

KINDER MORGAN, INC.
Form 10-Q
May 11, 2010
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Kinder Morgan, Inc. Form 10-Q

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

F O R M 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2010

or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number: 1-06446

KINDER MORGAN, INC.
(Exact name of registrant as specified in its charter)

Kansas
(State or other jurisdiction of
incorporation or organization)

48-0290000
(I.R.S. Employer
Identification No.)

500 Dallas Street, Suite 1000, Houston, Texas 77002
(Address of principal executive offices)(zip code)
Registrant's telephone number, including area code: 713-369-9000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☐ No ☒

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☒

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Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Securities Exchange Act of 1934. Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes ☐ No ☒

Number of outstanding shares of Common stock, \$0.01 par value, as of April 30, 2010 was 100 shares.

KINDER MORGAN, INC. AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

KINDER MORGAN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Millions)
(Unaudited)

	Three Months Ended March 31,	
	2010	2009
Revenues		
Natural gas sales	\$1,017.5	\$888.7
Services	738.5	661.4
Product sales and other	401.6	278.8
Total Revenues	2,157.6	1,828.9
Operating Costs, Expenses and Other		
Gas purchases and other costs of sales	1,016.6	865.6
Operations and maintenance	454.5	256.4
Depreciation, depletion and amortization	282.3	264.8
General and administrative	115.7	92.9
Taxes, other than income taxes	45.4	39.0
Other expense (income)	(1.3)	0.3
Total Operating Costs, Expenses and Other	1,913.2	1,519.0
Operating Income	244.4	309.9
Other Income (Expense)		
Earnings (loss) from equity investments	(374.2)	48.6
Amortization of excess cost of equity investments	(1.4)	(1.4)
Interest, net	(150.6)	(142.0)
Other, net	6.6	10.6
Total Other Income (Expense)	(519.6)	(84.2)
Income (Loss) from Continuing Operations Before Income Taxes	(275.2)	225.7
Income Taxes	95.5	(80.6)
Income (Loss) from Continuing Operations	(179.7)	145.1
Loss from Discontinued Operations, net of tax	(0.2)	(0.2)
Net Income (Loss)	(179.9)	144.9
Net Loss (Income) Attributable to Noncontrolling Interests	19.0	(29.6)

Net Income (Loss) Attributable to Kinder Morgan, Inc. \$(160.9) \$115.3

The accompanying notes are an integral part of these consolidated financial statements.

KINDER MORGAN, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Millions, Except Share and Per Share Amounts)

	March 31, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	\$ 137.1	\$ 165.6
Restricted deposits	35.1	52.5
Accounts, notes and interest receivable, net	835.0	921.6
Inventories	79.6	71.9
Gas in underground storage	51.9	43.5
Fair value of derivative contracts	58.6	20.8
Other current assets	50.2	109.7
Total current assets	1,247.5	1,385.6
Property, plant and equipment, net	16,949.4	16,803.5
Investments	3,340.7	3,695.6
Notes receivable	194.3	190.6
Goodwill	4,813.6	4,744.3
Other intangibles, net	369.0	259.8
Fair value of derivative contracts	312.1	293.3
Deferred charges and other assets	161.4	213.6
Total Assets	\$ 27,388.0	\$ 27,586.3
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current portion of debt	\$ 2,599.9	\$ 768.7
Cash book overdrafts	48.1	36.6
Accounts payable	591.3	620.8
Accrued interest	124.2	292.1
Accrued taxes	100.3	58.6
Deferred revenues	86.9	76.1
Fair value of derivative contracts	278.2	272.0
Accrued other current liabilities	172.8	194.6
Total current liabilities	4,001.7	2,319.5
Long-term liabilities and deferred credits		
Long-term debt		
Outstanding	11,306.5	12,779.7
Preferred interest in general partner of Kinder Morgan Energy Partners, L.P.	100.0	100.0
Value of interest rate swaps	422.2	361.0
Total long-term debt	11,828.7	13,240.7
Deferred income taxes	1,918.0	2,039.9
Fair value of derivative contracts	380.4	469.6

