

Transportation & Distribution

Biofuels

Iowa State University

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Ames, Iowa

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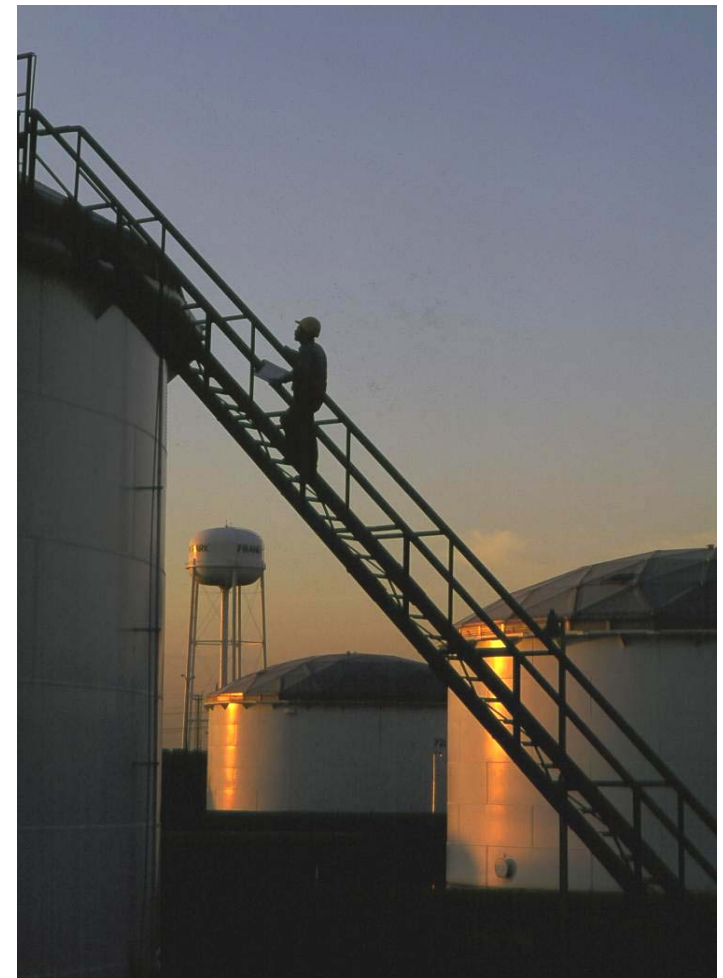
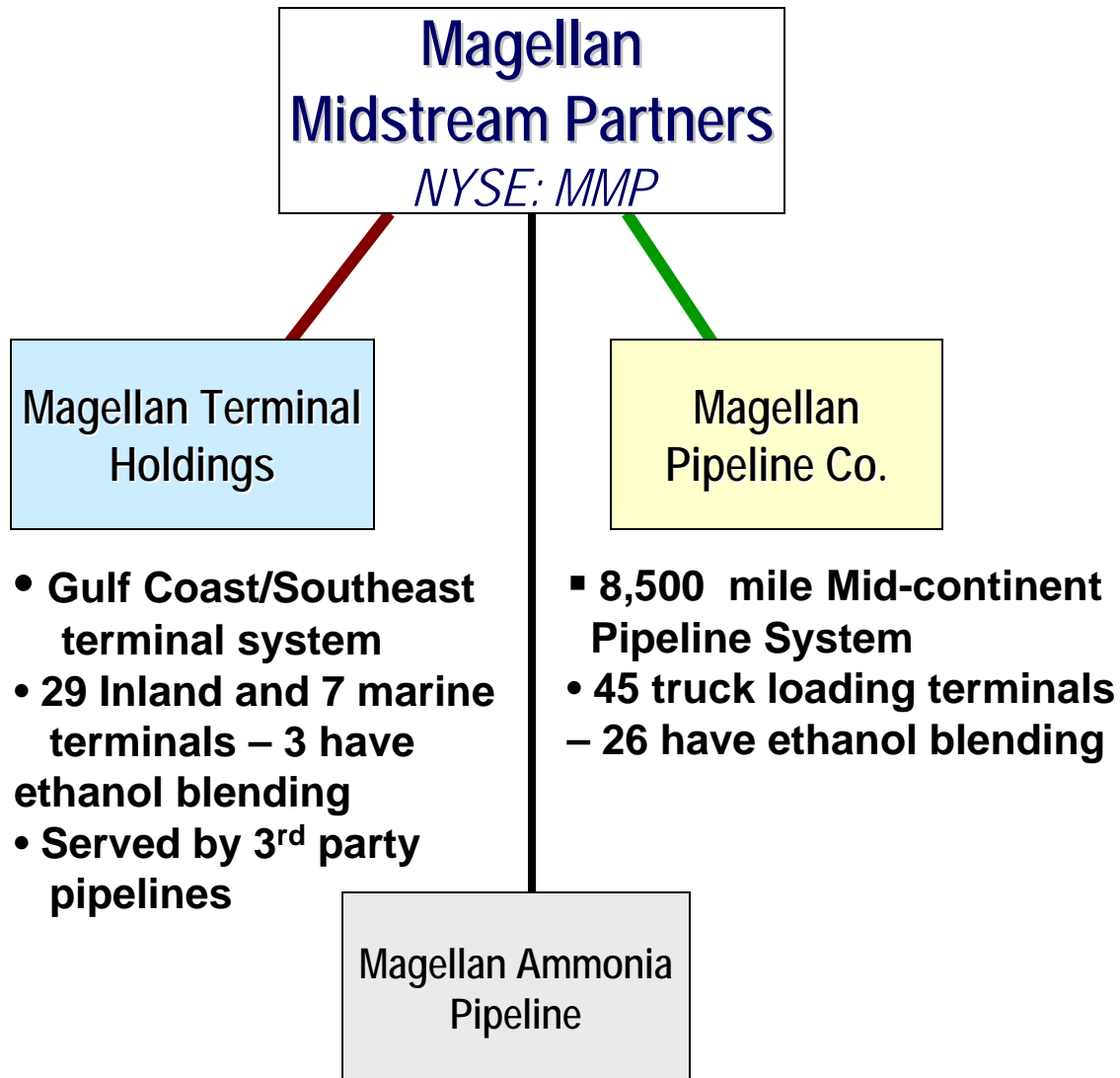
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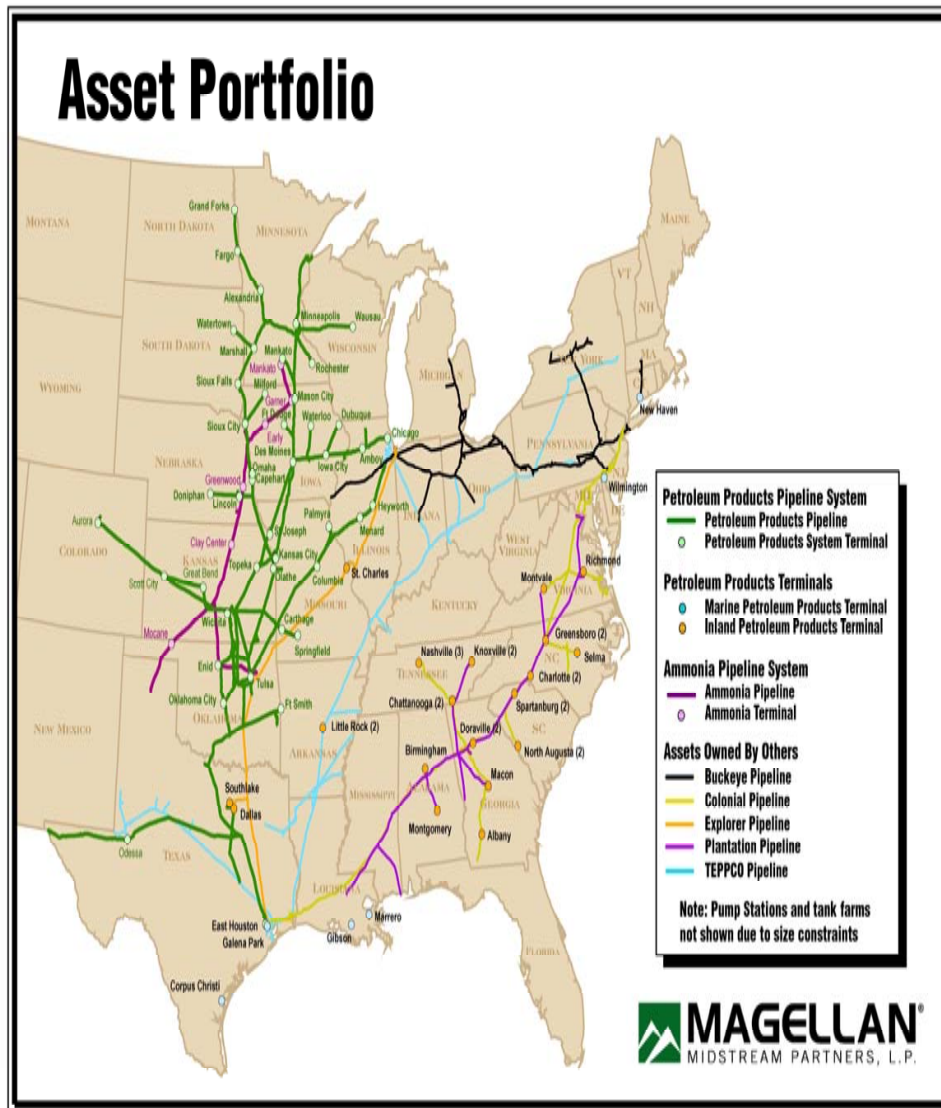
Overview

