

KINKO'S, INC.

Going Green by Tracking the Current Upstream

PROJECT SNAPSHOT

PROJECT

Purchasing renewable ("green") electricity in competitive as well as regulated electricity markets

TECHNOLOGY

Renewable electricity resources

CO₂ EMISSION REDUCTIONS

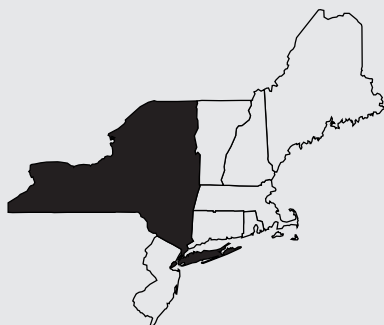
Approximately 1,240 tons a year from renewable energy bought in Pennsylvania. Additional reductions from purchases in other states

INVESTMENT

Undisclosed

LESSONS LEARNED

Companies can achieve far greater emission reductions by mitigating the upstream, offsite impacts of their operations. Purchasing renewable electricity is an effective way to mitigate upstream emissions.



INTRODUCTION

A photocopy operation, like lots of other consumer enterprises, can cast a long environmental shadow – due to both the waste it generates and the consumer products it sells. Kinko's, Inc., a national chain of business service shops, is no exception. Like some enlightened businesses, however, it has aggressively implemented strategies to reduce that waste and encourage customers to do the same. But Kinko's has gone even farther, and it has done so by going backwards. Kinko's is cutting its climate change emissions by looking "upstream" – that is, earlier in the chain of production. While continuing to make energy-saving investments at its many stores, Kinko's is purchasing zero-emission renewable electricity from its own energy suppliers – and in this way has begun to address the environmental footprint of a major production input. By choosing a measure that doesn't necessarily save the most money fastest (renewable electricity in fact is usually purchased at a premium), Kinko's has deepened its environmental commitment, while broadening its environmental reach.

This new initiative is a direct outgrowth of Kinko's corporate policy. In October 1997, the company's Executive Committee adopted an Environmental Vision Statement calling for a new, comprehensive environmental strategy. The strategy mandates new approaches ranging from use of recycled materials to implementation of aggressive in-store energy efficiency measures. The company also requires that many of its business partners engage in waste reduction, product take-back and sustainable management practices.

PROJECT DESCRIPTION

Purchasing electricity from clean generating sources is a growing part of Kinko's environmental program. To understand how Kinko's does this, it is important to keep in mind that the U.S. electricity industry is in transition. Deregulation is being implemented in some states, and

customers there may be able to choose their electricity supplier – just as they can choose long-distance phone service. In other states that have not been fully deregulated, electricity continues to be provided by a public utility essentially holding a territorial monopoly. Kinko's purchases renewable power in both deregulated and regulated states.

In deregulated jurisdictions like California and Pennsylvania, Kinko's has signed contracts to purchase "green" energy from Green Mountain Energy, one of the competitive suppliers. In California, Green Mountain provides all of the energy required by Kinko's branches that have a demand of 50 kilowatts (kW) or less. In Pennsylvania, Kinko's purchases renewable energy for up to half of the electricity needs of 11 branches in the state.

Kinko's also purchases green power from regulated utilities in Colorado for five of its branches there, in Arizona (four branches), in Indiana (seven branches), and Tennessee (13 branches). As in deregulated states, Kinko's pays a premium for this power, and the utilities use the proceeds to develop renewable power projects or purchase renewable power from other companies. In Colorado, Kinko's participates in Public Service Company of Colorado's successful WindSource program. Public Service of Colorado has joined with other small utilities in the region to build more than 20 megawatts (MW) of windpower capacity, and it has signed up over 250 businesses and 14,500 customers who are willing to pay a premium to purchase the energy this project generates.

