From:

Sent:

To: Grayson, Mike; Harris, Dan (TXCTY Ref); Kleiss, Michelle; PerezGolderos, Naida I; Schilling, Dave M.; Tamborski, Jerry; Venardos, Dean G; White, Doug P; Wilk, Tim

Cc:

Bcc:

Attachments:

Subject: FW: Texas City June Flash Update

FYI* - the work starts now to really push accountability on costs through the organization. With Michelle and Tim gone next week - I will need Dan Knapp to help me prepare for this disussion on the 28th.

From: Maclean, Colin H (SJS)
Sent: Friday, June 17, 2005 8:47 AM
To: Lucas, Kathleen M; Fiedler, Andrew T; Wundrow, Walt; Dio, Susan W; Kaufman, Paul M.
Subject: FW: Texas City June Flash Update

Expected reply. I am sure you have a list of items that add up to the total forecast spend in Ops, Maint, Tech and Functions. Please start plotting these on a risk matrix and get ready for the prioritisation conversation. Also be clear about what has already been spent (full year) and what is left for stopping. C

From: Hoffman, Michael P (GVP)
Sent: 17 June 2005 01:54
To: Maclean, Colin H (SJS)
Cc: Gower, Patrick E; Pitzer, Jeff M
Subject: RE: Texas City June Flash Update

This is not just disappointing, it is not acceptable. You must find stuff to stop. Spending more is not being more focused and eliminating discressionary activity, it is just adding on. If you think about activity, you are now almost $200M over budget in cost which is simply not doable efficiently. You must prioritize and stop stuff. I plan on coming to TC on the 28th and want to review the priorities and what you are stopping then.

Mike

From: Morris, Connie M On Behalf Of Maclean, Colin H (SJS)
Sent: 17 June 2005 03:18
To: Hoffman, Michael P (GVP)
Cc: Gower, Patrick E; Maclean, Colin H (SJS)
Subject: FW: Texas City June Flash Update

Mike,

The GFO flash update pasted below is being submitted today from Texas City. You can see the large cash cost increase ($78m) from the previous May GFO, and I share your disappointment in this increase. In the interest of maintaining transparency from the site, I have opted to show our total cost rollups as they look at this time. Although some cost increases are more difficult to influence (property tax, agency support for investigations), the larger portion of operations, maintenance and functional costs remain to be fully examined in the coming weeks and months.

Colin
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***
Please find the attached Texas City June GFO Flash Update. Financial performance highlights are summarized as follows:

Full year RCOP at reference is currently $39.8 m which reflects a $42 m decrease versus the May GFO. Improved refinery utilization and trading performance amounting to $35 m at reference has been offset by a $78 m increase in total costs. Full year actual RCOP is currently estimated to be $452 m versus $487 m in the May GFO.

The current full year total cost forecast is $ 78 m higher than the May GFO. This forecast is based on the current view of site needs. However, cost interventions are continuously reviewed and exercised as appropriate:

Mechanical Integrity : Equipment inspections and repairs have resulted in a $35 m increased in fixed costs

Isom Incident: Isom Incident costs have increased $19 m versus the May GFO, driven primarily by critical HSSE repairs and higher incident investigation costs.

HSSE: $12 m to cover HAZOPs, staff additions, and Unit Safety Verifications

Value Creation: Energy costs are $7 m higher, primarily due to unbudgeted cogen efficiency guarantees to Gas and Power which enables higher value power trading activity and improved cogen reliability. YTD costs of $3.5m have generated IST NAGP trading gain of $5.2m.

Accounting/Admin Increased property taxes have resulted in $5 m additional fixed costs and full year depreciation has improved by $ 5 m.

Capex After a review of site priorities and capabilities, the full year capex forecast has been decreased by $2.5m from the previous GFO, and $39m below the latest site capex rollup. This revised yearly total includes the Isom incident related project spend (such as emergency communication systems, and initial steps for blowdown stack removals) that had previously been estimated at $30m -$40m above plan. This decrease reflects the redirection of site resources towards addressing HSSE and mechanical integrity issues.

2Q Performance

Second quarter RCOP at reference is expected to increase by $28 m, which includes the $35 m improvement in trading benefits and refinery
utilization, $5 m reduction in depreciation, offset by a $12 m total cost increase.

Please let me know if you have any questions.

<< File: Rfng SPU Control Report for June flash (2).xls (Compressed) >>