

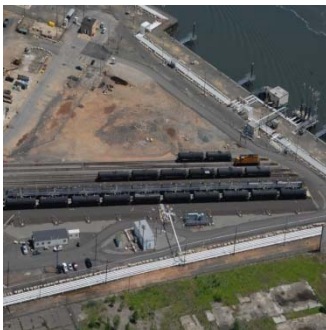
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**California Energy Commission
IEPR Workshop
Sacramento, CA**

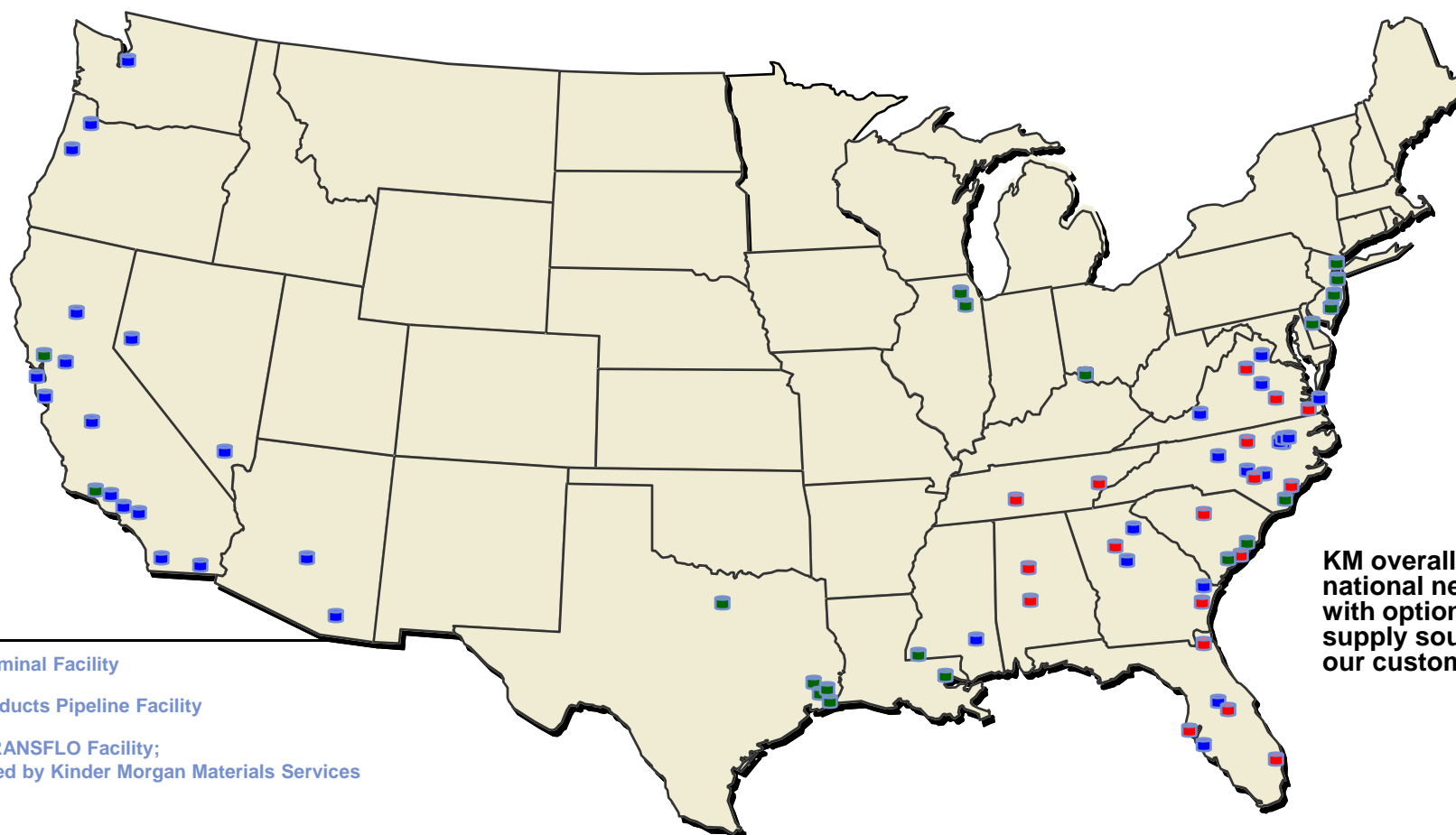
May 11, 2011



KM Plays a Leading Role in the U.S. Distribution of Ethanol



KMT Ethanol Handling	2010	2011p	KMPP Ethanol Handling	2010	2011p	US ETOH Demand	2010	2011p
Storage (MBbls)	4,415	4,962	Storage (MBbls)	1,369	1,568	Throughput (Bbl/d)	811,285	874,103
Throughput (Bbl/d)	159,180	193,268	Throughput (Bbl/d)	82,038	90,222			



Legend

- KM Terminal Facility
- KM Products Pipeline Facility
- CSX TRANSFLO Facility;
Operated by Kinder Morgan Materials Services

KM overall has a national network with optionality of supply sources for our customers.



