



# ENERGY ASSURANCE DAILY

Wednesday Evening, August 01, 2012

## **Major Developments**

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### **Update: PHMSA Orders Enbridge to Submit Restart Plan for Approval before Restarting 317,600 b/d Line 14 in Wisconsin**

The Pipeline and Hazardous Materials Safety Administration (PHMSA) on Tuesday delivered a corrective order to Enbridge Inc. that prohibits the company from restarting its Line 14 crude oil pipeline until it can show regulators it has met safety standards. Enbridge said it will submit a restart plan to PHMSA after it completes repairs, which it hopes to finish today. Operators shut and isolated the 24-inch pipeline Friday afternoon after discovering an estimated 1,200 barrels of crude oil had spilled near Grand Marsh, Wisconsin. Line 14 predominantly transports light crude oil to Chicago-area refineries. It is part of Enbridge's Lakehead System, a 2.5 million b/d network that is the main conduit for Canadian crude oil exports.

<http://in.reuters.com/article/2012/07/31/us-enbridge-pipeline-regulator-idINBRE86U1DK20120731>

## **Electricity**

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### **BGE Submits Report to Maryland PSC on Its Response to June 29 Derecho Wind Storm**

Baltimore Gas & Electric (BGE) has released a formal report it issued to the Maryland Public Service Commission (PSC) on its response to the June 29 derecho storm that struck the Eastern United States. Approximately 760,000 BGE customers in Maryland were affected by the derecho and subsequent severe thunderstorms. The utility's restoration efforts were complicated by its lack of time to prepare for the storm in advance, extreme temperatures in the days that followed, and the subsequent storms. BGE mobilized more than 5,600 BGE employees, contractors, and out-of-state mutual assistance utility workers who labored at more than 10,000 work locations for nearly 9 days to restore service to all affected customers. The Maryland PSC will review the report and hold several public hearings on BGE's performance throughout the month of August.

<http://baltimore.cbslocal.com/2012/07/31/bge-releases-formal-derecho-report/>

[http://cbsbaltimore.files.wordpress.com/2012/07/bge-major-storm-report-derecho-weather-event\\_073012\\_final.pdf](http://cbsbaltimore.files.wordpress.com/2012/07/bge-major-storm-report-derecho-weather-event_073012_final.pdf)

<http://www.bge.com/newsmedia/pages/derecho2012.aspx>

### **Update: SCE Still Has No Timeline to Restart 2,150 MW San Onofre Nuclear Station in California – Edison CEO**

Edison International on Tuesday said it was not yet prepared to submit for approval plans to restart the two damaged reactors at its 2,150 MW San Onofre Nuclear Generating Station in California, which is operated by Edison's Southern California Edison (SCE) utility. Both units have been shut since January, when operators discovered premature tube wear in the steam generators. The U.S. Nuclear Regulatory Commission (NRC) has required SCE to seek its approval before restarting the units. SCE officials said last month that they planned to submit to the NRC by the end of July plans for repairing at least one of the reactors, but Edison's chief executive told analysts on a call Tuesday that the company has not yet forecast specific timelines for repairing or restarting the units. He also confirmed reports that the two units may never again produce at full power unless the steam generators are replaced.

<http://www.reuters.com/article/2012/07/31/utilities-edison-sanonofre-idUSL2E8IVIXZ20120731?feedType=RSS&feedName=industrialsSector&rpc=43>

### **NRG Shuts 893 MW Limestone Coal-Fired Unit 1 in Texas July 31 to Repair Water Wall Tube Leak**

NRG Energy Inc. shut Limestone Unit 1 Tuesday night to fix a water wall tube leak, according to a filing with the Texas Commission on Environmental Quality. The shutdown could last until August 4, the filing said.

