

Energy Efficiency: The Simplot Way

March 16, 2011

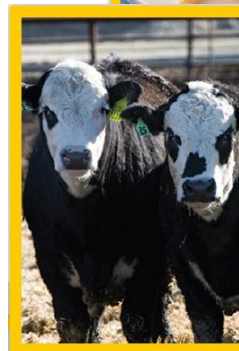
Don Sturtevant, JR Simplot

Western Governor's Association, Boise, ID



First, a bit about us...

- One of North America's largest privately held food and agribusiness companies.
- Annual revenues of approximately \$4.5 billion and approximately 10,000 employees worldwide.
- Phosphate mining, fertilizer manufacturing, farming, ranching and cattle production, food processing, food brands and other agriculture enterprises.
- Major operations in the U.S., Canada, Mexico, Australia, New Zealand and China, with products marketed in over 40 countries worldwide.
- North America's fourth-largest phosphate mining company.
- One of the world's largest frozen-potato processors, with production of more than three billion pounds of french fries and related products.
- Extensive farm and ranch holdings.
- Second largest cow/calf herd and sixth-largest cattle feeding capacity in the United States.
- Simplot ranching operations are twice size of the State of Delaware.



Why have we been successful?

“My dad’s credo to hire good people and turn ’em loose is still a vital part of the Simplot philosophy...”

- Scott Simplot, Chairman of the Board



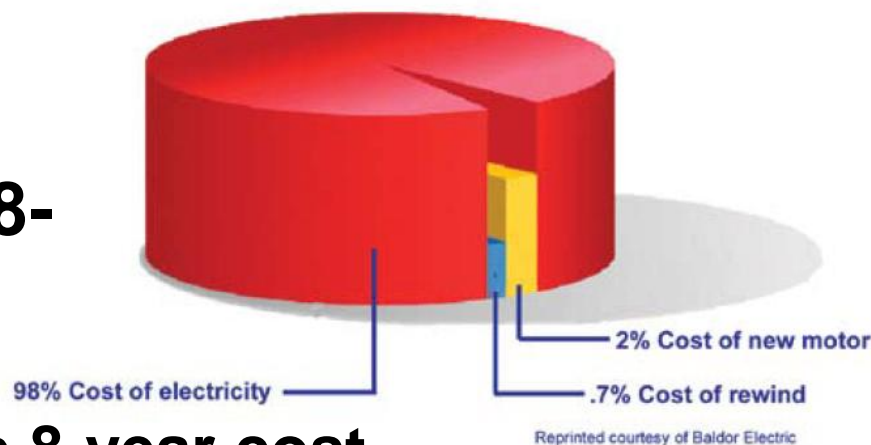
Why focus on Energy?

- **It's the right thing to do**
- **Vital to our core business**
- **Energy prices are increasing, particularly electricity**
- **Directly impacts our bottom-line**
- **Can be the single-largest uncontrolled expense**
- **Energy accounts for over 95% of our emissions**
- **Pending legislative uncertainty on emissions**
- **Customers may want “Green” and “Sustainable”**
- **Marketability (internal & external)**
- **Utility incentives**

Energy Food for Thought:

Q: Electricity is what percentage of a motor's 8-year, life-cycle cost?

**A: About 98% of the motor's 8-year cost.
(the motor costs 2%)**



	New Motor Costs	Annual Electrical Costs
Standard Motor	\$721	\$7,160
NEMA Premium™	\$828	\$7,000

