



# ENERGY ASSURANCE DAILY

Tuesday Evening, September 09, 2008

## Major Developments

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### **Most Gulf O&G Production Shut as Companies Recover from Gustav, Prepare for Ike**

Gulf of Mexico production remained largely unchanged from yesterday's reports, as companies recovered from Hurricane Gustav and prepared for Hurricane Ike. An estimated 1,007,389 b/d of oil production and 4,795 MMcf/d of natural gas output remained shut in, according to a Minerals Management Services report. That accounts for 77.5 percent of the Gulf's oil output and 64.8 percent of its natural gas production.

<http://www.mms.gov/oc/press/2008/press0909.htm>

For more information on Hurricane Gustav, please view OE's most-recent situation report:

[http://www.oe.netl.doe.gov/docs/2008\\_SitRep\\_13\\_Gustav\\_90908\\_12pm.pdf](http://www.oe.netl.doe.gov/docs/2008_SitRep_13_Gustav_90908_12pm.pdf)

### **Oil and Gas Companies Continue Preparations as Hurricane Ike Approaches Gulf of Mexico—Storm Changes Course, Likely to Avoid Most Production Spots**

Hurricane Ike changed course, heading more to the West, and is expected to miss most oil and gas platforms in the U.S. Gulf of Mexico, the U.S. National Hurricane Center (NHC) said September 9. The storm struck Cuba today as a Category 1 hurricane, carrying winds of almost 80 miles per hour. The NHC expects the storm to strengthen into a Category 3 hurricane as it traverses the Gulf of Mexico. Ike could make landfall anywhere in Texas or on Mexico's northern coast. Despite the apparent diminished risk, multiple companies began preparing for Hurricane Ike. A FEMA official said companies were working to avoid complete shutdowns, initiating alternative plans to enable fast restarts. Among the company reports:

- Shell Oil said it planned to evacuate most or all of its facilities in the Gulf of Mexico by Thursday, September 11. The company has recovered some downed production from Gustav, but expects to leave shut all other production spots until after Ike.
- ExxonMobil said it was evacuating personnel from and halting production at oil and gas facilities along Ike's projected path. The company also said it was starting safety procedures at its Gulf Coast refineries.
- Enterprise Products Partners said it was moving to evacuate workers from eastern Gulf of Mexico platforms today. It also planned to shut the Independence Hub tomorrow.
- Transocean removed employees from its Marianas drilling rig in the Gulf of Mexico. That rig had sustained "minor damage" from Hurricane Gustav.
- Anadarko Petroleum planned to shut all oil and gas production in the Gulf ahead of Ike. That amounts to 150,000 boed, according to a news source. Anadarko said it would evacuate all its Gulf employees by tomorrow.
- BP said it was halting all output in the Gulf of Mexico today and evacuating its personnel.
- Apache Corp said yesterday it was evacuating employees from the Eastern Gulf of Mexico. Several of its eastern platforms were stalled, and the company did not anticipate their return until after Ike.
- Conoco and Marathon were both evacuating workers ahead of the storm.

Reuters, 12:02 September 9, 2008

Reuters, 11:21 September 9, 2008

Reuters, 12:58 September 9, 2008

Reuters, 11:33 September 9, 2008

Reuters, 11:30 September 9, 2008

Reuters, 13:09 September 9, 2008

Reuters, 10:39 September 9, 2008

Reuters, 14:14 September 8, 2008

Reuters, 15:43 September 8, 2008

Reuters, 18:31 September 8, 2008

Bloomberg News, 11:17 September 8, 2008

Bloomberg News, 13:10 September 9, 2008

### **More than 150,000 Remain Without Power in Louisiana after Gustav**

Entergy has restored power to more than 789,000 customers across the states of Louisiana, Arkansas and Mississippi, with approximately 138,839 customers remaining without electricity in Louisiana, as of 3:55 PM EDT. The company predicts its team of 13,000 restoration workers would return power to most customers by the end of the week. As Entergy restores power from Hurricane Gustav, the company said it is monitoring Hurricane Ike and planning for the possibility of Ike impacting its territory later this week. DEMCO, the Dixie Electric Membership Corporation, is reporting a total of 11,831 customers without power in Louisiana.

