Texas Intrastate Pipelines Update
Steve Kean
2005 Natural Gas Segment Overview (a)

(a) 2005 budgeted distributable cash flow before G&A and interest
Overview

- Results
- Market Environment
- Business Description
- Strategy (esp. sales business)
- Expansion Projects
- Outlook
Overall Financial Performance

<table>
<thead>
<tr>
<th></th>
<th>2002*</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Op Inc</td>
<td>EBDA</td>
<td>DCF</td>
</tr>
<tr>
<td>KM Intrastate</td>
<td>$124,269</td>
<td>$148,126</td>
<td>$142,116</td>
</tr>
<tr>
<td>Y-Y % Change</td>
<td>18.2%</td>
<td>16.2%</td>
<td>10.8%</td>
</tr>
<tr>
<td>Monterrey</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>North Texas</td>
<td>$3,000</td>
<td>$3,000</td>
<td>$3,000</td>
</tr>
<tr>
<td>Total</td>
<td>$127,269</td>
<td>$151,126</td>
<td>$145,116</td>
</tr>
<tr>
<td>Y-Y % Change</td>
<td>27.7%</td>
<td>25.7%</td>
<td>20.8%</td>
</tr>
</tbody>
</table>

* Added one month for Tejas

- Strong asset position
- Reduced risk in sales business – keeping more of what we earn, effectively managing “inadvertent” positions
- Some success in charging for embedded services (quality, swing, pressure)
- Increased utilization (combined sales and transport up 2% year over year)
- Good cost control (e.g. glu)
- Strong performance from KM Intrastate Capital projects
Market Environment

- Texas is the largest gas producing state and the largest gas consuming state
  - 15.9 Bcf/day production
  - 11.2 Bcf/day consumption
- Consequently, Texas market developed a substantial intrastate pipeline network
- Intensely competitive, especially on the gulf coast; significant industrial consumption
- Significant pipeline participation in sales business
- Unique, stricter, pipeline safety/integrity regulation
Market Environment - Trends

- Hub-to-Hub spreads tightening: Mexico effect
- Credit quality improving - recovery in manufacturing and chemical sectors
- Gas quality issues becoming increasingly important - lower quality on some new production and more sensitive end uses
- Market is low growth/flat
  - New industrial facilities being developed in the Houston Ship Channel, but …
  - Increased energy efficiency throughout the complex
- Attractive growth opportunities outside of traditional market area – Austin, Dallas
Business Description

- Assets
- Services
Texas Natural Gas System

**Asset Description**
- 5 Bcf/day capacity
- 4-4.5 Bcf/day throughput
- 120 Bcf storage (including West Clear Lake)
- Market: HSC industrial, LDC, utility/nonutility electric generation
Business Description – Services
(indicative % contribution to gross margin)

- **Purchase/Sales (50%)**
  - Producer to end user
  - Priced relative to index (hedged)
  - Fuel component in purchase pricing
  - Some embedded swing/storage service

- **Transport (30%)**
  - Over 2 Bcf/day under term transport arrangements
  - Customers include: BP, CenterPoint, Conoco, Calpine

- **Storage (10%)**
  - All storage capacity sold under term arrangements
  - Customers include: Coral, BP, CenterPoint, Austin Energy, Texas Gas Services (Oneok)
  - Storage obligations and rights not coterminous

- **Processing/Treating (10%)**
  - Service is typically embedded in purchase agreements
  - 1 Bcf processing capacity (owned and third party); .25 Bcf treating capacity
  - Contract structure limits exposure to liquids price fluctuations
# Contracted Capacity and Term

## Sales & Transportation

<table>
<thead>
<tr>
<th>Commodity</th>
<th>MMBtu Volume/Day</th>
<th>Avg Term Remaining</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity</td>
<td>2,529,901</td>
<td>2 yr, 6 mo</td>
</tr>
<tr>
<td>Demand</td>
<td>2,527,500</td>
<td>4 yr, 0 mo</td>
</tr>
<tr>
<td>Total</td>
<td>5,057,401</td>
<td>3 yr, 3 mo</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>w/o Daily &amp; Mo</th>
<th>MMBtu Volume/Day</th>
<th>Avg Term Remaining</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commodity</td>
<td>1,943,335</td>
<td>3 yr, 3 mo</td>
</tr>
<tr>
<td>Demand</td>
<td>2,527,500</td>
<td>4 yr, 0 mo</td>
</tr>
<tr>
<td>Total</td>
<td>4,470,835</td>
<td>3 yr, 8 mo</td>
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</table>

