Verrill Dana LLP
Attorneys at Law

PIERCE ATWOOD LLP

Supply/Pipeline/Reducing the Basis Differential

Patrick Woodcock, Director, Maine Energy Office
Carol MacLennan, Maine Public Utilities Commission
Tim Schneider, Maine Public Advocate
Jim Cohen, Verrill Dana
Greg Crisp, Spectra
Curtis Cole, Tennessee Gas
Cynthia Armstrong, PNGTS

Office of the Public Advocate

Natural Gas: Continued Growth in Maine
October 9, 2014

Tim Schneider
Maine Public Advocate

Things we know

- Winter electricity price spikes in New England are the result of insufficient pipeline capacity
- Nothing will improve before the winter of 2016-17

Other things we know

- AIM and TGP-CT will come online in November 2016
- Canadian offshore resources will continue to decline
- More than 3000 MW of non-gas fired generation in New England will retire by 2017
- Marcellus gas will be plentiful and inexpensive relative to alternative fuels
- Demand from New England LDCs will grow and they will purchase pipeline capacity to meet this demand
- No evidence of pipeline capacity investment by other market participants

Things we don't know

- What other pipelines will be constructed and how much additional capacity they will provide
- How generators will respond to ISO-NE Pay for Performance changes to the Forward Capacity Market
- Future of regional efforts (including legality of cost allocation mechanism)
- Impact of US LNG exports
- Will Maine enter into an ECRC?

Stein's Law

"If something cannot go on forever, it will stop."

-Herbert Stein

Natural Gas: Continued Growth in Maine?

Supply/Pipeline/
Reducing the Basis Differential

How Maine Would Select
among Competing ECRC Proposals

James I. Cohen, Partner
Verrill Dana, LLP
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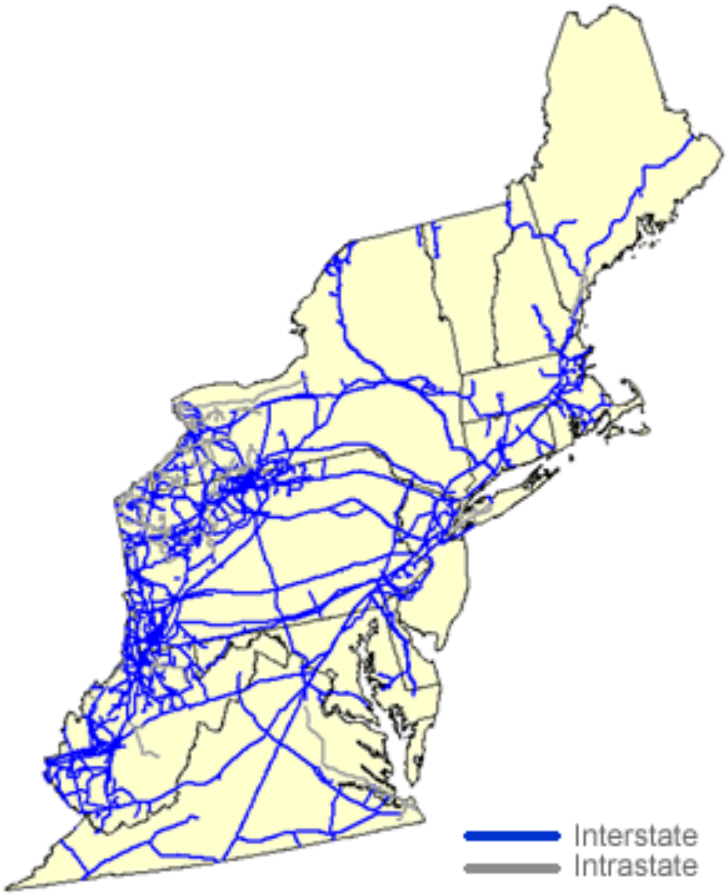
Verrill Dana LLP
Attorneys at Law

Gas in the Northeast



Source: US Energy Information Administration

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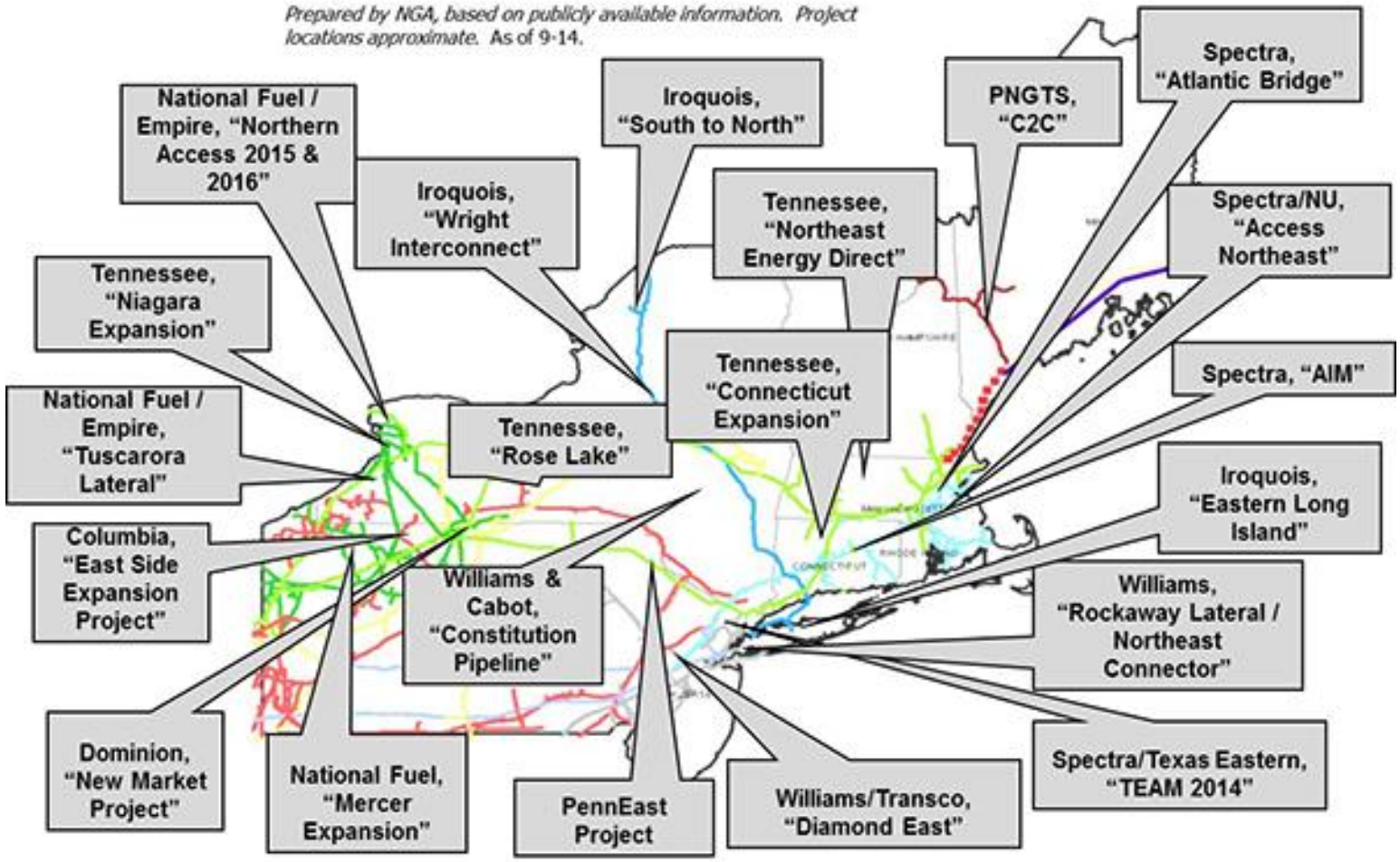
Proposed Pipeline Projects



