Natural Gas Pipelines

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Overview

**Market Environment**
- Shale activity providing excellent growth opportunities
- Transport spreads remain flat
- Storage spreads softer in short-term
- Processing margins continue to be very strong and roughly equivalent to 2010 performance

**Value Proposition**
- Strong asset base with secure cash flows supported by long-term contracts
- Limited exposure to commodity prices and processing margins
- Recently expanded footprint and superior access to capital provides additional expansion / extension and acquisition opportunities

**Summary**
- System
- Financial targets
- Asset-by-asset review
- Intrastate assets
- Growth opportunities
Natural Gas Pipelines and Facilities
## Financial Overview

### ($ in millions)

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011B</th>
<th>‘10-‘11 Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBDA (a)</td>
<td>$501.1</td>
<td>$548.4</td>
<td>$738.9</td>
<td>$825.4</td>
<td>$932.2</td>
<td>$1,034.5</td>
<td>$102.3</td>
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<tr>
<td>Sustaining Capex</td>
<td>(27.4)</td>
<td>(29.9)</td>
<td>(29.9)</td>
<td>(22.7)</td>
<td>(17.5)</td>
<td>(28.8)</td>
<td>(11.2)</td>
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<tr>
<td>DCF</td>
<td>$473.7</td>
<td>$518.5</td>
<td>$709.0</td>
<td>$802.7</td>
<td>$914.7</td>
<td>$1,005.7</td>
<td>$91.0</td>
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### 2011 Highlights:
- FEP project in full year of service in 2011
- KinderHawk joint venture investment included in KMP portfolio in 2Q 2010; full-year contribution in 2011
- Eagle Ford joint venture in-service partial-year 2011
- MEP expansion in full service in 2011 vs partial year 2010
- Dayton storage expansion in full-service in 2011 vs partial-year 2010
- KMIGT and TransColorado impacted by lower renewal rates

Note: excludes Upstream gathering assets
(a) Includes $145.6 million and $176.9 million of joint venture DD&A in 2010 and 2011, respectively, for our share of REX, MEP, FEP and KinderHawk, and adjusts our interests in the Eagle Ford JV and Endeavor to the distributions we receive / expect to receive
# Contracted Capacity and Term

<table>
<thead>
<tr>
<th>Contracted Capacity</th>
<th>Avg. Term Remaining</th>
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<tbody>
<tr>
<td><strong>Interstate</strong></td>
<td></td>
</tr>
<tr>
<td>KM Interstate Gas</td>
<td>Storage 10.7 Bcf</td>
</tr>
<tr>
<td></td>
<td>Transport 0.9 Bcf/d</td>
</tr>
<tr>
<td>TransColorado</td>
<td>Transport 1.0 Bcf/d</td>
</tr>
<tr>
<td>Trailblazer</td>
<td>Transport 1.0 Bcf/d</td>
</tr>
<tr>
<td>Rockies Express</td>
<td>Transport 1.8 Bcf/d</td>
</tr>
<tr>
<td>Midcontinent Express</td>
<td>Transport 2.3 Bcf/d</td>
</tr>
<tr>
<td>KM Louisiana</td>
<td>Transport 2.1 Bcf/d</td>
</tr>
<tr>
<td>Fayetteville Express</td>
<td>Transport 1.8 Bcf/d</td>
</tr>
<tr>
<td><strong>Intrastate</strong></td>
<td></td>
</tr>
<tr>
<td>Texas Intrastates</td>
<td>Purchases 2.9 Bcf/d</td>
</tr>
<tr>
<td></td>
<td>Sales 2.4 Bcf/d</td>
</tr>
<tr>
<td></td>
<td>Storage 142 Bcf</td>
</tr>
<tr>
<td></td>
<td>Transport 3.6 Bcf/d</td>
</tr>
<tr>
<td>Eagle Ford JV</td>
<td>Transport 0.5 Bcf/d</td>
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<tr>
<td>KinderHawk JV</td>
<td>Transport ~2+ Bcf/d</td>
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**Interstate pipelines: contracted on a “fee for service” basis**
- Re-contracting exposure: 2011-2015 = ~1% to 4% annually of segment annual EBDA
- Limited exposure to gas commodity pricing; $1/dth gas price change = ~ $2.4MM, <1% of segment annual EBDA

