

DRAFT

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA
ENERGY DIVISION

I. D. # 10423
RESOLUTION O-0053
June 23, 2011

R E S O L U T I O N

Resolution O-0053. Review of compliance documents submitted to satisfy conditions ordered in Decision 07-05-061 for the transfer of indirect ownership and control over petroleum pipelines SFPP, L.P. and Calnev Pipe Line, L.L.C.

PROPOSED OUTCOME: The revised documents submitted to Energy Division comply with the conditions specified in Decision 07-05-061.

ESTIMATED COST: None.

SUMMARY

This Resolution finds that the revised documents submitted by Kinder Morgan Holdco LLC (formerly known as Knight Holdco LLC and collectively referred to as Holdco) comply with the conditions specified in Decision 07-05-061. That decision approved, subject to certain conditions, the transfer of indirect ownership and control over jurisdictional portions of two common carrier pipeline utilities, SFPP, L.P. (SFPP) and its affiliate, Calnev Pipe Line, L.L.C. (Calnev) from Kinder Morgan Inc. to Knight Holdco LLC. The conditions D.07-05-061 ordered were designed to ensure the Commission's ongoing ability to monitor the ability of the two common carrier pipeline utilities to meet their obligation to serve. D.07-05-061 ordered Knight Holdco LLC to submit certain documents showing how they would meet the required conditions.

BACKGROUND

In Decision (D.) 07-05-061 issued in Application (A.) 06-09-016 and Application (A.) 06-09-021, the Commission approved, pursuant to Public Utilities Code Section 854 and subject to specified conditions, the transfer of indirect ownership and control over jurisdictional portions of two common carrier pipeline utilities, SFPP, L.P. (SFPP) and its affiliate, Calnev Pipe Line, L.L.C. (Calnev) from Kinder Morgan Inc. (KMI), a publicly-traded corporation, to Knight Holdco LLC (Knight Holdco), a private limited liability company. The conditions D. 07-05-061 ordered were designed to ensure the Commission's ongoing ability to monitor the ability of the two common carrier pipeline utilities to meet their obligation to serve.

Below are the conditions for the approval of the transfer of control as they are set out in Ordering Paragraphs (OPs) of D. 07-05-061:

- SFPP and Calnev each shall maintain books and records in accordance with the Uniform System of Accounts and Generally Accepted Accounting Principles (OP 4).
- Knight Holdco, Kinder Morgan Inc. (KMI), Kinder Morgan (Delaware), Inc. (Kinder Morgan (Delaware)), Kinder Morgan G.P., Inc. (KMGPI), Kinder Morgan Management, LLC (KMR), Kinder Morgan Energy Partners, L.P. (KMEP), Operating L.P. "D" (OLP-D), and Kinder Morgan Pipeline LLC (Kinder Morgan Pipeline), including the successor of any of them, and any other intermediate entity, and any other corporate or non-corporate affiliate of Knight Holdco, each shall maintain separate books and records (OP 5).¹

¹ OLP-D owns 100% of Calnev and 99.5% of SFPP. KMP owns a 98.99% limited partner interest in OLP-D. KMR is a limited partner in KMP. KMGP is a general partner of KMP. KMGP is a wholly-owned subsidiary of KMI Delaware. KMI Delaware is a wholly-owned subsidiary of KMI. Therefore KMI through indirect control of KMP maintains indirect control of SFPP and Calnev. KMR is responsible for day-to day operations and strategic decisions of SFPP and Calnev, subject to KMGP's approval.