## Storage

<table>
<thead>
<tr>
<th>Storage Volume/Term</th>
<th>MMBtu</th>
<th>Avg Term Remaining</th>
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</thead>
<tbody>
<tr>
<td>Storage</td>
<td>123,850,000</td>
<td>6 yr, 10 mo</td>
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<table>
<thead>
<tr>
<th>Without Coral</th>
<th>MMBtu</th>
<th>Avg Term Remaining</th>
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</thead>
<tbody>
<tr>
<td>Storage</td>
<td>27,850,000</td>
<td>5 yr, 3 mo</td>
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</tbody>
</table>
Objectives and Strategy

**Objectives**

- Enhance base business
- Grow earnings through expansion projects
- Reduce exposure to sales business

**Strategy**

- Modest volume growth on existing system, so growth dependent on margin enhancement
- Segment market/services:
  - swing service
  - pressure
  - quality
- Reach supplies and markets away from hubs to capture additional margin
- Build out to less-contested, growing markets
- Austin, Dallas, Mexico
- On system storage expansions/enhancements
- Migrate customers to fee for service
- New expansions predominantly transport service
- Purchases and sales priced relative to index
- Tight controls/risk management:
  - credit
  - contract provisions
  - reporting/data capture
  - collections
  - system balance and position management
- Fuel recovery in pricing (% HSC purchases)

**Results**

- Solid margin growth, particularly on sales business
- Success in charging for value added services
- Offsetting spread compression with supply away from hubs.
- Rancho on-time, on-budget; with upside potential
- Closed Rancho West End
- Secured commitment for Markham storage expansion
- “Getting close” on South Dallas Barnett Shale project.
- May be reaching limit on migration to transport (especially at today’s hub-to-hub spreads)
- Controls are working – fewer, less consequential negative surprises
- Contract structures also reducing exposure (e.g. FOM/GD split)
Strategy – Sales Business Overview

- Customers (producers and end users) desire the service
- Margins are higher (especially when compared to current basis spreads on the pipeline)
- But… it is a low % margin business in a highly volatile commodity

_description of the Risk: Inadvertent position (inadvertent long in a falling market; inadvertent short in a rising market) due to variability in production and/or consumption

- Mitigation
  - Index – based pricing
  - Fuel component in many purchase contracts
  - Swing pricing (not in all contracts….yet)
    - “split” contracts on supply side
    - separate pricing for swing on demand side
Strategy – Sales Business Overview (cont’d)

— Tight controls:
  — Credit
  — More real time measurement
  — More OBAs with cash out provisions
  — Tighter contract language
  — Better systems - - multiple reports to support position management
  — Systems don’t do everything - - people are familiar with their data

⇒ Residual Risk
  — Credit: a “surprise” counterparty bankruptcy
  — Not all measurement is real time
  — Some allocations are post hoc (e.g. processing plants)
  — Index postings

⇒ Mitigation of Residual Risk
  — Portfolio effect
  — Employee culture – continuous improvement ethic
Controls Process

Volume Accuracy

Trade Receivables
- Collected within 30 days: 99.51%
- Collected within 90 days: 99.95%

Through December 2004

Gas Purchases

% of Supply Volume on “Split” Contracts

Credit
- No significant defaults on trade receivables (≤ $100,000/year)
  (on almost $6 billion in revenue).
Strategy – Sales Business

- Better controls have reduced, but not eliminated, exposure to sales business
- But, increasing migration to fee-only transport and storage would mean surrendering margin
- Long term: (Keep what we can make the most of and sell what others can make the most of)
  - Keep commitment to sales business: hold capacity for purchase/sales business from producers-end users
  - Improve margins on value-added services
  - Culture of continuous improvement on controls and data reliability
  - Sell storage and hub to hub transport to third parties
  - Consider holding capacity on new projects (e.g. West Rancho, South Dallas)
Expansion Projects

- $75 – 100 MM of capital
- 5 Bcf additional salt dome storage
- 350,000 MMBtu of additional transport capacity

**South Dallas Project**

- Dallas
- Rockwall
- Hunt

**West Rancho**

**Markham Storage Expansion**

**South Dallas Project**

**Kinder Morgan**

- KMTP
- West Rancho
- Tejas
- North Texas Pipeline
- NGPL
Opportunity – planned Barnett Shale exploration and production is constrained by the available pipeline capacity.