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Other long-term liabilities and deferred credits	811.1	670.5
Total long-term liabilities and deferred credits	14,938.2	16,420.7
Total Liabilities	18,939.9	18,740.2
Commitments and contingencies (Notes 4 and 11)		
Stockholders' Equity		
Common stock – authorized and outstanding – 100 shares, par value \$0.01 per share	-	-
Additional paid-in capital	7,849.7	7,845.7
Retained deficit	(3,817.2)	(3,506.3)
Accumulated other comprehensive loss	(130.9)	(167.9)
Total Kinder Morgan, Inc. stockholder's equity	3,901.6	4,171.5
Noncontrolling interests	4,546.5	4,674.6
Total Stockholders' Equity	8,448.1	8,846.1
Total Liabilities and Stockholders' Equity	\$ 27,388.0	\$27,586.3

The accompanying notes are an integral part of these consolidated financial statements.

Kinder Morgan, Inc. Form 10-Q

KINDER MORGAN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Millions)
(Unaudited)

	Three Months Ended March 31,	
	2010	2009
Cash Flows From Operating Activities		
Net Income (Loss)	\$ (179.9)	\$ 144.9
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Loss from discontinued operations, net of tax	0.2	0.2
Depreciation, depletion and amortization	282.3	264.8
Deferred income taxes	(156.6)	17.0
Amortization of excess cost of equity investments	1.4	1.4
Income from the allowance for equity funds used during construction	(0.5)	(9.3)
(Income) loss from the sale or casualty of property, plant and equipment and other net assets	(1.3)	0.4
(Earnings) loss from equity investments	374.2	(48.6)
Distributions from equity investments	49.8	60.0
Proceeds from termination of interest rate swap agreements	-	144.4
Changes in components of working capital		
Accounts receivable	53.3	199.6
Inventories	(7.5)	(4.3)
Other current assets	36.2	5.3
Accounts payable	(8.3)	(246.2)
Accrued interest	(167.8)	(126.5)
Accrued taxes	77.3	(52.9)
Accrued liabilities	(41.3)	(101.1)
Rate reparations, refunds and other litigation reserve adjustments	158.0	-
Other, net	(30.6)	(35.5)
Cash flows provided by continuing operations	438.9	213.6
Net cash flows used in discontinued operations	(0.2)	(0.3)
Net Cash Provided by Operating Activities	438.7	213.3
Cash Flows From Investing Activities		
Acquisitions of assets and investments	(226.3)	(0.5)
Repayments from customers	-	98.1
Capital expenditures	(223.8)	(417.6)
Deconsolidation of variable interest entity due to the implementation of ASU 2009-17 (Note 13)	(17.5)	-
Sale or casualty of property, plant and equipment, and other net assets net of removal costs	13.4	(0.8)
Net proceeds from (investments in) margin deposits	15.9	(5.8)
Proceeds from restricted deposits	2.1	-
Contributions to investments	(136.0)	(174.2)
Distributions from equity investments in excess of cumulative earnings	73.9	-
Net Cash Used in Investing Activities	(498.3)	(500.8)
Cash Flows From Financing Activities		
Issuance of debt	1,189.5	1,268.0
Payment of debt	(814.9)	(1,048.0)
Repayments from related party	-	1.2

