

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

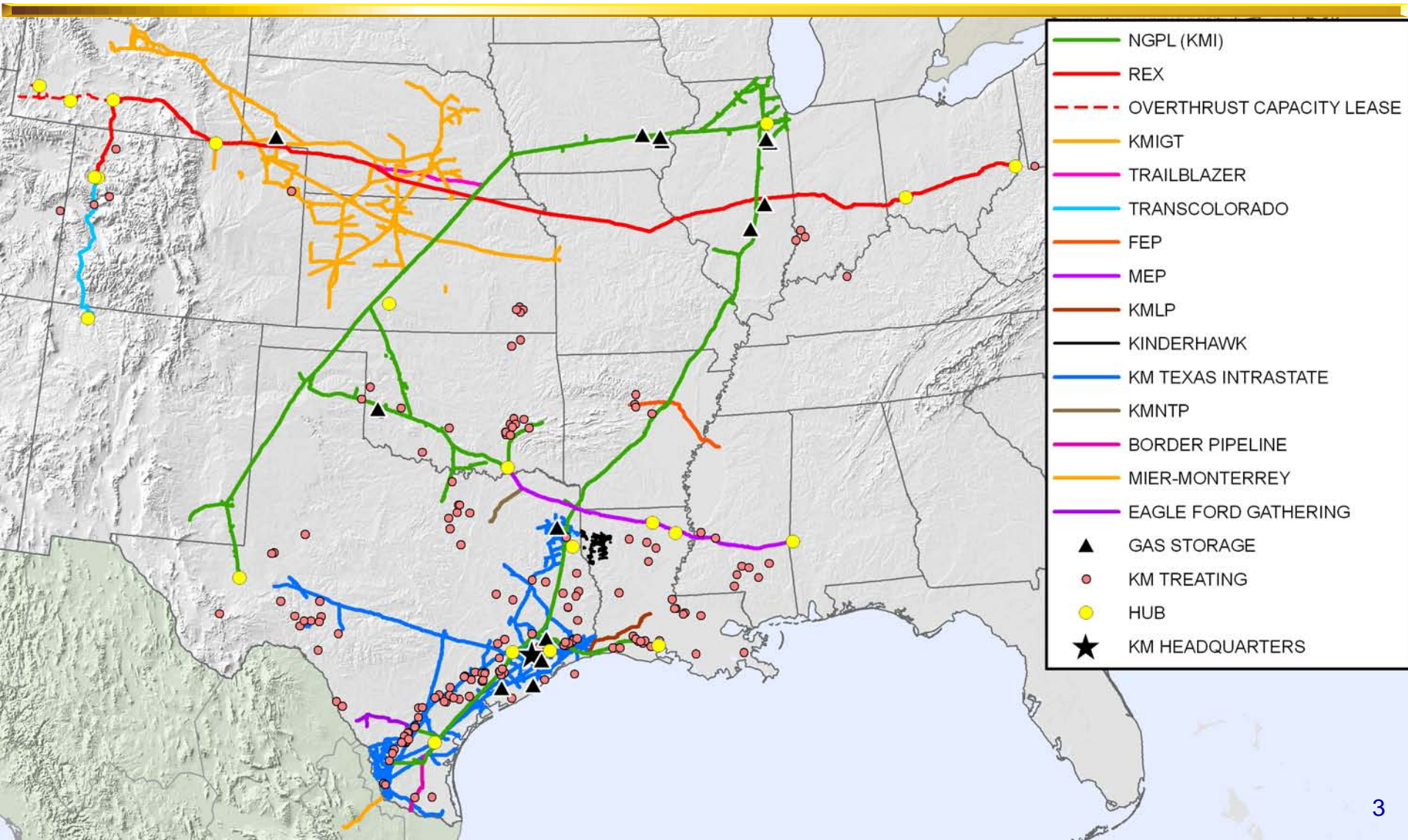
Value Proposition

- 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)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011B</u>	<u>'10-'11 Change</u>
EBDA ^(a)	\$501.1	\$548.4	\$738.9	\$825.4	\$932.2	\$1,034.5	\$102.3
Sustaining Capex	(27.4)	(29.9)	(29.9)	(22.7)	(17.5)	(28.8)	(11.2)
DCF	\$473.7	\$518.5	\$709.0	\$802.7	\$914.7	\$1,005.7	\$91.0 10%

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

			Contracted Capacity	Avg. Term Remaining	
Interstate	KM Interstate Gas	Storage	10.7 Bcf	3 yr, 11 mo	} Transport Contracts Avg. = 9 yr, 9 mo
		Transport	0.9 Bcf/d	4 yr, 5 mo	
	TransColorado	Transport	1.0 Bcf/d	5 yr, 2 mo	
	Trailblazer	Transport	1.0 Bcf/d	4 yr, 7 mo	
	Rockies Express	Transport	1.8 Bcf/d	8 yr, 6 mo	
	Midcontinent Express	Transport	2.3 Bcf/d	8 yr, 0 mo	
	KM Louisiana Fayetteville Express	Transport	2.1 Bcf/d 1.8 Bcf/d	18 yr, 8 mo 11 yr, 2 mo	
Intrastate	Texas Intrastates	Purchases	2.9 Bcf/d	1 yr, 11 mo	} Transport Contracts Avg. = 6 yr, 0 mo
		Sales	2.4 Bcf/d	2 yr, 3 mo	
		Storage	142 Bcf	1 yr, 10 mo	
		Transport	3.6 Bcf/d	5 yr, 4 mo	
	Eagle Ford JV	Transport	0.5 Bcf/d	9 yr, 11 mo	
	KinderHawk JV	Transport	~2+ Bcf/d	~5 yr (life of lease)	