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=171729>

## **All Three Units Trip at Luminant's 2,250 MW Martin Lake Coal-Fired Power Plant in Texas July 30 after Boiler Control Malfunction on Unit 1**

Luminant reported a malfunction of the boiler control system tripped Unit 1 at its Martin Lake power plant Monday afternoon, according to a filing with the Texas Commission on Environmental Quality (TCEQ). Shortly thereafter, Units 2 and 3 tripped due to a suspected loss of primary air that coincided with the Unit 1 trip, according to other TCEQ filings. Operators were investigating the incidents at the time of the filings. The Electric Reliability Council of Texas issued a watch Monday afternoon as generating supplies tightened, but no further action was taken.

Reuters, 15:30 July 31, 2012

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=171689>

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=171691>

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=171693>

## **Update: Exelon's 1,134 MW Limerick Nuclear Unit 2 in Pennsylvania Ramped Up to 93 Percent by August 1**

Limerick nuclear Unit 2 is returning from an outage that began July 27, when operators shut the unit to replace a valve on the plant's steam piping system. Operators restarted the unit July 30.

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

## **Update: Exelon's 1,163 MW Byron Nuclear Unit 1 in Illinois Ramped Up to 96 Percent by August 1**

On the morning of July 31 the unit was operating at 87 percent. Byron nuclear Unit 1 has been operating at reduced power since June 27.

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

## **Update: Watson Cogeneration's 417 MW Watson Natural Gas-Fired Unit in California Returns to Service by July 31**

The unit returned from an unplanned curtailment of 230 MW that began by July 29.

<http://content.caiso.com/unitstatus/data/unitstatus201207311515.html>

## **Update: NCPA's 247 MW Collierville Aggregate Hydro Units 1 and 2 in California Return to Service by July 31**

The units returned from an unplanned curtailment of 121 MW that began by July 30.

<http://content.caiso.com/unitstatus/data/unitstatus201207311515.html>

## **Blythe Energy's 493 MW Blythe Natural Gas-Fired Unit in California Reduced by July 31**

The unit entered a curtailment of 253 MW due to planned and unplanned causes.

<http://content.caiso.com/unitstatus/data/unitstatus201207311515.html>

## **AEP Transmission Joint Venture Begins Construction on 345-kV Prairie Wind Transmission Project in South-Central Kansas**

Prairie Wind Transmission, a transmission joint venture that includes American Electric Power (AEP), MidAmerican Energy Holdings Company (through the companies' Electric Transmission America joint venture), and Westar Energy Inc., today began construction of 108 miles of new double-circuit, 345-kilovolt transmission lines in south-central Kansas. Completion is expected in late 2014. When complete, the project will be the first high-voltage transmission line linking east and west Kansas.

<http://www.prairiewindtransmission.com>

<http://www.aep.com/newsroom/newsreleases/?id=1773>

## **Update: Black Hills Power, Cheyenne Light to Construct 132 MW Natural Gas-Fired Cheyenne Prairie Generating Station in Wyoming**

Black Hills Corp. announced today that utility subsidiaries Black Hills Power and Cheyenne Light, Fuel & Power received approval from the Wyoming Public Service Commission to construct and operate a new 132 MW natural gas-fired electric generation facility in Cheyenne, Wyoming. The Cheyenne Prairie Generating Station will consist of a 37 MW simple-cycle combustion turbine owned entirely by Cheyenne Light and a 95 MW combined-cycle combustion turbine to be jointly owned by Black Hills Power and Cheyenne Light. Construction is slated to begin in 2013, and the facility will begin serving customers in late 2014.

<http://www.blackhillscorp.com/news12/080112.pdf>

## **Black Hills Energy Proposes Replacing 42 MW W.N. Clark Coal-Fired Unit in Colorado with New 40 MW Natural Gas-Fired Unit**

Black Hills Corp.'s electric utility subsidiary Black Hills Energy (BHE) on Tuesday announced that it filed a new electric resource plan with the Colorado Public Utilities Commission that includes a proposal to build a 40 MW simple-cycle, natural gas-fired turbine to replace the 42 MWs of electricity produced by the W.N. Clark coal-fired power plant in Canon City, which must be retired to comply with the Colorado Clean Air-Clean Jobs Act. If approved, BHE plans to begin operations in 2016. The utility also confirmed its previously announced 29 MW wind project in Huerfano County is on track to start operations at the end of 2012.

