



ENERGY ASSURANCE DAILY

Thursday Evening, May 27, 2010

Major Developments

Obama Orders 33 Exploratory Deepwater Rigs to Cease Operations in Gulf of Mexico, Cancels Lease Sales Offshore Virginia, and Pushes Back Shell's Plans to Drill Offshore Alaska

President Obama ordered 33 exploratory deep water rigs in the Gulf of Mexico- some already in operation and others readying to drill - to cease operations for up to six months, pending the results of a presidential commission into the Deepwater Horizon incident and offshore drilling more generally. The president also canceled plans to lease tracts offshore Virginia and in the Gulf of Mexico, extended by six months a moratorium on new deepwater wells in the Gulf of Mexico, and postponed Shell's plans to drill in the Beaufort and Chukchi seas offshore Alaska.

[http://www.washingtonpost.com/wp-](http://www.washingtonpost.com/wp-dyn/content/article/2010/05/27/AR2010052701172.html?hpid%3Dtopnews&sub=AR)

[dyn/content/article/2010/05/27/AR2010052701172.html?hpid%3Dtopnews&sub=AR](http://news.blogs.cnn.com/2010/05/27/obama-addresses-gulf-oil-spill-disaster/?hpt=TI)

<http://news.blogs.cnn.com/2010/05/27/obama-addresses-gulf-oil-spill-disaster/?hpt=TI>

<http://www.whitehouse.gov/the-press-office/executive-order-national-commission-bp-deepwater-horizon-oil-spill-and-offshore-dri>

BP Continues "Top Kill" Plan Amid Signs of Progress in Gulf of Mexico

The "top kill" method appeared to be working to stop the flow of oil from the blown-out MC252 well in the Gulf of Mexico, officials and engineers said on May 27, but BP cautioned that success was not assured. A BP official, however, said yesterday that it looked like drilling mud, rather than oil, was spewing from the well. The top kill process involves injecting drilling fluids into the well, followed by cement to seal it. The news of progress came as a group of federal scientists released data suggesting that the spill was already at least slightly – and possibly significantly – larger than the 1989 Exxon Valdez disaster. The National Incident Command's Flow Rate Technical Group (FRTG) estimated that the well was actually leaking between 12,000 b/d and 19,000 b/d of oil, or far higher than previous official figures. The estimate was described as preliminary. The FRTG also estimated that there were at least 130,000 barrels of oil on the water's surface, as of May 17, and that about that much had evaporated or been skimmed. Combined, the figures suggested that at least 260,000 barrels of oil had already spilled, as of May 17. The Exxon Valdez tanker released an estimated 260,000 barrels.

<http://www.nytimes.com/2010/05/28/us/28spill.html?hp>

<http://www.nytimes.com/2010/05/28/us/28flow.html?hp>

<http://www.bp.com/genericarticle.do?categoryId=2012968&contentId=7062449>

<http://www.doi.gov/news/pressreleases/Flow-Rate-Group-Provides-Preliminary-Best-Estimate-Of-Oil-Flowing-from-BP-Oil-Well.cfm>

Reuters, 21:28 May 26, 2010

Reuters, 12:06 May 27, 2010

Oil-Stained Tanker Cleaned near Entrance to Mississippi River by May 27

<http://www.steelorbis.com/steel-news/latest-news/us-port-of-new-orleans--tanker-cleaned-offshore-with-minimal-delays-533875.htm>

MMS Director Submits Letter of Resignation May 27

<http://www.doi.gov/news/pressreleases/Statements-of-Secretary-of-the-Interior-Ken-Salazar-and-S-Elizabeth-Birnbaum.cfm>

Update: Alyeska Could Restart Trans-Alaska Oil Pipeline by May 28 – North Slope Oil Producers Operating at Just 8 Percent Capacity May 26

Alyeska Pipeline Service Co. asked North Slope oil producers to reduce output to just 8 percent of capacity late on May 26 as it worked to restart its 800-mile Trans Alaska Pipeline System (TAPS), company and news sources said. Alyeska could restart the line by midday tomorrow, May 28, a company spokeswoman said. Energy analysts, however, did not expect the shutdown to significantly impact oil and gas prices. The line was offline for planned reasons on May 25 when a power failure led to an oil spill at a pump station, news and company sources said. Workers had been performing fire command and valve leak testing, Alyeska said. The power failure caused the tank relief valves to open, and triggered a “contained spill” from one of the pump station’s crude oil storage tanks. Up to several thousand barrels of oil spilled into a containment area, the company estimated, but the containment area had a capacity of 104,500 barrels. The company identified six steps in its efforts to restart the line. It had cleared the first of those six, as of latest reports:

- Restoring power to the 65 KW generator at the affected pump station; the generator powers the station’s communication systems
- Assessing removal of oil in the containment area
- Restoring primary power to the affected pump station
- Beginning discharge pump operations to draw down the oil level in the affected storage tank
- Restoring operations of mainline pumps
- Assuming full operations

http://www.alyeska-pipe.com/Inthenews/LatestNews/2010/PS_9_tank_event/PressRelease_PS9tank190event.html

http://www.alyeska-pipe.com/Inthenews/LatestNews/2010/PS9Tank190/PressRelease2_PS9_TK190.html

<http://www.ktuu.com/Global/story.asp?S=12553490>

http://www.rigzone.com/news/article.asp?a_id=93816

http://www.google.com/hostednews/ap/article/ALeqM5iAPgkBxnvaKlKClc2rcnvRzvso_AD9FV75100

http://www.downstreamtoday.com/news/article.asp?a_id=22778

http://online.wsj.com/article/BT-CO-20100525-715455.html?mod=WSJ_latestheadlines

Electricity

Storms Knock Out Power to More than 75,000 Customers in New England May 26-27

Storms cut power to more than 31,000 Western Massachusetts Electric Co. (WMECO) customers in Massachusetts, 21,871 Central Vermont Public Service (CVPS) customers in Vermont, more than 17,000 Connecticut Light & Power (CL&P) customers in Connecticut, and about 7,500 Public Service Co. of New Hampshire (PSNH) customers, according to company and news sources. Some 18,724 WMECO customers, 8,433 CVPS customers, 3,945 CL&P customers, and 1,918 PSNH customers remained without power, as of latest reports.

WMECO: <http://www.wmeco.com/community/stormcenter/RestorationStatus.aspx> ,

http://www.boston.com/news/local/massachusetts/articles/2010/05/27/storms_knock_out_power_to_thousands_in_wmass/ , <http://www.iberkshires.com/blog/?bid=309>

CVPS: <http://www.cvps.com/Customerservice/outages/default.aspx> ,

<http://www.wptz.com/news/23694806/detail.html>

CL&P: <http://www.cl-p.com/outage/default.aspx> , <http://www.courant.com/news/weather/hc-ct-weather-incidents-0527-20100527.0.414999.story>

PSNH: <http://www.psnh.com/outage/mobile.aspx> ,

<http://wbztv.com/wireapnewsnh/Violent.thunderstorms.leave.2.1718682.html>

Update: Consumers Energy Postpones Plans for 830 MW Coal-Fired Power Plant near Bay City, Michigan

Consumers Energy deferred its planned 830 MW coal-fired power plant near Bay City, Michigan, citing weakened demand, a forecasted reduction in natural gas prices, and a projected excess of regional power supply. The company had expected to open the facility in 2017. It said it would monitor demand, prices, and other conditions, but did not say when it might revive or cancel the project.

<http://www.cmsenergy.com/news.aspx?id=1917>

Update: State PSC Amends Ruling Regarding Mississippi Power's Proposed 582 MW Coal-Fired Power Plant in Kemper County, Mississippi, Allowing Utility to Charge More from Ratepayers

The Mississippi Public Service Commission (PSC) amended an earlier approval of Mississippi Power's proposed coal-fired power plant in Kemper County, Mississippi, authorizing the utility to charge ratepayers an extra 20 percent for the project. The PSC approved the plans in late April, but – among other restrictions – limited what the company could charge ratepayers to \$2.4 billion. Mississippi Power had projected that the facility to cost \$2.4 billion, but cost overruns are typical, and the company said it could not pursue construction with a \$2.4 billion cap. It asked the PSC to reconsider its ruling, and the PSC raised the limit to \$2.88 billion. The company had not, as of latest reports, said whether it would pursue the project.

<http://www.clarionledger.com/article/20100527/NEWS/5270341/PSC+reverses+coal-plant+ruling>

<http://www.mississippipower.com/kemper/Facts.asp>

Entergy's 510 MW Vermont Yankee Nuclear Unit in Vermont Shut by May 27

The unit shut automatically after “an RPS (Reactor Protection System) actuation occurred in both channels and all control rods inserted,” the company said in a filing with the Nuclear Regulatory Commission (NRC). The unit was returning from a refueling outage at the time of the incident, according to a local news source. The NRC reported that on the morning of May 26 the unit was operating at 55 percent.

