

# **Reduced External Supplier and Materials Usage**

## TCBU -- Reduced External Supplier and Materials Usage

*Agree and ready to implement. Complete Action by April 1, 1999.*

Cost Reduction Action	1999 Cash Cost Savings vs. 1998 YE Actual	Initial Total Cost Savings Estimate	Responsible Person	Status
1. Eliminate Bechtel Engineering (20 people)	0	\$2500M Capital	Don Chapman	Complete
5. Cut Robco by half (Reduce lawn maintenance, cleaning, restrooms, trash, etc.)	\$600M Sustainable	\$700M	Eric Guenther	Complete
9. Reduce Taylor & Hill by 3; Contech by 5	\$400M Sustainable	\$400M Expense \$400M Capital	Don Chapman Mark O'Neal	Complete
25. Eliminate recognition banquet	\$60M Sustainable	\$40M	Tim Scruggs	Complete
77A. Eliminate pagers for on-shift supervisors and PHM group	\$2M Sustainable	\$2M	DPH, JB, TBD, WHR	Complete
91. One contract security supervisor for both the refinery and chemical plant	\$20M Sustainable	\$15M	Joe Armacost	Complete
92. Close Gate 26 (Delivery Gate)	\$50M Sustainable	\$50M	Joe Armacost	Complete
96. Eliminate safety award for one million workhours w/o DAFW injury (\$50,000 per occurrence, 1-2/yr)	\$75M Sustainable	\$75M	J. Brough	Complete
98. Eliminate safety calendar	\$40M Sustainable	\$40M	J. Brough	Complete
100. Eliminate safety award program\	0	\$200M	J. Brough	Complete

115.	Amoco catastrophic insurance program canceled	\$1100M Sustainable	\$1100M	T. Comerford	Complete
119.	Eliminate 2 Kelly temps in training	0	Defer expenses until later, or eliminate for 1999	F. Resch	Complete
120.	Defer contract training dept.	0	Defer expenses until later, or eliminate for 1999	F. Resch	Complete

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7. Reduce equipment to outside shops (current 1.2MM) by 50%.	0	Target (\$600M captured elsewhere)	Vic Venturini (Develop plan to achieve this)	Completed and on-going.												
34. Disposition of MEROX off-gas to PS3A vs. to fuel	0	\$70M	George Carter Lee Valentine	Complete												
35. RHU sour gas at CFHU presulfiding agent. Saving expense of presulfiding agent	0	\$50M	George Carter	Complete.												
77B. Scrutinize and reduce number of cell phones in service	0	?	Doc Holliday	Close out.												
89. Offsite FCCU fines/construction debris recycler (Southern Crush Concrete) likely to move recycle operation to Galveston which will reduce our transportation costs. Start 3Q	\$20M Sustainable	\$40M	E. Kryska	Complete												
90. Reduce one security contract officer at the Main Gate on Friday's	\$8M Sustainable	\$6M	Joe Armacost	Complete												
132. Implement continuous operational and reliability improvements *East Plant           \$2000M *West Plant           \$3000M *Utilities Division   \$1000M	\$6000M Sustainable		L. Valentine CJ Warner W. Frink	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th></th> <th style="text-align: center;">YTD 7/99 Actuals vs</th> <th style="text-align: center;">1998 Actuals</th> </tr> </thead> <tbody> <tr> <td>Crude/Resid:</td> <td style="text-align: right;">\$6.21 MM</td> <td style="text-align: right;">\$7.8 MM</td> </tr> <tr> <td>Crack/OMCC:</td> <td style="text-align: right;">\$ 3.67 MM</td> <td style="text-align: right;">\$8.1 MM</td> </tr> <tr> <td>West Plant:</td> <td style="text-align: right;">\$4.5MM</td> <td style="text-align: right;">\$9.8 MM</td> </tr> </tbody> </table>		YTD 7/99 Actuals vs	1998 Actuals	Crude/Resid:	\$6.21 MM	\$7.8 MM	Crack/OMCC:	\$ 3.67 MM	\$8.1 MM	West Plant:	\$4.5MM	\$9.8 MM
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Crude/Resid:	\$6.21 MM	\$7.8 MM														
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West Plant:	\$4.5MM	\$9.8 MM														

