



South Mainline Expansion Project Update

FERC Docket No. CP18-332

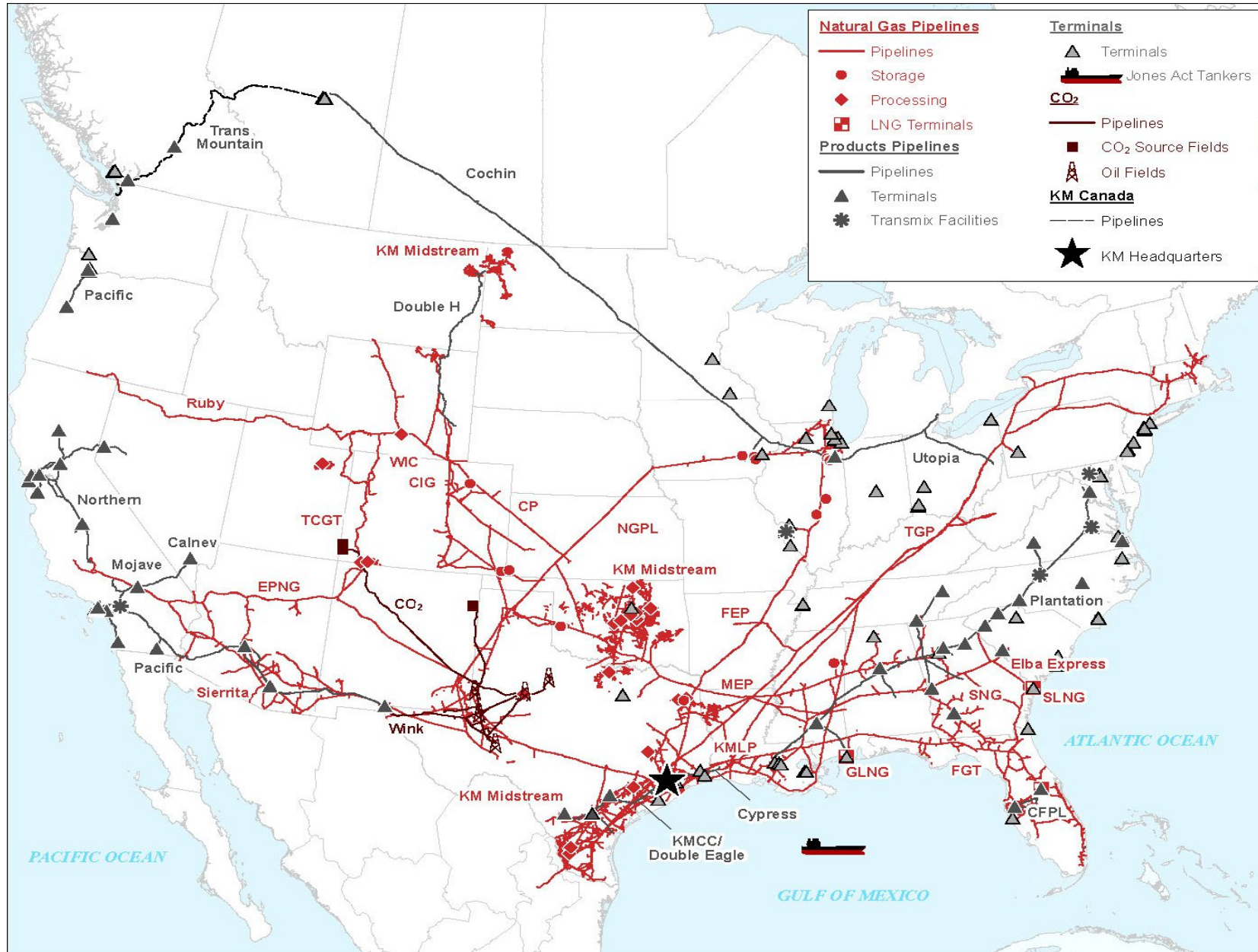
***Allen Fore, Vice President, Public Affairs
Kinder Morgan***

