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Truman Discussion

Goldman, Sachs & Co.
17-Oct-2001

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I. Overview of Truman's Integrated Model

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Approach to Truman's Integrated Model

- Deconsolidate historical numbers, 2001E and 2002P into major business units
- Observe cost and growth trends to drive key income statement and cash flow lines
- To the extent possible, develop revenue/gross profit drivers for business units
- Incorporate Truman's strategic development objectives into projections for each segment
- Analyze segment and consolidated financial statements over the review period
- Provide flexibility to analyze various "what if" and sensitivity scenarios

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Basis For Projections

By Business Segment

Segment	02 – 05 Growth Gross Margin	02 – 05 Growth IBIT	Gross Margin ($m) 2001	Gross Margin ($m) 2002	Gross Margin ($m) 2005	IBIT ($m) 2001	IBIT ($m) 2002	IBIT ($m) 2005
ETS	2.0%	4.1%	$ 661	$ 674	$ 715	$ 361	$ 380 9%	$ 428
PGE	4.3%	4.0%	619	636	722	189	222 5	249
Wholesale - Consolidated	13.9%	17.5%	3,967	5,360	7,921	3,242	3,206 79	5,199
Wholesale – NA Gas + Power	13.6%	15.0%	3,369	3,765	5,525	3,570	2,768	4,211
Wholesale – Europe Flat	2.5%	0.2%	924	679	732	309	200	201
Wholesale – Industrial Markets	47.7%	35.0%	71	107	343	43	125	308
Wholesale – Global Markets	15.0%	15.0%	475	719	1,094	237	300	457
Wholesale – Other	36.4%	nm	(872)	89	227	(916)	(187)	23
EGAS Global Assets: Dabhol Power SK Marina Brazilian Bus	0.2%	0.0%	711	562	566	102	125 3	125
Wind	8.0%	9.9%	151	163	205	53	59 1	78
EES	25.4%	35.0%	928	1,354	2,670	173	350 9	861
EBS	nm	nm	(126)	0	295	(543)	(277) (7)	100
Corporate / other	15.6%	nm	56	64	99	(563)	(644)	(845)
Consolidated	**14.4%**	**21.9%**	**6,966**	**8,813**	**13,192**	**3,012**	**3,420**	**6,195**

2 UK Power Trading
Generating assets - Spain

1 Paper; Steel; Coal
Globally, mostly U.S.

1 Mostly Oil

Need protection from CA exposure
$ 5-600 mm

☑ Wholesale dominates IBIT AND Growth; NA in particular
☑ EES is next big contributor especially in terms of growth.

