



ENERGY ASSURANCE DAILY

Friday, June 09, 2006

Major Developments

Total Loss of Power Shuts Valero's 275,000 b/d Aruba Refinery June 7

Beginning about 9:15 p.m. local time, on Wednesday evening, June 7, Valero's Aruba refinery was struck by a series of electrical problems that resulted in a complete shutdown of the 275,000 b/d refinery. Reports indicate that between 240,000 and 250,000 b/d has been lost, nearly all of which comes to the U.S. According to Valero this includes about 80,000 b/d diesel and jet fuel, 30,000 b/d naphtha, and 110,000 b/d gas oil. The company anticipates that within one week the refinery should be in partial operation running at reduced rates; within two weeks operations should be normal but output at reduced rates and that normal operations should be restored in three weeks with the refinery operating at full capacity. Valero has said that restarting the Aruba plant is more difficult than would be the case elsewhere because the refinery has the most complex utility system of any Valero refinery. The refinery typically produces all of its electric power, steam, fuel gas, hydrogen and desalinated water and receives only a limited amount of assistance from the Aruba's sole utility.

Reuters, 16:08 June 9, 2006

Reuters, 14:19 June 9, 2006

OPIS Alert, 14:03 June 9, 2006

Reuters, 13:56 June 9, 2006.

Electricity

ComEd Tells Chicago It's Prepared for Peak Summer Demand

The company forecasts this summer's peak load under normal weather conditions to reach 23,100 MW, up 6.8 percent from 2005. ComEd power supply contracts provide the company a reserve margin of 15 percent beyond the forecasted peak.

<http://biz.yahoo.com/prnews/060608/cgth039.html?v=54>

Previous Forecasts of Ontario's Supply and Demand Miscalculated – Much Less Available

Ontario's Independent Electricity System Operator (IESO) admitted today that the gap between supply and demand is double what it originally forecast. In March, the IESO announced that it had previously underestimated 2006 summer demand by 1,200 MW and at the same time overestimated supply by 900 MW, resulting in a gap of 2,100 MW. Now, the IESO admits that the gap is more than 4,000 MW.

<http://www.canada.com/topics/news/national/story.html?id=f7c5849d-4ef0-4dae-b6a4-e466a9fa46ab&k=70817>

Ontario's Closure of Coal Plants May Threaten Electricity System Reliability

A group that monitors Ontario's energy system is questioning the wisdom of the government closing coal-fired power plants by the end of 2009 due to air pollution concerns. It has been previously suggested that given the potential for electricity shortages, two coal plants should remain open.

http://www.guelphmercury.com/NASApp/cs/ContentServer?pagename=mercury/Layout/Article_Type1&c=Article&cid=1149850846443&call_pageid=1050067726078&col=1050421501457

Hydro-Quebec to Build 1,250 MW Transmission Line to Ontario

The Transmission line is expected to help Ontario meet its growing power demand, especially after Ontario's major power failure in 2003 and subsequent energy crunches. The line is expected to be in service by 2010.

<http://www.cbc.ca/cp/business/060608/b060858.html>

AEP to restart 528 MW Welsh Coal-Fired Unit 2 in Texas Soon

American Electric Power plans to restart its 528 MW coal-fired Welsh unit 2 in Texas between June 8 and 10. It was shut in late May for repairs to a feedwater heater.
Reuters, 07:40 June 9, 2006.

Petroleum

U.S. Crude Inventory Reached 5-Year High This Week; May Create Logistical Bottlenecks

Crude inventory levels in the U.S. reached about 350 million barrels this week, a five-year high. The current lack of demand coupled with limited storage availability could result in logistical bottlenecks with some incoming oil remaining on ships until storage becomes available. Should that happen, it could lead to a vessel shortage.

<http://www.platts.com/Oil/News/8479765.xml?sub=Oil&p=Oil/News&?undefined&undefined>

Over 800,000 b/d Shut in Nigeria, Up 300,000 b/d From Previous Reports - Official

The director of Nigeria's Department of Natural Resources has said that 800,000 b/d of oil production are shut in the Niger Delta, up from the 500,000 b/d previously reported. Nigerian industry sources were unable to say why the extra 300,000 b/d were offline. Nigeria's oil output has been slashed by a numerous rebel attacks, mainly by militants belonging to the Movement for the Emancipation of the Niger Delta; a group that says it is aiming to cut Nigeria's oil exports by 1 million b/d. Nigeria normally produces about 2.5 million b/d per day and in 2005, it supplied 8 percent of total U.S. oil imports.

