



ENERGY ASSURANCE DAILY

Thursday, June 22, 2006

Major Developments

Update: Coast Guard Shuts Calcasieu Shipping Channel in Louisiana June 21 Citgo and Calcasieu Refining Co. Forced to Cut Rates at Lake Charles Refineries DOE Ready to Release SPR if Needed

Yesterday the U.S. Coast Guard closed a three-mile stretch of the Calcasieu Shipping Channel, a vital shipping lane connecting the Gulf of Mexico with the Lake Charles, Louisiana refining hub, for up to a week due to an oil spill caused by heavy rains on June 19. The U.S. Department of Energy has said that it is prepared to loan crude oil from the Strategic Petroleum Reserve to area refiners who may be cut off from international supplies during the closure but has not yet received any requests.

Lake Charles is home to three refineries that have a combined processing capacity of 711,000 b/d. The area's largest plant, Citgo's 440,000 b/d Lake Charles refinery said that the closure caused a "slight reduction" of crude oil input and refined products production, but did not specify volumes. Citgo said it planned to run at reduced rates throughout the clean-up but did not foresee needing an SPR loan. On June 19, Citgo reported that several units at its refinery had malfunctioned due to heavy rains but it quickly restored production. Another area refinery, Calcasieu Refining Co.'s 32,000 b/d Lake Charles refinery, said the closure of the ship channel had forced it to halve crude runs. Calcasieu Refining said that it receives all of its crude and sends out 90 percent of its refined products through the channel and could only run for two to three more days on stored crude stocks before needing to shut completely. A release from the SPR would not be able help Calcasieu's facility because it is not connected to the pipeline system through which the SPR crude is delivered. The third refinery in the area, ConocoPhillips' 239,000 b/d Westlake refinery, has not yet reported its status.

The oil spill began on Tuesday following Monday's torrential rains and flooding that overwhelmed wastewater storage tanks and pollution control dykes at Citgo's Clifton Ridge Terminal, leading to a release of an estimated 17,000 barrels of oil and water into the channel. Due to the channel's closure, four ships are currently stuck in Lake Charles waiting to leave, while another three ships are waiting to enter the channel. All the ships are either oil tankers or chemical carriers.

Reuters, 14:04 June 22, 2006

Reuters, 13:35 June 22, 2006

Reuters, 11:59 June 22, 2006

Reuters, 11:12 June 22, 2006

Reuters, 21:04 June 21, 2006

Bloomberg, 13:07 June 22, 2006

Processing capacities reported in this article were taken from company websites:

<http://www.calcasieurefining.com/>

<http://www.citgo.com/AboutCITGO/Operations/RefiningRefiningDetails.jsp>

<http://www.conocophillips.com/NR/rdonlyres/C0B96A23-E7DF-495A-9F60-9B73C05B348A/0/downstream.pdf>

Electricity

Storm Knocks Out Power to at Least 57,000 in Michigan, Ohio and Pennsylvania

According to officials, powerful storms caused 40,000 customers to lose power in Michigan and 2,000 in western Pennsylvania. According to First Energy's website, between 15,000 and 30,000 customers were without of power in northern Ohio as of noon on June 22.

<http://www.cnn.com/2006/US/06/22/severe.weather.ap/index.html>

http://www.firstenergycorp.com/outages/outages.do?state_code=OH

Update: Alberta Regulators Asked to Approve Montana Alberta Power Line

Montana Alberta Tie Ltd. has applied to Alberta regulators for approval to build and operate a power line running between Lethbridge, Alberta, and Great Falls, Montana. The company applied to Canada's National Energy Board in January and filed with U.S. regulators in 2005. Assuming the necessary approvals are granted, the company anticipates that construction will begin this fall and that the line will be completed during the first half of 2007.
Reuters, 13:58 June 22, 2006

NRG Proposes a Project to Build Two Nuclear Units in Texas to Produce 2,700 MW

NRG Energy filed a letter of intent with the NRC to build two additional nuclear units at its South Texas Project power plant. Together, the units will produce 2,700 MW. The units, if approved, will come online in 2014 and 2015.