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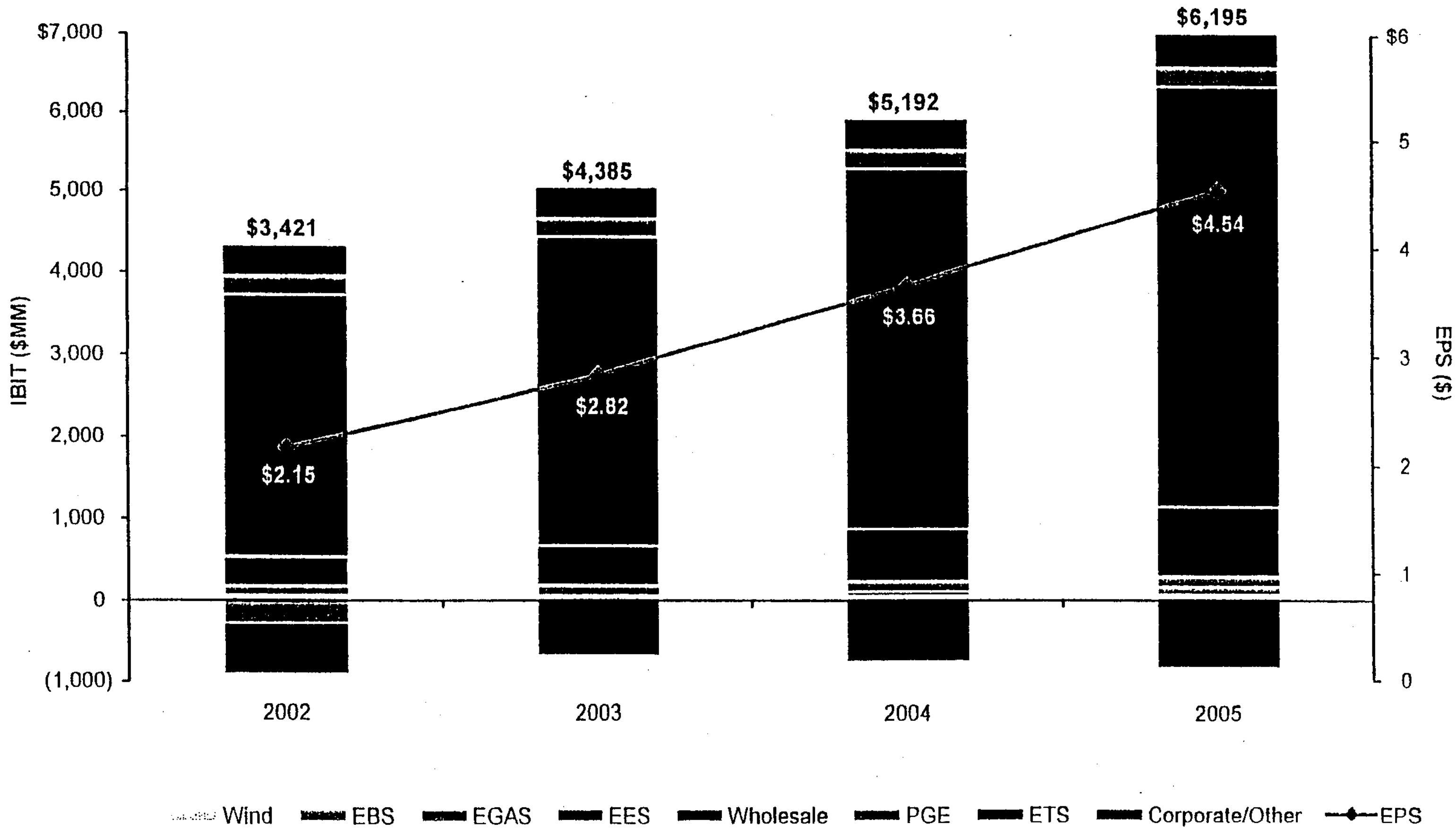
Summary Model Output

IBIT by Segment and Overall EPS Projections

3yr CAGR = 22%



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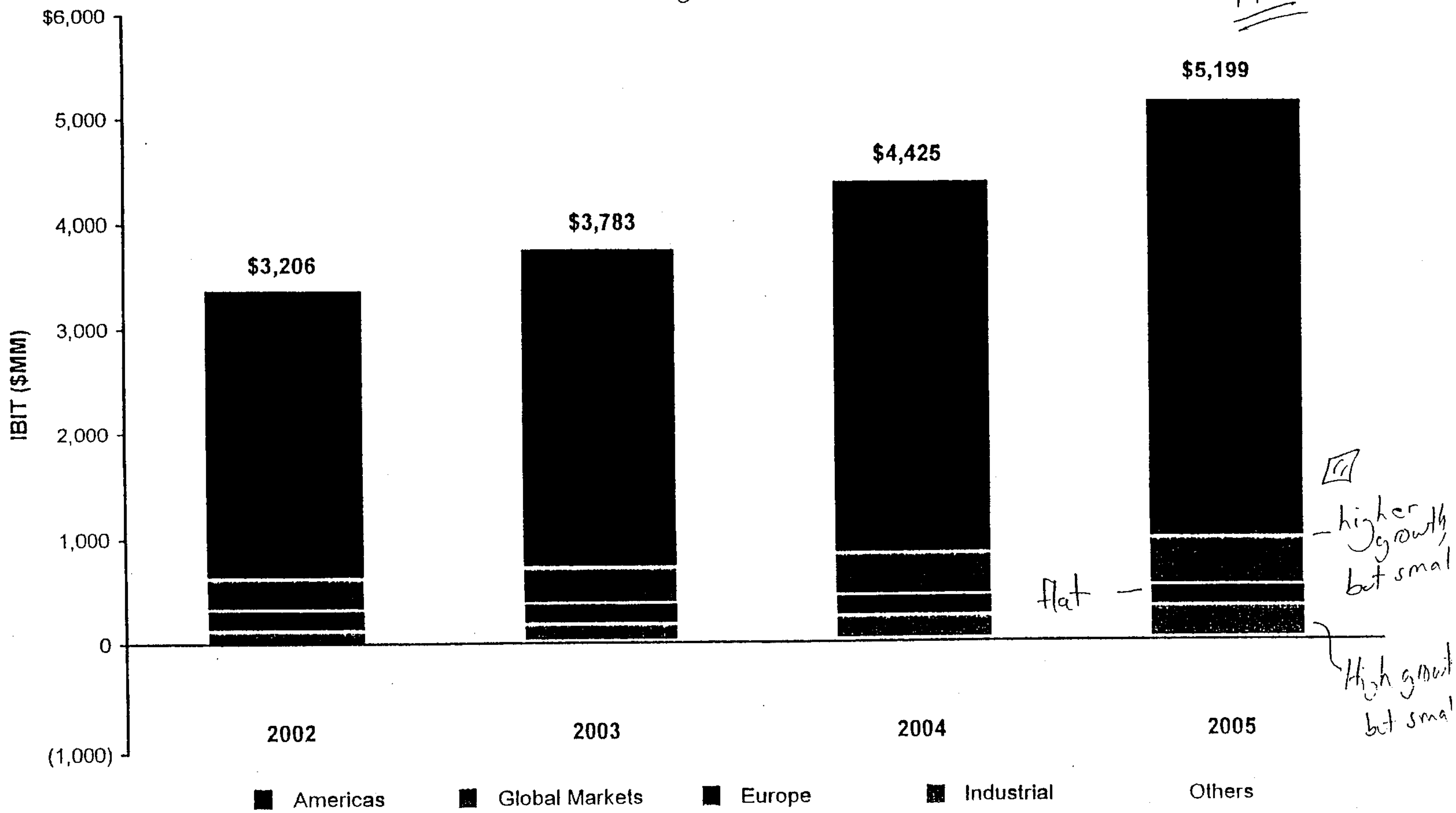
Summary Model Output

