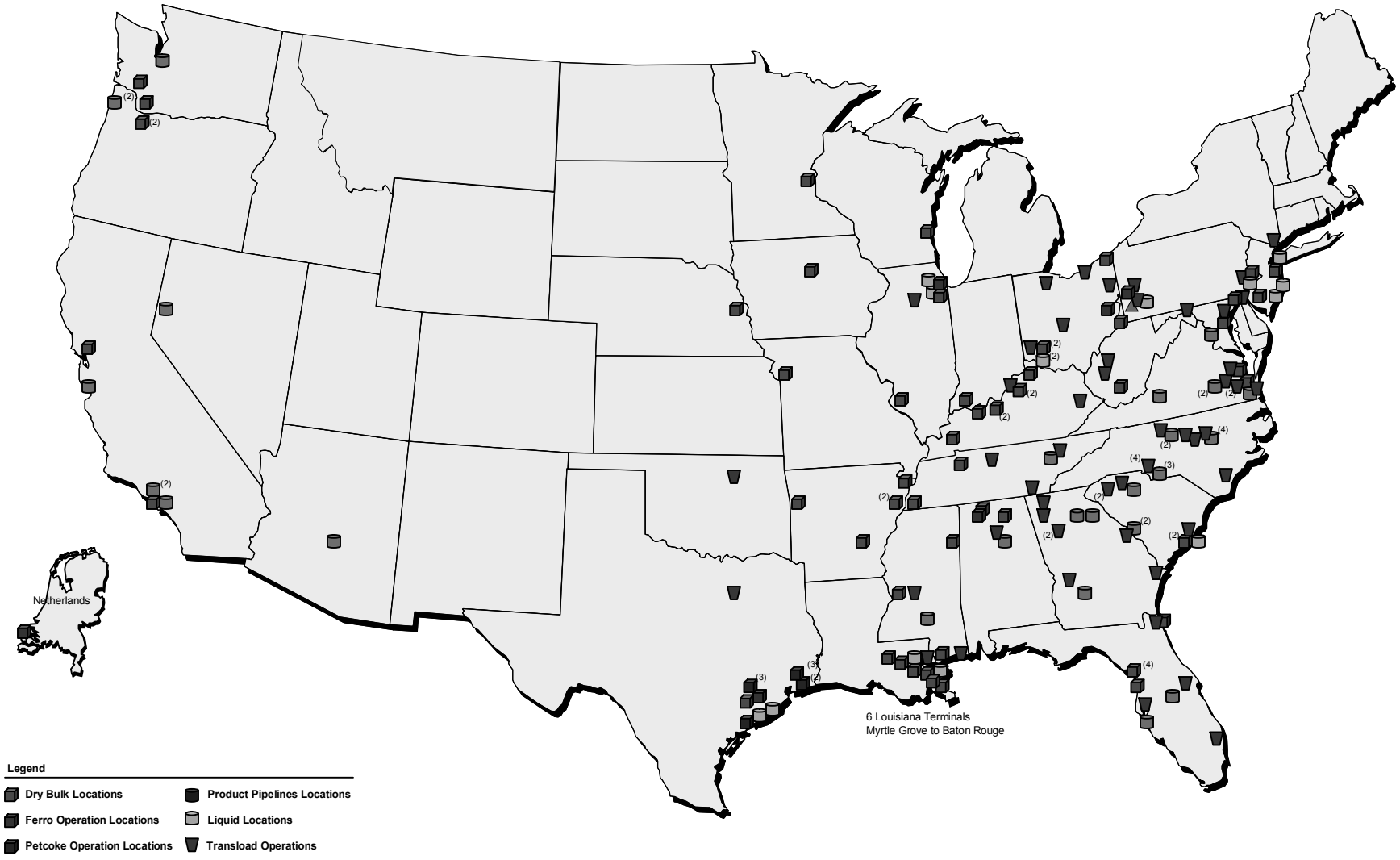
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Terminals

Jeff Armstrong – President

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Kinder Morgan Terminal Locations



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New Acquisitions 2005



Staten Island Terminal
Staten Island, NY



KM Deepwater Terminal
Deer Park, TX



Port of Houston
Houston, TX



Charleston (Allied Terminal)
Charleston, SC

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Liquid Throughput 2005

		2005	2004	Variance	
				#	%
KMLT Throughput (bbls)	Chemical	28,804,466	29,136,619	(332,153)	-1.1%
	Distillate	178,132,329	170,372,223	7,760,106	4.6%
	Petroleum	328,715,411	341,928,782	(13,213,371)	-3.9%
	Fuel Grade Ethanol	8,799,808	7,735,057	1,064,751	13.8%
	Other	1,950,070	2,066,659	(116,590)	-5.6%
	Vegetable Oils	4,883,078	3,784,976	1,098,102	29%
	Animal Fats	128,368	346,116	(217,748)	-62.9%
	Agriculture	14,682	-	14,682	-
	Alcohol	104,507	267,443	(162,936)	-60.9%
	Oil Fields	594,135	503,037	91,098	18.1%
	Total	552,126,853	556,140,911	(4,014,058)	-0.7%
KMLT Utilization	Capacity Utilization Rate	95.4%	96.0%	-0.6%	-0.6%
	Capacity (MM bbls)	42.4	36.8	5.6	15.2
Refinery Utilization[1]	Percent Utilization	90.3%	92.9%	(0.03)	-2.8%
	Operable Capacity (MBD)	17,125	16,894	231	1.4%
Railcars Handled	Kinder Morgan Material Services[2]	72,294	73,924	-1,630	-7.87%

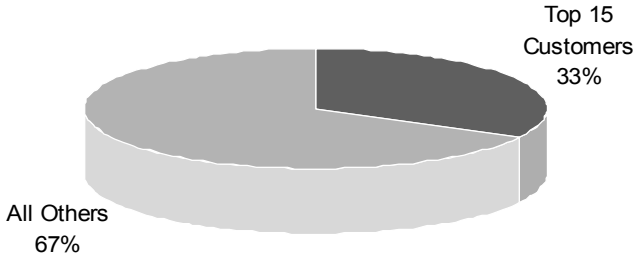
Sources: [1]EIA Website: Weekly Petroleum Status Report
[2]Includes TRANSFLO and non-TRANSFLO Terminals

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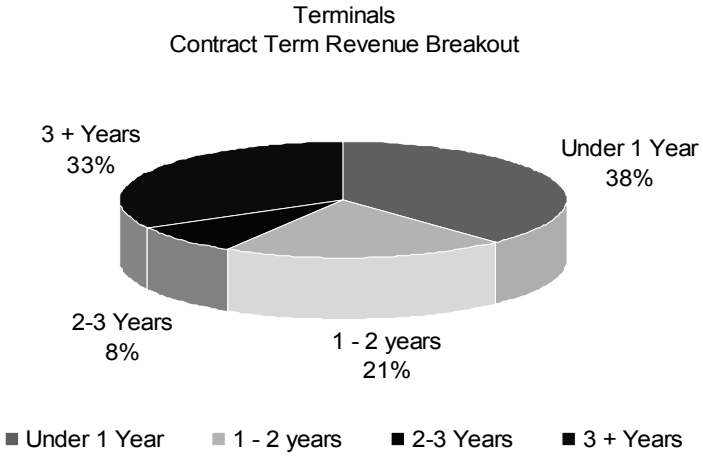
Bulk Throughput 2005

	2005	2004	Variance	
			#	%
Coal	28,551,581	27,291,961	1,259,620	4.6%
Petcoke	12,272,551	12,370,366	(97,815)	-0.8%
Cement	2,245,566	1,303,947	941,619	72.2%
Fertilizers	3,709,741	3,422,035	287,706	8.4%
Salt	4,022,301	3,818,810	203,491	5.3%
Ores/Metals	13,313,291	16,984,046	(3,670,755)	-21.6%
Soda Ash	3,197,161	3,257,814	(60,652)	-1.9%
Other	15,899,976	15,643,432	256,543	1.6%
Totals	83,212,168	84,092,410	(880,242)	-1.0%

