PREMCOR INC
Form 10-Q
May 05, 2005
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2005

OR

¨ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number	Exact Name of Registrant as Specified in its Charter, Principal Office Address and Telephone Number	State of Incorporation	I.R.S. Employer Identification No.
1-16827	Premcor Inc.	Delaware	43-1851087
	1700 East Putnam Avenue, Suite 400		

Old Greenwich, Connecticut 06870

(203) 698-7500

1-11392	The Premcor Refining Group Inc.	Delaware	43-1491230

1700 East Putnam Avenue, Suite 400

Old Greenwich, Connecticut 06870

(203) 698-7500

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Premcor Inc.	Yes þ No ¨
The Premcor Refining Group Inc.	Yes þ No ¨

Indicate by check mark if the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes þ No ¨

Number of shares of the registrant s common stock (only one class for each registrant) outstanding as of May 2, 2005:

Premcor Inc.	89,218,510 shares
The Premcor Refining Group Inc.	100 shares (100% owned by Premcor USA Inc., a direct wholly owned subsidiary of Premcor Inc.)

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Form 10-Q

March 31, 2005

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PART I. FINANCIAL INFORMATION

PART II. OTHER INFORMATION

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FORM 10-Q - PART I. FINANCIAL INFORMATION

This Quarterly Report on Form 10-Q represents information for two registrants, Premcor Inc. and its indirect, wholly owned subsidiary, The Premcor Refining Group Inc. Premcor Inc. owns all of the outstanding common stock of Premcor USA Inc. (Premcor USA), and Premcor USA owns all of the outstanding common stock of The Premcor Refining Group Inc. (together with its consolidated subsidiaries, PRG). The Premcor Refining Group Inc. and its indirect subsidiary, Port Arthur Coker Company L.P. (PACC), are Premcor Inc. s principal operating subsidiaries. PRG owns and operates four refineries. The results of operations for Premcor Inc. principally reflect the results of operations of PRG, except for certain pipeline operations, general and administrative costs, interest income and interest expense at stand-alone Premcor Inc. and/or its other subsidiaries. Included in this Quarterly Report on Form 10-Q are the condensed consolidated balance sheets, statements of operations, and statements of cash flows for the applicable periods for Premcor Inc. and The Premcor Refining Group Inc. The information reflected in the condensed consolidated footnotes is equally applicable to both companies except where indicated otherwise.

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ITEM 1. FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Premcor Inc.

We have reviewed the accompanying condensed consolidated balance sheet of Premcor Inc. and subsidiaries (the Company) as of March 31, 2005, and the related condensed consolidated statements of operations and of cash flows for the three-month periods ended March 31, 2005 and 2004. These interim financial statements are the responsibility of the Company s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Premcor Inc. and subsidiaries (the Company) as of December 31, 2004, and the related consolidated statements of operations, stockholders equity, and cash flows for the year then ended; and in our report dated March 1, 2005, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2004 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Deloitte & Touche LLP

Stamford, Connecticut

April 28, 2005

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Premcor Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(unaudited, in millions, except share data)

	March 31, 2005	December 31, 2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 177.2	$ 233.3
Short-term investments	332.9	520.0
Restricted cash and cash equivalents	57.4	69.1
Accounts receivable, net of allowance of $3.3 and $3.3	554.5	708.7
Inventories	975.4	772.6
Prepaid expenses and other	201.2	155.8
Deferred income taxes	30.4	74.9
Total current assets	2,329.0	2,534.4
Property, plant and equipment, net	3,003.7	2,908.1
Goodwill	75.0	27.6
Other assets	272.4	219.5
	$ 5,680.1	$ 5,689.6
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 838.7	$ 993.4
Accrued expenses and other	315.1	207.5
Accrued taxes other than income	47.8	70.4
Current portion of long-term debt	46.7	38.8
Total current liabilities	1,248.3	1,310.1
Long-term debt	1,766.3	1,788.7
Deferred income taxes	221.1	275.8
Other long-term liabilities	181.5	180.6
Commitments and contingencies		
COMMON STOCKHOLDERS EQUITY:		
Common, $0.01 par value per share, 150,000,000 authorized, 89,216,910 issued and outstanding as of March 31, 2005; 89,213,510 issued and outstanding as of December 31, 2004	0.9	0.9
Additional paid-in capital	1,704.8	1,699.7
Retained earnings	557.2	433.8
Total common stockholders equity	2,262.9	2,134.4
	$ 5,680.1	$ 5,689.6

The accompanying notes are an integral part of these financial statements.

