



ENERGY ASSURANCE DAILY

Thursday Evening, June 28, 2012

Electricity

Substation Explosion at Cefalu Municipal Steam Plant Knocks Out Power to Most of Morgan City, Louisiana June 26; Power Partially Restored by June 27

The main transformer at Morgan City's Joseph J. Cefalu Sr. Municipal Steam Plant exploded around 6:00 PM local time Tuesday, igniting a fire and knocking out power to most of the city, which has 12,000 residents. The incident disabled the sewer lift stations, prompting the U.S. Department of Homeland Security to send generators to run the sewer station, according to local reports. The city had water available from water towers, but officials were urging residents to conserve water during the period when there was no working sewage. Power was partially restored Wednesday night when workers restarted the plant's main generator. Officials hoped to have power restored to the entire city by Thursday morning. The cause of the explosion has not yet been determined.

<http://www.wafb.com/story/18887560/plant-explosion-knocks-out-power-to-morgan-city-la>

<http://www.klfy.com/story/18887971/morgan-city-plant-explosion>

FPL Manually Trips 512 MW Point Beach Nuclear Unit 2 in Wisconsin June 27 Due to 100-Percent Load Rejection

FPL Energy Point Beach, LLC reported that on Thursday night, operators manually tripped the Unit 2 reactor from full power due to indications of a 100-percent load rejection, according to a filing with the U.S. Nuclear Regulatory Commission. The cause of the load rejection was not known at the time of the filing. Operators were maintaining stable conditions at the plant during an investigation, and the electrical system was in a normal offsite power alignment. Unit 1 continued to operate at full power.

<http://www.nrc.gov/reading-rm/doc-collections/event-status/event/2012/20120628en.html>

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2012/>

Exelon's 1,163 MW Byron Nuclear Unit 1 in Illinois Reduced to 89 Percent by June 28

On the morning of June 27 the unit was operating at full power.

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2012/>

Update: Duke Energy Completes Construction of 630 MW Edwardsport IGCC Power Plant in Indiana; Expects Full Operation by December 2012

Duke Energy has finished constructing its integrated gasification combined cycle (IGCC) power plant at its existing 160 MW coal-fired Edwardsport Station in Knox County, Indiana. Operators are now testing machinery and producing some electricity before it launches full operations, planned for December 2012. Duke Energy plans to retire the original 160 MW plant upon full operation of the new plant.

http://www.wthitv.com/dpp/news/local/southern_indiana/duke-plant-done

<http://www.duke-energy.com/pdfs/igcc-fact-sheet.pdf>

State Authorities, Utilities Unveil Media Campaign Urging Power Conservation in Southern California

Officials from the California Independent System Operator (ISO), California Energy Commission (CEC), and Southern California Edison (SCE) convened Wednesday to announce a major consumer awareness campaign aimed at helping "keep the lights on" this summer. Temperature forecasts for Southern California in July and August are above average, and the San Onofre Nuclear Generating Station is expected to stay closed this summer, straining power resources.

http://www.caiso.com/Documents/20120626_ISO_Media_Advisory_Hot_weather_on_way_TV_ads_urge_consumers_to_conserve_electricity.pdf

Update: Oil & Gas Producers Restart Nearly All Output in U.S. Gulf of Mexico Shut-In during Tropical Storm Debby

Oil and gas producers in the Gulf of Mexico on Wednesday had restarted nearly all output shut-in over the weekend because of Tropical Storm Debby. Anadarko Petroleum Corp. on Wednesday said it had restarted the 1 Bcf/d Independence Hub platform, making it the third of four Anadarko platforms to restart since the storm. The fourth, Neptune (14,000 b/d, 23 MMcf/d), was undergoing minor maintenance on Wednesday and would soon restart, the company said. BP Plc would not specify whether its seven oil and gas platforms had restarted, but figures from the Bureau of Safety and Environmental Enforcement indicated that they had. "Oil and gas production will be ramped up in the coming days as facilities are re-staffed and safe startup procedures are completed," a BP spokesman said. <http://www.reuters.com/article/2012/06/27/storm-gulf-energy-idUSL2E8HRF3920120627?feedType=RSS&feedName=rbssEnergyNews&rpc=43>

Update: ExxonMobil Resumes Planned Operations at Its 149,500 b/d Torrance, California Refinery June 27 after Resolving Breakdown That Triggered Flaring June 26

ExxonMobil Corp. on Wednesday resumed planned operations at its Torrance refinery after resolving a breakdown that triggered flaring on Tuesday, according to a spokeswoman. The company expected to meet its contractual commitments.

