



ENERGY ASSURANCE DAILY

Tuesday, August 08, 2006

Major Developments

Update: BP to Replace Corroded Lines at Prudhoe Bay -- Full Restoration Months Away

Prudhoe Bay Return to Full Production after January – EIA

The Energy Information Administration reported that the Prudhoe field could be fully in operation by January of next year. EIA estimates that production from the field will be reduced by 200,000 b/d in August and 400,000 b/d in September and October. Following that, EIA estimates that production would be restored by 100,000 b/d per month beginning in October so that after January, full production would be restored.

Reuters, 11:28 August 8, 2006

http://news.yahoo.com/s/nm/20060808/bs_nm/energy_bp_alaska_dc_6: ylt=ArAyiPIg8zNjueIN5mVu89CAsnsA: ylu=X3oDMTBiMW04NW9mBHNIYwMIJVRPUCUI

BP to Replace Corroded Pipelines

BP announced on Monday that the company would replace some 16 miles of the major transit lines in the Prudhoe Bay field that move the crude to the Trans-Alaska Pipeline for shipment to Valdez. In a worst case scenario, the chairman of BP America said that it could be a matter of weeks or months to replace the corroded pipelines. He indicated that the company hopes to bring the system back on-line in stages as repairs are completed segment by segment. He also stated that "we will not resume operation of the field until we and government regulators are satisfied that they can be operated safely and pose no threat to the environment

Reuters, 12:39 August 8, 2006

http://news.yahoo.com/s/ap/20060808/ap_on_go_ca_st_pe/alaska_oil: ylt=Ak9Asu1bVFxYzs9CjGFfa86AsnsA: ylu=X3oDMTBiMW04NW9mBHNIYwMIJVRPUCUI
<http://www.marketwatch.com/News/Story/Story.aspx?guid=%7B4C51C53B-766C-4E82-BBC0-79764A91348F%7D&siteId=yahoo&print=true&dist=printTop>
<http://www.bp.com/genericarticle.do?categoryId=2012968&contentId=7020594>

Build up of Sludge Triggered Need to Shut Down Prudhoe Field

The perception that reliance on ultrasound tests was a sufficient approach to pipeline maintenance contributed to a build up of sludge over several years that eventually resulted in the sudden need to shutdown the Prudhoe Bay field. The last time the pipelines were cleaned was in 1992, subsequently, BP relied on ultrasound tests to determine the status of the system. BP now acknowledges that process was insufficient.

<http://www.chron.com/disp/story.mpl/ap/business/4100313.html>

Secretary of Energy Bodman Sees Supplies Adequate to Cover Loss of Prudhoe Crude -- Possibility that Entire Field May Not be Shutdown

While acknowledging that it could be several months before supplies from Alaska returned to normal, Secretary of Energy Bodman stated that supplies are adequate to meet the needs of the West Coast refiners that most heavily depend on the Alaskan crude oil for their operations. The Secretary cited the relatively high levels of crude oil inventories and the ability to divert crude shipments to the West Coast from other destinations. He also indicated that discussions with BP raised the possibility that repairs could be undertaken with only about half of the field shutdown rather than the entire field. The parallel program would enable the repairs to take place but allow some production to be maintained. BP has not commented on the possibility of undertaking repairs in that manner.

http://news.yahoo.com/s/ap/20060808/ap_on_go_ca_st_pe/alaska_oil: ylt=Ak9Asu1bVFxYzs9CjGFfa86AsnsA: ylu=X3oDMTBiMW04NW9mBHNIYwMIJVRPUCUI

Reuters, 13:34 August 8, 2006

Reduced Flow in TAPS Could Cause Problems this Winter

The reduced volume of crude oil flowing through the Trans Alaska Pipeline System (TAPS) not only means a longer transit time for the oil but could also result in problems as the weather turns cold. The temperature of the oil is hot as it is produced and the longer transit time could lead to the oil cooling to the point that the flow could be impeded. Engineers are working on a solution to that problem at this time.

<http://www.adn.com/money/industries/oil/prudhoe/story/8054991p-7948041c.html>

http://news.yahoo.com/s/afp/20060808/ts_alt_afp/usbritainoilcompanylead2_060808150821

http://news.yahoo.com/s/afp/20060808/ts_afp/usbritainoilbppsipelineleakpolitics_060808165238:ylt=AoID5PdX630kaz92UE9tzXSb.HQA:_ylu=X3oDMTA2ZGZwam4yBHNlYwNmYw--

Saudi Arabia and Mexico Pledge to Help Fill Gaps from Loss of Alaska Crude

The Administration has been in talks with both Mexico and Saudi Arabia concerning the supply situation and has received assurances that both countries will assist in making up any supply deficiencies resulting from the loss of the Alaskan crude oil.

Reuters, 13:24 August 8, 2006

California Energy Commission Sees no Reduction in Refinery Output for 2 Weeks

Because of the current level of stocks on-hand in California, the Energy Commission estimates that it will be two weeks before the loss of crude oil will begin to affect output at California refineries. In addition, Reuters reports that loadings yesterday at the port of Valdez were normal and that the impact will not be felt on the West Coast for one to two weeks when West Coast refiners are expected to find alternative crude supplies from Asia or U.S. Gulf Coast.