Knight Holdco D. 07-05-061/ mmg

- Neither SFPP nor Calnev shall incur any indebtedness for utility purposes except as authorized by and in full compliance with Public Utilities Code Sections 816 et seq. (Article 5 "Stocks and Security Transactions) and Section 851. Neither SFPP nor Calnev shall guarantee the notes, debentures or other obligations of any other entity (whether in the Knight Holdco business enterprise or otherwise) by pledge of assets or any other means, without Commission approval (OP 6).
- If at some time post acquisition, Knight Holdco, KMI (or any successor) no longer holds any publicly traded debt and therefore ceases to file 10-Q and 10-K reports with the SEC, Knight Holdco (or any successor) shall submit annually to the Director of the Commission's Energy Division a report which provides a comprehensive overview of KMI for the past year and constitutes the substantive equivalent of Item 7 (Management's Discussion and Analysis of Financial Conditions and Results of Operations) and Item 8 (Financial Statements and Supplementary Data) of the 10-K report filed by KMI (or any successor) for the fiscal year ending December 31, 2006. The report shall be submitted within 90 days of the close of each calendar year in which no 10-K is filed. The report may be submitted under of Section 583 (OP 7).
- Knight Holdco (or any successor) shall submit a report to the Director of the Commission's Energy Division if the proportion of ownership in Knight Holdco (or its successor) held by Goldman Sachs Group, Inc., American International Group, Inc., Carlyle/Riverstone Global Energy, Power Fund III or Carlyle Partners IV (or the successor of any of them) changes from the proportion reported to the Commission in this proceeding. If any additional persons or entities obtain ownership interests in Knight Holdco (or any successor), the report also shall include the name of each, the proportional interest acquired, and identifying information (e.g., business form, address of principal place of business, other contact information, description of business purpose and other

holdings.) The report shall be submitted within 10 calendar days of the effective date of the change in ownership (OP 8).²

- Knight Holdco (or any successor) shall submit to the Director of the Commission's Energy Division true and correct copies of the following documents within 10 calendar days of their execution or other authorization: (1) the final, post-transfer version of the Knight Holdco Limited Liability Company Agreement (Ex. 8); and (2) the final, post-transfer version of KMGPI's Articles of Incorporation and Bylaws and the final, post-transfer version of any partnership agreement, limited liability agreement, or other document that constitutes a governing agreement, which provides for a new general partner interest in KMGPI with power to veto placing KMEP and its subsidiaries, including SFPP and Calnev, into bankruptcy (OP 9).
- Knight Holdco shall submit to the Director of the Commission's Energy Division a report identifying and describing the auditable procedures put in place which effectively establish a firewall between SFPP and Calnev and any of the financial institution investors in Knight Holdco, including affiliates of the financial institutions, for the purpose of preventing affiliate abuses involving crude and refined product commodity trading operations. The report shall be submitted within 90 days of the effective date of today's decision and shall be supplemented upon revision of the auditable procedures (OP 10).
- The capital requirements of SFPP and Calnev, as determined by the Commission to be necessary and prudent to meet the obligation to serve or to operate each utility in a prudent and efficient manner, shall be given first priority by Kinder Morgan Pipeline, OLP-D, KMEP, KMGPI, KMR, Kinder Morgan (Delaware), KMI, Knight

² Goldman Sachs Group, Inc., American International Group, Inc., Carlyle/Riverstone Global Energy and Power Fund III and Carlyle Partners IV are private equity investors in Knight Holdco.

Knight Holdco D. 07-05-061/ mmg

Holdco (and any successors of any of them), and any other intermediate entity, and by any Boards of Directors or other persons or entities now existing or established in future to own or exercise effective control over any of them (OP 11).

- Within 90 days of the effective date of today's decision, SFPP and Calnev shall obtain and submit to the Director of the Commission's Energy Division a non-consolidation opinion that demonstrates that the ring fencing around SFPP and Calnev utility is sufficient to prevent either utility at the time the non-consolidation opinion issues from being pulled into the bankruptcy of Knight Holdco, KMI, Kinder Morgan (Delaware), KMGPI, KMR, OLP-D, or Kinder Morgan Pipeline, or the successor of any of them, or any other intermediate entity. Concurrently with the effective date of any structural change in business form and organization above the utility tier, SFPP and Calnev shall obtain and submit to the Director of the Commission's Energy Division a further non-consolidation opinion that demonstrates that the ring fencing around SFPP and Calnev is sufficient to prevent either utility from being pulled into the bankruptcy of any entity above them in the business organization (OP 12).
- The books and records of Knight Holdco, KMI, Kinder Morgan (Delaware), KMGPI, KMR, KMEP, OLP-D, and Kinder Morgan Pipeline (including the successor of any of them), and any other intermediate entity, shall be made available to the Commission within the State of California upon request by the Commission, its employees or its agents (OP 13).
- Within 60 days of the effective date of today's decision, SFPP shall submit to the Director of the Commission's Energy Division and shall file as a "late-filed exhibit" in C.97-04-024 et al. a letter of credit from a national bank sufficient to pay potential California jurisdictional rate refunds of \$100 million. The letter of credit shall be designed, in form and in substance, to convey the direct obligation of the bank to any Shippers entitled to refunds, notwithstanding the insolvency or credit risk of the entity or entities legally responsible for repayment of the letter of credit (OP 14).