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Premcor Inc. and Subsidiaries

Condensed Consolidated Statements of Operations

(unaudited, in millions, except per share data)

	For the Three Months Ended March 31,	
	2005	**2004**
NET SALES AND OPERATING REVENUES	$ 4,164.3	$ 2,551.7
EXPENSES:		
Cost of sales	3,615.8	2,234.5
Operating expenses	237.3	147.0
General and administrative expenses	41.8	22.5
Depreciation	26.4	17.9
Amortization	19.9	16.2
Refinery restructuring and other charges	4.1	4.6
	3,945.3	2,442.7
OPERATING INCOME	219.0	109.0
Interest and finance expense	(30.3)	(31.3)
Interest income	3.4	1.7
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	192.1	79.4
Income tax provision	(65.4)	(29.4)
INCOME FROM CONTINUING OPERATIONS	126.7	50.0
Loss from discontinued operations, net of income tax benefit of $0.9 for 2005; $0.1 for 2004	(1.5)	(0.3)
NET INCOME	$ 125.2	$ 49.7
NET INCOME PER COMMON SHARE:		
Basic:		
Income from continuing operations	$ 1.42	$ 0.67
Discontinued operations	(0.02)	
Net income	$ 1.40	$ 0.67
Weighted average common shares outstanding	89.2	74.2
Diluted:		
Income from continuing operations	$ 1.38	$ 0.66
Discontinued operations	(0.02)	
Net income	$ 1.36	$ 0.66
Weighted average common shares outstanding	91.8	75.7

The accompanying notes are an integral part of these financial statements.

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Premcor Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(unaudited, in millions)

	For the Three Months Ended March 31,	
	2005	**2004**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 125.2	$ 49.7
Adjustments:		
Loss from discontinued operations	1.5	0.3
Depreciation	26.4	17.9
Amortization	22.0	18.3
Deferred income taxes	(10.2)	27.7
Stock-based compensation	5.1	4.9
Refinery restructuring and other charges		(0.7)
Other, net	(2.0)	0.9
Cash provided by (reinvested in) working capital:		
Accounts receivable, prepaid expenses and other	108.8	166.3
Inventories	(202.8)	61.4
Accounts payable, accrued expenses, taxes other than income, and other	(65.0)	(259.7)
Restricted cash and cash equivalents	7.0	8.0
Net cash provided by operating activities of continuing operations	16.0	95.0
Net cash used in operating activities of discontinued operations	(0.8)	(1.0)
Net cash provided by operating activities	15.2	94.0
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for property, plant and equipment	(178.6)	(85.4)
Expenditures for turnaround	(68.2)	(52.9)
Net sales of short-term investments	186.7	72.3
Net cash used in investing activities	(60.1)	(66.0)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from issuance of common stock		1.3
Long-term debt and capital lease payments	(14.5)	(10.0)
Dividends paid to shareholders	(1.8)	
Cash and cash equivalents restricted for debt repayment	5.1	3.7
Net cash used in financing activities	(11.2)	(5.0)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(56.1)	23.0
CASH AND CASH EQUIVALENTS, beginning of period	233.3	120.7
CASH AND CASH EQUIVALENTS, end of period	$ 177.2	$ 143.7

The accompanying notes are an integral part of these financial statements.

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of The Premcor Refining Group Inc.