Wholesale IBIT by Business Unit

Wholesale in NA drives growth

17% CAGR (3yr



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Needed Input/Direction

General Wholesale

- Recurring/non-recurring revenue breakout by segment
- EnronOnline impact on wholesale (volumes and margin) → Also impact on international
- Methodology for building in Price Risk Management trades, assets/liabilities

Corporate/Other/General

- Capital expenditures allocation and resulting impact Wedge? Return on capital?
- Asset sales — Wholesale, EGAS or other (amount, timing, basis)
- On balance sheet / off-balance sheet debt detail
- Corporate overhead (including technology) and O&M targets
- Taxes (current/deferred, utilization of credits/NOLs)

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II. Summary Valuation of ETS

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ETS Total Company Valuation

($ in millions)

☑ Summary

☑ Answer $4.5 - 5.5 billion

	Value	Multiples				Implied Enterprise Value			
		Public Market		Private Market		Public Market		Private Market	
IBITDA[1]	$ 429.8	9.5	11.5	8.0	11.0	$ 5,047	$ 6,110	$ 4,250	$ 5,844
IBIT[2]	360.7	10.0	12.0	-	-	4,622	5,546	-	-
Net Income[3]	193.0	16.0	22.0	-	-	3,622	4,780	-	-
Book Value[4]	2,210.6	-	-	2.0	3.5	-	-	4,420	7,736

Assumes $534mm in Debt *

Summary

Low	$ 3,622.3
Mean	5,197.9
Median	4,913.8
High	7,735.6

☑ Median: $5.0 bill

[1] EBITDA plus equity earnings from EOTT, Northern Border and Florida Gas Transmission.
[2] EBIT plus equity earnings from EOTT, Northern Border and Florida Gas Transmission.
[3] Enterprise value assumes third party debt of $534.2 million.
[4] Enron basis in ETS, which includes equity in unconsolidated subsidiaries.

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ETS Sum-of-the-Parts

($ in millions)

		Low	Mean	Median	High
	√ Northern Natural	$ 2,162	$ 3,097	$ 3,222	$ 3,841
	√ Transwestern	1,168	1,691	1,533	3,010
	Total of Pipeline Assets	$ 3,330	$ 4,788	$ 4,755	$ 6,851
	√ **Unconsolidated Subs**				
	• EOTT	$ 128	$ 139	$ 139	$ 149
	• Northern Border	207	223	223	238
	Total MLP Ownership	$ 335	$ 361 +	$ 361 +	$ 388
	• Citrus (50% ownership)	$ 823	$ 1,093	$ 1,037	$ 1,580
	Total of Unconsolidated Subs	$ 1,158	$ 1,454	$ 1,399	$ 1,968
OR	**Equity Earnings in Unconsolidated Subs**	$ 910	$ 1,073	$ 1,073	$ 1,235
	Implied Value of ETS	**$ 4,240**	**$ 6,052**	**$ 5,990**	**$ 8,819**

