FAXED 8-3-84

To: J. R. Pavao - Houston

From: J. W. Ware
Date: August 3, 1984

Interoffice Communication

VISTA

Subject: VISTA RELATED COSTS, 1985 OPERATING BUDGET, VCM PLANT

The following cost areas have been identified as those which have been affected by the formation of Vista:

1) Natural gas pricing
2) Conoco refinery dock charges
3) LCCP steam plant clearances
4) Conoco railroad spur maintenance charges

Each area is discussed below.

Natural Gas Pricing

As a result of improved natural gas pricing obtained for Vista, a favorable variance will be realized. Using 1985 budget basis the VCM Plant will pay $324.7M less for natural gas over the next fiscal year.

	Gas Price		1985 Gas	1985
	$/MM BTU	$/MM SCF	Consumption, MSCF	Cost, $M
Pre-Vista	3.75	3.79	927,729	3,516.1
Vista	3.40	3.44	927,729	3,191.4
Variance	0.35	0.35	-	324.7

Conoco Dock Charges

This charge is a clearance to the business area.

LCCP Steam Plant Clearances

This clearance dropped from a 1984 budget figure of $595.0M to a 1985 budget figure of $428.0M, due to the exclusion of depreciation. Addition of depreciation to this figure when such costs are available will significantly increase this clearance.

Conoco Railspur Maintenance

This has been allocated to the VCM Plant in the amount of $30M for the 1985 fiscal year and must be considered a new cost resulting from the formation of Vista.

Please note that as a result of favorable natural gas pricing for Vista, the cost of steam to the VCM Plant from LCCP will be lower. This favorable variance has not been included due to the fact that LCCP has already considered this change in their natural gas calculation.

JWWare

J. W. Ware
Plant Superintendent

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cc: RTF-RAC

To: R. A. Conrad & B. Ratliff

From: J. W. Ware
Date: July 30, 1984

Interoffice Communication

Subject: CLOSING INVENTORY DATA & PRICES

VISTA

At the date of this writing, following completion of Vista closing activities at the VCM Plant, heavy ends appears to be the only material with a volume and pricing basis which is extraordinary.

Valuation of Current Inventory of Heavy Ends

Two tanks inventoried for closing contain heavy ends. Some amount of the material in each tank is off-specification. All of the heavy ends material represents a liability, the off-specification representing a greater liability since it must be disposed of as hazardous waste. The on-specification material is transferred to PPG, such transfer being accomplished at a cost to Conoco/Vista.

The off-specification material disposal costs will be based upon the most recent relevant invoice, specifically invoice No. 20090 dated 5-21-84 from Rollins Environmental Services. Total invoice divided by pounds disposed of yields a cost per pound of $0.3731.

The cost to transfer on-specification material to PPG is based upon a formula, such formula adjusting the transfer price using product analysis of EDC plus 1,1,2 trichloroethylene. The analysis will be that of a sample taken from inventory at closing. This analysis yielded an EDC/1,1,2 content of 29.6%, leading to a product transfer price of 2.92 ¢/lb.

All heavy ends contained in T-405 tank are considered off-specification. An amount in the bottom of T-452 tank (verified by tank gauging) is also considered off-specification. The remainder in T-452 tank is considered on-specification. Volumes along with pricing support documentation are itemized in the closing data transmitted via D. Couch to Don Tooman.

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Valulation of VCM Finished Product

For purposes of valuing finished products, operating data from July through December, 1983 must be used. The average analysis (PPG data used) of heavy ends shipped to PPG during this period was 34.8% EDC/1,1,2. Using this average analysis and the current PPG pricing formula a heavy ends transfer price of 2.34 ¢/lb. is obtained.

JWWare
J. W. Ware
Plant Superintendent

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cc: Delton Couch - Ponca City