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Debt issue costs	(0.8)	(1.5)
Increase (decrease) in cash book overdrafts	11.5	(3.3)
Cash dividends	(150.0)	(50.0)
Contributions from noncontrolling interests	-	287.9
Distributions to noncontrolling interests	(200.8)	(175.8)
Other, net	-	1.8
Net Cash Provided by Financing Activities	34.5	280.3
Effect of Exchange Rate Changes on Cash and Cash Equivalents	(3.4)	(0.9)
Decrease in Cash and Cash Equivalents	(28.5)	(8.1)
Cash and Cash Equivalents, beginning of period	165.6	118.6
Cash and Cash Equivalents, end of period	\$137.1	\$110.5
Noncash Investing and Financing Activities		
Assets acquired by the assumption or incurrence of liabilities	\$10.5	\$-
Assets acquired by contributions from noncontrolling interests	\$81.7	\$-
Supplemental Disclosures of Cash Flow Information		
Cash paid during the period for interest (net of capitalized interest)	\$286.9	\$271.6
Cash paid during the period for income taxes (net of refunds)	\$2.2	\$140.5

The accompanying notes are an integral part of these consolidated financial statements.

KINDER MORGAN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General

Organization

We are a large energy transportation and storage company, operating or owning an interest in approximately 37,000 miles of pipelines and approximately 180 terminals. We have both regulated and nonregulated operations. We also own all the common equity of the general partner of, and a significant limited partner interest in, Kinder Morgan Energy Partners, L.P., a publicly traded pipeline limited partnership. We are a wholly owned subsidiary of Kinder Morgan Holdco LLC, a private company. Our executive offices are located at 500 Dallas Street, Suite 1000, Houston, Texas 77002 and our telephone number is (713) 369-9000. Unless the context requires otherwise, references to “we,” “us,” “our,” or the “Company” are intended to mean Kinder Morgan, Inc. and its consolidated subsidiaries. Unless the context requires otherwise, references to “KMP” are intended to mean Kinder Morgan Energy Partners, L.P. and its consolidated subsidiaries.

Kinder Morgan Management, LLC, referred to in this report as “KMR,” is a publicly traded Delaware limited liability company. Kinder Morgan G.P., Inc., the general partner of KMP and a wholly owned subsidiary of ours, owns all of KMR’s voting shares. KMR, pursuant to a delegation of control agreement, has been delegated, to the fullest extent permitted under Delaware law, all of Kinder Morgan G.P., Inc.’s power and authority to manage and control the business and affairs of KMP, subject to Kinder Morgan G.P., Inc.’s right to approve certain transactions.

As further disclosed in Note 2 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2009 (“2009 Form 10-K”), on May 30, 2007, Kinder Morgan, Inc. merged with a wholly owned subsidiary of Kinder Morgan Holdco LLC, with Kinder Morgan, Inc. continuing as the surviving legal entity. This transaction is referred to in this report as “the Going Private transaction.” Effective with the closing of the Going Private transaction, all of our assets and liabilities were recorded at their estimated fair market values based on an allocation of the aggregate purchase price paid in the Going Private transaction.

Basis of Presentation

We have prepared our accompanying unaudited consolidated financial statements under the rules and regulations of the United States Securities and Exchange Commission. These rules and regulations conform to the accounting principles contained in the Financial Accounting Standards Board’s Accounting Standards Codification, the single source of generally accepted accounting principles in the United States of America and referred to in this report as the Codification. Under such rules and regulations, we have condensed or omitted certain information and notes normally included in financial statements prepared in conformity with the Codification. We believe, however, that our disclosures are adequate to make the information presented not misleading.

In addition, our consolidated financial statements reflect normal adjustments, and also recurring adjustments that are, in the opinion of our management, necessary for a fair presentation of our financial results for the interim periods, and certain amounts from prior periods have been reclassified to conform to the current presentation. Interim results are not necessarily indicative of results for a full year; accordingly, you should read these consolidated financial statements in conjunction with our consolidated financial statements and related notes included in our 2009 Form 10-K.

Our accounting records are maintained in United States dollars, and all references to dollars are United States dollars, except where stated otherwise. Canadian dollars are designated as C\$. Our consolidated financial statements include the accounts of Kinder Morgan, Inc. and our majority-owned subsidiaries, as well as those of KMP and KMR, and prior to January 1, 2010 Triton Power Company LLC, see Note 9 “Reportable Segments” and Note 13 “Recent Accounting Pronouncements.” Investments in jointly owned operations in which we hold a 50% or less interest (other than KMP and KMR, because we have the ability to exercise significant control over their operating and financial policies) are accounted for under the equity method. All significant intercompany transactions and balances have been eliminated.

