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KMP Natural Gas Pipelines

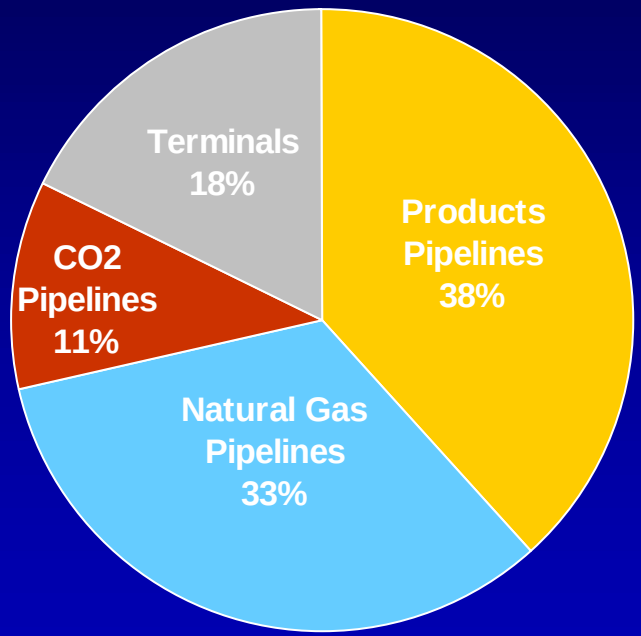
Bill Allison

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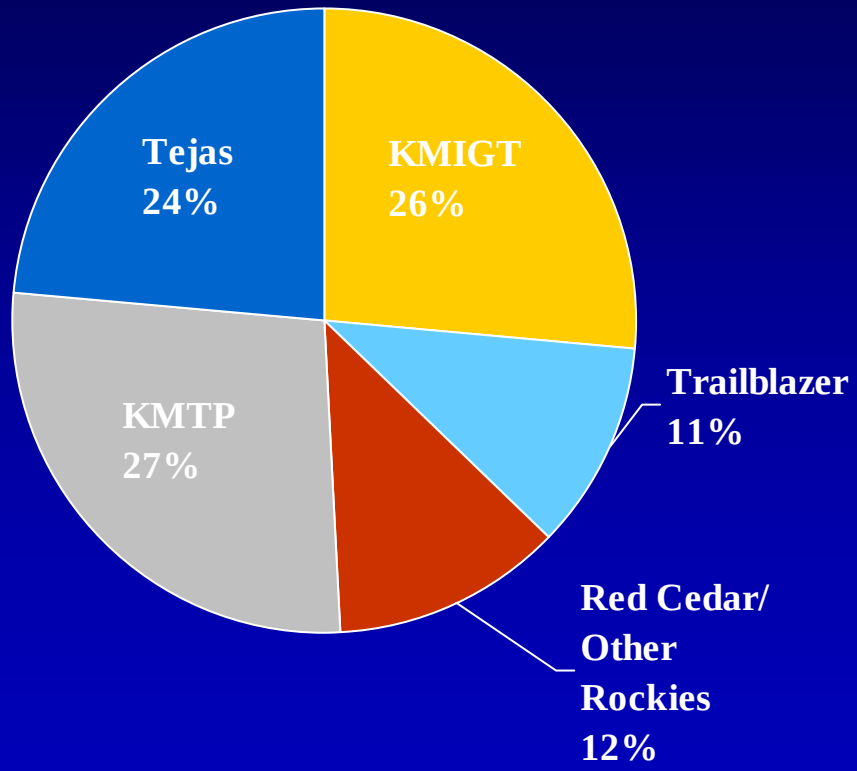
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KMP Natural Gas Pipelines

KMP/KMR



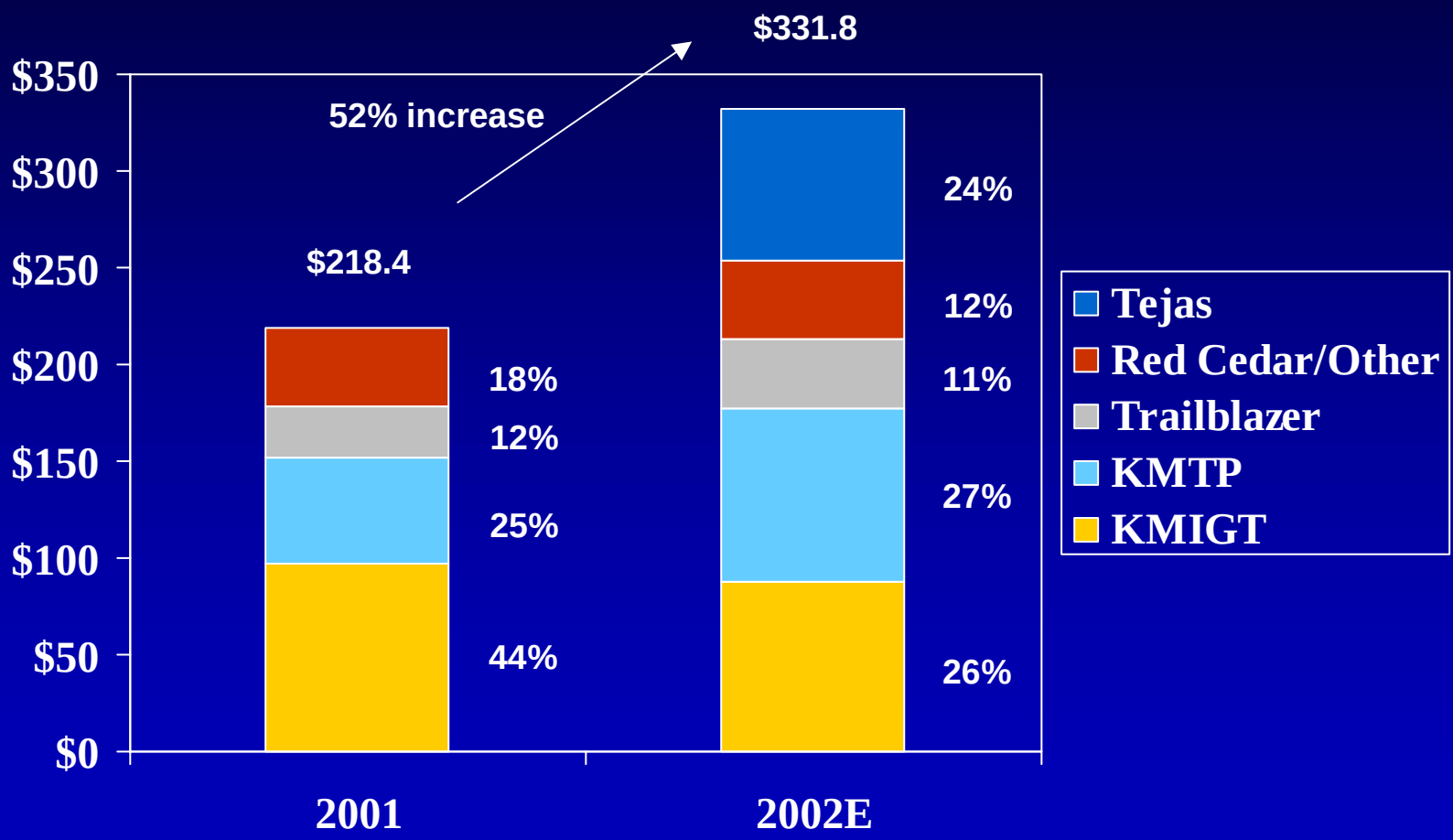
Natural Gas Pipelines (a)



(a) Assumes first quarter closing for Tejas

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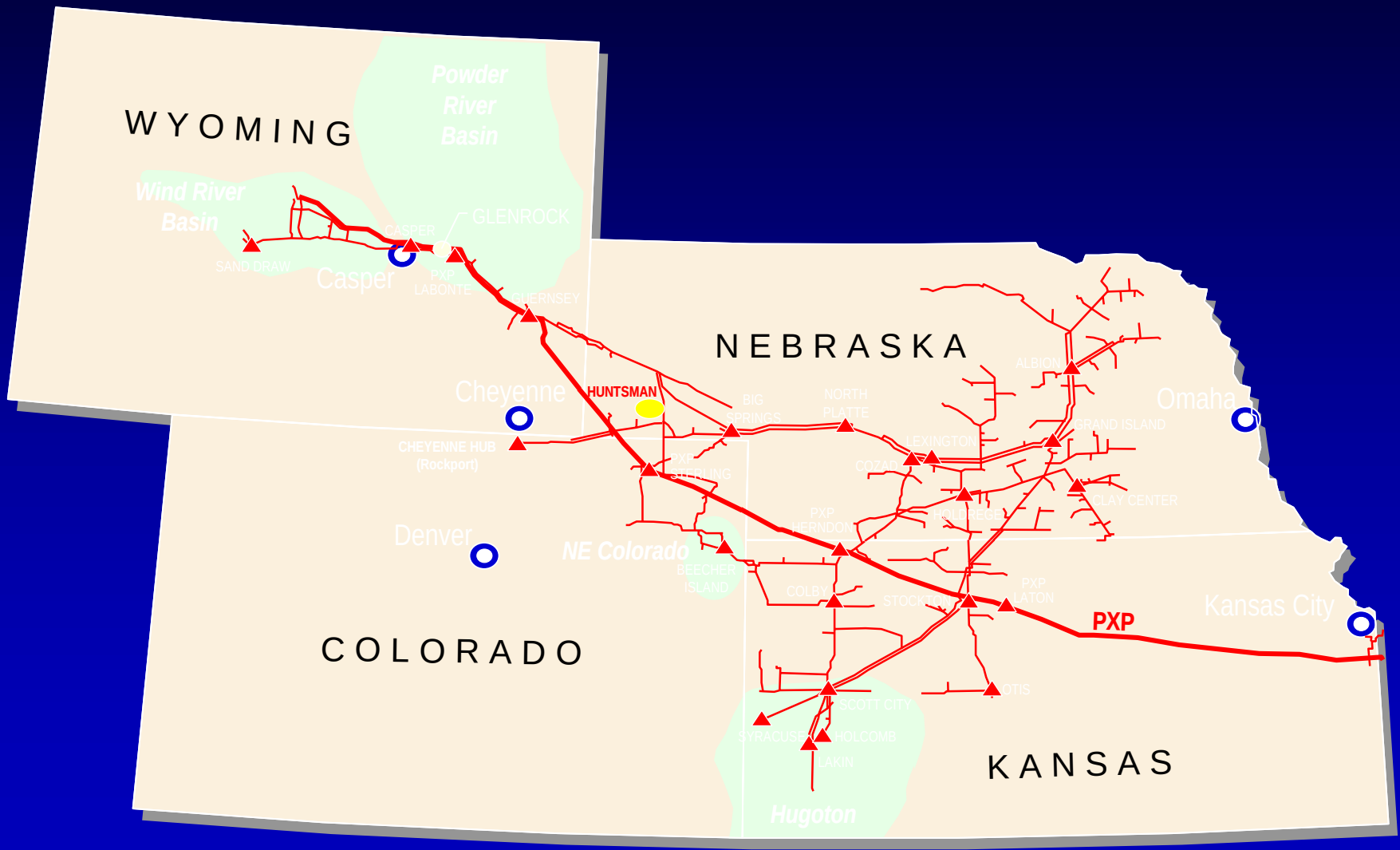
Natural Gas Pipelines Distributable Cash



(a) Assumes first quarter closing for Tejas

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KMIGT – System Map



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KMIGT – System Overview

- 6,100 miles of pipeline with total capacity of 825,000/d
- 26 Compressor stations totaling 147,000 Hp
- 100 receipt points and ~ 9,000 delivery points
- Dual Purpose Pipeline System
  - Traditional system consists of high-pressure distribution network primarily serving small towns, industrials and agricultural customers in rural WY, CO, KS, and NE. Total delivery capacity ~ 570,000 Dth/day.
  - The Pony Express (PXP) system is a long-haul single barrel pipeline from Rocky Mountain supply basins to large Mid-Continent markets (pipeline interconnects and large LDCs). Total delivery capacity 255,000 Dth/day.

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KMIGT –System Overview

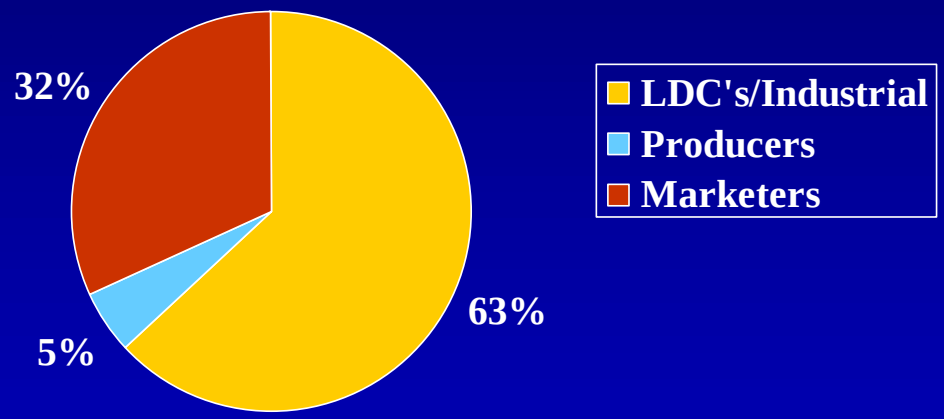
- Huntsman Gas Storage facility
  - Located upstream of market area and near Cheyenne Hub.
  - Total Capacity of 8Bcf
  - 106,000 Dth/day withdrawal capacity
  - 60,000 Dth/day injection capacity
- Principal Supply Basins
  - Directly connected to the Wind River and Powder River Basins, NE Colorado and Hugoton Basins.
  - Access to additional supply sources at Glenrock and Cheyenne Hub, Trailblazer, and NNG.

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KMIGT- Customers

- Total customers = 110
- Average Annual Revenue size $1.1 million
- Customer Sample List
  - Oneok Energy
  - Dynegy
  - Kinder Morgan Inc.(Retail)
  - Midwest Energy, Inc.
  - Missouri Gas Energy
  - Public Service Company of Colorado
- Average length of contract term is 10 years

Customer Mix Based of MDQ



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KMIGT - Contract Expirations

Year	MDQ Dth/d	% of Capacity Sold
2002	60,300	7.3%
2003	35,763	4.3%
2004	24,809	3.0%
2005	2,000	0.2%
2006	30,600	3.7%
2007	5,052	0.6%
2008	172,200	20.1%
	330,724	39.2%

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KMIGT – Volumes / Load Profile

	2000	2001	2002
Total MDth Through-put	204,877	202,578	203,700
Average Dth/day	561,300	555,000	558,100
Utilization	68%	67%	68%
Peak Day Winter	567,000	652,000	N/A
Peak Day Summer	540,000	625,000	N/A

1. Heating needs drive winter through-put and irrigation / agricultural needs drive summer through-put
2. PXP through-put driven by basis differentials between producing regions in the west and mid-continent markets

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KMIGT

Competition

- Little significant competition for Traditional Markets in WY, CO, NE, and KS

Regulation

- Through its January 2000 rate settlement, KMIGT rates locked in place through 12/04
- No environmental, health or safety issues
- No significant impact from proposed OPS regulation on pipeline safety

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KMIGT Strategies and Advantages

Strategy:

- Maintain stable earnings and small growth in traditional markets in WY, CO, NE, and KS not served by other pipes
- Continuous process improvements resulting lower fuel consumption, gas loss on the system, and utilization of operational capacity.
- Create more capacity between the supply rich Wyoming Powder River Basin and Mid-continent pipes and Kansas City.
- Expand Huntsman storage capacity to serve Wyoming producers, marketers, and Front Range markets

Advantages:

- Since the early 1930's, KMIGT's strategy was to serve rural communities in our traditional market area. This single supplier strategy remains very effective and our close relationship with these communities is our #1 asset.
- Service rate assurance through 12/04.
- Long term contracts.
- Winter heating season and summer irrigation season.
- Growing Powder River Supply Basin.

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KMIGT Historical Performance ($Millions)

	2000	2001	2002
Gross Margin	$115.3	$125.2	$121.7
Direct O&M	$20.4	$22.3	$23.2
EBITDA	$91.8	$98.3	$93.2

- 90% of KMIGT's transportation and storage services are sold on a demand basis
- KMIGT's PXP capacity utilization continues to increase from less than 60% in 1999 to ~85% in 2001.
- 2002 will continue to benefit from large basis differentials between supply rich Wyoming basins and Mid-continent markets.
- All expiring contracts will be rolled over at existing rates.
- Increases in electric power costs in Wyoming offset by benefits from system optimization and cost containment.
- No major expansion projects included in KMIGT 2002 operating plan

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KMIGT 2002 Plan Risks

- Maintaining recently achieved FL&U rates
- Managing Regulatory uncertainty

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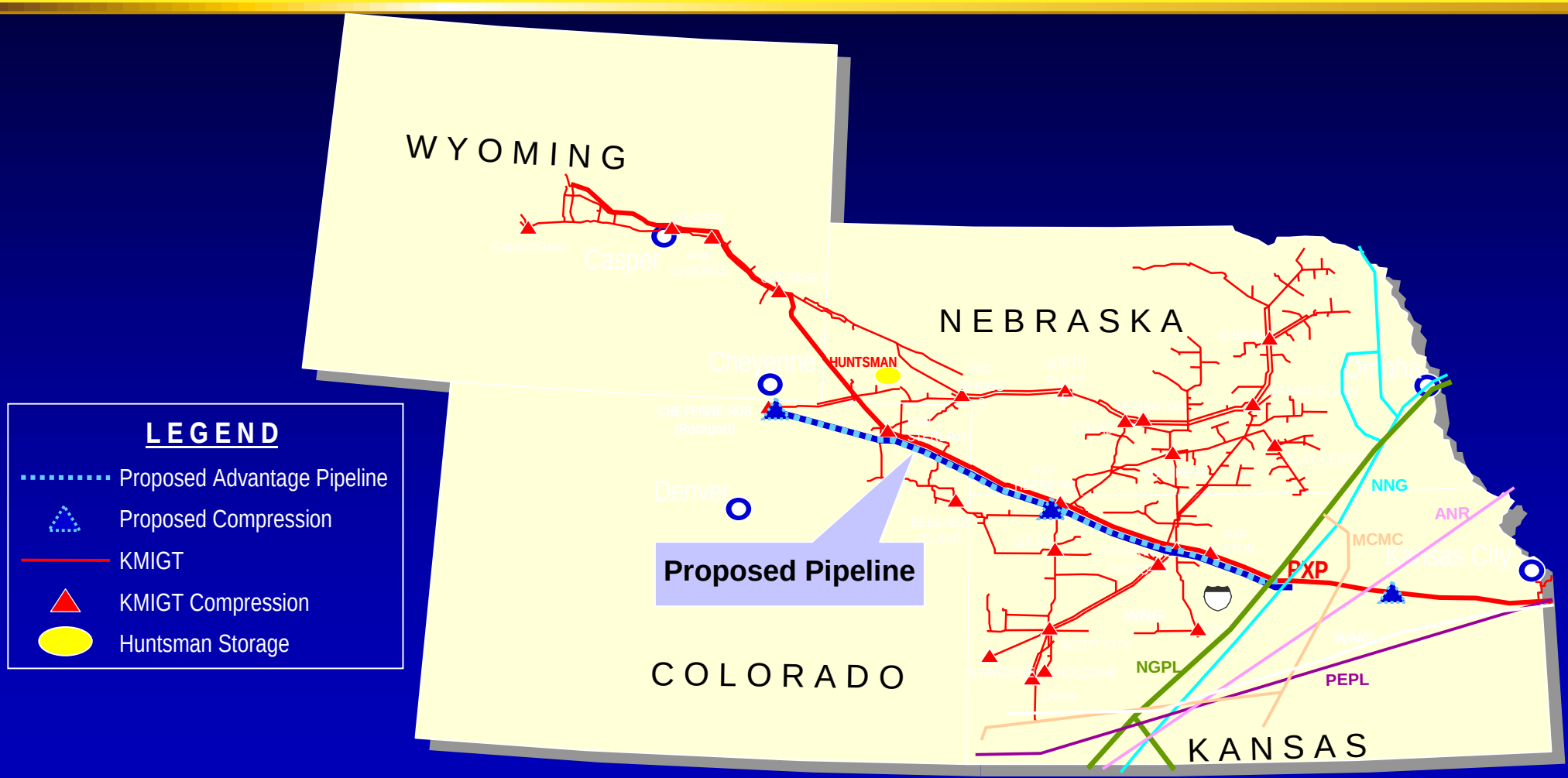
KMIGT Projects / Expansion

Advantage Pipeline:

- 1.3 MMDthd of coal bed methane production expected to develop in the Wyoming Powder River Basin by 2004.
- Pipeline infrastructure exists to gather and transport this volume to the Cheyenne Hub (Weld County, CO), but Cheyenne will have insufficient take-away capacity.
- Mid-continent supplies have declined, raising prices relative to Cheyenne.
- KMIGT is proposing a new 24”, 386 mile pipeline from Cheyenne to NGPL (eastern KS)
  - 330,000 Dth/d capacity, expandable to 450,000.
  - Utilizes available 120,000 Dth/d capacity on Pony Express from NGPL to Kansas City to access higher-value markets.
  - $230 million capital expenditure, in-service fall 2004.
  - Build only with adequate through-put agreements in place.

