



Federated Co-operatives Ltd.

# SIMSA Energy Suppliers Forum

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# Agenda

FCL Update: Overview, Highlights and Strategy

FCL Center-Led Procurement Intro

Spend Focus, Supplier Opportunities

Refinery Update and Priorities – Ryan Konecsni

# Who we are

Federated Co-operatives Limited (FCL) is a wholesaling, manufacturing, administrative and marketing co-operative that serves independent local Co-ops across Western Canada.



Federated Co-operatives  
highly excellent responsibility

# CO-OP IN WESTERN CANADA

FCL and local Co-ops help build, feed, fuel and grow Western Canada.



**620+**  
COMMUNITIES

**24,000+**  
EMPLOYEES

**1.9 M+**  
MEMBERS



# Energy

- 5.75 billion litres of fuel sold in 2020
- Fleet of 194 petroleum tankers travelled 52.4 million kilometres in 2020

## CO-OP REFINERY COMPLEX (CRC)

- Based in Regina, Sask.
- Processes up to **130,000 barrels** of crude oil per day
- Processed crude is used to produce gasoline, diesel, propane, butane, sulphur, heavy fuel oil and asphalt





# Co-op Ethanol Complex (CEC)

The CEC has been producing and shipping ethanol since 2008. FCL purchased the facility in Summer 2019.



- Based near Belle Plaine, Sask.
- Produces up to **150 million litres** per year
- Generates between \$80-\$110 million in economic impacts every year
- Purchases more than **350,000 tonnes** of grain and other crops annually from over **400 Western Canadian producers**

# Why Procurement Transformation?



## We exist to be great at procurement:

- FCL was formed over 90 years ago to create and leverage purchasing power for the Co-operative Retailing System and its members
- This continues to be a pillar of our business today where we're facing rapidly increasing competitiveness and digital disruption
- Procurement Transformation is aiming to:
  - help our businesses and local co-ops better connect with customers,
  - reduce costs,
  - improve efficiency and long-term profitability, and
  - enhance our sustainability



# FCL Center-led Procurement: Goals



- **Provide outstanding service** to our key stakeholders, and be an excellent example of leadership and customer-centricity for the enterprise



- **Deliver and sustain cost savings:** EBITDA improvements and capital cost reductions for the enterprise (*includes central operations and local Co-ops*)



- **Be an excellent partner to the business and suppliers** to improve quality, performance, safety and reliability of suppliers and supply for Local Co-ops and manufacturing



- Develop and digitally enable **standardized, best practice procurement governance**, processes, procedures, tools, and master data for spend, suppliers, products and materials

