscal year. There was a steep learning curve. Tasks and responsibilities that had been highly individualized were now team based. We had a hard time moving from being responsive to being proactive. There were new relationships that had to be developed. It just took time, patience, and resilience to stick to the plan of implementing the program.

Creating a better relationship with large customers made sense, but how can we commit our scarce resource of time to these relationships without knowing we would get some benefit? About one year after the start of our teams, we incorporated a new element to our approach. If we were going to commit significant resources – technical assistance time or unique incentive approach – we wanted to ensure that the customer was seriously about implementing our recommendations. We established the Memorandum of Understanding, or MOU.

The strength of this approach was that the MOU created expectations for both the customer and our commercial program. It would state what each party was responsible for and what their commitment to the process would be. Roundy's was the first customer where we used the MOU document. As a corporation with more than 100 grocery stores in our state, Focus was aware of huge potential, but also of the large commitment of time. In addition, the MOU documented the total potential of incentives for the customer, which needed to be significant enough to garner interest from executive management. The MOU was a natural progression of our team structure in creating better relationships with the state's largest commercial energy users. Several months later is when the concept of "strategic account management" was first discussed. Although the commercial sector program design changes had us moving in this direction, we had not consciously thought of the team approach and the MOU process as strategic account management.

As we entered the current fiscal year (FY06), strategic account management term became the mantra. But what does that really mean? How is our program design supposed to change to incorporate this? How does the implementation of this design change our methods, procedures, or policies? The commercial team felt that if we were going to develop long term relationships with our most prized targeted customers, then we needed to measure our starting point. We wanted to track how our influence with these customers affected their facility's energy use, intensity, or operation. The Energy Star Benchmarking tool, Portfolio Manager, became the newest element of our approach to the targeted segments of our commercial program.

In partnering with the Energy Star Benchmarking program, we are/will be able to establish a baseline that measures energy performance of a customer's portfolio of buildings. By establishing a baseline, we can work with our partner/customer to create goals for improvement in their benchmarking score over time.

Energy Star also has two recognition programs that we will tap into as our partners qualify for the achievement. The first is qualification of Energy Star certification for achieving a score of 75 or more on a specific facility. The second is qualifying for a Leaders Award for increasing a portfolio of buildings by 10 points or more. Focus on Energy will also put together press releases on any participating customer that accomplishing these levels of achievement for local release.

Table 3: Attribution factors and realization rates for Commercial Sector over three-year period

Attribution Factors	<u><i>kWh</i></u>	<u><i>kW</i></u>
FY03	47%	58%
FY05 (first half)	67%	65%

Are the program design changes that we have implemented over the past two years working? We believe that these changes are working very well. First, Table 1 shows that in our second year of the team approach, our energy savings is up 16-18% (FY05 vs. FY03) after an initial decrease in the first year. Based on our current estimates for this fiscal year (implemented plus committed plus anticipated), the commercial sector is on track to deliver 40-80% increase of energy savings results with 16% less funding. Secondly, in Table 3 below, the quality of the energy savings is increasing. The project attribution factor increased 40% for kWh (47% to 67%) and 12% for kW (58% to 65%) from FY03 to FY05. Freeridership is down significantly in implemented projects in the second year after incorporating our new strategies. Lastly, commercial sector employees are more motivated. A survey completed by the team members showed that about 70% of the ratings that measure motivating factors (challenge, recognition, responsibility) scored "better than previous year".

Strategic Account Management

What is strategic account management? Account management is the way an organization manages its relationship with customers. The “strategic” part comes in play when the organization determines, and implements, a strategy or methodology where they allocate a disproportionate level of resources to targeted customers.

Noel Capon (2001), a Professor of Business at Columbia University’s Graduate School of Business and author of the book “*Key Account Management and Planning*” describes the reasoning behind key account management.

For virtually all corporations, some form of 80/20 rule operates. Although this rule can be viewed in several different ways, a typical interpretation is that 80% of the firms’ revenues is supplied by 20% of its customers. If this rule, or a close variant (90/10; 75/25), operates in the firm’s customer environment, the critical business implication is that these 20% (or 10% or 25%) of customers have an importance to the firm’s long-run future that exceeds that of the “average” customer (p.18).

An energy efficiency program situation is not that unlike that of a for-profit business. Since 90-95% of businesses in the commercial sector could be considered “small business”, a minority of large projects makes up a majority of our energy savings achievement. In reviewing a list of 98 projects amounting to \$713,000 of incentives that carried over from one fiscal year to the next, the top 20% made up 79% of the incentive dollars obligated. The 80/20 rules seems to be working just fine in the energy efficiency program world too.