Knight Holdco D. 07-05-061/ mmg

Holdco submitted compliance documents to the Commission's Energy Division on May 29, 2007, June 8, 2007 and June 11, 2007 pursuant to OPs 8, 9, 10, 12, and 14 of D.07-05-061. On June 13, 2007, a group of Indicated Shippers (BP West Coast Products LLC, Chevron Products Company, ExxonMobil Oil Corporation, Ultramar Inc., and Valero Marketing & Supply Company) filed a motion in which they took issue with the letter of credit Holdco had submitted pursuant to OP 14 of D.07-05-061. On June 19, 2007, ConocoPhillips filed a motion in which it asked the Commission to require other revisions to the letter of credit Holdco had submitted pursuant to OP 14 of D.07-05-061. On June 27, 2007 Holdco filed a response in which it sought to rebut Indicated Shippers and ConocoPhillips' contentions.

On July 24, 2007 the Consumer Federation of California (CFC) filed a motion in which it asked the Commission to change the category of the proceeding from rate-setting to adjudicatory in order to bar all ex parte communications. CFC's motion argued that an ex parte ban should be in place pending resolution of other motions (i.e., those filed on June 13, and 19), which challenged Knight Holdco's compliance with D.07-05-061.

On June 27, 2007, CFC filed a motion in which it objected to Holdco's filing submitted in compliance with OP 10 and 12 of D.07-05-061. More specifically, CFC's June 27, 2007 motion stated that the non-consolidation opinion submitted by Holdco to satisfy OP 12 of D.07-05-061, if analyzed reasonably, would lead to the conclusion that the assets of SFPP and Calnev will be consolidated with those of its parent companies in any bankruptcy filed by an affiliate. CFC's motion also asserted that the restriction of information policy adopted by the board of managers of Holdco to comply with OP 10 of D.07-05-061 allows disclosure of proprietary information to affiliates of the financial institutions, including their trading arms. CFC asked the Commission to stay the effectiveness of D.07-05-061 until the conditions ordered in D.07-05-061 have been satisfied. Holdco filed an opposition to CFC's June 27th motion on July 12, 2007.

On November 30, 2007, a CPUC Administrative Law Judge's (ALJ) Ruling was issued, which addressed the motions submitted by parties that objected to various aspects of the May 29, 2007 compliance filing. The ALJ's Ruling denied requests for hearings, but stated that the Energy Division should determine

Knight Holdco D. 07-05-061/ mmg

whether changes to the compliance filing are warranted. The Ruling also stated that the Energy Division may pursue the issue with Joint Applicants informally at any time, or it may recommend that the Commission open a formal investigation.

In 2008, the Energy Division wrote a letter to interested parties in A.09-06-016 and A.09-06-021 stating that it was not prepared to accept the Letter of Credit (LOC) as submitted. The LOC was subsequently revised in 2008 to convey the direct obligation of the bank to any Shippers entitled to refunds, notwithstanding the insolvency or credit risk of the entity or entities legally responsible for repayment of the letter of credit, as requested by Energy Division. The Energy Division and the parties who took issue with the original LOC accepted the revised letter of Credit.

On May 11, 2009 the Energy Division wrote a letter to Holdco stating that other documents in the May 29, 2007 filing of Holdco did not adequately comply with the firewall condition (OP 10) and the ring-fencing condition (OP 12) of D.07-05-061 and requested that Holdco resubmit documents that are in compliance with that decision. On October 8, 2009, Holdco submitted a letter to the Energy Division related to the fire wall condition (OP 10 of D.07-05-061). On December 11, 2009, Holdco submitted a revised non-consolidation opinion letter to the Energy Division related to the ring fencing condition (OP 12). On December 15, 2009, Holdco served these documents on the parties on the service list for A.6-09-016 and A.06-09-021. On December 24, 2009 the Energy Division wrote a letter to parties to Applications 06-09-016 and A.06-09-021 inviting them to provide comments on the revised compliance documents that were served on December 15, 2009.

