

**Retailer Energy Alliance
Supplier Summit Panel Q&A
June 5, 2008
Denver West Marriott • Golden, CO**

Panelists:

- DOE, Dru Crawley
- Wal-Mart, Jim McClendon
- Target, Scott Williams
- Whole Foods, Seth Stutzman
- Boston Market, Greg Tomsick
- Best Buy, Dwayne Shmel

Moderator Question: To what extent, or what percentage of the time, do suppliers seem to understand your needs?

Wal-Mart: They are clearly driven by their own business needs, and each of them has their own fit. I think they mean to understand or meet our needs, but a lack of information often gets in the way.

Best Buy: I think retail is inherently competitive, and so is your environment—and we realize that. We know there are some suppliers out there playing it safe in these recessionary times and operating in their own self-interest to keep costs in control. We are looking for companies that put themselves out there, put some money up for R&D, experiment with new technologies, to innovate and bend to meet our needs. I would encourage the companies that want to grow to take a risk. There is a market for more energy-efficient products, for innovation, and for R&D.

Wal-Mart: Before we get there, I think we need to push for a lot more communication.

Participant Question: As you go through development, many of us work with different kinds of technologies, and when we are moving toward more efficient design, working with different municipalities and codes, even ASHRAE—how are you adjusting to the changes out there? Specifically, to daylighting, and modeling software that deals with that? To clarify, we are all in an industry that is moving forward extremely rapidly, and we are often working with building modeling software from 2000, or even 2004, and it seems like we are trying to fit square pegs in round holes. How are you dealing with these rapid changes or preparing for future changes?

Wal-Mart: One thing we are talking about is minimum requirement to get a building done, and the other is energy goals above those requirements. We have set our requirements much higher than the legal minimums, and especially here, these companies are clearly invested in going beyond those. So this is not necessarily an issue for us, since most of those things you talked about only deal with minimum requirements in terms of building codes.

DOE: All of these retailers are keeping in mind many things, and it's no longer a one-number rating, but all sorts of metrics, and I think that is something to keep in mind and to work with as a lot of the software becomes outdated.

Participant Question: We are working a lot on solid-state lighting, and I've been hearing a lot about ROI, and I want to ask—how much is sustainability or other concerns put in the equation—more than just ROI?

Target: Certainly there is a market aspect of sustainability, but we really push the business aspect and, for our procurement, it comes down to bottom-line life cycle costs. We do financial projections, including escalations of energy cost, and are successful in implementing many sustainable features with positive net present value.

Whole Foods: I just want to say that we are a \$7 billion/year company, and that as we are getting larger, our decisions are becoming more ROI-based. We still do have a lot of that sustainability passion and energy, and I've learned a lot even today, about systems and processes, and we are working to be a lot smarter about the way we are operating. For instance, with solar, people love it, but it just doesn't work with ROI—so we have turned it down in our stores—so although it is a consideration, it still comes down to ROI.

DOE: I was just meeting with the owner of the World Trade Center, and he was telling me that they were getting \$5-6 more per square foot for office space for being energy efficient. I think it is clear that there is a market for energy-efficient buildings, and that the ROI is becoming an easier issue, but it is still something we all need to consider, and in the retail sector it will take on a different aspect than the real estate market.

Participant Question/Comment: I am a consultant, and talk a lot about lighting and HVAC, but I'm very glad that we talked some about plug loads today, and I think it is important for a lot of us to think about that a lot more—because very few people here seem to work with such loads, and they are becoming a larger part of our energy load. Also, we need to consider how appliances and plug loads affect other systems. I thought it was very enlightening to hear Best Buy talk about cooling all year because of the heat from their appliances, and I think that is an issue that seems to need a lot more attention.

Participant Question: I want to mention the integration of refrigeration and controls; there has been a lot of work on integrating these, and I would like to ask if the REA would be interested in developing such a system so that we can have a market standard?

Wal-Mart: I agree. There has to be an integration there and communication. But the standards process will have to involve a very large community: DOE, ASHRAE, retailers, and suppliers.

DOE: This is something that DOE is very interested in, but ASHRAE is dedicated to those kinds of initiatives.

Participant Question: I would like to bring up standards that are sometimes a hindrance to energy efficiency. From my experience, changing a standard with ASHRAE takes about

six years, but innovation happens a lot faster—so I am wondering if we can somehow speed up that process so that standards can keep up with the innovation?

Wal-Mart: I don't think there is a simple answer to that, but we are certainly interested in making that process work a lot faster, and we are happy to have ASHRAE on the REA.

ASHRAE: There are a number of things besides just standards. There are a number of tools being developed by a number of organizations, and in particular, the Advanced Energy Design Guides, which lay out technologies that can be used to increase energy efficiency—beyond just standards. Keep in mind that standards are the bare minimum, and we would like to work beyond the bare minimum, toward best practices.

