

# **Financial Review**

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# Agenda

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- **2009 Budget**
  - Distributable Cash Flow
  - Income
  - Budget Assumptions
  - Sustaining Capital
  - Expansion Capital
- **Liquidity**
- **Major Pipeline Projects Spending**
- **Balance Sheet Ratios**
- **Summary**

# 2009 DCF Budget <sup>(a)</sup>

(millions except per unit)

|   | 2008             | 2009             | Change         |              |
|---|------------------|------------------|----------------|--------------|
|   | Actual           | Budget           | \$             | %            |
| <b>Distributable Cash Flow</b>            |                  |                  |                |              |
| Net Income                                | \$1,337.9        | \$1,307.6        | (\$30.3)       | (2%)         |
| DD&A <sup>(b)</sup>                       | 734.7            | 982.5            | 247.8          | 34%          |
| Book/Cash Tax Difference                  | (18.8)           | 22.6             | 41.4           | 220%         |
| Express                                   | ----             | 2.2              | 2.2            | ----         |
| Sustaining Capex <sup>(b)</sup>           | (180.7)          | (202.4)          | (21.7)         | 12%          |
| <b>Total Distributable Cash Flow</b>      | <b>\$1,873.1</b> | <b>\$2,112.5</b> | <b>\$239.4</b> | <b>13%</b>   |
| <b>General Partner's Interest</b>         | <b>(806.1)</b>   | <b>(923.2)</b>   | <b>(117.1)</b> | <b>15%</b>   |
| <b>Distributable Cash Flow</b>            | <b>\$1,067.0</b> | <b>\$1,189.3</b> | <b>\$122.3</b> | <b>11%</b>   |
| <b>Net Income - \$/unit</b>               | <b>\$2.07</b>    | <b>\$1.37</b>    | <b>(0.70)</b>  | <b>(34%)</b> |
| <b>DD&amp;A - \$/unit</b>                 | <b>2.85</b>      | <b>3.51</b>      | <b>0.66</b>    | <b>23%</b>   |
| <b>Book/Cash Tax Difference - \$/unit</b> | <b>(0.07)</b>    | <b>0.08</b>      | <b>0.15</b>    | <b>214%</b>  |
| <b>Express - \$/unit</b>                  | <b>----</b>      | <b>0.01</b>      | <b>0.01</b>    | <b>----</b>  |
| <b>Sustaining Capex - \$/unit</b>         | <b>(0.70)</b>    | <b>(0.72)</b>    | <b>(0.02)</b>  | <b>3%</b>    |
| <b>Distributable Cash Flow - \$/unit</b>  | <b>\$4.15</b>    | <b>\$4.25</b>    | <b>\$0.10</b>  | <b>2%</b>    |
| <b>Total distribution - \$/unit</b>       | <b>\$4.02</b>    | <b>\$4.20</b>    | <b>\$0.18</b>  | <b>4%</b>    |
| <b>Excess Coverage</b>                    | <b>\$32.8</b>    | <b>\$13.8</b>    |                |              |

(a) Excluding certain items.

(b) Includes our share of Rockies Express Pipeline and Midcontinent Express Pipeline.

## 2009 Income Budget (a)

(millions except per unit)