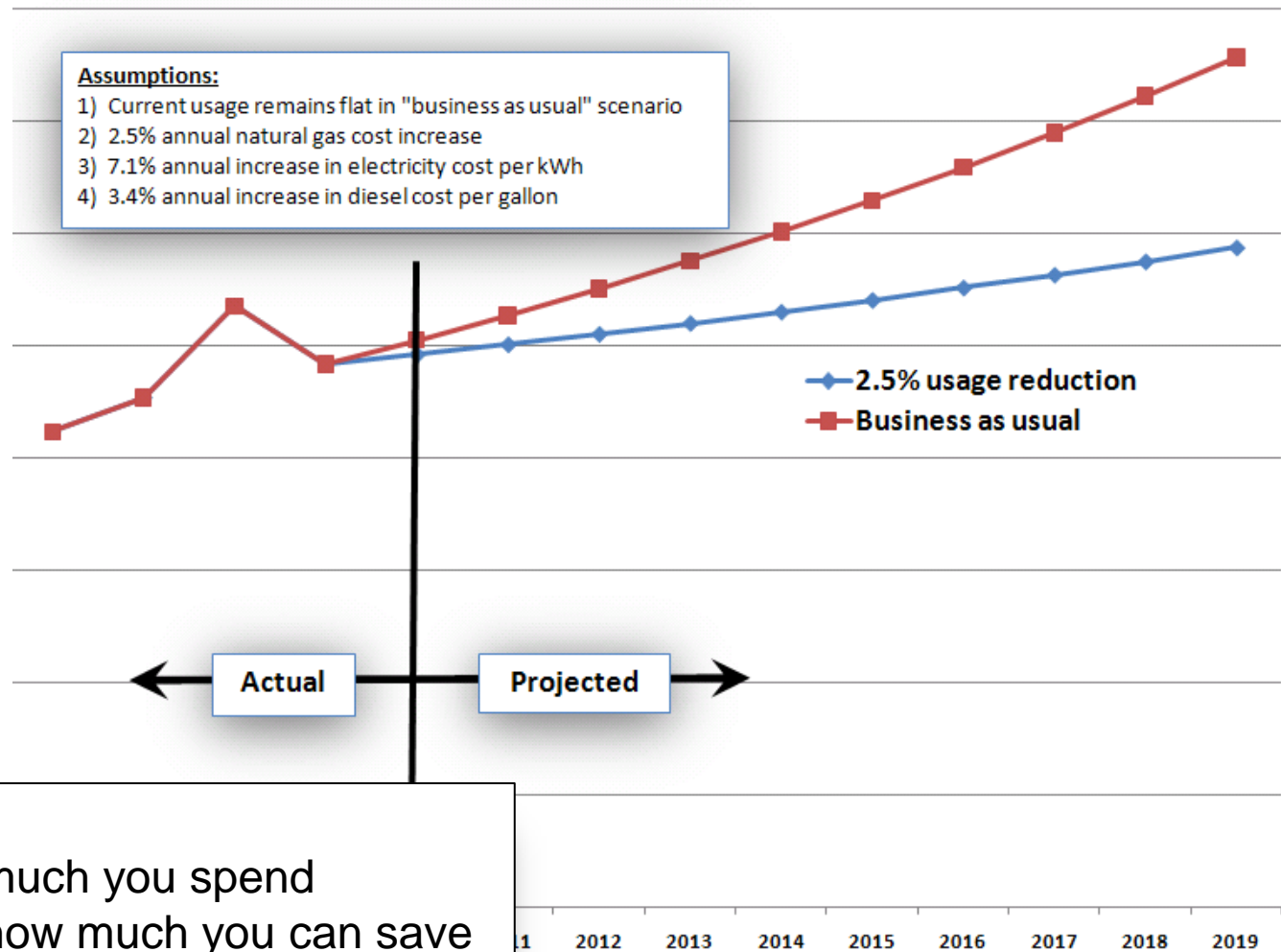
Our DOE Save Energy Now *Leader* pledge

- **25% Energy Intensity Reduction (energy/pound) over 10 years**
- **Invited by DOE because we are a leader in northwest industrial energy efficiency**
- **Invited among 30+ other Fortune 500 companies to sign pledge with President Obama, December 3rd, 2009 in Washington, DC**
- **No penalty for withdrawal from program or failure to meet goal**
- **Increased support from DOE in funding, training, and support**
- **Cornerstone of “Sustainable Simplot” and carbon reduction**
- **Provides achievable goal for measurable reductions**
- **Would only pursue cost-effective reductions (>15% IRR)**
- **Thorough auditing, training, & metering**



Save Millions!

"25x10" Goal Comparison



Important:

- Track how much you spend
- Determine how much you can save
- Talk the language of Business (IRR)

“Top 10 activities in having a Successful Energy Program”

- 10. Provide capital & expense dollars**
- 9. Track results and communicate**
- 8. Training**
- 7. Clear Obstacles**
- 6. Partner with EVERYONE!**
- 5. Clearly define and communicate goal (“25x10”)**
- 4. Get CEO sponsorship and leadership**
- 3. “Build the business case”**
- 2. Establish teams and champions**
- 1. Provide Reward and Recognition**

What is an Energy Champion?

