



*Refined Products Infrastructure
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Trends

- Increasing Demand in world's largest market
 - Total US Market 14.2 Million BPD
 - 1.7% increase in gasoline demand = 1 million BPD increase every 6.5 years
- Increasing Dependence on US World-scale Refining and Major Import Centers with existing Infrastructure
 - **Gulf Coast**
 - **New York Harbor**
 - **S. California**
- KM well positioned in both Pipelines and Terminals to serve these trends

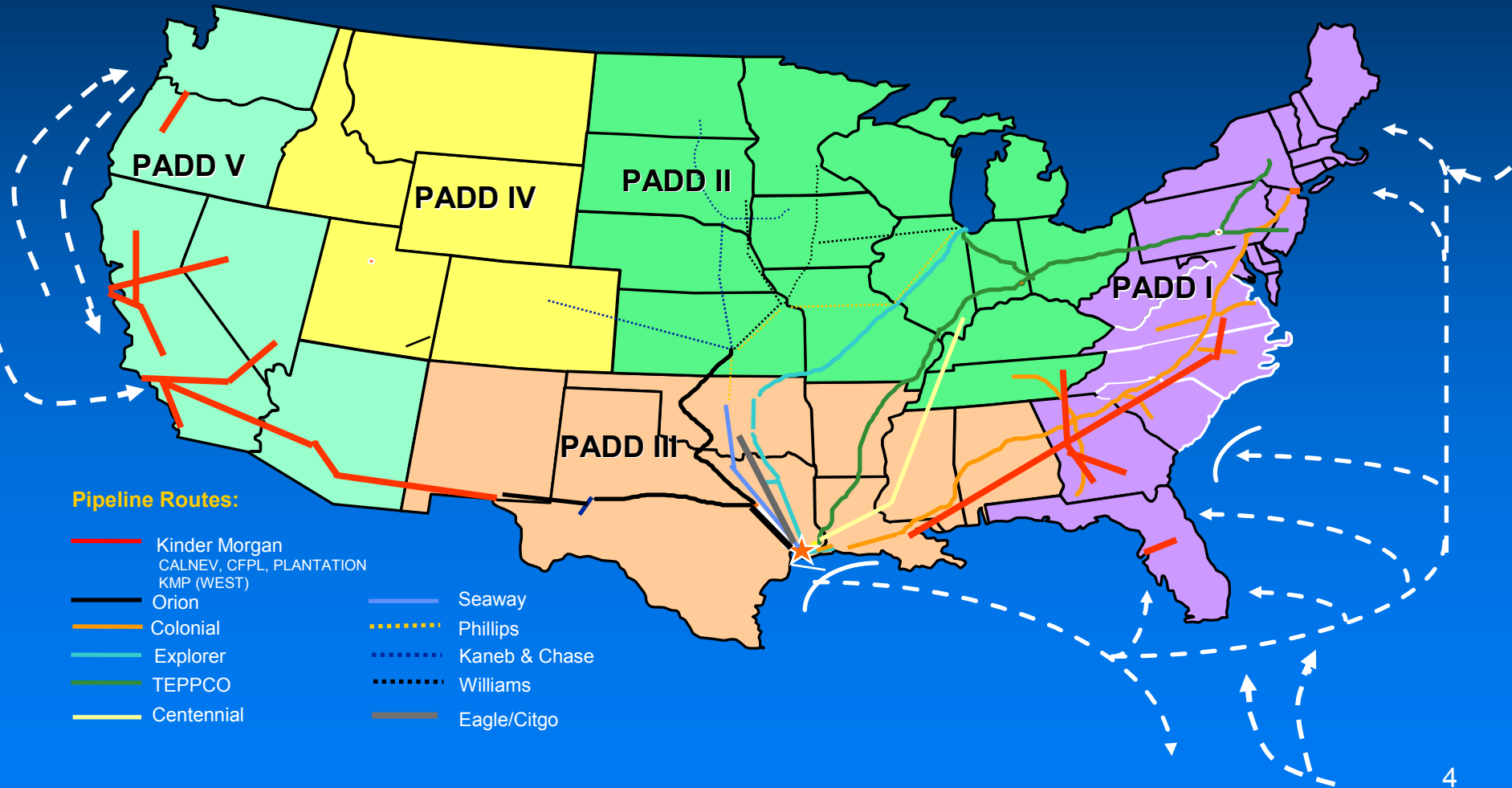
U.S. Petroleum Products Supply – Demand Balance

	1999	2000	2001	2002 ¹	CAGR
DEMAND					
Gasoline	8,431	8,472	8,610	8,833	1.6%
Jet Fuel	1,673	1,725	1,655	1,607	-1.3%
Distillate	<u>3,572</u>	<u>3,722</u>	<u>3,847</u>	<u>3,756</u>	<u>1.7%</u>
Total Demand (gas, jet & dist)	13,676	13,919	14,112	14,196	1.3%
Change in Demand		1.8%	1.4%	0.6%	
SUPPLY					
Imports					
Gasoline	599	651	752	821	11.1%
Jet Fuel	128	162	148	109	-5.2%
Distillate	250	295	344	240	-1.4%
Domestic Production					
Gasoline	8,111	8,186	8,312	8,436	1.3%
Jet Fuel	1,565	1,606	1,530	1,509	-1.2%
Distillate	<u>3,399</u>	<u>3,580</u>	<u>3,695</u>	<u>3,556</u>	<u>1.5%</u>
Total Supply (gas, jet & dist)	14,052	14,480	14,781	14,671	1.5%
Change in Total Supply		3.1%	2.1%	-0.7%	

