

Wednesday April 13, 2005

## Weekly Energy Status Report

### 1. Northwest Power Pool Status (WA, OR, ID, MT, WY, UT, No. NV, BC, AB)

- Power Pool peak load (4/12): 44,433 MW
- Reserve margins were within comfortable ranges for Northwest Power Pool utilities.

### 2. Electricity, Petroleum and Natural Gas Prices

- Weekly Range at Mid-C: \$49.5 – 57.0 per MWh, Ave. = \$55.0
- Approximate change from previous week \$ +2.7 per MWh
- “Normal” price range, before 5/00 \$20-\$40 per MWh
- Petroleum, West Texas Intermediate: \$53.72 per barrel (year ago: \$34.98)
- Seattle gasoline price (4/13) \$2.477 per gallon (year ago \$1.88)
- Natural gas, Sumas Hub: \$6.63 per million British Thermal Units (year ago \$4.53)
- Approximate change from last week. Oil: -3.29 \$ per barrel; Nat. gas: +0.11 \$ per MMBtu

### 3. California Electricity Situation

- CA ISO Alert Status
  - July 22, 2004: Third consecutive day of record electricity use.
  - A stage 1 alert, due to an unexpected heat wave, was declared on Mar. 31, 2004.
  - 20 minute outage in So. Cal. on March 8, 2004 due to operator error.
  - Most recent rotating blackouts: Tuesday, May 8, 2001

### 4. Energy News Headlines from around the Nation

- Alternate fuel backers celebrate biodiesel plant (Seattle Times, Apr. 11)
- Canada deal stirs debate on emissions (Seattle Times, Apr. 11)
- Nuclear plants at risk of attack (Seattle PI, Apr. 7)
- House panel resumes writing energy bill (NYT, Apr. 12)
- Alaska native corporation a lead player for oil on wildlife refuge (Seattle Times, Apr 11)

### 5. River and Snow Pack Information (Updated: Mar 22, 2005)

- Observed Feb. stream flow at The Dalles: 93.6% of average,
- Observed Mar. precipitation above The Dalles: 107% of average,
- Snow pack as % of average, Mar. 2005: 59%.
- Forecast Jan.-July 2005 runoff at The Dalles: 70.7 MAF, 66% of normal,
- Federal hydropower generation in Mar.: 7,158 aMW, 1995-2002 average: 9,530 aMW.

### 6. Energy Conservation Achievement (Updated: Feb. 11, 2004)

- State Agencies: From Oct thru Dec 2003 electrical usage was 9% less and natural gas usage was 21.3% less compared to the same period in 2000.

### 7. Power Exchanged: (Updated: Apr. 13, 2005)

- Average flow of power during the last 30 days
  - California (exported to) 1,387 MW
  - Canada (exported to) 925 MW
  - Net power export: 2,312 MW

Wednesday April 13, 2005

## **Alternative-fuel backers celebrate biodiesel plant**

By Sherry Grindeland, Seattle Times Apr. 11

John Plaza bypasses the gas station these days.

When his pickup's gas gauge nears empty, he pumps biodiesel — made in his own plant — into his tank.

Plaza expects to fill up hundreds of other vehicles when his processing plant, Seattle Biodiesel, officially opens sometime this spring. It will be the first wholesale biodiesel plant in King County.

Plaza yesterday proudly showed off the plant to nearly two dozen alternative-fuel advocates, including U.S. Sen. Maria Cantwell.

Cantwell, D-Wash., plans to introduce the 20/20 Biofuels Challenge legislation, calling for the United States to increase production of biofuels to 20 billion gallons by the year 2020.

"I think that goal is achievable," she said. "Americans, particularly here on the West Coast, are paying too much at the gas pump for fossil fuel."

Biodiesel fuel is made from animal or vegetable fats, or waste oils from cooking. The most common source is soybean, but Plaza imports canola and soy oils from Iowa.

At about \$3.67 a gallon, biodiesel is more expensive than gasoline or petroleum-based diesel, but is preferred by environmentalists because it smells better and pollutes less. Because it is biodegradable, spills aren't a problem.

The big advantage, Cantwell said, is that the plants to make the fuel can be grown in the United States.

Dan Freeman said he already has nearly 1,000 retail customers who purchase biodiesel from his Dr. Dan Fuelworks in Ballard. He said more manufacturers need to embrace biodiesel.