<http://www.blackhillscorp.com/news12/073112.pdf>

## **Update: NRC Issues Safety Evaluation Report with Open Items for Davis-Besse Nuclear Plant License Renewal Application**

The U.S. Nuclear Regulatory Commission (NRC) has issued its Safety Evaluation Report (SER) with Open Items for the proposed renewal of the operating license for the Davis-Besse Nuclear Power Station in Ohio. FirstEnergy Nuclear Operation Co. (FENOC) submitted an application to the NRC in August 2010 to extend the Davis-Besse license by 20 years. The current 40-year operating license is due to expire on April 22, 2017. The SER contains four open items: management of shield building cracks during the period of extended operation; operating experience review prior to entering the period of extended operation; time-limited aging analyses of reactor vessel neutron embrittlement; and pressure-temperature limits. After FENOC provides satisfactory information to resolve the four open items, the NRC staff will present its final conclusions on the license renewal application in an update to this SER. The staff expects to issue that update in October.

<http://www.nrc.gov/reading-rm/doc-collections/news/2012/12-087.pdf>

## ***Petroleum***

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### **Colonial Pipeline Completes 75,000 b/d Expansion of Its Main Distillate Line Serving Eastern United States**

Colonial Pipeline on Tuesday said it has completed a 75,000 b/d expansion of its main distillate line, which generally runs parallel to the company's main gasoline pipeline from Houston, Texas to Greensboro, North Carolina. The pipeline has been perpetually over-subscribed for the past few years, as Gulf Coast refiners have sought to send distillates to markets in the Southern and Eastern United States, where some refineries have been forced out of business by poor economics. The expansion was made by enhancing pumps, motors, and existing operations at 17 Colonial locations but did not require laying additional pipe. Colonial also has projects underway to add 100,000 b/d of capacity to its main gasoline line from Houston to Greensboro by mid-2013, and 125,000 b/d of capacity to its Line 3 gasoline and distillates pipeline, which runs from Greensboro to Linden, New Jersey, by 2014. Reuters, 14:48 July 31, 2012

[http://www.marketwatch.com/story/colonial-to-expand-northeast-us-pipeline-flow-2012-03-12?reflink=MW\\_news\\_stmp](http://www.marketwatch.com/story/colonial-to-expand-northeast-us-pipeline-flow-2012-03-12?reflink=MW_news_stmp)

[http://www.colpipe.com/press\\_release/pr\\_109.asp](http://www.colpipe.com/press_release/pr_109.asp)

### **Update: Valero to Restore Full Operations at Its 125,000 b/d Meraux, Louisiana Refinery by August 31**

Valero on Tuesday said it plans to restore full operations at its Meraux, Louisiana refinery by the end of August, although some units will restart as early as next week, according to reports. Valero has kept all units at the refinery shut for assessment and repairs since July 23, when a fire broke out in a crude unit.

<http://www.reuters.com/article/2012/07/31/refinery-operations-valero-idUSL2E8IV62420120731>

### **Update: Valero Says FCCU Will Remain Shut until Mid-August after Compressor Malfunction at Its 144,000 b/d Benicia, California Refinery**

Valero Energy Corp. on Tuesday said it expects the fluid catalytic cracking unit (FCCU) at its Benicia refinery to return service in mid-August, a spokesman said in an email. Valero shut the unit July 26 after a compressor malfunction.