We have reviewed the accompanying condensed consolidated balance sheet of The Premcor Refining Group Inc. and subsidiaries (the Company) as of March 31, 2005, and the related condensed consolidated statements of operations and of cash flows for the three-month periods ended March 31, 2005 and 2004. These interim financial statements are the responsibility of the Company s management.

We conducted our review in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board (United States), the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to such condensed consolidated interim financial statements for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet of Premcor Inc. and subsidiaries (the Company) as of December 31, 2004, and the related consolidated statements of income, stockholders equity, and cash flows for the year then ended; and in our report dated March 1, 2005, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of December 31, 2004 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Deloitte & Touche LLP

Stamford, Connecticut

April 28, 2005

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The Premcor Refining Group Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(unaudited, in millions, except share data)

	March 31, 2005	December 31, 2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 157.2	$ 230.5
Short-term investments	209.6	378.7
Restricted cash and cash equivalents	57.4	69.1
Accounts receivable, net of allowance of $3.3 and $3.3	554.7	708.3
Receivables from affiliates	129.8	119.7
Inventories	975.4	772.6
Prepaid expenses and other	200.7	155.6
Deferred income taxes	28.5	69.5
Total current assets	2,313.3	2,504.0
Property, plant and equipment, net	2,942.4	2,846.5
Goodwill	75.0	27.6
Other assets	272.4	219.5
	$ 5,603.1	$ 5,597.6
LIABILITIES AND STOCKHOLDER S EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 838.0	$ 992.8
Payables to affiliates	95.1	124.4
Accrued expenses and other	265.5	231.7
Accrued taxes other than income	47.2	70.5
Current portion of long-term debt	46.4	38.5
Total current liabilities	1,292.2	1,457.9
Long-term debt	1,756.8	1,779.1
Deferred income taxes	225.9	277.5
Other long-term liabilities	181.4	180.6
Commitments and contingencies		
COMMON STOCKHOLDER S EQUITY:		
Common, $0.01 par value per share, 1,000 authorized, 100 issued and outstanding		
Additional paid-in capital	1,433.2	1,237.4
Retained earnings	713.6	665.1
Total common stockholder s equity	2,146.8	1,902.5
	$ 5,603.1	$ 5,597.6

The accompanying notes are an integral part of these financial statements.

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The Premcor Refining Group Inc. and Subsidiaries

Condensed Consolidated Statements of Operations

(unaudited, in millions)

	For the Three Months Ended March 31,	
	2005	**2004**
NET SALES AND OPERATING REVENUES	$ 4,161.3	$ 2,551.1
EXPENSES:		
Cost of sales	3,621.5	2,236.4
Operating expenses	231.9	146.2
General and administrative expenses	41.4	22.1
Depreciation	25.8	17.5
Amortization	19.9	16.2
Refinery restructuring and other charges	4.1	4.6
	3,944.6	2,443.0
OPERATING INCOME	216.7	108.1
Interest and finance expense	(30.0)	(31.1)
Interest income	2.8	1.7
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	189.5	78.7
Income tax provision	(65.0)	(29.1)
INCOME FROM CONTINUING OPERATIONS	124.5	49.6
Loss from discontinued operations, net of income tax benefit of $0.9 for 2005; $0.1 for 2004	(1.5)	(0.3)
NET INCOME	$ 123.0	$ 49.3

The accompanying notes are an integral part of these financial statements.

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The Premcor Refining Group Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows

(unaudited, in millions)