Although it is slowly changing, some automobile manufacturers void warranties if operators run on 100 percent biodiesel instead of a mix of traditional petroleum-extract diesel.

Freeman purchases most of his biodiesel from producers outside the state.

Describing the process to make biodiesel, Adrian Higginbotham, a farmer from Eastern Washington, said the first thing needed is a crusher to extract oil from canola and mustard plants.

Farmers in the state already plant those as part of their crop rotation even though there isn't a strong market for either, he added. A small crushing plant would cost about \$1 million.

When Cantwell asked how to get investors to help, venture capitalist and Seattle Biodiesel partner Martin Tobias said, "Take the taxes off biofuels."

He later said the developing biofuel businesses had the potential to grow like Microsoft or Boeing.

Afterward, Cantwell said she was pleased with what she had heard from the group.

"Washington is taking a leadership role in biofuels," she said. "I'm impressed with how much the state is doing. We're taking a leadership role."

## **Canada deal stirs state debate on emissions**

By Warren Cornwall *Seattle Times*, Apr. 11

Wednesday April 13, 2005

As automakers fight an effort by lawmakers in Olympia to cut greenhouse-gas emissions from cars, the industry last week signed a pact with the Canadian government to reduce those same gases.

The deal has become a factor in the debate in Washington's Legislature, where the Senate is expected to take a decisive vote this week on a bill forcing the auto industry to sell cleaner, more fuel-efficient cars.

Proponents of the legislation say the Canadian agreement debunks industry claims that the Washington legislation would be too burdensome and would rely on unproven technology. They hope it could sway senators in what is shaping up to be a close vote.

"It says to me, and I think the entire community, that when the automakers want to get serious about reducing the output of carbon dioxide they can do it," said Sen. Phil Rockefeller, a Bainbridge Island Democrat who is lead sponsor of the bill in the Senate.

But organizations representing auto dealers and manufacturers counter that the two deals aren't comparable. The Canadian agreement is less far-reaching than the Washington legislation, modeled on California regulations, and it tackles the issue nationwide, rather than state by state.

"The situation in California and Canada is totally dissimilar. In California you have one state trying to undermine federal law," said Eron Shosteck, spokesman for the Alliance of Automobile Manufacturers.

In Canada, automakers agreed to reduce greenhouse-gas emissions from cars and light trucks by 5.3 million metric tons in 2010, compared with the 90.5 million tons expected that year without the deal.

Achieving that goal will require automakers to produce more fuel-efficient cars that emit fewer gases such as carbon dioxide, which is linked to climate change.

Some have predicted it will take a 20 percent to 25 percent improvement in average gas mileage for new cars to meet the new requirements. But Tony Taylor, director of transportation energy use for Canada's Office of Energy Efficiency, said it won't be that steep, because the average Canadian car already beats government efficiency requirements.

The Washington bill, modeled on California regulations, would require bigger cuts in greenhouse-gas emissions — an average 30 percent reduction for new cars sold in 2016 compared with cars sold in 2002.

## **Nuclear plants at risk of attack**

**Scientists say all fuel storage sites need security evaluations**

By H. JOSEF HEBERT, Seattle PI, Apr. 7

WASHINGTON -- Fuel storage pools at nuclear power plants in 31 states may be vulnerable to terrorist attacks that could unleash raging fires and deadly radiation, scientists advised the government yesterday.

The group of nuclear experts said neither the government nor the nuclear industry "adequately understands the vulnerabilities and consequences of such an event." They recommended undertaking a plant-by-plant examination of fuel storage security as soon as possible.

Wednesday April 13, 2005

In the meantime, plant operators promptly should reconfigure used fuel rods in the storage pools to lower decay-heat intensity and install spray devices to reduce the risk of a fire should a storage facility be attacked, the scientists said.

Congress sought the study by a National Academy of Science panel because of heightened concerns that terrorists might seek to target nuclear power plants. The release yesterday of a declassified version of the report followed months of debate with the Nuclear Regulatory Commission over how much of the findings should remain secret, and therefore, unavailable to potential terrorists.

At 68 plants, including some already shut down, in 31 states, thousands of used reactor fuel rods are in deep water pools. Dry, concrete casks hold a smaller number of these rods.

Much more highly radioactive fuel is stored in pools than is in the more protected reactors -- 103 in total -- at these sites.

