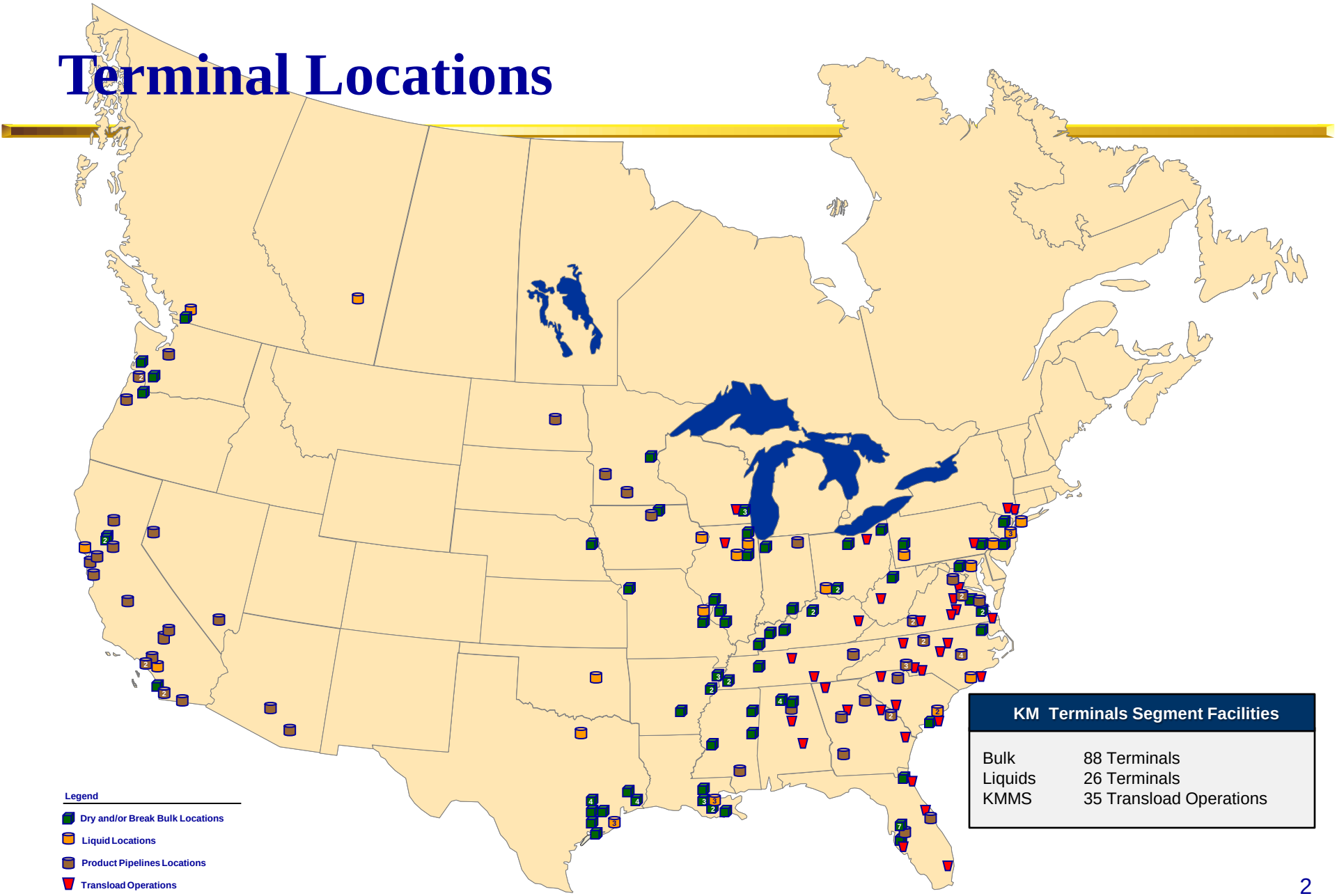
KINDER MORGAN

Terminals

Jeff Armstrong

President Terminals Group

Terminal Locations



KM Terminals Segment Facilities	
Bulk	88 Terminals
Liquids	26 Terminals
KMMS	35 Transload Operations

Historical Growth

($ in thousands)

	2006 Actual	2007 Actual	2008 Actual	2009 Actual	2010 Actual	2011 Actual	2012 Budget
Earnings before DD&A [a]	$396,858	$442,330	$538,836	$576,096	$646,608	$701,042	$756,844
Growth from prior year	24.7%	11.5%	21.8%	6.9%	12.2%	8.4%	8.0%
Internal	14.2%	2.3%	14.7%	6.0%	6.7%	6.1%	6.0%
Acquisition	10.6%	9.1%	7.1%	0.9%	5.6%	2.4%	2.0%

CAGR [b]
12.4%

(a) Before certain items
(b) 2002-2012 CAGR

Financial Overview

($ in thousands)

	2009 Actual	2010 Actual	2011 Actual	2012 Budget	
Revenue (net)	$1,081,679	$1,244,810	$1,298,507	$1,347,870	
Opex	$501,175	$591,547	$598,212	$579,863	(b)
EBITDA (a)	$580,504	$653,263	$700,295	$768,007	
Book income tax	$4,408	$6,655	(747)	$11,163	
Earnings before DD&A	$576,096	$646,608	$701,042	$756,844	
Sustaining capital	$64,642	$77,277	$83,187	$96,600	
DCF	$511,454	$569,331	$617,855	$660,244	
Expansion capital (c)	$218,996	$220,444	$223,173	$473,058	
Operating margin	53.7%	52.5%	53.9%	57.0%	

(a) Before certain items

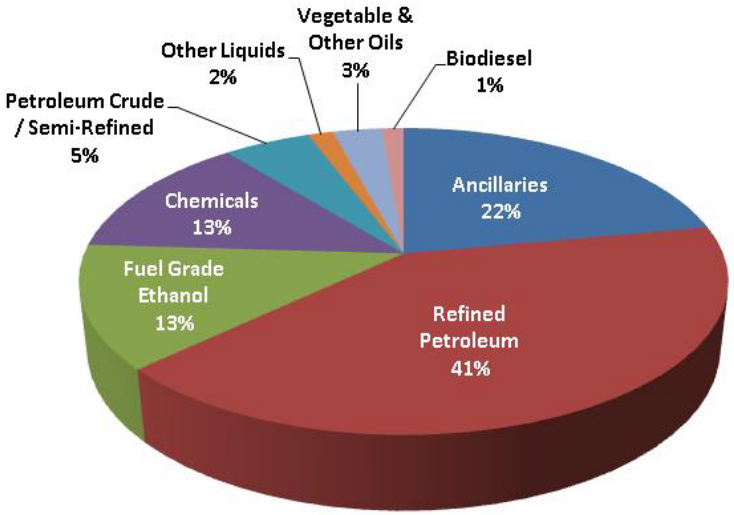
(b) Operating expense variance (2011 vs 2012)

Acquisition / equity earnings	$9.4
Divestitures	$14.5
Labor	$(6.6)
TOTI	$(2.6)
All other	$3.6

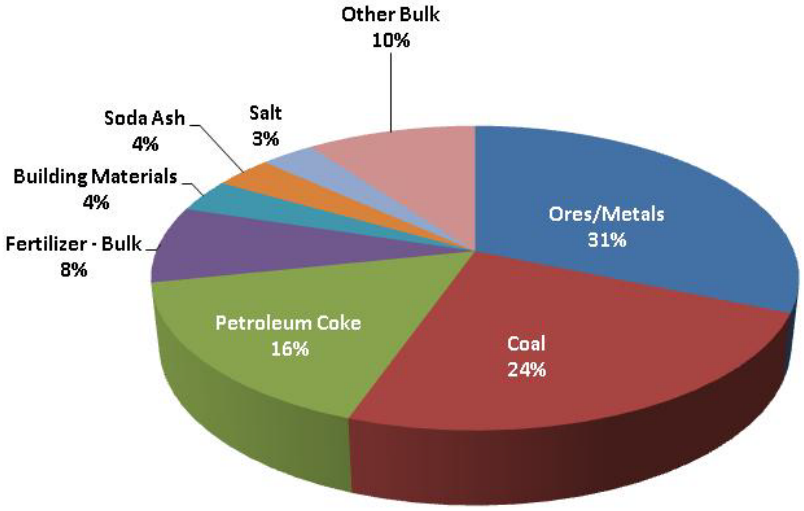
(c) 2012 budget excludes acquisition capital of $108MM and equity contributions of $60MM

Contract Diversification

Liquids Revenue Breakout (a)



Bulk Revenue Breakout (a)



Top-10 Customers (a)

Top-10 Customers	$409.9MM
Total Revenue	$1,348MM

3.9-yr Avg. Contract Life (b)

Liquids	4.0 Years
Bulk	3.8 Years

(a) 2012 budget
(b) 2012 budget weighted average, as of 12/31/2011

Bulk Tonnage

KMBT Tonnage (tons)

	Actual 2010	Actual 2011	Budget 2012	Variance ('12 vs '11) Amt	Variance ('12 vs '11) %
Coal	32,571,773	39,041,902	43,759,862	4,717,960	12.1%
Petcoke	12,665,891	11,511,349	12,513,856	1,002,507	8.7%
Cement (Including Clinker)	607,748	588,084	552,000	(36,084)	-6.1%
Fertilizers	5,718,218	5,315,357	5,515,568	200,211	3.8%
Salt	3,275,317	3,316,786	3,399,927	83,141	2.5%
Ores/Metals	24,095,642	26,762,459	27,599,004	836,545	3.1%
Soda Ash	3,895,722	3,913,049	4,038,700	125,651	3.2%
Aggregate	1,964,767	2,568,337	2,777,800	209,463	8.2%
Other Bulk	8,645,601	7,622,980	8,080,051	457,071	6.0%
Totals	**93,440,680**	**100,640,303**	**108,236,768**	**7,596,465**	**7.5%**