Top 15 Customers / Average Length of Contracts



Ansac
BASF
BP
Dow
George E Waren Corporation
CSX
Koch / Flint Hill
Lyondell-Citgo Refining
Mittal
Mosaic
NIC
Shell Oil
Sunoco
Tennessee Valley Authority
Valero



2005 Revenue = 687,646,000

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Historical Growth Trends

	2002	2003	2004	2005	2006
Earnings before DD&A	208,963	240,774	263,168	318,140	377,307
Growth from prior year	25.94%	15.22%	9.30%	20.89%	18.60%
Internal	7.51%	7.47%	4.49%	3.97%	9.20%
Acquisition	18.43%	7.75%	4.81%	16.92%	9.40%

Acquisitions	
6 months GS	1,032,167
4 months TGS	15,157,854
6 months SI	2,176,662
6 months OGT	692,895
6 months Blytheville	1,122,861
6 months Black hawk	209,840
New acquisitions for 2006	9,500,000
	29,892,279

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Future Growth – Clean Products Markets

Increased Demand + Increased Supply

+ Increased Complexities

= Increased Opportunities for KM Terminals

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U.S. Refined Product Demand Growth

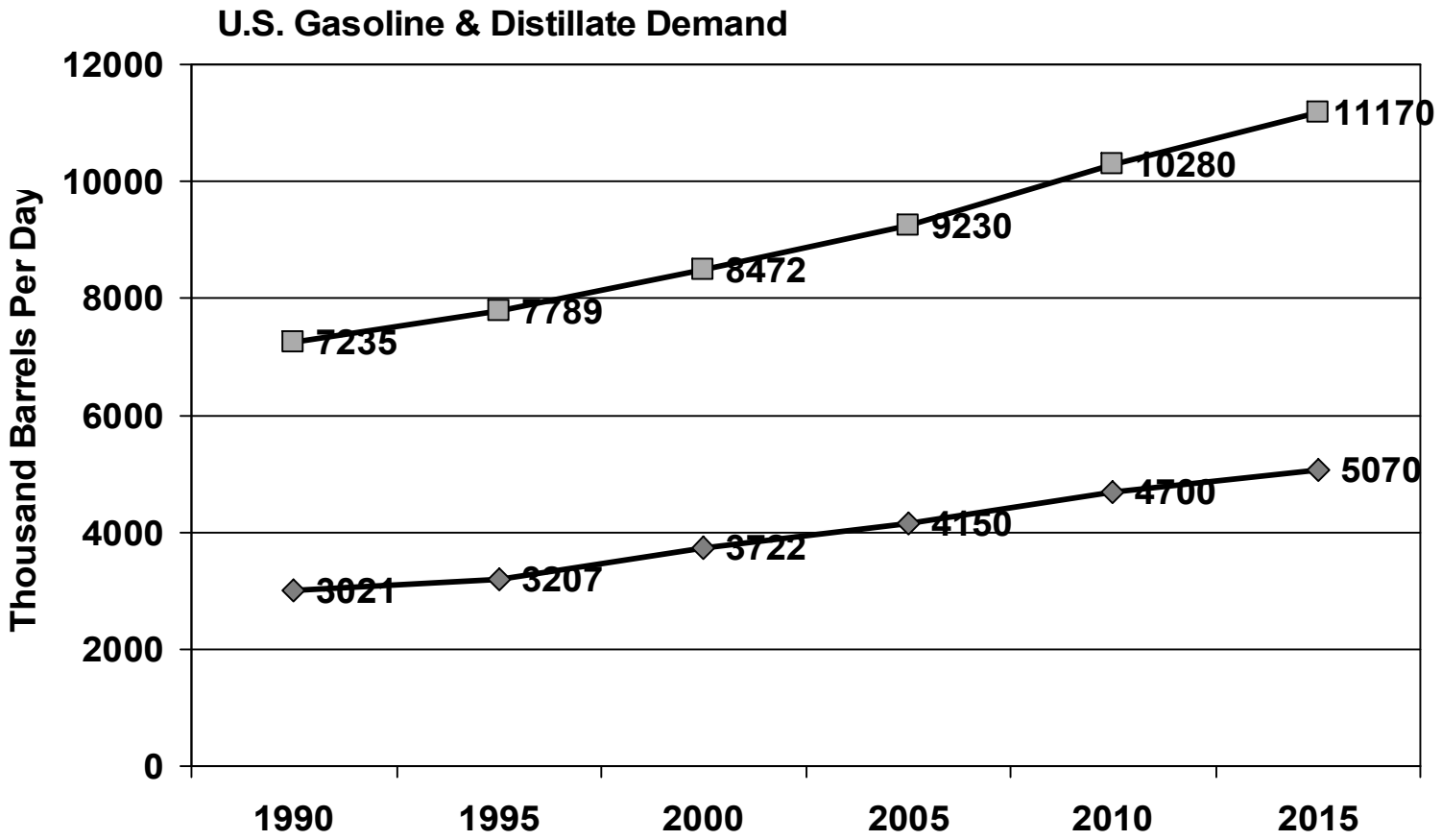
Regionally, the South and West will be the fastest growing areas.

U.S. Light Product Demand							
						Growth, Annual %	
	1995	2000	2005	2010	2015	1995-2005	2005-2015
PADD I	4,458	4,939	5,378	5,809	6,275	1.9%	1.6%
PADD II	3,647	3,897	4,255	4,556	4,794	1.6%	1.4%
PADD III	1,815	2,142	2,192	2,422	2,635	1.9%	1.9%
PADD IV	460	514	561	645	726	2.0%	2.3%
PADD V	2,142	2,426	2,634	2,911	3,173	2.1%	1.9%
Total	**12,522**	**13,918**	**15,020**	**16,343**	**17,603**	**1.8%**	**1.6%**

Note: Includes gasoline, jet and distillates
Source: Muse Stancil

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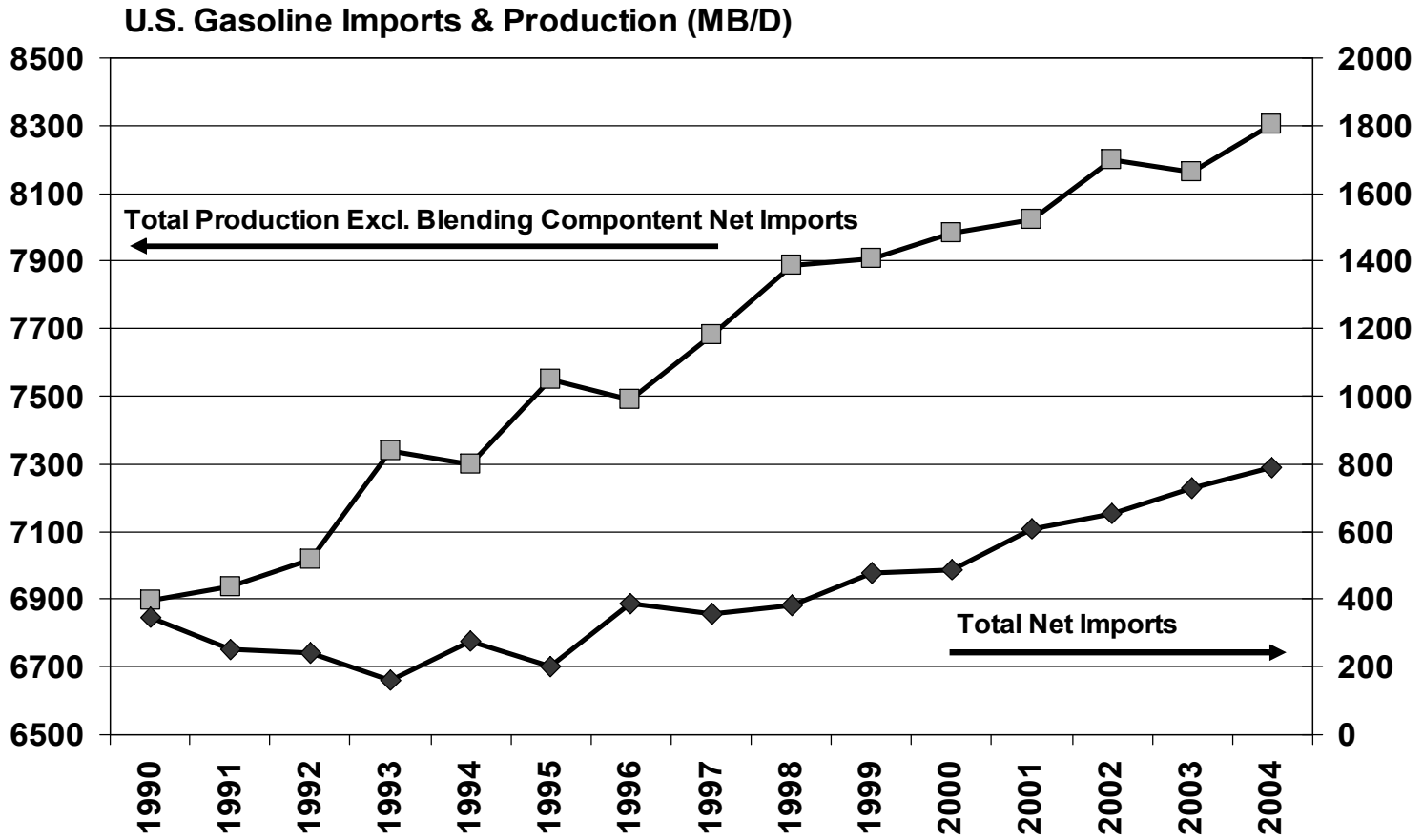
U.S. Demand Growing for Both Gasoline and Distillate