<http://entergy-louisiana.com/outages/la.aspx>

DEMCO 3:45 PM EDT: <http://demco.maps.sienatech.com/>

<http://www.reuters.com/article/domesticNews/idUSN0952443820080909>

### **ConocoPhillips' 247,000 b/d Belle Chasse, Louisiana Refinery Remains Down September 9**

Alon's 80,000 b/d Krotz Springs, Louisiana refinery is restarting, as suspected yesterday. Only ConocoPhillips' 247,000 b/d Belle Chasse, Louisiana refinery remained shut. Seven refineries were in the process of restarting, 11 were operating at reduced rates, and five had returned to normal output, according to latest reports. For a more detailed table, please view OE's most-recent situation report for Hurricane Gustav:

[http://www.oe.netl.doe.gov/docs/2008\\_SitRep\\_13\\_Gustav\\_90908\\_12pm.pdf](http://www.oe.netl.doe.gov/docs/2008_SitRep_13_Gustav_90908_12pm.pdf)

### **DOE Initiates 250,000 Barrel Oil Delivery to Marathon from Strategic Petroleum Reserve**

The U.S. Department of Energy (DOE) initiated a 250,000 barrel oil delivery to Marathon from the Strategic Petroleum Reserve September 8, a DOE release said. The crude will travel along the Capline pipeline system to Marathon refineries in the Midwest to ease supply disruptions. U.S. Energy Secretary Sam Bodman said today that the Department was discussing potential loans of SPR oil to two companies. He did not say which companies were involved.

<http://www.doe.gov/news/6514.htm>

Reuters, 12:02 September 9, 2008

### **EPA Issues Fuel Waivers for Six Florida Counties until September 15**

The U.S. Environmental Protection Agency (EPA) issued a fuel waiver for six southern Florida counties, as recent and approaching storms interrupt fuel supplies. The waiver temporarily lifts the 7.8 RVP gasoline volatility requirements, mandated in parts of Florida. It applies to the following southern Florida counties: Broward, Dade, Duval, Hillsborough, Palm Beach and Pinellas. The state of Florida requested the waiver, and the EPA granted it in coordination with the U.S. Department of Energy. EPA's Administrator said that supply conditions necessitated the waiver.

[http://www.downstreamtoday.com/News/Articles/200809/EPA\\_Okays\\_Fuel\\_Waiver\\_for\\_Six\\_Fla\\_Count\\_12675.aspx](http://www.downstreamtoday.com/News/Articles/200809/EPA_Okays_Fuel_Waiver_for_Six_Fla_Count_12675.aspx)

### **Plantation and Colonial Pipelines Both Operating at Reduced Flows**

[http://www.oe.netl.doe.gov/docs/2008\\_SitRep\\_13\\_Gustav\\_90908\\_12pm.pdf](http://www.oe.netl.doe.gov/docs/2008_SitRep_13_Gustav_90908_12pm.pdf)

### **Nautilus Pipeline Co. Lifts Force Majeure along Natural Gas Pipeline September 8**

#### **Three Force Majeures Remain in Effect in U.S. Gulf**

As of 10:00 PM EDT, September 8, the company lifted its force majeure; it planned to begin to flow gas at all points today, September 9. As of this morning, three natural gas pipelines remained in force majeure, reporting no gas flow from offshore points: Mississippi Canyon Pipeline, estimated to restart September 10, Venice Gathering System, and offshore points along Destin Pipeline Co.

[http://www.oe.netl.doe.gov/docs/2008\\_SitRep\\_13\\_Gustav\\_90908\\_12pm.pdf](http://www.oe.netl.doe.gov/docs/2008_SitRep_13_Gustav_90908_12pm.pdf)

### **Six Natural Gas Processing Plants Remain Shut in U.S. Gulf September 9**

As of this morning, four processing plants were ready to operate, pending power restoration or a resumption of gas flow from upstream. Six plants remain shut, though one is out due to scheduled maintenance. Twelve plants have resumed operations at reduced levels, and nine plants have returned to normal levels.