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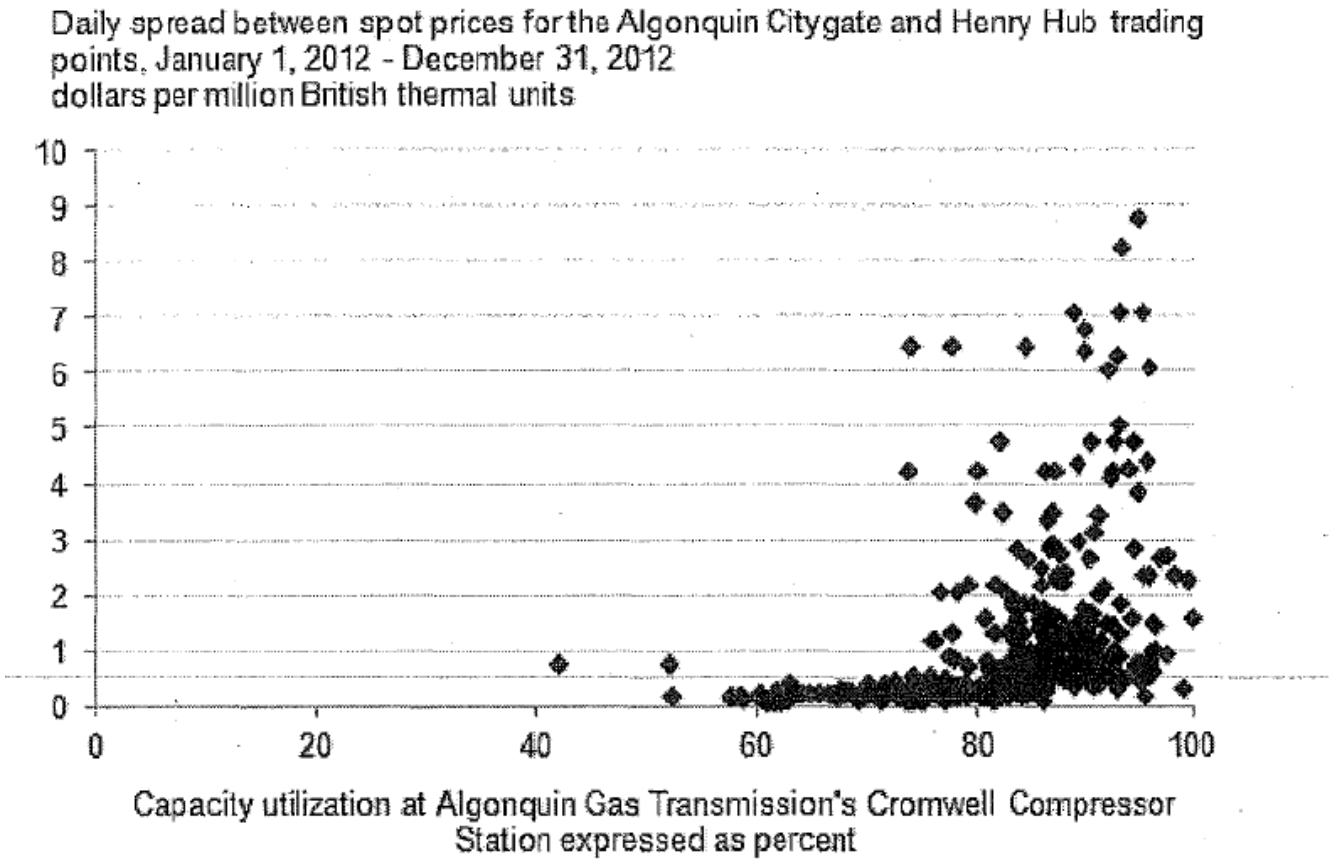
Determining Regional Gas Needs



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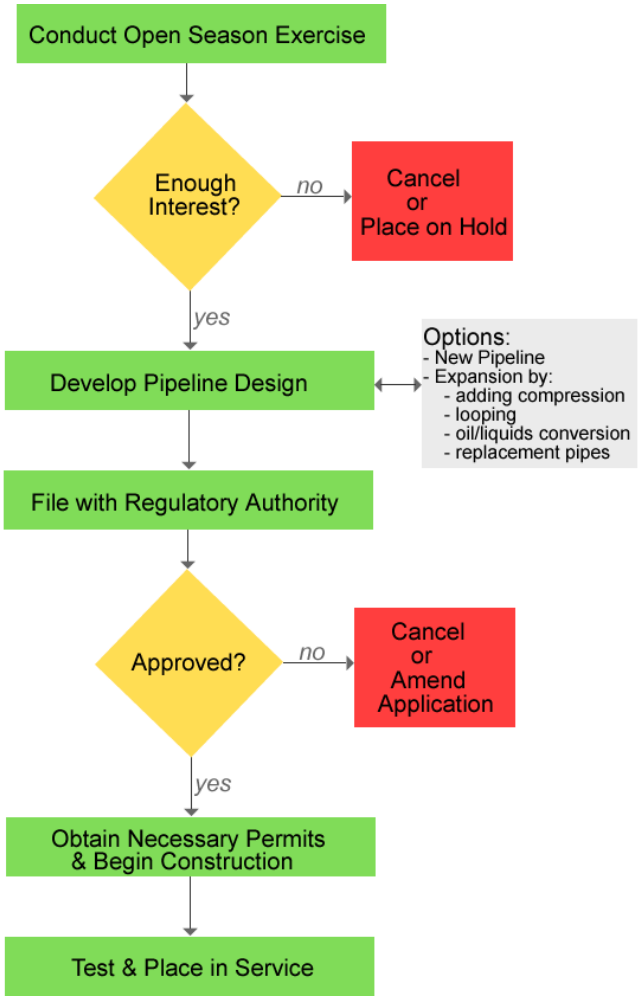
Key Issues in Selecting an ECRC

- The Current Options on the Table:
  - PNGTS: Canada to Coast (C2C)
  - Tennessee Gas: Northeast Energy Direct (NED)
  - Spectra Energy: Atlantic Bridge (AB), Access Northeast (a/k/a NESCOE)

- Standards for evaluating among proposals:
  - Incremental “take-up-and relay” v. “greenfield” pipeline
  - Delivery Point(s) to end users, and geography (Maine v. elsewhere in New England)
  - Receipt Points(s) of gas supply, and liquidity. Applicable trading hub(s)
  - Types of product: volume, term, scalability, flexibility of delivery/receipt points
  - Project schedule: in-service date, and likelihood of meeting projections
  - Financial and technical expertise
  - Financial bid: price per dekatherm, including cost from supply region to Maine
  - Frequency of nominations

Development and Expansion Process for Natural Gas Pipeline Projects



Source: EIA

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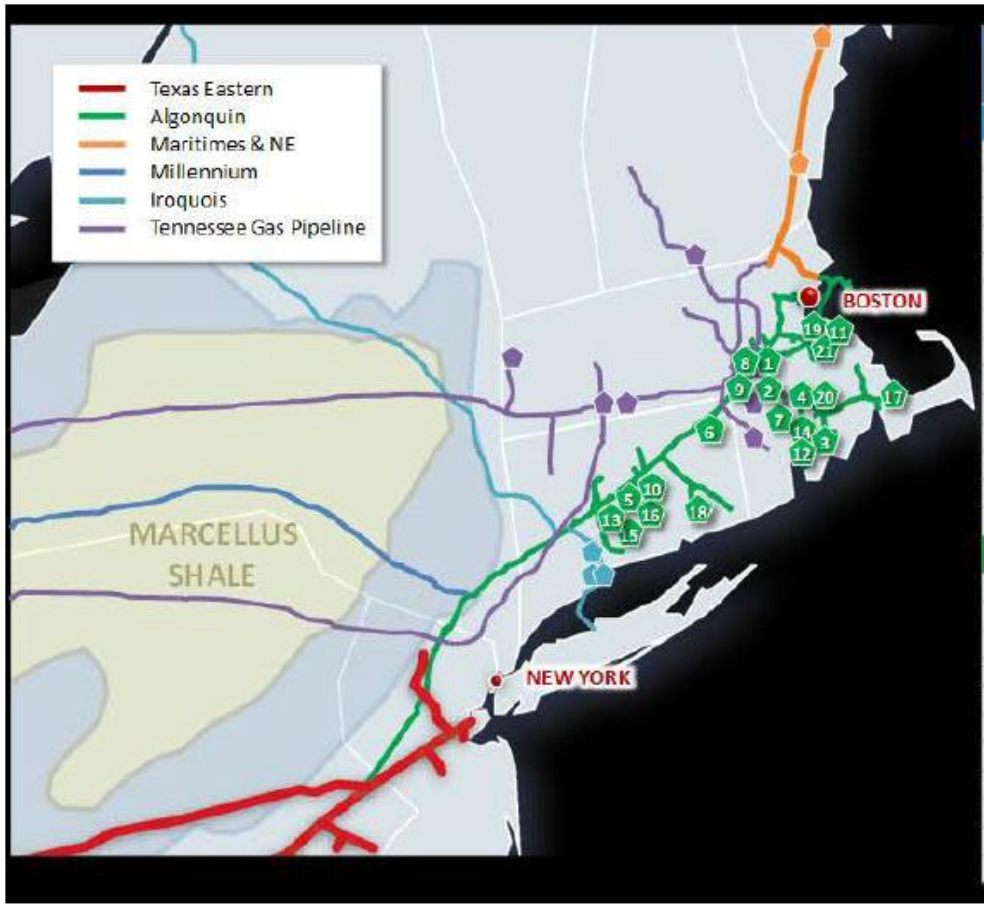
Receipt/Delivery Points



Power Plants currently served by AGT			
#	Plant Name	MW	~ MDth/d
Natural Gas Only			
1	ANP Bellingham	523	105
2	Bellingham	337	67
3	Dartmouth Power	68	14
4	Dighton Power	177	35
5	Kleen Energy	620	124
6	Lake Road	564	113
7	Manchester Street	510	102
8	Milford Power	171	34
9	Ocean State Power	635	127
10	Genconn Power	197	39
11	Fore River	837	167
12	Tiverton	279	56
13	Wallingford Energy	241	48
	Total Natural Gas Only:	**5,157**	**1,031**
Natural Gas / Oil Cogeneration			
14	Brayton Point	446	89
15	CMEEC - Pierce Power	96	19
6	Lake Road	281	56
16	Middletown	365	73
17	Mirant Canal	561	112
18	Montville	82	16
19	Potter Street (BELD I)	92	18
20	TMLP	110	22
21	Watson Generating (BELD II)	115	23
	Total Cogeneration:	**2,148**	**430**
	Total Gas Only & Cogeneration:	**7,305**	**1,461**