- **Cheerleader?**
- **NO! (not exactly)....You've got to be in the game, not on the sidelines**
 - **General Manager – the business side**
 - **Coach – the team side**
 - **Talent Scout – reward & recognition**
 - **Quarterback - be ready to call the shots**
 - **Running Back – offer to take the ball and run with it**
 - **Wide Receiver – be open and available to receive the ball**
 - **Lineman – (CRITICAL) block and protect allowing your stars to shine**
 - **Cheerleader - yes, this too**

Energy Champions

- **THE** lifeblood of attaining real, sustainable, savings
- **QUESTION:** Who would make the best champion?
 - A)** Engineers
 - B)** Boiler / Refrigeration Supervisors
 - C)** Plant Managers
 - D)** Plant Accountants
- **Choosing the right Champion: 3 Critical Elements**
 - 1.** Must be passionate, almost fanatical
 - 2.** Respected by all
 - 3.** Time to do it

President's Award for Energy Excellence

- **Thriving on a spirit of teamwork and competition**
- **Presented annually to the best facility**
- **“It’s simply amazing the power a \$150 trophy has”**



**Simplot**

Bringing Earth's Resources to Life

The FIRST French Fry facility in the U.S!



Aberdeen Potato Processing Facility

J.R. Simplot, Company
624 Simplot Loop
Aberdeen, ID 83210

has earned the

ENERGY STAR

for

2009

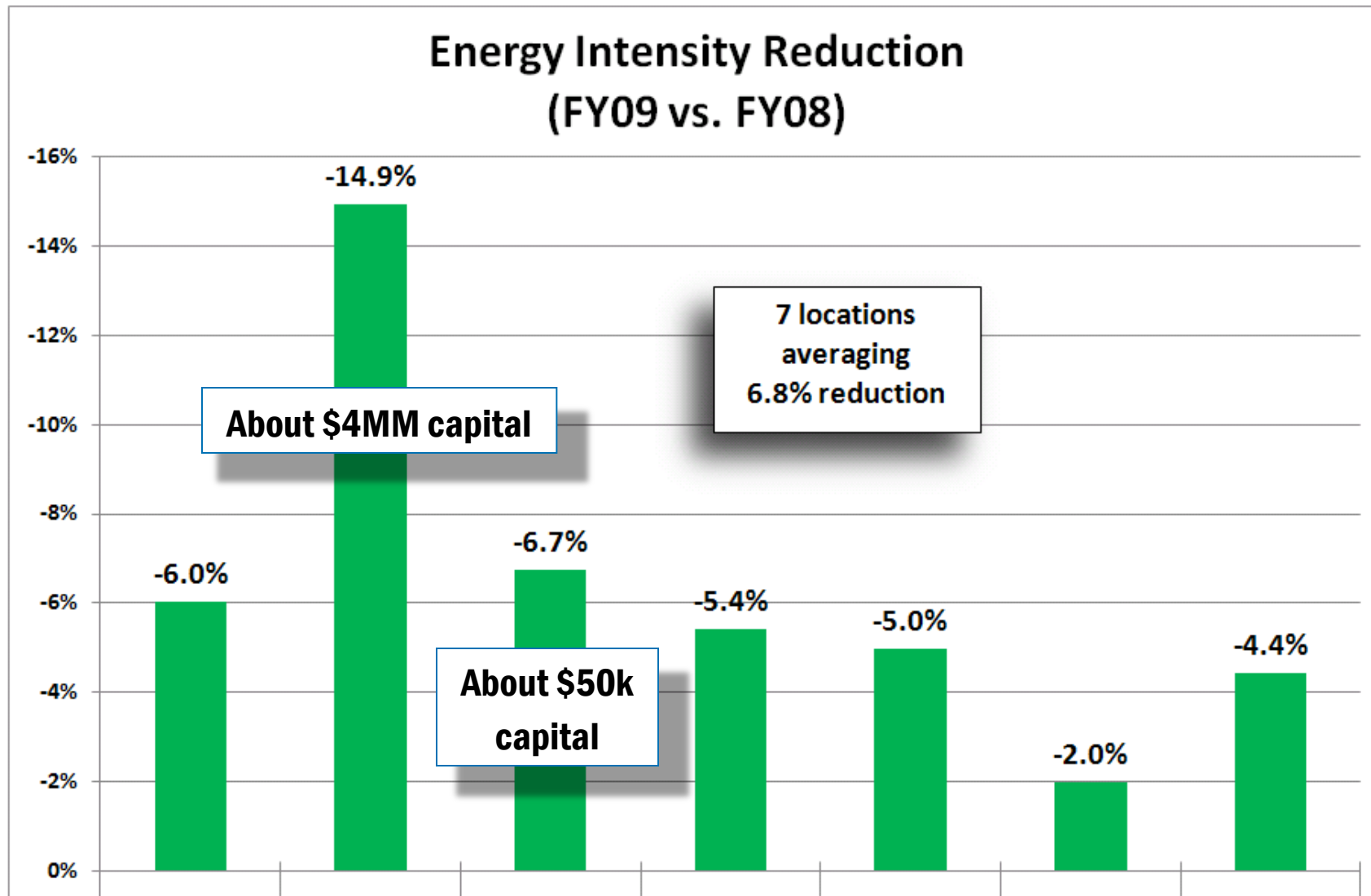
The U.S. Environmental Protection Agency recognizes
The Aberdeen Potato Processing Facility for demonstrating
superior energy performance.



