



ENERGY ASSURANCE DAILY

Friday, June 02, 2006

Major Developments

Severe Storms Cause Refinery Outages in Texas and Delaware; Corpus Christi Harbor Closed by Fire and Oil Spill

Corpus Christi was hit hard by severe thunderstorms early on the morning of June 1. Outages resulted at refineries of Valero Energy, Citgo Petroleum and Flint Hills. Production at Valero's 340,000 b/d was reduced by 70,000 b/d (50,000 b/d of gasoline and 20,000 b/d of distillate); several units were reported shut at the Flint Hills facility and production was affected at both the Flint Hills and Citgo refineries.

Severe weather also played a somewhat indirect role in the refinery problems when it contributed to an outage at the Calpine Corpus Christi Energy Center (see story in the Electricity section). The facility supplies steam to the Citgo and Flint Hills Resources refineries in the Corpus Christi area. Steam was restored to the Citgo plant by mid-afternoon and the refinery is restarting a gasoline-producing fluidic catalytic cracking unit. Valero anticipates a return to normal operations by sometime on June 3. Valero also has shut a 51,000 b/d reformer at its Port Arthur, Texas refinery because of mechanical problems. It is estimated that the repairs will take ten days to two weeks to complete.

The heavy storm that struck early on the morning of June 1 also led to a release of oily water into the ship channel at the Citgo refinery and caused a fire that severely damaged a dock and caused a spill of oily wastewater when a tank at the Valero refinery was hit by lightning. As a result, the inner harbor at Corpus Christi is closed. According to the latest information from the U.S. Coast Guard, the inner harbor remains closed. However, it is expected that portions of the harbor will reopen to daytime traffic later today and that the situation will be evaluated regarding reopening portions of the harbor to limited nighttime traffic under escort.

In addition, on June 2 lightning struck the 210,000 b/d Valero Delaware City refinery in Delaware shutting several units. The company anticipates that operations will be at normal levels sometime later in the day and that production will not be impacted by the problem.

OPIS Alert, 05:19 June 2, 2006

OPIS Alert, 17:19 June 1, 2006

Bloomberg, 13:38 June 2, 2006

Reuters, 14:13 June 2, 2006

Reuters, 14:58 June 1, 2006

Reuters, 17:15 June 1, 2006

http://biz.yahoo.com/ap/060601/valero_refinery_fire.html?v=2

Electricity

Power Outages and Interruptions Hit Downtown Chicago Buildings

A ComEd transformer created surges that knocked out power to several major buildings in downtown Chicago after it was soaked by a broken water line June 1. Other building in the area experienced momentary interruptions in power supply.

http://cbs2chicago.com/seenon/local_story_152165308.html

<http://www.chicagotribune.com/news/custom/newsroom/chi-060601outage.1.5250027.story?coll=chi-news-hed>

Severe Storms Knock Out Power to 49,000 CL&P Customers in Connecticut June 1

<http://www.wtnh.com/global/story.asp?s=4977430&ClientType=Printable>

<http://news.newstimeslive.com/story.php?id=85237&category=Local>

Generator Failures Cut Power to 37,000 HECO Customers in Hawaii June 1

Three generators failed while five others where down for routine maintenance on the island of O'ahu, cutting power to thousands of Hawaii Electric Co. customers for four hours.

<http://the.honoluluadvertiser.com/article/2006/Jun/02/In/FP606020352.html/?print=on>

<http://www.thehawaiiichannel.com/news/9309119/detail.html>

ERCOT Projects Texas Electric Reserves to be too Low by 2008

The Electric Reliability Council of Texas said on Thursday that the state's summer reserves would fall below the required 12.5 percent needed in July and August by 2008. The reserves would fall even further in 2009, 2010 and 2011 based on projections of new electricity production and on future demand.

Reuters, 14:24 June 1, 2006

Update: Mirant's 482 MW Potomac River Coal-fired Plant in Virginia Gets Approval to Ramp up to Capacity

The Department of Energy and the U.S. Environmental Protection Agency came to the agreement which allows the plant to gear up its electricity production as long as air quality standards are met. The plant in Alexandria, Virginia had been running at about half its capacity since December 2005 when the Department of Energy ordered it re-opened to ensure reliability of electricity delivery to the Washington, DC area. The plant had been closed in August 2005 due to violations of air quality standards.

reliability in the Central D.C. area, the company said.