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Process of Selection

- RFP vs. Adjudication
- Formal vs. Informal scoring system
- Time Frame for Submission, Review, and Award

Maine Natural Gas Conference

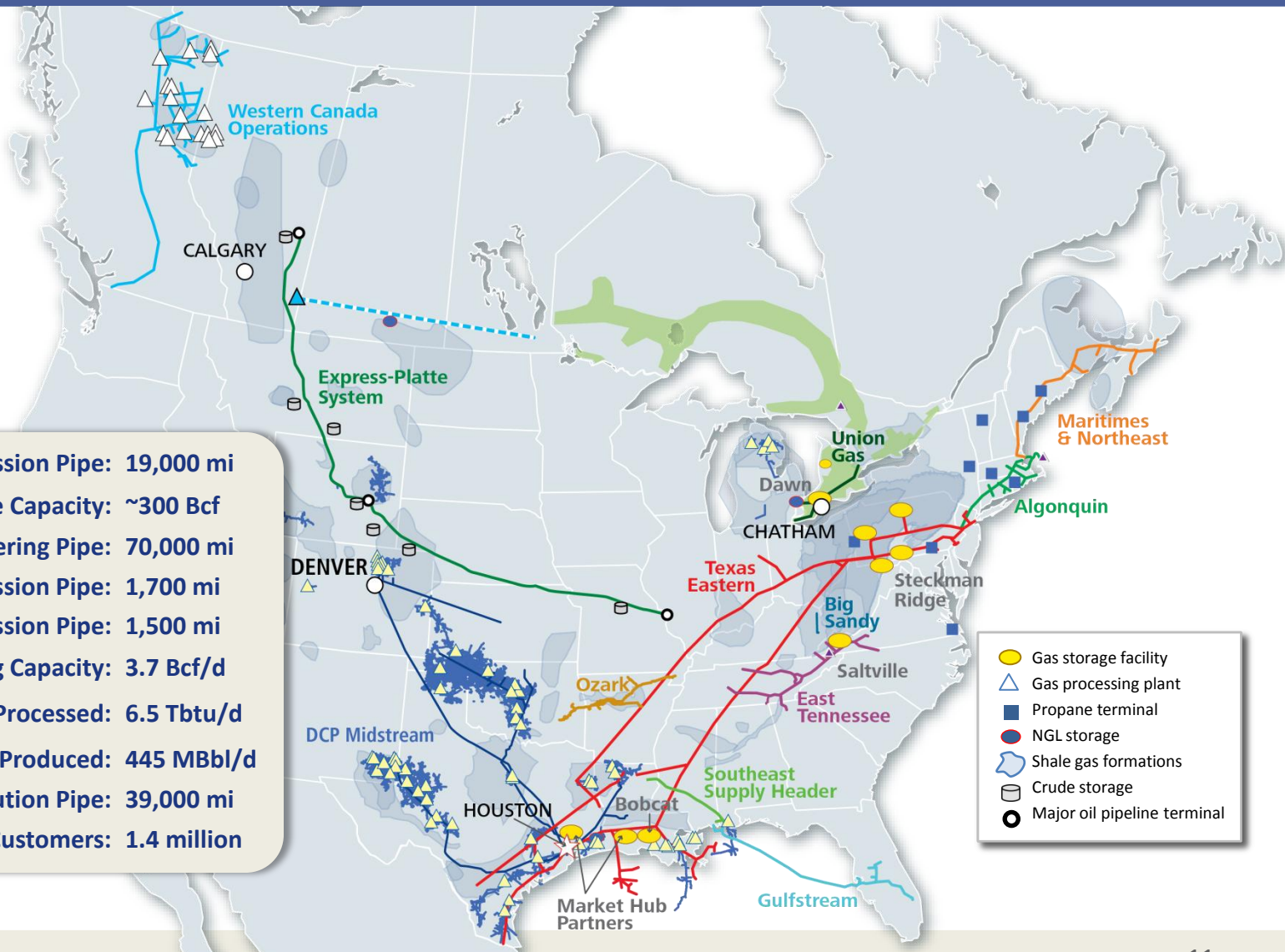
Meeting Maine's Natural Gas Infrastructure Needs

Greg Crisp

General Manager, Business Development

Our Strong Portfolio of Assets

Natural Gas Transmission Pipe:	19,000 mi
Natural Gas Storage Capacity:	~300 Bcf
Natural Gas Gathering Pipe:	70,000 mi
Crude Transmission Pipe:	1,700 mi
NGL Transmission Pipe:	1,500 mi
SE Gas Processing Capacity:	3.7 Bcf/d
1Q14 DCP Gathered and Processed:	6.5 Tbtu/d
1Q14 DCP NGLs Produced:	445 MBbl/d
Distribution Pipe:	39,000 mi
Union Gas Retail Customers:	1.4 million



Algonquin Incremental Market (AIM) Expansion

Purpose:

- To provide growing New England demand with access to abundant regional natural gas supplies

Project Scope:

- Provides 342 MMcf/d of additional capacity to move Marcellus production to Algonquin City Gates
- CapEx: $1 B

Customers (15 year terms):

- LDC Affiliates of:
  - UIL Holdings
  - Northeast Utilities
  - National Grid
  - NiSource
- City of Norwich
- Middleborough

Project Status:

- Pre-filed with FERC Jun 2013
- Filed FERC application Feb 2014
- Expect FERC certificate 1Q15
- Commence construction 2Q15
- In-service 2H16

Preliminary Facilities:

- Take up segments of 26” pipeline and replace with 42”; one segment of 36” loop; reinforcement of existing laterals; construction of new lateral
- Horsepower additions and modifications at 5 existing compressor stations
- New meter station installations and modifications to existing meter stations

Atlantic Bridge

Moving abundant, economic supplies of natural gas from the Marcellus & Utica to constrained New England markets

Project Scope:

- CapEx: ~$900 MM
- Capacity: 175 MMcf/d (with potential to 300 MMcf/d)

Customers:

- Late stage negotiations with various local distribution companies in New England and Atlantic Canada

Project Status:

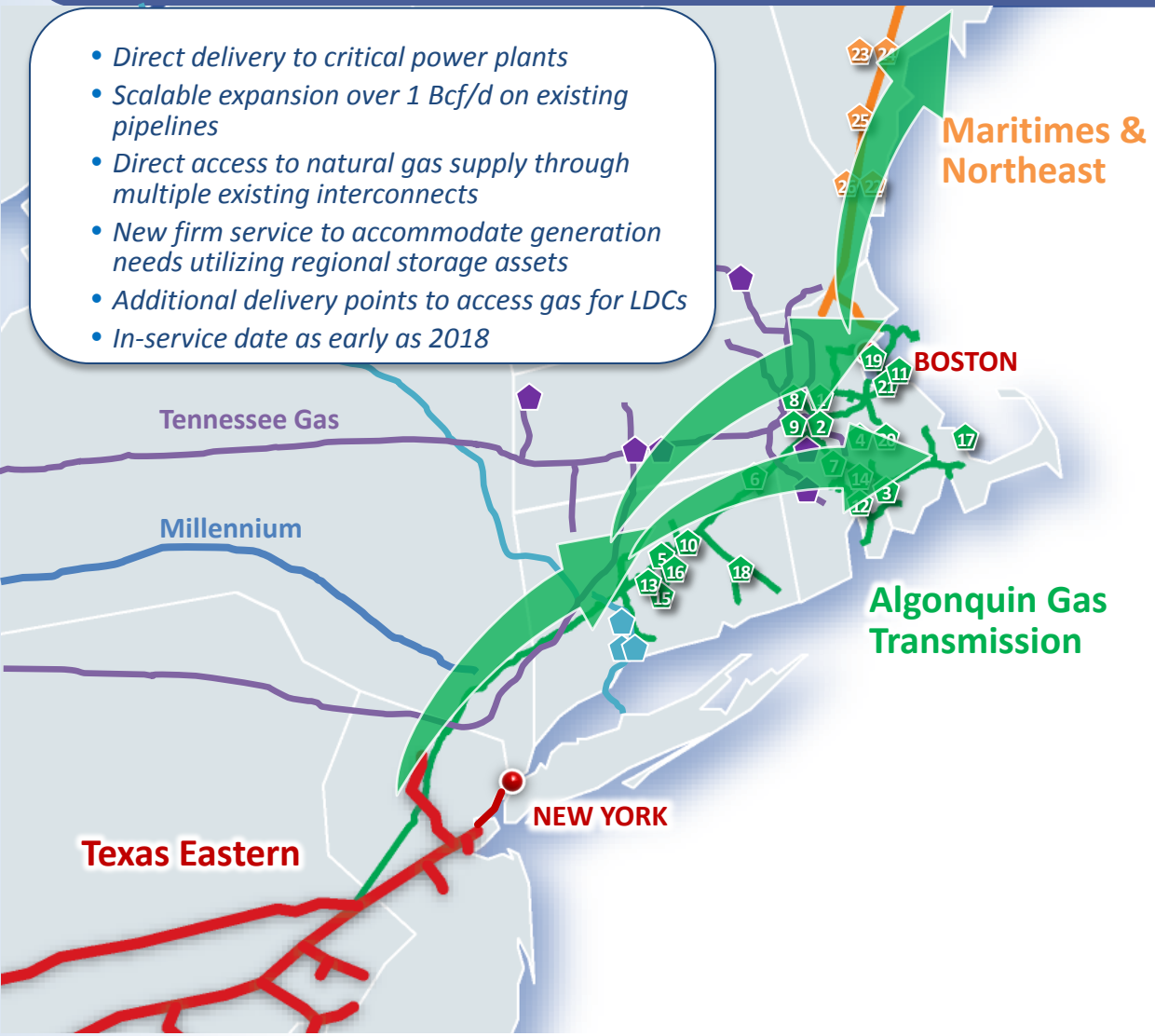
- Estimated in-service: 2H17

Preliminary Facilities

- New compressor station, upgrades of existing compressor stations and meter station modifications
- Pipeline looping and take-up and relay