**Non-Interstate pipelines: business portfolio**
- Limited exposure to gas commodity pricing, processing margins, pricing spreads
  - Processing exposure (a): $1 change in WTI = ~$0.5MM; 1% change in NGL:crude ratio = ~$1MM; max exposure is ~$36MM, ~3% of segment annual EBDA
  - $1/dth gas price change = ~$1.2MM/yr, < 1% of segment annual EBDA
  - Intrastate pricing spreads: $0.05 Waha to HSC = < $1.6MM; $0.05 TxOk to HSC = <$1.3MM

(a) Excludes Upstream
Asset Summaries
Rockies Express Pipeline (REX)

- 1,679 miles of 36” and 42” pipeline
- Originates in Meeker, CO and terminates in Clarington, OH
- Transports Rocky Mountain production to premium Northeast markets
- JV between KMP (50%), Sempra (25%) and ConocoPhillips (25%); KMP operates
- Capacity = 1.8 Bcf/d
- Almost completely sold out under long-term contracts
- FERC-regulated
REX
Opportunities and Challenges

Opportunities

- 200,000 Dth/d Meeker to Cheyenne expansion
  - Fully-subscribed
  - Leg one, in-service December 2009
  - Leg two, in-service October 2010
  - 40% below original cost estimate
- Park & loan service
- Interruptible and short haul service (ITS, PAWS)
- Extensions and expansions
  - Opportunities to connect additional markets (i.e. power plants, LDCs, etc.)
- New services (IBS)

Challenges

- Keeping the pipeline and compression equipment available to run at a near 100% utilization rate
Kinder Morgan Interstate Gas Transmission (KMIGT)

- 4,500 miles of various diameter pipelines
- Markets:
  - LDCs, industrials, & ag. in NE, KS, & MO
  - Marketers transporting to mid-continent pipelines
  - End users including ethanol plants
- Growth
  - Storage
  - Colorado lateral
- Capacity
  - Transp. 940 MDth/d
  - Valuable capacity, fully-contracted
  - Storage 14.8 Bcf
- FERC-regulated
KMIGT

Opportunities and Challenges

Opportunities

- Huntsman storage expansion
  - 10,000 Dth/d incremental firm storage service
  - Started service with shipper on February 1, 2010 under long-term binding contract
  - Phase I construction completed December 2009
  - Phase II construction completed 3rd quarter 2010

- Ethanol plants
  - Increased production at attached ethanol plants
  - Utilization of existing ethanol plant contracts has been averaging about 85% for the past year

- Colorado lateral
  - Pursuing industrial plant load

- Processing and gathering
  - Pursue gathering and processing Niobrara Shale casing head gas

Challenges

- FERC has caused KMIGT to show that its rates are just and reasonable via a Section 5 proceeding
  - Cost & Revenue Study filed by KMIGT on February 1, 2011
  - Settlement discussions ongoing
  - Considering Section 4 filing
  - Immaterial impact to segment
TransColorado Gas Transmission

- 301 miles of 22” & 24” pipeline
- Originates at Greasewood, CO and terminates at Blanco, NM
- Bi-directional Flow
  - Capacity north - 650 MDth/d
  - Capacity south
    - Phase I - 150 MDth/d
    - Phase II - 425 MDth/d
- FERC-regulated
TransColorado
Opportunities and Challenges

