California Energy Commission Workshop on Elevated Gasoline prices

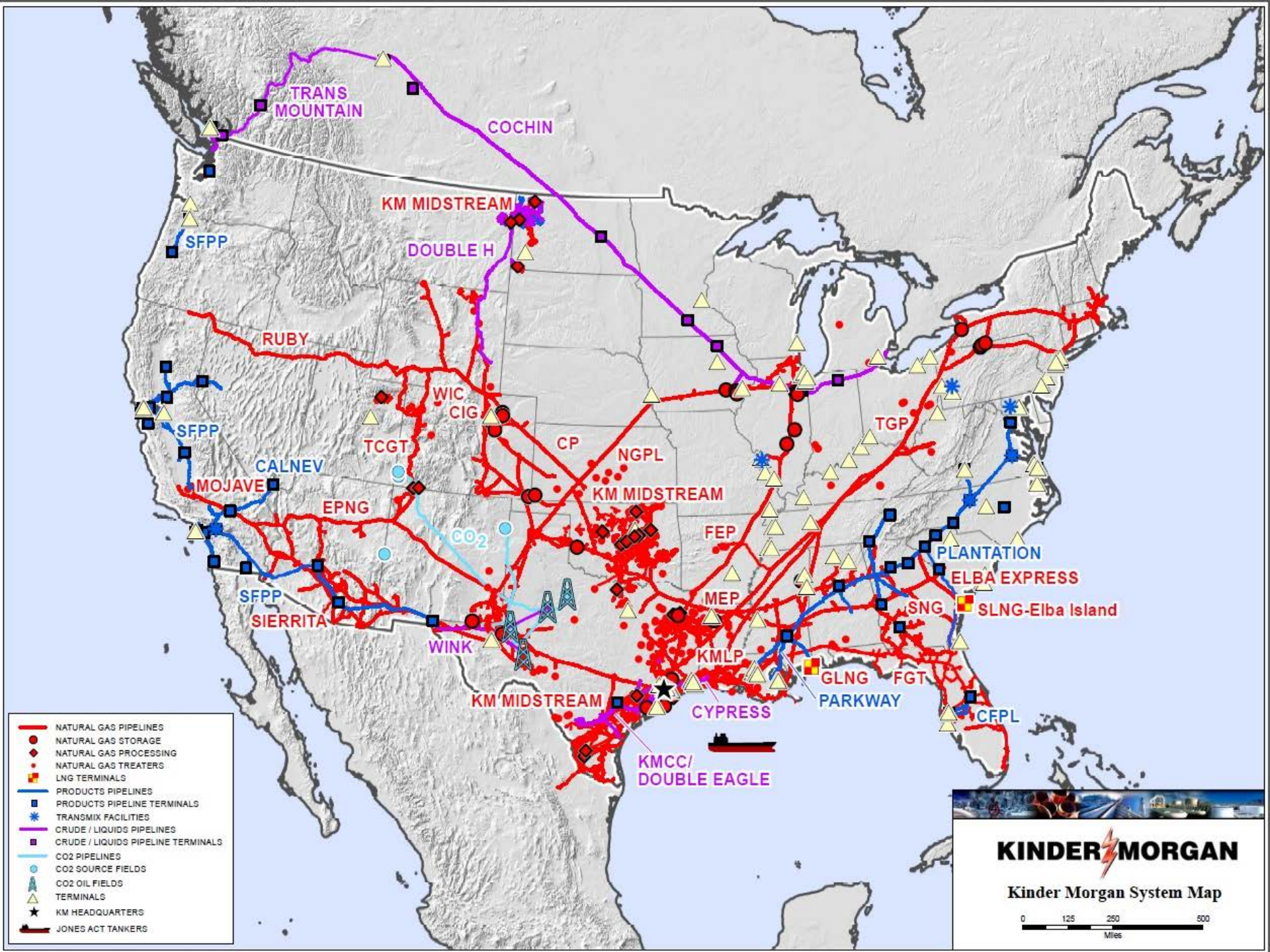*Johnny Thomasson*

Director – Products Movement

Kinder Morgan, Inc.