Access Northeast Project
New England Reliability Solution

- *Direct delivery to critical power plants*
- *Scalable expansion over 1 Bcf/d on existing pipelines*
- *Direct access to natural gas supply through multiple existing interconnects*
- *New firm service to accommodate generation needs utilizing regional storage assets*
- *Additional delivery points to access gas for LDCs*
- *In-service date as early as 2018*



Generation served by AGT	
1	ANP Bellingham
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3	Dartmouth Power
4	Dighton Power
5	Kleen Energy
6	Lake Road
7	Manchester Street
8	Milford Power
9	Ocean State Power
10	Genconn Power
11	Fore River
12	Tiverton
13	Wallingford Energy
14	Brayton Point
15	CMEEC - Pierce Power
16	Middletown
17	Mirant Canal
18	Montville
19	Potter Street (BELD I)
20	TMLP
21	Watson Generating (BELD II)
Generation served by M&N	
22	Newington
23	Casco Bay
24	Bangor Gas
25	Westbrook
26	PSNH-Newington

Tennessee Gas Pipeline Company, L.L.C.
a Kinder Morgan company

Natural Gas:
The Best Path Forward for Maine?

Sponsored by Pierce Atwood LLP and Verrill Dana, LLP

Tennessee Gas Pipeline Company, L.L.C.

Northeast Energy Direct (NED) Project

A Transformative Energy Solution for Maine

October 9, 2014

Curtis Cole, Director, Business Development

Tennessee Gas Pipeline Company, L.L.C.
a Kinder Morgan company

Forward-Looking Statements / Non-GAAP Financial Measures

This presentation contains forward-looking statements. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. In particular, statements, express or implied, concerning future actions, conditions or events, future operating results or the ability to generate revenues, income or cash flow or to make distributions or pay dividends are forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future actions, conditions or events and future results of operations of Kinder Morgan Energy Partners, L.P., Kinder Morgan Management, LLC, El Paso Pipeline Partners, L.P., and Kinder Morgan, Inc. may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results are beyond Kinder Morgan's ability to control or predict. These statements are necessarily based upon various assumptions involving judgments with respect to the future, including, among others, the ability to achieve synergies and revenue growth; national, international, regional and local economic, competitive and regulatory conditions and developments; technological developments; capital and credit markets conditions; inflation rates; interest rates; the political and economic stability of oil producing nations; energy markets; weather conditions; environmental conditions; business and regulatory or legal decisions; the pace of deregulation of retail natural gas and electricity and certain agricultural products; the timing and success of business development efforts; terrorism; and other uncertainties. There is no assurance that any of the actions, events or results of the forward-looking statements will occur, or if any of them do, what impact they will have on our results of operations or financial condition. Because of these uncertainties, you are cautioned not to put undue reliance on any forward-looking statement. Please read "Risk Factors" and "Information Regarding Forward-Looking Statements" in our most recent Annual Reports on Form 10-K and our subsequently filed Exchange Act reports, which are available through the SEC's EDGAR system at www.sec.gov and on our website at www.kindermorgan.com.

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 and on our website at www.kindermorgan.com. These non-GAAP measures should not be considered an alternative to GAAP financial measures.

A Different Kind of
ENERGY COMPANY

Northeast Energy Direct Project

A Transformative Energy Solution for Maine

KINDER MORGAN



Tennessee Gas Pipeline Company, L.L.C.
a Kinder Morgan company

The Energy Crisis in Maine

Maine Needs an energy solution that will

Reduce Energy Costs

And

Enhance Electric Reliability

Transformative NED Project is a long-term market solution that provides the level of capacity to significantly reduce basis differentials in New England and provide the breadth of access to existing and new electric generation facilities ideally suited to serve the ISO-NE Hub

Tennessee Gas Pipeline Company, L.L.C.
a Kinder Morgan company

Maine Energy Crisis – High Energy Costs

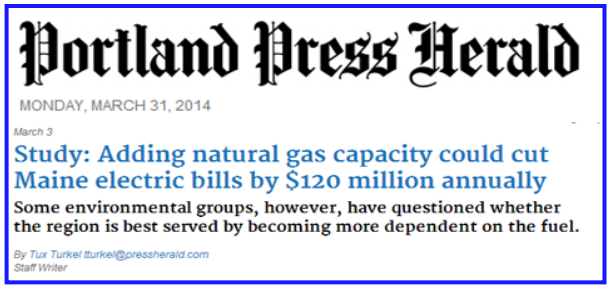
Unprecedented gas capacity constraints on existing pipelines
(Source: ISO-NE, EIA.gov)

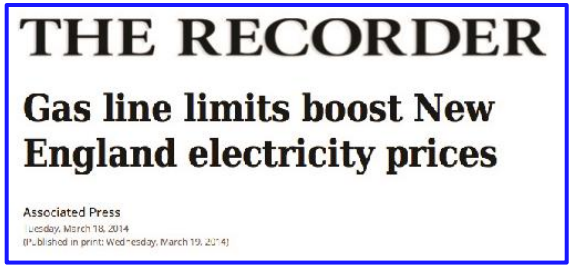
Highest and most volatile gas commodity costs in the nation
(Source: ISO-NE, EIA.gov)


BloombergBusinessweek
Global Economics
Energy
Northeast's Record Natural Gas Prices Due to Pipeline Dearth
By Matthew Philips | February 06, 2014


BOSTON BUSINESS JOURNAL
Mass. faces gas shortage despite national surge
Despite abundant new sources of natural gas, New England faces shortages — and may pay the price


CONCORD MONITOR
New England seeks to expand natural gas delivery network
By STEPHEN SINGER
Associated Press
Thursday, January 23, 2014
(Published in print: Friday, January 24, 2014)


Portland Press Herald
MONDAY, MARCH 31, 2014
March 3
Study: Adding natural gas capacity could cut Maine electric bills by $120 million annually
Some environmental groups, however, have questioned whether the region is best served by becoming more dependent on the fuel.
By Tux Turkel tturkel@pressherald.com
Staff Writer


THE RECORDER
Gas line limits boost New England electricity prices
Associated Press
Tuesday, March 18, 2014
(Published in print: Wednesday, March 19, 2014)


lowellsun.com
Lowell Massachusetts
ISO: Gas-pipeline shortage boosts electricity prices
The Lowell Sun
0 COMMENTS
HOLYOKE (AP) -- A lack of pipelines into New England is making natural gas costlier, pushing up wholesale electricity prices in the region by 55 percent last year, the region's electric grid operator said Tuesday.


wcvb.com
Insufficient pipelines boosting natural gas price
ISO-New England says price up to $56.06 per megawatt hour
Published 2:58 PM EDT Mar 18, 2014

