



ENERGY ASSURANCE DAILY

Tuesday Evening, May 10, 2016

Major Developments

Update: Oil Sands Companies Begin Resuming Production in Alberta as Fort McMurray Wildfire No Longer Threatening Facilities May 10

Oil sands companies around Fort McMurray, Alberta began to resume production on Tuesday after an out-of-control wildfire forced producers to shut down production over the past week, and energy executives met with province leaders who reported the town was less damaged than first feared. Energy facilities were barely touched through the first week of the wildfire, protected by fire breaks, other defenses, and provincial firefighting crews. The fire continued to grow on Tuesday, but it has moved far enough away from the oil sands' sites to allow companies to begin resuming production. Cooler and possible wetter weather was helping firefighters battle the massive wildfire, which engulfed 229,000 hectares (560,000 acres) of land after it spread east to connect with another fire burning near Campbell Lake, 30 miles east of Fort McMurray. The wildfire, which began burning on May 1, has caused 11 oil sands production companies and three oil pipeline operators to curb activities, shutting down about 1.07 million b/d of oil sands production as of Sunday evening. The region can produce roughly 2.2 million b/d. Although the fire has caused minimal damage to oil sands facilities, energy firms were keeping facilities closed due to mandatory evacuations of workers, shutdowns of takeaway oil pipelines, and diluent supply issues. At least three major oil companies (BP, Suncor Energy, and Phillips 66) have issued force majeure, warning they will not be able to meet all contracts for Canadian crude. The U.S. imports about 3.5 million b/d of Canadian crude. More than 20 oil operations are clustered in a 60-mile radius of the city, according to government data. The following companies have reported impacts as of Tuesday. The red text under each company below indicates an update to the wildfire impacts reported in Monday's EAD publication.

- **Suncor Energy** said there has been no damage to its assets and is beginning to implement its plan for a return to operations. **The company said it boosted fire protection around its facilities, using bulldozers and other heavy equipment to clear trees and vegetation, and installed water sprinklers and pumps.** Suncor anticipates it will commence its restart once it can do so safely and depending on the availability of critical third-party pipeline infrastructure. Suncor closed its 350,000 b/d main mining site, and its MacKay River and Firebag thermal oil sands operations on May 4. It cited the precautionary shut-in of takeaway pipelines and limited availability of diluent. Prior to the fire, Suncor said it was operating at reduced rates of approximately 300,000 b/d because of a maintenance turnaround.
- **Syncrude** said its 315,000 b/d Aurora bitumen mine was shut and other operations were functioning at minimal levels. The company said a power generator had been restarted its Aurora bitumen mine and said it had transitioned from emergency response to planning operations restart, however; there was no projected timeline for restarting production. **The company has two firefighting crews that are helping contain the fires and monitoring the company's local sites. Syncrude's Mildred Lake upgrader is the most critical infrastructure on site and is surrounded by buffer zones free from vegetation. The Aurora mine also functions as a firebreak.** Syncrude is an oil sands project owned by a consortium of companies, including majority owner Suncor. **Syncrude will cut forecast May crude production volumes by some 35 percent, three trading sources familiar with the matter said on Monday.**
- **Royal Dutch Shell Plc** on Monday restarted production at a reduced rate at its 255,000 b/d Albion oil sands mining operation, which include the Muskeg River and Jackpine oil sands mines. The company said it will fly in and fly out staff to help resume operations over the coming days and weeks. Locally based employees may choose to support operations only if they are willing and available, it said. Shell said it designs its sites with fire breaks, and that the provincial government also requires wildfire control plans, which the company updates each year.
- **Nexen Energy** on Monday reported the yard of its Long Lake oil sand facility suffered minor damage on Sunday from the wildfire. Long Lake can produce around 50,000 b/d of synthetic crude but has been operating at reduced rates since late January due to an explosion at the plant.

