



ENERGY ASSURANCE DAILY

Thursday, August 10, 2006

Major Developments

Update: BP Places Orders for Pipe Replacements; West Coast Refiners Scrambling for Alternative Crude Sources

ConocoPhillips Declares Force Majeure on Alaskan Oil Shipments

Citing the shutdown of the Prudhoe Bay oil field, ConocoPhillips notified customers on the West Coast that it was declaring force majeure on deliveries of shipments of Alaskan crude oil. The company holds a 36.1 percent interest in the field or roughly 144,000 b/d of production. Neither BP, holder of the majority interest in the field, nor ExxonMobil, which also has an interest, have declared force majeure. BP has publicly announced that it does not intend to take such action.

Reuters, 14:30 August 10, 2006

BP Pipeline Inspections Progressing – Examination Focusing on Bottom Sixth of Lines

BP is progressing with its pipeline corrosion inspection at the Prudhoe Bay oilfield but is concentrating only on the bottom one sixth of the lines. BP said that all the evidence of corrosion was found along the bottom of the lines and they are confident that the focus of the investigation is correct. According to the Reuters story, no one from the Department of Transportation which is supervising the examination was available for comment.

Reuters, 11:50 August 10, 2006

Orders for Replacement Pipe Placed with U. S. Steel and Nippon Steel

BP has placed orders for approximately half of the steel pipe needed to replace the affected lines in Alaska. In an August 8 conference call with investors, BP announced that it had placed orders with U.S. Steel for 30,000 feet of 24-inch pipe and with Nippon Steel for 21,000 feet of 18-inch pipe. The announced schedule for delivery is October for the U.S. Steel order and December for the order from Nippon Steel. BP also indicated that they are working to expedite those orders as well as working with other suppliers. Nonetheless, some sources questioned the ability of suppliers to meet the delivery dates given existing market conditions, saying that North American steel suppliers have already sold their production through next year. Some analysts also indicated that delays were likely until the winter freeze arrives, providing easier access for repair crews.

<http://www.marketwatch.com/News/Story/Story.aspx?dist=newsfinder&siteid=google&guid=%7B9BAA5267-985D-428D-8EFB-CEA42B10C01F%7D&keyword=>

<http://www.marketwatch.com/news/story/Story.aspx?guid=%7BF6379D7D-2B00-4F5A-99A5-EF0CA0FC7E8F%7D&siteid=>

Reuters, 18:40 August 9, 2006

http://biz.yahoo.com/ap/060810/oil_field_shutdown.html?.v=7

Alaska Investigating BP Operations

In an address to the state legislature, Governor Murkowski indicated that he has directed the state attorney general to investigate possible enforcement actions against BP for what he termed “misleading reports” on the status of the pipelines operated by BP on the North Slope. The Speaker of the Alaska House also indicated that hearings will be held where testimony from whistle-blowers will be included.

<http://www.platts.com/Oil/News/7640517.xml?p=Oil/News&sub=Oil>

http://news.yahoo.com/s/nm/20060810/bs_nm/energy_bp_investigation_dc_3;_ylt=AsuUs5nkhxEMxI21y2mILd2A_snsA;_ylu=X3oDMTBiMW04NW9mBHNIYwMIJVRPUCU

Reuters 22:08 August 9, 2006

Pipeline Corrosion Tests Not Required -- New Pipeline Regulations in Works

The Pipeline and Hazardous Materials Safety Administration, successor to the Office of Pipeline Safety of the Department of Transportation, has been in the process of drafting regulations for the low-pressure type of pipelines taken out of service in Alaska. Although directed by Congress in the Pipeline Safety Act of 1992 to draft such regulations, concern about accidents involving high-pressure lines, especially in densely populated areas received a higher priority. Consequently, at present, there are no U.S. regulations regarding such low-pressure lines. The absence of regulations became a high priority following the leak in a BP pipeline in Alaska in March of this year and regulators are accelerating the process to produce new draft regulations.