Cochise County Board of Supervisors

October 23, 2018

KINDER  MORGAN

Kinder Morgan Overview



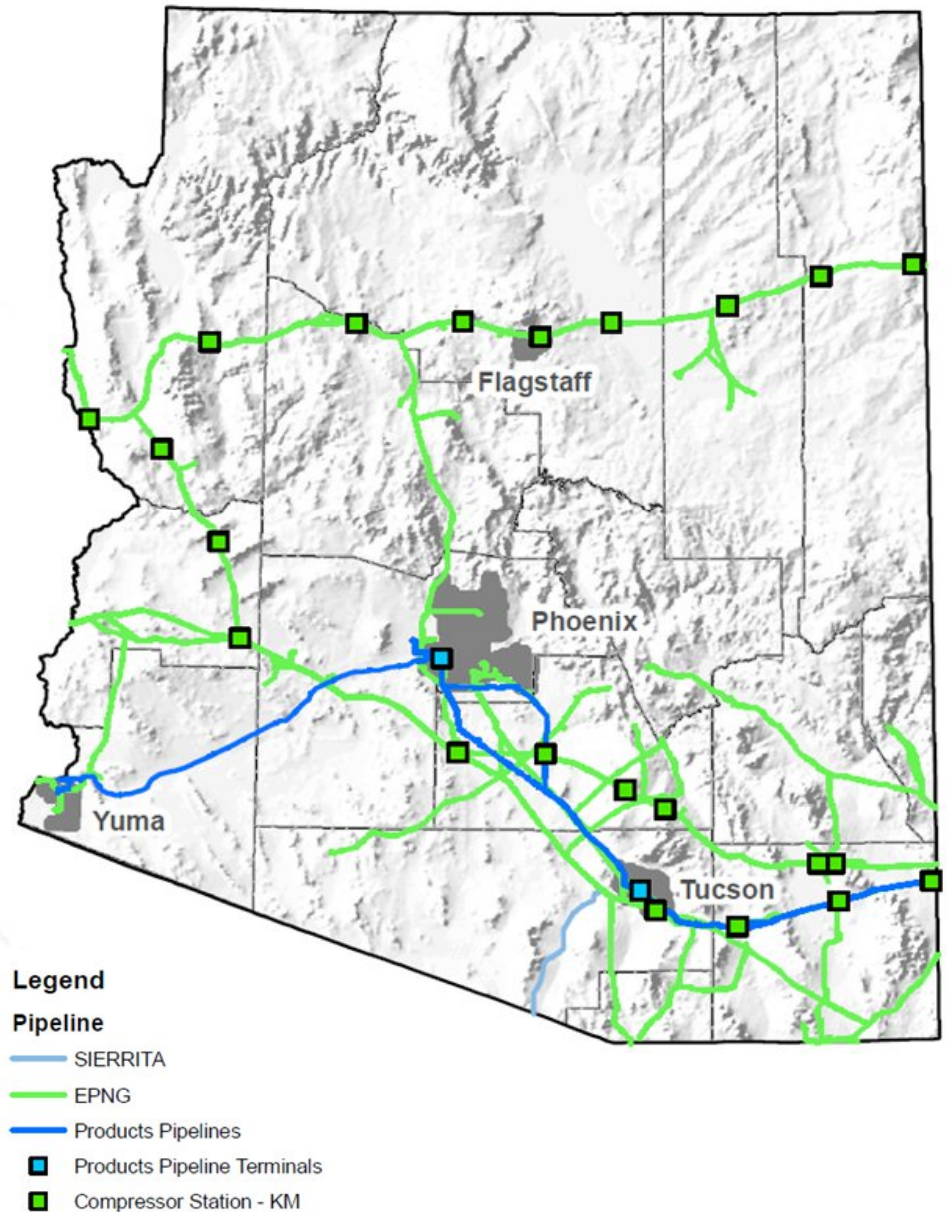
Kinder Morgan in Arizona

KM's Economic Impact in Arizona:

- KM employed 238 people and maintained a payroll of over \$22.6 million in 2017.
- KM paid \$20.6 million to local and state taxing bodies in 2017.