Opportunities
- Completed project with Enterprise to transport Greasewood gas directly to Enterprise plant
  - Project supported by long-term binding contract
- Year-on-year drilling rig count and production volumes have improved in the Piceance Basin
  - Jan-Mar ‘10 to Jan-Mar ‘11 rig count has gone from 31 to 38
  - Jan-Mar ‘10 to Jan-Mar ‘11 Piceance average production has gone from 1,805 MMcf/d to 1,954 MMcf/d

Challenges
- Aggregation of gathering and processing has shifted gas supply from “along pipe” to “north end of pipe”
Trailblazer Pipeline

- 436 miles of pipe
- 3 compressor locations with 58,000 HP
- Max throughput = 0.878 Bcf/d
- Low cost pipeline out of region
- Long-term contracts
- FERC-regulated
- No rate case filing obligation until 2014
Trailblazer Pipeline Update

- Settlement with customers deferred rate case obligation from December 2009 to January 2014
- Trailblazer provided a rate reduction for most shippers in 2010 and an additional reduction beginning January 2011
- Settlement reduced demand revenues for 2011 by $3.8MM (less than 10% of total revenues)
- The settlement was favorable vs. a likely litigated rate case, and provides regulatory certainty through 2013
- As the lowest cost pipeline out of the Rockies, Trailblazer should not see any market risk
Midcontinent Express Pipeline (MEP)

- 507 miles of 42”, 36” and 30” pipe
- Originates at Enogex, Bennington and terminates at Transco Station 85
- Capacity:
  - Zone 1: 1.8 Bcf/d
  - Zone 2: 1.2 Bcf/d
- JV between KMP (50%), Regency (49%) and Energy Transfer (1%); KMP operates
- Pipeline fully-subscribed with long-term firm contracts
- FERC-regulated
Expansions fully in-service mid-year 2010 and below budget
  — Zone 1 400 MDth/d
    • 100 MDth/d – May 1, 2010 (pre-approved capacity)
    • 300 MDth/d – June 1, 2010 (expansion capacity)
  — Zone 2 200 MDth/d – June 2010

Zone 2 expandability (up to 300 MDth/d)
Shale development, Perryville pile-up could support Zone 2 expansion
Excess long haul capacity of 20 MDth/d has been identified as a result of operating experience
Storage connection access near Perryville area
  — Creates opportunities for hub and wheeling services
Higher recourse rates to reflect higher project costs (long-term opportunity)
Serves as shale outlet with access to multiple outlets to the Midwest, Northeast and Southeast markets
Kinder Morgan Louisiana Pipeline (KMLP)

- 133 miles of 42" pipe
- Originates at Cheniere Sabine pass LNG and interconnects with 12 interstate pipelines
- Two storage fields connected to pipeline
- Capacity: 3.2 Bcf/d
- Pipeline fully-subscribed with 20-year contacts
- FERC-regulated
Kinder Morgan Louisiana Pipeline
Commercial Opportunities

- Multiple interconnections – with additional facilities, may capture opportunities between major interstate pipelines and storage
- Potential interconnections with other LNG terminals
- Opportunity to transport supply for LNG export
- Opportunity to access Haynesville Shale gas
Fayetteville Express Pipeline (FEP)

- 185 miles of 42" pipe
- One compressor station with 72,000 HP
- Capacity: 2.0 Bcf/d
- 15 receipt points (producer specific)
- 4 delivery meters
- JV between KMP (50%) and Energy Transfer (50%); Energy Transfer operates
- 1.85 Bcf/d capacity under long-term contracts
- FERC-regulated
FEP Update

- Pipeline, meter and compression construction completed; clean-up, right-of-way restoration and minor facilities work such as painting continue
  - 2.0 Bcf/d of initial pipeline capacity
  - Project costs projected at $0.98 billion, substantially less than original estimate of $1.26 billion

- 1.85 Bcf/d capacity sold under long-term firm contracts; have 0.15 Bcf/d available for sale
  - Southwestern: 1,200,000 Dth/d, 10 yrs (capacity ramps up over first 10 months)
  - Chesapeake: 375,000 Dth/d for 10 yrs
  - BP: 125,000 Dth/d for 10 yrs
  - XTO: 150,000 Dth/d 12 yrs, (capacity ramps up over first 12 months)