	For the Three Months Ended March 31,	
	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 123.0	$ 49.3
Adjustments:		
Loss from discontinued operations	1.5	0.3
Depreciation	25.8	17.5
Amortization	22.0	18.3
Deferred income taxes	(10.6)	25.7
Stock-based compensation	5.1	4.9
Refinery restructuring and other charges		(0.7)
Other, net	(2.2)	0.9
Cash provided by (reinvested in) working capital:		
Accounts receivable, prepaid expenses and other	108.5	166.8
Inventories	(202.8)	61.4
Accounts payable, accrued expenses, taxes other than income, and other	(139.6)	(260.4)
Affiliate receivables and payables	76.9	2.2
Restricted cash and cash equivalents	7.0	8.0
Net cash provided by operating activities of continuing operations	14.6	94.2
Net cash used in operating activities of discontinued operations	(0.8)	(1.0)
Net cash provided by operating activities	13.8	93.2
CASH FLOWS FROM INVESTING ACTIVITIES:		
Expenditures for property, plant and equipment	(178.3)	(85.1)
Expenditures for turnaround	(68.2)	(52.9)
Net sales of short-term investments	168.7	71.9
Net cash used in investing activities	(77.8)	(66.1)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Long-term debt and capital lease payments	(14.4)	(10.0)
Cash and cash equivalents restricted for debt repayment	5.1	3.7
Net cash used in financing activities	(9.3)	(6.3)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(73.3)	20.8
CASH AND CASH EQUIVALENTS, beginning of period	230.5	118.9
CASH AND CASH EQUIVALENTS, end of period	$ 157.2	$ 139.7

The accompanying notes are an integral part of these financial statements.

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FORM 10-Q PART I

ITEM 1. FINANCIAL STATEMENTS (continued)

Premcor Inc. and Subsidiaries

The Premcor Refining Group Inc. and Subsidiaries

Notes to Condensed Consolidated Financial Statements (Unaudited)

March 31, 2005

(Tabular amounts in millions, except per share data)

1. Nature of Business and Basis of Preparation

Premcor Inc., together with its consolidated subsidiaries (the Company), is an independent petroleum refiner and supplier of unbranded transportation fuels, heating oil, petrochemical feedstocks, petroleum coke and other petroleum products. Premcor Inc. owns all of the outstanding common stock of Premcor USA Inc. (Premcor USA), and Premcor USA owns all of the outstanding common stock of The Premcor Refining Group Inc. (together with its consolidated subsidiaries, PRG). The Premcor Refining Group Inc. and its indirect subsidiary, Port Arthur Coker Company L.P. (PACC), are Premcor Inc. s principal operating subsidiaries. PRG owns and operates four refineries with a combined total throughput capacity of approximately 800,000 barrels per day (bpd). The refineries are located in Port Arthur, Texas; Lima, Ohio; Memphis, Tennessee and Delaware City, Delaware.

All of the operations of the Company are in the United States. These operations are related to the refining of crude oil and other petroleum feedstocks into petroleum products and are all considered part of one business segment. The Company s earnings and cash flows from operations are primarily dependent upon processing crude oil and selling quantities of refined petroleum products at margins sufficient to cover operating expenses. Crude oil and refined petroleum products are commodities, and factors out of the Company s control can cause these commodity prices to vary, in a wide range, over a short period of time. This potential margin volatility can have a material effect on the Company s financial position, earnings, and cash flows.

The accompanying unaudited condensed consolidated financial statements of Premcor Inc., The Premcor Refining Group Inc., and their respective subsidiaries, are presented pursuant to the rules and regulations of the United States Securities and Exchange Commission in accordance with the disclosure requirements for the quarterly report on Form 10-Q. In the opinion of the management of the Company, the unaudited condensed consolidated financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary to fairly state the results for the interim periods presented. Operating results for the three months ended March 31, 2005 are not necessarily indicative of the results that may be expected for the year ended December 31, 2005. These unaudited condensed consolidated notes apply equally to the Company and PRG unless otherwise noted. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes included in Premcor Inc. s and PRG s Annual Report on Form 10-K for the year ended December 31, 2004.

The statement of cash flows for the three months ended March 31, 2004 has been reclassified to conform to current period presentation for auction rate securities and expenditures for property, plant and equipment. These reclassifications have no effect on the current or previously reported statements of operations or balance sheet. Refer to Footnote 14 for further information.

On April 25, 2005 Valero Energy Corporation (Valero) and Premcor announced that the companies had entered into an Agreement and Plan of Merger, whereby Premcor will be merged with and into Valero, with Valero as the surviving corporation. Refer to Footnote 18 for further information.

