

AIR DERC_100237452-406177_
USE_20111130_Use_D2832

11/17/2011 ----- EBTP IMS- PROJECT RECORD -----

PROJECT#: 406177
RECEIVED: 11/14/2011

STATUS: P
PROJTYPE: BDIU

DISP CODE: C ✓
ISSUED DT:
SUP-DISP DATE: 11/30/2011

STAFF ASSIGNED TO PROJECT:

THOMAS, JOE

PROJECT NOTES:

GROUPWISE DOCUMENTS: DCUA 17751; DCTR 17752; DCCT (D2832) 17753.

PROJECT TRANSACTIONS**COMPANY DATA**

COMPANY NAME: KM LIQUIDS TERMINALS LLC
CUSTOMER REGISTRY ID: CN603254707

PORTFOLIO DATA

NUMBER: P3435 NAME: GALENA PARK TERMINAL - RN100237452

SITE DATA

ACCOUNT:
HG0262H

REG ENTITY ID: RN100237452

SITE NAME: GALENA PARK TERMINAL - HG0262H

COUNTY: HARRIS

NEAREST CITY: GALENA PARK

LOCATION: LOCATED IN HARRIS COUNTY, CITY OF GALENA
PARK, STATE OF TEXAS, ON THE HOUSTON SHIP CHANNEL
(BUFFALO BAYOU)

CONTACT DATA

NAME: GARY COTIE

TITLE: MANAGER - PERMITTING AND COMPLIANCE

STREET: 906 CLINTON DRIVE CITY/STATE, ZIP: GALENA PARK, TX , 77547-0

PHONE: 713-920-8447 ext 0

FAX: 713-472-7660 ext 0

Email: gary_cotie@kindermorgan.com

TRANSACTION DATA

TRANSACTION TYPE: DERC_INTEN

DATE ENTERED: 2011-11-17 00:00:00.0

CONTAMINATE: NOX

ALLOWANCE0

DELETED DATE:

EFFECTIVE YEAR:

TONS: 3.20

DOLLARS: 0

CERTIFICATE NO.: D2776 COUNTY : HARRIS

TRANSACTION DATA

TRANSACTION TYPE: DERC_RET

DATE ENTERED: 2011-11-17 00:00:00.0

CONTAMINATE: NOX

ALLOWANCE0

DELETED DATE:

EFFECTIVE YEAR:

TONS: 9.80

DOLLARS: 0

CERTIFICATE NO.: D2832 COUNTY : HARRIS

TRACKING ACTIVITES

TR - PROJ TECH
COMPLETE :

11/17/2011

TR - ENGINEER RECEIVE
PROJECT :

11/17/2011

TR - SUP/MANGR
APP/RVW RQSTD :

FA - PROJECT ISSUED :

TR - DATE SUP/MNGR
REQ ADDL TR :

DISCRETE EMISSION CREDITS USE TECHNICAL REVIEW

| | | | |
|-------------------|---------------------------|-------------------------|----------------------|
| Project No.: | 406177 | Customer Reference No.: | CN603254707 |
| Project Type: | BDIU | Regulated Entity No.: | RN100237452 |
| Company: | KM Liquids Terminals, LLC | Facility Name: | Galena Park Terminal |
| City: | Galena Park | County: | Harris |
| Project Reviewer: | Mr. Joseph Thomas | Portfolio Name: | P3435 |

Project Overview

KM Liquids Terminals, LLC, submitted a Form DEC-2 (Notice of Intent to Use Discrete Emission Credits) received November 14, 2011, for compliance with 30 Texas Administrative Code (TAC) §117.2010(c)(1)(A) at the Galena Park Terminal. The company intends to use nitrogen oxides (NO_x) Discrete Emission Reduction Credits (DERCs) to cover excess emissions from the boiler (Facility Identification Number Boiler 4) at the terminal during the period of January 1, 2012, to December 31, 2012. The boiler is subject to an Emission Specifications for Attainment Demonstration (ESAD) of 0.036 pounds of nitrogen oxides per million British thermal units (lb/MMBtu). The site is located in Harris County within the Houston-Galveston-Brazoria ozone nonattainment area.