				Util: \$ 3.37MM \$10.7 MM (elements used were contractor, mat & parts & rental)
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*Agree, but needs more work to clarify and implement.*

*By May 15, clarify expected savings, specific actionable steps, and target completion dates for each of these cash cost reduction items.*

Cost Reduction Action	1999 Cash Cost Savings vs. 1998 YE Actual	Initial Total Cost Savings Estimate	Responsible Person	Status
61. Interruptible Power Contract	0		W. Frink	Will not do. Close out.
112. Eliminate or reduce company contributions/purchase of safety shoes	\$10M Sustainable	\$50M?	J. Brough J. Penny	Complete
114. Evaluate contribution for purchase of safety glasses	\$11M Sustainable		J. Brough J. Penny	Complete.

# **Deferred Maintenance, Turnaround, and Other**

## TCBU – Deferred Maintenance, Turnaround and Other

*Agree and ready to implement. Complete Action by April 1, 1999.*

Cost Reduction Action	1999 Cash Cost Savings vs. 1998 YE Actual	Initial Total Cost Savings Estimate	Responsible Person	Status
6. Gulf Coast Gunitite - limit to refractory work only. Stop all other work such as structural, fireproofing, etc.	0	Target (\$500M captured elsewhere)	Eric Guenther (Develop plan to achieve this)	Complete
8. Eliminate road repairs for 1999 (except for safety repairs)	\$150M Deferred	\$150M	Eric Guenther	Complete
27. Reduce job rep support on TARs. Reduce step-ups	0	\$250M	Andy McWilliams Rookie McNown	Complete. KPI established and published throughout the year to monitor TAR step-up reduction.
46. Defer STG 450 turnaround at Power Station #4 to 3Q/2000	\$1500M Deferred	\$1500M TAR \$250M Variable	Bill Frink	Complete. Accepted - work deferred.
47. Defer GTG 410 turnaround at Power Station #4 to 3Q 2000	\$6000M Deferred	\$5000M - 7000M TAR \$900M Variable	Bill Frink	Complete. Accepted - work deferred.
48. Defer WWTP aeration basin work to year 2000	\$20M Deferred	\$20M	Bill Frink	Complete. Accepted - work deferred.
49. Defer WWTP #3 API separator work to year 2000	\$30M Deferred	\$30M	Bill Frink	Complete. Accepted - work deferred to 2000.
50. Defer WWTP sewer lines work to year 2000	0	\$100M	Bill Frink	Accepted. We will defer sewer line work that does not cause oil backup in sewers. We will try to minimize a rain flush that exposes us to putting oil onto storm basins. If we do spend money on sewers, some other part of our

				turnaround projects will be reduced so we stay on turnaround budget.
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Cost Reduction Action	1999 Cash Cost Savings vs. 1998 YE Actual	Initial Total Cost Savings Estimate	Responsible Person	Status
51. Defer C-Amine TAR work to year 2000	0	\$500M Capitalized. Have only \$50K in expense.	Bill Frink	Accepted. \$42K remaining-work deferred to 2001 TAR.
52. Defer 307B TAR work at Power Station #3 to year 2000	\$800M Deferred	\$800M	Bill Frink	Complete. Accepted -- work deferred.
54. Defer T-2 TAR work to Power Station #3 to year 2000	\$150M Deferred	\$150M check if money	Bill Frink	Deferred. However, we are waiting on a recommendation from the 4th floor project group as to the capabilities of this tower and its ability to run without environmental exceedences until 2000. The deadline for their recommendation is 6/1/99. The \$150M for this TAR work is <u>not</u> in the 1999 TAR budget. It has been moved to 2000. This deferral was put on the list prior to us having any knowledge of the potential tower performance problems we are currently experiencing. It is not due for its 10 year inspection until 2000, and that is why it was deferred.
55. 34 Boiler burner replacement TAR work. Savings are mainly installation of burners (already purchased) and some associated materials.	0	\$500M capital	Bill Frink	Complete. Boiler 34 will be retired, thus avoiding this expense.
72B. Stop Bleach Conversion Project	0 Capitalized	\$600M	CJ Warner	Complete
72C. Stop UU3 RCSM-CR movement project	\$600M Deferred (Changed from 0)	\$310M capital + unit S/D	CJ Warner	Complete

