



ENERGY ASSURANCE DAILY

Wednesday, August 09, 2006

Major Developments

Update: BP Shuts 200,000 b/d at Alaska's Prudhoe Bay Oilfield Aug. 8

BP Will Decide Whether to Shut Western Half Aug. 11

By Tuesday, BP shut the eastern half of its 400,000 b/d Prudhoe Bay oilfield in Alaska, dropping total output by 200,000 b/d. BP said that it will decide on Friday whether it will also shut the western half of the field, thereby reducing production to zero. BP officials said that they were studying options that would allow them to maintain some output from the western side of the field. Yesterday, U.S. Energy Secretary Samuel Bodman raised the possibility of the western half remaining open during repairs. Prudhoe Bay is the biggest oilfield in the United States and accounts for about 8 percent of total U.S. oil production.

Reuters, 11:36 August 9, 2006

<http://www.bloomberg.com/apps/news?pid=20601087&sid=av6QODr8BVWY&refer=home>

Trans Alaska Pipeline Able to Keep Oil Moving Despite Prudhoe Bay Shutdown

According to Alyeska Pipeline officials, the Trans Alaska Pipeline System will maintain sufficient pressure to continue moving crude oil despite decreased flow due to the Prudhoe Bay shutdown. The Trans Alaska Pipeline normally moves about 800,000 b/d of crude oil from Prudhoe Bay and other oilfields on the Alaska North Slope to the port of Valdez on Alaska's southern coast. Alyeska said that it expects flow on the pipeline to be reduced to 400,000 b/d by the middle of next week, as BP completes the Prudhoe Bay shutdown. The Trans Alaska Pipeline System was originally designed to pump 2 million b/d but flows have fallen over the last 18 years as ANS production has declined.

Reuters, 10:32 August 9, 2006

BP Will Ensure Flint Hills Resources' North Pole, Alaska Refinery Has Crude

The company said that it will ensure that the 230,000 b/d refinery, which is the main supplier of motor fuels in Alaska, will not run out of crude oil supply. The refinery, which is located in Fairbanks, is completely dependent on Alaska North Slope crude oil, which it gets from the Trans Alaska Pipeline. Sixty percent of the plant's output goes to the aviation market.

Reuters, 10:15 August 9, 2006

BP Searching for Replacement Crude for West Coast Refineries

BP is rushing to find replacement shipments of crude oil to offset supplies lost from the Prudhoe Bay shutdown. BP has made enquiries to various sources, including the Middle East Gulf, West Africa, the Mediterranean, and the Caribbean. Although BP is studying its options, very little has been confirmed yet. A fleet of at least six 50,000 ton Panamax oil tankers were fixed for the U.S. West Coast on Monday, in reaction to the Prudhoe Bay shutdown.

http://news.yahoo.com/s/nm/20060809/bs_nm/energy_bp_tankers_dc_1;_ylt=AIZQ.dX6FThtCe_OjERY8JOAsnsA:_ylu=X3oDMTBiMW04NW9mBHNIYwMIJVRPUCU

http://www.energyintel.com/DocumentDetail.asp?document_id=181847

Prudhoe Bay Shutdown Raises Concerns over Pipeline Reliability

The shut down of the Prudhoe Bay oil field due to pipeline corrosion is triggering worries about the reliability of the 200,000 miles of pipelines in the U.S. The cause is still being investigated, but poor maintenance is seen as the main factor that led to the corrosion. Data from the federal Office of Pipeline Safety show that from 2002 to mid-2006, internal corrosion was blamed for 60 of 593 pipeline accidents, totaling 69,292 barrels in spilt oil and causing \$8.1 million in damage. Executive director of NACE International, Tony Keane, commented that corrosion can't be halted, but only slowed, and that it must be an ongoing maintenance process.

http://www.usatoday.com/money/industries/energy/2006-08-09-pipeline-usat_x.htm?csp=N008

BP Facing Federal Scrutiny for March Oil Spill, Shutdown of Alaska Pipeline

The U.S. Department of Justice, the U.S. Environmental Protection Agency, the U.S. Department of Transportation and the U.S. Congress are all investigating BP's maintenance procedures, which many suspect are responsible for both the March 2006 oil spill and the this week's Prudhoe Bay shutdown.

http://biz.yahoo.com/ap/060809/oil_field_bp.html?v=2

Electricity

Update: LS Power's 739 MW Gas-fired Moss Landing Unit 6 in California Returns to Service Aug. 8

The unit returned to service August 8 after shutting August 6 to fix a steam leak.
Reuters, 07:30 August 9, 2006