Source: EIA, Annual Energy Outlook 2005

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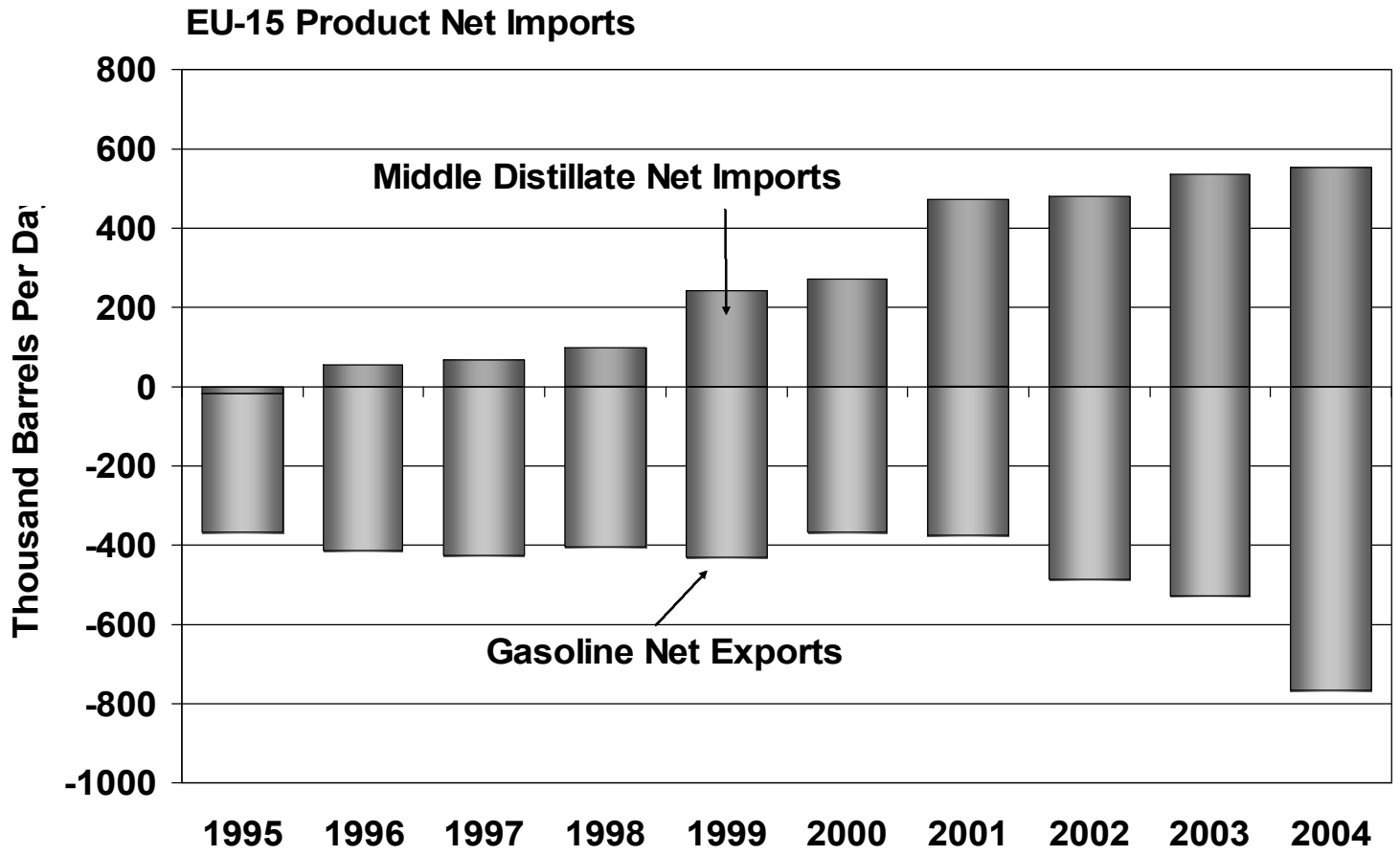
Gasoline Imports have Supplied Half Demand Growth in Recent Years



Source: EIA, Annual Energy Outlook 2005

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Europe's Growing Product Imbalance



Source: EIA, Annual Energy Outlook 2005

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KM Response

Purchase of Port Mobil facility in New York Harbor with 2.9 million barrels of storage. Bring back 600,000 barrels of idle capacity and add ship dock.

Build 1.4 million barrels of new capacity at Perth Amboy, New Jersey Terminal.

$84 Million investment

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U.S. Refinery Production Growth

Refinery production of gasoline, jet and distillate grew by 1.2 percent from 1995 to 2005 and a similar rate is projected through 2015.

- PADD III will provide nearly 60 percent of the incremental refinery production.
- Growth in PADDS I and V is limited by environmental concerns.

