2003 Results

- Refined Products volumes off 1.3%; Revenues up 1.5%. Volumes impacted by several events.
  - West Coast
    - Conversion from MTBE to ethanol
    - SARS / slower than anticipated commercial air travel recovery
    - Military deployment
  - Southeast (PPL)
    - Texas / Louisiana supply logistics shifts
    - Crimped demand due to poor weather – February / March
    - Extended 1Q / 2Q turnarounds and Murphy refinery fire
    - Military deployment and commercial air travel recovery
2003 Results (continued)

- Refined Products volumes rebounded in 4th quarter
  - Total Products Pipelines volumes up 2%; up 3.2% adjusted for ethanol conversion
  - PPL volumes up 4.1%
  - Pacific gasoline and total volumes up 2.8% adjusted for ethanol
  - Calnev gasoline up 3% adjusted for late December pipeline washout
  - CFPL gasoline up 2.7%

- Underlying long-term demand drivers still in place
### 2003 Results

<table>
<thead>
<tr>
<th>Pipeline Volumes MMBBL</th>
<th>Pipeline Revenues $MM</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2003</strong></td>
<td><strong>2002</strong></td>
</tr>
<tr>
<td>Pacific</td>
<td>413.0</td>
</tr>
<tr>
<td>Calnev</td>
<td>44.7</td>
</tr>
<tr>
<td>Plantation</td>
<td>223.5</td>
</tr>
<tr>
<td>Heartland</td>
<td>7.4</td>
</tr>
<tr>
<td>CFPL</td>
<td>35.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>723.7</strong></td>
</tr>
</tbody>
</table>

*Includes Associated Terminals, excludes NGLs*

\(^1\) Unadjusted for ethanol

\(^2\) Unadjusted for Dec ’03 washout
2003 vs. 2002 – Volume Growth Trending Positive

- 1st Qtr
- 2nd Qtr
- 3rd Qtr
- 4th Qtr

SFPP
SFPP ex ethanol conversion
Calnev
Plantation
Central Florida
Demand Drivers

- Operate in Growth Markets
    >30% (California, New Mexico, Arizona, Nevada)
    >30% (Florida)
    >20% (Georgia, North Carolina, Virginia)

- Operate in Large Markets
  - Los Angeles, San Francisco, Phoenix
  - Atlanta, Washington D.C.

- Vehicle Sales Preferences*
  - Ratio of Passenger Cars to Light Trucks/SUVs:
    | 2000  | 2005  | 2010  |
    |-------|-------|-------|
    | 63% / 37% | 57% / 43% | 53% / 47% |

- No major changes to CAFE standards
- EIA 2004 total US products demand forecast +1.9%

* U.S. DOT Transportation Statistics Annual Report 1999
Commodity Demand

U.S. Petroleum Products Supplied per Day

CAGR = 1.9%

Source: EIA, January 2004 Short-Term Energy Outlook.
## 2003 Volumes

<table>
<thead>
<tr>
<th></th>
<th>Nationwide Demand</th>
<th>Pacific</th>
<th>Calnev</th>
<th>CFPL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline</td>
<td>+1.0%</td>
<td>+1.5%</td>
<td>+3.0%</td>
<td>+2.3%</td>
</tr>
<tr>
<td>Diesel</td>
<td>+4.5%</td>
<td>+4.9%</td>
<td>+4.2%</td>
<td>+2.5%</td>
</tr>
<tr>
<td>Jet</td>
<td>-1.9%</td>
<td>-4.1%</td>
<td>-4.0%</td>
<td>+3.0%</td>
</tr>
<tr>
<td>Total</td>
<td>+1.4%</td>
<td>+1.3%</td>
<td>+1.8%</td>
<td>+2.5%</td>
</tr>
</tbody>
</table>

1 Adjusted for ethanol
2 Adjusted for December ’03 washout
2003 Volumes (continued)

- Pacific
  - Gasoline demand above national average (up 1.5% adjusted for ethanol)
  - Diesel volumes up 4.9% due to improving economy
  - Jet volumes down 4.1%
    - Military volumes down 13% in 1st half of 2003 due to war in Iraq; rebounded to 23.9% growth in 4Q03
    - Commercial jet travel impacted by SARS; traffic from SFO to Asia down 40% in 2Q03
2003 Volumes (continued)