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ETS Analysis at Various Prices

($ in millions)

Break even on Int. savings $5,100

Enterprise Value		4,000	4,500	5,000	5,500	6,000	6,500	7,000
Enterprise Value / IBITDA [1]								
2000E	$ 434.3	9.2 x	10.4 x	11.5 x	12.7 x LTM	13.8 x	15.0 x	16.1 x
2001E	429.8	9.3	10.5	11.6	12.8	14.0	15.1	16.3
Enterprise Value / IBIT [1]								
2000E	$ 366.2	10.9 x	12.3 x	13.7 x	15.0 x	16.4 x	17.7 x	19.1 x
2001E	360.7	11.1	12.5	13.9	15.2	16.6	18.0	19.4
Current Enron Debt [2] 6/30/01		$ 12,812	$ 12,812	$ 12,812	$ 12,812	$ 12,812	$ 12,812	$ 12,812
Paydown of Debt From Sale Proceeds		4,000	4,500	5,000	5,500	6,000	6,500	7,000
Pro Forma Enron Debt		8,812	8,312	7,812	7,312	6,812	6,312	5,812
% Reduction		(31.2)%	(35.1)%	(39.0)%	(42.9)%	(46.8)%	(50.7)%	(54.6)%
Pre-Tax Interest Expense Savings [3]		$ 280	$ 315	$ 350	$ 385	$ 420	$ 455	$ 490

18.7x current multiple

÷750 = 46.7 cents/sh * 18.7 = $8.73 of stock price

[1] *Based on Management estimates dated 30-Jun-2001.*
[2] *As of 30-Jun-2001.*
[3] *Assumes pre-tax interest rate of 7.0%*

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ETS Sum-of-the-Parts Valuation

($ in millions)

		Metrics				Implied Enterprise Values			
	Value	Public Market		Private Market		Public Market		Private Market	
		(10.5ish)		(10.0ish)		(Higher Public)		(lower Private)	
Northern Natural									
LTM EBITDA	$ 308.2	9.5 x	11.5 x	8.0 x	11.0 x	$ 2,928	$ 3,544	$ 2,466	$ 3,390
LTM EBIT	320.1	10.0	12.0	-	-	3,201	3,841	-	-
Book Value (2.5 per Private Trans)	1,081.0	-	-	2.0	3.0	-	-	2,162	3,243
Transwestern									
LTM EBITDA	$ 146.0	9.5 x	11.5 x	8.0 x	11.0 x	$ 1,387	$ 1,679	$ 1,168	$ 1,606
LTM EBIT	121.6	10.0	12.0	-	-	1,216	1,459	-	-
Book Value	1,003.3	-	-	2.0	3.0	-	-	2,007	3,010
Citrus (Enron 50% share only)									
LTM EBITDA	$ 107.5	9.5 x	11.5 x	8.0 x	11.0 x	$ 1,021	$ 1,236	$ 860	$ 1,183
LTM EBIT	82.3	10.0	12.0	-	-	823	988	-	-
Book Value	526.8	-	-	2.0	3.0	-	-	1,054	1,580
EOTT[1]		Down 10%, up 5% Range							
Common Units (shares)	6.6 m	$ 17.51	$ 20.42	-	-	$ 115	$ 134	-	-
Share of GP Dist 100%	$ 1.1	-	-	12.0 x	14.0 x	13	15	-	-
Total						$ 128	$ 149	-	-
Northern Border									
Common Units (shares)	3.2 m	35.4	41.3	-	-	$ 113	$ 132	-	-
Share of GP Dist 70%	$ 6.4	-	-	14.5	16.5	93	106	-	-
Total						$ 207	$ 238	-	-
Equity Earnings in Unconsolidated Subs									
2001E Equity Earnings	$ 65.0	14.0 x	19.0 x	-	-	$ 910	$ 1,235	-	-

For public trading multiples (P/E)

Separate Approach These only

[1] Assumes conversion of sub-units and APIs at ratio of 0.45:1 (as submitted in recent filings).