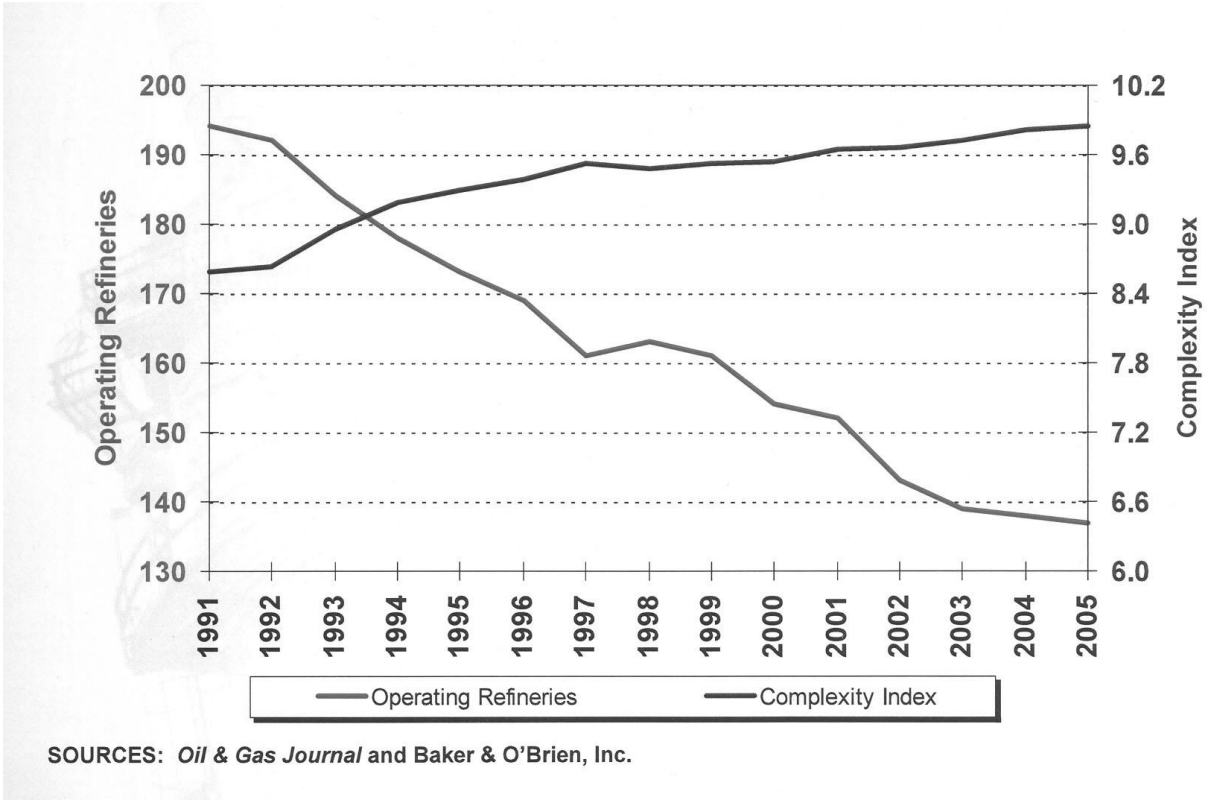
Refined Product Growth

	1995	2000	2005	2010	2015	2005 vs 1995	2015 vs 2005
PADD I	1,313	1,368	1,349	1,307	1,348	36	-1
PADD II	2,743	2,909	2,935	3,125	3,342	192	407
PADD III	5,477	6,128	6,521	6,979	7,569	1,044	1,048
PADD IV	396	438	485	547	617	90	131
PADD V	2,104	2,224	2,303	2,415	2,533	199	230
Total	**12,033**	**13,068**	**13,594**	**14,374**	**15,409**	**1,561**	**1,815**

Note: Includes gasoline, jet and distillates
Source: Muse Stancil

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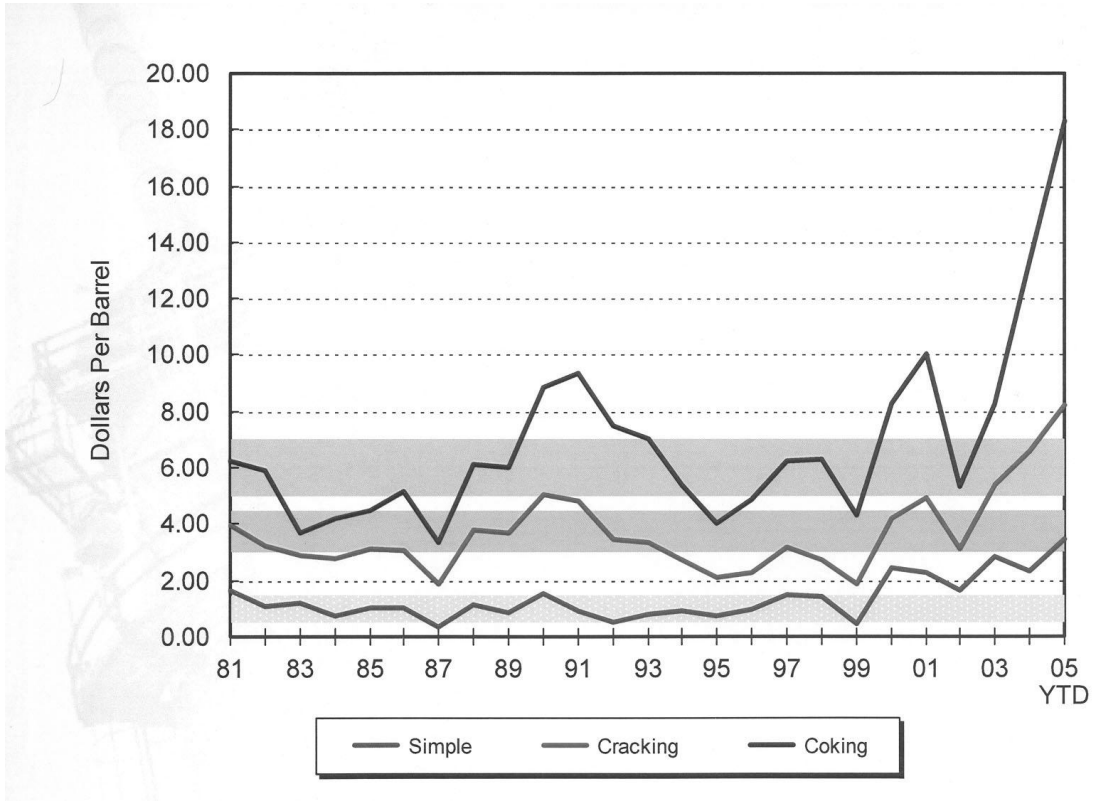
Fewer But More Complex Refineries



SOURCES: *Oil & Gas Journal* and Baker & O'Brien, Inc.

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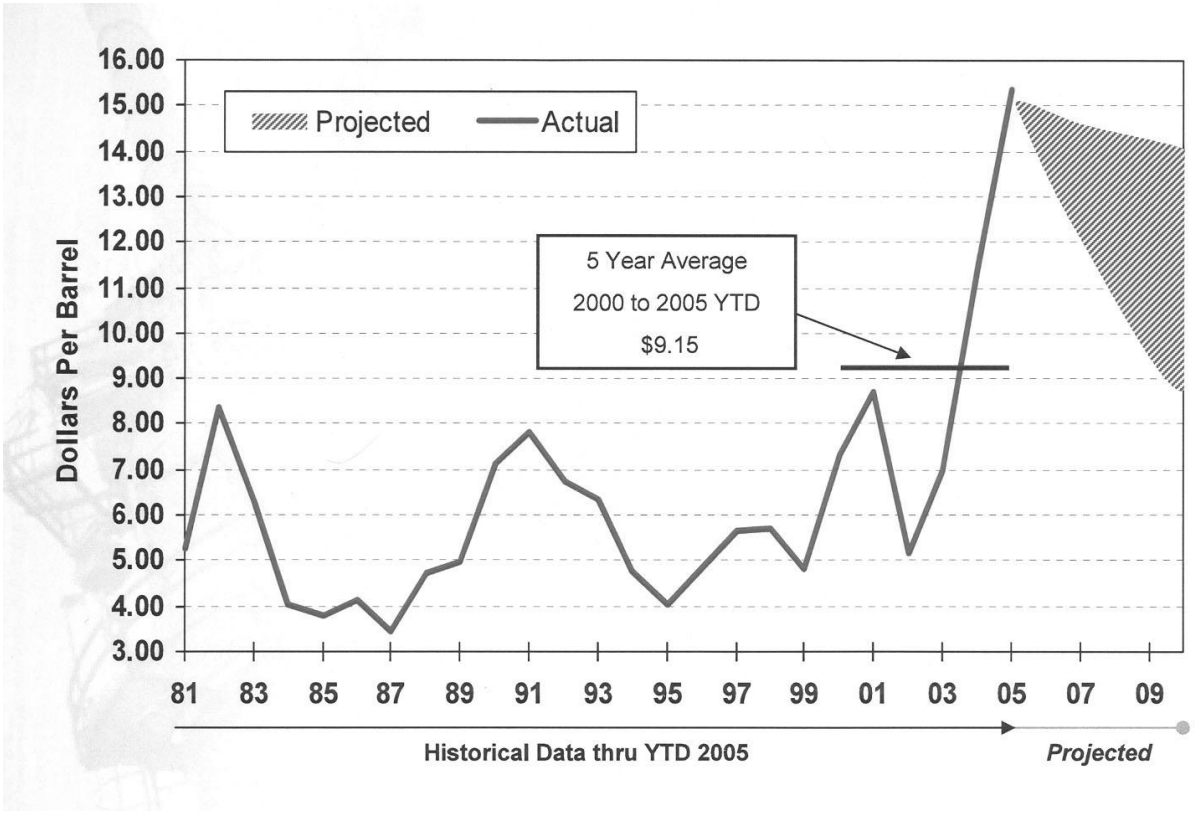
Historical GRM for Gulf Coast Refining Types