[http://www.oe.netl.doe.gov/docs/2008\\_SitRep\\_13\\_Gustav\\_90908\\_12pm.pdf](http://www.oe.netl.doe.gov/docs/2008_SitRep_13_Gustav_90908_12pm.pdf)

### **Discovery Gas Transmission Lifts Force Majeure along Gulf Coast Natural Gas Pipeline September 8**

The company declared Force Majeure on August 28 due to Hurricane Gustav.

[http://www.discovery.williamsenergy.com/DownloadAttachment?attachment=Hurricane%20Gustav%20Update%20\(9-08-08\).htm&notice=1391993&type=c](http://www.discovery.williamsenergy.com/DownloadAttachment?attachment=Hurricane%20Gustav%20Update%20(9-08-08).htm&notice=1391993&type=c)

## **Enterprise Products Partners Says Service Back on Majority of Louisiana Natural Gas Pipelines Affected by Gustav**

Enterprise Products Partners LP said it had resumed service along most of its affected pipelines in southern Louisiana. The company said its 20-inch Viosca Knoll gathering system is shut as the company inspects damage done by Gustav. It also said one facility remains without power.

Bloomberg News, 13:10 September 9, 2008

Reuters, 12:40 September 9, 2008

## ***Electricity***

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### **AEP's 675 MW Pirkey Coal-fired Unit in Texas Shuts September 6**

The unit stalled after the shutdown of a turbine-driven boiler feed pump, according to a filing with state regulators.

Reuters, 13:32 September 8, 2008

### **Update: SCE's 1,127 MW San Onofre Nuke Unit 3 in California to Restart Soon**

Southern California Edison (SCE) expects to restart the unit "soon," after repairing a backup diesel generator, the company said. The unit stalled September 1 after a backup generator failed. SCE did not provide an exact timetable for the unit's return, but said it had begun pre-restart testing.

Reuters, 18:57 September 8, 2008

### **Update: Southern's 856 MW Hatch Nuke Unit 1 in Georgia Ramped Up to 85 Percent by September 9**

The company reduced the unit over the weekend to perform maintenance on the cooling water system. The Nuclear Regulatory Commission reported that on the morning of September 8 the unit was operating at 50 percent.

Reuters, 07:34 September 9, 2008

Information also derived from the NRC Power Reactor Status Reports:

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

### **Update: Exelon's 850 MW Dresden Nuke Unit 2 in Illinois Ramped Up to 98 Percent by September 9**

Exelon reduced the unit by September 7, citing an "inoperable" isolation condenser, according to a Nuclear Regulatory Commission (NRC) filing. The company planned to conduct maintenance "to adjust the cooling flow valve stroke time," the report said. The Nuclear Regulatory Commission reported that on the morning of September 8 the unit was operating at 67 percent.

<http://www.nrc.gov/reading-rm/doc-collections/event-status/event/2008/20080908en.html>

<http://www.reuters.com/article/rbssIndustryMaterialsUtilitiesNews/idUSN0922620080909>

Information derived from the NRC Power Reactor Status Reports:

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

### **Update: NMC's 578 MW Monticello Nuke Unit in Minnesota Ramped Up to 97 Percent by September 9**

The company slowed the unit by September 6 to reposition fuel rods, a company spokesman said. The Nuclear Regulatory Commission reported that on the morning of September 8 the unit was operating at 79 percent.

Bloomberg News, 07:12 September 9, 2008

Information also derived from the NRC Power Reactor Status Reports:

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

### **Update: AES's 226 MW Huntington Beach Gas-fired Unit 1 in California Returns to Service by September 8**

According to the California Independent System Operator, the unit experienced an unplanned outage by September 7.

