

Kinder Morgan Cochin ULC

Surveillance Report

For the nine months ended September 30, 2016

Schedule 1

Income Summary (Cdn \$s)

Line	Particulars (a)	Source (b)	NEB Acct (c)	YTD Actuals (d)	Updated Annual Forecast (e)	Initial Annual Forecast (f)	Variance (e)-(f) (g)	Note
1	Revenue	Input	551-556	\$ 38,982.9	\$ 54,140.5	\$ 52,608.0	\$ 1,532.5	(1)
2	Other Revenue (PL allowance)	Input	555	\$ (0.3)	\$ (0.3)	\$ -	\$ (0.3)	
3	Total Revenue			\$ 38,982.6	\$ 54,140.3	\$ 52,608.0	\$ 1,532.3	
	Operating Expenses							
4	Salaries & Wages	Input	720-1	\$ 1,774.7	\$ 2,192.3	\$ 1,809.3	\$ 383.0	(2)
5	Fuel & Power	Input	720-2	\$ 7,734.5	\$ 10,912.5	\$ 11,077.9	\$ (165.5)	(3)
6	Other Operating & Maintenance	Input	720-5	\$ 10,723.6	\$ 13,508.7	\$ 8,390.2	\$ 5,118.4	(4)
7	Depreciation and Amortization	Input	031	\$ (434.4)	\$ 5,053.8	\$ 6,822.3	\$ (1,768.6)	(5)
8	Taxes other than Income	Input	730-16	\$ 1,971.2	\$ 2,629.7	\$ 2,634.0	\$ (4.3)	
9	Total Operating Expenses	Sum L4 to L8		\$ 21,769.6	\$ 34,296.8	\$ 30,733.8	\$ 3,563.1	
10	Operating Income	L3-L9		\$ 17,213.0	\$ 19,843.4	\$ 21,874.2	\$ (2,030.8)	
	Less							
11	Financing Charges (deemed)	Int L7		\$ 2,253.2	\$ 3,076.1	\$ 3,129.9	\$ (53.9)	
12	Income Taxes	Inc Tax L7		\$ 2,410.5	\$ 3,877.9	\$ 5,670.5	\$ (1,792.6)	(6)
13	Net Income	L10-L11-L12		\$ 12,549.4	\$ 12,889.5	\$ 13,073.8	\$ (184.3)	
14	Rate Base	Sch2a L16		\$ 152,139.6	\$ 156,246.9	\$ 158,546.8	\$ (2,299.8)	
15	Rate of Return on Rate Base	L13/L14		8.25%	8.25%	8.25%		
16	Rate of Return on Common Equity	N.A.						

Note:

- (1) Variance is due to increased USD to CAD exchange rate than forecast.
- (2) Variance is due to more operating hours than forecast.
- (3) Variance is due to increased operational efficiency contributed by the use of drag reducing agent.
- (4) Variance is due to more operating hours and more G&A expenses allocated from Kinder Morgan Canada Company.
- (5) Depreciation and Amortization Expenses on columns (d) are the summation of YTD actual depreciation expense of \$2,525.6 and SDRB depreciation adjustment of (\$2,960).
Depreciation and Amortization Expenses on columns (e) are the summation of Updated Annual Forecast depreciation expense of \$3,378.8 and SDRB depreciation adjustment of \$1,675.
- (6) Variance is due to higher capital cost allowance than forecast.