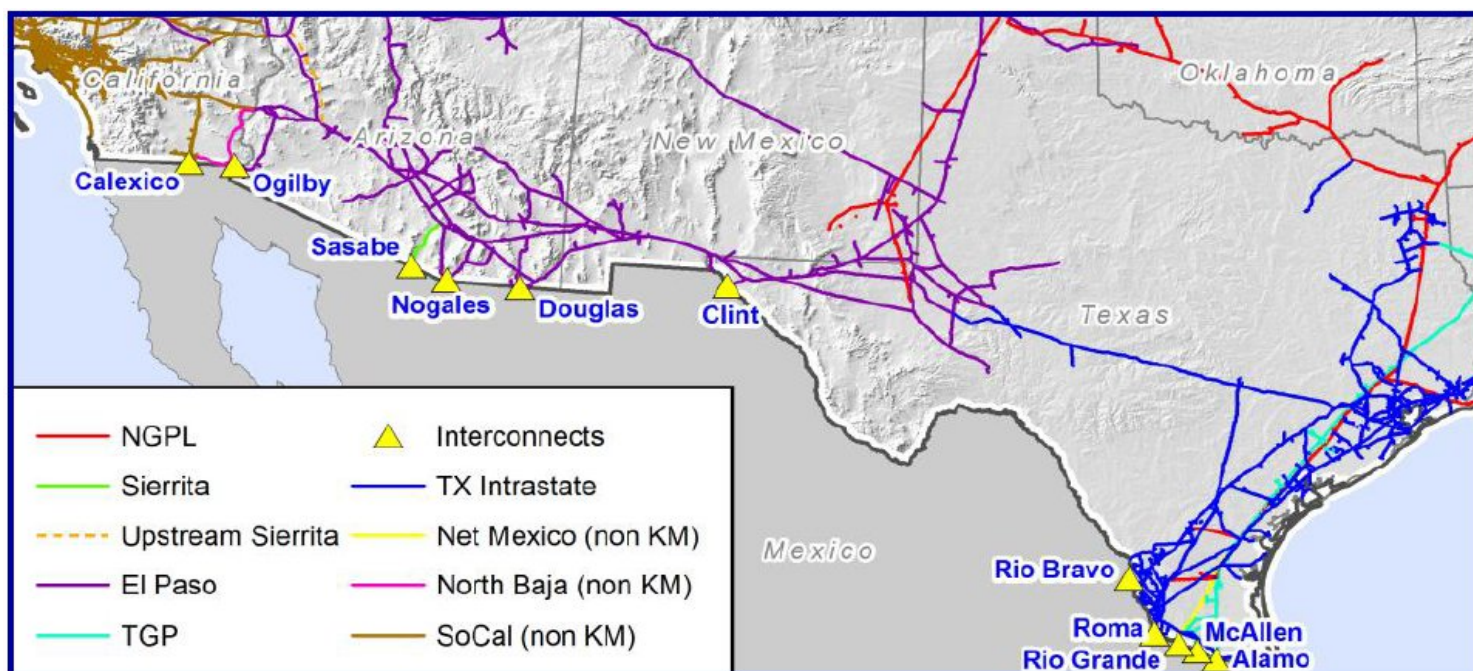
KM Assets in Arizona

- Kinder Morgan has approximately 5,800 miles of pipeline in Arizona
- **Products Pipelines:** SFPP
- **Natural Gas Lines:** EPNG, Sierrita
- Products Pipelines Terminals in Phoenix and Tucson
- Corporate offices in Phoenix & Tucson



Natural Gas Exports to Mexico

- KM delivers ~**75%** of all U.S. natural gas exports to Mexico (2.9 billion cubic feet per day)
 - KM pipes natural gas to Mexico through 16 interconnects (12 direct and 4 indirect). 3 of these interconnects are in Arizona.
- Mexico's national energy ministry (SENER) expects natural gas demand to grow in the country by ~**27%** between 2016 and 2030.
- Mexican natural gas consumption increasing as power plants convert from coal to natural gas to improve environmental quality on BOTH sides of the border.