<http://www.forbes.com/home/feeds/ap/2006/08/09/ap2939216.html>

http://www.usatoday.com/money/industries/energy/2006-08-09-pipeline-usat_x.htm?csp=N008

BP, West Coast Refiners Searching for Alternative Supplies; Booking Tankers

U.S. West Coast refiners dependent on Alaskan crude oil are searching the world over for alternative supplies. The West Coast has no direct connection to the Strategic Petroleum Reserve and no refined product pipelines feed it from the Gulf Coast. BP has booked two tankers to bring crude from West Africa to the Gulf Coast, one with an option for delivery to the West Coast. According to trading sources, a number of Panamax tankers have been booked in the past couple of days (loads from oil tankers too large for the Panama Canal are offloaded in the U.S. Gulf to smaller Panamax tankers for transit to the West Coast). Reuters also reports that Tosco has booked a crude oil tanker from Oman for delivery to the West Coast. Although Canadian crude oil enters the Pacific Northwest through the Trans Mountain pipeline, there is currently little excess capacity on the line, making it an unlikely source of additional supply. Likely candidates to replace ANS supply include Brazilian Roncador, Colombian Cano Limon, Venezuelan Mesa, Oriente and Napo from Ecuador, Mexican Isthmus, and Angolan Hungo. In addition, traders report also seeing activity in Urals, Caspian, and Iraqi crudes that could indicate interest in supplementing West Coast supplies.

Reuters, 07:14 August 10, 2006

Reuters, 23:39 August 9, 2006

Bloomberg, 11:46 August 10, 2006

http://news.yahoo.com/s/csm/20060809/ts_csm/acalshock_1

<http://www.platts.com/Oil/Resources/News%20Features/prudhoe/index.xml>

Pipeline Regulations in Canada More Stringent

Companies operating pipelines in Canada are required to file an integrity management plan with the National Energy Board. The pipelines are audited to ensure compliance.

<http://calsun.canoe.ca/Business/2006/08/09/1726047-sun.html>

Electricity

Two Oklahoma Power Units Fail, Nearly Cause Rolling Blackouts in Tulsa Aug. 7

On Sunday two units in the Tulsa, Oklahoma area failed nearly causing rolling blackouts in AEP-PSO's service area on Monday. The first unit, a 450 MW unit at AEP-PSO's Riverside Plant in Jenks, was shut over the weekend due to a boiler tube leak and was still out of service as of Wednesday. The second unit, this one at the Tulsa Power Station, failed on Sunday but was repaired and placed back online Monday. On Monday, the utility made an emergency appeal for customers to conserve electricity, in order to prevent rolling blackouts.

http://www.tulsaworld.com/NewsStory.asp?ID=060809_To_A1_Utili8225

SWEPSCO Plans to Build 600 MW Coal-Fueled Baseload Power Plant in Arkansas

American Electric Power said its Southwestern Electric Power Co. unit will build a 600 MW coal-fueled power plant in Hempstead County, Arkansas. The plant is expected to begin operation in mid-2011 to meet the long-term generation demand.

Reuters, 15:16 August 9, 2006

<http://biz.yahoo.com/prnews/060809/clw058.html?.v=61>

DTE's 1,111 MW Fermi Nuke Unit 2 at Full Power in Michigan August 10

The 1,111 MW nuclear unit shut Tuesday due to the failure of a speed controller. Yesterday, the unit was operating at 65 percent capacity after the company fixed the problem, and by early today, it returned to full power, according to the NRC.

Reuters, 07:12 August 10, 2006

Southern Co. Reduces 924 MW Hatch Nuke Unit 1 in Georgia

Southern Co. has reduced output from its 924 MW nuclear unit in Georgia to 60 percent capacity to fix feed-water pump.

Bloomberg, 13:33 August 10, 2006

Petroleum

Oil Falls After Foiled Aircraft Bomb Plot in London

The U.S. price of oil on the stock market dropped by more than \$1 after Britain said it had foiled a plot to blow up aircraft in transatlantic flight. Traders worried that the failed attack would lead to a downturn in consumer confidence and a reduced demand for jet fuel.

http://biz.yahoo.com/ap/060810/oil_prices.html?.v=17

http://biz.yahoo.com/rb/060810/markets_oil.html?.v=8

Hydrotreater Shut at Exxon Mobil's 150 b/d Torrance Refinery in California

On August 9, a hydrotreater unit at Exxon Mobil's refinery in Torrance, California shut. The company spokesperson did not know when the unit would restart.

