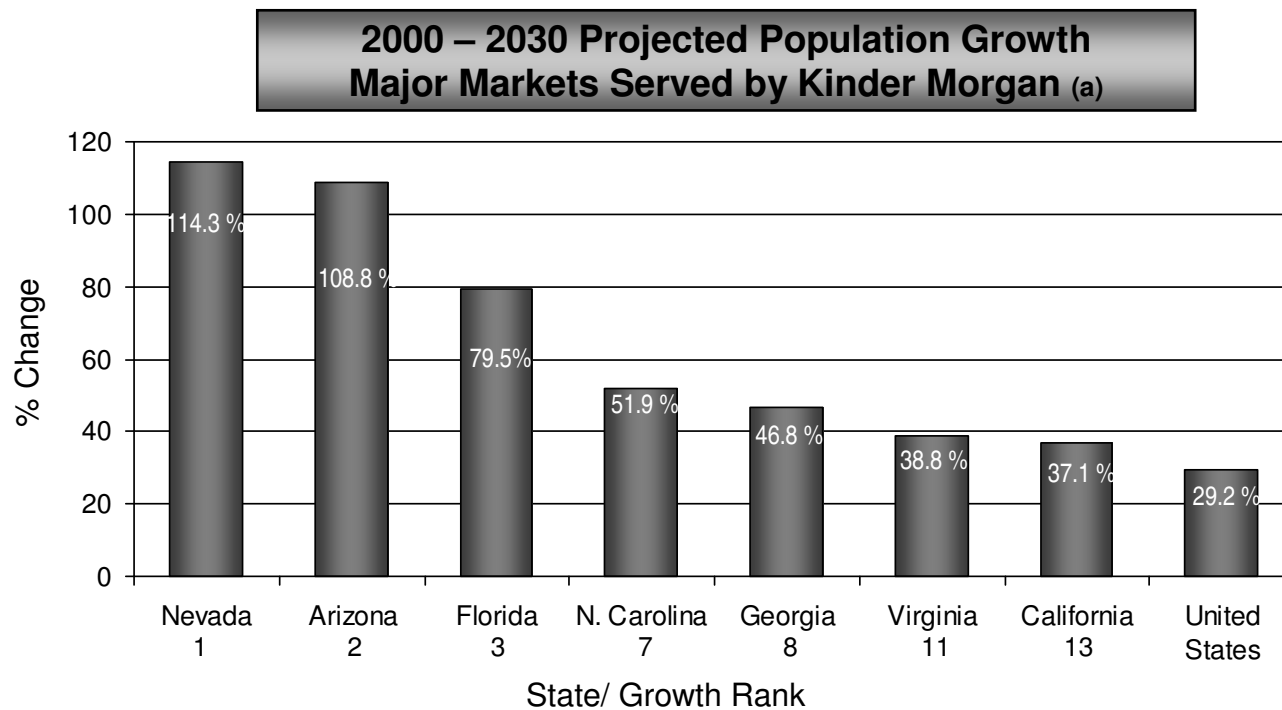




Products Pipelines
Tom Bannigan – President

The Demographic Wave

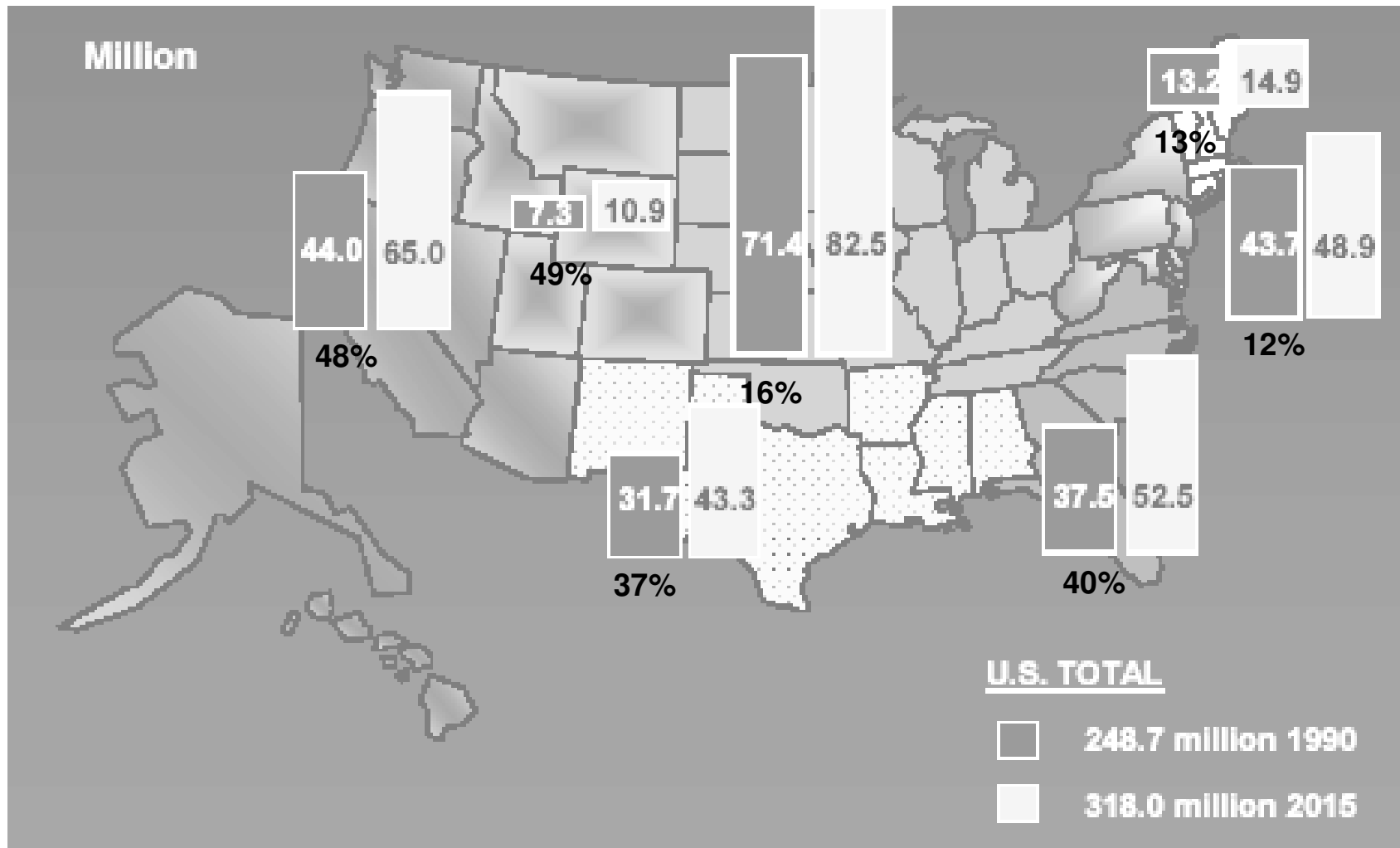
- Kinder Morgan has built a portfolio of refined products assets in the fastest growing demographic markets in the country
- Demand for refined products is driven in large measure by demographic and economic growth



All amounts in U.S. dollars unless otherwise noted.

(a) Source: U.S. Census Bureau

Growing and Shifting U.S. Population



Expanding and Acquiring to Meet Market Demand

Track record of expansions and tuck-in acquisitions since acquiring core assets

Project	Description	In Service	Cost (\$MM)
Pacific			
Tucson Terminal Expansion	1- 100MB tank, truck loading lane	1999	\$3.0
Shell Terminal Acquisition	5 terminals	2003	\$28.0
