



ENERGY ASSURANCE DAILY

Friday Evening, June 07, 2013

Electricity

Update: SCE to Retire 2,350 MW San Onofre Nuclear Power Plant in California; Will Continue to Work with State Agencies on Electric Grid Reliability

Southern California Edison (SCE) today announced it has decided to permanently retire Units 2 and 3 of its San Onofre Nuclear Generating Station (SONGS). Both SONGS units have been shut since January 2012, when operators detected premature tube wear in the steam generators of both units. The steam generators, which were manufactured by Mitsubishi Heavy Industries, were installed in Unit 2 in 2009 and in Unit 3 in 2010. In October 2012, SCE submitted a restart plan to the U.S. Nuclear Regulatory Commission (NRC) proposing to restart Unit 2 at a 70 percent power for an initial period of approximately 5 months. The NRC has been reviewing SCE's plans for restart of Unit 2 for the last 8 months, and a recent ruling by the Atomic Safety and Licensing Board creates further uncertainty regarding when a final decision might be made on restarting Unit 2. Instead of continuing to incur the costs of maintaining SONGS in a state of readiness to restart, in addition to the costs to replace the power SONGS previously provided, SCE has concluded that efforts are better focused on planning for the replacement generation and transmission resources which will be required for grid reliability. The company has worked with the California Independent System Operator, the California Energy Commission, and the California Public Utilities Commission in planning for Southern California's energy needs and will continue to do so. San Diego Gas & Electric (SDG&E), which historically has received 20 percent of its power from SONGS, said today it will continue working to meet its customers' energy needs as reliably as possible. SDG&E expects that, barring any unforeseen system emergency, it will have adequate power supplies in the region this summer after energizing its 500-kV Sunrise Powerlink transmission line last year and establishing additional contracted resources. Full retirement of the SONGS units prior to decommissioning will take some years in accordance with customary practices. Actual decommissioning will take many years until completion.

<http://edison.com/pressroom/pr.asp?id=8143>

<http://sempra.mediaroom.com/index.php?s=19080&item=136838>

Solar Storm Could Knock Out Power for Months Due to Electrical Transformer Shortage – Research Study

A new study published by researchers at Lloyd's of London and Atmospheric and Environmental Research, Inc. in the United States details a scenario where, in the event of a catastrophic solar storm, a shortage of electrical transformers would leave Western nations without electricity for months because of the time needed to build replacements. The study also concludes the risk of a catastrophic solar storm will peak in 2015. A solar storm occurs when magnetic fields loop out of sunspots, releasing bursts of electrically-charged gas that can enter the Earth's magnetic field and eventually disrupt electrical networks on the ground. According to the report, Earth is overdue for such an event, which would normally be expected every 150 years.

<http://www.telegraph.co.uk/Solar-storm-could-leave-Britain-without-power-for-months.html>

<http://www.lloyds.com/~media/Lloyds/Reports/SolarStormRisktotheNorthAmericanElectricGrid.pdf>

Otter Tail, Xcel File Permit Application for 345-kV Transmission Line Project in South Dakota

Otter Tail Corp. and Xcel Energy Inc. have filed a permit application with the South Dakota Public Utilities Commission for a high-voltage transmission line from Big Stone City to near Brookings. The 70-mile 345-kV line would run between a new substation about three miles west of Big Stone City and the existing Brookings County substation 12 miles east of Brookings. Developers aim to have the line operational by 2017.

<http://finance.yahoo.com/news/application-transmission-line-filed-puc-200314725.html>

Update: NRC Issues Enhanced Requirements for Post-Fukushima Venting Systems at Many U.S. Reactors

The U.S. Nuclear Regulatory Commission (NRC) on Thursday directed the operators of 31 U.S. reactors with “Mark I” and “Mark II” containments to further improve their systems for safely venting pressure from their containment buildings during potential accidents. The agency’s order was made in an effort to improve U.S. safety after an earthquake and tsunami in March 2011 triggered a triple meltdown at Japan’s Fukushima Dai’ichi nuclear power plant. The U.S. reactors covered by the agency’s decision have containment buildings that are similar to the structures damaged at Fukushima. The order requires the vents to handle the pressures, temperatures, hydrogen concentrations, and radiation levels from a damaged reactor, and also to ensure plant personnel can operate the vents safely if the reactor core is damaged. Operators of plants affected by the order must complete wetwell venting improvements starting in June 2014 (depending on a plant’s refueling schedule). They must also analyze their drywell venting scenarios and if necessary, install a drywell venting option, starting in June 2017.

