Products Pipelines

Tom Bannigan

President Products Pipelines Group
KMP Products Pipelines Assets

Miles of Pipe ~ 8,900
Terminals – 52
Tank Capacity
  Terminal ~ 32 MMbbls
  Pipelines ~ 15 MMbbls
Transmix – 6 facilities with process capability of 30kbpd
2009 Throughput ~ 1.9 MM bbls/day
## Segment Financial Overview (a)

($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010 Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income Before DD&amp;A</td>
<td>$571.5</td>
<td>$635.1</td>
<td>$698.6</td>
</tr>
<tr>
<td>Sustaining Capital (b)</td>
<td>(47.5)</td>
<td>(42.5)</td>
<td>(45.0)</td>
</tr>
<tr>
<td>Distributable Cash Flow</td>
<td>$524.0</td>
<td>$592.6</td>
<td>$653.6</td>
</tr>
<tr>
<td>Percent change over prior year</td>
<td>1.3% (c)</td>
<td>13.1%</td>
<td>10.3%</td>
</tr>
</tbody>
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(a) Excludes Certain Items  
(b) Does not include corporate overhead  
(c) Excludes impact of sale of North System in 2007
2009 Volumes/Markets

Total volumes off 2.8% vs. 2008 – off 2.5% adjusted for leap year (EIA reported 3.1% national decline)
- Gasoline (including CFPL ethanol) up .4%, Diesel down 9.3%, Jet Fuel down 5.1%
- Increases on Plantation Pipe Line partially offset decreases on West Coast assets

West Coast
- Pacific -4.2%
  - Arizona -4.8%, Northern CA -4.2%, Southern CA -1.6%
- CALNEV -8.1%
  - Nevada commercial -8.6% (Las Vegas motor fuels -6.9%, McCarran Airport -12.9%)

Southeast
- Central Florida Pipeline flat
  - Gasoline -3.0%
  - Jet -6.2%
  - Ethanol: Transported 3.7k Bbls/day offsetting year over year declines in Gasoline and Jet
- Plantation +1.2%
  - Gasoline +3.3%
  - Jet +11.3%
  - Diesel -9.6%

Biofuels – total barrels handled (23.2 million) up 24% over 2008
## Expanding to Meet Customer Demand

### Recently Completed Projects

<table>
<thead>
<tr>
<th>Project</th>
<th>Description</th>
<th>In Service</th>
<th>Cost ($MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacific</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tucson Terminal</td>
<td>Convert tanks for ethanol and transmix storage</td>
<td>August 2009</td>
<td>$ 1.0</td>
</tr>
<tr>
<td>Concord Station Pump</td>
<td>Upgrade pumps to increase throughput</td>
<td>May 2009</td>
<td>$ 2.5</td>
</tr>
<tr>
<td>West Coast Terminals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Willbridge and Linton Terminals</td>
<td>Provide for biodiesel handling and blending</td>
<td>September 2009</td>
<td>$ 8.1</td>
</tr>
<tr>
<td>Linton Terminal</td>
<td>Tank modifications to facilitate ULSD storage</td>
<td>September 2009</td>
<td>$ 1.9</td>
</tr>
<tr>
<td>Central Florida Pipeline</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tampa &amp; Orlando Ethanol</td>
<td>Construct 120k and 100k bbl tanks, rail sidings, truck racks and blending equipment – tank completed in 2009</td>
<td>2008/2009</td>
<td>$ 27.8</td>
</tr>
<tr>
<td>Ethanol Pipeline Conversion</td>
<td>Modify pipeline and facilities for ethanol transport and construct new 100k bbl tank – tank completed in 2009</td>
<td>2008/2009</td>
<td>$ 9.4</td>
</tr>
<tr>
<td>Tampa Terminal</td>
<td>Modify existing feeder pipelines to facilitate transfer of product between KM and customer’s terminals</td>
<td>December 2009</td>
<td>$ 4.0</td>
</tr>
<tr>
<td>Southeast Terminals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ethanol Conversion and Additive systems – Knoxville, Greensboro, Charlotte, Roanoke, Collins, Albany, Chesapeake, Richmond terminals</td>
<td>Modify facilities to provide automated ethanol blending and improve terminal transfers and proprietary additive capability</td>
<td>Various 2009</td>
<td>$ 27.6</td>
</tr>
<tr>
<td>Plantation Pipe Line (KM share)</td>
<td>Upgrade receipt facility to facilitate customers increased flow rates</td>
<td>October 2009</td>
<td>$ 3.5</td>
</tr>
<tr>
<td>Baton Rouge Manifold Expansion</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cochin Pipeline</td>
<td>Install new receipt point at Oneok North System</td>
<td>October 2009</td>
<td>$ 1.5</td>
</tr>
</tbody>
</table>

