



# ENERGY ASSURANCE DAILY

Monday, May 22, 2006

## Major Developments

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### Major Explosion Hits Valero's 250,000 b/d St. Charles Refinery in Louisiana May 20

At about 11:30 p.m. on May 20, an explosion and fire heavily damaged a hydro-diesel unit at Valero's St. Charles Refinery in Norco, Louisiana. Clean up is continuing today at the refinery, where 50 percent of processing capacity is offline. Officials expect to return lost capacity within one week but the hydro-diesel unit is expected to be out longer for repairs. According to Valero's website, the refinery has a total processing capacity of 250,000 b/d. The hydro-diesel unit where the explosion occurred uses hydrogen to remove sulfur from diesel fuel. A Valero inspection team is investigating the cause of the explosion.

<http://www.nola.com/news/t-p/metro/index.ssf?/base/news-14/1148277989120750.xml&coll=1>

<http://www.valero.com/Visit+Our+Refineries/St.+Charles>

OPIS Alert, 09:51 May 22, 2006

Reuters, 08:12 May 22, 2006

### Shell's Mars Platform Resumes Oil and Gas Production in Gulf of Mexico

The offshore Mars Platform—the largest producing platform in the Gulf of Mexico—has resumed partial oil and natural gas output after being struck by Hurricane Katrina last year. Although the facility was evacuated and shut prior to the hurricane it was heavily damaged by the storm. The platform's pre-Katrina production was 140,000 b/d of oil and 157 MMcf/d of gas. The platform is expected to return to full production in June. According to the latest U.S. Minerals Management Service report, 324,500 b/d of oil production and 1,295 MMcf/d of gas production are still shut in the Gulf of Mexico from last year's hurricanes.

Reuters, 12:30 May 22, 2006

[www.mms.gov](http://www.mms.gov)

## Electricity

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### PJM Interconnection Study Calls for Transmission Expansion in the Mid-Atlantic

The study, which was released Friday by PJM Interconnection's planning staff, proposes a five-year plan that includes a new 500-kV line extending from southwestern Pennsylvania to West Virginia and northern Virginia. The goal of the plan is to improve system reliability and meet growing demand for electricity in the region.

<http://biz.yahoo.com/bw/060522/20060522005679.html?v=1>

### Macrosoft Inc. Releases Utility Restoration Survey

A software development and technology services company has released a report aimed at benefiting utility companies to understand common best practices and pain-points which can be effectively addressed. Among the interesting findings: 1) 87 Percent of participants had at least 1 major power outage every year with utilities in the Mid-Atlantic, Midwest and Northeast having over 5 major outages annually; 2) 53 Percent of respondents reported deploying over 500 field personnel during large scale restoration efforts; and 3) 95 Percent of participants made use of contractor and mutual assistance resources during storm restoration.

[http://uaelp.pennnet.com/Articles/Article\\_Display.cfm?ARTICLE\\_ID=255465&p=22](http://uaelp.pennnet.com/Articles/Article_Display.cfm?ARTICLE_ID=255465&p=22)

[http://www.macrosfinc.com/press\\_051606.html](http://www.macrosfinc.com/press_051606.html)

## **Power Outage at Potomac River Waste Treatment Plant May 19; Seventeen Million Gallons of Raw Sewage Spilled into River**

A power failure at the Blue Plains sewage treatment plant occurred when a 69 kV line into the facility failed and the backup power was down for maintenance. The backup power was brought back up in about three hours. During that time about 17 million gallons of raw sewage spilled into the Potomac River. If the power had been restored in less than 90 minutes, no spill would have occurred. Pepco said it was not aware of the 90 minute requirement of restoring power to the facility.

[http://www.washingtonpost.com/wp-dyn/content/article/2006/05/19/AR2006051901595.html?nav=rss\\_metro/dc](http://www.washingtonpost.com/wp-dyn/content/article/2006/05/19/AR2006051901595.html?nav=rss_metro/dc)

## **Update: Exelon's 1,134 MW Limerick 1 Nuke Unit in Pennsylvania Back at Full Power May 22**

The unit, which shut on May 18 for short-term work, exited an outage and ramped up to 99 percent by May 22. Reuters, 07:15 May 22, 2006

## **Update: Progress' 900 MW Harris Nuke Unit in N. Carolina Back at Full Power May 22**

The unit, which shut for short-term on May 19, exited an outage and ramped up to full capacity by May 22. Reuters, 07:43 May 22, 2006

## **Update: FPL's 693 MW Turkey Point 4 Nuke Unit in Florida Exits Outage May 22**

The unit, which shut on May 18 for short-term repairs, exited an outages and ramped up to 1 percent by May 22. Reuters 07:48 May 22, 2006

## **Update: CMS Energy's 767 MW Palisades Nuke Unit in Michigan Ramps Up to 85 Percent May 22**

The unit, which shut May 11 to fix a problem with a dropped control rod, was operating at 50 percent on May 19 after exiting an outage. Reuters, 07:57 May 22, 2006