What are the benefits of strategic account management? This approach can be viable only if it creates a win/win situation with the program and the customer organization. If successful, key account management will benefit both the energy efficiency program as well as the key account. The value for the energy efficiency program should be items such as:

- Improved understanding of customer’s business, goals, and strategies;
- Stronger customer relationships;
- Improved use of technical resources;
- Enhanced participation rate (more energy savings);
- Larger percentage of attribution (lower freeridership) on implemented projects.

The benefits for the customer should be one or more of the following:

- Greater customer satisfaction;
- Improved service and communications from the program;
- Improved energy management strategy and implementation;
- Significant energy and cost savings than without program assistance;
- Improved profit margins;
- Better public identity;
- Improved competitiveness.

There are, of course, cautions or potential downfalls in implementing a strategic account management program. Capon (2001) lists the following items as cautions to be aware of as this strategy is implemented:

- Too many eggs in one basket (concentration on too few customers);
- Insufficient benefits to the supplier organization;
- Insufficient benefits to the key account;
- Limitation of opportunities;
- Cost and bureaucracy, and;
- Significant organization change (pp. 29-32).

The commercial sector of the Focus on Energy program has gradually incorporated strategic account management over the past two years. We believe that the steps of working with a key account and the objectives of working with the key account include some of the following:

- Attempt to get executive level buy-in. In a few instances, we have been able to use the Envinta One-2-Five program in order to solicit executive awareness of energy issues and provide a grade for how well they have incorporated energy into their decision making and operations.
- Help the customer understand their current energy use. Some type of benchmarking can be used to provide a baseline of where the customer was when our involvement started. We have incorporated the Energy Star Benchmarking tool into this process in the industries where they have data.
- Get commitment from the customer. The Memorandum of Understanding (MOU) was developed to spell out expectations and get a commitment from the customer to ensure that they will be likely to act on our energy efficiency recommendations.
- Solicit contractor input. Getting the customer's current contractors involved in identifying problem areas or potential opportunities is a great place to find recommendations and get expert opinion.
- Find early successes. If there are short payback items that can be implemented quickly, it provides success that can build the relationship. In grocery stores, we have found that anti-sweat heater controls are a good technology for this objective. In lodging, guest room energy management provides significant energy savings and reasonable payback. In food service, pre-rinse sprayers can provide a payback period measured in days rather than years (or immediate if we provide the \$68 item).
- Use press releases or case studies to promote successes. This can give your key account positive press and shows that we are there to be a partner with them for the long-term.

There is obviously much more that can be covered in the field of strategic account management. This section provides only a few basic thoughts and relates it to how we have tried to incorporate it into our energy efficiency program. The next section will provide a specific case study with a multi-billion dollar grocery store corporation.

Roundy's Case Study

Roundy's is the largest grocery store chain in Wisconsin. Based in Milwaukee, it has grown substantially in the last five years from less than 30 corporate owned stores to more than 130 stores. In their approximately eight million square feet of grocery space, they use about 400 million kWh and spend more than \$25 million a year on utility bills; yet, they do not have an energy manager. Starting in August of 2004, an energy team consisting of the customer, the utility, and the public benefits program has met monthly on average and worked together to establish ways to understand their energy use and take steps to manage this usage.

This energy team accomplished a great deal in the first year of existence including:

- Performed detailed billing analysis of all stores and ranked them for targeting the highest energy users (electricity and natural gas.)
- Performed in-depth supermarket simulation audits in three stores, which yielded a list of key energy efficiency improvement targets;
- Executive management participated in Envinta's One-2-Five program, which set the stage for executive buy-in of efficiency projects and sealed the need for an energy manager;
- Customer hired a subcontracted energy manager to quantify targets, get quotes for projects, and coordinate implementation;
- Brought in the lighting maintenance contractor, whom pursued approved small lighting upgrades in over 60 stores;
- Over \$250,000 of improvements implemented in summer/fall of 2005, which resulted in almost four (4) million kWh of first year energy savings;
- Set an overall goal of the team to find, recommend, and implement energy efficiency projects that will yield 6% to 8% energy savings over the next three years.

