

**CAPITAL BUDGET COST VARIANCE****Exhibit No. DCP-20  
Part 1****SUMMARY**

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<b>Variance Due to Costs Reflected In Settlement Rates Vs. Expected Budget Prior to September 2002</b>	<b>\$14,447,550</b>
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**Variances After September 2002: {1}**

Total Labor	\$37,020,500
Total Materials	\$9,768,884
Total Refurbishment & Repair	\$18,442,304
Total Testing Costs	\$4,202,564
Total Other	\$2,419,412
Total Underages	<u>-\$29,545,073</u>
 Subtotal	 <b>\$42,308,591</b>

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<b>TOTAL CAPITAL BUDGET COST VARIANCE</b>	<b>\$56,756,141</b>
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**[1] See Page 2 – 4 for further details.**

**CAPITAL BUDGET COST VARIANCE  
After September 2002**

Exhibit No. DCP-20  
Part 2

## LABOR COSTS

<u>CATEGORY</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
T&M Construction Contractor	\$22,320,531	"Time and materials" (T&M) contracts arranged by Williams with construction contractors; increased costs due to design changes & necessary unplanned work such as: refurbished Substation 1; relocated carbon steel fuel piping; conducted pipe changes between terminal isolation valve and new meter station; installed emergency generator at substation 11 for ASU; changed actuators downstream of offshore unloading arms to fail safe design; increased size of offshore fire water piping; excavated/replaced organic soils at base of Tank E; installed tank settlement monitoring system for Tank E; removed Waste Heat Vaporizers from service; replaced non-functioning emergency nitrogen vaporization system; installed control valve & bypass around pipeline pig launcher; installed pressure regulator (from pipeline) in alternate fuel gas supply; installed electric generator controls; replaced offshore firewater piping; conducted other piping & civil modifications; replaced pipe bellows; modified Desuperheater trench
MEI Design & Construction	\$11,062,032	T&M design & construction management contract arranged by Williams for engineering design, construction management, & commissioning services; increased costs caused by undefined scope of work, design changes, and T&M contracts for construction labor
Internal Labor	\$3,198,351	Additional expenditures associated with use of company labor & support staff; increased costs caused by undefined scope of work, design changes, and T&M contracts for construction labor and MEI design, construction management & commissioning services
Strategic Contract Resources	\$294,577	DCP utilized Strategic Contract Resources personnel during final commissioning phase of the project; significant resources were required to conduct pre-commissioning & commissioning activities
Outside Engineering Services	\$145,009	Various unplanned costs for outside engineering services
<b>Total Labor</b>	<b>\$37,020,500</b>	

## MATERIALS COSTS

<u>CATEGORY</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
Construction Materials	\$7,349,740	Additional costs for construction materials caused by the nature of underlying T&M contracts, increase in scope of work, and incomplete inspections of existing facilities by Williams; significant additional funds expended on: electrical materials; pipe, valves and fittings; concrete; stone; pipe supports; DCS marshalling cabinets; structural steel; cable trays; nitrogen vaporizers; fire equipment; glycol; control equipment; metering and regulators; and fuel
Construction Rentals	\$2,419,144	Additional costs associated with necessary construction rentals; as scope of project expanded & more contractors were added, cost of rentals increased accordingly; examples include heavy equipment, light equipment, fuel, storage boxes, & office trailers
<b>Total Materials</b>	<b>\$9,768,884</b>	

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## ADDITIONAL REFURBISHMENT & REPAIR COSTS

<u>CATEGORY</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
Insulation / Asbestos Abatement	\$3,197,122	Original facility inspections were incomplete; subsequent inspections revealed problems; additional costs associated with necessary insulation, lead paint abatement, and asbestos abatement
Marine Barging	\$3,032,452	Monthly contract established after DCP determined that barging services would be needed on daily basis until all offshore work was completed; barging and crane services to transport materials & equipment, dispose of trash, & serve as work platforms for necessary repairs; original budget significantly underestimated costs
Turbine Generator Work	\$2,806,417	Additional costs associated with services to inspect/repair gas turbine generators; original estimate included only re-build work on Turbine 111-JB; further work required on Turbine 111-JB; inspections of Turbines 111-JA & 111-JC revealed problems making it necessary to overhaul Turbine 111-JA & repair Turbine 111-JC; automatic regulation for proper voltage control & load sharing also installed
Platform Repairs & Modifications	\$2,738,212	Original Williams review outdated by two (2) years; updated review indicated that thirty (30) additional pilings needed similar repairs; additional cost associated with repairs to damaged walkway, roadway, & pipe way, installation of wrapping to platform piles, & installation of containment curbing & equipment pads
Cryogenic Pumps & Blowers	\$1,303,231	Additional costs associated with work required to restage pumps and address age and condition issues with motor drives
EIM Operators & Valves	\$1,243,216	Inspections and testing of valves revealed need for remediation work; additional costs associated with necessary supervisory & technician services for plant valve inspection, parts list, repair, SRV and PRV test, actuator installation, installation and setting of switches and other tasks remediation work
Scaffolding	\$1,000,507	Additional costs associated with furnishing supervision, labor, equipment, material, & utilities to 1) supply, install & remove scaffolding & safety netting for personnel working on company's offshore facilities and 2) perform miscellaneous additional coating services during reactivation
Painting	\$939,640	Additional costs associated with equipment, labor, and material need to perform painting and other related services during reactivation; original estimate did not include painting
HVAC	\$757,148	Additional costs associated with equipment, labor and material need to perform HVAC and other related services; HVAC systems in substations and monitor/control buildings needed to be replaced due to age/condition & installation of additional heat load in buildings; not included in original estimate
Offshore Handrails	\$244,807	Additional costs associated with equipment, labor, and material needed to repair and replace some of the existing offshore aluminum handrails; not included in original estimate
Offshore Buildings	\$235,856	Inspections and the final design plans revealed the need for refurbishment of offshore operations building and unloading platform; additional costs associated with equipment, labor, and materials to renovate and re-roof offshore platform operations building, as well as civil work to accommodate buildings for electrical & safety systems at each unloading platform; modifications to accommodate control room, deal with age/condition issues, including HVAC and roofing, and minor costs related to the elevator

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## ADDITIONAL REFURBISHMENT & REPAIR COSTS (cont'd.)