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KMIGT Proposed Advantage Pipeline



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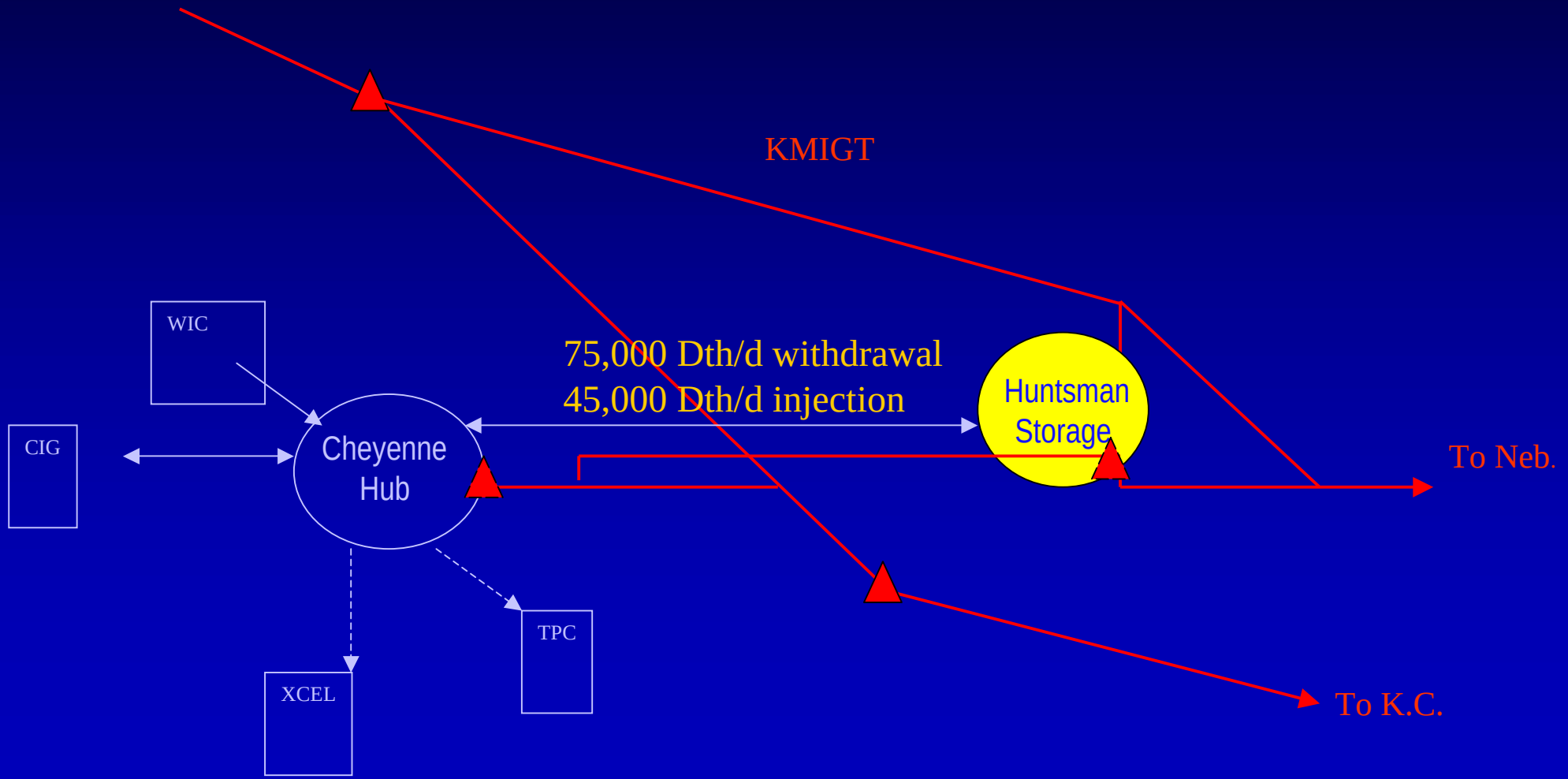
KMIGT Projects / Expansion

Huntsman Expansion:

- New supplies and pipelines at Cheyenne Hub create demand for new storage and hub services.
- KMIGT Huntsman storage facilities and pipeline capacity from Huntsman to Cheyenne can be expanded to provide these new services, while still supporting on-system markets.
- $32 million expansion will provide 6 Bcf incremental firm storage capacity with up to 75,000 Dth/d delivery and 45,000 Dth/d receipt capacity to/from Cheyenne.
- Currently negotiating with anchor shipper for full capacity and ten-year term.

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KMIGT - Proposed Storage Expansion



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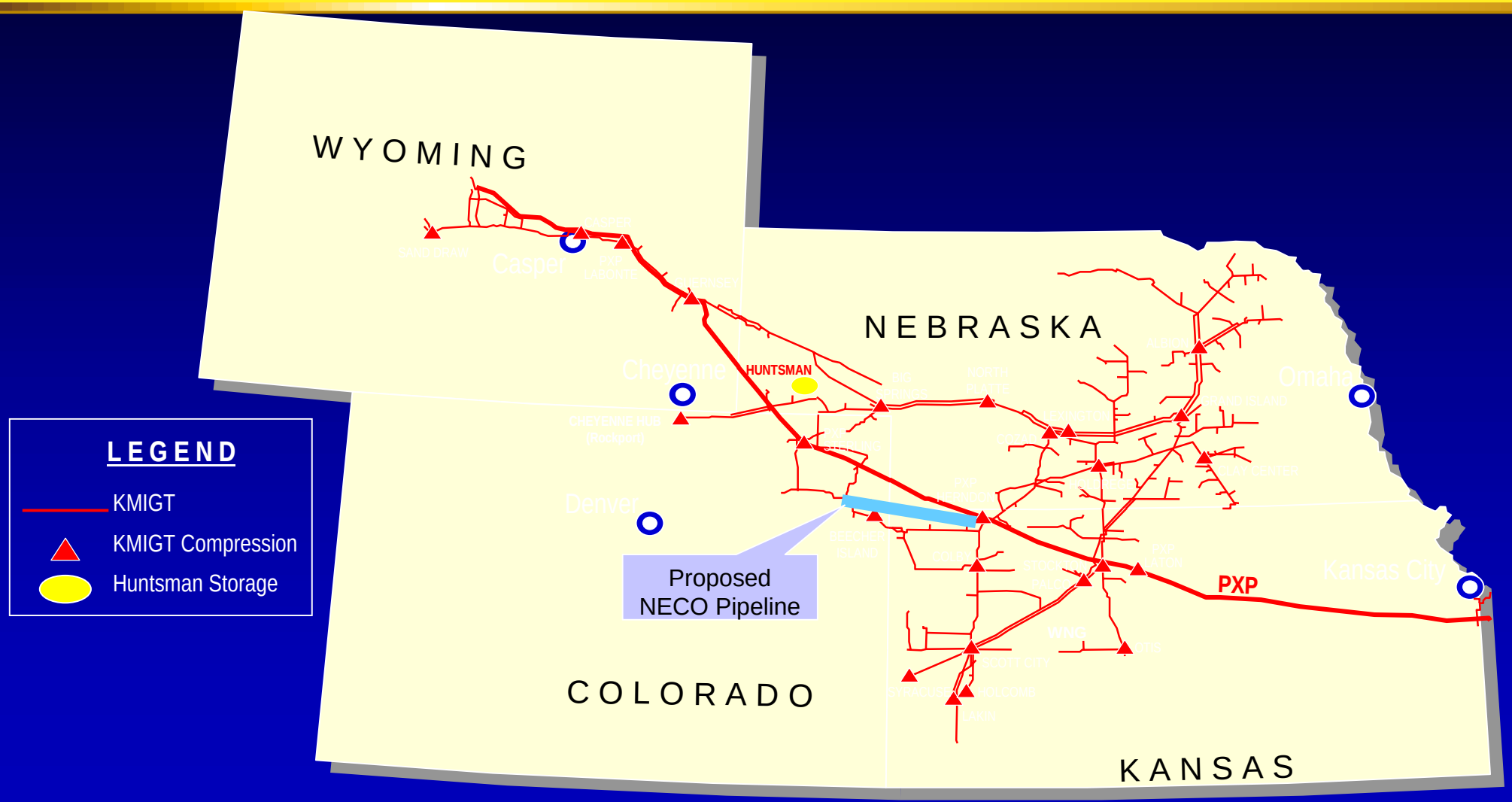
KMIGT Projects / Expansion

Northeast Colorado Pipeline ("NECO")

- Gas production from Yuma County, CO is a good supply source for KMIGT markets.
- Production is constrained by the existing small diameter KMIGT pipeline system and limited other outlets.
- KMIGT is currently marketing a new 12", 95 mile pipeline from Northeast CO back to the existing system.
  - 25,000 and 40,000 Dth/d capacity options.
  - $18-30 million capital expenditure.
  - Enables system deliveries to the north or south.
- Uses existing KMIGT production area pipelines to minimize additional G&P infrastructure.
- Build only with adequate throughput agreements

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KMIGT Proposed NECO Pipeline



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KMIGT Long Term Outlook

- Opportunities
  - Internal Growth projects: Advantage, Storage Expansion, NECO
- Regulatory Environment
  - Stable rates for at least 3 years
  - Minimum impact from Order 637 or NOPR on affiliate interaction
- Supply
  - Powder River Basin in Wyoming and NE Colorado will replace shrinking supplies from the Hugoton Basin.

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KMIGT Summary

- Stable 2001 operating results,continuing through 2002 and beyond.
- Serving rural loads, 90% + revenue generated through long term demand based contracts, cost containment, and ability to capture niche opportunities will continue

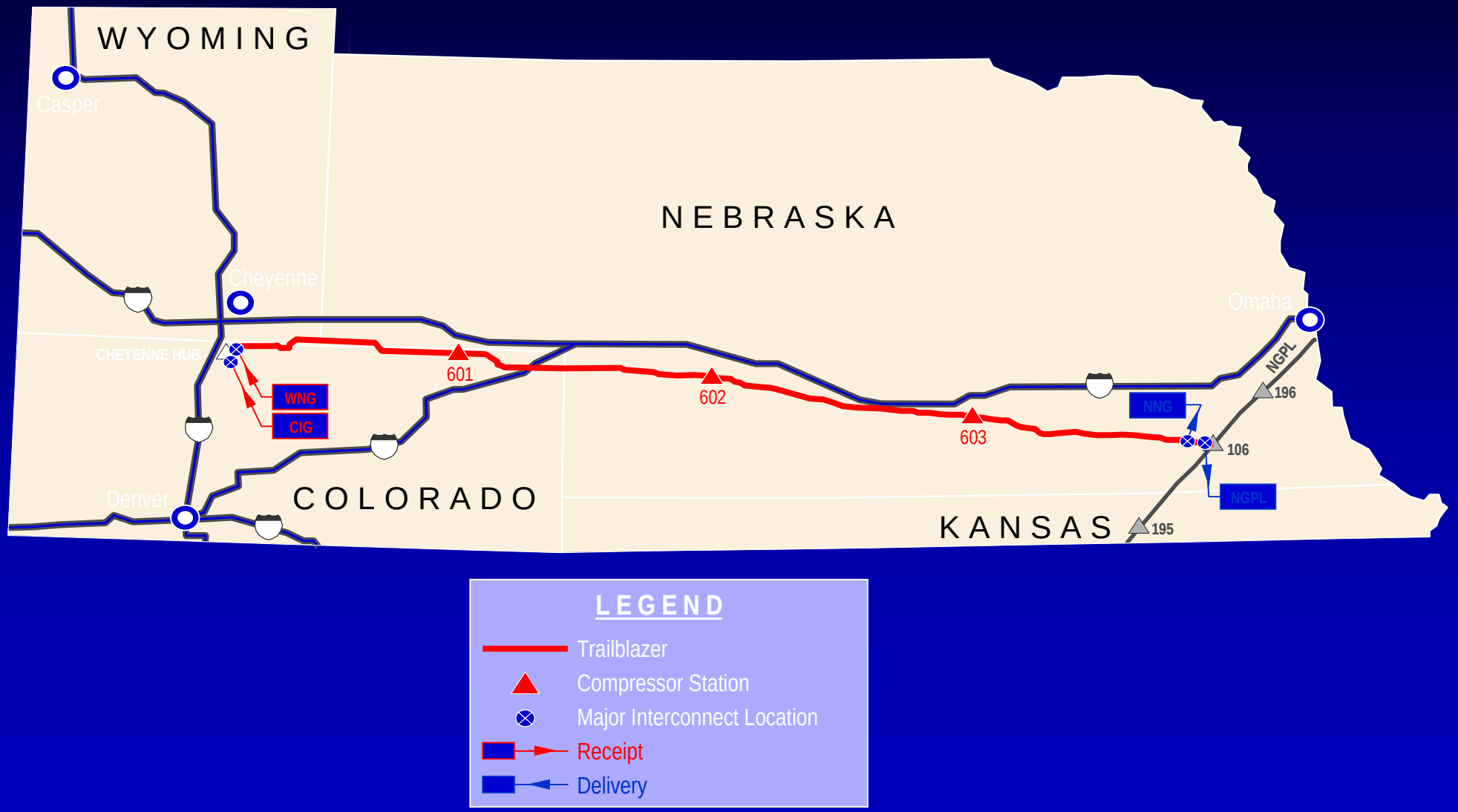
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Trailblazer Overview

- 436 miles of 36” pipe
- 10,000 HP at one compressor station
- Certificated capacity o f 522,000 Dth./day
- Fully contracted at max rate ($0.12/Dth.)

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Trailblazer Pipeline



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Trailblazer Expansion

- Capacity: Expand TB by 324,000 Dth./day
  - Total capacity will be 846,000 Dth./day
- Facilities: Install 50,000 HP at three stations
- Cost: $55 million
- In-Service: June, 2002
- Revenue: $25.1 million per year

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Trailblazer Financial Performance (a)

	2000	2001	Projected 2002
Revenue	$30.6	$27.9	$46.1
Direct Expenses	10.3	6.7	15.3
EBITDA	26.3	25.4	36.0
Operating Income	20.3	21.2	30.8

(a) Reflects 100% of asset. Currently, KMP ownership is 66%, but it has reached agreement to acquire the additional 33% interest pending bankruptcy court approval.

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Trailblazer Fourth Quarter Highlights

- Completed contract to buy Enron's one-third of Trailblazer
  - Pending approval by bankruptcy court
- Letter of intent with CIG to buy its right to become an equity partner
- Expansion project is on schedule, on budget

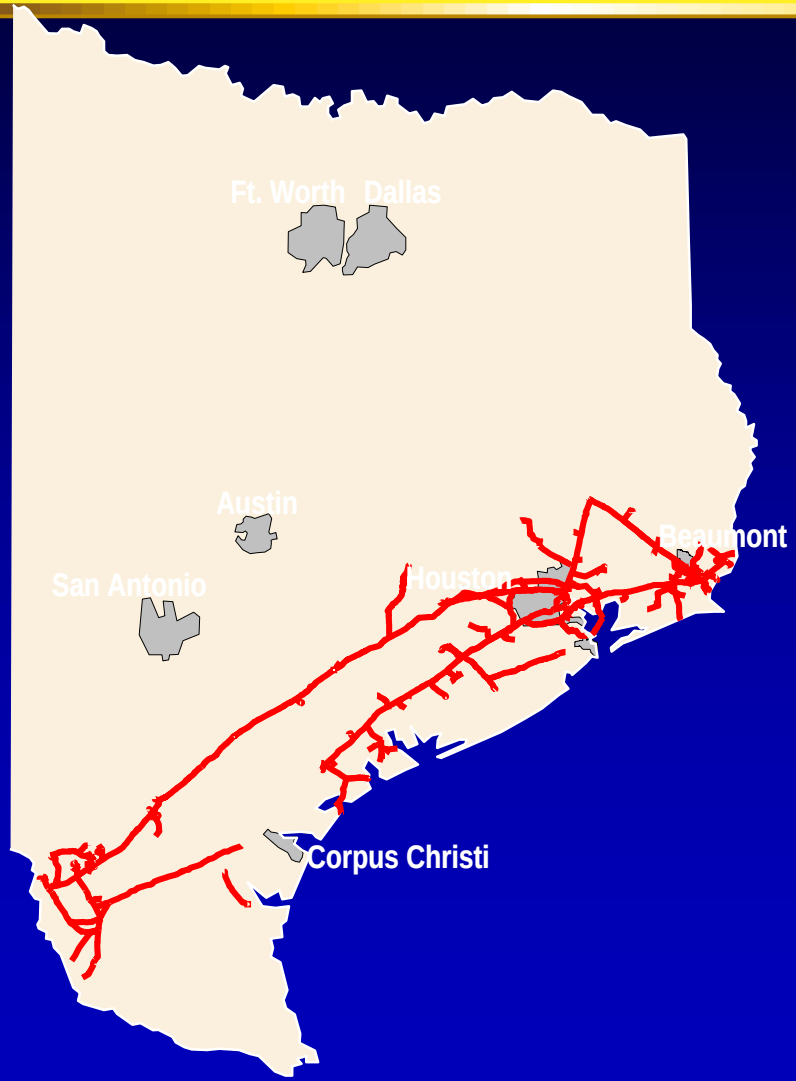
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Kinder Morgan Texas Pipeline ("KMTP")

- Approximately 2,500 miles of pipeline
- 5 Compressor Stations – 52k HP
- Seller and transporter of natural gas
- Total capacity 2.4 Bcf/day
- Capacity utilized in 2001 – 1.7 Bcf/day
- Storage Capacity 22 Bcf

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Kinder Morgan Texas Pipeline



LEGEND

Kinder Morgan Texas Pipeline



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KMTP - Strategy

- Full Service Texas Intrastate Pipeline (Gas Utility)
  - Buy or Sell
  - Transport
  - Storage
- No Marketing Affiliate
- Customer deals with one person for all needs
- Long term relationships

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KMTP – Strong Customer Base

- Entex
- Houston Lighting & Power (HL&P)
- Calpine
- Southern Union
- Houston Ship Channel and Beaumont/Port Arthur area Industrial Customers

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KMTP – Growth Opportunities

Internal:

- Electric Generation
- Local Distribution Companies (LDC's)
- Industrial Market
- Supply Base Expansion

Project:

- North Texas Pipeline
  - Capacity: 300,000 dth./day
  - Facilities: 86 Miles of 36"
  - Costs: $69 Million
  - In Service: June 1, 2003 (Interruptible Service in early 2003)
  - North Texas Pipeline Revenues: 12.7 Million/year for 30 years.
- Monterrey Pipeline

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KMTP – Performance ($ Million/Volume BCF)

	2000	2001	2002
Gross Margin	$81.3	$93.3	$112.2
Costs (w/Lease Buyout)	$27.6	$32.4	$ 32.7
Op Income	**$53.7**	**$60.9**	**$ 79.5**
Volumes:			
Sales:	405	359	416
Transport:	249	250	302
Throughput:	654	609	718

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KMTP – 2002 Plan Upside

- Aggressive supply acquisition program
- Market Storage Services
- Increase 3rd Party Transportation

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Tejas Pipeline

David Jenkins

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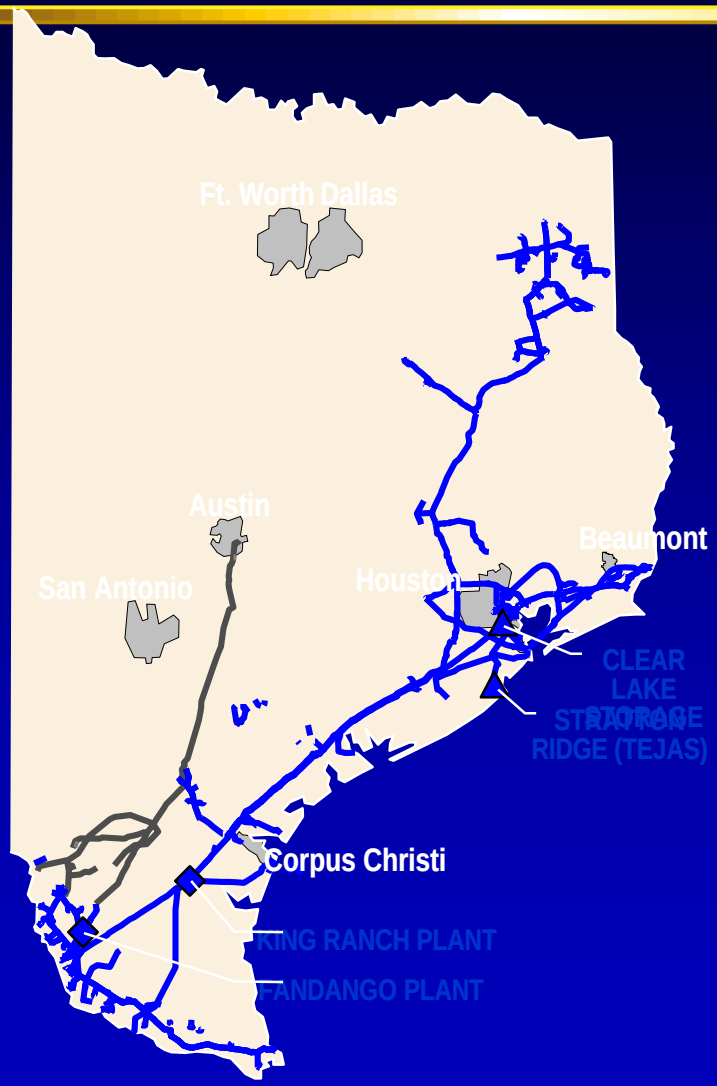
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Tejas Overview

- Approximately 3,400 miles of pipeline
- 16 Compressor Stations
- Seller of natural gas as well as transport
- Total capacity 3.5 Bcf/day
- Capacity utilized in 2001 – 2.7 Bcf/day
- 2 natural gas storage fields

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Tejas Gas



LEGEND

- Tejas Gas
- Tejas Joint Venture



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Tejas Synergies

- Storage
- Treating Plants
- New Markets
  - Austin
  - Corpus Christi
  - Texas City
  - East Texas
- Expand Beaumont Throughput
- System optimization
- Increases flexibility and reliability for customers

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Tejas Financial Overview

- $750 million
- Slightly over 8X 2002 expected DCF
- Slightly under 8X 2002 expected EBITDA
- $0.10 earnings accretion to KMP in 2002
- Fee based storage – 10 year demand contract with Coral for Clear Lake storage facility
- Large customers
  - Exxon
  - BP/Amoco
  - Pemex
  - Phillips
- Significant cost savings
- Expect to close Q1 2002

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Natural Gas Pipeline (NGPL) Update

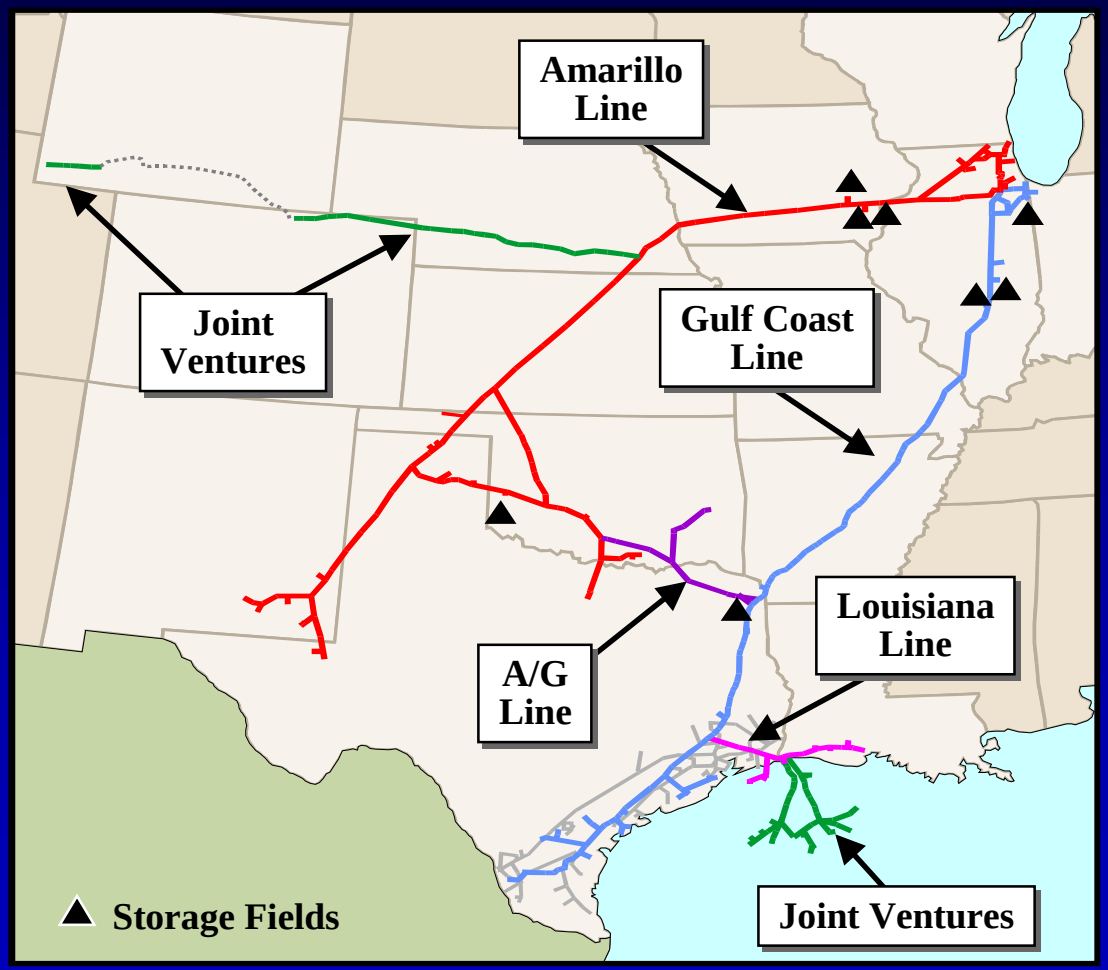
Deb Macdonald

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Natural Gas Pipeline

Pipeline and Storage System Overview



NGPL System

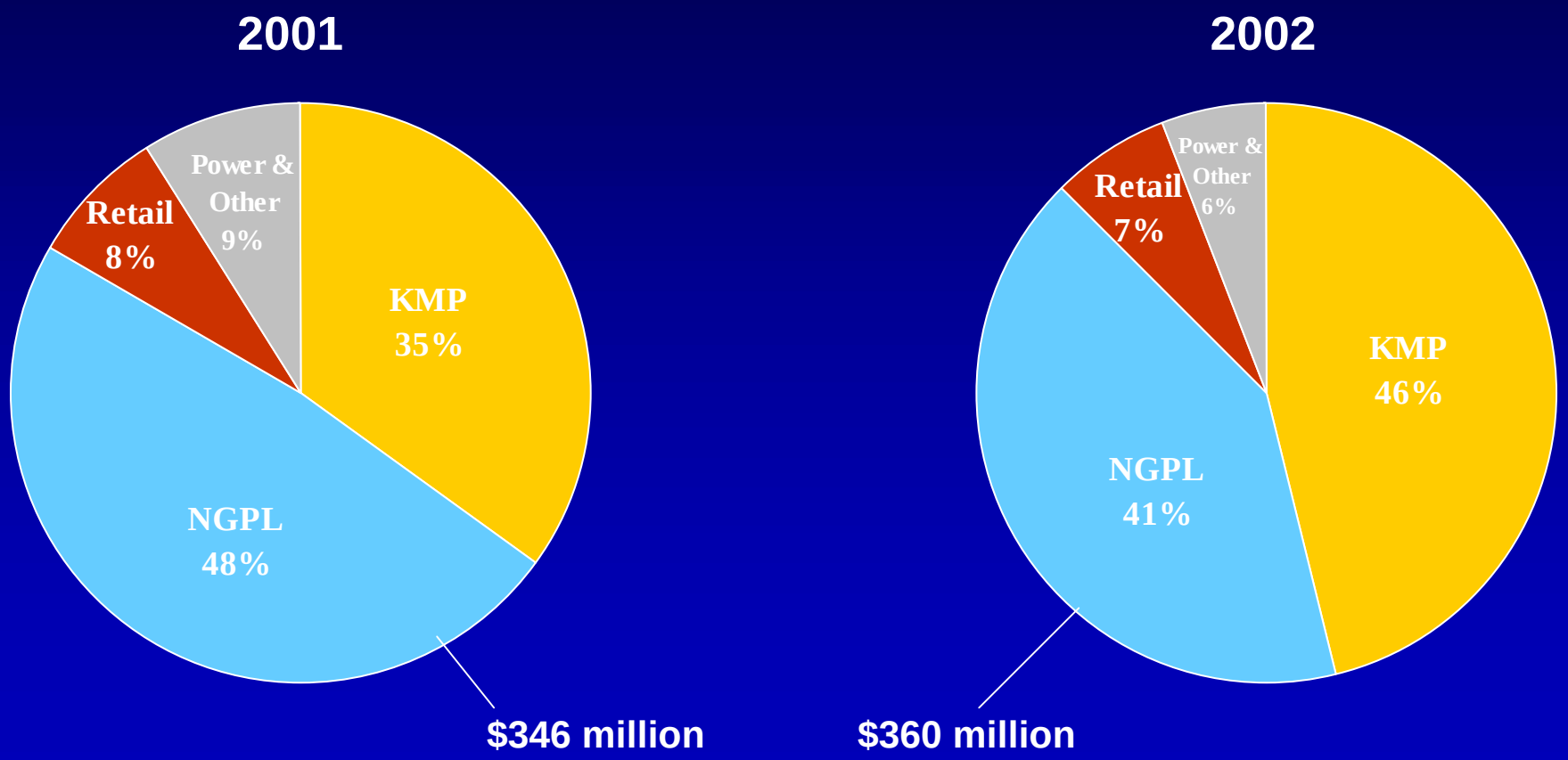
- Over 10,000 Miles of Pipe
- 61 Compressor Units with 1.0 Million HP

	Bcf/d
Peak Day Deliverability - Market	
Amarillo Line	1.6
Gulf Coast Line	1.6
Market Storage (delivered)	2.4
Total	**5.6**
Louisiana Line	**1.2**
A/G Line	**0.6**
Field Storage	
Lansing	**1.1**
Sayre	**0.4**

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Overview

NGPL Estimated Earnings Contribution(a)



(a) Segment earnings before allocation of G&A and interest expense.

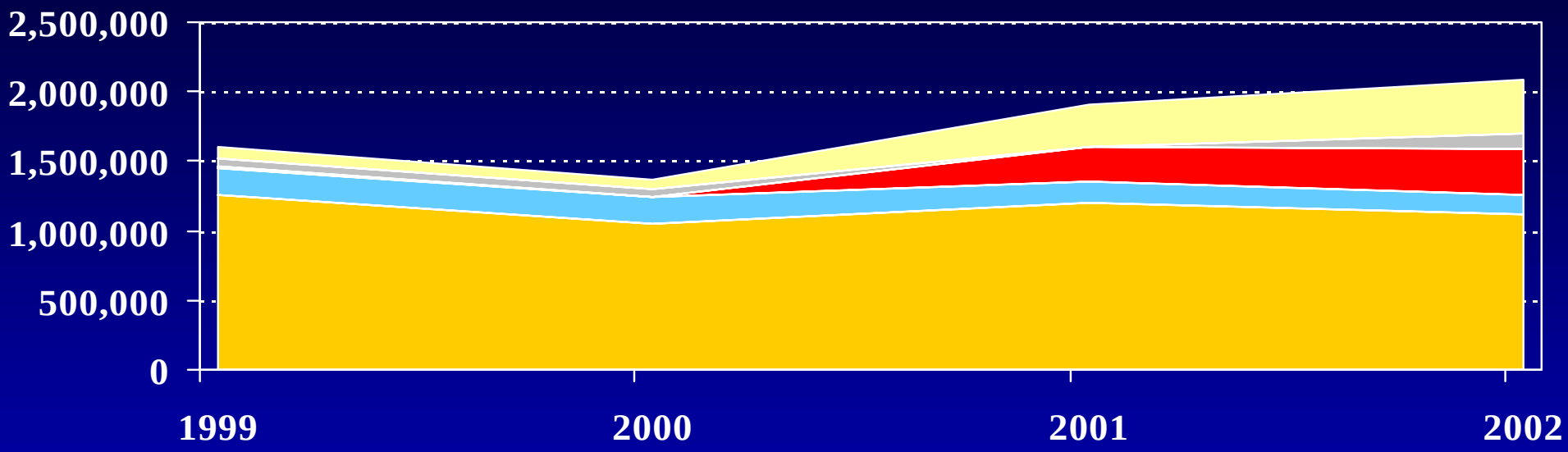
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NGPL Strategies

- Retain traditional customer/revenue base through successful contract renegotiation
- Revenue stream is heavily demand based
- Utilize system in untraditional ways to generate incremental opportunity
  - Short hauls, back hauls, power plants with related services
- Continue push toward Operational Excellence
  - Operate pipeline assets at maximum efficiency

NGPL Production Zone
Firm Transport Delivery MDQ

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	Jan-99	Jan-00	Jan-01	Jan-02
TXOK	87,779	72,779	302,889	394,917
STX	60,264	60,264	12,514	112,350
PERM	15,000	0	246,390	324,480
MIDC	182,546	189,446	151,206	147,616
LA	1,261,318	1,047,318	1,199,004	1,112,420

LA MIDC PERM STX TXOK

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NGPL Strategic Advantages

- Premium storage flexibility and services
- Supply diversity – Gulf Coast, Midcontinent, and Permian, Rockies Canada
- Infrastructure
  - Storage at both ends of pipe creates flexibility and opportunity
  - Integral to Chicago area LDCs and wheeling opportunities
- Low cost structure

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Renegotiation of NSS
Summary for 2002

- To Sell
  - 43.6 Bcf expiring in 2002
  - 1.5 Bcf new available in 2002
  - 45.1 Bcf Total
- Sold
  - 44.1 Bcf sold
  - Average term = 5.68 years (5-10+ year contracts)
  - Average rate = $.4883 (max rate = $.4912)
- Remaining
  - 1.0 Bcf expiring later in year

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Renegotiation of DSS
Summary for 2002

- To Sell
  - 2.4 Bcf expiring in 2002
- Sold
  - 2.4 Bcf sold
  - Average Term = 4.81 years
  - Average Rate = $1.254 (max rate = $1.368)
- Remaining
  - No expirations remaining until 2003

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Renegotiation of FTS
Summary for 2002

- System-wide
  - 1.8 Bcf/day expiring in 2002 of 5.3 Bcf/d
  - Top Six Shippers

– El Paso	312,702/day	17.3%
– Aquila	395,000/day	21.9%
– Marathon	131,000/day	7.3%
– Wisc. Elec.	104,133/day	5.8%
– MidAmerican	100,000/day	5.5%
– NIPSCO	295,100/day	16.4%
		74.2%

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Renegotiation of FTS
Summary for 2002 (cont'd)

- To Major Market Area
  - 0.31 Bcf/day Amarillo receipt
  - 0.70 Bcf/day Gulf Coast receipt
  - 1.01 Bcf/day Total 2002 expirations to market of 3.4 Bcf/d

– 1st Quarter	95,250/day	9.5%
– 2nd Quarter	300/day	0.03%
– 3rd Quarter	350,000/day	34.6%
– 4th Quarter	564,400/day	55.9%
	1,010,220/day	100%

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NGPL Performance

	2000	2001	2002
Gross Margin	$510.1	$521.4	$541.5
Direct Expense	$167.2	$175.1	$181.7
Operating Income (a)	$342.9	$346.3	$359.8
EBITDA	**$427.9**	**$432.3**	**$447.1**

(a) Before allocation of G&A and interest.