Early in the process of contacting Roundy's about participating in the Focus on Energy program, we found a number of barriers to get them involved and for us to have impact in their decisions. The main contact at that time was the manager of the engineering department. The barriers that our energy advisor encountered included some of the following:

- The manager of the engineering department was so busy with managing the growth of the organization that he had no time to work with our program;
- The main contact was not responsible for the utility bill budget;
- The person responsible for the utility bill was not technical in nature, but administrative (he was the VP of Indirect Procurement);
- The finance department has a protocol including the completion of forms/paperwork for any capital equipment investment over \$2,500 (another person involved to make a decision);
- They had a two-year payback criterion for investment decisions;

Because their organization had grown quickly through the purchase of existing grocery stores, as well as new construction, their focus was to ensure the equipment was running in order to sell groceries, not to necessarily run in the most efficient manner. Their new construction practices were well designed and used best practices in many instances. However, in a majority of the existing stores, especially those that had been acquired from other companies, there was not a consistent standard of equipment or performance. Therefore, there were many energy efficiency improvement opportunities, but little staff time to identify the best ones and prioritize their investment.

Utility bills were a significant expense for this organization. The VP of Indirect Procurement was responsible for all non-food, non-labor expenses (about 30-35 various categories) and utility bills were the one large expense that he felt there was little control. Our program's opportunity to get involved came by way of the utility account manager who promoted the Envinta One-2-Five program to their executive management. The results of this program showed that they rated One Star out of the possible Five Stars. It further went to suggest that they could potentially save between \$3 and \$4 million if they incorporated good energy management – good enough to move to become a Five Star company.

An initial meeting with the VP of Indirect Procurement, the utility account manager, and the Focus Grocery Team leader set the foundation for how Roundy's could benefit from participating in the state's energy efficiency program. This was becoming even more important as the utility account manager announced yet another rate increase. The Focus program came to the table with an offer to perform a Supermarket Simulation on two of their stores using the EPRI Supermarket Simulation Tool (SST). We had subcontracted with an expert in this area. These simulations would be the starting point to determine what the opportunities were in their stores, especially targeting their refrigeration systems.

Once we had the results of the simulations, as a team we would review the recommendations, have Roundy's implement the recommendations that met a payback criteria, and then measure those results. A decision needed to be made on which of their 130 stores should be selected.

There became a need to determine which stores were using the most energy. The first step of this process became apparent – we needed to perform some type of benchmarking of their facilities. A little more than half of their stores were in We Energies service territory, so they signed a utility release form and the utility account manager gathered the usage data on about 80 stores.

It occurred to us that this process was going to create a lot of work for our Energy Advisor and that we hoped that this investment of program resources would be worth it. The potential was certainly there, but was the commitment from the customer? In one team meeting, the utility account manager provided a detailed description of the utility bill to the VP including an explanation of what a kilowatt-hour and a therm were. Over the next year, we were going to ask the VP's company to make significant investments in equipment to save lots of kilowatts and therms. Our solution was to create a Memorandum of Understanding (MOU) process.

The MOU idea was not meant to be legally binding, but was a “good faith” document that clearly specified who was responsible for certain tasks and what the expectations of each party was. Although there were no guarantees, at least we could have reasonable expectations that Focus' investment in engineering time would pay off over time.

The MOU included all three parties – the customer (Roundy's), the utility (We Energies), and the public benefits program (Focus). The next page shows a copy of the MOU that was signed in April of 2005. Key elements of the document include:

- Establishing expectations of each of the parties;
- Defining a time period that the MOU is good for;
- Documenting the criteria for the customer to take action;
- Allocating specific incentive funds for implemented projects;
- Communicating deadlines of availability of incentive funding.

Memorandum of Understanding

Following is a memorandum of understanding between Roundy's, Focus on Energy (Focus) and We Energies, for the determination of incentives in support of the installation of identified energy efficiency measures (EEM). The intent of this document is to ensure each party understands what the other is providing during the period from February 14, 2005 through June 30th, 2006. This document is designed to be a 'good faith' memorandum of understanding and not for either party to be legally bound by its contents. This is an additional memorandum of understanding to the one signed between Focus and Roundy's on August 19, 2004.

Roundy's will:

- Provide billing information to Focus where these cannot be obtained from We Energies. This can be provided through releases by the respective electric and gas utilities or from Roundy's own records.
- Work to receive incentives from the appropriate party once EEMs have been identified
- Install EEM projects with simple paybacks less than three (3) years within four to six months of identification. However, this does not exclude any projects identified with paybacks over three (3) years, if Roundy's deems them to be worthy.

