Products Pipelines

Tom Bannigan & Ron McClain

President Products Pipelines Group
Products Pipelines Assets

- Miles of Pipe ~ 8,600
- Terminals – 56
- Tank Capacity
  - Terminal ~ 39 MMbbls
  - Pipelines ~ 15 MMbbls
- Transmix – 6 facilities with process capability of 32.5 MBbl/d
- 2012 Throughput ~ 1.9 MMBbl/d
## Financial Overview (a)

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013B</th>
</tr>
</thead>
<tbody>
<tr>
<td>Segment EBDA</td>
<td>687.5</td>
<td>694.4</td>
<td>702.6</td>
<td>791.1</td>
</tr>
<tr>
<td>Sustaining Capex (b)</td>
<td>(41.0)</td>
<td>(45.8)</td>
<td>(47.8)</td>
<td>(50.1)</td>
</tr>
<tr>
<td>DCF</td>
<td>646.5</td>
<td>648.7</td>
<td>654.8</td>
<td>741.0</td>
</tr>
</tbody>
</table>

2013 budget includes year over year growth from:

- KMCC (crude and condensate line)
- Cochin E/P service
- Tank additions on the west coast
- Bio-fuel projects in the southeast and west coast
- FERC tariff index rate adjustments and modest volume growth

---

(a) Excludes Certain Items
(b) Does not include corporate overhead
Total refined product volumes down, 1.5% vs. 2011

- Gasoline down 0.7%, diesel down 5.0%, jet fuel up 0.1%
- West Coast
  - Pacific down 1.1%
    - Arizona down 0.2%, Northern CA up 0.9% and Southern CA down 0.7%
    - Military down 14.1%
  - CALNEV down 8.6%
    - Nevada gasoline down 11.7%, diesel down 14.9%, and Jet up 3.9%
    - McCarran Airport down 0.9%, Military up 35.1%
- Southeast
  - Central Florida Pipeline down 1.3%
    - Gasoline up 0.4%
    - Diesel down 4.9%
    - Jet down 4.7%
  - Plantation down 0.8%
    - Gasoline up 0.7%
    - Diesel down 5.5%
    - Jet down 1.0%

2013 Volume Sensitivity – 1% change equals $4.0MM EBITDA

Total NGL volumes up 21.6% vs. 2011

- Cochin / Cypress
  - Cochin volumes up 40% due to EP service starting May 2012
# Expanding to Meet Customer Demand

## Recently Completed Projects / Acquisitions

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>In Service</th>
<th>Cost ($MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>West</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oregon Terminal projects</td>
<td>Add 360MBbls of storage capacity</td>
<td>Q4 2012</td>
<td>$23.5</td>
</tr>
<tr>
<td>Biodiesel Blending</td>
<td>Provide receipt, storage, blending, and off-load at Colton, Fresno, Phoenix</td>
<td>Various</td>
<td>18.0</td>
</tr>
<tr>
<td>Carson Terminal</td>
<td>Construct seven 80Mbbl tanks</td>
<td>December 2012</td>
<td>77.0</td>
</tr>
<tr>
<td>Various Terminal Projects</td>
<td>Includes Rack expansions, tank modifications, additive, and blending</td>
<td>Various</td>
<td>4.6</td>
</tr>
<tr>
<td></td>
<td>systems</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>East</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tampa ethanol unit train</td>
<td>Receipt, storage, and distribution of ethanol unit trains and other terminal</td>
<td>October 2012</td>
<td>13.7</td>
</tr>
<tr>
<td></td>
<td>projects</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Various Terminal Projects / Acquisitions</td>
<td>Includes ethanol blending, tank modification and additive systems</td>
<td>Various</td>
<td>49.6</td>
</tr>
<tr>
<td>Cochin EP Project</td>
<td>Upgrade and modify pipeline to transport EP mix</td>
<td>May 2012</td>
<td>30.5</td>
</tr>
<tr>
<td>Kinder Morgan Crude and Condensate</td>
<td>Construction of 63.6 miles of new pipe and conversion of 109 miles of</td>
<td>June 2012</td>
<td>216.0</td>
</tr>
<tr>
<td></td>
<td>existing pipelines to liquids service</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td></td>
<td></td>
<td>$432.9</td>
</tr>
</tbody>
</table>