Jean M. Lupinacci
Director, Commercial & Industrial Branch
ENERGY STAR

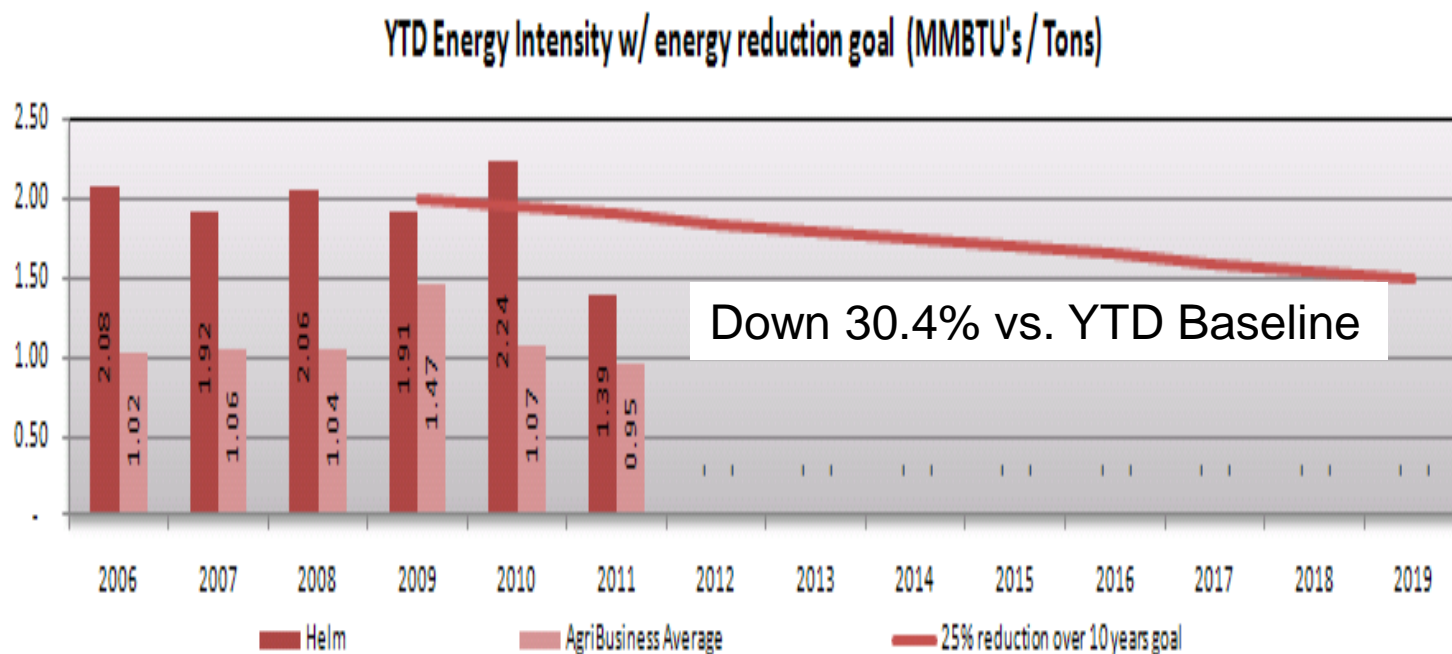


Interesting: Which would you prefer?



