

# Financial Review

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*Chief Financial Officer*

# Agenda

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## KMP:

- **2011 budget**
  - Distributable cash flow
  - Segment earnings before DD&A and LP net income
  - Budget assumptions
  - Sustaining capital
  - Growth capital
  - Financing plans
- **Liquidity**
- **Balance sheet ratios**

## KMI:

- **2011 budget**
  - Cash available to pay dividends
- **Liquidity**

## Summary

**KMP**

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# 2011 DCF Budget (a)

(millions, except per unit)

	2010	2011	Change	
	Actual	Budget	\$	%
<b>Distributable cash flow</b>				
<b>Net income</b>	\$1,505.5	\$1,746.9	\$241.4	16%
<b>DD&amp;A (b)</b>	1,056.2	1,100.1	43.9	4
<b>Book / cash tax difference</b>	26.3	38.1	11.8	45
<b>Eagle Ford / Express / Endeavor</b>	4.7	6.8	2.1	45
<b>Sustaining capex (c)</b>	(179.2)	(224.8)	(45.6)	25
<b>Total distributable cash flow</b>	<b>2,413.5</b>	<b>2,667.1</b>	<b>253.6</b>	<b>11</b>
<b>General partner's interest</b>	(1,053.4)	(1,153.0)	(99.6)	9
<b>Distributable cash flow</b>	<b>\$1,360.1</b>	<b>\$1,514.1</b>	<b>\$154.0</b>	<b>11%</b>
<b>Average Units Outstanding</b>	307.1	321.1	14.0	5%
<b>Total DCF per unit (d)</b>	\$4.43	\$4.72	\$0.29	6%
<b>LP distribution per unit</b>	<b>\$4.40</b>	<b>\$4.60</b>	<b>\$0.20</b>	<b>5%</b>
<b>Excess coverage</b>	<b>\$8.5</b>	<b>\$37.0</b>		

(a) Excluding certain items

(b) 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, KinderHawk and Cypress

(c) Includes joint venture sustaining capex for our share of REX, MEP, FEP, KinderHawk and Cypress

(d) See slide 2 of Appendix for DCF quarterly profile

# 2011 Income Budget (a)

(millions, except per unit)

	2010	2011	Change	
	Actual	Budget	\$	%
<b>Segment earnings before DD&amp;A (EBDA)</b>				
<b>Products Pipelines</b>	\$687.5	\$730.5	\$43.0	6%
<b>Natural Gas Pipelines</b>	835.9	902.6	66.7	8
<b>CO<sub>2</sub></b>	960.2	1,097.5	137.3	14
<b>Terminals</b>	646.6	713.2	66.6	10
<b>Kinder Morgan Canada</b>	181.6	192.9	11.3	6
<b>Total segment EBDA</b>	3,311.8	3,636.7	324.9	10
<b>DD&amp;A</b>	(910.6)	(923.2)	(12.6)	1
<b>G&amp;A</b>	(375.0)	(389.3)	(14.3)	4
<b>Interest</b>	(505.3)	(558.2)	(52.9)	10
<b>Non-controlling interest</b>	(15.4)	(19.1)	(3.7)	24
<b>Net income</b>	1,505.5	1,746.9	241.4	16
<b>GP share</b>	(1,053.4)	(1,153.0)	(99.6)	9
<b>Limited partners' net income</b>	<b>\$452.1</b>	<b>\$593.9</b>	<b>\$141.8</b>	<b>31%</b>
<b>Units outstanding (avg)</b>	307.1	321.1	14.0	5%
<b>LP income per unit (b)</b>	<b>\$1.47</b>	<b>\$1.85</b>	<b>\$0.38</b>	<b>26%</b>
<i>Natural Gas EBDA plus JV DD&amp;A (c)</i>	\$981.4	\$1,079.0	\$97.6	10%
<i>Total segment EBDA plus JV DD&amp;A (d)</i>	\$3,457.4	\$3,813.6	\$356.2	10%

(a) Excluding certain items

(b) See slide 2 of Appendix for EPU quarterly profile

(c) Natural gas pipelines EBDA adding back our share of REX, MEP, FEP and KinderHawk JV DD&A of \$145.5 million and \$176.4 million in 2010 and 2011, respectively

(d) Total segment EBDA adding back our share of REX, MEP, FEP, KinderHawk and Cypress JV DD&A of \$145.6 million and \$176.9 million in 2010 and 2011, respectively

