Monsanto

FROM (NAME & LOCATION): J. R. Savage - General Office

DATE: December 9, 1970

SUBJECT: MINUTES - 12/4/70 MEETING ON AROCLOR MANUFACTURING SITES

TO:
Messrs.
T.L. Gossage
P. Benignus
H.S. Bergen
W.B. Papageorge
R.M. Kountz
W.R. Richard
J.L. Corder - Anniston
E.M. Potter

cc:
Messrs.
B.W. Corlew
F.J. Holzapfel
P.B. Hodges

C O N F I D E N T I A L

We met to decide whether liquid Aroclor manufacture at Anniston should be phased out. The attached decision diagram was used as a format for the discussion. I have modified it somewhat to reflect the consensus of the group.

The following numbered comments reflect the discussion on the correspondingly numbered blocks on the diagram:

1) Can we make it all at WGK (with modest revision)?

Yes, with 2 additional storage tanks and blow tank area modifications, at a capital expenditure of $220,000. It was suggested that conversion of transformer 1242 to the topped version of MCS-1016 could reduce capital. This was judged to be technically feasible and desirable. However, subsequent discussions with CED and WGK indicate that the best way to defer part of the above capital is to use 1242 in transformers for about 2 more years, then convert.

2) Can we afford to drop some business?

While the above indicates that this would not be necessary, it is still relevant because we have an inquiry from duPont for a million lbs/year of 1268 (or 1272) in an application which they claim to be free of environmental impact. Since we can only make 1268 in Anniston's solid Aroclor equipment, and the profit on this much 1268 would be substantial, this might justify spending PCB pollution control capital at Anniston. We thus cannot state a final yes or no on this question.

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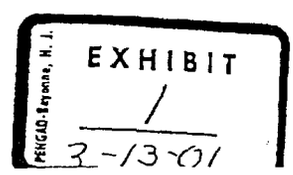

3) Are savings substantial?

Yes, although the exact number is elusive. The most defensible figure seems to be $150M/year. However, if the difference in total capital (discussed below) is smaller than assumed, the figure could be reduced by $15M. On the other hand, the chlorine differential was calculated on '71 standards and Earl Potter gave us odds of only 2/10 that we will achieve the freight rate to Anniston assumed in the standards. If the freight rate stays where it is, the savings in mothballing Anniston are increased by $110M. The likely case is in between, bringing us back to probable net savings in the $150-$200M range.

4) Can we get Δcapital for Anniston pollution?

Capital for Anniston PCB pollution control has been variously estimated for various purposes between $280M and $1000M. The savings discussed above use the maximum WGK capital assumption and the minimum Anniston capital assumption, for a difference of only $60M additional. (The "cost of money" used was 10% in addition to 18% for Depreciation, FIE, and Maintenance). This would leave the question of Montar disposal open, and would not likely get us to our 10 ppb target in Snow Creek. Bill Richard pointed out that we should provide adequate facilities to minimize chlorinated terphenyl losses to postpone pressure on the use of 5432 in Pydrauls. This is perhaps easier than for PCB's. We can also make a case that WGK needs more storage tanks with or without the additional business. Finally, Howard Bergen opined that provided that we do our homework well in the other decision areas, we can get the capital needed to support the decision. (JRS opinion: the capital difference is $200M more at Anniston).

5) Are service/quality/customer relations risks intolerable?

Based on recent customer visits, Tom Gossage gave this an unequivocal "no". There was, however, much discussion to the effect that the load must not be shifted so quickly that Krummrich stubs its toe. The fact that Anniston could be recommissioned is important.

6) Are service/quality risks justified by the savings?

As a corollary to the above, yes, given good WGK performance.

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7) Do legal/PR considerations dictate?

The answer seems to be "not quite". While recent Illinois regulatory activity indicates some threat that PCB control at WGK could become politically "hot", Bill Papageorge stated that the Law and Medical Departments and others would welcome a decision to shut down Anniston liquid Aroclor since the legal threats are more imminent and the problems more visible. (There is some uncertainty as to where this block belongs on the diagram).

Conclusions

While some uncertainties remain, we will begin to move toward total liquid Aroclor production at WGK. Specifically:

1. CED will add 2 storage tanks, etc. to the scope of the MCS-1016 project at WGK.

2. We should determine duPont's intentions on 1268 as soon as possible.

3. PCB pollution capital at Anniston should be held to a minimum consistent with the timing of the phase-out and reasonable control of chlorinated terphenyl.