Notwithstanding the consolidation of KMP and its subsidiaries into our financial statements, we are not liable for, and our assets are not available to satisfy, the obligations of KMP and/or its subsidiaries and vice versa, except as discussed in the following paragraph. Responsibility for payments of obligations reflected in our or KMP’s financial statements is a legal determination based on the entity that incurs the liability.

In conjunction with KMP's acquisition of certain natural gas pipelines from us, we agreed to indemnify KMP with respect to approximately \$733.5 million of its debt. We would be obligated to perform under this indemnity only if KMP's assets were unable to satisfy its obligations.

2. Investments, Acquisitions and Divestitures

Investments

NGPL PipeCo LLC Investment Impairment Charge

On November 19, 2009, NGPL PipeCo LLC was notified by the Federal Energy Regulatory Commission ("FERC") of a proceeding against it pursuant to section 5 of the Natural Gas Act (the "Order"). The proceeding instituted an investigation into the justness and reasonableness of NGPL PipeCo LLC's transportation and storage rates as well as its fuel and natural gas lost percentages. On April 22, 2010, the FERC Staff filed a motion on behalf of the active participants in the proceeding, including NGPL PipeCo LLC, stating that the parties had reached a settlement in principle and requesting a suspension of the procedural schedule to permit the parties to memorialize their agreement. The Staff's motion was granted on April 23, 2010. The parties are in the process of drafting the settlement agreement which is anticipated to be filed in mid-June 2010.

These events have caused us to reconsider the carrying value of our investment in NGPL PipeCo LLC included in the "Investments" caption on the accompanying interim Consolidated Balance Sheets. A current fair value of an investment that is less than its carrying amount may indicate a loss in value of the investment. The fair value represents the price that would be received to sell the investment in an orderly transaction between market participants. We determined the fair value of our investment in NGPL PipeCo LLC by taking the total fair value of NGPL PipeCo LLC (calculated as discussed below) deducting the fair value of the joint venture debt and multiplying by our 20% ownership interest. We calculated the total fair value of NGPL PipeCo LLC from the present value of the expected future after-tax cash flows of the reporting unit, inclusive of a terminal value, which implies a market multiple of approximately 9.5 times EBITDA (earnings before interest, income taxes, depreciation and amortization) discounted at a rate of 7.4%. The expected future pre-interest, after-tax cash flows are lower than our previous expectations by approximately \$25.0 million to \$70.0 million per year. The result of our analysis showed that the fair value of our investment in NGPL PipeCo LLC was less than our carrying value. Based on this information we recognized a \$430.0 million, pre-tax, non-cash impairment charge included in the caption "Earnings from equity investments" in the accompanying interim Consolidated Statement of Income for the three months ended March 31, 2010.

Joint Venture (Equity Investment) Contributions

During the first quarter of 2010, KMP contributed \$135.6 million to its equity investees, including contributions of \$130.5 million to Rockies Express Pipeline LLC. KMP operates and owns a 50% equity interest in Rockies Express Pipeline LLC (the surviving legal entity from its December 30, 2009 merger with its parent entity, West2East Pipeline LLC), and Rockies Express Pipeline LLC used the contributions as partial funding for its Rockies Express natural gas pipeline system construction costs and for other corporate purposes.

In the first quarter of 2009, KMP equity investment contributions totaled \$173.5 million, including contributions of \$111.0 million to Midcontinent Express Pipeline LLC and \$51.0 million to West2East Pipeline LLC to partially fund construction costs for the Midcontinent Express and the Rockies Express natural gas pipeline systems, respectively. KMP also made a \$9.0 million capital contribution to Fayetteville Express Pipeline LLC to partially fund certain pre-construction pipeline costs for its Fayetteville Express natural gas pipeline system. KMP owns a 50% equity interest in both Midcontinent Express Pipeline LLC and Fayetteville Express Pipeline LLC. Equity

contributions are reported separately as “Contributions to equity investments” in the accompanying interim Consolidated Statements of Cash Flows for the three months ended March 31, 2010 and 2009.