Recent/Ongoing Investments in Southern Arizona

Nearly \$300 Million invested recently in new projects in southern Arizona

Sierrita Gas Pipeline

(Pima Co.)

- Placed in-service in 2014
- **Cost:** \$204 million
- **Purpose:** Increased natural gas demand in Mexico

Sierrita CS Project

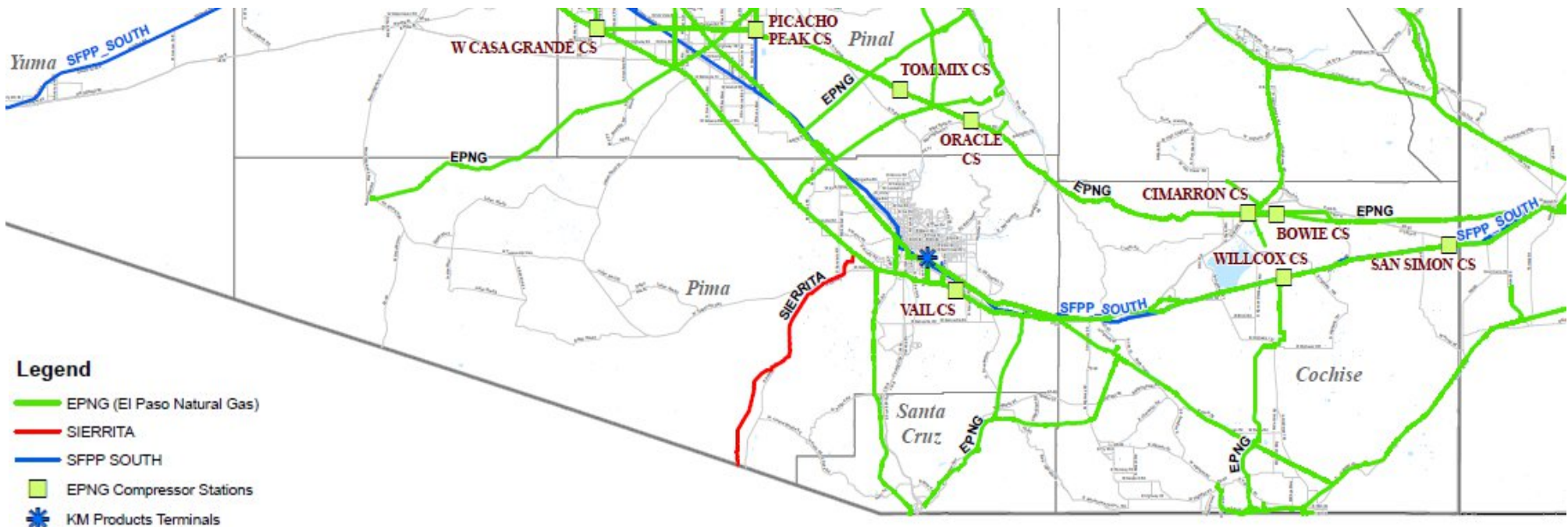
(Pima Co.)

- **Cost:** ~\$50 million
- **Purpose:** Increased demand on existing Sierrita pipeline

South Mainline Expansion

(Cochise Co.)

- **Cost:** ~\$40 million
- **Purpose:** Increase natural gas capacity on KM's existing EPNG pipeline