4. As the additional storage at WGK becomes available, a stepwise shifting of the business should begin. The last shift should be 1221, to give best cash flow.

J. R. Savage

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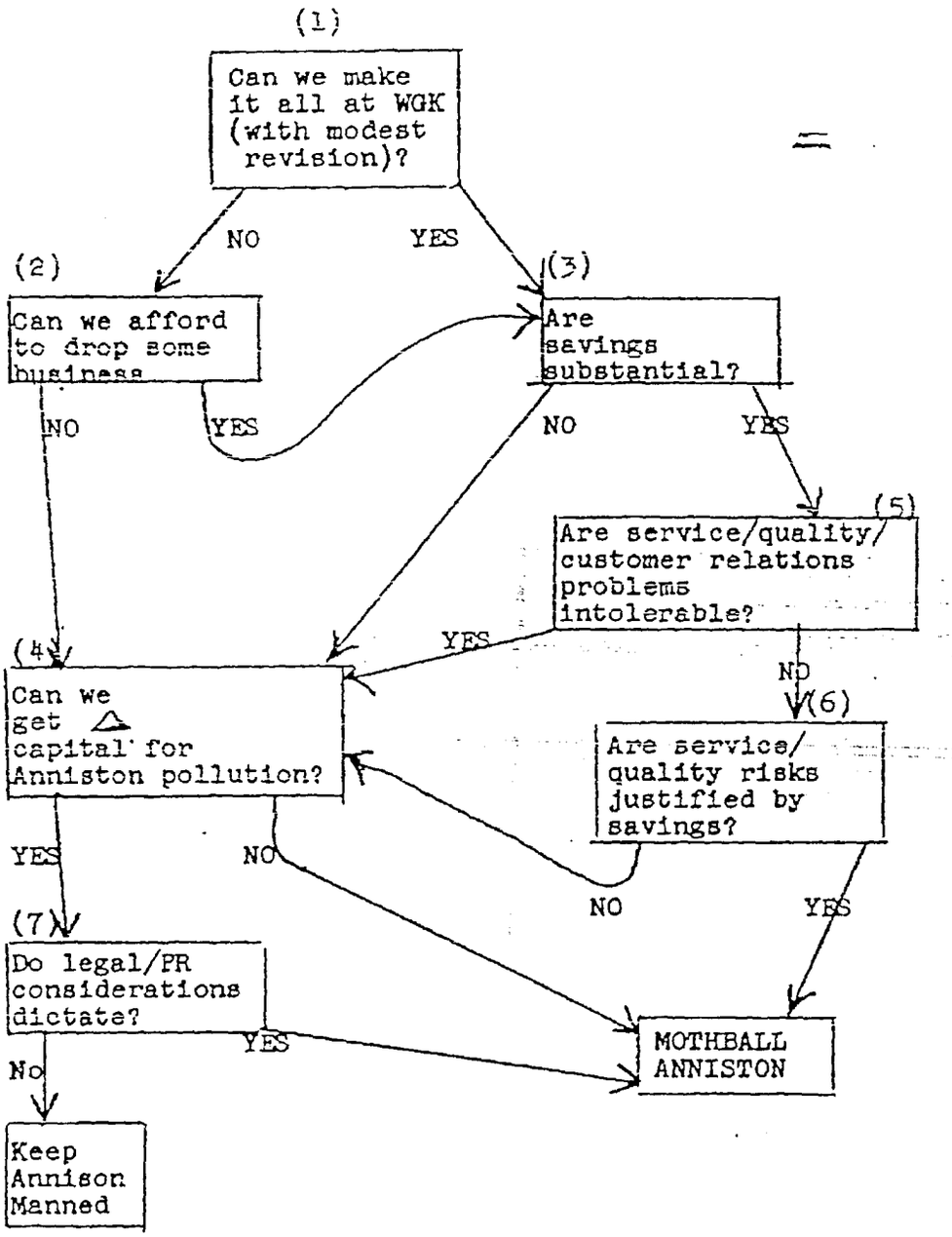
SHOULD WE MOTHBALL ANNISTON LIQUID AROCLOR?



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