

Project Franklin

Presentation to the Board of Directors

August 27, 2006

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Section 1

Summary of Current Proposal

Situation Overview

Original Proposal

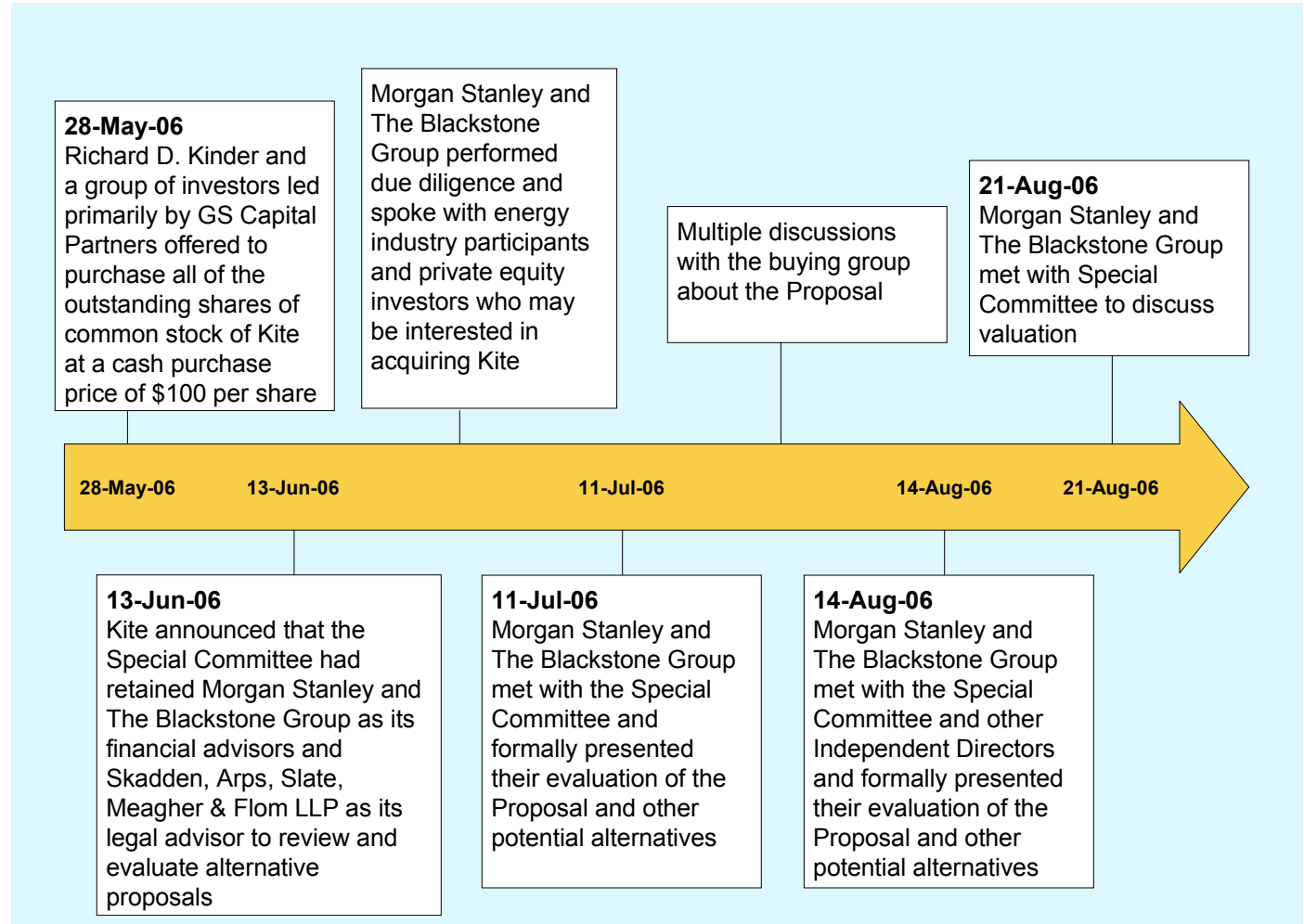
- On May 28, 2006, Richard D. Kinder, Chairman and CEO of the Company (“Kite”), along with a group of investors led primarily by Goldman Sachs (“GS Capital Partners”) sent a letter to the Board of Directors of Kite indicating its willingness to purchase all of the outstanding shares of common stock of Kite at a cash purchase price of \$100 per share (the “Proposal”)
- Other investors in the deal include senior management of Kite, co-founder Bill Morgan, Board members Fayez Sarofim and Mike Morgan, AIG, The Carlyle Group and Riverstone Holdings LLC
- Proposed bid structure includes \$2.8 billion of equity roll-over from management and participating Board members, \$4.5 billion of equity from financial sponsors and approximately \$14.5 billion of total debt (based on estimated 12/31/06 cash and debt balances)

Current Proposal

- On August 22, 2006, Richard Kinder and the group of investors indicated that they were prepared to revise their proposal to \$107.50 per share

Situation Overview (cont'd)

- **Morgan Stanley and The Blackstone Group discussed structure and valuation alternatives with the Special Committee regularly throughout the transaction process**
- **Morgan Stanley and The Blackstone Group had periodic conversations with various other parties regarding potential interest in a competing bid for Kite**



Scope of Morgan Stanley and Blackstone's Work

For purposes of the opinion set forth, Morgan Stanley and Blackstone have:

- Reviewed certain publicly available financial statements and other business and financial information of Kite and Key, the general partner of which Kite owns and in which Kite owns a significant limited partner interest
- Reviewed certain internal financial statements and other financial and operating data concerning Kite prepared by the managements of Kite and Key, respectively
- Reviewed certain financial projections prepared by the managements of Kite and Key, respectively
- Discussed the past and current operations and financial condition and the prospects of Kite with senior executives of Kite and discussed the risks related thereto with the management of Kite
- Discussed with the management of Kite potential restructuring plans for Kite prepared and presented by the management of Kite
- Reviewed the reported prices and trading activity of Kite Common Stock and the common stock of Key
- Compared the financial performance of Kite and the prices and trading activity of Kite Common Stock with that of certain other comparable publicly-traded companies and their securities
- Reviewed the financial terms, to the extent publicly available, of certain comparable acquisition transactions
- Participated in discussions and negotiations among representatives of Kite, Parent and their financial and legal advisors
- Reviewed a draft of the Merger Agreement, dated August 25, 2006, the draft Rollover Commitments and the draft Financing Commitments of Parent and Merger Sub (as defined in the Merger Agreement), and certain related documents
- Performed such other analyses and considered such other materials and factors as we have deemed appropriate

Scope of Morgan Stanley and Blackstone's Work (cont'd)

We have assumed and relied upon, without independent verification:

- The accuracy and completeness of the information made available to us by Kite for the purposes of this opinion
- That the financial projections have been reasonably prepared on bases reflecting the best currently available estimates and judgments of the future financial performance of Kite and Key
- That the Merger will be consummated in accordance with the terms set forth in the Merger Agreement without any waiver, amendment or delay of any terms or conditions, including, among other things, that (i) Parent will obtain financing for the Merger in accordance with the terms set forth in the Financing Commitments, and (ii) the transactions contemplated by the Rollover Commitments will be consummated in accordance with their terms
- That there will be no delay in connection with the receipt of all the necessary governmental, regulatory or other approvals and consents required for the Merger, that no delays, limitations, conditions or restrictions will be imposed that would have a material adverse effect on the contemplated benefits expected to be derived in the Merger

Project Franklin

Summary of Current Proposal

Third Party Discussions

- Morgan Stanley and The Blackstone Group held discussions with various third parties, none of whom was willing to make a competing proposal for the company at this time

	Equity/Aggregate Value \$Bn	Credit Rating
General Industrials		
GE	351 / 697	Aaa / AAA
Majors (Domestic)		
ExxonMobil	417 / 389	Aaa / AAA
Chevron	146 / 146	Aa2/AA
ConocoPhillips	111 / 141	A- / A1
Majors (International)		
BP	235 / 249	Aa1 / AA+
Royal Dutch Shell	230 / 241	Aa1 / AA
Encana	45 / 51	Baa2 / A-
BG Group	46 / 46	A2 / A-

	Equity/Aggregate Value \$Bn	Credit Rating
Pipelines / Utilities / R&M (Domestic)		
Valero	39 / 43	Baa3 / BBB-
Duke	38 / 59	Baa2 / BBB
Dominion	28 / 47	Baa2 / BBB
Williams	15 / 22	Ba2 / BB-
AES	14 / 31	Ba3 / BB-
El Paso	10 / 25	B2 / B+
Koch	NA / NA	-
MidAmerican / Berkshire Hathaway	NA / NA	Aaa / AAA
Pipelines / Utilities / R&M (International)		
E.ON	84 / 88	Aa3 / AA-
Suez	54 / 70	A2 / A-
National Grid	32 / 52	Baa1 / A
Centrica	20 / 19	A3 / A
TransCanada	15 / 28	A3 / NR
Enbridge	11 / 20	A3 / A-

	Fund Size or Equity/Aggregate Value \$Bn	Credit Rating
Financial Sponsors		
Blackstone	15.6	-
Cerberus	15.0	-
TPG	13.0	-
KKR	12.5	-
Perry Capital	10.2	-
Apollo	10.1	-
Borealis Infrastructure	Up to 10.0	-
Warburg Pincus	8.0	-
First Reserve	7.0	-
Macquarie	6.0	-
Och-Ziff	5.8	-
Sponsor Partners		
Enterprise	11 / 16	Baa3 / BB+
Energy Transfer	4 / 7	-

Source Capital IQ

Transaction Overview

Offer Overview

- The offer, as most recently communicated, contemplates Kite borrowing approximately \$7Bn and issuing more than \$5Bn in new equity to the consortium of financial sponsors
- These funds would be used to repurchase 100% of the common stock of Kite not owned by Kimberly Dang, Steven Kean, David Kinder, Richard Kinder, Joe Listengart, Bill Morgan, Mike Morgan, Fayez Sarofim, Park Shaper and James Street

Illustrative Sources and Uses of Cash in Proposal ⁽¹⁾

\$Bn

Sources		Uses	
Private Equity Consortium Investment	5.1 ⁽²⁾	Acquisition Non-Management Equity	11.6
Kite Management Equity	3.0	Kite Management Equity	3.0
Existing & New Debt	14.1	Existing Debt	7.2
		Fees	0.4
Total Sources	22.2	Total Uses	22.2

Notes

1. As of 06/30/06
2. Excludes a \$1.0Bn contingent equity commitment that investors will provide to the entity if it fails to achieve a determined interest coverage test

Transaction Overview (cont'd)

Summary Description and Key Terms and Conditions

Description: • Management led consortium acquires 100% of non-management owned common stock of Kite

Consideration: • \$107.50/share

Equity Value: • \$14.6 Bn⁽¹⁾

Aggregate Value: • \$21.8 Bn⁽²⁾

Transaction Multiples:	AV / EBITDA ⁽⁴⁾		P / E ⁽⁴⁾			
	2006 ⁽²⁾	2007 ⁽³⁾	2006	2007		
	12.6x	11.7x	21.5x	19.8x		
Premiums Paid:	30 Day Trailing Average \$86.40	60 Day Trailing Average \$88.37	1 Year Trailing Average \$90.53	5 Year Trailing Average \$61.83	LTM High \$101.44	LTM Low \$76.40
	24.4%	21.6%	18.7%	73.9%	6.0%	40.7%

Notes

1. Based on 135.7MM fully diluted shares outstanding; based on Treasury method for all in-the-money options
2. Based on 6/30/06 cash balance of \$168MM, total debt of \$7.4Bn and excludes minority interest of \$1.3Bn
3. Based on adjusted 6/30/06 cash balance of \$168MM and total debt of \$5.6Bn (pro forma for sale of Retail, TransMountain and 75% of Corridor)
4. Assumes EBITDA projections of \$1,732 and \$1,721 and EPS estimates of \$5.00 and \$5.44 for 2006 and 2007, respectively, provided by management (which include other income and exclude minority interest as does aggregate value)

Transaction Overview (cont'd)

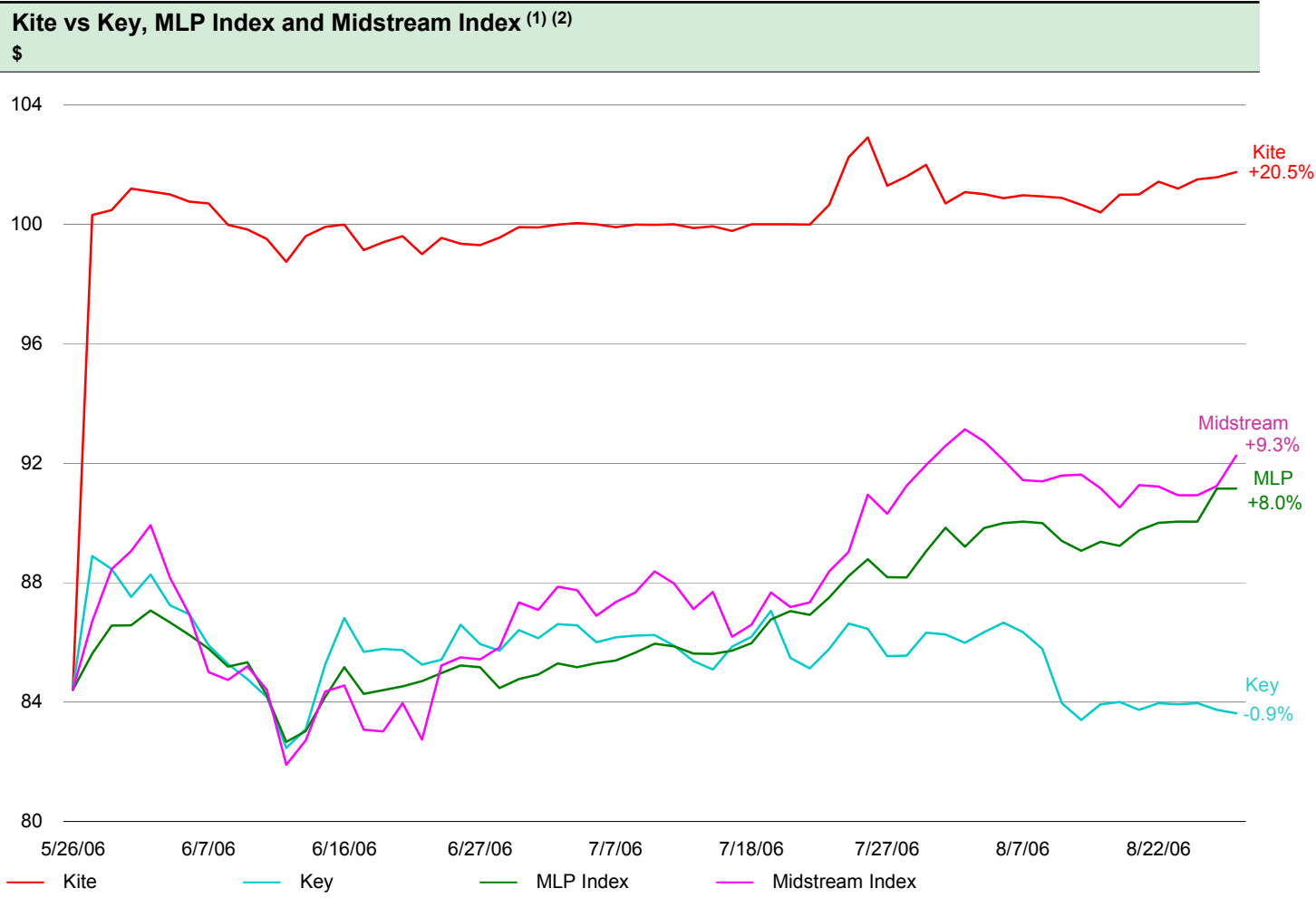
Summary Description of Key Terms and Conditions

Acquiror	<ul style="list-style-type: none"> • Merger Sub, an acquisition vehicle and wholly owned subsidiary of an LLC set up by the bidding group (“Parent”), will merge with and into the Company, with the Company subsequently becoming a wholly owned subsidiary of Parent
Closing Conditions / Termination Provisions	<ul style="list-style-type: none"> • Company stockholder approval of 2/3 of shares outstanding • Expiration of antitrust waiting period and regulatory approvals • Representations and warranties bringdown subject to material adverse change (in the event of a breach, 30 day period to cure) • No material adverse change to the Company has occurred and is continuing at the close
Deal Protection	<ul style="list-style-type: none"> • “No shop” provision (with standard fiduciary out) • Termination Fee from Company to Parent: \$220 million, or 1.5% of equity value • Termination Fee from Parent to Company: \$220 million, or 1.5% of equity value (sponsors are guaranteeing termination fee)
Other Key Provisions	<ul style="list-style-type: none"> • Standard representations and warranties for Company and Parent • Standard covenants related to the conduct of business • No financing contingency

Equity Market Performance – Since Announcement

As of August 22, 2006

- Since the consortium announced its proposal, Kite has traded in-line with the proposed offer, the S&P 500 has increased 1.5%, the Midstream Index ⁽¹⁾ has increased 9.3% and the MLP Index ⁽²⁾ has increased 8.0%



Source FactSet

Notes

1. Midstream Index includes Enbridge, El Paso ONEOK, Southern Union, TransCanada, Williams
2. MLP Index includes Boardwalk Pipeline Partners, Copano Energy, DCP Midstream, Enbridge Energy Partners, Enterprise Products Partners, Energy Transfer Partners, Genesis Energy, Holly Energy, Hiland Partners, Magellan Midstream, MarkWest Energy, ONEOK Partners, Plains All American, Regency Energy Partners, Sunoco Logistics, TC Pipelines, Valero L.P, Williams Partners, Crosstex Energy

Kite Valuation Matrix

As of August 22, 2006

Valuation Matrix

(\$MM, except per share values)






Price	Premium to Unaffected	Premium/ (Discount) to LTM High	Premium to LTM Low	Implied Equity Value	Implied Aggregate Value	Price / Earnings ^{(1) (2)}		Agg. Value / EBITDA ⁽²⁾	
						2006E	2007E	2006E	2007E
<i>Statistic</i>	\$84.41	\$101.44	\$76.40	\$11,425	\$18,638	\$5.00	\$5.44	\$1,732	\$1,721
84.41	0.0%	(16.8%)	10.5%	11,425	18,638	16.9x	15.5x	10.8x	9.9x
100.00	18.5%	(1.4%)	30.9%	13,561	20,774	20.0x	18.4x	12.0x	11.1x
105.00	24.4%	3.5%	37.4%	14,246	21,459	21.0x	19.3x	12.4x	11.5x
107.50	27.4%	6.0%	40.7%	14,588	21,801	21.5x	19.8x	12.6x	11.7x
110.00	30.3%	8.4%	44.0%	14,931	22,144	22.0x	20.2x	12.8x	11.9x
115.00	36.2%	13.4%	50.5%	15,616	22,829	23.0x	21.1x	13.2x	12.3x
Mean Midstream Peers						18.3x	16.4x	9.9x	9.4x
Mean MLP Peers								11.3x	9.8x
Mean LDC Peers						17.2x	16.2x	8.4x	7.9x
Mean C-Corp Peers						18.8x	16.5x	10.2x	9.6x

Notes

- Median IBES estimates for peer valuations; management estimates for Kite
- Multiples adjusted for sale of TransMountain, 75% sale of Corridor, and sale of Retail

Selected Wall Street Perspectives on Proposal

Selected Wall Street Perspectives on Proposal

					
Analyst	Carl Kirst	Ronald J. Barone	Richard Gross	John K. Tysseland	Scott Soler
<u>Price Target</u>					
Pre-Announcement	\$110	\$106	\$100	\$105	\$105
Post-Announcement	\$100	\$100	\$100	\$105	\$105
Transaction Commentary	<p>“... investors will generally see the \$100 proposal as fair given both the upside involved as well as recognition that interest rate fears... have eaten into the stock’s valuation.”</p> <p>“... we see no feasible/hostile M&A suitors that put Kite into play.”</p> <p>“... fundamentally driven by Key’s GP valuation and free cash characteristics rather than from the undervalued nature of its pipelines and utilities.”</p>	<p>“We would be surprised to see a competing higher bid.”</p> <p>“We believe this underscores the value of infrastructure assets such as pipelines.”</p> <p>“... this transaction will cause investors to raise the valuation matrix that were applied to pipelines and other energy infrastructure assets.”</p> <p>“ We feel [the potential offer increase] could fall in the \$105-\$108 per share range.”</p>	<p>“The offer probably has some room for improvement but we don’t see a bidding war.”</p> <p>“We believe management is critical to success of deal. As a result, don’t expect bids from other operating companies.”</p> <p>“Given strong consortium of existing group, would need very strong alternate private equity group to displace current bid.”</p>	<p>“... the proposed transactions increase the value of Kite’s general partnership interest in Key, yet attempt to take advantage of recent stock price weakness.”</p> <p>“We believe investors have more to gain in the long-run by not accepting the offer of \$100 per share.”</p> <p>“... a higher multiple could be attributed to Kite’s GP interest and thus a takeout price of \$100 per share would be low.”</p> <p>“... there is value in a conservatively financed publicly traded GP as opposed to a leveraged privately held GP.”</p>	<p>“... the stock should be worth at least \$120/share by 2010 given... expansion opportunities and the undervalued GP... Obviously management agrees; thus the buyout offer.”</p> <p>“... this factor [the undervalued GP stake] combined with the company’s significant long-term, potential EPS power of >=\$9.00 and free cash flow power of >=\$8.00 drove the buyout offer.”</p>

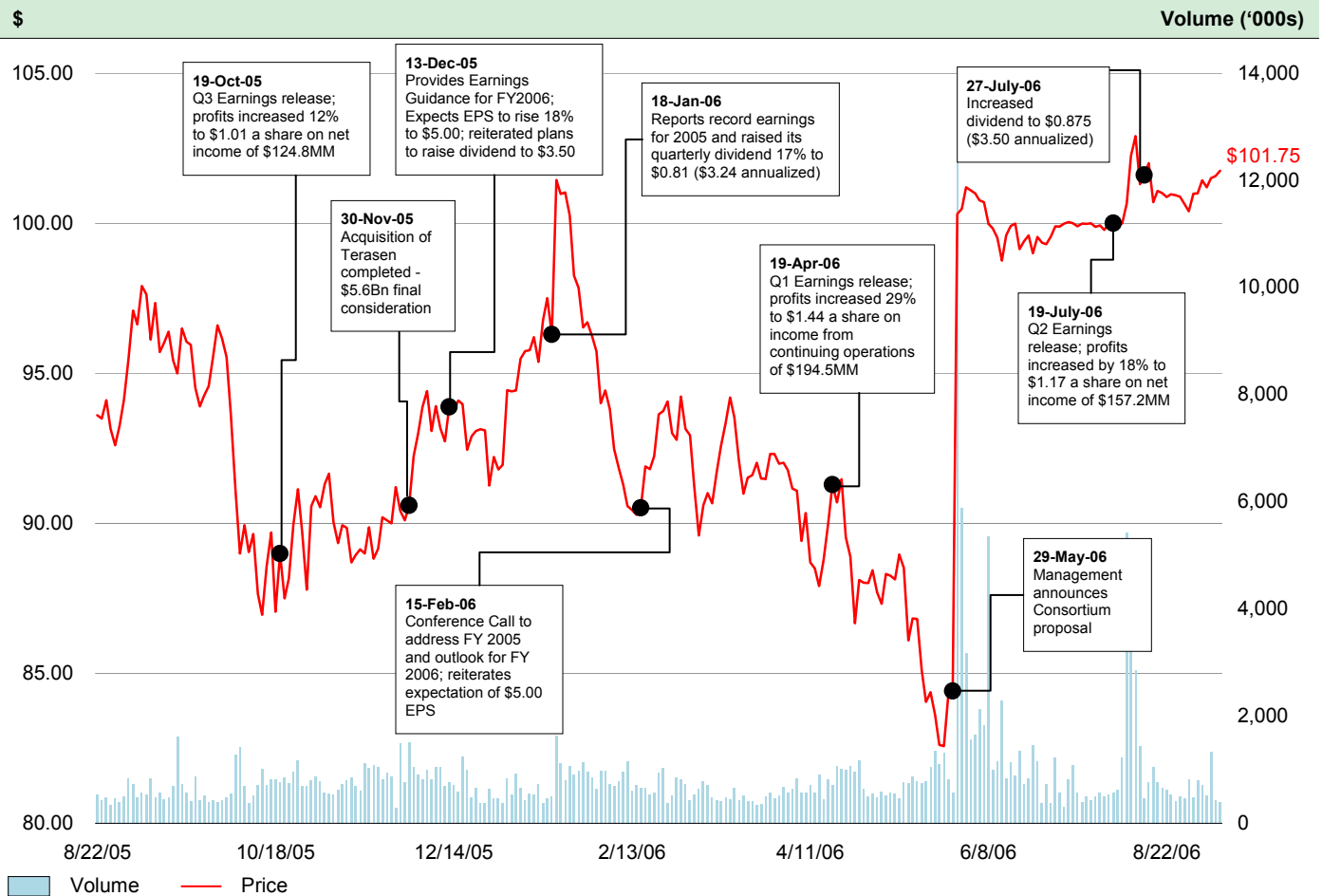
Section 2

Equity Market Environment

Kite Annotated Stock Price Performance (1)