Cost Reduction Action	1999 Cash Cost Savings vs. 1998 YE Actual	Initial Total Cost Savings Estimate	Responsible Person	Status
75. Delay splitter TAR into 2000 (Coincide with ULC)	\$250M Deferred (Changed from 0)	\$600M	Ted Andrus	Complete
76. Defer Acid Plant converter internal work into year 2000	\$3100M Deferred (Changed from 0)	\$250M	Tom Grimmer	Complete
79. Defer ULC TAR to year 2000	\$1000M Deferred (Changed from 0)	\$3100M plus I/O margin savings	CJ Warner	Complete
80. Defer FCU3 WHRU rebuild	\$1,000M Deferred	\$1,000M (Changed from \$350M)	Tom Duff	Complete
81. Reduce OTE spending	\$100M (Sustainable)	\$100M	Lee Valentine	Complete
88. Reduce refinery environmental accrual in 1999. Potential future reductions (\$12MM left) once BP accrual policy ironed out.	0	0	T. Comerford E. Kryska	In September business, we reduced TCBU's Environmental Reserve by \$8.8 MM to reflect overfunding for areas which do not currently have regulatory obligations. This \$8.8 MM reserve reduction was reported as a reduction in Fixed Cash Costs.

## TCBU – Deferred Maintenance, Turnaround and Other

*Agree and ready to implement. Complete Action by May 1, 1999.*

Cost Reduction Action	1999 Cash Cost Savings vs. 1998 YE Actual	Initial Total Cost Savings Estimate	Responsible Person	Status
56. “Retire” 34 Boiler. Estimated cost of acid cleaning.	0	\$300M	W. Frink	Accepted. Boiler 34 will be <u>retired</u> ; not mothballed. This is <u>not</u> in the TAR budget for 1999.
99. Defer Health & Safety Fair from 1999 to year 2000 and scale back for year 2000	0 (Need to discuss w/Brinly) Still needs to be finalized.	\$25M ref. \$25M chem	J. Brough	Per Daren Beaudou and Ben Hernandez, the fair can be scaled back to \$10M (\$5M each site) w/o help from other industries.
133. Reduce unplanned/unscheduled turnarounds from a typical \$10,000M to \$8,000M or 1999	\$2,000M Sustainable		L. Valentine CJ Warner W. Frink G. Carter P. Gower	1999 revised CAF is \$8MM. Approved by Tim Scruggs 7.65MM YTD. EOY forecasted spending on approved CAF is \$8MM.

## TCBU – Deferred Maintenance, Turnaround and Other

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Cost Reduction Action	1999 Cash Cost Savings vs. 1998 YE Actual	Initial Total Cost Savings Estimate	Responsible Person	Status
59. Old WTP 1 "Mothball" in place	\$50M Sustainable (changed from \$500M)	\$50M (operation/maintenance expense)	Bill Frink	Accepted. The \$50M estimated savings has been removed from my routine budget. We are in the process of blinding one sed. tank, one bank of filters and one bank of zeolites. We will take parts from this equipment to repair the remaining equipment in service. The only risk is downtime corrosion of the mothballed equipment.

# **Shared Service and Site Integration Efficiencies**

## TCBU - Shared Service and Site Integration Efficiencies

*Agree and ready to implement. Complete Action by April 1, 1999.*

Cost Reduction Action	1999 Cash Cost Savings vs. 1998 YE Actual	Initial Total Cost Savings Estimate	Responsible Person	Status
109. Go to skip period monitoring for fugitives at units that qualify (<2% leak note, annual or quarterly monitoring)	\$12M Sustainable	\$25M	J. Brough	Complete
110. Reduce the 1999 Texas City JCC budget by \$40M from \$122M. New 1999 budget of \$82M	\$40M Sustainable	\$20M	D. Beaudo R. Peltier	Complete
111. Scale back <i>Texan</i> publication from monthly to quarterly	\$7M Sustainable	\$28M	D. Beaudo R. Peltier	Complete
117. Eliminate GO central training organization	0	\$685M, (Already in G.O. allocated budget)	F. Resch T. Comerford	Complete
118. Reduce 1999 training plan for asset operators and maintenance crafts as submitted in APP budget	\$500M Deferrable	\$1,000M, including reductions in numerous refinery cost centers	F. Resch T. Comerford	Complete
125. Do not backfill current HR opening (HR rep and staff assistant) – consolidate into other existing roles.	\$200M Sustainable	\$150M	D. Hurst	Complete