- **ConocoPhillips** said on May 5 it had shut its 30,000 b/d Surmont operations south of Fort McMurray, and evacuated the site. **The company said the facility's internal fire suppression system does not protect against forest fires and that the site was dependent upon protection from provincial firefighters.**
- **Husky Energy** on Sunday shut production at its 30,000 b/d Sunrise Energy Project. Husky had previously reduced operations to 10,000 b/d.
- **Connacher Oil and Gas Ltd** said on May 5 it was restoring production at its Great Divide operation, which is 50 miles south of the city, back up to 8,000 b/d, after cutting it to 4,000 b/d on Wednesday. The operation produced 14,000 b/d in the fourth quarter.
- **Canadian Natural Resources Ltd** has cut output by an unspecified amount at its Horizon project. **The company said it had an on-site fire department at its Horizon facility, with 42 full-time firefighters and 65 auxiliary staff who can step in as needed.**
- **Statoil ASA** on Monday said it is suspending all production at its 20,000 b/d Leismer facility in northern Alberta. Statoil said production would remain suspended until midstream terminals needed to transport crude oil via pipeline reopen.
- **Athabasca Oil Corp** said on May 5 it shut its Hangingstone project and evacuated all personnel. At the time, the company said it was in the process of shutting down the well sites and the central facility. The project was expected to produce 12,000 b/d by the fourth quarter 2016.
- **Imperial Oil Ltd** on Monday completed a controlled shutdown of its Kearl oil sands mining project, adding it would remain shut until the company had fully grasped the logistics of getting people and materials to and from the site. Non-essential personnel have been demobilized from the Kearn site. Its physical plant and other assets are unaffected by fires.
- **Cenovus** said on May 6 that essential staff were maintaining full production at its Christina Lake oil sands site. The company had previously sent home non-essential staff.
- **MEG Energy and Japan Canada Oil Sands Ltd.** said their operations near Fort McMurray were not affected.
- **Enbridge Inc.** on Monday said its Cheecham facility remains closed and as a result, all Enbridge pipelines in and out of Cheecham Terminal continue to be isolated and shut down. Limited volumes are currently flowing on Line 19, initiating out of the Kirby Lake facility. Athabasca Terminal continues to operate with a minimum staff complement. **Inspections of the Athabasca and Cheecham terminal facilities indicate they have been largely unaffected by the fires. Some above-ground facilities on the rights-of-way have incurred limited damage. Enbridge is currently finalizing plans to repair and restart its system and working to assess available utility power supply needed to safely return to service. In addition, Enbridge said its terminals south of Fort McMurray were designed to withstand fires even inside storage tanks or on tank roofs. The content of the tanks is processed heavy oil, which has low volatility, and tanks are also surrounded by gravel berms as well as firebreaks.**
- **Keyera Corp** said its South Cheecham rail and truck terminal, 47 miles south of Fort McMurray, had been evacuated and shut on May 5. South Cheecham is a joint venture between Keyera and Enbridge.
- **Inter Pipeline** said its 346,000 b/d Corridor pipeline system, which serves Shell's oil sands facilities, was ready to be reopened once Shell resumes operations. Inter Pipelines' 540,000 b/d Polaris diluent pipeline was reopened after a one-day shutdown.
- **Pembina**'s Algar to Cheecham Lateral remains fully operational but is not delivering due to the shutdown of downstream facilities. All other Pembina facilities in the Fort McMurray area remain fully operational.
- **TransCanada Corp** said it does not expect the wildfire to affect deliveries of natural gas. The nearest pipeline is about 12 miles west of the current wildfire.

<http://www.reuters.com/article/canada-wildfire-shell-idUSL2N18623D>

Reuters, 15:54 May 10, 2016

Reuters, 15:19 May 10, 2016

Reuters, 12:31 May 10, 2016

Reuters, 10:53 May 10, 2016

Reuters, 16:54 May 9, 2016

Reuters, 22:20 May 8, 2016

Marathon's 1.2 Million b/d Capline Crude Oil Pipeline from Louisiana to Illinois to Double Daily Throughput Volume in May as Alberta Wildfire Cuts Canadian Supply – Sources

Crude oil moving from the U.S. Gulf to the Midwest through Marathon's Capline pipeline is expected to double in daily throughput volume during May due to increased shipper demand after the Fort McMurray wildfire severely reduced Canadian supply into the United States, two sources familiar with the matter said on Tuesday. The Capline pipeline, which moves crude from St. James, Louisiana, to Patoka, Illinois, is expected to run as much as 600,000 b/d this month, up from the 300,000 b/d to 350,000 b/d expected previously, the sources said. Due to the increased volume on the Capline, shipping time was also expected to decrease to two weeks from three weeks previously, the sources added. Capline is operated by Marathon Petroleum Corp and also owned by Plains All American Pipeline LP and BP Plc.