Focus on Energy will:

- Provide incentives for natural gas savings measures within We Energies Territory
- Work with We Energies to determine incentives for energy saving (kWh) projects that are most beneficial to Roundy's within the constraints of their program and within We Energies Territory.
- Provide incentives for electric and natural gas EEMs for stores outside We Energies territory and in the approved Focus territory
- Provide billing information of all Roundy's stores outside We Energies Territory
- Work with Roundy's to maximize the benefits of incentives from Focus up to \$100,000 for the current and subsequent fiscal years (July 1, 2004 through June 30th, 2006.)

We Energies will:

- Provide incentives for electric demand (kW) savings measures within We Energies Territory in accordance with the terms and conditions of We Energies Program.
- Work with Focus to determine incentives for energy saving (kWh) projects that are most beneficial to Roundy's within the constraints of their program and within Focus Territory.
- Provide billing information of all Roundy's stores within We Energies Territory
- Work with Roundy's to maximize the benefits of incentives from We Energies through 2008 or when the incentive program officially ends, whichever comes first.

Mike Selenka
Roundy's
Vice President – Indirect Procurement

Date

Dan Tarrence
Focus on Energy
Program Manager – Commercial Programs

Date

Judy Mathewson
Advocacy for Energy Options
Program Manager – Energy Incentives from We Energies

Date

Figure 2: Example of the Roundy's Memorandum of Understanding (MOU)

Focus performed a detailed billing analysis of all stores and ranked them for targeting the highest energy users. The Energy Advisor put together several ranking lists: one for most intensive use of electricity (kWh per square foot), most intensive use of natural gas (therms per square foot), and overall cost of utilities (dollars per square foot).

The following table is an example of the top five energy users in terms of dollars per square foot per year as determined from our analysis in August of 2004.

Table 4: Top Five Energy Users by dollars per square foot per year

Rank	Sq Ft	City	Roll Elec\$	Roll Gas\$	Roll Total \$	\$/sq ft/yr
1	26,790	Madison	\$140,849	\$12,866	\$153,716	\$5.74
2	41,945	Mequon	\$169,857	\$40,139	\$209,996	\$5.01
3	40,174	Milwaukee	\$169,071	\$29,814	\$198,885	\$4.95
4	55,475	Brookfield	\$222,257	\$52,193	\$274,450	\$4.95
5	67,583	West Bend	\$293,937	\$21,745	\$315,682	\$4.67

Three of their stores were selected to have the SST assessments performed of their building. The results from these studies formed the foundation for our team to address specific issues relating to their refrigeration systems. The main recommendations that came from these studies included the following:

- Anti-sweat heater controls;
- Mechanical sub cooling;
- Ambient sub cooling;
- Floating head pressure;
- HID lighting to high efficient fluorescent;
- Heat recovery;

The average energy savings potential per store amounted to almost \$30,000 in energy costs. If we were to extrapolate this average across all 130 stores that would amount to about \$3.9 million, or more than 15% of the total energy use of the company. When the VP asked the energy team’s opinion of the One-2-Five results (potential savings estimate of 19-24% of energy use), the team felt that somewhere in the 6-8% range would be a realistic goal to shoot for. The SST studies verified that there was about double that goal in potential cost savings.

Roundy’s realized that they did not have the manpower to carryout the recommendations made by the energy team in order to realize the potential energy savings. They hired a subcontracted energy manager, initially for a period of six months, in order to manage the process of project identification and implementation. One of the studies that the energy manager did was to graph out the electric energy usage and the natural gas energy usage by store. He was able to interpret from the graph that if they were able to bring the top 10% of the energy users just down to the average, Roundy’s would be able to save over \$300,000 in natural gas and \$600,000 in electric costs – nearly \$1 million.

One thing that worked well in our regular meetings was bringing in others to either present their thoughts or to get them involved in the projects we were discussing. One such guest was the owner of

the lighting maintenance company that services the lighting in many of their stores. When asked of opportunities, he cited several specific stores with potential lighting retrofit projects, but he also spoke of small items that were present in almost every store. These small items include exit lights that were not yet LED, incandescent light bulbs in places where there should be fluorescent, and some areas where T12 was still present. He received the okay to make these changes and within about six weeks, they submitted incentive paperwork for over 60 stores where these changes occurred.

The main immediate impact from the energy saving perspective has been a review of stores that did not have anti-sweat heater controls (ASHC). Focus on Energy has a \$40 per door prescriptive incentive available for this technology, it is a proven technology, and there were stores that were not being controlled. A refrigeration contractor that maintained the refrigeration systems of 48 stores performed a survey of those stores to check on the status of ASHC. They found that 33 of the 48 stores did not have this measure installed. Five of the stores had unique refrigeration equipment situation that prevented simple installation and two of the stores were located in locations not served by Focus on Energy. That left 26 stores to be equipped with the ASHC measure.