Note: acquisition tonnages represented as owned during prior periods

Liquids Throughput

Throughput (bbls)

	Actual 2010	Actual 2011	Budget 2012	Variance ('12 vs '11) Amt	Variance ('12 vs '11) %
Chemical	21,748,652	24,359,936	32,732,431	8,372,495	34.4%
Distillate	163,367,651	154,115,558	145,906,266	(8,209,292)	-5.3%
Gasoline	333,903,633	330,353,480	341,403,630	11,050,150	3.3%
Fuel Grade Ethanol / Bio-diesel	57,881,078	60,951,613	72,379,960	11,428,347	18.7%
Petroleum	34,179,136	35,938,478	32,201,872	(3,736,606)	-10.4%
Vegetable Oils	4,806,666	6,271,907	7,641,256	1,369,349	21.8%
Animal Fats	580,718	570,947	442,488	(128,459)	-22.5%
Other	3,232,359	3,268,420	3,774,708	506,288	15.5%
Totals	**619,699,893**	**615,830,340**	**636,482,611**	**20,652,271**	**3.4%**

KM Utilization

	Actual 2010	Actual 2011	Budget 2012
Capacity Utilization Rate	96.2%	94.5%	97.0%
Capacity (MM bbls)	58.2	60.2	60.5

Note: 2010 throughput was revised during 2011

Major Projects Completed in 2011

	PROJECT NAME	PRODUCT	MODELED CAPACITY MMBBLS	CAPITAL (MM)	First Full Year EBITDA (MM)	In Service Date	Avg. Contract Length [a]
LIQUIDS	Gateway Project (Carteret, NJ)	Distillates	1.0	$62.1		Q3/11	10
	Deer Park Ethanol (Deer Park, TX)	Ethanol	0.2	$27.3		Q1/12	4.4
	Chemical Expansion (Philadelphia, PA)	Chemicals	0.4	$14.4		Q1/12	5
	TOTAL		1.6	**$103.8**	**$15.1**		

	PROJECT NAME	PRODUCT	MODELED VOLUME MNTPY	CAPITAL (MM)	First Full Year EBITDA (MM)	In Service Date	Avg. Contract Length [a]
BULK	Petcoke Handling Project (Deer Park, TX)	Petcoke	2.0	$16.2		Q1/11	10
	Copper Handling (Vancouver, BC)	Copper Ore	0.1	$14.8		Q3/11	5
	Port of Houston Export Coal (Deer Park, TX)	Coal	1.2	$17.9		Q1/12	3
	TOTAL		**3.3**	**$48.9**	**$10.0**		

	PROJECT NAME	PRODUCT	MODELED CAPACITY/VOLUME	CAPITAL (MM)	First Full Year EBITDA (MM)	Close Date	Avg. Contract Length
ACQUISITIONS	Deeprock (Cushing, OK) [b]	Crude	0.9	$24.7		Q1/11	5
	Total (Port Arthur, TX)	Petcoke	1.0	$66.5		Q2/11	25
	Watco Preferred Investment (2nd Tranche)	N/A	N/A	$50.0		Q4/11	N/A
	TOTAL		**1.9**	**$141.2**	**$19.1**		

	COMBINED TOTAL			**$293.9**	**$44.2**		

(a) Initial Term
(b) Kinder Morgan Equity share

Major Projects in Progress

	PROJECT NAME	PRODUCT	MODELED CAPACITY MMBBLS	CAPITAL	First Full Year EBITDA (MM)	Expected In Service	Avg. Contract Length [a]
LIQUIDS	Ethanol Pipeline (Linden, NJ)	Ethanol	N/A	$8.8		Q1/12	10
	Pipeline Rate Expansion (Edmonton, Alberta) [b]	Crude	N/A	$8.5		Q3/12	15.6
	Tank Expansion (Edmonton, Alberta) [b]	Crude	2.4	$212.4		Q4/13	7.5
	BOSTCO Project (La Porte, TX)	Crude/VGO/Distillates	6.6	$431.6		Q3/13 - Q4/14	5
	TOTAL		**9.0**	**$661.3**	**$75.3**		

	PROJECT NAME	PRODUCT	MODELED VOLUME MNTPY	CAPITAL	First Full Year EBITDA (MM)	Expected In Service	Avg. Contract Length
BULK	Copper Handling - Phase 2 (Vancouver, BC) [b]	Copper Ore	0.1	$5.7		Q3/12	6
	Fertilizer Domes (Fairless Hills, PA)	Fertilizer	0.1	$10.0		Q1/13	4
	Shiploader Expansion (Portland, OR)	Soda Ash	0.1	$9.5		Q2/13	10
	Petcoke Handling (Whiting, IN)	Petcoke	2.2	$60.5		Q2/13	10
	IMT Phase 1 (Myrtle Grove, LA)	Coal	4.0	$70.0		Q2/13	15
	IMT Phase 2 (Myrtle Grove, LA)	Coal	2.5	$44.1		Q1/13	10
	TOTAL		**9.0**	**$199.8**	**$35.1**		

COMBINED TOTAL				**$861.1**	**$110.4**		

Potential Future Projects	
$300 – $500 Million	Crude Coal Diesel/Gasoline

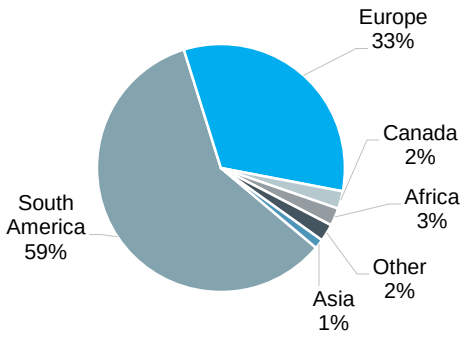
(a) Initial Term
(b) C$ / USD exchange rate 1:1

KINDER MORGAN

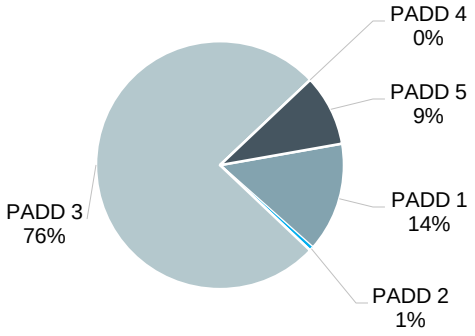
Petroleum Exports / Imports

Distillate

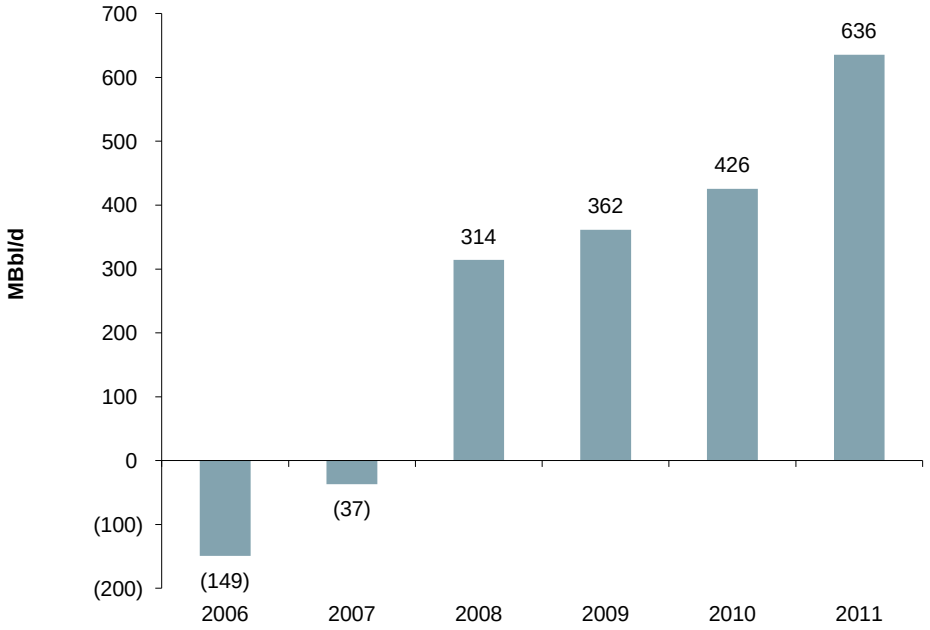
Distillate Fuel Oil – Export Destination
(% of 2011 Daily Average)



Distillate Fuel Oil – U.S. Export Location
(% of 2011 Daily Average)