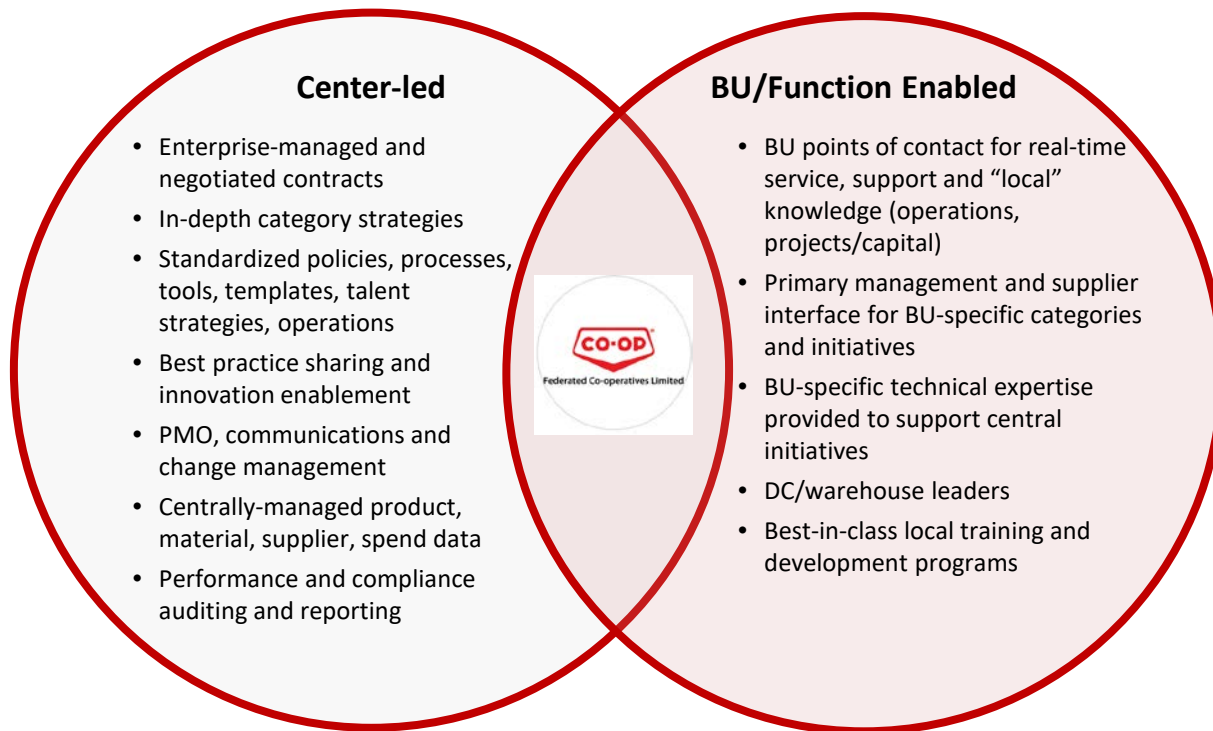


- **Be, and be perceived as, a talent hub.** Design, develop and invest in a goal-oriented procurement organization that grows leaders for the enterprise, empowers people and provides rewarding career paths