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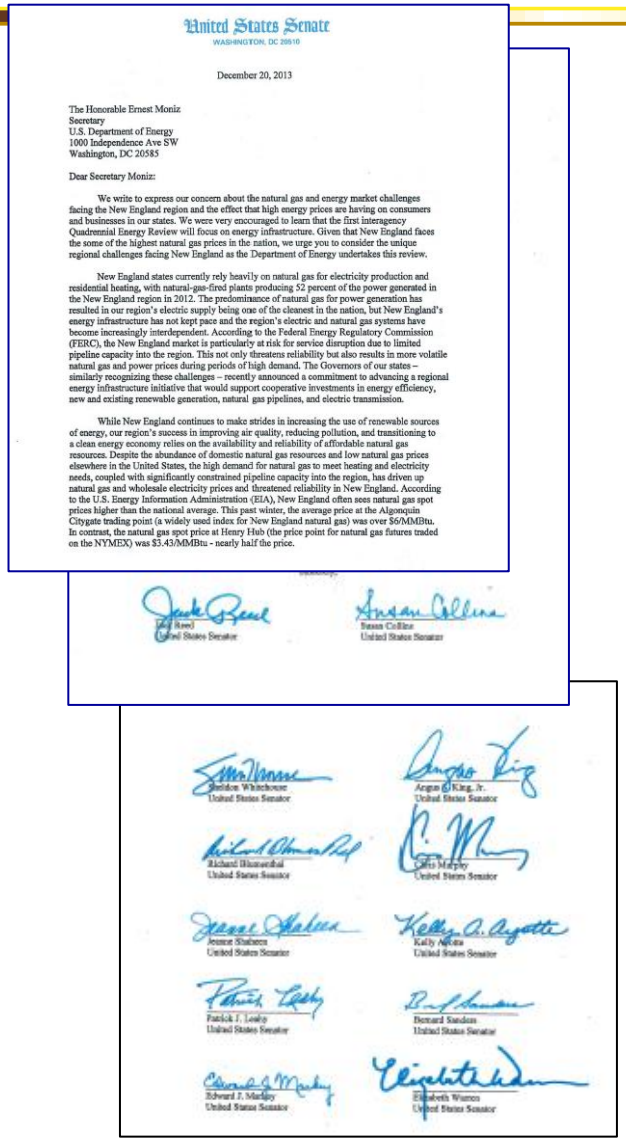
a Kinder Morgan company

Maine Energy Crisis – Electric Reliability



United States Senate
WASHINGTON, DC 20510

December 20, 2013

The Honorable Ernest Moniz
Secretary
U.S. Department of Energy
1000 Independence Ave SW
Washington, DC 20585

Dear Secretary Moniz:

We write to express our concern about the natural gas and energy market challenges facing the New England region and the effect that high energy prices are having on consumers and businesses in our states. We were very encouraged to learn that the first interagency Quadrennial Energy Review will focus on energy infrastructure. Given that New England faces the some of the highest natural gas prices in the nation, we urge you to consider the unique regional challenges facing New England as the Department of Energy undertakes this review.

New England states currently rely heavily on natural gas for electricity production and residential heating, with natural-gas-fired plants producing 52 percent of the power generated in the New England region in 2012. The predominance of natural gas for power generation has resulted in our region's electric supply being one of the cleanest in the nation, but New England's energy infrastructure has not kept pace and the region's electric and natural gas systems have become increasingly interdependent. According to the Federal Energy Regulatory Commission (FERC), the New England market is particularly at risk for service disruption due to limited pipeline capacity into the region. This not only threatens reliability but also results in more volatile natural gas and power prices during periods of high demand. The Governors of our states – similarly recognizing these challenges – recently announced a commitment to advancing a regional energy infrastructure initiative that would support cooperative investments in energy efficiency, new and existing renewable generation, natural gas pipelines, and electric transmission.

While New England continues to make strides in increasing the use of renewable sources of energy, our region's success in improving air quality, reducing pollution, and transitioning to a clean energy economy relies on the availability and reliability of affordable natural gas resources. Despite the abundance of domestic natural gas resources and low natural gas prices elsewhere in the United States, the high demand for natural gas to meet heating and electricity needs, coupled with significantly constrained pipeline capacity into the region, has driven up natural gas and wholesale electricity prices and threatened reliability in New England. According to the U.S. Energy Information Administration (EIA), New England often sees natural gas spot prices higher than the national average. This past winter, the average price at the Algonquin Citygate trading point (a widely used index for New England natural gas) was over $6/MMBtu. In contrast, the natural gas spot price at Henry Hub (the price point for natural gas futures traded on the NYMEX) was $3.43/MMBtu - nearly half the price.

Jack Reed
United States Senator

Susan Collins
United States Senator

Sheldon Whitehouse
United States Senator

Angus S. King, Jr.
United States Senator

Richard Blumenthal
United States Senator

Chris Murphy
United States Senator

Jeanne Shaheen
United States Senator

Kelly Ayotte
United States Senator

Patrick J. Leahy
United States Senator

Bernard Sanders
United States Senator

Edward J. Markey
United States Senator

Elizabeth Warren
United States Senator

LETTER FROM THE NEW ENGLAND U.S. SENATE DELEGATION TO DEPARTMENT OF ENERGY SECRETARY MONIZ – December 13, 2013

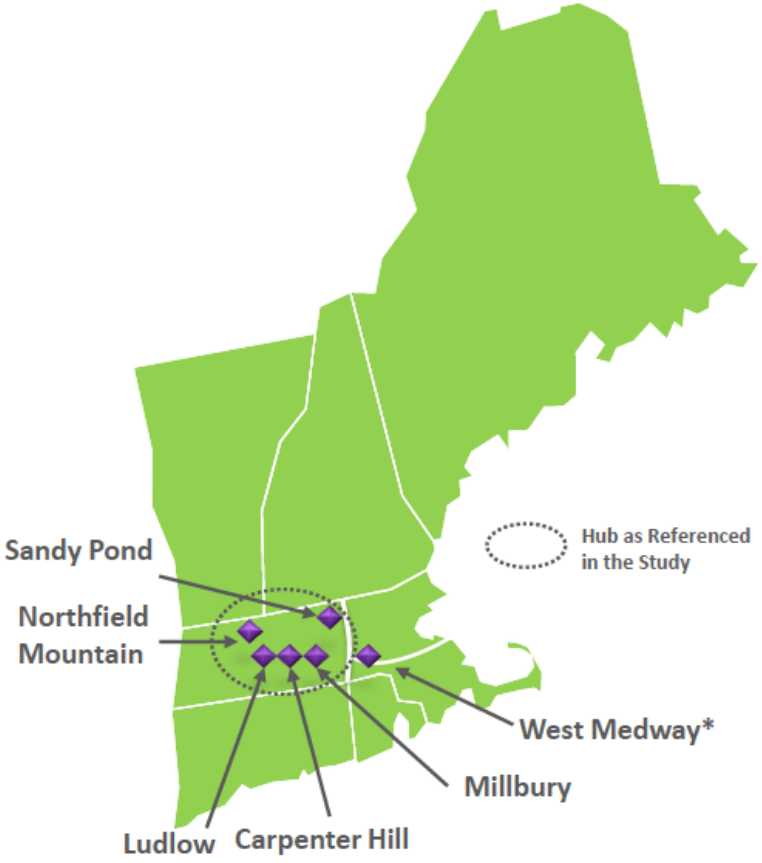
> **"According to the Federal Energy Regulatory Commission (FERC), *the New England market is particularly at risk for service disruption due to limited pipeline capacity into the region*. This not only threatens reliability but also results in more volatile natural gas and power prices during periods of high demand."**

> **"Energy infrastructure in the region is simply inadequate to meet demand and has been a key factor in the energy price volatility."**

ISO-NE – The Role of the Hub

Application of New England Trading "Hub"

- New England Trading Hub (Hub) is a central trading location in energy market where no significant energy congestion is expected
  - 32 electrical buses/nodes in West-Central Massachusetts make up the Hub
  - Interconnection of new proxy generation at the Hub was represented by six 345 kV buses/nodes*
- Replacement resources needed were envisioned to be integrated at the Hub



