



Kinder Morgan Proposed Palmetto Pipeline Question & Answer

Q: HOW DO WE STOP THE PALMETTO PIPELINE?

A: Attend Georgia Department of Transportation Hearing (GDOT), it is our only chance to voice our concerns and opposition:

GDOT PUBLIC HEARING

TUESDAY, APRIL 21ST, 5 P.M.

RICHMOND HILL CITY CENTER

520 CEDAR STREET

RICHMOND HILL, GEORGIA

[HTTP://WWW.PUSHBACKTHEPIPELINE.COM](http://www.pushbackthepipeline.com)

FUEL SUPPLY BASICS

Q: How is the Savannah market currently being supplied?

A: Today, approximately 75% percent of Savannah's fuel needs are trucked into Savannah from existing pipeline terminals in North Augusta and Macon. The remainder is supplied by competitors, Colonial Oil and Western Refining, through two ocean terminals on the Savannah River.

Q: How much fuel does the greater Savannah region consume?

A: Approximately 20,000 barrels per day (840,000 gallons).

Q: Who are the current suppliers?

A: There are currently more than two dozen suppliers of fuel that compete for Coastal Georgia's fuel supply via pipelines and ocean transport.

Pipeline suppliers in North Augusta and Macon include: Motiva/Shell, Citgo, Phillips 66, Mystik, Valero, BP, Chevron, Texaco, Exxon, Sunoco, Gulf Oil, Flinthills, Marathon, Murphy, Colonial Oil, Placid, TransMontaigne, Sun, Noble, Coastal. Ocean Terminal Suppliers in Savannah include: Western Refining, Colonial Oil, Exxon, BP, Sunoco, Chevron and Texaco.

EMINENT DOMAIN

Q: What is Eminent Domain?

A: Eminent Domain is the power of the government to take private property and convert it into public use.

Q: If it is a government power, how can a private company, like Kinder Morgan, use it?

A: There is a legal provision in Georgia allowing a private company to apply for a Certificate of Public Convenience and Necessity, which, if granted, would entitle them to use our State's power of eminent domain to take private land even if owners do not want to sell.

Q: What type of land will the pipeline be built through?

A: Pipeline construction impact on private and public lands include pine plantations and various waterways and marshlands, as well as local farmers and area residents who depend on their land for their livelihood.

Q: How much of the Palmetto Pipeline will be in Georgia?

A: Over 58% of the pipeline (210 of the 360 miles) and environmental exposure would be in Georgia.

Q: Will the property owners still have any rights to the land?

A: Pipelines require permanent easements of 50-100 feet on property upon which owners could no longer build or plant. Owners would be offered one-time payments and must continue to pay property taxes on the impacted land forever.

Q: Where can I find this law?

A: It is part of the Georgia Code (OCGA 22-3), subsections 80-88.

Q: Under Georgia Law, what standards must Kinder Morgan meet in their application to be granted the power of eminent domain?

A: The Georgia Code requires that the application include:

- 1) A description of the project and its general route;
- 2) A description of the public convenience and necessity which support the proposed pipeline route;
- 3) The width of the proposed pipeline;
- 4) A showing that the use of the power of eminent domain may be necessary; and
- 5) A showing that the public necessity for the petroleum pipeline justifies the use of the power of eminent domain.

GA EMINENT DOMAIN CONTINUED

Q: Why can't Kinder Morgan build the pipeline without the Government's power of eminent domain?

A: Kinder Morgan will not answer that question.

Q: Why should Kinder Morgan get the power of eminent domain to build this pipeline if other suppliers are supplying the market without having used those powers?

A: Kinder Morgan has provided no justification.

GEORGIA EMINENT DOMAIN PROCESS

Q: If these companies are trying to get very strong public powers to take private land, why are they not being transparent with the details of this deal?

A: We believe they are hiding the truth from the very public whose needs the pipeline purports to serve.

Q: Who makes the decision of whether this pipeline is in the public's interest and entitled to the Certificate of Public Necessity and Convenience?

A: According to Georgia Law (OCGA 22-3-83), the decision is in the hands of just one person, Russell McMurry, Commissioner of the Georgia Department of Transportation, or his designee.

Q: Is Russell McMurry an elected official?

A: No, Russell McMurry was selected by the Georgia State Transportation Board and is an employee of Georgia Department of Transportation. He reports to Governor Nathan Deal.

Q: If the Commissioner grants these companies eminent domain powers, can the decision be appealed?

A: No. The Commissioner's decision is not subject to review unless he denies the application. If he approves it, the Georgia Code says it is final.

Q: What information has Kinder Morgan provided in its application that support its claim of public necessity?