<http://www.nrc.gov/reading-rm/doc-collections/news/2013/13-048.pdf>

Update: NRC Issues Final Environmental Impact Statement for TVA’s 1,150 MW Watts Bar Nuclear Unit 2 Under Construction in Tennessee

The U.S. Nuclear Regulatory Commission (NRC) today announced it has concluded there are no environmental impacts that would preclude issuing an operating license for the Tennessee Valley Authority’s (TVA) 1,150 MW Watts Bar Unit 2 reactor currently under construction in Tennessee. TVA began Watts Bar 2’s operating license application in 1976, when the NRC’s reactor licensing process involved first applying for a construction permit and then a license. TVA obtained construction permits for two Watts Bar reactors in 1973, with Unit 1 completing the licensing process and starting operations in 1996. TVA halted construction of Unit 2 in late 1985, and then informed the NRC in August 2007 that it would resume construction of Unit 2. TVA is requesting permission to operate Unit 2, a Westinghouse-designed pressurized-water reactor of the same type as Unit 1. The NRC continues its safety review of the license application, and the agency expects to update its Final Safety Evaluation Report on Unit 2 in May 2014. The NRC must complete both the safety and environmental reviews before reaching a decision on whether TVA can begin operating Watts Bar Unit 2.

<http://www.nrc.gov/reading-rm/doc-collections/news/2013/13-049.pdf>

Update: FPL’s 839 MW Saint Lucie Nuclear Unit 2 in Florida at Full Power by June 7

Saint Lucie 2 returned from an outage that began May 31, when operators manually tripped the reactor due to a high differential pressure on the debris filter for the 2A1 Condenser Waterbox, which required a trip of the 2A1 Circulating Water Pump. The cause of the rising differential pressure on the 2A1 debris filter was potentially due to an influx of algae.

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2013/>

Update: Exelon’s 855 MW Quad Cities Nuclear Unit 2 in Illinois at Full Power by June 7

On the morning of June 6 the unit was operating at 57 percent.

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2013/>

NPPD’s 764 MW Cooper Nuclear Unit in Nebraska Reduced to 56 Percent by June 7

On the morning of June 6 the unit was operating at full power.

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2013/>

Update: AES’s 496 MW Redondo Natural Gas-Fired Unit 8 in California Returns to Service by June 6

The unit returned from an unplanned curtailment of 246 MW that began by June 5.

<http://content.caiso.com/unitstatus/data/unitstatus201306061515.html>

PG&E’s 154 MW Kerkhoff Hydro Unit 1 in California Shut by June 6

The unit entered an unplanned outage.

<http://content.caiso.com/unitstatus/data/unitstatus201306061515.html>

Illinois Commerce Commission Holds ComEd Responsible for Power Interruptions During July 11, 2011 Summer Storm

The Illinois Commerce Commission (ICC) on Wednesday granted a partial waiver of liability to Commonwealth Edison (ComEd) for damages experienced by its customers when electric service interruptions occurred during a series of major storms that passed through the northern Illinois service area in June and July, 2011, but found the company may be liable for damages due to specific service interruptions that occurred on July 11. The storms left hundreds of thousands of ComEd's customers without power for hours and sometimes days. Illinois Public Law states that in the event that more than 30,000 customers experience an outage for four or more hours, the utility company is responsible for compensation to affected consumers and local municipalities. Companies are exempt when unpreventable weather conditions cause damage, however. The ICC said ComEd was not liable for outages caused by broken tree limbs, lightning, and other weather-related issues, but that many of the outages experienced in the severe weather on July 11, 2011, were as a result of company failures such as lack of maintenance. The ICC has directed ComEd to work with the ICC's Consumer Services Division on a written notice to go out to 34,559 customers who are eligible to file a claim for reimbursement.