Source: Baker & O'Brien, Inc., Status of the U.S. Refining Industry, October 25, 2005, Pg. 24

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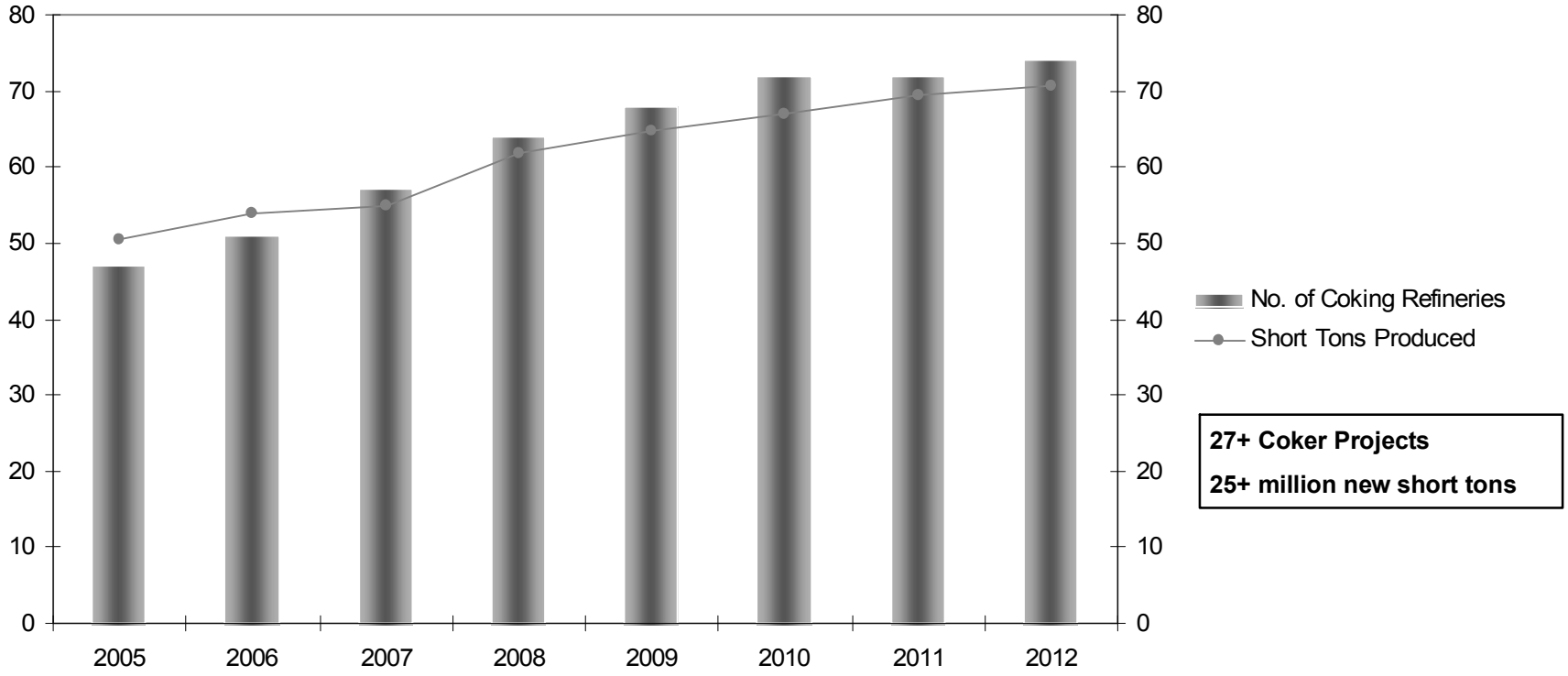
Light / Heavy Crude Differential



NOTE: Maya formula: f.o.b. Mexico; WTI spot: Cushing.
Source: Baker & O'Brien, Inc., Status of the U.S. Refining Industry, October 25, 2005, Pg. 24

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North American Petcoke Production
Announced / Planned



Source: Jacobs Consultancy

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KM Response

Built 1.0 million barrels in 2005, 600,000 barrels in 2006 of new clean products capacity in the Houston Ship Channel. Largest independent throughput terminal in the world.

Acquired TGS in 2005. Positioned ourselves as the largest Petcoke handler in the U.S.

$317 Million investment

As Gulf Coast Refiners grow – we will grow with them.

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Further Complexities

Ethanol

Ultra Low Sulfur Diesel

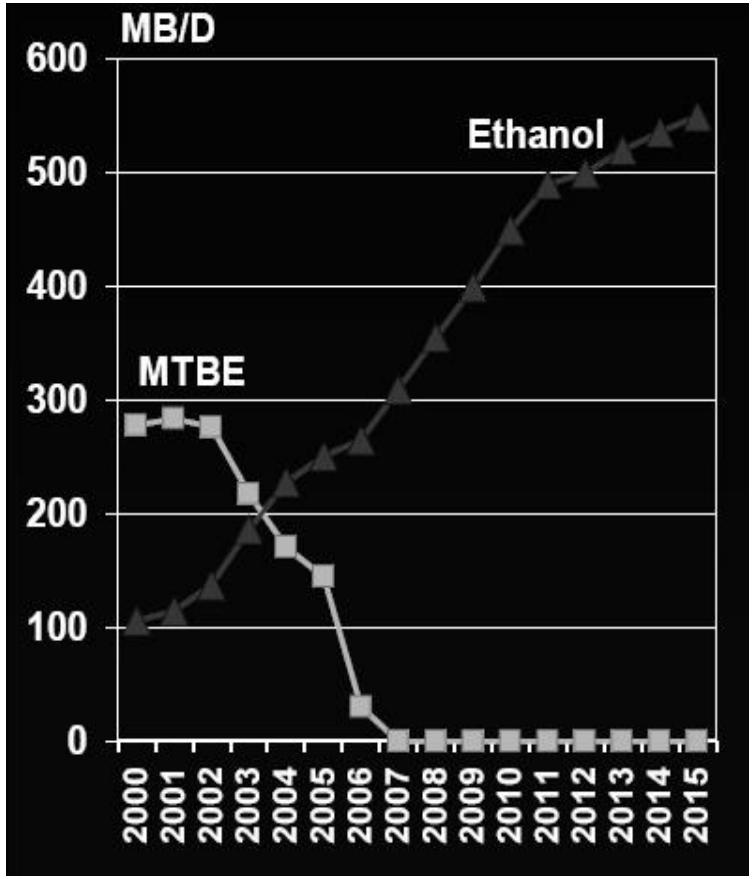
U.S. Off-Road Diesel Rules

Low Sulfur Gasoline

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Ethanol

- December 2005 Production = 4.2 billion gallons per year (273,973 barrels per day).
- Plants under construction = 1.7 billion gallons (110,894 barrels per day).
- Energy Policy Act of 2005 mandates 7.5 billion gallons by 2012 (489,237 per day).
- 215,264 barrels per day needed by 2012.
- Approximately 6.4 million barrels of incremental ethanol tankage required.



Assumes 7.5 Billion Gallons Ethanol Mandate by 2012

Source: PIra Energy Group

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U.S. Ultra Low Sulfur Diesel

15 ppm "S" from 500 ppm with Refinery Compliance by June 1, 2006 (Retail by Oct. 15, 2006).

- Averaging, Banking, Trading by PADD
- 30% 500 ppm Compliance Option
- Full 15 ppm required by January 1, 2010

Geographic phase-in, small refinery and hardship delay.

Many U.S. refiners (ex-CA) still in planning stages with many others subject to change.

Waited for Off-road diesel regulations to be finalized.

Less production capacity likely.

Pipeline specs and "S" pickup issues.

Source: PIra Energy Group

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U.S. Off Road Diesel Rule

Affects construction, agricultural, industrial, railroads and marine markets.

Issued April 2003 / Finalized May 2004.