2. Acquisitions

Effective May 1, 2004, the Company completed an agreement with Motiva Enterprises LLC (Motiva) to purchase its Delaware City refining complex located in Delaware City, Delaware. The Delaware City refinery has a rated crude unit throughput capacity of approximately 190,000 bpd. Also included in the purchase was a 2,400 tons per day petroleum coke gasification unit, a 180 megawatt cogeneration facility, 8.5 million barrels of crude oil, intermediates, blendstock, and product tankage and a 50,000 bpd truck-loading rack. The purchase price was $800 million ($780 million cash and $20 million assumed liabilities), plus additional petroleum inventories valued at $90 million and approximately $2 million in transaction fees. In addition, Motiva will be entitled to receive contingent purchase payments of $25 million per year up to a total of $75 million over a three-year period depending on the amount of crude oil processed at the refinery and the level of refining margins during that period, and a $25 million payment per year up to a total of $50 million over a two-year period depending on the achievement of certain performance criteria at the gasification facility. Any amount the Company pays to Motiva for the contingent consideration will be recorded as goodwill and will be subject to an annual impairment measurement test.

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The Delaware City refinery is a high-conversion medium and heavy high-sulfur crude oil refinery. Major process units include a crude unit, a reformer unit, a fluid catalytic cracking unit, a fluid coking unit, a high pressure hydrocracking unit and a coke gasification unit. Primary products include regular and premium conventional and reformulated gasoline, low-sulfur diesel and home heating oil. The refinery s production is sold in the U.S. Northeast via pipeline, barge and truck distribution. The refinery s petroleum coke production is sold to third parties or gasified to fuel in the cogeneration facility, which is designed to supply electricity and steam to the refinery as well as outside electrical sales to third parties.

The Company financed the acquisition from a portion of the proceeds from its April 2004 public common stock offering of 14.9 million shares which provided net proceeds of $490 million; from PRG s $400 million senior notes offering completed April 2004 of which $200 million, due in 2011, bear interest at 6 1/8% per annum and $200 million, due in 2014, bear interest at 6¾% per annum; and from available cash.

The acquisition of the Delaware City refinery assets was accounted for using the purchase method, and the results of operations of these assets have been included in our results from the date of acquisition. In the fourth quarter of 2004, we adjusted the purchase price allocation based on management s evaluation of independent appraisals and other information. The adjusted preliminary purchase price allocation, which will be finalized in the second quarter, is as follows:

Current assets	$ 128.3
Property, plant & equipment	756.0
Other assets	4.4
Accrued expenses and other	(1.6)
Other long-term liabilities	(15.8)
Total purchase price allocation	$ 871.3

In conjunction with the acquisition of the Delaware City refinery, the Company entered into an agreement, effective May 1, 2004, with the Saudi Arabian Oil Company for the supply of 105,000 bpd of crude oil; however, due to certain quota restrictions the current supply is 85,000 bpd. The agreement has terms extending to April 30, 2005, with automatic one-year extensions thereafter unless terminated at the option of either party. The contract has been renewed effective May 1, 2005. The crude oil is priced by a market-based formula as defined in the agreement. The Company also entered into a product offtake agreement with Motiva that provides for the delivery by Premcor to Motiva of approximately 36,700 bpd of finished light petroleum products, such as gasoline and heating oil. The agreement was effective May 1, 2004, and the main portion of the offtake agreement has terms extending for six months with automatic renewals until canceled by either party. Both Premcor and Motiva have decided not to renew the contract and as of April 30, 2005, the contract will expire.

3. Inventories

The carrying value of inventories consisted of the following:

	March 31, 2005	December 31, 2004
Crude oil	$ 469.3	$ 324.1
Refined products and blendstocks	469.6	411.3

Warehouse stock and other	36.5	37.2
	$ 975.4	$ 772.6

The market value of crude oil, refined products and blendstock inventories as of March 31, 2005 was approximately $709.8 million (December 31, 2004 - $379.8 million) above carrying value.

