

Financial Review

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Agenda

- **2007 Year in Review**
- **2008 Budget**
 - Distributable Cash Flow
 - Income
 - Sustaining Capital
 - Expansion Capital
- **Financing Plans**
- **Balance Sheet Ratios**
- **Summary**

2007 Actual to Budget Comparison – DCF (a)

(millions except per unit)

	2007	2007	Change	
	Actual (b)	Budget	\$	%
Distributable Cash Flow				
Net Income	\$1,028.1	\$1,014.0	\$14.1	1%
DD&A (c)	554.8	573.9	(19.1)	(3%)
Book/Cash Tax Difference	50.7	---	50.7	n/m
Sustaining Capex (c)	(152.6)	(156.5)	3.9	3%
Total Distributable Cash Flow	\$1,481.0	\$1,431.4	\$49.6	3%
General Partner's Interest	(616.0)	(608.3)	(7.7)	1%
Distributable Cash Flow	\$865.0	\$823.1	\$41.9	5%
Net Income - \$/unit	\$1.74	\$1.71	\$0.03	2%
DD&A - \$/unit	2.34	2.41	(0.07)	(3%)
Book/Cash Tax Difference	0.21	---	0.21	n/m
Sustaining Capex - \$/unit	(0.64)	(0.66)	0.02	(3%)
Distributable Cash Flow - \$/unit	\$3.65	\$3.46	\$0.19	5%
Total distribution - \$/unit	\$3.48	\$3.44	\$0.04	1%
Excess Coverage	\$40,083	\$5,408		

(a) Distributable cash flow.

(b) Excluding certain items.

(c) Including our share of Rockies Express Pipeline.

2007 Actual to Budget Comparison – Income

(millions except per unit)

	2007	2007	Change	
	<u>Actual (a)</u>	<u>Budget</u>	<u>\$</u>	<u>%</u>
Segment Earnings before DD&A				
Products Pipelines	\$585.9	\$571.4	\$14.5	3%
Natural Gas Pipelines	600.8	547.7	53.1	10%
CO₂	537.2	606.2	(69.0)	(11%)
Terminals	442.4	442.6	(0.2)	---
Trans Mountain	56.9	53.4	3.5	7%
Total Segment Earnings b/f DD&A	<u>2,223.2</u>	<u>2,221.3</u>	<u>1.9</u>	<u>---</u>
DD&A	(546.5)	(573.9)	27.4	(5%)
G&A	(245.5)	(225.2)	(20.3)	9%
Interest	(392.2)	(396.5)	4.3	(1%)
Minority Interest	(10.9)	(11.7)	0.8	(7%)
Net Income	<u>1,028.1</u>	<u>1,014.0</u>	<u>14.1</u>	<u>1%</u>
GP Share	(616.0)	(608.3)	(7.7)	1%
Limited Partners' Net Income	<u>\$412.1</u>	<u>\$405.7</u>	<u>\$6.4</u>	<u>2%</u>
LP Income per Unit	\$1.74	\$1.71	\$0.03	2%
Units Outstanding (avg)	236.9	237.7	(0.8)	

(a) Excluding certain items.

2008 DCF Budget (a)

(millions except per unit)

	2008	2007	Change	
	<u>Budget</u>	<u>Actual</u>	<u>\$</u>	<u>%</u>
Distributable Cash Flow				
Net Income	\$1,324.1	\$1,028.1	\$296.0	29%
DD&A (b)	709.5	554.8	154.7	28%
Book/Cash Tax Difference	3.8	50.7	(46.9)	(93%)
Sustaining Capex (b)	(196.1)	(152.6)	(43.5)	29%
Total Distributable Cash Flow	\$1,841.3	\$1,481.0	\$360.3	24%
General Partner's Interest	(800.5)	(616.0)	(184.5)	30%
Distributable Cash Flow	\$1,040.8	\$865.0	\$175.8	20%
Net Income - \$/unit	\$2.05	\$1.74	\$0.31	18%
DD&A - \$/unit	2.77	2.34	0.43	18%
Book/Cash Tax Difference	.02	.21	(0.19)	(90%)
Sustaining Capex - \$/unit	(.77)	(.64)	(0.13)	20%
Distributable Cash Flow - \$/unit	\$4.07	\$3.65	\$0.42	12%
Total distribution - \$/unit	\$4.02	\$3.48	\$0.54	16%
Excess Coverage	\$12,083	\$40,083		

(a) Excluding certain items.