Source: EIA

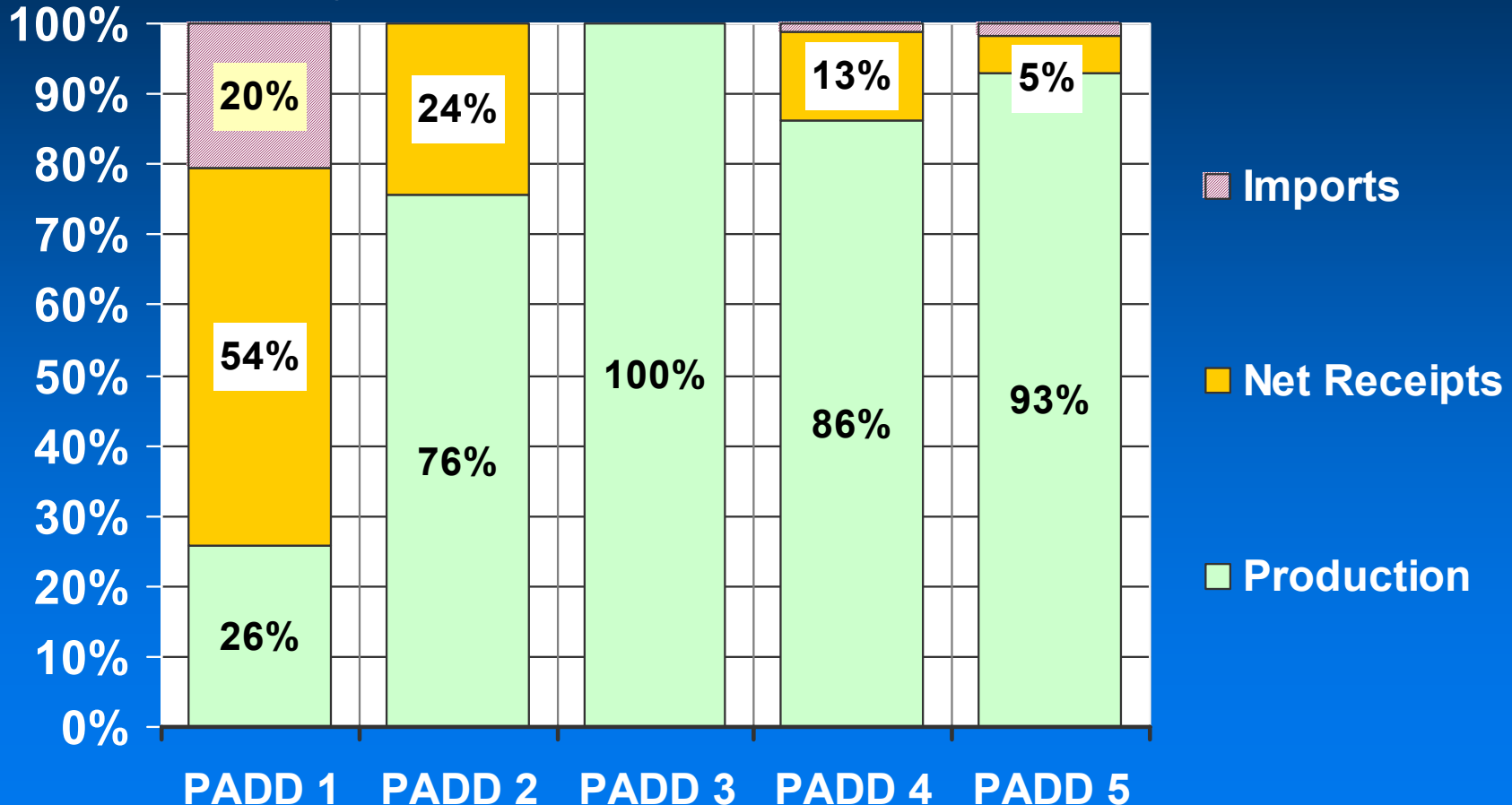
¹2002 data based on a 12 month average.

U.S. Clean Products Supply / Demand Balance



Pipeline & Marine Movements of Light Products Critical to Regional Supply

2001 Supply Sources as Percent of Demand

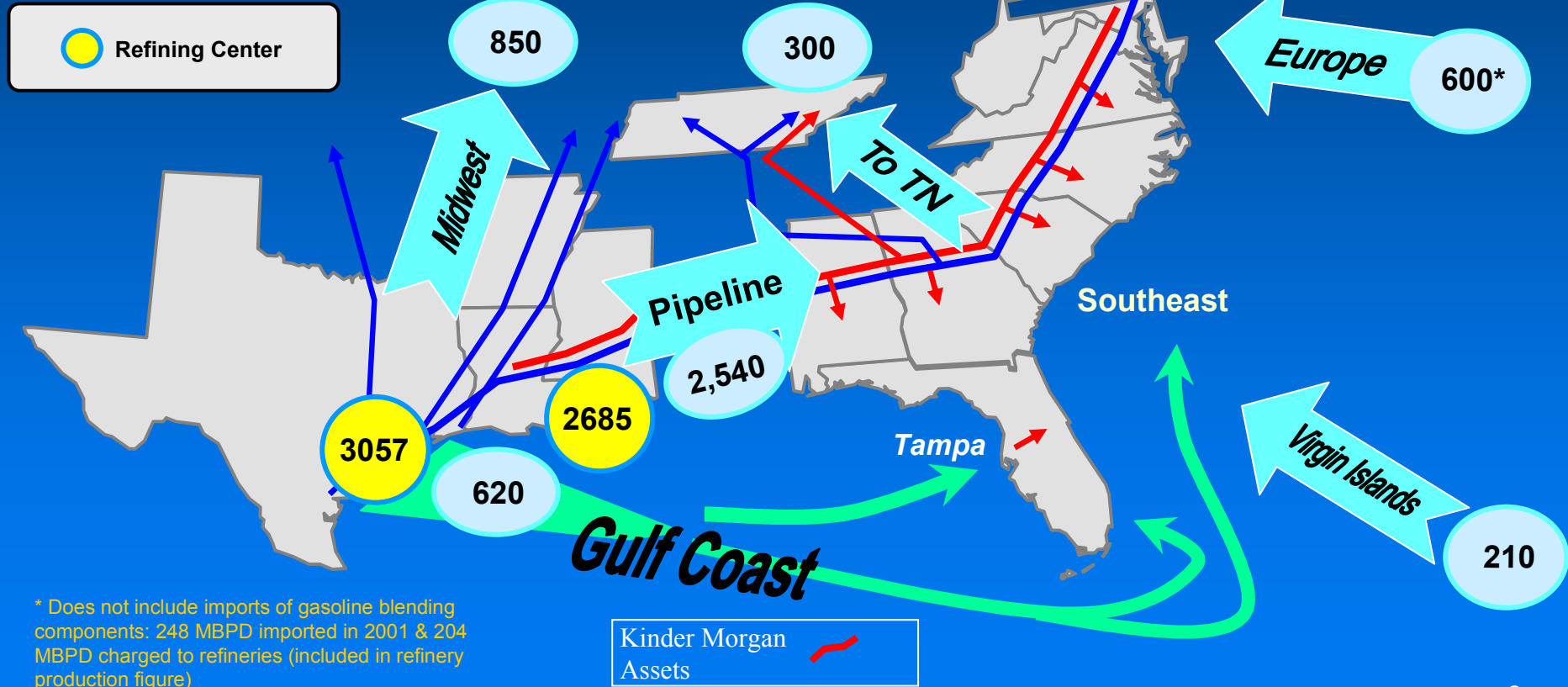


Note: Light products are gasoline, distillate and jet fuel.