<http://www.nrc.gov/reading-rm/doc-collections/event-status/event/2010/20100527en.html>

http://www.reformer.com/ci_15170320?source=most_viewed

Information also derived from the NRC Power Reactor Status Reports:

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2010/>

Update: NMC's 522 MW Prairie Island Nuclear Unit 2 in Minnesota Ramped Up to 52 Percent by May 27

The unit shut automatically on May 25 due to a “turbine trip,” the company said in a previous filing with the Nuclear Regulatory Commission (NRC). The NRC reported that on the morning of May 26 the unit was operating at 1 percent.

<http://www.nrc.gov/reading-rm/doc-collections/event-status/event/2010/20100526en.html>

Information also derived from the NRC Power Reactor Status Reports:

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2010/>

Update: TVA's 1,125 MW Watts Bar Nuclear Unit 1 in Tennessee Ramped Up to 46 Percent by May 27

The unit shut automatically on May 21 due to a “turbine trip,” the company said in a previous filing with the Nuclear Regulatory Commission (NRC). The Nuclear Regulatory Commission reported that on the morning of May 26 the unit was operating at 14 percent.

<http://www.nrc.gov/reading-rm/doc-collections/event-status/event/2010/20100524en.html>

Information also derived from the NRC Power Reactor Status Reports:

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2010/>

Sycamore Cogeneration's 360 MW Sycamore Gas-Fired Unit in California Reduced by May 26

According to the California Independent System Operator, the unit reported an unplanned curtailment of 205 MW by May 26.

<http://www.caiso.com/unitstatus/data/unitstatus201005261515.html>

Update: PG&E's 154 MW Kerkhoff Hydro Unit 1 in California Returns to Service by May 26

According to the California Independent System Operator, the unit reported a return from an unplanned outage.

<http://www.caiso.com/unitstatus/data/unitstatus201005261515.html>

PG&E's 119 MW Belden Hydro Unit in California Reduced by May 26

According to the California Independent System Operator, the unit reported an unplanned curtailment of 117 MW by May 26.

<http://www.caiso.com/unitstatus/data/unitstatus201005261515.html>

PG&E's 122 MW Caribou Hydro Units 4 and 5 in California Reduced by May 26

According to the California Independent System Operator, the unit reported an unplanned curtailment of 100 MW by May 26.

<http://www.caiso.com/unitstatus/data/unitstatus201005261515.html>

Luminant to Reduce 593 MW Big Brown Coal-Fired Unit 1 in Texas May 27

The company expected to reduce the unit's load as workers checked "for suspected grounds," it said in a filing with state regulators.

<http://www11.tceq.state.tx.us/oce/ee/index.cfm?fuseaction=main.getDetails&target=140209>

UGI to Shut 44 MW Coal-Fired Power Plant in Pennsylvania, Replace With 125 MW Combined-Cycle Facility

UGI Energy Services plans to shut a 44 MW coal-fired power plant in Hunlock Township, Pennsylvania tomorrow, May 28, and replace the shuttered unit with a 125 MW combined-cycle power facility by early 2011, according to a company official. The company aims to install two 49 MW natural gas-fired turbines. The turbines, in turn, will connect to a "heat recover steam generator"; that device will power the existing steam turbine. The company expects to open the new facility in the first quarter of 2011.

http://www.timesleader.com/news/Dozens_of_UGI_workers_to_go_out_with_the_coal_05-26-2010.html

Cavallo Energy Subsidiary Holds Open Season for Proposed 8-Mile, 345 kV Transmission Line under the Hudson River

The Cross Hudson Cable Project would deliver 700 MW of power from Ridgefield, New Jersey, under the Hudson River, to a Consolidated Edison substation in Manhattan, New York City. The company expects to open the line by the summer of 2013. The open season began on May 17, 2010 and will end on June 14, 2010.

<http://www.marketwire.com/press-release/Cavallo-Cross-Hudson-Management-LLC-Accepting-Open-Season-Applications-New-Transmission-1266887.htm>

<http://www.crosshudsoncable.com/page2/page2.html>

NYISO Sees Adequate Electric Supplies to Meet Summer Demand in New York

The New York Independent System Operator (NYISO) expects the state's electricity supplies to outpace demand by about 10,000 MW in the summer of 2010. NYISO forecasts electricity use to peak at 33,025 MW; the state, however, has about 43,000 MW of available capacity. The 43,000 MW figure includes 37,416 MW of existing in-state generation, an additional 869 MW of generating capacity, 2,251 MW of demand response resources, and 2,645 MW of import capability.

http://www.nyiso.com/public/webdocs/newsroom/press_releases/2010/NY_Power_Grid_Ready_for_Summer_0527_2010.pdf

Petroleum

FCC Shuts at BP's 265,000 b/d Carson, California Refinery by May 26

The gasoline-making fluidic catalytic cracking unit (FCC) went down for unscheduled work at BP's 265,000 b/d Carson, California refinery, according to sources familiar with the facility's operations. Other, ancillary units were also offline, the sources said.