Reuters, 12:24 May 10, 2016

Update: Alberta Oil Sands Power Output Rises as 510 MW Syncrude Plant Restarts May 10 – AESO

The amount of power generated by the cogeneration plants in the area around Fort McMurray increased by early Tuesday with the restart of the 510 MW Syncrude plant, according to data from the Alberta Electric System Operator (AESO). The Syncrude plant, which shut on May 7, was producing about 86 MW of generation at 8:23 a.m. EDT on Tuesday. With the return of the Syncrude plant, total cogeneration capacity in the Fort McMurray area increased to about 470 MW Tuesday morning from about 400 MW Monday afternoon, AESO said. That is still just 21 percent of the total 2,220 MW of cogeneration capacity in the Fort McMurray area. There are about 3,200 MW of power cogeneration capacity serving the oil sands industry in the province of Alberta, with about two-thirds located in the Fort McMurray area. Before the fire reached Fort McMurray, the cogeneration units in the area were producing about 1,300 MW of power, according to local media reports.

Reuters, 9:12 May 10, 2016

Electricity

Strong Storms Knock Out Power to Over 61,000 Customers in Arkansas, Oklahoma, Texas May 9

A strong line of storms, producing heavy rain and lightning knocked out power to at least 61,493 customers in Arkansas, Oklahoma, and Texas on Monday night into Tuesday. Straight-line winds with gusts exceeding 80 mph were reported, causing extensive damage. As of 4:00 p.m. EDT Tuesday, 8,349 customers remained without power. The table below shows total affected customers and the latest reported outages by utility. The "Affected" column shows the total count of customers that lost power at one point or another over the course of the storm for each utility. These outages may not have occurred concurrently and are not the same as peak outages.

Arkansas, Oklahoma, Texas Customer Power Outages			
May 9–10, 2016			
Electric Utility	State	Affected	Latest Reported
Entergy	AR	5,051	273
PSO	OK	2,801	1,903
Northeast Oklahoma Electric Cooperative	OK	1,449	1,449
Oncor	TX	36,000	415
Southwestern Electric Power Company	TX	7,055	3,845
CenterPoint Energy	TX	5,367	405
Entergy	TX	3,770	59
TOTAL*		61,493	8,349

*Total outages represent only electric utilities listed in this table.

Sources:

<http://www.etrviewoutage.com/external/ar.aspx>
<http://outage.neelectric.com/>
<http://stormcenter.oncor.com/external/default.html>
<http://viewoutage.entropy.com/tx.aspx>
<https://www.psoklahoma.com/outages/outageMap.aspx>
<https://www.swepco.com/outages/outageMap.aspx>
<http://www.arkansasmatters.com/news/local-news/thousands-without-power-after-strong-storms>
<http://www.arkansasonline.com/news/2016/may/10/storms-top-80-mpm-damage-homes-20160510/?f=news-weather>

Snowstorm Knocks Out Power to Over 27,000 NorthWestern Energy Customers in Montana May 10

A snowstorm producing high winds knocked out power to over 27,000 NorthWestern Energy customers Tuesday morning in the Bozeman, Montana area. Two transmission lines had weather-related issues, according to a spokesperson. As of 2:00 p.m. EDT, nearly all power was restored to affected customers.

<http://www.northwesternenergy.com/safety/outage-safety/outage-mapping>

<https://www.facebook.com/NorthWesternEnergy/?fref=nf>

Update: Energy Northwest's 1,107 MW Columbia Generating Station Nuclear Unit in Washington at Full Power by May 10

On the morning of May 9 the unit was operating at 87 percent, reduced from full power on May 8.

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2016/>

BHE Renewables' 276 MW Solar Star Unit 2 in California Shut by May 9

The unit entered an unplanned outage.

<http://content.caiso.com/unitstatus/data/unitstatus201605091515.html>

Six Energy Companies Launch Grid Assurance Company to Provide Critical Transmission Equipment Reserve May 6

Affiliates of American Electric Power (AEP), Berkshire Hathaway Energy, Duke Energy, Edison International, Eversource Energy, and Great Plains Energy on Friday officially launched Grid Assurance, an independent company that will provide transmission reserve solutions for critical electric transmission equipment. Grid Assurance will enhance grid resiliency and give electric transmission owners faster access to long-lead time critical equipment necessary to recover from catastrophic events that could impact the nation's electric grid. The company intends to provide a readily available inventory of equipment at secure, strategically located warehouses around the country and will also offer logistics support to facilitate expedited delivery of that equipment to affected sites following a qualifying event. Subscription to inventory and services will be open to all transmission owners. Qualifying events can include physical attacks, cyberattacks, electromagnetic pulses, catastrophic events, solar storms, earthquakes, and severe weather events.