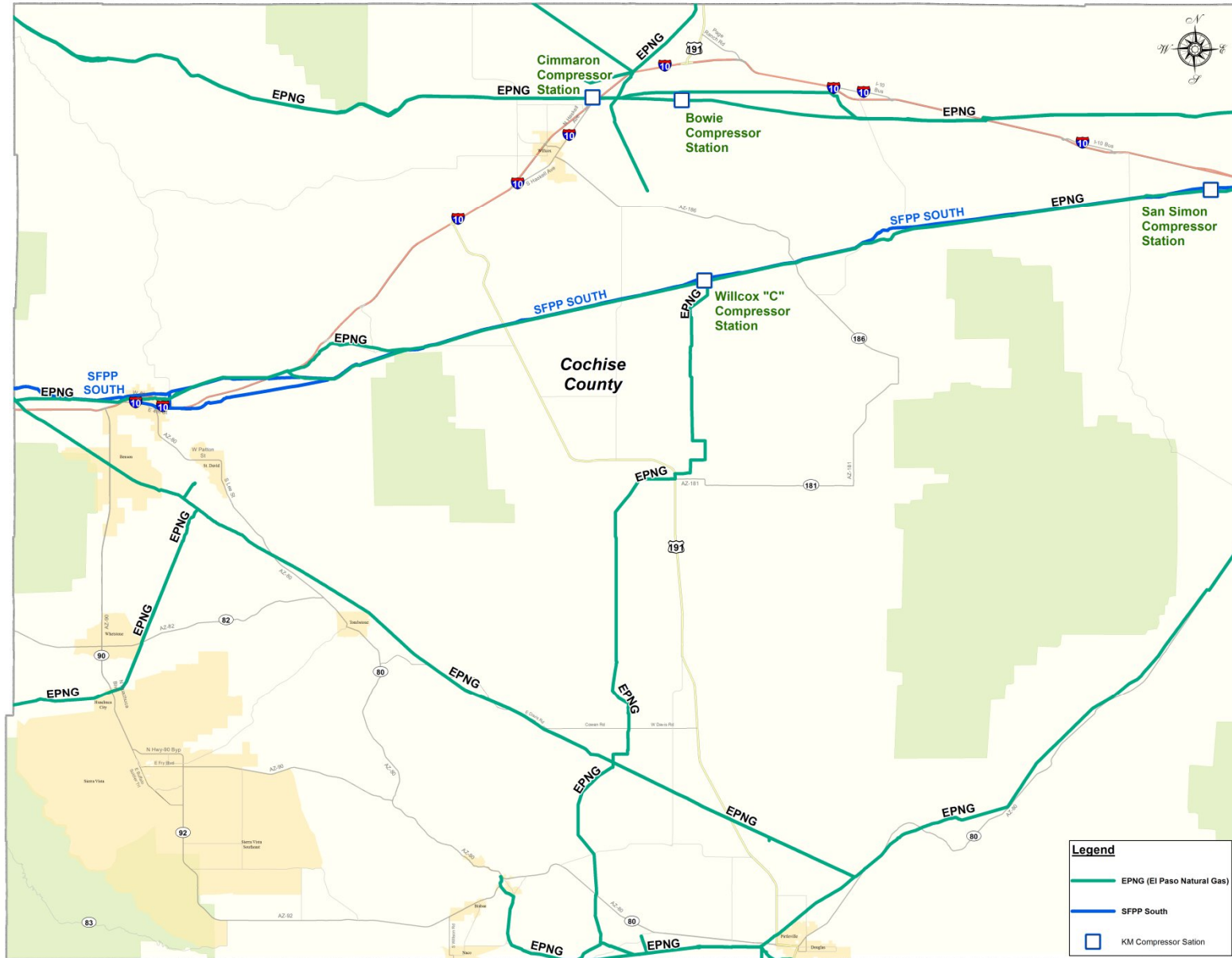
A. Kinder Morgan in Cochise County

KM Economic Impact in Cochise County

- Kinder Morgan operates **840 miles of pipelines** in Cochise County.
- Kinder Morgan paid **\$2.4 million** to local and state taxing bodies in Cochise County in 2017.
- Kinder Morgan employed **6 people** in Cochise County in 2017.
- **Natural Gas:** Kinder Morgan supplies natural gas to multiple large gas and electric utilities in the region including Tucson Electric Power, Southwest Gas and UniSource.
 - Currently operates 5 compressor stations in Cochise County
- **Gasoline/ Diesel:** Kinder Morgan supplies gasoline and diesel fuel to local fuel distributors (ie: Shell, Valero, Circle K) via its Tucson products terminals.
- **Jet Fuel:** Kinder Morgan supplies jet fuel to Tucson International Airport and Davis– Monthan Air Force Base.

