

Products Pipelines

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Products Pipelines Assets



Financial Overview ^(a)

(\$ in millions)

	2009	2010	2011	2012B
Segment EBDA	635.1	\$687.5	\$694.5	\$734.4
Sustaining Capex ^(b)	(42.5)	(41.0)	(45.8)	(46.7)
DCF	\$592.6	\$646.5	\$648.7	\$687.7

Compound Annual Growth Rate of DCF = 5.1%

^(a) Excludes Certain Items

^(b) Does not include corporate overhead

2011 Volumes / Markets

Total refined product pipeline volumes down slightly, 0.1% vs. 2010

■ **Gasoline (including CFPL ethanol) down 1.4%, diesel up 0.4%, jet fuel up 4.1%**

■ **West Coast**

— Pacific down 0.7%

- Arizona down 1.9%, Northern CA up 1.6% and Southern CA down 5.5%
- Military up 17.2%

— CALNEV down 1.1%

- Nevada gasoline down 7.5% and diesel up 5.5%
- McCarran Airport up 3.5%

■ **Southeast**

— Central Florida Pipeline down 11.2%

- Gasoline down 10.3%
- Diesel down 12.4%
- Jet down 9.0%

— Plantation up 4.0%

- Gasoline up 5.8%
- Diesel down 4.4%
- Jet up 8.8%

■ **Biofuels – total barrels handled (31.1 million) up 3.0% over 2010**

■ **2012 Volume Sensitivity – 1% change equals \$4.5MM EBITDA**

Expanding to Meet Customer Demand

Recently Completed Projects

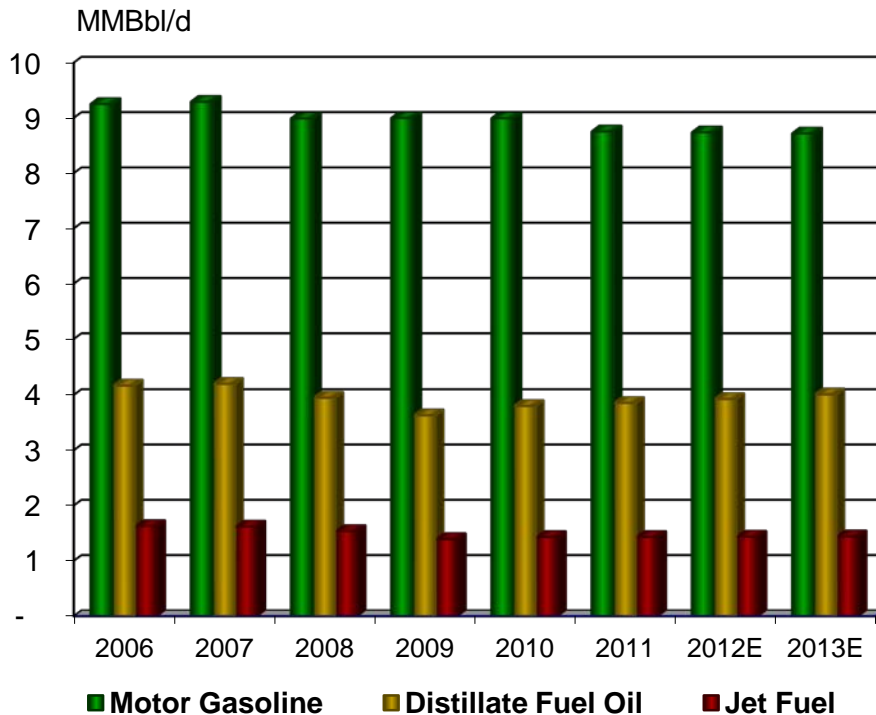
Project	Description	In Service	Cost (\$MM)
West			
Travis AFB Pipeline and Tanks	Construct three 150Mbbl tanks and 1.6 miles of pipeline two tanks in-service December 2011', final tank to be completed March 2012)	December 2011	\$47.5
Carson Terminal (a)	Construct seven 80Mbbl tanks (two tanks in-service October 2011, three to be completed in 2012, two to be completed in 2013)	October 2011	77.0
Various Terminal Projects	Includes rack expansions, tank modifications, additive, and blending systems	Various	22.5
East			
Bio-diesel Blending	Provide receipt, storage, blending, and off-load on Plantation Pipeline and Central Florida Terminals	Various	9.4
Various Terminal Projects	Includes ethanol blending, tank modification and additive systems	Various	8.4
Grand Total =			\$ 164.8

