



ENERGY ASSURANCE DAILY

Monday, July 02, 2007

Major Developments

Flooding Shuts Coffeyville Resources 112,000 b/d Refinery in Kansas June 29

Due to flooding from the Verdigris River, Coffeyville Resources has shut down operations at its refinery and nitrogen fertilizer plant in Coffeyville, Kansas. The company is monitoring the situation and will resume operations only when it is safe to do so. A company spokeswoman told Bloomberg News that the refinery was still largely under water on July 2 and that workers could not even access the refinery to assess the damage. No estimate is currently available for when operations can resume. Coffeyville Resources management confirmed Sunday afternoon that a tank system containing crude oil overflowed during the early hours of the flood, and subsequent record levels of flood waters have swept the oil from containment areas within the refinery. No estimate was immediately available as to the amount of crude oil lost as access to tank gauges has been restricted by high water. A company spokesman told Reuters that more than 1,000 barrels of oil spilled into the Verdigris River.

<http://www.coffeyvillegroup.com/latestInfo.asp>

<http://www.kansas.com/news/state/story/111969.html>

Bloomberg News, 13:14 July 2, 2007

OPIS Price Watch Alert 12:00 July 2, 2007

Potential Fuel Shortages Developing in North Dakota, South Dakota, and Minnesota States Waive Hours of Service for Fuel Delivery Drivers

Tesoro Supplying as Much Fuel as able from Mandan, North Dakota Refinery

In response to an industry request, North Dakota Governor John Hoeven on June 29 issued an executive order extending service hours for commercial truck drivers providing gas stations with fuel until July 7. Minnesota and South Dakota have also waived the service hour restrictions. Reduced supplies owing to a slow down at a major petroleum refinery in Minnesota, combined with increased fuel demand for the Fourth of July holiday, has created a potential for gasoline shortages in eastern North Dakota and regionally. Truckers told the *Billings Gazette* that a line of trucks was stretching for one mile at the Magellan pipeline terminal in West Fargo on June 27 and the Grand Forks terminal has been out of gasoline for weeks. A spokesman for the Tesoro's 58,000 b/d Mandan, North Dakota refinery said that it is selling as much fuel as it can to help ease the shortages.

<http://governor.state.nd.us/media/news-releases/2007/06/070629.html>

<http://www.billingsgazette.net/articles/2007/07/02/news/state/85-longhours.txt>

<http://www.kxmb.com/News/140148.asp>

Electricity

Pepco Completes Two New 230 kV Transmission Lines, Improving Reliability for DC

Pepco has placed into service two 230 kV transmission lines that will enhance the reliability of electric service for downtown Washington, DC and the federal government. The lines, connecting a high-voltage transmission substation in Prince George's County in Maryland with a substation near the District, were constructed over an 18-month period with completion in time to meet this summer's peak demand period. Normally, a project of this type would require about four to five years for completion of the permitting approval process and construction. Pepco accelerated construction of these new transmission facilities in September 2005 following the shutdown of the Potomac River Generating Station in Alexandria, Virginia, by its owner, Mirant Corporation, in response environmental requirements. The plant, which was reopened under an emergency order from the U.S. Department of Energy, played a critical role serving District customers prior to construction of the new lines. The plant continues to provide support for the regional power grid.

<http://www.pepco.com/welcome/news/releases/archives/2007/article.aspx?cid=817>

Update: Exelon's 1,178 MW Braidwood Nuke Unit 1 in Illinois Back at Full Power July 2

The unit ramped up to full capacity by early July 2. The unit was listed at 26 percent of capacity on June 28. The unit shut on June 27 after a likely lightning strike on power line caused a series of trips.

Reuters, 07:24 July 2, 2007

FirstEnergy's 1,275 MW Perry Nuke Unit in Ohio Shut July 2

The company shut the unit to replace a motor in the Reactor Recirculation System.

Reuters, 12:08 July 2, 2007

Dominion's 921 MW North Anna Nuke Unit 2 in Virginia Shut June 29

The company shut the unit to investigate and repair an electrical system for emergency coolant that failed.

Bloomberg News, 11:32 July 2, 2007

Progress Energy's 710 MW Robinson Nuke Unit in South Carolina Reduced July 2

The company reduced the unit to 85 percent of capacity after an electrical failure in a drainpipe motor.

Reuters, 10:32 July 2, 2007

Constellation's 585 MW Ginna Nuke Unit in New York Reduces Output July 2

The company reduced output to 35 percent of capacity to examine and repair a steam leak in the turbine building.