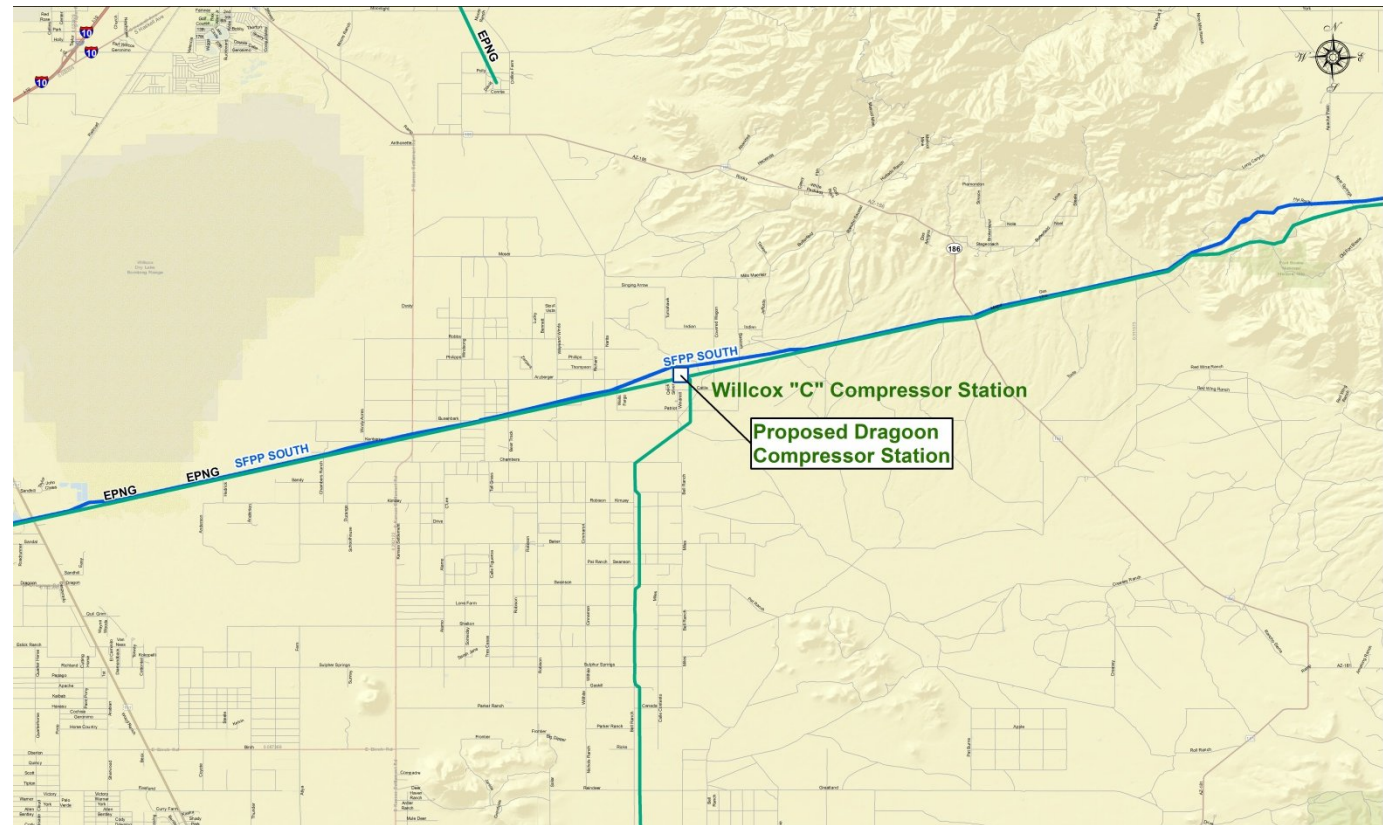


Kinder Morgan in Cochise County- Map



South Mainline Project Overview

- The South Mainline Expansion Project would increase natural gas transportation capacity along EPNG's existing South Mainline system in order to meet increased demand for natural gas from Arizona electric utility providers and for affordable, U.S.-produced natural gas exports to Mexico. The project will also provide for incremental delivery capacity into California.
- Includes the construction of the new Dragoon Compressor Station in Cochise County, Arizona, a new compressor station in Luna County, New Mexico and a 17 mile loop of 30-inch pipeline in El Paso and Hudspeth counties in Western Texas.