- Rig count in Fayetteville: 29 rigs in February 2011
  - Southwestern still indicates a strong commitment to Fayetteville Shale based on drilling forecast
  - Exxon purchased XTO assets in June 2010 and PetroHawk assets October 2010
  - Chesapeake has reached agreement to sell its Fayetteville assets to BHP

- Expansion opportunity for capacity up to 2.4 Bcf/d
  - Two additional compressor stations

- In-Service began January 1, 2011 for all Shippers
  - Avg. daily delivered volumes for January, 2011 – 775,470 (81.6% of firm transportation contract MDQ)
KMI (20% Ownership)
Natural Gas Pipeline Company of America (NGPL)

- Pipeline miles: 9,200
- KM-operated
- Market area deliverability: 5.0 Bcf/d
- Storage working gas capacity: 278 Bcf (8 fields)
- Direct or one-pipe-away access to most major U.S. and Canadian supply basins west of the Mississippi, including major shale plays
- Approx. 600 interconnections, including:
  - 34 interstate pipelines
  - 38 local distribution companies
  - 32 end users, including power plants
- Top customers consist of investment grade LDCs (excl. NIPSCO), producers and marketers
- Top-10 customers make up 62% of transportation and storage revenues
- Firm transport and storage revenue by customer segment:
  - LDCs 43%
  - Producers 17%
  - Marketers 34%
  - End users 5%
- Rate case settlement reached in 2010
KinderHawk Field Services (KHFS)

50/50 joint venture with PetroHawk in northwest Louisiana
- Gathering and treating services for Haynesville/Bossier Shale
- 365.5 miles of pipe installed to date
- Over 2 Bcf/d of capacity
- Well-positioned to access over 20 Tcf of gas
- 2,160 GPM of treating capacity in service (21 plants / 11 locations)
- 111 wells connected to the system in 2010
- 98 wells expected to be connected to the system in 2011
- 16 interconnections with major downstream pipelines
- 3 additional interconnections with major downstream pipelines to be constructed in the near future
- 2011 volume forecasts:
  - Current 0.85 Bcf/d
  - Annual Avg. 1.0 Bcf/d
  - Year-end 1.2 Bcf/d
KinderHawk Field Services
Commercial Opportunities

- **PetroHawk gathering agreement**
  - Life of lease dedication
  - Agreed upon gathering and treating rates
  - Increasing minimum volume commitment for 5 years

- **Third party agreements**
  - Secured new third party gas gathering and treating transactions in 2010
    - Dedication of 17 sections across three shippers
    - 3- to 10-year terms
    - Daily volume could approach over 200,000 Dth/d depending on expected drill schedules and operational techniques
    - Additional short-term firm and interruptible agreements also executed

- **Opportunities for growth**
  - Expansions and extensions of the system
  - Bossier Shale development
  - Provide additional services – H2S treating, compression
  - Other – asset acquisitions, additional market interconnects with downstream pipes
Texas Intrastate Pipelines

- 6,000 miles of pipeline
- Over 5 Bcf/d capacity (5.5 Bcf/d peak day)
- 145 Bcf of storage
- Access to 685 MMcf/d processing capacity
- 180 MMcf/d CO₂ treating capacity
- Combination of fee-for-service, and purchase / sale activity
- Texas Railroad Commission regulated – market-based regulation in competitive environment
Texas Intrastate Pipelines
Key Attributes

- **Well-positioned assets**
  - Built to serve Houston / Beaumont area -- largest natural gas market in the world
  - Connected to essentially all major gas consumers in the area
  - Gas supply available from major basins across Texas and both Texas LNG terminals
  - Connected to the major hubs in Texas, as well as all major intrastate and interstate pipelines
  - Significant connectivity with Mexico