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NGPL Growth Projects

- Horizon Pipeline
  - Capacity: 380,000 Dth./day
  - Facilities: 28 miles of 36", 42 miles of 36" leased capacity, 8,900 HP at one station
  - Cost: $79.6 million
  - In-Service: April, 2002
  - Revenue:
    - Horizon Pipeline = $11.2 million per year
    - Additional NGPL Upstream Revenue = $2.1 million per year
- St. Louis Lateral
  - Capacity: 300,000 Dth./day
  - Facilities: 50 miles of 24"
  - Cost: $36.4 million
  - In-Service: July, 2002
  - NGPL Revenue: $5.0 million per year (Note: St. Louis revenue includes portion of upstream feeder contracts)

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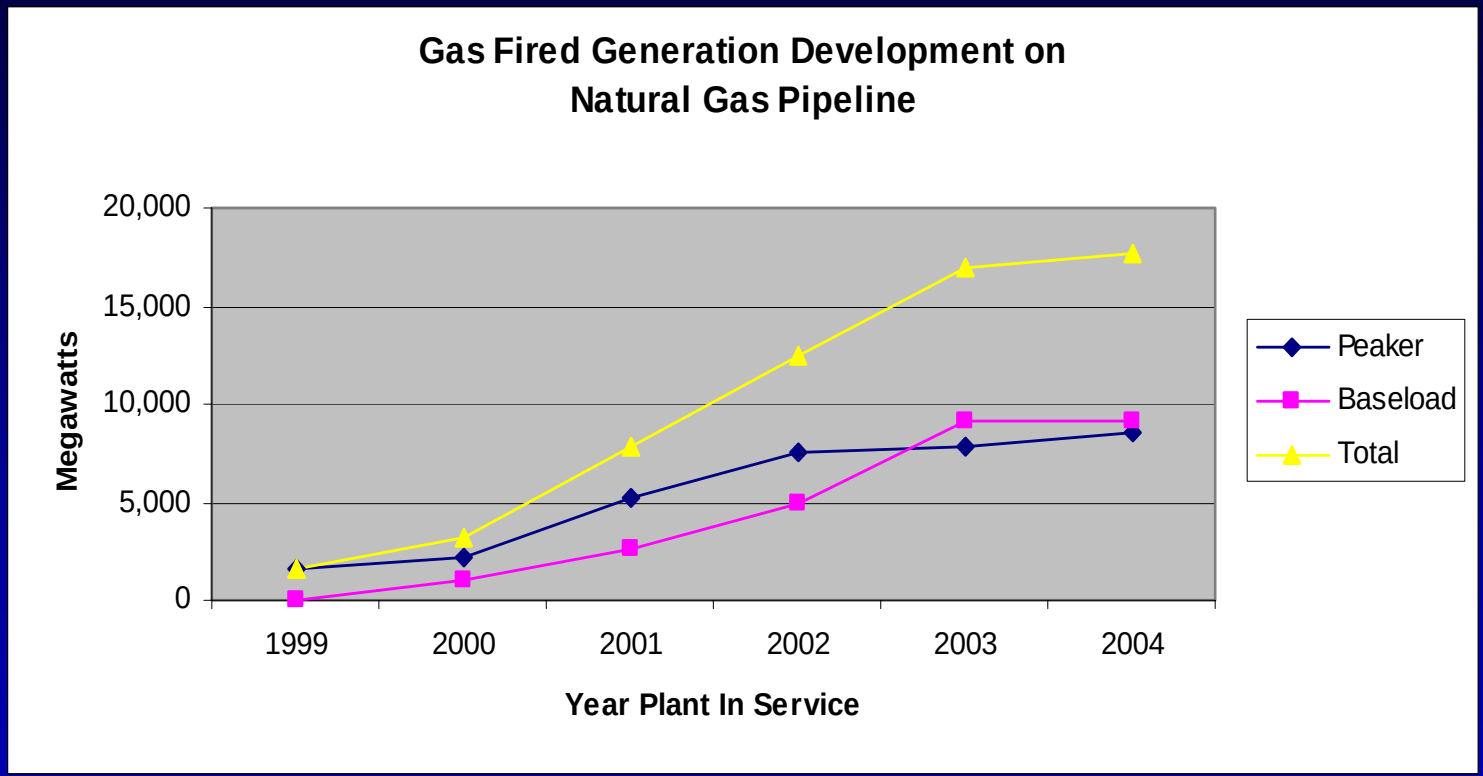
NGPL Growth Projects

- NGPL Permian Expansion
  - Capacity: 60,500 Dth./day
  - Facilities: Install 4,000 HP at two stations
  - Cost: $1.2 million capital, $1.5 million per year lease
  - In-Service: January, 2002 (in service now)
  - NGPL Revenue: $4.2 million per year
- North Texas Pipeline:
  - Additional NGPL upstream transport revenue: $11.4 million per year for 20 years

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Natural's Gas Fired Power Generation Market

Megawatts under construction for in-service thru 2004...



	'99 – '01	2002	2003	2004	Total
Peaker	5,163	2,315	300	750	8,528
Baseload	2,612	2,315	4,189	--	9,116
Total	7,775	4,630	4,489	750	17,644

Numbers include both plants related directly and indirectly to NGPL

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NGPL Summary

- NGPL's primary market is one of the most competitive in the country (Alliance, N. Border, N. Natural, ANR, etc.)
- NGPL faces constant contract renegotiations, but:
  - Strong historical track record
  - Very successful recent recontracting
- NGPL Strategies and Strategic Advantages will allow this success to continue
- Relatively stable regulatory environment
  - With no outstanding safety or environmental exposures

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Product Pipelines

Tom Bannigan

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Product Pipelines Overview

- Pipeline Transportation
  - Over 10,000 mile pipeline system, largest independent products pipeline in the U.S.
  - Transports over 2MM barrels of products a day
  - Refined petroleum products: gasoline (59%), diesel (20%), jet fuel (12.5% commercial/2.5% military)
  - NGL's for residential/commercial use and refinery and petrochemical feedstocks (6%)
  - Serves the highest growth markets in the U.S.
- Terminal Services
  - 32 terminals nationwide (associated with pipeline operations)
  - Refined Products, Chemicals and Crude (24), NGL's (8)
- Transmix Processing
  - 5 facilities
  - Serve all major U.S. pipelines
  - Approximately 65% of non-refining transmix processing market

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Product Pipelines Map



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Pacific Operations

- 3,900 mile refined products pipeline system and 22 terminals with 15 million barrels of storage
- Predominant market share, transporting bulk of refined products used in CA, AZ and NV
- Transports over 1.1 million barrels per day
- Pacific: 61% Gasoline, 22% Diesel, 17% Jet Fuel
- Rapid population growth driving consumption of refined petroleum products in region
- Refinery hub to population center strategy
- Top 10 shippers account for 82% of volumes and 80% of revenues



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Plantation Pipe Line/CFPL

- **Asset Overview**
  - 3,300 mile refined products pipeline systems; transports over 730M bbls/day
  - Serves fast-growing Southeast and Florida markets (Atlanta, Charlotte, D.C., Orlando)
  - 51% ownership of Plantation; Exxon/Mobil is remaining 49% partner
  - PPL Volumes: 66% Gasoline, 20% Diesel, 14% Jet Fuel
  - Top 6 PPL shippers account for 82% of volumes and 81% of revenues
  - CFPL Volumes: 66% Gasoline, 13% Diesel, 21% Jet
  - Top 5 CFPL shippers account for 74% of volumes and 74% of revenues



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The North System

- 1,600 mile NGL and refined products pipeline system
- Major transporter of products between central Kansas and Chicago refineries
- 8 Midwest truck loading propane terminals
- 50% partner of Heartland Pipeline, gasoline/distillates to markets in Iowa/Nebraska
- Volumes: Propane 41%,

  Refinery & Chemical Feedstocks 39%,

  Refined Products 20%
- Top 7 shippers account for 75% volumes and 77% revenues



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Cochin Pipe Line

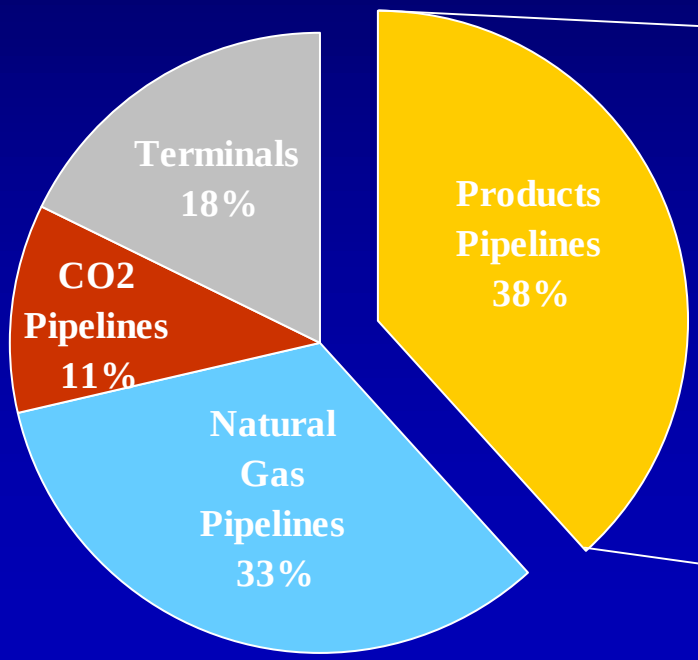
- 1,938 mile NGL pipeline system from Alberta, CN through 7 U.S. states and terminates in Ontario, CN. 4 U.S. propane terminals
- 45% ownership in Cochin:
  - BP 45%
  - Conoco 10%
- 69% Propane, 8% Ethane, 23% Ethylene
- Top 6 shippers account for 2/3 volume and revenues



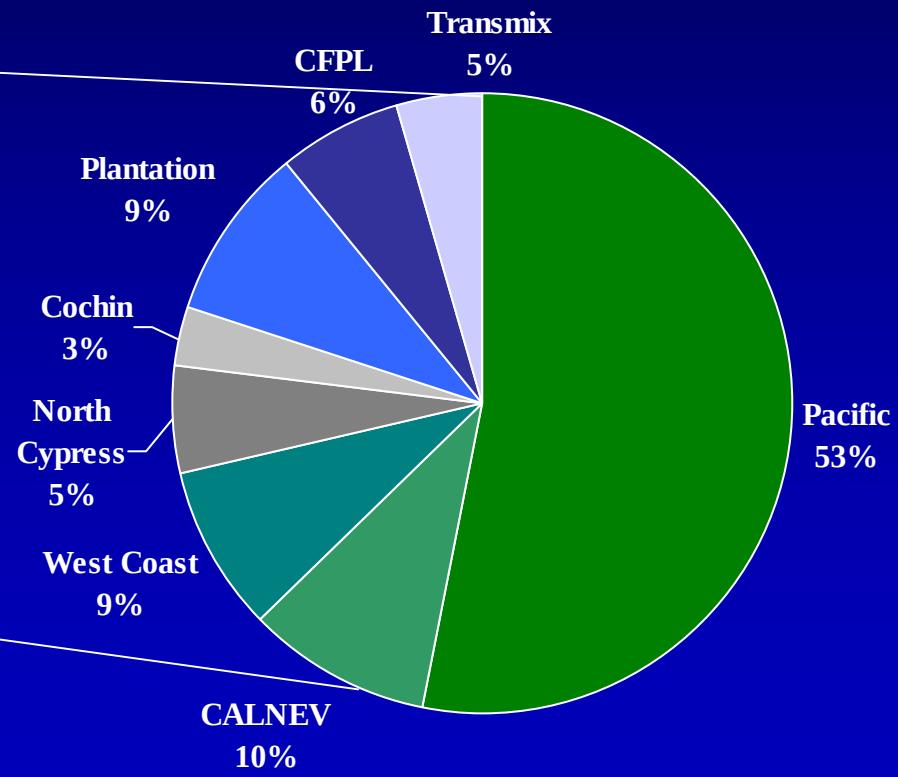
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Segment Overview (a)

Product Pipeline Contribution to KMP Distributable Cash



Breakout of Product Pipeline Distributable Cash

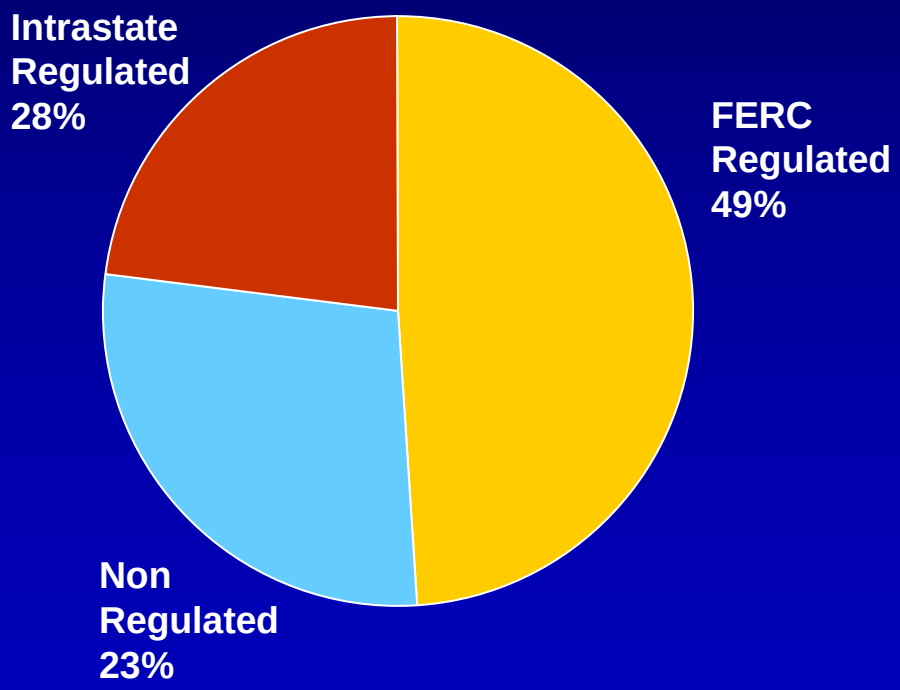


(a) Distributable cash flow before allocation of G&A and interest.

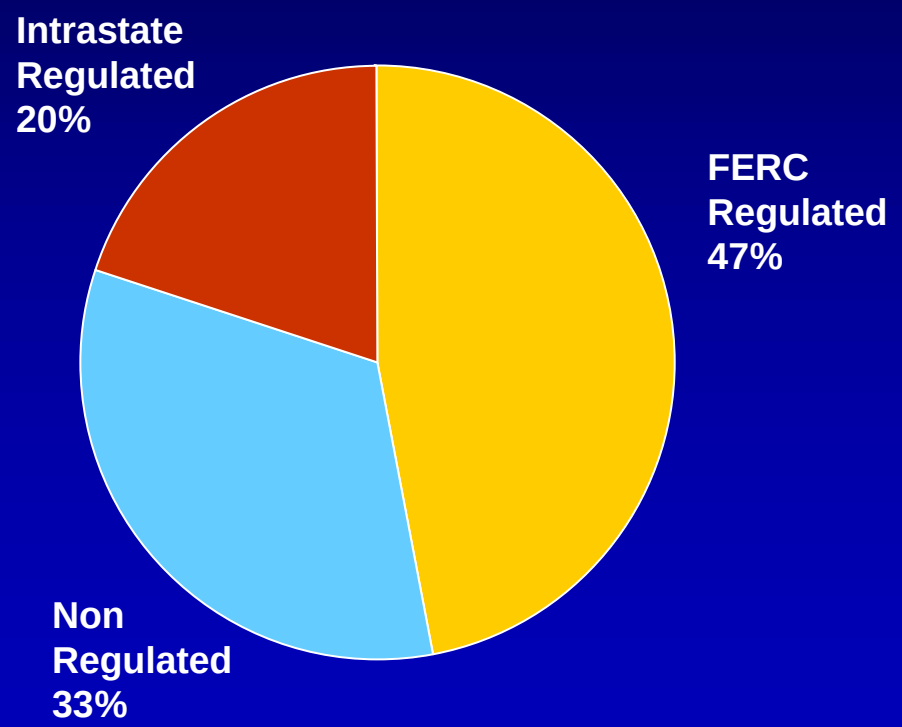
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Segment Overview: Regulatory Summary

2000 EARNINGS



2002 ESTIMATED EARNINGS



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Segment Strategy

- Make use of underutilized capacity to capture demand growth
- Goal is to offset increases in variable costs with productivity improvements
- Cost Reduction Strategies
  - Power Management
  - Superior Regulatory Compliance/System Integrity
  - Leverage KMI/KMP Purchasing Power (Pumps, DRA, Insurance)
  - Optimize Staffing
    - Acquisitions
    - Plantation Pipe Line Operating Agreement
- Accretive Acquisitions

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2001 Results

- Segment Earnings up $87.7 MM (40%)

	2001 vs. 2000		
	Volumes	Revenues	(Revenues $1,000)
Pacific	+3.2%	+7.9%	286,069
Calnev	+0.8%	+1.9%	48,660
West Coast Terminals	+4.9%	+5.0%	53,597
Plantation	-0.5%	-3.7%	156,669
Central Florida Pipe Line	-0.9%	+0.5%	31,379
North	+4.9%	+0.7%	35,771
Cypress	+2.6%	-4.4%	6,645

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2002 Overview

- Segment Goals
  - Increase Revenues by 4.5%
  - Increase Net Income by 12%
  - Zero System Releases and Zero On-The-Job Injuries

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2002 Plan: Growth Assumptions

- $36.9 Million Segment Operating Income Growth
  - $20 Million Volume/Market Share Growth (54%)
  - $8.3 Million (Full Year Calnev) (22%)
  - $4.7 Million Expansion Projects (13%)
  - $3.9 Million Price Increases (11%)
- Expansion Projects
  - Terminal Facilities in LA and Northwest
  - LAS Fuels Pipeline Expansion
  - PPL Terminal Connections
  - PPL System Connections

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2002 Plan: Risks

- Severe Recession
- Slower Air Travel Recovery
- Sustained Mild Weather in East and Midcontinent Affecting Propane/Fuel Oil Demand

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2002 Plan: Upside

- Accelerated Economic Recovery
- Industry Consolidation / Favorable Shifts In Supply
- Increased Imports and Product Price Volatility Stimulate Demand for Terminal Storage
- Greater Volume Growth in High Tariff Markets

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Long Term Growth Opportunities

- Operate in Growth Markets/High Barriers of Entry
- Improve Market Share
- Pursue Accretive Acquisition Opportunities

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Long Term Growth Opportunities

Operate in Growth Markets

- U.S. 2000 Census (1995-2005 Population Growth)

  > 50% (California, New Mexico, Arizona, Nevada)

  > 40% (Florida)

  > 30% (Georgia, North Carolina, Virginia)