Diesel fuel sulfur

- Current 2000-4000 ppm
- 2007 500
- 2010 15
- 2012 15 for railroads and marine use

Cetane Index, min 40 or 35% max aromatics.

Low sulfur critical for advanced emissions control technology.

Source: PIra Energy Group

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New Sulfur Standards for U.S. Gasoline

California, Beg. 2004: 20 ppm per Gallon or 15ppm Average

	ppm			Compliance
Rest of Country Beg Year:	**2004**	**2005**	**2006**	**Achieved with**
Refinery / Importer Average	n/a	30	30	Credits
Corporate Pool Average	120	90	n/a	Allotments
Per-gallon Cap	300	* 300	80	

- **Geographic Flexibility**
- **Small Refiner & Hardship Extensions to 2007-2010**
- **Credits and Allotments Build-up will be active**
- **Octane Losses**

* Up to 50 ppm Exceedance Allowed but Equivalent Cap Deduction Required in 2005 and for Entire Production Volume
Source: PIRA, Global Oil Special Report,, December 27, 2005, Pg. 2

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KM Response

Working with specific customers to build dedicated storage for Ethanol, ULSD and Biodiesel.

Working with customers and railroads to build or buy rail terminals to serve in-land markets.

$50+ Million of Incremental Investment Opportunities

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Coal

Increased Demand + Increased Supply

+ Increased Complexities

= Increased Opportunities for KM Terminals

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Coal Supply & Demand Balances

U.S. PRODUCTION / SHIPPED HISTORY & FORECAST
1998 - 2005, 2015
CAIR Rules - High Transport Rates, High Illinois Basin Coal Prices
Prepared by Hill & Associates, Inc.

	COAL TONS PRODUCED OR SHIPPED								PRO-JECTED
COAL REGION	**1998** MMT	**1999** MMT	**2000** MMT	**2001** MMT	**2002** MMT	**2003** MMT	**2004** MMT	**Proj. 2005** MMT	**2015** MMT
NORTHERN APPALACHIA	158	141	140	142	128	125	134	141	198
CENTRAL APPALACHIA	278	263	264	271	249	230	231	238	177
SOUTHERN APPALACHIA	23	20	19	19	19	20	22	22	24
ILLINOIS BASIN	111	104	88	95	94	89	91	97	111
POWDER RIVER BASIN	340	359	362	393	397	400	422	434	588
COLORADO	30	30	29	33	35	36	41	39	37
UTAH	27	25	27	27	25	23	22	25	22
SUBTOTAL	967	942	929	982	947	923	963	997	1157
OTHER U.S.	152	153	149	146	146	146	147	153	140
TOTAL US PRODUCTION	1119	1095	1078	1128	1094	1069	1111	1150	1297
U.S EXPORTS	78	58	58	49	39	43	48	49	35
TOTAL DOMESTIC SHIPMENTS (EXCLUDES EXPORTS)	1041	1037	1020	1079	1054	1027	1063	1100	1262
PETCOKE	8	7	7	8	9	9	9	10	20
U.S. IMPORTS	9	9	13	20	17	25	27	31	45
TOTAL PETCOKE/IMPORTS	1033	1030	1013	1071	1045	1018	1054	1090	1242
NET DOMESTIC SHIPMENTS	1058	1053	1039	1107	1080	1061	1099	1142	1327

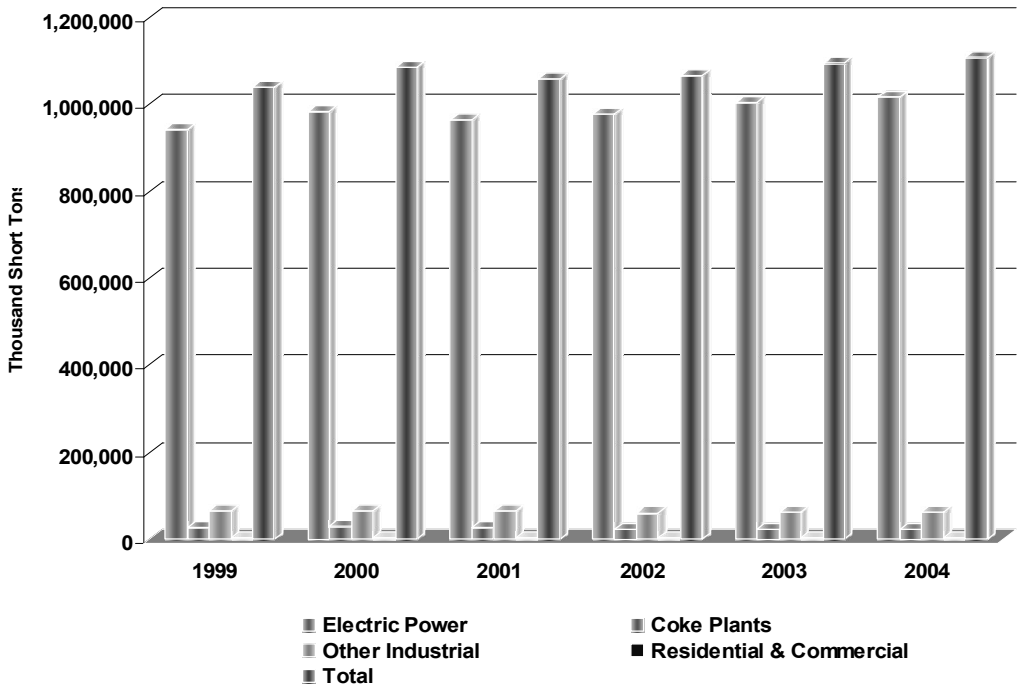
Source: Hill & Associates

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Demand Drivers

U.S. Coal Consumption by Sector 1994 - 2004

- Electric Power Sector on average has represented 92% of U.S. Coal Consumption in last 6 years.
- Currently 124 planned coal projects vs. zero two years ago.
- Expected – 25 plants
- Potential Coal Burn – incremental 43 million tons by 2015.
- Also, 40 potential gasification projects (coal and / or petcoke).