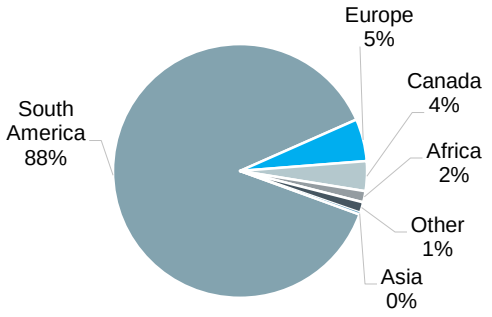
Distillate Fuel Oil - Net Exports



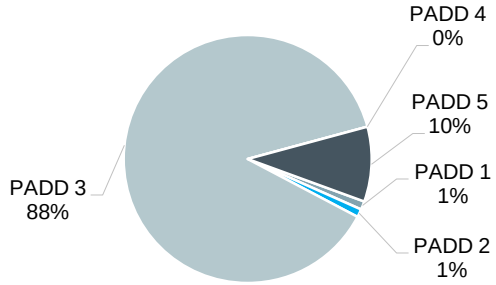
Source: EIA

Finished Gasoline

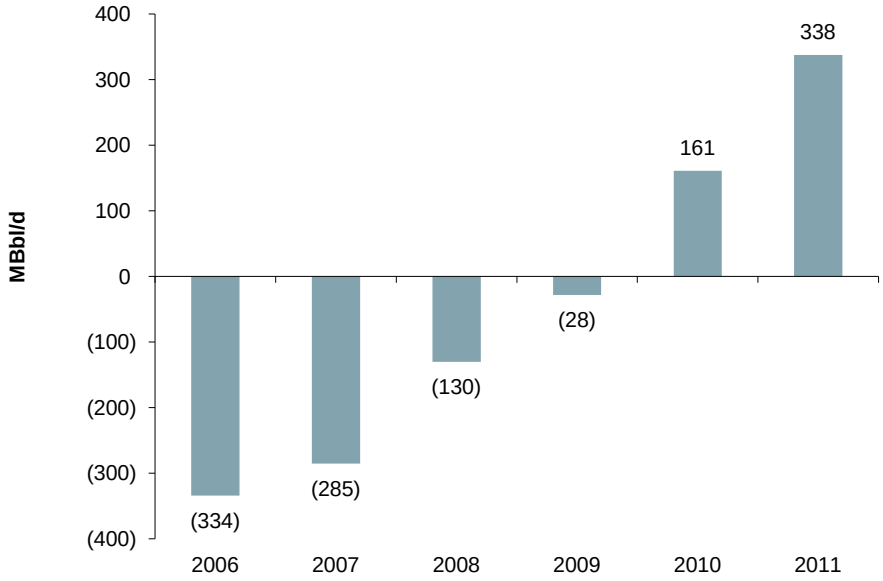
Finished Motor Gasoline – Export Destination
(% of 2011 Daily Average)



Finished Motor Gasoline – U.S. Export Location
(% of 2011 Daily Average)