<http://www.reuters.com/article/2012/06/27/refinery-operations-exxon-torrance-idUSH5E8GG00E20120627?feedType=RSS&feedName=industrialsSector&rpc=43>

Wet Gas Compressor Malfunction Leads to Flaring at Shell's 156,400 b/d Martinez, California Refinery June 28

Shell Oil Co. on Thursday reported a wet gas compressor malfunction led to flaring at its Martinez refinery, according to a filing with California pollution regulators. Operators had contained the flaring at the time of the filing.

Reuters, 02:39 June 28, 2012

Southern Pacific to Ship Bitumen from 12,000 b/d STP-McKay Oil Sands Project in Alberta to U.S. Gulf Coast via CN Rail Network

Southern Pacific Resource Corp. announced yesterday the completion of a long-term arrangement to transport its bitumen to the U.S. Gulf Coast via the rail network of CN. Southern Pacific intends to facilitate these new arrangements to transport product from Phase 1 of its STP-McKay Thermal Project, a new steam assisted gravity drainage oil sands project northwest of Fort McMurray, Alberta that is anticipated to start up in 2012. Phase 1 is designed to recover 12,000 b/d of bitumen. CN expects to commence shipment in the fourth quarter of 2012, with volumes ramping up to more than 12,000 carloads per year as production increases.

http://www.sppacific.com/en/news/stp-2012-06rail7-june_27-final.pdf

Oil Majors Seen Boosting World Annual Output by 20 Percent to 10 Billion Barrels of Oil Equivalent by 2020 – Industry Study

Global oil majors BP, Shell, ExxonMobil, Chevron, ConocoPhillips, Statoil, Eni, and Total will increase production from the current 8 billion barrels of oil equivalent per year to 10 billion by 2020 as they ramp up exploration, according to a report issued Wednesday. Industry research firm Wood Mackenzie reported that after a 10-year period when the eight majors replaced only half of their production with new discoveries of conventional oil and gas reserves, the companies are now demonstrating a willingness to take on new play risks at very high costs. For example, ExxonMobil's exploration of the Russian Kara Sea, Statoil in the Russian Barents Sea, Shell and ConocoPhillips offshore Alaska, and BP in Canada's Beaufort Sea. These exploration efforts are expected to yield substantial reserves over the next 10 years, according to the report.

<http://www.reuters.com/article/2012/06/27/oil-exploration-growth-idUSL6E8HRFZX20120627?feedType=RSS&feedName=marketsNews&rpc=43>

Update: PG&E Tells California Public Utilities Commission That 1956 Natural Gas Pipeline Test Caused 2010 San Bruno Blast

Pacific Gas & Electric Co. (PG&E) on Tuesday submitted a filing to the California Public Utilities Commission (CPUC) that says a natural gas pipeline test the company performed in 1956 damaged a weld, which caused the September 9, 2010 explosion in San Bruno, California. An investigation by the National Transportation Safety Board concluded in August 2011 that welding defects weakened the pipeline over time and caused it to rupture. Last January, the CPUC said the pipeline rupture was caused in part by PG&E's failure to comply with federal pipeline safety requirements beginning in 1956, when the utility failed to test and identify deficiencies in the manufacturing of the pipeline before installing it. PG&E is now asserting the pipeline was tested in 1956, basing its assertion on an interview with a former employee who said he observed a pressure test being performed on the line near the location of the rupture, right around the time the pipeline was installed.

<http://abclocal.go.com/kgo/story?section=news/local/peninsula&id=8717201&rss=rss-kgo-article-8717201>

Update: Talisman Opts Out of Joint Venture with Sasol Studying Potential Gas-to-Liquids Facility in British Columbia's Montney Shale

Talisman Energy Inc. said it will opt out of a gas-to-liquids joint-venture project it was considering pursuing with Sasol Ltd. in the Montney shale formation in British Columbia, according to Talisman CEO John Manzoni. Instead, the company will focus on near-term liquids opportunities, to increase liquids and oil-linked gas production to 300,000 b/d by 2015. Talisman and Sasol Canada announced last June that they were conducting a feasibility study to help decide whether to build a gas-to-liquids facility that would convert shale gas into naphtha, diesel, and liquefied petroleum gas. At that time, Talisman said it would consider whether the plant would be more profitable than selling gas into the North American market or liquefying it to ship overseas.