Mission Valley Terminal Expansion	1 - 100MB tank	1999	\$1.4
Watson-Norwalk	13 miles, 16" pipeline	1999	\$30.6
North Line Debottleneck	HP increase, Manifold modification	1999	\$5.0
San Diego Line	23 miles, 16"	2000	\$18.5
West Line Expansion	New pumps, debottlenecking	2000	\$13.0
Sacramento Line	70 miles, 20"	2004	\$95.0
Fresno Tank	80MB Diesel Tank	2003	\$1.6
Exxon Mission Valley	105MB of tanks and 2 lanes	2005	\$4.7
			<u>\$200.8</u>
Calnev			
Calnev: Las Vegas Terminal Tankage Expansion	1-40MB, 1-80MB	2003	\$4.0
Calnev: 14" Debottleneck	Baker pump upgrade, LV manifold mod	2002	\$1.0
Calnev: McCarran Pumpback / Turbine Tankage	2- 50MB Tanks	2002	\$4.3
			<u>\$9.3</u>
CFPL			
Tampa Projects	Tampa Terminal Expansions	2002 - 2004	\$1.0
Orlando/CFPL Projects	Orlando Terminal Expansions	2002 - 2004	\$0.7
			<u>\$1.7</u>
TOTAL			<u><u>\$211.7</u></u>