Last Twelve Months

Kite – Price Volume Performance

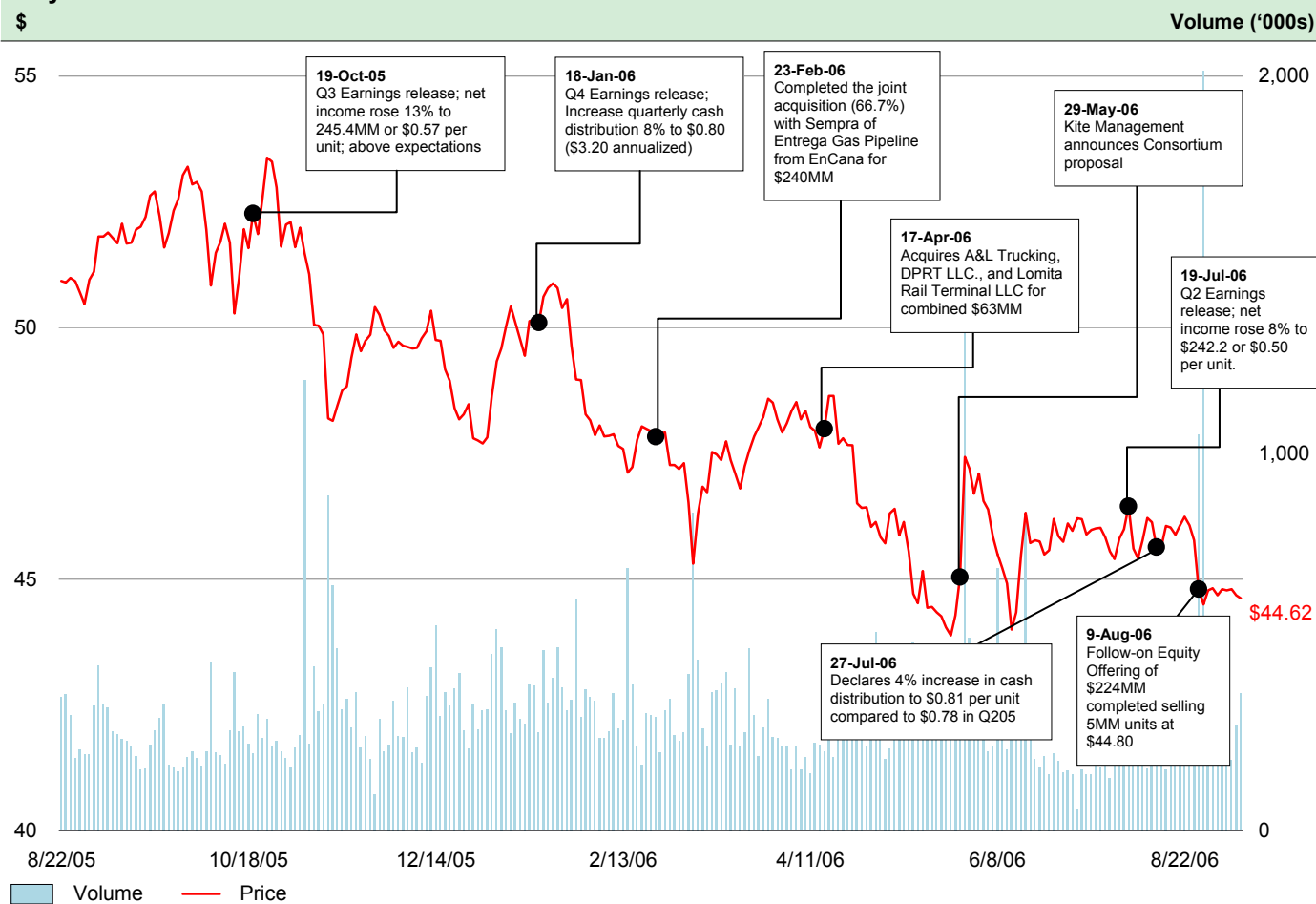


Source FactSet, Bloomberg

Key Annotated Stock Price Performance (1)

Last Twelve Months

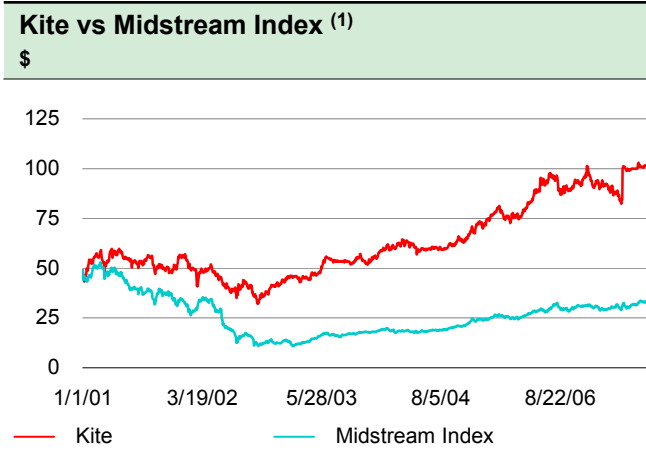
Key – Price Volume Performance



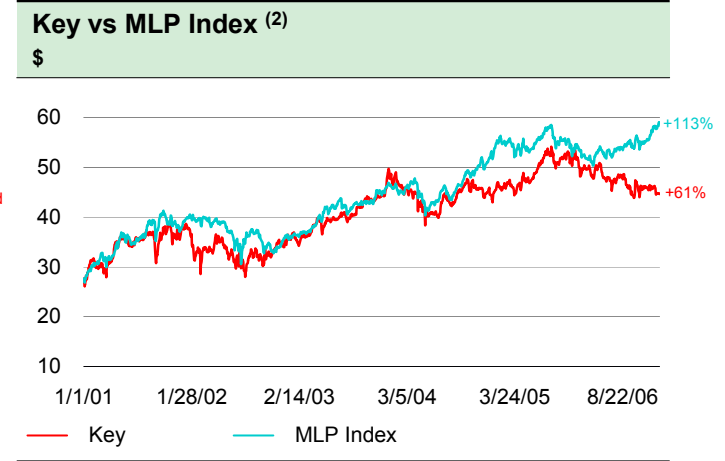
Source FactSet

Equity Market Performance – Since January 2001

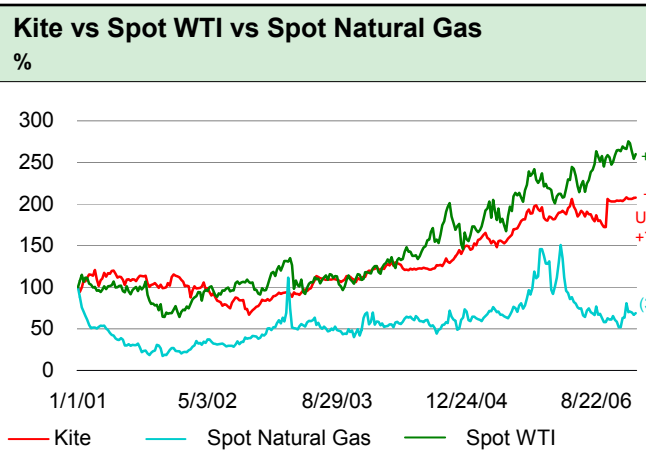
- Since 2001, Kite has substantially outperformed its peer group, while Key has tracked the MLP index closely



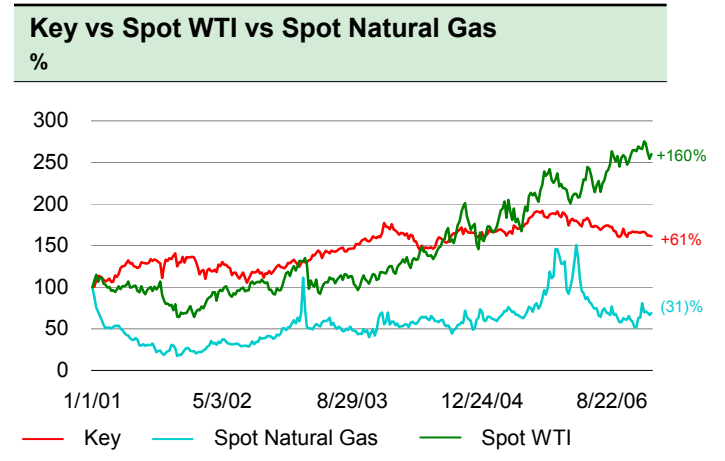
Source FactSet



Source FactSet



Source FactSet



Source FactSet

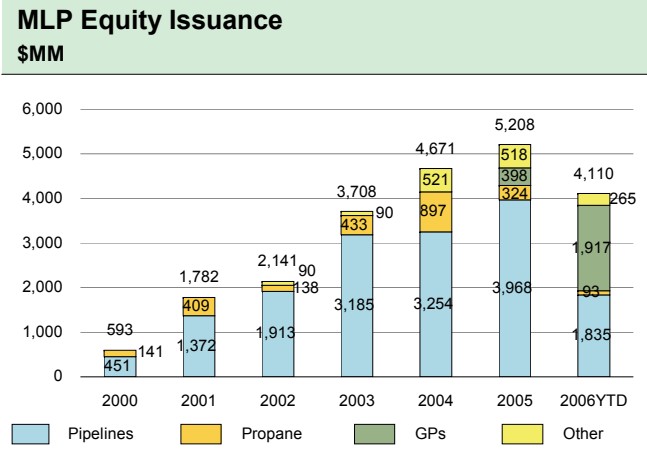
Notes

1. Midstream Index includes Enbridge, El Paso, ONEOK, Southern Union, TransCanada, Williams
2. MLP Index includes Boardwalk Pipeline Partners, Copano Energy, DCP Midstream, Enbridge Energy Partners, Enterprise Products Partners, Energy Transfer Partners, Genesis Energy, Holly Energy, Hiland Partners, Magellan Midstream, MarkWest Energy, ONEOK Partners, Plains All American, Regency Energy Partners, Sunoco Logistics, TCLP, Valero L.P., Williams Partners, Crosstex Energy

Midstream Equity Markets

Activity

- The midstream equity markets have seen increasing volume since 2000, with GPs representing a large portion of the recent new issue activity
- Despite the increased activity, the market's flexibility to receive larger deals is somewhat limited by the retail nature of the MLP investor universe

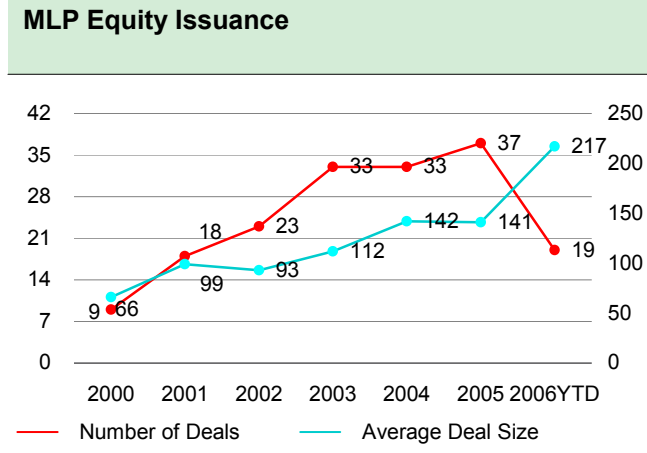


Source SDC

Recent MLP IPOs

Company	Issue Date	At IPO			Current Yield
		Amount (\$mm)	Implied Equity Value	Offering Yield	
Regency Energy Partners	1/31/06	275.0	764	7.0%	5.9%
DCP Midstream	12/2/05	193.5	376	6.5%	5.3%
Boardwalk Pipeline Partners	11/9/05	292.5	1,976	7.2%	5.4%
Global Partners	9/29/05	107.8	248	7.5%	8.0%
Williams Partners	8/18/05	107.5	301	6.5%	4.8%
TransMontaigne Partners	5/25/05	85.0	156	7.5%	5.6%
Teekay LNG Partners	5/6/05	132.0	648	7.5%	6.0%

Source Company filings



Source SDC

Recent GP IPOs

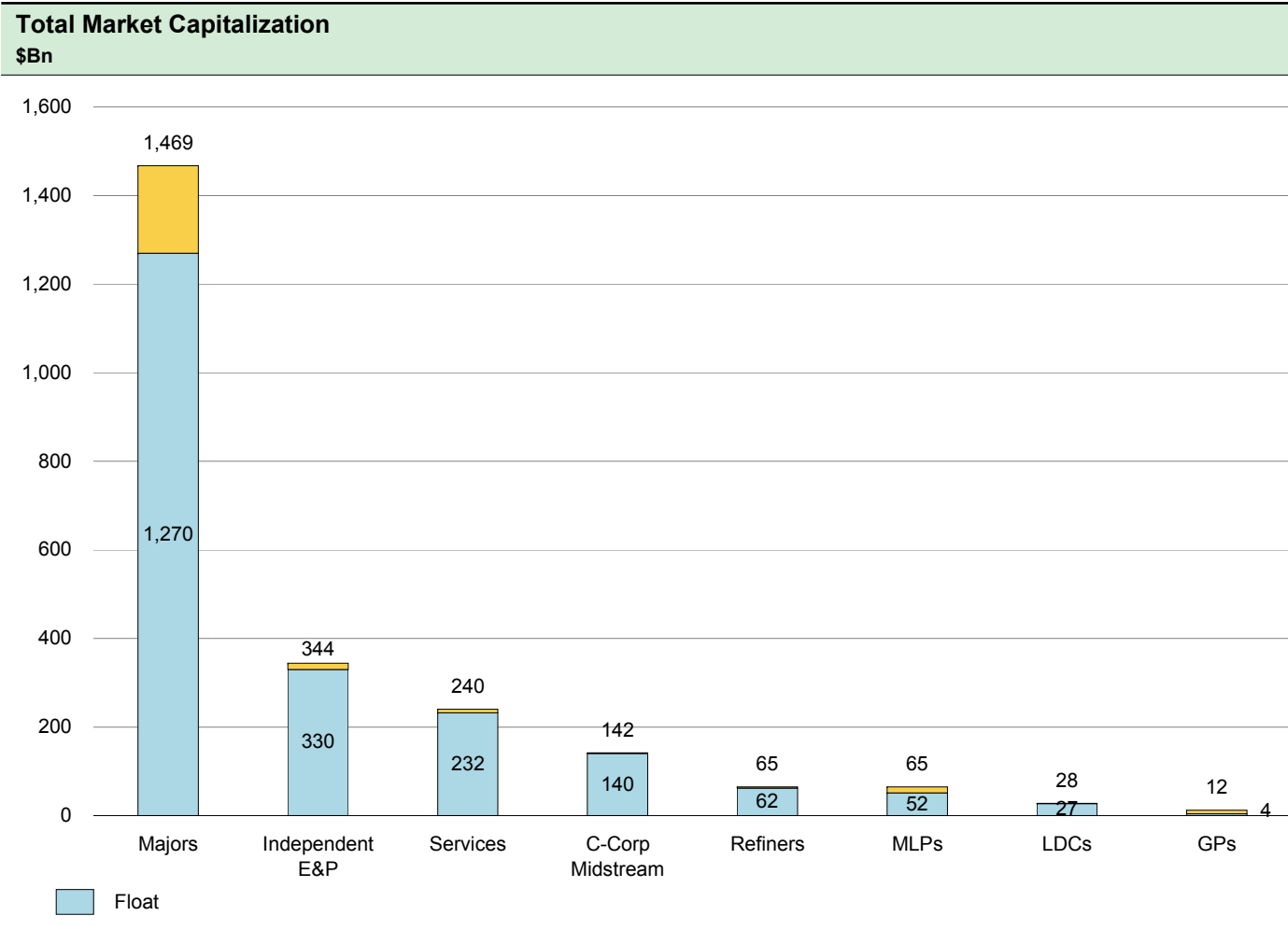
Company	Issue Date	At IPO			Current Yield
		Amount (\$mm)	Implied Equity Value	Offering Yield	
Enterprise GP Holdings	8/24/05	291.8	2,443	3.6%	3.4%
Energy Transfer Equity	2/3/06	441.0	2,867	3.3%	3.7%
Magellan Midstream Holdings	2/10/06	539.0	1,535	3.2%	3.9%
Valero Holdings LLC	7/13/06	379.5	1,030	5.5%	5.8%
Buckeye GP Holdings	8/3/06	178.5	481	4.8%	5.3%

Source Company filings

Midstream Equity Markets

Depth

- While the midstream and MLP markets have experienced relatively strong performance and interest recently, the market still remains relatively small when compared to the broader energy market
- One of the most noteworthy aspects of the energy and midstream markets recently has been GP valuations
 - Despite the market activity and momentum, the market remains small when compared to other energy sub-sectors



Source FactSet

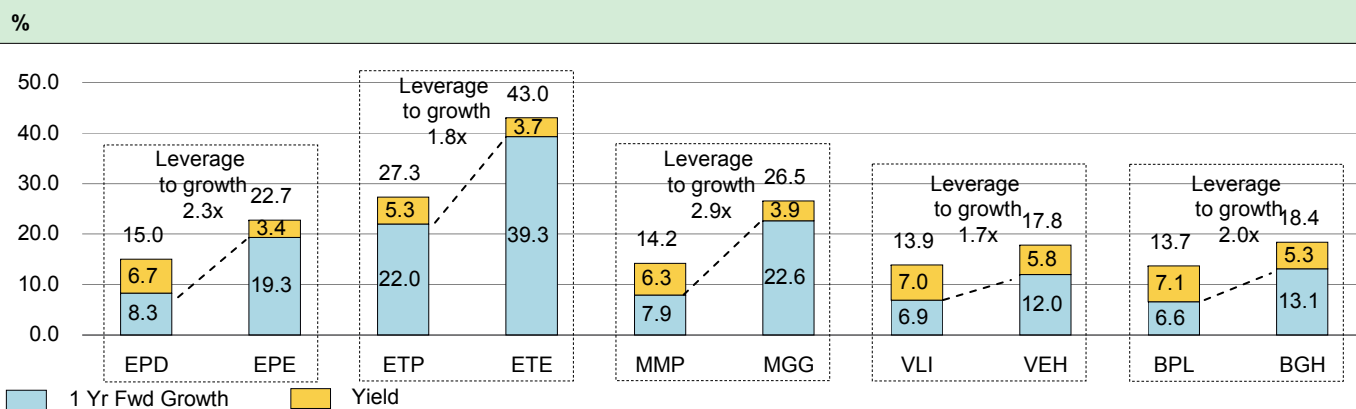
Midstream Equity Markets

GP Valuation Considerations

- While the market has clearly demonstrated an appreciation for the growth associated with a GP ownership stake, it has not yet begun to differentiate among the various alternatives

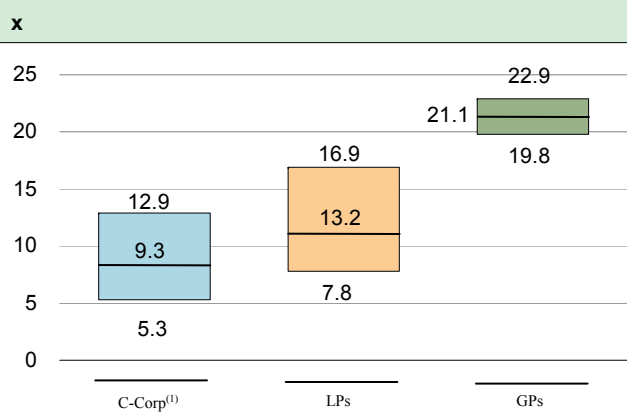
Legend Company	Ticker
Enterprise Products Partners	EPD
Enterprise GP Holdings	EPE
Energy Transfer Partners	ETP
Energy Transfer Equity	ETE
Magellan Midstream Partners	MMP
Magellan Midstream Holdings	MGG
Valero LP	VLI
Valero GP Holdings	VEH
Buckeye Partners	BPL
Buckeye GP Holdings	BGH

Total Return %



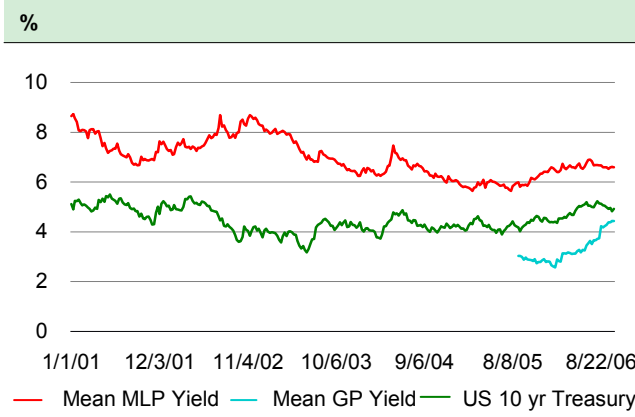
Source: Company Filings, FactSet, Equity Research

2007 Price / Cash Flow x



Source: Company Filings, FactSet

MLP / GP Yields %

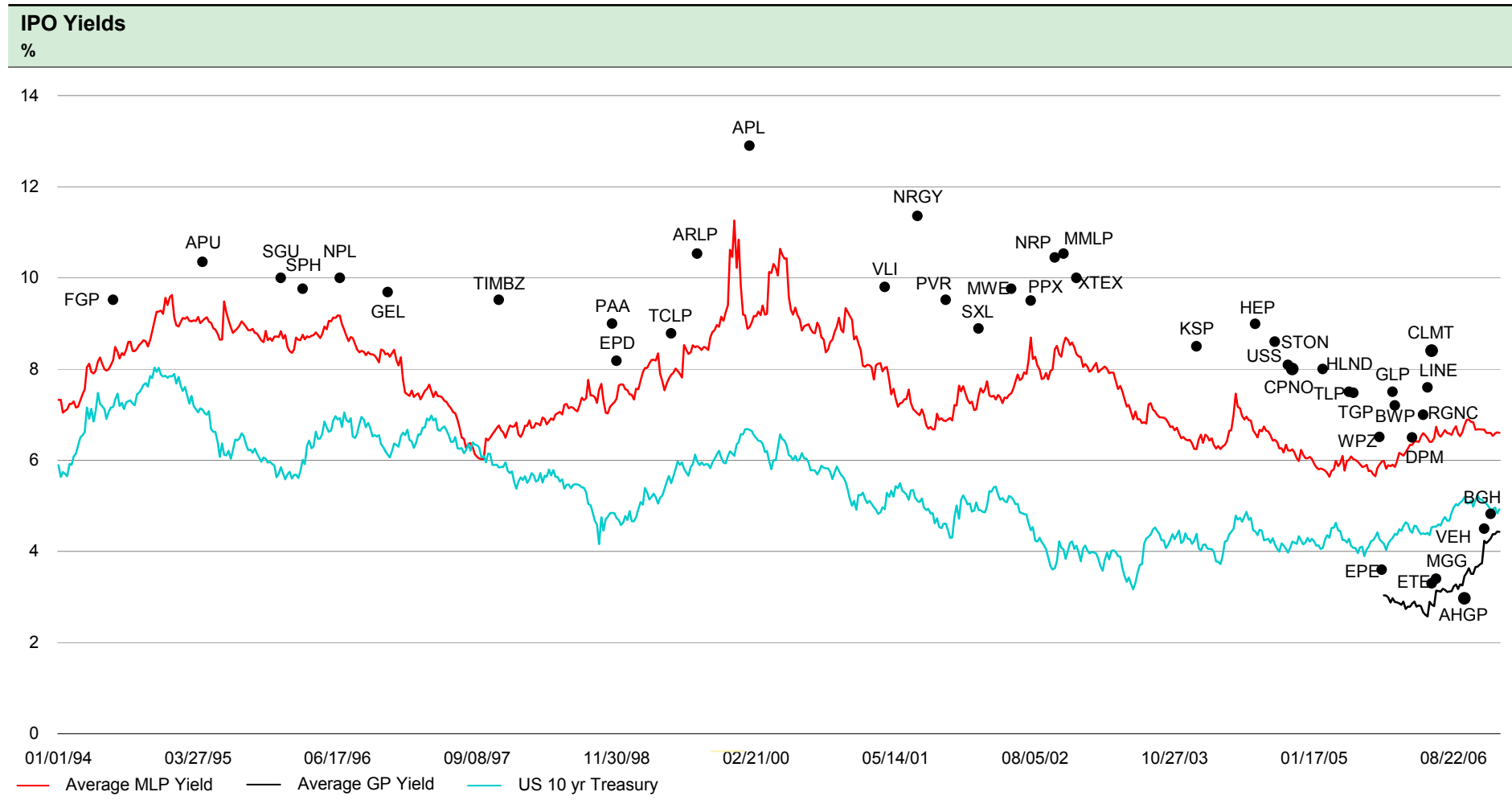


Source: Company Filings, FactSet

Note
1. Cash flow = net income + D&A - maintenance capex

Selected MLP IPO Yields (1)

Since 1994



Source: Company Filings, FactSet

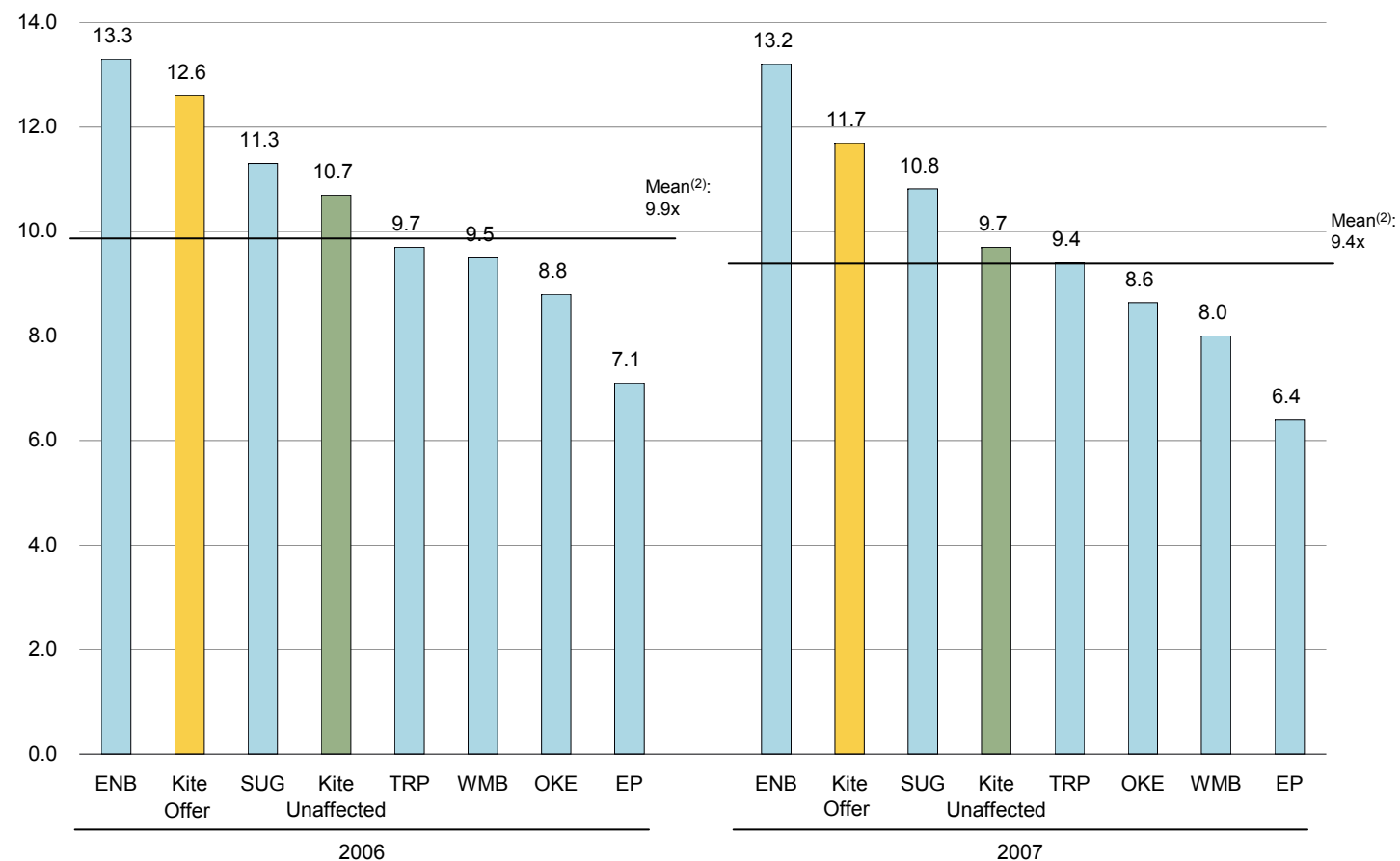
Note
1. As of August 22, 2006

Public Market Comparables (1)

As of August 22, 2006

Midstream AV / EBITDA

x



Legend	
El Paso	EP
Enbridge	ENB
ONEOK	OKE
Southern Union	SUG
TransCanada	TRP
Williams	WMB