- I. Magellan's Pipeline and Terminal System
- II. Our History with Renewable Fuels
- III. Drivers for Increased Renewable Fuel Distribution
- IV. Infrastructure Expansion

Magellan Midstream Partners



Magellan Pipeline: System Map



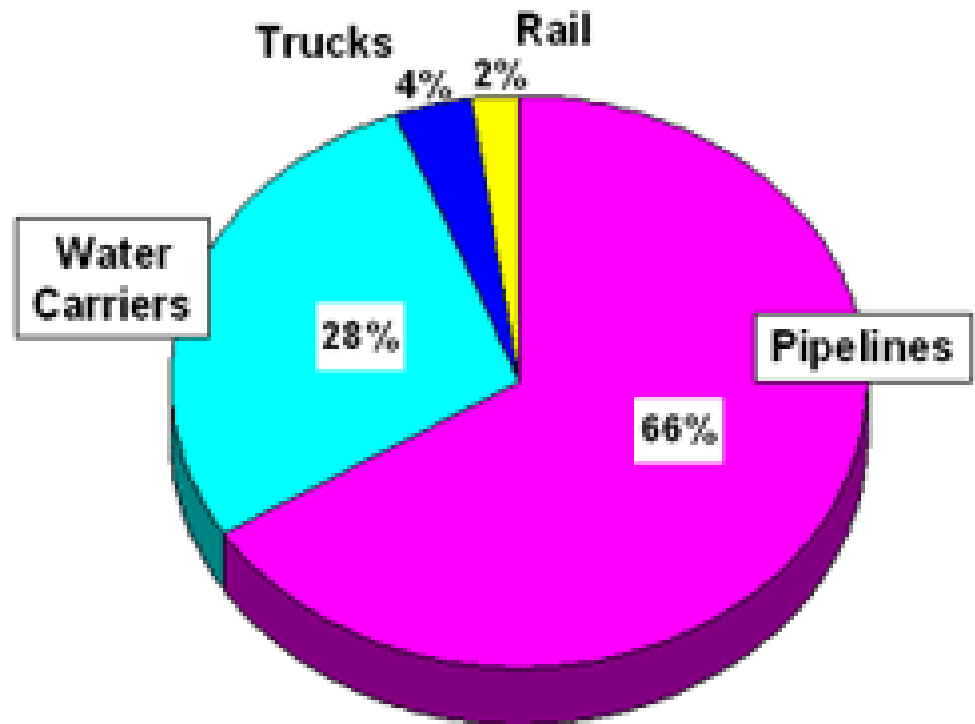
- 8,500 Miles of Pipeline
- Approximately 1,000 Above Ground Storage Tanks (includes 45 ethanol tanks)
- 885,000 b/d average daily average shipments in 2005
- 26.4 Million Barrels of Storage
- Connections to 13 Third-Party Terminals
- Connections to 11 Other Mid-Continent Refined Products Pipelines
- Delivery Connections to Airports in Dallas (Love Field), Minneapolis, Denver, Kansas City and Omaha
- 20 Different Refined Product Grades