Source: EIA, Petroleum Supply Monthly, 2001

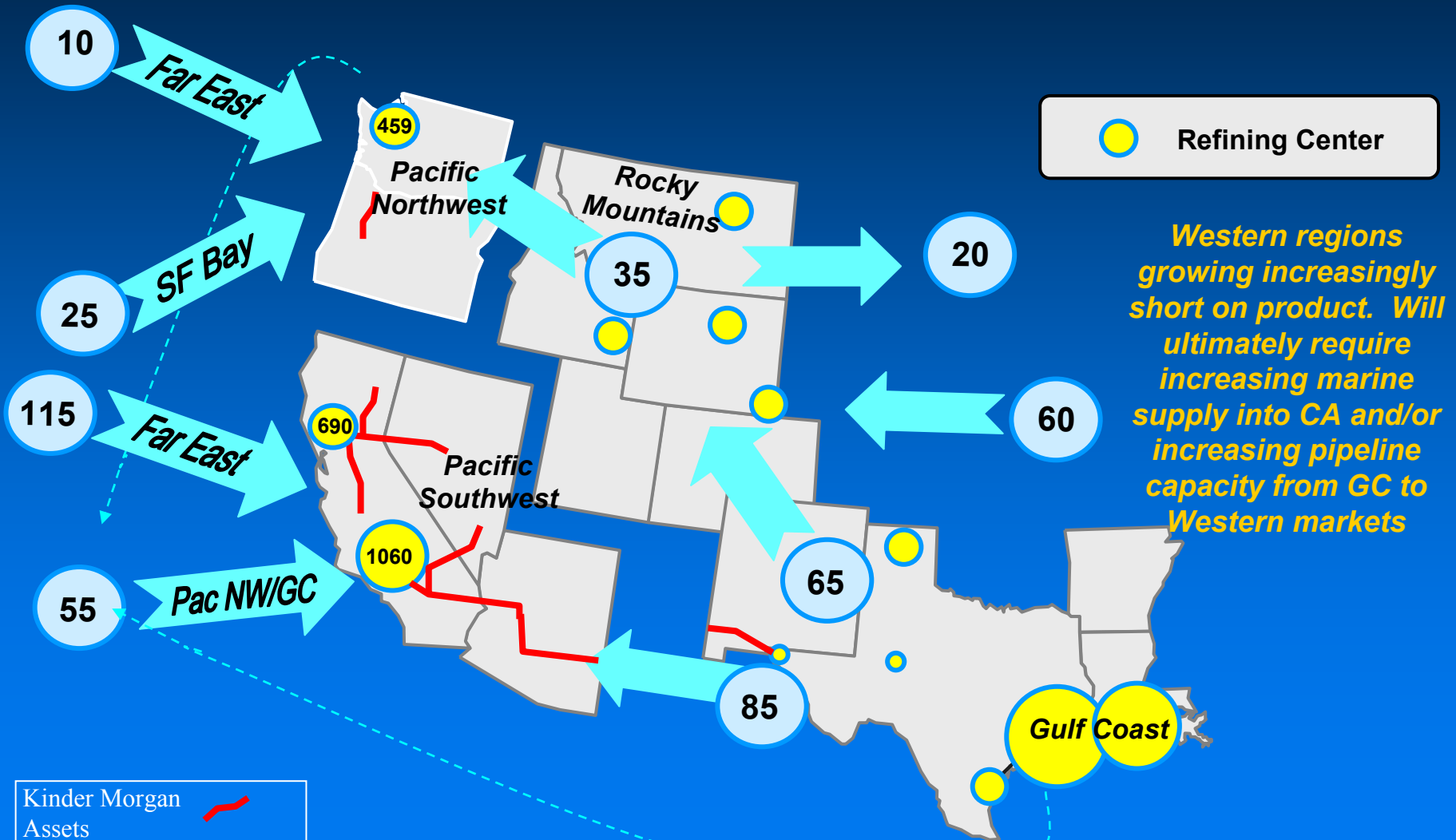
Primary Light Product Flows - East

Gulf Coast supply to Northeast supplemented by Canadian and European Supply; Southeast represents growth outlet for GC product



* Does not include imports of gasoline blending components: 248 MBPD imported in 2001 & 204 MBPD charged to refineries (included in refinery production figure)

Primary Light Product Flows - West



Demand Drivers

Operate in Growth Markets

- U.S. 2000 Census (1995-2015 Population Growth)
 - > 30% (California, New Mexico, Arizona, Nevada)
 - > 30% (Florida)
 - > 20% (Georgia, North Carolina, Virginia)

Operate in Large Markets

- New York
- California

Demand Drivers

Vehicle Sales Preferences (Millions)*

1988 - 10.4M Cars/4.7M Light Trucks/Minivans/SUVs

1997 - 8.3M Cars/6.5M Light Trucks/Minivans/SUVs

2001 - For first time, Light Trucks/Minivans/SUVs outsell passenger cars

2002 – Sales of SUVs increase 6% over 2001, record high

Ratio of Passenger Cars to Light Trucks/SUVs:

<u>2000</u>	<u>2005</u>	<u>2010</u>
63% / 37%	57% / 43%	53% / 47%

CAFE Standards Unchanged Since 1990

- Trucks, SUVs average 5mpg less than cars
- Energy Intensity Comparison*

Passenger Car

3,700 BTUs per passenger mile

Light Truck/Minivan/SUV

4,529 BTUs per passenger mile

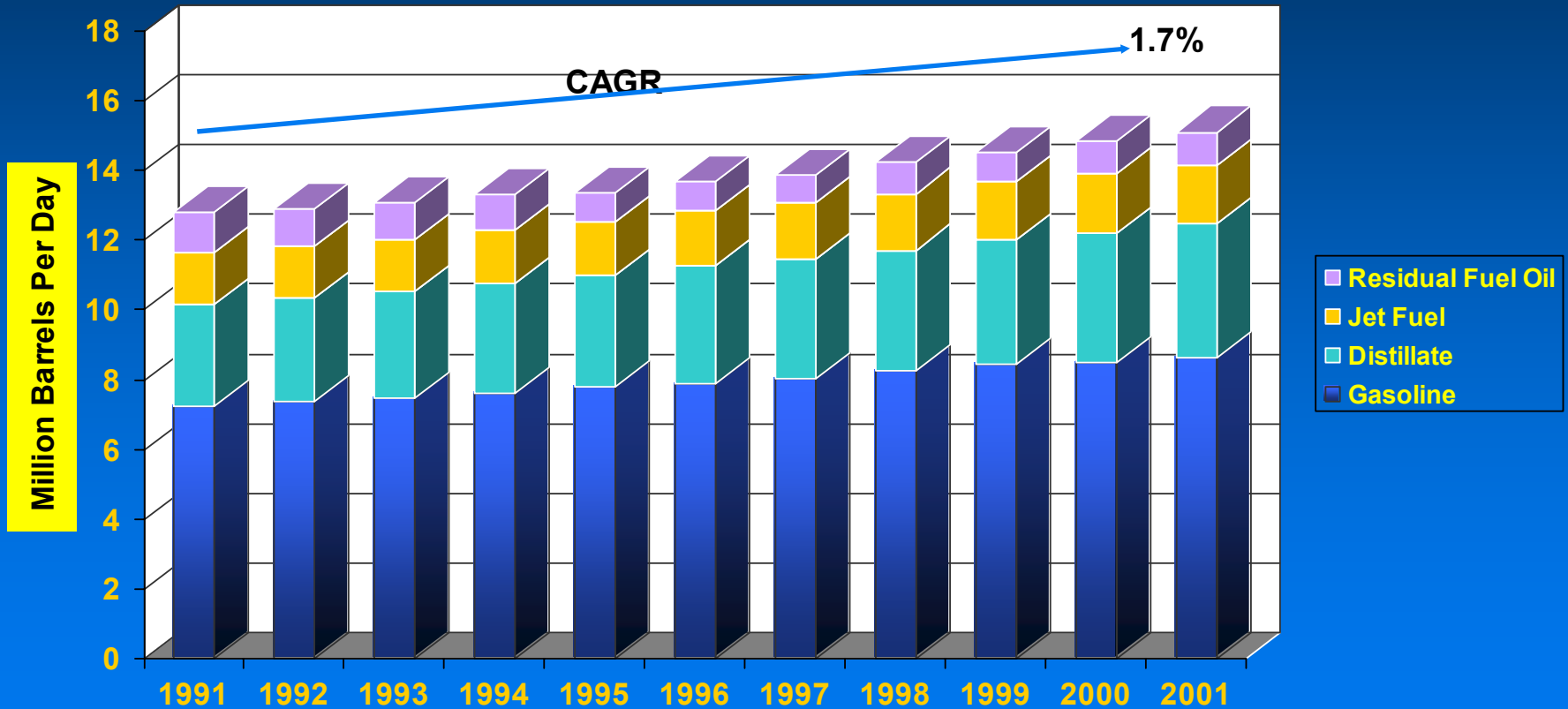
Transportation Mode Preference*

- Urban vehicle miles traveled +83% (1980-1997)
- Personal use vehicles account for 90% of all local trips, 80% of all long distance trips (> 100 miles)

*(U.S. DOT Transportation Statistics Annual Report 1999)

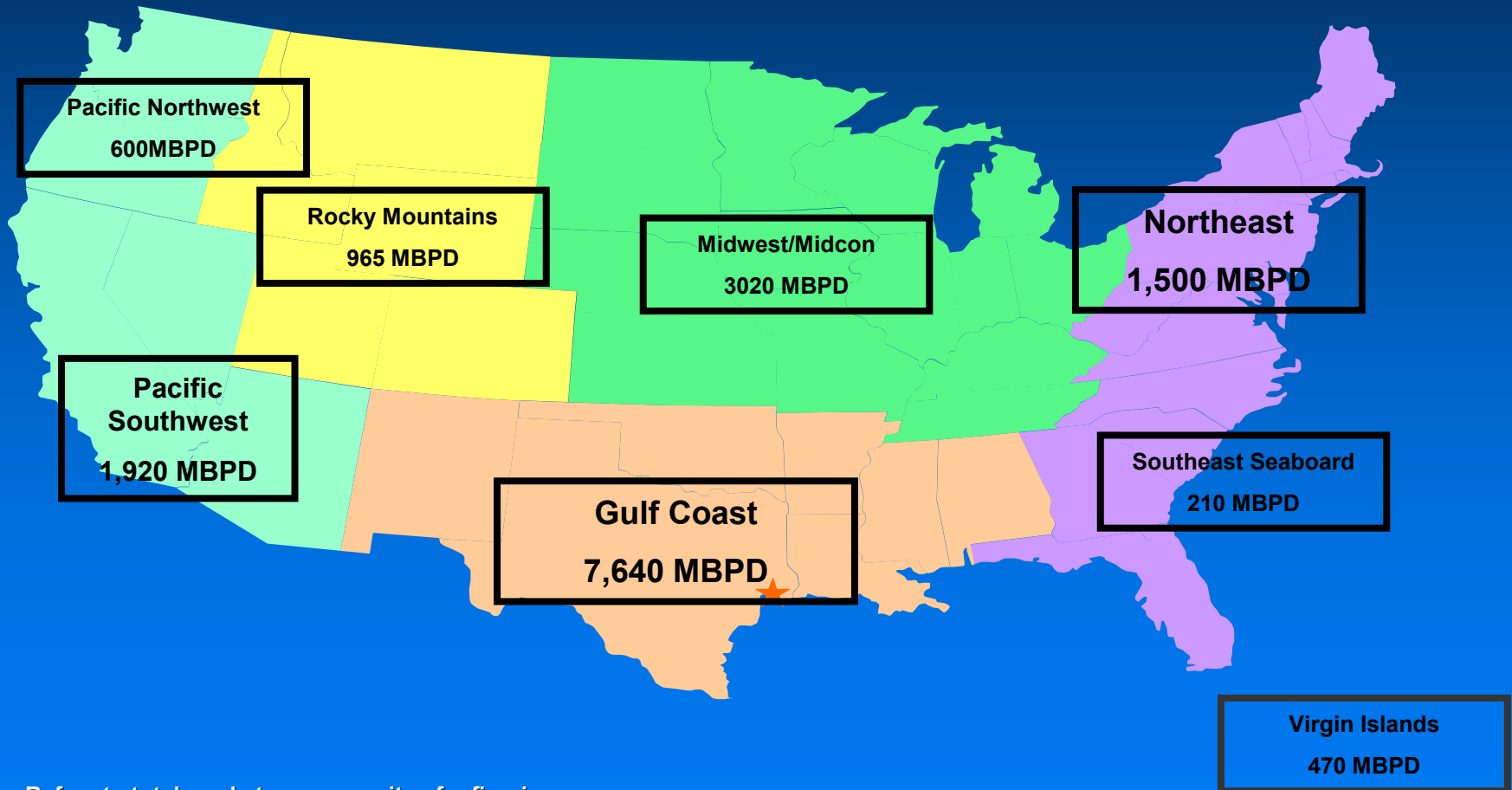
Historical Demand Trend

U.S. Petroleum Products Supplied per Day



Sources: EIA; U.S. Petroleum Products Supplied, 2000 to Present 2001.