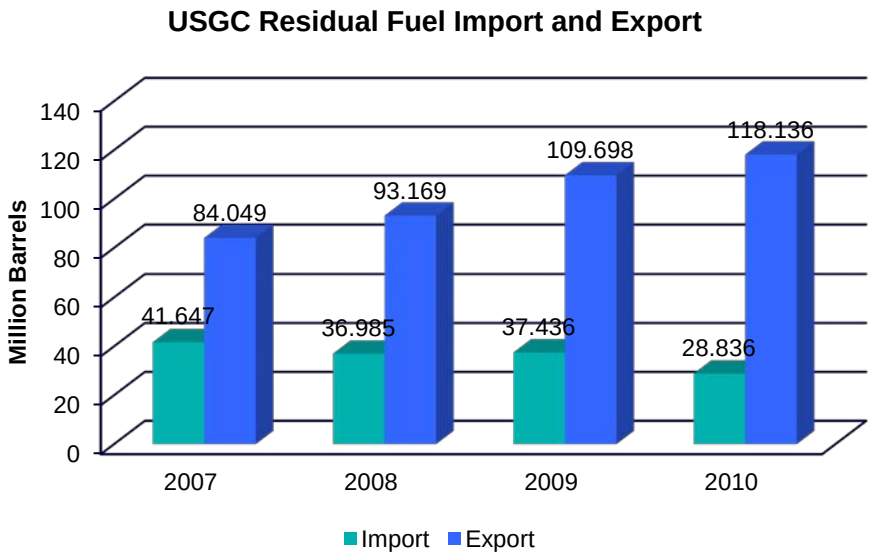


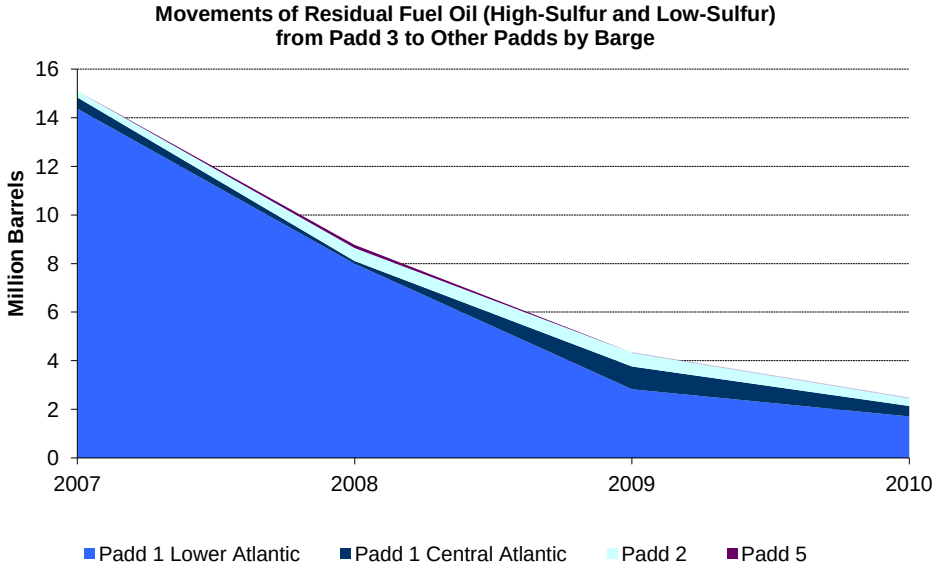
Finished Motor Gasoline - Net Exports



Source: EIA

Fuel Oil Exports





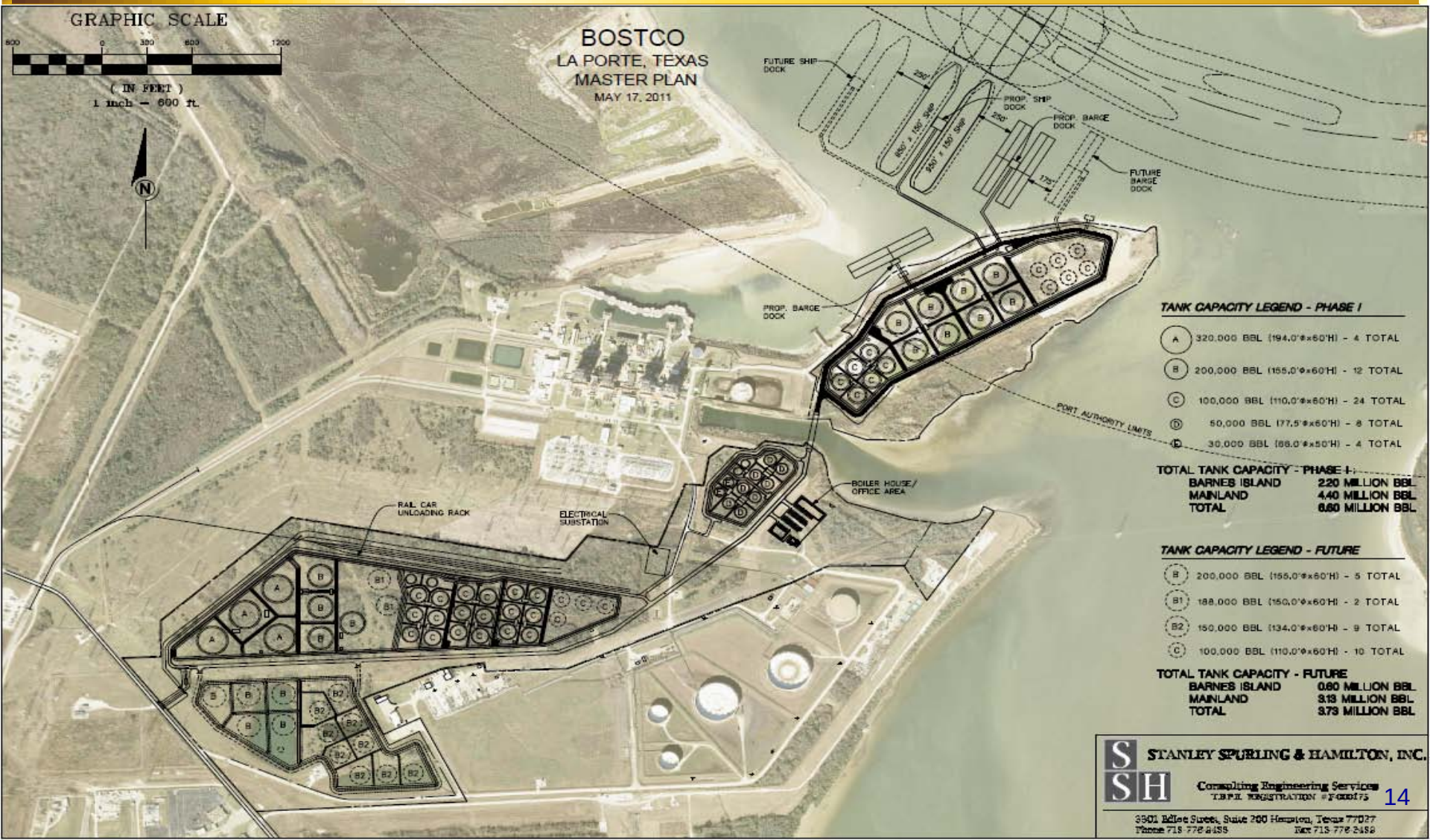
Declining US Demand

+ Steady Production

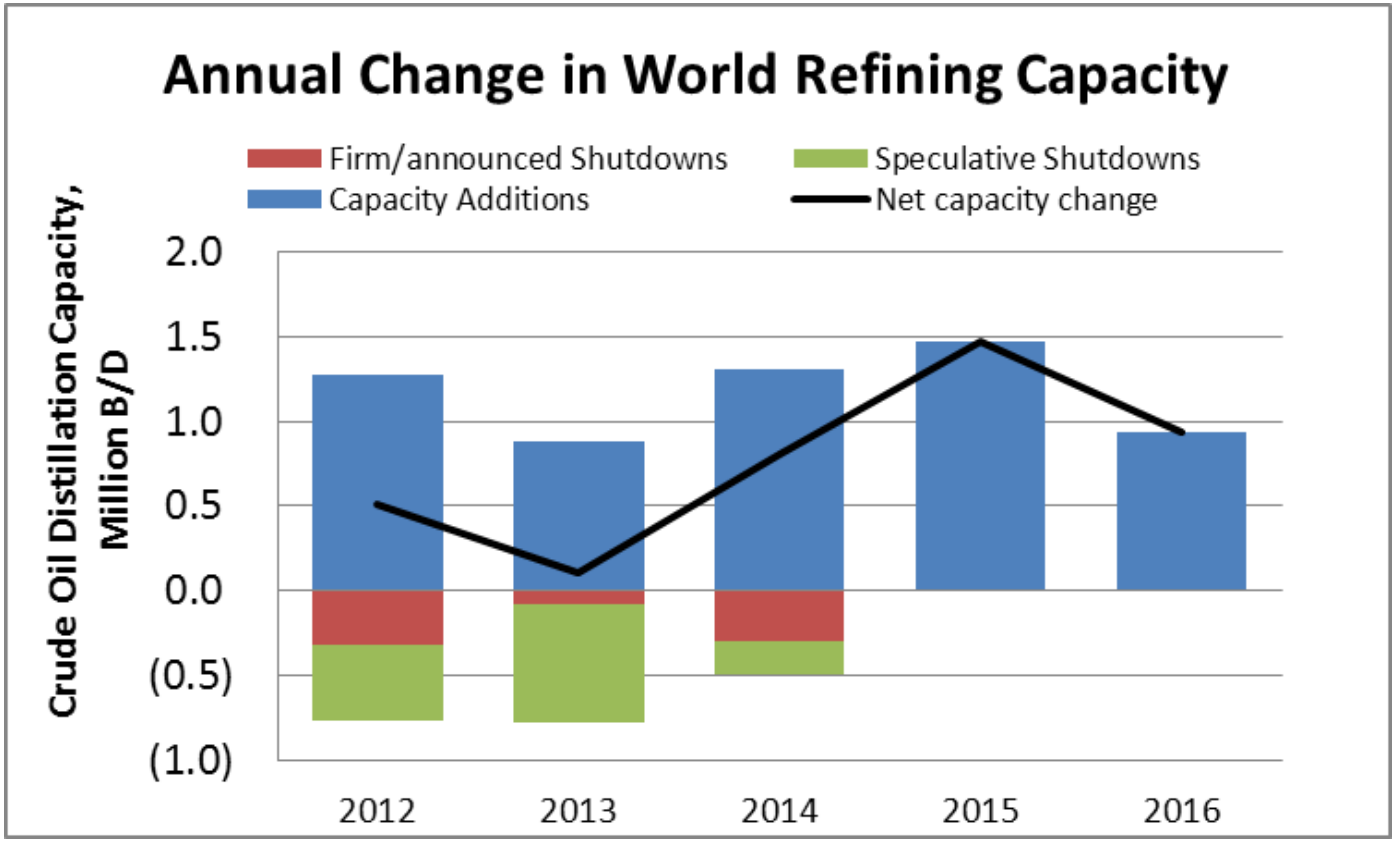
= Increasing Exports

Source: Poten & Partners

BOSTCO Project



World Refinery Capacity Changes



Source: Baker O'Brien

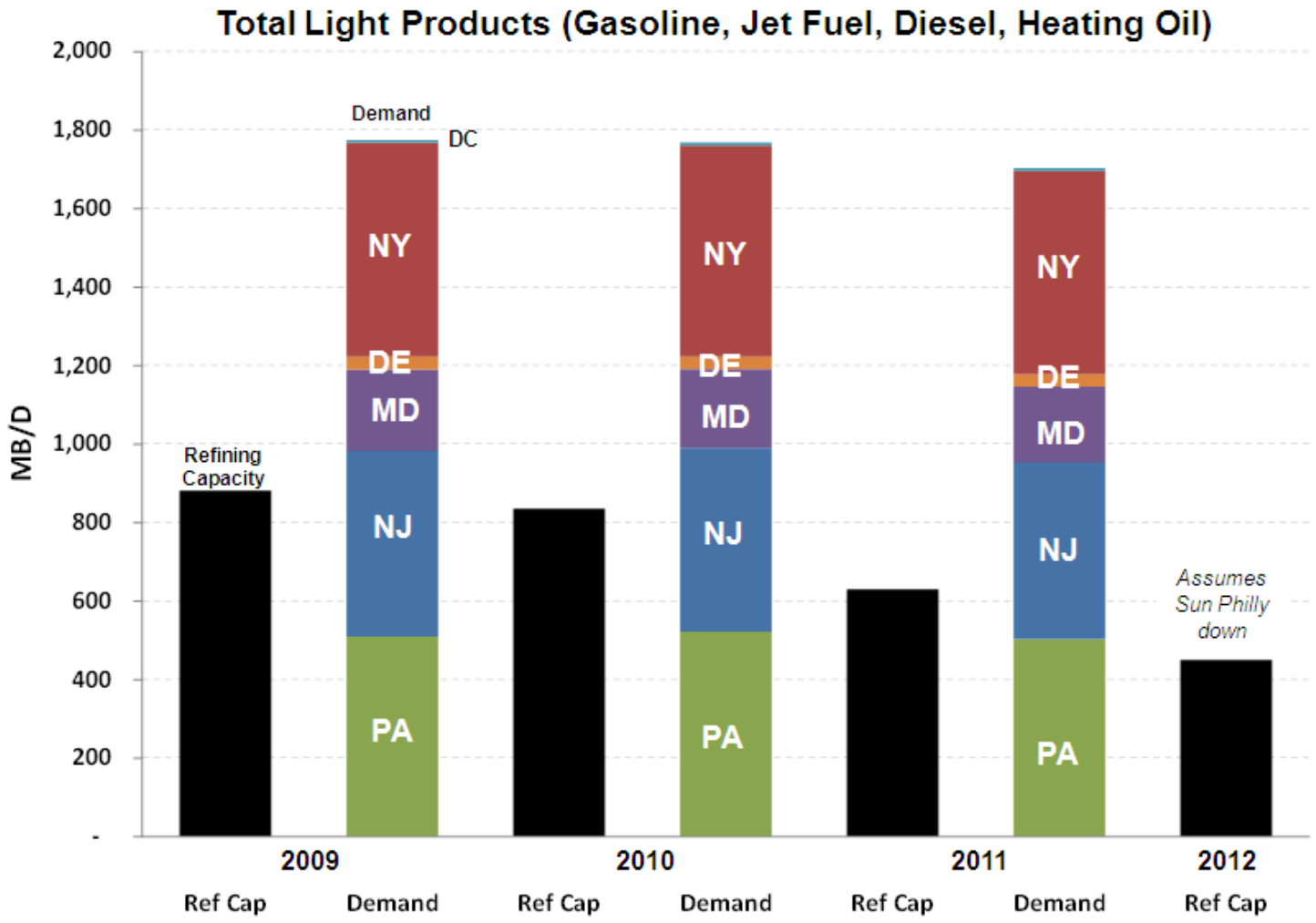
East Coast Refinery Closures

- ConocoPhillips announced in late September 2011 the intention to sell or close the Trainer refinery (185 MB/D) and began preparations for idling the plant (plant is now down).
- In early December 2011, Sunoco announced that it was shutting down Marcus Hook (178 MB/D) and will also close Philadelphia (310 MB/D) if it cannot be sold.
- At the start of 2009, total fuels refining capacity stood at approximately 1.6 MMB/D.
- By July 2012, it is possible that only 735 MB/D will remain.

Fuels Refinery	*Capacity, MB/D*	*Status*	*Comments*
ConocoPhillips Bayway	252	Operating	
ConocoPhillips Trainer	181	Shut down Oct 2011	
Hess Perth Amboy	66	Operating	Cracker only
PBF Delaware City	190	Operating	Restarted 2011; $1B hydrocracker project
PBF Paulsboro	160	Operating	
Sunoco Philadelphia	310	Operating	For sale; to be shut July 2012 if no buyer
Sunoco Marcus Hook	178	Shut down Dec 2011	
Sunoco Westville	145	Shut down 2009	Refinery reported to be dismantled/sold
United Refining Warren	67	Operating	Located inland Pennsylvania
Western Yorktown	70	Shut down 2010	Related terminal assets sold to Plains 2011
Total	**1,619**		

Source: Baker O'Brien

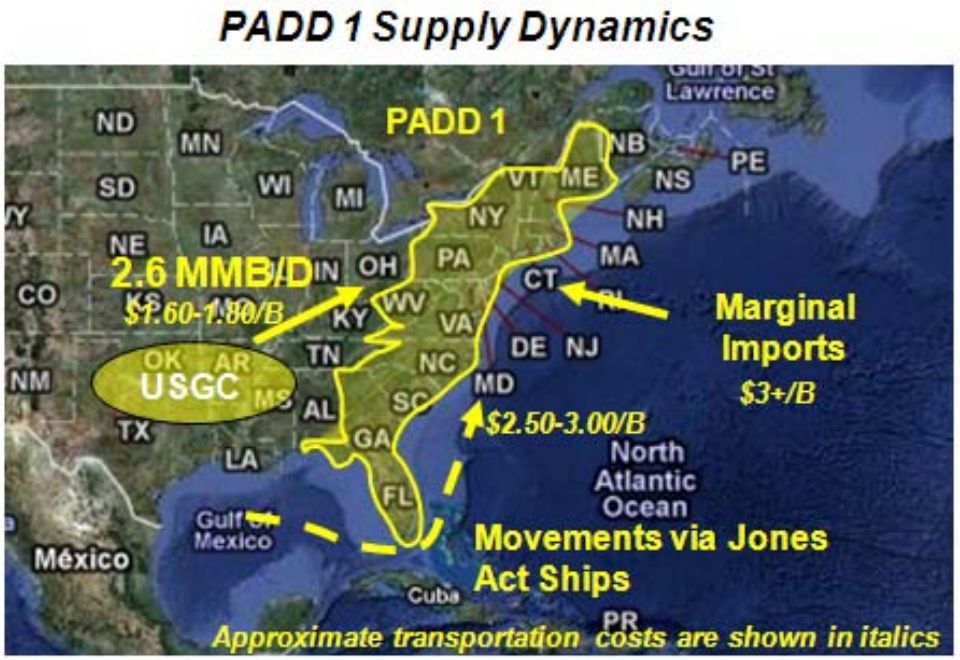
PADD 1B Demand vs. Refining Capacity in Region