<http://www.aep.com/newsroom/newsreleases/?ID=1947>

Petroleum

Wisconsin Governor Declares Energy Emergency, Issues HOS Truck Waivers for Petroleum Product Deliveries May 6 Due to Indefinite West Shore's Pipeline Closure

Wisconsin Governor Scott Walker issued an executive order on Friday declaring an energy emergency following the temporary closure of the West Shore Pipeline, which ships refined petroleum products from Milwaukee to Green Bay. The pipeline has been shut down for repairs indefinitely since March when an anomaly was detected. By April 11, the company placed a temporary embargo with respect to all movements to the Green Bay destination point, which was issued to allow West Shore to perform unscheduled integrity work on the system. West Shore has not provided an anticipated restart date at this time. The Governor's executive order waives various federal and state limitations on the number of hours that petroleum tanker truck drivers can work weekly, and was declared in order to avoid potential gasoline and diesel shortages in the state while authorities continue to investigate and test the pipeline.

<http://walker.wi.gov/newsroom/press-release/governor-walker-issues-executive-order-prevent-potential-gasoline-and-diesel>

https://www.fmcsa.dot.gov/sites/fmcsa.dot.gov/files/docs/WI_EO%23197_05062016.pdf

<http://www.jsonline.com/news/wisconsin/walker-declares-emergency-fearing-gas-shortage-in-green-bay-b99722126z1-378740551.html>

Update: ExxonMobil Resumes Operations at Its 149,500 b/d Torrance, California Refinery – Local Media

ExxonMobil Corp resumed operations at its Torrance, California, refinery at around 2:45 a.m. PDT on Tuesday, CBS Los Angeles reported, after it was shut on February 18, 2015 due to an explosion. The U.S. Chemical Safety Board blamed a breakdown in safety procedures for causing the explosion. The refinery was supposed to restart Saturday night but the company delayed it over what it called “unexpected operational delays,” according to the news website. As a safety precaution, ExxonMobil shut down a pollution control device for six hours during the restart process. That shutdown will result in up to 600 pounds of excess particulate emissions, but South Coast Air Quality Management District officials do not expect it to expose residents to unhealthy levels. The refinery was sold to PBF Energy in September 2015 and the deal is expected to close in the second quarter of 2016.

Reuters, 8:40 May 10, 2016

<http://www.nbclosangeles.com/news/local/Planned-Restart-Torrance-Refinery-Expected-Tuesday-378765071.html>
<http://losangeles.cbslocal.com/2016/05/08/exxonmobil-plans-to-restart-torrance-refinery-monday.>

ExxonMobil Reports Minor Leak into Houston Ship Channel Contained, Operations Normal at Its 560,500 b/d Baytown, Texas Refinery on May 10 – NRC

ExxonMobil said an approximate 1 gallon “resid” leak into the Houston Ship Channel was contained and that operations were normal at its Baytown, Texas refinery. Exxon said the leak occurred due to a plug blowing out on a transfer line on May 7.

Reuters, 14:46 May 10, 2016

PBF Energy Reports Emissions at Its 182,200 b/d Delaware City, Delaware Refinery May 10

PBF Energy Inc. reported emissions at its Delaware City, Delaware refinery, according to a filing with the state pollution regulator.

Reuters, 13:03 May 10, 2016

Update: Small CDU at BP's 413,500 b/d Whiting, Indiana Refinery Returns to Normal Operations May 9 – Sources; Compressor Trip Reported May 7

BP Plc returned the small crude distillation unit (CDU) to normal production at its Whiting, Indiana refinery on Monday after reducing production on Sunday night, sources familiar with plant operations said. The sources said production on the 70,000 b/d Pipe Still 11A CDU was continuing, albeit at reduced rates. The unit malfunctioned on Saturday. On May 7, BP reported that compressor K-401 on an unspecified unit tripped and released 37,000 pounds of sulfur dioxide. There was no additional information available at this time.

Reuters, 10:53 May 10, 2016

Reuters, 13:54 May 10, 2016

CVR Reports Emissions at Its 115,000 b/d Coffeyville, Kansas refinery May 7

CVR reported a release of ammonia due to maintenance on equipment at its Coffeyville, Kansas refinery on May 7.