Washington state's only power-producing nuclear reactor, the Columbia Generating Station near Richland, has 456 tons of used fuel stored in a water-filled pool.

Some scientists and nuclear watchdog groups long have contended that these pools pose a much greater danger to a catastrophic attack than do the reactors themselves.

Some plants where pools are all or partially underground present less of a problem. Others, including a series of boiling-water reactors where pools are more exposed, represent greater concern, said Bob Alvarez, a former Energy Department official who has argued for increased protection of used reactor fuel at nuclear plants.

The experts' report "pretty well legitimizes what we've been saying," Alvarez said in an interview.

The scientific panel said reinforced concrete storage pools -- 25-feet to 45-feet deep, with water circulating to keep the fuel assemblies from overheating -- could tempt terrorists.

The report said an aircraft or high explosive attack could cause water to drain from the pools and expose the fuel rods, unleashing an uncontrollable fire and large amounts of radiation.

Gary Miller, spokesman for Energy Northwest, which runs the Richland plant, said the engineering and the construction of the plant's pool "is quite robust." The pool is built from concrete that's many feet thick and interlaced with "wrist-sized rebar."

"The design basis for it is such that it could withstand any reasonable physical attack," Miller said.

Nuclear regulators said they would give the report's recommendations "serious consideration." But the NRC has disputed many findings and suggestions from the experts.

After the classified document was provided to members of Congress last month, the NRC's chairman told lawmakers in a letter that some of the panel's assessments about plants' vulnerabilities were "unreasonable" and that certain conclusions "lacked sound technical basis."

"Today, spent fuel is better protected than ever," Nils Diaz wrote.

The NRC said it believes the potential for large releases of radiation from such a fire "to be extremely low." Still, the agency has advised reactor operations to consider refiguring the pools' fuel rods -- pairing new ones with older ones to reduce the heat.

Nuclear safety advocates said the report recognizes, for the first time, the vulnerability of spent fuel.

Wednesday April 13, 2005

David Lochbaum, a nuclear industry watchdog for the Union of Concerned Scientists, said the study makes clear that regulators have not acted aggressively enough.

"Three years after 9/11, our hope would have been more of that homework had been done," Lochbaum said.

Columbia Generating Station's radioactive material is periodically moved into massive casks that weigh as much as a Boeing 767 when filled. The next planned transfer of fuel from the pool to the casks is 2008. Fifteen casks have been filled since the plant began operating 21 years ago

## **House Panel Resumes Writing Energy Bill**

By **REUTERS** NYT: April 12, 2005

With U.S. gasoline prices at a record high for the fourth week in a row, a House committee is set to resume debating on Tuesday a broad energy bill that aims to boost long-term petroleum supplies.

The chairman of the House Energy and Commerce Committee, Rep. Joe Barton of Texas, said he hopes to wrap up work on the bill and send it the House floor for a final vote next week.

"We're not leaving any energy source off the table," Barton told C-SPAN Television. "If it will create energy, we are looking at it."

However, Democrats are unhappy with many parts of the bill and will try to modify it at the committee level.

In particular, Democrats want to strip language from the bill that would give the Federal Energy Regulatory Commission sole authority to approve sites for new liquefied natural gas (LNG) import terminals.

States argue they should be able to block LNG projects that could present a risk to local citizens, but FERC says it should have authority to approve LNG facilities that are needed to meet U.S. natural gas demand. Two LNG proposed projects in Rhode Island and Massachusetts are opposed by local citizens' groups and state politicians.

### **REINING IN GAS-GUZZLERS?**

Democrats are also expected to try to add a provision to the energy bill that would require higher fuel efficiency standards for new U.S. cars, trucks and gas-guzzling sport utility vehicles. The average fuel economy of American vehicles has steadily dropped since 1988, and was 20.8 miles per gallon for all 2003 model vehicles.

With gasoline use accounting for 40 percent of U.S. oil demand, many Democrats and environmental groups see more efficient vehicles as the only significant way to cut U.S. dependence on oil imports.

Democrats will also try to eliminate a provision in the bill that shields major oil companies such as ConocoPhillips and Exxon Mobil Corp. which make the gasoline additive MTBE from water pollution lawsuits.

House Majority Leader Tom DeLay of Texas has insisted that the MTBE liability waiver be part of energy legislation, even though the Senate soundly rejected an energy bill last year due largely to the MTBE protection. The MTBE makers face an estimated \$29 billion in cleanup costs for the pollution.