Pipeline Basics

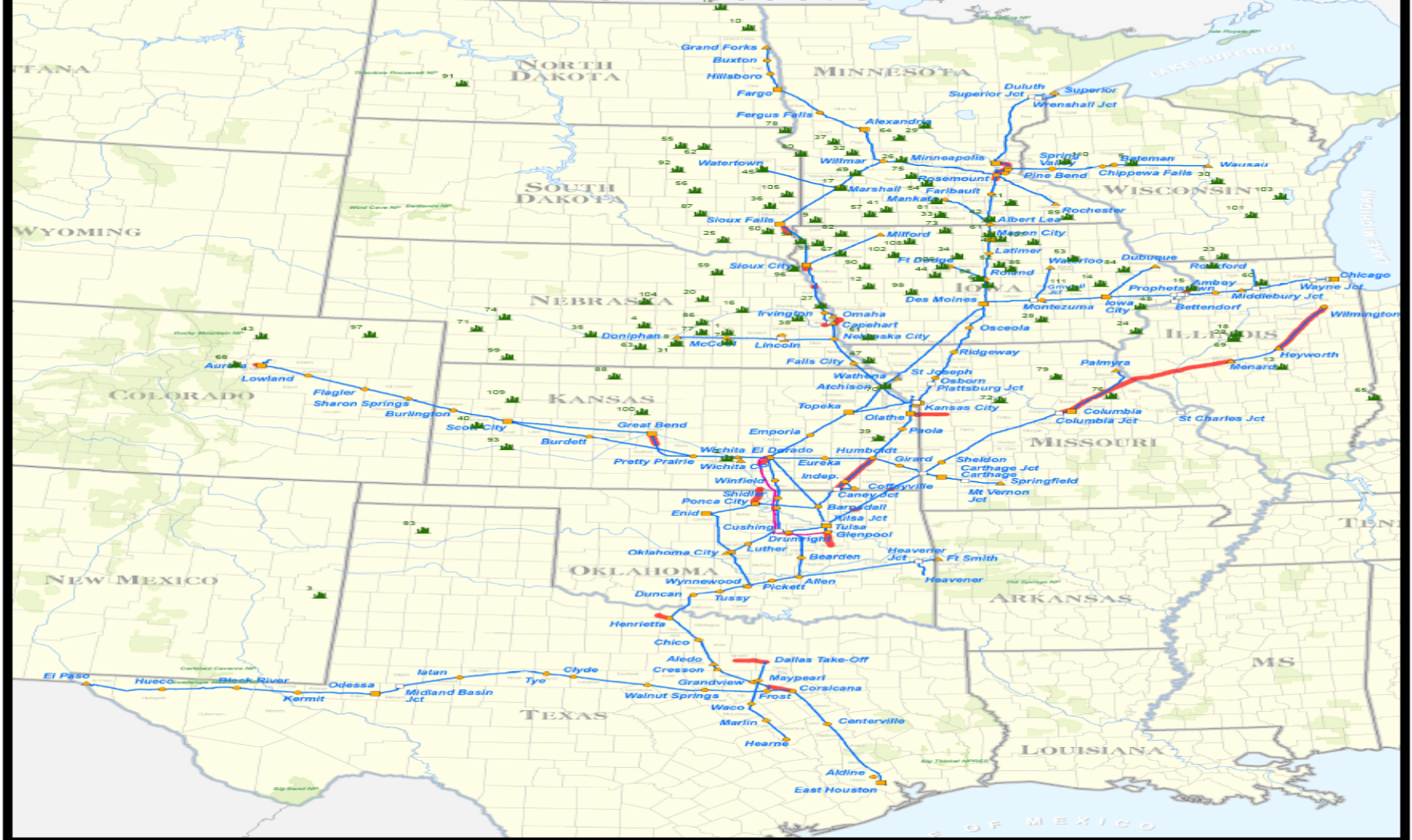
- Most cost efficient and safest method of transporting liquid fuels
- Tariff from Houston to New York City less than 3 cpg
- Common Carrier vs. Proprietary Pipeline
- Product sequence...gasoline / diesel / jet fuel
- Scheduling challenges