Bloomberg News, 10:00 July 2, 2007

TXU's 750 MW Martin Lake Coal-fired Unit 2 in Texas Back Online July 2

The unit was shut on June 30 to repair a boiler tube leak.

Reuters, 12:40 July 2, 2007

TXU's 750 MW Martin Lake Coal-fired Unit 3 in Texas Back Online July 2

The unit was shut on June 30 to repair a boiler tube leak.

Reuters, 12:40 July 2, 2007

NRG's 335 MW El Segundo Gas-fired Unit 4 in California Reduces Output June 29

The company curtailed 155 MW of capacity.

Reuters, 19:27 June 29, 2007

Reliant's 320 MW Etiwanda Gas-fired Unit in California Reduces Output June 29

According to a report from the California Independent System Operator, the company reduced output from the plant by 200 MW on June 29

Bloomberg News, 19:11 June 29, 2007

Complete's 260 MW La Paloma Gas-fired Unit 1 in California Shut June 29

The unit was shut for unplanned reasons.

Bloomberg News, 19:55 June 29, 2007

Petroleum

IEA Seeks Rapid Increase in U.S. Refinery Throughput in Coming Weeks

International Energy Agency (IEA) director said that he is disappointed that many refineries, particularly in the United States, seemed not to be able to process sufficient quantities of crude oil. He said that IEA hopes that within a few weeks "we will see a surge in refinery throughputs." Mandil also said that refineries worldwide will need extra crude oil in the next few weeks as plants come back online after maintenance. According to a Reuters survey, at least half a dozen U.S. oil refineries were restarting major processing units after maintenance at the end of June into early July, representing more than 3 percent of U.S. refinery capacity.

<http://www.forbes.com/markets/feeds/afx/2007/07/02/afx3877358.html>

Reuters, 09:45 July 2, 2007

Update: Throughput Reaches 150,000 b/d at Valero's McKee Refinery in Sunray, Texas

A company spokesman told Reuters that crude oil throughput at the refinery was "a little above" 150,000 b/d. According to EIA data, the refinery has a total crude distillation capacity of 171,000 b/d. Valero is working to restore the refinery to full production since February 16, when a fire shut the plant. The refinery restarted the refinery in Mid-April.

Reuters, 11:51 July 2, 2007

Power Blink Briefly Shuts SRUs at Delek's 58,000 b/d Tyler, Texas Refinery July 1

According to a filing with Texas regulators, Sulfur Recovery Units (SRUs) 1 and 2 were temporarily shut down due to a power interruption from the refinery's electricity supplier. In addition, intermittent opacity was experienced for approximately one hour at the No. 3 Crude Flare. The two SRUs and SCOT Units were stabilized and returned to normal operation as quickly as possible. Operational adjustments were also made at the Crude Unit to eliminate flaring and opacity at the No. 3 Crude Flare. According to the filing, the emissions event began at 7:15 a.m. and last until 3:43 p.m.

<http://www2.tceq.state.tx.us/eer/main/index.cfm?fuseaction=getDetails&target=93446>

Compressor Shut at Alon USA's 67,000 b/d Big Spring, Texas Refinery June 30

According to a filing with Texas regulators, the vent gas compressor was shut down due to loss of secondary seal flush flow. Alon USA performed maintenance to replace the seal flush pumps. According to the filing, the event began at 5:13 p.m. June 30 and lasted till 1:15 a.m. July 1.

<http://www2.tceq.state.tx.us/eer/main/index.cfm?fuseaction=getDetails&target=93443>

Update: Exports from Eni's Okono and Okpoho Oil Fields in Nigeria Remain Under Force Majeure – Traders

According to traders, exports from Eni's Okono and Okpoho oil fields remain under force majeure despite resumption of production. Some 50,000 b/d of production was restored last week, a month after the two fields were shut due to the kidnapping of eight expatriate workers.

Reuters, 07:16 July 2, 2007

Saudi Arabia to Establish Security Force to Protect Oil Installations

The government announced that it will set up special security units to protect oil and industrial facilities against terrorist attacks. Prince Nayef bin Abdul Aziz said that the plans involved establishing a force of 35,000 security guards.