<http://www.chron.com/disp/story.mpl/ap/fn/3954695.html>

Senior Iraqi Oil Official Kidnapped by Gunmen in Baghdad June 8

Director General of Iraq's State Company for Oil Projects (SCOP), the organization responsible for building new refineries and pipelines, was kidnapped after he left work in Baghdad June 8, the same day that U.S. troops killed Iraq's al Qaeda leader Abu Musab al-Zarqawi.

http://news.yahoo.com/s/nm/20060609/wl_nm/energy_iraq_kidnap_dc_5:_ylt=AsImhUngHoB.hYfy5kQmvXqAsnsA:_ylu=X3oDMTBiMW04NW9mBHNIYwMIJVRPUCUI

World Finance Ministers Meeting In Russia to Discuss Oil Prices and Energy Policy

Finance ministers from the world's major industrial nations (U.S., Japan, Germany, France, Britain, Italy, Canada and Russia) are meeting June 9 and 10 in St. Petersburg, Russia, to discuss energy policy issues, such as soaring energy prices and the global economy. The G-8 countries say that better data on oil production and reserves is needed to help markets function more efficiently.

<http://www.chron.com/disp/story.mpl/ap/fn/3949154.html>

Natural Gas

ConocoPhillips Pulls Bid for Compass Port LNG Terminal Off Alabama Coast

The company withdrew its license application for the regasification plant due to environmental concerns raised by Alabama Gov. Bob Riley. The plant, if built, would have had the capacity to import 1 Bcf/d of LNG from abroad.

<http://www.chron.com/disp/story.mpl/ap/fn/3954664.html>

Joint Venture to Build 1 Bcf/d Pipeline from Texas to Mississippi

Boardwalk Pipeline Partners, LP, Energy Transfer Partners LP and Oneok Partners LP signed a letter of intent to build the pipeline, which will originate in North Central Texas and cut across Oklahoma and Arkansas before terminating in Cohoma County, Mississippi at the new interconnection with Texas Gas Transmission LLC.

<http://www.tradingmarkets.com/tm.site/news/BREAKING%20NEWS/276171/>

Reuters, 18:30 June 8, 2006.

Update: Tax Break Refusal Could Halt Millennium Pipeline Project in New York

Tiago County's refusal to grant the pipeline a tax break could make the project not economically viable.

<http://www.pressconnects.com/apps/pbcs.dll/article?AID=/20060608/NEWS01/606080335/1006>

Kinder Morgan to Expand Dayton Natural Gas Storage Field in Texas by 5.5 Bcf

Two existing storage caverns currently provide 4.2 Bcf of working gas capacity. The expansion is connected to KMP's Texas Interstate Pipeline system and will greatly enhance storage options for natural gas coming from growing supply areas, including the Barnett Shale and Bossier plays in East Texas, and LNG along the Texas Gulf Coast. The new capacity is expected to be available by spring 2009.

<http://biz.yahoo.com/prnews/060608/dath040.html?v=46>

Nigeria Gas Reserves Estimated at 177 Tcf, Fifth Largest in World – Official

Jonathan Zwingina, Nigerian Senate deputy leader said that approximately half the reserves are in the form of associated gas, while the other half is non-associated.

http://english.people.com.cn/200606/09/eng20060609_272470.html

Other News

Energy Commission to Release White Paper on Siting of Critical U.S. Energy Infrastructure

The National Commission on Energy Policy, a bipartisan group of leading energy experts, will hold a briefing Monday to release a White Paper, *Siting Critical Energy Infrastructure: An Overview of Needs and Challenges*. The Commission will also announce a series of forums on key energy siting topics which will be cosponsored by leading stakeholders, and will feature Commission members, key government officials, top companies, trade associations, researchers and NGOs.

<http://www.energycommission.org/site/page.php?node=16>

Energy Prices

U.S. Oil and Gas Prices			
June 9, 2006			
	Today	Week Ago	Year Ago
CRUDE OIL West Texas Intermediate U.S. \$/Barrel	71.63	72.70	54.15
NATURAL GAS Henry Hub \$/Million Btu	6.10	6.23	7.22

Source: Reuters

Energy Notes

Thousands Lost Power Due to Tornado in Indiana June 7

<http://www.washingtonpost.com/wp-dyn/content/article/2006/06/08/AR2006060800722.html>

2 FERC Nominees Agree on Most Energy Issues Except Natural Gas Imports

<http://intelligencepress.com/>

Idaho Power Co. to Develop Coal-powered Plant in Idaho by 2012

http://pro.energycentral.com/professional/news/power/news_article.cfm?id=6776449

Update: Florida Gas Transmission Issues Fifth Overage Alert Amid Hot Weather

Reuters, 13:01 June 9, 2006.

Two Oil Tankers Collide Near Britain on June 9; No Injury or Spill

Reuters, 07:59 June 9, 2006.

Experts Say U.S. Ports Vulnerable to Terrorist Attacks Despite Ongoing Safeguard Efforts

Reuters, 12:47 June 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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