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

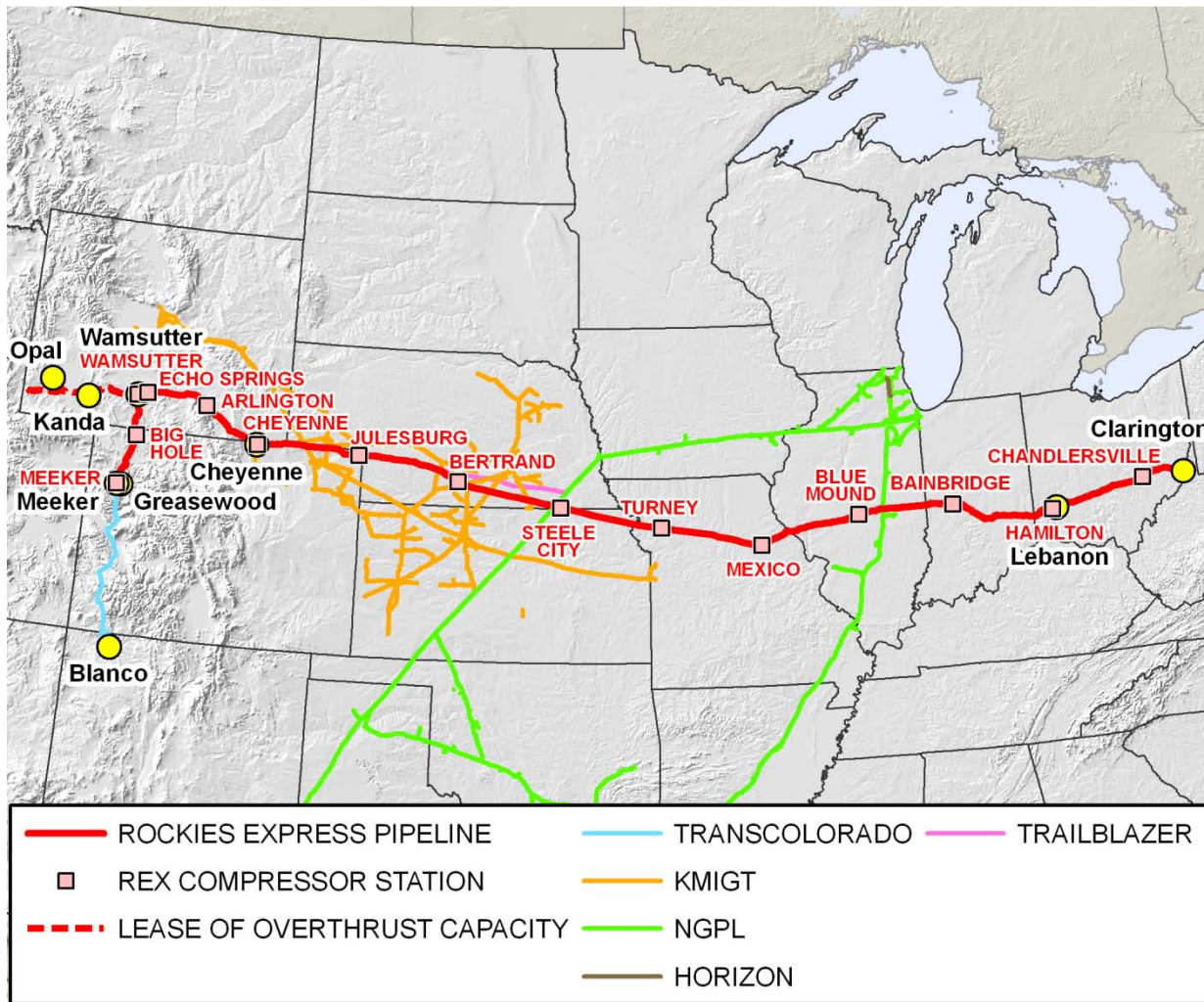
Non-Interstate pipelines: business portfolio

- 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)



