



National Accounts Conference
St. Louis, Missouri
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Joe Main
Vice-President UFPC

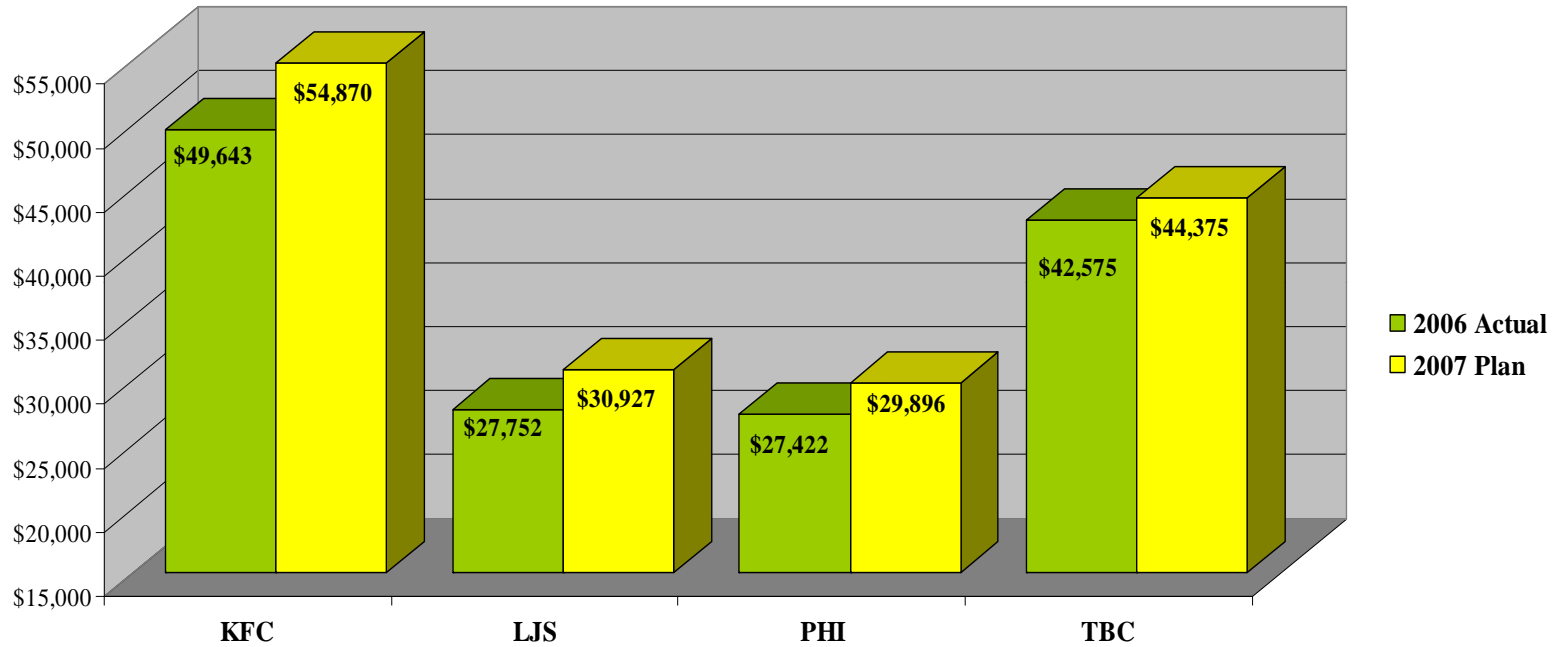


Ranking of Restaurant Chains - 2006

<u>Top Ten</u>	<u>Sales</u> <u>(bil)</u>	<u>#</u> <u>sites</u>
1. McDonald's	\$50.1	30,496
2. KFC	12.2	13,266
3. Burger King	11.3	11,220
4. Pizza Hut	8.7	12,274
5. Wendy's	8.7	6,671
6. Subway	7.7	22,468
7. Taco Bell	5.9	6,138
8. Domino's	4.6	7,757
9. Starbucks	4.1	8,569
10. Applebee's	4.0	1,671
45. Long John Silver's	.8	1,274
96. A&W's	.3	695



Energy Use - 2007



	<u>KFC</u>	<u>Pizza Hut</u>	<u>Taco Bell</u>	<u>LJS</u>	<u>A&W</u>	<u>Total</u>
U.S. Sites	5,394	7,532	5,608	1,121	406	20,610
\$ Spend	\$295MM	\$225MM	\$250MM	\$34MM	\$12MM	\$813MM