**Grand Total =** $ 87.3

**First full-yr EBITDA =** $ 24.2MM
Refined Products Demand Pressure

PRESSURE POINTS
- Ethanol mandates
- CAFE standards – proposed increase of 4.3% to model year 2016\(^{(a)}\)
- Driving demographics
  - “Vehicle Miles” essentially flat 2009 over 2008 but off 3.4% to 2007
- Product prices
- “Green” marketing

PACE OF CHANGE
- Ethanol blend wall/E-85 penetration/vehicle warranty/technology challenges with cellulosic
- Economy/unemployment levels/consumer debt burden
- US fleet turnover
- The “Clunker” story - 0.3% of US Fleet
  - 690,000 vehicles/$2.9B
  - Of top 10 vehicles purchased – 2 full size trucks, 2 SUV’s and 1 wagon
- Hybrid/Alternatives fleet penetration
- Uncertainty regarding regulatory “rules of the game”
  - Tax credits for biodiesel
  - RFS2 delays in promulgation
  - Carbon intensity; corn vs. cane based ethanol

\(^{(a)}\) Combined cars and trucks increase from MY 2011 avg. of 27.3 to MY 2016 avg. of 34.1
Kinder Morgan Response

RESPONSE

- Index and cost of service filings to ameliorate volume declines
- Ethanol/biodiesel storage and blending
  - Blend percentage increases
  - Year round blending
- Pursue pipeline opportunities for transporting biofuels
- Export/Import opportunities for refined products and biofuels
  - Restrictions on corn based ethanol
  - Marine terminal footprint/marine rail logistics
- Acquisitions and consolidations
  - Major E&P companies announced divestment plans
    - Prior acquisitions from majors
  - Expand footprint (experienced low-cost operator)
Historical Demand and 2010-11 EIA Outlook

U.S. PRODUCT CONSUMPTION

EIA Demand Outlook

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010E</th>
<th>2011E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mogas</td>
<td>0.1%</td>
<td>0.6%</td>
<td>0.7%</td>
</tr>
<tr>
<td>Distillate</td>
<td>-8.4%</td>
<td>2.1%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Jet Fuel</td>
<td>-8.1%</td>
<td>1.1%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Total</td>
<td>-3.1%</td>
<td>1.0%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

Refined Product Pipelines – MM bbls

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010P</th>
<th>% chg</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacific</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Calnev</td>
<td>476.8</td>
<td>481.7</td>
<td>1.0%</td>
</tr>
<tr>
<td>CFPL</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Plantation</td>
<td>177.9</td>
<td>191.6</td>
<td>7.7%</td>
</tr>
<tr>
<td>Total</td>
<td>654.7</td>
<td>673.3</td>
<td>2.9%</td>
</tr>
</tbody>
</table>

Source: EIA Table 4a. U.S. Petroleum Supply and Consumption
Historical FERC Tariff Index Regime

PPI FG                              PPI FG + 1.3%

July 1, 2004 to June 30, 2005
July 1, 2005, to June 30, 2006
July 1, 2006 to June 30, 2007
July 1, 2007 to June 30, 2008
July 1, 2008 to June 30, 2009
July 1, 2009 to June 30, 2010
July 1, 2010 to June 30, 2011

Theoretical Growth of $1
3.17%      3.63%      6.15%      4.32%      5.17%      7.60%      -1.50% (a)

FERC review in 2010 for five year period beginning in 2011

(a) 2010 Plan assumes -1.5% index; sensitivity = $100k per 1/10% change
Refined Products Revenue Attribution

2009 Revenue
$813 million

- Interstate: $294 million (36%)
- Intrastate: $162 million (20%)
- Terminal: $357 million (44%)

2010 Plan Revenue
$898 million

- Interstate: $343 million (38%)
- Intrastate: $168 million (19%)
- Terminal: $387 million (43%)