** W. Medway 345 kV is electrically close to, but not in the defined Trading Hub*

Source: ISONE

ISO-NE – The Threat to Hub Reliability

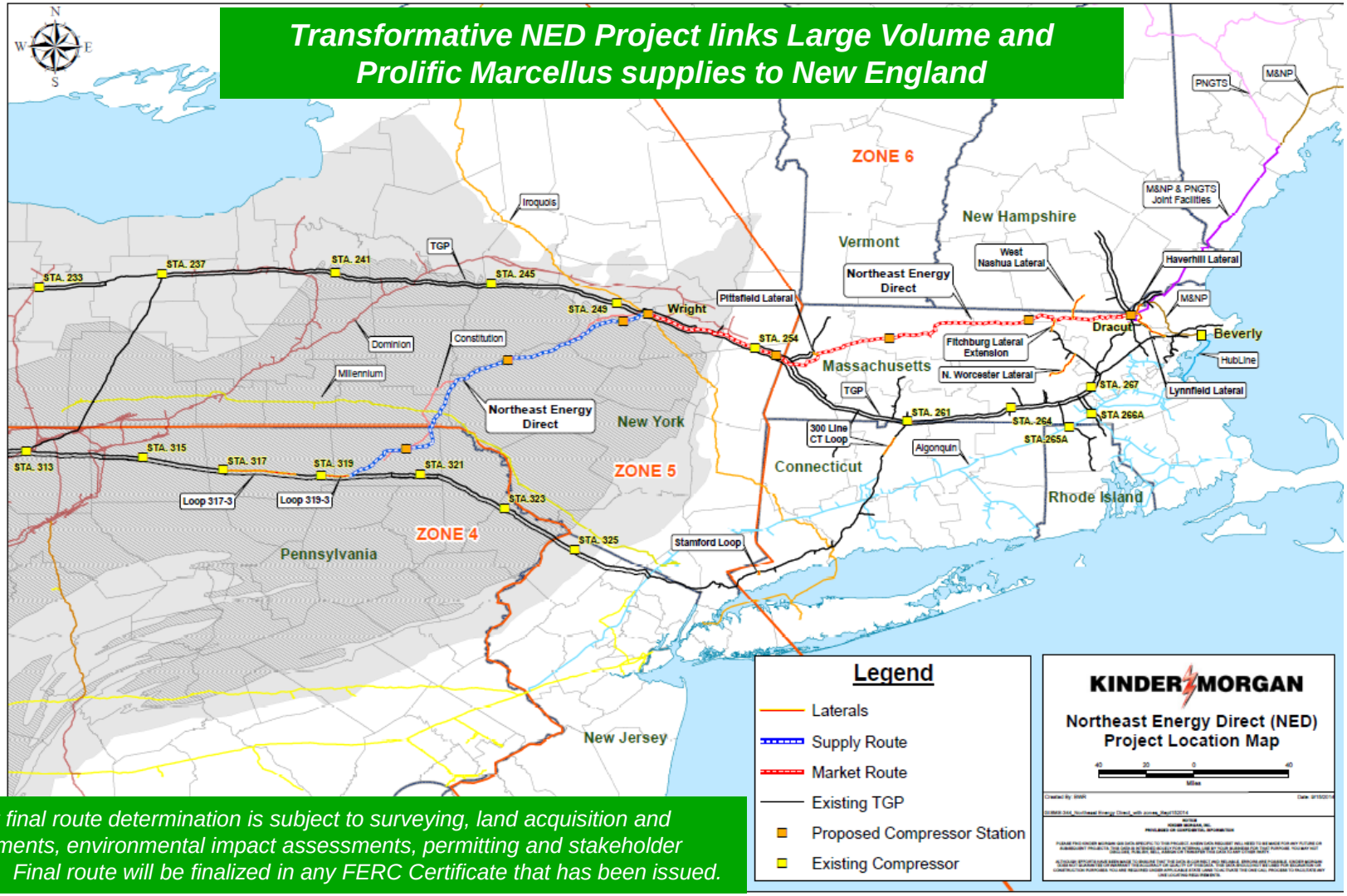
Overall Observations

- If 8,300 MW retire by 2020, resource adequacy needs dictate replacement capacity of at least 5,900 MW plus almost 800 MW of new energy efficiency reflected in EE forecast
- With the currently planned system configuration at least 900 MW of the 5,900 MW replacement capacity must be in specific locations due to transmission constraints
  - 500 MW must be in SEMA
  - 400 MW must be in Connecticut
- Approximately 5,000 MW may need to be integrated into Hub
  - Transmission may be needed to make resources deliverable to the Hub
  - From Hub power can be delivered to the load

Source: ISONE

Tennessee Gas Pipeline Company, L.L.C.
a Kinder Morgan company

Northeast Energy Direct Project – Full Path



** Any final route determination is subject to surveying, land acquisition and easements, environmental impact assessments, permitting and stakeholder input. Final route will be finalized in any FERC Certificate that has been issued.*

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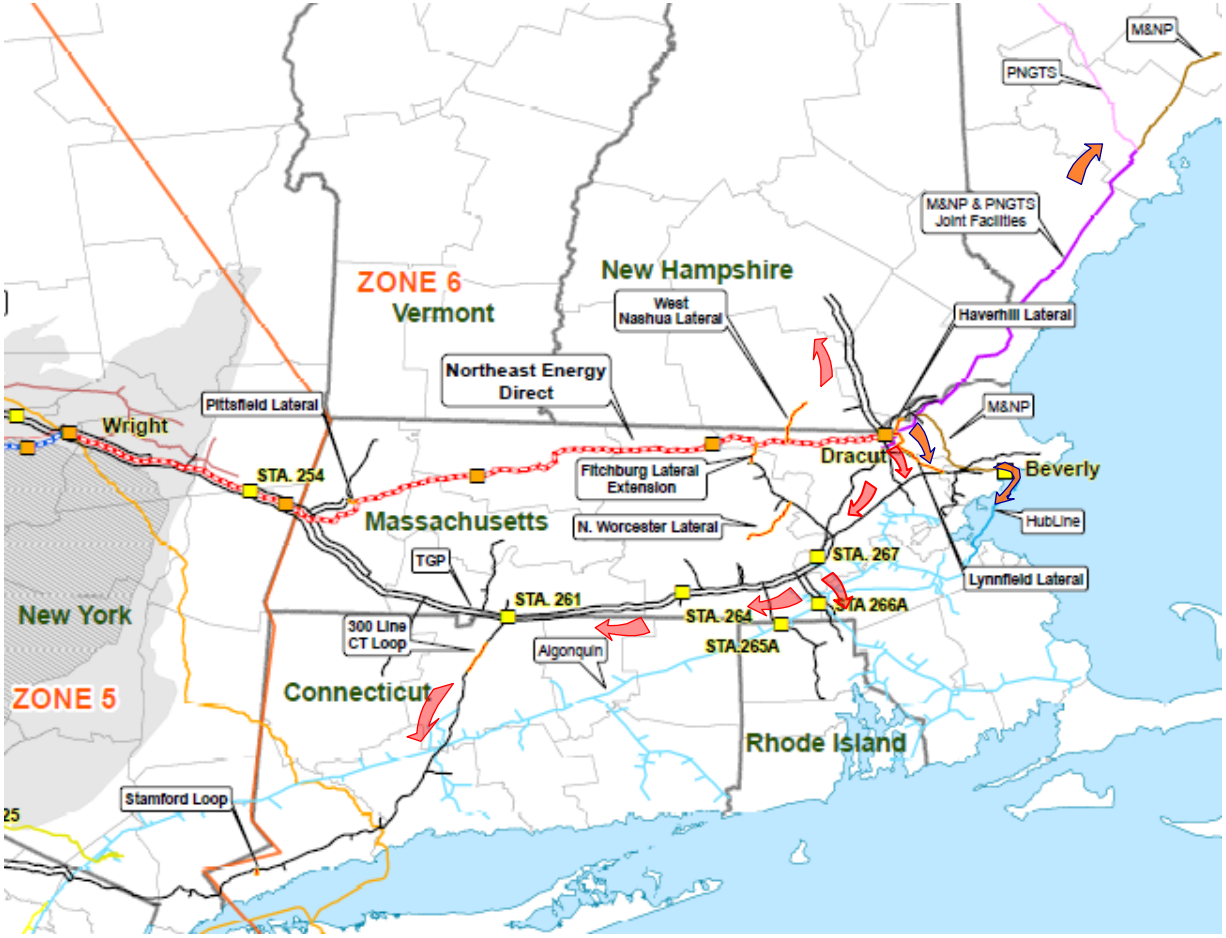
Northeast Energy Direct Project – Market Path



Transformative NED Project is a long-term market solution that provides the level of capacity to significantly reduce basis differentials in New England and provides breadth of access to existing and new electric generation facilities ideally suited for the ISO-NE Hub

Project Details

- In-Service: November 2018
- Scalable Volume: 0.8 – 2.2 Bcf/d
- ~177 miles new and co-located pipe
- ~73 miles of market delivery laterals

Market Reach

- MA, CT, RI, NH, NY directly, and
- High pressure feed to Maine markets, and
- Existing & Future Power Generation
  - Direct MA, RI, NH, CT
  - Supplies M&NP, PNGTS, AGT
  - NESCOE/FERC cost recovery pending
  - Expected growth due to EPA Requirements

Market Benefits

- Liberates key bottlenecks
- Supply Optionality: Wright, NY "Hub"
- Nonstop Incremental Access to Marcellus w/ NED - Supply and Constitution Pipeline
- Reduces energy costs region-wide
- Spurs economic growth region-wide
- Incrementally enhances existing New England pipeline grid region-wide
- Creates opportunity to expand gas service in New England – new markets, new growth

Tennessee Gas Pipeline Company, L.L.C.
a Kinder Morgan company

The Best Path Forward for Maine – the NED

- ✓ **Transformative**
  - Only Project that Brings **Incremental** Gas Directly from the Marcellus Region
- ✓ **Lower Cost with Market**
- ✓ **Scalable**
- ✓ **Reducing Energy Costs for New England**
  - Only a **Large Scale Project will Significantly Reduce Basis**
  - CES Study in the ECRC Proceeding found that adding 2 Bcf/d of pipeline capacity will generate **$3B/year** in savings potential for energy consumers
- ✓ **Enhance Electric Reliability**
  - Only the TGP NED Project provides access to gas-fired generation on **TGP's system** and the entire **Northeast pipeline grid**
  - NED/TGP ideally suited to serve **ISO-NE Trading Hub**

