

Verification Report for Kinder Morgan Power Plant Project Snyder, Texas

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1. Introduction

This report is provided to Blue Source as a deliverable of the verification conducted on the Kinder Morgan Power Plant Project (the Project). This report covers the verification of greenhouse gas emissions reduction estimates for the project in which a 100-MW gas fired combined cycle power plant was installed to provide electricity to the Scurry Area Canyon Reef Oil Committee (SACROC) natural gas processing and injection facility. The electricity produced by the combined cycle power plant replaces electricity that otherwise would have been purchased from the grid. First Environment’s verification covered operations during the period from July 2005 to May 2007. First Environment, Inc. conducted the verification in July and August 2007. B. Tod Delaney, P.E., Ph.D., DEE and Christina M. Magerkurth, P.E. conducted the site visit on July 27, 2007.

2. Verification Scope

The scope of the verification is outlined in the table below:

Geographic Boundaries	Kinder Morgan Power Plant
Greenhouse Gases Verified	Carbon Dioxide Emissions Offsets
Reporting Years	July 2005 – May 2007
Data Sources	Metered Data and Emissions Offset Estimates

3. Standards Used to Certify Emissions

The following table outlines the guidance and protocols used to conduct this verification:

Verification Process	ISO 14064-3 Standard
Standard of Verification	ISO 14064-2 Standard, March 1, 2006, First Edition
Level of Assurance	95 percent accuracy (i.e. a material misstatement is >5 percent of total reported emissions reduction)
De Minimis	Less than 5 percent of total emissions reduction

4. Overview of the Verification Process

The verification process for the Project was as follows:

- Kick-off via telephone with the Blue Source contact,
- Review of the July 2007 Project Report,
- Development of the verification plan,
- Site visit focusing on control procedures around data collection and ensuring that all emissions sources were included in the calculations,
- Review of the raw data and calculations for the data period under review,
- Follow-up discussion with the Blue Source team to clarify data gaps and questions, and
- Final verification statement and report development.

Kick-off meeting

The verification audit was initiated with a telephone call and an exchange of e-mails between First Environment and the primary Blue Source contact, Mahesh Gundappa, to outline the verification process, confirm scope and schedule, request a copy of the project report, and make arrangements for the site visit.

Project Report Review

The report was developed by the Plant and Blue Source in accordance with ISO 14064-2:2006. It provided the verification team with background information on the project, methodologies, and emissions factors used to calculate the emissions reductions and additional information regarding the project.

Development of Verification Plan

Based on the information provided in the Project Report, the team formally documented its verification plan in accordance with ISO 14064-3:2006 as well as determined the data sampling plan.

Site Visit

On-site verification activities included:

- Tour of the Kinder Morgan Power Plant in Snyder, Texas;
- Interviews with the individual associated with data reporting;
- Assessment of the data controls and processes in place;
- Checking and requesting copies of records and documents associated with Project Report data; and
- Discussions of initial findings with Plant and Blue Source representatives.

Emissions Reduction Calculation Assessment

This assessment used information and insights gained during the previous steps to evaluate the data contained in the Project Report, the reported emissions reduction quantities, and identify if the report contained material or immaterial misstatements.

Verification Statement

The verification statement, represented by this report, documents the verification process and identifies our findings and results.

5. Emissions Reduction Calculation Assessment

As part of the emissions reduction calculation assessment, the Project's assumptions and calculations were reviewed. The additionality arguments presented in the project report were reviewed and found to be valid based on the information and evidence provided by the Blue Source team.

The Project used justifiable, conservative assumptions when defining the baseline scenario. All of the electricity produced by the Project is consumed by the SACROC processing facility and, in fact, the processing facility has had to consistently purchase additional electricity from the

local utility demonstrating that all of the Project electricity is consumed by the processing facility. Therefore, the baseline scenario is that the amount of electricity produced by the Project would be purchased from the local utility. The emissions factor chosen to represent this purchased electricity was the lowest emissions factor that would be suitable for the region. This was documented in the Project Report and in subsequent e-mails and discussions with the team.

The calculations themselves were tested for accuracy. In addition, copies of the raw data used in the calculations were requested from the Plant and compared with the data used in the Project Report and final calculations. A sample size of 50 percent was used with records from three months from 2005, six months from 2006, and three months from 2007 being requested from the Plant. These records included the meter calibration records, operator logs, DCS electronic data collection system reports, and production reports.

6. Conclusion

Based on the assessments performed and the evidence collected, First Environment concludes that the Kinder Morgan Power Plant Project greenhouse gas emissions reductions identified in the July 2007 Project Report can be considered:

- Consistent with the ISO 14064-2:2006 Standard,
- Without material discrepancy, and
- Meeting the minimum level of accuracy of at least 95 percent.

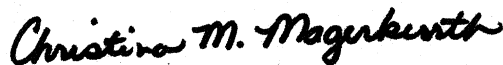
The verified emissions reductions are as follows and the summary calculation table from the July 2007 Project Report is provided as Attachment A:

July – December 2005: 103,332 metric tones CO₂e,
January – December 2006: 221,274 metric tones CO₂e,
January – May 2007: 95,985 metric tones CO₂e.

7. Verifier Signatures



B. Tod Delaney, P.E., Ph.D., DEE



Christina M. Magerkurth, P.E.

ATTACHMENT 1

Table A-1. Summary of Baseline Emissions, Project Emissions, and Emissions Reductions by Month (tonnes CO₂e)

Month-Yr	Baseline Emissions	Project Emissions	Emission Reductions
July-05	43,504	28,614	14,891
August-05	45,391	28,731	16,660
September-05	45,534	28,768	16,766
October-05	46,073	28,638	17,436
November-05	48,386	29,245	19,142
December-05	49,541	31,102	18,439
January-06	50,007	31,748	18,259
February-06	46,008	28,658	17,350
March-06	48,757	31,075	17,683
April-06	43,778	27,064	16,714
May-06	49,641	31,082	18,559
June-06	50,447	32,047	18,400
July-06	52,260	32,760	19,499
August-06	47,234	29,498	17,736
September-06	50,739	31,962	18,776
October-06	51,684	32,432	19,253
November-06	49,921	31,405	18,516
December-06	52,577	32,049	20,528
January-07	51,081	33,300	17,781
February-07	46,380	28,376	18,004
March-07	53,658	33,709	19,949
April-07	50,726	30,358	20,368
May-07	52,859	32,977	19,881
TOTAL (Jul. - Dec. 2005)	278,430	175,097	103,332
TOTAL (Jan. - Dec. 2006)	593,055	371,781	221,274
TOTAL (Jan. - May 2007)	254,704	158,719	95,985