## **DTE Energy's 1,111 MW Fermi 2 Nuke Unit in Michigan Shut May 22**

Reuters, 07:49 May 22, 2006

## **Duke Energy's Two 1,129 MW Catawba Nuke Units in S. Carolina Shut May 20**

The units shut due to the loss of offsite power. Reuters, 10:42 May 22, 2006

## **Entergy's 1,270 MW Grand Gulf Nuke Unit in Mississippi Reduced to 57 Percent May 22**

Reuters, 08:10 May 22, 2006

## **AES's 225 MW Huntington B 1 Gas-fired Unit in California Shut May 21**

Reuters, 11:56 May 22, 2006

## **Complete's 259 MW La Paloma 4 Gas-fired Unit in California Shut May 21**

Reuters, 11:56 May 22, 2006

## **Sempra's 625 MW Termoelectrica Gas-fired Unit in Mexico Shut May 21**

Reuters, 11:56 May 22, 2006

## **Update: TXU's Monticello 2 Coal-fired Unit in Texas Restarts May 22**

Reuters, 11:56 May 22, 2006

## **Three OPG 490 MW Nanticoke Units Return and Two Shut in Ontario Over Weekend**

Reuters, 11:44 May 22, 2006

### **API Sees ULSD Transition Causing Supply Problems**

The American Petroleum Institute expects the transition to ultra low sulfur diesel (ULSD) next month to run into “speed bumps” along the way. New federal rules require refiners to reduce the sulfur content in on-road diesel from the current 500 parts per million (ppm) to 15 ppm starting beginning June 1. U.S. refiners produced about 270,000 b/d of ULSD last week, much less than the average of about 2.4 million b/d needed to meet demand from June till the end of the year.

Reuters, 13:15 May 22, 2006

### **U.S. to Face Ethanol Barge Supply Backlog**

Industry sources say that the reliance on inland barges for ethanol and corn transportation is expected to increase in the future as ethanol demand rises but most U.S. shipyards are already facing an order backlog up to 2008. The ethanol industry is already experiencing a transportation logistics problem due to limited rail, pipeline and chemical trucking capacity. Ethanol is being phased in as the fuel-additive of choice for reformulated gasoline as the industry phases out MTBE.

Reuters, 16:28 May 19, 2006

### **Update: Fire-damaged Wynnewood Alkylation Unit in Oklahoma Leaking Acid**

Wynnewood Refining has detected a hydrochloric acid leak from the alkylation unit at its 55,000 b/d Oklahoma refinery, which was damaged by fire May 12. The company said that it was controlling the leak with water sprays. The refinery is currently running at a rate of 40,000 b/d and the company has estimated a return date for the alkylation unit.

Reuters, 13:52 May 22, 2006

### **Total and Saudi Aramco to Build 400,000 b/d Export-oriented Refinery in Saudi Arabia**

The two companies plan to form a joint venture to build the refinery in the Persian Gulf City of Jubail. The refinery is scheduled to begin service in 2011.

[http://biz.yahoo.com/ap/060521/france\\_total\\_saudi\\_aramco.html?.v=3](http://biz.yahoo.com/ap/060521/france_total_saudi_aramco.html?.v=3)

### **Update: Oil Union Extends Exxon Strike Ultimatum in Nigeria to May 30**

Nigeria’s senior staff oil workers’ union has extended by one week a strike ultimatum to ExxonMobil in order to give the company more time to resolve an employment dispute. The original ultimatum deadline was May 23. Exxon Mobil is Nigeria’s second biggest oil producer, pumping 700,000 b/d. Production in Nigeria has already been reduced by 455,000 b/d due to rebel attacks. Nigeria supplied 8 percent of U.S. oil imports in 2005.

Reuters, 10:51 May 22, 2006

### **BP to Load First Oil Tanker From BTC Pipeline May 27**

British Petroleum Plc said it would ship the first tanker of oil from the Baku-Tbilisi-Ceyhan (BTC) pipeline around May 27 at the Turkish port of Ceyhan. The shipment will mark the start of crude oil supply via the pipeline from the Azeri-Chirag-Gunashli field in the Azerbaijan sector of the Caspian Sea. When fully operational the BTC pipeline will pump a million barrels per day.

Bloomberg, 13:12 May 22, 2006

### **Kazakhstan Says Turkish Straits Can’t Accommodate Increasing Oil Exports**

Kazakh President Nursultan Nazarbayev has said that the Turkish straits lack the capacity to accommodate Kazakhstan’s growing crude oil exports from the Black Sea to global markets. Kazakhstan plans to triple oil production to 3.2 million barrels per day by 2015. The country exports most of its crude via the Caspian Pipeline Consortium, which terminates at the Black Sea and is planning to double capacity to 1.35 million b/d. From the Black Sea, the oil is shipped via tanker through the Turkish-owned Bosphorus and Dardanelles straits to the Mediterranean. The two straits are already crowded with tanker traffic.

Bloomberg, 11:34 May 22, 2006

## Natural Gas

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### Analysts Say Gas Storage Levels Could Return to Normal if Price Stays Low

Although there is currently a 53 percent surplus in gas storage compared to the five-year average, storage levels at the end of the injection season could be near normal levels if gas becomes cheap enough to displace coal in some electric generation and if high liquids prices lead to increased gas liquids stripping, according to an analysis done by Citigroup.