Reuters, 06:21 July 2, 2007

Crude Oil Freight Rates Nearing Low for Year

Ship brokers report that freight rates for Very Large Crude Carriers (VLCC) are near the low for 2007, which was reached January. Analysts said rates were pressured by long-standing OPEC cuts, refinery maintenance in Asia, high stocks in the United States and bulging ship supply.

Reuters, 12:11 July 2, 2007

Natural Gas

Record Rain in Texas, Oklahoma Hinders Natural Gas Projects, Production

Natural gas producers in Texas and Oklahoma say that weeks of unrelenting rain has created problems for field work, projects and drilling in one of the few areas of burgeoning production. With more even rain in the forecast, some industry observers believe what was a small problem is quickly turning into a bigger one.

Natural Gas Week, July 2, 2007

http://www.energyintel.com/PublicationHomePage.asp?publication_id=9

U.S. LNG Imports Hit Record High in April, Volumes Up 68 Percent from Previous Year - EIA

According to EIA data, imports of liquefied natural gas (LNG) to the United States hit an all-time high of 98.7 Bcf in April 2007, up 68 percent from 58.8 Bcf in April 2006.

Reuters, 12:02 July 2, 2007

Other News

MMS's 2007-2012 Offshore Oil and Gas Leasing Program Becomes Effective July 1

The Minerals Management Service's (MMS's) 2007-2012 Outer Continental Shelf (OCS) Oil and Gas Leasing Program became effective July 1, 2007. The program schedules 21 lease sales in eight planning areas. The MMS estimates that the program could produce 10 billion barrels of oil and 45 trillion cubic feet of natural gas over 40 years. Twelve sales are slated for the Gulf of Mexico, eight off the coast of Alaska and, at the request of the Commonwealth of Virginia, one in the Mid-Atlantic Planning Area, which would be at least 50 miles off the coast of Virginia. This sale would only take place if the presidential withdrawal is modified and the congressional moratorium discontinued in the Mid-Atlantic Planning Area. The department will conduct additional environmental reviews and consultations before deciding whether to proceed with each sale. A table listing the schedule of 2007-2012 oil and gas lease sales, maps of the program areas and the complete final program are available online at:

<http://www.mms.gov/5-year>.

http://www.doi.gov/news/07_News_Releases/070629a.html

Energy Prices

| U.S. Oil and Gas Prices | | | |
|--|--------------|-----------------|-----------------|
| July 2, 2007 | | | |
| | Today | Week Ago | Year Ago |
| CRUDE OIL West Texas Intermediate U.S. \$/Barrel | 71.11 | 68.91 | 73.94 |
| NATURAL GAS Henry Hub \$/Million Btu | 6.24 | 6.77 | 5.85 |

Source: Reuters

Energy Notes

Fierce Storms Knock Out Power to 15,000 Kootenai Electric Cooperative and Avista Utilities Customers in Northern Idaho June 29

http://www.spokesmanreview.com/tools/story_breakingnews_pf.asp?ID=10523

Storm Knocks Out Power to 14,055 Decatur Utilities Customers in Alabama July 1

<http://www.decaturdaily.com/decaturdaily/news/070702/power.shtml>

Storms Knock Out Power to 9,000 Texas Oncor Customers in North Texas July 1

http://cbs11tv.com/local/local_story_182203655.html

ColumbiaGrid Asks WECC to Review Two Key Transmission Projects in Washington and Oregon That Would Provide 2,550 MW of Capacity

<http://www.platts.com/Electric%20Power/News/6397395.xml?p=Electric%20Power/News&sub=Electric%20Power>

Update: SCE Proposes Final Leg of Tehachapi Renewable Transmission Project Connecting Wind Power to California Grid

<http://www.edison.com/pressroom/pr.asp?bu=&year=0&id=6789>

Alaska Gas Pipeline Spur to South Central Alaska May Not be Built If MEA Chooses Coal Over Gas for New 100 MW Power Plant - Consultant

<http://powermarketers.net/contentinc.net/newsreader.asp?ppa=8knpp%5E%5BnmejokoYUok%7DGGL%7Dbfem%5E%5B>

Canada's National Energy Board Approves Emera Brunswick Natural Gas Pipeline, Says Atlantic LNG Terminal Will Supplement Lagging Production

NGI's Daily Gas Price Index, July 02, 2007

<http://intelligencepress.com/>

New Jersey Sues Energy Companies for MTBE Leaks

Reuters, 13:17 July 2, 2007

Sempra Plans 250 MW Wind Project in Baja Mexico

Reuters, 18:01 June 29, 2007

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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