**First full-yr EBITDA =** $54.7  
**EBITDA Multiple =** 7.9
Historical Demand and 2013-14 EIA Outlook

**U.S. Product Consumption**

- Motor Gasoline
- Distillate Fuel Oil
- Jet Fuel

**EIA Demand Outlook**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013E</th>
<th>2014E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mogas</td>
<td>-0.3%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Distillate</td>
<td>-3.2%</td>
<td>0.6%</td>
<td>0.9%</td>
</tr>
<tr>
<td>Jet Fuel</td>
<td>-1.3%</td>
<td>0.1%</td>
<td>0.4%</td>
</tr>
<tr>
<td>Total</td>
<td>-1.2%</td>
<td>0.2%</td>
<td>0.3%</td>
</tr>
</tbody>
</table>

**KM Refined Product Pipelines (MMBbls)**

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013B</th>
<th>% chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacific CALNEV CFPL</td>
<td>459.9</td>
<td>466.4</td>
<td>1.4%</td>
</tr>
<tr>
<td>Plantation &amp; Parkway</td>
<td>187.5</td>
<td>199.4</td>
<td>6.3%</td>
</tr>
<tr>
<td>Total</td>
<td>647.4</td>
<td>665.8</td>
<td>2.8%</td>
</tr>
</tbody>
</table>

Source: EIA Table 4a. U.S. Crude Oil and Liquid Fuel Supply, Consumption, and Inventories and Figure 15 U.S. Liquids Fuel Consumption Growth - January 2013
Historical FERC Tariff Index Regime

Applicable to interstate volume on SFPP, CALNEV, Plantation, Cochin (U.S.), KMCC and Central Florida

- PPI FG + 1.3%
  - 2006 – 2010
  - Growth of $1
  - 6.15% to 4.32% to 5.17% to 7.60% to -1.30%

- PPI FG + 2.65%
  - 2011 – 2015
  - Growth of $1
  - 6.88% to 8.60%

*4.59% is estimated using PPI data available as of January 15, 2013
Refined Products Segment Margin

Compound Annual Growth Rate = 4.9%

<table>
<thead>
<tr>
<th>Year</th>
<th>Terminals</th>
<th>Interstate</th>
<th>Intrastate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>$200</td>
<td>$600</td>
<td>$400</td>
</tr>
<tr>
<td>2010</td>
<td>$200</td>
<td>$600</td>
<td>$400</td>
</tr>
<tr>
<td>2011</td>
<td>$200</td>
<td>$600</td>
<td>$400</td>
</tr>
<tr>
<td>2012</td>
<td>$200</td>
<td>$600</td>
<td>$400</td>
</tr>
<tr>
<td>2013B</td>
<td>$200</td>
<td>$600</td>
<td>$400</td>
</tr>
</tbody>
</table>

Compound annual growth rate
- Terminals: 7.2%
- Interstate: 3.9%
- Intrastate: 2.3%
**Biofuels**

- Ethanol blending available at all market locations

- Bio-diesel blending now available at Colton CA, Fresno CA, Las Vegas NV, and at Phoenix AZ terminals

- Acquired bio-fuels transload terminal in Belton, S.C. (Lincoln Energy)

- Tampa FLA ethanol unit train receipt facility in-service

**Landscape**
- Biodiesel blenders’ tax credit was reinstated by Congress through 2013
- Regulatory climate will continue to require an increasing volume of bio-fuels
- Opportunities associated with California low carbon fuel standard

<table>
<thead>
<tr>
<th>Products Pipelines Biofuel Volumes Handled (MMBbls)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
</tr>
<tr>
<td>30.2</td>
</tr>
</tbody>
</table>