Reuters, 12:34 August 10, 2006.

Shell Repairs Bonny Light Oil Pipeline in Nigeria

Royal Dutch Shell announced that it has repaired its Bonny Light oil pipeline in Nigeria. Eight of the nine flow stations have reopened, allowing a flow of 173,000 b/d oil in capacity. The ninth will reopen later.

Reuters, 12:03 August 10, 2006

ConocoPhillips Delays Reformer Restart at Trainer Refinery, Pennsylvania

ConocoPhillips is delaying the restart of a reformer unit at its 180,000 b/d Trainer refinery until next week. The refinery has been running at a reduced capacity since mid-May. The reformer has been undergoing maintenance since July 26 and was due to restart on August 5.

Bloomberg, 03:31 August 9, 2006

Natural Gas

Natural Gas Replacing Coal for Electric Generation

U.S. power generators began looking to natural gas as an affordable option relative to coal when prices fell into the \$6/MMBtu range earlier this year. Consequently, coal stocks at electric power plants are climbing towards levels not seen since 2003 and natural gas is being drawn out of storage at an unprecedented rate for summer. Last week Columbia Gas of Virginia set a new natural gas demand record. This is the first time that the record has ever been set in summer.

http://www.energyintel.com/PublicationHomePage.asp?publication_id=10

<http://intelligencepress.com/>

Louisiana Halts AGL Resources' Jefferson Island Natural Gas Storage Expansion

Governor Kathleen Blanco has halted the expansion of AGL Resources' Jefferson Island salt dome storage facility under Lake Peigneur near the Henry Hub in Louisiana. She claims that the company's mineral lease is no longer valid.

<http://intelligencepress.com/>

Other News

Nothing to report.

Energy Prices

U.S. Oil and Gas Prices August 10, 2006			
	Today	Week Ago	Year Ago
CRUDE OIL West Texas Intermediate U.S. \$/Barrel	74.00	75.59	64.80
NATURAL GAS Henry Hub \$/Million Btu	7.95	7.61	8.82

Source: Reuters

Energy Notes

Tanker Truck Driver Shortage Leads to Short-Term Fuel Shortages for Valero in San Antonio, Texas

<http://biz.yahoo.com/bizj/060809/1328674.html?v=1>

Range Fire Shorts Out 138 kV Power Line in Idaho, 11,000 Without Power Aug. 7

http://www.sunvalleyonline.com/news/article.asp?ID_Article=2306

Major Gas Leak Shuts Down Part of Grafton, Wisconsin Aug. 8

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

Idaho Opts Out of US Pollution Trading Plan, Move Prevents New Coal-fired Plants in State

<http://www.easybourse.com/Website/dynamic/News.php?NewsID=39535&lang=fra&NewsRubrique=2>

LIPA to Review Proposals to Increase Power Supply on Long Island

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

AGA Warns Natural Gas Supply-Demand Balance Remains Tight Despite High Storage Levels

<http://intelligencepress.com/>

Natural Gas Pipeline Investment Plunged in 2005

<http://intelligencepress.com/>

High Costs Force E&Ps to Focus on Appraisal, Not Exploration

<http://intelligencepress.com/>

Power Generators Plan Replenish Coal Stocks While Price is Down

<http://www.platts.com/Coal/News/7640546.xml?p=Coal/News&sub=Coal>

Two Foreign Oil Workers Kidnapped in Nigeria Aug. 10

http://news.yahoo.com/s/ap/20060810/ap_on_re_af/nigeria_oil_unrest_2;_ylt=Ai3Nen3wFK3tZJ6W414NE7eAsnsA;_ylu=X3oDMTBiMW04NW9mBHNIYwMIJVRPUCUI

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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