# Budget Assumptions

## ■ Segments:

### — Natural Gas

- Full-year contributions from FEP (in-svc 1/1/2011), KinderHawk and MEP
- Texas Intrastates – Dayton storage expansion, Eagle Ford JV

### — CO<sub>2</sub>

- Oil price on unhedged oil volumes in CO<sub>2</sub> ~\$89/Bbl  
SACROC volumes = 29.4 MBbl/d, Yates = 22.5, Katz = 1.5

### — Products

- Refined product volume growth = 1.9% excluding Plantation, 3.2% including Plantation
- PPI Adjustment ~ 6.8% effective 7/1/2011
- Increase in Cochin volumes and rate

### — Terminals

- Full year of 2010 and partial year of 2011 acquisitions and expansions, growth in base business

### — Kinder Morgan Canada

- New shipper agreement on Trans Mountain

## ■ Equity:

### — Total 2011 equity budgeted = \$702MM

- Issue \$270 million in secondary equity
- KMR dividend \$432 million

### — KH giveback units ~7.9 million

## ■ Interest Expense:

- Average 3-month LIBOR rate of 0.54% for the year, based on forward curve at time of budget; current 3-mo LIBOR = ~0.30%

# 2011 Sustaining Capital Budget <sup>(a)</sup>

*(\$ in millions)*

	<u>2010 Actual</u>	<u>2011 Budget</u>	<u>Change</u>
<b>Sustaining capital</b>			
<b>Products Pipelines</b>	\$45.6	\$51.1	\$5.5
<b>Natural Gas Pipelines</b>	23.9	39.2	15.3
<b>CO<sub>2</sub></b>	9.5	19.5	10.0
<b>Terminals</b>	85.0	93.2	8.2
<b>Kinder Morgan Canada</b>	9.7	16.3	6.6
<b>Corporate</b>	5.5	5.5	-
<b>Total sustaining capital</b>	<u>\$179.2</u>	<u>\$224.8</u>	<u>\$45.6</u>

(a) Excluding certain items

# 2011 Growth Capital Budget

(\$ in millions)

	<b>2010</b>	<b>2011</b>
	<b>Actual</b>	<b>Budget</b>
<b>Expansion capital</b>		
<b>Products Pipelines</b>	\$91	\$107
<b>Natural Gas Pipelines</b>	121	68
<b>CO<sub>2</sub></b>	371	464
<b>Terminals</b>	245	154
<b>Kinder Morgan Canada</b>	10	3
<b>Total expansion capital</b>	<b>838</b>	<b>796</b>
<b>Contributions to JVs</b>	299	357 (a)
<b>Subtotal</b>	<b>1,137</b>	<b>1,153</b>
<b>Acquisitions</b>	1,345	224 (b)
<b>Total budgeted growth capital</b>	<b>\$2,482</b>	<b>\$1,377</b>

(a) Equity contributions to FEP (\$210 million), Eagle Ford (\$108), REX (\$20) and Red Cedar (\$19)

(b) \$174 million of acquisitions in Terminals and \$50 million of acquisitions in Products Pipelines

# 2011 Financing Plans

*(\$ in millions)*

	<b>2011 Budget</b>
<b>Equity</b>	
Secondary offerings / ATM	\$270
KMR	432
<b>Total equity</b>	<b>\$702</b>
<b>Debt</b>	
Long-term debt issuance	\$1,700
Decrease in revolver <sup>(a)</sup>	(325)
Debt maturity in March	(700)
<b>Incremental debt</b>	<b>\$675</b>

(a) Excludes any changes in working capital

# Liquidity Summary

(\$ in millions)

## Revolver Liquidity (a)

<b>Total bank credit</b>	\$2,000
Less:	
Borrowings outstanding	(522)
LCs outstanding	(237)
<b>Liquidity</b>	<b>\$1,241</b>

## Long-term Debt Maturities

<b>2011</b>	\$7 (b)
<b>2012</b>	\$957 (c)
<b>2013</b>	\$507
<b>2014</b>	\$501
<b>2015</b>	\$300

(a) As of 12/31/2010

(b) Remaining 2011 maturities; \$700MM maturity was refinanced 3/15/2011 with proceeds from 3/4/2011 bond offering

(c) Excludes 9.0% senior notes due 2/1/2019 with optional put in 2012

# Balance Sheet Ratios

	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 Budget</u>
<b>Debt / EBITDA</b>	3.5x	3.2x	3.3x	3.4x	3.4x	3.8x	3.7x	3.6x
<b>EBITDA / interest exp.</b>	6.9x	6.3x	5.2x	5.2x	6.2x	6.4x	6.1x	6.2x