**Biofuel Revenues ($MM)**

- Compound Annual Growth Rate = 15.2%
CPUC Rate Cases (The Saga Continues)

- CPUC consolidated multiple dockets dating from 1997-2008 and assigned to two ALJ’s (Long and Bemesderfer) for hearings.
- Proposed ALJ decisions (Long April 2010) and (Bemesderfer April 2012) deny SFPP an income tax allowance and make a series of adverse determinations on cost of service issues.
- May, 2011, CPUC largely upholds Long decision including denial of income tax allowance (ITA); subsequent SFPP request for rehearing denied and SFPP files petition for writ of review with California Court of Appeals.
- In January 2012, SFPP files application to reduce its intrastate rates by approximately 7% reflecting CPUC disallowance of ITA, but otherwise minimizing/neutralizing expected impact of expected Bemesderfer decision; Shippers challenge application for rate reductions.
- Status
  - October, 2012, California Court of Appeals grants SFPP’s writ of review on denial of income tax allowance. Case briefed with oral argument and decision likely in second half 2013.
  - ALJ Bemesderfer has withdrawn his April, 2012 proposed decision and indicated he will reissue his proposed decision at an unspecified later date.
  - Rate decrease application filed in 2012 set for hearing in April 2013 with decision expected late 2013.
FERC Rate Case Updates

- SFPP global historical settlement (approved in 2011) left two rate cases to be resolved

  - West Line rate case
    - Awaiting order on SFPP’s rehearing request on ADIT and indexing as to 511-A
    - Shippers intend to appeal both opinions to US Ct. of Appeals (DC)

  - East Line rate case
    - Opinion 522 (September 20, 2012): FERC rejected nearly all of ALJ’s findings adverse to SFPP and upheld its rulings in Opinions 511 and 511-A.
    - Awaiting order on SFPP’s and certain shippers’ rehearing requests as to Opinion 522; here too shippers intend to appeal opinion to US Ct. of Appeals (DC)

- Next Steps
  - Await rehearing orders and address these opinions on appeal

- CALNEV
  - Settlement approved by FERC in April 2012; bars shipper challenges through mid-2014
Kinder Morgan Crude & Condensate

Strategic Value
- KMCC completed in June 2012: capacity 300 MBbl/d
- Expectation for volumes to grow with Eagle Ford production
- Producers have access to condensate market via Explorer/Cochin and Beaumont/LA Refining market through KMCC Houston Ship Channel delivery points

Sweeny Lateral
- Constructing ~27 mile 12” pipeline to Phillips 66 Sweeny Refinery
- $90MM CAPEX with 19MBbl/d commitment from Phillips 66
- Estimated in-service: Fourth Quarter 2013

Karnes County Extension
- Finalizing negotiation with major producer to extend main line to Karnes County
- 24” pipe, tanks, and receipt facility: Est. cost $100MM
Kinder Morgan Condensate Processing Facility

Strategic Value
- Engineered for Eagle Ford production
- Supports volume demand for KMCC
- Integrated connectivity to refining, petchem, pipeline and marine facilities

Facility Specifications
- $200 Million Initial Project
- Processing Unit and 1.2 MBbl of new tankage on 60 acres within KM’s Galena Park Terminal
- BP committed exclusively for 10 years to the initial capacity of 42 MBbl/d of the 50MBbl/d capacity
- Estimated in-service April 2014

Further Opportunities
- Design provides for a second unit and tanks to double total capacity to 100 MBbl/d
- Phase 2 cost estimate at $150MM to $170MM
- Negotiating with counterparty to commit volumes to Phase 2
- Expect to conclude Phase 2 negotiations in the first quarter of 2013
Cochin Line Reversal Project

Strategic Value
- Project to reverse product flow on western leg of system to provide 95,000 bbl/day light condensate to oil sands producers in Western Canada
- Supported by 85,000 bbl/day shipper commitments for initial 10 year term
- Receipt connection from Explorer Pipeline
- Explorer shippers can source product from Eagle Ford using KMCC