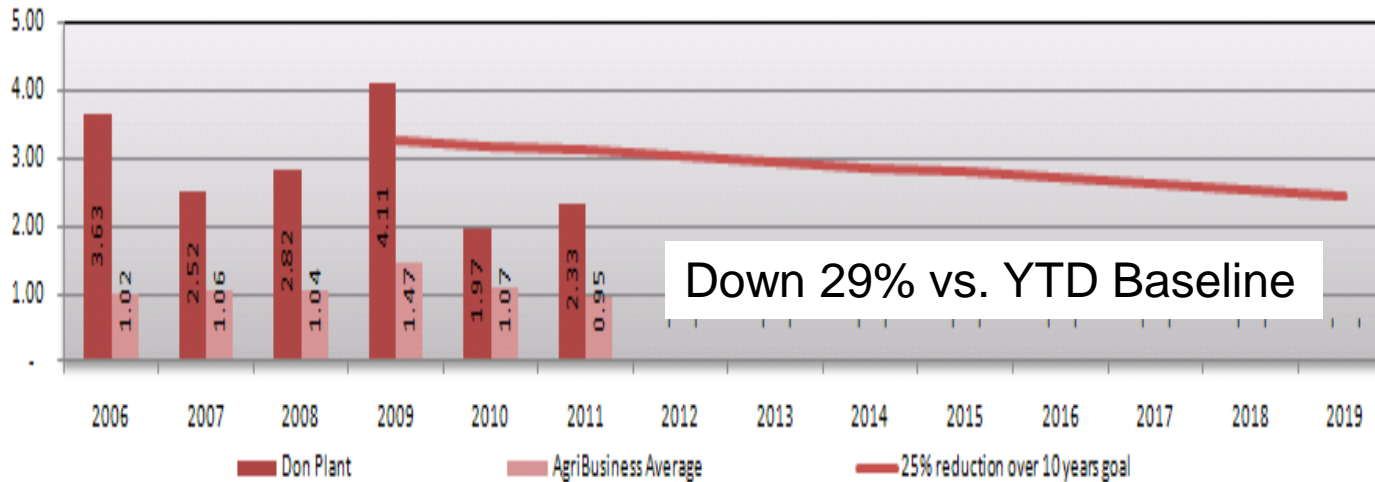
Enjoying the Success

- 12 of 16 facilities have reduced their energy intensity (EI)
- 3 facilities have already met the “25x10 Goal” in their second year (YTD vs. Baseline)
- 1 facility reduced EI 19% in the first year alone
- 8 facilities are ahead of their “on-target” goal of 2.5% per year
- **1 facility reduced EI 30.4% by changing only behavior (NO capital)**

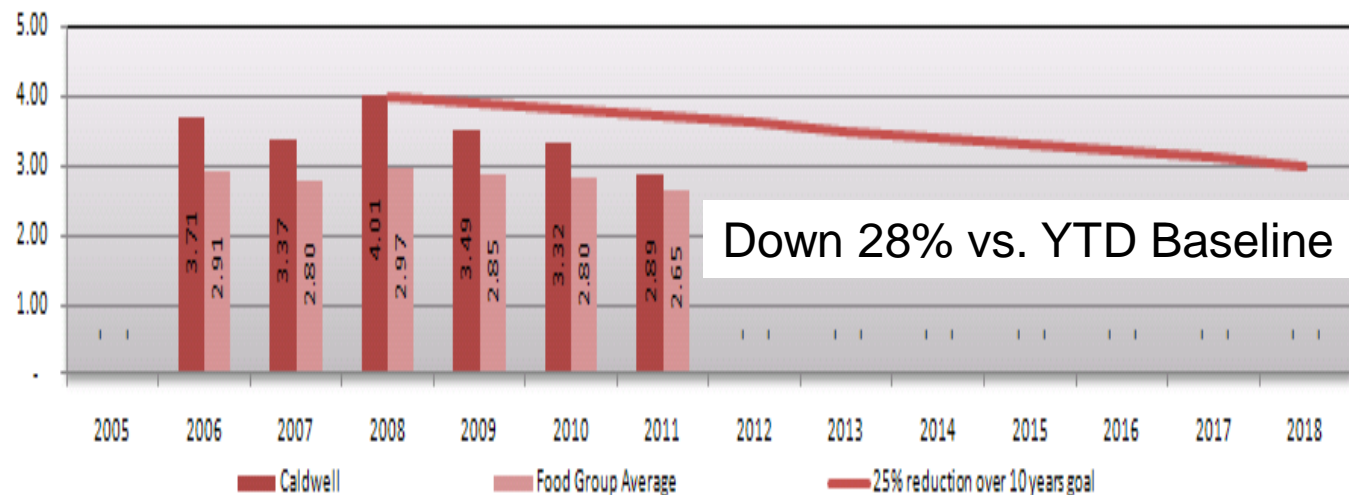


And on, and on...