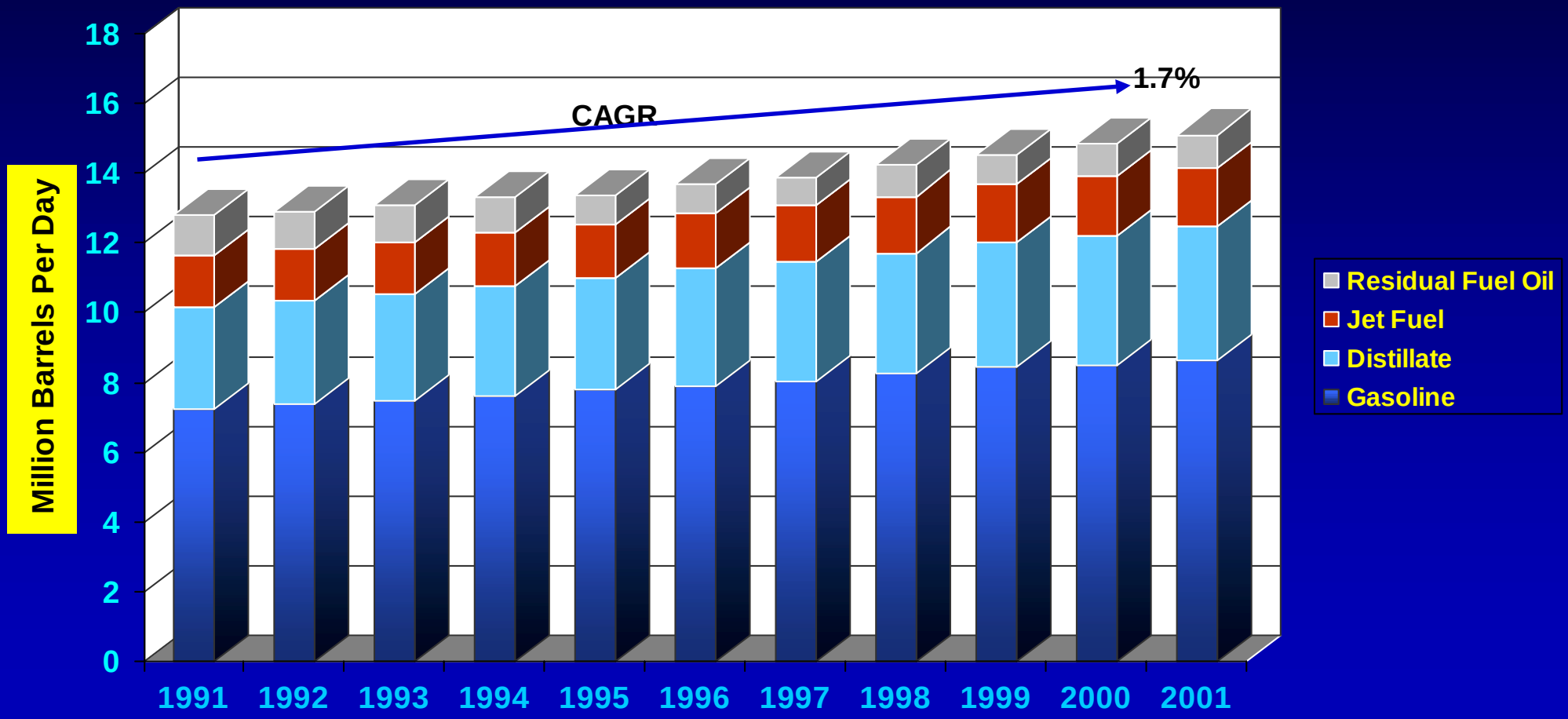
- U.S. Products Demand Growth

  1.7% CAGR – 1991-2001

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Commodity Demand

U.S. Petroleum Products Supplied per Day



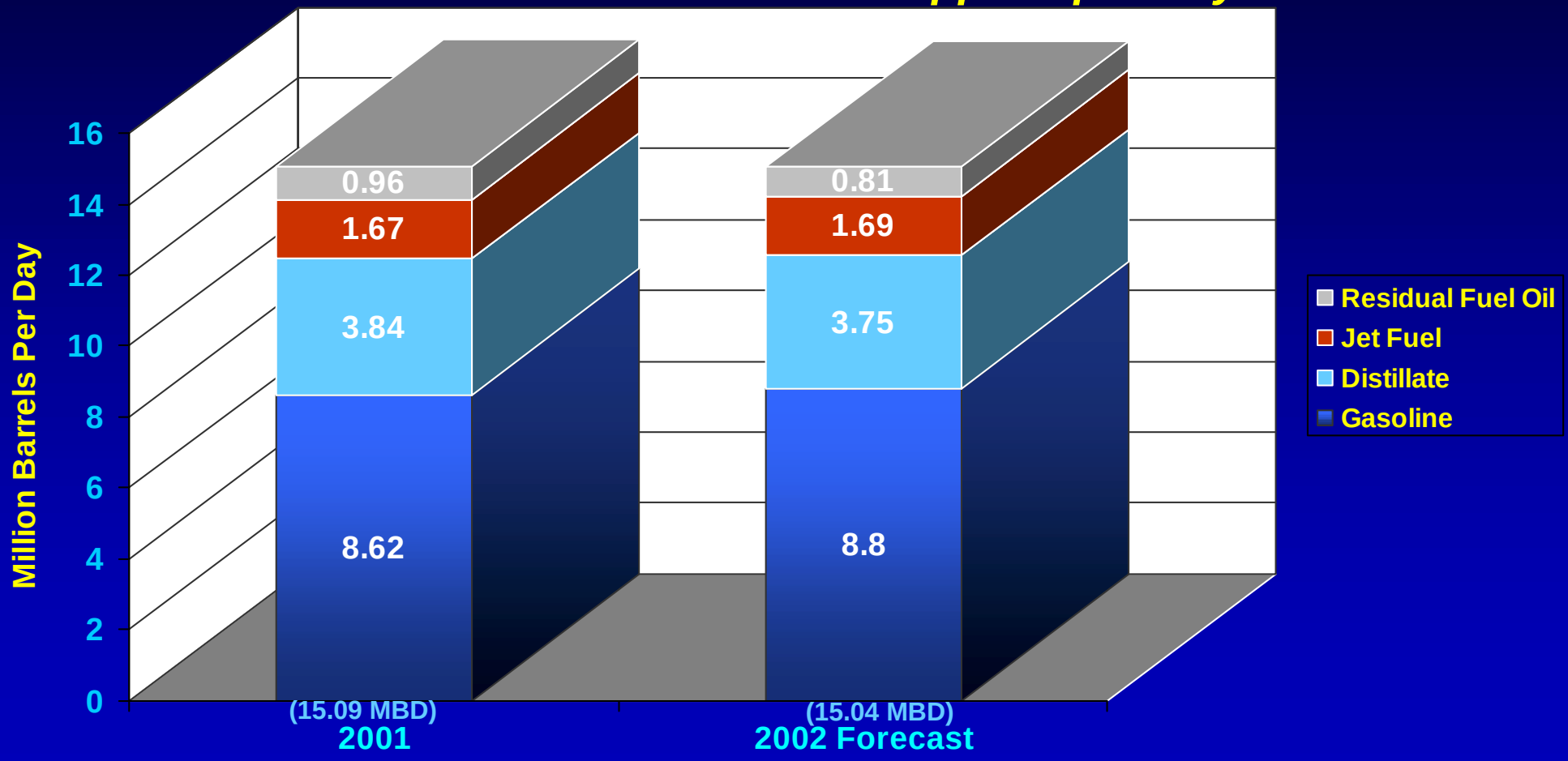
Sources: EIA; U.S. Petroleum Products Supplied, 2000 to Present 2001

Year 2001 Includes estimated amounts for November and December.

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Commodity Demand

U.S. Petroleum Products Supplied per Day



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

Year 2001 Includes estimated amounts for November and December.

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Long Term Growth Opportunities

Operate in Growth Markets

- 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
- CAFE Standards Unchanged Since 1990
  - Trucks, SUVs average 5mpg less than cars
  - Energy Intensity Comparison*

Passenger Car	**Light Truck/Minivan/SUV**
3,700 BTUs per passenger mile	4,529 BTUs per passenger mile

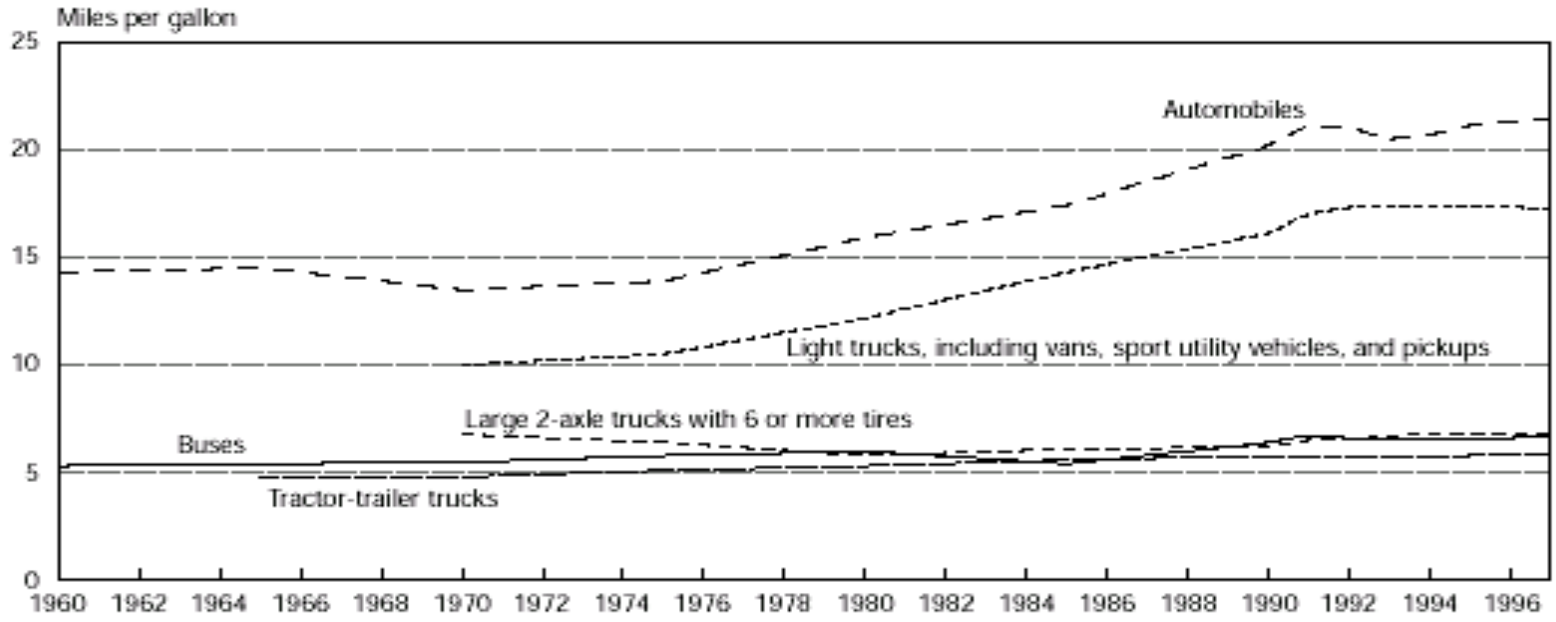
  - From 1988 to 1997, average vehicle has increased 10% in weight and gained 35 horsepower

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

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Long Term Growth Opportunities

Highway Vehicle Average Fuel Consumption: 1960–97



NOTE: This figure shows the results for the entire fleet of operating vehicles, not just new ones, and is derived from estimates of vehicle travel and total fuel consumed.

SOURCE: U.S. Department of Transportation, Bureau of Transportation Statistics, *National Transportation Statistics 1999* (Washington, DC: Forthcoming).

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Operate in Growth Markets

- 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)
  - Transit ridership (bus and rail) flat from 1980-1997
  - Urban Congestion**
    1982 - 10/70 Major urban areas deemed congested
    1996 - 39/70 Major urban areas deemed congested

*(U.S. DOT Transportation Statistics Annual Report 1999)
**Texas Transportation Institute, 1996 Urban Congestion Study

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Long Term Growth Opportunities

- Improve Market Share
  - Customer Service
  - “One Stop” Logistics
  - Non-Affiliated Status
- Current Terminal Market Shares
  - Los Angeles (17%)
  - Seattle (18%)
  - Portland (25%)
  - Phoenix (26%)
  - San Diego (45%)
- Expand Pipeline Services to Markets Unserved or Underserved
- Pursue Accretive Acquisition Opportunities

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Summary

- Stable Assets In Growth Markets
- Exceptional Growth Track Record
- Good Opportunities for Future
  - Underutilized Assets Allow Growth To Drop to Bottom Line
  - Acquisition Opportunities Due to Consolidation

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Kinder Morgan Liquid Terminals, LLC

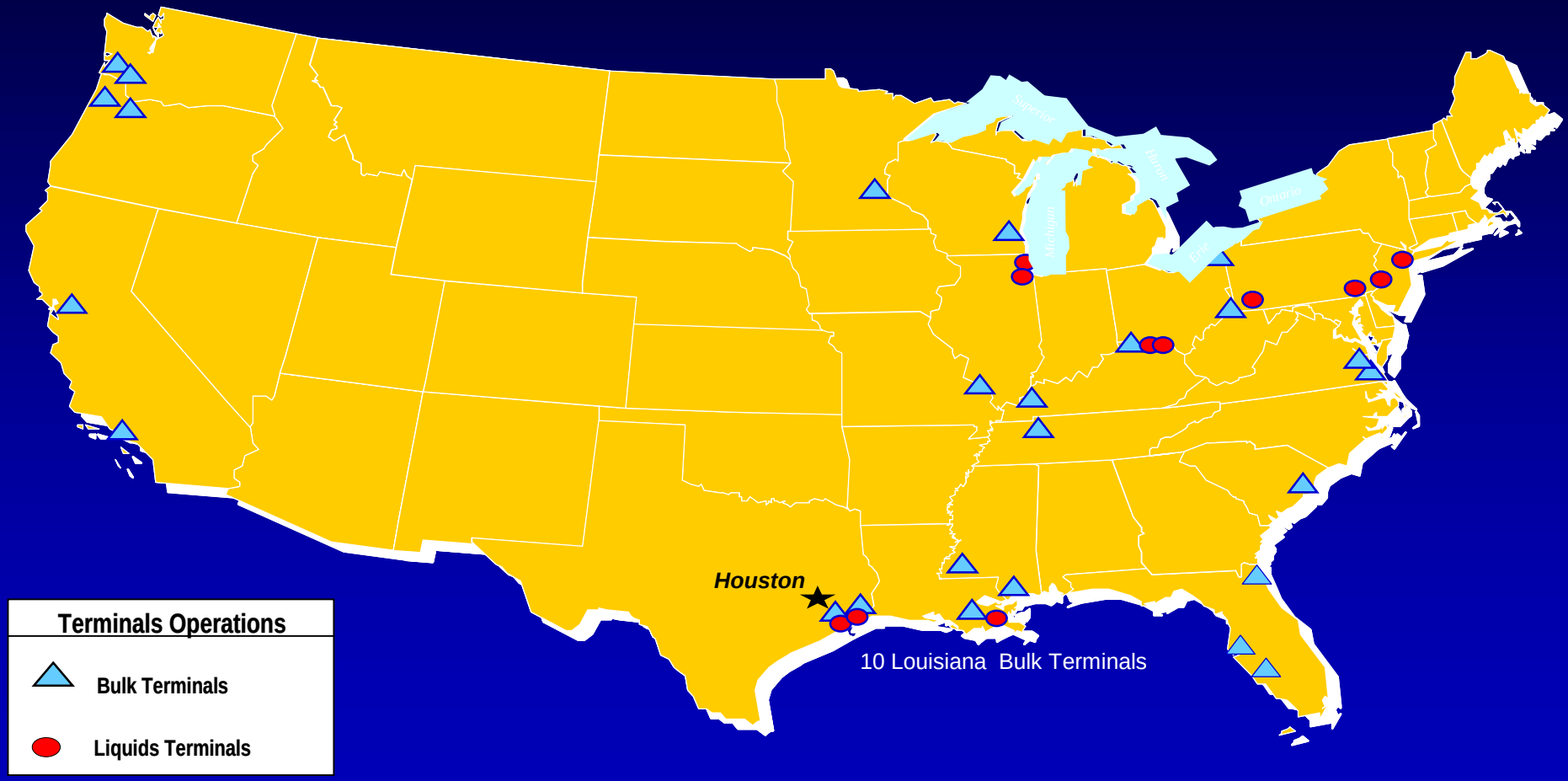
Jeff Armstrong

Dixon Betz

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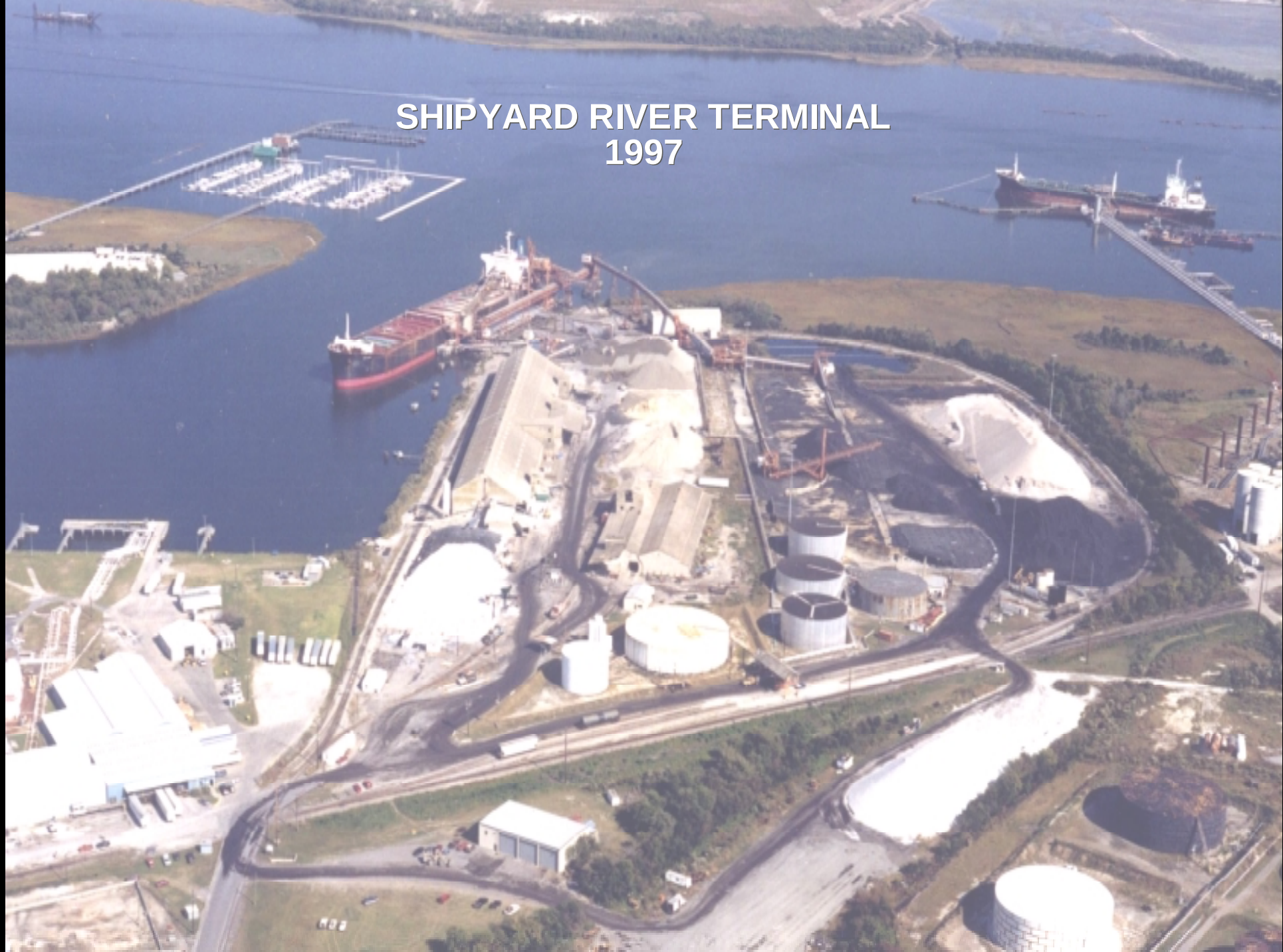
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KMLT & KMBT Asset System Map




Pasadena Terminal


Carteret Terminal


SHIPYARD RIVER TERMINAL
1997

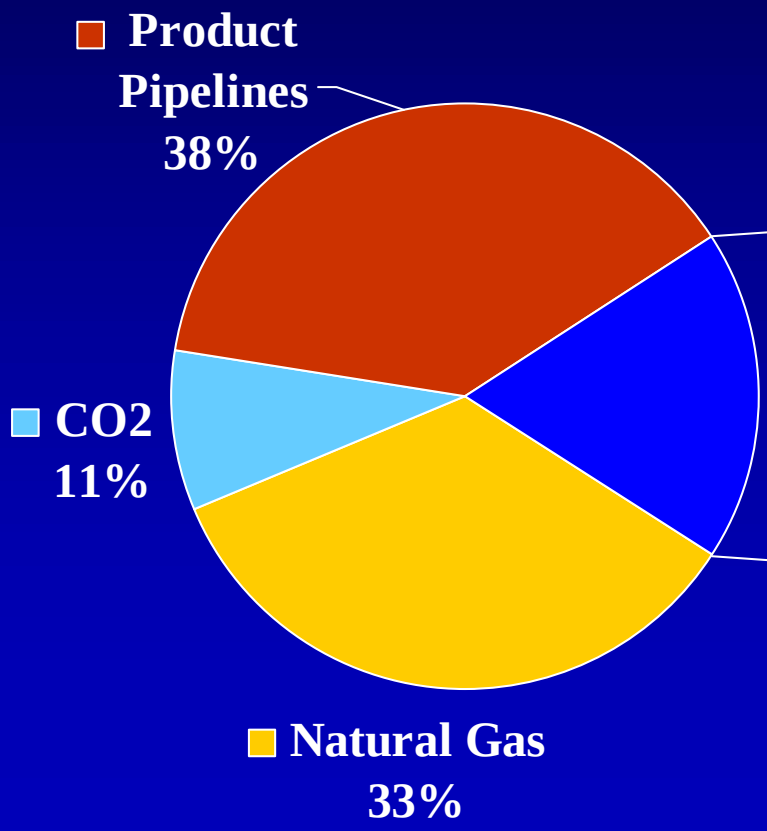

SHIPYARD RIVER TERMINAL
2001


PIER IX TERMINAL
Newport News, VA

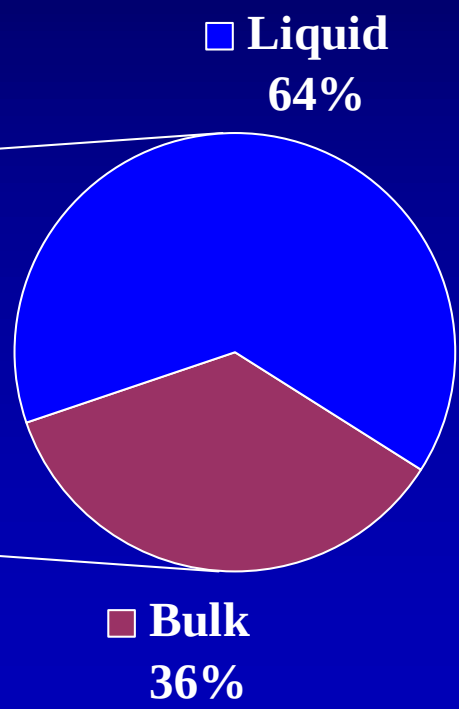
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2002 Terminal Earnings Forecast