A: Kinder Morgan gives virtually no details.

First, Kinder Morgan says the "pipeline project will provide significant benefits to the energy industry."

GA EMINENT DOMAIN PROCESS CONTINUED

Q-continued: What information has Kinder Morgan provided in its application that support its claim of public necessity?

They go on to claim that the pipeline “will greatly benefit the destination markets... because it will provide [them] with a second major source” of fuel and a more efficient supply of ethanol.

Kinder Morgan also says it will “promote competition within the markets, which *could* serve to decrease prices.”

Finally, Kinder Morgan says that pipeline will “help to ensure the supply needs of the markets are continuously served... and minimize the issues that affect availability of marine transport, such as inclement weather.”

Q: If this pipeline is supposed to be a public utility, why isn't the Georgia Public Service Commission handling it?

A: Good question. The Georgia Public Service Commission handles all other pipeline regulation in Georgia.

Q: Why isn't this pipeline information public knowledge like other pipelines?

A: Kinder Morgan will only disclose it after the pipeline is approved.

Q: Isn't that backwards.

A: YES!

JOB CREATED VS JOBS LOSE

Q: How many jobs will Kinder Morgan create in Georgia?

A: Kinder Morgan is unclear about exactly where the jobs will be created, but they say the pipeline project will create no more than 28 permanent positions in total.

Q: Will any jobs be lost?

A: Kinder Morgan says they are not in a position to answer this question, but local jobs are clearly at risk.

Q: Whose jobs are at risk?

A: Truckers, Port workers and U. S. Merchant Mariners.

Q: How many jobs will we lose here locally?

A: Over 200 jobs will be exposed.

ADDITIONAL FUEL SUPPLY

Q: I thought Savannah was already supplied by two major sources of petroleum (water and pipeline)?

A: It is. Kinder Morgan's application is wrong.

Q: Is petroleum demand expanding in our regions?

A: No. Gasoline and diesel demand are declining in Georgia and Florida. According to the US Energy Information Administration, Georgia's petroleum demand peaked in 2005 and has declined 18% through 2012 (the most recently available year).

Q: How much of the pipeline's total supply is Coastal Georgia supposed to receive?

A: Kinder Morgan cannot guarantee we will receive any of it, but the maximum amount that could be delivered is less than 15% of the planned pipeline capacity.

Q: What markets will the pipeline serve?

A: North Augusta, South Carolina. Savannah, Georgia. Jacksonville, Florida.

Q: How much product can this pipeline deliver to each market?

A: North Augusta - 40,000 bbls/day (24%). Savannah - 25,000 bbls/day (15%). Jacksonville - 102,000 (61%).

Q: What is the Greater Savannah market's current demand?

A: Approximately 20,000 bbls/day (840,000 gallons).

Q: Can Kinder Morgan guarantee Savannah will receive this volume?

A: They can't - the decision lies solely in the hands of the refiners/shippers.

Q: How do shippers decide where to ship product?

A: Shippers are financially motivated to ship gasoline to the highest priced market net of transportation.

Q: Which market has the highest average gasoline prices?

A: Jacksonville, so shippers will be financially motivated to ship product to Jacksonville before sending the first drop to Savannah or North Augusta, at least in the beginning. After they successfully force competition out of Jacksonville, they will set their sights on Savannah and other markets.

ADDITIONAL FUEL SUPPLY CONTINUED

Q: Why would Kinder Morgan or its shippers even want to ship product into Savannah?

A: Savannah is just a pre-text. Kinder Morgan's shippers are trying to reach Jacksonville, which has more expensive gasoline prices than Savannah.

However, they cannot cost-effectively reach Jacksonville without using governmental powers of eminent domain to take Georgia citizens' private property and cross Georgia's marshlands.

They cannot acquire that power without proving to Georgia's Department of Transportation that their pipeline is needed for "public convenience and necessity." Savannah is Big Oil's excuse.

COMPETITION

Q: Would this pipeline reduce the price of gasoline for consumers?

A: Kinder Morgan says only that it "could," but they do not provide enough information to evaluate the competitive impact of this planned pipeline.

Q: What information do we need to know to evaluate whether it "could" reduce prices?

A: To have the potential to reduce prices for consumers, two things must be true:
1) The pipeline's transportation costs must be less expensive than current options;
2) There must be open, fair competition for access to the pipeline.

Q: How much will it cost using the Palmetto pipeline to get gas to Savannah?

A: Kinder Morgan has refused to answer this question.

Q: How much will this new pipeline lower transportation costs of moving gasoline into Savannah?