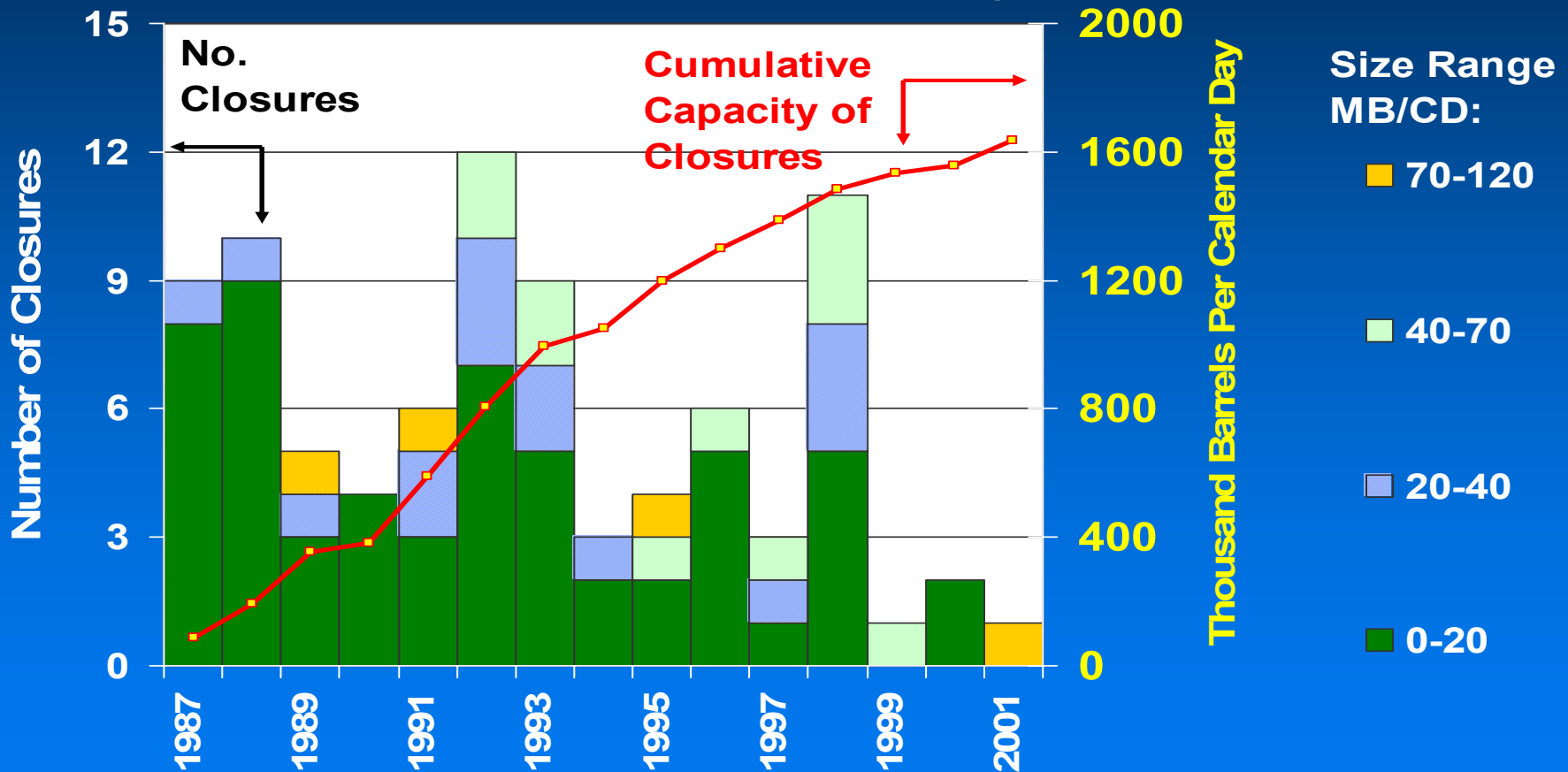
Location of US Refineries 2002



Note: Refers to total crude tower capacity of refineries

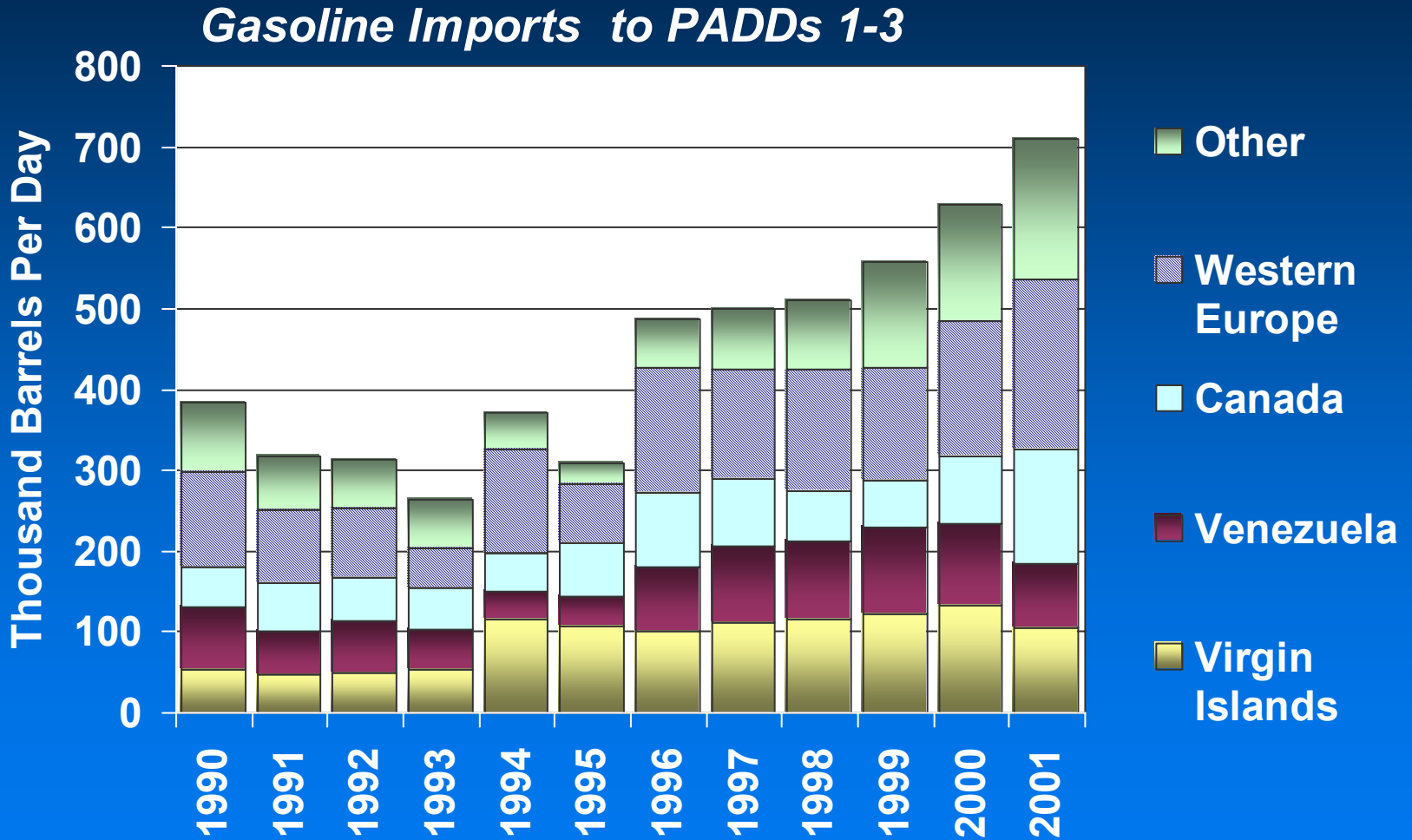
Refinery Closures Continue

U.S. Refineries Closed & Capacity



Source: EIA

Total Gasoline & Blending Components Imports



2007 U.S. Balance With MTBE

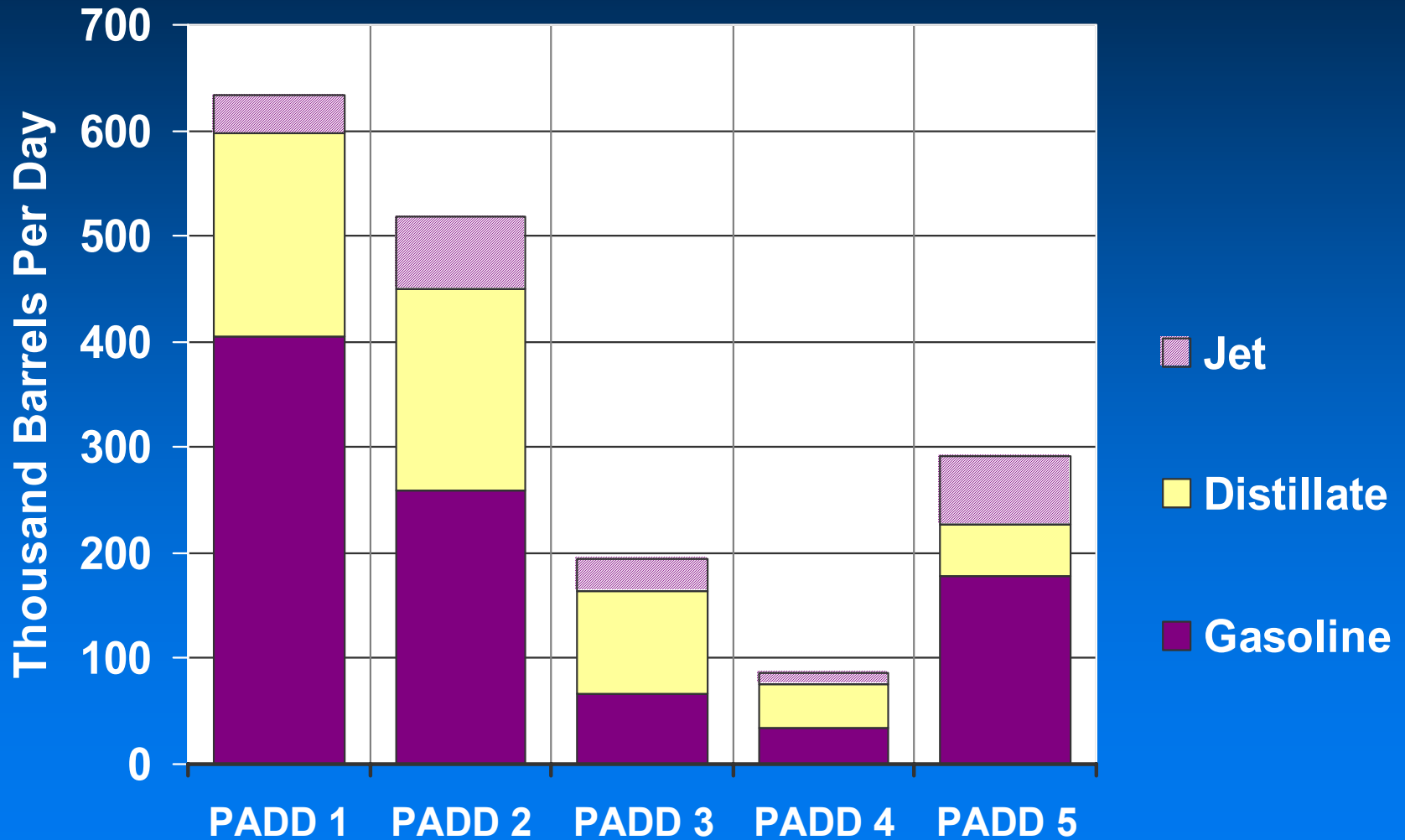
	Refining Capacity (MB/D)	Gross Inputs (MB/D)	Utilization (Percent)	Gasoline Demand (MB/D)	Gasoline Production (MB/D)	Net Imports (MB/D)
2000	16,512	15,285	92.6	8,471	8,185	282
2007	18,532	17,175	92.7	9,564	9,168	396
Increase	2,020	1,890	0.1	1,093	983	114

Source: EIA

Meeting U.S. Gasoline Demand: 2000-2007 Input and Import Increases With & Without MTBE

	Utilization (Percent Operating Capacity)	Gross Inputs (MB/D)	Blending Stock Imports (MB/D)	Finished Gasoline Imports (MB/D)	Total Imports (MB/D)
