



ENERGY ASSURANCE DAILY

Friday Evening, August 29, 2008

Major Developments

Update: Gulf of Mexico Oil and Gas Facilities Continue to Prepare for Arrival of Hurricane Gustav

NOAA's National Hurricane Center (NHC) reports that as of 03:15 PM EDT August 29, Gustav reached Category 1 Hurricane status with sustained winds of 75 mph and is located 125 miles east-southeast of Grand Cayman and about 425 miles east-southeast of the western tip of Cuba, moving toward the west-northwest at 11 mph. The NHC anticipates that Gustav will approach the northern Gulf Coast as a powerful hurricane early on Tuesday September 2. A DOE official reported to Reuters that the department was prepared to release the U.S. Strategic Petroleum Reserve (SPR) should an "oil disruption scenario" develop. The official also said that the SPR has a current release capacity of 4.4 million b/d, higher than ever before. According to data submitted to the Minerals Management Service (MMS) as of 12:30 PM EDT August 29, personnel have been evacuated from a total of 6 production platforms and 17 rigs. The MMS estimates that 86,013 b/d, or about 6.6% of the oil production in the Gulf, has been shut-in and 136 MMcf/d, or about 1.8% of Gulf natural gas production, has been shut-in. The Gulf is the source of 15 percent of domestically produced natural gas and 25 percent of oil and home to more than one-third of the nation's refining capacity. Separately, companies have announced plans to shut production and evacuate personnel in advance of Gustav:

- Shell is expected to complete the shut-in of all its U.S. Gulf output by Saturday, August 30, in preparation for Gustav. Shell has also started up the emergency operations center at its 220,000 b/d Norco, Louisiana refinery with no affect on production.
- Sabine Pipeline LLC, operator of the Henry Hub, is reporting it could begin shutting down pipeline operations as early as the morning of Sunday, August 31.
- BP is completing evacuation of non-essential personnel from offshore installations in the Gulf, with production ramping down.
- ConocoPhillips suspended drilling in southern Louisiana August 28 and will complete the evacuation of its only offshore platform in the Gulf on Saturday, August 30. The company also reports that while operations at its Gulf refineries remain normal, planning is underway for safe shutdown if necessary.
- ExxonMobil evacuated non-essential personnel from Gulf oil and gas platforms, with minimal production shut-in. Production at refineries or chemical plants has not been reduced, although they are preparing for the storm, company representatives report.
- Chevron evacuated all workers from its platforms within the Gulf.
- El Paso began evacuating non-essential workers from its facilities in the Gulf August 29 and expects to have evacuated all workers from its 10 manned production platforms in the Gulf by Sunday, August 31, according to a company representative. El Paso declined to comment on operations.
- Apache Corp has shut in 850 b/d of oil and 28 MMcf/d of gas production from five platforms in the Gulf.
- Murphy Oil has begun reducing feedstocks to its alkylation and residual-oil units at its 120,000 b/d Meraux, Louisiana refinery ahead of the arrival of Gustav.
- The Louisiana Offshore Oil Port (LOOP) announced plans to stop all oil tanker offloading Saturday, August 30, due to rough seas expected in the Gulf ahead of Gustav.
- Valero reports it has no timetable for a decision on whether the company will reduce production rates or shut down any of its Gulf Coast refineries, and that the company has taken precautions to secure equipment and emergency supplies.
- Discovery Gas Transmission (DGT), a natural gas pipeline company with operations in the Gulf, has declared a Force Majeure Event for gas day 30, August 30, 2008.

