



# National Biodiesel Board

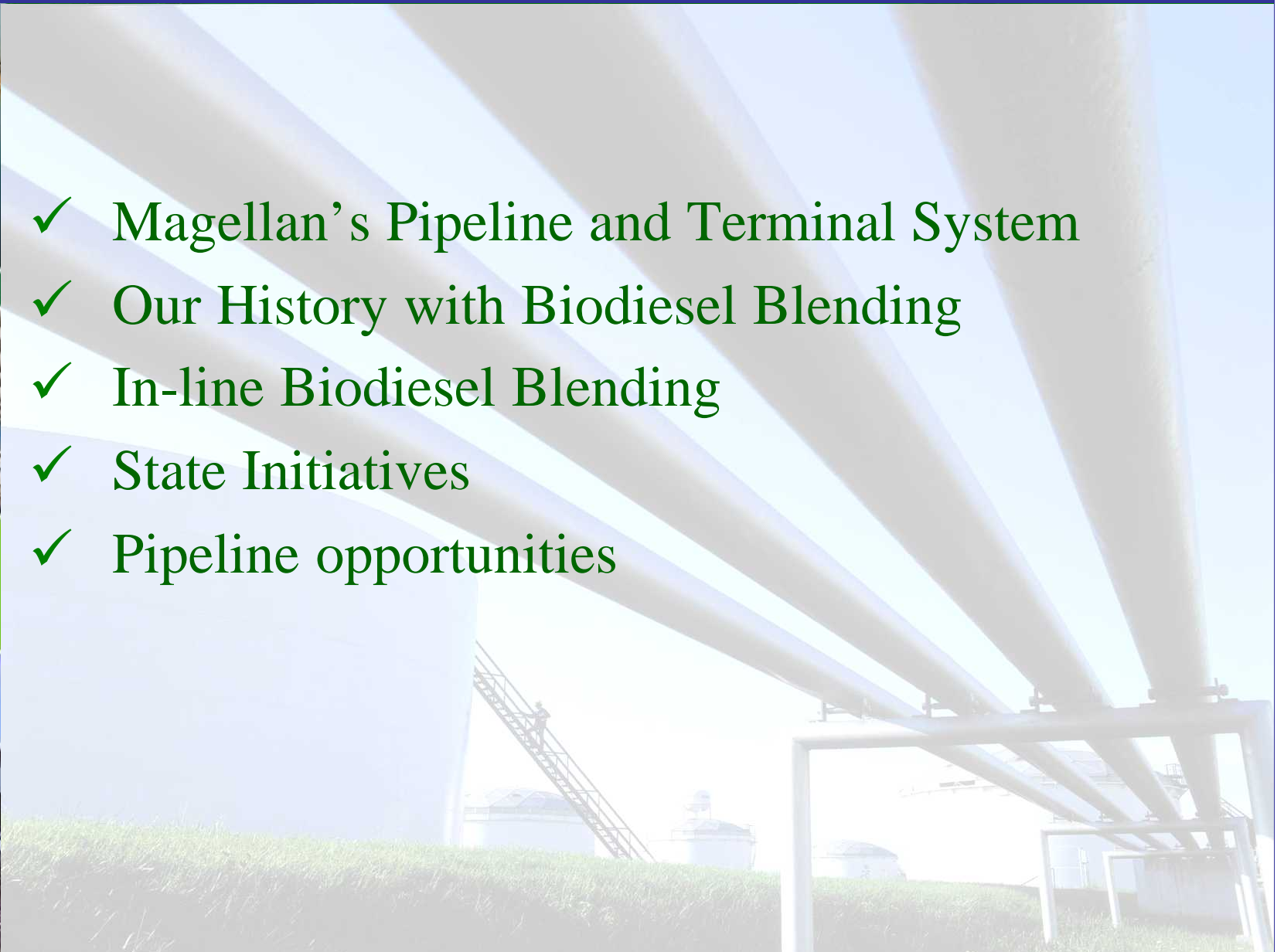
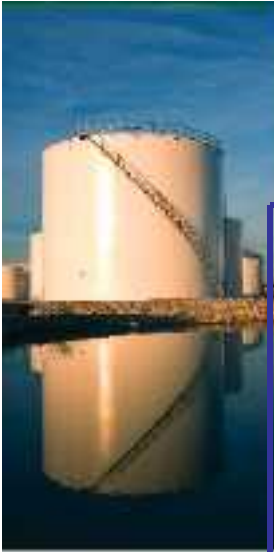
Orlando, Florida February 4, 2008



*Bruce W. Heine*  
*Director Government and Media Affairs*

# Overview

- ✓ Magellan's Pipeline and Terminal System
- ✓ Our History with Biodiesel Blending
- ✓ In-line Biodiesel Blending
- ✓ State Initiatives
- ✓ Pipeline opportunities