<http://www.reuters.com/article/idUSN2622417620100526?type=marketsNews>

Valero Shuts 100,000 b/d Crude Unit at 315,000 b/d Corpus Christi, Texas Refinery May 27-28

Valero shut a 100,000 b/d crude unit and a vacuum unit to fix a leak at its 315,000 b/d Corpus Christi, Texas refinery, a company spokesman said. The company did not expect the incident to be long-term or have any material impact on production.

<http://www.businessweek.com/news/2010-05-27/top-oil-market-news-oil-rises-fuel-oil-shipments-to-singapore.html>

<http://www11.tceq.state.tx.us/oce/ee/index.cfm?fuseaction=main.getDetails&target=140200>

Reuters, 09:48 May 27, 2010

Compressor Trip Triggers Unit Upset at BP's 467,720 b/d Texas City, Texas Refinery May 26

A compressor trip led to a unit upset on May 26 at BP's 467,720 b/d Texas City, Texas refinery, but the company "stabilized the unit" and was "in the process of resuming normal operations," it said in a filing with state regulators. It was not clear if the incident had any impact to production.

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=140212>
<http://www.reuters.com/article/idUSN2724883020100527?type=marketsNews>

Update: Explosion Cuts Output by About 30 Percent at Sinclair's 24,500 b/d Casper, Wyoming Refinery

An explosion damaged a furnace on May 25 at Sinclair's 24,500 b/d Casper, Wyoming refinery, cutting on-site production by about 30 percent, the company said. Sinclair expects to boost rates at its Sinclair, Wyoming facility to make up for the lost output.

Reuters, 10:49 May 27, 2010

Pump Failure Triggers Release at Chevron's 260,000 b/d El Segundo, California Refinery May 27

It was not clear if the incident had any impact to production.

Reuters, 06:44 May 27, 2010

Update: PdVSA's 320,000 b/d Isla Refinery in Curacao, Netherlands Antilles Remains at Reduced Rates

PdVSA began restarting the refinery two weeks ago, but it has remained at reduced rates due to technical issues at an associated utility plant, according to a source at the utility facility.

Reuters, 12:00 May 27, 2010

PdVSA to Restart Expanded Gasoline-Making Cat Cracker at 135,000 b/d Palito, Venezuela Refinery May 28

The unit is resuming service after a multi-month expansion project, according to the company.

Reuters, 12:00 May 27, 2010

<http://www.businessweek.com/news/2010-05-27/top-oil-market-news-oil-rises-fuel-oil-shipments-to-singapore.html>

Natural Gas

Natural Gas Production in Marcellus Shale, Pennsylvania to Reach 13.5 Bcfe/d in 2020: Penn State Study

Natural gas production in the Marcellus Shale, Pennsylvania is expected to rise from 0.3 Bcfe/d in 2009 to 13.5 Bcfe/d in 2020, according to a study from the Pennsylvania State University's College of Earth and Mineral Sciences. Output is forecast to reach 1.0 Bcfe/d in 2010, 2.5 Bcfe/d in 2011, and 7.6 Bcfe/d in 2015.

<http://marcelluscoalition.org/wp-content/uploads/2010/05/PA-Marcellus-Updated-Economic-Impacts-5.24.10.3.pdf>

<http://marcelluscoalition.org/2010/05/new-study-marcellus-shale-expected-to-create-212000-new-jobs-by-2020-%E2%80%93-on-top-of-thousands-already-being-created-now/>

<http://www.platts.com/RSSFeedDetailedNews.aspx?xmlpath=RSSFeed/HeadlineNews/NaturalGas/6066959.xml>

Water Supply Could Limit Unconventional Natural Gas Production: Black & Veatch

The availability of water resources – or lack thereof – could limit the production of natural gas from unconventional sources, according to an official at Black & Veatch. Hydraulic fracturing, or "fracking," has enabled companies to more-economically produce natural gas from unconventional locations, but the technique requires large quantities of water.