Tennessee Gas Pipeline Company, L.L.C.
a Kinder Morgan company

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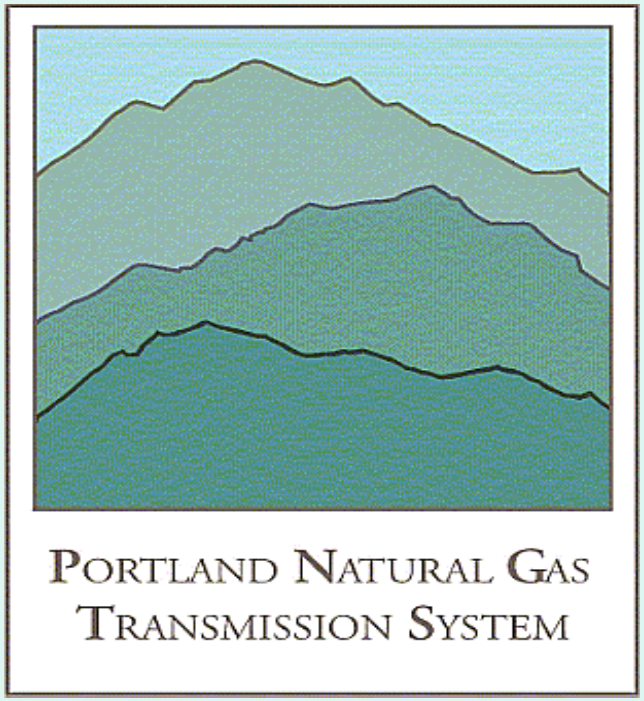
832-217-5161 (cell)

Dodson Skipworth
Account Director, Northeast
Dodson_Skipworth@kindermorgan.com
713-420-2727 (office)
713-823-7590 (cell)

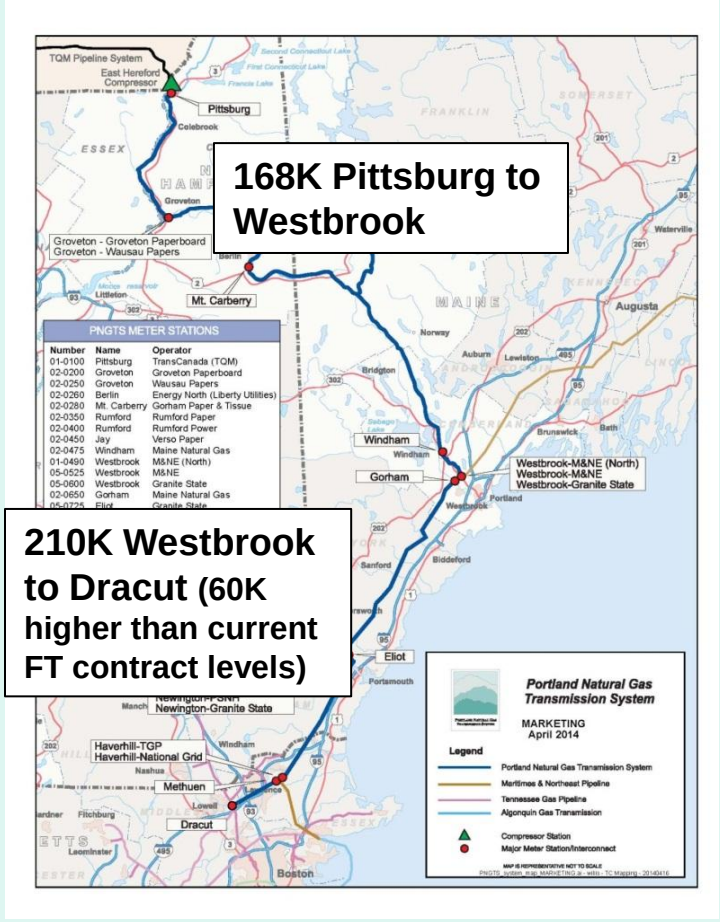


PNGTS Update

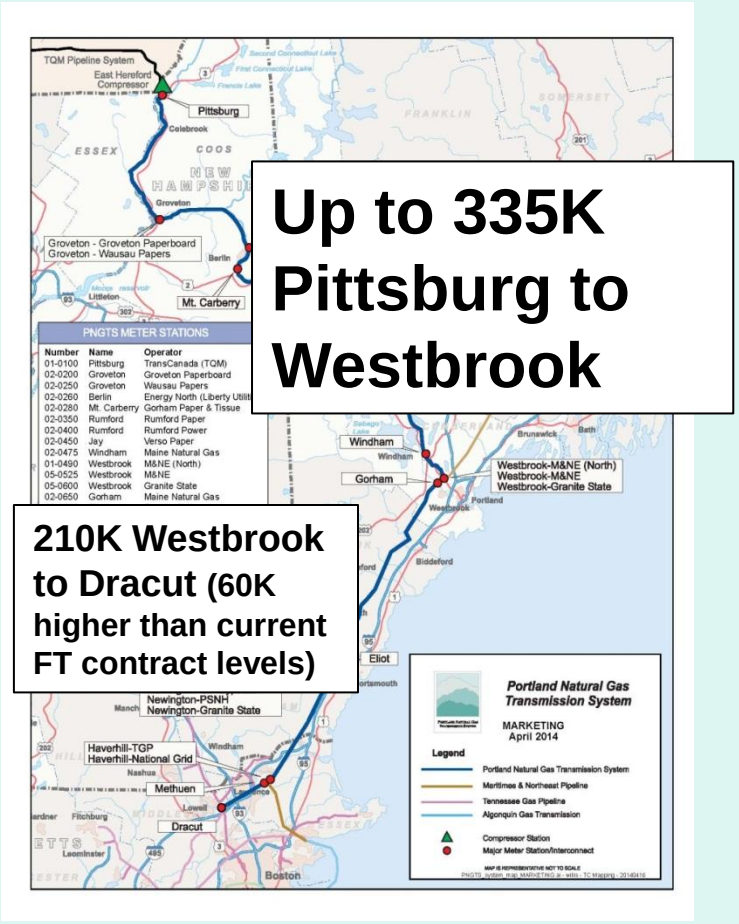
Maine Natural Gas Conference
October 9, 2014