<http://www.caiso.com/unitstatus/data/unitstatus200809081515.html>

## **AES's 225 MW Huntington Beach Gas-fired Unit 3 in California Shut by September 8**

According to the California Independent System Operator, the unit experienced an unplanned outage by September 8.

<http://www.caiso.com/unitstatus/data/unitstatus200809081515.html>

## **NRC to Dispatch Special Inspection Team to Progress Energy's 1790 MW Brunswick Nuclear Power Plant in North Carolina**

The Nuclear Regulatory Commission (NRC) is sending a Special Inspection Team to investigate an August 19<sup>th</sup> failing of an emergency diesel generator. Plant employees found that the error was caused by modifications made in the middle of 2007, affecting all four of the facility's emergency diesel generators. Workers have fixed the errors. The NRC review is expected to last about one week, according to an NRC report.

<http://www.nrc.gov/reading-rm/doc-collections/news/2008/08-045.ii.html>

## **Duke Energy Plans 99 MW Campbell Hill Windpower Project in Wyoming**

The company will break ground on the facility early next year, and open it for service by late 2009. The facility will employ 66 wind turbines. Duke announced an agreement with PacifiCorp for the purchase of the facility's output.

<http://www.duke-energy.com/news/releases/2008090901.asp>

## **Puget Sound Energy Announces Investment Plan for Infrastructure Improvements in 2008**

Puget Sound Energy unveiled its plan to invest in and improve its service-area infrastructure in 2008. Projects include new transmission lines, improvements to existing lines, and new substations. The company also plans to install 200 miles of new natural gas main, and replace about 20 miles of older steel main. For more information:

<http://www.pse.com/newsarchive/Pages/NewsInfrastructureInvest.aspx?navpath=/InsidePSE/newsroom>

## ***Petroleum***

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### **Update: BTC Crude Pipeline to Resume Normal Rates in October—Trade Source**

The Baku-Tbilisi-Ceyhan (BTC) pipeline will deliver 922,580 b/d of crude in October, or a total 28.6 million barrels, a trade source said. That marks a significant rise from the scheduled 867,000 b/d between August 25 and September 14. The pipeline shut for about 20 days after an explosion in August. Operators will shut the pipeline for two-to-three days in late September for minor work, a source at Azerbaijan's state oil company said.

<http://uk.reuters.com/article/oilRpt/idUKL947657320080909>

Reuters, 12:35 September 9, 2008

### **Fire on "Non-Process" Structure at ExxonMobil's 563,000 b/d Baytown, Texas Refinery**

The fire was extinguished, and had no affect on production, according to a filing with state regulators.

Reuters, 22:50 September 8, 2008

### **BP to Restart Ultraformer at 475,000 b/d Texas City, Texas Refinery**

The company said it would "regenerate all reactors in preparation for unit startup," according to a filing with state regulators. It is not clear if the shutdown affected production.

Bloomberg News, 07:39 September 9, 2008

## ***Natural Gas***

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### **El Paso Announces Binding Open Season for Capacity along Wyoming-Oregon Ruby Natural Gas Pipeline**

El Paso's Ruby Pipeline, LLC announced an Open Season for Interim Capacity on the proposed Ruby natural gas pipeline. The company completed a binding open season earlier this year; the Interim Capacity is a "limited quantity of unsubscribed capacity that resulted from commitments received earlier," according to the company notice. The 42-inch Ruby Pipeline will carry between 1.3 Bcf/d to 1.5 Bcf/d of natural gas from the Opal Hub in Wyoming to the Malin Hub in Oregon.

<http://ebb.cigco.com/ebbCIG/Notices/NoticeView.asp?sPipelineCode=WIC&sSubCategory=NonCritical&sNoticeId=6925>

## **National Fuel Gas Supply Corporation Announces Open Season for Firm Storage Capacity of up to 8.5 Bcf in Pennsylvania and New York**

National Fuel Gas Supply Corporation, an operating company of National Fuel Gas Company, announced an Open Season for up to 8.5 billion cubic feet (Bcf) of firm storage capacity at facilities in New York and Pennsylvania.