KM Liquids Terminals, LLC, has estimated that 2.9 tons of NO_x DERCs may be needed for compliance with 30 TAC §117.2010(c)(1)(A) by the terminal in calendar year 2012. Therefore, the company has requested 3.2 tons of NO_x DERCs (including the 10% environmental contribution of 0.3 ton) be set aside from DERC Certificate D-2776 for compliance. The 3.2 tons of NO_x DERCs needed are available and will be set aside from DERC certificate D-2776.

Discrete Emission Credit Intent to Use

KM Liquids Terminals, LLC, requested to set aside 2.9 tons of NO_x DERCs from Certificate D-2776 to cover excess emissions from the boiler at the Galena Park Terminal. Per 30 TAC §101.376(d)(2)(D), a 10% environmental contribution is required for this use of DERCs, so that a total of 3.2 tons of DERCs are set aside. The remaining 9.8 tons of NO_x DERCs from Certificate D-2776 will be returned to the company as Certificate D-2832.

| | |
|----------------------------------|-----------------------|
| Certificate to be set aside..... | D-2776 |
| Pollutant..... | NO _x |
| Amount..... | 3.2 tons |
| Regulation..... | §117.2010(c)(1)(A) |
| Use period/Use Date..... | 1/1/2012 - 12/31/2012 |

For DEC-3
1 DEED copy of
STICK DEED

Discrete Emission Credit Use Calculation Method

The boiler is expected to be fired throughout the year with an emission rate of 0.09 pounds per MMBtu (lb/MMBtu), which exceeds to ESAD of 0.036 lb/MMBtu. KM Liquids Terminals, LLC, is assuming that the boiler will be operated throughout the year without meeting the ESAD and has estimated a maximum level of activity for the year of 105,120 MMBtu.

Per §101.376(d)(2)(B),
DERCs needed = (ELA) × (EER - RER)

Where:

ELA = expected level of activity

EER = expected emission rate per unit activity

RER = regulatory emission rate per unit activity

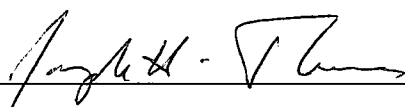
$$\begin{aligned} \text{DERCs needed} &= (0.09 \text{ lb/MMBtu} - 0.036 \text{ lb/MMBtu}) \times (105,120 \text{ MMBtu}) / 2000 \text{ lb/ton} \\ &= 2.9 \text{ ton} \end{aligned}$$

10% environmental contribution = 0.09 ton; rounded up to the nearest tenth = 0.3 ton

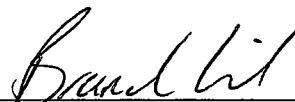
Total DERCs needed = 2.9 ton + 0.3 ton = 3.2 ton

Conclusion

KM Liquids Terminals, LLC, has requested that 3.2 tons of DERCs be set aside under 30 TAC §101.376(d) for excess emissions at the Galena Park Terminal during the period of January 1, 2012, through December 31, 2012. The 3.2 tons of NO_x DERCs will be set aside for this intent from Certificate D-2776. The remaining 9.8 tons of DERCs from the certificate will be returned to the company as Certificate D-2832.

 11/30/2011

Account Manager Date

 11/30/2011

Team Leader/Section Manager/Backup Date

From: Joe Thomas
To: gary_cotie@kindermorgan.com
Date: 11/17/2011 12:15 PM
Subject: DERC Intent for Galena Park Terminal

Gary,

As discussed on the telephone, only 2.9 tons (rather than 3 tons) of NOx DERCs appear to be needed for Boiler 4, based on the data in the Form DEC-2 that you submitted. With the 10% environmental contribution (0.3 ton), that means that only 3.2 tons would be set aside from certificate D-2776, if you agree with this change. If you reply back to this e-mail, I can continue to process your Form DEC-2.

Thanks

Joe Thomas
TCEQ Air Quality Division, Stationary Sources Team
(512) 239-0012
joe.thomas@tceq.texas.gov

How is our customer service? Fill out our online customer satisfaction survey at www.tceq.state.tx.us/goto/customersurvey.