On January 19, 2010 CFC wrote a letter to the Energy Division stating that the two separate filings made by Holdco (an October 8, 2009, letter related to the fire wall condition and a December 11, 2009 letter related to the ring fencing condition established in D.07-05-061) do not adequately comply with D.07-05-061. On February 5, 2010 Holdco wrote a letter to the Energy Division contending that CFC's January 19, 2010 comments were in error.

Knight Holdco D. 07-05-061/ mmg

After reviewing the revised compliance documents and comments from parties, the Energy Division concluded that there were still some unresolved issues in the revised documents submitted by Holdco on October 8, 2009 and December 11, 2009. Energy Division staff continued working on the compliance issues with Holdco. Consistent with discussions with Energy Division staff regarding compliance with requirements imposed by D. 07-05-061, Holdco submitted additional revised compliance documents on February 1, 2011 and February 16, 2011.

NOTICE

Holdco distributed to the service lists for A.06-09-016 and A.06-09-021 the revised compliance documents as submitted in February 2011.

DISCUSSION

The Commission finds that the compliance documents submitted by Holdco on February 1, 2011 and February 16, 2011 are in compliance with the conditions specified in Decision 07-05-061.

On May 29, 2007 Holdco submitted compliance documents to the Energy Division related to the firewall condition (OP 10) and the ring-fencing condition (OP 12). Related to the firewall condition, the document stated that the Board of Managers of Holdco had adopted the Restriction of Information Policy, that establishes auditable procedures that effectively create a firewall between SFPP and Calnev and any of the financial investors in Holdco (including their affiliates) to prevent affiliate abuses involving crude and refined product commodity trading operations. The compliance documents submitted on May 29, 2007 also included a non-consolidation opinion letter from the law firm of Locke Lord Bissell and Liddell LLP stating that the ring fencing around SFPP and Calnev is sufficient to prevent either utility from being pulled into bankruptcy of any SFPP/Calnev affiliates. One of the facts the non-consolidation opinion relied upon to reach the conclusion regarding ring fencing is that after the transfer of control, Kinder Morgan G.P., Inc. (KMGP), an affiliate that exercises control over both SFPP and Calnev, will have a new independent investor with veto power over any determination to place Calnev and SFPP into bankruptcy.

Knight Holdco D. 07-05-061/ mmg

The Energy Division sent a letter to interested parties on May 11, 2009 stating that because the Restriction of Information Policy allowed Restricted Utility Information to be used for broad purposes (monitoring and evaluating investors' interest), it did not effectively establish a firewall between SFPP and Calnev and the affiliates. The Energy Division stated that even though the Affiliate Transaction Rules do not apply to Holdco, they illustrate that in order to prevent abuses resulting from sharing of non-public information within the corporate family, the exchange of proprietary information should only be allowed in very specific circumstances.³ Accordingly the Energy Division recommended that the Restriction of Information Policy should define more precisely when Restricted Utility Information may be provided to the affiliates of SFPP and Calnev.

The Energy Division also found that the presence of an independent investor does not provide adequate protection against bankruptcy risk because the opinion letter from the law firm of Locke Lord Bissell and Liddell LLP stated that the charter authorizing the presence of the independent investor specified that the investor shall take into account the interests of the creditors of KMGP and all such subsidiaries in fulfilling such investor's duties. Therefore the Energy Division determined that the statement that the independent investor shall take into account the interests of the creditors of KMGP and all such subsidiaries in fulfilling such investor's duties should be taken out of the charter of KMGP.

On October 8, 2009, Holdco submitted a document describing the refinement of the policies and procedures related to information flow. The document stated that the institutional owners of Holdco will not be permitted to receive any specific non-public information related to "proposed, forecasted or planned volume nominations and capacity availability or capacity utilization on the intrastate portions of the Calnev and SFPP systems" and "information on actual volume shipped, capacity utilized or available capacity until such information is at least one week old." The document also stated that the information restriction will be enforced by giving a notice to all persons at the institutional owners with

³ According to Rule IV B of Disclosure and Information of the Affiliate Transaction Rules, the affiliate's use of proprietary information "is limited to use in conjunction with the permitted corporate support services, and is not permitted for any other use."