Arizona

- **Arizona is the 2nd fastest growing state in the country – 2.5% annual growth projected from 2000 – 2030** ^(a)
- **Maricopa County (Phoenix) grew over 3% from 2004 to 2005 and led the country in largest numerical growth of population (112,000)** ^(a)
- **Adjacent Pinal County grew at 4.8% over the same period** ^(a)
- **Projected annual population growth 2005-2015** ^(b)
 - Arizona 2.1%
 - Maricopa County 2.2%
- **Historical volumes on the East and West lines track demographic growth**
 - CAGR for all commercial volumes into Arizona from 2000 to 2005 was 2.0%
 - Total gasoline volumes grew 2.0%
 - Phoenix total volumes grew at 2.1%

(a) Sources: U.S. Census Bureau,

(b) Source: Woods & Poole Economics

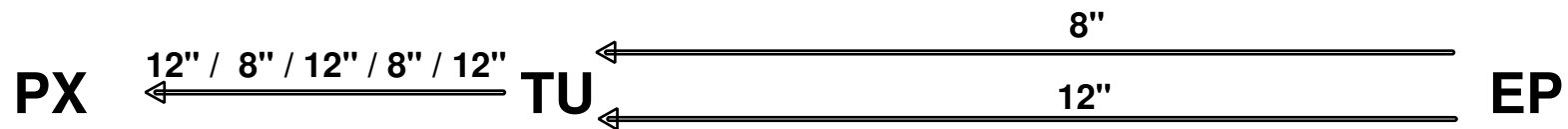
East Line Expansion

Two projects currently under way to expand the El Paso to Phoenix/Tucson East Line

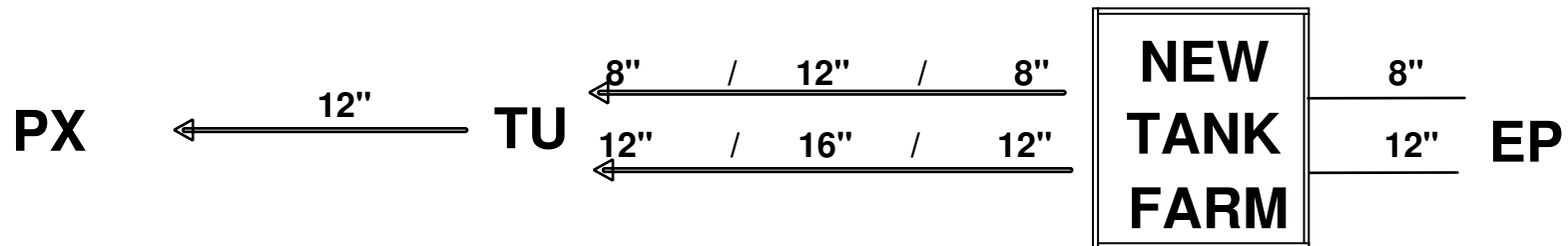
- **East Line Expansion - \$210 MM cost with completion date of 5/01/06**
 - 160 miles of looped 16" pipeline from El Paso to Tucson
 - 66 miles of new 12" pipeline from Tucson to Phoenix
 - Increases El Paso to Tucson capacity from 85 MBbls/d to 147 MBbls/d (73%)
 - Increases Tucson to Phoenix capacity from 49 MBbls/d to 99 MBbls/d (102%)
- **El Paso to Phoenix Expansion – \$130 MM cost with estimated completion date in Q4 2007**
 - 127 miles of looped 16" pipeline from El Paso to Tucson
 - 13 miles of 12" gathering line
 - 2 additional pump stations
 - Additional breakout tanks at Tucson
 - Increases El Paso to Tucson capacity from 147 MBbls/d to 170 MBbls/d (16%)
 - Increases Tucson to Phoenix capacity from 99 MBbls/d to 155 MBbls/d (57%)
 - Should satisfy market demand for 8-10 years depending on growth assumptions
- **Further incremental East and West line Expansions to Meet Future Demand**
 - Horsepower (East / West Line)
 - Phoenix Manifold Debottlenecking (West Line)