<u>CATEGORY</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
Vaporizer Liners	\$225,489	additional costs associated with purchase and installation of EXCELINE liners for vaporizer baths; concrete bath portion had to be lined to ensure containment of the water
Survival Capsules	\$214,652	Additional costs associated with complete refurbishment of the survival capsules due to age and condition issues
Control Valve Project	\$166,581	Additional costs incurred because it was necessary to install a control valve & bypass around pipeline pig launcher to address send-out operability issues during periods of low pipeline demand
Onshore Buildings	\$143,694	Additional costs associated with refurbishing various onshore buildings due to age and condition issues
Offshore Cranes	\$114,280	Additional costs incurred because age/condition of the offshore cranes made it necessary to conduct significant refurbishment work; costs exceeded budgeted amounts
Ambient N2 Vaporizers	\$79,000	Additional costs associated with necessary replacement of non-functioning emergency nitrogen vaporization system with three ambient vaporizers
<b>Total Refurbishment &amp; Repair</b>	<b>\$18,442,304</b>	

## TESTING COSTS

Plant Cool Down	\$2,525,315	Additional costs associated with large quantities of nitrogen used for plant cool down; supplies for purging and drying of process systems; consulting services necessary to develop and manage cool down procedure; costs not thoroughly considered in original Williams plan
Vaporizers	\$686,484	Additional costs associated with equipment, start up spares, and commissioning services for all 10 natural gas fired LNG vaporizer; costs exceeded budgeted amount due to problems getting new vaporizers into service and difficulties getting the vendor to provide warranty work
Expansion Joints	\$554,370	Pipe inspection and testing of LNG transfer lines from offshore to the tanks; additional material costs associated with necessary replacement of 23 expansion joints
X Ray	\$315,070	Reactivation X-ray costs exceeded established budgets
Internal Piping Inspection	\$121,325	Additional costs associated with equipment, labor, & materials needed to perform internal inspection of the existing LNG transfer piping
<b>Total Testing</b>	<b>\$4,202,564</b>	

## OTHER COSTS

Builders Risk Insurance	\$698,811	Cost of builders risk insurance, which was required to cover project activities during construction and commissioning; not included in Williams estimate
Administrative & General	\$661,829	Amounts for direct and indirect administrative and general costs in excess of budget amounts
Fire Fighting Equipment	\$223,493	Costs of fire fighting equipment, including: fire hoses, nozzles and fittings; offshore water monitors; six Automans wheeled fire units; eight hose stations; ship connections; 2 sets of turn out gear; costs to refurbish four Ansul S-3000 dry chem units; 4 Ansul 240-S extinguishers; & six Scott Air-Pak Fifty and Wall Case; not in original estimate
Security Services	\$222,392	Reactivation security service costs exceeded planned amounts
Road Paving & Repairs	\$118,951	Additional costs associated with labor, equipment, & material to perform various post construction roadway repairs and paving
Unidentified Variance	\$493,936	Unidentified Variance
<b>Total Other</b>	<b>\$2,419,412</b>	

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## UNDERAGES

<u>CATEGORY</u>	<u>AMOUNT</u>	<u>DESCRIPTION</u>
Unallocated Funds	-\$5,755,500	Unallocated funds from Williams' budget
Contractor Standby Fees	-\$5,500,000	Unincurred fees for anticipated contractor delays
Bus Bar Electrical Upgrades	-\$3,277,143	Bus bar allowances less reactivation amounts charged to reactivation
Mooring Work	-\$3,882,796	Velocity scanners & to monitor ship approach & mooring tension-monitoring system; Berthing & Mooring allowances less amounts for consulting services, pier fenders, berthing equipment, and ship to shore communications equipment
Reactivation AFUDC	-\$3,845,624	Budgeted amount less actual AFUDC
SVT ARMS	-\$334,373	Budgeted amount less cost of arms and start up services
Work Boat	-\$200,000	Unused workboat line item in materials budget
Budget to Book Adjustment	-\$111,950	The difference as between actual costs in Williams budget file & Dominion conversion as of August 2002
Halon Fire System	-\$44,255	Replacement of Halon systems; underage is the fire system allowance less actual costs
Tank E - Variance	-\$1,837,922	Underage for Tank E variance
ASU Plant - Variance	-\$1,603,051	Underage for ASU Plant variance
Plant M&R - Variance	-\$244,844	Underage for Plant M&R variance
EPA Project - Variance	-\$2,599,188	Underage for EPA Project variance
Pipeline Projects - Variance	-\$308,427	Underage for Pipeline Projects variance
<b>Total Underages</b>	<b>-\$29,545,073</b>	

<b>TOTAL COST VARIANCE    \$42,308,591</b>
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