### **ANWR DRILLING, TAX BREAKS**

Wednesday April 13, 2005

Two other House committees will vote on other portions of the energy bill later this week which will be folded into much broader legislation on the House floor.

The House Resources Committee is scheduled to vote on Wednesday on allowing oil companies to drill in Alaska's Arctic National Wildlife Refuge.

Separately, the House Ways and Means Committee will also vote Wednesday on several billion dollars in tax breaks and financial incentives to boost U.S. energy infrastructure and encourage the use of certain energy technologies.

Rep. Bill Thomas, who chairs the Ways and Means panel, told reporters last week that the value of the tax breaks is more than the \$6.7 billion limit requested by the White House and less than the \$23 billion included in last year's energy bill.

Any energy package passed by the House will have to be reconciled with the Senate's version, which has yet to be written.

## **Alaska Native corporation a lead player for oil on wildlife refuge**

By Hal Bernton Seattle Times, Apr. 11

Along a flat expanse of tundra, a wooden post marks the spot where a drill rig bit more than three miles into the sandstone rock beneath the Arctic National Wildlife Refuge's coastal plain.

This is the only well ever drilled inside an area once ranked by many geologists as the best oil prospect in North America. It was sunk on an island of private land within the federal refuge, and the results remain secret.

The owner of the land is an Inupiat Eskimo corporation that could emerge as one of the big winners if Congress agrees to open ANWR to drilling, a move environmentalists have long opposed. The fight may have reached a tipping point last month when the Republican-dominated Senate, in a 51-49 vote, gave approval for oil exploration in the refuge, with final congressional action expected later this year.

The Inupiat corporation is called Arctic Slope Regional Corp., and it owns 92,160 subsurface acres. Its executives impatiently await the congressional action needed to extract oil from inside the refuge.

"We are asked to suffer the burdens of locking our lands forever as if we were in a zoo or on display for the rich tourists that can afford to travel to our remote part of Alaska. This is not acceptable," Jacob Adams, an Inupiat whaling captain and president of Arctic Slope Regional Corp., wrote in a March 9 letter to Rep. Don Young, R-Alaska.

Arctic Slope was born from the landmark 1971 Alaska Native Claims Settlement Act. The act resolved aboriginal claims by transferring nearly \$1 billion and 44 million acres of Alaska to Eskimo, Indian and Aleut corporations. Arctic Slope claimed some 5 million acres on behalf of 9,000 Inupiat shareholders, most of them living in Barrow and seven other North Slope communities.

Even as revenue from oil pumped from Prudhoe Bay has reshaped these communities, many Inupiat continue to hunt caribou, bowhead whale and other animals as part of a subsistence tradition that remains central to their culture. The billions of oil tax dollars collected by the state and the region's government have financed new homes, schools and even an indoor swimming pool in Barrow. The annual median family income there hit \$63,810 in the 2000 census.

Wednesday April 13, 2005

Along the way, Arctic Slope has landed major construction projects and serviced the oil industry. The corporation works nationally and internationally through a network of subsidiaries that now grosses more than \$1 billion annually.

Drilling in ANWR offers a chance for Arctic Slope to get a lot bigger. A major oil find on its corporate land could yield billions of dollars in oil-industry royalty payments.

Arctic Slope's unique position within the refuge is sometimes overlooked in the marathon political battle over the fate of a wildlife-rich area that is something of hallowed ground for environmentalists.

To help ease environmental concerns, a bill now pending in the House of Representatives would restrict oil drilling and development inside ANWR to no more than 2,000 acres. A committee vote on that bill could happen this week.

But Arctic Slope would not be bound by the 2,000-acre restriction, since it holds private land rights, according to House congressional aides who have tracked the legislation.

Arctic Slope's first and only exploratory well, punched in 1986 by oil-industry partners, might have struck oil or been a dry hole. That knowledge is closely guarded and known only to a few oil-industry and Arctic Slope officials, and state officials who successfully sued to gain access to the drilling data. Even if that well was a bust, there are plenty of other places to drill within the corporation's ANWR holdings, which represent 6 percent of the 1.5 million-acre coastal plain.

The corporation has been in the thick of the lobbying effort to get Congress to approve drilling. Its leaders are familiar figures in Washington and formidable advocates, who have worked closely with the Alaska congressional delegation and the state government to press for the opening of the refuge.

