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.

### 2000 – 2030 Projected Population Growth

<table>
<thead>
<tr>
<th>State/ Growth Rank</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nevada 1</td>
<td>114.3%</td>
</tr>
<tr>
<td>Arizona 2</td>
<td>108.8%</td>
</tr>
<tr>
<td>Florida 3</td>
<td>79.5%</td>
</tr>
<tr>
<td>N. Carolina 7</td>
<td>51.9%</td>
</tr>
<tr>
<td>Georgia 8</td>
<td>46.8%</td>
</tr>
<tr>
<td>Virginia 11</td>
<td>38.8%</td>
</tr>
<tr>
<td>California 13</td>
<td>37.1%</td>
</tr>
<tr>
<td>United States</td>
<td>29.2%</td>
</tr>
</tbody>
</table>

All amounts in U.S. dollars unless otherwise noted.
(a) Source: U.S. Census Bureau
Growing and Shifting U.S. Population

- 48% of the U.S. population is in the East Coast region.
- 49% of the U.S. population is in the Midwest region.
- 37% of the U.S. population is in the South region.
- 12% of the U.S. population is in the West Coast region.

U.S. Total:
- 248.7 million in 1990
- 318.0 million in 2015
Expanding and Acquiring to Meet Market Demand

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

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