C2C Capacity for Maine

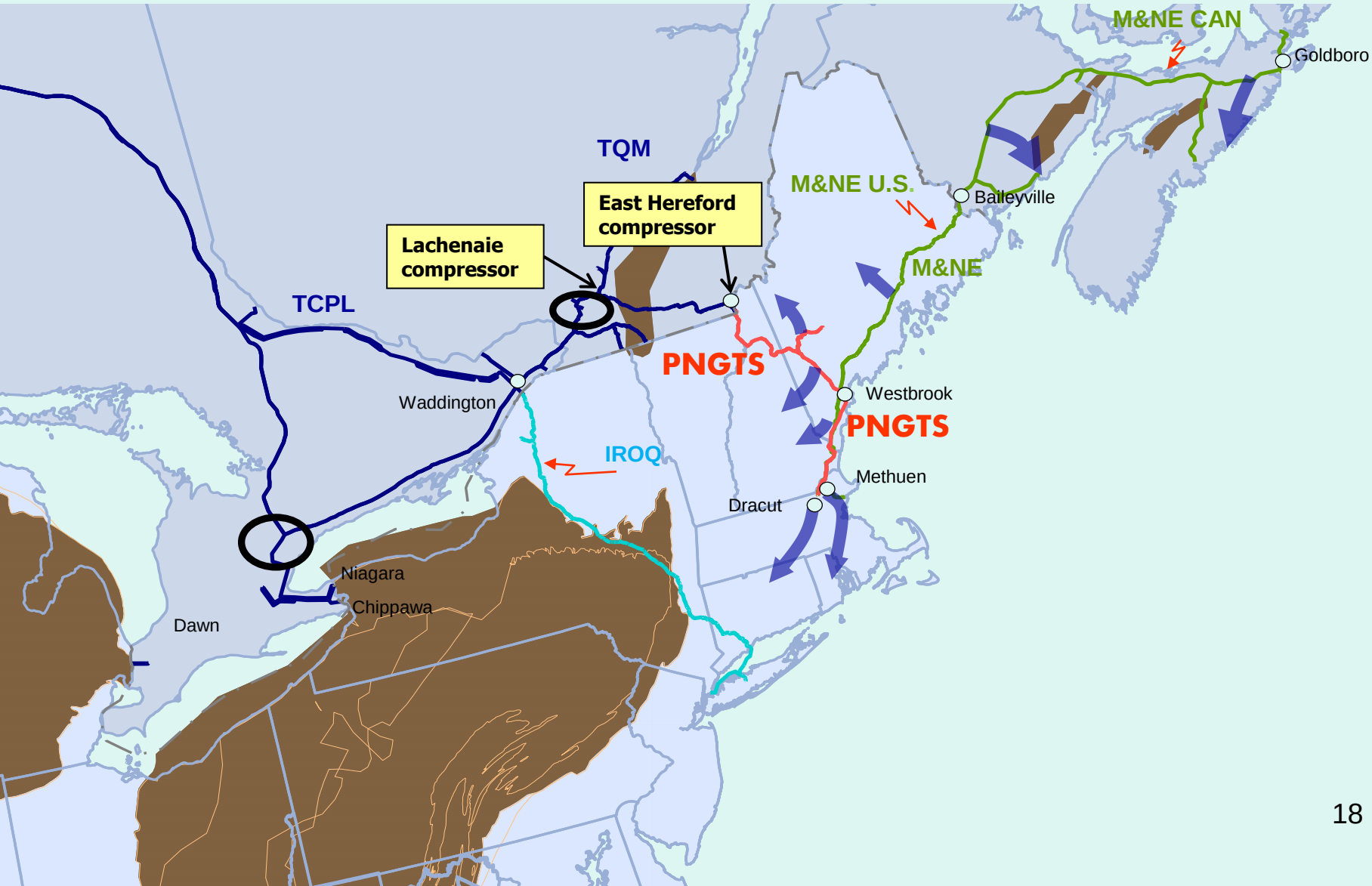
Current



C2C Capabilities



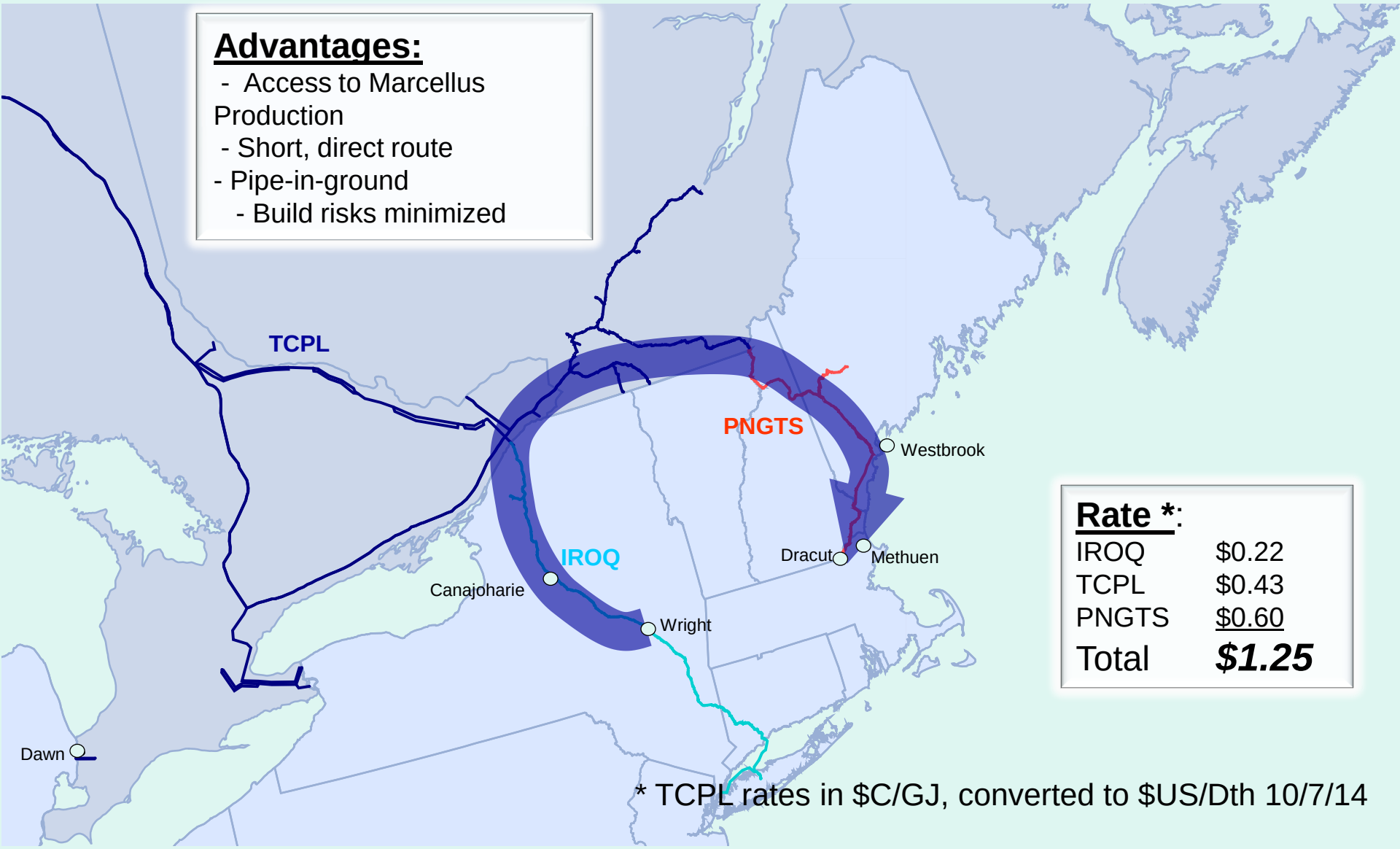
C2C Expansion Mechanism



C2C Update

- Extended deadline to accommodate upstream capacity acquisition
  - TCPL shippers awaiting National Energy Board ("NEB") Rate decision
    - Hearings completed in Sept. 2014
    - Decision expected 4Q 2014/Early 2015
- Discussing/Negotiating terms with interested parties

Wright to PNGTS
(Using TCPL Settlement Rates)



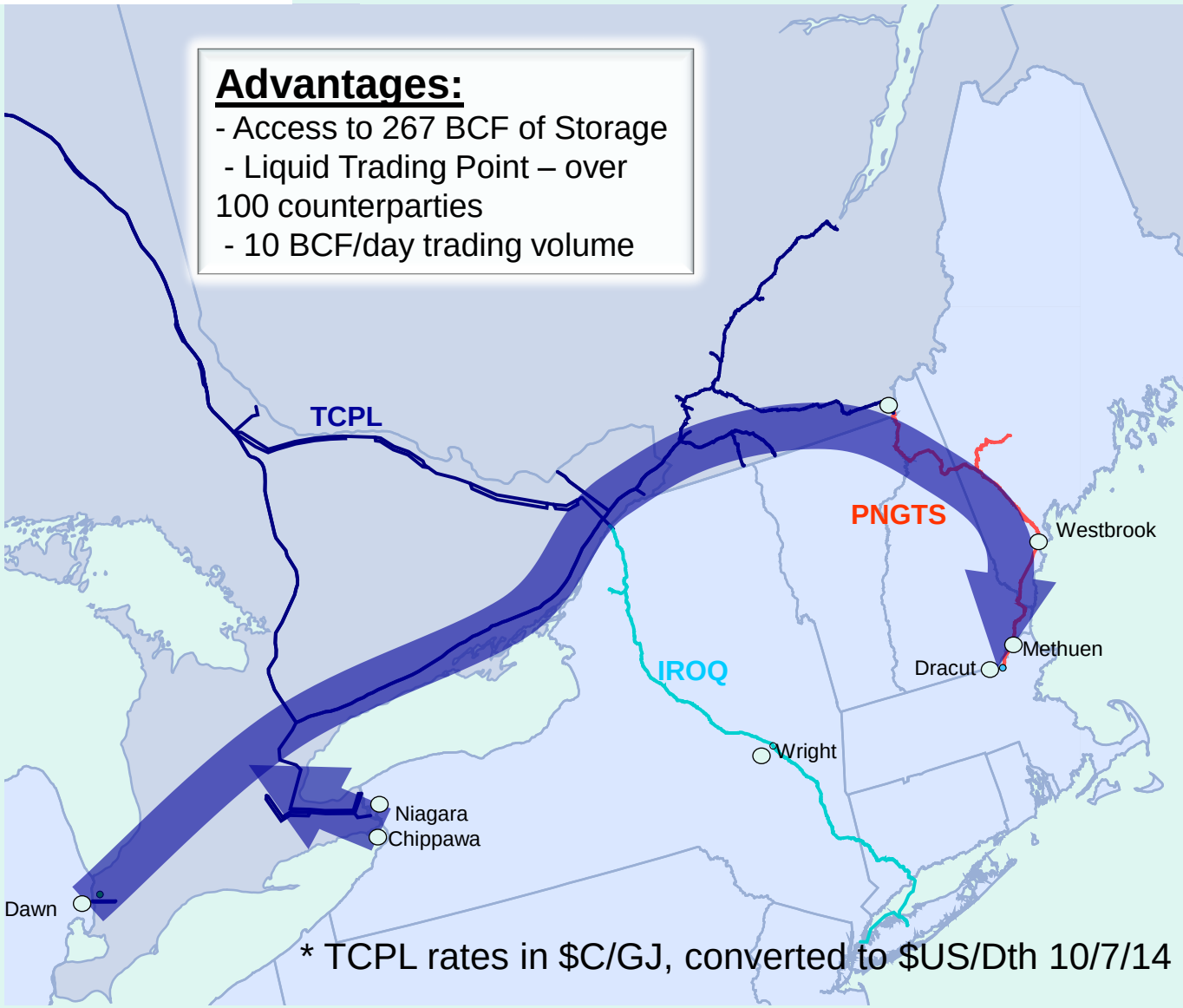
Dawn/Niag/Chipp to PNGTS
(Using TCPL Settlement Rates)

Portland Natural Gas Transmission System

C2C Continent to Coast

Advantages:

- Access to 267 BCF of Storage
- Liquid Trading Point – over 100 counterparties
- 10 BCF/day trading volume



Rate (Dawn) *:

TCPL	$0.89
PNGTS	$0.60
Total	***$1.49***

Rate * (Niag/Chipp):

TCPL	$0.82
PNGTS	$0.60
Total	***$1.42***

* TCPL rates in $C/GJ, converted to $US/Dth 10/7/14