That advocacy is undiminished even as the pace of oil development outside the refuge triggers unease among some Inupiat shareholders.

Arctic Slope leaders say that oil development will not destroy hunting, fishing and berry-gathering traditions on the coastal plain or anywhere else on the North Slope. Without new oil production, they say, money and job opportunities will fade along with Prudhoe Bay's declining oil flow.

"Without ANWR, we're hurting," said Richard Glenn, an Arctic Slope vice president. "Let's live with oil exploration in our region; it's the only chance at a local economy."

### **Controversial swap**

The Inupiat Eskimo leaders gained access to the refuge through a controversial land trade that reflected their frustrations with the initial terms of the Alaska land-claims settlement.

Under the act, the corporation was allowed to choose 5 million acres of its shareholders' North Slope homeland. But the best oil field — Prudhoe Bay — already was staked out by the state, and the best prospect — the coastal plain — was initially off-limits because of its protected location within the 19 million-acre Arctic National Wildlife Refuge.

By 1983, a deal was struck. Arctic Slope swapped 101,000 acres within the Gates of the Arctic National Park for the 92,160 subsurface acres inside the coveted coastal plain. A separate Inupiat village corporation took title to the surface acreage.

Arctic Slope carefully selected the acreage that extends into two large sandstone structures around the Inupiat village of Kaktovik, which sits at the northeast edge of the coastal plain. Some of this

Wednesday April 13, 2005

acreage was chosen after a review of seismic test data, and included what was then considered to be among the best oil prospects.

Though U.S. Geological Survey scientists now believe some of the hottest prospects are farther west, they still say the Arctic Slope acreage has substantial oil potential. And Arctic Slope leased the land to ChevronTexaco and BP, which drilled the first exploratory well and retain the rights to develop any major finds.

The Arctic Slope trade to acquire this acreage drew plenty of criticism.

Environmentalists were upset that the government had ceded part of the coastal acreage to a corporation.

The Government Accountability Office, the investigative arm of Congress, concluded that the trade was not in the best interests of the federal government, in part due to the Interior Department's inability to access the secret drilling data that could help determine the worth of future federal land leases. Arctic Slope rejected that conclusion.

Native leaders outside the North Slope also protested the deal because it allowed Arctic Slope to sidestep a share-the-wealth provision of the 1971 claims act requiring regional corporations to share 70 percent of their oil and other resource royalties.

Arctic Slope corporate leaders have said the oil wealth is on Inupiat land and should stay with the Inupiat people.

Sen. Ted Stevens, R-Alaska, appeared to forget the trade terms as he made an impassioned March 16 speech to persuade his colleagues to open the refuge to drilling. In that speech, he described how the wealth would spread from the North Slope to other native regions where many still live below the poverty line.

"... Every Alaska Native will share in the money that is received by the North Slope people. They all share because of the bill this Congress wrote, the Alaska Native Land Claim Settlement Act."

"That's a bad quote," said Arctic Slope's Glenn, who confirmed that the trade enables the corporation to keep all the oil-royalty payments. "This is not something we hide or anything, but it is a fact."

### **Oil vs. traditions**

Arctic Slope's offices are in Barrow, where the windows of a three-story office offer sweeping views of the Arctic ice pack that will soon be the scene of the spring bowhead whale hunt.

The corporation's leaders, who will be vacating their offices to join in that hunt, have tried to fashion a corporate ethic that balances respect for Inupiat traditions with the pursuit of oil profits.

That balancing act has become more difficult as oil development spread out from Prudhoe Bay, moving closer to areas valued by Inupiat shareholders for their subsistence hunting.

In 2000, the Alpine Oil field, located partly on Arctic Slope land, started pumping oil just a few miles outside the Inupiat village of Nuiqsut, causing some residents to complain that wildlife has been displaced by the development.

The Bush administration is also pushing to lease lands for oil drilling inside a sensitive waterfowl-nesting area of Teshekpuk Lake in the National Petroleum Reserve. The Interior Department also has leased offshore tracts in the Beaufort Sea that lie in the migration path of the bowhead whales.

"Inupiat subsistence hunters and their families are beginning to feel a sense of dread about oil development," wrote George Ahmaogak, mayor of the North Slope Borough based in Barrow, in a 2003 commentary published in the Anchorage Daily News that described a growing network of pipelines and roads onshore and expanding offshore leasing.

