R 7

CONOCO

Interoffice Communication

To P. E. Markey - Houston

From H. D. Garrison

Date March 18, 1980

Subject Quarterly Reforecast of Production, Cost Variances, and Raw Material Requirements - First Quarter, 1980

The subject reforecasts are attached. Explanations of the reforecasted numbers are contained in the notes following each reforecast form.

H. D. Garrison

H. D. Garrison

is
Enc
CC + enc:
RDG-REL-WCK-DWC-JJL-RJA-JAD-JHB-JRH-JWW

CCR 000009380

REFORECAST OF PLANT PRODUCTION

Quarter FIRST Year 1980 Plant VCM

Product (MM Lbs.)	Budget First	Budget Second	Budget Third	Budget Fourth	Budget Year	Forecast (Actual *) First	Forecast (Actual *) Second	Forecast (Actual *) Third	Forecast (Actual *) Fourth	Forecast (Actual *) Year	Previous F'cast. Year
VCM	178.3	175.4	135.0	181.3	670.0	184.7	175.4	135.0	181.3	676.4	670.0
EDC	288.2	283.4	218.2	293.0	1082.8	308.0	283.4	218.2	293.0	1102.6	1082.8
HCl FROM INCINERATOR	3.0	3.0	2.3	3.0	11.3	1.3	3.0	2.3	3.0	9.6	11.3

REFER TO ATTACHED NOTES —

WC-2-7a Due: Dec. 28, Mar. 28, June 28, Sept. 28

CCR 000009381

WC-2-7a

Notes:

1) The first quarter VCM production variance resulted from above-budget mechanical stream factor and favorable oxychlorination operating conditions.

2) The first quarter EDC production reflects an increase of 9.5 MM lbs. above that required for the projected VCM production.

3) The incinerator HCl production deficit for the first quarter is due to 1) the lack of routine light ends burning, and 2) the fact that the vent from the direct chlorination reactor has been diverted to atmosphere for safety considerations.

REF[illegible]CAST OF PLANT VARIABLE COSTS ([illegible]M)

Quarter FIRST Year 1980 Plant VCM

	Year Budget	Year F'cast.	Quarterly (Actual *) Variance First	Second	Third	Fourth
1 Fixed Costs						
2 Payroll	4080.4	4,108.9	<28.5>	0	0	0
3 MM&C	2,122.6	2,166.1	<111.0>	22.5	22.5	22.5
4 Utilities	—	—	—	—	—	—
5 Misc.	1,375.6	1387.3	<11.7>	0	0	0
6 T.I.&D	3259.3	3241.6	17.7	0	0	0
7 Total	10,837.9	10,903.9	<133.5>	22.5	22.5	22.5
8						
9 V.C. Efficiency (IPA)						
10						
11 VCM		38.2	51.4	<8.2>	<39.5>	34.5
12						
13 EDC		450.7	354.2	182.9	<86.4>	—
14						
15 HCl FROM INCINERATOR		<136.9>	<128.5>	<8.4>	0.0	0.0
16						
17						
18 REFER TO ATTACHED NOTES						
19						
20						
21						
22 Total		352.0	277.1	166.3	<125.9>	34.5
23						
24 V.C. - Price (IPA)						
25–36						
37 Total						

CCR 000009383

WC-2-7b Due: Dec. 28, March 28, June 28, Sept. 28

WC-2-7b

Notes:

Fixed Costs

1) Payroll - The first quarter unfavorable variance is due primarily to greater than budget salaried payroll and casual employees retained after turnaround for pipe fabrication work and platform repair on the HCl column.

2) Maintenance Materials and Contract Costs - This first quarter unfavorable variance is due primarily to charges from the December, 1979 turnaround ($43.3 M) and the painting/insulation items in the extraordinary budget being worked on in the first quarter. These extraordinary items were budgeted equally throughout the year; therefore, favorable variances are projected in the second, third, and fourth quarters.

3) Miscellaneous - This unfavorable variance for the first quarter reflects unbudgeted core samples taken around the old copper pit.

4) Taxes, Insurance, and Depreciation - The first quarter favorable variance reflects depreciation and amortization less than budget. This variance is not forecasted to continue in the remaining quarters.

WC-2-7b

Notes:

Variable Costs

1) The net favorable variance shown for the first quarter VCM IPA is due almost entirely to favorable steam and natural gas efficiency variances, which, it is anticipated, will be partially offset by unfavorable efficiency variances in these same areas in the second and third quarters. Steam and natural gas efficiency variances in the VCM area are expected to be favorable again in the fourth quarter of 1980 (based on first quarter experience) leading to a net favorable efficiency variance for the year.

2) Favorable chlorine, ethylene, and steam efficiency variances were the primary causes of a net favorable efficiency variance in the EDC IPA for the first quarter. These efficiency improvements over budget can be attributed almost entirely to improved performance of the oxychlorination section of the plant. Based on this first quarter performance, a less significant net favorable efficiency variance is again predicted for the second quarter EDC IPA. The second quarter improvement over budget is less the result of steam efficiency and more related to chlorine and ethylene efficiencies, as compared to the first quarter. The third quarter EDC IPA is forecast to yield a net unfavorable efficiency variance due to inefficiencies in utilities usage associated with the turnaround. The fourth quarter EDC IPA is predicted to essentially follow budget.

3) Acid concentration and continuous light ends burning was budgeted for the first quarter of 1980. The fact that these operations were not instituted has caused the unfavorable variance in the incinerator IPA for the first quarter. Routine light ends burning is expected to begin in early April and operation of the concentration unit is projected for mid-second quarter.

MAJOR RAW MATERIAL REQUIREMENTS (1)

Quarter FIRST Year 1980 Plant VCM

Raw Material Name	For Product	Units	Budget Unit/MM Lbs.	Forecast Unit/MM Lbs
ETHYLENE	VCM	MM LBS	0.4784	0.4732
CHLORINE	VCM	MM LBS	0.6792	0.6783

REFER TO ATTACHED NOTES

(1) Data to be used by Purchasing along with forecasted production to determine raw material requirements.

CCR 000009386

NC-2-7c Due: Dec. 28, March 28, June 28, Sept. 28

WC-2-7c

Notes:

1) The quarterly reforecast for raw materials is:

	Quarter, 1980			
	First	Second	Third	Fourth
Ethylene (lbs./lb. VCM)	0.4687	0.4735	0.4763	0.4705
Chlorine (lbs./lb. VCM)	0.6562	0.6750	0.7089	0.6751

2) Chlorine requirements include chlorine from Georgia-Pacific toll processed to VCM.

3) Incremental EDC production in the first quarter was essentially equally balanced by reduced transfers of HCl to the incinerator and the Methyl Chloride Unit. Improvements in chlorine plus HCl efficiencies then resulted in reduced chlorine requirements. The chlorine requirements for the second, third, and fourth quarters are forecast as budgeted.

4) Favorable efficiency variances yielded a lower ethylene requirement for the first quarter. Some continuation of this situation is predicted for the second quarter. Third and fourth quarter ethylene requirements are shown as budgeted.