Terminal Contribution to 2002

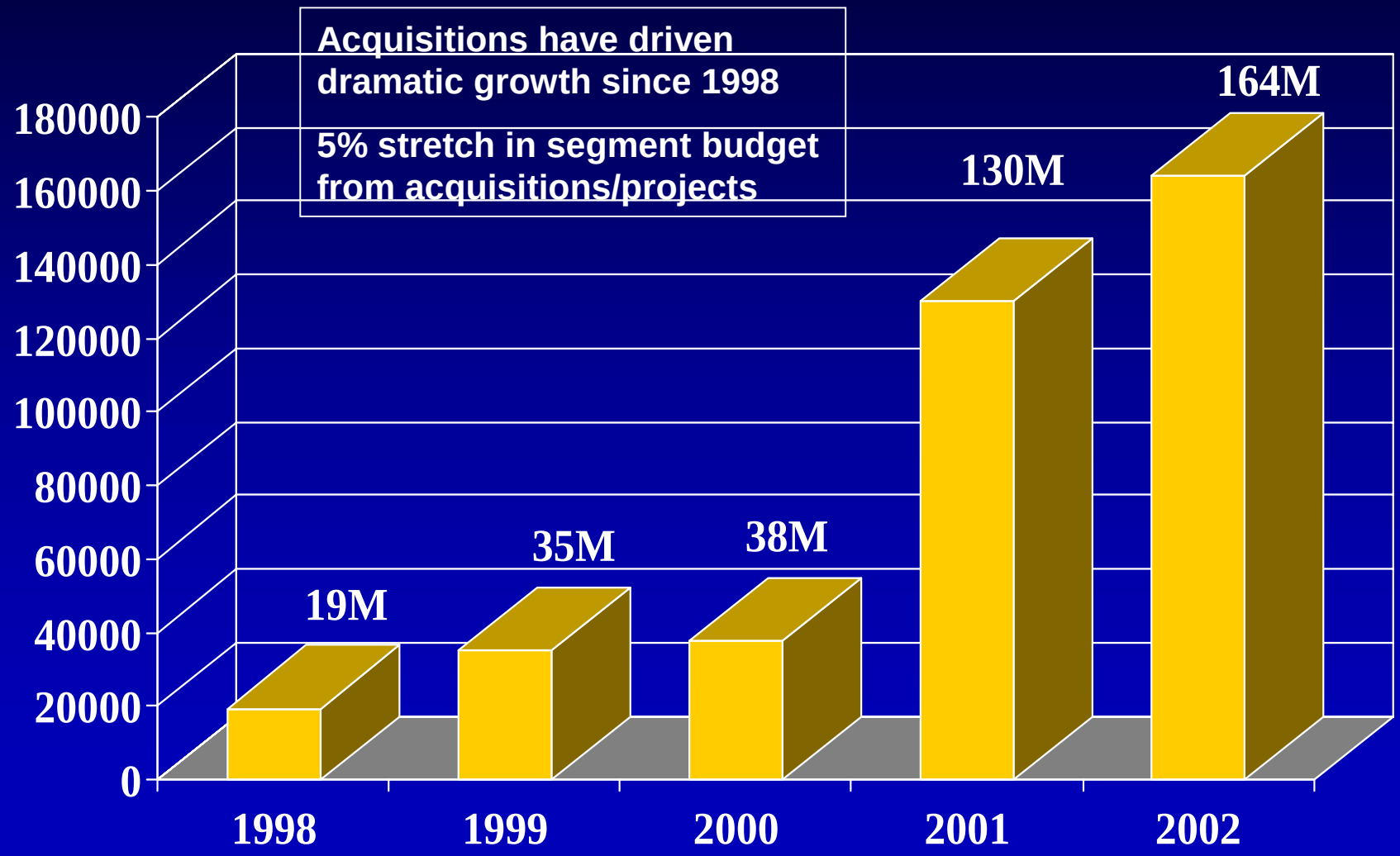


Estimated Breakout of Terminal DCF



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Terminal Segment Earnings



Acquisition Review - Terminals

- Terminal growth has been driven by an aggressive acquisition plan.
- Terminal multiples tend to be lower than those paid for pipeline assets.
- We have completed nine acquisitions since 1998.
- To date, every acquisition has met or exceeded the original acquisition plan.
- Success in achieving plan is driven by cost cuts and additional business from our customer base.

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Acquisition Review
($ In Millions)
1998 - 2001

	Investment	2001 Annualized EBITDA	Acquisition Plan	Over (Under)
Hall-Buck Marine	100.0	15.9	14.9	1.0
Pier IX	28.0	5.5	4.9	0.6
SRT				
Original			*2.0*	
Blue Circle			*1.3*	
2nd Dock			*3.1*	
	35.0	6.8	6.4	0.4
Milwaukee Bulk	25.0	5.0	4.9	0.1
Delta	120.0	20.0	18.5	1.5
Pinney Dock	41.5	6.7	6.5	0.2
Vopak	44.0	9.6	8.0	1.6
GATX-Liquid Terminals	461.8	79.2	73.7	5.5
TOTALS:	855.3	148.7	137.8	10.9

EBITDA MULTIPLE: 5.75

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Terminals Overview

- Bulk Terminals
  - 33 Dry Bulk Terminals Operated
  - 2,000,000 Tons of Covered Storage; 14,000,000 Tons of Open Storage
  - 55,000,000 Tons of Product Handled
  - Own River Consulting, Inc., a nationally recognized bulk material handling design and construction management firm with $25M in annual revenue.
  - Largest independent dry bulk terminal operator in the U.S.
  - Capacity to Handle Over 100,000,000 Tons Per Year.

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Bulk Terminals

- Tonnage Handled = 55 Million Tons
- Major Industries By Commodity:

– Coal	28.0 Million	51%
– Petcoke	7.8 Million	14%
– Fertilizers	4.0 Million	7%
– Iron Ore	3.8 Million	7%
– Salt	2.5 Million	5%
– Cement	2.2 Million	4%
– Other	6.7 Million	12%
	55.0 Million	100%

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Industries

- 14% Petroleum Coke - Terminaling
  - In Plant Services at Refineries
  - Domestic and Export
- 51% Coal - Terminaling
  - West Coast (Rail to Barge; Export)
  - East Coast (Rail to Barge; Export)
  - Import
- 4% Cement-Terminaling
  - Imports
- 7% Fertilizer - Terminaling
  - Import, Export, and Domestic
- 5% Salt - Terminaling
  - Domestic and Import
- 7% Iron Ore - Terminaling
  - Domestic and Imports
- 12% Other
  - Domestic, Imports, and Exports

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Market Share (2001)

- Petroleum Coke (Waterborne)
  9.9 Million Tons U.S. Production
  2.3 Million Tons Handled (23%)
- Coal
  - U.S. Exports 34.0 Million Tons
    3.32 Million by KMBT (10%)
  -Domestic Consumption (Qtrs. 1 & 2)
    238.5 Million Tons
    11.9 Million by KMBT (5%)
- Salt (for Ice Control)
  -19.7 Million Tons Distributed
  -2.5 Million by KMBT (13%)
- Cement Imports U.S. (Qtrs. 1-3)
  - 17.6 Million Tons
  - 1.5 Million by KMBT (8%)
- Iron Ore (Great Lakes Region)
  - 31.0 Million Tons Direct Ship.
  - 2.45 Million by KMBT (8%)
- Fertilizers
  - 6.6 Mil. Tons Potash U.S. Import for Qtrs. 1-3
    .620 Mil. Tons by KMBT (9%)
  - 7.2 Mil Tons Phosphate Exports
    .948 Mil Tons by KMBT (13%)

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Customers

- Petroleum Coke
  - Refineries
  - Traders/Marketers
  - End Users (Utilities; Industrial Users)
- Coal
  - Utilities (Domestic and Foreign)
  - Producers
  - Traders/Marketers
- Cement
  - Producers
  - Ready Mix Cooperatives
- Fertilizer - Producers
- Salt - Producers
- Iron Ore
  - Steel Companies
  - Producers

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Customer Base: Bulk Terminals

RANK	CUSTOMER NAME	2001 REVENUE ($)	PERCENT
1	TVA	14.9M	8.8%
2	ANSAC	8.1M	4.8%
3	ALCOA	6.5M	3.8%
4	EXXONMOBIL	4.6M	2.7%
5	MASSEY COAL	4.2M	2.5%
6	TAMPA ELECTRIC	3.7M	2.2%
7	BLUE CIRCLE CEMENT	3.3M	2.0%
8	LAXT	3.2M	1.9%
9	HOLCIM	3.2M	1.9%
10	INDIANA KENTUCKY ELECTRIC	3.0M	1.8%
11	ESSROC CEMENT	3.0M	1.8%
12	WISCONSIN ELECTRIC	3.0M	1.8%
13	PCS	2.7M	1.6%
14	E. I. DUPONT	2.6M	1.5%
15	HONEYWELL	2.2M	0.4%
	TOTALS:	68.2M	40.4%
	TOTAL 2001 REVENUE:	$168,680,000	

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Competitors by Industry

No National Competitors

- Petroleum Coke
  - Aimcor
  - Trans Global Solutions (TGS)
  - Traders/Marketers (e.g. Koch, Oxbow)
- Coal
  - Railroads
  - Public Ports
  - Regional Terminals w/ Regional Operators
- Cement
  - Private Terminals of Major Cement Companies
  - Regional Terminals with Regional Operators
- Fertilizer
  - Private Terminals of Major Fertilizer Companies
  - Public Ports w/ or w/o Regional Operator
- Salt
  - Regional Terminals with Regional Operators
- Iron Ore
  - Railroads
  - Private Terminals of Integrated Steel Companies
  - Regional Terminals with Regional Operators

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KMBT's Strategic Focus

- Location, Location, Location
  - Provide Terminals w/ Logistic Advantage
- Service, Service, Service
  -Provide superior customer services
- Focus on Acquisitions that benefit from KMP's unique Financial Structure
  - Qualifying Revenues and Low Cost of Capital
  - Acquisition
  - New Construction
  - Monetization
- Take Advantage of Economies of Scale
  - Low Cost Operations and Management
- Increase Market Share in Each Industry Segment

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KMBT's Strategic Focus

- Diversification
  - Business covers numerous dry bulk industries helping to avoid cycle effects
- Target Multiple Commodity Facilities
  (Liquid, Bulk, & Others)
- Capitalize on Benefits from Recent KMLT Acquisitions w/
  - Low Dock Utilization
  - Available Real Estate
  - Geographical/Logistical Advantage
- Market Increment Volumes
  2nd Customers for Existing Site (ex. SRT)

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KMBT's Geographic Focus

- Acquisitions
  - East Coast - Short Term
  - Miss. River/Gulf Coast/Midwest - Mid Term
- New Construction
  - Customer Requirements
  - Location Advantages

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KMBT's Growth Strategies

- Inside the Fence Growth
- Acquisition of New Terminals
- Construction of New Terminals

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Existing Terminal Strategies

- Achieve Benefits from Recent KMLT Acquisitions
  - Logistical/Geographical Advantages
  - Facilities w/ Low Dock Utilization and Available Real Estate
- Market Incremental Volumes
  2nd Customers for Existing Sites (ex. SRT)

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KINDER MORGAN LIQUIDS TERMINALS LLC (KMLT)

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Industry Overview: North American Market Share

- Independent Bulk Liquid Terminal Companies
  - Total = 328,721,000
  - KM = 53,940,000
  - Market Share of 16.4%
- Total Storage Capacity
  - Independent & Captive = 730,000,000
  - KM = 53,000,000
  - KM Market Share of 7.26%
- The Top Ten Companies Represent 76.5% of the Total Independent Tankage

1)	Kinder Morgan	16.4%
2)	Williams	15.4%
3)	ST Services	11.8%
4)	IMTT	9.4%
5)	Vopak (Paktank)	4.9%

6)	Oiltanking of Houston Inc.	4.4%
7)	TransMontalgne Inc.	4.0%
8)	TePPco	3.9%
9)	Petroleum Fuel & Terminal Co.	3.5%
10)	Houston Fuel Oil Terminal Co.	2.8%

Source: 2001 World Refining, September 2001

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Terminal Overview

- **Liquids Terminals**
  - Eleven (11) Liquid Terminals
    - 35,000,000 barrels of storage
    - 457,000,000 barrels of Petroleum Products Throughput
    - 34,500,000 barrels of Chemical and Other Products Throughput
  - Combined with KMP Products Pipeline – we are the largest independent liquid terminal operators in North America based on storage capacity.
  - Revenue is 50% from Petroleum; 50% from Chemicals.

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Segment Overview: Liquids Terminals - 2001

Location	No.	Storage		Throughput	
		Barrels	Percentage	Barrels	Percentage
Houston	2	18.2M	52%	359M	73%
New Jersey	2	8.6M	25%	105M	21%
Chicago	2	3.1M	9%	13.5M	3%
New Orleans	1	2.9M	8%	8M	1.6%
Philadelphia	1	1.2M	3%	3M	.6%
Other	3	1.0M	3%	2.5M	.5%
Total[1]	11	35.0M	100%	491M	100%

[1]*Capacity Breakdown*

Chemical	7.8M
Petroleum	24.3M
Other	2.7M

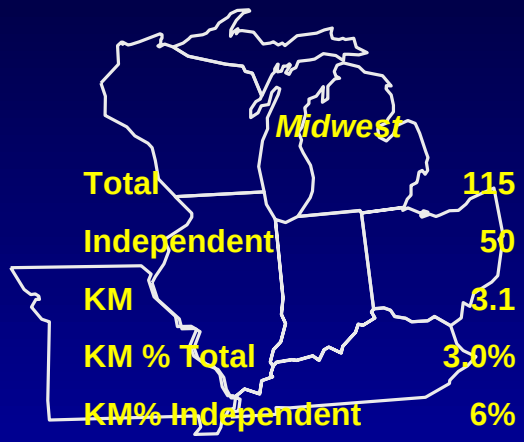
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Segment Overview: Liquids Terminals Throughput for 2002

Location	No.	Throughput			
		Gasoline/Gasoline Blendstock	Distillate	Chemical	Total
Houston	2	207M	152M	11M	370M
New Jersey	2	86M	15.1M	7M	108M
Chicago	2	6M	5.4M	5M	16M
New Orleans	1	0M	0M	3M	3M
Philadelphia	1	0M	0M	2M	2M
Other	3	1M	0M	2M	3M
Total	11	300M	173M	30M	502M

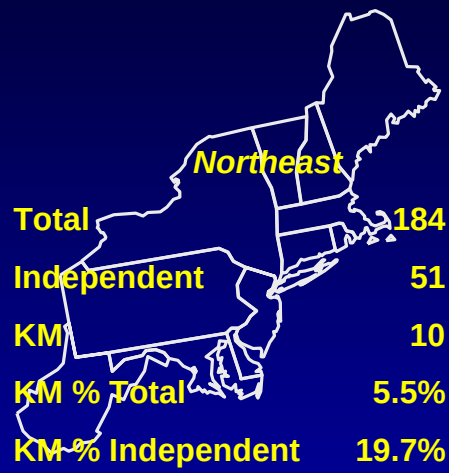
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Industry Overview: KMLT Regional Market Share



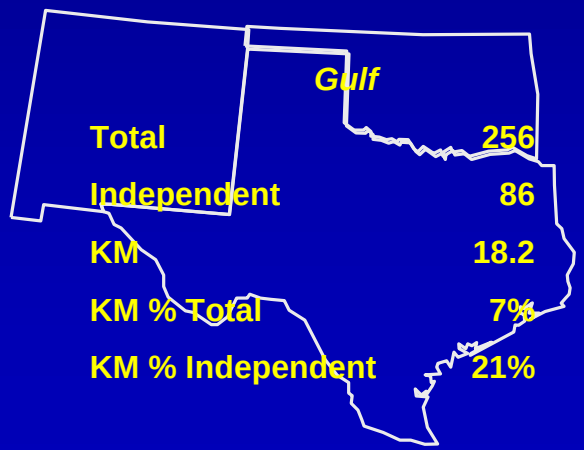
Midwest

Total	115
Independent	50
KM	3.1
KM % Total	3.0%
KM% Independent	6%



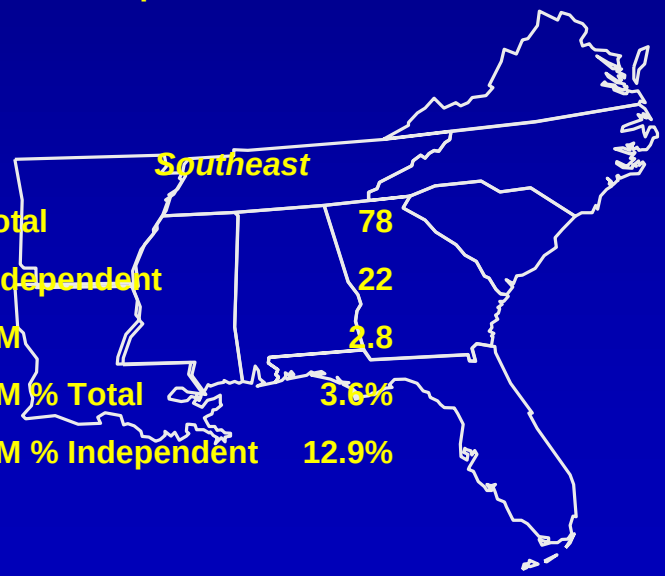
Northeast

Total	184
Independent	51
KM	10
KM % Total	5.5%
KM % Independent	19.7%



Gulf

Total	256
Independent	86
KM	18.2
KM % Total	7%
KM % Independent	21%



Southeast

Total	78
Independent	22
KM	2.8
KM % Total	3.6%
KM % Independent	12.9%

Source: A.T. Kearny, ILTA

KINDER MORGAN

KMLT Carteret Terminal



Terminal Specifications

Size	197 Acres
Total Storage Capacity	6,347,589 bbls
No. of Tanks	261
Range of Tanks	2,000 gals - 260,000 bbls
No. of Ship Docks	2 (36' MLW & 37' MLW)
No. of Barge Docks	4
Commodities Handled	Petroleum and Chemicals

Throughput (inbound) (bbls)	2000	2001
• Petroleum	68,899,196	84,866,823
• Chemical	3,563,287	3,651,737

Number of Moves (2001)

• Ships	328	• Trucks	35,579
• Barges	1,228	• Railcars	2,811

Terminal Services

- Vessel Loading/Unloading
- Pipeline Receipt/Shipment
- Tank Car Loading/Unloading
- Tank Truck Loading/Unloading
- Tank Truck Weighing
- Product Blending
- Product Heating
- Vapor Recovery/Incineration
- Additive Handling/Injection
- Denatured Spirits Handling
- Nitrogen Blanketing
- Automated Truck Racks
- Fire & HAZ-MAT team on-site
- **Additional Services Available**

Transportation Modes

• Servicing Body of Water	Arthur Kill
• Servicing Railroads	CSX, Norfolk Southern
• Servicing Major Roadways	NJ Turnpike, Routes 1 & 9
• Pipelines (receiving)	Sun, Colonial, Harbor
• Pipelines (injecting)	Buckeye, Colonial