KM project – build new facilities and enter into upstream transportation arrangements to bring over 200,000 MMBtu/day of Barnett Shale gas into the existing KM North Texas pipeline for redelivery to
- attached generation
- TxOK zone

Shippers are anxious to proceed. We are finalizing 3rd party arrangements.

Expect in service in the latter part of this year.
Expansion Projects – West Rancho

- East end of Rancho (Katy to Austin) in service in July and under budget
- Acquired West End of Rancho crude line in 2004; can be converted from Waha area eastbound to Austin
- Working with several shippers for long term commitments to the project
- Substantial basis differentials from Waha to Katy
Expansion Projects – Markham Storage

- Using existing salt cavern (already leached)
- Connected to KM Texas system
- Adding compression and surface facilities can make 5 Bcf of working capacity available by the end of this year
- Anchor shipper secured
Gulf Coast LNG Projects

- LNG Plant (existing)
  - ExxonMobil Golden Pass
  - Cheniere Corpus Christi
  - Sempra Cameron
- LNG Plant (proposed)
  - Oxy Ingleside
  - ExxonMobil Vista Del Sol
  - BP Pelican Island
  - Sunset Gulf Landing
  - Cheniere Sabine Pass
  - ExxonMobil Port Arthur
  - Sempra Cameron

Natural Gas Pipeline Co. of America
- KM Tejas Pipeline
- KM Texas Pipeline
- KM Mier-Monterrey Pipeline

SU Trunkline 300 MMcf/day expansion
Expansion Opportunities – Point of View on LNG

- LNG on the Texas Gulf Coast is highly likely
- KM Texas well positioned to provide services
  - header system (intrastate)
  - downstream services: swing management (storage)
- LNG terminals will be controlled by the majors
- But …. downstream services (e.g. to smooth out deliveries) have potential
Outlook and Conclusions

- Asset is substantially more stable
- “Best pipeline asset position in Texas”
- Making progress on incremental margin improvement in existing market while aggressively pursuing new markets
- Actively managing our risks and exposures
Natural Gas Pipeline Company of America (NGPL)  
KMIGT and Trailblazer  

Scott Parker
NGPL Impact on KMI Earnings (a)

(a) 2004 results and 2005 budgeted segment earnings before G&A and interest expense. KMP includes: (i) general partner interest, (ii) earnings from 20 million KMP units and (iii) earnings from 15 million KMR units.
NGPL Pipeline and Storage System Overview

- Over 10,000 Miles of Pipe
- 61 Compressor Stations with 1.0 Million HP

<table>
<thead>
<tr>
<th>NGPL SYSTEM</th>
<th>Bcf/d</th>
</tr>
</thead>
<tbody>
<tr>
<td>Peak Day Deliverability-Market</td>
<td></td>
</tr>
<tr>
<td>Amarillo Line</td>
<td>1.7</td>
</tr>
<tr>
<td>Gulf Coast Line</td>
<td>1.6</td>
</tr>
<tr>
<td>Market Storage (delivered)</td>
<td>2.5</td>
</tr>
<tr>
<td>Total</td>
<td>5.8</td>
</tr>
<tr>
<td>Louisiana Line</td>
<td>0.9</td>
</tr>
<tr>
<td>A/G Line</td>
<td>0.7</td>
</tr>
<tr>
<td>Field Storage</td>
<td></td>
</tr>
<tr>
<td>Lansing</td>
<td>1.1</td>
</tr>
<tr>
<td>Sayre</td>
<td>0.4</td>
</tr>
<tr>
<td>Storage Working Gas</td>
<td>Bcf</td>
</tr>
<tr>
<td>Illinois</td>
<td>71</td>
</tr>
<tr>
<td>Iowa</td>
<td>46</td>
</tr>
<tr>
<td>Production Area</td>
<td>126</td>
</tr>
<tr>
<td>Total</td>
<td>243</td>
</tr>
</tbody>
</table>
NGPL Competitive Advantages