Acquisitions

USD Terminal Acquisition

On January 15, 2010, KMP acquired three ethanol handling train terminals from US Development Group LLC for an aggregate consideration of \$200.8 million, consisting of \$115.7 million in cash, \$81.7 million in common units, and \$3.4 million in assumed liabilities. The three train terminals are located in Linden, New Jersey; Baltimore, Maryland and Dallas, Texas. As part of the transaction, KMP announced the formation of a venture with

US Development Group LLC to optimize and coordinate customer access to the three acquired terminals, other ethanol terminal assets it already owns and operates, and other terminal projects currently under development by both parties. The acquisition complemented and expanded the ethanol and rail terminal operations KMP previously owned, and all of the acquired assets are included in the Terminals-KMP business segment.

Based on the measurement of fair market values for all of the identifiable tangible and intangible assets acquired and liabilities assumed on the acquisition date, KMP assigned \$94.6 million of the combined purchase price to “Other intangibles, net,” (representing customer relationships) \$43.1 million to “Property, Plant and Equipment, net” and a combined \$5.1 million to “Other current assets” and “Deferred charges and other assets.” The remaining \$58.0 million of the purchase price represented the future economic benefits expected to be derived from the acquisition that was not assigned to other identifiable, separately recognizable assets acquired, and KMP recorded this amount as “Goodwill.” KMP believes the primary items that generated the goodwill are the value of the synergies created between the acquired assets and its pre-existing ethanol handling assets, and its expected ability to grow the business by leveraging its pre-existing experience in ethanol handling operations. KMP expects that the entire amount of goodwill will be deductible for tax purposes.

Slay Industries Terminal Acquisition

On March 5, 2010, KMP acquired certain bulk and liquids terminal assets from Slay Industries for an aggregate consideration of \$104.0 million, consisting of \$97.0 million in cash, assumed liabilities of \$1.7 million, and an obligation to pay additional cash consideration in years 2013 through 2019, contingent upon the purchased assets providing KMP an agreed-upon amount of earnings during the three years following the closing. As of the acquisition date, the contingent consideration had a fair value of \$5.3 million, and KMP expects to pay approximately \$4.6 million of this liability in the first half of 2013.

The acquired assets include (i) a marine terminal located in Sauget, Illinois; (ii) a transload liquid operation located in Muscatine, Iowa, (iii) a liquid bulk terminal located in St. Louis, Missouri and (iv) a warehousing distribution center located in St. Louis. All of the acquired terminals have long-term contracts with large creditworthy shippers. As part of the transaction, KMP and Slay Industries entered into joint venture agreements at both the Kellogg Dock coal bulk terminal, located in Modoc, Illinois, and at the newly created North Cahokia terminal, located in Sauget and which has approximately 175 acres of land ready for development. All of the assets located in Sauget have access to the Mississippi River and are served by five rail carriers. The acquisition complemented and expanded KMP’s pre-existing Midwest terminal operations by adding a diverse mix of liquid and bulk capabilities, and all of the acquired assets are included in the Terminals-KMP business segment.

Based on the measurement of fair market values for all of the identifiable tangible and intangible assets acquired and liabilities assumed on the acquisition date, KMP assigned \$67.9 million of the purchase price to “Property, Plant and Equipment, net,” \$27.0 million to “Other intangibles, net” (representing customer contracts) and a combined \$8.2 million to “Investments.” KMP recorded the remaining \$0.9 million of the combined purchase price as “Goodwill,” representing certain advantageous factors that contributed to the acquisition price exceeding the fair value of acquired identifiable net assets—in the aggregate, these factors represented goodwill, and KMP expects that the entire amount of goodwill will be deductible for tax purposes.