South Mainline Project Timeline & Benefits

Project Benefits

- Overall \$118 million project
 - \$40 million for Dragoon Compressor Station
- Approximately 50 construction jobs
- Approximately \$1.1 million of increased annual tax revenue to Arizona state and local taxing bodies

Project Timeline

- April 26, 2018 Submitted FERC Application
- July 6, 2018 Received ADEQ Air Permit
- Nov., 14, 2018 Expected Environmental Assessment
- Q2 2019 Expected FERC Approval
- June 2019 Submit Cochise County permits
- Q4 2019 Begin construction



What is a Compressor Station?

- Provides energy to compress and move natural gas throughout a pipeline system.
- Placed along a pipeline system at various intervals (typically every 40-70 miles) depending on engineering specifications.
- Approximately 1,200 compression stations on interstate pipeline systems throughout the United States.



Dragoon CS Siting Outreach

- Multiple sites considered
- Conducted outreach to stakeholders in the areas of consideration
 - Cochise County Supervisors
 - Cochise County Administrator Ed Gilligan
 - Willcox Mayor Mike Laws
 - Willcox winery owners
 - Willcox Chamber of Commerce
- Briefed local media
- Viewpoints strongly considered in siting decision



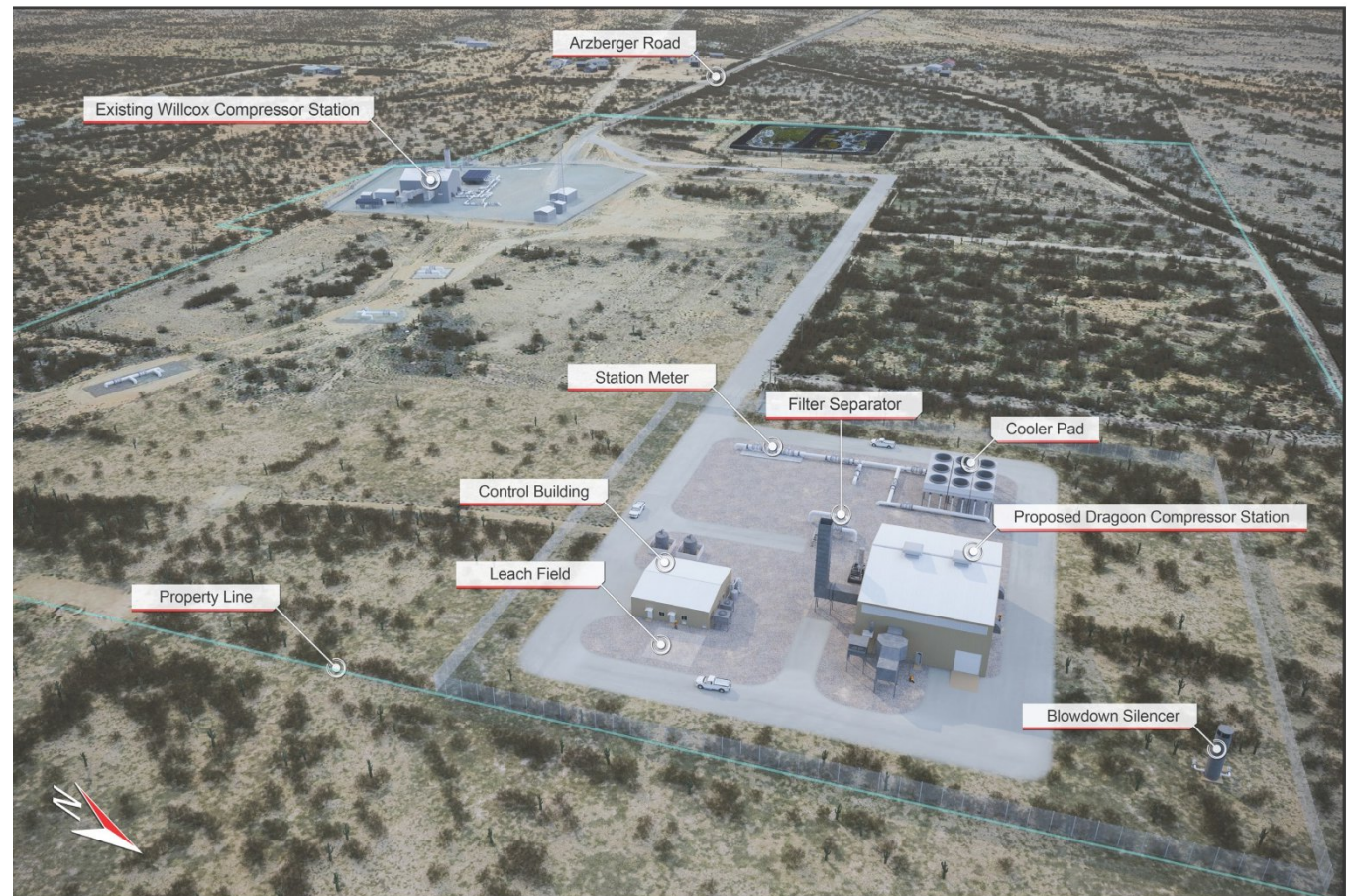
Kinder Morgan looking to expand operations in Cochise County