- Well Connected to the Marketplace
  - Local Distribution Companies “LDCs”
  - Gas Fired Power Plants
  - Other Downstream Markets

- Storage
  - Size & Integrated Services

- Diverse Supply Basins
  - Access to most Major Supply Basins
  - Pools for customers to sell and buy gas on NGPL Pipeline

- Flexible / Redundant Infrastructure
  - Reliable
Competitive Advantages…
Well Connected to the Marketplace

Interconnected with Midwest LDCs

<table>
<thead>
<tr>
<th>Major Market LDCs</th>
<th>NGPL Total Point Capacity (Bbtu/d)</th>
<th>NGPL Total Physical Interconnects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nicor – Chicago Suburbs</td>
<td>10,547</td>
<td>79</td>
</tr>
<tr>
<td>Peoples/No. Shore – Chicago &amp; No Subs</td>
<td>6,976</td>
<td>31</td>
</tr>
<tr>
<td>NIPSCO - Indiana</td>
<td>1,815</td>
<td>5</td>
</tr>
<tr>
<td>MidAmerican - Iowa</td>
<td>1,273</td>
<td>35</td>
</tr>
<tr>
<td>Illinois Power – Central Illinois</td>
<td>630</td>
<td>28</td>
</tr>
<tr>
<td>IES Utilities - Iowa</td>
<td>269</td>
<td>28</td>
</tr>
<tr>
<td>Wisconsin Electric - Wisconsin</td>
<td>251</td>
<td>3</td>
</tr>
<tr>
<td>Interstate Power - Iowa</td>
<td>136</td>
<td>1</td>
</tr>
<tr>
<td>CILCO – Central Illinois</td>
<td>198</td>
<td>5</td>
</tr>
<tr>
<td>CIPS – Southern / Central Illinois</td>
<td>131</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>22,226</td>
<td>222</td>
</tr>
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</table>
Competitive Advantages...
Well Connected to the Marketplace

Interconnected with Gas Fired Power Plants

Gas Fired Electric Generation on NGPL
- Over 17,700 MW of Electric Generation connected
- Plants have been constructed in last few years and are widely disbursed
- Many gas fired power plants currently have a low utilization factor, as utilization grows with electric demand plants will need incremental supply.
Competitive Advantages…
Well Connected to the Marketplace

Interconnected with Other Downstream Markets
Competitive Advantages…
Storage Assets

- 243 Bcf of Working Gas
- Firm or Interruptible services
  - Delivered Storage Service “DSS” is no-notice packaged service where deliveries (or withdrawals) include transport on NGPL
  - NSS can be packaged with transport for no-notice injections and off-peak withdrawals
- Storage peaking swing-up capability to meet demand
  2.5 Bcf/d Market, 4.0 Bcf/d total
- Mainline and Storage - a powerful combination
  - Reliability
  - Flexibility
  - Swing Service
  - Point to Point, Area to Area Wheeling
- Some Competitors have limited or no storage services
  - Northern Border – No Storage Services
  - Alliance – No Storage Services
  - Northern Natural Gas – 55.3 Bcf
  - Panhandle / Trunkline – 43.7 Bcf
Competitive Advantages…
Access to most Major Supply Basins

<table>
<thead>
<tr>
<th>Area</th>
<th>Annual Production Bcf</th>
<th>Daily Average Bcf</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amarillo Line</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Anadarko</td>
<td>1,350</td>
<td>3.7</td>
</tr>
<tr>
<td>Hugoton</td>
<td>940</td>
<td>2.6</td>
</tr>
<tr>
<td>Permian</td>
<td>1,510</td>
<td>4.1</td>
</tr>
<tr>
<td>Rockies (WY*, CO)</td>
<td>1,770</td>
<td>4.8</td>
</tr>
<tr>
<td>Canadian (via NBPL)</td>
<td>770</td>
<td>2.1</td>
</tr>
<tr>
<td>Canadian (via Alliance)</td>
<td>570</td>
<td>1.6</td>
</tr>
</tbody>
</table>

| Gulf Coast Line                     |                       |                  |
| Offshore – Texas*                   | 1,210                 | 3.3              |
| Offshore – Louisiana*               | 3,910                 | 10.7             |
| South Texas (Onshore)               | 2,460                 | 6.7              |
| So Louisiana (Onshore)*             | 930                   | 2.5              |
| East Texas                          | 1,040                 | 2.8              |
| Arkoma                              | 490                   | 1.3              |
| Total                               | 16,950                | 46.4             |