First full-yr EBITDA =	\$ 26.7MM
EBITDA Multiple =	6.2x

(a) Phase Three of 1.4 MM Bbl build out of our Carson facility

Historical Demand and 2012-13 EIA Outlook

U.S. Product Consumption



Gasoline	2006	2007	2008	2009	2010	2011	2012E	2013E
MMBbl/d	9.25	9.29	8.99	8.99	8.99	8.75	8.74	8.72

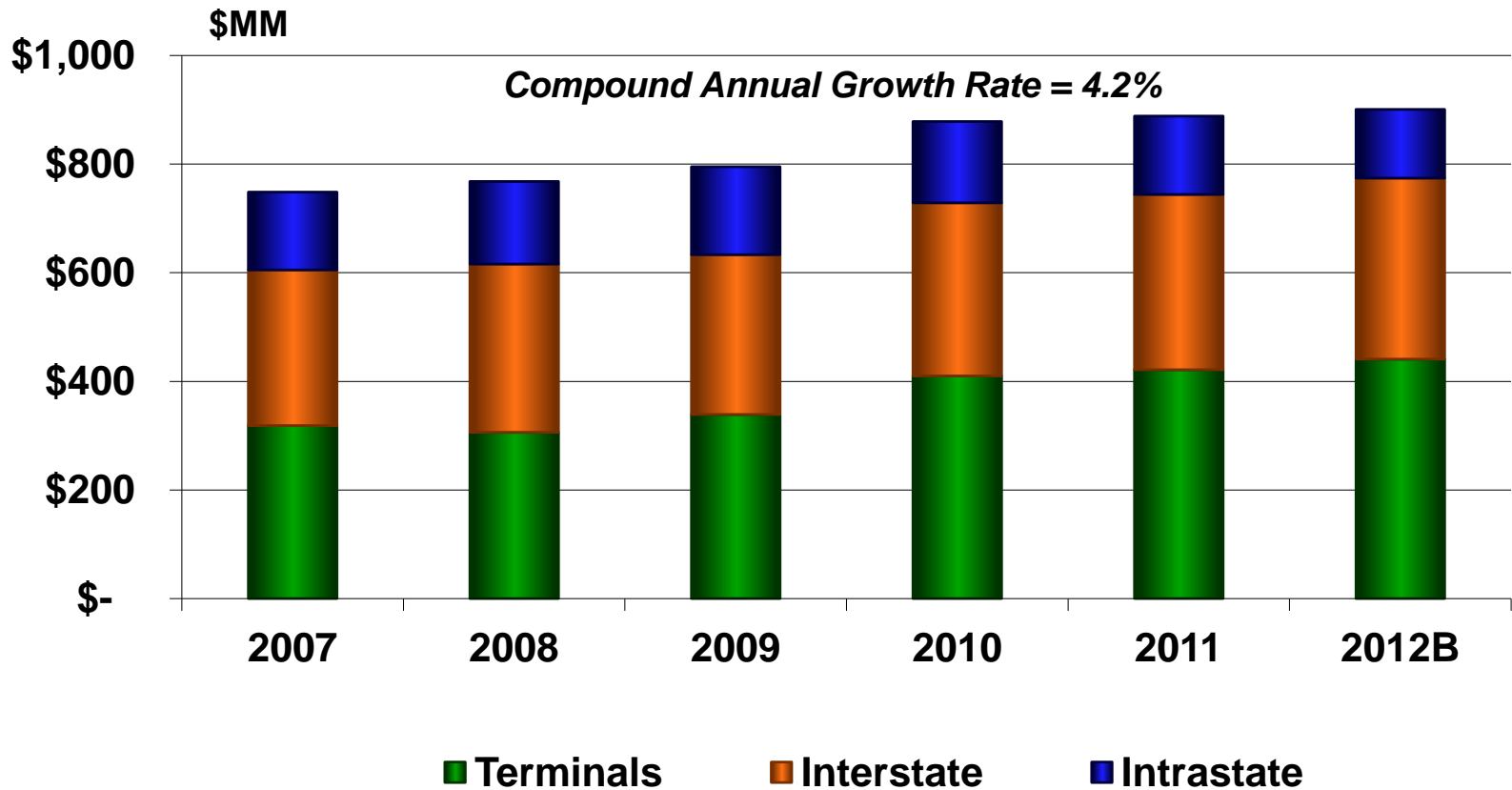
EIA Demand Outlook

	2011	2012E	2013E
Mogas	-2.7%	-0.2%	-0.2%
Distillate	1.4%	1.9%	2.1%
Jet Fuel	0.0%	0.5%	0.3%
Total	-1.3%	0.4%	0.5%

KM Refined Product Pipelines (MMBbls)

	2011	2012B	% chg
Pacific CALNEV CFPL	468.4	466.6	-0.4%
Plantation	189.1	194.0	2.6%
Total	657.5	660.5	0.5%

Refined Products Revenues (a)



(a) Products Segment, excludes Cochin, Cypress and KMCC

Biofuels: Opportunities Amidst Challenges

■ Opportunities

- Federal mandate requires use of biofuels
- First mid-level blends (E11 – E15) anticipated late 2012