Reuters, 18:43 May 26, 2010

Other News

Tate & Lyle Drops Plans for 100 MMGal/Yr. Corn-Based Ethanol Plant in Iowa

Tate & Lyle said it was “highly unlikely” that it would ever open its proposed 100 MMGal/Yr. corn-based ethanol plant in Fort Dodge, Iowa, citing market conditions.

http://www.marketwatch.com/story/tate-lyle-mothballs-iowa-plant-profit-drops-77-2010-05-27?reflink=MW_news_stmp

Update: Weather Pushes Back Planned Start-Date for Osage Bio Energy’s Proposed 65 MMGal/Yr. Barley-Based Ethanol Plant in Hopewell, Virginia

Osage Bio Energy had planned to start up the facility by the end of this month, but now – due to poor weather – it does not expect to announce an official opening until late October, a company official said. Osage, however, plans to “make some test batches at the end of July and start consecutive batch processes in August,” according to the official.

<http://progress-index.com/news/ethanol-plant-will-have-official-opening-in-october-1.816260>

Update: Magellan Midstream Partners Plan 340,000 Barrels of Renewable Fuels Storage at Proposed 1.68 Million Barrel Oil and Oil Products Terminal in Port Everglades, Florida

Magellan Midstream Partners expects the terminal to initially store up to 340,000 barrels of renewable fuels, 510,000 barrels of regular gasoline, 80,000 barrels of premium gasoline, 250,000 barrels of ultra-low-sulfur diesel, and 500,000 barrels of bunker fuel. The company might eventually convert 840,000 barrels of that product storage capacity to hold renewable fuels. It could break ground before the end of the summer, 2010, and open the facility 36-42 months after that.

http://www.tankterminals.com/news_detail.php?id=785

Nissan Breaks Ground on Advanced Vehicle Battery Plant in Tennessee May 26

U.S. Deputy Secretary of Energy Daniel Poneman participated yesterday in the groundbreaking ceremony for Nissan North America's advanced battery manufacturing facility in Smyrna, Tennessee. This past January the Department closed a \$1.4 billion loan with Nissan North America to retool the Smyrna factory to build advanced electric automobiles and an advanced battery manufacturing facility. Nissan will offer electric vehicles to fleet and retail customers, and plans to ramp up production capacity in Smyrna up to 150,000 vehicles annually.

<http://www.energy.gov/news/9009.htm>

Energy Prices

U.S. Oil and Gas Prices			
May 27, 2010			
	Today	Week Ago	Year Ago
CRUDE OIL			
West Texas Intermediate U.S.	74.31	68.01	63.59
\$/Barrel			
NATURAL GAS			
Henry Hub	4.19	4.29	3.35
\$/Million Btu			

Source: Reuters

Energy Notes

W.R. Berkley Increasing Insurance Premiums for Deepwater Oil Rigs by 40 Percent

Reuters, 17:40 May 26, 2010

Storms Knock Out Power to 19,000 Hydro Quebec Customers in Montreal, Canada May 26 – Company Restores Service to Most by Early May 27

<http://www.montrealgazette.com/news/Lightning+strikes+Hampstead+home/3075210/story.html>

Hurricane Could Cripple Houston Ship Channel, Devastate Houston: Rice University Report

<http://www.media.rice.edu/media/NewsBot.asp?MODE=VIEW&ID=14322&SnID=1733132175>

China to Boost Refined Fuel Storage Capacity to Total 490 Million Barrels by 2015 – Figure Would be Almost 50 Percent Higher than in 2009

<http://news.alibaba.com/article/detail/energy/100313325-1-update-1-china%2527s-fuel-storage-rise.html>

Compressors Shut at Big Spring Booster Station in Texas May 26-27

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=140227>

Local Committee Rejects Resolution that Aimed to Halt Hydraulic Fracturing in Otsego County, New York

http://www.rigzone.com/news/article.asp?a_id=93832

EQT and DCP Midstream Plan Natural Gas Processing and Related Natural Gas Liquid Infrastructure Joint Venture – Venture Would Serve EQT and Third Party Producers in Marcellus and Huron Shale Areas of Appalachian Basin

<http://www.snl.com/irweblinkx/file.aspx?IID=4105307&FID=9614191>

Update: State Utilities Commission Okays Piedmont Natural Gas Co.'s Plans to Construct Natural Gas Pipeline that Would Serve Progress Energy Power Plant in North Carolina

<http://charlotte.bizjournals.com/charlotte/stories/2010/05/24/story14.html?b=1274673600^3385701>

Chevron Looking for Source of Oil, Gas, and Diesel Mixture in Trench Near Burnaby, British Columbia Refinery

<http://www.reuters.com/article/idUSN2711383120100527?type=marketsNews>

<http://www.cbc.ca/canada/british-columbia/story/2010/05/27/bc-chevron-burrard-inlet-burnaby.html>

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.

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

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