Source: Baker O'Brien

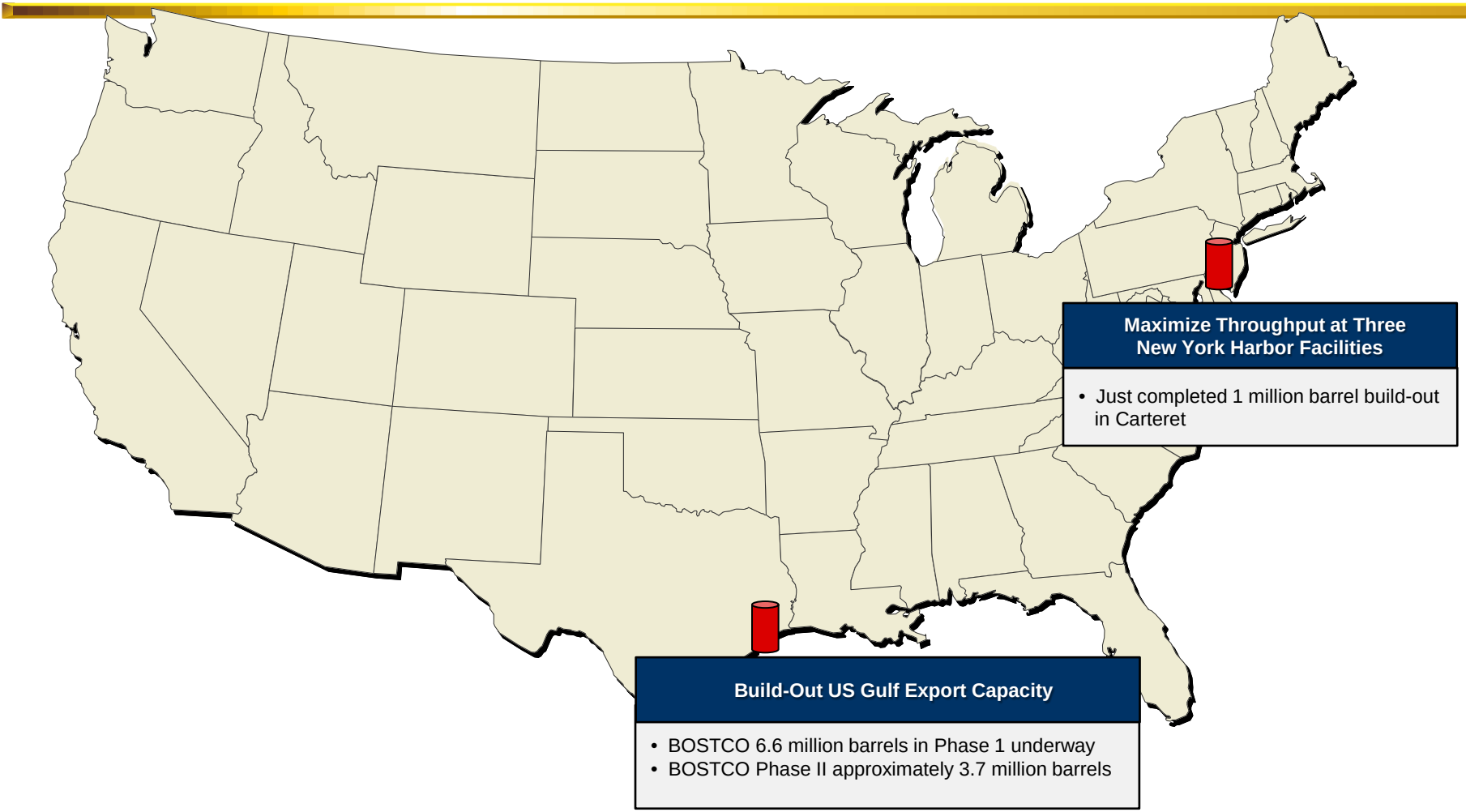
Implications of East Coast Refinery Closures

- **If significant capacity is shutdown in the NY Harbor area, additional barrels will be required from the USGC or longer-haul imports**
- **Because the Colonial pipeline system is periodically constrained, supplying more barrels to NY Harbor will require some combination of (1) increases in waterborne imports or (2) movements from USGC via Jones Act ships**
  - Colonial has recently announced a 100 MB/D expansion on Line 1 (gasoline)
- **NY Harbor pricing will have to increase to cover the incremental logistical costs, whether it be USGC or offshore sources of product**



Source: Baker O'Brien

Impact of Petroleum Market Shift for KM



Maximize Throughput at Three New York Harbor Facilities

- Just completed 1 million barrel build-out in Carteret

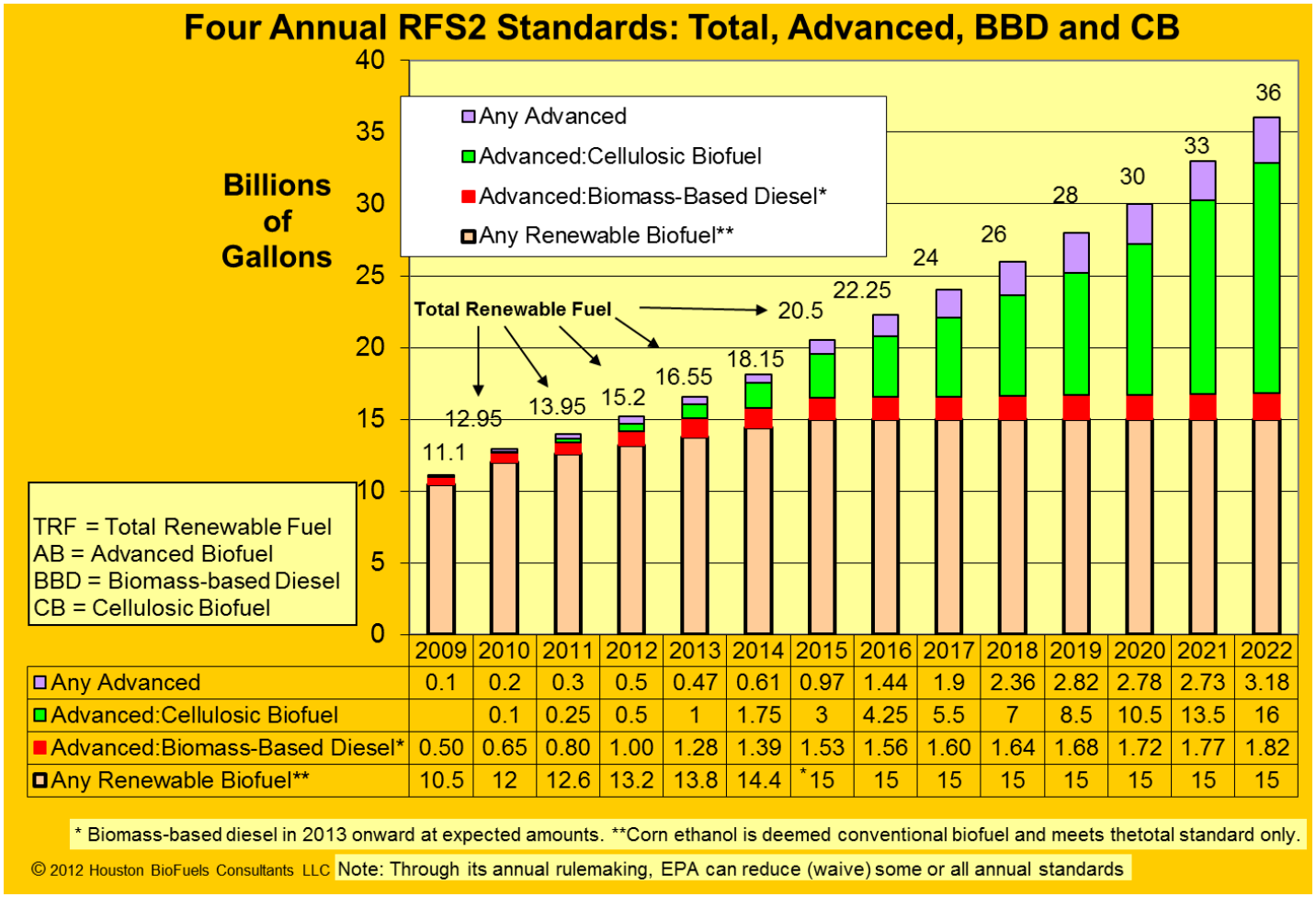
Build-Out US Gulf Export Capacity

- BOSTCO 6.6 million barrels in Phase 1 underway
- BOSTCO Phase II approximately 3.7 million barrels