With MTBE	0.1%	1,890	1	114	115
No MTBE	1.6%	2,170	299	-146	153

Increases in Light Product Demand 2001-2007



Source: EIA

Kinder Morgan Assets Fit The Trends



Kinder Morgan Assets

Pipeline Capacity/Utilization

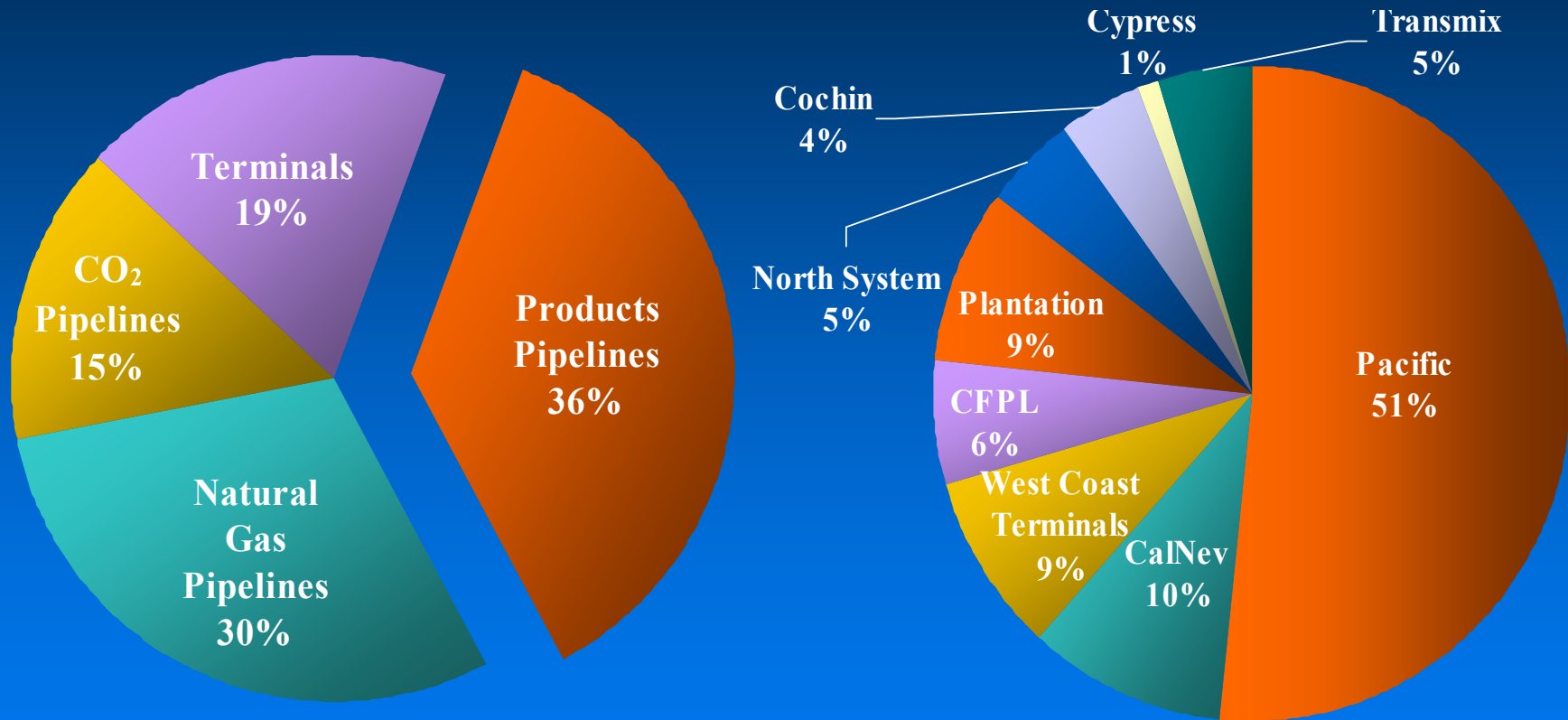
	<u>Capacity (BPD)</u>	<u>Utilization (2000)</u>	<u>Years Until Full</u>
CALNEV	158,000	75%	5-7 yrs.
PACIFIC			
Watson-Colton	540,000	71%	7-10 yrs.
Colton-Phoenix	204,000	75%	6-8 yrs.
Watson-San Diego	144,000	82%	5-7 yrs.
North Line - Sacramento	152,000	81%	3-5 yrs.
North Line – Reno	45,000	85%	5-7 yrs.
Oregon Line	51,000	82%	7-10 yrs.
East Line	93,000	100%	At Capacity
CFPL	144,000	65%	10-15 years
PPL			
Baton Rouge – Collins	500,000	82%	4-6 years
Collins Mainline	730,000	78%	7-9 years