Participant Question: Jim [Wal-Mart] had mentioned that last year international growth had exceeded domestic growth for the first time. How are you looking at global supply chains and international suppliers?

Whole Foods: I can only speak to our one store that we built in the UK, and we were able to do that through a lot of partnerships, but the products were difficult there. We found that we couldn't just bring all of our products over there, and it has certainly been a learning process.

Wal-Mart: I didn't explain it very well, but GIS in my presentation is our department for buying goods not for resale—such as HVAC, lighting, and such—and it was renamed GIS to reflect the global nature of our procurement process, and the globalized markets we are working with. We are certainly looking at opportunities across all of our footprints, and as a business practice, we apply our scale to those markets.

Participant Question: As you test, develop, and verify new technologies to meet your energy efficiency goals—how or would you make that information available to other retailers or even other industries? Would that be available or how would you deal with that?

Wal-Mart: I think there are several opportunities and processes we can look at, and I think the REA and DOE are certainly ways to do that. I was just talking with somebody during our break about testing slab design and compiling that information to release to the public, and I think that is great.

Participant Question: I work in commissioning, and as our systems are getting more complicated and demands are increased—how would you like us to meet those?

Target: Yes, that is an extremely complicated field, and we are looking at 3-5% energy savings generally with commissioning. We continue to look for opportunities to incorporate commissioning methods in a way to balance costs and benefits.

Best Buy: We do not own most of our buildings, and so we are largely at the mercy of our contractors and subcontractors and such, but we would be interested in more commissioning as we develop energy profiles and standards.

Boston Market: We have not done much commissioning since we haven't built many stores in the past few years.

Participant Question/Comment: I come from the equipment side of the business. We have had multiple tiers of efficiency for many years, and we have largely found that what most retail companies are buying is the very lowest level that meets standards. And so, I am wondering what we are really talking about when we say ROI, and I think we are raising a lot of great issues today. We try to innovate new products and it seems that we usually see very little interest from buyers for more energy efficiency, but all of you seem to be making successful business cases for it, and I think that is really great.

Participant Question: With the new technologies in refrigeration, what do you think the refrigeration systems will look like in five years? And as you look at regulations and refrigeration systems, how do you see yourself reacting; looking at replacements or upgrades to your systems?

Whole Foods: I do not have those answers, I can tell you all about how we work, and what our priorities are, but for those kinds of questions—we need to partner with you guys, and we are very interested in that. We are especially interested in refab or recycling of some kind. I know that we spend tons of money on retrofits and end up selling off or throwing away these old cases for nothing, so I would really like to see a way to reuse the old cases or buy new ones that we won't have to throw away.

Participant Question: Dwayne [Best Buy], as a leaser of spaces—how do you recover investments in daylighting or other technologies when it comes to leaving your spaces?

Best Buy: For us that has not really been a problem. The developers generally seem to understand that providing daylighting in our building adds value for Best Buy now and to any possible future tenant should we move. So far, the developers are on board with us at increasing energy efficiency, even though it means more roof penetrations. We are generally looking at a 3-7 year ROI with skylights on a project with a 10-15 year lease term, so it makes financial sense.

Participant Question/Comment: I salute all of you for your work and your companies' work. I am asking, can we as a group go to congress and ask for reductions in investment taxes or for code standard changes?

Participant Question: I work with all of you retailers' energy departments, and I am wondering how closely you work with your energy management team as you work with these initiatives?

DOE: It's interesting, we have a mix of people on the REA, and each company has a different corporate governance structure, and some organizations have decided to put different people on the board, which reflects that—I think it is a case-by-case situation.

Best Buy: Honestly, we probably don't work with those individuals as much as we should, and that is something we should work on. We are split up into various departments, and it is

a challenge. It would be great if our design team, our utility management teams, and facility department could all work more closely together.

Wal-Mart: That is a challenge for any company, and it is difficult to keep everybody who should be in the loop on things. It is certainly a balancing act.

Participant Question/Comment: Just to wrap-up, the Edison Electric Institute (EEI) has a conference every year with all of your energy departments, and I think it would be great if you could send representatives to that meeting as well.

Moderator: How would you be interested in participating in REA? Partnerships? Should we do this once a year? How can we engage you in this dialogue?

Participant Answers:

- I think once a year is great, and staying in touch with energy managers I think is also a great idea.
- Going to targeted supplier meetings, where more specific things can be communicated.
- Perhaps you can include a newsletter or quarterly progress reports or something of the sort on your Web site.
- A blog or a place on your Web site where we can ask questions and answer as a group.
- With regard to the solicitations, I think it is important for the REA to talk to suppliers before developing specifications—since with new technologies, our products don't always look or operate the same as your specifications would infer.