## TCBU - Shared Service and Site Integration Efficiencies

*Agree and ready to implement. Complete Action by May 1, 1999.*

Cost Reduction Action	1999 Cash Cost Savings vs. 1998 YE Actual	Initial Total Cost Savings Estimate	Responsible Person	Status
73. Eliminate division safety committees meetings and reduce wellness committees/program services	\$180M Sustainable	\$180M	AMC	Complete
106. Renegotiate LDAR contract with 10% reduction goal	\$15M Sustainable	\$20M	J. Brough	Complete
108. Combine TNRCC accounts	0	\$40M	J. Brough	Will do this for 1999 emissions. Savings realized in 2000.

## TCBU – Shared Service and Site Integration Efficiencies

*Agree, but needs more work to clarify and implement.*

*By May 15, clarify expected savings, specific actionable steps, and target completion dates for each of these cash cost reduction items.*

Cost Reduction Action	1999 Cash Cost Savings vs. 1998 YE Actual	Initial Total Cost Savings Estimate	Responsible Person	Status
36. Renegotiate various IT contracts	\$50M Sustainable	\$30M	George Carter	Complete (by John Smitherman)
64. Complete dock consolidation between refinery and chemical plant	0 (Savings at Chem plant)	\$650M	J. Bynum	Will do this for 1999 emissions. Savings realized in 2000.
86. Eliminate all (except OSHA) training and external seminars	0		Division Managers	Complete
93. Hold fire drills once a month rather than twice a month	0	\$16M (OT & hourly)	J. McLemore	
97. Eliminate safety award program (M-11) and adopt chemicals program based on proactive activities not injuries	0	\$75M	J. Brough	Included as part of item 24. Issued revised M-11 and sent to RDH, FER and his committee for approval and inclusion in R&R program.
121. Combine training with Chem plant	0	?	F. Resch	Complete
122. Further reduce maintenance training	\$200M	?	FER/JIM	Complete
126. Reduce internal communication efforts (ATN, Mini-Texan, etc.) and evaluate level of G&PA support.	\$24M Sustainable	\$100M	T. Scruggs R. Peltier G&PA	Complete



# Reduced Variable Expense

## TCBU – Reduced Variable Expense

*Agree and ready to implement. Complete Action by April 1, 1999.*

Cost Reduction Action	1999 Cash Cost Savings vs. 1998 YE Actual	Initial Total Cost Savings Estimate	Responsible Person	Status
32. Reduce RHU catalyst consumption by using updated criteria	\$800M Sustainable	\$800M	George Carter	Complete
131. Implement refinery energy usage efficiency improvements through improved plant operation	\$9000M Sustainable		G. Carter L. Valentine CJ Warner W. Frink	Making good progress, achieved \$6,000M of the \$9,000M. Will need to continue to monitor to ensure savings are captured.

## TCBU – Reduced Variable Expense

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Cost Reduction Action	1999 Cash Cost Savings vs. 1998 YE Actual	Initial Total Cost Savings Estimate	Responsible Person	Status
30. Reduce gasoline and distillate additive costs	\$570M Sustainable	\$570M	George Carter	Still open and ongoing.
33. Reduce Mo cost for catalyst manufacturer	\$100M Sustainable	\$100M	George Carter	Complete.

## TCBU – Reduced Variable Expense

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Cost Reduction Action	1999 Cash Cost Savings vs. 1998 YE Actual	Initial Total Cost Savings Estimate	Responsible Person	Status
69. Chemical vendor alliances	\$1000M Sustainable	\$1000M for svc and profit reduction \$4100M for projects	CJ Warner/ Vendor Alliance Committee	Ongoing. Currently on target to capture savings.

