



ENERGY ASSURANCE DAILY

Tuesday, July 25, 2006

Major Developments

Heat Continues to Strain California Infrastructure; 138,000 Outages Monday

California experienced a new round of power outages yesterday as demand in the state set a new record, stretching the state's energy supply and its aging electricity infrastructure. Local lines and transformers failed again, as they did over the weekend, this time causing 138,000 outages throughout the state. Over the weekend, more than one million customers lost power across California. According to state officials, nearly 1,000 transformers atop power poles and in underground vaults have been overwhelmed, failing in recent days. On Monday, the Los Angeles Department of Water and Power and Southern California Edison acknowledged that their systems—parts of which were built in the 1920's and 30's—were not designed to handle the levels of record demand experienced during the heat wave. According to one official, many older transformers are too small to sustain the loads demanded by modern households.

California Heat-Related Power Outages			
July 21 – July 24, 2006			
Electric Power Producers	State	Outages	Current
Pacific Gas & Electric	California	119,000	News Releases
Southern California Edison	California	19,000	Press Releases
TOTAL*		138,000	

*Total outages only represent electric power generators listed in this table.

Sources: http://www.pe.com/ap_news/California2/CA_Heat_Wave_246701CA.shtml
<http://www.latimes.com/news/local/la-me-powermain25jul25.0.6954972.story?track=tottext>
http://www.mercurynews.com/mld/mercurynews/news/breaking_news/15118371.htm

Update: California ISO Declares Stage 2 Emergency Monday California ISO Says Conditions on Grid Improving Tuesday

The California Independent System Operator declared a Stage 2 Emergency yesterday, forcing customers with interruptible service to lose power supply. Operating reserves for Monday were forecast to be below 5 percent. If the reserves had dropped lower, Cal ISO would have declared a Stage 3 Emergency, which calls for rotating blackouts. The Stage 2 declared by Cal ISO was the first issued this year. The ISO issued two Stage 2 alerts in 2005. Despite the problems experienced yesterday, a spokesperson for Cal ISO said that the grid “dodged a bullet” because the grid was strained but did not fail. According to Cal ISO, California power plants by Monday had continued to function well despite the heat wave, which has required most of them to run at full tilt for eight straight days. On Tuesday, Cal ISO said that conditions on the electric grid were improving amid signs that the heat wave was easing but cautioned that the situation could worsen quickly if a power plant shut or a transmission line failed. Cal ISO has not ruled out a Stage 2 Emergency for Tuesday. California has not had rolling blackouts since the 2000-2001 energy crisis.

<http://www.marketwatch.com/News/Story/Story.aspx?dist=newsfinder&siteid=google&guid=%7B2EB1491B-E862-4E89-AAD8-4D338D741397%7D&keyword=>

Reuters, 12:15 July 25, 2006

Reuters, 20:40 and 20:53 July 24, 2006

Update: 156,000 Ameren UE Customers Remain Without Power in St. Louis Today

According to the outage map page on Ameren UE's website, 156,035 customers were still without power at 11:25 a.m. this morning. Two heavy storms hit the St. Louis area last week causing over 1.1 million people to lose power. Yesterday, at about noon, 236,000 customers were without power. According to Ameren officials, power should be fully restored to all customers by Thursday at the latest.

Ameren UE Outage Map: http://www.ameren.com/Outage/ADC_RS_StormCenter.asp

Reuters, 10:01 July 25, 2006

Update: ConocoPhillips Expects Wood River Refinery in Illinois Back Online Next Week

A storm knocked out power to the 306,000 b/d refinery on July 19, forcing the plant to shut. The company said that it is now beginning to restart some units at the plant. On Friday, the refinery received expedited permits to install temporary portable cooling towers to help restore production quickly. The Wood River refinery accounts for about 9 percent of U.S. Midwest (PADD 2) refining capacity.