Bryan W. Shaw, Ph.D., *Chairman*
Buddy Garcia, *Commissioner*
Carlos Rubinstein, *Commissioner*
Mark R. Vickery, P.G., *Executive Director*



TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Protecting Texas by Reducing and Preventing Pollution

December 1, 2011

Mr. Gary Cotie
Manager – Permitting and Compliance
KM Liquids Terminals, LLC
906 Clinton Drive
Galena Park, Texas 77547

Re: Notice of Intent to Use Discrete Emission Credits
Galena Park Terminal
Galena Park, Harris County
Regulated Entity Reference Number: RN100237452
Customer Reference Number: CN603254707
Portfolio Number: P3435
Certificate Numbers: D-2776, D-2832

Dear Mr. Cotie:

This letter is in response to a Form DEC-2 (Notice of Intent to Use Discrete Emission Credits) received on November 14, 2011, from KM Liquids Terminals, LLC, for compliance with 30 Texas Administrative Code (TAC) Chapter 117 and Chapter 101, Subchapter H, Division 3 for the period of January 1, 2012, through December 31, 2012. We understand that KM Liquids Terminals, LLC, plans to use a total of 3.2 tons (including the 10% environmental contribution of 0.3 ton) of nitrogen oxides (NO_x) Discrete Emission Reduction Credits (DERCs) for compliance with 30 Texas Administrative Code (TAC) §117.2010(c)(1)(A) at the Galena Park Terminal during calendar year 2012, as provided in 30 TAC §101.376.

We have reviewed your application and found that the notice and the credits set aside meet the requirements of 30 TAC §§101.370 through 101.376. For the use period of January 1, 2012, through December 31, 2012, a total of 3.2 tons of NO_x DERCs will be set aside from DERC certificate D-2776. A Form DEC-3 (Notice of Use of Discrete Emission Credits) must be submitted within 90 days after the end of the use period.

The remaining 9.8 tons of NO_x DERCs from Certificate D-2776 have been transferred to Certificate D-2832, which has been deposited in your compliance account. A copy of Certificate D-2832 is enclosed. This certificate may be transferred or sold to another owner for use per the requirements of 30 TAC §§101.370 - 101.379. DERC certificate D-2776 has been cancelled and is no longer available for use.

Mr. Gary Cotie
Page 2
December 1, 2011

Thank you for your cooperation in this matter. If you have questions concerning this review or need further assistance regarding the banking program, please contact Mr. Joseph Thomas at (512) 239-0012, or write to the Texas Commission on Environmental Quality, Chief Engineer's Office, Air Quality Division (MC-206), PO Box 13087, Austin, Texas 78711-3087.

This action is taken under authority delegated by the Executive Director of the Texas Commission on Environmental Quality.

Sincerely,

A handwritten signature in black ink, appearing to read "David Brymer". The signature is fluid and cursive, with the first name "David" being more prominent than the last name "Brymer".

David Brymer, Director
Air Quality Division

DB/JT/ig

cc: Air Section Manager, Region 12 – Houston
Mr. Michael Schaffer, Director, Environmental Public Health Division, Harris County
Public Health and Environmental Services, Pasadena

Project 406177

The State of Texas

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY

Certificate Number:

D-2832



Number of Credits:

9.8 tons NO_x

Discrete Emission Reduction Credit Certificate

This certifies that

KM Liquids Terminalts, L.L.C.

405 Clinton Drive

Galena Park, Texas 77547

is the owner of 9.8 tons of nitrogen oxides (NO_x) discrete emission reduction credits established under the laws of the State of Texas, transferable only on the books of the Texas Commission on Environmental Quality, by the holder hereof in person or by duly authorized Attorney, upon surrender of this certificate.

The owner of this certificate is entitled to utilize the discrete emission credits evidenced herein for all purpose authorized by the laws and regulations of the State of Texas and is subject to all limitations prescribed by the laws and regulations of the State of Texas.

Discrete Emission Reduction Generation Period: November 1, 1997, to October 31, 1998

Generator Regulated Entity No.: RN100209428

Generator Certificate: D-1013

County of Generation: Harris

December 1, 2011

Date

A handwritten signature in black ink, appearing to read "David Bryner".