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4. Other Assets

Other assets consisted of the following:

	March 31, 2005	December 31, 2004
Deferred turnaround costs	$ 211.3	$ 160.2
Deferred financing costs	37.4	39.4
Intangible assets	7.9	10.4
Pension assets and other	15.8	9.5
	$ 272.4	$ 219.5

Amortization of deferred financing costs for the three months ended March 31, 2005 and 2004 was $2.1 million and $2.1 million, respectively, for both the Company and PRG, and is included in Interest and finance expense.

5. Goodwill and Intangible Assets

During the three months ended March 31, 2005, the Company recorded $47.4 million to goodwill related to the earn-out agreement entered into with The Williams Companies, Inc. in conjunction with the Memphis acquisition. Such goodwill will not be amortized, but will be subject to an annual impairment evaluation.

Goodwill and intangible assets were comprised of the following as of March 31, 2005:

	Gross carrying amount	Accumulated amortization	Net amount
Goodwill	$ 75.0	$	$ 75.0
Customer contract	$ 5.4	$ (0.3)	$ 5.1
Environmental credits	3.1	(2.6)	0.5
Environmental permits	2.4	(0.1)	2.3
Total intangible assets	$ 10.9	$ (3.0)	$ 7.9

Amortization expense for the three months ended March 31, 2005 and 2004 was $2.5 million and $0.1 million, respectively.

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6. Employee Benefit Plans

The following table provides the components of net periodic benefit cost for the three months ended March 31:

	Pension Benefits		Other Postretirement Benefits	
	2005	2004	2005	2004
Service cost	$ 4.8	$ 1.9	$ 1.2	$ 0.8
Interest cost	0.5	0.2	1.9	1.7
Recognized actuarial loss	0.2		0.7	0.6
Expected return on plan assets	(0.4)	(0.1)		
Amortization of prior service costs		0.1	(0.1)	(0.1)
Net periodic benefit cost	5.1	2.1	3.7	3.0
Special termination benefits	1.8			
Total net periodic benefit cost	$ 6.9	$ 2.1	$ 3.7	$ 3.0

As of December 31, 2004, the Company expected to contribute a total of $20 million to its pension plans in 2005 and this estimate has not changed as of March 31, 2005. The Company did not make any contributions to its pension plans in the quarter ended March 31, 2005.

In May 2004, the FASB issued FSP 106-2 *Accounting and Disclosure Requirements related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003* (FSP 106-2). The Company has applied FSP 106-2 retroactively to the date of enactment. The impact of adopting FSP 106-2 resulted in a reduction in the Company s accumulated projected benefit obligation (APBO) of $15.5 million for 2004 and no reduction to net periodic pension cost for the three months ended March 31, 2004. The Company s actuaries have determined the plan is actuarially equivalent. The Company is currently evaluating the expected gross receipts to be received from the subsidy; no subsidies have been received as of March 31, 2005.

7. Refinery Restructuring and Other Charges

During the three months ended March 31, 2005, the Company recorded refinery restructuring and other charges of $4.1 million. The charges relate to litigation and environmental matters at closed refineries.

During the three months ended March 31, 2004, the Company recorded refinery restructuring and other charges of $4.6 million, which included a $4.0 million charge related to the St. Louis administrative office closure and $0.6 million related to legal expenses associated with litigation and environmental matters at closed refineries. Below is further discussion of the administrative function restructuring.

Administrative Restructuring. In 2002, the Company began a restructuring of its administrative functions. In May 2003, the Company announced that it would be closing the St. Louis office and moving the administrative functions to the Connecticut office over the next twelve months. The office move, which was completed in 2004, cost $14.8 million, which included $4.3 million of severance related benefits and $10.5 million of other costs such as training, relocation and the movement of physical assets. The severance related costs were amortized over the future service period of the affected employees and the other costs were expensed as incurred.

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8. Interest and Finance Expense

Interest and finance expense included in the Company and PRG s statements of operations consisted of the following for the three months ended March 31:

	Premcor Inc.	PRG