KINDER MORGAN

Ethanol

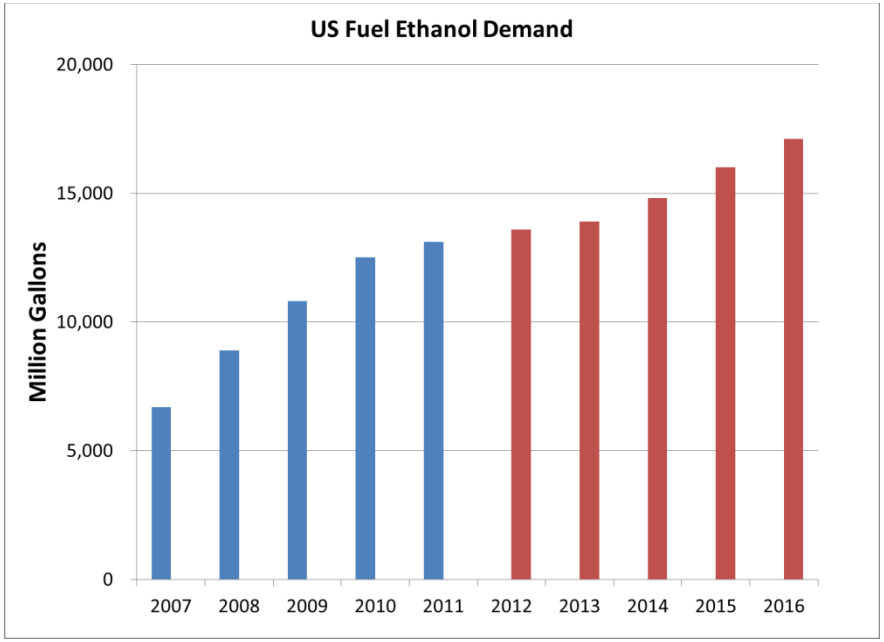
RFS2: Four Annual Standards

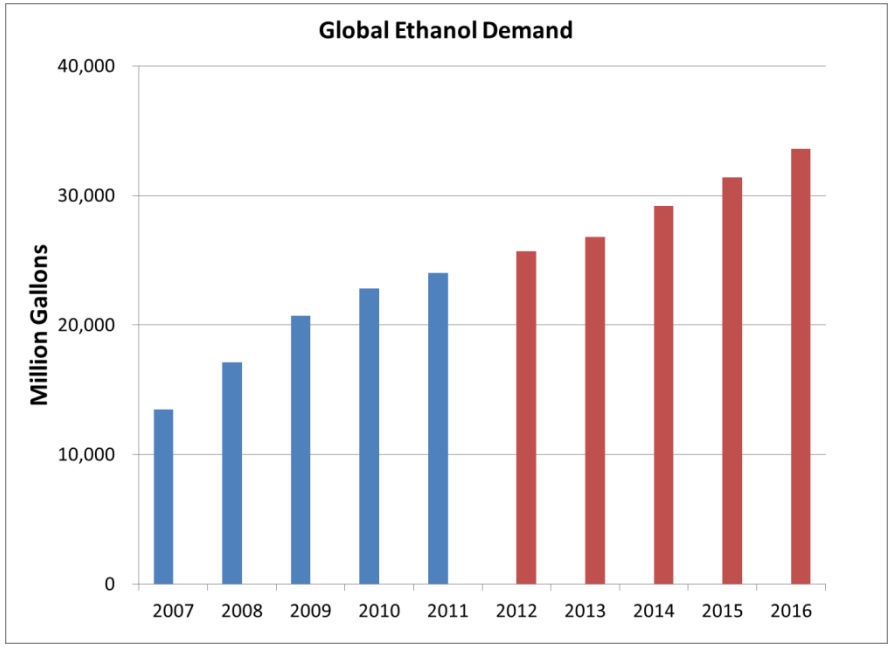


	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Any Advanced	0.1	0.2	0.3	0.5	0.47	0.61	0.97	1.44	1.9	2.36	2.82	2.78	2.73	3.18
Advanced:Cellulosic Biofuel		0.1	0.25	0.5	1	1.75	3	4.25	5.5	7	8.5	10.5	13.5	16
Advanced:Biomass-Based Diesel*	0.50	0.65	0.80	1.00	1.28	1.39	1.53	1.56	1.60	1.64	1.68	1.72	1.77	1.82
Any Renewable Biofuel**	10.5	12	12.6	13.2	13.8	14.4	*15	15	15	15	15	15	15	15

Source: 2011 Houston BioFuels Consultants LLC

US and Global Ethanol S&D





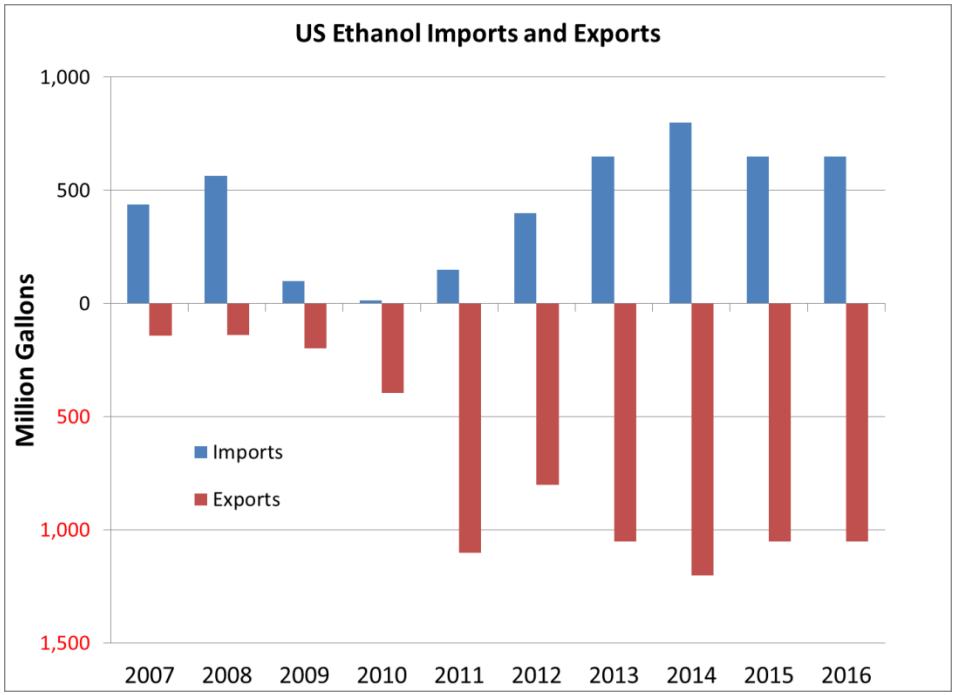
- In 2011, the US accounted for 55% of global ethanol demand
- In 2011, the US and Brazil together accounted for over 80% of global demand, a share that is expected to continue through the forecast period
- Most of the global growth will be in the US and Brazil as well in the coming 5 years

Source: 2011 Houston BioFuels Consultants LLC

US Ethanol Imports and Exports

- The RFS2 advanced biofuel requirements can most economically be met with imports of cane ethanol, mainly from Brazil
- The California LCFS will only determine the share of imports directed to California; the amount of imports is set by the RFS2 advanced biofuel mandates.

	2011	2012P
KMT Ethanol Handling		
Storage (MBbls)	5,190	5,425
Throughput (Bbl/d)	161,858	188,442
KMPP Ethanol Handling		
Storage (MBbls)	1,549	1,549
Throughput (Bbl/d)	83,348	85,357
US Ethanol Demand		
Throughput (Bbl/d)	848,092	884,606



Source: 2011 Houston BioFuels Consultants LLC

Coal

International Metallurgical Coal

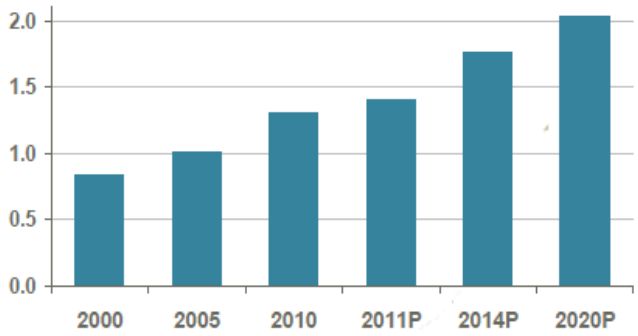
Market Conditions & Drivers

Global Met Coal Trade

Met Coal Imports (MMt)	2009	2010	2011E	2012E
Europe	36	45	49	51
Japan	53	58	56	62
China	34	48	52	54
Korea	21	28	31	32
India	25	30	34	40
Brazil	9	12	14	15
Other	42	52	41	47
World Imports	**220**	**273**	**277**	**301**

Met Coal Exports (MMt)	2009	2010	2011E	2012E
Australia	135	159	137	165
Canada	22	28	30	33
U.S.	34	51	54	49
Russia	13	14	17	17
Other	16	21	39	37
World Exports	**220**	**273**	**277**	**301**

Total Growth In World Steel Consumption
(billions of tons of finished steel)



Iron and Steel Capacity Build Out Through 2015
(excluding electric arc furnace capacity)

(in millions of tonnes of raw steel, blast & basic oxygen furnaces)



Sources: ACI, World Steel Association and Steel Business Briefing

Sources: Australian Bureau of Resources & Energy Economics, Arch Coal Inc., World Steel Association and Business Briefing

International Steam Coal

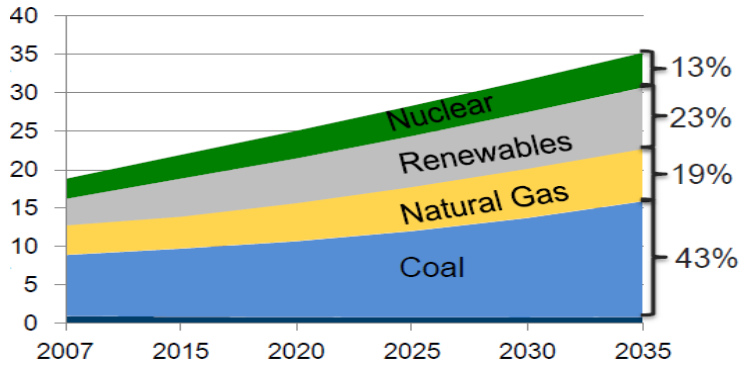
Market Conditions & Drivers

- Coal is forecasted to supply approximately 43% of the worlds electricity generation in 2035.
- Thermal coal imports to India's utilities increased by 70% in 2011 and increasing demand by new coastal Independent Power Producers (IPP) and Ultra Mega Power Producers (UMPP) will help nearly double coal usage from 2010 to 2015.
- India's steam coal demand expected to surpass China's imports by 2015.
- Projections of Asian steam coal demand continues to outpace Europe's demands for seaborne steam coal.