East Line Expansion

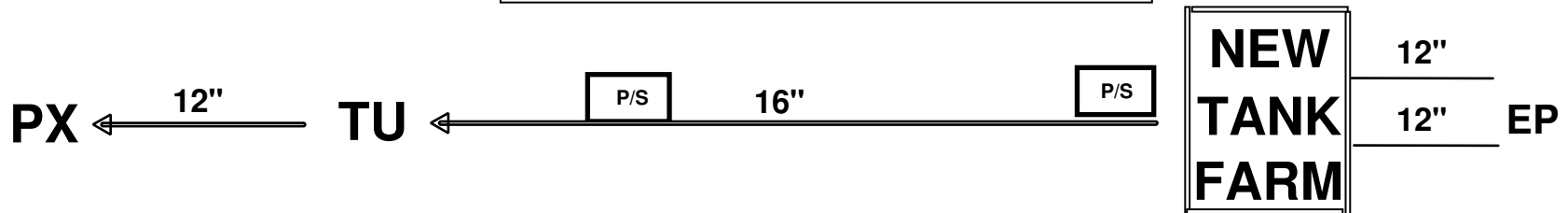
CURRENT



PHASE-1 EXPANSION



PHASE-2 EXPANSION



Nevada

- **Nevada is the fastest growing state in the country – 2.6% annual growth projected from 2000 – 2030_(a)**
- **Las Vegas/Clark County had the fourth largest numerical increase in population from 2003 to 2004 (75,285) and is one of the 50 fastest growing counties (4.8% 2003 to 2004) in the country_(a)**
 - Clark County is expected to grow 2.7% annually from 2005 to 2015 _(b)
- **Historical volumes on Calnev track demographic growth**
 - Average annual growth rate for all commercial refined product volumes on Calnev from 2000 to 2005 was 2.3%
 - Gasoline alone grew at an average annual rate of 3.4%
 - Commercial jet fuel (McCarran Airport) grew at an average annual rate of 2.5%
 - Passenger volume at McCarran was up approximately 7% in 2005 over 2004 _(c) which tracks growth in commercial jet volumes of 6.1% over the same period of time

(a) Source: U.S. Census Bureau

(b) Source: Woods & Poole Economics

(c) Source: McCarran Airport

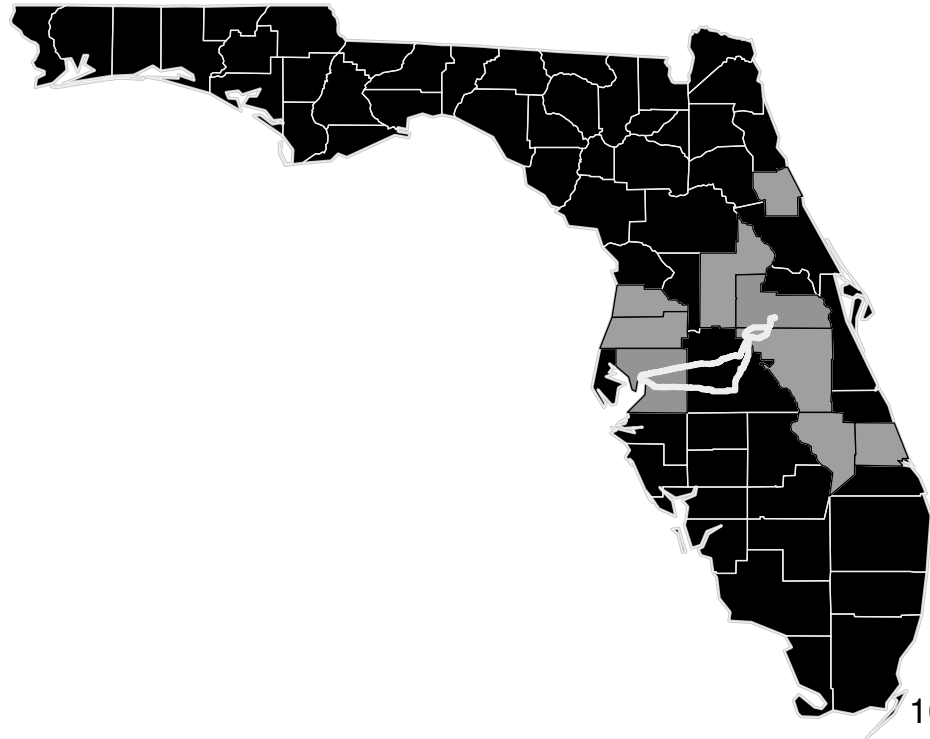
Calnev Expansion

Several projects to expand the Calnev pipeline system

- **2005 / 2006 - \$11.8 MM in total approved projects**
- **Barstow, CA Debottlenecking – provides approximately 3% additional capacity on the 14” mainline**
- **Las Vegas Terminal Expansion**
 - Provide additional 160,000 Bbls of tankage for gasoline, diesel, and ethanol
 - Estimated completion Q1 2007
- **Evaluating Major Mainline Projects**
 - Estimated costs: \$200MM to \$350MM
 - Seek board approval in 2Q 2006

