



ENERGY ASSURANCE DAILY

Wednesday Evening, January 26, 2011

Major Developments

Hovensa to Permanently Shut Multiple Processing Units, Reduce Capacity by 150,000 b/d at Existing 500,000 b/d St. Croix, U.S. Virgin Islands Refinery

Hovensa L.L.C. plans to shut down certain processing units on the west side of its St. Croix, U.S. Virgin Islands refinery, reducing the overall facility's crude oil distillation capacity from 500,000 b/d to 350,000 b/d, the company said on January 26. "Simplifying our operations by eliminating some older, smaller process units is expected to result in improved efficiency, reliability, and competitiveness," Hovensa's Interim COO said. Hovensa canceled plans to perform turnarounds at the units it intends to shut down. The company expects to complete the reconfiguration in the first quarter of 2011; the shutdowns would not impact the capacity of the facility's coker or fluid catalytic cracking unit. Separately at St. Croix, Hovensa agreed to pay a civil penalty of more than \$5.3 million and spend more than \$700 million in new pollution controls, the U.S. Environmental Protection Agency (EPA) and the U.S. Department of Justice said on January 26.

<http://phx.corporate-ir.net/phoenix.zhtml?c=101801&p=irol-newsArticle&ID=1520023&highlight=http://yosemite.epa.gov/opa/admpress.nsf/d0cf6618525a9efb85257359003fb69d/2e321f78933fa2e685257824005812cd!OpenDocument>

Reuters, 07:44 January 26, 2011

Electricity

Substation Fire Cuts Power Briefly to 35,000 Dominion Virginia Power Customers, Knocks Offline Company's 760 MW Chesapeake Coal-Fired Power Plant in Virginia January 26

All four coal-fired units at Dominion Resources Inc.'s 760 MW Chesapeake Energy Center shut automatically after a small fire at the facility's substation on January 26, multiple news and company sources reported. The incident also cut off electricity to a transmission line, knocking out power briefly to about 35,000 Dominion Virginia Power customers. The fire was quickly extinguished, there were no injuries, and the company restored electricity to the affected homes in less than an hour. It was not clear when the units might return to service; since the blaze occurred in the substation, however, Dominion did not anticipate that the plant sustained any damage.

<http://www.wvec.com/news/Fire-causes-explosion-outages--114636374.html>

<http://www.reuters.com/article/idUSN2613456420110126>

<http://www.bloomberg.com/news/2011-01-26/dominion-says-switchyard-breaker-failed-at-virginia-power-plant.html?cmpid=yhoo>

<http://www.dom.com/about/stations/fossil/chesapeake-energy-center.jsp>

Storms Knock Out Power to 31,000 Customers in Florida January 25

Storms cut power to 28,000 Progress Energy customers and 3,000 Withlacoochee River Electric Cooperative customers in Florida on January 25, multiple news and company sources said. Withlacoochee restored power to all but 400 customers by yesterday evening; fewer than 400 Progress Energy customers remained without power as of latest reports.

<http://progress-energy.com/shared/outages/fla/default.aspx>

<http://www.wesh.com/r/26617595/detail.html>

Duke Energy Restarts 1,100 MW McGuire Nuclear Unit 2 in North Carolina, Ramps up 1,100 MW McGuire Nuclear Unit 1 to 90 Percent by January 26

Technical specifications required the company to begin shutting both units at the 2,200 MW McGuire nuclear power plant in North Carolina on January 20, two days after "the 1B and 2B trains of Nuclear Service Water Systems were declared inoperable," the company said in a previous filing with the Nuclear Regulatory Commission (NRC). Specifically, Duke Energy had to shut the units "due to the lack of reasonable assurance" that the trains could operate in a seismic event. Duke said the trains had become inoperable due to "fouling... caused by fish being sucked into the RN train suction strainers." The company ramped up Unit 1 to 90 percent power by January 26, from 20 percent power on January 25. It ramped up Unit 2 to 1 percent power by January 26; the unit was offline on January 25, according to the NRC.

<http://www.nrc.gov/reading-rm/doc-collections/event-status/event/2011/20110121en.html>

Information also derived from the NRC Power Reactor Status Reports:

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2011/>

Entergy's 730 MW Palisades Nuclear Unit in Michigan at Full Power by January 26

The unit shut automatically on January 22 due to the "loss of generator load," the company said in a previous filing with the Nuclear Regulatory Commission (NRC). The NRC reported that on the morning of January 25 the unit was operating at 6 percent.