October 13, 2015

Kinder Morgan Background

- KM owns an interest in or operates approximately 84,000 miles of pipeline and 165 terminals. Our pipelines transport natural gas, refined petroleum products, crude oil, carbon dioxide (CO_2) and more. We also store or handle a variety of products and materials at our terminals such as gasoline, jet fuel, ethanol, coal, petroleum coke and steel.

- KM transports about 2.3 million barrels per day of refined petroleum products

- Kinder Morgan is the largest midstream and the third largest energy company in North America with an enterprise value of approximately $110 billion.

TRANS MOUNTAIN

COCHIN

KM MIDSTREAM

DOUBLE H

SFPP

RUBY

WIC
CIG

TCGT

SFPP

CALNEV

MOJAVE

EPNG

CP

NGPL

KM MIDSTREAM

CO₂

FEP

TGP

SFPP

SIERRITA

WINK

MEP

PLANTATION

ELBA EXPRESS

SNG

SLNG-Elba Island

KMLP

GLNG

FGT

KM MIDSTREAM

PARKWAY

CYPRESS

CFPL

KMCC/
DOUBLE EAGLE

Legend

- NATURAL GAS PIPELINES
- NATURAL GAS STORAGE
- NATURAL GAS PROCESSING
- NATURAL GAS TREATERS
- LNG TERMINALS
- PRODUCTS PIPELINES
- PRODUCTS PIPELINE TERMINALS
- TRANSMIX FACILITIES
- CRUDE / LIQUIDS PIPELINES
- CRUDE / LIQUIDS PIPELINE TERMINALS
- CO2 PIPELINES
- CO2 SOURCE FIELDS
- CO2 OIL FIELDS
- TERMINALS
- KM HEADQUARTERS
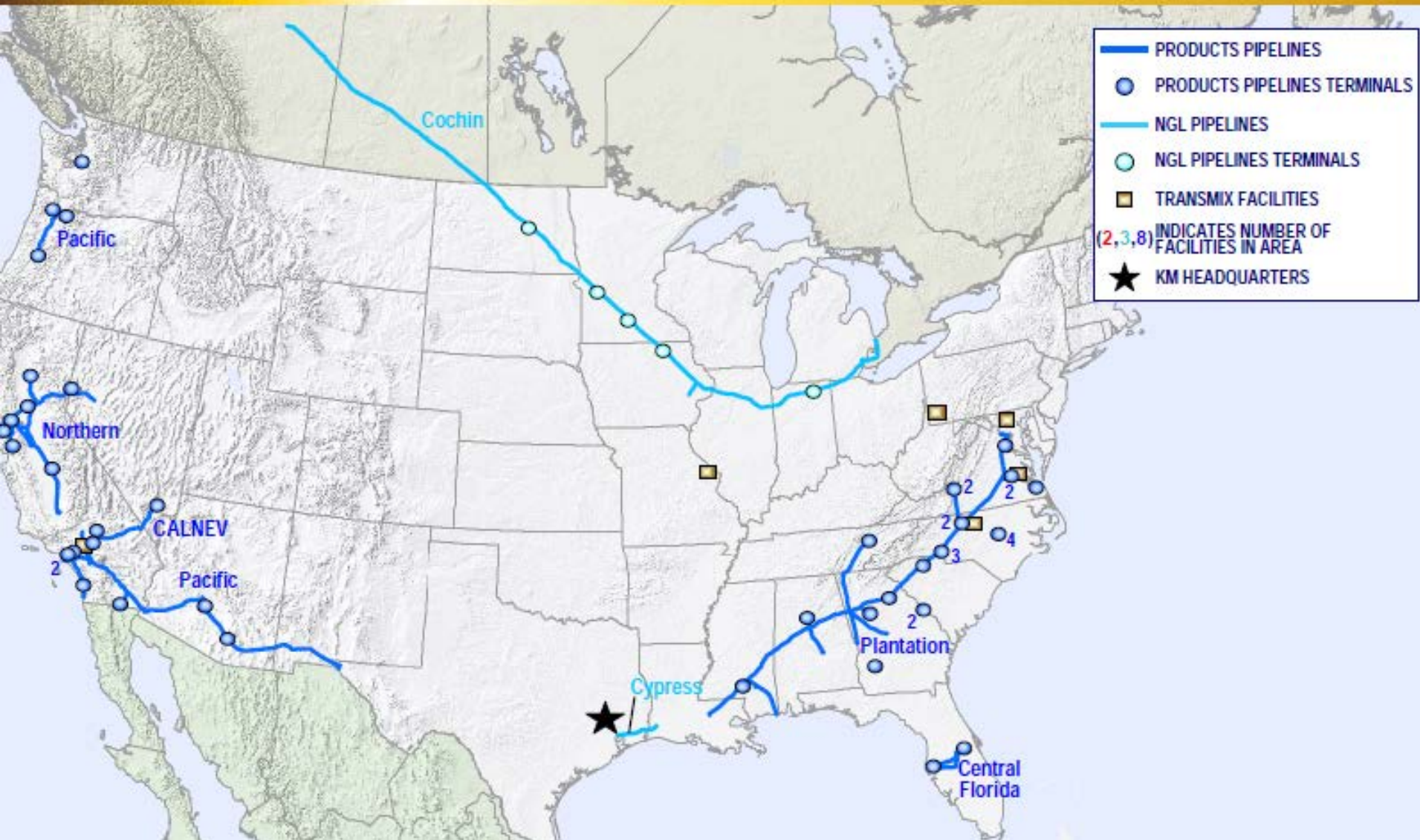- JONES ACT TANKERS