**KMI**

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# Budgeted Cash Available to Pay Dividends

(\$ in millions)

	2010 Actual	2010 Adjusted	2011 Budget	Change 2010 Adj vs 2011	
				\$	%
<b>Distributions</b>					
<b>KMP distributions</b>					
To general partner	\$884	\$1,054 <sup>(a)</sup>	\$1,169	\$115	11%
On KMP units owned by KMI	94	94	99	5	5
On KMR shares owned by KMI	54	54	62	8	15
<b>Total KMP distributions to KMI</b>	<u>1,032</u>	<u>1,202</u>	<u>1,330</u>	<u>128</u>	<u>11</u>
NGPL distributions	35	35	33	(2)	(6)
<b>Total distributions received</b>	<u>1,067</u>	<u>1,237</u>	<u>1,363</u>	<u>126</u>	<u>10</u>
G&A and sustaining capital expenditures	2	2	(8)	(10)	n/m
Interest expense	(158)	(158)	(168)	(10)	6
<b>Cash available to pay dividends b/f cash taxes</b>	<u>911</u>	<u>1,081</u>	<u>1,187</u>	<u>106</u>	<u>10</u>
Cash taxes	(257) <sup>(b)</sup>	(318) <sup>(c)</sup>	(367) <sup>(d)</sup>	(49)	15
<b>Cash available to pay dividends</b>	<u>\$654</u>	<u>\$763</u>	<u>\$820</u>	<u>\$57</u>	<u>7%</u>
<b>Dividend</b>	<u>\$700</u>	<u>\$700</u>	<u>\$820</u>	<u>\$120</u>	<u>17%</u>

(a) Distributions to general partner adjusted to exclude the ICT

(b) Excludes one-time tax benefit of \$36.6 million

(c) Adjusts 2010 Actual of \$257 million to exclude cash tax impact of ICT

(d) Excludes one-time tax benefit of \$35 million

# Liquidity Summary (a)

(\$ in millions)

## Credit Summary

	<u>2010</u>	<u>Budget 2011</u>
<b>Net Debt (b)</b>	\$3,195	\$3,181
<b>Net Debt / Distributions Received Less G&amp;A</b>	2.6x (c)	2.3x
<b>L-T Debt Rating</b>	Ba1 / BB / BB+ (d)	

## Revolver Capacity

<b>Total Bank Credit</b>	\$1,000
Less:	
Revolver Drawn	(377) (e)
Letters of Credit	<u>(41)</u>
<b>Excess Capacity</b>	<b>\$582</b>

## Long-term Debt Maturities

<b>2011</b>	---	(f)
<b>2012</b>	\$839	
<b>2013</b>	---	
<b>2014</b>	---	
<b>2015</b>	\$250	

(a) Debt of KMI's subsidiary, Kinder Morgan Kansas, Inc. excluding the fair value of interest rate swaps, purchase accounting and Kinder Morgan G.P., Inc.'s \$100 million of Series A Fixed-to-Floating Rate Term Cumulative Preferred Stock due 2057

(b) Net of cash

(c) 2010 adjusted to exclude the ICT, as calculated on preceding slide

(d) Kinder Morgan Kansas, Inc. as rated by Moody's, S&P and Fitch, respectively

(e) 12/31/10, adjusted for repayment of \$750MM 1/5/2011 maturity referred to below

(f) Remaining 2011 maturities; \$750MM maturity was refinanced 1/5/2011 with proceeds from 12/20/2010 bond offering

# Summary

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## KMP

- **Grow budgeted declared distribution to \$4.60/unit (4.5% growth)**
  - ~\$37 million in excess coverage
- **Finance expansion budget 50 / 50 debt / equity to maintain strong credit metrics**
  - Year-end 2011 Debt / EBITDA of 3.6x
- **Distribute \$2.6 billion in 2011**

## KMI

- **Distribute \$1.16 / share (a)**
- **Maintain debt at roughly \$3.2 billion (b)**

(a) KMI expects to pay an initial quarterly dividend of \$0.29 per share of common stock, which equates to \$1.16 per share on an annual basis, and anticipates that the first dividend will be paid in May 2011 – that dividend will be prorated for the portion of 1Q 2011 that KMI is public

(b) Excludes the fair value of interest rate swaps, purchase accounting and Kinder Morgan G.P., Inc.'s \$100 million of Series A Fixed-to-Floating Rate Term Cumulative Preferred Stock due 2057, net of cash

**KINDER  MORGAN**

