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News Media Contact

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FERC Launches Investigations into Pipeline Rates

The Federal Energy Regulatory Commission (FERC) today launched investigations into the rates charged by two interstate natural gas companies - Kinder Morgan Interstate Gas Transmission LLC and Ozark Gas Transmission, L.L.C. - to determine if the companies are over-recovering costs, resulting in unjust and unreasonable rates charged to their customers.

The Commission directed each company to file a full cost and revenue study within 75 days. The Commission also ordered that a presiding administrative law judge convene a prehearing conference for each company within 30 days to clarify the positions of the participants and establish discovery dates.

The Commission's investigations stem from reviews of Form 2 cost of service and revenue information submitted by the two companies for 2008 and 2009. FERC revised the Form 2 through Order No. 710 in 2008 to enhance the transparency of financial reporting by interstate pipelines.

Kinder Morgan's 5,100-mile system runs through Colorado, Wyoming, Kansas, Nebraska and Missouri and includes a gas storage facility in Cheyenne County, Nebraska, that has firm capacity commitments of an estimated 10 billion cubic feet of gas.

Based on FERC staff's review of cost and revenue information from Kinder Morgan's 2008 and 2009 Form 2, inclusive of the dollar value of excess fuel retained by the company, the company's estimated return on equity for 2008 was 27.10 percent and 29.25 percent for 2009. When the dollar value of the excess fuel retained by the company is excluded, Kinder Morgan's estimated return on equity for 2008 is 15.69 percent and 17.81 percent for 2009.

Ozark Gas Transmission owns and operates an estimated 565-mile interstate pipeline system in Arkansas, Missouri and Oklahoma.

From Ozark's 2008 and 2009 Form 2 reports, FERC staff calculated the company's estimated return on equity, inclusive of revenues received from the sale of shipper-supplied gas, to be 27.81 percent for 2008 and 31.01 percent for 2009. When the revenue from the sale of shipper-supplied gas is excluded, the Commission estimates the company's return on equity to be 15.25 percent for 2008 and 25.63 percent for 2009.

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