

Kinder Morgan, Inc.  
Comments to the NAESB WGQ Contracts Subcommittee  
RE: Proposed NAESB Credit Support Addendum

The intrastate natural gas pipeline, retail (Local Distribution Company), and gathering/processing entities of Kinder Morgan buy and sell gas using the current NAESB Contract for the Sale and Purchase of Natural (Agreement). Additionally, our interstate pipelines have used this Agreement to make operational sales and purchases. The majority of our sales and purchases are physical, not financial, and are, in many cases, with customers/suppliers who are not very familiar with the procedures and nuisances of the “financial” natural gas markets.

In such an environment, our experience is that the current section 10 of the Agreement is sufficient for our physical sales and purchases. If the intent of developing the proposed NAESB Credit Support Addendum is to supplant section 10 of the Agreement, then we cannot support it in the current form since it is complicated, and requires a level of sophisticated, costly administration that is not present or cost justified in many business organizations participating in the physical natural gas markets. To be useful in our physical gas markets, the Addendum would need to be more direct, concise, and administratively cost effective for all participants.

Conversely, if the intent of the Addendum is to provide an additional, mutually agreeable tool for those industry participants that regularly deal in both the physical and financial markets, then Kinder Morgan can support such a use although we will not use it since the Addendum does not fit our business environment.