
From: Pierpoline, David J.
To: Ryan, David W
CC: Trost, Mary K
BCC:
Sent Date: 2000-01-25 02:47:47:120
Received Date: 2000-01-25 02:47:47:120
Subject: RE: Integrated Site Capex Process
Attachments:

This is one of those have to do processes.....

From: Ryan, David W
Sent: Monday, January 24, 2000 12:39 PM
To: Pierpoline, David J.
Cc: Trost, Mary K
Subject: RE: Integrated Site Capex Process

David,
Mary had recently forwarded me a spreadsheet that Rich Davis is using at Chocolate - it's the same spreadsheet that was circulated last Fall. As I mentioned at that time, this spreadsheet places 50% weighting on capital efficiency and 12% weighting on HSE and other criteria. With all of our projects being very small safety, environmental, or sustaining, this tool doesn't provide any tangible benefit.

As an example, I input two theoretical projects. Project #1 has a strong HSE benefit (significantly reduces hazards), but no economic incentive (NPV= \$-9k). Project #2 has a poor HSE benefit (increases hazards), and a marginal economic incentive (NPV=\$-3k). All the other criteria are considered equal.

	<u>Project #1</u>	<u>Project #2</u>
Benefit	Good HSE/bad econ	Bad HSE/poor econ
Cost	\$10000	\$10000
NPV	\$-9000	\$-3500
Score(rank)	-18.125	-4.25

As you can see, NPV drives the ranking regardless of the other criteria.

If this is one of those things we're required to do, we can comply - the spreadsheet is simple enough to use. However, using this tool to set our project priorities is not a good idea.

Let me know if you want to discuss.

David

From: Pierpoline, David J.
Sent: Monday, January 24, 2000 9:54 AM
To: Ryan, David W; Elbert, Jane; Malloy, Dennis; Matthews, Ernest; McCartney, Jimmy; Richards, Mark; Roberts, Lowana; Trost, Mary

Subject: FW: Integrated Site Capex Process
Importance: High

FYI. Just to give you more flavor where things are going. I don't have any details yet. But, as in my previous notes, we need to quickly get our projects into the new Capital Prioritization Tool. This will be the tool used and we need to be prepared to review on this basis. We are already getting started using this tool for the reliability projects across the Works.

David/Mary - When do you think we can have our projects put into this tool ? This should also be the method we review projects each month.

David

From: Pochl, Michael E
Sent: Monday, January 24, 2000 9:17 AM
To: Brackett, David; Breaux, Margie; Burke, Larry; Correa, Jorge; Harvey, John; Hazel, Geraldine; Pierpoline, David; Robins, Joel; Stein, Norine; Wiehe, William; Williams, Gregory

Cc: Graff, Mike; Myers, Joseph; Noetzel, Mark; Seith, Dennis

Subject: FW: Integrated Site Capex Process
Importance: High

Let's incorporate into our capital planning process.

Michael

From: Buzzacott, Mike C.
Sent: Monday, January 24, 2000 2:48 AM
To: Caito, Susan I; Scruggs, Tim T; Blyweert, Rudy E; Elmslie, Nick R; Seith, Dennis J; Brinly, Jack H; Pochl, Michael E; Rogeau, Jean Francois; Armstrong, Tim; Williams, John D; Dixon, Patrick D; Hay, James (UK); Graff, Mike J; Van Deursen, Holly A; Donkers, Wijnand P (NAP)

Cc: Peabody, Rob; Weight, Alastair IR; Westwell, Steve; Foreman, Andrew; Unnerstall, Ronald J; Kelly, Martin J; Jones, Mervyn D; Truffinet, Pierre (Raffinerie BP Lavera); Wundrow, Walt

Subject: Integrated Site Capex Process

Attached is a new process for managing integrated capex on the 3 integrated sites (Grangemouth, Lavera and Texas City). This has been developed following an action agreed at the November joint Oil/Chemicals ExCo meeting. Please use this process to re-prioritise the 2000 capital budgets and to start developing integrated capex plans for 2001.

M C Buzzacott

M Noetzel

A Kozinski

S Urban

<<File: Oil-Chems Integrated Capex rev 5.doc>>