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III. Impact of a Hypothetical Sale of ETS and PGE

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Impact of a Hypothetical Sale of ETS and PGE

A Preliminary Look at the Numbers

($m Except per Share Data)	2002	Disposals	Proforma	2003	Disposals	Proforma
Gross Margin	8,813	(1,309)	7,504	9,999	(1,345)	8,654
IBITDA	4,165	(685)	3,480	4,915	(709)	4,205
IBIT	3,420	(602)	2,819	4,119	(623)	3,495
Interest Expense	685	(502)	183	739	(500)	238
Net Income	1,777		1,670	2,471		2,345
EPS	$ 2.06		$ 1.93	$ 2.82		$ 2.68
Cash Flows from Operations	2,230	(627)	1,603	4,124	(651)	3,472
Net Debt	9,618	(7,173)	2,445	9,015	(7,149)	1,866
FFO / Net Debt	0.2 x		0.7 x	0.5 x		1.9 x
Debt / IBITDA	2.3 x		0.7 x	1.8 x		0.4 x
IBITDA / Interest	6.1 x		19.1 x	6.7 x		17.7 x

Note: Assumes (1) sale of ETS for $5bn; (2) Sale of PGE occurs at announced transaction volume; (3) pro forma net income is before impact from a gain/loss on sale of assets; and (4) any taxable gain deferred or offset.

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Impact of a Hypothetical Sale of ETS and PGE

A Qualitative Perspective

Positive Factors	Issues to Consider
■ Business Profile — Shed low growth segments — De-lever the balance sheet	■ Business Profile — Pro forma asset base — Ability to fund high growth trading activities
■ Market Implications — Market expecting asset rationalization — Debt repayment will enhance the equity story — Focus on high growth new market development	■ Market Implications — Do you benefit from some continuing ownership in the pipes business — Is business mix considered "riskier" ■ How quickly does the market give you credit for new growth opportunities
■ Credit Implications — S&P (1/2000): Anything open to be sold, including regulated pipes — Truman has outgrown reliance on those stable cash flows ■ Agencies are expecting additional asset sales — Dramatically improves credit ratios — Seen to be addressing agency concerns	■ Credit Implications — Will need to strengthen ratios to compensate for loss of cash flow ■ With announced write-downs S&P and Moody's focused on business — Management of the balance sheet going forward — Implications for further write-downs on the portfolio and balance sheet

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Impact of a Hypothetical Sale of ETS and PGE

Beginning to Value the "New" Truman

($ in millions, per share data)

P/E Multiple		12.0 x	14.0 x	16.0 x	18.0 x	20.0 x	22.0 x	24.0 x
Current 2002E IBES Median Estimate	$ 2.15	$ 30.10	$ 30.10	$ 34.40	$ 38.70	$ 43.00	$ 47.30	$ 51.60
Implied 2003E IBES Median Estimate	$ 2.52	$ 30.19	$ 35.22	$ 40.25	$ 45.28	$ 50.31	$ 55.34	$ 60.37
Pro Forma 2002E EPS - Post Disposal	$ 1.90	$ 22.80	$ 26.60	$ 30.40	$ 34.20	$ 38.00	$ 41.80	$ 45.60
	$ 1.95	$ 23.40	$ 27.30	$ 31.20	$ 35.10	$ 39.00	$ 42.90	$ 46.80
	$ 2.05	$ 24.60	$ 28.70	$ 32.80	$ 36.90	$ 41.00	$ 45.10	$ 49.20
	$ 2.15	$ 25.80	$ 30.10	$ 34.40	$ 38.70	$ 43.00	$ 47.30	$ 51.60
Pro Forma 2003E EPS - Post Disposal	$ 2.40	$ 28.80	$ 33.60	$ 38.40	$ 43.20	$ 48.00	$ 52.80	$ 57.60
	$ 2.50	$ 30.00	$ 35.00	$ 40.00	$ 45.00	$ 50.00	$ 55.00	$ 60.00
	$ 2.60	$ 31.20	$ 36.40	$ 41.60	$ 46.80	$ 52.00	$ 57.20	$ 62.40
	$ 2.70	$ 32.40	$ 37.80	$ 43.20	$ 48.60	$ 54.00	$ 59.40	$ 64.80
	$ 2.80	$ 33.60	$ 39.20	$ 44.80	$ 50.40	$ 56.00	$ 61.60	$ 67.20

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IV. Process Considerations for an ETS Transaction