<http://www.reuters.com/article/2012/07/31/refinery-operations-valero-idUSL2E8IV62420120731>

<http://www.bloomberg.com/news/2012-07-31/san-francisco-gasoline-jumps-after-valero-shuts-unit.html?cmpid=yhoo>

## **Update: Phillips 66 Says It Will Not Sell Its 247,000 b/d Belle Chasse, Louisiana Refinery as Falling Premiums for LLS Crude Improve Economics**

Phillips 66 on Wednesday said it has decided not to sell its Alliance refinery in Belle Chasse, Louisiana, according to its second-quarter earnings release. The company had been considering whether to sell the refinery, which processes light-sweet crude, since late last year. The falling price of Light Louisiana Sweet (LLS), whose shrinking premium over West Texas Intermediate (WTI) crude could continue as more WTI crude comes to the Gulf Coast via new pipeline and rail infrastructure, have made the facility more valuable. Phillips 66 said it has decided to keep the refinery “as Gulf Coast sweet crude feedstock costs are expected to improve over the long term.”

<http://in.reuters.com/article/2012/08/01/refinery-operations-phillips-idINL2E8J15P520120801>

## **Valero Delays Hydrocracker Projects at Refineries in Port Arthur, Texas and Norco, Louisiana**

Valero Energy Corp. on Tuesday said two hydrocracker projects underway at its refineries in Texas and Louisiana have been delayed a month or two but are on track for completion over the next year, according to the company’s CEO. Valero aims to bring the hydrocracker project at its 310,000 Port Arthur, Texas refinery to full rates in the fourth quarter this year after completing mechanical work in the third quarter. The company is planning to conduct similar mechanical work at its 205,000 b/d Norco, Louisiana refinery at the end of this year, and expects the hydrocracker to reach full operation in the second quarter of 2013. The two projects are designed to raise diesel production at the refineries.

<http://www.reuters.com/article/2012/07/31/refinery-operations-valero-idUSL2E8IV62420120731>

## **Inter Pipeline Announces Integrated Oil Sands Development Program to Expand Its Cold Lake and Polaris Pipeline Systems in Alberta**

Inter Pipeline Fund announced yesterday that it has entered into a binding Shipper Support Agreement to provide bitumen blend and diluent transportation services to three major oil sands projects owned by the FCCL Partnership, a business venture between Cenovus Energy and ConocoPhillips. Based on this agreement, Inter Pipeline intends to proceed with integrated expansion plans on its Cold Lake and Polaris pipeline systems. Inter Pipeline’s expansion plans involve the provision of approximately 820,000 b/d of committed bitumen blend and diluent delivery capacity to FCCL through the construction of approximately 840 kilometers of new pipeline and seven new pump stations. These facilities will provide transportation service to existing FCCL projects at Foster Creek and Christina Lake, as well as the Narrows Lake project which is currently under development. Inter Pipeline anticipates that the new facilities related to the Foster Creek and Christina Lake expansion projects will be operational in mid-2014 and those related to the Narrows Lake project will be operational in mid-2016.

[http://www.interpipelinefund.com/operations/oil\\_sands.php](http://www.interpipelinefund.com/operations/oil_sands.php)

[http://www.thepressreleasewire.com/client/inter\\_pipeline/n/release.jsp?actionFor=1647159&releaseSeq=0&year=2012](http://www.thepressreleasewire.com/client/inter_pipeline/n/release.jsp?actionFor=1647159&releaseSeq=0&year=2012)

## **TransCanada to Develop Northern Courier Pipeline System to Transport Bitumen and Diluent from Fort Hills Oil Sands to Fort McMurray, Alberta**

TransCanada Corporation today announced that it has been selected by the Fort Hills Energy Limited Partnership to design, build, own, and operate the proposed Northern Courier Pipeline project—a 90-kilometre pipeline system that will transport bitumen and diluent between the Fort Hills mine site and the Voyageur Upgrader located north of Fort McMurray, Alberta. The project is subject to sanction by its co-owners and regulatory approval. TransCanada expects to file its initial regulatory application in late 2012, and at that time a more detailed schedule will be provided. This project will be operated by Northern Courier Pipeline GP Ltd., a wholly-owned subsidiary of TransCanada.