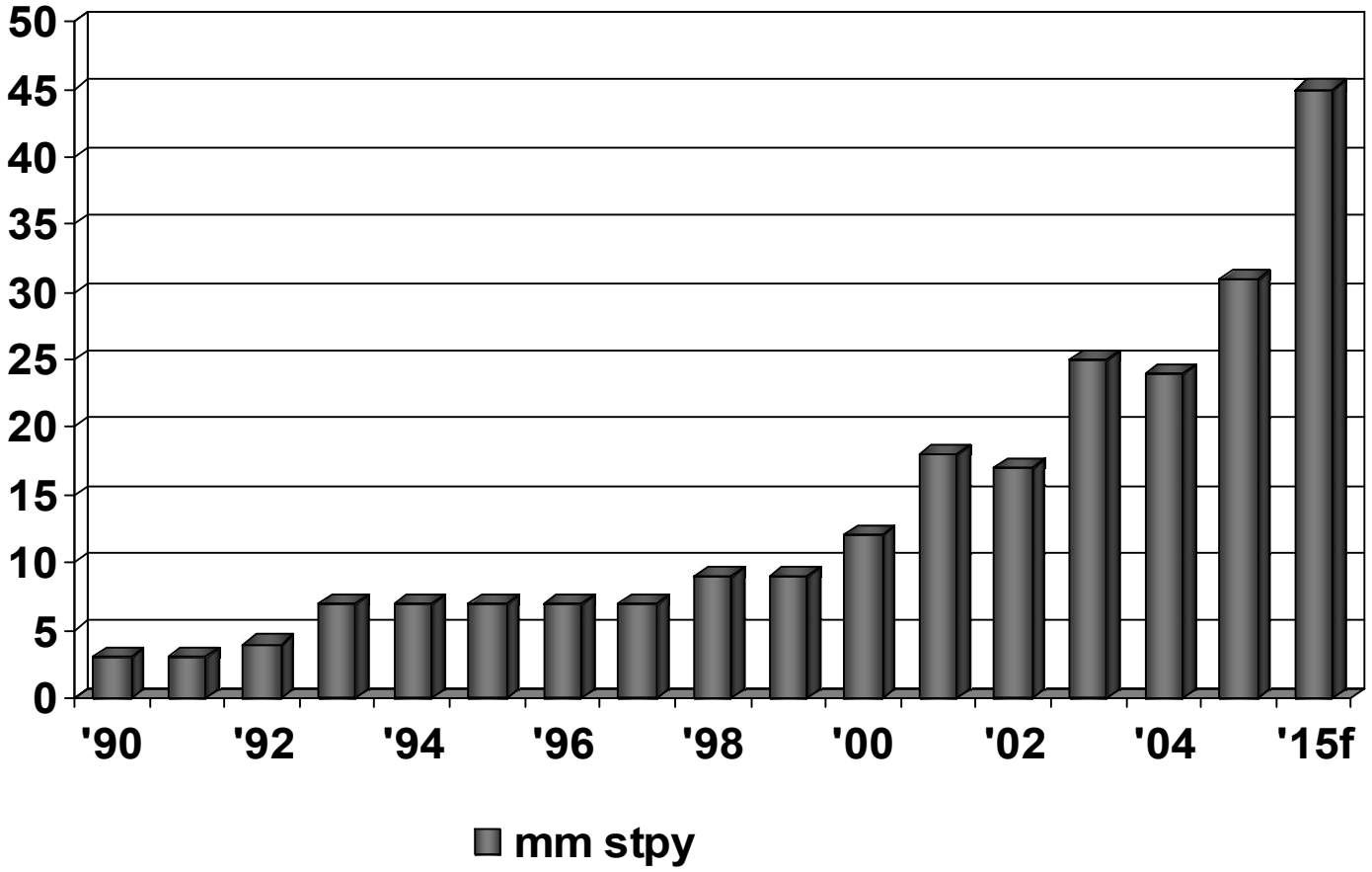


Compounded Annual Growth Rate	
Electric Power	1.94%
Coke Plants	-4.39%
Other Industrial	-1.01%
Res. & Commer.	1.22%
Total	1.33%

Source: Hill & Associates

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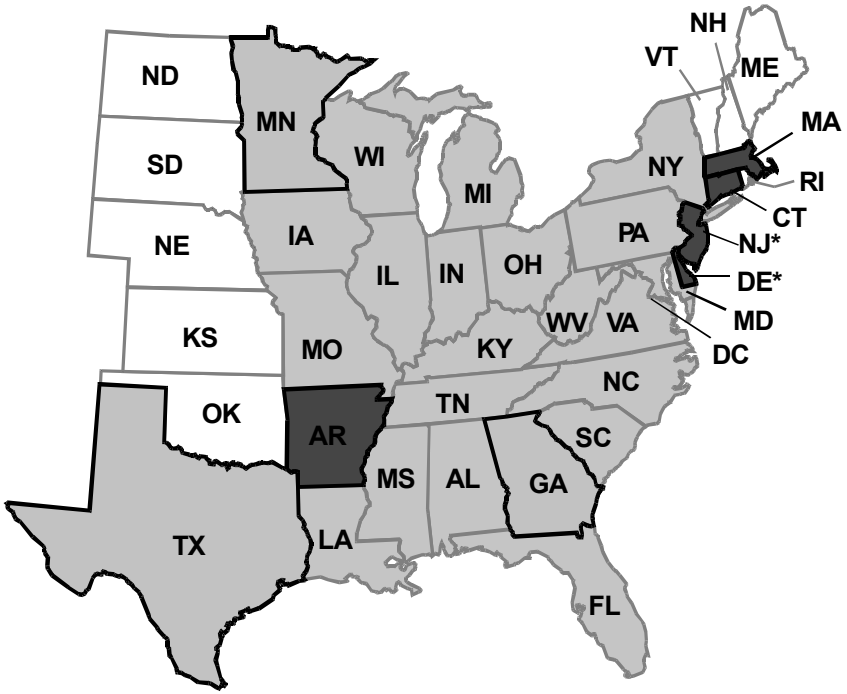
Import Coal History and Forecast



Source: Hill & Associates

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Clean Air Interstate Rule - CAIR