Reuters, 13:35 May 10, 2016

CVR Says No Fire at Its 70,000 b/d Wynnewood, Oklahoma, Refinery May 9

CVR Energy Inc. said on Monday there is no fire at its refinery in Wynnewood, Oklahoma, despite social media reports about a blaze at the refinery. The company also declined to discuss whether a tornado that hit an area south of Oklahoma City, near the refinery on Monday afternoon had any impact on the refinery operations.

Reuters, 20:16 May 9, 2016

Alon Reports Emissions at Its 70,000 b/d Big Spring, Texas Refinery May 9

Alon USA Energy reported emissions from the northeast flare at its Big Spring, Texas refinery, according to a filing with the Texas Commission on Environmental Quality. Alon said it was working to evaluate all process sources that may contribute hydrogen sulfide to the flare header.

Reuters, 18:39 May 9, 2016

Natural Gas

Update: Spectra Restarts 1 of 4 Natural Gas Pipelines in Pennsylvania May 9 after Shutdown Due to Explosion April 29

Spectra Energy Corp and Texas Eastern Transmission (TETCO) on Tuesday said one of four natural gas lines was restarted on Monday to move supply through the Delmont compressor station on its Texas Eastern pipeline in western Pennsylvania after an explosion on April 29 damaged one of its 30-inch pipelines. The company said about 1.16 Bcf/d of gas could flow through the Delmont compressor station near Salem Township. Before the explosions, about 1.3 Bcf/d of gas was moving though the affected area, according to Spectra. On April 29, an explosion damaged one of four parallel TETCO transmission lines in Salem Township, leading Spectra to isolate all four lines in the pipeline corridor and shut all flows through the Delmont Compressor Station. The compressor was not damaged. At the time of the explosion, Spectra said three of the four parallel Texas Eastern pipelines in the affected area were operating—the 30-inch line that was damaged; another 30-inch, which has since been restarted; and a 36-inch line that is still out of service. A 24-inch line was down for planned maintenance at the time of the blast and remains out of service. A preliminary investigation has identified evidence of corrosion along two of the circumferential welds—one at the point of failure and another excavated after the U.S. Department of Transportation's (DOT's) Pipeline and Hazardous Materials Safety Administration response to the site. Spectra on Monday night said it completed work to examine and confirm the integrity of one of the three pipelines including uncovering the pipeline to verify that there was no damage from the explosion. The results showed that the pipeline was not affected by the incident, and DOT authorized its restart. The other pipelines in the vicinity remain shut-in, including the pipeline involved in the explosion.

Reuters, 9:49 May 10, 2016

<http://www.spectraenergy.com/announcements/>

<https://infopost.spectraenergy.com/infopost/default.asp?pipe=TE>

Idemitsu, AltaGas Suspend 2 MTPA LNG Project in Canada May 10

Idemitsu Kosan Co said on Tuesday its joint venture with AltaGas would suspend a liquefied natural gas (LNG) project in Canada for the foreseeable future due to low energy prices. The two firms had conducted a feasibility study to export about 2 million tonnes per annum of LNG to Asia from Canada's west coast as early as 2017. If the current LNG prices continue into the future, the venture would not be able to make a commitment on development, the executive officer and general manager of Idemitsu Kosan's treasury department said. Idemitsu left open a possibility of continuing with the project when energy prices recovered.

http://www.downstreamtoday.com/news/article.aspx?a_id=52090

Other News

Nothing to report.

International News

Nothing to report.

Energy Prices

U.S. Oil and Gas Prices			
May 10, 2016			
	Today	Week Ago	Year Ago
CRUDE OIL West Texas Intermediate U.S. \$/Barrel	44.63	43.60	59.36
NATURAL GAS Henry Hub \$/Million Btu	1.97	1.91	2.78

Source: Reuters

Links

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<http://www.eia.gov/oog/info/twip/twip.asp>

Updated every Wednesday.

Weekly Petroleum Status Report from EIA

http://www.eia.gov/oil_gas/petroleum/data_publications/weekly_petroleum_status_report/wpsr.html

Updated after 10:30 AM & 1:00 PM ET every Wednesday.

Natural Gas Weekly Update from EIA

<http://www.eia.gov/oog/info/ngw/ngupdate.asp>

Updated after 2:00 PM ET every Thursday.

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Please direct comments and questions to: ead@oe.netl.doe.gov