Knight Holdco D. 07-05-061/ mmg

any responsibility for investment in Holdco and a notice to all persons at Holdco who could be expected to have communications from persons at the institutional owners. Finally the document stated that investors may request from the CPUC staff a limited exception to this restriction for specific information.

The Energy Division's response to the refinement of the policies and procedures submitted on October 8, 2009 was that it was not in compliance with OP 10 because (a) the new policies and procedures had not been signed by the Board of Managers of Holdco, (b) the definition of the type of information precluded was not broad enough to include all trading sensitive information related to SFPP or Calnev's operations that could provide an advantage to anyone engaged in crude and refined product commodity trading. In addition the Energy Division stated that the policies and procedures should contain an auditable procedure to ensure that all requests for information that may fall within the definition of "trading sensitive information" shall be routed through the General Counsel (or through a broader, but still defined group of people at Holdco) to ensure that there is a written record of the request and how it was handled.

Also regarding Holdco's assertion that exceptions from the policies may be granted by the CPUC staff, the Energy Division concluded that D. 07-05-061 had not granted the CPUC staff the power to make any exceptions.

On December 11, 2009 Holdco submitted a letter from the law firm of Locke Lord Bissell & Liddell LLP stating that changing the fact in the Opinion Letter that "the charter authorizing that independent investor shall provide that the independent investor shall take into account the interests of the creditors of KMGP and all such subsidiaries in fulfilling such investor's duties" would not affect the conclusion they had reached before. The Energy Division objected to the letter from the Locke Lord Bissell & Liddell LLP because it had not stated that the fact in the Opinion Letter regarding the independent investor's duties and obligations is not true.

Energy Division staff continued working on the compliance issues with Holdco. Consistent with discussions with Energy Division staff, Holdco filed additional revised compliance documents on February 1, 2011. More specifically on February 1, 2011 Holdco submitted a revision of policies and procedures designed to preclude dissemination of specific, sensitive utility-related

Knight Holdco D. 07-05-061/ mmg

information to the institutional owners of Holdco, along with certification that such policies have been adopted by the Board of Mangers of Holdco. On February 1, 2011 Holdco also submitted correspondence from the law firm of Locke Lord Bissell and Liddell LLP confirming that the statement in the Opinion Letter concerning the duty of KMGP's independent investor was inaccurate.

The revised firewall procedures stated that "the investors and Kinder Morgan management agree that non-public information regarding the operation of SFPP or Calnev should not be made available to anyone in the investor organizations who could thereby obtain an advantage in crude and refined product commodity trading ("trading sensitive informtion"). Such trading sensitive information includes but is not necessarily limited to proposed, forecasted or planned volume nominations, capacity availability or capacity utilization on the Calnev and SFPP systems and information on actual volumes shipped, capacity utilized or available capacity until such information is at least one week old. It is the purpose of these firewall procedures to prevent such an advantage."

Regarding requests for information that may consitute sensitive information, the revised firewall procedures stated that "if one or more of the investors believes that it has a need for information that may consitute sensitive information, an officer of that investor shall send a letter to the general counsel of Kinder Morgan. The Kinder Morgan general counsel shall determine whether the request does call for trading sensitive information or not. If he determines that the request does call for trading sensitive information, he shall determine whether the need for trading sensitive information is related to any attempt to obtain an advantage in crude and refined product trading. If it is not so related, he shall then evaluate the sufficiency of each such request. He will advise the investor in writing as to whether he will or will not provide the trading sensitive information. If he determines that the request is reasonable, he will provide the information requested in a paper or electronic form such that each page bears a legend stating: "RESTRICTED TRADING SENSITIVE INFORMATION."

And in order to make the procedures auditable the revised firewall procedures stated that "the Kinder Morgan general counsel shall maintain all of the requests he receives from investors for what may be trading sensitive information and a copy of all of his responses to such requests in an auditable condition. "

Knight Holdco D. 07-05-061/ mmg

The Energy Division determined that the revision of policies and procedures submitted on February 1, 2011 would effectively preclude dissemination of trading sensitive information to the institutional owners of Holdco, and that Holdco had adopted auditable procedures to handle request for trading sensitive information pursuant to OP 10. But the Energy Division rejected the statement by the Locke Lord Bissell and Liddell LLP on the ground that it had not been signed by the firm. On February 16, 2011 Holdco submitted a letter signed by the Locke Lord Bissell and Liddell LLP stating among other things that it was not true that the independent investor had a duty to take into account the interests of the creditors of KGMP and all such subsidiaries.