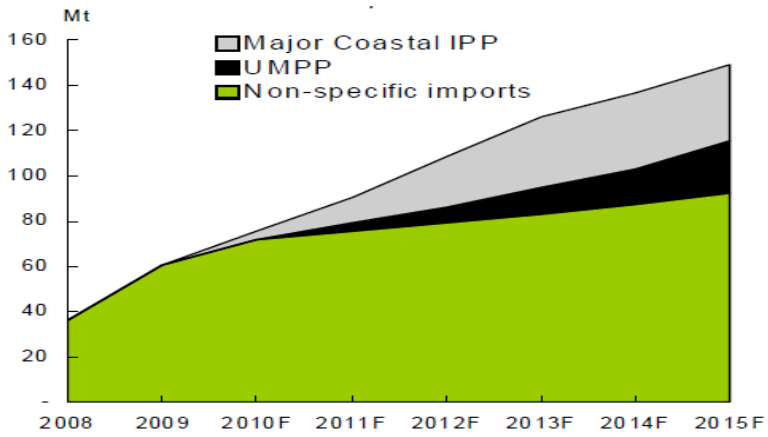
Steam Coal Imports (MMt)

Importer	2009	2010	2011	2012	2015
China	62	97	97	107	119
India	60	75	90	105	127
Korea	83	95	100	100	107
Taiwan	55	59	63	64	67
Japan	108	120	119	123	125
Total Asia	426	508	534	567	627
Europe	176	158	175	176	179
Americas	37	37	37	41	56
World	638	703	745	784	862

World Electricity Generation (Trillion Kilowatt hours)



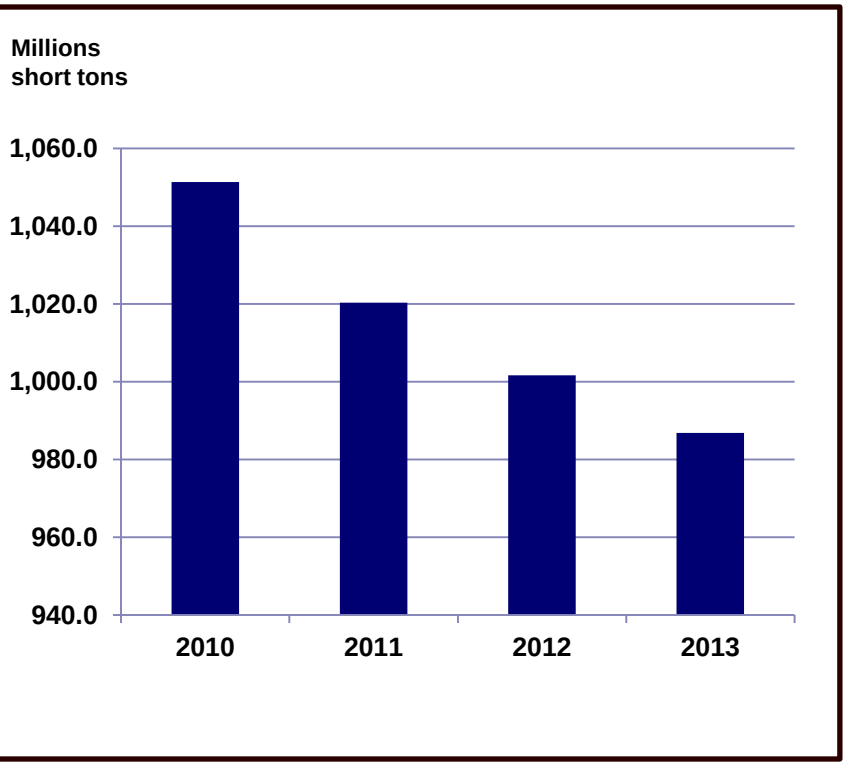
Indian Import Demand (MMt)



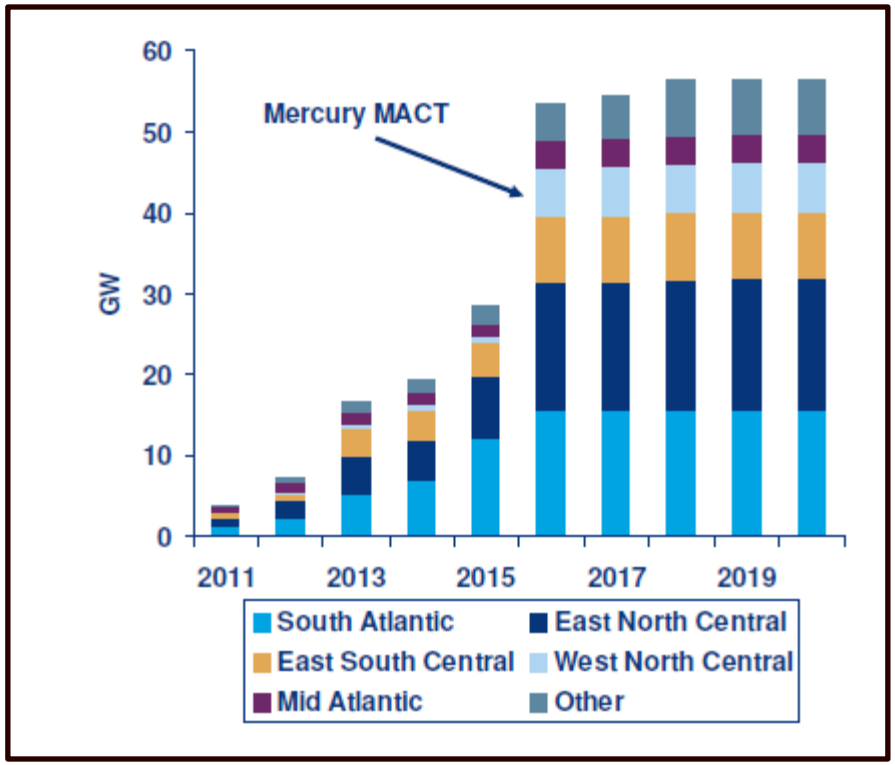
Sources: EIA, Macquarie Commodities Research ,Bloomberg, and IHS McCloskey Group

Domestic Coal Markets

Total Forecasted U.S. Coal Consumption



U.S. Coal Retirements



Source: EIA and Wood Mackenzie, Fall 2011 Web Call

KM Response

East Coast

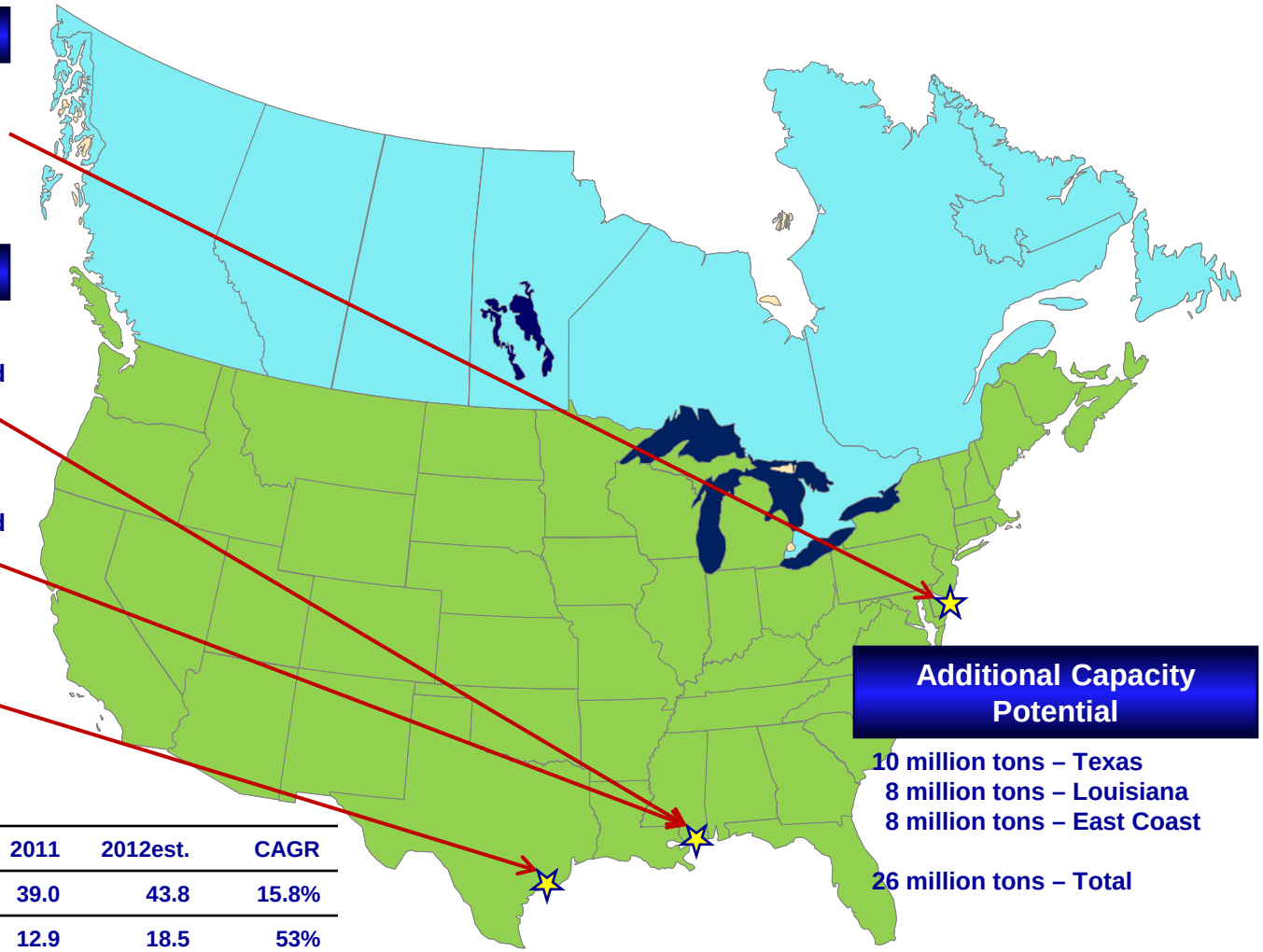
(1) Fairless Hills Terminal,
Fairless Hills PA
expected capital outlay = $5.6 mm

