



Frito-Lay, Inc.

Frito-Lay

Developing The Energy Team

Frito-Lay Background



Frito-Lay, Inc.

The Packaged Foods Division Of PepsiCo



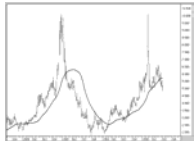
- Over \$12 Billion In Annual Revenue
- Over \$100 Million Energy & Utility Spend
 - Natural Gas & Alternative Fuels
 - Electricity
 - Water & Wastewater
- 44 Manufacturing Sites, 200 Distribution Centers

The Importance Of Productivity

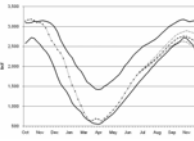


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Sustainable Savings In A Thin & Volatile Market



U.S. Drought Monitor October 1, 2002



- Energy & Utility Spend
 - < 5% Cost of Manufacturing
 - > 25% of "Controllable Cost"
 - Significant Volatility
 - Significant National Attention

Achieving Productivity



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Requires Process, Strategy, Execution & Endless Determination

- Set A Big Challenge
 - Little Goals Produce Little Results
- Create A Team
 - Every Site Needs Experts With Enthusiasm
- Budget
 - We're All Driven By The Numbers
- Scorecard
 - The Budget Won't Show The Opportunities
- Audit
 - Demand Success & Help To Achieve It
- Innovate
 - You Know Your Own Business Best
- Execute
 - The Best Laid Plans ... Are Still Just Plans
- Communicate Results
 - Share The Stories & Rewards Of Success

The Big Hairy Challenge



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Achieve Big Hairy Audacious Goals In Energy Conservation

- What Is A BHAG?
 - It is tangible, energizing, highly focused. It requires no explanation. It should fall well outside the comfort zone. It should be so bold and exciting that it will continue to stimulate progress if the leadership disappears.
- What Are Frito-Lay's BHAGs?
 - Reductions in Energy & Water Consumption per Pound
 - 50% Reduction In Water
 - 30% Reduction In Thermal Fuels
 - 25% Reduction In Electricity
 - Measured vs. 1999 Baseline Usage

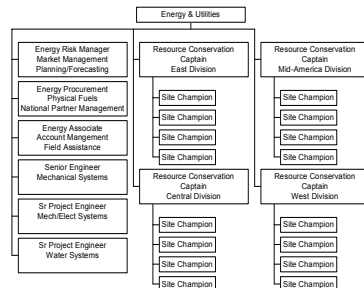
Source - *Bull To Last: Successful Habits Of Visionary Companies*, Collins, James C., Harper Business 1994

Team Development



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Core Corporate Support For Operations Execution Team



- Corporate Support
 - Procurement
 - Risk Management
 - Engineering
 - Project Development
- Operations Team
 - Collateral Responsibility
 - Execution Imperative

The Budget Process



Annual Allocation Of Productivity Targets

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YE Forecast	Pro-Rata	Reliability	Total Target	Percentage	Projects
2,400.0	83.3	36.0	275.3	11.4%	162.0 Boston
3,100.0	130.6	45.0	256.5	8.2%	81.0 Detroit
3,900.0	147.2	42.0	259.2	6.7%	173.0 Chicago
3,150.0	90.8	28.0	255.1	11.8%	125.0 Indianapolis
900.0	29.8	10.0	117.9	14.7%	79.0 Pittsburg
3,750.0	158.0	43.0	310.0	8.0%	114.0 New York
5,000.0	202.9	48.0	404.8	8.1%	154.0 Cleveland
2,420.0	92.8	18.0	203.8	8.2%	98.0 Baltimore
900.0	21.1	8.0	49.1	8.9%	23.0 Columbus
2,240.0	94.4	33.0	274.4	12.2%	147.0 Philadelphia
2,625.0	162.4	29.4	309.5	11.6%	North Average
26,200.0	1,048.8	258.0	2,051.5	8.6%	1,430.0 North Summary