A: There is no way to answer this question if Kinder Morgan will not disclose its tariff.

Q: How is the price structure usually set up on pipelines?

A: Normally, on other pipelines, including the ones currently supplying 75% of Savannah's demand, every shipper pays the same transportation cost regardless of volume. This pricing structure is important because it allows independent suppliers and marketers to supply fuel on a level playing field with major refineries and oil companies.

COMPETITION CONTINUED

Q: How is the tariff structured on Kinder Morgan's Palmetto Pipeline?

A: The Palmetto Pipeline is different because the tariff is structured into tiers based upon volume. This structure could be used to advantage big oil refineries over smaller independent shippers and marketers.

Q: Why does it matter if big companies have an advantage over smaller ones?

A: Depending on the size of the advantage, big oil companies could gain monopolistic control over prices into Savannah and other markets. Kinder Morgan will not publicly disclose the details of its pricing tiers to fully evaluate.

Q: What's the current cost of transporting gasoline from refineries to the local pump? (from Gulf Coast refineries to retail pump)

A: Approximately 11 cents.

Q: How will the new pipeline be supplied?

A: The Palmetto Pipeline will branch off from the Plantation Pipeline, which originates in Louisiana. Large oil refineries tie directly into the Plantation Pipeline.

Q: Who owns the Plantation Pipeline?

A: Kinder Morgan owns 51% of the Plantation Pipeline and Exxon owns the remaining 49%.

Q: Who has signed up to ship gasoline on the Palmetto Pipeline?

A: Kinder Morgan has refused to answer this question, but industry insiders suggest it is likely Exxon and Marathon who have the most to gain.

Q: Why do Exxon and Marathon have the most to gain?

A: Exxon and Marathon Oil would control the entire supply chain from start to finish. Exxon and Marathon control key refineries at the beginning of the supply chain in Louisiana. They share a huge distribution terminal in Jacksonville, where it will end. The Palmetto Pipeline gives them control of everything in between.

Q: Who can put product on this pipeline?

A: There are two requirements: 1) A shipper must have access to an existing pipeline (like Kinder Morgan and Exxon's Plantation Pipeline) to even reach the Palmetto Pipeline and 2) A shipper must buy gasoline from a refinery that ties into that same pipeline (like Exxon and Marathon Oil).

COMPETITION CONTINUED

Q: Is there any space available on the Plantation Pipeline to ship gasoline and reach the Palmetto Pipeline?

A: No. Kinder Morgan and Exxon are expanding the Plantation Pipeline's capacity to be able to serve the Palmetto Pipeline, but this additional capacity is believed to be controlled by large oil companies.

Q: How would an independent shipper, like those that currently serve the Savannah market, use the Palmetto Pipeline to ship gasoline into the Savannah market?

A: The independent shipper would have to both buy gasoline and space on the pipeline from the very companies against whom they need to compete, like Exxon and Marathon.

Q: How will this create more competition?

A: It won't.

Q: If one or two large oil companies turn out to be the shippers, have control over how gasoline gets on the pipeline, and also receive the lowest shipping cost, what does that mean for competition?

A: There will be no competition.

The large oil companies would control the supply chain.

Q: How will the Palmetto Pipeline lower prices for consumer if it slants pricing in favor of big oil refineries over smaller, local marketers.

A: It won't.

Q: In the long term, isn't this likely to create a monopoly by enabling the large refineries to force competition out of the marketplace?

A: Yes.

Q: If a limited number of large refineries end up with a monopoly on our fuel supply, won't gasoline prices go up at the pump?

A: Yes.

FUEL SUPPLY SECURITY

Q: Has Savannah ever had a serious supply disruption because of “inclement weather?”

A: No. In fact, when Hurricane Rita caused a supply disruption for pipelines, it was the ocean terminals that stepped in and ensured continuous supply for inland markets supplied only by pipeline.

Q: What would happen if a hurricane disabled the two ocean terminals in Savannah?

A: The majority of Savannah’s supply would be unaffected because it is already supplied from pipelines. Beyond that, there are 4 other major supply points within 2 hours of Savannah. They are located in Macon, Georgia, North Augusta, South Carolina, Charleston South Carolina, and Jacksonville, Florida.

ADDITIONAL REVENUES

Q: Are there any other benefits cited by Kinder Morgan?

A: Yes, Kinder Morgan claims the project will yield "estimated annual revenue to state and local taxing bodies... of over \$14 million."

Q: How does Kinder Morgan arrive at \$14 million?

A: Kinder Morgan has not disclosed how they calculate their number, including whether the \$14 million is net of any decreased revenues from reduced property values, higher fuel prices and lost jobs.