# Magellan Midstream Partners

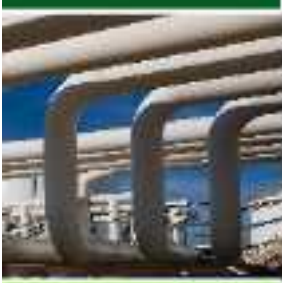
## Asset Portfolio



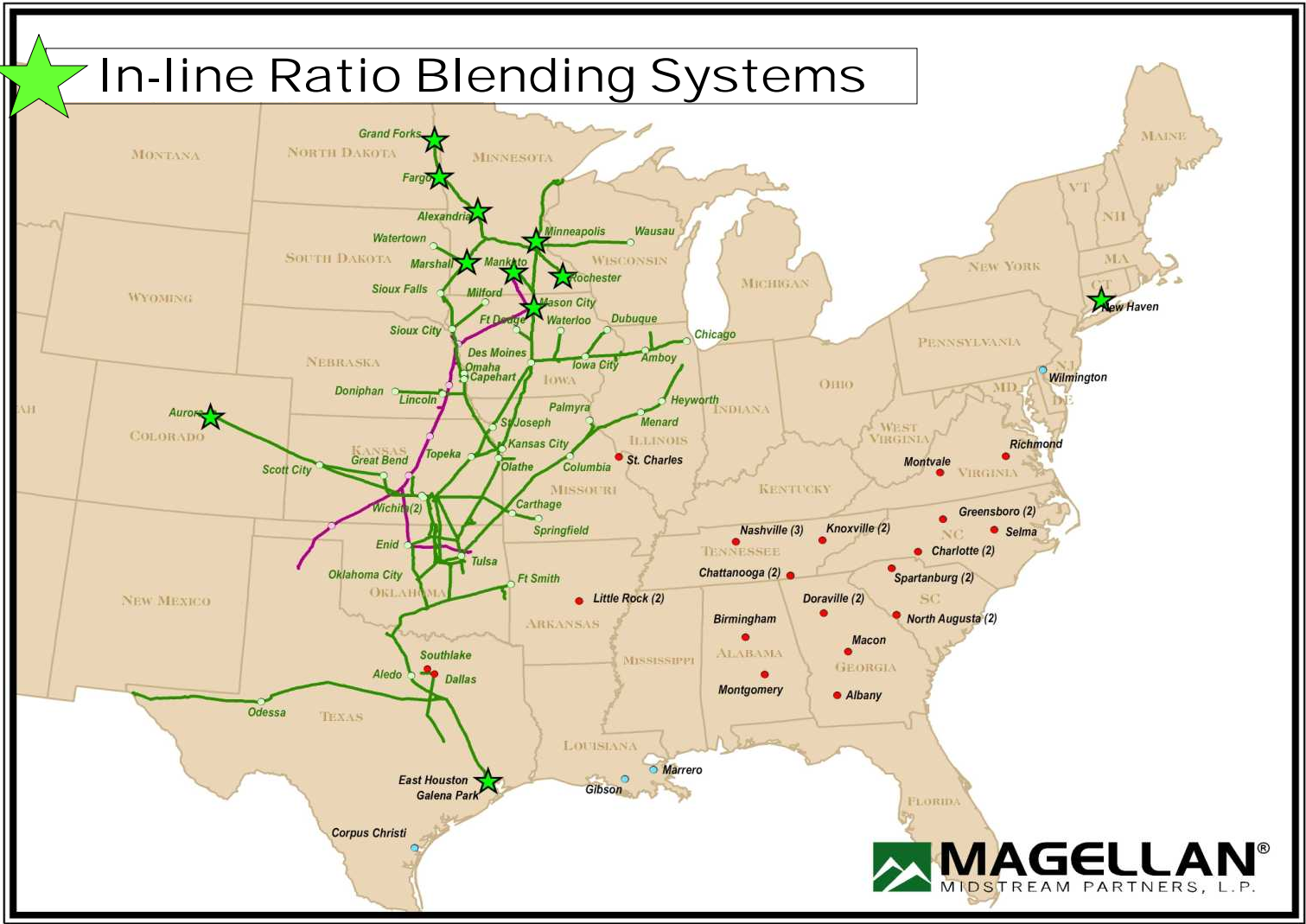
**MAGELLAN**  
MIDSTREAM PARTNERS, L.P.



# Biodiesel Distribution Facilities



## In-line Ratio Blending Systems



# Biodiesel... Terminal Blending

We believe the large-scale distribution of biodiesel will continue through terminal blending for the near term



# Our Current Biodiesel Distribution Infrastructure

- ✓ Truck offloading
- ✓ Fungible biodiesel storage
- ✓ Heat-traced lines to the rack
- ✓ In-line, ratio blending equipment
- ✓ Volume and percentage documented on the PTD



# Biodiesel...In-Line Blending

- ✓ In-line blending at the terminal has multiple benefits;
  - ✓ Improves the accuracy and the quality of the finished blend...benefits the motorist
  - ✓ Minimizes the potential for crystallization
  - ✓ Improves the effectiveness of enforcement



# Pipeline Opportunities

- ✓ Magellan's B5 pipeline test
  - ✓ Houston to Dallas
- ✓ Texas regulations allow B5 fungibility





## Current Pipeline Barriers

- Missouri efforts to mandate biodiesel includes a “price escape” clause
- Senate bill should be amended to allow the opportunity for pipeline shipments of biodiesel blends
- Federal tax issues
  - income generated from the transportation and storage of biodiesel blends or biodiesel via pipeline would be “non-qualifying” income for a Master Limited Partnerships

# Quality Control – Managing a Fungible System

- ✓ Approval process for the biodiesel producer
- ✓ Certificate of Analysis
  - ✓ Testing inbound deliveries
  - ✓ Testing fungible inventory
- ✓ Specifications
  - ✓ Cold Flow Filtration



# Takeaways

- ✓ Increased biodiesel production creates distribution opportunities in new markets
- ✓ In-line blending will be utilized for large scale biodiesel distribution
- ✓ Pipeline opportunities emerging



- ✓ State and federal legislative challenges and opportunities