<http://www.marketwatch.com/story/transcanada-selected-to-develop-northern-courier-pipeline-system-2012-08-01>

## **Update: Shell Scales Back Arctic Drill Plan amid Permitting Delays, Persistent Sea Ice**

Shell Oil Co. on Tuesday said it has scaled back its plans for drilling offshore Alaska this year amid delays in modifying a spill containment barge to meet U.S. Coast Guard requirements, according to a spokesman. The company now plans to complete two wells in 2012 instead of five: one in the Beaufort Sea off the northern Alaska coastline, and another in the Chukchi Sea off the northwest coast between Alaska and Russia. Shell is still holding to its two-year goal to drill 10 wells in the region, the spokesman said. The project has been delayed also by lingering sea ice and as Shell awaits an air permit from the Environmental Protection Agency.

<http://finance.yahoo.com/news/shell-oil-scales-back-arctic-185526697.html>

## **Natural Gas**

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### **Southern Union Reports Flaring after Field Unit Shuts Down at Its 140 MMcf/d Keystone Gas Plant in Texas July 31**

Southern Union Gas Services said it was flaring low-pressure gas at its Keystone gas plant Tuesday morning after one of its Emperor field units went down, according to a filing with the Texas Commission on Environmental Quality. Operators were investigating the cause of the unit shutdown at the time of the filing.

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=171711>

## **Other News**

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### **Valero ‘Significantly’ Reduces Ethanol Production Rates in July Due to Negative Margins Caused by High Inventory, Rising Corn Prices**

Valero Energy Corp. reported a 92 percent drop in its ethanol operating income in the second quarter of 2012 versus the second quarter of 2011, according to a second-quarter earnings release. The company attributed the decrease mainly to lower gross margins as excess industry ethanol inventories held margins at low levels. In July, Valero “significantly” reduced ethanol production rates as margins were negative due to rapidly rising corn prices and continued high inventories of ethanol. Valero and its subsidiaries own 10 ethanol plants with a combined production of 1.2 billion gallons per year.

[http://www.valero.com/NewsRoom/Pages/PR\\_20120731\\_0.aspx](http://www.valero.com/NewsRoom/Pages/PR_20120731_0.aspx)

### **Update: Coskata Cancels Plans to Build 55 MMGal/Yr Ethanol Plant in Alabama**

Coskata Inc. on Monday said it has canceled plans to build a biorefinery at the Crossroads of America Park in Boligee, Alabama. The company had announced in 2011 it would build a plant that would use wood chips and other wood waste to produce ethanol. It later decided to use natural gas as feedstock, but later decided the infrastructure available at the Boligee site would not support that plan.

<http://www.tuscaloosanews.com/article/20120731/NEWS/120739982/1007/news?Title=Biofuel-plant-for-Boligee-gets-axed>

### **U.S. Livestock Producers Petition EPA to Waive Its Renewable Fuel Standard as Continued Drought**

A coalition of U.S. livestock producers on Monday petitioned the U.S. Environmental Protection Agency to temporarily reduce or cancel its Renewable Fuels Standard, which requires the use of ethanol in gasoline, to help producers ride out the worst drought in 56 years. Two-thirds of the country is experiencing moderate to exceptional drought, which has reduced the yield potential of developing crops, including corn. As a result, corn prices have risen 60 percent over the past 6 weeks, driving up feed costs and reducing profits for livestock producers. EPA’s Renewable Fuels Standard currently requires about 35 percent of the U.S. corn harvest to be used to produce ethanol.

Reuters, 20:09 July 30, 2012

<http://www.omaha.com/article/20120801/NEWS/708019904/1707>

## **International News**

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Nothing to report

## Energy Prices

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U.S. Oil and Gas Prices			
August 1, 2012			
	Today	Week Ago	Year Ago
<b>CRUDE OIL</b> <b>West Texas Intermediate U.S.</b> \$/Barrel	89.10	87.03	94.23
<b>NATURAL GAS</b> <b>Henry Hub</b> \$/Million Btu	3.20	3.16	4.29

Source: Reuters

## Links

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***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](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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