<http://www.nrc.gov/reading-rm/doc-collections/event-status/event/2011/20110124en.html>

Information also derived from the NRC Power Reactor Status Reports:

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2011/>

Luminant to Reduce 793 MW Martin Lake Coal-Fired Unit 3 in Texas January 25-26

Luminant expected to reduce the unit as it performed "electrical maintenance... on a malfunctioning transformer controlling the B-side north-center rappers," the company said in a filing with state regulators. It was not clear when the unit might resume normal service.

<http://www11.tceq.state.tx.us/oce/ee/index.cfm?fuseaction=main.getDetails&target=149801>

Petroleum

CITGO Starts Up New 42,500 b/d ULSD Process Unit at 163,000 b/d Corpus Christi, Texas Refinery

The Ultra Low Sulfur Diesel (ULSD) unit has been in operation since December; CITGO announced its start-up on January 26. With the completion of the unit, CITGO is now able to produce 100 percent ULSD at all of its refineries.

http://us.vocuspr.com/Newsroom/Query.aspx?SiteName=Citgo&Entity=PRAsset&SF_PRAsset_PRAssetID_EQ=119160&XSL=PressRelease&Cache=True&SubMenu=Releases

Unit Upset Triggers Flaring at BP's 405,000 b/d Whiting, Indiana Refinery January 25

It was not clear which unit was affected or whether the incident had any impact on production.

<http://www.reuters.com/article/idUSWNAB681620110126>

After January 25 Snag, Tesoro Begins Restarting Process Unit at 96,860 b/d Wilmington, California Refinery January 26

Tesoro expected to return the facility to full operations by January 26. The incident did not impact production, the company said previously.

<http://www.reuters.com/article/idUSWNAB681120110126>

Reuters, 10:36 January 26, 2011

Fire Leads Sinclair to Evacuate Workers at 60,000 b/d Rawlins, Wyoming Refinery January 23

The fire broke out inside a dust-collection device, but on-site responders extinguished the blaze and the evacuated employees were authorized to return within hours, the refinery's safety manager said. The incident occurred as the company restarted a fluid catalytic cracking unit (FCC); that unit shut due to a power outage on January 22, according to a state regulatory official.

<http://www.bloomberg.com/news/2011-01-25/top-oil-market-news-oil-falls-hess-sells-forties-at-discount.html>

http://trib.com/news/state-and-regional/article_1ef17c80-3d5a-5353-95a7-75fe12ff3a66.html

After Power Failure, Tesoro Resumes Normal Operations at 58,000 b/d Salt Lake City, Utah Refinery January 25-26

“Difficulties experienced from cable-installation activities” led to a total power failure at Tesoro’s 58,000 b/d Salt Lake City, Utah refinery on January 25, but the incident did not impact the site’s “ability to meet regional customer supply obligations” and workers resumed normal operations by January 26, a company spokesman said. The incident caused a sulfur dioxide release, the company said in a filing with the National Response Center.

<http://www.bloomberg.com/news/2011-01-26/tesoro-utah-plant-operations-normal-after-power-loss-update1-.html>

Update: After January 19 Fire, Alkylation Unit Remains Offline at Tesoro’s 58,000 b/d Mandan, North Dakota Refinery January 26

Despite the fire, Tesoro continued to meet its “regional product supply commitments,” a spokesman said on January 26. The company will have to fix a heater at the alkylation unit and has not yet established when it might return the unit to service.

Reuters, 10:48 January 26, 2011

<http://www.reuters.com/article/idUSWEN603920110124>

Silver Eagle Refining Restarts 5,000 b/d Vacuum Distillation Unit at 10,250 b/d Woods Cross, Utah Refinery by January 25

The company shut the entire facility after a November 2009 explosion.

<http://af.reuters.com/article/energyOilNews/idAFN2528100820110125>

Update: Citing Sufficient Contractual Support, TransCanada to Proceed with 150,000 b/d, Oklahoma-to-U.S. Gulf Coast Cushing Marketlink Crude Oil Pipeline Project

TransCanada Corporation has received sufficient contractual support to proceed with the project, it said on January 26. The line would connect to facilities that form part of the company’s proposed Keystone XL pipeline system. It would deliver crude oil from Cushing, Oklahoma to a delivery point near existing terminals in Nederland, Texas, according to a previous company release. Pending necessary regulatory approvals, TransCanada expects to open the project in the first quarter of 2013.