Reuters, 08:32 July 25, 2006

Bloomberg News, 12:24 July 25, 2006

Electricity

Update: PECO Completes Power Restoration in Philadelphia After 1 Week

Violent thunderstorms knocked out power to about 420,000 PECO customers on July 18. PECO said that it had restored power to the last of affected customers by midnight last night.

http://www.philly.com/mld/philly/entertainment/family_guide/15113923.htm?source=rss&channel=philly_family_guide

Update: Con Ed Completes Power Restoration in Westchester, NY

Heavy thunderstorms on July 17-18 caused widespread outages in the Northeast, including 25,000 outages in Westchester, New York. On Sunday, Con Edison said the last of the outages were fixed, after nearly a week.

<http://www.easybourse.com/Website/dynamic/News.php?NewsID=28671&lang=fra&NewsRubrique=2>

Update: Con Ed Still Has 1,000 Queens, NY Customers Without Power Early Today

The blackout began June 18 and affected 25,000 customers at its peak. Yesterday, there were 3,000 to 4,000 still without power.

<http://www.newsday.com/news/nationworld/wire/sns-ap-power-problems.0.3323374.story?coll=sns-ap-nationworld-headlines>

Update: Energy Northwest's 1,190 MW Columbia Nuke Unit in Washington Back at Full Power July 25

Operators reduced output to 85 percent July 23 and had planned to return the unit to full power yesterday but the return was delayed because more checking needed to be done.

Bloomberg News, 13:21 July 25, 2006

TXU's 750 MW Martin Lake 2 Coal-fired Unit in Texas Shut July 24

The company shut the unit for short-term work on an electrical system.

Reuters, 10:27 July 25, 2006

PPL's 750 MW Montour Unit in Pennsylvania Shut July 25 –Traders

The traders did not say which of the plants two units was shut or why it shut.

Reuters, 12:52 July 25, 2006

NRC to Create Office of New Reactors

Anticipating increased interest in licensing and building new nuclear power plants, the Nuclear Regulatory Commission is undergoing a reorganization that will include the development of an Office of New Reactors to be headed by a Deputy Regional Administrator for Construction. The office will have jurisdiction over licensing and program oversight of new reactor activities.

<http://www.platts.com/Nuclear/News/7618100.xml?p=Nuclear/News&sub=Nuclear>

Petroleum

BP Delays Restart of Thunder Horse Platform Till 2007

The company had originally planned to restart the platform in late 2005 but then delayed start up to the second half of this year. Now the company expects the start up to take place in early 2007. The Thunder Horse platform is located in the Gulf of Mexico and is eventually planned to peak at 250,000 b/d of oil and 200 MMcf/d of gas. Bloomberg News, 05:29 July 25, 2006

Heat Wave Disrupting San Francisco Bay Refineries

The heat wave that is straining California's power grid has also disrupted processing at some California refineries. Two San Francisco Bay area refineries have reported flaring since Saturday. Chevron's 243,000 b/d Richmond refinery reported malfunctions on Saturday and Sunday in its cogeneration units and intermittent flaring on Monday. In one report Chevron attributed the malfunctions to "heating of the day." ConocoPhillips' 76,000 b/d Rodeo refinery reported flaring due to unit upsets on Sunday that continued into Monday morning. Reuters, 14:20 July 25, 2006

Enbridge to Build Oil Pipeline Extension in Illinois

Enbridge announced that it will immediately begin implementation of its Southern Access Extension project that will add some 178 miles to the Enbridge crude oil mainline, extending it to Patoka, Illinois. The extension will consist of 36-inch diameter pipe with an initial capacity of 400,000 b/d that can be expanded to 800,000 b/d. Subject to regulatory permitting, and approval, the line could be in service sometime in 2009.

<http://biz.yahoo.com/iw/060725/0147220.html>

BP to Spend Additional \$1 Billion for Repairs and Upgrades to Pipelines and Refineries

BP, which had committed \$6 billion for safety upgrades, said it will spend additional \$1 billion over the next four years to repair and replace infield pipelines and upgrade safety features at its U.S. refineries.

