Northeast Energy Direct Project
NEWSLETTER

KINDER MORGAN

March 2015

Press Release: Kinder Morgan Confirms Anchor Shippers for Northeast Energy Direct Project

Kinder Morgan has confirmed the anchor shippers for the proposed Northeast Energy Direct Project. These anchor shippers have executed agreements to transport approximately 500,000 dekatherms per day of incremental natural gas supply. These anchor shippers include National Grid, Liberty Utilities, Columbia Gas of Massachusetts, Connecticut Natural Gas Corporation, Southern Connecticut Gas Corporation, the Berkshire Gas Company, the City of Westfield Gas & Electric Light Dept. and others. The full press release is available at ***news.kindermorgan.com.***

KINDER MORGAN

Kinder Morgan Confirms Anchor Shippers for Northeast Energy Direct Project

Thursday, March 5, 2015 10:01 am EST

HOUSTON--(BUSINESS WIRE)--Kinder Morgan, Inc. (NYSE: KMI) today announced that its subsidiary, Tennessee Gas Pipeline Company (TGP), has finalized its anchor shippers for the market path component of the proposed Northeast Energy Direct Project (NED) following the formal close of the anchor shipper period in February. Collectively, the anchor shippers have executed agreements to transport approximately 500,000 dekatherms per day (Dth/d) of incremental natural gas supplies sourced from the prolific Marcellus Shale region to meet New England's growing consumer and industrial gas needs, as well as helping to bolster electric reliability. NED's market path component, from Wright, New York, to Dracut, Massachusetts, and beyond, is scalable to 1.2 billion cubic feet per day (Bcf/d), or ultimately 2.2 Bcf/d. A project in-service date of November 2018 is planned.

Anchor shippers that have executed binding precedent agreements include: National Grid, 186,963 Dth/d; Liberty Utilities, 115,000 Dth/d; Columbia Gas of Massachusetts, 114,300 Dth/d; and Connecticut Natural Gas Corporation, Southern Connecticut Gas Corporation, The Berkshire Gas Company, The City of Westfield Gas & Electric Light Department and others. TGP is continuing to negotiate with potential shippers on the NED Project, including electric distribution companies (EDCs) and others, and expects to announce additional commitments at a later date.

Kinder Morgan Completes 12 Community Open House events in New York, New Hampshire, Connecticut and Massachusetts

In February, Kinder Morgan completed 12 community open houses in New York, New Hampshire, Connecticut and Massachusetts for the proposed Northeast Energy Direct Project. Over 2,400 community members attended these events to learn more about the project and speak with members of the project team.

Featured News Article

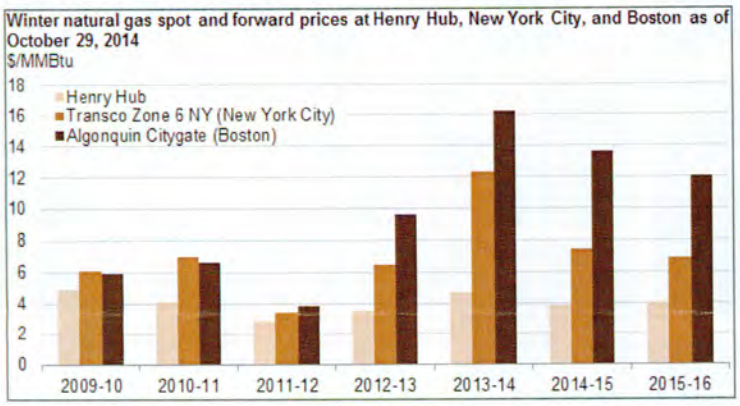
Kinder Morgan Inc. Moves One Step Closer to Saving New Englanders $3 Billion a Year

By: Matt DiLallo, The Motley Fool
March 10, 2015

There's just not enough cheap natural gas to keep New Englanders from paying exorbitant prices during the winter when demand is highest. It's a problem that natural gas pipeline kingpin Kinder Morgan (NYSE: KMI) is hoping to solve via its Northeast Direct, or NED pipeline project. Recently, the project took one step closer to becoming a reality after the company signed up enough anchor shippers to continue moving forward. If built the project could end up saving energy consumers in New England $3 billion dollars per year.

Paying the price

Thanks to the abundant natural gas resources that have been unlocked from the Marcellus shale, America is awash with cheap natural gas. That being said, we don't yet have enough natural gas pipeline capacity to get that cheap natural gas from the middle of Pennsylvania to market centers in the east. That's causing consumers in places like Boston and New York to pay much higher natural gas prices than other locations in the country that have greater access to gas at the standard Henry Hub rate. We can see the difference in prices on the following chart from the U.S. Energy Information Administration.



As that chart shows, people living in Boston paid upward of $16 per MMBtu of natural gas in the 2013-2014 winter while most of the rest of the country paid less than $4 per MMBtu. While that cost did come down a bit this past winter thanks to the expectations of a milder winter, Bostonians are still paying three times more for natural gas than the rest of the country. It's a trend that's projected to continue next winter because there still is just not enough natural gas capacity to bring cheap natural gas into the region.

Building a solution

This is a problem that Kinder Morgan is planning to fix. It proposed the NED project to move cheap natural gas from the heart of the Marcellus shale directly to New England where it can be piped to places that need more gas in the winter. As the map on the following slide shows the company is planning a market path pipeline from Wright, New York, to Dracut, Massachusetts.

As that slide notes the company could build up to a 36-inch pipeline, which could bring upward of 2.2 billion cubic feet, or Bcf, of natural gas per day to the region. To put that into context, 1 billion cubic feet of natural gas is enough to meet the needs of 10,000 to 11,000 American homes for one year. So, this could supply the region with plenty of gas to help meet peak demand in the winter as well as enable New England to build cleaner natural gas power plants to replace coal.

By signing up a number of gas utilities as anchor shippers Kinder Morgan now has the contracts it needs to continue to move forward with the project. It's a project the region desperately needs as it will not only reduce the currently high prices consumers pay for natural gas in the winter, but it will keep those prices from getting out of hand as the region is estimated to need at least 2 Bcf/d of additional natural gas supplies in the future to support its growth. If everything goes according to plan the pipeline could be in service by November 2018, which would be just in time to save consumers on their gas bill that winter.

Investor takeaway

For Kinder Morgan's investors the NED project is a key one for the company's future. It has spent the past several years building pipelines to get gas out of key producing regions. Now, however, it sees market demand pipelines, like NED, extending its growth as it moves from building pipelines to push gas out to those that are pulling it to end users. It's a big growth market that has the potential to enable the company to continue to grow its fee-based income at a healthy future clip as it brings cheap natural gas to the regions that need it the most.

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