By Carol Broeder, Arizona Range News
January 25, 2018



Dragoon CS Siting Preference

- SME Project prefers the existing Willcox Compressor Station site:
 - Located further away from nearest winery than alternative sites
 - Already in-use location
 - Owned by Kinder Morgan
 - No new access roads needed



Dragoon CS Information & Timeline

- Located on Kinder Morgan-owned 61 acre site
 - Dragoon will occupy 5 acres
- All construction to take place within Kinder Morgan-owned site
- Installation of 13,000 HP natural gas-powered turbine
- FERC requires noise to be no greater than 55 decibels on day/night average to closest NSA
- Subject to Federal Clean Air Act, USEPA oversight and ADEQ air quality permit
- Not accessible to the public and monitored 24 hours per day
- Directional lighting used at night, only when KM personnel are on site

PROJECT TIMELINE:

- | | |
|------------------|-----------------------------------|
| • April 26, 2018 | Submitted FERC Application |
| • July 6, 2018 | Received ADEQ Air Permit |
| • Nov. 14, 2018 | Expected Environmental Assessment |
| • Q2 2019 | Expected FERC Approval |
| • June 2019 | Submit Cochise County permits |
| • Q4 2019 | Begin construction |

B. Kinder Morgan in the Community

The **Kinder Morgan Foundation** funds programs that promote the academic and artistic interests of young people in the many cities and towns across North America where Kinder Morgan operates.

Kinder Morgan donated **over \$55,000** in grants to organizations in Arizona in 2017.

Recipients in the Tucson area include...

- Sunnyside Unified School District Foundation
- Children's Museum Tucson
- Tucson Symphony Orchestra
- Arts Express, Inc.
- Literacy Connects



Community Investment



CITY OF WILLCOX
A SPECIAL THANK YOU TO THOSE WHO HELPED
MAKE THE KEILLER PARK TRAIL POSSIBLE

KINDER MORGAN	SULPHUR SPRINGS VALLEY
NORTHERN COCHISE	ELECTRIC COOPERATIVE
COMMUNITY HOSPITAL	VALLEY CONNECTIONS

Over 70 years in the Willcox Community.



Thank you!

Allen Fore
Vice President, Public Affairs
Kinder Morgan

Allen_fore@kindermorgan.com
630-725-3044