<http://www.transcanada.com/5634.html>

<http://www.transcanada.com/5467.html>

Mexico to Slash Maya Blend Crude Exports to United States by at Least 110,000 b/d, Beginning in Summer 2011

Mexico plans to complete an expansion at its Minatitlan refinery over the summer of 2011, and subsequently reduce Maya blend crude oil exports to the U.S. Gulf Coast by at least 110,000 b/d, Reuters said on January 26. The 110,000 b/d figure would account for “about 5 percent of the overall Gulf Coast market,” according to Reuters.

<http://www.reuters.com/article/idUSTRE70P1HJ20110126>

Natural Gas

Update: Ice to Blame for Pressure Spikes along Natural Gas Pipelines, Subsequent Fires in Fairport Harbor, Ohio January 24

The failure of a gas pressure regulator – triggered by the formation of ice – caused pressure to rise along residential natural gas pipelines and led to multiple house fires in Fairport Harbor, Ohio on January 24, a spokesman with the Ohio Public Utilities Commission said. Devices exploded in several homes, but no homes actually exploded, a local official said. Sources conflicted as to the number of destroyed homes: the Associated Press, citing the mayor, said seven homes had been destroyed, and another 23 had been damaged. The local Morning Journal, however, said eight homes, one garage, and an apartment complex had been “rendered uninhabitable.” All 3,000 of the town’s residents were briefly evacuated, but the mayor said the evacuation order was rescinded before the majority of the residents had left. Dominion East Ohio Gas Co., the affected utility, had inspected appliances and pipelines in nearly all of the town’s 1,500 homes, as of latest reports. The company had been unable to access 16 residents on January 25, but expected to inspect those homes on January 26. Its system was operating normally, as of latest reports.

<http://www.wkyc.com/news/local/story.aspx?storyid=171862&catid=45>

<http://morningjournal.com/articles/2011/01/26/news/doc4d400ae5f15ac692932271.txt>

<http://www.washingtonpost.com/wp-dyn/content/article/2011/01/26/AR2011012602313.html>

State DEP Investigating January 25 Well Control Incident at Talisman Energy-Operated Natural Gas Well in Pennsylvania

The Pennsylvania Department of Environmental Protection (DEP) is investigating a well control incident that occurred on January 17 at a Talisman Energy natural gas well located on state forest land in the Marcellus Shale of Tioga County, the DEP said on January 25. Talisman began having problems controlling the well in the early afternoon of January 17. The well was successfully shut in at about 3:45 PM that day. During the well control incident, which began during hydraulic fracturing of the well, fracking fluids and sand discharged from the well into the air. There was no fire or explosion, and it did not appear that a significant amount of natural gas was released. Talisman voluntarily shut down all of its hydraulic fracturing operations in North America as it investigates the cause of the incident. The DEP sent a notice of violation letter on Jan. 24 which requires the company to submit a sampling plan for the site, information on any fluids released, an analysis of the main cause of the incident, and changes to be implemented in all of its Marcellus operations as a result of the incident.

http://www.portal.state.pa.us/portal/server.pt/community/news_releases/14288

Amid Cold Weather, National Grid's New York City Area Customers Set All-Time Record for Natural Gas Consumption January 23-24

National Grid delivered 4.55 Bcf of natural gas to its 3.4 million customers in New England and New York between 10 AM on January 23 and 10 AM on January 24, falling just short of the company's all time record of 4.57 Bcf, established in January 2004. The company's New York City area customers, however, did set an all-time record – 1.24 Bcf of natural gas consumed – on January 23-24.

https://www.nationalgridus.com/niagaramohawk/a3-1_news2.asp?document=5783

Other News

California Ethanol & Power Plans 66 MMGal/Yr. Ethanol Plant and Associated 50 MW Power Plant

The project would process sugarcane, and then use bagasse to produce 50 MW of power, a company official said by January 25.