Reuters, 11:27 June 2, 2006 and Bloomberg News, 14:26 June 2, 2006

DTE Energy's 1,111 MW Fermi 2 Nuke Unit in Michigan Returns to Full Power June 1

The unit, which was at 83 percent capacity a day earlier, shut on May 20 to replace a leaking fuel rod.

Reuters, 18:34 June 1, 2006

Update: Aquila's 341 MW Gas-fired South Harper Peaking Unit in Missouri to Resume Operation June 2

In January, a judge ordered Aquila to bulldoze the plant unless it obtained local and state approval by May 31 but a ruling yesterday in a Cass County Circuit Court granted Aquila authority to operate the plant.

http://www.businessweek.com/ap/financialnews/D8HVKE4G0.htm?sub=apn_home_down&chan=db

<http://www.primezone.com/newsroom/news.html?id=100078>

Calpine's 537 MW Corpus Christi Gas-fired Unit in Texas Returns to Full Power June 1

The unit had an unplanned outage overnight. Weather was a factor in the unplanned outage but not the root cause which is under investigation.

Reuters, 14:58 June 1, 2006

Dominion's 495 MW Manchester Street Gas-fired Unit in Rhode Island Returns to Full Power

A roof fire on May 29 forced a partial, precautionary shutdown.

http://www.projo.com/metro/content/projo_20060531_fire31.17c29d2e.html

Xcel's 522 MW Prairie Island 1 Nuke Unit in Minnesota Restarts June 2

Reuters, 13:29 June 2, 2006

Update: TVA to Replace Rotor at Shut 1,121 MW Watts Barr Nuke in Tennessee

The Tennessee Valley Authority will replace a low-pressure turbine rotor at the plant. The plant shut on May 30 to investigate a vibration. TVA has not commented on the length of the outage.

Reuters, 10:19 June 2, 2006

TXU's 750 MW Martin Lake 3 Coal-fired Unit in Texas Shut June 2

The company shut the unit to fix a boiler tube leak.

Reuters 08:29 June 2, 2006

Reuters, 13:29 June 2, 2006

LS Power Breaks Ground on Coal-fired Plum Point Energy Station in Arkansas

The plant is expected to be finished in 2010.

http://www.myeyewitnessnews.com/news/tristate/story.aspx?content_id=49BF667B-389A-485A-A7B5-0CBA1B63053D

Duke Plans to Revamp Cliffside Steam Station in North Carolina

Duke Energy Carolinas has applied to the North Carolina Utilities Commission to construct two 800 MW base-load coal plants and close four units at the site.

<http://biz.yahoo.com/bizj/060602/1297205.html?v=1>

Petroleum

Lightning Strikes Kinder Morgan Terminal Tank in Texas

Lightning struck a tank holding 170,000 barrels of Naphtha at an oil products terminal in Pasadena, Texas, on Thursday, starting a fire which was extinguished about 5 p.m. Thursday. The terminal resumed operations by 9:00 pm Thursday.

Reuters, 10:51 June 2, 2006

BP Discovers Leaks at Thunder Horse Platform in Gulf of Mexico

The target to start oil and gas production on the massive platform was the second half of 2006. Before being damaged by Hurricane Dennis in July 2005, initial production was slated for late July 2005. Production is expected to be about 250,000 barrels per day of crude oil and 200 million cubic feet of gas per day.

Bloomberg News, 14:01 June 2, 2006

Eight Expatriate Oil Workers Kidnapped From Nigerian Rig

Some 20 to 30 militants abducted eight expatriate oil workers from the Bulford Dolphin oil rig 40 miles off Nigeria's coast in a nighttime raid. Six hostages are British, one is Canadian and one is American. The rig is an exploration rig that is not expected to produce any crude for several years. It is not clear whether the Movement for the Emancipation of the Niger Delta (MEND) is responsible.

<http://www.alertnet.org/thenews/newsdesk/L02407286.htm>

U.S. Navy Protecting Nigerian Offshore Oil Facilities

A Nigerian newspaper reports that the U.S. Naval presence in the Gulf of Guinea is intended to protect Nigerian oil facilities from terrorists. The newspaper reported that the U.S. Navy was patrolling the Gulf of Guinea, home to Shell's 200,000 b/d Bonga Project and ExxonMobil's 50,000 b/d Erha Project. Later this year, the two projects are expected to ramp up to 225,000 b/d and 190,000 b/d respectively. Nigeria supplied 8 percent of U.S. oil import in 2005.