Terminal Addresses

Terminal Address

78 Lafayette Street
Carteret, New Jersey 07008

732-541-5161
732-541-5856 Fax

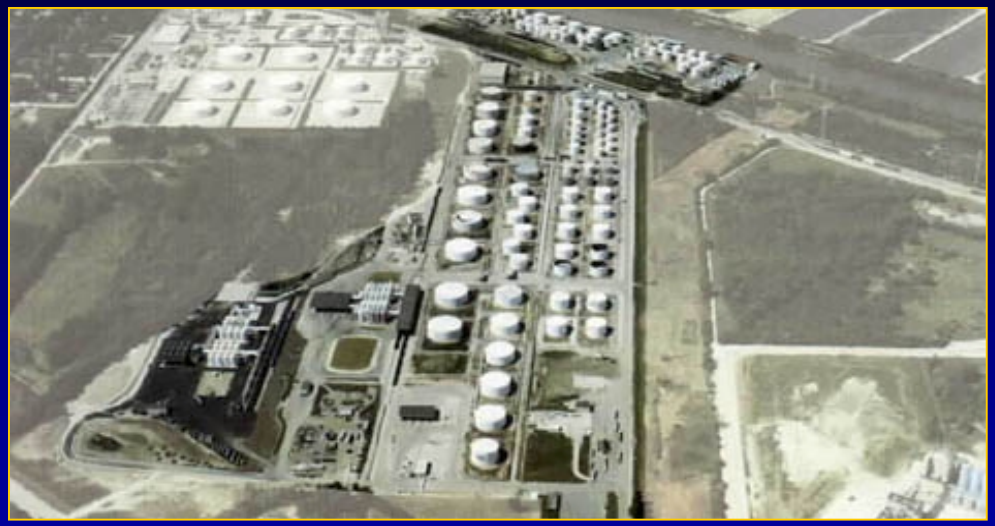
Business Office

One Terminal Road
Carteret, New Jersey 07008

732-541-5161
732-969-3575 Fax

KINDER MORGAN

KMLT Argo Terminal



Terminal Specifications

Size	145 Acres
Total Storage Capacity	2,313,391 bbls
No. of Tanks	215
Range of Tanks	50,000 gals to 80,000 bbls
No. of Ship Docks	N/A
No. of Barge Docks	3
Commodities Handled	Chemicals, Petroleum, and Residual Fuel Oil

Throughput (inbound)

(bbls)	2000	2001
• Petroleum	7,146,822	8,198,669
• Chemical	3,527,348	3,473,865

Terminal Services

- Vessel Loading/Unloading
- Pipeline Receipt/Injection
- KMLT Laboratory Testing
- Tank Car Loading/Unloading
- Tank Truck Loading/Unloading
- Tank Truck Weighing
- Product Blending
- Product Heating
- Vapor Recovery/Incineration
- Additive Handling/Injection
- Denatured Spirits Handling
- Nitrogen Blanketing
- Automated Truck Rack
- **Additional Services Available**

Transportation Modes

• Servicing Body of Water	Sanitary & Ship Canal
• Servicing Railroads	Canadian National
• Servicing Major Roadways	Archer Avenue (Rte. 171), I-294 & I-55
• Pipelines (receiving)	TEPPCO, Westshore
• Pipelines (injecting)	TEPPCO

Terminal Addresses

Argo Terminal	**Business Address**
8500 West 68th St Argo, Illinois 60501-0409	8500 West 68th St Argo, Illinois 60501-0409
708-458-1330 708-496-2540 Fax	708-458-1330 708-496-2540 Fax

KINDER MORGAN

KMLT Harvey Terminal (Port of New Orleans)



Terminal Specifications

Size	100 acres
Total Storage Capacity	2,929,396 bbls
No. of Tanks	178 Tanks
Range of Tanks	416 bbls to 200,000 bbls
No. of Ship / Barge Docks	3 / 1
Commodities Handled	Chemicals, Vegetable Oils, Animal Fats, Agricultural, Oil Field

Throughput (inbound)

(bbls)	2000	2001
• Chemicals	2,724,639	2,469,136
• Vegetable Oils	2,951,230	4,253,936
• Animal Fats	730,504	306,772
• Agriculture	277,934	330,233
• Oil Fields	77,576	599,983

Terminal Services

- Bulk Liquid Storage
- Warehousing
- Cold Storage
- Direct Transfers
- Drumming Services
- Package Filling
- Products are shipped and received through dedicated pipelines to each tank.

Transportation Modes

• Servicing Body of Water	
• Servicing Railroads	Union Pacific Railroad
• Servicing Major Roadways	
• Pipelines (receiving)	N/A
• Pipelines (injecting)	N/A

Terminal Addresses

New Orleans Terminal

3540 River Road
Harvey, LA 70058

P.O. Box 581
Harvey, LA 70059

504-340-4911
504-348-1893Fax

Business Office

3540 River Road
Harvey, LA 70058

P.O. Box 581
Harvey, LA 70059

KINDER MORGAN

KMLT Galena Park Terminal



Terminal Specifications

Size	415 Acres
Total Storage Capacity	3,890,000 bbls
No. of Tanks	100
Range of Tanks	10,000 - 187,000 bbls
No. of Ship Docks	3
No. of Barge Docks	4

Throughput (inbound) (bbls)	2000	2001
• Petroleum	22,083,561	19,699,000
• Chemical	6,370,632	9,658,000

Number of Moves (2001)

• Ships	361	• Trucks	9,713
• Barges	1,420	• Railcars	4,467

Terminal Services

- Vessel Loading/Unloading
- Pipeline Receipt/Shipment
- KMLT Laboratory Testing
- Tank Car Loading/Unloading
- Tank Truck Loading/Unloading
- Tank Truck Weighing
- Product Blending
- Product Heating
- Product Chilling
- Free Trade Zone (FTZ)
- Vapor Recovery/Incineration
- Additive Handling / Injection
- Nitrogen Blanketing
- Automated Truck Rack
- **Additional Services Available**

Transportation Modes

• Servicing Body of Water	Houston Ship Channel
• Servicing Railroads	Union Pacific
• Servicing Major Roadways	I-10 and I-610
• Pipelines (receiving)	Equistar, Texmark, Valero, Texas Petrochemical, KMLT Cross Channels, Arco P/L, ExxonMobil Chemical, BP/Arco, Dynegy
• Pipelines (injecting)	KMLT Cross Channel and LCR

Terminal Addresses

Galena Park Terminal

906 Clinton Drive
P.O. Box 486
Galena Park, Texas 77547

713-455-1231
713-450-7485 Fax

Business Address

405 Clinton Drive
P.O. Box 465
Galena Park, Texas 77547-0465

713-450-0400
713-450-0450 Fax

KINDER MORGAN

KMLT Pasadena Terminal



Terminal Specifications

Size	174 Acres
Total Storage Capacity	13,040,000 bbls
No. of Tanks	102
Range of Tanks	5,000 - 300,000 bbls
No. of Ship/Barge Docks	1 / 3
Truck Loading Facility	6 Bays, Fully Automated Truck Rack
Commodities Handled	Petroleum and Chemicals

Throughput (inbound) (bbls)	2000	2001
• Petroleum	313,877,590	328,277,000
• Chemical	1,231,410	1,214,000

Number of Moves (2001)

• Ships	357	• Trucks	89,330
• Barges	1,255	• Railcars	0

Terminal Services

- Vessel Loading/Unloading
- Pipeline Receipt/Shipment
- KMLT Laboratory Testing
- Tank Truck Loading/Unloading
- Product Blending
- Vapor Recovery/Incineration
- Additive Handling/Injection
- Free Trade Zone
- Nitrogen Blanketing
- Automated Truck Rack
- **Additional Services Available**

Transportation Modes

• Servicing Body of Water	Houston Ship Channel
• Servicing Major Roadways	State Hwy. 225, I-10, I-610
• Pipelines (receiving)	Amoco, Coastal, Marathon, KMLT Cross Channels, Crown, Dynegy, Exxon, LCR, Phillips Reliant /HL&P, Shell, Valero, Explorer (proposed)
• Pipelines (injecting)	APCO, Chevron, Colonial, Orion, KMLT Cross Channels, Explorer, LCR, Phillips, Reliant/HL&P, Seaway, Teppco, Eagle, Coastal, Longhorn, Centennial (proposed)

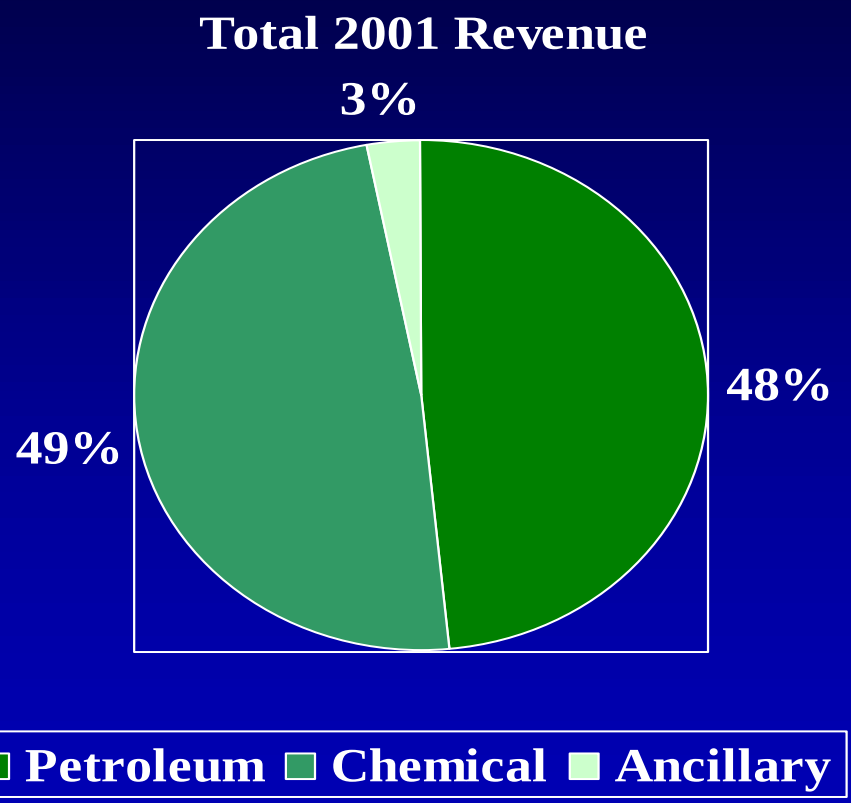
Terminal Addresses

Pasadena Terminal	**Business Address**
530 N. Witter Pasadena, Texas 77506-0351 77506-0351	405 Clinton Drive P.O. Box 465 Galena Park, Texas 77547-0486
713-473-9271 713-473-0155 Fax	713-450-0400 713-450-0450 Fax

KINDER MORGAN

Industry Overview: Customer Base

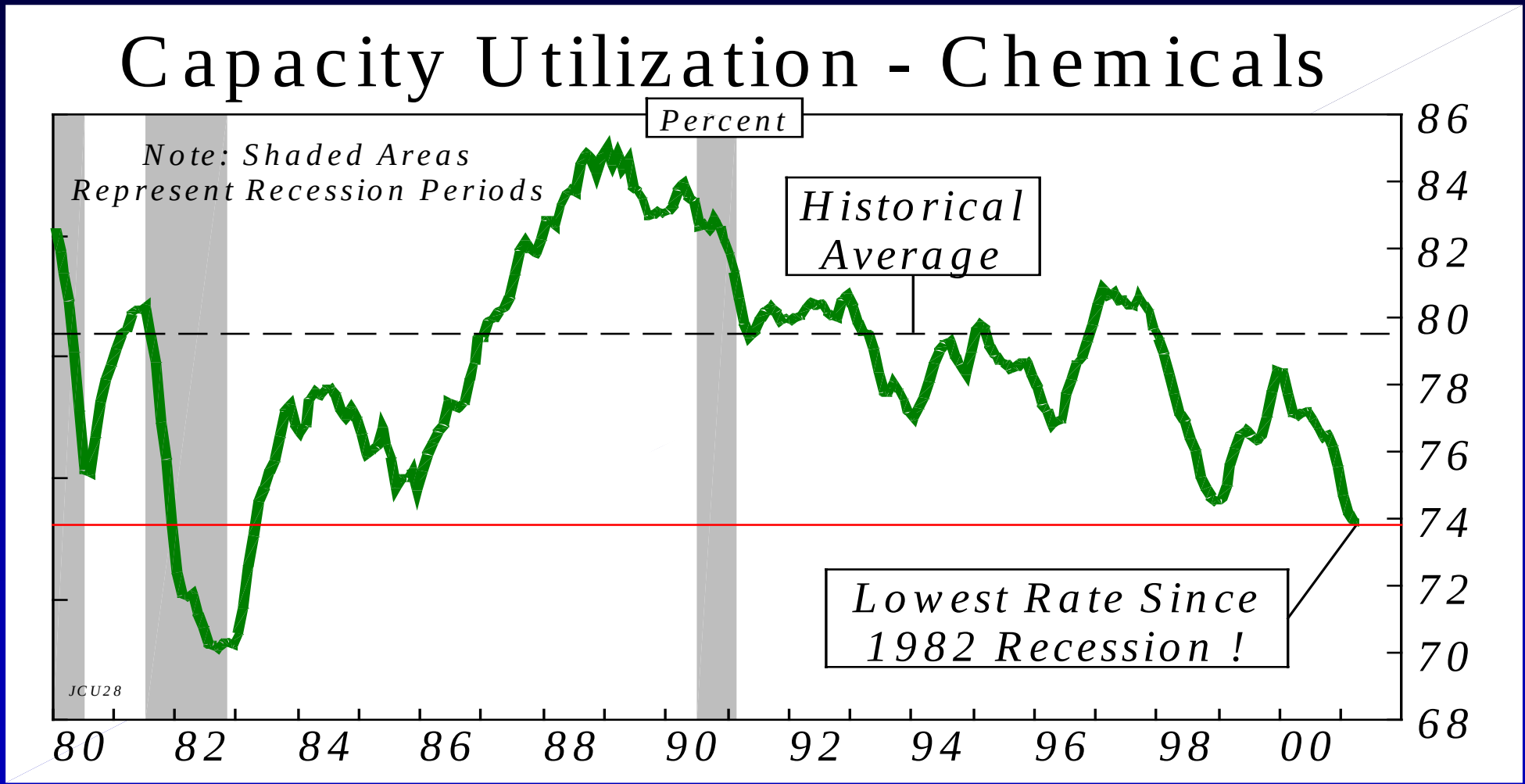
TOP CUSTOMERS	2001 REVENUE
DOW CHEMICAL COMPANY	7.83%
BP AMOCO CORPORATION	7.44%
MIECO PRODUCT SERVICES, LP	6.56%
VALERO	5.99%
GEORGE E WARREN CORPORATION	5.57%
BASF CORPORATION	4.91%
KOCH PETROLEUM GROUP	3.96%
SHELL CHEMICAL COMPANY	3.46%
SUNOCO	2.68%
RUBICON, INC.	2.52%
MONSANTO COMPANY	2.31%
DUKE ENERGY	2.23%
ADM	2.15%
EASTMAN CO.	2.07%
CELANESE LTD.	2.04%



90.1% of Total Revenues are for Contracts Greater than 1 Year

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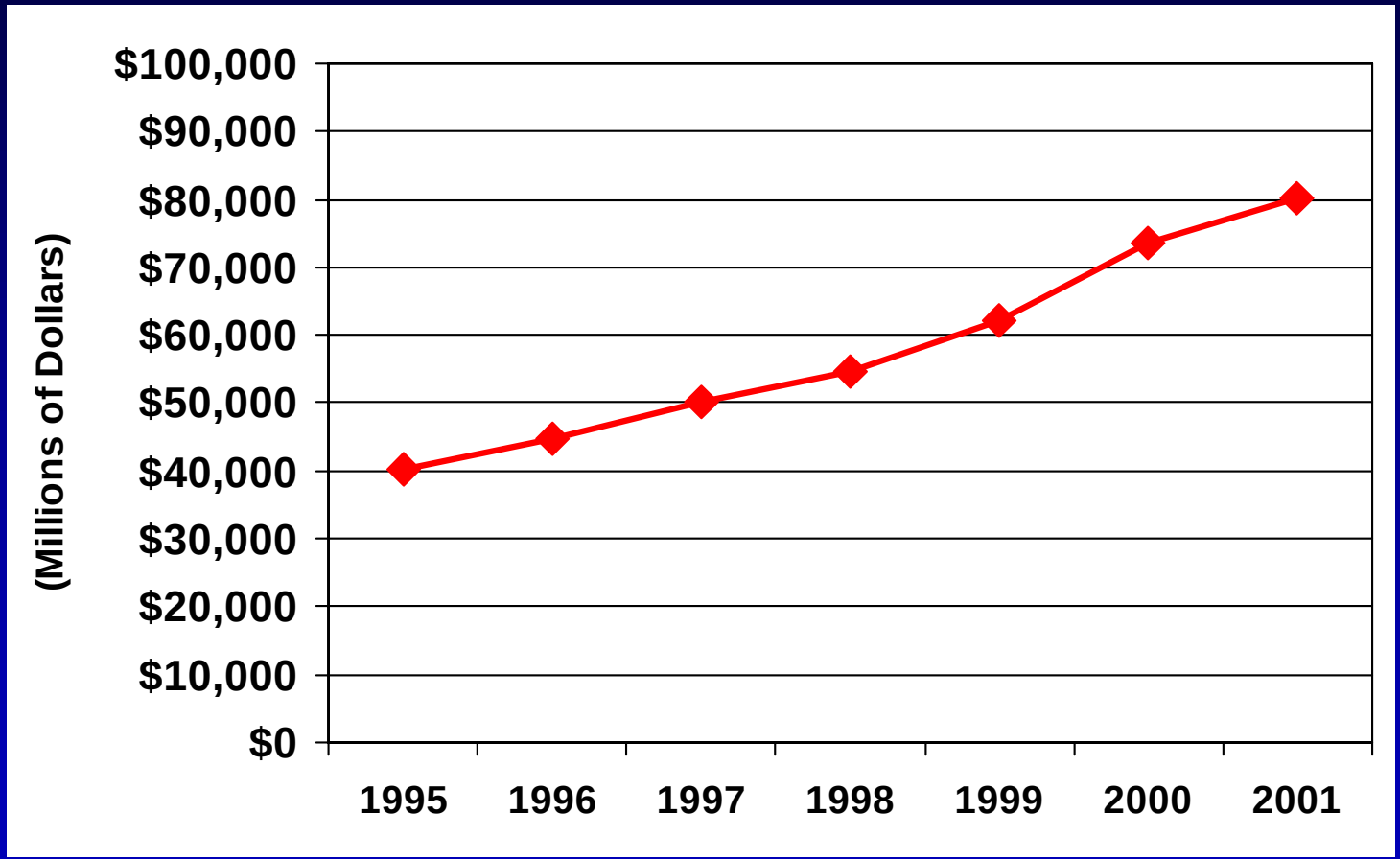
Chemical Market Fundamentals