Source Company Filings, FactSet

Notes

1. Based on IBES estimates; Kite based on management estimates
2. Excludes Kite Offer and Kite Unaffected

Section 3

Midstream Transaction Environment

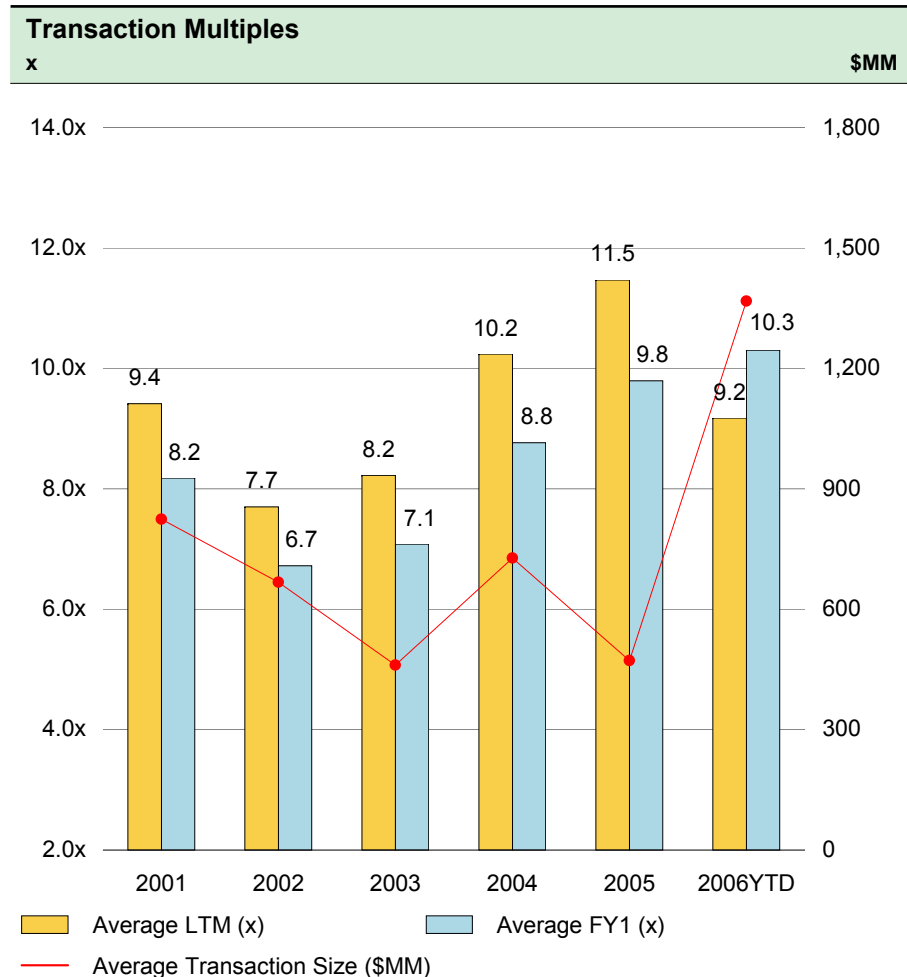
Midstream Transaction Environment

2002 – Current

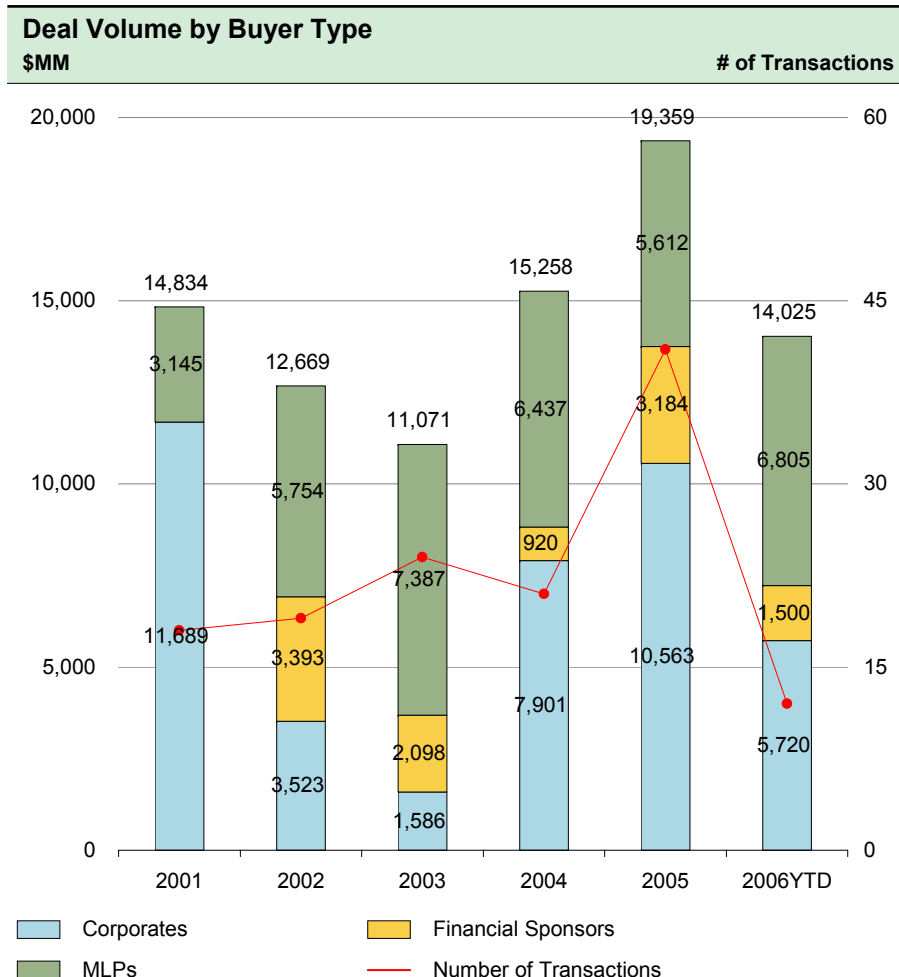
	2002 – 2003 Era of the Distressed Sale	2004 – 2005 Era of Growth through Acquisition	2006 and Forward Organic Growth / GP Focus
Buyers and Sellers	<ul style="list-style-type: none"> Convergence companies were the primary sellers during this period, specifically Williams, El Paso and Duke <ul style="list-style-type: none"> Represented 13 of 24 transactions in 2003 Financial sponsors represented a large part of the buyers universe <ul style="list-style-type: none"> Notable new entrants included AIG, Berkshire Hathaway, Loews, Riverstone, Charlesbank and Natural Gas Partners 	<ul style="list-style-type: none"> Sellers included Utilities and Majors keen to taking advantage of an increasingly attractive sellers market <ul style="list-style-type: none"> Shell, ChevronTexaco, ExxonMobil, BP, ConocoPhillips AEP, TXU, Texas Genco, OG&E, ONEOK Also among active sellers were Sponsors looking to monetize investments at relatively attractive multiples: <ul style="list-style-type: none"> Anschutz, Charlesbank, Koch, AIG Highstar, Natural Gas Partners Buyers included MLPs, Sponsors and, increasingly, Corporates 	<ul style="list-style-type: none"> Sponsors and MLPs represent the majority of buyers, year to date
Commentary	<ul style="list-style-type: none"> 2002 saw the bottom of the transaction market with an average LTM multiple of 7.7x 2003 realized a slight recovery with LTM multiples increasing to 8.2x 	<ul style="list-style-type: none"> Transaction multiples continued to increase (10.2x in 2004 and 11.5x in 2005), driven in part by low interest rates and also by steady Sponsor interest MLPs continued to execute a growth-through-acquisition strategy, although were increasingly outbid by Corporates for some of the larger assets 	<ul style="list-style-type: none"> 2006 has seen continued evolution of the GP market with three MLP GP's electing to monetize a portion of their stake in the public markets PAA's acquisition of PPX and Kite's MBO have further highlighted the GP value MLP's meanwhile, have returned their focus to organic opportunities, seeking to avoid high multiples in the acquisition market
Notable Transactions	<ul style="list-style-type: none"> The creation of Energy Transfer through the reverse merger with Heritage Propane Enterprise's acquisition of Gulfterra 	<ul style="list-style-type: none"> Vulcan's acquisition of PAA's GP Kite's acquisition of Terasen EPCO's acquisition of TPP's GP Targa's acquisition of Dynegy Midstream SUG's acquisition of Sid Richardson midstream 	<ul style="list-style-type: none"> Plains All American's acquisition of Pacific Energy Partners Kite's proposed MBO ONEOK's restructuring with Northern Border

Midstream M&A Review

As of August 22, 2006



Source JS Herold, Wall Street Research, Bloomberg

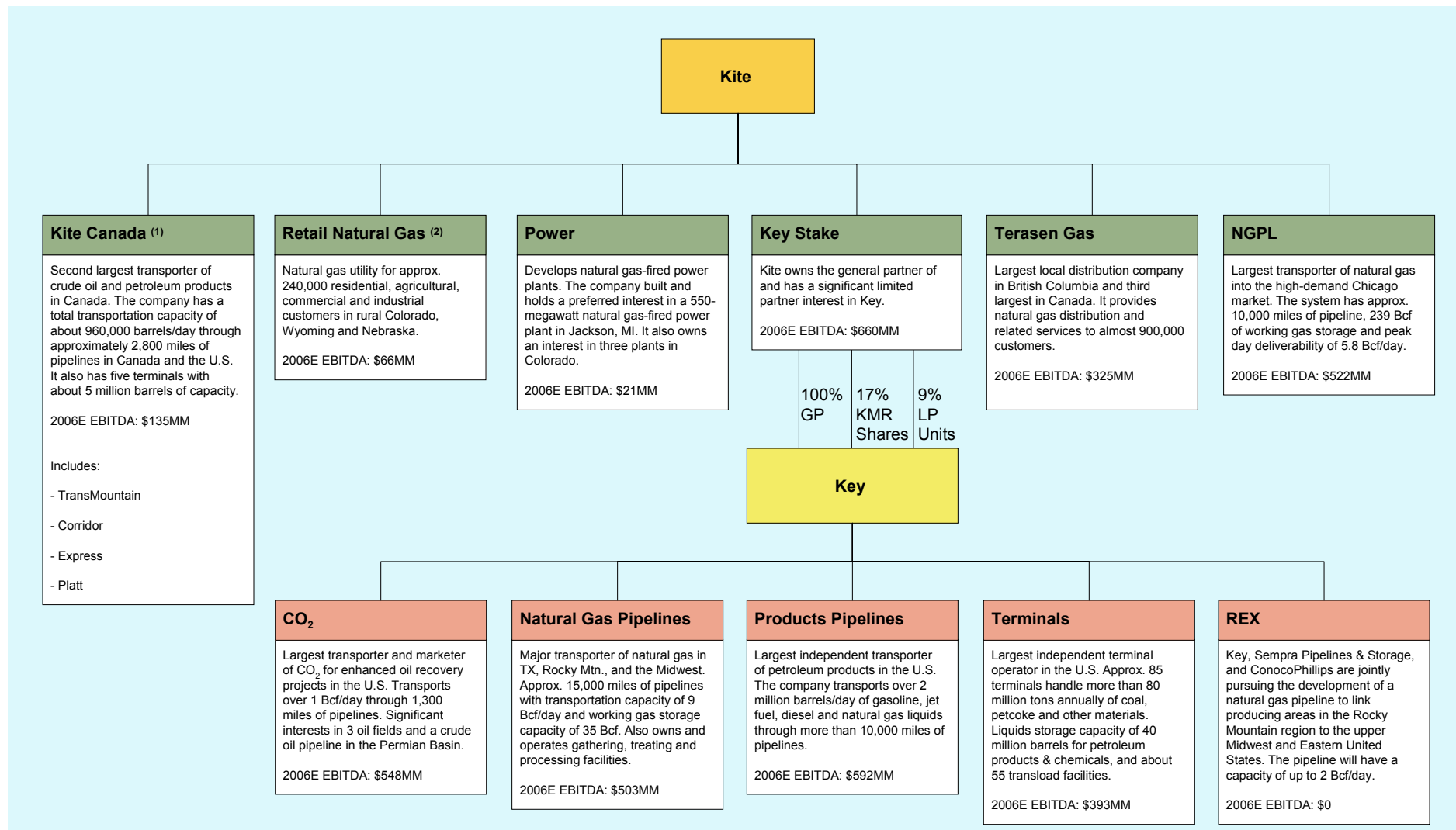


Source JS Herold, Wall Street Research, Bloomberg

Section 4

Kite Financial Overview

Kite Overview



Source Management Projections including G&A allocations for Kite; above figures do not include \$7.3MM unallocated G&A and \$8.8MM of equity income for Customer Works; Key figures exclude corporate expenses

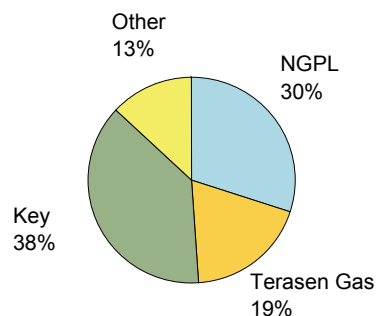
Notes

1. Management plan assumes TransMountain and 75% of Corridor sold as of 1/1/07
2. Pending expected close of sale to GE in January 2007

Project Franklin

2006 EBITDA by Segment

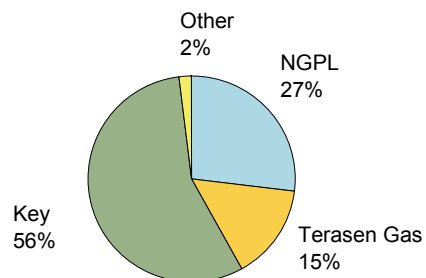
\$1,732MM



Source Management Projections include G&A allocations

2010 EBITDA by Segment

\$2,353MM



Source Management Projections include G&A allocations

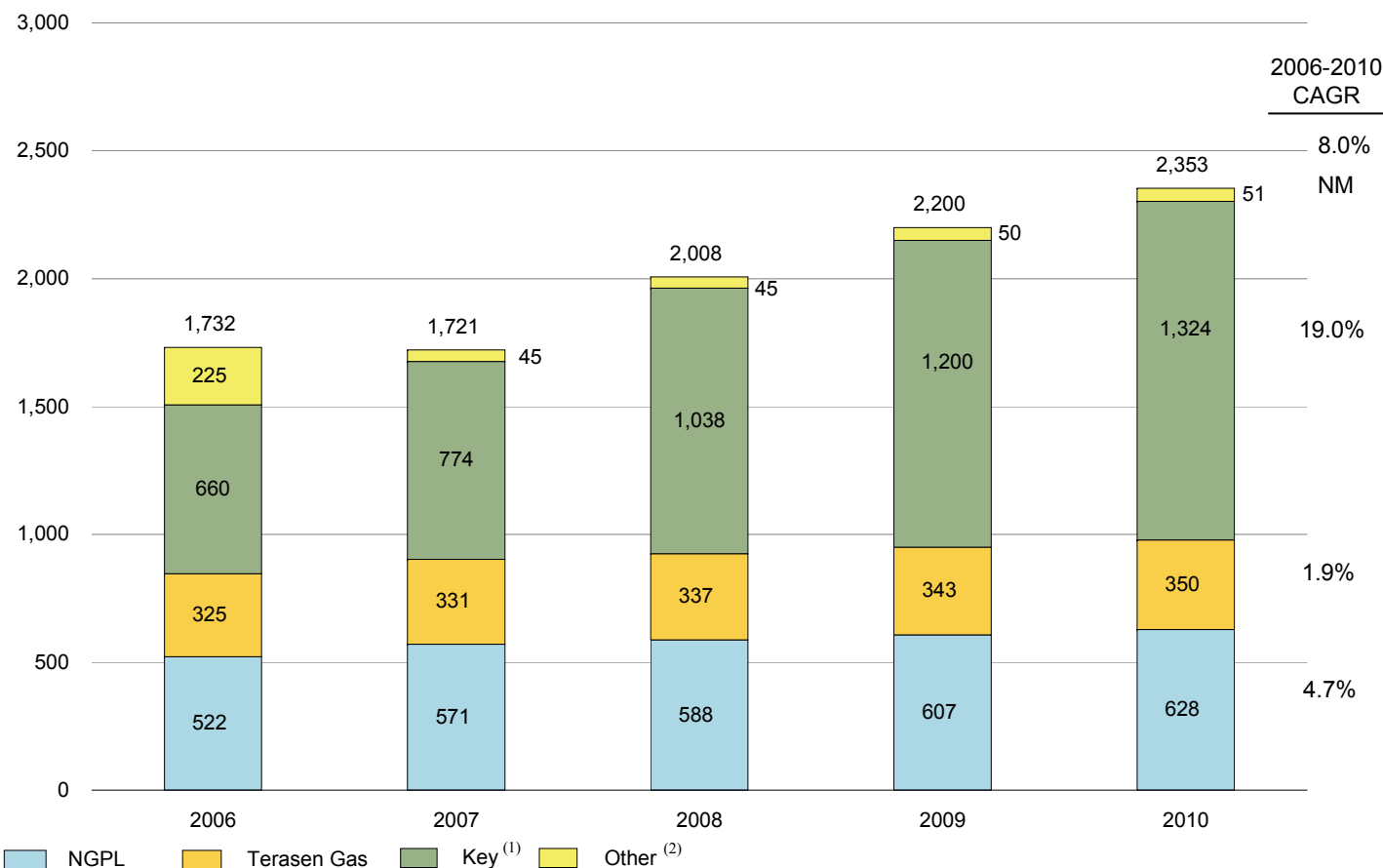
Kite Financial Overview

Kite EBITDA by Segment

Management Projections

Kite EBITDA by Segment

\$MM



Source Management Projections include G&A allocations

Notes

1. TransMountain included in Key
2. Excludes TransMountain, Corridor and Retail from 2007-2010

NGPL

Opportunities

- Strong customer base (7 of top 10 are LDCs) with little concentration
- Long term contracts with recent major rollover success
- Substantial volume of cushion gas that can be released (15 Bcf)
- Low cost pipeline vs. the competition
- Over \$200M of near term expansion opportunities with long term fixed rate negotiated contracts in place

Risks

- Potential for an adverse rate case
- Competition in Chicago market area
- Potential for movements in the supply basins

NGPL Historical and Projected Results ⁽¹⁾

\$MM	Fiscal Year Ending Dec. 31,					
	2005A	2006E	2007E	2008E	2009E	2010E
Revenues	949.2	856.1	911.4	932.8	956.0	982.4
<i>% Growth</i>	-	(9.8%)	6.5%	2.3%	2.5%	2.8%
EBITDA	534.7	570.6	625.6	646.7	669.6	695.6
<i>% Growth</i>	-	6.7%	9.6%	3.4%	3.5%	3.9%
<i>% Margin</i>	56.3%	66.7%	68.6%	69.3%	70.0%	70.8%
EBIT	435.1	464.5	518.4	538.4	560.3	585.1
<i>% Growth</i>	-	6.7%	11.6%	3.9%	4.1%	4.4%
<i>% Margin</i>	45.8%	54.3%	56.9%	57.7%	58.6%	59.6%

Note

1. Excludes G&A allocations

Terasen Gas

Opportunities

- 3rd largest gas utility in Canada, with over C\$3.0Bn rate base
- Strong operational performance as Terasen continues to earn incentive returns above allowed rate of return for operational cost savings
- Stable cash flow
- Good organic growth opportunities through LNG storage and the Inland Pacific Connector

Risks

- Regulation puts a cap on earnings potential
- Natural gas commodity price risk as industrial customers can switch to alternative energy sources
- Potential for future regulatory/political sentiment changes

Terasen Gas Historical and Projected Results ⁽¹⁾

	Fiscal Year Ending Dec. 31,				
	2006E	2007E	2008E	2009E	2010E
Revenues	1,621.6	1,631.6	1,639.6	1,648.6	1,658.6
<i>% Growth</i>	-	0.6%	0.5%	0.5%	0.6%
EBITDA	324.5	331.1	336.5	342.8	350.0
<i>% Growth</i>	-	2.0%	1.6%	1.9%	2.1%
<i>% Margin</i>	20.0%	20.3%	20.5%	20.8%	21.1%
EBIT	238.0	242.0	244.3	247.3	251.1
<i>% Growth</i>	-	1.7%	1.0%	1.2%	1.5%
<i>% Margin</i>	14.7%	14.8%	14.9%	15.0%	15.1%

Note

1. Excludes G&A allocations

Kite Canada

- Management projections assume TransMountain is sold to Key on 1/1/07
- Also assume the sale of 75% of Corridor for \$225MM
- Therefore, Kite Canada's remaining investments are deconsolidated in 2007

Opportunities

- Favorable demographic trends in the western US and Canada
- Good position to benefit from emerging opportunities in Canadian oil sands
- Blue chip list of shippers
- Significant capital expansion opportunities through TMX1, TMX2 and TMX3 (\$3Bn+ opportunity)
- Good asset fit and investment potential for MLP structure of Key

Risks

- Impact of declining oil prices on oil sands opportunity
- Execution risks on expansion projects (raw material prices, availability of labor, etc.)

Kite Canada Historical and Projected Results \$MM

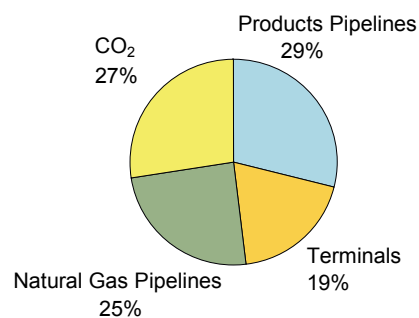
	Fiscal Years Ending December 31,				
	2006E	2007E	2008E	2009E	2010E
Revenues	198.1	-	-	-	-
% Growth	-				
EBITDA⁽¹⁾	134.8	-	-	-	-
% Growth	-				
% Margin	68.0%				
EBIT⁽¹⁾	98.4	-	-	-	-
% Growth	-				
% Margin	49.7%				
Equity in Partnerships	17.6	21.1	21.6	27.2	27.7

Note

1. Inclusive of equity in partnerships

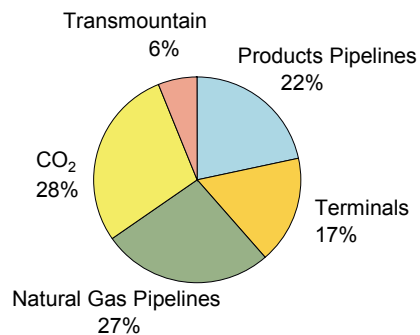
Project Franklin

2006 EBITDA by Segment \$2,036MM



Source Management Projections before corporate expenses

2010 EBITDA by Segment \$3,646MM



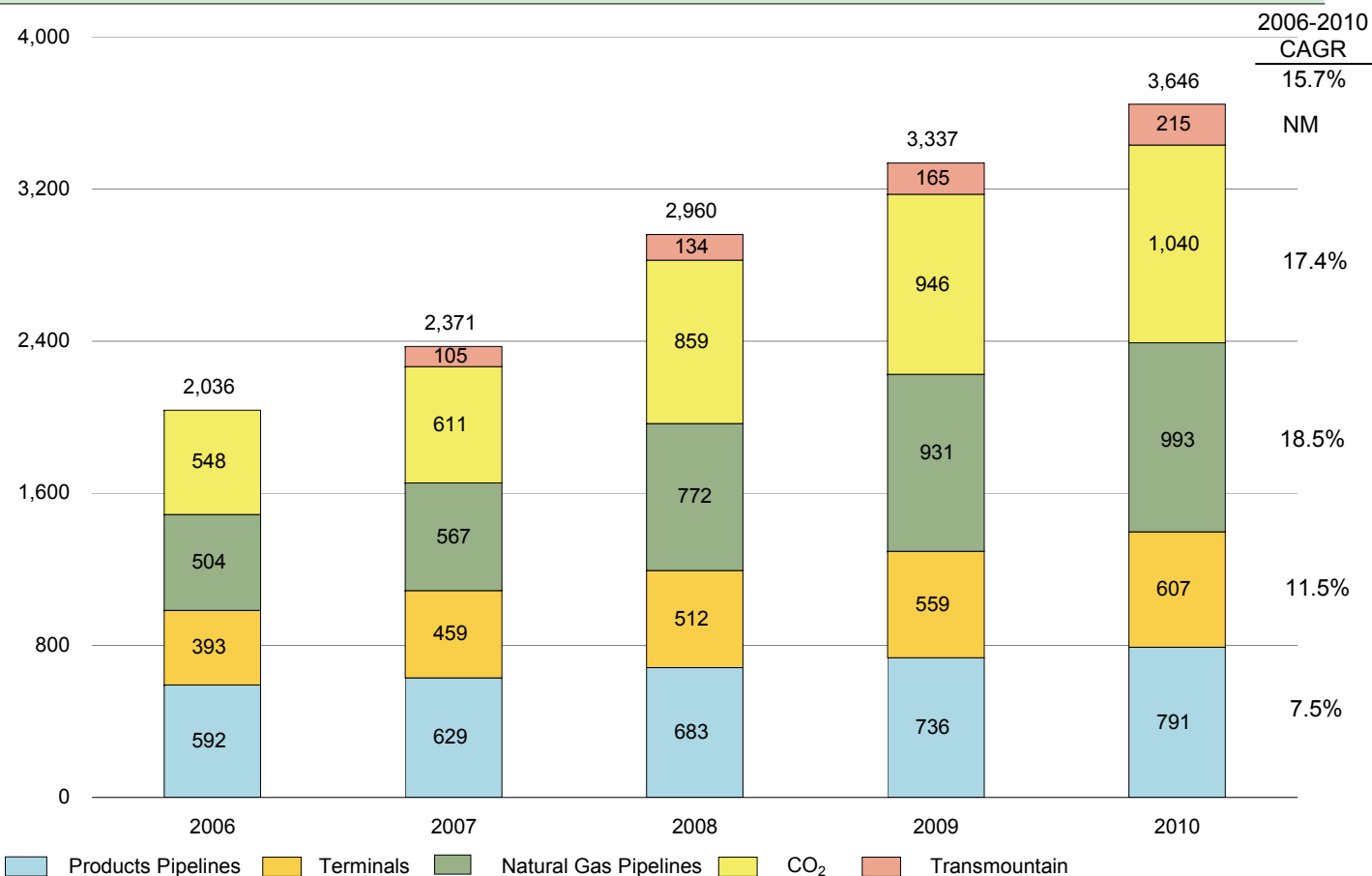
Source Management Projections before corporate expenses