Reuters, 09:53 June 28, 2012

Acid Gas Injector Units 1 and 2 Shut on High Suction Temperature at Enbridge's Tilden Gas Plant in Texas June 27

<http://www11.tceq.state.tx.us/oce/eeer/index.cfm?fuseaction=main.getDetails&target=170378>

Other News

Interior Finalizes U.S. Outer Continental Shelf Oil & Gas Leasing Program for 2012–2017; Strategy Includes Frontier Areas in the Alaska Arctic

The U.S. Department of the Interior and Bureau of Energy Management today announced the release of a Proposed Final U.S. Outer Continental Shelf (OCS) Oil and Gas Leasing Program for 2012–2017, scheduling 15 potential lease sales over the 5-year period, including 12 in the Gulf of Mexico and 3 off the coast of Alaska. The lease sales contained in the plan will occur in 6 planning areas—the Western and Central Gulf of Mexico, the portion of the Eastern Gulf of Mexico not currently under congressional moratorium, and the Chukchi Sea, Beaufort Sea, and Cook Inlet planning areas offshore Alaska. As is mandated by the OCS Lands Act, the Proposed Final Program has been submitted to Congress for approval.

<http://www.doi.gov/news/pressreleases/Interior-Finalizes-Plan-to-Make-All-Highest-Resource-Areas-in-the-US-Offshore-Available-for-Oil-and-Gas-Leasing.cfm>

Update: EPA, Indiana Department of Environmental Management Approve Final Air Emissions Permit for Indiana Gasification's Proposed Coal-Gasification Plant in Rockport

After a review by the U.S. Environmental Protection Agency (EPA), the Indiana Department of Environmental Management on Wednesday issued a final air emissions permit to Indiana Gasification (IG) for its proposed coal-gasification plant in Rockport, Indiana. The plant would convert approximately 3.85 million tons per year of Illinois Basin coal into 47 trillion Btu per year (roughly 126 MMcf/d) of substitute natural gas (SNG) and 5.5 million tons per year of liquefied carbon dioxide (CO₂). About 80 percent of the plant's SNG output will be sold to the Indiana Finance Authority under a 30-year agreement. CO₂ generated by the production process will be compressed, sold, and shipped from Indiana to the U.S. Gulf Coast and injected into depleted oil wells for enhanced oil production. IG is now working to attain a federal loan guarantee from the U.S. Department Energy, which would cover much of the cost of building the plant and an accompanying pipeline.

http://www.courierpress.com/news/2012/jun/27/no-headline---ev_rockport

Update: Strike Shuts-In 15 Percent of Norway's Oil Production, 7 Percent of Natural Gas Production – Norwegian Oil Industry Association

A labor union strike in Norway has resulted in a 15-percent reduction in Norwegian oil production, the Norwegian Oil Industry Association (OLF) said Wednesday. Some analysts have said the strike may become a major factor supporting Brent prices if it lasts beyond this week. The strike has also caused a 7 percent reduction in Norwegian natural gas output, according to the OLF. About 700 platform workers belonging to Industry Energy, the Norwegian Union of Energy Workers, and the Norwegian Organization of Managers and Executives went on strike June 24 after negotiations with OLF broke down over a pension issue. The strike immediately shut down most production from Statoil's offshore Heidrun and Oseberg fields in the North Sea, which together produce about 150,000 b/d of oil and about 4 percent of Norway's total gas output. On Tuesday Statoil said it was shutting four additional installations connected to the Oseberg field. Crude produced from the Oseberg field forms part of the Brent Index. http://www.rigzone.com/news/article.asp?a_id=118945

Update: Total, Partners Start Production at 70,000 b/d Halfaya, Iraq Oilfield; Intend to Increase Production to 535,000 b/d by 2016

Total announced Wednesday that a consortium it belongs to with PetroChina and Petronas began production at the Halfaya oil field in Iraq. The consortium aims to initially produce 70,000 b/d from the field, which is located 35 kilometers southeast of Amara city in the Missan governorate, and it intends to increase production to 535,000 b/d at plateau by 2016. http://www.rigzone.com/news/article.asp?a_id=118906

Energy Prices

U.S. Oil and Gas Prices			
June 28, 2012			
	Today	Week Ago	Year Ago
CRUDE OIL West Texas Intermediate U.S. \$/Barrel	78.67	79.16	91.67
NATURAL GAS Henry Hub \$/Million Btu	2.87	2.60	4.25

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 and 1:00 PM Eastern Time every Wednesday.

Natural Gas Weekly Update from EIA

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

Updated after 2:00 PM Eastern Time every Thursday.

ENERGY ASSURANCE DAILY

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<http://www.oe.netl.doe.gov/ead.aspx>

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