- Unit trains and pipeline transportation of ethanol improves distribution logistics (Tampa Unit Train)
- Market interest in biodiesel increasing as RINS credits are consumed and RINS values surge (CFPL / Plantation/ West Coast) due to loss of tax credit

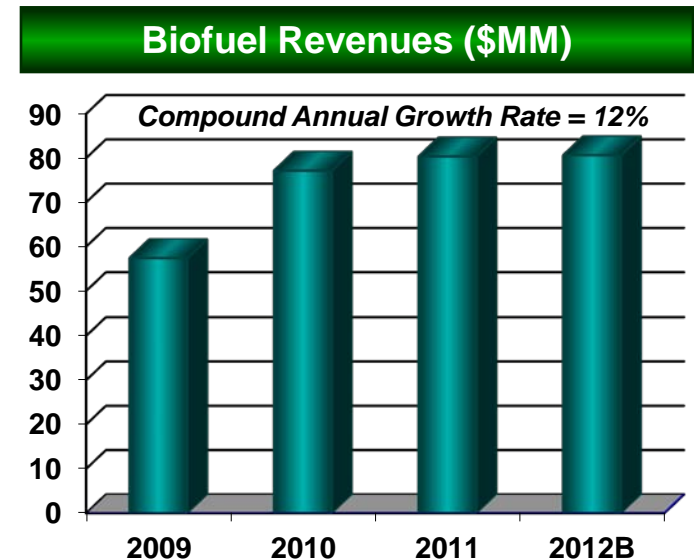
■ Challenges

- Ethanol blend wall not likely to be reached in 2012, but if reached, potential EPA rule changes contribute to market uncertainty
- EPA approved E15 – refiners and marketers reluctant to embrace
- Federal and state limits on use of corn-based ethanol
 - California low carbon fuel standard

■ Status

- We have available capacity at most locations to handle mid-level blends
- Surge in bio-diesel projects

Products Pipelines Biofuel Volumes Handled (MMBbls)			
2009	2010	2011	2012B
23.2	30.2	31.1	32.8