2009-2010 Revenue Growth Rates
- Interstate: +$49MM/17%
- Intrastate: +$6MM/4%
- Terminals: +$30MM/9%
- Total: +$85MM/10%
Refined Products Revenues

Includes Pacific, Calnev, Central Florida Pipeline, Plantation (51%), West Coast and Southeast Terminals and Transmix

Compound annual growth rate 6.3%
2010 Refined Product Pipelines Revenue Growth (a)

($) in millions

- 2009: $513.7
- Expansion/Acquisition: $20.8
- Volume Growth: $6.8
- Rate Adjust. & Other (b): $34.2
- 2010 Plan: $575.5

(a) SFPP, CALNEV and CFPL (pipeline and associated terminals) revenue variances
(b) Index adjustment, cost of service rate filings and non-index increases
NGL Assets

Combined represent $62.9 million Income before DD&A or 9% of 2010 segment Plan

- **Cochin**
  - 1,900 mile pipeline serving 5 propane terminals and petrochemical complex (ExxonMobil, BP, Nova) in Sarnia/Corunna, Ontario
  - 2009 propane volume down 4.7% and revenue down 2.0% from 2008
  - 2010 revenue growth driven by new E/P mix transportation opportunity (2H '10) and increased first quarter propane supply in Western Canada vs. 2008

- **Cypress**
  - 110 mile pipeline – Mt. Belvieu to Westlake (Lake Charles, La.)
  - Economy-driven downturn in 1Q 2009 / extended maintenance

<table>
<thead>
<tr>
<th>Pipeline Volumes – Million Barrels</th>
<th>Pipeline Revenues - $million</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010 Plan</td>
<td>2009 Actual</td>
</tr>
<tr>
<td>NGLs</td>
<td>31.2</td>
</tr>
</tbody>
</table>
Positioned for Growth

- Biofuel marine imports
- Terminal acquisition opportunities
- Ethanol Distribution
- Increased ethanol blend rate
- E/P Transport
- Terminal acquisition opportunities
- Biofuel marine imports
Expanding to Meet Customer Demand
Near Term Projects

<table>
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<th>In Service</th>
<th>Cost ($MM)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pacific</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Travis Air Force Base</td>
<td>Three 150k bbl tanks, 16 inch pipeline and facilities</td>
<td>2011</td>
<td>$ 47.5</td>
</tr>
<tr>
<td>Colton Terminal Expansion</td>
<td>Add two 80k bbl tanks and two lane loading rack</td>
<td>2010</td>
<td>$ 19.2</td>
</tr>
<tr>
<td>California 10% Ethanol Blending</td>
<td>Install and upgrade facilities to meet new state mandate</td>
<td>2010</td>
<td>$ 15.8</td>
</tr>
<tr>
<td>Wickland San Jose Airport System</td>
<td>Modify facilities to increase jet fuel handling and storage</td>
<td>2010</td>
<td>$ 2.5</td>
</tr>
<tr>
<td>Reno and Phoenix Ethanol</td>
<td>Modify facilities to increase ethanol handling and storage</td>
<td>2010</td>
<td>$ 1.6</td>
</tr>
<tr>
<td>West Coast Terminals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Carson Terminal Expansion</td>
<td>Add six 80k bbl tanks and associated piping</td>
<td>2010</td>
<td>$ 61.7</td>
</tr>
<tr>
<td>Carson – additional expansion</td>
<td>Under development – additional seven tank new build</td>
<td>TBD</td>
<td>Under development</td>
</tr>
<tr>
<td>Central Florida Pipeline</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tampa and Orlando VRU</td>
<td>Install vapor recovery units</td>
<td>2010-2011</td>
<td>$ 6.5</td>
</tr>
<tr>
<td>Southeast Terminals</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Selma Ethanol</td>
<td>Expand local ethanol system to handle increased volumes</td>
<td>2010</td>
<td>$ 1.2</td>
</tr>
<tr>
<td>Transmix</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Colton Facility</td>
<td>Modifications to facilitate marine diesel rack deliveries</td>
<td>2010</td>
<td>$ 1.0</td>
</tr>
<tr>
<td>Cochin Pipeline</td>
<td>Modifications to transport ethane/propane mix</td>
<td>2010</td>
<td>Under development</td>
</tr>
</tbody>
</table>