Plantation

- Gasoline volumes down 7.4%
  - Major suppliers (including XOM) in extended turnarounds
  - Severe winter weather impacted demand late 1Q / early 2Q
  - Gasoline volumes down 10% in 1Q-3Q03 as refiners shifted supply sources (from Louisiana to Texas) to meet new low sulfur regulations in Atlanta
  - Gasoline rebounded to 1.7% growth in 4Q03
- Diesel volumes up 8.0% due to logistics shifts (XOM supplying LSD) and improving economy
- Gas/distillate mix shifted from 68%/32% in 2002 to 65%/35% in 2003
- Jet volumes down 2.5% due to SARS and slowly recovering travel
2003 Volumes (continued)

- **Calnev**
  - Gasoline volumes up 1.6% (up 3% adjusted for late December '03 washout)
  - Diesel volumes up 4.2% due to improving economy
  - Jet volumes down 4.0% due to SARS and overseas military deployment

- **CFPL**
  - Gasoline volumes up 2.3%
  - Diesel volumes up 2.5%
  - Jet volumes up 3.0%
California Ethanol Conversion

- MTBE Eliminated from California gasoline in 2 major steps in 2003

  - Beginning January 2003:
    - Approximately 50% of CA gasoline converted by major refiners on a voluntary basis

  - November 2003:
    - Remaining 50% of CA gasoline converted to comply with 1/1/04 regulatory mandate
    - Ethanol Blending Facilities in place at all KM CA terminals to serve majors and community customers
      - Investment supported by term contracts to provide ethanol blending services
California Ethanol Conversion (continued)

- **Impact on Pacific Volumes**
  - 2003 Ethanol Effect: 7.8 million barrels
  - 2004 Estimated Ethanol Effect: 3.7 million barrels
  - 2003 Gasoline volumes would have been up 1.5% adjusted for ethanol conversion
  - 2003 Total volumes would have been up 1.3% adjusted for ethanol conversion

- **Impact on Pacific Terminal Revenue**
  - Terminal Revenue up $4.7 million or 10% in 2003
  - Estimated Terminal Revenue for SFPP Terminals in 2004 will be up $5.2 million, or 10%
California Ethanol Effect

2003 Total = 7.8 million barrels
2004 Total = 3.7 million barrels
SFPP Rate Case

- OR 96-2 “Global Complaint”
  - Complaints filed in 1996
  - Hearings held from October 2001 through March 2002
  - ALJ non-binding Initial Decision on Phase I (grandfathering) issued in June 2003
  - Initial Decision appealed to the Commission in August 2003
  - Expect ALJ non-binding Initial Decision on Phase II (rates and reparations) in the 1st quarter of 2004
  - Expect the first Commission Decision on combined Phases I and II in the 1st to 2nd quarter of 2005
Tucson

Arizona House of Representatives Draft Report on Gasoline Shortage found:
- “Although the pipeline break was a contributing factor…”
- “It appears that gasoline demand resulting from panic buying was the major cause of the Phoenix area gasoline spot shortage”
- Demand spike was more than 5 times the normal daily demand

SCC Investigation
- All initial survey studies are complete
- Field excavations underway; will be completed in February
- SCC is not detectable with current in-line inspection tools

Replacement of 12 miles of pipeline through the city of Tucson
- All permits are in-hand
- Have completed 65% of pipeline replacement project
- Will be completed in mid-March
- Part of the longer-term $200 million East Line Expansion
Sustaining Capex

2002: $28.2 million
2003: $30.0 million
2004: $40.6 million

KM has projected increased costs associated with implementation of DOT’s Integrity Management Rule

- The IMP rule has compressed the time frame/frequency for internal inspections
- Prior to the IMP rule, KM had inspected 6,196 miles of pipeline, usually on a 10-year frequency (74% of total mileage, 96% of SFPP and 89% of Calnev and PPL)
- The IMP rule requires inspection of all lines on a 5-year frequency
- 50% of all pipelines must be inspected between March 2001 and September 2004
- Looking forward, unless regulations change, costs are not expected to increase significantly through the 5-year cycle
Kinder Morgan’s 10-year Integrity Management Plan

- Under DOT’s IMP Rule, KM prioritizes pipeline segments to be tested each year

- Criteria used for prioritization of High Consequence Areas (HCAs)
  - Commercial navigable waterways
  - Highly populated areas
  - Unusually Sensitive Areas (USAs)
    - Drinking water sources
    - Ecological resource areas
  - Operating History

- Highest total annual mileage scheduled for inspection will be in 2004
Annual Internal Inspections