After completing the finance department's capital funds investment paperwork and getting their approval (this was harder than expressed here), ASHC were installed in these 26 stores over a several month period. This project affected 2,420 refrigerator/freezer doors and resulted in 3.6 million kWh in estimated energy savings and about \$170,000 in reduced costs.

Roundy's has saved about 1% of their energy costs through the projects mentioned above as well as a handful of other miscellaneous completed projects. This is a great start towards the goal of incorporating sound energy management practices as well as the target of saving 6-8% of their usage.

Other MOU / Account Management Experiences

Roundy's was the first customer where we used the MOU document to set expectations. Since then (August 2004), we have incorporated this process into our relationships with other customers. Again, we use the MOU document when we offer a significant amount of services or if we provide a special incentive offer.

An example of the latter is a MOU we developed with Riiser. Riiser is a company that owns 21 convenience stores. They were very interested in saving energy, but were not convinced of the savings estimates of the anti-sweat heater control project from a contractor. The Focus program paid for 100% of the first installation and monitored the savings in that building over a few month time frame. A MOU was developed that said, in general, if the savings realized met their expectations that they would install this project in all 21 stores. Upon completion of the monitoring, this company did go ahead with the full project and installed anti-sweat heater controls in all 21 of their stores amounting to about 300,000 kWh of energy savings annually.

Emerging technologies is another good place to offer a special incentive and use the MOU. We are using this strategy with the Hyatt Regency in Milwaukee. The technology addressed is direct control ventilation (DCV) on kitchen hoods. This technology offers excellent potential energy savings in food service market segment, but has limited history and little product awareness or acceptance. The Hyatt has five kitchen hood opportunities for this technology in their facility. They need to be shown that the technology is viable before installing DCV. Focus offered to pay for the first installation if they sign a MOU that states they will install the other four units upon proof of acceptable payback and energy savings. We have just installed the first unit and are measuring energy use and savings in fall of 2005.

Recently, we have embarked on our second grocery store chain. Festival Foods has gone through the One-2-Five program in October of 2005 and have signed a MOU to pursue the installation of cost effective energy efficiency measures in their stores. We are in the process of performing Energy Star Benchmarking, using Portfolio Manager, to score each of their stores and establish a baseline for their portfolio of stores. The joint goal is to produce a portfolio increase of 10 points in order for Festival Foods to qualify for the Energy Star Leaders award.

In the hospital segment, we have pursued a similar relationship building experience. We are offering Energy Star Benchmarking for these facilities in order to establish a starting point, or baseline. One hospital scored a 29 out of the possible 100 score. Their goal is to achieve a 50 rating over the next three years. We are now assisting them in project identification and prioritization of energy efficiency projects. Our relationships with healthcare organizations have grown substantially in the past two years. Two years ago we had only two central plant projects complete. In our current fiscal year, we have three implemented projects (only four months into the fiscal year) and another dozen committed to be finished in the next eight months. In total, these projects will account for more than 700,000 therms and 8.5 million kWh. This will achieve 88% of our total all commercial natural gas goal and 50% of our commercial electric usage goal.

Use of the MOU process and incorporating long-term measurement of success by using the Energy Star Benchmarking tool is improving relationships with large customers in our targeted market segments. It is using these strategic account management principles that are leading to significantly increased results in energy savings achieved and a reduction in freeridership numbers.

Summary

Energy efficiency programs can benefit from incorporating a strategic account management approach to their program design. The commercial sector of the Focus on Energy program has gradually taken steps over the last two years towards being more strategic in our work with large commercial customers in Wisconsin.

The changes that we have made started with the identification of market segments to target for our proactive efforts. Within those markets, we also created specific initiatives that are generally based on technologies that provide good opportunities for energy improvements. The next step was creating a Memorandum of Understanding (MOU) to create expectations between the program and the key account. Establishing a baseline using a benchmarking tool such as Energy Star was the most recent addition to our portfolio of offerings used to develop stronger relationships.

We strongly believe that strategic use of our resources with key accounts such as organizations like Roundy's can pay big dividends for the customer and for the energy efficiency program. Roundy's has saved over four million kWh in the first year of working more closely with the Focus on Energy program. It is the success of this relationship that commercial sector of Focus is modeling and using with other large organizations that can benefit from our expertise in energy management and the incentives we have to assist where capital is a barrier.

References

Capon, Noel (2001). *Key Account Management and Planning*. New York: The Free Press.