The Energy Division finds that the documents submitted by Holdco on February 1, 2011 and February 16, 2011 resolve the remaining outstanding compliance issues in these proceedings.

Therefore the Energy Division now finds that the documents submitted by Holdco are in compliance with the conditions specified in Decision 07-05-061. The Commission agrees with the Energy Division finding.

COMMENTS

Public Utilities Code section 311(g)(1) provides that this resolution must be served on all parties and subject to at least 30 days public review and comment prior to a vote of the Commission. Accordingly, this draft resolution was mailed to all parties in A.09-06-016 and A.09-06-021 for comment, and will be placed on the Commission's agenda to be voted on no sooner than 30 days after mailing.

FINDINGS AND CONCLUSIONS

1. In D.07-05-061 the Commission approved, subject to specified conditions, the transfer of indirect ownership and control of two common carrier pipeline utilities, SFPP and Calnev from KMI, a publicly-traded corporation, to Knight Holdco, a private limited liability company.
2. The conditions D. 07-05-061 ordered were designed to ensure the Commission's ongoing ability to monitor the ability of the two common carrier pipeline utilities to meet their obligation to serve.
3. On May 29, 2007, Holdco submitted compliance documents to the Commission's Energy Division pursuant to OPs 10, 12, and 14 of D.07-05-061.

Knight Holdco D. 07-05-061/ mmg

4. Several parties to the proceedings submitted motions objecting to various aspects of the May 29, 2007 compliance filing.
5. An ALJ Ruling issued in these proceedings on November 30, 2007 stated that the Energy Division should determine whether changes to the compliance filing are warranted.
6. The Ruling also stated that the Energy Division may pursue the issue with Knight Holdco informally at any time, or it may recommend that the Commission open a formal investigation.
7. The letter of credit was revised in 2008 to convey the direct obligation of the bank to any Shippers entitled to refunds, notwithstanding the insolvency or credit risk of the entity or entities legally responsible for repayment of the letter of credit. This revision resolved the issues raised by parties related to the Letter of Credit (OP 14 of D.07-05-061).
8. Upon reviewing the compliance documents and comments from parties, the Energy Division concluded that the Restriction of Information Policy and the non-consolidation opinion letter submitted on May 29, 2007 did not adequately comply with the firewall condition (OP 10) and the ring-fencing condition (OP 12) of D.07-05-061 and requested that Holdco resubmit documents that are in compliance with that decision.
9. On October 8, 2009, Holdco submitted a document describing a refinement of the policies and procedures related to information flow intended to preclude dissemination of specified, sensitive utility-related information in compliance with the OP 10. On December 11, 2009 Holdco submitted a letter from the law firm Locke Lord Bissell & Liddell stating that amending the duties and obligations of the independent investor in the charter of the KMGP would not affect the opinion expressed in the non-consolidation opinion
10. After reviewing the revised compliance documents, the Energy Division concluded that there were still some unresolved issues in the revised documents submitted by Holdco on October 8, 2009 and December 11, 2009.
11. The Energy Division objected to the firewall procedures because the definition of the type of information precluded in the policies and procedures for information flow was not broad enough to include all trading sensitive information related to SFPP or Calnev's operations, which could provide an advantage to anyone engaged in crude and refined product commodity trading. In addition the policies and procedures did not contain an auditable procedure to ensure that all requests for information that may fall within the definition of "trading sensitive information" shall be routed through a

Knight Holdco D. 07-05-061/ mmg

particular person or persons to ensure that there is a written record of the requests and how they have been handled.