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

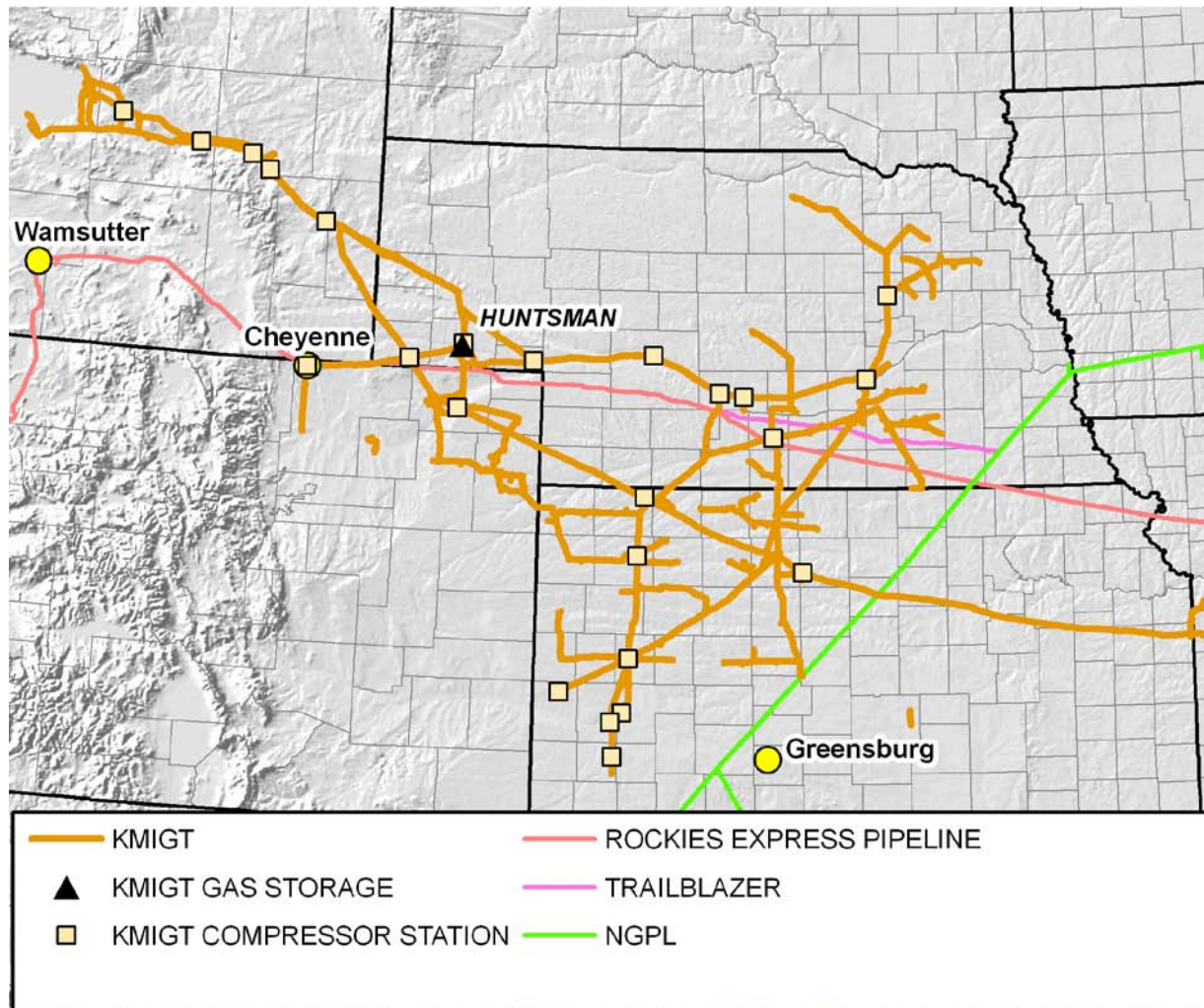
Opportunities

- **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)