For the Commission



Form DEC-2 (Page 1)
Notice of Intent to Use Discrete Emission Credits
(Title 30 Texas Administrative Code § 101.370 - § 101.379)

Received

406177 JT

NOV 16 2011

| | | | |
|-------------------------------------------------------------------------------------------|-------------------|-------------------------------------|--|
| I. Company Identifying Information | | | |
| A. Company Name: KM Liquids Terminals LLC ✓ | | | |
| Mailing Address: 405 Clinton Drive | | | |
| City: Galena Park | State: Texas | Zip Code: 77547 | |
| Telephone: 713.920.8447 | | Fax: 713.472.7660 | |
| B. TCEQ Customer Number (CN): 603254707 ✓ | | | |
| C. Site Name: Galena Park Terminal | | | |
| Street Address (If no street address, give driving directions to site) 906 Clinton Drive | | | |
| Nearest City: Galena Park | Zip Code: 77547 | County: Harris | |
| D. TCEQ Regulated Entity Number (RN): 100237452 ✓ | | | |
| E. TCEQ Air Account Number: (if applicable) HL0262H P3435 | | | |
| F. Primary SIC: 4226 | | Air Permit Number: 2193 | |
| II. Technical Contact Identifying Information | | | |
| A. Technical Contact Name: (___ Mr. ___ x Mrs. ___ Ms. ___ Dr.) : Gary Cotie | | | |
| Technical Contact Title: Manager – Permitting and Compliance | | | |
| Mailing Address: 906 Clinton Drive | | | |
| City: Galena Park | State: Texas | Zip Code: 77547 | |
| Telephone: 713.920.8447 | Fax: 713.472.7660 | E-mail: gary_cotie@kindermorgan.com | |
| III. Mass Emission Cap and Trade Program (MECT) | | | |
| Is the DERC use for compliance with 30 TAC Chapter 101 Subchapter H, Division 3? YES X NO | | | |
| Year DERC Generated: _____ Year of Use: _____ Ratio of DERC to Allowance: _____ to _____ | | | |
| Note: If DERC use is to comply with MECT then go to Section IX | | | |
| IV. Intended Use Period | | | |
| Intended Use Start Date: 01 / 01 / 2012 | | | |
| Intended Use End Date: 12 / 31 / 2012 | | | |



Form DEC-2 (Page 2)
Notice of Intent to Use Discrete Emission Credits
(Title 30 Texas Administrative Code § 101.370 - § 101.379)

V. State and Federal Requirements

Applicable State and Federal requirements that the DERCs will be used for compliance: 117.2010 (c)(1)(A)

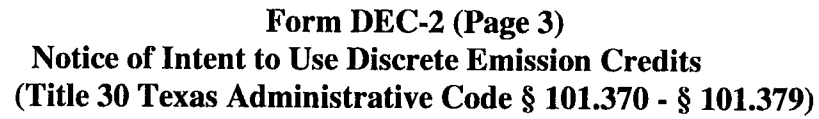
VI. Most Stringent Emission Rate

Describe basis for most stringent allowable emission rate:

Permit _____ X RACT _____ Other: _____

Notes:

Continue to Section VII (next page)



| VII. Tons of DERCS Required | | | | | | | | | |
|-----------------------------|----------|-----------------|---------------------------|--------------------------------|---------------------------------|----------------------------|---------------------------------|----------------------------------|--------------|
| Emission Point No. | FIN | Air Contaminant | Calculation of DERCS | | | | | | |
| | | | Expected Activity (units) | Expected Emission Rate (units) | Expected Total Emissions (tons) | Regulated Activity (units) | Regulated Emission Rate (units) | Regulated Total Emissions (tons) | DERCs (tons) |
| Boiler 4 | Boiler 4 | NOx | 105,120 MMBTU/YR | 0.09 lbs/MMBtu | 4.73 tons/year | - | 0.036 lbs/MMBtu | 1.89 tons | 3 tons |
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| Total: | | | | | | | | 3 | |



Form DEC-2 (Page 4)
Notice of Intent to Use Discrete Emission Credits
(Title 30 Texas Administrative Code § 101.370 - § 101.379)