Mission Valley Terminal Acquisition

On March 1, 2010, KMP acquired the refined products terminal assets at Mission Valley, California from Equilon Enterprises LLC (d/b/a Shell Oil Products US) for \$13.5 million in cash. The acquired assets include buildings, equipment, delivery facilities (including two truck loading racks), and storage tanks with a total capacity of

approximately 170,000 barrels for gasoline, diesel fuel and jet fuel. The terminal operates under a long-term terminaling agreement with Tesoro Refining and Marketing Company. KMP assigned the entire purchase price to "Property, Plant and Equipment, net." The acquisition enhanced KMP's Pacific operations and complemented its existing West Coast terminal operations, and the acquired assets are included in the Products Pipelines-KMP business segment.

Pro Forma Information

Pro forma consolidated income statement information that gives effect to all of the acquisitions we have made and all of the joint ventures we have entered into since January 1, 2010 as if they had occurred as of January 1, 2010 is not presented because it would not be materially different from the information presented in the accompanying interim Consolidated Statements of Income.

Acquisitions Subsequent to March 31, 2010

On April 13, 2010, KMP announced it had entered into a definitive agreement to purchase a 50% ownership interest in Petrohawk Energy Corporation's natural gas gathering and treating business in the Haynesville shale gas formation located in northwest Louisiana for \$875 million in cash. The assets consist of more than 170 miles of pipeline currently in service, and it is expected that the pipeline mileage will increase to approximately 375 miles with projected throughput of over 800 million cubic feet per day of natural gas by the end of 2010. Additionally, it is expected that the system's natural gas amine treating plants will have a capacity of approximately 2,635 gallons per minute by the end of 2010. Closing of the transaction is subject to customary closing conditions and is expected to occur by the end of May 2010.

Petrohawk will continue to operate the business during a short transition period, and following the transition period, the newly formed company named KinderHawk Field Services LLC, owned 50% by KMP and 50% by Petrohawk, will assume the joint venture operations. KinderHawk Field Services LLC has also received a dedication to transport and treat all of Petrohawk's operated Haynesville and Bossier shale gas production in Louisiana for the life of the leases at agreed upon rates, as well as minimum volume commitments from Petrohawk for the first five years of the joint venture agreement. It will also focus on providing firm transportation services to third-party producers. The joint venture ultimately is expected to have approximately two billion cubic feet per day of mainline throughput capacity, which will make it one of the largest gathering and treating systems in the United States. The acquisition will complement and expand KMP's existing natural gas gathering and treating businesses, and all of the acquired assets will be included as part of the Natural Gas Pipelines-KMP business segment.

Divestitures

Cypress Pipeline

On July 14, 2009, KMP received notice from Westlake Petrochemicals LLC, a wholly-owned subsidiary of Westlake Chemical Corporation, that it was exercising an option it held to purchase a 50% ownership interest in its Cypress Pipeline. KMP expects the transaction to close by the end of the second quarter of 2010. As of March 31, 2010, the net assets of KMP's Cypress Pipeline totaled approximately \$21.0 million. At the time of the sale, KMP will (i) deconsolidate the net assets of the Cypress Pipeline, (ii) recognize a gain or loss on the sale of net assets equal to the difference between (a) the proceeds received from the sale and (b) 50% of the net assets' carrying value and (iii) recognize the remaining 50% noncontrolling investment retained at its fair value (which is expected to result in a gain).

3. Intangibles

Goodwill

We evaluate goodwill for impairment on May 31 of each year. For this purpose, we have six reporting units as follows: (i) Products Pipelines-KMP (excluding associated terminals), (ii) Products Pipelines Terminals-KMP (evaluated separately from Products Pipelines-KMP for goodwill purposes), (iii) Natural Gas Pipelines-KMP, (iv) CO₂, (v) Terminals-KMP and (vi) Kinder Morgan Canada-KMP.

