Coralie Carter Sculley

NGA Regional Market Trends Forum
May 5, 2017
Forward-Looking Statements / Non-GAAP Financial Measures

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We use non-generally accepted accounting principles ("non-GAAP") financial measures in this presentation. Our reconciliation of non-GAAP financial measures to comparable GAAP measures can be found in the Appendix to this presentation. These non-GAAP measures should not be considered as alternatives to GAAP financial measures.
Natural Gas Pipelines

Segment Outlook

Well-positioned connecting key natural gas resources with major demand centers

Growing Footprint:

- Own or operate largest natural gas network in North America
  - ~70,000 miles of pipeline
  - ~70 Bcf/d of capacity
  - ~690 Bcf of storage capacity
- Moving ~40% of U.S. natural gas consumption
- Connected to every important natural gas resources play in the U.S.

Project Backlog:

- $3.4 billion of identified growth projects over next four years (2017-2020)(a), including:
  - LNG liquefaction (Elba Island, GA)
  - Transport projects supporting LNG liquefaction
  - Expansions to Mexico border
  - TGP North-South projects

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(a) Includes KM share of non-wholly owned projects. Includes projects currently under construction.
Natural Gas Transportation & Storage

Growth and Demand

Pipeline Capacity – Growth Drivers:
- Industrial demand
- Power generation demand
  - Coal plant retirements
  - Compliment wind and solar
- LNG Demand
  - Liquefaction facilities
  - Pipeline infrastructure
- Mexico Demand
- Shale gas production

Storage Capacity – Growth / Value Drivers:
- Variable load characteristics of LNG and Power
- Manage infrastructure constraints

<table>
<thead>
<tr>
<th>U.S. Natural Gas Supply/Demand Outlook(a) (Bcf/d)</th>
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<tbody>
<tr>
<td>Demand</td>
</tr>
<tr>
<td>LNG</td>
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<tr>
<td>Mexico</td>
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<tr>
<td>Power</td>
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<tr>
<td>Industrial</td>
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<tr>
<td>Other</td>
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<tr>
<td>Total U.S. demand</td>
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<td>Increase from 2016</td>
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<table>
<thead>
<tr>
<th>Supply</th>
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<tbody>
<tr>
<td>Marcellus/Utica</td>
</tr>
<tr>
<td>Haynesville</td>
</tr>
<tr>
<td>Eagle Ford</td>
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<tr>
<td>All other</td>
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<tr>
<td>Total U.S. supply</td>
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</tbody>
</table>

Greater U.S. volumes = increased value of KMI assets

(a) Wood Mackenzie, Fall 2016 North America Natural Gas Long-Term Outlook, December 2016
Drivers of Future Growth
Marcellus/Utica

- Northeast shale production expected to double by 2026\(^{(a)}\)
  - 40% of all U.S. natural gas production
  - North–to–South transport continues to grow, even with higher costs

- KM Opportunity
  - TGP: First mover in the Marcellus/Utica
    - ~ 4.5 Bcf/d combined Northeast receipts
    - ~ 11 Bcf/d of Northeast receipt capacity
    - ~ 2 Bcf/d transported from North-to-South
  - 938 MDth/d of expansion projects in development to support NE supply growth
  - Total program capital ~ $1.2 Billion

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(a) ICF – Gas Transport in a Changing Market Environment 4/20/17 and KM analysis.
Connecticut Expansion Project

- Market-Driven Project
  - Demand growth in Connecticut

- Capacity: 72,100 Dth/d

- Customers: Southern Connecticut, Connecticut Natural, Yankee

- Projected In-service: November 2017

- Project Scope:
  - 13.46 miles of pipeline loop
  - Acquisition of Thompsonville Lateral

- Project Status:
  - FERC certificate received March 11, 2017
  - FERC issued Notice to Proceed for tree clearing & full construction April 12, 2017
  - MA 401 Permit final and unappealable as of April 24, 2017
The Importance of Fossil Fuels
...and the Recent, Modest Growth of Renewable Energy

Fossil Fuels
- Have accounted for >80% of total U.S. energy consumption over the last 100+ years\(^{(a)}\)
- Generating ~67% of U.S. electricity (Q3-2016)\(^{(b)}\)
- Over 99% of U.S. light vehicles today run on gasoline or diesel (>250 million cars and trucks)\(^{(c)}\)
- Approximately 66% of global textile production comes from synthetic fibers derived from fossil fuels\(^{(d)}\)

Renewables
- Accounted for only ~15% of U.S. generation i(Q3-2016)\(^{(a)}\)
  - About half is hydropower which is not expected to grow
- Renewable energy cannot be stored effectively at scale
  - Wind and Solar are intermittent and require reliable complimentary sources for balancing and backup
  - Natural gas has primarily fulfilled this role

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\(^{(a)}\) EIA, Monthly Energy Review, April 2016
\(^{(b)}\) EIA, Monthly Energy Review, December 2016
\(^{(c)}\) Goldman Sachs, Start Me Up v2.0
Natural Gas Critical to Climate Goals

Opposition to Natural Gas is Misplaced

- Natural gas is the cleanest burning fossil fuel with significantly lower emissions than coal or fuel oil

- Switching from coal to natural gas has driven a reduction in the nation’s power sector CO₂ emissions

- U.S. methane emissions decreased 6% from 1990 to 2014\(^{(b)}\) despite a 46% increase in natural gas production\(^{(a)}\) over the same period

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<tbody>
<tr>
<td>U.S. Population</td>
<td>~260 million</td>
<td>~301 million</td>
<td>~321 million</td>
</tr>
<tr>
<td>Real GDP</td>
<td>~$9.5 trillion</td>
<td>~$14.9 trillion</td>
<td>~$16.3 trillion</td>
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<tr>
<td>Power sector CO₂ emissions</td>
<td>1.92 GT</td>
<td>2.42 GT</td>
<td>1.91 GT</td>
</tr>
<tr>
<td>Power generation (GWh)</td>
<td>3,197,191</td>
<td>4,156,745</td>
<td>4,077,601</td>
</tr>
<tr>
<td>Coal</td>
<td>53%</td>
<td>49%</td>
<td>33%</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>13%</td>
<td>22%</td>
<td>33%</td>
</tr>
<tr>
<td>Nuclear</td>
<td>19%</td>
<td>19%</td>
<td>20%</td>
</tr>
<tr>
<td>Solar/Wind</td>
<td>&lt;1%</td>
<td>&lt;1%</td>
<td>5%</td>
</tr>
</tbody>
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\(^{(a)}\) EIA, Monthly Energy Review, December 2016.

Pipeline Development Environment

Attack on Fossil Fuels Focused on Pipelines

**NGO Opposition**
- Well funded and organized
  - National, regional and local
  - Challenging every step in process
- Refining tactics
  - Widespread misinformation
  - Consistently linked to production and exports
  - Delaying construction
  - Focus on state resource agencies

**State Permitting Challenges**
- Interdependency of permits and delegation of authority
- Agency concern with “second guessing”
- Requirements vary significantly by state
- Impacts
  - Costly and time consuming
  - Uncertainty and delays in obtaining permits
  - More stringent requirements
It’s Changing How We Develop Projects

■ Project Planning
  — Extended timelines – from filing to in-service
  — Thorough risk identification & planning
  — Early Stakeholder engagement
  — Safety and security

■ Relationship with Customers
  — Stronger partnerships
  — Earlier engagement
  — Setting expectations
  — Combined outreach and communication

■ Contracting
  — Recognition of risks
  — Risk allocation
  — Account for potential schedule impacts