<http://www.icc.illinois.gov/downloads/public/ComEDwaiverrequestfinal.doc>

<http://www.nbchicago.com/news/local/ComEd-to-Compensate-for-Stormy-Power-Outages-210431101.html>

Petroleum

U.S. Gulf of Mexico Oil & Gas Producers Operate without Interruption June 6 as Tropical Storm Andrea Passes to the Southeast

Offshore oil and natural gas producers operated without interruption on Thursday as Tropical Storm Andrea passed well to the southeast of U.S.-regulated areas of the Gulf of Mexico to strike the west coast of Florida. Andrea is the first named storm of the 2013 Atlantic hurricane season.

Reuters, 12:51 June 6, 2013

Update: FCCU at Reduced Rates at ExxonMobil's 149,500 b/d Torrance, California Refinery During Repairs to Units Shut by Power Disruption Last Week – Sources

ExxonMobil Corp. is running the fluidic catalytic cracking unit (FCCU) at its Torrance refinery at reduced production levels as other units continue to restart following a May 30 power disruption, sources familiar with refinery operations said on Thursday. Operators are repairing some of the shut units, the sources said.

Reuters, 11:55 June 6, 2013

Update: Sinclair Restarts Unspecified Unit at Its 80,000 b/d Sinclair, Wyoming Refinery June 6 after Power Outage June 5

Sinclair Oil Corp. was restarting an unspecified unit at its Sinclair refinery Thursday after a third-party power outage impacted the refinery on Wednesday, local media reported.

Reuters, 15:49 June 6, 2013

Update: Alon Restarts Reformer at Its 80,000 b/d Krotz Springs, Louisiana Refinery June 6 after Repairs; Total Throughput Down to 60,000 b/d for Q2, 66,000 b/d for Year

Alon USA Energy, Inc. on Thursday announced that the reformer unit at its Krotz Springs refinery resumed production today after being shut down for unplanned repairs since April 25, when a fire damaged the unit. Throughput guidance at the refinery for the second quarter of 2013 is 60,000 b/d and 66,000 b/d for the year.

<http://phx.corporate-ir.net/phoenix.zhtml?c=190387&p=RssLanding&cat=news&id=1827960>

Flint Hills Reports Flaring at Its 288,468 b/d Corpus Christi, Texas Refinery June 7

Flint Hills Resources said unspecified operating conditions at the West Plant of its Corpus Christi refinery led to flaring on Friday, according to a filing with the Corpus Christi Local Emergency Planning Committee.

Reuters, 10:14 June 7, 2013

Plains Southcorp to Build 150,000 b/d Crude Oil Pipeline from Ten Mile Terminal in Alabama to Chevron's 330,000 b/d Pascagoula, Mississippi Refinery

Plains Southcorp, a subsidiary of Plains All America Pipe Company, is buying easements to build a 24-inch, 150,000 b/d crude oil pipeline from Ten Mile Terminal in Mobile to the Chevron Oil Refinery in Pascagoula. The Alabama Public Service Commission in January 2012 approved a request from Plains Southcorp for a Certificate of Industrial Development for a right of way in Mobile County. The project will also build two new storage tanks at the Ten Mile Terminal.

http://www.al.com/opinion/index.ssf/2013/06/a_high-volume_oil_pipeline_is.html

<https://www.pscpublicaccess.alabama.gov/pscpublicaccess/ViewFile.aspx?Id=7ac0418a-683c-4414-a839-9201d3046185>

Natural Gas

Instrument Failure Leads to Flaring at Lone Star's Mont Belvieu NGL Facility in Texas June 5

Lone Star reported flaring at its Mont Belvieu natural gas liquids (NGL) facility Wednesday morning was caused when an instrumentation failure on a cooling system caused pressure on the de-ethanizer tower to increase, according to a filing with the Texas Commission on Environmental Quality.