Kite Financial Overview

Key EBITDA by Segment

Management Projections

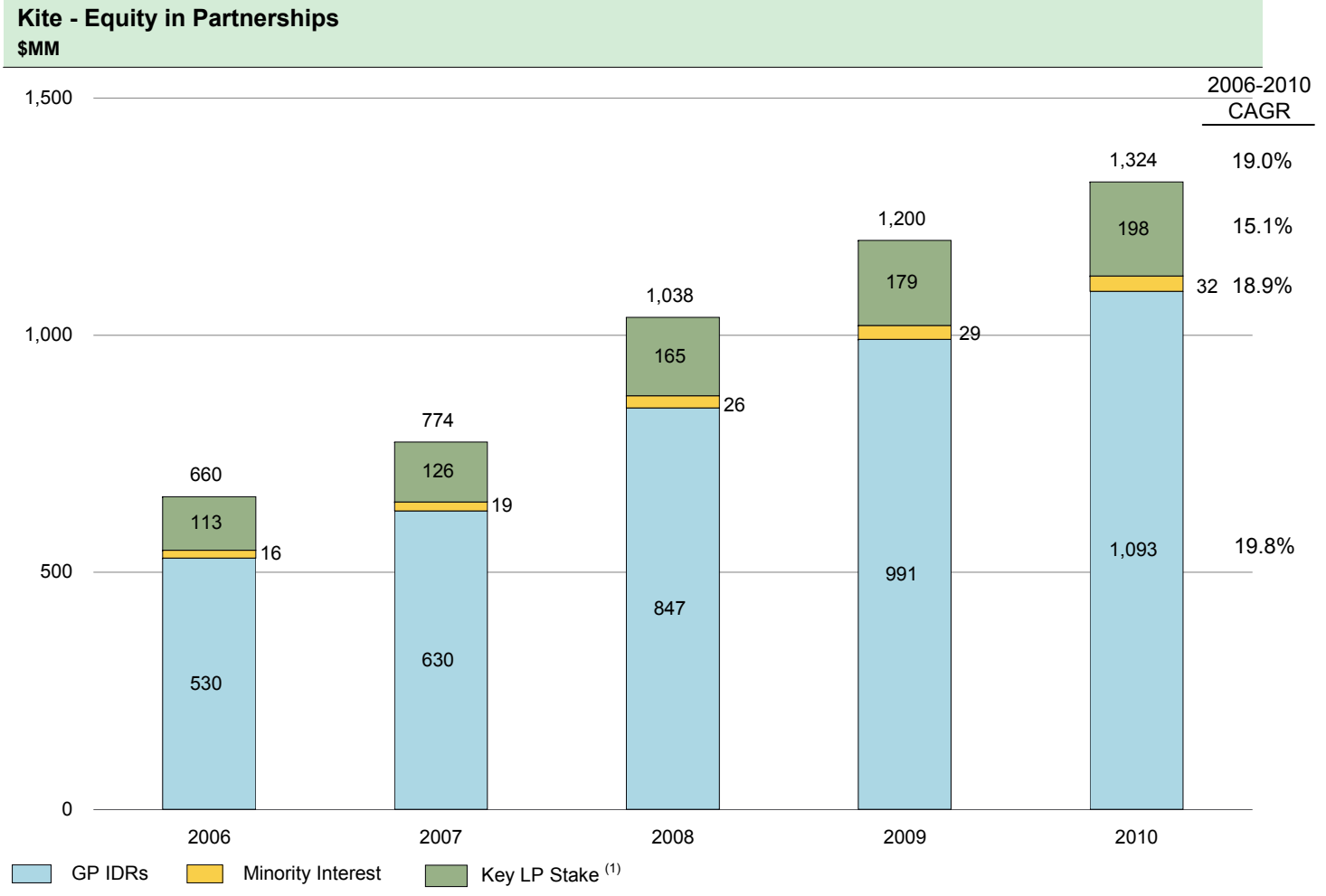
Key EBITDA by Segment \$MM



Source Management Projections before corporate expenses

Kite – Equity in Partnerships

- The bulk of Kite's growth in its ownership of Key comes from its GP interest



Source: Management Projections

Note
1. Net of Key Management minority interests

Key Growth Drivers

Expansion Capital Expenditures								2006-2010 Average
	2004	2005	2006	2007	2008	2009	2010	
Products Pipeline ⁽¹⁾	122.8	164.2	123.5	200.0	150.0	150.0	150.0	154.7
TransMountain	-	-	-	95.6	607.3	816.6	-	506.5
Natural Gas Pipelines / REX	-	-	624.5	874.2	668.5	45.7	-	553.2
Natural Gas Pipelines / LA Line	-	-	-	113.7	292.2	72.6	-	159.5
Natural Gas Pipelines / All Other	54.2	56.7	24.2	100.0	100.0	100.0	100.0	84.8
CO2 ⁽²⁾	275.7	267.5	422.4	206.3	184.2	167.8	142.6	224.7
Terminals ⁽³⁾	64.7	121.6	121.2	300.0	250.0	200.0	200.0	214.2
OH/IT/Other	83.4	73.4	55.7	-	-	-	-	NM
Total	1,079.6 ⁽⁴⁾	991.2 ⁽⁴⁾	1,371.5	1,889.7	2,252.1	1,552.7	592.6	1,532.0

Notes

1. Includes acquisition capex of \$50MM a year from 2007 to 2010
2. 2006 includes \$94MM for Journey acquisition
3. Includes acquisition capex of \$100MM a year from 2007 to 2010
4. Includes \$479MM and \$308MM in acquisitions in 2004 and 2005, respectively

Key

Opportunities

- Strong backlog of expansion projects, notably REX which is fully subscribed with 10 year contracts
- Movement of natural gas supply basins to Rockies creates opportunities/needs for new infrastructure
- Nationwide footprint with little competition in many niches/geographies (i.e., CO2)
- Scale allows capability for sizable expansion projects most of the competition could not take on
- Strong customer base with little concentration

Risks

- Environment for acquisitions is difficult, given valuation multiples and where Key is in the splits
- Execution risk on expansion projects
- Financing risks/interest rate risks
- Regulatory requirements
- Recontracting risk at REX after initial 10 year period expires
- Commodity price risk in CO2 and Terminals business

Key Historical and Projected Results

\$MM, unless otherwise noted

	Fiscal Years Ending December 31,					
	2005A	2006E	2007E	2008E	2009E	2010E
Revenues	9,718	12,419	13,117	13,992	14,678	15,317
% Growth		27.8%	5.6%	6.7%	4.9%	4.4%
EBITDA	1,621	1,806	2,121	2,700	3,071	3,373
% Growth		11.4%	17.4%	27.3%	13.7%	9.8%
% Margin	16.7%	14.5%	16.2%	19.3%	20.9%	22.0%
EBIT	1,265	1,422	1,694	2,224	2,530	2,800
% Growth		12.3%	19.1%	31.3%	13.7%	10.7%
% Margin	13.0%	11.5%	12.9%	15.9%	17.2%	18.3%
GP IDR	474	530	629	847	991	1,093
Total Cash Flow to KMI⁽¹⁾	531	599	690	889	1,078	1,193
Distribution Per Unit Target (\$)	3.13	3.28	3.51	4.08	4.46	4.66

Note

1. Includes GP interest, IDRs and LP unit distributions

Illustrative Risks and Opportunities

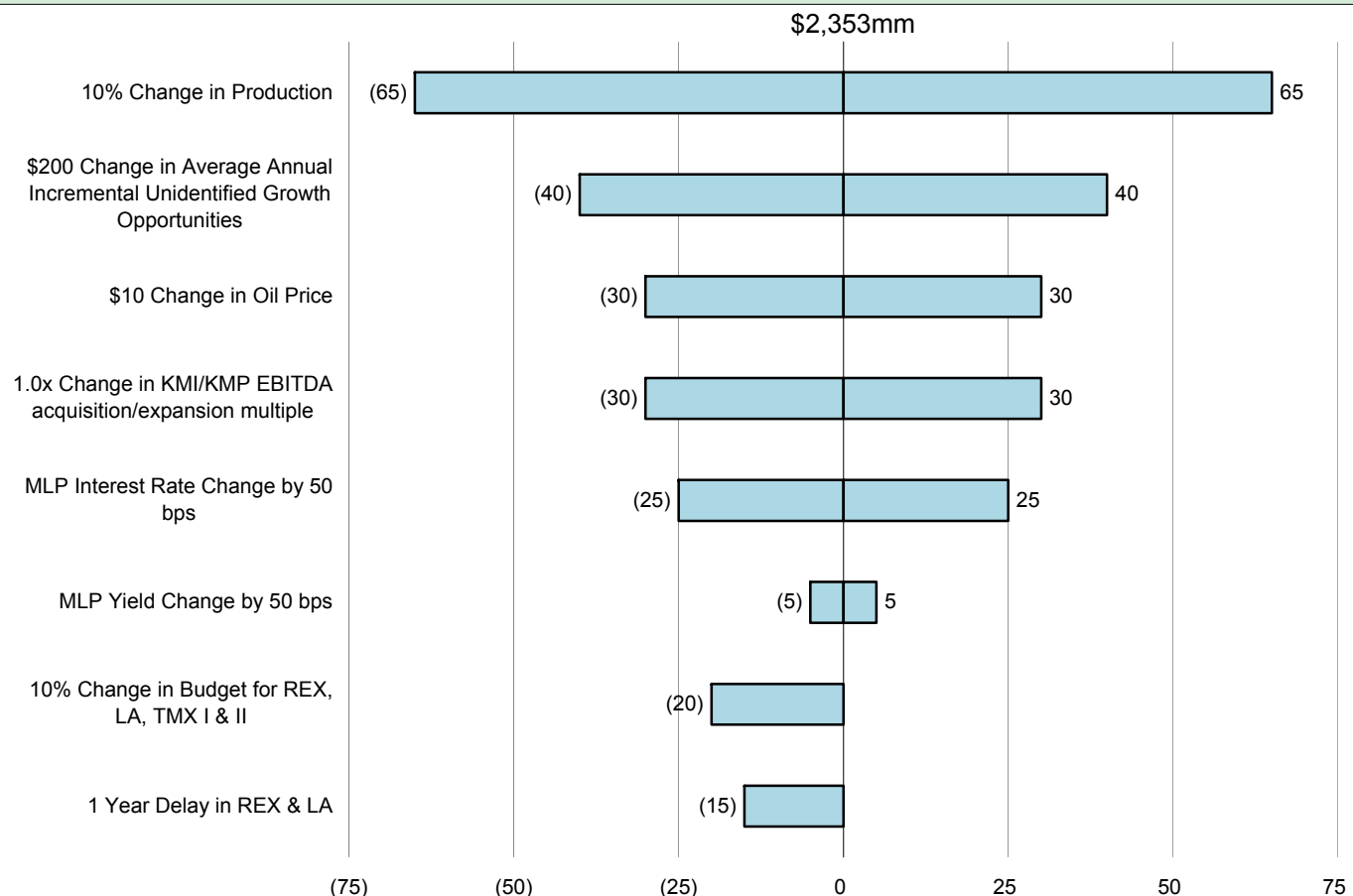
EBITDA Variability

“Risks to be Considered” per Goldman Sachs and Management:

- 5-year plan methodology: high-level projections, not bottom-up budget
- Executing on unidentified opportunities underlying growth expectations
- Oil production and prices
- Project overruns and delays
- Capital markets: access, cost, rates
- Sustaining capex needs
- Securing customer commitments for expansions

Effect of Specifically Identified Events on 2010 EBITDA:

Status Quo 2010 EBITDA = \$2,353mm

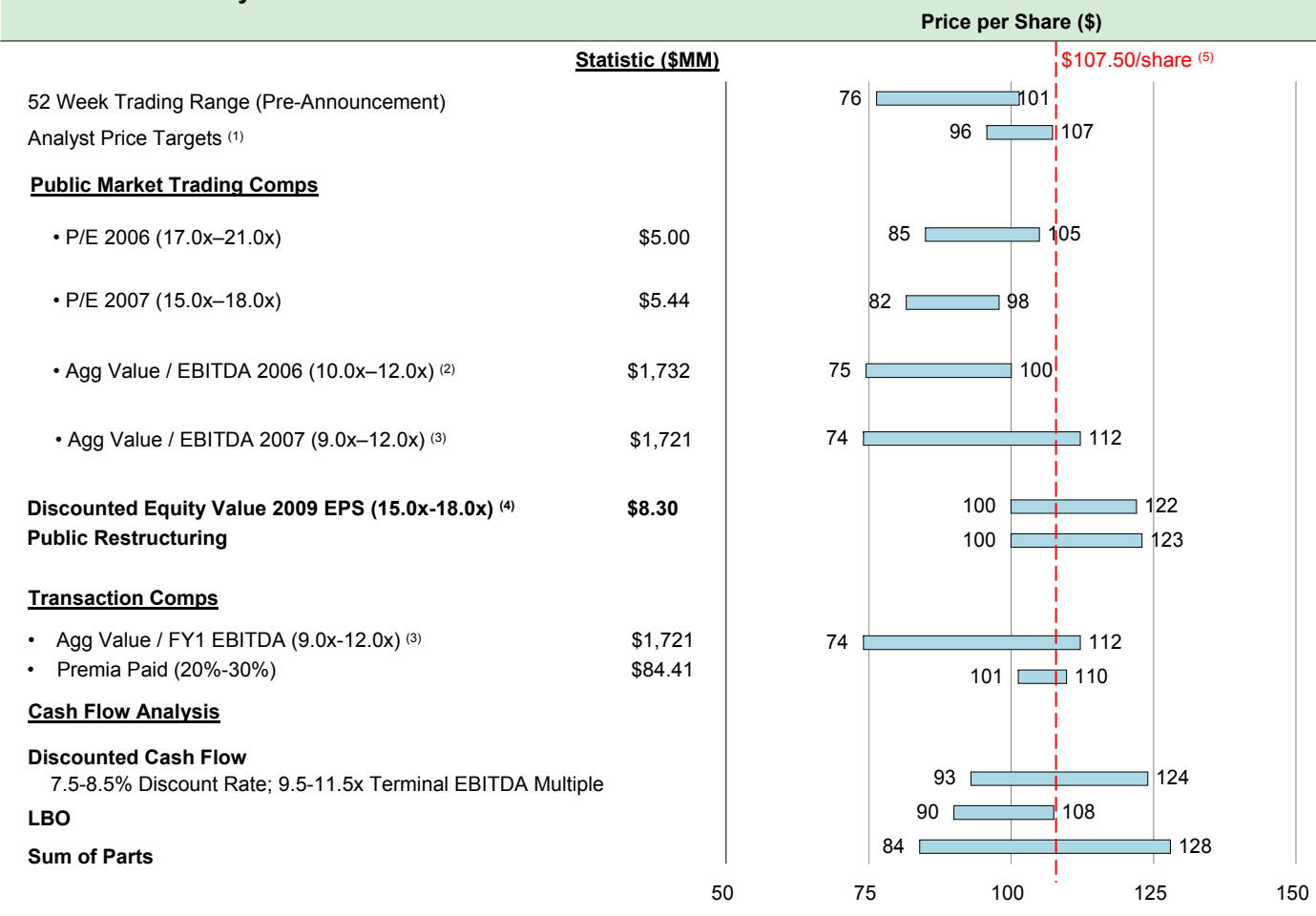


Section 5

Valuation of Kite

Kite Summary Valuation

Valuation Summary



Notes

1. Price targets discounted back six months at Kite's estimated cost of equity of 9%
2. Valuation assumes \$7.2Bn in net debt
3. Valuation assumes \$5.4Bn in net debt
4. Assumes 2010 EPS discounted back 3.5 years at Kite's estimated cost of equity of 9% (valuation includes cumulative dividends discounted annually at Kite's estimated cost of equity of 9%)
5. Assuming a November 30th close, shareholders in Kite will receive \$107.50 in cash at close and \$0.875 per share as a dividend payment in November. To put this on a 6/30/06 basis, this would represent a present value of approximately \$106 per share

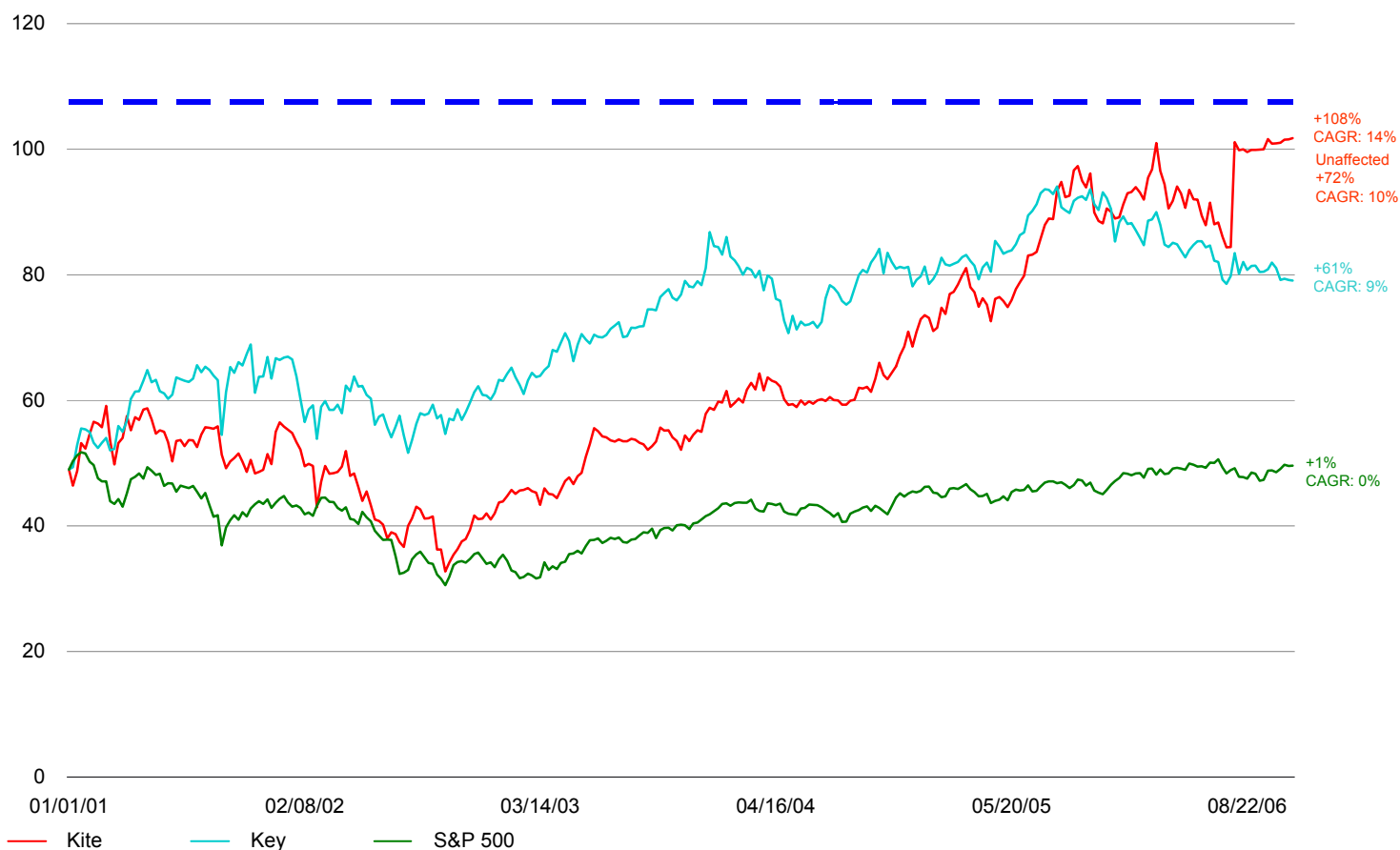
Project Franklin

Valuation of Kite

Kite and Key Stock Price Performance

	Price	Premium from Offer Price
Offer	107.50	
Unaffected Price	84.41	27.4%
Current Trading Value	101.75	5.7%
52 Week High	101.44	6.0%
52 Week Low	76.40	40.7%
5 Year High	101.44	6.0%
5 Year Low	32.15	234.4%
30 day Trailing Average	86.40	24.4%
60 day Trailing Average	88.37	21.6%
1 year Trailing Average	90.53	18.7%
3 year Trailing Average	71.89	49.5%
5 year Trailing Average	61.83	73.9%

Price Performance Since 2001 – Rebased to Kite \$

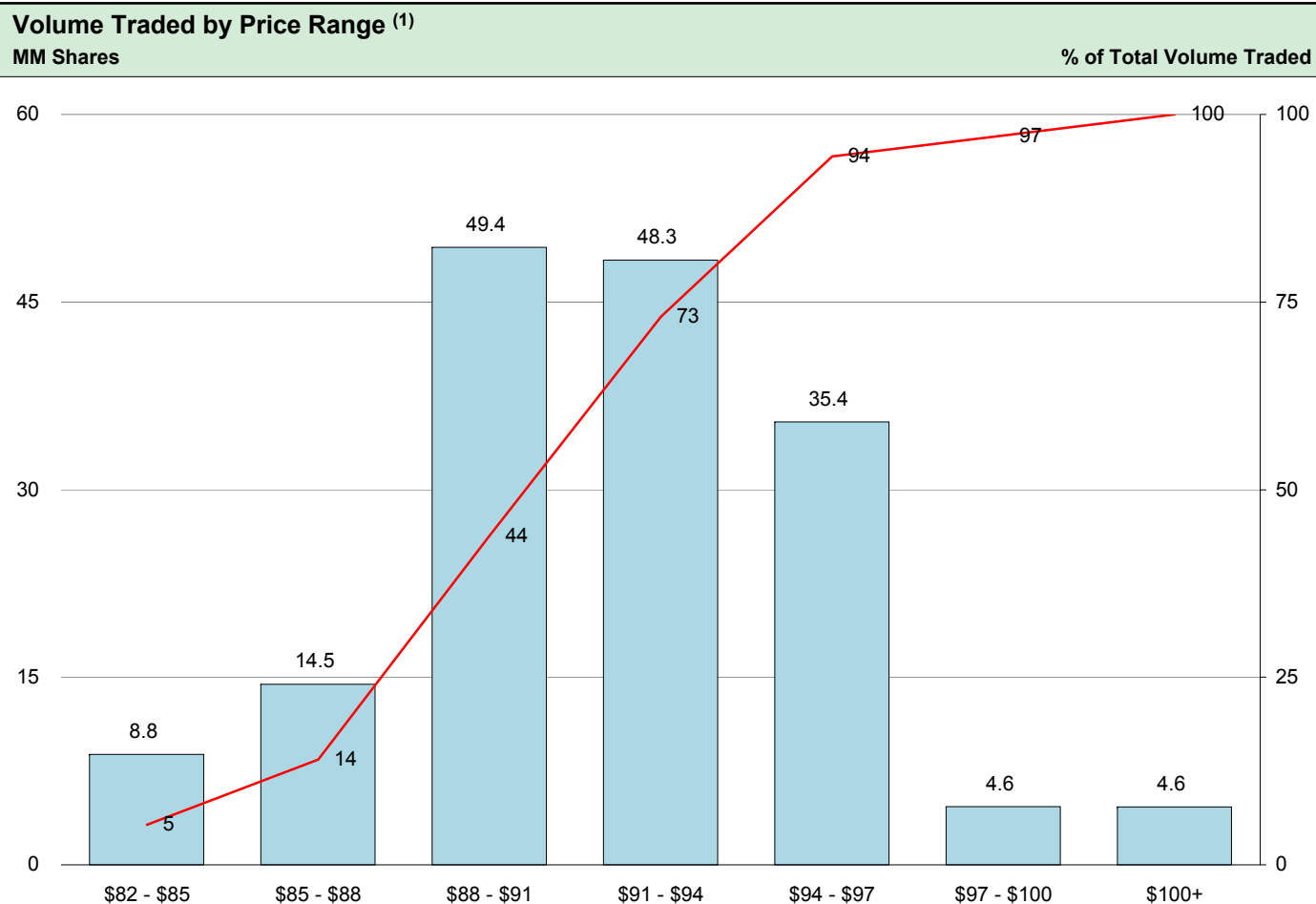


Source FactSet

Kite Stock Trading Volume Analysis

Last Twelve Months Prior to Announcement of Offer

- Over the twelve months prior to the Proposal, 4.6MM shares traded at prices at or above \$100 / share, representing 2.8% of the shares traded
 - 166MM shares have been traded over that twelve month period
 - 86MM shares have traded since the transaction was announced



Source FactSet





Note
1. Period from May 25, 2005 to May 26, 2006

Selected Wall Street View of Kite

Prior to Announcement of Proposal

- Other Equity Research analysts price targets:
 - \$108.00 – Banc of America (01/25/06)
 - \$105.00 – Wachovia Securities (04/19/06)
 - \$105.00 – Price Target Research (05/14/06)
 - \$112.00 – RBC Capital Markets (04/20/06)

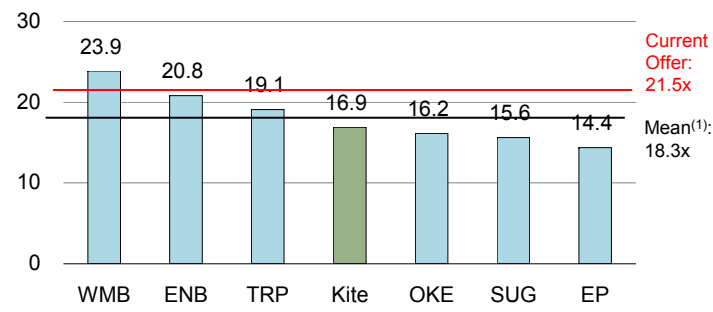
Wall Street View of Kite Prior to Announcement of Proposal

			LEHMAN BROTHERS		
Report Date	4/21/06	4/20/06	4/26/06	4/19/06	5/1/06
Stock Price	\$90.70	\$90.70	\$89.53	\$91.29	\$88.02
Price Target	\$105.00	\$106.00	\$100.00	\$110.00	\$105.00
Competitive Strengths	<ul style="list-style-type: none"> • Organic growth opportunities gained through the acquisition of Terasen • Key segments on target for solid performance (excluding CO2) • Strong volumes on TransMountain (Kite Canada) 	<ul style="list-style-type: none"> • Strong cash flow growth from Key • New growth opportunities with Terasen acquisition • NGPL results continue to benefit from successful contract renegotiations • Positive impact of FERC rate decision 	<ul style="list-style-type: none"> • Key strong contributor and growth driver • Two large segments now with Terasen acquisition • Increased Key earnings from TX pipelines • NGPL significant amount of capacity sold under contract 	<ul style="list-style-type: none"> • Advanced several major projects in \$8Bn backlog (45% now firm) • Blended TMX2/TMX3 expansion opportunity • Strength in its underlying growth prospects 	<ul style="list-style-type: none"> • Growth stemming from ~\$8 to \$12 billion of internal expansion projects • Does not carry as much direct commodity exposure as peers • Shareholder-driven management
Threats / Issues	<ul style="list-style-type: none"> • Increased dependence on Key for earnings growth • Expected shortfall in the CO2 segment • Key to generate lower than previously expected earnings and pay slightly lower cash distributions in 2006-07 	<ul style="list-style-type: none"> • "Slight slip-up" in CO2 segment • Environmental expenses and low demand for propane due to warm winter hurt Products Pipelines segment • No assurance that Key will be able to acquire assets or invest in various projects on economically acceptable terms 	<ul style="list-style-type: none"> • Yield affected by recent increase in interest rates • Reduction in CO2 producing volumes of ~3MBbl/d at SACROC • Key is experiencing increased G&A and interest costs which have offset EBIT increases 	<ul style="list-style-type: none"> • Ongoing challenge at SACROC unit • Earnings uncertainty associated with SACROC unit could temporarily cap Kite's upside 	<ul style="list-style-type: none"> • Key's distribution growth rate over the next five years likely much lower than past five years • MLP will require a substantial amount of capital in near term • Very tight cash distribution coverage ratio • Large size and diverse mix of asset base is "a lot to manage"