There were no impairment charges resulting from the May 31, 2009 impairment testing, and no event indicating an impairment has occurred subsequent to that date. The fair value of each reporting unit was determined from the present value of the expected future cash flows from the applicable reporting unit (inclusive of a terminal value

calculated using market multiples between six and ten times cash flows) discounted at a rate of 9.0%. The value of each reporting unit was determined on a stand-alone basis from the perspective of a market participant and represented the price that would be received to sell the unit as a whole in an orderly transaction between market participants at the measurement date.

Changes in the gross amounts of our goodwill and accumulated impairment losses for the three months ended March 31, 2010 are summarized as follows (in millions):

	Products Pipelines—KMP	Natural Gas Pipelines—KMP	CO ₂ —KMP	Terminals—KMP	Kinder Morgan Canada—KMP	Total
Goodwill	\$ 2,116.5	\$ 3,488.0	\$ 1,521.7	\$ 1,415.4	\$ 613.1	\$ 9,154.7
Accumulated impairment losses.	(1,266.5)	(2,090.2)	-	(676.6)	(377.1)	(4,410.4)
Balance as of December 31, 2009	850.0	1,397.8	1,521.7	738.8	236.0	4,744.3
Acquisitions and adjustments	-	-	-	61.2	-	61.2
Currency translation adjustments	-	-	-	-	8.1	8.1
Balance as of March 31, 2010	\$ 850.0	\$ 1,397.8	\$ 1,521.7	\$ 800.0	\$ 244.1	\$ 4,813.6

In addition, we identify any premium or excess cost we pay over our proportionate share of the underlying fair value of net assets acquired and accounted for as investments under the equity method of accounting. This premium or excess cost is referred to as equity method goodwill and is also not subject to amortization but rather to impairment testing. No event or change in circumstances that may have a significant adverse effect on the fair value of our equity investments has occurred during the first three months of 2010, and as of both March 31, 2010 and December 31, 2009, we reported \$138.2 million in equity method goodwill within the caption “Investments” in the accompanying interim Consolidated Balance Sheets.

Other Intangibles

Excluding goodwill, our other intangible assets include customer relationships, contracts and agreements, technology-based assets and lease value. These intangible assets have definite lives and are reported separately as “Other intangibles, net” in the accompanying interim Consolidated Balance Sheets. Following is information related to our intangible assets subject to amortization (in millions):

	March 31, 2010	December 31, 2009
Customer relationships, contracts and agreements		
Gross carrying amount	\$ 419.5	\$ 297.9
Accumulated amortization	(63.1)	(50.9)
Net carrying amount	356.4	247.0
Technology-based assets, lease value and other		
Gross carrying amount	14.1	14.1
Accumulated amortization	(1.5)	(1.3)
Net carrying amount	12.6	12.8
Total other intangibles, net	\$ 369.0	\$ 259.8

The increase in the carrying amount of the customer relationships, contracts and agreements since December 31, 2009 was mainly due to the acquisition of intangibles included in the purchase of terminal assets from US Development Group LLC and Slay Industries, discussed in Note 2. We amortize the costs of our intangible assets to expense in a systematic and rational manner over their estimated useful lives. Among the factors we weigh, depending on the nature of the asset, are the effect of obsolescence, new technology, and competition. For the three months ended

March 31, 2010 and 2009, the amortization expense on our intangibles totaled \$12.4 million and \$4.7 million, respectively. As of March 31, 2010, the weighted average amortization period for all of our intangible assets combined was approximately 14 years, and the weighted average amortization period for the intangible assets KMP acquired from US Development Group LLC and Slay Industries in the first quarter of 2010 was approximately 11.7 years. Our estimated amortization expense for all of our intangible assets for each of the next five fiscal years (2011 – 2015) is approximately \$42.2 million, \$36.8 million, \$32.8 million, \$29.7 million and \$26.7 million, respectively.