Reuters, 16:48 August 7, 2006

Reuters, 17:04 August 7, 2006

Impact Hardest on BP's West Coast Refineries - Sources

Reuters reports according to traders and other industry sources on the West Coast, that approximately three-quarters of the 400,000 b/d of crude shut-in normally goes to BP's two West Coast refineries, about 200,000 b/d to the refinery in the Los Angeles area and 100,000 b/d to the refinery in Cherry Point in Washington state. Although West Coast refineries operated by BP and Valero indicate that they have adequate supplies, supply could become an issue after two weeks because of the time it would take for supplies to reach the area from other locations. In fact, sources indicate that supply managers are attempting to arrange for replacement supplies from Latin America, West Africa, and Asia and are not looking to relief from a release of oil from the Strategic Petroleum Supply since there are neither crude oil nor refined product pipelines from the Gulf Coast to California.

Reuters, 15:56 August 7, 2006

Platts, August 8, 2006

http://www.insidebayarea.com/trivalleyherald/localnews/cj_4150005

Update: Tesoro Foresees No Problems at its Alaska Refinery

Although the company will continue to assess the situation, Tesoro does not foresee supply problems hampering the operation of its Kenai, Alaska refinery. Tesoro's COO Bill Finnerty indicated that the refinery is capable of processing more than 50 different grades of crude oil and that provides the ability to replace the lost Alaskan crude from sources all over the world.

<http://biz.yahoo.com/bizj/060807/1327402.html?.v=1>

Electricity

LS Power's 739 MW Gas-fired Moss Landing Unit 6 in California to Restart Aug. 8

The company started to return the unit to service yesterday but kept it shut for an extra day to fix some minor vibration. The unit was shut on Aug. 6 to fix a steam leak.

Reuters, 12:39 August 8, 2006

OPG's 494 MW Lambton Coal-fired Unit 2 in Ontario Shut Aug. 8

Reuters, 07:59 August 8, 2006

TMPA's 462 MW Gibbons Creek Coal-fired Power Station in Texas to Shut Aug. 6

The unit shut to fix a boiler tube leak.

Reuters, 14:41 August 7, 2006

Allegheny Power's 640 MW Harrison Coal-fired Unit in W. Virginia Shut Aug. 6 - Traders

Reuters, 15:07 August 7, 2006

Petroleum

Mississippi River Closed, Tanker Traffic Halted by Sunken Tug Boat Aug. 8

On Tuesday, the Mississippi River was closed to both shallow and deep draft vessels because of a sunken tug boat which the U.S. Coast Guard is trying to salvage. On Sunday, The Coast Guard shut the river when the tug boat sank in the middle of the channel. The river was later reopened to shallow draft vessels, and then closed again on Tuesday for the salvage operation. A total of six ships, including some tankers, have been held up due to the incident.

Reuters, 12:52 August 8, 2006

Update: ConocoPhillips' 306,000 b/d Wood River Refinery in Illinois Back at Normal Rates Aug. 7

All units at the refinery were shut on July 19, almost 3 weeks ago, when power was cut to the plant following a powerful thunderstorm in the St. Louis area. The refinery shutdown tightened fuel supply across Illinois and prompted the U.S. Environmental Protection Agency to issue clean-fuel waivers for three counties in southern Illinois. The refinery accounts for about 9 percent of U.S. Midwest (PADD 3) refining capacity.

Reuters, 13:03 August 8, 2006

Reuters, 15:00 August 7, 2006

Update: Reformer in Restart at ConocoPhillips' 190,000 b/d Trainer, Pennsylvania Refinery Aug. 8

According to traders, the reformer was shut on July 26 and was expected to return August 8 or 9.

Reuters, 12:23 August 8, 2006

SRU Unit Suffers Upset at Citgo's 165,000 b/d Corpus Christi, Texas Refinery Aug. 7

Traders said the upset was unplanned.

Reuters, 13:03 August 8, 2006

Update: Nigeria's Bonny Light Crude Loading Schedule for Sept. Down 47,000 b/d

A pipeline leak last month disrupted Bonny Light production by 210,000 b/d. In 2005, Nigeria supplied about 8 percent of total U.S. oil imports.

Reuters, 12:20 August 8, 2006

Natural Gas

Update: FERC Approves Entrega Portion of Rockies Express Project

On August 4, FERC approved the construction of the second segment of Phase I of the Entrega Pipeline Project of the 1,663-mile Rockies Express Pipeline. The Entrega portion will comprise the western end of the system.

<http://powermarketers.net/contentinc.net/newsreader.asp?ppa=8kowu%5D%5BikljnttXSkIt%3EEvbfel%5Dv>

Other News

Nothing to report.

Energy Prices

U.S. Oil and Gas Prices			
August 8, 2006			
	Today	Week Ago	Year Ago
CRUDE OIL West Texas Intermediate U.S. \$/Barrel	76.50	74.95	63.92
NATURAL GAS Henry Hub \$/Million Btu	7.06	8.66	8.93

Source: Reuters

Energy Notes

Chevron and Keenan to Build and Operate Central Utility Plant for the National Interagency Biodefense Campus in Maryland

<http://powermarketers.net/contentinc.net/newsreader.asp?ppa=8knpp%5E%5BikkkrumRSkit%3EEvbfel%5Dv>

FERC Report Cites Reasons for Hindrance in Use of Demand Response Resources

<http://www.platts.com/Electric%20Power/News/7636703.xml?p=Electric%20Power/News&sub=Electric%20Power>

Bush Administration Offering Loan Guarantees for Alternative Energy Sources

http://www.energyintel.com/PublicationHomePage.asp?publication_id=5

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>.

Please direct comments and questions to: ead@oe.netl.doe.gov