<http://biz.yahoo.com/bizj/060621/1304850.html?v=1>

Nanosolar to Build World's Largest Factory for Solar Power Cells in California

Nanosolar based in Palo Alto, California plans to build a solar power cell manufacturing factory, whose annual capacity would be sufficient to generate 430MW of electricity and would nearly triple the current U.S. manufacturing capacity. The factory is scheduled to open by the end of 2006 and to begin producing solar cells in 2007.

http://pro.energycentral.com/professional/news/power/news_article.cfm?id=6822204

FERC Approves Cutler Tidal Power Project Feasibility Study in Maine

FERC approved an environmental engineer, Normand Laberge, to proceed with a feasibility study for the tidal power plant project on Navy property on Little Machias Bay. He also proposed an LNG facility project to supplement the intermittent tidal power; however it has not been approved yet. Laberge's tidal project would consist of a dam 4,200 feet long and 23 feet high, which would contain three generating units with a total installed capacity of 1,200 KW.

http://pro.energycentral.com/professional/news/power/news_article.cfm?id=6820131

Edison Mission Energy's 613 MW Homer City Coal-fired Plant in Pennsylvania Shut June 20 for Unknown Reasons According to Unconfirmed Market Sources

Reuters 08:50, June 22, 2006

Petroleum

Update: FCC Unit Trips on Restart at ExxonMobil's 563,000 b/d Baytown Refinery in Texas June 21

The fluidic catalytic cracking unit tripped off-line resulting in the flaring of sour cat gas. The unit tripped on June 21 while the company was attempting to restart it. The unit also tripped on June 16 during maintenance.
Reuters, 10:56 June 22, 2006

ConocoPhillips Restarting Shut Units 306,000 b/d Wood River Refinery in Illinois June 22

The company said that it was restarting units at the facility, which shut on June 18 after a power failure. The company has not said how production has been affected but one trader said the refinery is currently operating at 80 percent.

Reuters, 10:49 June 22, 2006

Colonial Pipeline Seeks 30 Percent Capacity Increase

Colonial Pipeline Co. has asked FERC for a response concerning a proposed 30 percent increase in capacity on its 2.4 million b/d Colonial Pipeline, which stretches from Houston to Linden, New Jersey. The proposed expansion, includes a 500-mile line between Baton Rouge and Atlanta, adding about 800,000 b/d of capacity. The expansion could be operational by late 2009 or 2010.

Reuters, 17:54 June 21, 2006

Raging Wild Fire Threatens Oil Fields and Gas Lines in California

A 13,425-acre fire is burning in Los Padres National Forest putting several oil fields and gas lines at risk.

http://www.cnn.com/2006/US/06/22/western.wildfires/index.html?section=cnn_latest

Oil Service Strike in Norway Threatens Production; Rigs Already Going Offline

Operators and rig owners are warning that an oilfield service worker' strike, that began June 21, could begin to halt production drilling in Norway next week and delay exploration. The Norwegian Shipowners' Association said that three rigs had already been taken offline and added that 10-12 drilling projects could be halted in one or two weeks if the strike continues. Norway supplied 2 percent of total U.S. oil imports in 2005.

Reuters, 11:41 June 22, 2006

Ecuador Needs More Wells in Seized Oxy Fields to Prevent Output Drop - Official

According to a high-ranking official, Ecuador needs to drill more oil wells in the fields it seized last month from Occidental Petroleum in order to prevent a further drop in production. Output at the fields, which previously produced 100,000 b/d, has slipped by 3,000 b/d due to natural decline. Ecuador terminated Occidental's contract and assumed operation of the fields last month after a legal dispute. Last week President Alfredo Palacio declared an emergency at the oil fields. Ecuador supplied 2.3 percent of total U.S. oil imports in 2005.