Petroleum Transportation

- Barge / Ship
- Rail Cars
- Trucks
- Pipeline



Ethanol Production



Legend

- Petroleum Pipeline (Active)
- Petroleum Pipeline (Inactive)
- Crude Oil Pipeline (Active)
- Petroleum Terminal / Pump Station
- Petroleum Terminal
- ▲ Petroleum Pump Station
- Pipeline Junction
- Ethanol Production Facility

SYSTEM MAP
 WITH ETHANOL PRODUCTION FACILITIES
 Magellan Pipeline Company, L.P.
 Osage Pipeline Company, LLC



Source: EPRM, EPRM, QOC
 © 2008 Magellan Pipeline Company, L.P.
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Our Historical Perspective - Renewable Fuels

- Initial blending infrastructure was installed in 1980
- Significant “hands-on” operational experience
- Infrastructure underpinned by storage and thru-put contracts
- Contracts range from one to three years
- Typical terminal has a number of ethanol position holders

Federal Legislation Driving Renewable Fuels

Energy Policy Act of 2005

- Elimination of the oxygen requirement in Reformulated Gasoline
- No MTBE “Safe Harbor”
- Toxics
- Renewable Fuels Standard

State Legislation

Iowa

→ Renewable Fuels Legislation

Missouri

→ Ethanol Mandate begins on January 1, 2008

→ Mandate is only in effect when the price of ethanol is below the price of gasoline

Higher Level Blends

→ E85

- Certain automakers promoting increased use
- Economic viability
- Potential new demand and impact of terminal storage requirements
- Change in specifications?

→ E20

- Minnesota requirement
- Testing for fuel waiver

We deliver. Again



E85 AND BLENDING SERVICES AVAILABLE

We own one of the largest refined products distribution systems in the nation. This allows us to deliver custom ethanol blends, such as E85, to our customers through our strong network of distribution terminals located in the Midwest.