VIII. Protocol

Protocol used to calculate DERC:

Note: Attach the actual calculations that were used to determine the amounts of DERCs needed to this form

IX. Total DERCs Required for Use (round up to the nearest tenth of a ton)

| | | | | | |
|-------------------------------------------------------------|-----------|------------------------------|--------------------------|-------------------------|------------|
| Tons of DERCs required (from Sect. VII.) | CO: _____ | NO _x : <u>3</u> | PM ₁₀ : _____ | SO ₂ : _____ | VOC: _____ |
| Offset Ratio (if required) | CO: _____ | NO _x : _____ | PM ₁₀ : _____ | SO ₂ : _____ | VOC: _____ |
| Environmental Contribution (+ 10%) | CO: _____ | NO _x : <u>0.3</u> | PM ₁₀ : _____ | SO ₂ : _____ | VOC: _____ |
| Compliance Margin (+ 5%) (If DERC use requires >10 tons) | CO: _____ | NO _x : _____ | PM ₁₀ : _____ | SO ₂ : _____ | VOC: _____ |
| Total DERCs | CO: _____ | NO _x : <u>3.3</u> | PM ₁₀ : _____ | SO ₂ : _____ | VOC: _____ |

X. DERC Information

Name of the DERC Generator: Element Markets, LLC (D-1013)

DERC Generator Regulated Entity Number: 100209428

Certificate number of the DERCs acquired or to be acquired: D-2776

Note: The certificate number is assigned by the TCEQ



Form DEC-2 (Page 5)
Notice of Intent to Use Discrete Emission Credits
(Title 30 Texas Administrative Code § 101.370 - § 101.379)

XI. Purchase Date and Price

Date on which the DERCs were acquired or will be acquired: 8 / 03 / 2011

Price or expected price of the DERCs: \$ 5,000 . _____ per ton (Required)

XII. Certification by Responsible Official

I, Earl Crochet, hereby certify, to the best of my knowledge and belief, that this application is correct and the use strategy claimed on this notice has met the requirements of all applicable state and federal rules and regulations. I further state that to the best of my knowledge and belief the information in this certification is not in any way in violation of 30 TAC, Subchapter H, Division 4, §101.370-101.379 or any applicable air quality rule or regulation of the Texas Commission on Environmental Quality and that intentionally or knowingly making or causing to be made false material statements or representations in this certification is a CRIMINAL OFFENSE subject to criminal penalties. I hereby also waive the Federal statute of limitations defense in regards to the generation and use of discrete emission credits.

Signature Earl Crochet Signature Date 11/2/11

Title General Manager Terminals

Mail application to:
Texas Commission on Environmental Quality
Emission Banking and Trading Program MC 206
PO BOX 13087
AUSTIN, TX 78711-3087



CERTIFIED MAIL: 7009 1680 0001 8086 6394

November 11, 2011

RECEIVED
NOV 14 2011
AIR QUALITY
DIVISION

Emission Banking and Trading Program
Texas Commission on Environmental Quality
P.O. Box 13087, MC 163
Austin, Texas 78711-3087

RE: KM Liquids Terminals LLC, CN 603254707
Galena Park Terminal, RN 100237452
NOx DERC Notice of Intent to Use

Dear Sir or Madam:

Enclosed please find Form DEC-2, Notice of Intent to Use Discrete Emission Reduction Credits, for NOx sources subject to 30 TAC §117.475. This form is being submitted 45 days prior to the start of intended usage date of January 1, 2012.

If you have any questions or require additional information, Please call me at 713-920-8434.

Sincerely,
KM Liquids Terminals LLC

A handwritten signature in black ink, appearing to read "Gary Cotie". The signature is fluid and cursive, with a large initial "G" and a stylized "C".