- Natural gas represents 23% of total spend, electric 77%



Energy Team Role

- UFPC – Cooperative exclusively owned by Yum and franchisees: food, packaging, equipment and services - energy 4th largest store spend
 - 100% owned by Yum! and franchisees (19% Yum/81% franchisee); over 1,500 members, total spend \$5 billion
- Role of energy team
 - Supply-side managers, manage deregulated gas/electric, budgets
 - Demand-side leaders; work with engineering, facilities staff and franchisees on energy applications (energy efficiency, rebates)
 - Formed Energy Leadership Council (ELC) with Yum teams in 2006 to identify energy efficiency oppor (equipment/behavior)
- Energy Team
 - Joe Main, energy focus on equipment, also direct service programs
 - Marcus Fister, National Energy Director, focused on supply side
 - Three analyst, Sara Smith, Christina Cardinali, Julie Clem, support Marcus
 - Tanya Jones, rebates



How we Manage Energy Supply

- We manage supply internally – do not outsource
- Supply goals
 - Control price volatility; manage price where possible (deregulated markets)
 - Aggregate sites behind city gates/utility and negotiate w/marketers
 - Index or fixed price contracts
 - Work with all utilities to project gas/electric pricing by fiscal year for budget purposes
 - Rate audit program to confirm correct rate application
 - Primarily electric driven
 - Gas rate review on sales tax exemptions



Demand-Side

- 2006 – formed Energy Leadership Council (ELC) with Yum
 - Functional leads from all five brands and corporate
 - Engineering, Store Development, Facilities, Operations, Energy
 - Goal: identify equipment, design and behavior opportunities to reduce energy use
 - Shift focus from supply mgmt (dereg. contracts to reducing usage)
 - Corp Social Responsibility initiatives
 - Big projects
 - Taco Bell GTO dry line, \$3,500/store savings (gas & electric) - \$18MM project for Taco Bell
 - HVAC higher efficiency, lighting resupply
 - First costs vs, lifecycle – evolving toward more energy efficiency



ELC Projects

Equipment Items

Energy Management System

High Efficiency HVAC Units

GTO

Refrigeration Retrofits

New Construction Lighting Efficiency Standards

High Efficiency Fryers

Lighting resupply

Low E Glass

ICF Building Systems

Window film

LED Sign Lighting

Op's Energy Training

Taco Bell HE Rethermalizer

Hot Water Heater

Potential Savings per Store

\$2,200 - \$3,600

\$1,200 - \$4,600

\$1,000 - \$5,000

\$1,000 - \$4,000

up to \$2,200

\$300 - \$500

\$300 - \$1,500

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- Investment decision moving to life-cycle analysis, historically operators have made investment decisions on first costs, must change culture



GTO – Return Based Example

- Grill to Order – Taco Bell
 - Started in 2004 as test
 - Op's & Eng. goal was to identify cook platform that improved food quality and reduced time and complexity
 - Grills replace retherm equipment: move from wet line to dry line
 - Tested in CA, IN, FL (60 stores)
 - Met Op's/Eng. Expectations, also measured lower energy use
 - Worked with Food Service Tech Center (affiliated with PG&E) - independent kitchen lab test; documented 31,500 kwh reduction per store in annual direct equipment use
 - We also lower indirect electric from HVAC use (less moisture in restaurants) and documented less water use
 - Yum worked with Taco Bell franchisee committee to persuade all TB operators to install
 - Retrofit as opposed to new store only program, usually net investment decisions relegated to new store – convinced based on energy life-cycle savings
 - Total savings system wide over \$18MM



Corporate Social Responsibility

- Yum defining goals around Corporate Social Responsibility (CSR)
 - Changes return goals from strict financial measure (lower first costs and or return based) to also consider environmental issues
 - CSR review at benchmark, self exam phase – understanding what others are doing in our industry & customer and shareholder expectations
 - CSR goals include non-energy considerations relative to waste management/recycle, diversity, nutrition, community investment
 - Energy issues
 - Energy efficiency of gas and electric equipment and bldg efficiency
 - Renewable energy
 - CO₂ footprint (indirect)



Energy Considerations - Equipment

- Historical preference for gas-fired, especially for fryers, pizza ovens
- Gas price volatility has led to significant increases to gas budget over last 5 years; over 75% of increase is price, 25% usage
 - \$5,562 per site to \$9,400 per store
- More insistence on energy efficiency in gas equipment
 - New spec. for water heaters is high efficiency
 - New hood technology spec. for net exhaust
 - HVAC efficiency raised for new builds to high eff.
 - Kitchen equip. mfrs raising efficiency standards