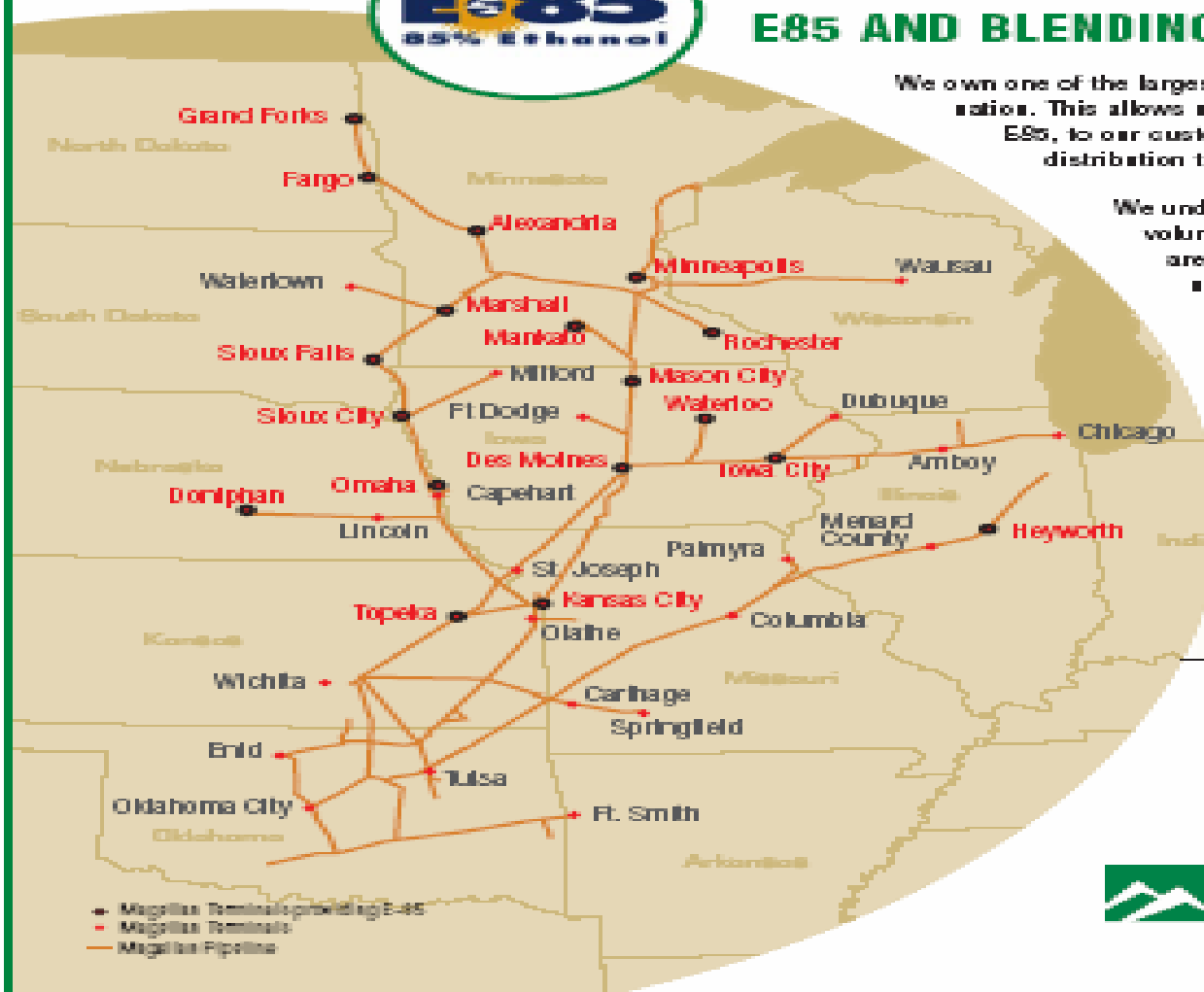
We understand custom products like E85 (85% volume denatured ethanol/15% volume gasoline) are important. This blend is used in an increasing number of FFVs (flexible-fuel vehicles).

Whether it's traditional ethanol-blends (5.7%, 7.7% and 10% volume) or custom blending solutions, such as E85, you can count on us to deliver.

Contact:

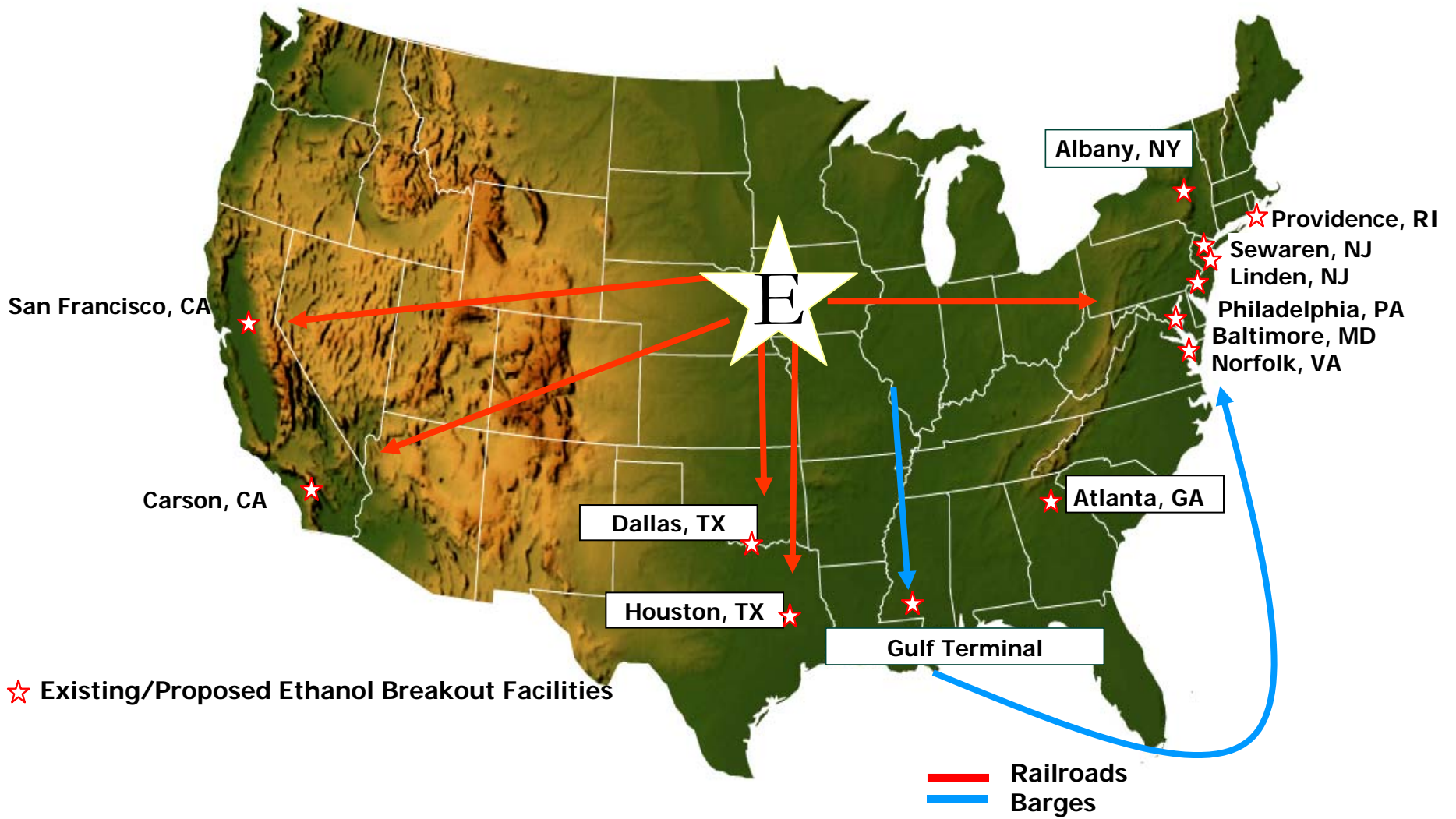
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Ethanol - Technical

- Stress Corrosion Cracking
 - Welds and heat affected zone
 - Multiple ethanol transshipments
- Tank Liners
 - Existing and new installations



New Ethanol Installations

- **Local permitting challenges**
- **Average project time is 10 to 12 months**
 - Dedicated Tank
 - Offloading / containment
 - Pumps / lines
 - Blending System
 - Sequential
 - Ratio
- **Quality Control Program**

Commercial Agreements

→ Underpin Magellan's investment

→ Long-term commitment

→ Throughput and Storage fee

→ New ethanol blending facilities

→ Columbia Missouri

→ Springfield Missouri

→ Olathe Kansas

→ Palmyra Missouri

Biodiesel Installations

Existing

- Mankato
- Marshall
- Minneapolis
- Rochester
- Alexandria
- Grand Forks
- Fargo

New

- Mason City

Takeaways

- Increased ethanol demand creates distribution opportunities
- We expect growth in untraditional ethanol markets and in PADDII
- Operational and technical challenges for pipeline transportation

