



U.S. DEPARTMENT OF ENERGY
Office of Electricity Delivery and
Energy Reliability

ENERGY ASSURANCE DAILY

Thursday, May 11, 2006

Electricity

FERC Says NERC Electricity Grid Plan Needs to Be Stronger

The U.S. Federal Energy Regulatory Commission has said that the North American Electric Reliability Council's plan for electric-grid reliability may not be strong enough to comply with the 2005 Energy Policy Act passed last year. Areas of concern include: blackout report recommendations, ambiguity, technical adequacy, measures and compliance, fill-in-the-blank standards, and applicability.

<http://www.ferc.gov/press-room/press-releases/2006/2006-2/05-11-06.asp>

Reuters 12:23, May 11, 2006

Salt River Project to Build 400 MW Coal-fired Unit at Springville Plant in Arizona

The newly announced unit 4 will add capacity to the plant which has two 400 MW units in operation and one 800 MW unit under construction that will begin operating later this year. Unit 4 is scheduled to begin operating in 2009 and will raise total capacity at the plant to 1,600 MW.

Reuters, 10:16 May 11, 2006

Elk Run Proposing 750 MW Coal-fired Plant in Iowa

LS Power affiliate, Elk Run Energy Associates, announced plans to construct a 750-megawatt, coal-fired power plant near Waterloo, Iowa. The company has initiated the beginning steps of the approval process.

<http://powermarketers.netcontentinc.net/newsreader.asp?ppa=8knpp%5E%5BhhfmsvWTeb%216C%29bfe1%5Dv>

SCE's 1,080 MW San Onofre 3 Nuke in California Ramps Up to 74 Percent May 11

The unit, which shut on March 29 to inspect some gaskets, was operating at 20 percent on May 10.

Reuters 07:22 May 11, 2006

Texas Sets One-Day Electric Use Record for May; Second Monthly Power Record in a Row Set May 9

Reuters 17:43 May 10, 2006

Petroleum

Chevron's 243,000 b/d Richmond Refinery in California Loses Crude Unit May 10

The loss of the unit caused intermittent flaring.

Reuters, 12:42 May 11, 2006

Update: Shell Restarting Units at its 100,000 b/d Wilmington Refinery in California

The company will restart its coking, hydrocracking and hydrotreating units at the refinery.

Reuters, 10:08 May 11, 2006

Update: Flint Hills Restarting SRU Unit at its 288,000 b/d Corpus Christi Refinery in Texas

Reuters, 10:08 May 11, 2006

ConocoPhillips Upgrades Refineries to Prevent Hurricane Damage

After suffering significant damage from last year's hurricane's, ConocoPhillips invested in refinery upgrades this past year, including rebuilt and raised control rooms to minimize damage from flooding. Consequently, the company is in a better position to handle the upcoming hurricane season, which begins in three weeks.

<http://www.chron.com/disp/story.mpl/ap/business/3855045.html>

Construction of Two Ethanol Plants in New York to Begin This Summer

One plant involves the conversion of a brewery near Syracuse. Once in operation in late 2007, the plant will produce 100 million gallons of ethanol a year. The other plant, to be built in Shelby, NY, will produce 50 million gallons a year once it begins operation in January 2008.

<http://www.newsday.com/business/ny-bzeth104735902may10,0,3653729.story>

TransCanada Proposes Crude Pipeline to Run from Alberta to Oklahoma

The 30-inch pipeline would begin in Alberta's oil producing region and run south through the Midwest, before terminating at the crude oil hub in Cushing, Oklahoma. If approved, construction is planned for 2008 and 2009.

<http://www.kten.com/Global/story.asp?S=4883382>

Petro-Canada's Terra Nova 119,000 b/d Offshore Platform Shut Down

After a gearbox attached to the main starboard generator failed on May 7, Petro-Canada shut down production at its Terra Nova offshore oil platform. The platform had been operating at reduced rate of 83,000 b/d since March when an earlier problem with the port generator gearbox occurred. The company estimates that the platform will remain shut down for at least four months. Prior to the gearbox problems, the unit had been producing at a rate of 119,000 b/d.

<http://www.cbc.ca/story/business/national/2006/05/09/petrocanada.html>

Three Foreign Oil Workers Kidnapped in Nigeria

On May 11, three foreign oil workers were kidnapped from a car under armed escort in the city of Port Harcourt in the Nigeria's oil-producing Niger Delta. Yesterday a U.S. oil executive was shot dead in the same city. The Movement for the Emancipation of the Niger Delta (MEND), which has led a series of attacks against the oil industry in Nigeria, has denied involvement in the recent violence. Nigeria supplied 7.9 percent of U.S. oil imports in 2005.

http://za.today.reuters.com/news/newsArticle.aspx?type=topNews&storyID=2006-05-11T145704Z_01_ALL148980_RTRIDST_0_OZATP-NIGERIA-KIDNAPPING-20060511.XML&archived=False

Natural Gas

Update: ConocoPhillips to Proceed with LNG Plans in Louisiana Despite Governor's Recent Veto of Another Company's Proposed LNG Terminal

Despite Louisiana Governor Kathleen Blanco's veto of Freeport McMoRan's proposed LNG terminal off of Plaquemines Parish coast, ConocoPhillips says it will proceed with its plans to develop Beacon Port, its proposed LNG terminal to be located about 50 miles offshore from Cameron Parish. ConocoPhillips plans to use open-loop technology to warm the LNG at the terminal; the same technology McMoRan had planned to use. Blanco said the technology raised environmental concerns.

<http://www.theadvertiser.com/apps/pbcs.dll/article?AID=/20060510/BUSINESS/605100334/1046>

Draft Agreement on Alaska Gas Pipeline Project Fiscal Contract Released

On May 10, a draft fiscal contract (between Alaska and BP PLC, ConocoPhillips, and Exxon Mobil Corporation) for the Alaska Gas Pipeline Project, the largest construction project in U.S. history, was released on the state of Alaska's website. Following a public reviewing process, the contract will then be reviewed by Alaska's state legislature. An estimated four billion cubic feet of gas per day is expected to be produced if this project is completed.

<http://www.chron.com/disp/story.mpl/conws/3854896.html>

http://www.ktva.com/topstory/ci_3805415

http://www.adn.com/news/alaska/ap_alaska/story/7710789p-7621870c.html

Other News

Nothing to report.

Energy Prices

| U.S. Oil and Gas Prices | | | |
|--|-------|----------|----------|
| May 11, 2006 | | | |
| | Today | Week Ago | Year Ago |
| CRUDE OIL | | | |
| West Texas Intermediate U.S. \$/Barrel | 73.35 | 70.27 | 50.39 |
| NATURAL GAS | | | |
| Henry Hub \$/Million Btu | 6.80 | 6.47 | 6.63 |

Source: Reuters

Energy Notes

Bush Favors Offshore Drilling Proposals with Restrictions

<http://intelligencepress.com/>

Possible Oil Drilling in Florida Straits Causing Tension Among US, Cuba, China, and India

<http://www.newsday.com/news/opinion/ny-vpoil104735883may10,0,495495.story>

Update: El Paso Natural Gas' Proposed Pipeline From Mexico to Arizona on Hold due to Delay in Construction of LNG Terminal and Environmental Concerns

<http://kvoa.com/Global/story.asp?S=4890424&nav=HMO6HMaW>

Nevada PUC Approves Construction of 26 MW Geothermal Power Plant

Reuters 14:49 May 10, 2006

PdVSA to Improve 195,000 b/d Puerto La Cruz Refinery in Venezuela

Reuters 05:04 May 11, 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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