<http://www.marketwatch.com/News/Story/Story.aspx?guid=%7b27460FFC-009D-4CEC-886A-4641CDE151D4%7d&siteid=yahoo&dist=yahoo>

Lightning Strikes BP's 460,000 b/d Texas City Refinery, No Affect on Operations July 24

The strike knocked out the Pipestills 3A compressor and restoring power took 12 hours.

Reuters, 11:26 July 25, 2006

Update: Shell Pipeline Leak in Nigeria Not Due to Attack

Damage to Shell's Nembe Creek pipeline, which has forced the company to cut Bonny exports by 180,000 b/d, was accidental according to the company. Shell said there was no timeframe to restart the lost production.

Reuters, 08:22 July 25, 2006

Natural Gas

Massachusetts Legislature Passes Bill Effectively Blocking Weaver's Cove LNG Project

A bill aimed at stopping the proposed Weaver's Cove LNG terminal was approved by both the Massachusetts House and Senate late Thursday night and was enacted on July 24. The bill places restrictions on the minimum clearance allowed (both vertically and horizontally) for tankers with respect to bridges within the boundaries of the state. The restrictions, which apply only to LNG facilities developed after July 1, 2006, effectively preclude tankers from servicing the proposed Weaver's Cove project but would not negatively impact other proposed LNG projects in the state.

<http://intelligencepress.com/subscribers/daily/news/d20060725f.html>

http://www.abc6.com/engine.pl?station=wlne&id=20991&template=breakout_story_local_news.shtml&dateformat=%25M+%25e,%25Y

Other News

First Hurricane of Season in Pacific Downgraded to Tropical Storm – Could make Hawaii Landfall Friday

As of 11:00 PM July 24, Hurricane Daniel was downgraded to a tropical storm with sustained winds of 65 miles per hour and is forecast to continue weakening. The storm is moving north west with the projected path indicating that it could make landfall on the big island of Hawaii on Friday with winds at that time of approximately 40 miles per hour or more.

<http://www.prh.noaa.gov/cphc/pages/prod.php?file=/data/HFO/TCPCP1>
<http://starbulletin.com/breaking/breaking.php?id=4695>

Marathon to Develop First Biodiesel Storage Facility in Kentucky

Marathon Oil Corp. and the Kentucky Clean Fuels Coalition jointly announced that Marathon will develop storage and distribution facilities for biodiesel fuel in Louisville, Kentucky. Marathon acknowledged the work done by the Kentucky Clean Fuels Coalition in coordinating efforts to secure the grant funds that made the project feasible. New plants under construction in Kentucky will supply 70 million gallons of biodiesel by mid-2007 with the storage and distribution terminal expected to be operational just ahead of that time, in the first quarter of 2007.

<http://powermarketers.netcontentinc.net/newsreader.asp?ppa=8knpq%5F%5BiigkknXUjf%7DGJ%7BbfeI%5Dv>

Energy Prices

U.S. Oil and Gas Prices			
July 25, 2006			
	Today	Week Ago	Year Ago
CRUDE OIL West Texas Intermediate U.S. \$/Barrel	73.40	73.87	58.10
NATURAL GAS Henry Hub \$/Million Btu	6.78	5.61	7.38

Source: Reuters

Energy Notes

Florida Gas Transmission Again Issues Overage Alert Due to Heat

Reuters, 12:17 July 25, 2006

Texas is Nation's Top Wind Energy Producer with 2,370 MW Capacity

<http://www.newsday.com/news/nationworld/wire/sns-ap-wind-energy.0.6383925.story?coll=sns-ap-nationworld-headlines>

40 Million Gallon Ethanol Plant Planned for Guyana – U.S. Market Potential Seen

http://www.stabroeknews.com/index.pl/article_general_news?id=56500071

Application Filed with FERC for First Wave Power Generation Plant in U.S.

http://pro.energycentral.com/professional/news/power/news_article.cfm?id=6938424

Iran Says Israel-Lebanon Conflict Could Sweep Through Mideast Like Hurricane

Reuters, 13:46 July 25, 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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