

KINDER MORGAN, INC.
Form 10-Q
July 24, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 30, 2015

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: 001-35081

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

Delaware	80-0682103
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1001 Louisiana 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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 Exchange Act. 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 Exchange Act). Yes ☐ No ☒

As of July 23, 2015, the registrant had 2,191,937,071 Class P shares outstanding.

KINDER MORGAN, INC. AND SUBSIDIARIES
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KINDER MORGAN, INC. AND SUBSIDIARIES
GLOSSARY

Company Abbreviations

CIG	= Colorado Interstate Gas Company, L.L.C.	KMGP	= Kinder Morgan G.P., Inc.
Copano	= Copano Energy, L.L.C.	KMI	= Kinder Morgan Inc. and its majority-owned and/or controlled subsidiaries
CPG	= Cheyenne Plains Gas Pipeline Company, L.L.C.		
Elba Express	= Elba Express Company, L.L.C.	KMP	= Kinder Morgan Energy Partners, L.P. and its majority-owned and controlled subsidiaries
EPB	= El Paso Pipeline Partners, L.P. and its majority-owned and controlled subsidiaries	KMR	= Kinder Morgan Management, LLC
EPNG	= El Paso Natural Gas Company, L.L.C.	SFPP	= SFPP, L.P.
EPPOC	= El Paso Pipeline Partners Operating Company, L.L.C.	SLNG	= Southern LNG Company, L.L.C.
KMEP	= Kinder Morgan Energy Partners, L.P.	SNG	= Southern Natural Gas Company, L.L.C.
		TGP	= Tennessee Gas Pipeline Company, L.L.C.

Unless the context otherwise requires, references to “we,” “us,” or “our,” are intended to mean Kinder Morgan, Inc. and its majority-owned and/or controlled subsidiaries.

Common Industry and Other Terms

/d	= per day	FASB	= Financial Accounting Standards Board
AFUDC	= allowance for funds used during construction	FERC	= Federal Energy Regulatory Commission
BBtu	= billion British Thermal Units	GAAP	= United States Generally Accepted Accounting Principles
Bcf	= billion cubic feet	LLC	= limited liability company
CERCLA	= Comprehensive Environmental Response, Compensation and Liability Act	MBbl	= thousand barrels
CO ₂	= carbon dioxide or our CO ₂ business segment	MMBbl	= million barrels
CPUC	= California Public Utilities Commission	NGL	= natural gas liquids
DCF	= distributable cash flow	NYMEX	= New York Mercantile Exchange
DD&A	= depreciation, depletion and amortization	NYSE	= New York Stock Exchange
EBDA	= earnings before depreciation, depletion and amortization expenses, including amortization of excess cost of equity investments	OTC	= over-the-counter
EPA	= United States Environmental Protection Agency	PHMSA	= United States Department of Transportation Pipeline and Hazardous Materials Safety Administration

When we refer to cubic feet measurements, all measurements are at a pressure of 14.73 pounds per square inch.

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Information Regarding Forward-Looking Statements

This report includes forward-looking statements. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. They use words such as “anticipate,” “believe,” “intend,” “plan,” “projection,” “forecast,” “strategy,” “position,” “continue,” “estimate,” “expect,” “may,” or the negative of those terms or other variations of them or comparable terminology. In particular, expressed or implied statements concerning future actions, conditions or events, future operating results or the ability to generate sales, income or cash flow or to pay dividends are forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future actions, conditions or events and future results of operations may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results are beyond our ability to control or predict.

See “Information Regarding Forward-Looking Statements” and Part I, Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2014 (2014 Form 10-K) and Item 1A “Risk Factors” included elsewhere in this report for a more detailed description of factors that may affect the forward-looking statements. You should keep these risk factors in mind when considering forward-looking statements. These risk factors could cause our actual results to differ materially from those contained in any forward-looking statement. Because of these risks and uncertainties, you should not place undue reliance on any forward-looking statement. We plan to provide updates to projections included in this report when we believe previously disclosed projections no longer have a reasonable basis.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenues				
Natural gas sales	\$677	\$1,014	\$1,462	\$2,111
Services	1,963	1,801	3,933	3,605
Product sales and other	823	1,122	1,665	2,268
Total Revenues	3,463	3,937	7,060	7,984
Operating Costs, Expenses and Other				
Costs of sales	1,085	1,610	2,175	3,253
Operations and maintenance	590	540	1,095	1,023
Depreciation, depletion and amortization	570	502	1,108	998
General and administrative	164	154	380	326
Taxes, other than income taxes	116	111	231	221
Loss on impairments and disposals of long-lived assets, net	50	7	104	3
Other income, net	(4)	) —	(3)) —
Total Operating Costs, Expenses and Other	2,571	2,924	5,090	5,824
Operating Income	892	1,013	1,970	2,160
Other Income (Expense)				
Earnings from equity investments	114	100	216	199
Loss on impairments of equity investments	—	—	(26)) —
Amortization of excess cost of equity investments	(14)	) (11)	) (26)	) (21)
Interest, net	(472)	) (440)	) (984)	) (888)
Other, net	11	13	24	26
Total Other Expense	(361)	) (338)	) (796)	) (684)
Income Before Income Taxes	531	675	1,174	1,476
Income Tax Expense	(189)	) (178)	) (413)	) (378)
Net Income	342	497	761	1,098
Net (Income) Loss Attributable to Noncontrolling Interests	(9)) (213)) 1	(527)
Net Income Attributable to Kinder Morgan, Inc.	\$333	\$284	\$762	\$571

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Class P Shares

Basic Earnings Per Common Share	\$0.15	\$0.27	\$0.35	\$0.55
Basic Weighted-Average Number of Shares Outstanding	2,175	1,028	2,158	1,028
Diluted Earnings Per Common Share	\$0.15	\$0.27	\$0.35	\$0.55
Diluted Weighted-Average Number of Shares Outstanding	2,187	1,028	2,169	1,028
Dividends Per Common Share Declared for the Period	\$0.49	\$0.43	\$0.97	\$0.85

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net income	\$342	\$497	\$761	\$1,098
Other comprehensive income (loss), net of tax				
Change in fair value of derivatives utilized for hedging purposes (net of tax benefit of \$34, \$27, \$35 and \$41, respectively)	(58	) (96	) (60	) (141
Reclassification of change in fair value of derivatives to net income (net of tax benefit (expense) of \$33, \$(5), \$74 and \$(9), respectively)	(57	) 16	(129	) 30
Foreign currency translation adjustments (net of tax (expense) benefit of \$(9), \$(17), \$53 and \$1, respectively)	17	56	(91	) (6
Benefit plan adjustments (net of tax benefit (expense) of \$-, \$1, \$(4) and \$1, respectively)	—	2	6	1
Total other comprehensive loss	(98	) (22	) (274	) (116
Comprehensive income	244	475	487	982
Comprehensive (income) loss attributable to noncontrolling interests	(9	) (197	) 1	(455
Comprehensive income attributable to KMI	\$235	\$278	\$488	\$527

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

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