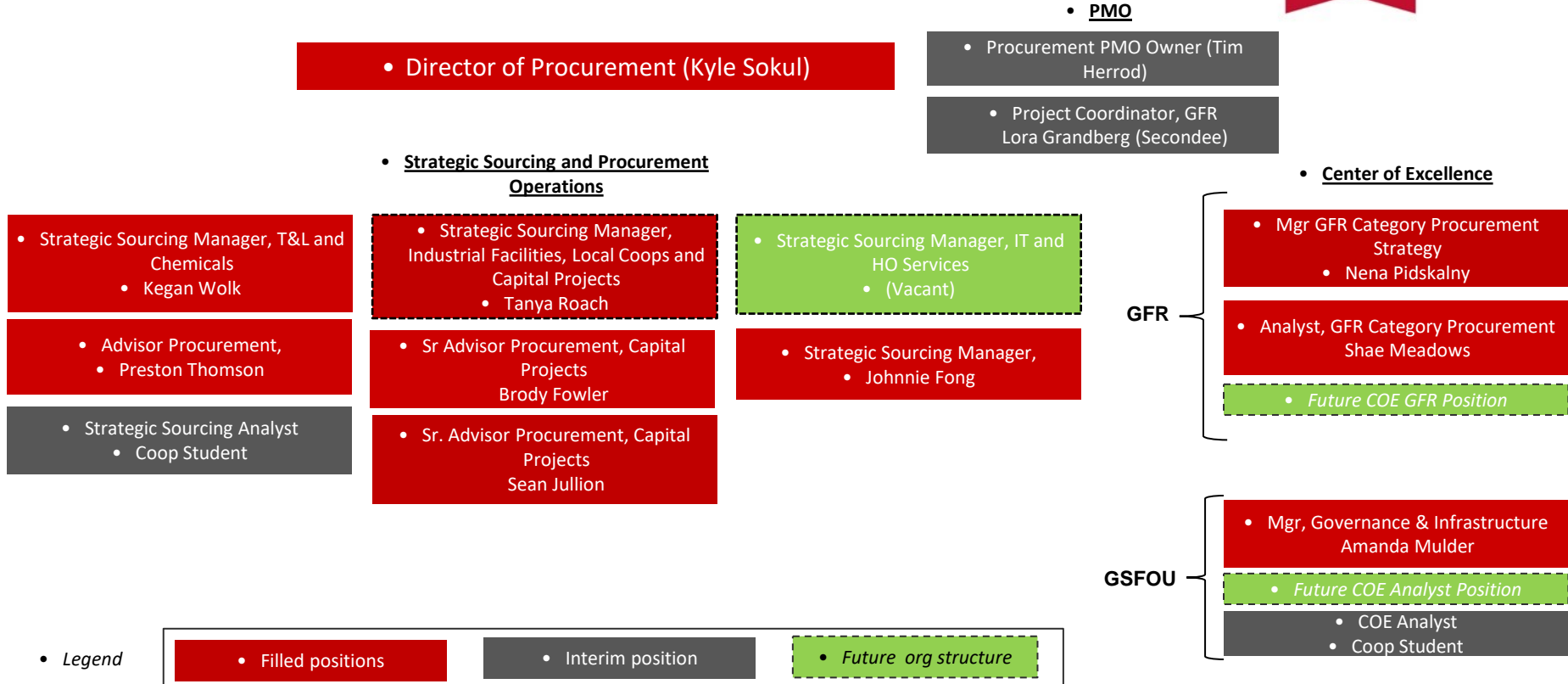


# Center-led Procurement Operating Model: Combines best of central leverage and local knowledge

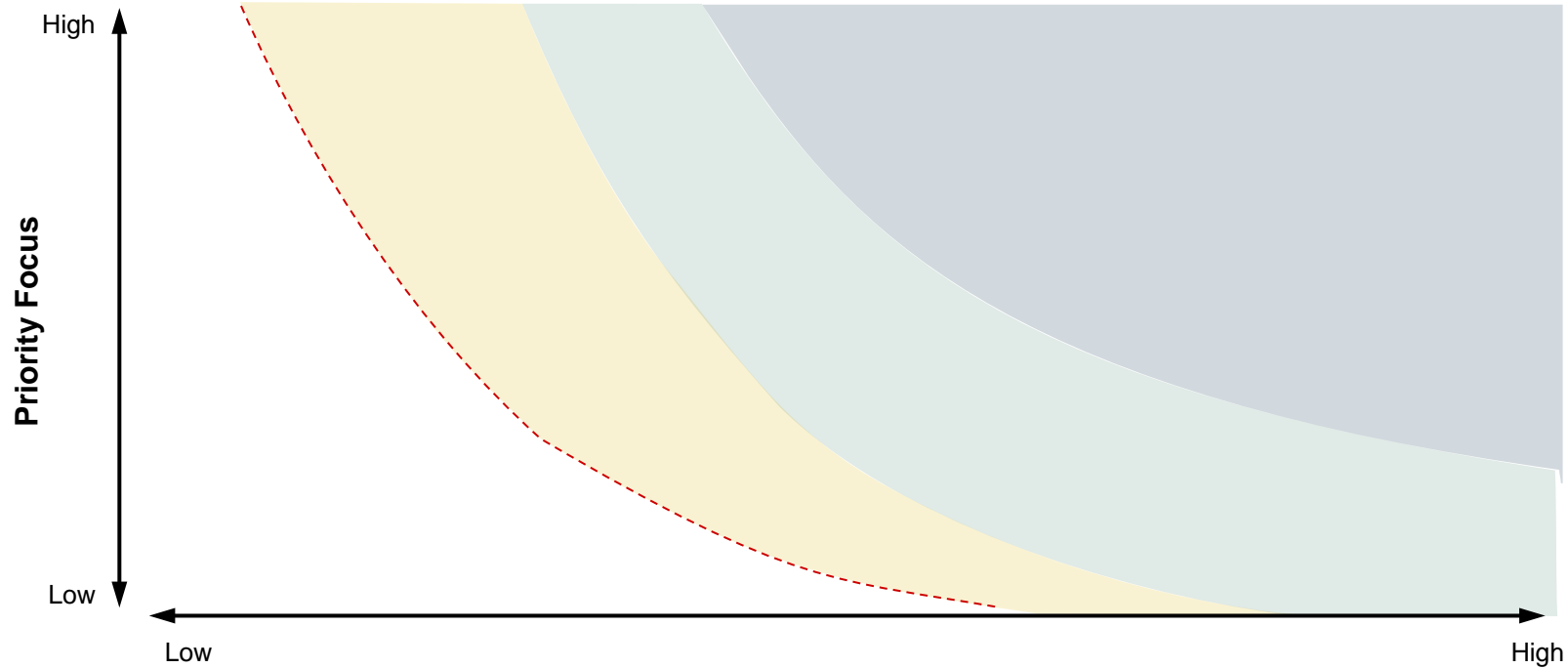
/ ILLUSTRATIVE EXAMPLE



# Center Led Procurement Organization



Spend areas with strategic value, efficiency and innovation opportunities for our businesses and suppliers



# Capturing and sustaining full potential savings requires us to decide what levers to pull



## “Buy better”

(Typically ~40% of the value)

## “Spend better”

(Typically ~60% of the value)

### Easy/quick

### Ease of implementation

### Difficult/long-term

#### Best price

- Competitive RFx Processes
- Negotiate prices and terms
- Manage price risks/Change Orders

#### Volume allocation

- Pool volumes/Consolidate Suppliers
- Shift volumes to best price suppliers
- Establish Preferred Supplier Relationship

#### Control and compliance

- Forecasting control
- Volume incentives/Rebates
- Supplier Performance Management/KPI's

#### Design-to-cost

- Adjust complexity and standardize
- Perform value engineering
- Reduce downstream costs

#### System cost reduction

- Perform joint Total Cost of Ownership process improvement
- Optimize value-add in supply chain
- Innovate and Co-create

Transactional

Strategic Sourcing Strategies

Strategic Partnerships



# 2021 FCL and CRC Procurement Priorities: Enterprise-wide plus local spend category focus



## **OPEX & CAPEX Opportunities:**

- Contract services (incl. consultants and contractors)
- MRO and consumables
- Industrial gases
- Chemicals and lubricants
- Metal products
- Electrical and electronic hardware
- Pipes, valves and fittings
- Bearing, power and fluid transmission
- Lifting equipment and parts

# Current Market Conditions

- Impact of COVID-19 Pandemic
  - Decrease in demand for gasoline and diesel
  - Curtail our plant throughput to match current market demand