Midstream Public Market Comparables

As of August 22, 2006

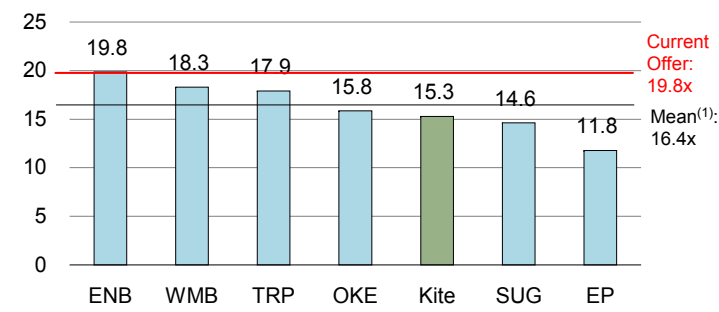
2006E P/E



PEG: 1.96 2.85 9.57 1.35 2.02 2.08 1.80

Source FactSet and Kite management estimates

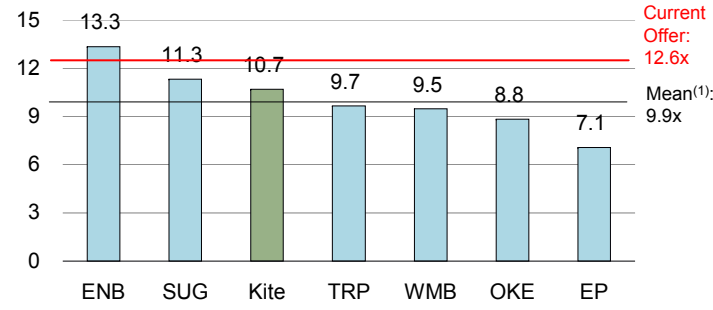
2007E P/E



PEG: 2.72 1.50 8.97 1.97 1.97 1.94 1.47

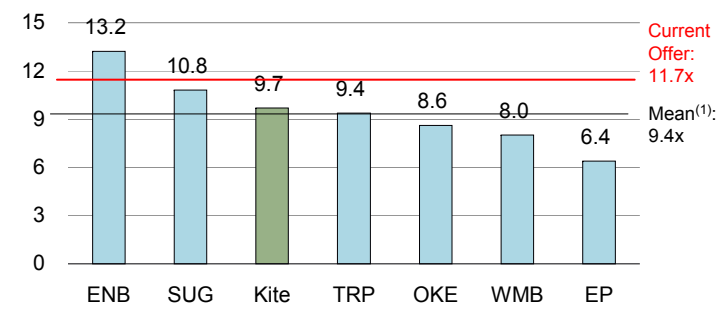
Source FactSet and Kite management estimates

2006E AV/EBITDA



Source FactSet and Kite management estimates

2007E AV/EBITDA



Source FactSet and Kite management estimates

Legend	
El Paso	EP
Enbridge	ENB
ONEOK	OKE
Southern Union	SUG
TransCanada	TRP
Williams	WMB

Note
1. Mean excludes Kite Unaffected

Next Twelve Months P/E Chart – Last Five Years

As of August 22, 2006

- Over the past five years, Kite's peers have consistently traded from 15-19x Next Twelve Months P/E
 - Traded within this range over 80% of last three years
- Its peer group since 2004 has averaged a P/E of 18x
 - Kite has also averaged an 18x P/E since January 2004

Next Twelve Months P/E Forward Estimates



Average Next Twelve Months P/E

	1 Year	2 Year	3 Year
Kite	19.4x	18.7x	17.8x
Peers ⁽¹⁾	17.6x	17.6x	17.9x

Source FactSet

Note

1. Includes TransCanada, Williams, El Paso, Enbridge, ONEOK and Southern Union

Discounted Equity Value

Undiscounted FY1 EPS					
	2006	2007	2008	2009	2010
EPS	5.00	5.44	6.69	7.58	8.30
<u>Stock price at</u>					
15.0x	82	100	114	124	-
16.0x	87	107	121	133	-
17.0x	92	114	129	141	-
18.0x	98	120	136	149	-

Present Value of Pro Forma Share Price Discounted at 9% Cost of Equity ⁽¹⁾					
		2006	2007	2008	2009
Forward P/E Multiple	15.0x	79.80	93.27	100.14	104.01
	16.0x	85.01	99.15	106.25	110.15
	17.0x	90.22	105.03	112.36	116.28
	18.0x	95.43	110.92	118.47	122.42

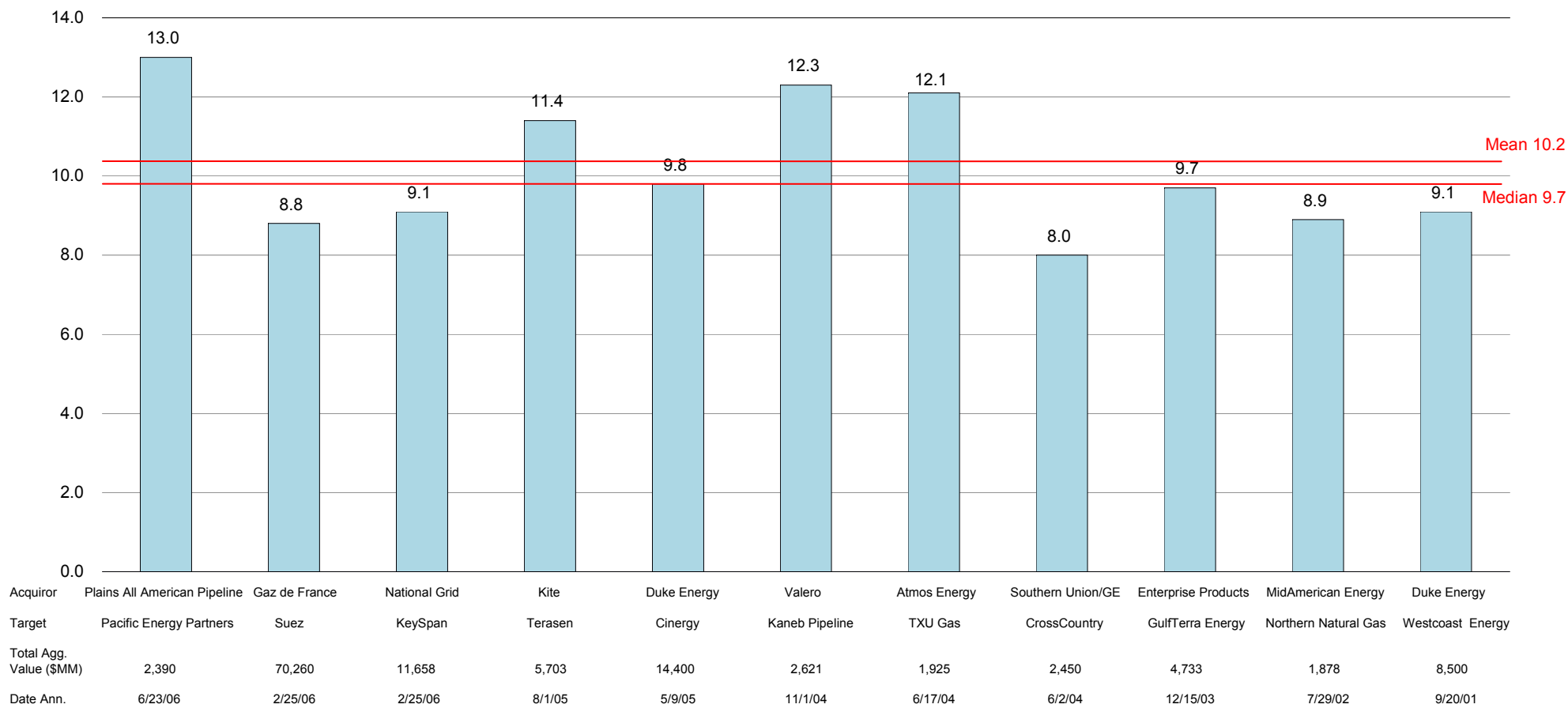
Present Value of Pro Forma Share Price Discounted at 10.5% Cost of Equity ⁽²⁾					
		2006	2007	2008	2009
Forward P/E Multiple	15.0x	79.26	91.40	96.86	99.35
	16.0x	84.43	97.16	102.77	105.20
	17.0x	89.61	102.93	108.67	111.05
	18.0x	94.78	108.69	114.58	116.90

Notes

1. Based on forward EPS; Includes value of cumulative dividends and assumes 9% discount rate
2. Based on forward EPS; Includes value of cumulative dividends and assumes 10.5% discount rate

Selected Midstream Transactions

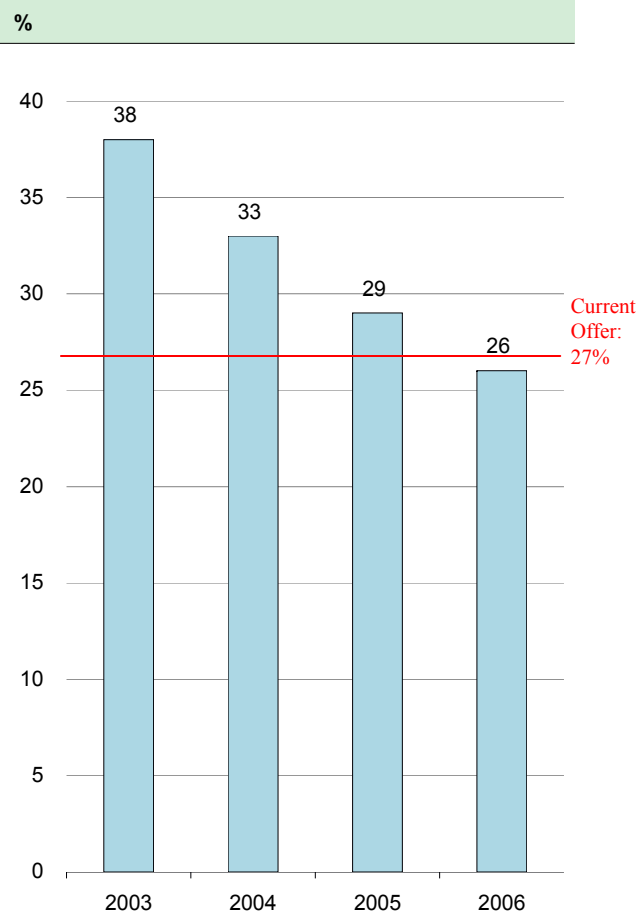
Selected Midstream Transaction Comps – AV / FY1 EBITDA



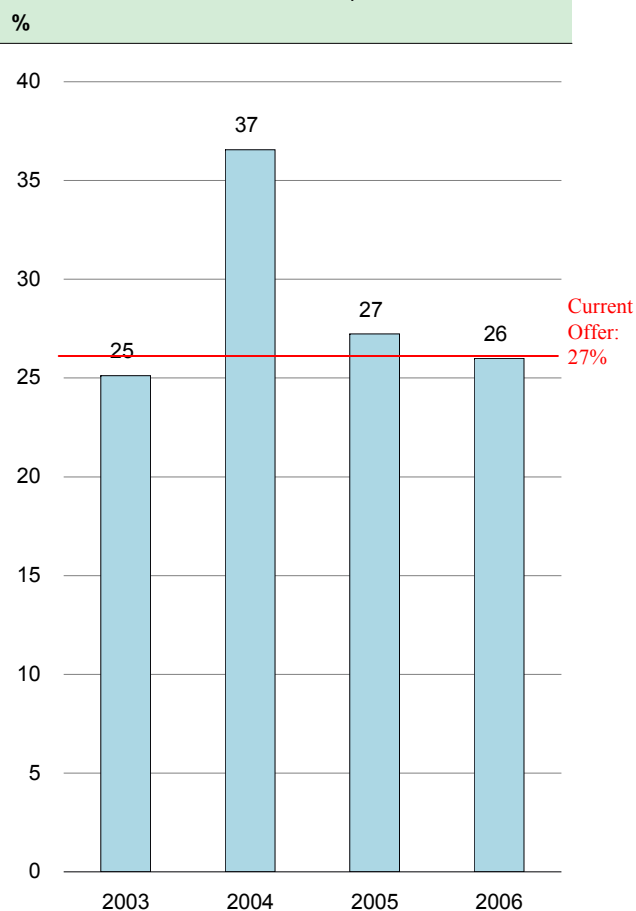
Premia Paid ⁽¹⁾⁽²⁾

Selected Transactions

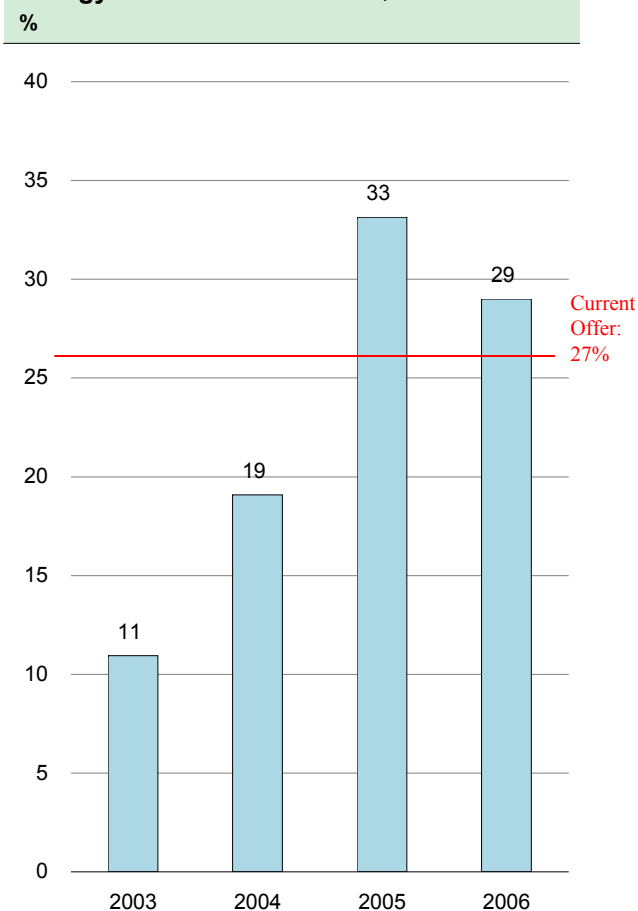
All Cash Transactions



Cash Transactions Above \$10 Bn



Energy Transactions Above \$1 Bn



Notes

1. Includes announced bids for U.S. public targets with an aggregate value of \$100MM or more. Excludes terminated transactions
2. Annual amounts based on mean of percentage premiums paid over unaffected stock price, which is defined as stock price 4 weeks prior to the earliest of the deal announcement, announcement of a competing bid, and market rumors

Discounted Cash Flow Analysis

Kite

Kite Discounted Cash Flow									
Discount Rate FY 2010 EBITDA Multiple	7.5%			8.0%			8.5%		
	9.5x	10.5x	11.5x	9.5x	10.5x	11.5x	9.5x	10.5x	11.5x
Year 4 EBITDA	2,353	2,353	2,353	2,353	2,353	2,353	2,353	2,353	2,353
Terminal Value	22,349	24,702	27,054	22,349	24,702	27,054	22,349	24,702	27,054
PV of Terminal Value @ 6/30/06	16,141	17,840	19,539	15,807	17,471	19,135	15,482	17,112	18,741
PV of Free Cash Flow @ 6/30/06 ⁽¹⁾	<u>4,470</u>	<u>4,470</u>	<u>4,470</u>	<u>4,428</u>	<u>4,428</u>	<u>4,428</u>	<u>4,386</u>	<u>4,386</u>	<u>4,386</u>
Estimated Aggregate Value	20,611	22,310	24,009	20,235	21,899	23,563	19,868	21,498	23,128
Less: Total Debt	(7,381)	(7,381)	(7,381)	(7,381)	(7,381)	(7,381)	(7,381)	(7,381)	(7,381)
Plus: Cash	<u>169</u>	<u>169</u>	<u>169</u>	<u>169</u>	<u>169</u>	<u>169</u>	<u>169</u>	<u>169</u>	<u>169</u>
Equity Value	13,398	15,097	16,796	13,022	14,686	16,350	12,656	14,285	15,915
Shares Outstanding	136	136	136	136	136	136	136	136	136
Equity Value Per Share	\$ 98.84	\$111.22	\$123.62	\$ 96.07	\$108.21	\$120.36	\$ 93.39	\$105.29	\$117.18
Implied Perpetuity Growth Rate	2.5%	2.9%	3.3%	2.9%	3.4%	3.8%	3.4%	3.9%	4.3%

Note

1. Includes 50% of 2006E cash flows and includes after-tax proceeds of \$579MM for announced sale of Retail

LBO Analysis

Assumptions:

- Valuation as of 6/30/06
- Assumes net debt of \$7,213 million refinanced in transaction
- Sponsor equity based on expected balance sheet at 12/31/06
- Operating assumptions based on management estimates
- Assumes management incentive payments granted at a time of realization (2010)
 - \$0 granted at 9x exit multiple
 - \$316MM granted at 11x exit multiple

Sources \$MM	
Insider Rolled Equity	3,010.0
Equity from Sponsor	5,057.8
Total Debt	14,096.8
Total Sources	22,164.6

Uses \$MM	
Equity Purchase Price	14,587.8
Net Debt Refinanced	7,212.8
Financing / Other Fees	364.0
Total Uses	22,164.6

Pro Forma Capitalization							
	Interest Rate	Opening	2H 2006	2007	2008	2009	2010
Term Loan B & C	L + 163bps	5,600.0	5,600.0	5,544.0	5,488.0	5,432.0	5,376.0
Term Loan D	L + 138bps	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0	2,000.0
Existing Debt	6.6%	6,496.8	6,732.9	5,272.6	5,045.2	4,631.0	4,113.3
		14,096.8	14,332.9	12,816.6	12,533.2	12,063.0	11,489.3
Total Debt / EBITDA		8.1x	8.3x	7.5x	6.3x	5.5x	4.9x
% of Total Debt Repaid		0.0%	(1.7%)	9.1%	11.1%	14.4%	18.5%

LBO Analysis

- Table illustrates the equity returns by varying the initial purchase price per share and exit multiple

		2010E LTM Exit Multiple				
		9.5x	10.0x	10.5x	11.0x	11.5x
Purchase Price Per Share (\$)	80.00	21.0%	23.4%	25.7%	28.0%	30.0%
	85.00	17.3%	19.9%	22.1%	24.3%	26.2%
	90.00	14.8%	16.7%	19.0%	21.2%	23.0%
	95.00	12.1%	14.6%	16.2%	18.3%	20.3%
	100.00	9.6%	12.1%	14.4%	15.8%	17.8%
	105.00	7.8%	9.9%	12.1%	14.2%	15.5%
	107.50	6.8%	9.3%	11.1%	13.2%	15.1%
	110.00	5.8%	8.3%	10.1%	12.2%	14.1%

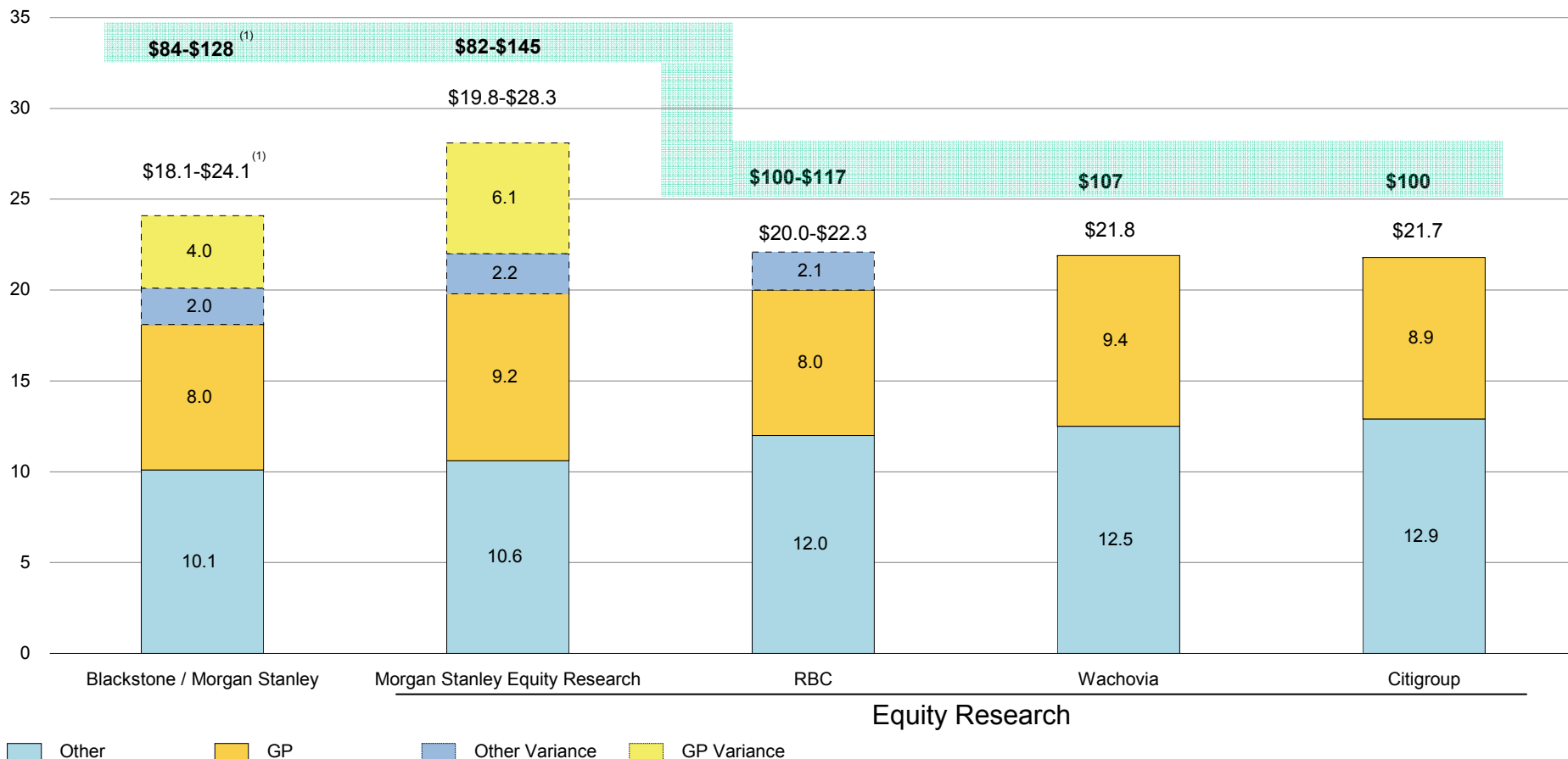
Note

1. Excludes a \$1.0Bn contingent equity commitment that investors will provide to the entity if it fails to achieve a determined interest coverage test

Sum-of-the-Parts Valuation

Sum-of-the-Parts Aggregate Value

\$Bn



Source Wall Street equity research

Sum of Parts

Sum-of-the-Parts Valuation Range

(\$ Millions, except where noted)

Description of Assets	Asset Valuation Range		
	Low	Mid	High
Investments in Key			
GP Stake in Key	\$8,000	\$10,000	\$12,000
Kite's LP units in Key	746	878	1,009
Kite's "I" units in Key Management	<u>369</u>	<u>434</u>	<u>499</u>
Value of Stake in Key and Key Management	\$9,115	\$11,312	\$13,508
Other Operating Business Segments			
NGPL	\$5,000	\$5,400	\$5,800
Terasen Gas	2,300	2,650	3,000
Kite Canada	1,500	1,535	1,570
Power & Other ⁽¹⁾	<u>155</u>	<u>165</u>	<u>175</u>
Total Agg Value	\$18,070	\$21,062	\$24,053
Less: (Estimates as of 6/30/06)			
Total Debt ⁽²⁾	\$6,803	\$6,803	\$6,803
Cash	<u>(169)</u>	<u>(169)</u>	<u>(169)</u>
Equity Value	\$11,436	\$14,427	\$17,419
Kite Diluted Shares Outstanding ⁽³⁾	<u>135.4</u>	<u>135.7</u>	<u>135.9</u>
Implied Equity Value / Share	\$84.49	\$106.33	\$128.16

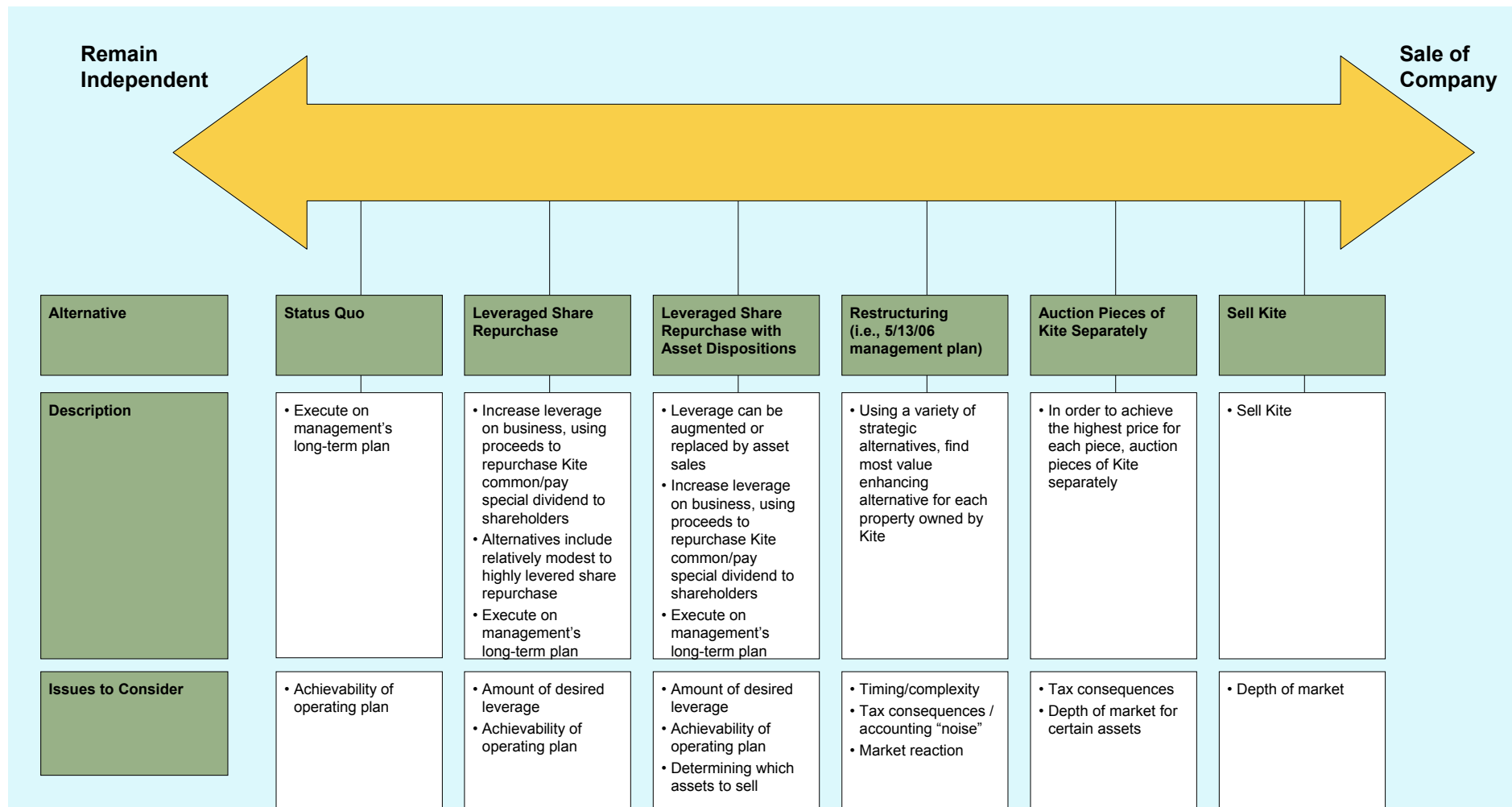
Notes

1. Represents estimated after-tax proceeds from anticipated sale
2. Assumes that \$579MM of after-tax proceeds from sale of Retail used to pay down debt
3. Different FD share count applied due to the exercising of options