NGL Assets – Cochin and Cypress

Combined, represent \$61.5MM income before DD&A, or 8.4% of 2012 segment plan

■ Cochin

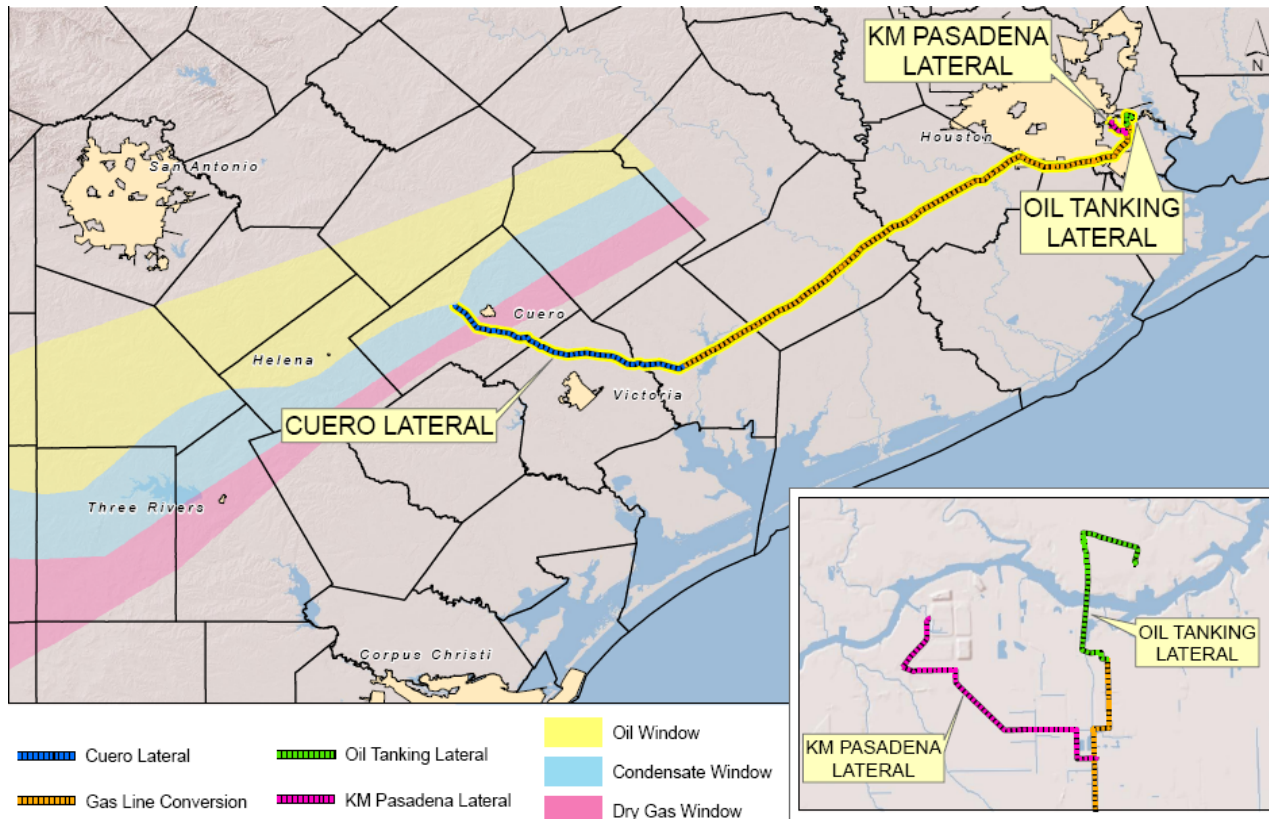
- 1,900-mile pipeline serving 5 propane terminals and petrochemical complex (ExxonMobil, BP, Nova) in Sarnia / Corunna, Ontario
- 2011 propane volume up 32.7% and revenue up 50.0% from 2010
- 2011 revenue increase driven by Enterprise pipeline outage, Windsor incentive volumes, and winter demand
- 2012 Plan includes return to normal demand, plus additional Windsor incentive volumes, and new term contract for E/P service beginning April 1
- Continue to evaluate expansion opportunities sourcing crude oil and other NGL volumes to the system

■ Cypress

- 110-mile pipeline – Mt. Belvieu to Westlake (Lake Charles, LA)
- 2011 volumes down 8.4% as a result of Enterprise facility fire at Mont Belvieu
- 2012 Plan includes slightly higher volume and tariff adjustment effective July 1, 2012
- Evaluating investment opportunities including origin supply flexibility and capacity expansions to meet customer demand

	Pipeline Volumes (MMBbls)			Pipeline Revenues (\$MM)		
	2012	2011	Change	2012	2011	Change
NGLs	30.9	26.1	18.4%	\$84.2	\$72.8	15.7%