YTD Energy Intensity w/ energy reduction goal (MMBTU's / Tons)

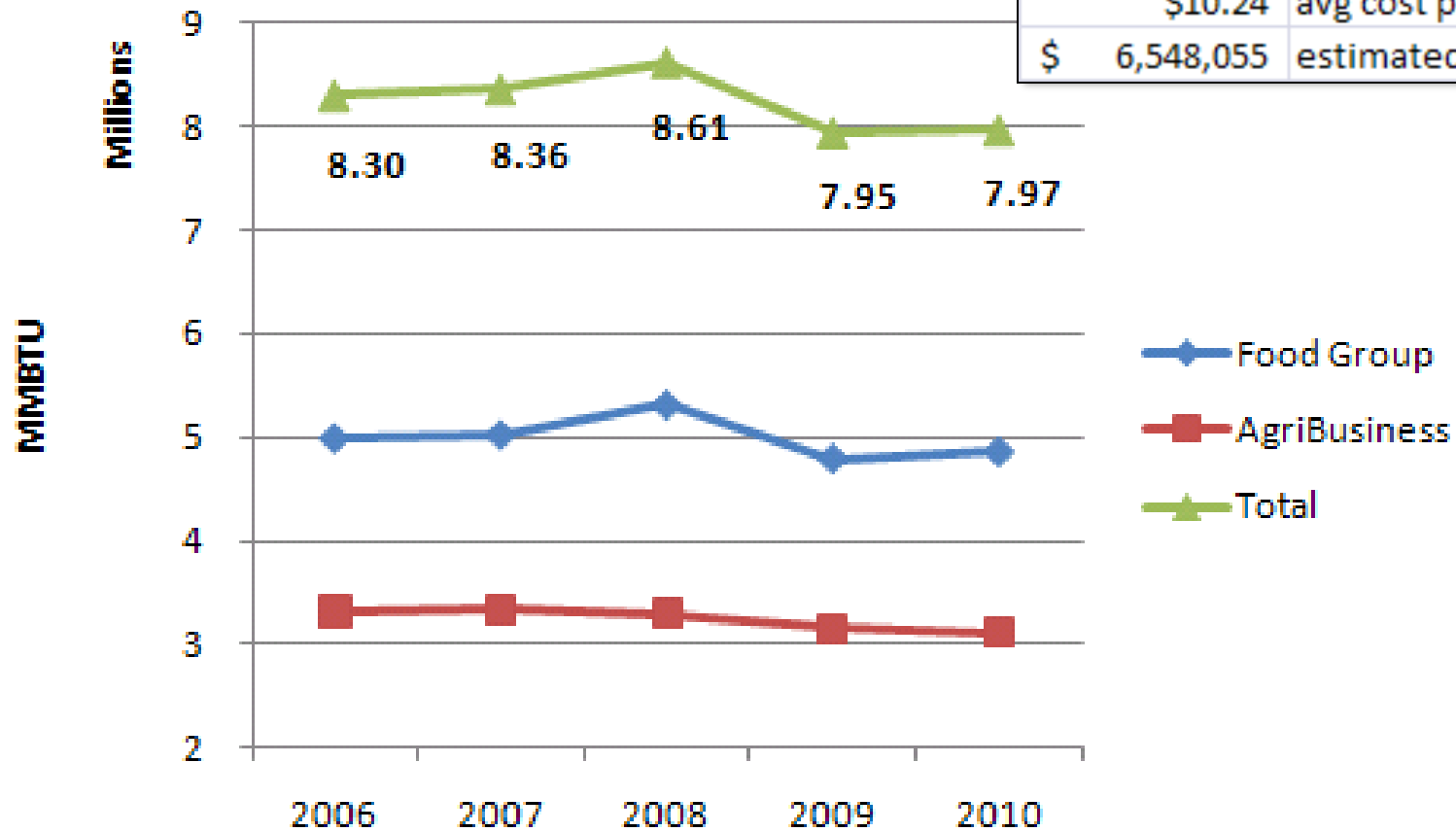


YTD Energy Intensity w/ energy reduction goal (MMBTU's / 1000 lbs)



And on, and on...

-7.43%	less MMBTU vs. 2008
639,458	less MMBTU vs. 2008
\$10.24	avg cost per MMBTU
\$ 6,548,055	estimated savings



The Best Path: Supporting Industrial Energy Efficiency

Engage with Industry

- Require commitment from industry
- Increase funding
- Rational legislation
- Partnered regulatory environment

- Strengthens economy, and industry
- Maintains good, well-paying jobs and tax-base
- Helps diversify energy portfolio
- Reduces emissions
- Reduces particulate “haze”

The cheapest, cleanest, and “greenest”
BTU is the one **never** used

Questions?