  - Pressure on revenue for CRC and FCL as a whole
- Federal Government Regulations
  - Carbon tax
  - Reduce carbon emissions
  - Clean fuel standards



# What does this mean to the Co-op Refinery?

- Capital investment is needed to capture energy and operational efficiencies
  - Equipment and infrastructure upgrades
  - Improvements to systems and technology
  - Priority put on projects that will help us achieve our targets
- Control our operating expenses
  - Review costs for goods and services
  - Work efficiency and productivity



# CRC Procurement Priorities



- Control Contractor spending while maintaining quality and safety
  - Contractor Pre-qualification (ISNetworkworld)
  - Competitive Bidding and Waiver of Competition policies
  - Negotiating long-term agreements with preferred Contractors
  - Contractor Management & Administration Committee
  - Improvements to contract templates
  - Better value for our dollar
- Control inventory costs
  - Competitive bids for goods
  - Establishing purchase agreements
  - Vendor Managed Inventory (VMI)
  - Reviewing obsolete equipment/parts





# Turnaround



- 2021 Turnaround
  - Starting April 5 and will run until late May
  - Section I Units (deferred from 2020)
  - ARDS/Coker
  - Large night shift component
  - Mitigation of COVID-19 risks
- 2022 Turnaround
  - Planning is already underway
  - Scope cutoff was March 1, 2021
  - Section II and III Units
  - ARDS/Coker
  - Procurement activities will begin soon



# Upcoming Projects



- 2021 Tank Integrity Program
- Replacement of 803 Tank
- Replacement of 202 Tank
- Replace Sulphur Plant Reaction Furnaces and Waste Heat Boilers
- Addition of Railcar Loading Spots at 9<sup>th</sup> Avenue Terminal (future expansion of railcar infrastructure)
- Replace Boilerhouse and Pumps Control Room
- Renewable Diesel
- Coker Revamp





co-op

INTEGRITY • EXCELLENCE • RESPONSIBILITY