Kinder Morgan Crude & Condensate



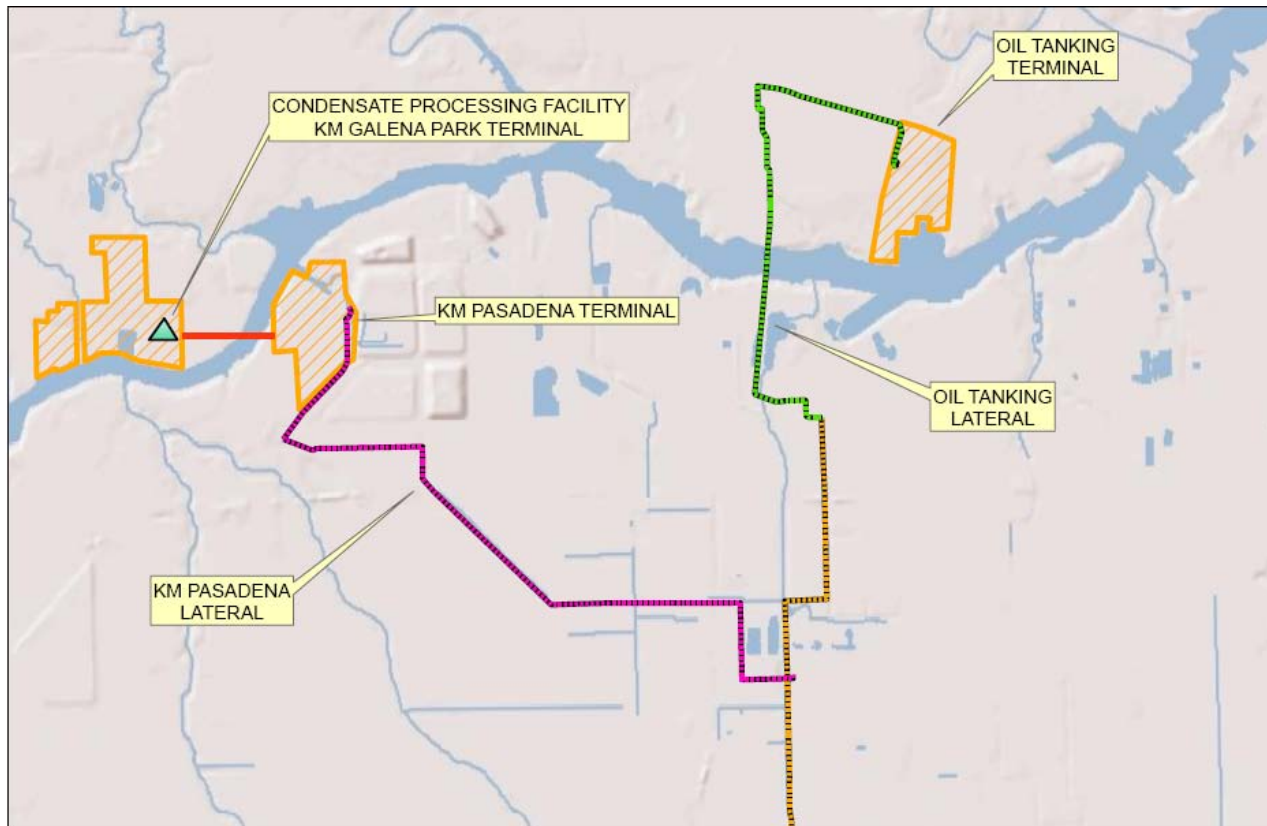
Strategic Value

- Pipeline to move product from Eagle Ford Shale to Houston Ship Channel
- Optimize existing asset base
- Expands KM liquids footprint

Pipeline Specifications

- Construct 62 miles of new pipe and convert 109 miles of existing gas pipelines
- Capacity of 300 MBbl/d (50 MBbl/d committed)
- Estimated in-service Second Quarter 2012
- \$220 million project