Current KMT FGE Capability Summary

Kinder Morgan Terminals Ethanol Capability (2011)

Location	Serving Carrier	Car spots	Ideal Train Size	Capacity (000s of bbls)	Service Offering
Galena Park	UP	26	NA	400	Manifest Rail, Imp/Exp, Barge, Truck Rack
Pasadena	Not rail served	-	NA	370	Import, Truck Rack, Barge
Pasadena Truck rack	Not rail served	-	NA	115	Truck Rack
Westwego	UP	30	NA	410	Manifest Rail, Imp/Exp, Barge, Truck Rack
Harvey	UP (NOGC)	135	NA	472	Manifest Rail, Imp/Exp, Barge, Truck Rack
Argo	CN	40	NA	790	Manifest Rail, Barge, Truck Rack
Chicago	NS	25	NA	183	Manifest Rail, Imp/Exp, Barge, Truck Rack
Carteret	Conrail	4	NA	245	Manifest Rail, Imp/Exp, Barge
Perth Amboy	Conrail	6	NA	303	Manifest Rail, Barge
Philadelphia	Conrail	20	NA	500	Manifest Rail, Barge
North Charleston	CSX/NS	6	NA	80	Manifest Rail, Truck Rack
Shipyard River	CSX/NS	3	NA	40	Manifest Rail, Truck Rack
Lomita*	BNSF	128	96-112	400	Unit Train IB
Linden#	Conrail	200	80	530	Unit Train IB, Import, Barge, Truck Rack
DFW#	UP	89	80	130	Unit Train IB, Truck Rack
Richmond	BNSF	125	100	-	Unit Train IB
Baltimore	CSX	150	100	289	Unit Train IB, Truck Rack
Deer Park	PTRA (UP/BNSF)	1,100	100	80	Unit Train IB/OB (storage at Pasadena)
Wilmington, NC	CSX	3	NA	25	Manifest Rail, Truck Rack

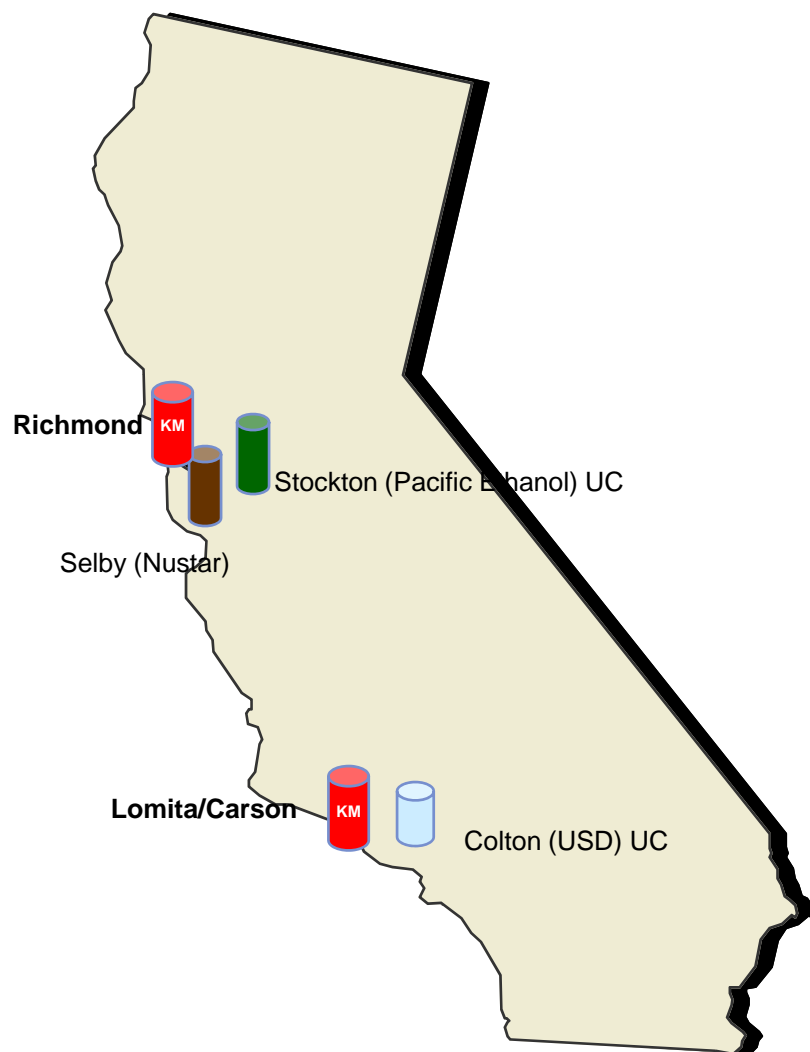
*Via Shell Carson, not included

4,962

#Via Citgo, included

Transflo not included

California unit train ethanol facilities



Since early 2010, progress has been made on the following facilities:

- 1) Richmond, CA – Kinder Morgan/BNSF RR facility, unit train transload; exploring connections to local storage**
- 2) Stockton, CA – emerged from bankruptcy in 2010;**
- 3) Colton, CA – also unit train transload, studying connection to storage (Kinder Morgan);**
- 4) NuStar now running trains into Oakland, then sending 30 car cuts to Selby;**
- 5) Lomita – Shell filed for expansions to current permit.**

Deer Park Rail Terminal (DPRT) Ethanol Unit Train Site is now operational in Houston



Background:

To expand ethanol storage in the Gulf region, KM worked with Valero to develop a Houston-based unit train solution to meet their newly-owned ethanol production demand.

Several other customers have also committed volume. Project forms a basis for future expansion to import cane-based ethanol shipments.

Phase 1

- KM constructed a new tank at DPRT and is utilizing existing tankage at its Pasadena facility to receive ethanol by rail
- KM extended an existing ethanol pipeline by 2.4 miles from the Pasadena truck rack to the DPRT facility for ethanol unloading, and built a non-exclusive 80K-bbl inbound tank
- KM constructed a new offloading rail rack at Deer Park Rail Terminal (DPRT)
- KM's DPRT facility is receiving ethanol unit trains and transferring product via the new pipeline to KM Pasadena and KM Truck Rack (April, 2011).



Deer Park Rail Terminal (DPRT -TX) Ethanol Unit Train could feed California if needed

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Phase 2

- Should import volumes of cane-based ethanol increase, KM will obtain sufficient incremental volume commitments to expand DPRT's ethanol loading capacity in a second phase. Construction would involve:
 - Modifying the planned ethanol pipeline to be bi-directional
 - Building a second 80K-bbl support tank on the DPRT site for outbound volumes

Imported ethanol into California from Brazil in possible, but not without issues...

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Realities/Challenges

- Logistics & Supply will be a major factor in directing imported product to California...

- Tank space
- Supply to inland markets
- Dock Capability post MOTEMs
- Vagaries of the sugar market, Brazilian domestic demand

- We assume a 17 day transit from Santos to the West Coast, and vessel sizes are 300K bbls and larger. Regardless, a Houston outlet will supplement direct vessel shipments, likely not replace them.

- Different pricing sensitivities to corn based;
- Different risk profile for California supply.



Motems

KM Products Pipelines Group currently operates the Los Angeles Harbor Terminal.

KMPP's lease expires at the Terminal in 2012. No renewal is projected. We are currently reviewing alternatives.

As a result, no MOTEMS considerations are currently relevant on KM assets in California.

Regional Petroleum Product Pipeline Infrastructure Changes are coming

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UNEV petroleum product pipeline project may impact the forecasted level of pipeline exports from this state. But the extent of the impact is unclear at this time.

CA refiners may need to export conventional gasoline and "non-CARB" ULSD to utilize blendstocks on-hand that do not meet CARB requirements.

Operational changes to the Longhorn pipeline may impact pipeline exports to Arizona from Southern California...

In 2010, Longhorn announced a plan to reverse it's pipeline to ship crude oil to Houston but deliver refined products to El Paso through other existing systems. Based upon volumes going into our pipeline at El Paso, TX, Longhorn currently supplies approximately 5% - 6% of the Arizona volume. The majority of what Longhorn supplies could be supplied by other non-CA refiners. However, a change in Arizona attainment status (requiring AZ CBG in Tucson or surrounding counties) could impact (increase) exports from CA to AZ.



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Contacts:

KINDER MORGAN TERMINALS

Doug Leach

Vice President, Business Development

Phone: (713) 369-8757

doug_leach@kindermorgan.com

Matt Tobin

General Manager, Ethanol Region

Phone: (832) 236-6887

matthew_tobin@kindermorgan.com

KINDER MORGAN PRODUCT PIPELINES

Jim Kehlet

Vice President, West Coast Business Development

Phone: (714) 560-4773

kehletj@kindermorgan.com