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Process Considerations

General

- Preference for cash over stock as consideration
- Appetite for smaller, strategically less important assets?
  - As part of larger sale package
  - Independently
- Alternatives to sale for "orphan" assets
- Separation Issues
- Pre-emption rights / ROFRs over assets
- Timing and process duration
- Ability of larger bidders to acquire without significant anti-trust issues
- Bidder appetites for physical assets (irrespective of apparent strategic fit)

Process	Benefits	Issues
Sale of all assets to single buyer	■ Clean, simple, rapid process ■ Allows less attractive/saleable assets to be wrapped into larger sale	■ Fewer potential bidders able to finance bid for whole ■ Potentially lower / little value for smaller, "unwanted" assets ■ Potential FTC issues ■ Pre-emption rights on key Florida Gas pipeline?
Sale of all assets to joint bidders/consortia	■ Retains benefits of single sale ■ Reduces financing and regulatory issues for bidders ■ Increased buyer population	■ Long, complex process with increased uncertainty ■ Lack of "natural" consortia? ■ May not result in maximum value
Break-up sale	■ Allows maximum value to be achieved for each asset ■ Wider buyer population, with fewer financing constraints	■ Additional complexity and duration of process ■ Separation issues? ■ Potential to be left with orphan assets

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Preliminary Buyer List

Regulatory Concerns

Single Transaction	Market Cap/ Enterprise Value	2002E P/E Multiple	Multiple Transactions	Market Cap/ Enterprise Value	2002E P/E Multiple
Williams	$14,545 / $24,727	11.1x	TransCanada/TC Pipelines	$6,350 / $14,447	14.3x
El Paso	$27,128 / $44,494	14.4x	Enterprise Products Partners	$2,654 / $3,397	20.1x
Duke	$30,890 / $46,883	14.1x	Enbridge/EEP	$4,695 / $9,808	16.2x
Dynegy	$14,969 / $19,380	17.6x	Plains All American	$1,051 / $1,519	15.8x
AEP	$14,378 / $30,337	11.5x	TEPPCO	$1,285 / $2,105	16.9x
Exelon	$14,454 / $28,789	8.8x	Buckeye Partners	$971 / $1,237	14.4x
Southern	$17,580 / $30,589	15.0x	BG	$13,382 / $14,219	17.8x
Entergy	$8,388 / $17,253	10.8x	Kaneb Pipeline	$871 / $1,127	14.0x
Kinder Morgan	$6,036 / $10,555	20.9x	FPL	$9,508 / $15,698	10.8x
Tractebel	Subsidiary of Suez	NA	Private Equity	NA	NA

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Alternative Structuring Options

Sell Northern Natural to Northern Border Partners L.P.

Description

- Enron contributes Northern Natural to Northern Border in return for cash or MLP units
- Northern Border funds acquisition through borrowings and issue of MLP units/I-Share offering

Benefits

- Retain some upside (and market insight?) by keeping GP interest
- Realize cash immediately
- Reduces size of remaining asset, potentially simplifying sale process and enhancing value of GP interest

Issues to Consider

- Structuring transaction with a related party – conflicts committee
- May not maximize value
- Ability of Northern Border to acquire for substantially all cash

Very Preliminary Analysis of Financial Capacity of Northern Border Partners

Acquisition Value ($m)

		Multiple of Cash Flow				
		8.0x	9.0x	10.0x	11.0x	12.0x
Cash Flow Acquired ($m)	200	1,600	1,800	2,000	2,200	2,400
	250	2,000	2,250	2,500	2,750	3,000
	300	2,400	2,700	3,000	3,300	3,600
	350	2,800	3,150	3,500	3,850	4,200

Accretion to LP Distribution/Unit

		Multiple of Cash Flow				
		8.0x	9.0x	10.0x	11.0x	12.0x
Cash Flow Acquired ($m)	200	32%	26%	21%	16%	11%
	250	37%	30%	24%	18%	12%
	300	46%	37%	29%	21%	14%
	350	56%	45%	35%	25%	16%

Assumptions (10x CF Multiple, $200m CF)	
Current Unit Price	$38.40
Current LP Distribution per Unit	$3.05
Current GP Distribution per Unit	$0.19
Interest Rate	7%
DCF / Distribution coverage ratio	1.22 x
Current LP Splits	75%
Percentage Equity Financed	25%

Proforma (assuming 70% GP interest retained)	
Current ENE GP income ($m)	6.4
Proforma ENE GP income ($m)	22.1
2001 ENE Common income received ($m)	9.8
Proforma 2001 ENE Common income ($m)	11.8
Proforma total increase in annual income ($m)	17.8