Grand Total = $ 157.0

First full-yr EBITDA = $ 48.5MM (a)

Note: Expect final permit for CALNEV Pipeline Expansion in second half of 2010
(a) Includes estimated EBITDA for two projects under development
Biofuels
California Renewable Fuel Opportunities

- California ethanol blend rate increased from 5.7% to 10% (incremental 40,000 barrels per day of ethanol)
- KM California terminals began 10% Ethanol blending on January 11, 2010
- Over $15 MM improvements to offloading, storage and blending infrastructure at certain of our thirteen California terminal facilities
Biofuels
Pacific Northwest Biofuels Opportunities

- **Mandates**
  - Washington: 2008 Requirement for Average 2% of volume ethanol and biodiesel
  - Oregon: 2008 Requirement for E-10; B-2 requirement effective October, 2009

- **KM Infrastructure**
  - Seattle: E-10 blending instituted September, 2008; B-2 to B-20 blending instituted November, 2008 - $3 Million investment
  - B-2 blending available at Portland rack and into Oregon Line (for Eugene, OR) on October 1, 2009 - $8.1 Million investment
  - 114-Mile Oregon Line among first in nation to transport bio-diesel
Biofuels
Southeast Ethanol

- **Central Florida Pipeline**
  - Tampa/Orlando markets – approximately 20,000 B/D of ethanol demand at 10% blend rate
  - 10% ethanol blends required by the state January 1, 2011
  - 350,000 BBLs of ethanol storage
  - Storage and blending fully subscribed by marketers, producers and gasoline blenders under multi-year contracts

- **Southeast Terminals**
  - Ethanol blending capability in 12 of 15 markets
  - Blend capability to reformulated and conventional gasoline
  - Blends adjustable as additional blending is required
  - Facilities can offer clear gasoline and blended gasoline
Biofuels
Transportation of Biofuels by Pipeline

- Batching ethanol on CFPL began December 2008
  - No operational or integrity issues – Monitor/1Q 09 smart pig analysis
  - 2009 transported 3,700 bpd; 2010 Plan transport volume – 6,000 bbls/day
  - Evaluating other pipeline segments in the Southeast and West Coast

- Plantation Pipe Line biodiesel initiative
  - Successful test batch in October 2008
  - Specification established with producers
  - Regular Shipments of B5/5 thousand bpd
  - Capacity to ship 100 thousand bpd of B5
  - Market development slowed by EPA delays in issuing RFS2 rules and congressional failure to reinstitute biodiesel tax credit

- Ethanol on PPL – evaluating commercial opportunities with customers and finalizing technical efforts to be undertaken
**Biofuels**

**Approved Ethanol and Biodiesel Projects**

- Eugene, Willbridge and Harbor Island
  - $20 MM Capex

- Reno, Phoenix and Tucson
  - $3 MM Capex

- Southeast Terminals
  - $46 million Capex

- Mandates at SFPP Terminals
  - $16 MM Capex

- CFPL Pipeline and Terminals
  - $37 MM Capex

**Biofuel Volumes Handled**

<table>
<thead>
<tr>
<th>Million bbls</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010P</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>11.8</td>
<td>18.7</td>
<td>23.2</td>
<td>29.0</td>
</tr>
</tbody>
</table>

**Biofuel Revenues**

- Compound Annual Growth Rate 43%

<table>
<thead>
<tr>
<th>($ millions)</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010P</th>
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</tbody>
</table>

**Note:** Projects approved and placed in service 2008-2010
Rate Case Update

- **Global Complaint Case – O96-2 Compliance Filing (February 2008)** and further rehearing requests remain pending at FERC
- **Updated reserve (4Q 2009)** to reflect interest on reparations and related legal expenses
- **Completed settlements in SFPP cases:**
  - FERC approved EPX settlement in March 2009 (ELX settled November 2007)
  - FERC approved ULSD surcharge settlement
Rate Case Update – Cont’d

- **Developments in subsequent cases:**
  - Completed briefing to FERC on Initial Decision in OR-03 North/Oregon complaint cases
  - Initial Decision issued in OR-03 East/West complaint cases in June 2009; briefed to FERC
  - Initial Decision issued in December 2009 in West Line substantial divergence rate increase case
  - Terminated EPX settlement and increased East Line rates effective January 1, 2010; hearing in June 2010

- **Global settlement prospects**