In New York – where deregulation has been announced, but the competitive market is getting off to a slow start – Kinko's has found a third way to buy green power. Although suppliers are not yet competing to offer renewable energy, one company – PG&E National Energy Group – has constructed a wind generating facility and is selling "certificates" that allow customers to offset emissions from their electricity use. Each certificate represents one megawatt-hour (MWh) of

electricity generated at the PG&E National Energy Group's Madison Windpower project southeast of Syracuse. With the purchase of each certificate, Kinko's and other consumers support the cost of generating one MWh of emission-free electricity – enough to power about three average homes for a month – and in effect offset the emissions stemming from a MWh of their own electricity use. For more information on PG&E National Energy Group's Madison Windpower LLP and its Pure Windsm certificates, see www.purewind.net or the related case summary here.

Electricity markets have been deregulated in nearly all of the northeastern states, from Maine to Virginia. However, as in New York, competitive markets are emerging slowly. Beyond evaluating specific options for buying clean power in the Northeast, Kinko's also is actively supporting the development of green power markets. Along with the World Resource Institute and Business for Social Responsibility, Kinko's and ten other companies are participating in the Green Power Market Development Group, which was organized in May 2000. Motivated by the belief that a collaborative approach will accelerate the development of mature green power markets, this group is exploring a variety of green energy purchase opportunities with an eye toward identifying those that are cost-competitive. Over the next decade, it hopes to build corporate markets for 1,000 MW of new renewable energy capacity.

THE RESULTS

To get a sense of what Kinko's has accomplished, consider an example. In Pennsylvania, where renewable energy supplies half the electricity needs of 11 of its branches, the company will purchase about 1.9 million kWhs of renewable electricity each year (assuming that each has a peak load of 50 kW and uses a total of about 28,800 kWhs a month). By not drawing this amount of electricity from Pennsylvania's electricity grid, Kinko's avoids the emission of some 1,240 tons of

CO₂ each year – about the same amount as burning 2,260 barrels of oil or driving 300 typical passenger cars.¹ These purchases also avoid the release of 9.5 tons of SO₂ and 3.2 tons of NO_x. And the benefits of Kinko's green power purchases are even broader. They hold the potential to educate thousands of consumers about the environmental impacts of electricity, as well as the availability of strategies to mitigate that impact – strategies like the purchase of clean electricity.

LESSONS LEARNED

Kinko's is helping to teach a valuable lesson to many in the electricity industry. Green energy can be bought and sold credibly, and many customers – even corporations – want green energy. Over the past decade, there has been considerable uncertainty about both of these points. Some analysts have argued that, because electricity is commingled when it joins the grid, it is not possible to sell a specific type of electricity – green power, say. But the growing number of green power contracts being signed across the country would seem to demonstrate that, with sound accounting mechanisms, sellers can address these problems and deliver credible renewable electricity products. Other analysts have argued that few customers would be willing to pay a premium for clean electricity. Kinko's green purchases have helped to prove that even corporations in competitive industries want environmentally sound electricity.

FUTURE COMMITMENTS

Continuous environmental improvement is key to Kinko's corporate philosophy. The company will continue to find ways to reduce the use of energy and materials in its stores, and to mitigate the upstream impacts of its operations. In addition, it remains committed to working with companies and other stakeholders to develop robust markets for renewable electricity in the Northeast.

THE COMPANY

In 1970, Paul Orfalea opened the first Kinko's in Isla Vista, California, on the

campus of UC- Santa Barbara. The store was a mere 100 square feet, and had only one copy machine. But by 1996 Kinko's had become one of the nation's leading business service shops, with over 850 stores worldwide. In addition to photocopying, its services now include computer rental, videoconferencing, and packaging and mailing.

From upper-level management to store staff, Kinko's employees are encouraged to be active partners within their communities to improve and protect the environment, and to communicate Kinko's environmental commitment to customers and business partners. Kinko's is not a publicly traded company, and this may have an important influence on its environmental vision. Unlike the executives of publicly traded companies, Kinko's management does not have to answer to shareholders, who may not share their values. As a result, the company has more freedom to balance growth and profits with social and environmental responsibility.

CONTACTS

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For more information about the Wind-Source program in Colorado, see: www.psc.com/solutions/windsource.asp

For more information about buying green electricity, see: www.green-e.org.

¹The figures for Pennsylvania were calculated using system average emission rates from the Pennsylvania-New Jersey-Maryland power pool. See Appendix A for more information on these calculations.