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

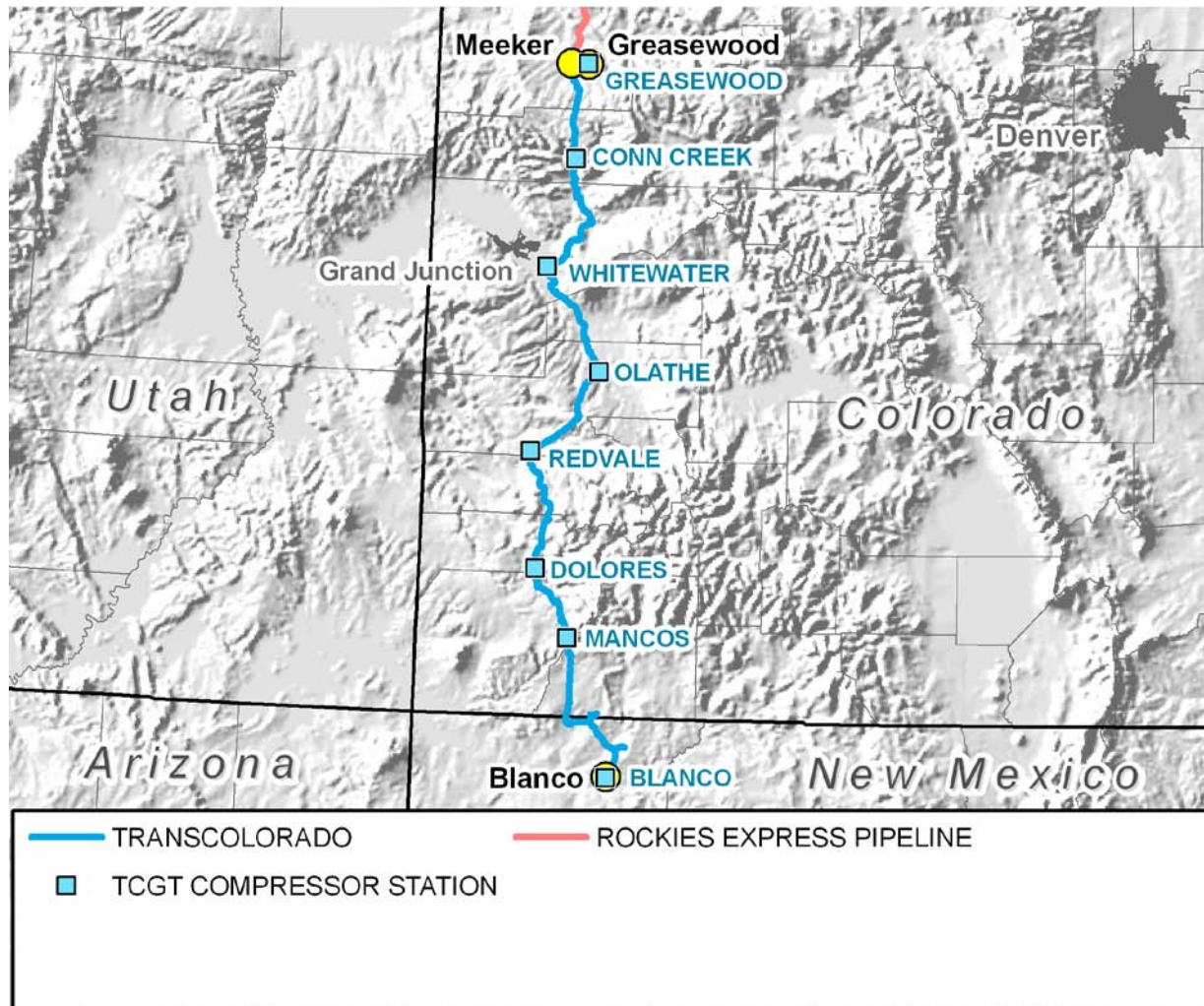
Opportunities

- **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



TransColorado

- 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

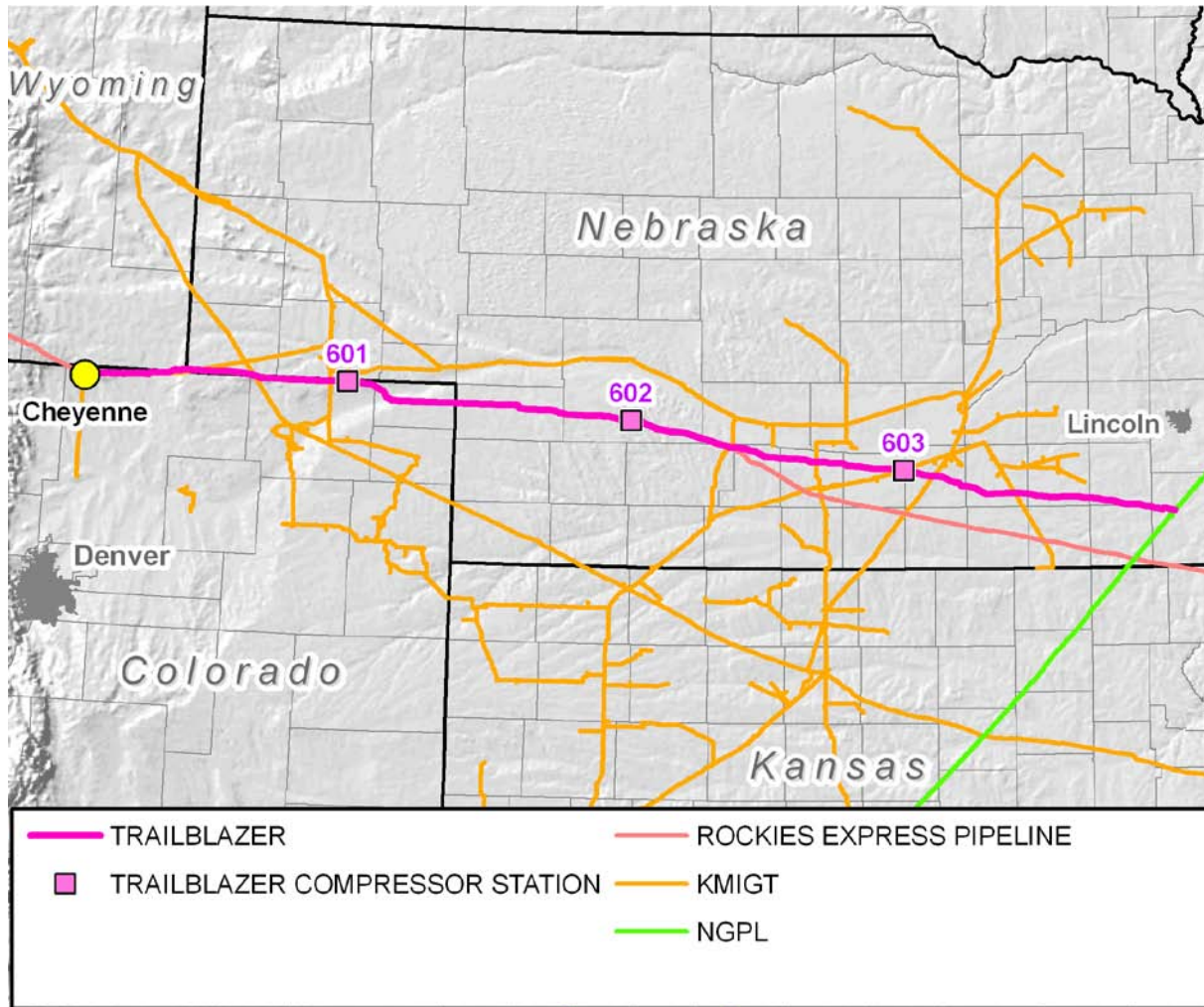
Opportunities

- **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



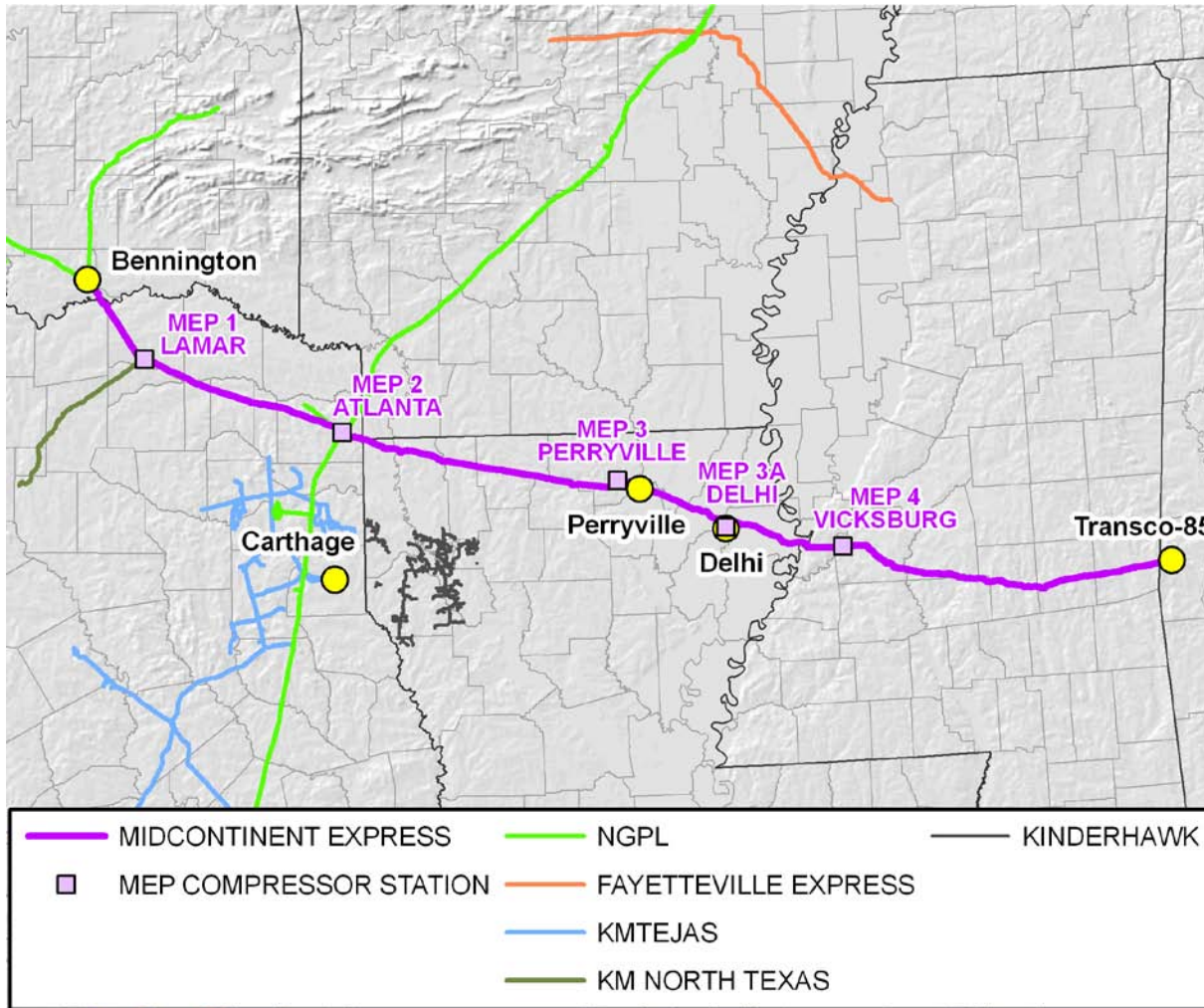
Trailblazer

- 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)