<http://www11.tceq.state.tx.us/oce/eer/index.cfm?fuseaction=main.getDetails&target=183599>

Other News

Interagency Team on Bakken Continues Work to Advance Bakken Oil and Gas Permitting and Production

The U.S. Department of the Interior and other members of the interagency Bakken Federal Executive Group met on Wednesday in Montana to continue discussing ways to facilitate the development of oil and gas resources in the booming Bakken Formation. The group, which represents a dozen Federal bureaus with review responsibilities in the Bakken, was identified by President Obama as one of five priority regional initiatives under Executive Order 13604, Improving Performance of Federal Permitting and Review of Infrastructure Projects. The group's work in collaboratively addressing common obstacles associated with the Bakken energy boom in western North Dakota is also closely aligned with the principles identified in the President's memorandum of May 17 on infrastructure review.

<http://www.interior.gov/news/pressreleases/interagency-team-on-bakken-continues-progress-to-advance-bakken-oil-and-gas-permitting-and-production.cfm>

BSEE and Coast Guard Sign Agreement for Regulating Mobile Offshore Drilling Units

The U.S. Bureau of Safety and Environmental Enforcement (BSEE) on Tuesday announced it has signed an Memorandum of Agreement with the U.S. Coast Guard for regulating mobile offshore drilling units (MODU) on the Outer Continental Shelf. Through this agreement, both BSEE and the U.S. Coast Guard will work together to identify and coordinate responsibilities for the inspection and oversight of MODUs.

<http://www.bsee.gov/BSEE-Newsroom/Press-Releases/2013/Press06042013.aspx>

BSEE to Establish Ocean Energy Safety Institute to Provide Research for Offshore Energy Exploration and Development

The U.S. Bureau of Safety and Environmental Enforcement (BSEE) on May 29 announced the bureau is taking steps to establish an independent Ocean Energy Safety Institute to further enhance safe and responsible operations across the offshore oil and gas industry. The institute will provide a forum for dialogue, shared learning, and cooperative research among academia, government, industry, and other non-government organizations in offshore-related technologies and activities that ensure safe operations with limited impact to the environment.

<http://www.bsee.gov/BSEE-Newsroom/Press-Releases/2013/Press05292013.aspx>

Seven Indicted for Copper Thefts at Cleveland Public Power and FirstEnergy Corp. Electrical Substations in Ohio

<http://www.middletonjournal.com/ap/ap/crime/7-indicted-for-copper-thefts-from-ohio-power-sites/nYCKH/>

International News

Pemex Loses Up to 10,000 b/d of Crude Oil and Fuel to Thieves; Rate of Theft Rising 30 Percent Annually – Company Official

Mexico's state-owned oil company Pemex is losing 5,000 to 10,000 b/d of crude oil and fuel to thieves and that figure has been rising by nearly a third annually, a top company official said Thursday. Thieves target oil pipelines around the country to steal gasoline, diesel, and crude, and Pemex says that company workers are often complicit. Mexico is currently producing just over 2.5 MMb/d, down from a peak of 3.4 MMb/d in 2004. The Mexican government is this year planning to launch a major reform of Pemex to boost private investment in the company. Reuters, 14:00 June 6, 2013

Production at Nexen's 200,000 b/d Buzzard Oilfield in U.K. North Sea Shuts June 6; Marks Second Shutdown in Less Than a Week

Nexen Inc. on Thursday reported that production from its 200,000 b/d Buzzard oilfield in the U.K. North Sea was shut Thursday, the second outage in less than a week. Traders said Friday that production was expected to resume again that day. Operators had restarted production Tuesday after an equipment failure shut the oilfield over the weekend.

<http://www.reuters.com/article/2013/06/06/markets-oil-idUSL5N0E11YS20130606>

http://www.rigzone.com/news/oil_gas/a/126956/New_Outage_Hits_Buzzard_Oil_Field

Energy Prices

| U.S. Oil and Gas Prices | | | |
|--|--------------|-----------------|-----------------|
| June 7, 2013 | | | |
| | Today | Week Ago | Year Ago |
| CRUDE OIL West Texas Intermediate U.S. \$/Barrel | 96.04 | 93.01 | 85.02 |
| NATURAL GAS Henry Hub \$/Million Btu | 3.99 | 4.12 | 2.41 |

Source: Reuters

Links

This Week in Petroleum from the U.S. Energy Information Administration (EIA)

<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.

ENERGY ASSURANCE DAILY

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