KINDER MORGAN

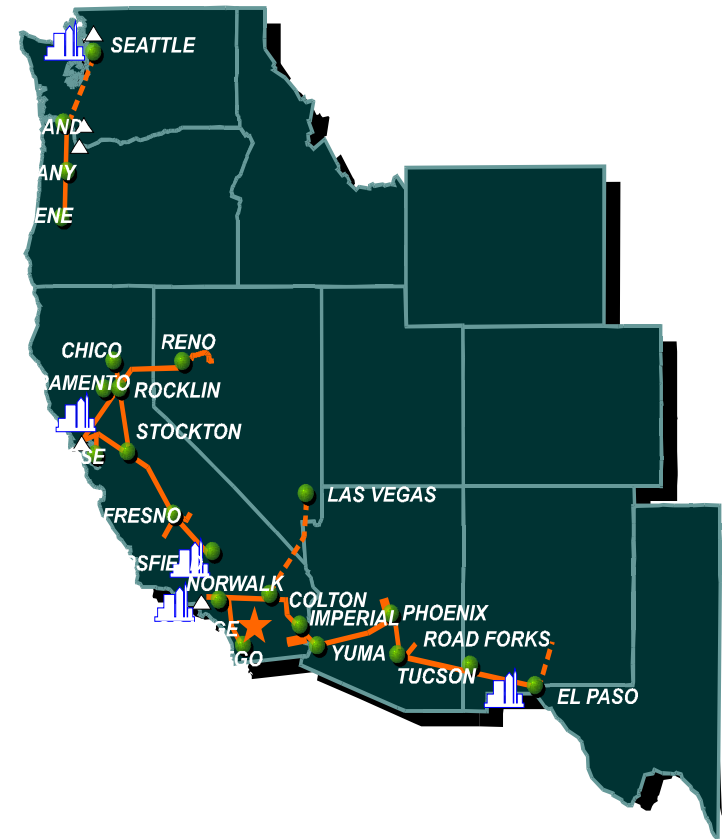**Kinder Morgan System Map**

0   125   250   500
Miles

KMP
Products Pipelines and Facilities

Pacific Operations

- 3,300 mile refined products pipeline system

- Northern Region – Bay area

- Southern Region – LA basin

- Transports over 1 million barrels per day

- Transports Gasoline, Diesel, and Turbine Fuel

- 19 Distribution Terminals in CA, AZ, NV, OR & WA

Southern California Pacific Southern Region

Carson Terminal

- Connected to all LA basin refineries except Chevron - El Segundo
- Multiple connections to other pipelines
- Dock access at our marine terminal in the Port of Los Angeles
- Outbound pipeline to KM Watson

Southern California
Pacific Southern Region

Pipeline origination - Watson Station

20410 S. Wilmington Ave.
Carson, CA 90810

Facility Specifications:

- 19.3 total acres
- 18 refined petroleum products tanks
- Major Roadways: I-405, I-710 and E. Del Amo Blvd

Southern California
Pacific Southern Region

Watson Inbound Receipt Modes:
- Chevron El Segundo to Watson 20"
- DESC San Pedro to Watson 10"
- Shell Carson to Watson 16"
- Tesoro to Watson 16" (formerly BP)
- Phillips 66 to Watson 20"
- ExxonMobil to Watson 16"
- KM Sepulveda Junction to Watson 16"
  - KM Carson and Tesoro
    - Carson has multiple supply connections and dock access in the POLA

Southern California
Pacific Southern Region

Watson Outbound Pipelines:

- 16" San Diego pipeline
  - Orange terminal
  - Miramar Station
    - Point Loma Naval Base and Miramar MCAS
  - Mission Valley terminal
  - Westpac connection – San Diego airport
  - Deliveries to Chevron and Tesoro

Southern California
Pacific Southern Region

Watson Outbound Pipelines:

- 16" pipeline to Colton / Las Vegas
  - Delivers into CALNEV tankage
  - Pumps out to Las Vegas 14″ and 8″ lines
  - Edwards AFB
  - Barstow terminal
  - McCarran International Airport
  - Las Vegas terminal