Source: DuPont Company

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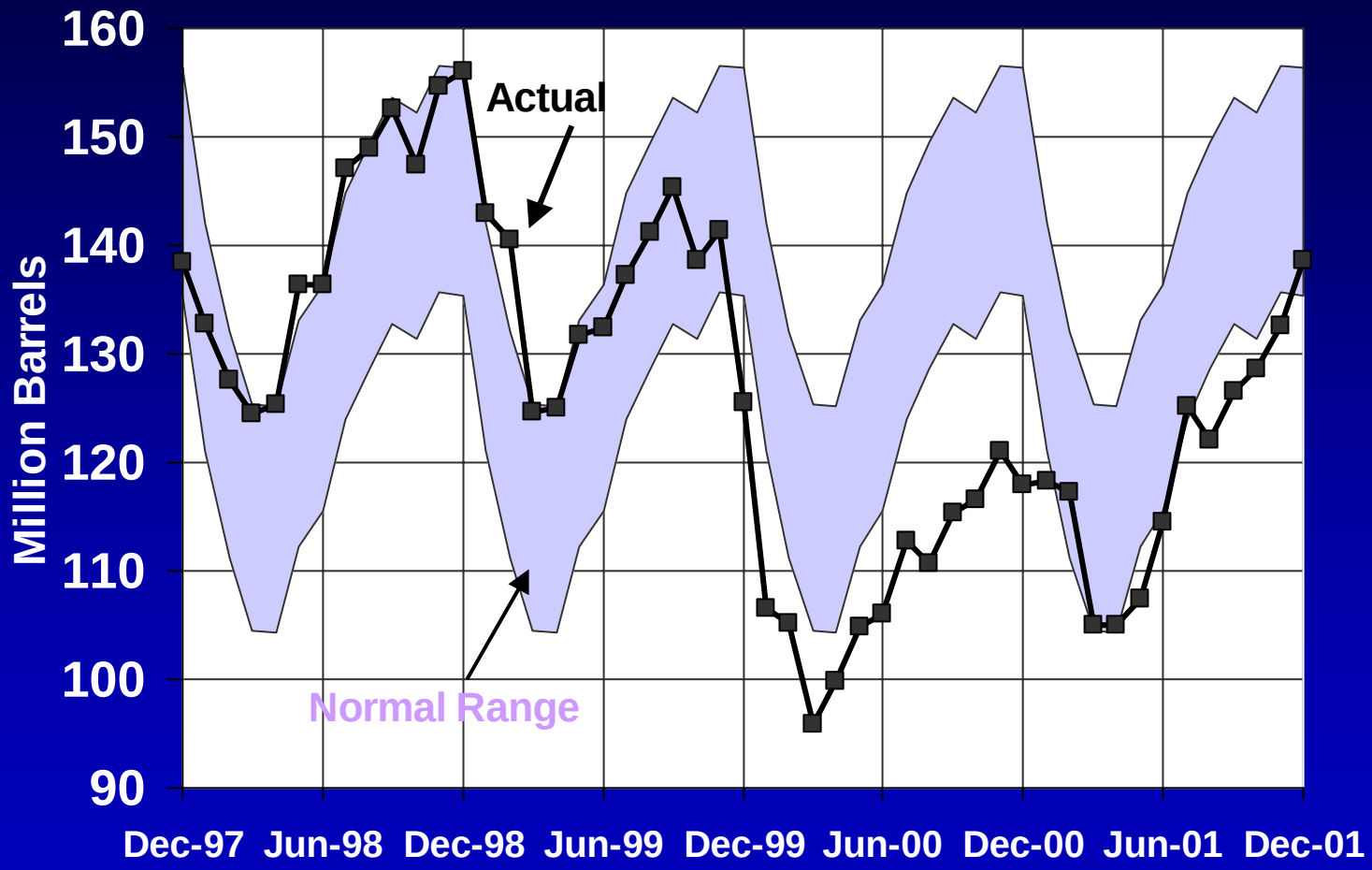
Chemical Imports



Source: Years 1995 – 2000 American Chemistry Council
Year 2001 was extrapolated from January – October

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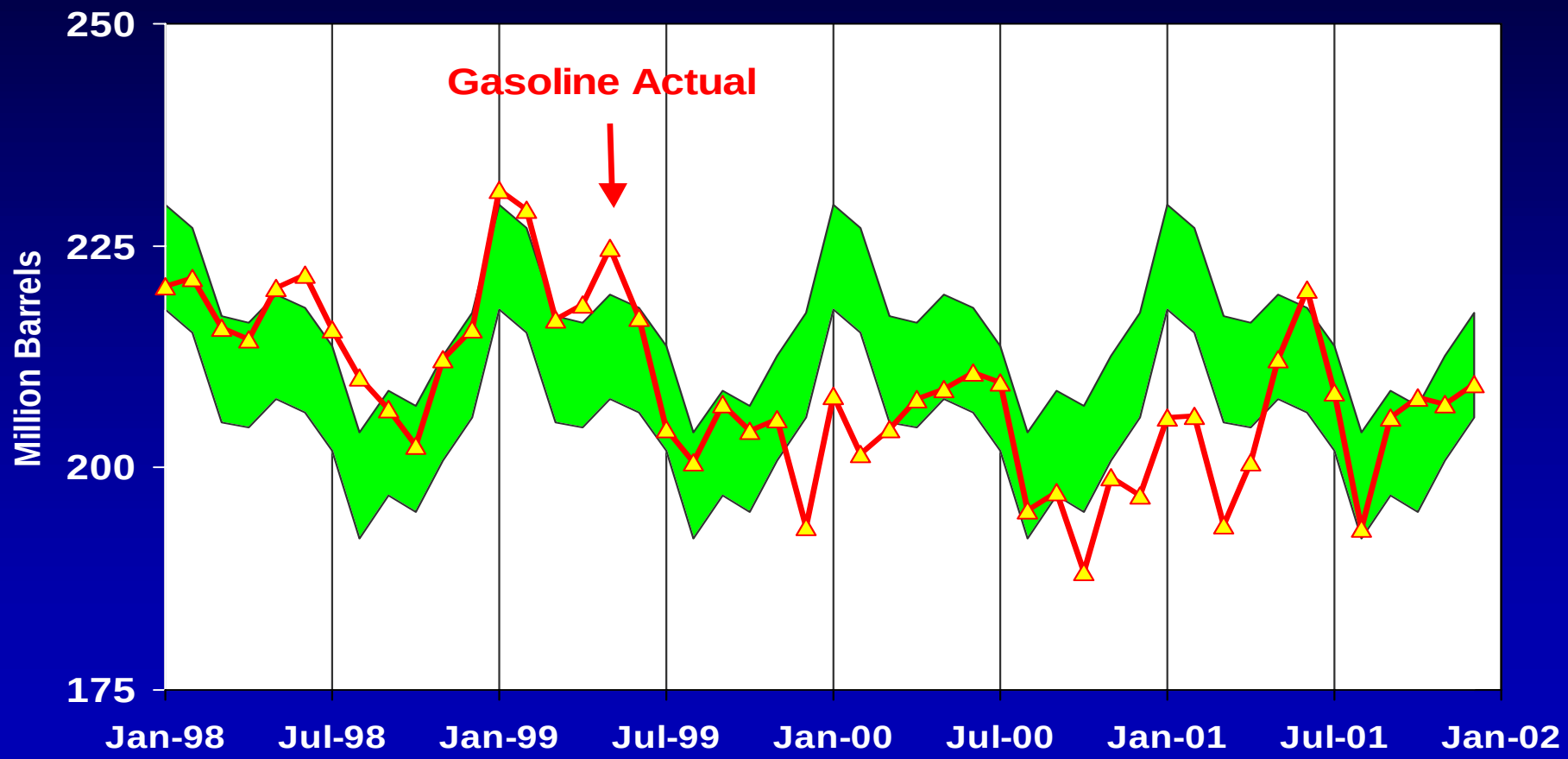
Petroleum Market Fundamentals
US Distillate Inventories



Sources: EIA; Stocks of Distillate Fuel Oil by Petroleum Administration for Defense District (PADD), 2000 to Present

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Petroleum Market Fundamentals
Gasoline Inventories

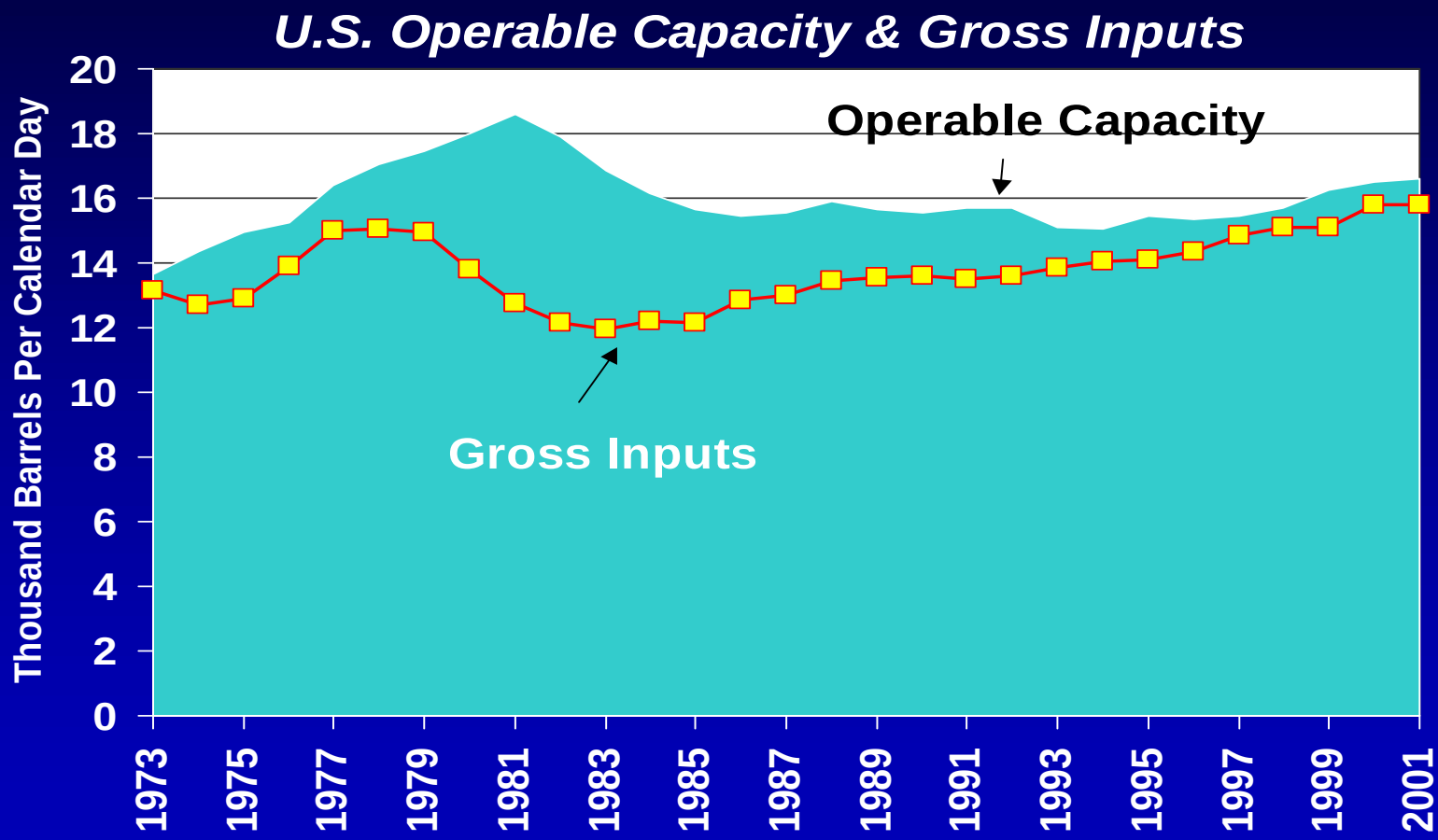


NOTE: Colored Band is Normal Stock Range

Sources: EIA; Projections: Short-Term Energy Outlook, March 2001 and
EIA; Stocks of Motor Gasoline by Petroleum Administration for Defense District (PADD), (Million Barrels) 2000 to Present

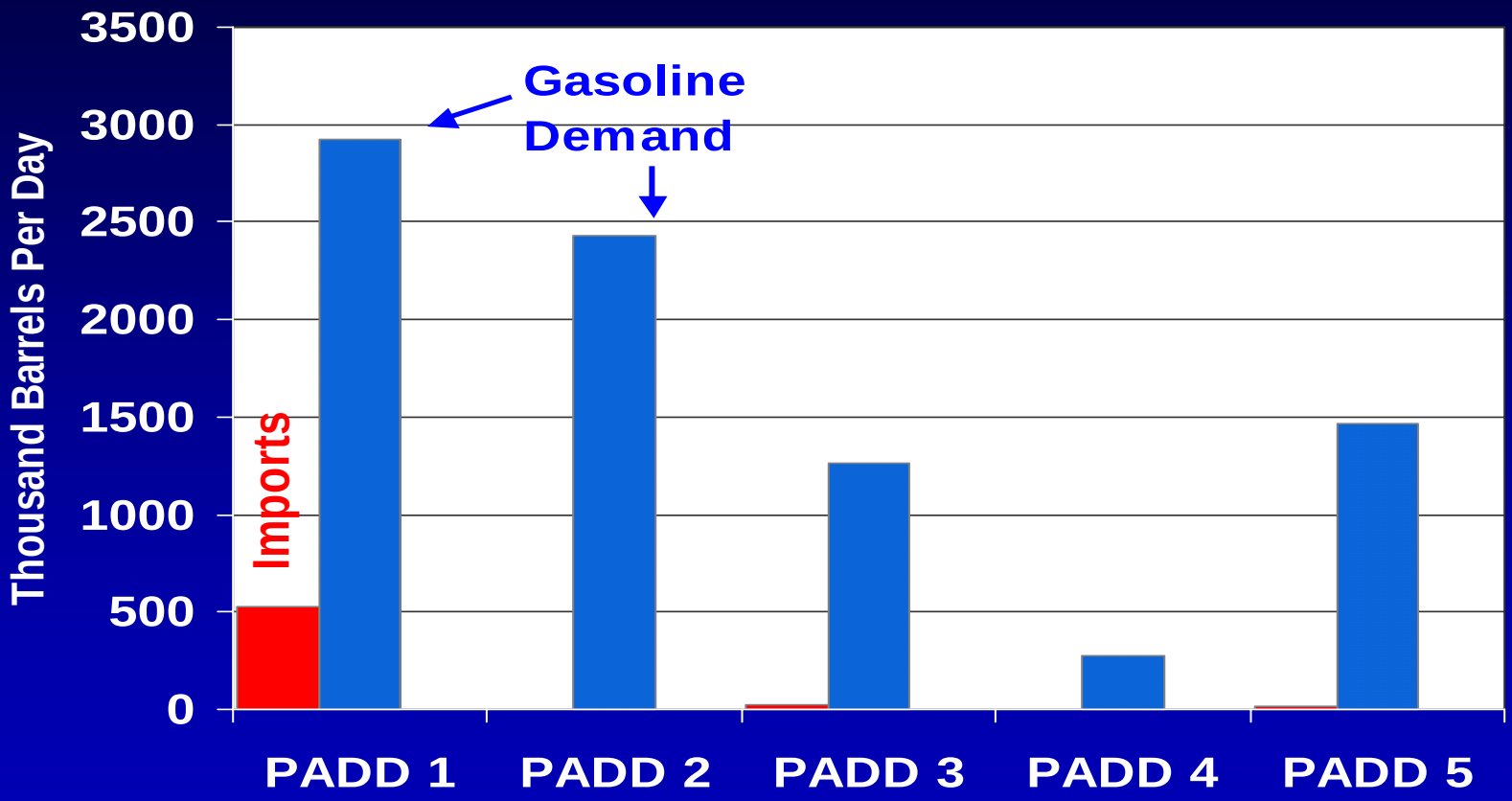
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Excess Capacity is Gone



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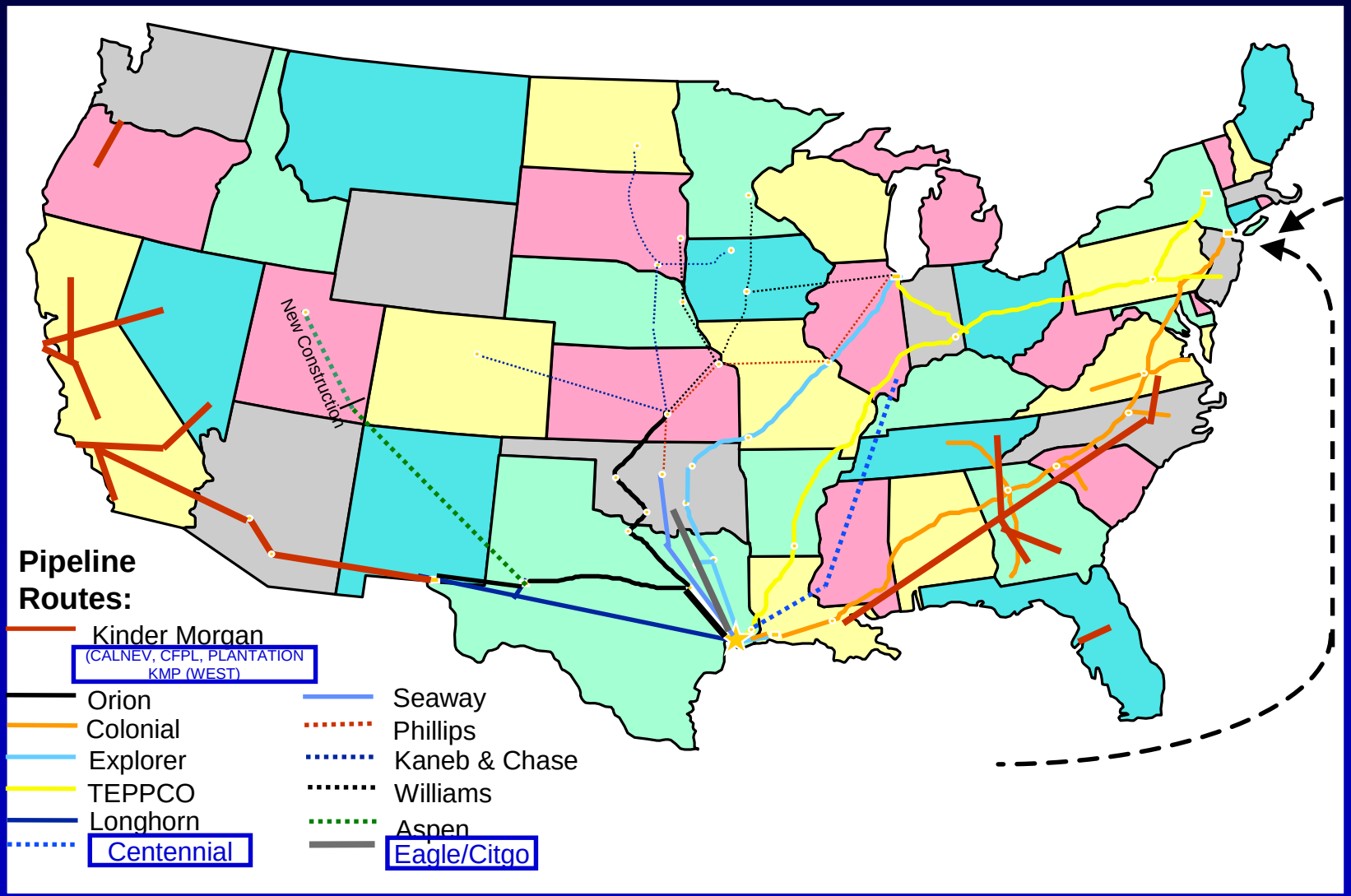
U.S. East Coast is Dependent on Gasoline Imports



Kinder Morgan market share equals 33%

KINDER MORGAN

KMLT Delivery Market Access



KINDER MORGAN

KMLT Focus 2002

- **Performance Management and Efficient Safe Operations**
  - Spills
    - 676 barrels in 2001 (0.0013767%)
      602 barrels were from Tropical Storm Allison (0.0000154%
  - Accidents
    - Six (6) lost work days
- **Grow existing business within our fence line.**
  - 830,000 barrels in Houston, TX
  - 400,000 barrels in Carteret, NJ
  - New freezer storage in Harvey, LA
- **Increase Facility Connectivity**
  - Centennial Pipeline is from Pasadena, TX
  - Buckeye Pipeline in Carteret, NJ
  - Midway Pipeline in Argo, IL
- **Expand outside the fence line into new markets and services**
  - Stolt -
  - Boswell -
  - Laser -