Reuters, 14:03 June 22, 2006

Kinder Morgan to Build a 2.2 Million Barrel Crude Oil Storage Facility in Alberta

This summer, Kinder Morgan will begin the construction of a new crude oil storage facility with nine tanks and 2.2 million barrels of storage capacity. This will "significantly enhance the ability of customers to reach important markets in the Western and Midwestern states", according to the company spokesperson. The service is scheduled to begin in 2007.

<http://biz.yahoo.com/prnews/060621/daw039.html?.v=58>

Natural Gas

Update: Southern Union's 750 MMcf/d Sea Robin Natural Gas Plant in Louisiana Seen Back June 21

The company said that it expected to begin processing gas again on Wednesday. The plant shut down on June 19 for emergency maintenance.

Reuters, 15:57 June 22, 2006

El Paso to Build Natural Gas Storage Facility in Arizona

El Paso is planning to build a new underground natural gas storage facility near Phoenix, Arizona to meet growing demand in the region. The construction of the new facility, which has a possible capacity of 3.5 Bcf/d, will begin in 2008.

http://biz.yahoo.com/ap/060622/el_paso_facility.html?.v=1

<http://biz.yahoo.com/prnews/060622/dath007.html?.v=61>

FERC Issues Positive Environmental Assessment on Freeport LNG Expansion in Texas

Freeport LNG expansion project, on Quintana Island about 70 miles south of Houston, received a positive environmental assessment from FERC. The Phase II expansion project will increase LNG sendout from 1.75 Bcf/d to 2.5 Bcf/d.

<http://intelligencepress.com/subscribers/daily/news/d20060620d.html>

Other News

Shell Tests Ethanol Export from Brazil to U.S. in June

To meet the growing demand for the gasoline additive, Royal Dutch Shell initiated a test exporting ethanol made from sugarcane in Brazil to the U.S. in early June. A company spokesperson said the company has no specific plans to heavily invest in the Brazilian ethanol sector or to continue exporting ethanol from Brazil in 2007.

<http://www.platts.com/Petrochemicals/News/7546505.xml?p=Petrochemicals/News&sub=Petrochemicals>

California Voters to Decide Whether to Tax Oil Companies to Fund Alternative Energy

California Secretary of Energy Bruce McPherson announced that a proposal to tax oil companies to fund alternative energy programs qualified for the November 2006 ballot. The measure proposes a 1.5 to 6 percent tax on oil extracted in California, which would create \$4 billion alternative energy program with the goal of reducing oil and gasoline use by 25 percent.

http://pro.energycentral.com/professional/news/power/news_article.cfm?id=6822898

Energy Prices

U.S. Oil and Gas Prices			
June 22, 2006			
	Today	Week Ago	Year Ago
CRUDE OIL West Texas Intermediate U.S. \$/Barrel	70.41	69.57	58.27
NATURAL GAS Henry Hub \$/Million Btu	6.51	6.43	7.39

Source: Reuters

Energy Notes

MMC to Expand Chula Vista Power Plant Capacity by 60 MW in California, to be Operational for Summer 2007

Reuters, 11:36 June 22, 2006

FirstEnergy's Perry Nuclear Plant in Ohio Shaken by Minor Earthquake; No Damage, Remains Online June 20

Reuters, 14:27 June 21, 2006

Russia May Pull Out of Turkish Pipeline Project to Bypass Bosphorus Straits

Reuters, 08:40 June 22, 2006

Consortium Led by Chevron to Invest in 100,000 b/d Brazil Oil Field

http://biz.yahoo.com/ap/060622/japan_brazil_oil_investment.html?v=1

Columbiana County to Secure Land for 6 million St/yr of Coal from OH, WV, VA

<http://www.platts.com/Coal/News/7545185.xml?p=Coal/News&sub=Coal>

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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