Section 6

Strategic Alternatives

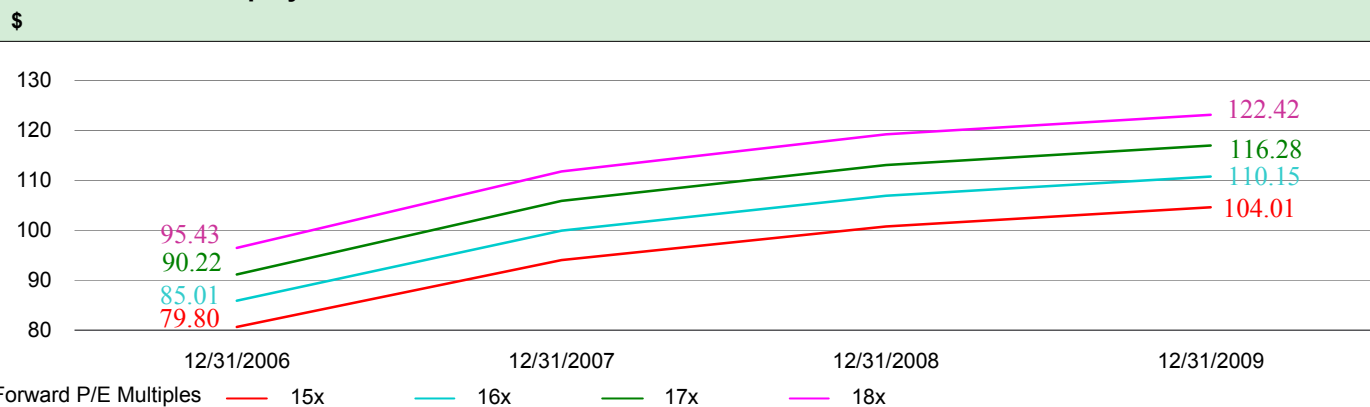
Continuum of Strategic Alternatives



Illustrative Value of Management's Plan

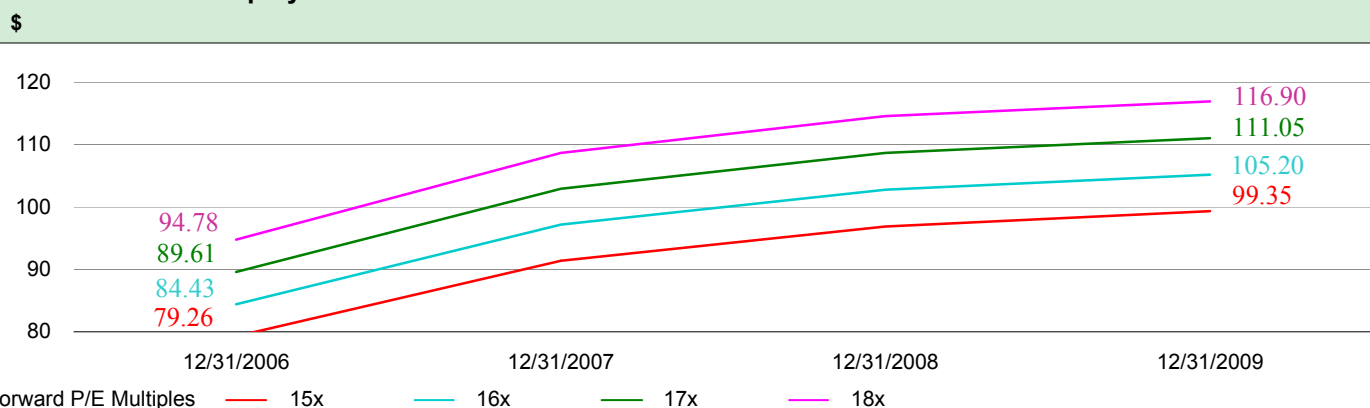
Undiscounted FY1 EPS					
	2006	2007	2008	2009	2010
EPS	5.00	5.44	6.69	7.58	8.30
Stock price at					
15.0x	82	100	114	124	-
16.0x	87	107	121	133	-
17.0x	92	114	129	141	-
18.0x	98	120	136	149	-

Kite Discounted Equity Value at 9% Discount Rate– Pro Forma Share Price ⁽¹⁾



Source Management projections

Kite Discounted Equity Value at 10.5% Discount Rate– Pro Forma Share Price ⁽¹⁾



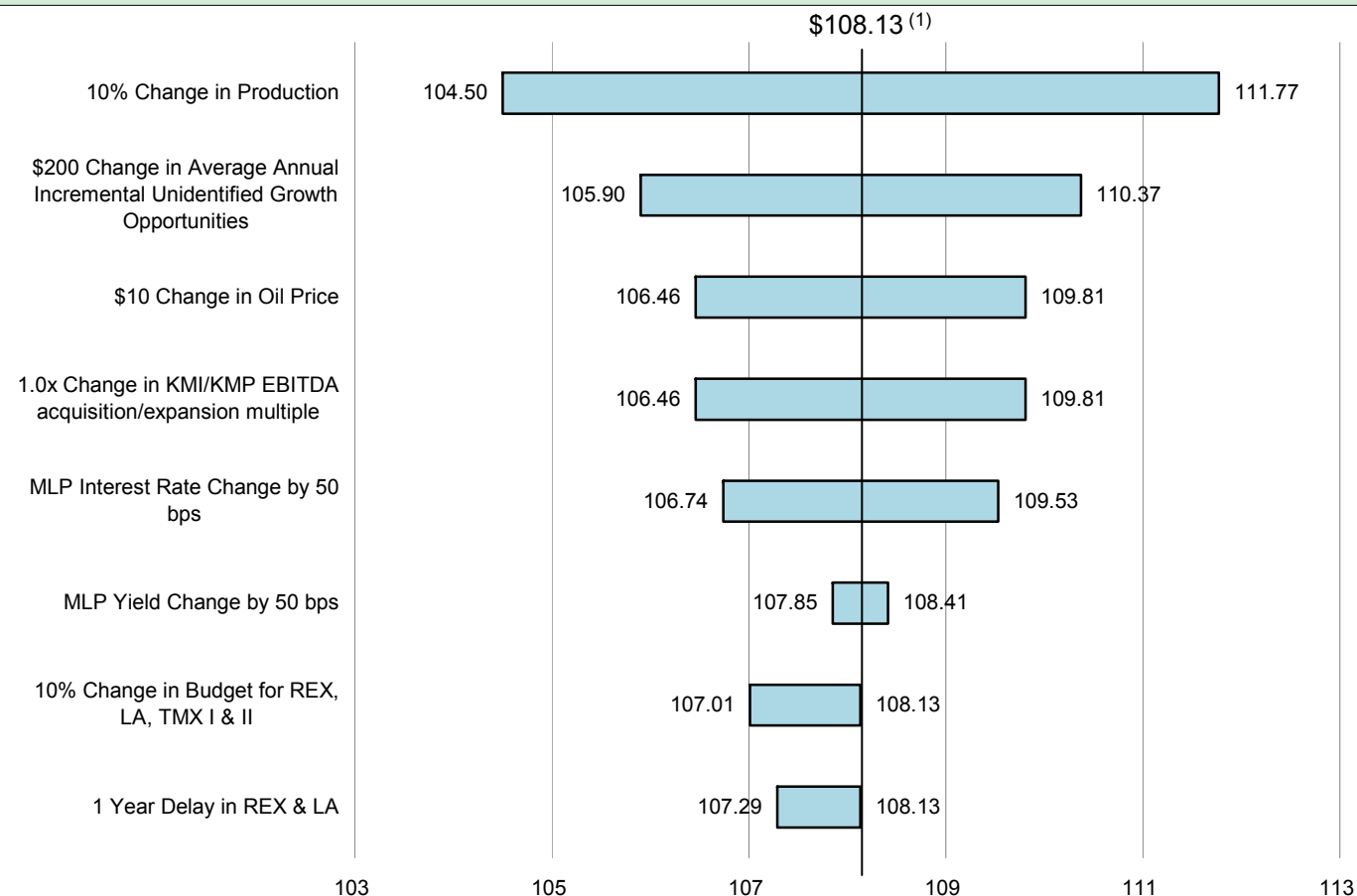
Source Management projections

Illustrative Risks and Opportunities (cont'd)

Discounted Equity Value Variability

Effect of Specially Identified Events on Discounted Equity Value:

Status Quo Discounted Equity Value = \$108.13



Note

1. Assumes a forward multiple of 16.5x (midpoint of the previously illustrated range) and a discount rate of 10.5%

Overview of the Leveraged Repurchase

Impact of Share Repurchase

- **Kite has a substantial opportunity to repurchase a meaningful amount of stock by using the proceeds from its asset sales and issuing incremental debt**
 - Maintains investment grade rating
 - It will be important to express strong commitment to investment grade rating to credit agencies
- **Costs of going below investment grade involve more complexity and expense in issuing debt if current bonds remained outstanding**

- Currently, Kite has \$7.4Bn of debt (4.3x 2006 EBITDA) and a BBB / Baa2 credit rating
- In order to maintain the investment grade rating, it will be important to maintain total debt of less than \$10Bn
 - Kite expects \$767MM of after-tax proceeds (and the removal of \$377MM of debt) from the drop-down of TransMountain and the sale of 75% of Corridor
 - Kite also expects to receive after-tax proceeds of \$787MM from the sale of Power and Retail
- A \$4Bn share repurchase should maintain the investment grade rating
 - However, this is the edge of investment grade, it brings debt to EBITDA to 6.4x, and could create risk of non-investment grade outcomes
- A share repurchase of \$3Bn would likely result in a downgrade to BBB- / Baa3, but is unlikely to result in Kite dropping below investment grade (represents 5.8x EBITDA)

Sources	
\$MM	
After-tax Proceeds of Power	208
After-tax Proceeds of Retail	579
3Yr FRN (6.1%)	640
5 Yr Fixed / FRN (6.6%)	953
10Yr Fixed (6.9%)	640
Total	3,020

Uses	
\$MM	
Repurchase of Shares @ \$95 - \$110 per share	3,000
Fees	20
Total	3,020

Impact on Credit Statistics

- From a financial perspective, the share repurchase
 - Increases Kite EPS during the 2006-2010 period
 - Also increases overall Kite leverage, however marginally increases free cash flow as reduced dividend payments offset increased interest expense

Management Plan Assumptions

- Existing Debt currently has a weighted average cost of approximately 6.5%
- Sale of TransMountain for \$700MM to Key
- Sale of 75% of Corridor for \$225MM to income trust

Leveraged Recapitalization Additional Assumptions

- \$3Bn Share Repurchase
- \$105 per share Repurchase Price
- Interest Rates on New Debt: 3 Yr FRN (6.1%), 5 Yr Fixed / FRN (6.6%), 10 Yr Fixed (6.9%)
- Sale of Retail for \$710MM
- Sale of Power for \$175MM

Accretion / Dilution Analysis					
	2006	2007	2008	2009	2010
Mgmt. EPS (\$)	5.00	5.44	6.69	7.58	8.30
@ \$100					
Pro Forma	5.75	7.40	8.55	9.50	
Acc. / Dil.	6%	11%	13%	14%	
@ \$105					
Pro Forma	5.67	7.29	8.42	9.36	
Acc. / Dil.	4%	9%	11%	13%	

Financial Summary - Management Plan

\$MM	2006E	2007E	2008E	2009E	2010E
Key Statistics					
EBITDA (\$MM)	1,732	1,721	2,008	2,200	2,353
EPS (\$)	5.00	5.44	6.69	7.58	8.30
Free Cash Flow (\$MM) ⁽¹⁾	(197)	(566)	(77)	39	37
Fully Diluted Shares (MM)	135.3	134.0	132.2	131.9	131.2
Debt / EBITDA (x)	4.5	3.7	3.2	2.9	2.7
EBITDA / Interest (x)	3.8	4.3	4.8	5.3	5.7

Financial Summary - Leveraged Recapitalization

\$MM	2006E	2007E	2008E	2009E	2010E
Key Statistics					
EBITDA (\$MM)	1,520	1,700	1,987	2,180	2,333
EPS (\$)		5.67	7.29	8.42	9.36
Free Cash Flow (\$MM) ⁽¹⁾		(589)	(86)	45	60
Fully Diluted Shares (MM)		105.4	103.6	103.3	102.7
Debt / EBITDA (x)	5.8	5.4	4.7	4.3	3.9
EBITDA / Interest (x)	2.6	2.9	3.3	3.6	3.9

Discounted Equity Value

Repurchase Shares @ \$100

Discounted Equity Value													
\$													
	2006			2007			2008			2009			
	Base Case	Share Repurchase	% Change	Base Case	Share Repurchase	% Change	Base Case	Share Repurchase	% Change	Base Case	Share Repurchase	% Change	
	9.0% Cost of Equity												
P/E	15x	79.80	84.31	5.7%	93.27	102.60	10.0%	100.14	111.85	11.7%	104.01	117.38	12.9%
	16x	85.01	89.82	5.7%	99.15	109.10	10.0%	106.25	118.74	11.8%	110.15	124.41	12.9%
	17x	90.22	95.33	5.7%	105.03	115.61	10.1%	112.36	125.63	11.8%	116.28	131.43	13.0%
	18x	95.43	100.84	5.7%	110.92	122.11	10.1%	118.47	132.52	11.9%	122.42	138.46	13.1%
	10.5% Cost of Equity												
P/E	15x	79.26	83.74	5.7%	91.40	100.54	10.0%	96.86	108.18	11.7%	99.35	112.10	12.8%
	16x	84.43	89.21	5.7%	97.16	106.91	10.0%	102.77	114.84	11.7%	105.20	118.80	12.9%
	17x	89.61	94.68	5.7%	102.93	113.28	10.1%	108.67	121.50	11.8%	111.05	125.50	13.0%
	18x	94.78	100.16	5.7%	108.69	119.65	10.1%	114.58	128.16	11.9%	116.90	132.20	13.1%

Discounted Equity Value

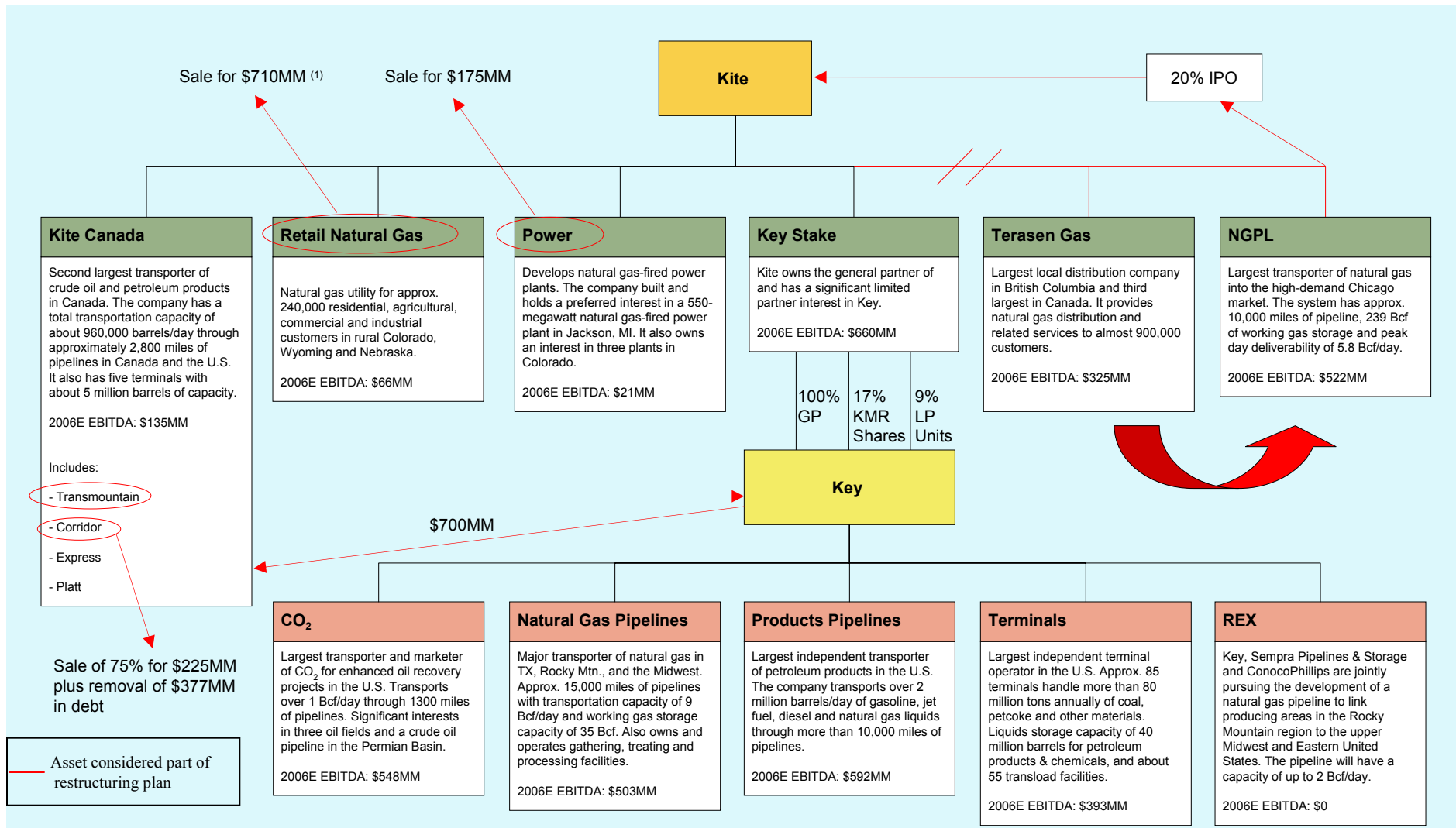
Repurchase Shares @ \$105

Discounted Equity Value																
\$																
	2006				2007				2008				2009			
	Base Case	Share Repurchase	% Change		Base Case	Share Repurchase	% Change		Base Case	Share Repurchase	% Change		Base Case	Share Repurchase	% Change	
	9.0% Cost of Equity															
P/E	15x	79.80	83.18	4.2%		93.27	101.21	8.5%		100.14	110.34	10.2%		104.01	115.81	11.3%
	16x	85.01	88.61	4.2%		99.15	107.62	8.5%		106.25	117.13	10.2%		110.15	122.73	11.4%
	17x	90.22	94.05	4.2%		105.03	114.03	8.6%		112.36	123.93	10.3%		116.28	129.65	11.5%
	18x	95.43	99.48	4.2%		110.92	120.44	8.6%		118.47	130.72	10.3%		122.42	136.57	11.6%
	10.5% Cost of Equity															
P/E	15x	79.26	82.61	4.2%		91.40	99.18	8.5%		96.86	106.73	10.2%		99.35	110.60	11.3%
	16x	84.43	88.01	4.2%		97.16	105.46	8.5%		102.77	113.29	10.2%		105.20	117.20	11.4%
	17x	89.61	93.41	4.2%		102.93	111.74	8.6%		108.67	119.85	10.3%		111.05	123.80	11.5%
	18x	94.78	98.80	4.2%		108.69	118.02	8.6%		114.58	126.41	10.3%		116.90	130.40	11.5%

Structural Considerations for Kite Restructuring

Structural Considerations	Key GP	NGPL	Terasen Gas	Kite Canada
Estimated Value	\$8Bn / \$12Bn	\$5Bn / \$5.8Bn	\$2.3Bn / \$3Bn	\$1.5Bn / \$1.6Bn
2006-2010 EBITDA Growth	14.7%	5.1%	1.9%	NA
Illustrative Tax Basis (Assets / Stocks)	\$0	\$1Bn / \$3.4Bn	\$2.5Bn / \$734MM	TransMountain: \$323MM Corridor: \$482MM / \$167MM Express: \$175MM
Potential Restructuring Alternatives	<ul style="list-style-type: none"> Take public Leave as "StumpCo" 	<ul style="list-style-type: none"> Spin IPO Sell Sell to Key 	<ul style="list-style-type: none"> Spin IPO Sell 	<ul style="list-style-type: none"> Sell assets/stakes Sell to Key
Issues to Consider	<ul style="list-style-type: none"> Separation from NGPL would create dis-synergies Effectively no basis in GP 	<ul style="list-style-type: none"> The low basis in the assets limits value of a sale to Key Relatively high basis in stock provides for opportunity to Sale/IPO/Spin Dis-synergies separating NGPL from Key Pipelines Save/Spin/IPO could cause FERC to review 	<ul style="list-style-type: none"> Tax basis approximates value 	<ul style="list-style-type: none"> Corridor a low return asset Express partners (Borealis and Ontario Teachers) seem to have no interest in selling

Public Restructuring Plan



Source Management Projections including G&A allocations for Kite; above figures do not include \$7.3MM unallocated G&A and \$8.8MM of equity income for Customer Works; Key figures exclude corporate expenses

Note

1. Expected to close in January 2007

Public Restructuring Plan

Present Value of Pro Forma 2010 Combined Share Price ⁽¹⁾				
		HoldCo Trading Yield		
		3.5%	4.5%	5.5%
SpinCo LTM EBITDA Multiple	8.5x	137.82	114.86	100.24
	9.0x	139.87	116.90	102.29
	9.5x	141.91	118.95	104.34
	10.0x	143.96	121.00	106.39
	10.5x	146.01	123.05	108.43

Premium to Offer Price of \$107.50 ⁽¹⁾				
		HoldCo Trading Yield		
		3.5%	4.5%	5.5%
SpinCo LTM EBITDA Multiple	8.5x	28.2%	6.8%	(6.8%)
	9.0x	30.1%	8.7%	(4.8%)
	9.5x	32.0%	10.7%	(2.9%)
	10.0x	33.9%	12.6%	(1.0%)
	10.5x	35.8%	14.5%	0.9%

Present Value of Pro Forma 2010 Combined Share Price ⁽²⁾				
		HoldCo Trading Yield		
		3.5%	4.5%	5.5%
Discount Rate	9.0%	147.00	123.18	108.03
	10.0%	141.91	118.95	104.34
	11.0%	137.05	114.90	100.81
	12.0%	132.40	111.03	97.44

Premium to Offer Price of \$107.50 ⁽²⁾				
		HoldCo Trading Yield		
		3.5%	4.5%	5.5%
Discount Rate	9.0%	36.7%	14.6%	0.5%
	10.0%	32.0%	10.7%	(2.9%)
	11.0%	27.5%	6.9%	(6.2%)
	12.0%	23.2%	3.3%	(9.4%)