# Hourly Productivity Improvements

## TCBU --Hourly Productivity Improvements

*Agree and ready to implement. Complete Action by April 1, 1999.*

Cost Reduction Action	1999 Cash Cost Savings vs. 1998 YE Actual	Initial Total Cost Savings Estimate	Responsible Person	Status
31. Reduce optimization training budget with limited off-shift board operator training	\$200M Sustainable	\$200M	George Carter	Complete

## TCBU --Hourly Productivity Improvements

*Agree and ready to implement. Complete Action by May 1, 1999.*

Cost Reduction Action	1999 Cash Cost Savings vs. 1998 YE Actual	Initial Total Cost Savings Estimate	Responsible Person	Status
43. Stop Power 2/4 cross-training	\$10M Sustainable	\$10M	Bill Frink	Complete. Accepted - training stopped.
78. Reduce Special Assignment positions (FCU3-M/C or T/A; PS3B-M/C)	0 (Changed from \$20M)	\$20M	Tom Duff Joe Barnes	Complete

## TCBU --Hourly Productivity Improvements

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Cost Reduction Action	1999 Cash Cost Savings vs. 1998 YE Actual	Initial Total Cost Savings Estimate	Responsible Person	Status
66. Operator work flexibility (need specific actions)	0		AMC	Close out.
70. Implement specific accountability mgmt plan. Set the mgmt standard and target the 90-Day period for performance improvements.	0		John Penny	Still open. Working with individual managers/superintendents on problems.
123. Review R&R budget; consider allocation by division, with division responsibility for cost control	?	?	FER/Div Mgrs	Included in the new People-in-Action process listed as item # 24 below.
129. Eliminate builder craft classification and further reduce pipefitter classification through normal attrition.	\$200M Sustainable			Still open. Will decide as part of Strategy Review on next steps.



# **Salariated Personnel Reduction**

## TCBU - Salaried Personnel Reduction

*Agree and ready to implement. Complete Action by May 1, 1999.*

Cost Reduction Action	1999 Cash Cost Savings vs. 1998 YE Actual	Initial Total Cost Savings Estimate	Responsible Person	Status
83. Execute plans to consolidate Alky 2 and Alky 3 supervisors (two positions, complete by Sept 99)	0	\$40M	Ted Andrus	Complete

## TCBU - Salaried Personnel Reduction

*Agree and ready to implement. Complete per schedule for organizational sizing.*

Cost Reduction Action	1999 Cash Cost Savings vs. 1998 YE Actual	Initial Total Cost Savings Estimate	Responsible Person	Status
2. Finalize Reliability Engineering organization (from 25 RE's to 21)	\$300M Sustainable	\$400M	Jorge Mata	Completed as part of restructuring announced during week of April 12.
10. Reduce Inspection group by 7	\$150M Sustainable \$150M Deferred	\$700M	Jorge Mata HR Support	Completed as part of restructuring announced during week of April 12.
11. Reduce contract Inspection draftsmen from 3 to 1	\$125M Sustainable	\$125M	Jorge Mata	Completed as part of restructuring announced during week of April 12.
127. Maintenance Supervisor reduction of approximately 14 positions	\$600M Sustainable	\$500 – 1,000M	P. Gower	Completed as part of restructuring announced during week of April 12.
128. Reduce 25 maintenance step-up supervisors	\$750M Sustainable		P. Gower	Complete.
133. Eliminate various salaried staff by 23 positions and reduce number of Asset Supervisors by about 16 positions.	\$1700M		SLC Members	Completed as part of restructuring announced during week of April 12.

## TCBU - Salaried Personnel Reduction

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Cost Reduction Action	1999 Cash Cost Savings vs. 1998 YE Actual	Initial Total Cost Savings Estimate	Responsible Person	Status
24. Eliminate Ideas in Action	\$40M Sustainable	\$40M Sustainable	T. Scruggs F. Resch	Committee recommendations approved by the Chemical and Refinery leadership teams. Communications details being developed for early implementation. People-in-Action will be the title of the new R&R process for the Site.