NGI's Daily Gas Price Index, May 22, 2006

<http://www.platts.com/Natural%20Gas/News/7471948.xml?p=Natural>

### FERC Issues Favorable Environmental Reviews for Two LNG Terminals in Mississippi

The U.S. Federal Energy Regulatory Commission released favorable draft environmental impact statements for Gulf LNG Energy's proposed 1.5 Bcf/d Clean Energy Project LNG terminal in the Port of Pascagoula and Chevron's proposed 1.3 Bcf/d Bayou Casotte LNG terminal in Jackson County.

NGI's Daily Gas Price Index, May 22, 2006

<http://www.platts.com/Natural%20Gas/News/7473461.xml?p=Natural%20Gas/News&sub=Natural%20Gas>

### FERC Approves Williams' Transco Pipeline Expansion in U.S. Northeast

The U.S. Federal Energy Regulatory Commission has given regulatory approval for Williams to expand its Transco natural gas pipeline into growing northeastern United States markets by November 2007. The Leidy to Long Island expansion project will add 100 MM cf/d to the region's gas supply.

Reuters, 12:10 May 22, 2006

## Other News

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### Progress Energy Idles Synthetic Fuel Production as Federal Subsidy is Phased Out

The company is idling synfuel production because it cannot make as much profit given current oil price levels. A law passed in the 1980s to encourage synfuel production only offers tax credits to synfuel companies when the price of oil is below a certain level. Projection of oil prices this year indicate that the value of the credits will be reduced or possibly eliminated altogether this year. The synfuel subsidy has been criticized because synfuel often does not replace transportation fuels derived from petroleum, but instead is used the same way conventional coal is used.

<http://biz.yahoo.com/pmnews/060522/clm035.html?v=52>

<http://www.time.com/time/archive/preview/0,10987,1167738,00.html>

## Energy Prices

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U.S. Oil and Gas Prices			
May 22, 2006			
	Today	Week Ago	Year Ago
<b>CRUDE OIL</b>			
<b>West Texas Intermediate U.S.</b>	69.00	69.25	46.99
\$/Barrel			
<b>NATURAL GAS</b>			
<b>Henry Hub</b>	5.91	5.92	6.39
\$/Million Btu			

Source: Reuters

## Energy Notes

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### Ethanol: Myths and Realities

[http://news.yahoo.com/news?tmpl=story&cid=2632&ncid=2632&e=43&u=/bw/20060519/bs\\_bw/tc20060519225336](http://news.yahoo.com/news?tmpl=story&cid=2632&ncid=2632&e=43&u=/bw/20060519/bs_bw/tc20060519225336)

## **FTC Finds No Evidence of Oil Companies Illegally Manipulating Oil Prices or Constraining Oil Refining Operations Last Year**

Reuters, 12:37 May 22, 2006

OPIS Alert, 4:11 May 22, 2006

## **High Oil Prices Eroding Global Demand Growth- IEA**

Reuters, 13:15 May 22, 2006

## **Tanker Hose Line Malfunction Causes 2,000 Gallon Oil Spill Off Hawaii**

<http://www.kpua.net/news.php?id=8357>

## **Dominion Finds Gas and Oil in Gulf of Mexico, 250 Miles Southwest of New Orleans**

[http://biz.yahoo.com/ap/060519/dominion\\_gas\\_well.html?v=1](http://biz.yahoo.com/ap/060519/dominion_gas_well.html?v=1)

## **U.S. Treasury Secretary Says Iraq Could Double Oil Output if Security Improved**

Reuters, 09:59 May 22, 2006

## **Nigerian Court Sets May 29th Deadline for Shell to Pay \$1.5 Billion in Damages**

Reuters, 13:01 May 20, 2006

## **Thunderstorms Knock Out Power to 19,000 Customers in Massachusetts May 21**

[http://www.lowellsun.com/local/ci\\_3852102](http://www.lowellsun.com/local/ci_3852102)

## **13,000 Customers Lose Power May 22 in Macomb County, Michigan**

[http://news.yahoo.com/s/wdiv/20060522/lo\\_wdiv/9254416](http://news.yahoo.com/s/wdiv/20060522/lo_wdiv/9254416)

## **14,000 Lose Power May 21 in Columbia, South Carolina**

[http://www.wistv.com/Global/story.asp?S=4929448&nav=menu36\\_9\\_9](http://www.wistv.com/Global/story.asp?S=4929448&nav=menu36_9_9)

## **Power Outage Delays 14 planes at Orange County, California Airport May 22**

<http://www.nbc4.tv/travel/getaways/9253215/detail.html?rss=la&psp=news>

## **Dominion Considers Uprate of Seven Percent for 1,150 MW Millstone Unit 3**

[http://pro.energycentral.com/professional/news/power/news\\_article.cfm?id=6701851](http://pro.energycentral.com/professional/news/power/news_article.cfm?id=6701851)

## **Links**

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*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](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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