- **Operational flexibility**
  - Large diameter, high pressure pipes in the market area
  - Supported by salt dome storage facilities both north and south of the market

- **Commercial focus**
  - Provide higher valued swing services to a mix of power generation, local distribution and industrial markets
  - Bundle transport, storage and sales to enhance margins from end users
  - Buy or transport gas supplies to meet the needs of the producer community
  - Optimize use of the system on a daily basis
  - Conservative commercial strategy
    - Limited exposure to processing margins and commodity prices
    - Only 5% of capacity subject to short-term basis volatility
    - 95% of throughput serves intrastate market
Texas Intrastate Pipelines
Growth Opportunities

Large asset footprint provides real and continued opportunities for expansion capital investment

- **Eagle Ford Shale**
  - Eagle Ford gathering JV with Copano for rich gas
  - KM 100% on lean gas opportunities
- **Other pipe conversions to rich gas service**
  - McCormick lateral in East Texas
  - Tejas line reversal into Texas City
- **De-bottlenecking expansion projects**
  - Katy and Goodrich supply options
  - Beaumont and Texas City market options
  - Mexico imports / exports
- **New service to end user plants being restarted, expanded or built grass roots along the Texas Gulf Coast in response to favorable feedstock and fuel outlook**
  - Petrochemical, refinery, fractionation and power generation expansions being planned around expected increase in local / domestic NGL and condensate supplies
- **Other investments in and / or acquisitions of gathering assets similar to KinderHawk**
- **Applications for KM Treating amine, dew point, and mechanical refrigeration plants**
Eagle Ford Gathering JV

50/50 Joint Venture with Copano in S. Tx
- Total KM capex approximately $136MM

Supply Lateral
- Approximately 111 miles of 30” and 24” pipeline under construction – expected in-service 3Q 2011
- Capacity expanded from 375,000 to 600,000 MMBtu/d
- Gas service agreements with SM Energy, Chesapeake Energy and Anadarko Petroleum
- Approximately 75% of the JV's expanded capacity is subscribed
- Capacity expandable with compression

Crossover Project
- Will build 54 miles of 24” pipeline and 20 miles of 20” pipeline to access Formosa – expected in-service by year-end 2011
- Secured long-term processing and fractionation capacity for 200,000 MMBtu/d with Formosa (January 2011)
- Pursuing connectivity with additional processing capacity

Other Eagle Ford Projects / Growth Opportunities
- Approximately $30MM of expansion projects (100% KM) in progress
- Condensate / oil conversion
- Lean gas projects
Growth Opportunities in 2011, 2012 and Beyond

2011
- Full-year effect of new projects and acquisitions
  - FEP, KinderHawk
- New growth continues with expansions, Eagle Ford and Dayton Storage to be placed fully in service

2012 and beyond - long term / future growth
- Shale gas
  - TX Intrastates – Eagle Ford expansion, extension and conversion opportunity, treating and processing activities
  - KinderHawk – extensions and expansions, Bossier production growth, additional service offerings
  - FEP – In-service, remaining 150,000/d plus expansion opportunities
  - KMIGT – Niobrara gathering and processing opportunities
  - REX – additional downstream market Marcellus (backhaul opportunities)
  - MEP – additional expansion opportunities (up to 300 MDth/d Zone 2)
  - East of Perryville / T85 – Southeast markets
- Storage
  - West Clear Lake: massive field (96 Bcf working capacity); lease of facility to 3rd party expires 1Q 2012; legacy 10-year contract; opportunity for significant upside from integration into existing asset / commercial portfolio and higher rates
  - KM Intrastate – further Dayton expansions
  - Continue to evaluate new interconnects or investment in storage opportunities across KM pipeline footprint
- Acquisitions & other opportunities
  - KinderHawk – replicate in upstream sector
  - Intrastates – uniquely capable of pursuing high pressure markets
  - Continue to seek new industrial / end user loads along the pipeline corridors
  - Other pipeline assets that complement KM footprint