|  | 2008                  | 2009                  | Change                  |                     |
|--|-----------------------|-----------------------|-------------------------|---------------------|
|  | Actual                | Budget                | \$                      | %                   |
| <b>Segment Earnings before DD&amp;A</b>    |                       |                       |                         |                     |
| <b>Products Pipelines</b>                  | \$571.5               | \$628.7               | \$57.2                  | 10%                 |
| <b>Natural Gas Pipelines</b>               | 746.8                 | 827.4                 | 80.6                    | 11%                 |
| <b>CO<sub>2</sub></b>                      | 760.2                 | 800.5                 | 40.3                    | 5%                  |
| <b>Terminals</b>                           | 538.8                 | 615.8                 | 77.0                    | 14%                 |
| <b>Kinder Morgan Canada</b>                | 140.9                 | 153.6                 | 12.7                    | 9%                  |
| <b>Total Segment Earnings b/f DD&amp;A</b> | <u>2,758.2</u>        | <u>3,026.0</u>        | <u>267.8</u>            | <u>10%</u>          |
| <b>DD&amp;A</b>                            | (701.5)               | (903.6)               | (202.1)                 | 29%                 |
| <b>G&amp;A</b>                             | (302.2)               | (337.4)               | (35.2)                  | 12%                 |
| <b>Interest</b>                            | (402.6)               | (461.8)               | (59.2)                  | 15%                 |
| <b>Minority Interest</b>                   | (14.0)                | (15.6)                | (1.6)                   | 11%                 |
| <b>Net Income</b>                          | <u>1,337.9</u>        | <u>1,307.6</u>        | <u>(30.3)</u>           | <u>(2%)</u>         |
| <b>GP Share</b>                            | (806.1)               | (923.2)               | (117.1)                 | 15%                 |
| <b>Limited Partners' Net Income</b>        | <u><b>\$531.8</b></u> | <u><b>\$384.4</b></u> | <u><b>(\$147.4)</b></u> | <u><b>(28%)</b></u> |
| <br>                                       |                       |                       |                         |                     |
| <b>Units Outstanding (avg)</b>             | 257.2                 | 280.0                 | 22.8                    | 9%                  |
| <b>LP Income per Unit</b>                  | <b>\$2.07</b>         | <b>\$1.37</b>         | <b>(\$0.70)</b>         | <b>(34%)</b>        |

(a) Excluding certain items.

# Budget Assumptions

- Oil price on unhedged volumes in CO<sub>2</sub> = \$68/Bbl
- Major Natural Gas Pipeline Projects:
  - REX-East
    - Interim in-service = April 2009
    - In-service to Lebanon = July 2009 (budget)
    - In-service to Clarington = November 2009
  - Midcontinent Express
    - Partial in-service = April 2009
    - Full in-service = August 2009
  - Louisiana Pipeline = June, October 2009
- Petroleum product volume growth = 3.0% (a)
- Issue ~\$1.0 billion in equity; Knight commitment of \$750 million if necessary
- KMR dividend ~\$350 million
- LIBOR rates ~2.25%

(a) Excludes Plantation.

# 2009 Sustaining Capital Budget

(millions)

|                                 | <u>2008 (a)</u> | <u>2009E</u>   | <u>Change</u> |
|---------------------------------|-----------------|----------------|---------------|
| <b>Sustaining Capital</b>       |                 |                |               |
| <b>Products Pipelines</b>       | \$51.7          | \$50.2         | (\$1.5)       |
| <b>Natural Gas Pipelines</b>    | 32.9            | 44.7           | 11.8          |
| <b>CO<sub>2</sub></b>           | 7.2             | 10.7           | 3.5           |
| <b>Terminals</b>                | 67.9            | 78.6           | 10.7          |
| <b>Kinder Morgan Canada</b>     | 13.3            | 12.0           | (1.3)         |
| <b>Corporate</b>                | 7.7             | 6.2            | (1.5)         |
| <b>Total Sustaining Capital</b> | <u>\$180.7</u>  | <u>\$202.4</u> | <u>\$21.7</u> |

(a) Excluding certain items.