Sources:

MMS Hurricane Gustav Activity Statistics Update: <http://www.mms.gov/ooc/press/2008/press0829.htm>

NOAA: http://www.nhc.noaa.gov/graphics_at2.shtml?5day#contents

<http://www.discovery.williamsenergy.com/DownloadAttachment?attachment=Tropical%20Storm%20Gustav%20Update.htm¬ice=1385447&type=c>
<http://www.sabinepipeline.com//Home/Report/tabid/241/Default.aspx?ID=6>
<http://ap.google.com/article/ALeqM5gVWjsPEiqe1tEu2mhBIRaxxGi8owD92S5LFO1>
Reuters, 14:58 August 28, 2008
Reuters, 07:40 August 29, 2008
Reuters, 10:06 August 29, 2008
Reuters, 10:20 August 29, 2008
Reuters, 10:48 August 29, 2008
Reuters, 12:33 August 29, 2008
Reuters, 13:29 August 29, 2008
Reuters, 15:11 August 29, 2008
Reuters, 15:36 August 29, 2008
Bloomberg News, 09:12 August 29, 2008
Bloomberg News, 12:13 August 29, 2008
Bloomberg News, 11:43 August 29, 2008
For August 28, 2008 Gustav preparation information, please view the August 28, 2008 Energy Assurance Daily:
<http://www.oe.netl.doe.gov/docs/eads/ead082808.pdf>

Electricity

Thunderstorms, Severe Wind Leave Approximately 60,000 Utility Customers in Arizona without Power August 29

Throughout the evening of August 28, a series of powerful thunderstorms combined with 100 mph winds swept through the Phoenix, Arizona area, knocking out power to 100,000 homes and businesses according to initial reports. On the morning of August 29, Arizona Public Service reported 50,000 customers without electricity, while Salt River Project (SRP) reported 11,000 of its customers remain without power. As of most recent news reports, approximately 20,000 customers remain without power in Arizona.

<http://www.azcentral.com/community/ahwatukee/articles/2008/08/29/20080829storms0829-ON.html>

<http://www.news8.net/news/stories/0808/548708.html>

Update: Progress Energy's 834 MW Crystal River Nuke Unit 3 in Florida Ramped Up to 60 Percent August 29

The unit is ramping up following an August 24 manual reactor trip which shut the unit completely. According to the Nuclear Regulatory Commission, the unit was operating at 0 percent on August 28.

Information also derived from NRC Power Reactor Status Reports:

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2008/>

<http://www.reuters.com/article/rbssIndustryMaterialsUtilitiesNews/idUSN2940060120080829>

Entergy's 1,207 MW Grand Gulf Nuke Unit 1 in Mississippi Reduced to 82 Percent August 29

According to the Nuclear Regulatory Commission, the unit was operating at 100 percent on August 28.

Information derived from NRC Power Reactor Status Reports:

<http://www.nrc.gov/reading-rm/doc-collections/event-status/reactor-status/2008/>

Update: Reliant's 320 MW Etiwanda Gas-fired Unit 4 in California Returns to Service August 28

According to the California Independent System Operator, the unit returned from an unplanned curtailment of 249 MW.

<http://www.caiso.com/unitstatus/data/unitstatus200808281515.html>

Update: AES's 225 MW Huntington Beach Gas-fired Unit 3 in California Returns to Service August 28

According to the California Independent System Operator, the unit returned from an unplanned curtailment of 134 MW.

<http://www.caiso.com/unitstatus/data/unitstatus200808281515.html>

Update: Duke's 175 MW Southbay Gas-fired Unit 3 in California Returns to Service August 28

According to the California Independent System Operator, the unit returned from an unplanned outage.
<http://www.caiso.com/unitstatus/data/unitstatus200808281515.html>

Update: Luminant's 575 MW Big Brown Coal-fired Unit 2 in Texas Returns to Service August 29

The unit was shut August 25 after an electrical fire at the plant.
Reuters, 11:16 August 29, 2008

ENMAX's 200 MW Calgary Gas-fired Unit in Alberta Shut August 28

Reuters, 10:28 August 29, 2008

Petroleum

Update: BP Unclear on 90,000 b/d Baku-Supsa Pipeline Restart Date

According to a BP representative, the company is unclear as to when it will reopen its 90,000 b/d oil pipeline between Baku, Azerbaijan and Supsa which was shut August 12. BP reports it is monitoring the evolving situation between Russia and Georgia. .