U.S. Gulf

(1) International Marine Terminal,
Myrtle Grove LA – Phase 1 expected
capital outlay = $70 mm
6 million tons

(2) International Marine Terminal,
Myrtle Grove LA – Phase 2 expected
capital outlay = $44.0 mm
4 million tons

(3) Port of Houston Terminal, expected
capital outlay = $17.9mm
2 million tons



Additional Capacity Potential

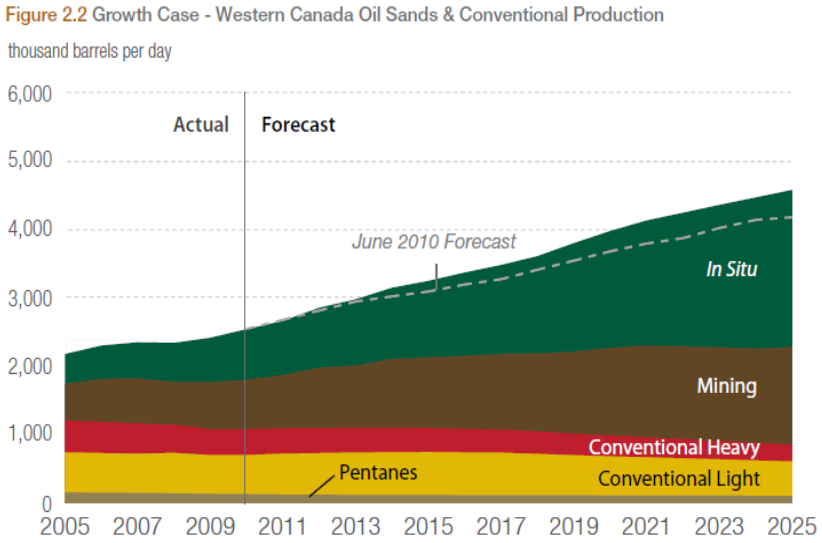
10 million tons – Texas
8 million tons – Louisiana
8 million tons – East Coast

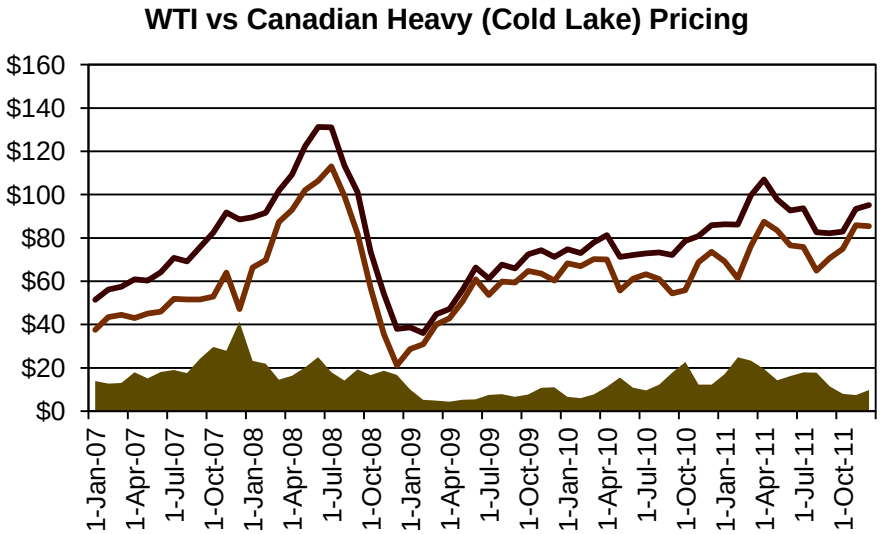
26 million tons – Total

KM Coal Handling (TPY)	2010	2011	2012est.	CAGR
Throughput (MMt)	32.6	39.0	43.8	15.8%
Export (MMt)	7.9	12.9	18.5	53%

Canadian Crude Tankage

Canadian Crude Market Fundamentals



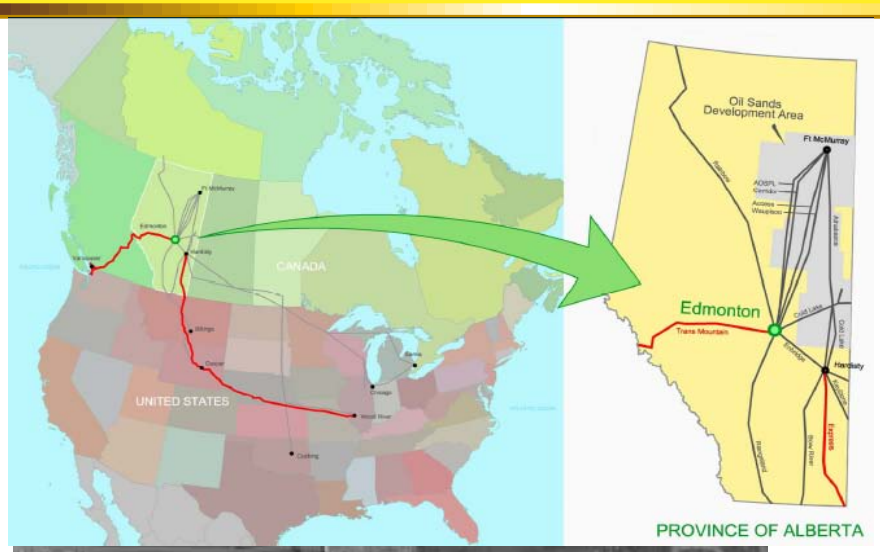


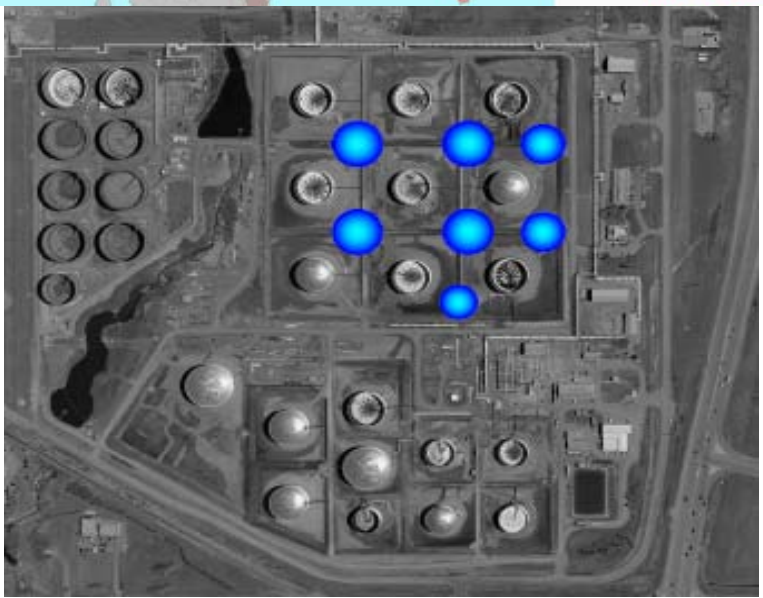
Increasing oil sands production + Increasing price volatility

= ***Increased Canadian demand for petroleum storage***

Source: Figure 2.2 - CAPP Crude Oil Forecast, June 2011; WTI - Chevron.com, Posted Pricing - East of the Rockies, East of the Rockies - Bulletin 1/-E11 and Cenovus.com, Crude oil pricing

Edmonton, AB – Canada's Primary Crude Hub





Kinder Morgan's Edmonton Terminal:

- Trans Mountain Operational 2.5 MM Bbls
- North 40 Merchant 2.1 MM Bbls
- Edmonton Merchant (2013) 2.4 MM Bbls
  (under construction)
- Edmonton Merchant (2014+) 3.6 MM Bbls
  (future phases)

Current and Future Capacity: 10.6 MM Bbls

- Connected to 10 major inbound feeder streams
- Direct connection to Trans Mountain Pipeline
  - West Coast Canada, Puget Sound and Off shore access
- Connected to Enbridge mainline
  - All major North American inland markets
- Adjacent to the Edmonton refinery complex
- Customer flexibility
  - Storage & Blending
  - Subleasing
  - Trunk pipeline staging
- Future economies of scale = competitive pricing

Latest Investment in Watco

Financial Components:

- **Second $50MM Tranche of Preferred Equity**
  - Preferred Investment now totals $100MM
- **Terms similar to initial investment**
  - Preferred distributions of 13%, paid quarterly

Proceeds to Support Following Acquisitions/Investments:

- **Birmingham Southern**
  - 76 miles of track around U.S. Steel Corp mill in Fairfield, AL as well as the line serving the Port Facility on the Black Warrior River
  - 90,000 car loads in 2010
- **Wisconsin & Southern**
  - 700-mile common carrier in southern and eastern Wisconsin
  - 50,000 car loads in 2010
- **Western Australia**
  - Watco to provide comprehensive rail logistics services, including rolling stock, maintenance, and management