MEP

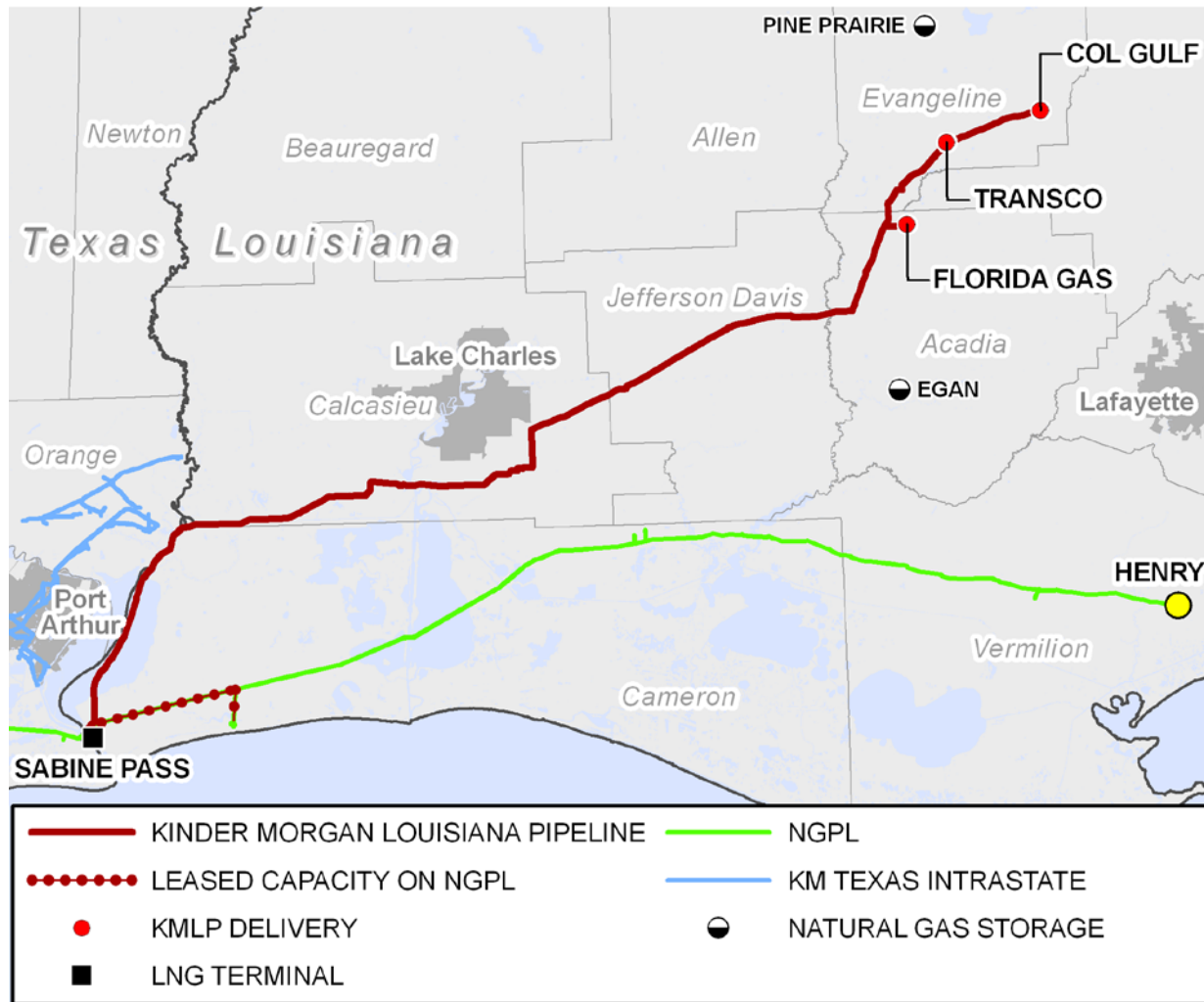
- 507 miles of 42", 36" and 30" pipe
- Originates at Enogex, Bennington and terminates at Transco Station 85
- Capacity:
 - Zone 1: 1.8 Bcf/d
 - Zone 2: 1.2 Bcf/d
- JV between KMP (50%), Regency (49%) and Energy Transfer (1%); KMP operates
- Pipeline fully-subscribed with long-term firm contracts
- FERC-regulated

MEP

Expansion Progress and Commercial Opportunities

- **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)