The company plans to expand its existing storage reservoirs in Tuscarora, New York and East Branch and Galbraith, Pennsylvania. It will phase in the incremental storage capacity over a two-year span, and open the project's initial phase in April 2011. The Open Season will end on October 3, 2008.

[http://www.nationalfuelgas.com/SUPPLY/MARKET/MKTGNEWS/OPENSEASON/142.ASP?OS\\_ID=142](http://www.nationalfuelgas.com/SUPPLY/MARKET/MKTGNEWS/OPENSEASON/142.ASP?OS_ID=142)  
<http://www.nationalfuelgas.com/news/WEB%2009-08-08%20Open%20Seasons982008-84915.pdf>

## **National Fuel Gas Company Extends Deadline for Appalachian Lateral Natural Gas Pipeline Open Season**

The company extended the project's Open Season, launched on August 5, until October 3, 2008, to coincide with the end of an associated Open Season for storage space. The Appalachian Lateral will provide Northeast markets with gas supplies from the Marcellus Shale and other Appalachian producing areas, according to a company release.

<http://www.nationalfuelgas.com/news/WEB%2009-08-08%20Open%20Seasons982008-84915.pdf>

## **Southeast Supply Header Opens Louisiana-Mississippi Portion of 1 Bcf/d, 36-inch and 42-inch, 270-mile Natural Gas Pipeline**

Southeast Supply Header received Federal Energy Regulatory Commission (FERC) approval and opened a portion of its pipeline system on September 6. The opened portion—from the Perryville Hub in Louisiana to Florida Gas Transmission's interconnect in Mississippi—represents 78 percent, or 213 miles, of the pipeline. The entire pipeline stretches from CenterPoint Energy's Perrville Hub to the Gulfstream Natural Gas System, LLC, pipeline system at Coden, Alabama. Southeast Supply Header, LLC, is a 50/50 joint venture between Spectra Energy Corp. and CenterPoint Energy, Inc.

[http://www.spectraenergy.com/news/releases/2008/sep/20080909\\_01.asp](http://www.spectraenergy.com/news/releases/2008/sep/20080909_01.asp)

## **Update: Energy Transfer Partners Completes Natural Gas Pipelines in Texas and New Mexico, Adding 875 MMcf/d of New Capacity**

The company completed its 500 MMcf/d, 42-inch, 32-mile Carthage Loop pipeline in Texas and its 375 MMcf/d, 36-inch, 26-mile San Juan Loop pipeline in New Mexico. The Carthage Loop pipeline connects to the company's intrastate pipeline network; it will also link to the planned 42-inch, 160-mile Texas Independence Pipeline, scheduled to open in the third quarter of 2009. The San Juan Loop is the first phase of the company's Phoenix Expansion project. That project also includes the 260-mile Phoenix Lateral pipeline, planned to serve Arizona customers by the second half of 2008.

BSW, 08:00 September 9, 2008

## **Devon Energy Says its Horn River, British Columbia Shale Could Contain up to 8 Trillion Cubic Feet of Natural Gas**

Devon Energy Corp's share of the Horn River shale gas area may contain up to 8 trillion cubic feet of natural gas, a company official said. The properties could ultimately produce 700 MMcf/d of natural gas.

Reuters, 11:43 September 9, 2008

## **Other News**

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### **U.S. Rig Count Hit 23-Year High in Week Ended August 29**

According to Baker Hughes Inc., there were 2,031 rotary rigs drilling for oil and gas in the United States in the week ended August 29, up 33 from the week before. That is the highest largest count since March 1, 1985 when there were 2,143 rotary rigs in operation. The rig count dropped from the 23-year high by 18 rigs in the week ended September 6.