Kinder Morgan Condensate Processing Facility



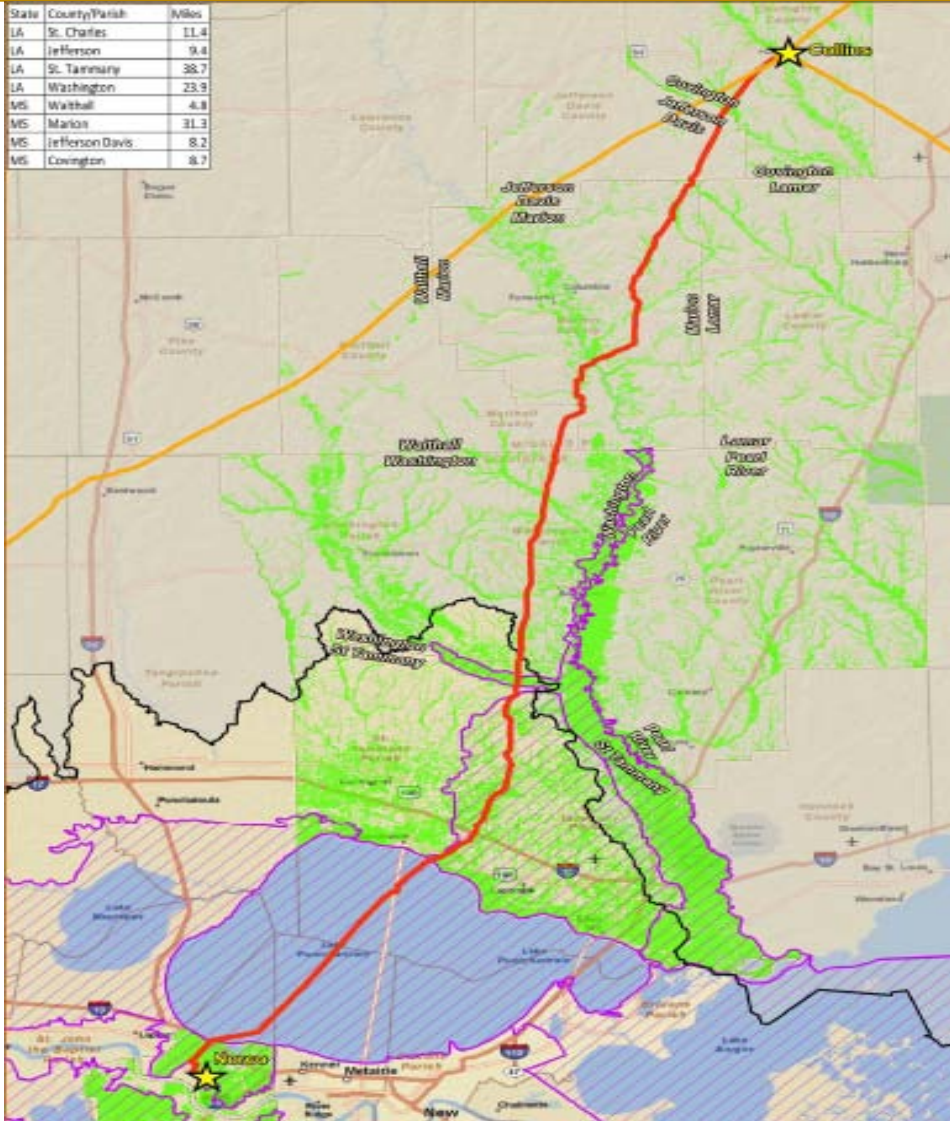
Strategic Value

- Supports volume demand for KMCC
- Will provide unparalleled connectivity to refining, petchem, pipeline and marine facilities

Facility Specifications

- \$130 Million Project
- Initial throughput commitment of 25 MBbl/d
- Design provides for expansion up to 100 MBbl/d
- Estimated in-service January 2014

Parkway Project



Strategic Value

- Provides Plantation Pipe Line with additional supply optionality
- Increase pipeline supply feeding KM Southeast Terminals
- Provides additional pipeline capacity to meet Northeast demand needs in light of recent and pending refinery shutdowns