KMLP

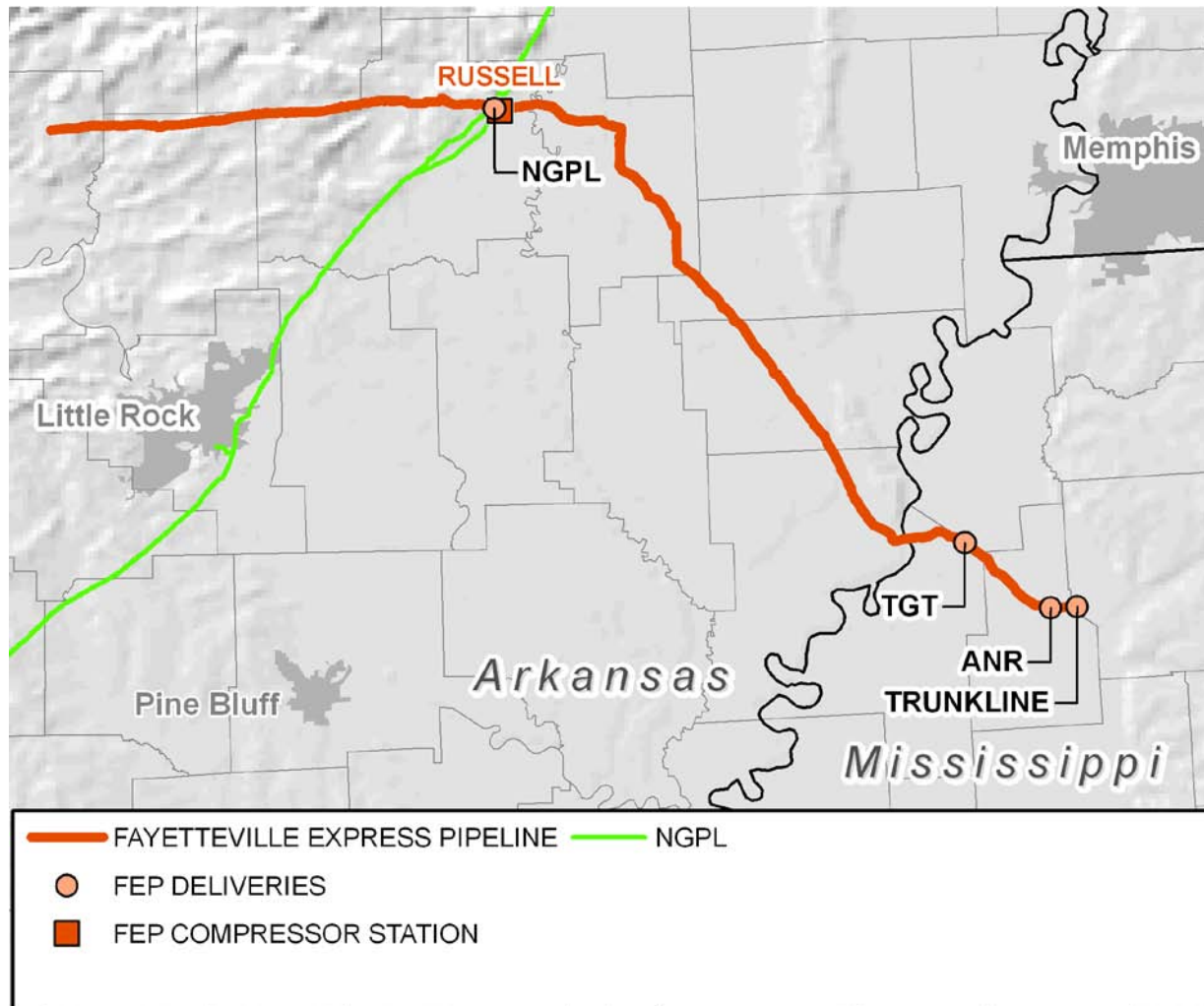
- 133 miles of 42" pipe
- Originates at Cheniere Sabine pass LNG and interconnects with 12 interstate pipelines
- Two storage fields connected to pipeline
- Capacity: 3.2 Bcf/d
- Pipeline fully-subscribed with 20-year contacts
- FERC-regulated

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)



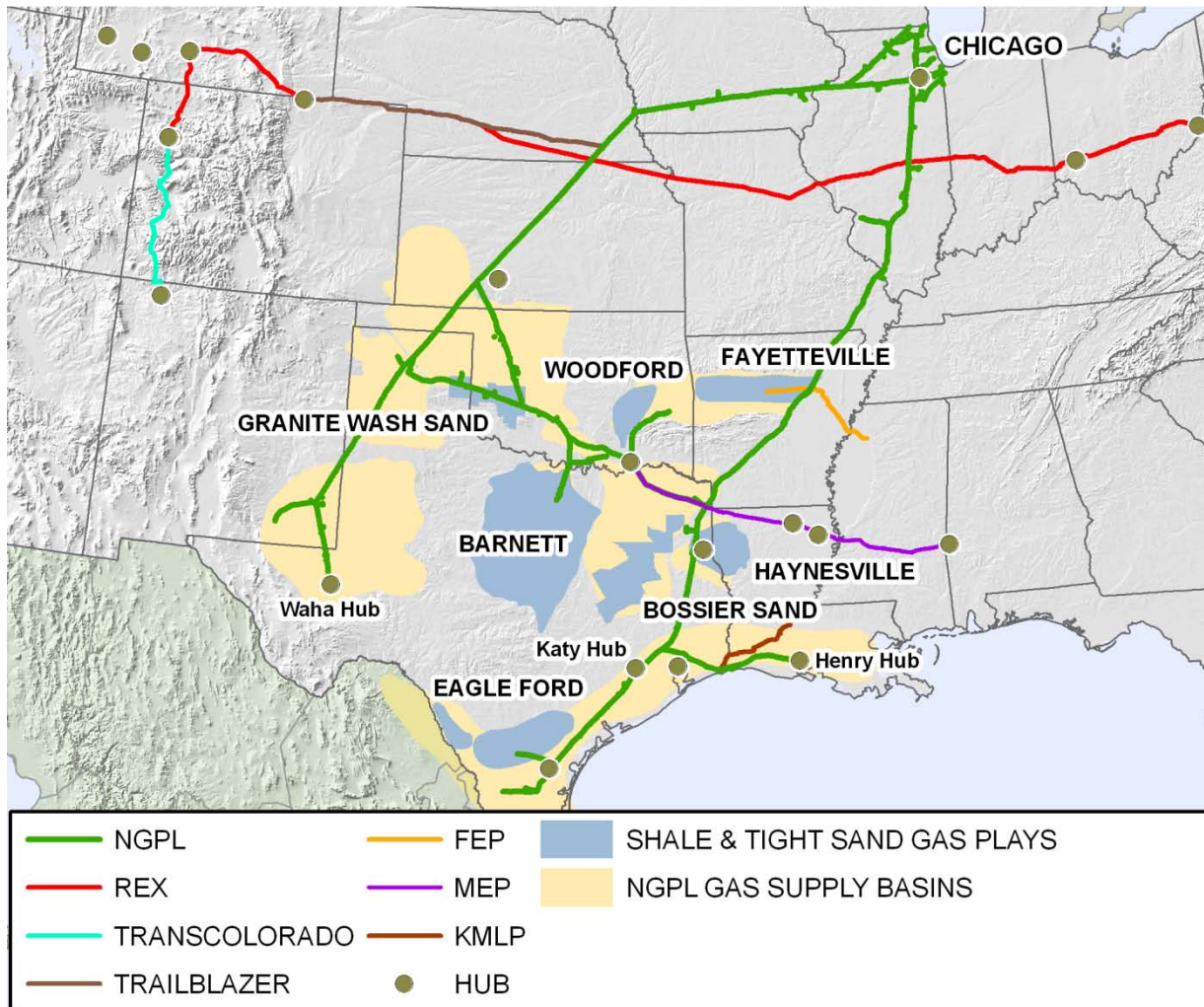
FEP

- 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)