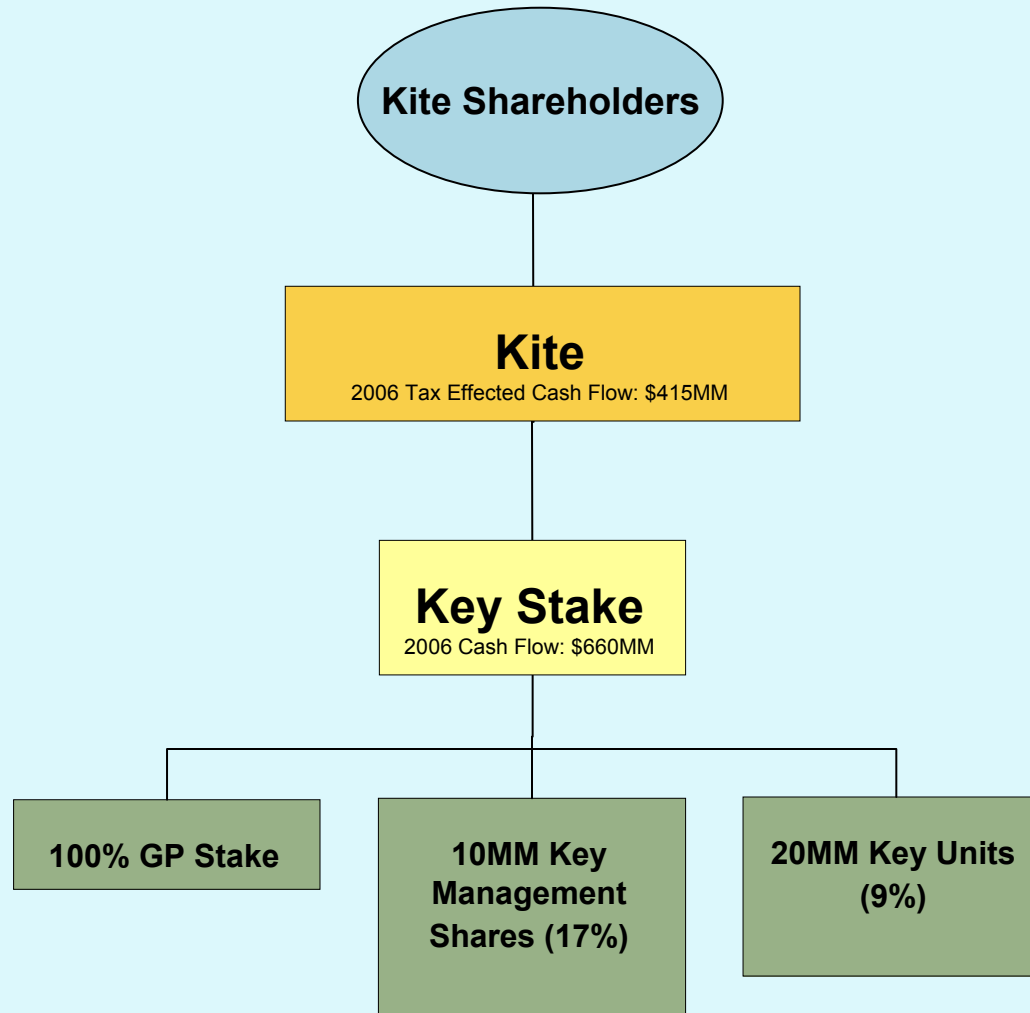
Notes

1. Assumes a 10% discount rate
2. Assumes a SpinCo LTM multiple of 9.5x EBITDA

Appendix A

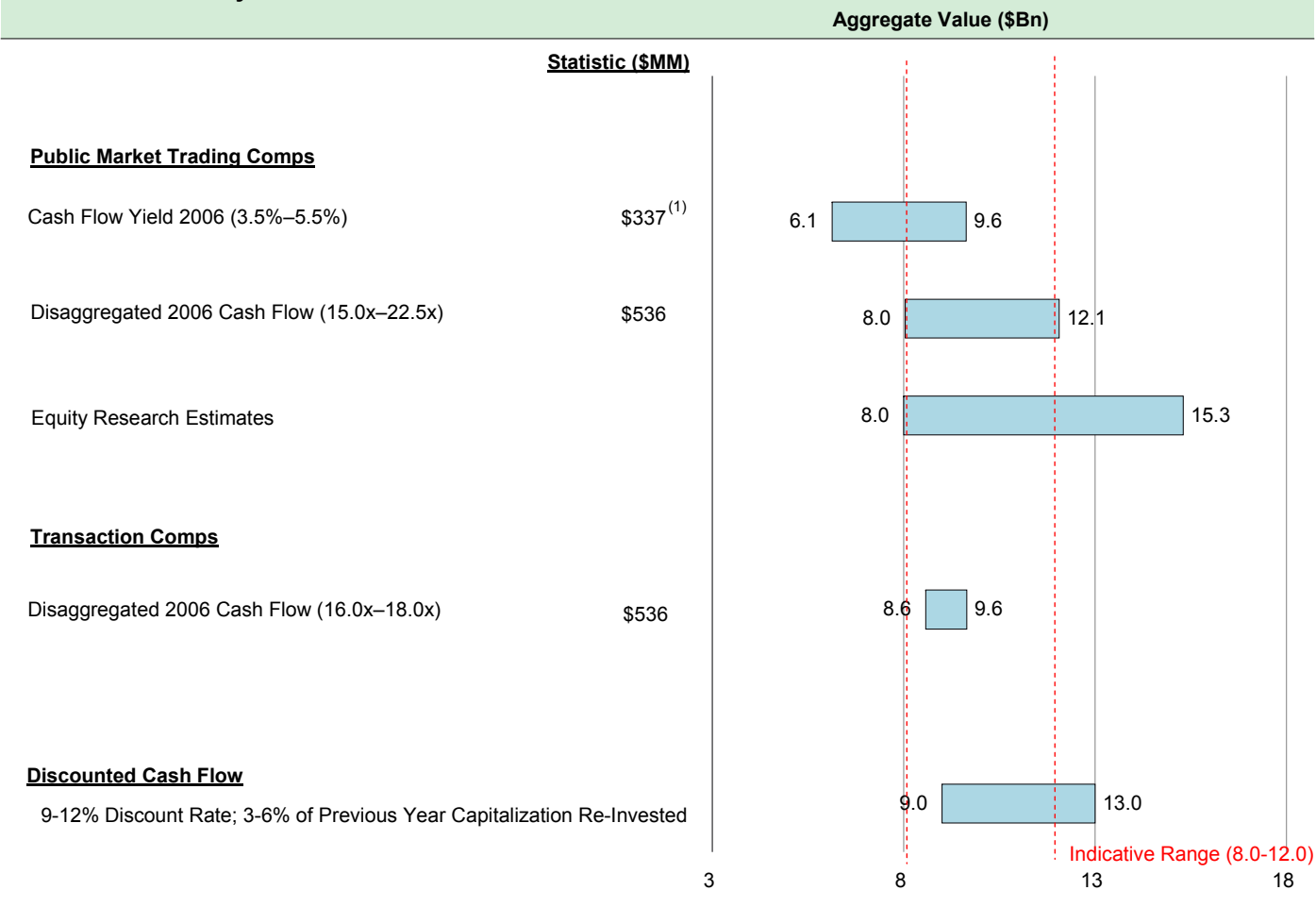
Valuation of Key General Partnership

Kite / Key Relationship Overview



Key General Partner Valuation Summary

Valuation Summary



GP Valuation

Public Comparable Summary

GP Valuation Analysis

Key	Enterprise	Energy Transfer	Magellan	Valero	Buckeye
GP Valuation					
GP Unit Price (8/22/06)	36.80	25.95	22.42	20.80	15.40
Units Outstanding	89	124	63	43	28
Equity Value	3,271	3,227	1,405	884	436
Net Debt (GP Level)	147	380	-	-	-
Aggregate Value	3,417	3,607	1,405	884	436
Current Yield	3.4%	3.7%	3.9%	5.8%	5.3%
Implied Disaggregated GP Cash Flow Multiple (x)	28.9	25.2 ⁽¹⁾	26.2	20.9	16.1

GP Asset Mix

General Partner (% stake)	2.0	2.0	2.0	2.0	0.6
IDRs (% ownership)	100	50	100	100	100
Common Units (MM)	13.50	36.40	0.00	10.23	0.08

GP Cash Flow Contribution

General Partner (%)		12.0%	5.0%	6.0%	7.0%	8.0%
IDRs (%)		69.0%	36.0%	94.0%	26.0%	91.0%
Common Units (%)		20.0%	59.0%	0.0%	67.0%	1.0%
2006E Total Distributions Paid	\$1,279.5	\$872.1	\$538.4	\$208.1	\$183.3	\$151.4
% to GP	42.2%	12.1%	28.7%	27.0%	9.6%	19.2%
% to LP	57.8%	87.9%	71.3%	73.0%	90.4%	80.8%
High Split		25.0%	50.0%	50.0%	25.0%	45.0%
Leverage Factor - Structure		2.3x	1.8x	2.9x	1.7x	2.0x
"Pure" Leverage Factor	1.3x	2.4x	2.5x	2.7x	2.8x	1.9x ⁽²⁾

Notes

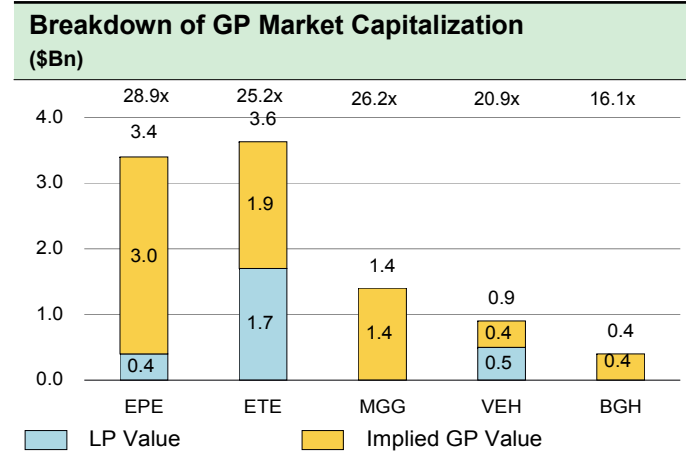
- Adjusted to normalize the coverage ratio
- BPL is unique among energy MLPs regarding its high-split and incentive cut

GP Valuation

Equity Market Perspective

Trading Comparables (GPs)		
Company	Yield (%)	Market Capitalization (\$Bn)
Enterprise	3.4	3.3
Energy Transfer	3.7	3.2
Magellan	3.9	1.4
Valero	5.8	0.9
Buckeye	5.3	0.4
Representative Range		3.5% – 5.5%

Source FactSet, Company Filings, Company Presentations



Source FactSet, Company Filings, Company Presentations

Research Estimates of Key GP

Kite Valuation Research Estimates

	GP Valuation	Valuation of Remaining Business
Morgan Stanley	9.2 - 15.3	10.6 - 13.0
RBC	8.0	12.0 - 14.3
Wachovia	9.4	12.4
Citigroup	8.9	12.8

GP Transaction Comps

Acquiror / Target	Date Announced	Aggregate Value (\$MM)	Aggregate Value		Disaggregated		
			LTM EBITDA (x)	1 Yr Fwd EBITDA (x)	Implied Embedded Equity Value (\$MM)	Adjusted GP Purchase Price (\$MM)	GP Value LTM EBITDA (x)
Plains All American Pipeline, LP / Pacific Energy Partners, LP	6/12/2006	2,390.0	NA	13.0	333.7	2,056.3	12.8 ⁽¹⁾
EPCO Inc. / TEPPCO GP	2/24/2005	1,100.0	16.2	NA	NA	1,100.0	16.2
Valero LP / Kanab Pipe Line Partners	11/1/2004	2,621.0	13.3	12.3	307.3	217.7	29.0
ONEOK, Inc. / Northern Plains Natural Gas Co	9/16/2004	175.0	16.2	NA	20.5	154.5	16.8
Enterprise Products Partners / GulfTerra Energy Partners	12/15/2003	4,733.3	10.9	9.7	2,891.9	1,841.4	8.0
Carlyle/Riverstone & Madison Dearborn / Williams Energy Partners	4/21/2003	823.2	8.8	8.5	569.4	253.8	4.9

GP Valuation

- In an MLP structure, the growth rate of the cash flow to the GP is determined by three factors
 - The core growth rate of the existing asset base
 - The “leverage factor” and
 - The ability to issue additional LP units to fund growth capex projects and acquisitions.

	Core Growth	Leverage Factor	New Unit Issuance
Description	<ul style="list-style-type: none"> • Core growth of the overall distributable cash flow of the MLP available to both the LPs and the GP from the existing asset base 	<ul style="list-style-type: none"> • The multiplier on top of the LP per unit growth due to the split mechanism; the lower in the split structure the higher the multiple 	<ul style="list-style-type: none"> • Extra growth in overall distributable cash flow through the ability to finance projects and acquisitions partially through the issuance of new units
Impact on LP	<ul style="list-style-type: none"> • Cash flow available per LP unit will grow less than the overall DCF due to the unequal sharing of incremental cash flow through the splits 	<ul style="list-style-type: none"> • N/A 	<ul style="list-style-type: none"> • Will increase the per LP unit growth rate if the projects or acquisitions produce a higher equity return than the “break-even” return. Break-even equity return is the yield of LP unit divided by the percentage of the overall DCF going to the LPs
Impact on GP	<ul style="list-style-type: none"> • Cash flow available to the GP will grow faster than the overall DCF due to the unequal sharing of incremental cash flow through the splits 		<ul style="list-style-type: none"> • Increases the GP cash flow even if the projects or acquisitions produce an equity return lower than “break-even” for the LPs. Break-even equity returns increase as LP unit yield and percentage of total DCF to the GP increase

% of Total DCF to GP	Implied Leverage Factor
25.0%	3.0x
27.5%	2.6x
30.0%	2.3x
32.5%	2.1x
35.0%	1.9x
37.5%	1.7x
40.0%	1.5x
42.5%	1.4x
45.0%	1.2x
47.5%	1.1x

		Breakeven re-investment rate				
		LP Unit Yield				
% of Total DCF to GP		6.0%	6.5%	7.0%	7.5%	8.0%
	25.0%	8.5%	8.9%	9.3%	9.7%	10.1%
	27.5%	8.7%	9.1%	9.5%	9.9%	10.4%
	30.0%	8.9%	9.3%	9.7%	10.2%	10.6%
	32.5%	9.1%	9.5%	10.0%	10.4%	10.9%
	35.0%	9.3%	9.7%	10.2%	10.7%	11.1%
	37.5%	9.5%	10.0%	10.5%	10.9%	11.4%
	40.0%	9.7%	10.2%	10.7%	11.2%	11.7%
	42.5%	10.0%	10.5%	11.0%	11.6%	12.1%
	45.0%	10.3%	10.8%	11.4%	11.9%	12.5%
47.5%	10.6%	11.2%	11.7%	12.3%	12.9%	

GP Valuation (cont'd)

Key Assumptions

- 20 year discounted cash flow model
- Management projections and capital plan through 2010
- 3% growth in Base EBITDA from 2011–2026 (before EBITDA from acquisitions/expansion; excludes equity in partnership earnings); 100% payout starting in 2011
- Annual capital investments based on percentage of previous year total capitalization at 13% re-investment rate (\$795MM investment/\$103.4MM EBITDA)
- Expansions/acquisitions funded with 40% debt (@ 6.6% interest rate) and 60% equity (7% yield)
- Maintenance capital expenditures of 1.1% of previous year total capitalization
- Income taxes of 1.7% of Base EBITDA
- 37% tax rate
- Terminal value calculated as perpetuity assuming 3% growth in after-tax cash flows to the GP

Management Assumptions

\$MM	2006	2007	2008	2009	2010
Total Distributable Cash Flows	1,279.5	1,500.9	2,001.0	2,299.6	2,535.7
GP Interest	535.5	635.7	855.2	1,000.8	1,103.1
Distributable Cash Flow to Common Units	744.0	865.2	1,145.8	1,298.8	1,432.6
Capitalization					
Net Debt ⁽¹⁾	6,193.8	7,772.9	8,497.1	9,390.7	9,000.3
Shareholders' Equity	3,832.7	4,676.2	5,960.6	6,290.5	6,904.2
Total Capitalization	10,026.5	12,449.1	14,457.8	15,681.2	15,904.5
Expansion Projects/Acquisitions	1,391.8	2,639.7	2,252.1	1,552.7	592.6
% of Previous Year Capitalization	15.8%	26.3%	18.1%	10.7%	3.8%

Note

1. Excludes market value of interest rate swaps

GP Discounted Cash Flow

At 3% EBITDA CAGR

- The tables below illustrate the value of Kite's GP Interest as of June 30, 2006 by varying the amount of capital invested and discount rate

GP Interest as of 6/30/06		% of Previous Year Capitalization Re-invested			
SMM		3.0%	4.0%	5.0%	6.0%
Discount Rate	9.0%	13,120	13,742	14,440	15,223
	10.0%	11,039	11,524	12,066	12,672
	11.0%	9,498	9,885	10,315	10,795
	12.0%	8,315	8,628	8,977	9,364
Average Capital Invested (2011-2016)		486	664	851	1,047

Implied 2006E Multiple		% of Previous Year Capitalization Re-invested			
Discount Rate		3.0%	4.0%	5.0%	6.0%
Discount Rate	9.0%	24.5x	25.7x	27.0x	28.4x
	10.0%	20.6x	21.5x	22.5x	23.7x
	11.0%	17.7x	18.5x	19.3x	20.2x
	12.0%	15.5x	16.1x	16.8x	17.5x

Valuation of Key General Partnership

GP Discounted Cash Flow

At 0% EBITDA CAGR

GP Interest as of 6/30/06

		% of Previous Year Capitalization Re-invested			
		3.0%	4.0%	5.0%	6.0%
Discount Rate	9.0%	9,586	10,084	10,646	11,282
	10.0%	8,275	8,664	9,103	9,597
	11.0%	7,284	7,596	7,947	8,340
	12.0%	6,508	6,763	7,049	7,368
Average Capital Invested (2011-2016)		489	668	857	1,054

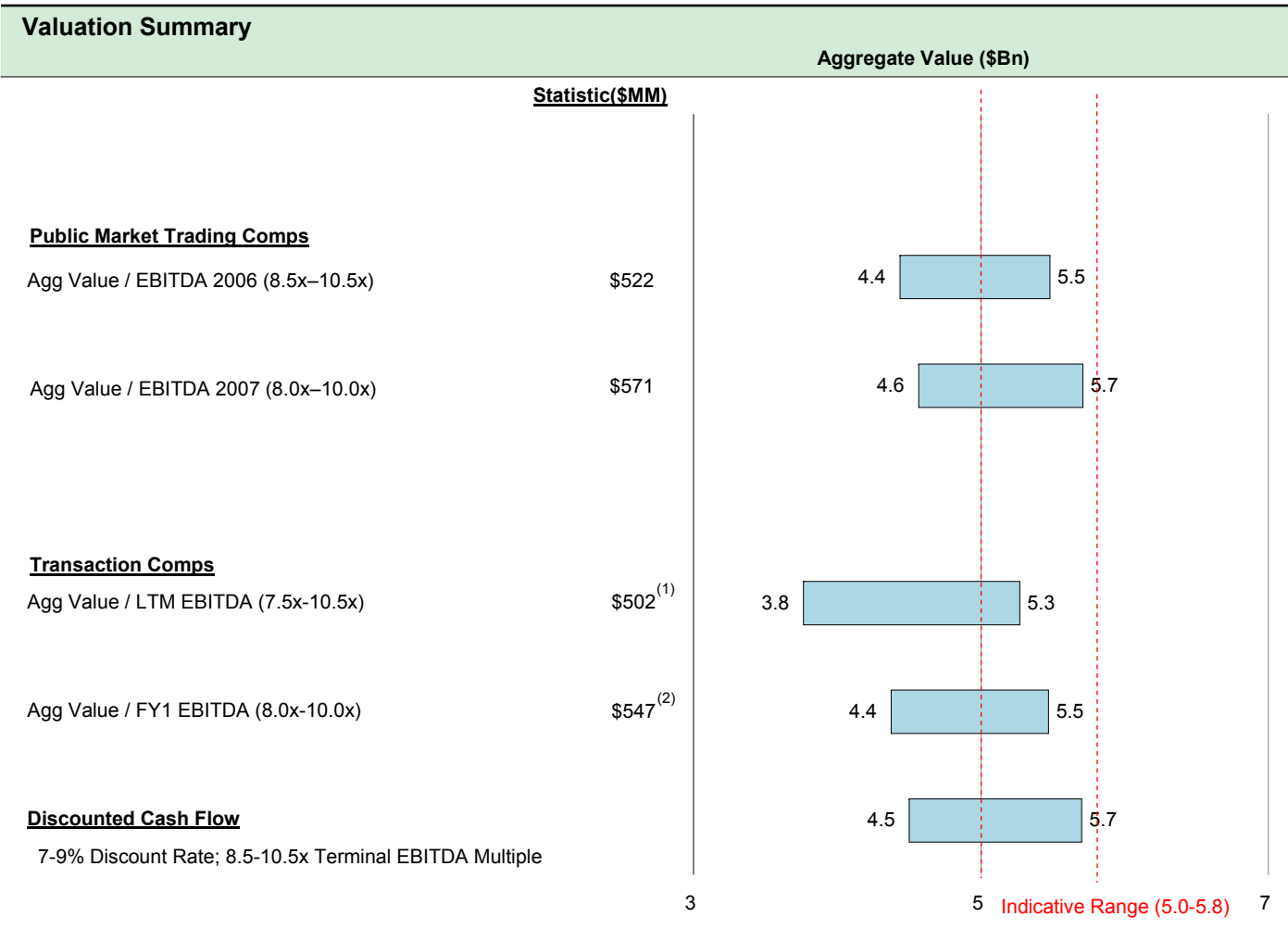
Implied 2006E Multiple

		% of Previous Year Capitalization Re-invested			
		3.0%	4.0%	5.0%	6.0%
Discount Rate	9.0%	17.9x	18.8x	19.9x	21.1x
	10.0%	15.5x	16.2x	17.0x	17.9x
	11.0%	13.6x	14.2x	14.8x	15.6x
	12.0%	12.2x	12.6x	13.2x	13.8x

Appendix B

Valuation of NGPL

NGPL Valuation Summary



Pipeline Public Market Comparables

As of August 22, 2006

Selected Ranges

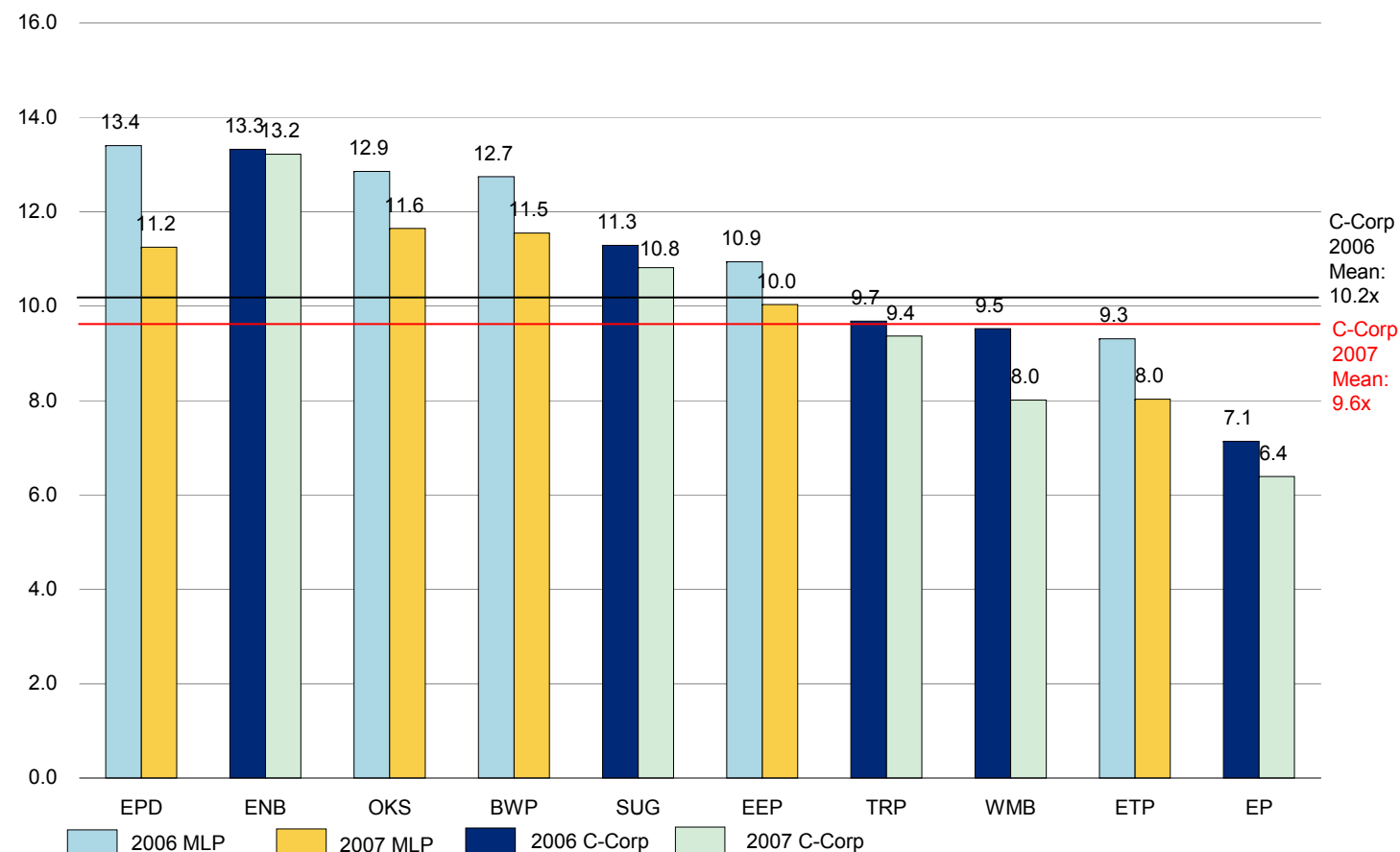
2006 AV / EBITDA	8.5x-10.5x
2007 AV / EBITDA	8.0x-10x

Legend

Boardwalk Pipeline	BWP
El Paso	EP
Enbridge	ENB
Enbridge Energy Partners	EEP
Energy Transfer Partners	ETP
Enterprise Products	EPD
ONEOK Partners	OKS
Southern Union	SUG
TransCanada	TRP
Williams	WMB

Aggregate Value to EBITDA

x



Source FactSet and IBES estimates

Pipeline Transaction Comps

Acquiror / Target	Date Announced	Offer for Equity (\$mm)	Total Aggregate Value (\$mm)	Total Aggregate Value /		Asset Description
				LTM EBITDA (x)	1 Yr Fwd EBITDA (x)	
Northern Border Pipeline Company / ONEOK Inc	2/15/2006	3,000	3,000	9.2	8.2	ONEOK's entire G&P, NGL and T&S segments
Loews Holding Company / Gulf South Pipeline	11/22/2004	1,136	1,136	15.2	11.0	8,000mi interstate natural gas pipeline in southern United States from Entergy-Koch LP
CCE Holdings LLC (Southern Union and GE) / CrossCountry Energy LLC	6/2/2004	1,989	2,450	8.9	8.0	Transwestern Pipeline Co., Citrus Corp (50% in Florida Gas Transmission), and Northern Plains Natural Gas, Co.
TransCanada Corp. / Gas Transmission Northwest Corp.	2/24/2004	1,203	1,703	8.7	8.5	1,350mi Idaho/British Columbia border to Malin, OR natural gas pipeline from National Energy & Gas Transmission
Loews Corp / Texas Gas Transmission	4/14/2003	795	1,045	7.5	na	5,800mi natural gas pipeline from E.TX and LA Gulf Coast to the south & midwest from The Williams Cos.
Southern Union Co. / CMS Panhandle Companies	12/22/2002	624	1,790	6.7	na	10,900mi natural gas pipeline extending from the GoM to the Midwest and Canada and related storage
MidAmerican Energy Co (Berkshire Hathaway Inc) / Northern Natural Gas Co.	7/29/2002	928	1,878	7.5	8.9	16,600mi natural gas pipeline extending from Permian Basin to Midwest from Dynegy Inc.
Duke Energy Corporation / Westcoast Energy	9/20/2001	3,426	8,500	9.8	9.1	6,900mi natural gas pipelines, natural gas storage & processing and natural gas distribution utilities
				Mean	9.2	9.0
				Median	8.8	8.7
				High	15.2	11.0
				Low	6.7	8.0