Total Target	Electric	Natural Gas	Water	Sewerage	
Boston	275.3	27.9	81.0	144.0	22.4
Detroit	256.6	100.0	105.0	14.6	36.0
Chicago	259.2	99.2	222.9	19.4	14.7
Indianapolis	255.1	119.4	126.9	6.5	3.7
Pittsburg	117.9	54.3	36.0	2.1	15.4
New York	310.0	84.0	188.5	14.5	60.0
Cleveland	404.8	117.4	189.7	19.7	49.9
Baltimore	203.8	111.7	62.9	12.3	14.1
Columbus	49.1	34.2	23.6	3.8	0.4
Philadelphia	274.4	136.8	103.3	6.0	28.3
North Average	309.5	84.9	111.0	22.4	22.7
North Summary	2,051.5	949.9	1,109.9	229.3	229.7

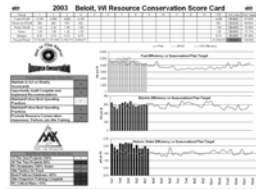
- Total Target = \$10.0MM
 - \$1.0MM SOPS RC
 - \$8.0MM Manufacturing RC
 - \$1.0MM Reliability Team
- Known Project Carryover Productivity - \$5.2MM
- \$2.8MM Pro-Rata Allocation By YE Forecast

Scorecarding



Measuring Performance And Identifying Opportunities

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Conservation Project and Type	Air System Control	Lighting Control	Computation Heat Process	Steam System	Water Treatment
Boston					
Chicago					
Detroit					
Indianapolis					
New York					
Pittsburg					
Philadelphia					

- Site Scorecards
 - Track Weekly Performance
- National Comparisons
 - Prioritize Assistance
 - Executive Reporting
- Project Execution Matrix
 - Ensure Compliance

Site Opportunity Audits



Sharing Best Practices And Finding New Ones

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Opportunity	Section	Score
10	Administrative	99%
112,000	Awareness & Accountability	90%
175,000	Electrical	76%
10	Alternate Fuels	93%
165,000	Boiler / Steam / Condensate Systems	83%
115,000	Nitrogen System	89%
125,000	Process Combustion	90%
125,000	Water and Sewer Systems	96%
\$217,000	Total Site Score	79%

- Each Site - Each Year
 - Ensure Project Ideas Are Implemented
 - Document Performance Trend
- Audit Team Composition
 - Division Resource Conservation Captain
 - Corporate Support
 - Alternate Site Champions

Technological Innovation

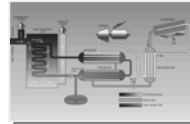


Invite External Ideas & Develop Your Own

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Solar Generation in SoCal



Organic Rankine Cycle

- External Ideas
 - Photovoltaic
 - Fuel Cells
 - Organic Rankine Cycle
- Internal Ideas
 - Process Improvement
 - Process Re-Design
 - New Process Development
- Corporate Commitment
 - Dedicated Capital Program
 - Reduced Hurdle Rates
 - Allowance For Failure

Communication



Up, Down & Across The Organization

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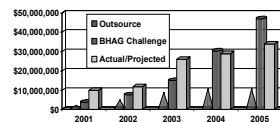
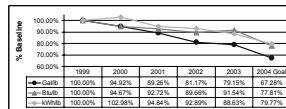
- Executive Communication
 - Annual Planning Process
 - Quarterly Progress Updates
- Team Meetings
 - Quarterly Tactical Sessions
 - Annual Energy Summit
- Rewards & Recognition
 - High Performing Sites
 - High Performing Individuals
 - High Performing Program

Performance



Its All About The Results

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- BHAG Progress
 - 21% Water Reduction
 - 11% Fuels Reduction
 - 12% Electric Reduction
- Financial Performance
 - Exceeding Goals So Far
 - \$10MM Year 1
 - \$12MM Year 2
 - \$26MM Year 3
- Program IRR
 - Over 30%



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Any Questions?

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