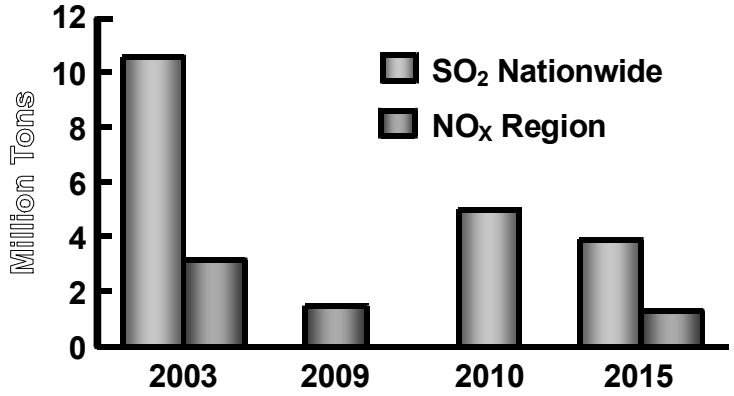


CAIR Annual and Seasonal Programs

CAIR Annual SO_2 and NO_X Only

CAIR Seasonal NO_X Only

Actual Emissions versus Caps

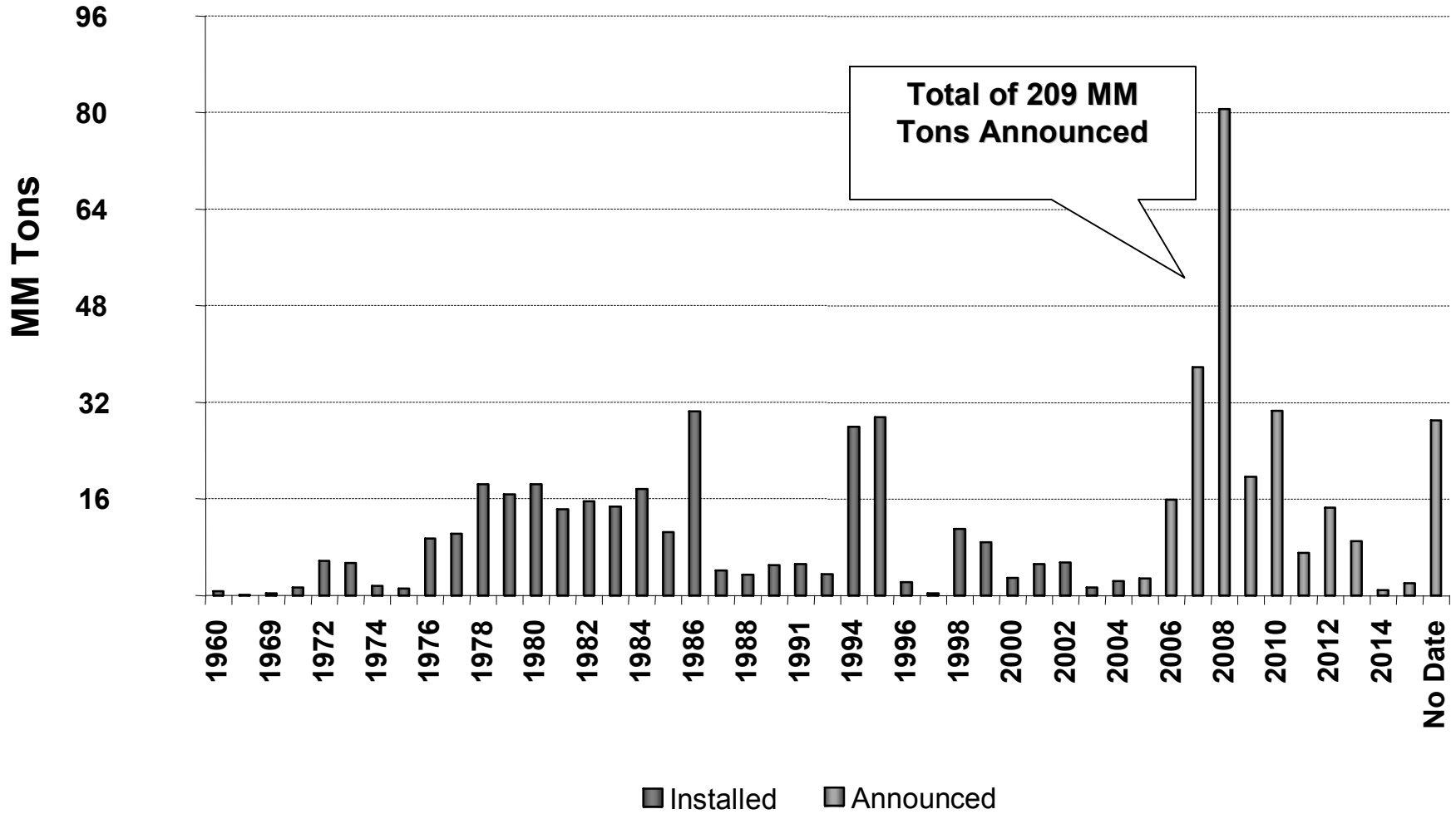


- EPA finalized CAIR rules in 2004 -- more stringent limits on SO_2, NOx, Hg and particulate matter.
- Changes begin in 2010 for SO2
- SO2 allowances prices have increased from $200/ton to $1500/ton over the past two years
- CAIR forcing coal switching/scrubbing decisions.
- New scrubbers likely installed at:
  - Larger coal-fired plants (scale economy); smaller plants will choose low-sulfur coals
  - Midwest utilities (inland, better access to cheaper, high sulfur coals, e.g. Illinois Basin, Ohio)
  - Regulated utilities (will pass costs on to rate-base)

Source: Hill & Associates

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SO_2 Clean-Up Equipment Installed and Announced



Source: Hill & Associates

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KM Response

High sulfur coals (i.e. Illinois Basin) and petcoke will increase in demand as scrubbers are built.

Low sulfur coals (PRB and imports) will increase in demand at unscrubbed plants.

Cora/GRT terminals in position to take advantage by building out PRB / Illinois coal handling capability.

Phase I – import project at Shipyard River Terminal – 2006.

Potential to expand Shipyard River Terminal for up to 9 million tons.

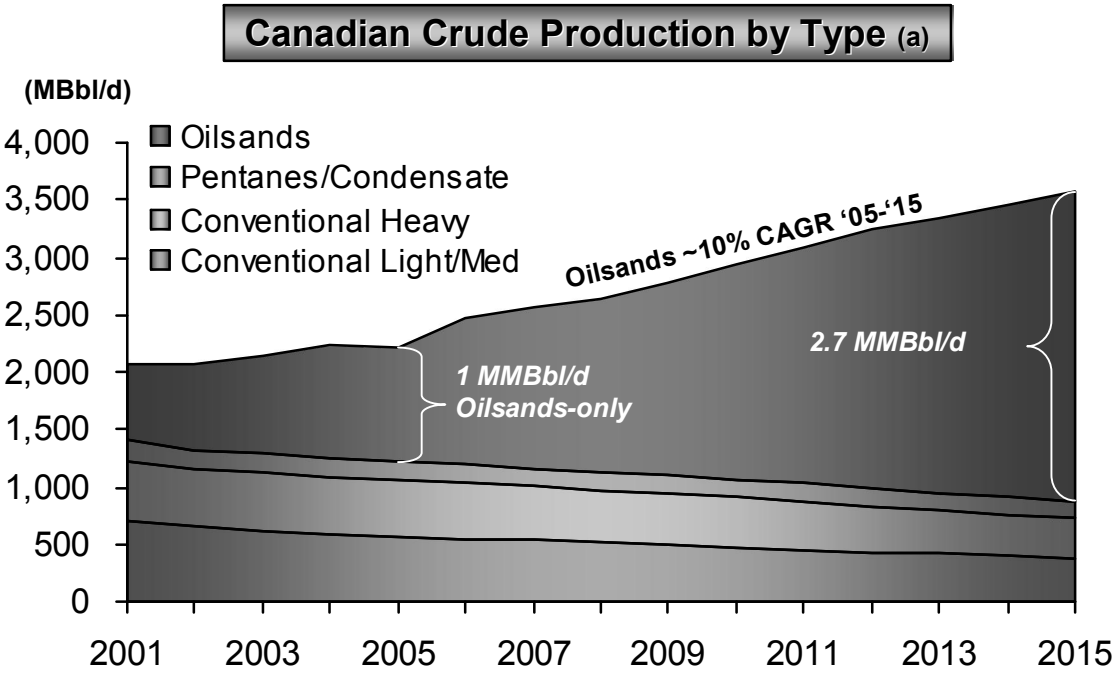
Convert export terminal in Newport News, VA to a import terminal for 4 million tons.

Potential acquisitions of Midwest coal terminals.

$200 – $225 Million of Incremental Investment Opportunities

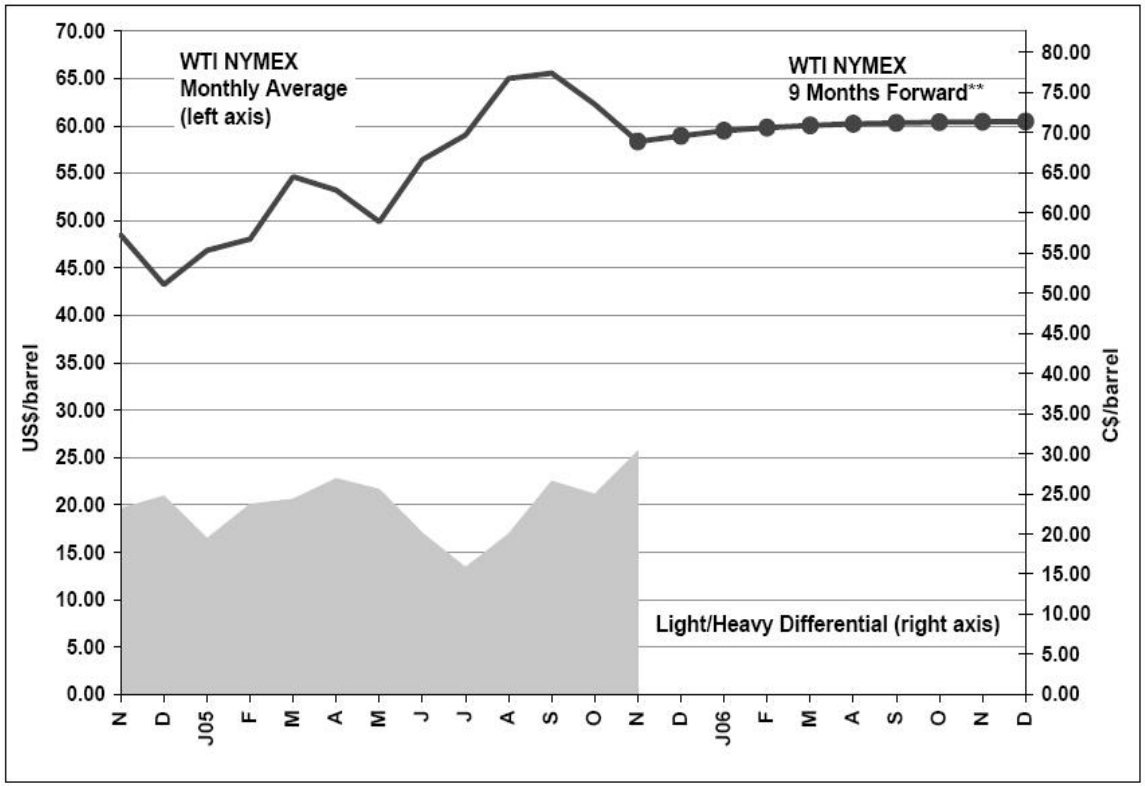
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Canadian Opportunities



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WTI and Canadian Light / Heavy Differential



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KM Response

Build 2.35 million barrels of crude / crude blending storage at Edmonton.

Build 2 million barrels of crude / crude blending storage at Hardisty.

Build / purchase bulk terminals.

$200 – $250 Million in Investment Opportunities


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