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V. Next Steps

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Next Steps

- Model
  - — Refine valuation model
  - — Layer growth drivers into projections
- Process
  - — Establish scenarios for evaluation
  - — Consider additional alternatives
- Impact
  - — Get credit / equity judgments
  - — Evaluate implications for stock price and credit ratings

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Appendix A: Pipeline Valuation

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Comparison of Selected Companies

($ in millions, except per share amounts)

Company	Closing Price 16-Oct-2001	% of 52 Week High	Equity Market Cap [1]	Enterprise Value [1]	Enterprise Value Multiples of LTM: Sales	Enterprise Value Multiples of LTM: EBITDA	Enterprise Value Multiples of LTM: EBIT	Calendarized P/E Multiples [2]: 2001	Calendarized P/E Multiples [2]: 2002	5-Year EPS CAGR [2]	2002 PE/5-Year EPS CAGR	LTM Margins [1]: EBITDA	LTM Margins [1]: EBIT	Dividend Yield
Enron	$ 33.84	40.0 %	$ 25,375	$ 41,754	0.3 x	12.2 x	16.8 x	18.8 x	15.7 x	17.0 %	0.9 x	2.8 %	2.1 %	1.5 %
Enbridge	$ 28.49	98.9 %	$ 4,529	$ 9,642	4.0 x	12.9 x	20.9 x	18.2 x	16.2 x	11.0 %	1.5 x	31.2 %	19.3 %	3.1 %
TransAlta	13.96	85.7	2,362	4,318	3.9	7.6	12.0	16.1	13.6	---	---	51.1	32.3	4.6
Duke	39.61	83.4	30,890	46,883	0.7	8.2	11.0	15.8	14.1	12.0	1.2	9.0	6.8	2.8
Dynegy	44.92	77.5	14,969	19,380	0.4	15.6	22.4	21.7	17.6	20.0	0.9	2.9	2.0	0.7
El Paso	52.52	70.5	27,128	44,494	1.3	19.0	26.3	15.9	14.4	15.0	1.0	6.9	5.0	1.6
Kinder Morgan	51.86	86.8	6,036	10,555	4.7	21.0	26.8	27.3	20.9	20.0	1.0	22.6	17.7	0.4
Williams	29.99	65.3	14,545	24,727	2.3	6.7	8.6	12.8	11.1	15.0	0.7	34.2	26.8	2.0
Mean		73.2 %	$ 15,430	$ 25,092	2.2 x	14.8 x	20.3 x	19.1 x	16.0 x	16.3 %	1.0 x	16.8 %	12.1 %	1.5 %
Median		74.0	14,757	22,053	1.8	14.2	21.6	18.5	16.0	16.0	0.9	14.8	11.4	1.5

[1] Source: *Latest publicly available financial statements. Equity Market Cap based on diluted shares outstanding.*
[2] Source: *IBES median estimates.*

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Common Stock Comparison

Midstream MLPs

($ in millions, except per share amount)