[http://www.ogj.com/display\\_article/338363/7/ARTCL/none/none/US-rig-count-tops-2,000-first-time-in-23-years/?dcmp=OGJ.monthly.drilling](http://www.ogj.com/display_article/338363/7/ARTCL/none/none/US-rig-count-tops-2,000-first-time-in-23-years/?dcmp=OGJ.monthly.drilling)

[http://www.ogj.com/display\\_article/338842/7/ARTCL/none/none/US-drilling-activity-falls-from-23-year-high/?dcmp=OGJ.monthly.drilling](http://www.ogj.com/display_article/338842/7/ARTCL/none/none/US-drilling-activity-falls-from-23-year-high/?dcmp=OGJ.monthly.drilling)

## Energy Prices

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<b>U.S. Oil and Gas Prices</b> September 9, 2008			
	<b>Today</b>	<b>Week Ago</b>	<b>Year Ago</b>
<b>CRUDE OIL</b> <b>West Texas Intermediate U.S.</b> \$/Barrel	104.65	108.57	76.90
<b>NATURAL GAS</b> <b>Henry Hub</b> \$/Million Btu	7.68	8.24	6.02

Source: Reuters

## Energy Notes

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### **Storms Cut Power to 17,430 Knoxville Utilities Board Customers in Tennessee September 8 Only 17 Without Power September 9**

[http://www.wztv.com/template/inews\\_wire/wires.regional.tn/3055e498-www.fox17.com.shtml](http://www.wztv.com/template/inews_wire/wires.regional.tn/3055e498-www.fox17.com.shtml)

[http://www.kgis.org/website/kub\\_outage/mainpage.htm](http://www.kgis.org/website/kub_outage/mainpage.htm)

### **U.S. Energy Department Turns on Solar Energy System atop Headquarters in Washington DC September 9**

<http://www.doe.gov/news/6521.htm>

### **NRC Says Officials Have Resolved Security Guard Lapses at Exelon's 1,304 MW Peach Bottom Nuclear Power Plant in Pennsylvania**

[http://ydr.inyork.com/ci\\_10400899](http://ydr.inyork.com/ci_10400899)

### **Update: Entergy Receives 20-Year License Extension for 882 MW James Fitzpatrick Nuclear Power Plant in New York**

Bloomberg News, 11:45 September 9, 2008

### **International Power Group and ForeverGreen Enterprises Plan Waste-to-Energy Facility in Indiana**

MKW, 11:00 September 9, 2008

### **Iraq-Turkey Exports Dip From 480,000 b/d to 20,000 b/d on Full Storage Tanks in Turkey September 9—Shipping Agent**

Reuters, 10:56 September 9, 2008

### **OPEC Seaborne Crude Exports, not Including Angola and Ecuador, Increase 60,000 b/d in Four Weeks Ending August 24—Lloyd's Marine Intelligence Unit**

Reuters, 09:47 September 9, 2008

### **Petroecuador Oil Exports Increase to 211,720 b/d in August—Total Marks a Seven Percent Increase from Previous Month**

Reuters, 16:17 September 8, 2008

### **U.S. Ethanol Capacity up Approximately 57 Percent from Last August, to Almost 10.7 Billion Gallons/Year**

Reuters, 15:23 September 8, 2008

**Dubai Considers Building Oil Tanker Canal through Desert to Avoid Strait of Hormuz**  
[http://www.downstreamtoday.com/News/Articles/200809/Dubai\\_Mulls\\_Oil\\_Canal\\_To\\_Bypass\\_Iran\\_s\\_H\\_12678.aspx](http://www.downstreamtoday.com/News/Articles/200809/Dubai_Mulls_Oil_Canal_To_Bypass_Iran_s_H_12678.aspx)

**Devon Energy Receives Regulatory Okay to Begin 35,000 Jackfish 2 Oil Sands Project in Canada—Site Expected to Begin Production in 2012, Yield Approximately 300 Million Barrels of Oil**

[http://www.tulsaworld.com/news/article.aspx?articleID=20080908\\_12\\_OKLA082038](http://www.tulsaworld.com/news/article.aspx?articleID=20080908_12_OKLA082038)

## Links

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***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](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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