Reuters, 10:53 August 29, 2008

Azerbaijan's SOCAR Expects to Redirect Crude Oil via Russia in Place of the BTC Pipeline Due to 'Instability' in Georgia

Azerbaijan's state energy firm, SOCAR, is reporting August 29 its intention to reroute 300,000 to 400,000 tonnes of crude, equivalent to approximately 2.3 to 3.1 million barrels, through Russia and not the Baku-Tbilisi-Ceyhan (BTC) pipeline due to the instability within Georgia. A SOCAR representative said the company will pump oil through the Baku- Novorossiisk pipeline.

Reuters, 04:40 August 29, 2008

Natural Gas

Update: Mexico President Calderon Dedicates Sempra Energy's New Energía Costa Azul LNG Receipt Terminal in Baja California, Mexico August 28

On August 28, the President of Mexico and Sempra Energy CEO/Chairman officially dedicated Energía Costa Azul, the first liquefied natural gas (LNG) receipt facility on the West Coast of North America. The 1 Bcf/d LNG receipt terminal in Baja California, Mexico accepted its first cargoes of imported natural gas in April and May 2008.

http://public.sempra.com/newsreleases/viewpr.cfm?PR_ID=2300&Co_Short_Nm=SE

Enterprise Announces Agreements and Pipeline Expansion Plans for Barnett Shale Area of North Texas

Enterprise Products Partners and its affiliates announced August 28 it has signed new long-term agreements with major producers in the Barnett Shale region that will utilize approximately 900 MMcf/d of capacity on the partnership's 1.1 Bcf/d 178-mile Sherman Extension natural gas pipeline, which is estimated to be reach full completion in fourth quarter 2008. The partnership also announced that it will construct a 40-mile, 30-inch and 36-inch diameter supply lateral pipeline that will transport new supplies of natural gas produced from the Barnett Shale in Tarrant and Denton Counties, Texas to the Sherman Extension pipeline.

<http://phx.corporate-ir.net/phoenix.zhtml?c=80547&p=irol-newsArticle&ID=1191585&highlight>

Vector Announces Binding Open Season for Proposed 120 MMcf/d Pipeline Expansion to Connect Southeastern Michigan and Southwestern Ontario

Vector Pipeline and its affiliates announced August plans to hold a binding Open Season in September 2008 to secure shipper interest in a third expansion of the Vector Pipeline System. The "2010 Expansion" proposes to add long haul capacity of up to 120 MMcf/d by adding two new compressors and upgrades to the U.S. portion of the system. The expansion may also include up to 700 MMcf/d of short haul capacity by adding a loop to the Canadian side of the pipeline system. The company anticipates an in-service target date of November 2010, given timely regulatory approvals.

<http://www.vector-pipeline.com/vector/main.aspx?id=6828&tmi=6726&tmt=1>

Update: Energy Transfer Partners Assessing Damage on its Oasis 36-Inch Gas Pipeline in Texas Following August 28 Rupture

Following the August 28 rupture on its Oasis gas pipeline, Energy Transfer Partners has reported the line was shut down immediately. Crews are now assessing the pipeline to determine how the break occurred. The 36-inch diameter Oasis pipeline carries natural gas from the Permian Basin in West Texas to the Katy Hub in Katy, Texas.

<http://www.bizjournals.com/dallas/stories/2008/08/25/daily51.html>

Other News

Nothing to report.

Energy Prices

U.S. Oil and Gas Prices			
August 29, 2008			
	Today	Week Ago	Year Ago
CRUDE OIL West Texas Intermediate U.S. \$/Barrel	115.55	114.48	73.29
NATURAL GAS Henry Hub \$/Million Btu	8.36	7.98	5.64

Source: Reuters

Energy Notes

10,628 Atlantic City Electric Customers Without Power in New Jersey August 28

<http://www.atlanticcityelectric.com/home/emergency/maps/outage/>

Process Upset and Subsequent Flaring Reported at ExxonMobil's 155,800 b/d Torrance, California Refinery August 28

Bloomberg News, 02:08 August 29, 2008

Equipment Glitch Leads to Flaring at ExxonMobil's 348,500 b/d Beaumont, Texas Refinery August 28

<http://www11.tceq.state.tx.us/oc/eer/index.cfm?fuseaction=main.getDetails&target=113238>

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/ead.aspx>

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