Gary Cotie
Manager – Permitting & Compliance

cc: Texas Commission on Environmental Quality Region 12
HCPHES
File

CERT TREE GENERATORS

11/17/2011

| GENERATOR | CHILD 1 | CHILD 2 | CHILD 3 | CHILD 4 | CHILD 5 | CHILD 6 | CHILD 7 |
|-----------|---------|---------|---------|---------|---------|---------|---------|
| D1013 | D2051 | D2086 | D2179 | D2490 | | | |
| D1013 | D2051 | D2086 | D2331 | | | | |
| D1013 | D2051 | D2086 | D2332 | D2491 | | | |
| D1013 | D2051 | D2087 | D2052 | D2206 | D2330 | D2355 | D2578 |
| D1013 | D2051 | D2087 | D2052 | D2206 | D2330 | D2575 | |
| D1013 | D2051 | D2087 | D2052 | D2206 | D2330 | D2576 | D2580 |
| D1013 | D2051 | D2087 | D2052 | D2206 | D2492 | | |
| D1013 | D2051 | D2087 | D2052 | D2206 | D2493 | D2579 | |
| D1013 | D2051 | D2087 | D2052 | D2333 | | | |
| D1013 | D2051 | D2087 | D2052 | D2334 | D2601 | D2602 | D2686 |
| D1013 | D2051 | D2087 | D2052 | D2334 | D2601 | D2777 | |
| D1013 | D2051 | D2087 | D2052 | D2334 | D2601 | D2778 | |
| D1013 | D2051 | D2087 | D2053 | D2102 | | | |
| D1013 | D2051 | D2087 | D2053 | D2103 | D2139 | D2170 | D2278 |
| D1013 | D2051 | D2087 | D2053 | D2103 | D2139 | D2170 | D2278 |
| D1013 | D2051 | D2087 | D2053 | D2103 | D2139 | D2170 | D2278 |
| D1013 | D2051 | D2087 | D2053 | D2103 | D2139 | D2313 | D2373 |
| D1013 | D2051 | D2087 | D2053 | D2103 | D2139 | D2313 | D2374 |
| D1013 | D2051 | D2087 | D2053 | D2103 | D2139 | D2314 | |
| D1013 | D2051 | D2087 | D2053 | D2103 | D2140 | D2676 | D2677 |
| D1013 | D2051 | D2087 | D2053 | D2103 | D2140 | D2676 | D2677 |
| D1013 | D2051 | D2087 | D2053 | D2103 | D2140 | D2676 | D2677 |
| D1013 | D2051 | D2087 | D2053 | D2103 | D2140 | D2676 | D2678 |
| D1013 | D2051 | D2087 | D2053 | D2103 | D2140 | D2676 | D2678 |
| D1013 | D2051 | D2087 | D2053 | D2103 | D2140 | D2676 | D2678 |

CERT TREE GENERATORS

11/17/2011

| CHILD 8 | CHILD 9 | CHILD 10 | CHILD 11 | CHILD 12 | CHILD 13 | CHILD 14 | CHILD 15 |
|---------|---------|----------|----------|----------|----------|----------|----------|
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| D2425 | D2746 | | | | | | |
| D2425 | D2747 | | | | | | |
| D2425 | D2497 | | | | | | |
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| D2717 | D2720 | | | | | | |
| D2765 | | | | | | | |
| D2766 | | | | | | | |
| D2725 | D2732 | D2735 | | | | | |
| D2725 | D2782 | | | | | | |
| D2726 | D2776 | | | | | | |

dsd 12/1

Banking and Trading Route Slip

Company:

Kull Lewis Vermeulen LLC

Project
Number:

406176

Type of Letter
Correspondence:

DCUA DCTR DCOT (D2832)

Letter Doc No:

17751 17752 17753

Certificate No:
RN#:

D-2832

PN 100237452

| | Initials: | Date |
|------------------------------------|------------------|--------------------|
| Author/Creator | JHT | 11/17/2011 |
| Peer Review Completed | EKT | 11/17 |
| Author/Creator Review | JHT | 11/18/2011 |
| Review and Approval By: | Initials: | Date |
| WL Review: Brandon Greulich | PLS | 11/30 |
| Management Review Chance Goodin | PLS for CL | signature 11/30 |
| Copies made | JHT | 11/30/2011 |
| Mailed | JHT | 12/1/2011 |

Comments/Special Instructions:

Please return **Routing Slip** and **Project Paperwork**
to Brandon Greulich, MC-206, Ext. 4904