Selected Ranges

AV / LTM EBITDA 7.5x - 10.5x

AV / FY1 EBITDA 8.0x - 10.0x

NGPL Discounted Cash Flow ⁽¹⁾

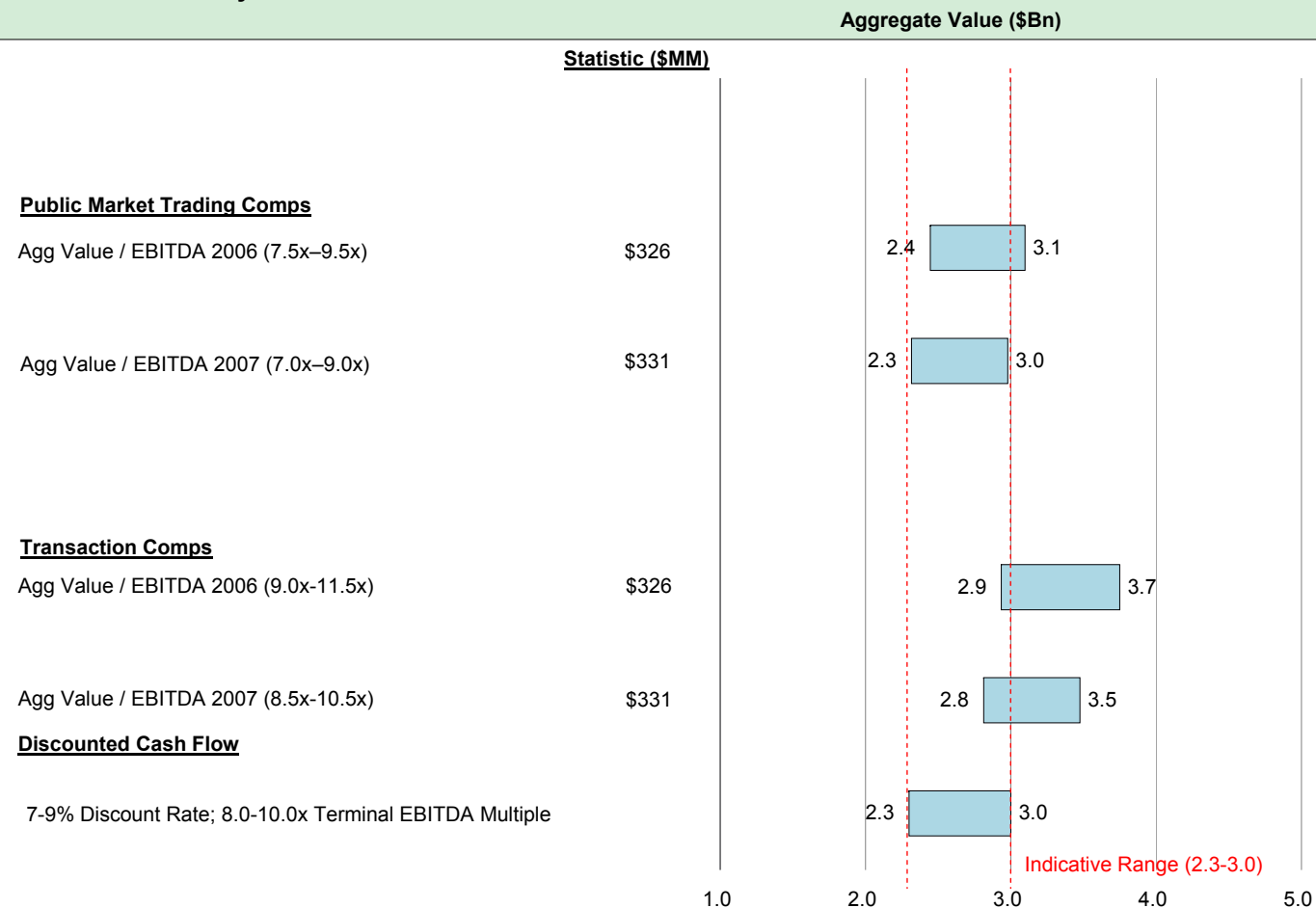
NGPL Discounted Cash Flow									
Discount Rate	7.0%			8.0%			9.0%		
FY 2010 EBITDA Multiple	8.5x	9.5x	10.5x	8.5x	9.5x	10.5x	8.5x	9.5x	10.5x
Year 4 EBITDA	628	628	628	628	628	628	628	628	628
Terminal Value	5,342	5,970	6,599	5,342	5,970	6,599	5,342	5,970	6,599
PV of Terminal Value @ 6/30/06	3,940	4,403	4,867	3,778	4,223	4,667	3,625	4,051	4,477
PV of Free Cash Flow @ 6/30/06 ⁽¹⁾	862	862	862	845	845	845	828	828	828
Estimated Aggregate Value	4,802	5,265	5,729	4,623	5,067	5,512	4,452	4,879	5,305
Implied Perpetuity Growth Rate	2.3%	2.8%	3.2%	3.3%	3.8%	4.1%	4.2%	4.7%	5.1%

Appendix C

Valuation of Terasen Gas

Terasen Gas Valuation Summary

Valuation Summary

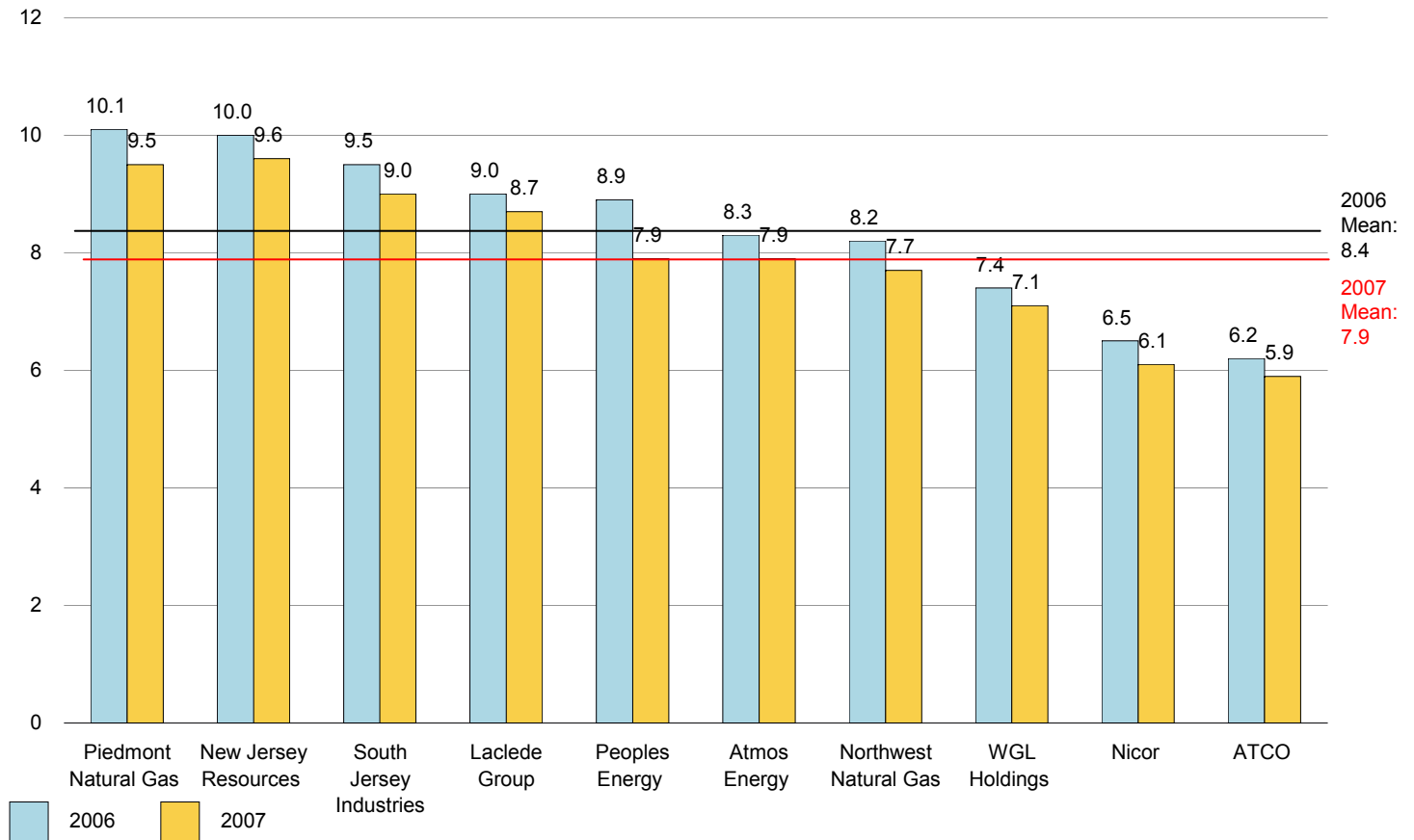


LDC Public Market Comparables

As of August 22, 2006

LDC Aggregate Value / EBITDA

x



Source FactSet and IBES estimates

LDC Transaction Comps

Acquiror / Target	Date Announced	Equity Value (\$MM)	Total Aggregate Value (\$MM)	Total Aggregate Value /			Equity Value /			Book Value (x)
				Net Utility Plant (x)	LTM EBITDA (x)	FY1 EBITDA (x)	LTM Net Income (x)	CFY Net Income (x)		
GE Energy Financial Services / Kinder Morgan Retail Gas Operations	08/14/06	710	710	NA	10.5	9.0	14.7	12.2	1.3	
WPS Resources / People's Energy Corp	07/10/06	1,592	2,675	1.3	9.1	8.3	18.3	17.4	1.9	
Equitable Resources / Dominion Hope / Peoples	03/02/06	970	970	1.5	10.9	NA	NA	17.3	2.4	
National Grid / KeySpan	02/25/06	7,418	11,658	1.6	9.1	8.8	18.0	18.1	1.7	
National Grid / Southern Union Rhode Island	02/16/06	498	577	NA	10.0	NA	NA	NA	NA	
UGI / PG Energy Services	01/26/06	580	580	1.7	10.6	10.4	NA	NA	NA	
AGL Resources / NUI	07/15/04	219	682	1.1	12.1	8.5	NM	18.2	1.0	
Atmos Energy / TXU Gas	06/17/04	963	1,925	1.8	10.4	8.8	17.5	16.0	2.1	
AGL Resources / Virginia Natural Gas	05/08/00	200	500	NA	NA	NA	33.4	20.0	NA	
NiSource / Columbia Energy	02/28/00	6,569	8,855	2.0	10.1	8.7	18.5	17.1	1.0	
KeySpan / Eastern Enterprises	11/04/99	1,764	2,329	1.8	13.6	11.8	37.9	22.6	3.2	
DTE Energy / MCN Energy	10/05/99	2,114	3,844	1.8	9.8	11.0	25.7	17.7	2.4	
Energy East / CTG Resources	06/29/99	356	544	1.6	8.7	8.6	23.4	20.6	2.6	
Wisconsin Energy / WICOR	06/28/99	1,215	1,444	3.3	9.9	NA	25.5	18.0	2.9	
Northeast Utilities / Yankee Energy	06/14/99	481	642	1.7	11.3	NA	34.2	24.2	2.7	
Energy East / Connecticut Energy	04/23/99	436	586	2.1	10.1	NA	22.9	21.1	2.2	
Dominion Resources / Consolidated Natural Gas	02/22/99	6,161	7,822	1.9	8.8	8.1	20.2	18.3	2.6	
SCANA / Public Service of North Carolina	02/16/99	691	955	1.8	12.2	NA	35.6	20.6	3.1	
NIPSCO Industries / Bay State Gas	12/18/97	550	838	1.6	10.3	NA	24.9	NA	2.3	
				Min	1.1	8.7	8.1	14.7	16.0	1.0
				Mean	1.8	10.4	9.3	24.7	19.1	2.2
				Median	1.8	10.2	8.8	23.4	18.2	2.3
				Max	3.3	13.6	11.8	37.9	24.2	3.2

Terasen Gas Discounted Cash Flow ⁽¹⁾

Terasen Gas Discounted Cash Flow									
Discount Rate FY 2010 EBITDA Multiple	7.0%			8.0%			9.0%		
	8.0x	9.0x	10.0x	8.0x	9.0x	10.0x	8.0x	9.0x	10.0x
Year 4 EBITDA	350	350	350	350	350	350	350	350	350
Terminal Value	2,800	3,150	3,500	2,800	3,150	3,500	2,800	3,150	3,500
PV of Terminal Value @ 6/30/06	2,065	2,323	2,581	1,980	2,228	2,475	1,900	2,137	2,375
PV of Free Cash Flow @ 6/30/06 ⁽¹⁾	461	461	461	452	452	452	443	443	443
Estimated Aggregate Value	2,526	2,784	3,042	2,432	2,680	2,927	2,343	2,580	2,818
Implied Perpetuity Growth Rate	2.4%	2.9%	3.3%	3.3%	3.8%	4.2%	4.3%	4.8%	5.2%

Appendix D

Valuation of Kite Canada

Valuation of Kite Canada

Kite Canada

Total Valuation	
\$MM	
After Tax TransMountain Value	578.0
After Tax Corridor Value	565.6
Equity Income	394.0
Total	1,537.6

TransMountain Sale	
\$MM	
Current Management Plan contemplates sale of TransMountain for \$700MM to Key (6.7x 2007E EBITDA)	
Sale Value	700.0
Tax Leakage	122.0
After Tax Value	578.0

Corridor Sale	
\$MM	
Current management plan contemplates sale of 75% of Corridor for \$225MM	
Sale Value (75%)	225.0
Tax Leakage (75%)	36.4
After Tax Proceeds	188.6
Debt Transferred off B/S	377.0
Total Value of Sale	565.6

Equity Income Valuation		
\$MM		
Current Management plan contemplates residual equity income attributable to Kite Canada of \$21MM		
	Statistic	Range
P/E 2007 (17.0x-20.5x)	21	357-431
Average Valuation = 394		

Kite Canada Public Market Comparables

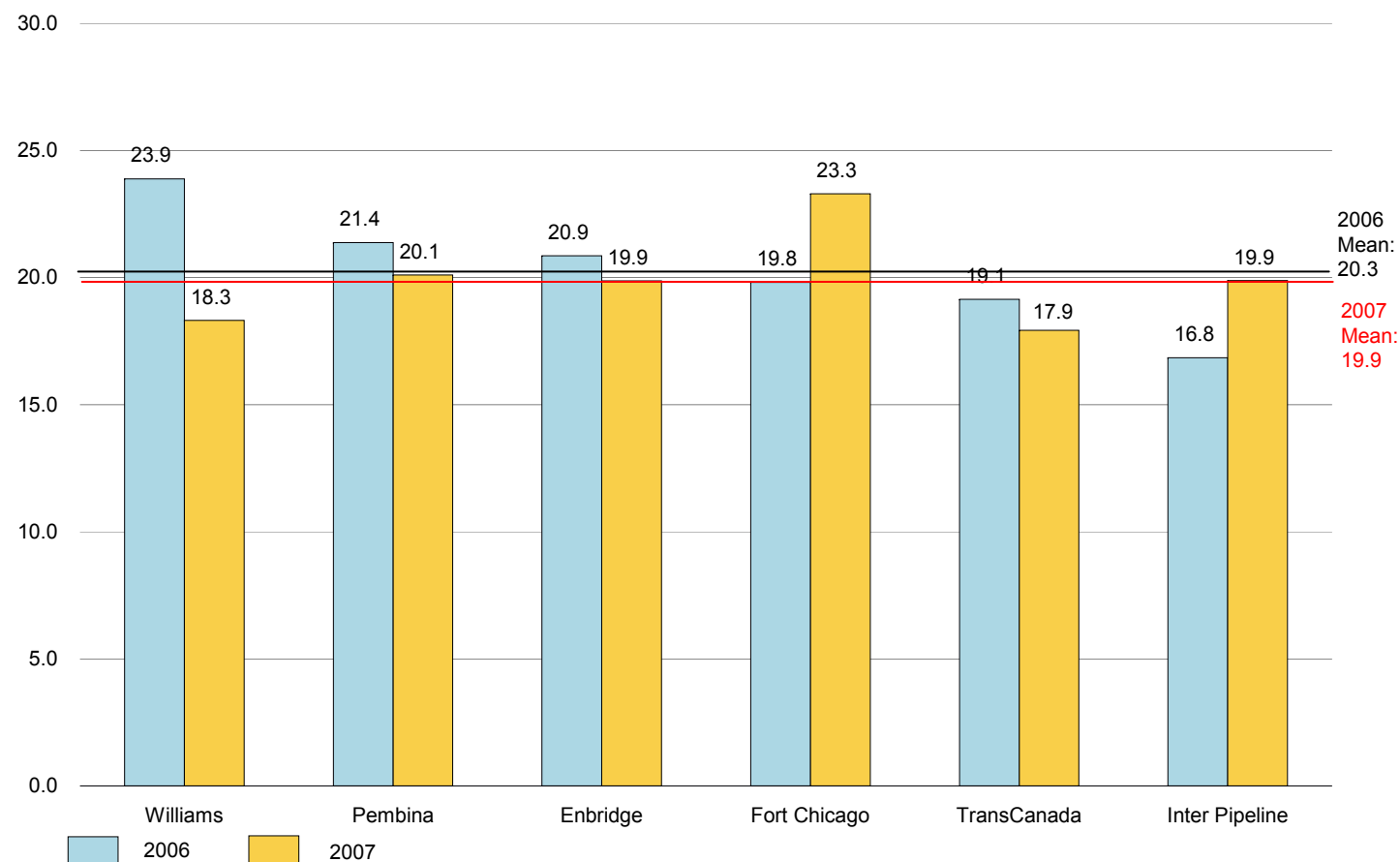
As of August 22, 2006

Selected Ranges

2006 P/E	18.5x - 22.5x
2007 P/E	17.0x - 20.5x

Price to Earnings

x



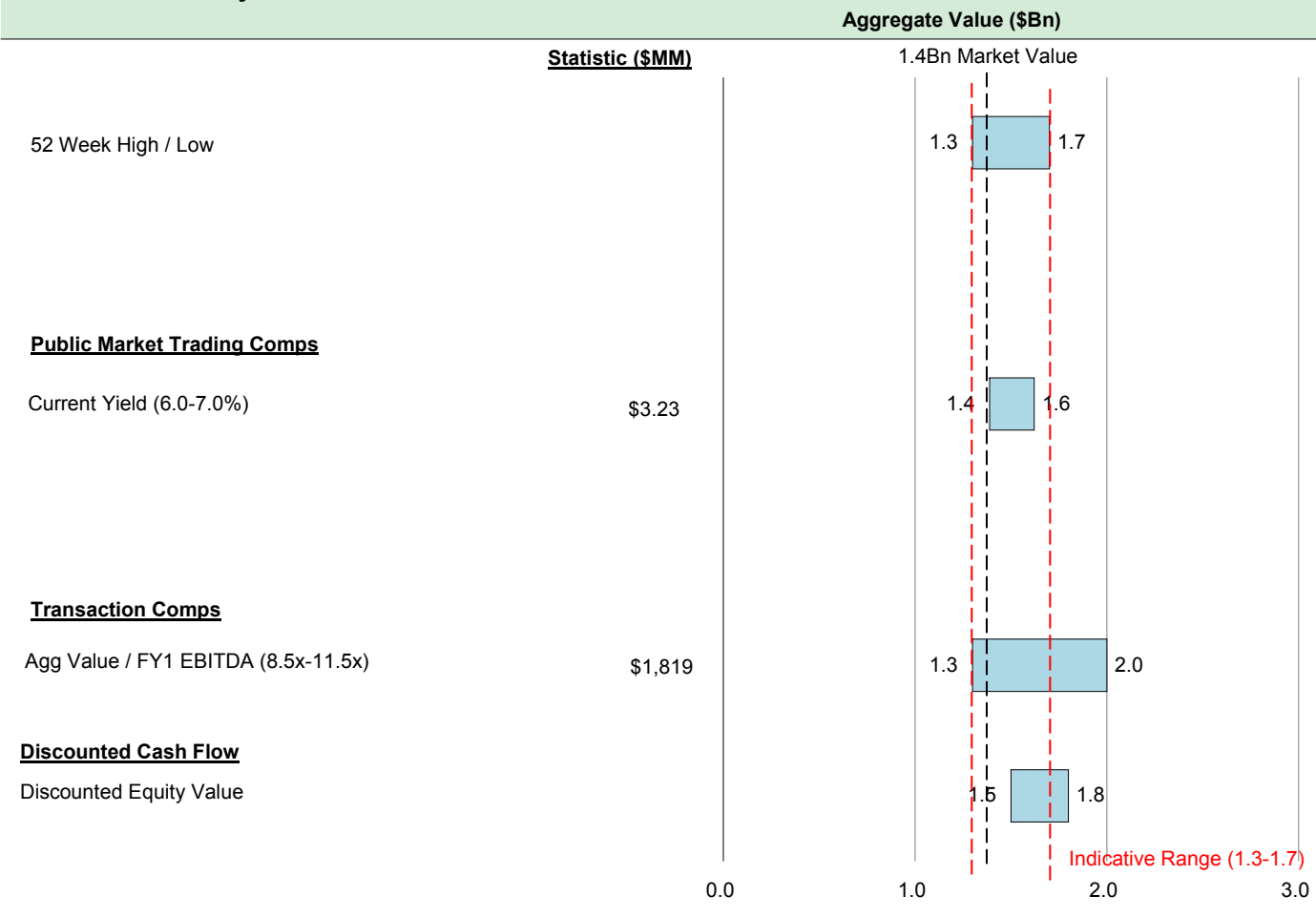
Source FactSet and IBES estimates

Appendix E

Valuation of Key

Key Valuation Summary

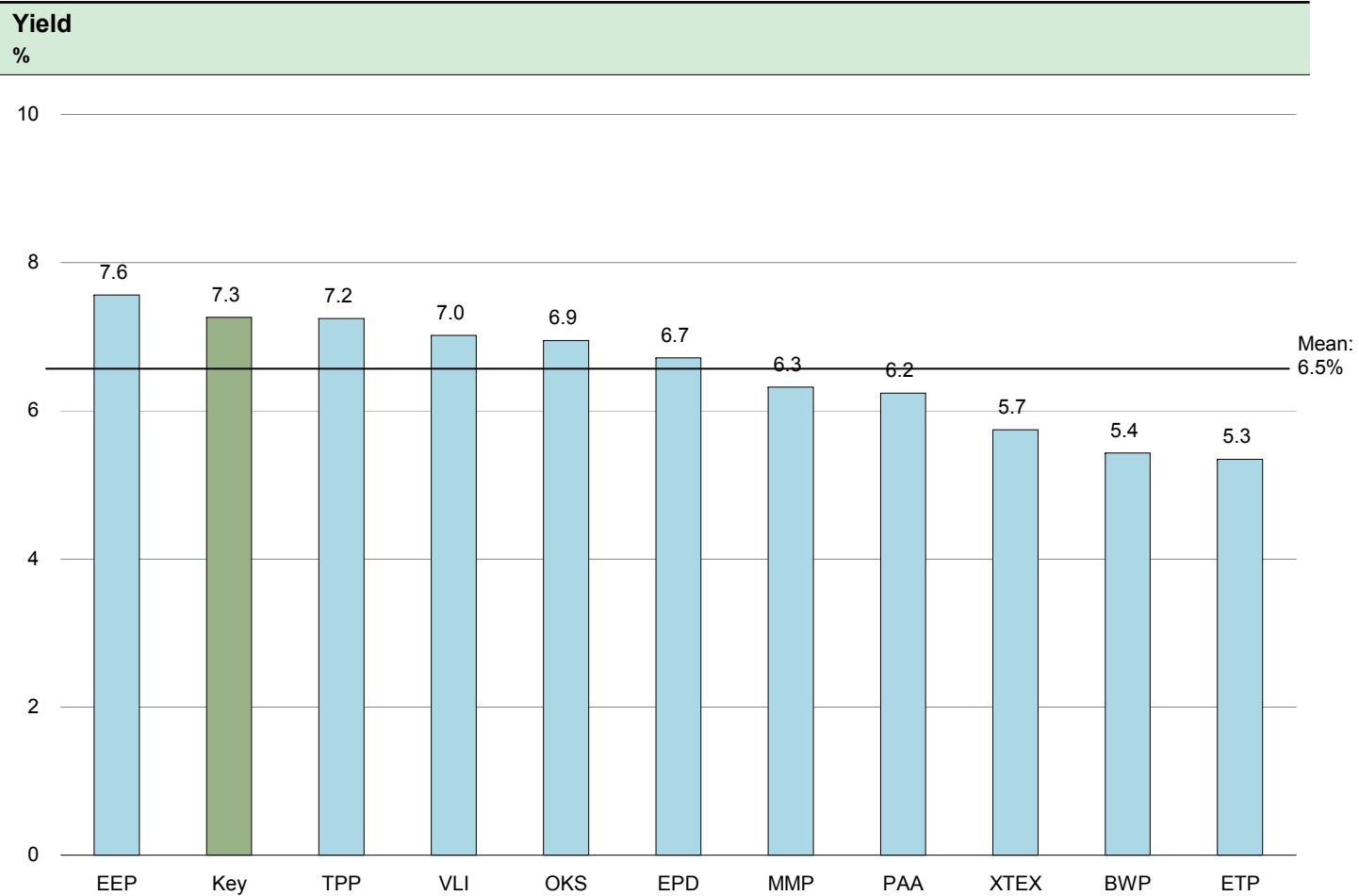
Valuation Summary



MLP Public Market Comparables

As of August 22, 2006

Legend	
Enbridge Energy Partners	EEP
TEPPCO Partners	TPP
Valero L.P.	VLI
Enterprise Products	EPD
ONEOK Partners	OKS
Magellan Midstream Partners	MMP
Plains All American	PAA
Boardwalk Pipeline Partners	BWP
Crosstex Energy	XTEX
Energy Transfer Partners	ETP



Source FactSet, Company Filings

MLP Transaction Comps

Key Units

Acquiror / Target	Date Announced	Offer for Equity (\$mm)	Total Aggregate Value (\$mm)	Total Enterprise Value /		Asset Description
				LTM EBITDA (x)	1 Yr Fwd EBITDA (x)	
Kinder Morgan, Inc. / Terasen Inc.	8/1/2005	3,129.4	5,703.3	13.1	11.4	Gas LDC and pipelines business in Canada
Valero LP / Kaneb Pipe Line Partners	11/1/2004	1,956.8	2,621.0	13.3	12.3	Merger of VLI and KPP to become largest terminal operator and 2nd largest petroleum liquids pipeline operator in US
Enterprise Products Partners / GulfTerra Energy Partners	12/15/2003	3,772.3	4,733.3	10.9	9.7	Steps 1 and 2 of Enterprise/GulfTerra MLP merger
MidAmerican Energy Co (Berkshire Hathaway Inc) / Northern Natural Gas Co.	7/29/2002	928.0	1,878.0	7.5	8.9	16,600mi natural gas pipeline extending from Permian Basin to Midwest from Dynegy Inc.
Kinder Morgan Energy Partners, L.P. / Tejas Gas LLC	12/17/2001	750.0	750.0	na	7.9	3,400-mile natural gas intrastate pipeline system in TX and LA from InterGen, Inc.
Duke Energy Corporation / Westcoast Energy	9/20/2001	3,425.9	8,500.0	9.8	9.1	6,900mi natural gas pipelines, natural gas storage & processing and natural gas distribution utilities
				Mean	10.9	9.9
				Median	10.9	9.4
				High	13.3	12.3
				Low	7.5	7.9

Key Discounted Equity Value

Present Value of Pro Forma Share Price ⁽¹⁾

		2007	2008	2009	2010
Yield	6.50%	51.41	57.28	60.17	60.74
	6.75%	49.68	55.45	58.35	59.01
	7.00%	48.07	53.75	56.66	57.40
	7.25%	46.57	52.17	55.08	55.91
	7.50%	45.17	50.69	53.61	54.51

Present Value of Pro Forma Share Price ⁽²⁾

		2007	2008	2009	2010
Yield	6.50%	50.40	55.46	57.57	57.47
	6.75%	48.70	53.69	55.83	55.85
	7.00%	47.12	52.04	54.22	54.33
	7.25%	45.65	50.51	52.72	52.93
	7.50%	44.28	49.08	51.32	51.62

Notes

1. Includes value of cumulative dividends and assumes 10.0% discount rate; assumes no KMR discount
2. Includes value of cumulative dividends and assumes 11.5% discount rate; assumes no KMR discount