1 Year 2002 except as indicated by *, which are 2001.
Sources: EIA, Canadian NEB, state agencies.
Competitive Advantages…

Flexible / Redundant Infrastructure

- **Excellent Reliability for Firm Service Customers**
  - OFO (operational flow order) days - flexibility is decreased.
    - Winter 04/05 – 0 days
    - Winter 03/04 – 0 days Summer 04 – 0 days
  - Firm Curtailment days - effected pipeline segment capacity is unavailable for nominations.
    - 2005 - 0 days
    - 2004 - 2 days (Black Marlin tie-in - no firm service curtailed)
    - 2003 - 0 days

- **Flexible System Operation and Reliability Created by:**
  - Operating storage fields in aggregate
  - A multi-path system that has multiple lines in a right of way including the redundancy created by the Cross Haul pipeline

- **Redundant System Compression at Many Locations**
NGPL – Base Business

- Limited unsubscribed Capacity
- Significant recontracting success already for 2005
- Seeing high customer demand and increased margins on:
  - Amarillo and Louisiana Line Transport
  - NSS Storage Service
- Average contract term remains about 3 years
- Collections: on average 99.4% of invoices collected by month end
- No rate case obligation
## Current Position - Limited Unsubscribed FTS Capacity

<table>
<thead>
<tr>
<th>Pipeline</th>
<th>Capacity (TBtu/d)</th>
<th>Status</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amarillo Mainline</td>
<td>1.7</td>
<td>Sold Out</td>
</tr>
<tr>
<td>Gulf Coast Mainline</td>
<td>1.6</td>
<td>158,000 long haul available April '05*</td>
</tr>
<tr>
<td></td>
<td></td>
<td>74,133 winter only available Nov '05 *</td>
</tr>
<tr>
<td>Louisiana Line</td>
<td>0.9</td>
<td>Sold Out</td>
</tr>
<tr>
<td>Cross Haul</td>
<td>0.7</td>
<td>Sold Out</td>
</tr>
</tbody>
</table>

* Note: 158,000 equal 4.8% of Long haul Mainline Capacity
## Limited 2005 FTS Expirations
By Quarter (Volume in Dth/day)

Significant recontracting success already. NGPL had 18.7% of capacity expiring in 2005, today only 5.8% of mainline remains to be recontracted.

<table>
<thead>
<tr>
<th></th>
<th>1&lt;sup&gt;st&lt;/sup&gt; Quarter</th>
<th>2&lt;sup&gt;nd&lt;/sup&gt; Quarter</th>
<th>3&lt;sup&gt;rd&lt;/sup&gt; Quarter</th>
<th>4&lt;sup&gt;th&lt;/sup&gt; Quarter</th>
<th>Cumulative 2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amarillo</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mainline (.9 TBtu/d)</td>
<td>0</td>
<td>300</td>
<td>0</td>
<td>44,425</td>
<td>44,725</td>
</tr>
<tr>
<td>Gulf Coast</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Mainline (.16 TBtu/d)</td>
<td>0</td>
<td>0</td>
<td>61,270</td>
<td>86,800</td>
<td>148,070</td>
</tr>
<tr>
<td>Louisiana Line (.9 TBtu/d)</td>
<td>50,000</td>
<td>0</td>
<td>0</td>
<td>46,500</td>
<td>96,500</td>
</tr>
<tr>
<td>Crosshaul (.6 TBtu/d)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>5,000</td>
<td>5,000</td>
</tr>
<tr>
<td>Total (Mainline 3.3 TBtu/d)</td>
<td>0</td>
<td>300</td>
<td>61,270</td>
<td>131,225</td>
<td>192,795</td>
</tr>
<tr>
<td>% of Mainline Capacity</td>
<td>0.0%</td>
<td>0.0%</td>
<td>1.8%</td>
<td>4.0%</td>
<td>5.8%</td>
</tr>
</tbody>
</table>

Note: In 2005 NGPL has 4.8% long haul capacity available for sale (from previous slide) adding the 5.8% long haul capacity expiring (from above) = 10.6% to be contracted in 2005
Historic & Future Long Haul FTS Expirations