Pipeline Expansions Since 1998: 388 MBPD

Expansion Projects

- Carteret
 - 2002: +400MB, 2003: +400MB, New 16" Buckeye Line
- Perth Amboy
 - 2003: +300MB
- Pasadena
 - 2002: +830MB, 2003: +300MB, New Colonial-Explorer Manifold
- Carson
 - Two 80MB Tanks, Expand PL Capacity by 50%
 - Permitting for Additional 16 Tanks (1280MB)
- North Line
 - Replace approx 70 miles of 14" with 20" pipeline
 - Initial expansion adds approximate 20%
- Lateral Opportunities
 - Roanoke : Project underway to expand capacity by 10%
 - Knoxville: Pursuing additional shipper commitments to double existing capacity

Products Pipelines Segment Overview (a)



(a) 2003 budgeted distributable cash flow before allocation of G&A and interest

2002 Product Pipeline Results

Segment Distributable Cash Flow up \$43 MM (12% with acquisitions, 9.2% without acquisitions)

	<u>Pipeline Volumes MMBBL</u>			<u>Pipeline Revenues \$MM</u>		
	<u>2002</u>	<u>2001</u>	<u>Pct</u>	<u>2002</u>	<u>2001</u>	<u>Pct</u>
Pacific	415.3	413.4	0.5%	296.7	286.1	3.7%
Calnev	44.2	44.3	-0.2%	51.7	48.7	6.2%
Plantation	232.5	225.7	3.0%	160.3	156.7	2.3%
Heartland	6.6	7.4	-10.3%	6.2	6.7	-7.9%
CFPL	<u>34.4</u>	<u>33.7</u>	<u>1.9%</u>	<u>32.3</u>	<u>31.4</u>	<u>3.0%</u>
Total	733.0	724.5	1.2%	547.1	529.5	3.3%

Includes Associated Terminals

2003 Product Pipeline Plan

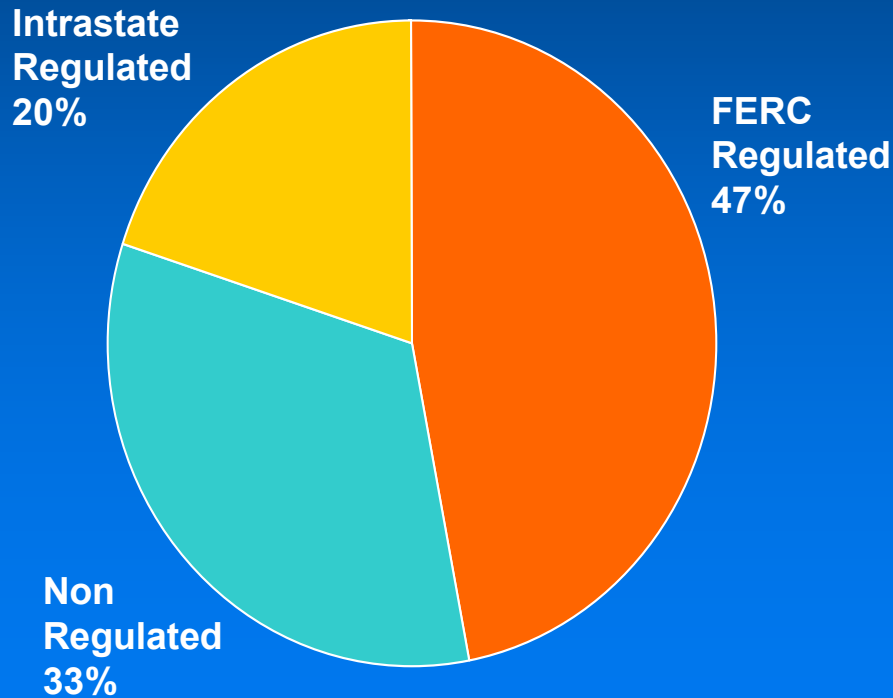
Segment Distributable Cash Flow up \$19.6 MM (5%) with no acquisitions

	<u>Pipeline Volumes MMBBL</u>			<u>Pipeline Revenues \$MM</u>		
	<u>2003</u>	<u>2002</u>	<u>Pct</u>	<u>2003</u>	<u>2002</u>	<u>Pct</u>
Pacific	428.3	415.3	3.1%	307.9	296.7	3.8%
Calnev	46.4	44.2	4.8%	54.4	51.7	5.3%
Plantation	238.7	232.5	2.7%	168.9	160.3	5.4%
Heartland	7.7	6.6	15.9%	7.1	6.2	14.6%
CFPL	<u>37.1</u>	<u>34.4</u>	<u>7.9%</u>	<u>34.5</u>	<u>32.3</u>	<u>6.9%</u>
Total	758.1	733.0	3.4%	572.9	547.1	4.7%