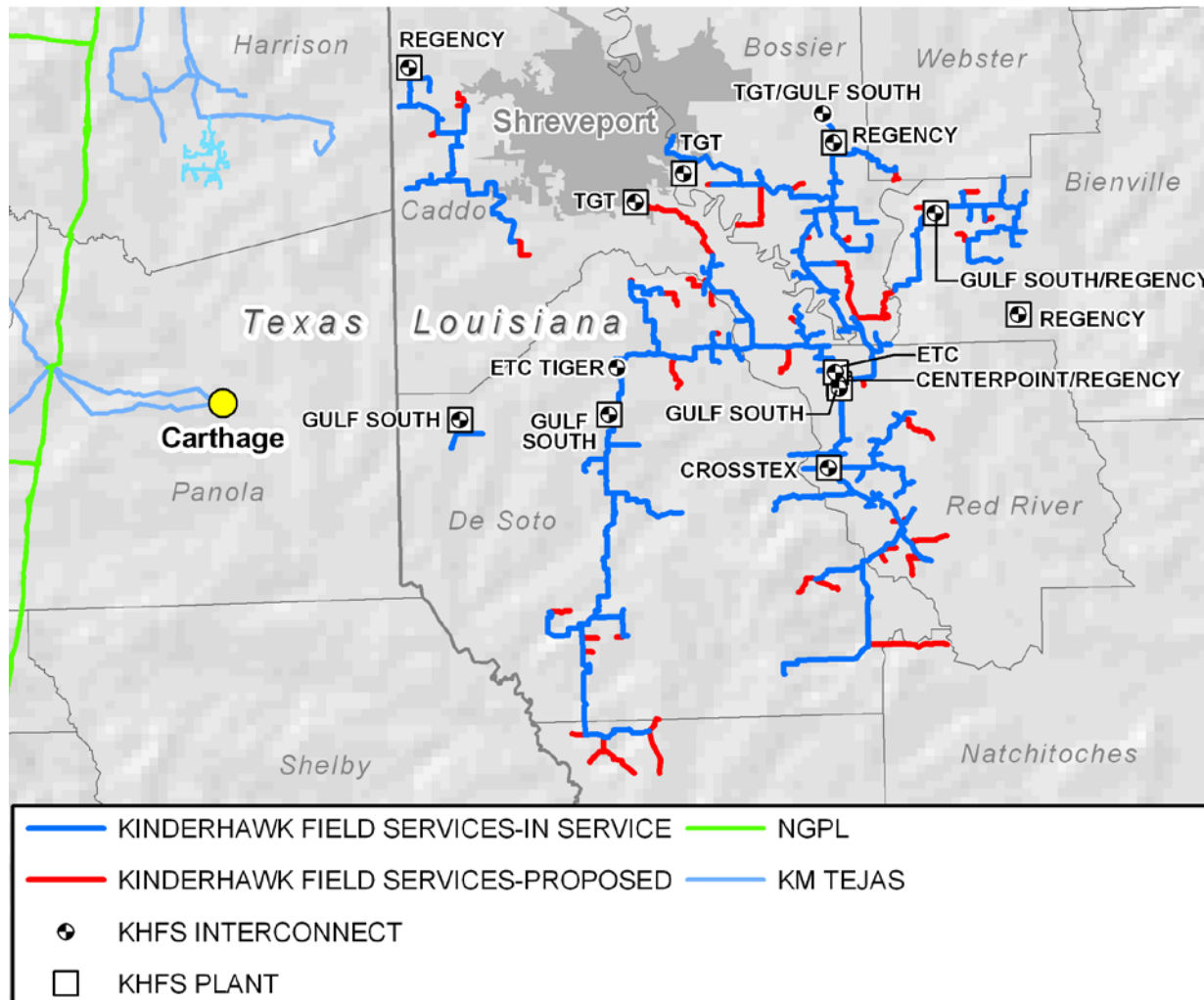


NGPL

- 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)



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:

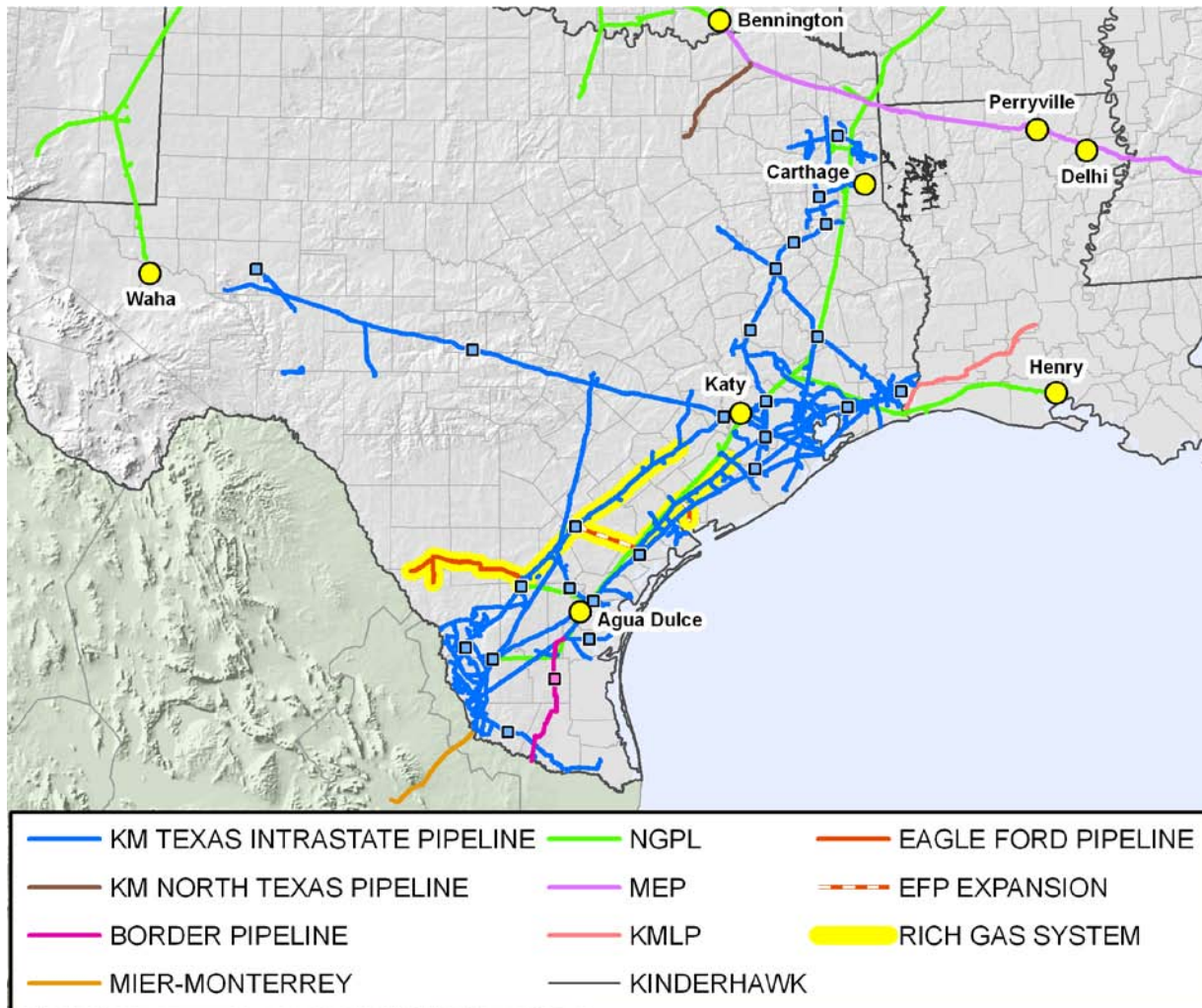
— Current	0.85 Bcf/d
— Annual Avg.	1.0 Bcf/d
— Year-end	1.2 Bcf/d

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



Texas Intrastates

- 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

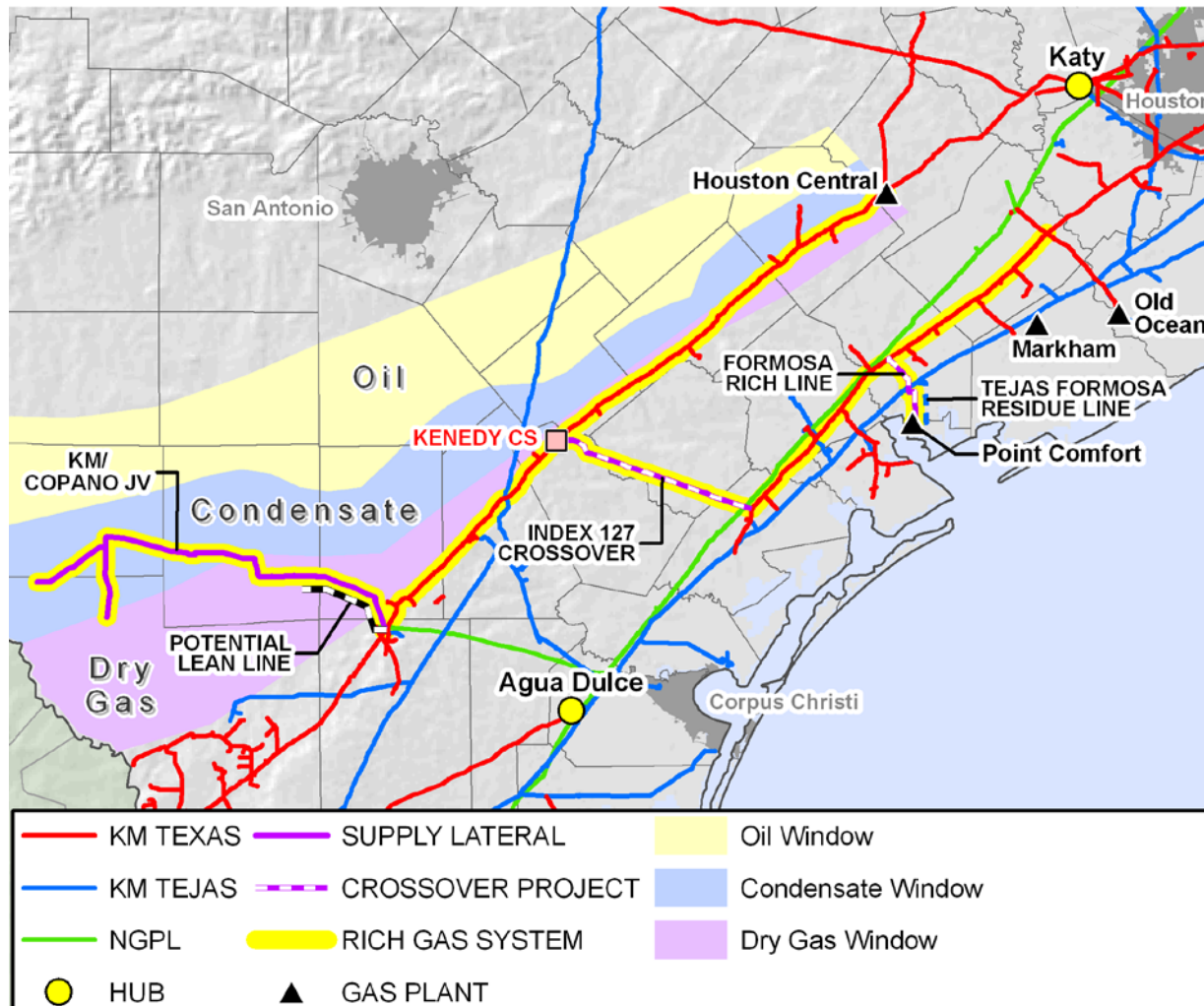
Texas Intrastate Pipelines

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



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

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