Recent History:
- Mainline FTS Expirations that occurred in 2003 = 61%
- Mainline FTS Expirations that occurred in 2004 = 20%

2005 and Beyond:
- Mainline FTS Expirations remaining in 2005 = 6%
- Mainline FTS Expirations in 2006 = 51%
- Mainline FTS Expirations in 2007 = 14%
NGPL Storage Services
NSS (field storage) & DSS (no notice market storage)

- **NSS Storage Capacity**
  - Currently Sold out - No NSS Storage Capacity available for sale
  - All NSS contracts expiring in 2005 have been recontracted
    - Majority for a long term (5 years) at an increased margin

  - 2003 Contract Expirations: 88.6 TBtu (Sold 100% by Spring 2003)
  - 2004 Contract Expirations: 38.6 TBtu (Sold 100% by January 2004)
  - 2006 Contract Expirations: 43.9 TBtu
  - 2007 Contract Expirations: 27.9 TBtu

- **DSS Storage Capacity**
  - Currently Sold out – No DSS Storage Capacity available for sale

  - 2005 Contract Expirations: 1.5 TBtu (recontracted as of Jan 2005)
  - 2006 Contract Expirations: 10.5 TBtu
  - 2007 Contract Expirations: 52.1 TBtu
NGPL Customers by Service

**Firm Transport by Customer Type**
As of Jan 1st, 2005

- **LDC**: 47%
- **Marketer**: 32%
- **End User**: 12%
- **Pipeline**: 3%
- **Producer**: 6%

- Average contract term for FT is 3.2 yrs

**“NSS” Storage by Customer Type**
As of Jan 1st, 2005

- **LDC**: 28%
- **Marketer**: 62%
- **End User**: 4%
- **Pipeline**: 3%
- **Producer**: 3%

- “DSS” Storage is 100% held by LDCs
- Average contract term for NSS is 2.9 yrs
- Average contract term for DSS is 2.0 yrs
### Sustaining Capex Trend-NGPL

<table>
<thead>
<tr>
<th>ITEM</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Actual (Unburdened)</td>
<td>Actual (Unburdened)</td>
<td>Actual (Unburdened)</td>
<td>Budget (Unburdened)</td>
</tr>
<tr>
<td>Ordinary Sustaining Capex</td>
<td>$17,645,489</td>
<td>$21,106,732</td>
<td>$17,358,558</td>
<td>$19,518,382</td>
</tr>
<tr>
<td>Pipeline Integrity</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capex</td>
<td>$10,342,155</td>
<td>$15,545,828</td>
<td>$9,020,000</td>
<td>$15,138,670</td>
</tr>
<tr>
<td>Expensed</td>
<td></td>
<td></td>
<td>$7,830,000</td>
<td>$10,332,829</td>
</tr>
<tr>
<td>Sub-Total Pipeline Integrity</td>
<td>$10,342,155</td>
<td>$15,545,828</td>
<td>$16,850,000</td>
<td>$25,471,499</td>
</tr>
<tr>
<td>Sub-Total Compression Integrity</td>
<td>$25,686,289</td>
<td>$15,259,635</td>
<td>$24,308,859</td>
<td>$28,966,067</td>
</tr>
<tr>
<td>Total Annual Sustaining Capex</td>
<td>$53,673,933</td>
<td>$51,912,195</td>
<td>$58,517,417</td>
<td>$73,955,948</td>
</tr>
</tbody>
</table>

- Projected Capex increasing for all categories in 2005 versus 2004
- Portion of ‘04 & ‘05 work will be expensed due to proposed FERC accounting change
- Expect 2005 run rate will reflect future years Capex expenditures
NGPL Infrastructure Development

Focused on Growing the Asset

- **Projects In-Service 2004**
  - Black Marlin Acquisition
  - Expansion Capex: $3.2

- **Projects In-Service 2005**
  - Iowa Storage Expansion
  - Expansion Capex: $14.3

- **Proposed Projects In-Service 2006**
  - A-G Cross Haul Expansion
  - Expansion Capex: $20.7
  - Sayre Storage Expansion
  - Expansion Capex: $35.3