<http://biomassmagazine.com/articles/5247/bagasse-power/>

Energy Prices

U.S. Oil and Gas Prices January 26, 2011			
	Today	Week Ago	Year Ago
CRUDE OIL West Texas Intermediate U.S. \$/Barrel	85.85	91.22	74.66
NATURAL GAS Henry Hub \$/Million Btu	4.46	4.52	5.76

Source: Reuters

Energy Notes

Enfinity Breaks Ground on Proposed 36 MW Stardale Solar Power Project in East Hawkesbury, Ontario by January 26

<http://enfinity.ca/news/365-mw-plant>

Duke Energy, Sun Edison Announce Activation of Final Phases of 17.2 MW Solar Farm in Davidson County, North Carolina January 26

<http://www.memc.com/index.php?view=investors&c=106680&p=irol-news>

Primary Energy Recycling Company Plans 15 MW Expansion at Existing 75 MW North Lake Energy Facility in East Chicago, Indiana – Facility Recycles Blast Furnace Gas into Electricity

<http://www.prnewswire.com/news-releases/primary-energy-announces-interim-agreement-and-upgrade-of-the-north-lake-energy-facility-114596744.html>

Global Smart Grid Programs to Lead to 900 Percent Increase in Quantity of Data that Utilities Will Need to Manage over Next 10 Years

http://www.luxresearchinc.com/images/stories/brochures/Press_Releases/RELEASE_Smart_Grid_1_26_11.pdf

City of Naperville, Illinois to Deploy More than 57,000 Smart Meters by September 2012

<http://www.elster.com/en/detail.news.epl.html?id=1520004>

Update: Despite EPA's Objections, TCEQ Authorizes Air Permit for Las Brisas Energy Center, LLC's Proposed 1,320 MW Petroleum Coke-Fired Power Plant in Texas January 26

<http://www.caller.com/news/2011/jan/26/tceq-approves-las-brisas-air-permit/>

<http://www.chron.com/disp/story.mpl/metropolitan/7398861.html>

<http://www.lasbrisasenergy.com/location.html>

Pickup Crashes into 2,000-Gallon Fuel Tanker, Causing Explosion, Killing Two Drivers, and Forcing Shut Overpass in Florida January 21

<http://www.floridatoday.com/article/20110122/NEWS01/101220317/1006/Dental+records+to+ID+2+killed+in+fiery+crash>

Valve Break Causes Hundreds of Gallons of Propane to Spill from Tank, Triggers Local Evacuations in Georgia January 25 – Men Charged with Reckless Conduct, Accused of Improperly Moving Affected Tank

http://romenews-tribune.com/view/full_story/11114516/article-Propane-tank-leak-prompts-evacuation?instance=home_news_lead_story

Update: After January 25 Slowdown, ExxonMobil Resumes Normal Production at Sable Offshore Energy Project Offshore Nova Scotia January 26 - Facility Can Produce 400-500 MMcf/d of Natural Gas, 20,000 b/d of NGLs

<http://www.reuters.com/article/idUSN2526592320110125>

Reuters, 09:49 January 26, 2011

Heritage Oil Says Miran West Structure in Kurdistan, Iraq Contains Estimated 6.8-9.1 Tcf of Natural Gas, 42-71 Million Barrels of Condensate, 53-75 Million Barrels of Oil

<http://www.heritageoilplc.com/resource/3gdgcln9h10ffii44ogwwmos.pdf>

Three Arrested for Allegedly Stealing Copper from Alden Resource Coal Mine in Knox County, Kentucky – Theft Occurred by January 21

<http://www.kentucky.com/2011/01/25/1610410/3-caught-stealing-copper-from.html>

Savage Companies to Complete Multi-User Rail Terminal in Trenton, North Dakota by Late 2011 – Facility Would be Designed to Bring Large-Scale Rail Service to Bakken Formation, Would Include Capacity to Load and Ship Unit Trains of Crude Oil

<http://www.savageservices.com/press/index.php>

Farmers Begin Delivering Bales of Biomass to Storage Location at Site of POET's Proposed 25 MMGal/Yr. Cellulosic Ethanol Plant in Emmetsburg, Iowa by January 25
<http://www.renewableenergyworld.com/rea/partner/poet-7042/news/article/2011/01/farmers-now-delivering-biomass-to-poets-project-liberty-storage-site>

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/ead.aspx>

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