



July 30, 2007

Charles D. Nottingham  
Rail Energy Transportation Advisory Committee (RETAC)

Dear Chairman Nottingham,

Representatives at Kinder Morgan Terminals (KMT) read with interest the recent news about the Surface Transportation Board's decision to create the Rail Energy Transportation Advisory Committee (RETAC) to provide advice and guidance to the agency, and to serve as a forum for the discussion of emerging issues, regarding the railroad transportation of energy resources. The news release invited suggestions for membership to be submitted to the STB, identifying the candidate's name, evidence of the interests the candidate will represent, and a representation that the candidate is willing to serve a two-year term as an RETAC member. Suggestions were permitted in electronic form according to the "E-Filing" link on the home page of the STB's Web site at <http://www.stb.dot.gov>.

Kinder Morgan Terminals offers to serve your committee in this capacity and provides the following perspective for consideration:

We have a vast network of rail-centric distribution terminals nationwide, including:

- Bulk--79 rail-centric terminals handling over 70 commodities and throughput of about 90 million tons including coal at 31 million tons and petcoke at 16.5 million tons.
- Liquid fuels--14 rail-centric terminals with throughput of 555 million barrels. Gasoline totaled 311 million barrels followed by distillates at 181 million barrels. Other major commodities include petrochemicals, ethanol and veg oils. Total storage is 43.5 million barrels and expanding rapidly.
- Transload (Kinder Morgan Material Services)--60 terminals most all with rail related transload activity, generating over 93,000 carloads annually
- Over 1400 customers nationwide

We are a leading Biofuels terminal company with significant plans and commitments for expansion:

- KMT has about 2.5 million barrels of ethanol storage and we handled 22.8 million barrels of throughput in 2006 versus 8.8 million barrels in 2005.
- KMT has rail capabilities at most of our terminals and one of the largest US unit train ethanol facilities in Lomita, CA. We are developing several others.
- KMT has developed an 86 million gallon biodiesel plant at our Galena Park, TX facility and has several other plants under development.
- KMT also stores B-100 at several of our terminals.

We are a multi-modal company with experience and infrastructure committed to linking various transportation modes. Last year we handled the following activity:

- Vessels handled (loaded/unloaded) 11,581
- Barges handled 33,765
- Trucks handled 994,941
- Railcars handled 562,129

We have good working relationships with the Class I railroads and a number of short lines.

We own some 400+ railcars and we continue to pursue new opportunities for infrastructure investment.

With the level of service, operations, and investment that we and other companies have made to support an efficient US rail system, we still believe that Transportation Energy logistics will remain pressured as growth for emerging fuel alternatives shifts the balance of supply and demand for new and different assets, services, and relationships. We are very supportive of the recent investment increases that Class I railroads have decided to make in their mainline infrastructure, locomotive fleets, and front-line labor, and we have begun talks with some of them individually to determine how best to coordinate additional terminal and support investment from our end.

Our participation in RETAC will allow us to serve in a coordinated fashion with other key stakeholders in the US energy field. Together with them and through this new leadership venue I believe that we can help direct and form the right transportation and logistics network, system, and infrastructure for the future of US energy. We believe that KMT would be able to offer a unique perspective as a large independent liquid fuel and dry bulk terminal operator.

Please consider our offer of participation and call me at your convenience to discuss our interest further.

Sincerely,

Jeff Armstrong  
President, Kinder Morgan Terminals  
500 Dallas, Suite 1000  
Houston, Texas 77002  
(713) 369-8750