- **Future Projects**
  - Proposed No Lansing Storage Expansion
  - Expansion Capex: $60.0
  - LNG Header (KMP Investment)
  - Expansion Capex: $89.0
  - Total Projected Investment: $222.5
Acquisition of Black Marlin Pipeline

- Acquisition of 38 miles of 30” from NNG
- $3.2 MM (purchase and integrate into NGPL)
- Fully Contracted
  - 38,000 capacity at Max rates for 10 years
- Placed into service November 2004
4.4 Bcf Iowa Storage NSS Service

- Install 3,500 HP
- Install 2.5 miles of field loop line
- $14.3 MM capex
- 4.4 Bcf of additional storage capacity
- Fully Contracted
- Service commencing Spring 2005
A-G Cross Haul Expansion

- Install 5,500 HP at existing Station 801
- Install 1,800 HP at existing Station 155
- $20.7 MM capex
- 51,000 Crosshaul & 20,000 Seg #1 capacity
- Fully Contracted
- Filed 7C application with the FERC
- Service commencing Spring 2006
10 Bcf Sayre Storage Expansion

- Install 7,500 HP at existing Station 184
- 22 new wells, gathering looping
- $35.3 MM capex
- 10 Bcf of additional storage capacity
- Fully Contracted
- Filed 7C application with the FERC
- Service commencing Spring 2006
Future Project – No Lansing Storage Expansion

- 12,000 HP compression
- 20 new wells
- 10.0 Bcf additional capacity
- $60.0 MM capex
- Service projected Spring, 2007
LNG Header Strategy (KMP Investment)

KM LNG Header
Beaumont Extension
Henry Hub Extension
Proposed Compressor Station
(Volumes greater than 517,500 Dth/d)

Receipt
Delivery
LNG Header Strategy

- New 77 mile pipeline owned by KM Energy Partners to connect LNG Terminals to the Pipeline Grid
  - Only 23 miles of new pipeline, $89 MM Total Capex
  - 77 miles of pipeline leased from NGPL provides project with substantial downstream interconnects and minimal environmental impact (NGPL customers and capacity not negatively impacted)

- Anticipated initial capacity of 1.0 Bcf/d
  - Have a signed contingent 20 yr Precedent Agreement
  - Open season on-going
  - Anticipated in service January 2009
  - Expandable via compression

- Benefits to NGPL – Access to Supply
  - Access up to 2.5 bcf/d of LNG Gas for transport on NGPL’s long haul pipeline or injection into Storage
2005 KMP Natural Gas Segment Overview (a)

(a) 2005 budgeted distributable cash flow before G&A and interest
KMIGT and Trailblazer Pipelines

- Wyoming
- Nebraska
- Colorado
- Kansas

KMIGT
NGPL
Trailblazer

Legend:
- KMIGT
- NGPL
- Trailblazer
Trailblazer

- Stable earnings base
- Access to Rocky Mountain supply
- Low cost provider
- Long-term contracts
  - Average FT contract term = 4 yrs
  - Average FT expansion contract term = 8.4 yrs
  - Recent contract renewals have been for 10 years
- Rate Case settlement in 2004
  - No rate case filing requirement until 2009
- Looping necessary for any further expansion
KMIGT

- Stable earnings base
- Subject to limited competition
- Currently 98% of transport capacity sold
- Long-term contracts – weighted average approximately 6.1 years
- Extensive infrastructure in active Wind River and NE Colorado supply areas
- Ethanol plants providing market growth
- No rate case filing requirement
- Cost and revenue study completed in 2004
KMIGT
Cheyenne Market Center

- 11,300 HP compression
- 10 new wells
- 6.0 Bcf additional capacity
- $28.4 MM capex
- Fully contracted for 10 years
- In-service August 1, 2004

**Map Details:**
- Proposed Advantage Pipeline
- KMIGT Pipeline
- Trailblazer
- El Paso-CIG
- El Paso-WIC
- Xcel Energy
The Future...

- **Modest base business growth on NGPL and Other Interstates**
  - Recontract existing pipeline and storage capacity
  - Capture modest margin growth on existing capacity

- **Growth opportunities from new capital projects focused on:**
  - Infrastructure to distribute increasing Rockies supply
  - Storage expansions
  - LNG Imports
  - Projects off the existing asset base

- **Reinvest in existing assets**
  - Operate a safe and reliable pipeline
  - Continue as smart low cost provider