DTE's 1,111 MW Fermi 2 Nuke Unit in Michigan to Ramp Up Aug. 9

On August 8, a reactor recirculation pump started running at minimum speed due to the failure of a speed controller. The controller was fixed, and the unit is expected to return to full power by this evening. This unit was previously shut due to loss of off-site power on July 29 and subsequently exited the outage on August 1.
Reuters, 09:31 August 9, 2006

Update: One of Two Coal-fired Units at Edison Mission Energy's 1,884 MW Homer City Power Station in Pennsylvania Returns to Service August 9

Electricity traders said that one unit at Edison Mission's Homer City power station in Pennsylvania was returning to service early today. Traders say that the 614-megawatt Unit 2 was shut August 3 for condenser repairs, and that the 650-megawatt Unit 3 was shut August 4 due to an electrical problem. Officials were not available to comment on the outages.

Reuters, 08:33 August 9, 2006

Update: Allegheny Energy's 640 MW Harrison Coal-fired Unit 1 in W. Va. Returns to Service Aug. 8

Electricity traders said a unit at Allegheny Energy Inc.'s 1,933-megawatt Harrison coal-fired power station in West Virginia returned to service August 8. The unit shut on July 15 due to a transformer failure. The unit was returned to service during the weekend of August 5-6, but another unit (possibly the same unit) shut later that weekend. A spokesman for Allegheny Energy Inc. could not confirm or deny that Unit 1 returned or that another unit shut over the weekend. Once the unit exits the outage, the company will file with federal regulators.

Reuters, 08:47 August 9, 2006

Dominion's 524 MW Mt Storm Coal-fired Unit 1 in W. Va. Shut

The unit was shut to fix a tube leak. Electricity traders said it usually takes about three days to fix a tube leak.

Reuters, 10:04 August 9, 2006

Update: TXU's 750 MW Martin Lake Coal-fired Unit 3 in Texas Returns to Service Aug. 8

The unit was shut August 5 to repair a tube leak. TXU announced today that it will not shut Unit 2, which also has a tube leak, as previously reported. The company will try to keep all units operating as a heat wave crosses the region.

Reuters, 11:36 August 9, 2006

Petroleum

Update: Mississippi River Reopened Evening of Aug. 8

As of 11:15 p.m. August 8, the Mississippi river was reopened to all vessel traffic after the U.S. Coast Guard successfully salvaged a sunken tugboat, which had caused the Mississippi River to close to all shallow and deep draft vessels. The closure prevented three oil products tankers from leaving ExxonMobil's Baton Rouge refinery.

Reuters, 10:58 August 9, 2006

CCU at Shell's 340,000 b/d Deer Park, Texas Refinery Running at Reduced Rates

On August 9, Shell Oil Co. reported that a 67,000 barrel-per-day catalytic cracking unit at its refinery in Deer Park, Texas, was running at reduced rates while repairs were being made to a wet gas compressor. According to a Shell spokesperson, the rest of the refinery is operating normally, and the company expects repairs to be completed by mid-day August 10.

Reuters, 12:17 August 9, 2006

Update: Shell Making Progress in Fixing Nigerian Pipeline

A spokeswoman for Royal Dutch Shell announced August 9 that repairs are progressing for one of its pipeline in Nigeria. The company does not estimate when repairs will conclude, however. Shell, which is Nigeria's largest foreign operator, is losing a total of 675,000 barrels of oil equivalent per day (boepd) in Nigeria due to the pipeline leak and militant attacks.

Reuters, 07:28 August 9, 2006

Four Oil Workers Kidnapped in Nigeria

According to authorities, two Norwegians and two Ukrainians have been kidnapped from an oil services ship on anchor off the coast of southern Nigeria. The kidnapping is the latest in a series of militant attacks on Nigeria's oil and gas industry.

Reuters, 09:35 August 9, 2006

Natural Gas

Kitimat LNG Hopes to Build First LNG Import Terminal on U.S. West Coast

Kitimat is lacking only federal approval for the construction of its proposed LNG plant, which will be the first receiving terminal to be built on the West Coast above the Mexican border. The company expects federal approval by the end of this year and to begin construction in 2007.

http://www.energyintel.com/DocumentDetail.asp?document_id=181249

Other News

Nothing to report.

Energy Prices

U.S. Oil and Gas Prices			
August 9, 2006			
	Today	Week Ago	Year Ago
CRUDE OIL			
West Texas Intermediate U.S.	76.30	76.05	63.13
\$/Barrel			
NATURAL GAS			
Henry Hub	7.60	8.63	8.70
\$/Million Btu			

Source: Reuters

Energy Notes

Saudi Arabia Says It Invests Heavily to Avoid Pipeline Corrosion

Reuters, 08:40 August 9, 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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