Pipeline Specifications

- 137 mile, 16-inch originating at Valero's St. Charles, LA refinery
- 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)

Formation of Partnership

- Valero and KM own 50/50
- KM serving as construction manager and operator

Expanding to Meet Customer Demand

Near-Term Projects

Project	Description	In-service	Cost (\$MM)
West			
Carson Terminal	Provide marine access post-2013 termination of existing Los Angeles harbor terminal lease	2013	\$ 17.4
Biodiesel Blending	Provide receipt, storage and blending capabilities at Las Vegas, Phoenix, Colton, and Fresno terminals	July 2012	16.2
Oregon Terminal Projects	Add 240MBbls of storage capacity	3Q 2012	16.0
East			
Cochin E/P Project	Upgrade and modify pipeline to transport EP mix	April 2012	29.6
Kinder Morgan Crude & Condensate	Construct 62 miles of new pipeline, convert 109 miles of existing pipeline to liquids services	2Q 2012	220.0
Parkway Pipeline Project	Construct new 137-mile, 16" liquid products pipeline	2013	218.8
Tampa Ethanol Unit Train	Receipt, storage, and distribution of ethanol unit trains and other terminal projects	October 2012	12.0
Other Terminal Projects	Tank conversions and ancillary services	Various	7.9
Kinder Morgan Condensate Processing Facility	Provides capability to split condensate into light naphtha, heavy naphtha, jet fuel and gas oil	January 2014	130.0
Grand Total =			\$667.9

First Full-yr EBITDA =	\$83.5MM
EBITDA Multiple =	8.0x

CPUC Rate Case Update

- **Consolidation of multiple dockets dating from 1997-2008**
- **Original ALJ proposed decision (“Long” decision) eliminated income tax allowance**
 - Alternate proposed decision, by Commissioner Simon, restored full income tax allowance, but later rejected by full Commission in it’s review of Long decision. Rehearing pending
- **Subsequent ALJ proposed decision (“Bemesderfer decision”) in 2011 further impacted SFPP’s cost of service covering later time periods. Decision has since been withdrawn for reconsideration of certain determinations unsupported by the facts and/or the law**
- **We await reissuance of a Bemesderfer proposed decision and probable appeal of same to Commission**
- **In 2010, reserved for cash and accounting impact**

FERC Rate Case Updates

- **Resolved historical dockets (1992-2008)**
 - All parties settled in 2010
 - FERC approved non-contested settlement in March 2011
- **Two remaining West Line / East Line cases**
 - West Line Opinion 511: Commission vigorously defended its income tax allowance (ITA) policy including implementation methodologies. Adopted many of SFPP's positions on allocation of corporate overheads, certain accounting adjustments and recovery of full legal expenses via rate surcharges. Key disappointment is Commission's "snap shot" look at return on equity calculation.
 - West Line Opinion 511A (December 2011): Commission on rehearing of Opinion 511 reiterated its position on ITA and further defended the ITA implementation methodology undertaken by SFPP. Some setbacks on cost allocations and on SFPP's entitlement to a full 2009 indexing of West Line rates. Determination that project overhead costs should be capitalized and not expensed hurts West Line cost of service but is positive for East Line cost of service and all pipelines
 - East Line ALJ Initial Decision: poor decision; advisory only
 - Many of ALJ's findings subject to attack per Opinions 511 and 511A and Commission's call for common regulatory treatment of EL / WL shippers
- **Next Steps**
 - Litigate / Court of Appeals
 - Settle
- **CALNEV**
 - Litigation on hold pending settlement negotiations

Summary Highlights

- **Modest volume growth coupled with positive, recently approved FERC Index**
- **Terminal revenues enjoy continued growth from expansion projects, biofuel mandates and “tuck-in” acquisitions**
- **Slate of expansion projects will move the needle**
 - Crude/Condensate shale plays (Eagle Ford & Bakken)
 - KMCC Pipeline
 - Condensate Processing Facility
 - Parkway Pipeline (Plantation Pipe Line / KM Southeast Terminals)
 - Cochin Pipeline (Crude/NGL's)
- **Continued focus on pipeline safety**

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