<http://www.upi.com/Energy/view.php?StoryID=20060601-114359-1961r>

Reuters, 6:16 April 7, 2006

State of Emergency Declared in Iraq's Oil-Rich Basra Region

Iraq's prime minister has declared a state of emergency in Basra as sectarian and militia violence from Baghdad has spread into the region. The state of emergency broadens arrest powers for the Iraqi security services and establishes an evening curfew. Because sabotage has already shut the northern pipeline to Turkey, Basra is Iraq's only export route. Oil contract sales from Iraq have averaged 1.57 million b/d so far this year. Iraq supplied 3.5 percent of U.S. oil imports in 2005.

<http://www.dallasnews.com/sharedcontent/dws/news/world/stories/060106dnintiraqrdp.1cb1f6c4.html>

Energy Assurance Daily, May 26, 2006.

Alberta's Oil Sands' Bitumen Production to Triple by 2015 - NEB

Canada's National Energy Board has said that bitumen production from Alberta's oil sands is expected to almost triple by 2015 to 3 million b/d. The latest estimate is a 40 percent increase from estimates made by the NEB in 2004. Canada is the United States' top foreign oil supplier

<http://www.platts.com/Oil/News/7498760.xml?p=Oil/News&sub=Oil>

Chevron Says More Pipelines Are Needed to Bypass Turkish Straits

The Straits are often crowded and result in delays in the shipment of Russian crude oil.
Bloomberg News, 11:21 June 2, 2006

Natural Gas

Kinder Morgan Lifts Force Majeure on Caspar, Wyoming Natural Gas Line

The force majeure was declared on May 31 due to repairs that were required at its Caspar, Wyoming compressor station. Note that capacity will be limited from June 6 through June 16 due to scheduled maintenance at the Caspar station.

Reuters, 12:07 June 2, 2006

Kinder Morgan Plans New Louisiana Natural Gas Pipeline in Louisiana

Kinder Morgan is planning to build a pipeline that will provide natural gas to various delivery points in Cameron, Calcasieu, Jefferson Davis, Acadia and Evangeline Parishes in Louisiana.

http://www.kindermorgan.com/business/gas_pipelines/KMLP/

BP Discovers Leaks at Thunder Horse Platform in Gulf of Mexico

See article on BP's Thunder Horse platform under Petroleum section above.

Other News

U.S. Coast Guard Wants to Discuss Restricting Vessels Near Oil Refineries

The head of the U.S. Coast Guard, Admiral Thad Allen suggested limiting access to some craft near refineries or requiring some type of identification for boats if allowed to operated near the refineries.

Reuters, 10:57 June 2, 2006

Energy Prices

U.S. Oil and Gas Prices			
June 2, 2006			
	Today	Week Ago	Year Ago
CRUDE OIL West Texas Intermediate U.S. \$/Barrel	72.70	70.80	53.46
NATURAL GAS Henry Hub \$/Million Btu	6.23	5.85	6.30

Source: Reuters

Energy Notes

Coast Guard Reopens Mobile Ship Channel, Coal Deliveries Resume

<http://www.platts.com/Coal/News/7495188.xml?p=Coal/News&sub=Coal>

Nigeria Proposes That Sudan and Angola Join OPEC

<http://www.upi.com/Energy/view.php?StoryID=20060601-052945-7717r>

U.S. Senators: U.S. Oil Shale May Help Reduce U.S. Reliance on Imported Oil

Reuters, 19:17 June 1, 2006

Tech Union Settles Weeklong Strike Against Cleveland Public Power

http://pro.energycentral.com/professional/news/power/news_article.cfm?id=6748042

Huge Rock Slide Threatens to Break 72 kV Power Line in Yosemite National Park

<http://www.cnn.com/2006/US/06/01/yosemite.road.ap/index.html>

Oregon Prepares for Possible 64.7 Percent Increase in Power Generation

www.IndustrialInfo.com

California Adding Two New Plants with Total of 191 MW in June 2006

Reuters, 12:15 June 2, 2006

Links

This Week in Petroleum from the Energy Information Administration (EIA)

<http://tonto.eia.doe.gov/oog/info/twip/twip.asp>

Updated every Wednesday.

Weekly Petroleum Status Report from EIA

http://www.eia.doe.gov/oil_gas/petroleum/data_publications/weekly_petroleum_status_report/wpsr.html

Updated after 10:30 AM & 1:00 PM EST every Wednesday.

Natural Gas Weekly Update from EIA

<http://tonto.eia.doe.gov/oog/info/ngw/ngupdate.asp>

Updated after 2:00 PM EST every Thursday.

ENERGY ASSURANCE DAILY

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<http://www.oe.netl.doe.gov/index.aspx>.

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