That concern has spread to some residents of Kaktovik, the Inupiat village that — due to its location inside the coastal plain — could be at the center of a new oil boom. Earlier this year, 57 of the more than 150 Kaktovik adult residents signed a petition against refuge drilling.

Some of the Gwich'in Indians who live farther south also have campaigned against drilling that they say will desecrate caribou calving grounds. Opening the refuge would be a form of "environmental racism," said Jonathon Solomon, chairman of the Gwich'in Steering Committee.

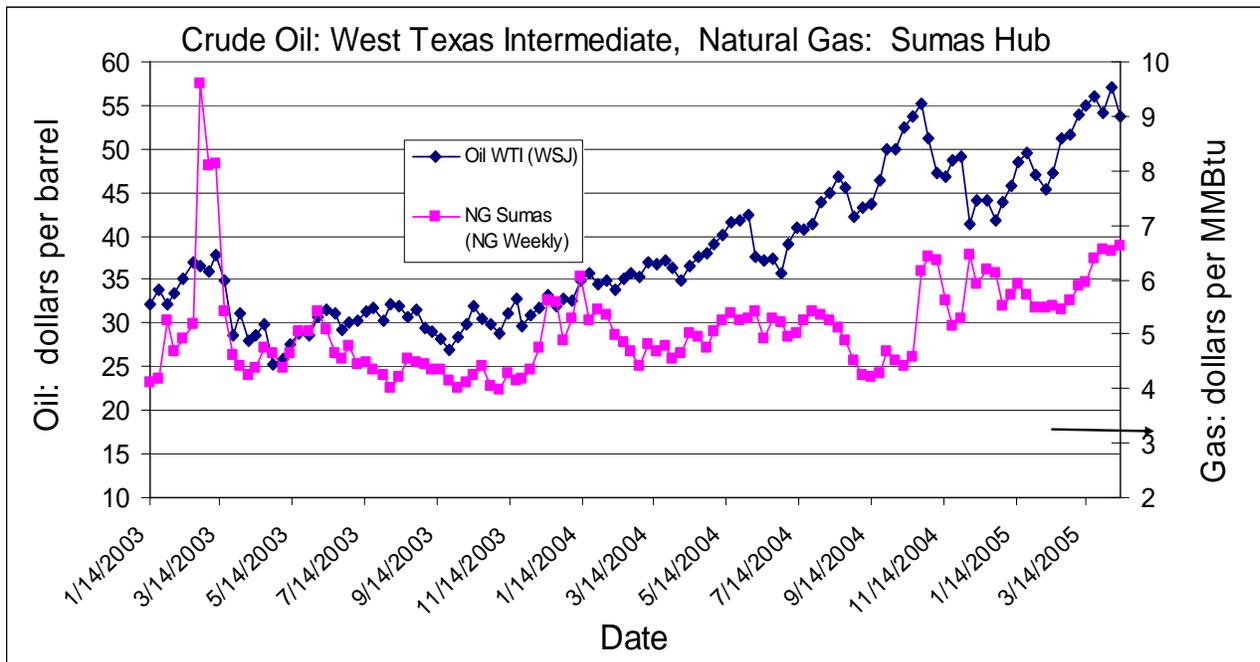
Arctic Slope officials forcefully reject these charges. In his letter to Young, Arctic Slope President Adams said the Inupiat oversight will help protect wildlife during a new round of oil development.

"Do not let the misguided intent of a few do harm to the Inupiat Eskimo. I and my people — the real people — thank you for consideration of our request," Adams wrote.

---

### State Energy Price Summary

Some good news regarding energy prices - crude oil prices have declined from the record levels of last week (nearly \$58/barrel for WTI). However, natural gas prices continue to trade at unseasonably high, in part due to the threat of drought in the Pacific Northwest. Electricity spot market prices remain well above the levels seen last year. NYMEX gasoline futures prices have been declining from their record levels achieved nearly 2 weeks ago, and consequently national average gasoline (and diesel) prices at the pump have begun to edge down a bit. However, we on the west coast because of our isolation from the rest of the nations' fuel markets, and our limited refinery capacity, are still experiencing increasing fuel prices, though the rate of increase has slowed appreciably in the last several of days.



Wednesday April 13, 2005