12. Regarding the ring fencing condition the Energy Division found that the presence of an independent investor does not provide adequate protection against bankruptcy risk because the opinion letter stated charter authorizing the presence of the independent investor specified that the investor shall take into account the interests of the creditors of KMGP and all such subsidiaries in fulfilling such investor's duties. Therefore the Energy Division requested a signed letter from the law firm Locke Lord Bissell and Liddell LLP stating that this statement in the Opinion Letter regarding the duties and obligations of KMGP's independent investor is inaccurate.
13. The Energy Division staff continued working on the compliance issues with Holdco.
14. Holdco filed additional revised compliance documents on February 1, 2011 and February 16, 2011.
15. The Energy Division determined that the revised policies and procedures adopted by the Board of Managers of Holdco defined trading sensitive information to encompass all information that could be used by the institutional owners of Knight Holdco to obtain an advantage in trading and that Knight Holdco had adopted auditable procedures that would prevent dissemination of trading sensitive information and record how requests for information that may be sensitive are handled, pursuant to OP 10.
16. Holdco submitted a letter signed by the law firm Locke Lord Bissell and Liddell LLP stating that the statement in the Opinion Letter regarding the duty of KMGP's independent investor is inaccurate.
17. The Energy Division finds that the documents submitted by Holdco on February 1, 2011 and February 16, 2011 are in compliance with the conditions specified in Decision 07-05-061 and therefore resolve the remaining compliance issues in these proceedings.

THEREFORE IT IS ORDERED THAT:

1. The compliance documents submitted by Kinder Morgan Holdco LLC (formerly known as Knight Holdco LLC) are in compliance with the firewall, ring fencing, and letter of credit conditions specified in Decision 07-05-061, in Ordering Paragraphs 10, and 12, and 14.

This Resolution is effective today.

I certify that the foregoing resolution was duly introduced, passed and adopted at a conference of the Public Utilities Commission of the State of California held on June 23, 2011; the following Commissioners voting favorably thereon:

Paul Clanon
Executive Director

PUBLIC UTILITIES COMMISSION

505 VAN NESS AVENUE
SAN FRANCISCO, CA 94102-3298



May 23, 2011

I. D. # 10423

RESOLUTION O-0053

June 23, 2011 Commission Meeting

TO: Parties to Application (A.) 06-09-016 and A.06-09-021

SUBJECT: Review of compliance documents submitted to satisfy conditions ordered in Decision 07-05-061 for the transfer of indirect ownership and control over petroleum pipelines SFPP,L.P. and Calnev Pipe Line, L.L.C.

Enclosed is draft Resolution O-0053 of the Energy Division. It will be on the agenda at the next Commission meeting which is at least 30 days after the mailing date of this letter. The Commission may then vote on this Resolution or it may postpone a vote until later.

When the Commission votes on a draft Resolution, it may adopt all or part of it as written, amend, modify or set it aside and prepare a different Resolution. Only when the Commission acts does the Resolution become binding on the parties.

Parties may submit comments on the draft Resolution. An original and two copies of the comments, with a certificate of service, should be submitted to:

Honesto Gatchalian
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
Fax: 415-703-2200

Knight Holdco D. 07-05-061/ mmg

A copy of the comments should be submitted **in electronic format** to:

Maryam Ghadessi and Richard Myers
Energy Division
California Public Utilities Commission
505 Van Ness Avenue
San Francisco, CA 94102
email: mmg@cpuc.ca.gov and ram@cpuc.ca.gov

Any comments on the draft Resolution must be received by the Energy Division by June 13, 2011. Those submitting comments must serve copies of their comments on 1) the entire service list attached to the draft Resolution, 2) all Commissioners, 3) the Director of the Energy Division, 4) the Chief Administrative Law Judge, and 5) the General Counsel on the same date that the comments are submitted to the Energy Division.

Comments shall be limited to fifteen (15) pages in length plus a listing of the recommended changes to the draft Resolution, and an appendix setting forth the proposed findings and ordering paragraphs.

Late submitted comments will not be considered. Reply comments will not be accepted.

/s/ Richard Myers
Richard A. Myers
Program and Project Supervisor
Energy Division

Certificate of Service

CERTIFICATE OF SERVICE

I certify that I have by mail this day served a true copy of Draft Resolution O-0053 on all parties in A.06-09-016 and A.06-09-021.

Dated May 23, 2011 at San Francisco, California.

/s/ Honesto Gatchalian
Honesto Gatchalian

NOTICE

Parties should notify the Energy Division, Public Utilities Commission, 505 Van Ness Avenue, Room 4002 San Francisco, CA 94102, of any change of address to insure that they continue to receive documents. You must indicate the Resolution number on the service list on which your name appears.