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Schedule 2

Rate Base Calculation

Line	Particulars (a)	Source (b)	YTD Actuals (c)	Updated Annual Forecast (d)	Initial Annual Forecast (e)	Variance (d)-(e) (f)	Note
Plant in Service							
1	Net Plant	Sch 2a L13	\$149,364.1	\$ 152,591.6	\$155,557.9	\$ (2,966.3)	(1)
2	Capital Addition (included in Ln 1)	Sch 2a L2	\$ 14.3	\$ 9,213.3	\$ 9,813.8	\$ (600.5)	(2)
3	Deferred Recovery (included in Ln 1)	Input	\$ -	\$ -	\$ -	\$ -	
4	Total Plant	Sch 2a L13	\$149,364.1	\$ 152,591.6	\$155,557.9	\$ (2,966.3)	
Working Capital							
5	Cash	WC-Inv L2	\$ 2,775.5	\$ 3,655.4	\$ 2,988.9	\$ 666.5	
6	Materials & Supplies	Input	\$ -	\$ -	\$ -	\$ -	
7	Transmission Line Pack	Input	\$ -	\$ -	\$ -	\$ -	
8	Prepayments & Deposits	Input	\$ -	\$ -	\$ -	\$ -	
9	Other (see explanation below)	Input	\$ -	\$ -	\$ -	\$ -	
10	Total Working Capital	Sum L5 to L9	\$ 2,775.5	\$ 3,655.4	\$ 2,988.9	\$ 666.5	
11	Deferrals (as Applicable)		\$ -	\$ -	\$ -	\$ -	
12	Total Average Rate Base	L4+L10+L11	\$152,139.6	\$ 156,246.9	\$158,546.8	\$ (2,299.8)	

Note:

- (1) Variance is due to lower opening Net Plant balance than forecast.
- (2) Variance is due to lower plant addition than forecast.

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Schedule 2a

Semi Depreciated Rate Base

Line	Particulars (a)	Source (b)	YTD Actuals (c)	Updated Annual Forecast (d)	Initial Annual Forecast (e)	Variance (d)-(e) (f)	Note
Plant at Cost							
1	Plant in Service BOY	Input	\$187,343.1	\$ 187,343.1	\$ 189,962.7	(2,619.6)	(1)
2	Additions YTD	Input	\$ 14.3	\$ 9,213.3	\$ 9,813.8	(600.5)	
3	Disposals YTD	Input	\$ (589.6)	\$ (589.6)	\$ -	(589.6)	(2)
4	Plant in Service (End of Qtr)	L1+L2+L3	\$186,767.8	\$ 195,966.8	\$ 199,776.5	(3,809.7)	
5	Average of Plant Costs	Avg (L1,L4)	\$187,055.5	\$ 191,655.0	\$ 194,869.6	\$ (3,214.6)	
Residual Investment in Plant							
6	Plant (beginning of year)	L1	\$187,343.1	\$ 187,343.1	\$ 189,962.7	(2,619.6)	
7	Accumulated Depreciation	Input	\$ 75,676.8	\$ 75,676.8	\$ 75,212.4	464.5	
8	Net Balance (beginning of year)	L6-L7	\$111,666.3	\$ 111,666.3	\$ 114,750.4	(3,084.0)	
9	Plant (end of Year)	L4	\$186,767.8	\$ 195,966.8	\$ 199,776.5	(3,809.7)	
10	Accumulated Depreciation EOY	L7+Input	\$ 75,088.7	\$ 80,576.9	\$ 82,034.7	(1,457.8)	
11	Depreciation Adjustment	Input	\$ (2,960.0)	\$ 1,675.0	\$ 2,790.0	(1,115.0)	(3)
12	Net Balance EOY	L9-L10	\$111,679.2	\$ 115,390.0	\$ 117,741.8	(2,351.9)	
13	Average - Residual Plant	Avg(L8,L12)	\$111,672.7	\$ 113,528.1	\$ 116,246.1	\$ (2,718.0)	
14	Average	Avg(L5,L13)	\$149,364.1	\$ 152,591.6	\$ 155,557.9	(2,966.3)	
15	Working Capital (1/8 of operating expenses +Materials & Supplies)	WC-Inc L7	\$ 2,775.5	\$ 3,655.4	\$ 2,988.9	666.5	
16	Deferrals (as Applicable)		\$ -	\$ -	\$ -	\$ -	
17	Rate Base		\$152,139.6	\$ 156,246.9	\$ 158,546.8	\$ (2,299.8)	

Note:

- (1) 2015 full-year actual plant addition was only available after the Initial Forecast was filed with NEB in mid-Dec 2015. The actual plant addition for 2015 was \$2,619.6 lower than the estimate used to derive the Plant in Service BOY in Initial Forecast.
- (2) Variance represents assets sold to Kinder Morgan Utopia LTD.
- (3) Depreciation Adjustment on Line 11 has been included in the calculation of Line 10 Accumulated Depreciation EOY, which is subtracted from Line 9 Plant (end of Year) to derive the Net Balance EOY on Line 12.