- Miles of Pipe Internally Inspected


- 2002: 1,000 miles
- 2003: 1,500 miles
- 2004: 2,500 miles
- 2005: 1,500 miles
- 2006: 2,000 miles
- 2007: 2,000 miles
- 2008: 1,500 miles
- 2009: 2,500 miles
- 2010: 1,500 miles
- 2011: 1,000 miles
2004 Products Pipeline Segment Overview *

- CO2 Pipelines: 24%
- Natural Gas Pipelines: 26%
- Products Pipelines: 33%
- Terminals: 17%

* 2004 budgeted distributable cash flow before allocation of G&A and interest

- Pacific: 52%
- CalNev: 9%
- West Coast Terminals: 9%
- SE Terminals: 2%
- CFPL: 6%
- Plantation: 8%
- North System: 7%
- Transmix: 5%
- Cochin: 2%
- Transmix: 5%

* 2004 budgeted distributable cash flow before allocation of G&A and interest
## 2004 Plan

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<td>44.7</td>
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<td>Plantation</td>
<td>227.6</td>
<td>223.5</td>
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<td>Total</td>
<td>746.2</td>
<td>723.7</td>
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</table>

Includes Associated Terminals
2004 Volume Forecast

- Expect continued improvement as gasoline and jet volumes return to historical growth patterns

- Pacific / Calnev
  - Expect 4% volume growth in Arizona and Las Vegas
  - Ethanol effect will be diminished by more than 50% in 2004; gasoline demand expected to increase by 3%
  - Military volumes will be up about 4% in the 1\textsuperscript{st} half of 2004
  - Commercial jet volumes will be up about 4% in the 1\textsuperscript{st} half of 2004
2004 Volume Forecast (continued)

- **Plantation**
  - Expect 3% growth in gasoline volumes as logistics shifts were completed in early 2003 and Murphy refinery returns to normal production
  - Expect 3% growth in commercial jet volumes
  - Length of haul will increase due to Colonial capacity issues during peak periods

- **Central Florida Pipeline**
  - Expect 4% volume growth as tourism continues to recover
  - Also expect increased diesel demand for electric power generation

- **Favorable Change to FERC Index**
  - Approximately 3% tariff increase in July 2004
  - Index now based on PPI-FG without 1% deduction
  - 2003 Index increased a total of 0.07%
Revenue Breakdown – Products Pipelines

2003

- Transmix: 4%
- Terminals: 19%
- Pipelines: 77%

2004

- Transmix: 4%
- Terminals: 22%
- Pipelines: 74%
Expansion Projects

- **Pacific East Line Expansion**
  - Favorable Order on Tariff Structure from FERC 8/1/03
  - Projected Startup 4Q05 / 1Q06
  - $200 Million Investment
  - Increase Capacity to Phoenix by 44MBD or 80%

- **Pacific North Line**
  - EIR approved 4Q03
  - Construction scheduled to begin 2Q04 with completion in 4Q04
  - $88 Million Investment
  - Increase Capacity by 48 MBD or 32%
Expansion Projects (continued)

- **Pacific Concord to Bakersfield**
  - Shell announced plans for closure of Bakersfield refinery, slated for October 2004
  - Bakersfield refinery has crude capacity of 65MBPD
  - Kinder Morgan evaluating expansion of Concord-Fresno pipeline and reversing Bakersfield-Fresno pipeline
  - Will open up new market for pipeline transportation

- **Los Angeles Harbor & Carson Terminal Expansion**
  - Expand pipeline capacity from LA Harbor by 50% in July 2004
  - Add four 80MB tanks
  - Two tanks in service 4Q04, two more in service 1Q05
  - Expect to receive EIR approval in 1Q04 for additional 14 tanks
  - Continued strong interest by majors and traders for additional tankage in the LA market
2003 Acquisitions

- Shell West Coast Terminals
  - Five Terminals
  - $20 Million purchase, additional $8 Million to be invested by KM
  - Approximately 700M barrels of storage capacity
  - Colton, Mission Valley, Phoenix, Tucson, and Reno
  - All are connected to SFPP pipeline system

- Conoco Phillips Southeast Terminals
  - Seven Terminals
  - $14 Million purchase, additional $1.3 Million to be invested
  - Approximately 1.15 million barrels of storage capacity
  - Conoco Phillips has agreed to 5-year usage contract
  - All are connected to Colonial Pipeline, three also connected to Plantation Pipe Line

- In negotiations to acquire 9 additional terminals in Southeastern US
  - These terminals will complement those acquired from COP
  - Will provide terminal services in major markets throughout the Southeast