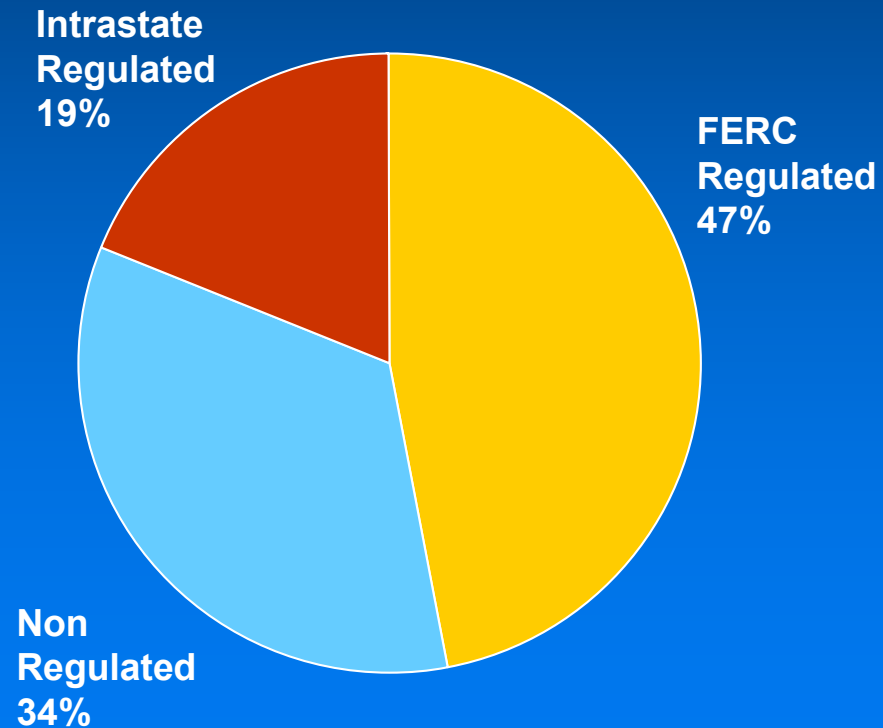
Includes Associated Terminals

Earnings Breakdown

2001 EARNINGS



2002 EARNINGS



Regulatory Overview

- Oil Pipeline Regulation pre-Energy Policy Act (EPACT)
 - Valuation, 1941 Consent Decree, DOC, TOC, Opinions 154, A, B & C

- EPACT 1992
 - Provide rate certainty / reduce litigation
 - Grandfathered existing rates as “just and reasonable”
 - Simplified and generally applicable ratemaking methodology
 - Indexed rates (PPI FG – 1%)

Regulatory Overview (continued)

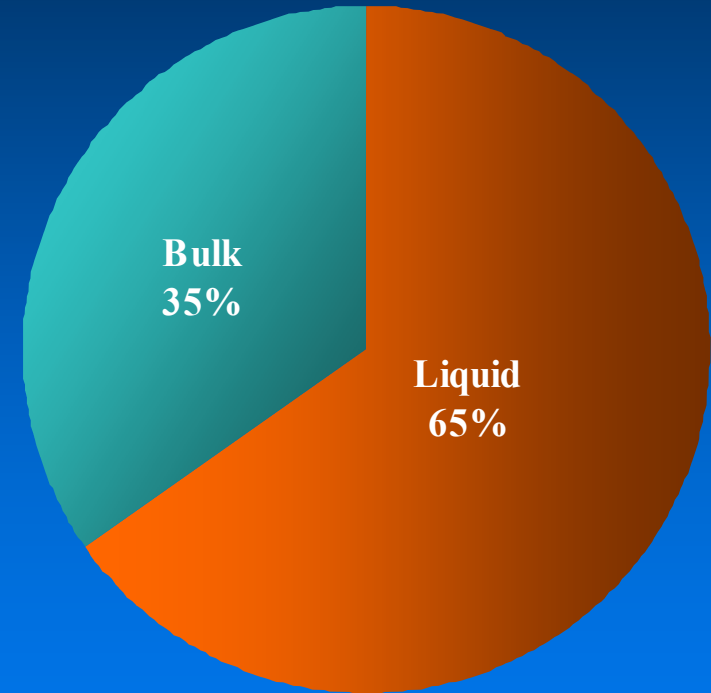
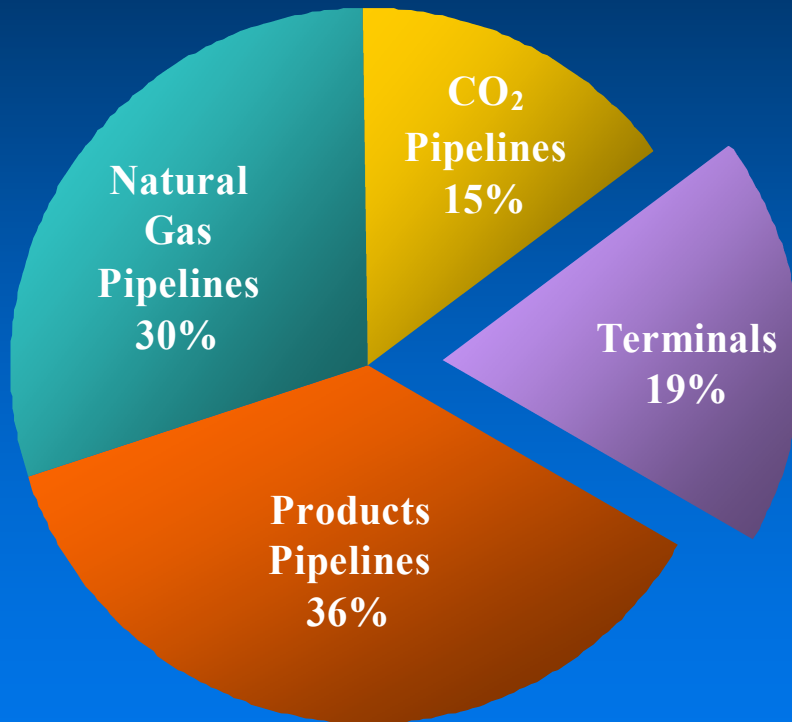
- Challenges to SFPP Rates
 - The test: “Substantial change after the enactment of EPACT in the economic circumstances underlying the rate”

- Opinion 435 et seq. (1992 - ?)
 - 1999 Decision upheld Grandfathered rates

- “Global” Complaint Case (1996 - ?)
 - Continued attack on grandfathered rates
 - Hearings (October '01 – March '02)
 - ALJ Decision (1H 2003)
 - Commission Review (2H 2004)
 - Court of Appeals (2006)

- “Changed Circumstances” exception should not eviscerate Congress’ intent to simplify oil pipeline ratemaking and provide rate certainty

Terminals Segment Overview (a)



(a) 2003 budgeted distributable cash flow before allocation of G&A and interest

2002 Terminals Results

Segment Distributable Cash Flow Up \$35 MM (23%)

<u>Distributable Cash Flow:</u>	<u>2001</u>	<u>2002</u>	<u>Change</u>	<u>% Change</u>
Liquid Terminals	101,548	124,711	23,163	23%
Bulk Terminals	<u>51,162</u>	<u>63,219</u>	<u>12,057</u>	<u>24%</u>
Total Terminals Distributable Cash Flow	152,710	187,930	35,220	23%

Internal Growth

- Pasadena +13%
- Carteret +11%
- Delta +14%

Impact From New Acquisitions

- Perth Amboy / Chicago
- KM Materials Services
- IMT
- Lanham
- Vopak

2003 Terminals Plan

Segment Distributable Cash Flow up \$23.8 MM (\$212) (13%)

<u>Distributable Cash Flow:</u>	<u>2002</u>	<u>2003 Plan</u>	<u>Change</u>	<u>% Change</u>
Liquid Terminals	124,711	138,065	13,354	11%
Bulk Terminals	<u>63,217</u>	<u>73,634</u>	<u>10,415</u>	<u>16%</u>
Total Terminals Distributable Cash Flow	187,928	211,699	23,771	11%
<u>Internal Growth</u>				
➤ Argo		+18%		
➤ Galena Park		+19%		
➤ KM Materials Services		+32%		
➤ Pier 9		+50%		
<u>Impact From New Acquisitions</u>				
➤ St. Gabriel				
➤ SSA				
➤ Rudolph				