



November 5, 2004

SUBJECT: Diesel Fuel Lubricity Additive

Dear Customer;

On October 27th Kinder Morgan Energy Partners issued a notice prohibiting the use of lubricity additive in diesel fuel. The prohibition was in response to recent information that lubricity additives can “trail back” and adversely affect jet fuel quality. After distributing the October 27th notice, we were advised that several producers of CARB diesel had been injecting lubricity additives into CARB diesel for pipeline shipments in the SFPP system for several years.

The Rules and Regulations governing the acceptance of product for transport are clearly defined in item 70.1 of SFPP’s Tariff numbers 103 and 97 on file with the F.E.R.C. and Cal PUC respectively. To date, we have no correspondence on file indicating a shipper request or a carrier approval of lubricity additives in CARB diesel.

So that we can continue to provide transportation services to our customers and avoid a disruption in the supply of compliant fuel to terminals served throughout California, the following activities will be undertaken at once:

- Kinder Morgan will immediately request a delay of the CARB implementation of the diesel lubricity specification currently slated for an effective date of January 1, 2005.
- Upon written request to the carrier, Kinder Morgan will permit the transport of CARB diesel fuel treated with the type and amount of additive that we now understand had been a regular practice for a number of years.
- On an interim basis, Kinder Morgan will alter the product cycling pattern and/or the order of batches by supplier where applicable to protect jet fuel. Kinder Morgan will operate under this interim control until blending equipment can be installed at the terminals.
- Kinder Morgan will review with each terminal served by the SFPP system the earliest possible implementation of terminal additization.
- A 30 day notice will be provided to all suppliers stating a completion date or final cycle subject to these interim provisions.

- Kinder Morgan will revise the diesel certification form and request information regarding the dosage and type of lubricity additive used if applicable.
- During the interim period, Kinder Morgan will implement a testing and oversight program to evaluate CARB diesel on a random basis.

We are confident that the above steps will allow an orderly transition that meets the needs of our customers and maintains the quality of the products we ship.

Sincerely,

James Holland

James Holland
Vice President, Logistics