Florida – The Demographics

- Florida is the 3rd fastest growing state in the country – 2.0% annually projected from 2000 – 2030 ^(a)
- 14 of the 100 fastest growing counties in the U.S. are in Florida ^(a)
- 7 of the 14 counties are in the Central Florida market area ^(a)
- Growth anchored by Tampa (2.1% annual from 2000-2005) and Orlando (2.4% 2000-2005) metropolitan areas ^(b)



(a) Source: U.S. Census Bureau

(b) Source: Woods & Poole Economics

Florida – The Market

- Florida is an 800,000 Bpd refined products market with no indigenous refining capacity.
- Central Florida is a 360,000 Bpd refined products market
- Volumes on the pipeline grew at an average annual rate of 3.7% from 2000 to 2005
- Tampa terminal volumes grew at an average annual rate of 6.5% from 2000 to 2005
- Orlando terminal volumes grew at an average annual rate of 5.4% from 2000 to 2005

Central Florida Expansion

Project currently under way to expand CFPL and Tampa/Orlando terminal capacity

■ \$8.65 MM spent in 2005 and 2006 to expand the Central Florida System

- Expand the Tampa manifold which increases the capacity of the Central Florida Pipeline by 15%
- Build a new 120,000 Bbl tank in Tampa
- Build 2 truck lanes in Orlando (13 lanes when completed)
- Modify racks in Tampa to optimize lane utilization

■ Capacity and Growth

- Assuming current growth rates continue, after these expansions CFPL and terminals will be poised to capture growth until 2011

■ Next Steps to Expand

- Horsepower additions – improve capacity to meet demand growth through approximately 2018
- Deepen berth draft of at the port of Tampa to allow larger international tankers
- Evaluate further terminal acquisitions in the Tampa area

FERC Update

■ December 16, 2005 FERC Order

- Addressed issues on remand of BP West Coast Products decision (OR92-8 cost of service issues)
- Applied FERC Policy Statement on Income Tax Allowance to SFPP case (OR92-8)
- Reviewed OR96-2 Phase 2 cost of service rulings of Administrative Law Judge

■ Key Outcomes

- Ruled favorably on SFPP's ITA consistent with Policy Statement
- Reversed or modified a number of adverse cost of service determinations
- Upheld its prior rejections of challenges to SFPP's indexing adjustments
- Precluded further East Line reparations for complainants in OR92-8 case
- Ordered SFPP to make a compliance filing by February 28, 2006
- Ordered interim East Line/West Line rates to take effect May 1, 2006

Financial

■ REPARATIONS

- Reserved \$105MM based on current assessment of February 28 compliance filing

■ 2006 REVENUES

- Estimate lower East Line/West Line revenues of \$15-20MM.
- Estimate affected by Arizona volumes, mid-year index adjustment and regulatory filings upon completion of East Line expansion.
- Impact is approximately 3.5% of 2006 Products Pipeline DCF

What's Next?

- **SFPP filed for rehearing of December 16 Commission decision on January 17, 2006**
- **Several shippers have also filed petitions for rehearing; other shippers have appealed December 16 decision to DC Circuit Court of Appeals**
- **February 28 compliance filing will likely be challenged by shippers. Even FERC contemplates further proceedings on cost of service issues, mainly income tax allowance.**
- **Until rehearings and compliance filings are finalized, we do not expect a pay order requiring payment of reparations**
- **Phase I (OR96-2) FERC Decision “ungrandfathering” West Line rates will be briefed and argued before D.C. Circuit in 2006. Decision likely 2Q 2007.**
- **If Court of Appeals agrees with SFPP that rates should have remained grandfathered, the Court would likely vacate and remand the order grandfathering West Line rates**
 - This would eliminate basis for reparations in OR96-2, subject to further action by FERC on remand
 - If West Line reparations have been paid prior to such a favorable decision, SFPP could seek to recover reparations paid to shippers
 - Interim West Line rates lowered on May 1, 2006 could be restored to previous grandfathered levels and a surcharge implemented prospectively to recover reduced revenues

KINDER  MORGAN