(b) Includes our share of Rockies Express Pipeline.

2008 Income Budget (a)

(millions except per unit)

	2008	2007	Change	
	<u>Budget</u>	<u>Actual</u>	<u>\$</u>	<u>%</u>
Segment Earnings before DD&A				
Products Pipelines	\$612.7	\$585.9	\$26.8	5%
Natural Gas Pipelines	706.0	600.8	105.2	18%
CO₂	750.9	537.2	213.7	40%
Terminals	550.2	442.4	107.8	24%
Trans Mountain	148.5	56.9	91.6	161%
Total Segment Earnings b/f DD&A	<u>2,768.3</u>	<u>2,223.2</u>	<u>545.1</u>	<u>25%</u>
DD&A	(674.9)	(546.5)	(128.4)	23%
G&A	(288.3)	(245.5)	(42.8)	17%
Interest	(466.6)	(392.2)	(74.4)	19%
Minority Interest	<u>(14.4)</u>	<u>(10.9)</u>	<u>(3.5)</u>	<u>32%</u>
Net Income	1,324.1	1,028.1	296.0	29%
GP Share	<u>(800.5)</u>	<u>(616.0)</u>	<u>(184.5)</u>	<u>30%</u>
Limited Partners' Net Income	\$523.6	\$412.1	\$111.5	27%
LP Income per Unit	\$2.05	\$1.74	\$0.31	18%
Units Outstanding (avg)	255.9	236.9	19.0	

(a) Excluding certain items.

Confidence in 2008 budget

■ Products

- \$27 million total increase in segment
- ~50% from East Line expansion in-service 12/07
- Remaining growth distributed across assets

■ Natural Gas

- Increase coming from REX West which is already in-service

■ CO₂

- Volumes relatively flat
- Significant portion of growth due to increase in average hedge price
- Budget assumes unhedged volumes = \$82/bbl (WTI) vs. current market ~ \$90
- S&T Expansion – complete January and mid-year

■ Terminals

- \$40 million increase from full-year of 2007 acquisitions
- Significant portion of remaining increase comes from expansions, many of which were completed in 4Q 2007 or will be complete 1Q 2008

■ Trans Mountain

- Full year of 2007 acquisition; completion of Anchor Loop Expansion 2Q and 4Q.

2008 Sustaining Capital Budget

(millions)

	<u>2008E</u>	<u>2007 (a)</u>	<u>Change</u>
<u>Sustaining Capital</u>			
Products Pipelines	\$50	\$47	\$3
Natural Gas Pipelines	44	35	9
CO ₂	14	8	6
Terminals	67	46	21
Trans Mountain	15	10	5
Corporate	6	7	(1)
Total Sustaining Capital	\$196	\$153	\$43

(a) Excluding certain items.

2008 Expansion Capital Budget

(millions)

	<u>2008E</u>
<u>Expansion Capital</u>	
Products Pipelines	\$133
Natural Gas Pipelines	575
CO ₂	495
Terminals	318
Trans Mountain	358
Total Expansion Capital	\$1,879

Financing Plans

(millions)

	<u>2008E</u>	<u>2007</u>
Total Expansion Capital	\$1,879	\$1,566
Contributions to Equity Investments (a)	300	204
Acquisitions	0	713
Total	<u>\$2,179</u>	<u>\$2,483</u>
 Equity		
Secondary Offerings	\$700	\$641
KMR Share Dividends	300	234
Asset Sales	0	150
Total Equity	<u>\$1,000</u>	<u>\$1,025</u>

(a) Rockies Express, Midcontinent Express

Balance Sheet Ratios

	<u>2008E</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<u>KMP</u>								
Debt/EBITDA	3.3x	3.4x	3.3x	3.2x	3.5x	3.8x	3.7x	3.5x
EBITDA/Interest Exp.	5.4x	5.2x	5.2x	6.3x	6.9x	6.2x	5.5x	4.6x

Summary

- **16% growth in budgeted declared distribution to \$4.02/unit**
- **\$12 million in excess coverage**
- **Finance expansion budget to maintain strong credit metrics**
- **Distributions total \$1.8 billion**
- **Long-term growth of at least 8%**