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Schedule 3

Volumes

Line	Particulars (a)	Source (b)	YTD Actuals (c)	Updated Annual Forecast (d)	Initial Annual Forecast (e)	Variance (d)-(e) (f)	Note
1	Propane and EP Mix	Input	0.1	0.1	-	0.1	
2	Other products (Condensate)	Input	13,109.8	13,448.4	13,550.9	(102.6)	(1)
Total			13,109.9	13,448.4	13,550.9	(102.5)	

Note:

- (1) Throughput is dependent on customer contracting behaviours and market conditions and therefore can fluctuate.

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Schedule 4

Payroll Statistics

Line	Particulars (a)	Source (b)	YTD Actuals (c)	Updated Annual Forecast (d)	Initial Annual Forecast (e)	Variance (d)-(e) (f)
	Total regular Employees				0	
	Total Temporary Employees					

Total Employees

See Note

Less:

Charged to Non-regulated

Capitalized

Charged to Other Accounts

0

Employeeess Charged to COS

See Note

Note:

Kinder Morgan Cochin ULC has no employees. The company is operated via an agreement between its partners and Kinder Morgan Canada; Salaries indicated in Schedule 1 are allocated from the Kinder Morgan Canada Payroll.

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Schedule 5

Salaries and Wages

Line	Particulars (a)	Source (b)	YTD Actuals (c)	Updated Annual Forecast (d)	Initial Annual Forecast (e)	Variance (d)-(e) (f)
	Salaries & Wages					
	Gross Salaries & Wages by Cost Center					
	Total	See Note				
	Less:					
	Charged to Non-regulated					
	Capitalized					
	Charged to Other Accounts					

Salaries and Wages Charged to COS See Note

Employee benefits
Gross Benefits by Type

Total See Note

Less:
Charged to Non-regulated
Capitalized
Charged to Other Accounts

Benefits Charged to COS See Note

Note:

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Schedule 6

Deferral Accounts

Line	Particulars (a)	Source (b)	YTD Actuals (c)	Updated Annual Forecast (d)
1	Deferred Revenue		\$ -	\$ -
2	Deferred Charges		\$ 8.2	\$ 8.2
3	Total Deferrals	L1+L2	<u>\$ 8.2</u>	<u>\$ 8.2</u>

Note:

Deferrals in this schedule represent a tracking mechanism for the deficiency fees paid to Kinder Morgan Cochin ULC by shippers, and serve as a mechanism to reconcile the fees received with shipments on the pipeline.

The amounts reflected here are not deferred revenues or charges in the traditional sense. That is, the amounts are not being held for future disposition by the Board and will not be refunded to (or collected from) shippers. Rather, Kinder Morgan Cochin ULC has included these amounts in this schedule for transparency as a tracking mechanism and for purposes of reconciling deficiency fees paid by shippers under the terms of the TSAs.

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Schedule 7

Related Parties Transactions

Line	Contracting Party (a)	Nature of Service (b)	YTD Actuals ('000) (c)
1	Kinder Morgan Operating L.P. "A"	G&A cost allocation G&A cost payment	\$ (431.8) \$ 568.8
2	Kinder Morgan Canada Inc.	Property tax payment	\$ (2,448.3)
3	Kinder Morgan Cochin LLC	Transportation service	\$ 1,850.5
4	Kinder Morgan Canada Company	Intercompany interest collected by shared bank account Intercompany debt Accrued interest payable	\$ 10,937.5 \$ (40,917.2) \$ (23,688.1)
5	Kinder Morgan Canada Terminals ULC	Intercompany debt Accrued interest payable	\$ (2,046.6) \$ (16,781.3)
6	Kinder Morgan Express Limited	Accrued interest payable	\$ (1,254.6)
7	Kinder Morgan Energy Partners L.P.	Accrued interest payable	\$ (8,832.0)
8	Grand Total Receivables (Payables)		<u>\$ (83,043.1)</u>