# 2009 Expansion Capital Budget

(millions)

|   | <u>2008</u>      | <u>2009E</u>     |
|---|------------------|------------------|
| <b>Expansion Capital</b>                  |                  |                  |
| <b>Products Pipelines</b>                 | \$157.2          | \$135.6          |
| <b>Natural Gas Pipelines</b>              | 966.3            | 331.4            |
| <b>CO<sub>2</sub></b>                     | 555.5            | 450.1            |
| <b>Terminals</b>                          | 364.0            | 262.0            |
| <b>Trans Mountain</b>                     | 341.1            | 9.1              |
| <b>Total Expansion Capital</b>            | <u>\$2,384.1</u> | <u>\$1,188.2</u> |
| <b>Contributions to JVs (a)</b>           | 309.0            | 1,472.1          |
| <b>Total Capex &amp; JV Contributions</b> | <u>\$2,693.1</u> | <u>\$2,660.3</u> |
| <b>Acquisitions</b>                       | 166.4            | 130.0            |
| <b>Total Budgeted Growth Capital</b>      | <u>\$2,859.5</u> | <u>\$2,790.3</u> |

(a) Equity contributions to Rockies Express Pipeline and Midcontinent Express Pipeline.

# Liquidity Summary

(millions)

## Revolver Liquidity (a)

|                              | <u>KMEP</u>           | <u>REX</u>          | <u>MEP</u>          |
|------------------------------|-----------------------|---------------------|---------------------|
| <b>Total Bank Credit (b)</b> | \$1,787               | \$1,959             | \$1,300             |
| Less:                        |                       |                     |                     |
| Borrowings Outstanding       | ---                   | (1,561)             | (838)               |
| LCs Outstanding              | (330)                 | (31)                | (33)                |
| Plus January Swap Unwind     | 144 (c)               | ---                 | --                  |
| <b>Liquidity</b>             | <u><b>\$1,601</b></u> | <u><b>\$367</b></u> | <u><b>\$429</b></u> |

## Long-term Debt Maturities (a,d)

|             | <u>KMEP</u> | <u>REX</u> | <u>MEP</u> |
|-------------|-------------|------------|------------|
| <b>2009</b> | \$257       | \$600      | ---        |
| <b>2010</b> | \$262       | ---        | ---        |
| <b>2011</b> | \$706       | ---        | ---        |
| <b>2012</b> | \$956 (e)   | ---        | ---        |
| <b>2013</b> | \$505       | \$500      | ---        |

(a) As of 31-Dec-2008.

(b) Total bank credit adjusted to exclude Lehman commitment.

(c) Cash proceeds of approximately \$144 million from Jan-2009 interest rate swap unwind.

(d) Long-term debt, excludes borrowings under revolving credit facilities.

(e) Excludes 10-yr bond with 3-yr put (final maturity 2019).



# Major Pipeline Projects Spending

(millions)

|                              | 8/8ths         |                |              |                |
|------------------------------|----------------|----------------|--------------|----------------|
|                              | REX            | MEP            | Louisiana    | FEP            |
| Total Base Project Costs     | \$6,227        | \$1,755        | \$949        | \$1,208        |
| Expansions                   | 79             | 187            | -----        | -----          |
| Costs Through 12/31/08       | (4,522)        | (838)          | (765)        | (18)           |
| <b>Remaining to be spent</b> | <b>\$1,784</b> | <b>\$1,104</b> | <b>\$184</b> | <b>\$1,190</b> |

## Balance Sheet Ratios

|                      | <u>2003</u> | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> | <u>2009E</u> |
|----------------------|-------------|-------------|-------------|-------------|-------------|-------------|--------------|
| <u>KMP</u>           |             |             |             |             |             |             |              |
| Debt/EBITDA          | 3.8x        | 3.5x        | 3.2x        | 3.3x        | 3.4x        | 3.4x        | 3.6x         |
| EBITDA/Interest Exp. | 6.2x        | 6.9x        | 6.3x        | 5.2x        | 5.2x        | 6.1x        | 5.9x         |

# Summary

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- 4.5% growth in budgeted declared distribution to \$4.20/unit
- ~ \$14 million in excess coverage
- Finance expansion budget to maintain strong credit metrics
- Distributions total \$2.1 billion
- 2010 LP distribution of over \$4.40/unit at flat crude price (relative to 2009 budget) of \$68/bbl
- Long-term growth target of 8%