Pipeline Specifications
- $260 million investment
- Project includes construction of new receipt terminal/tank farm/pump station, reversal of 25 pump stations

Project Status and Timeline
- Engineering, procurement and pipeline/tank farms permitting work underway
- Coordinating service transition issues with existing customers
- In-service July 2014
**Cochin East Leg Opportunities**

**Strategic Value**
- Cochin east leg can be reversed and extended with new pipe to provide light condensate gathering solution for the growing Utica & Marcellus shale plays.
- Provides producers an alternative to regional refinery sales by opening up access to the growing Western Canadian condensate market.
- Provides outlet for C5+ from condensate gathering systems in the region including Kinder Morgan Midstream’s proposed Tuscarawas processing plant and fractionator.
- Proposed Kankakee Terminal connection to Enbridge Southern Lights Manhattan Terminal will provide access to committed shippers on both pipeline systems.

**East Leg Pipeline Specifications**
- Capacity for up to 95,000 bbl/day.
- Anticipated in-service first half of 2015.
Parkway Pipeline

Strategic Value
- Provides Plantation Pipe Line with additional supply optionality
- Increase pipeline supply feeding KM Southeast Terminals

Pipeline Specifications
- 137 mile, 16-inch originating at Valero’s St. Charles Refinery
- $109.6 million capital project (KM share)
- Project is supported by a long-term throughput agreement for 100kbd
- Valero and KM own 50/50
- Connects to Plantation Pipe Line at Collins, MS
- Initial design capacity 110 MBbl/d expandable with additional pump stations to over 200 MBbl/d (100 MBbl/d committed)

Status and Timeline
- Lake construction completed Jan. 2013
- Land lay beginning first quarter of 2013
- Scheduled in-service Sept. 2013
Expanding to Meet Customer Demand

Approved Near-Term Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>In-service</th>
<th>Cost ($MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>West</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carson Terminal</td>
<td>Provide marine access post-2013 termination of existing Los Angeles harbor terminal lease</td>
<td>May 2013</td>
<td>$ 17.4</td>
</tr>
<tr>
<td>Edwards Air Force Base</td>
<td>Provides for direct pipeline interconnection to Edwards AFB via the Calnev mainline</td>
<td>January 2014</td>
<td>6.1</td>
</tr>
<tr>
<td><strong>East</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cochin Reversal</td>
<td>Reverse product flow on western leg of Cochin to provide 95kbpd light condensate to oil sands producers in Western Canada.</td>
<td>July 2014</td>
<td>260.2</td>
</tr>
<tr>
<td>Kinder Morgan Crude &amp; Condensate Sweeny Lateral</td>
<td>Construction of 27 miles of new 12’ pipe to connect the KMCC main line in Wharton County TX to the Phillips 66 Sweeny Refinery</td>
<td>October 2013</td>
<td>86.0</td>
</tr>
<tr>
<td>Kinder Morgan Condensate Processing Facility</td>
<td>Facility in Galena Park TX to process Eagle Ford or imported condensates into blend stocks with processing capability of 50kbpd expandable up to 100 kbpd.</td>
<td>April 2014</td>
<td>190.7</td>
</tr>
<tr>
<td>Parkway Pipeline Project</td>
<td>Construct new 141 mile, 16” liquid products pipeline</td>
<td>September 2013</td>
<td>109.4*</td>
</tr>
<tr>
<td>Various Terminal Projects</td>
<td>Includes various additive and blending systems</td>
<td>Varies</td>
<td>2.1</td>
</tr>
</tbody>
</table>

Grand Total = $671.9

First full-yr EBITDA = $119.6

EBITDA Multiple = 5.6
Summary Highlights

- Expectation for modest volume growth on existing asset base
  - Continue to exploit bio-fuels opportunities

- Full-year contribution from recently completed expansion and acquisition projects

- Significant growth from identified opportunities currently under development
  - Extension of the Eagle Ford crude and condensate system
  - Expansion of the condensate processing facility
  - Cochin east line conversion/utilization

- Continued focus on pipeline safety