Southern California
Pacific Southern Region

Watson Outbound Pipelines:

- 24"/20" pipeline to Colton / Phoenix
  - Ontario International Airport
  - Colton terminal
    - March AFB
  - Niland / Imperial terminal
    - El Centro NAF
  - Yuma MCAS
  - Phoenix terminal
    - Luke AFB
  - Deliveries to Circle K and CalJet

Southern California
Pacific Southern Region

El Paso to Phoenix:

- 16" and 12" pipelines
  - Alamogordo AFB
  - Road Forks
  - Tucson
    - Davis Monthan AFB
  - Phoenix terminal
    - Luke AFB

Southern California
Pacific Southern Region

- Southern California truck rack facilities:
  - Carson
  - Orange
  - Mission Valley
  - Colton
  - Barstow
  - Imperial
- Other cities
  - Las Vegas
  - Phoenix
  - Tucson

Role in the supply chain

- Kinder Morgan provides a petroleum transportation service and can be compared to a toll road, we simply collect a fee for those who choose to move their products through our pipelines.

- Pipeline schedules are developed based upon customer demand. Product cycles run every seven days, we have flexibility to speed up or slow down to maintain the cycle pattern.

- KM terminals typically carry 5 – 7 days of gasoline supply, enough to last through an unplanned pipeline disruption.

Role in the supply chain

- Kinder Morgan's tariffs outline the fee charged for transportation.

- Tariff is approved by regulatory agencies.

- Tariff fee remains the same regardless of market prices

Conclusion

- In the event of a refinery turnaround or unplanned outage, the market is fluid enough to accommodate shifting the product demand to other suppliers.

- Kinder Morgan's pipeline system has flexibility to adjust operations as necessary to recover from any unplanned pipeline disruption.

- Kinder Morgan's transportation fee is unaffected by market conditions

- Public reaction to a perceived problem must be managed to avoid a negative impact on the market

Questions