Company	Closing Price 16-Oct-2001	% of 52 Week High	Equity Market Cap [1]	Enterprise Value [1]	Enterprise Value Multiples of: EBIT LTM	EBITDA LTM	EBITDA 2001E	EBITDA 2002E	Calendarized P/E Multiples [2]: 2001	2002	5 Year EPS CAGR [2]	2002 P/E / Growth	LTM Margins: EBITDA	EBIT
Enron	$33.84	40.0%	$25,375	$41,754	16.8 x	12.2 x	9.9 x	8.5 x	18.8 x	15.7 x	17.0%	0.9 x	2.8%	2.1%
Midstream MLPs														
Buckeye Partners	$36.08	95.2%	$971	$1,237	13.0 x	10.9 x	12.1 x	11.7 x	14.9 x	14.4 x	5.0%	2.9 x	51.8%	43.1%
Enterprise Products Partners [3]	$51.51	100.0%	$2,654	$3,397	11.9 x	10.2 x	12.7 x	10.1 x	22.6 x	20.1 x	10.0%	2.0 x	9.5%	8.2%
EOTT Energy Partners	$21.55	92.1%	$592	$786	21.8 x	11.2 x	10.8 x	10.3 x	23.7 x	19.6 x	5.0%	3.9 x	0.6%	0.3%
Kaneb Pipeline Partners	$42.94	100.0%	$871	$1,127	15.9 x	12.4 x	12.0 x	11.4 x	14.3 x	14.0 x	5.0%	2.8 x	49.8%	38.9%
Kinder Morgan Energy Partners	$37.90	100.0%	$2,459	$4,605	10.2 x	8.2 x	5.1 x	4.6 x	24.5 x	22.7 x	14.0%	1.6 x	25.1%	20.2%
Northern Border Partners	$40.61	99.2%	$1,690	$3,294	16.0 x	12.1 x	10.6 x	9.6 x	16.2 x	13.8 x	7.5%	1.8 x	70.0%	53.0%
Plains All American Pipeline	$27.40	92.9%	$1,051	$1,519	26.0 x	19.2 x	13.3 x	11.5 x	18.3 x	15.8 x	7.5%	2.1 x	1.3%	0.9%
Teppco Partners	$33.05	98.8%	$1,285	$2,105	14.4 x	11.3 x	11.0 x	10.5 x	16.5 x	16.9 x	6.5%	2.6 x	5.4%	4.2%
Mean		97.3%	$1,447	$2,259	16.2 x	11.9 x	11.0 x	10.0 x	18.9 x	17.2 x	7.6%	2.5 x	26.7%	21.1%
Median		99.0%	1,168	1,812	15.1	11.3	11.5	10.4	17.4	16.4	7.0%	2.4	17.3%	14.2%
High		100.0%	$2,654	$4,605	26.0 x	19.2 x	13.3 x	11.7 x	24.5 x	22.7 x	14.0%	3.9 x	70.0%	53.0%
Low		92.1%	592	786	10.2	8.2	5.1	4.6	14.3	13.8	5.0%	1.6	0.6%	0.3%

[1] *Source: Latest publicly available financial statements. Equity Market Cap based on diluted shares outstanding.*
[2] *Source: IBES median estimates.*
[3] *Not pro forma for acquisitions of various pipeline assets in 1Q2001 due to insufficient information.*

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Comparison of Selected Midstream Transactions

($ in millions, except per share amounts)

Date Announced	Date Effective	Acquiror / Target	Value ($) Equity	Value ($) Levered	Market Premium (%) Previous Day	Market Premium (%) 30-Day Average	Price to Earnings (x) LTM	Price to Earnings (x) Current Year	Price to Earnings (x) Next Year	Lev Mult. of EBITDA (x) LTM	Lev Mult. of EBITDA (x) Current Year	Lev Mult. of EBITDA (x) Next Year	Market / Book (x)
Gas Pipelines													
Corporate													
5/9/2001	Pending	EnCap Investments / Plains Resources	149	149	NA	NA	NA	NA	NA	NA	NA	NA	NA
3/12/2001	5/7/2001	Northern Border / El Paso Corp.	100	100	NA	NA	NA	NA	NA	NA	8.3	NA	NA
10/31/2000	12/13/2000	Cinergy, Vectren/NiSource (Miller)	68	68	NA	NA	NA	NA	NA	NA	NA	NA	NA
1/18/2000	1/29/2001	El Paso / Coastal	9,739	15,208	26.8	34.0	21.1	20.3	16.6	11.3	10.1	8.4	2.5
2/28/2000	11/1/2000	NiSource / Columbia	6,069	8,194	22.3	28.4	22.4	20.6	17.4	10.3	9.7	8.3	2.9
7/8/1999	10/7/1999	KN Energy / Kinder Morgan Inc.	521	664	na	na	14.9	NA	NA	10.2	NA	NA	NA
3/15/1999	10/25/1999	El Paso / Sonat	3,934	5,911	31.8	40.7	NM	26.3	21.3	9.5	8.9	8.1	3.0
2/22/1999	1/28/2000	Dominion / CNG	6,353	8,268	26.3	33.3	26.7	19.3	16.7	10.0	8.7	7.8	2.6
1/26/1998	7/2/1998	TransCanada / Nova	4,969	8,561	6.3	13.2	15.5	10.0	6.6	6.1	NA	NA	1.2
12/18/1997	1/30/1998	KN Energy / Midcon (Oxy)	3,490	3,990	NA	NA	NA	NA	NA	9.7	NA	NA	5.0
10/22/1997	11/26/1997	Koch / USX - Delphi	198	762	21.2	27.5	33.1	59.5	27.8	14.9	14.1	11.9	1.0
9/23/1997	1/12/1998	RD-Shell / Tejas Gas	1,450	2,375	23.0	NA	37.2	33.0	22.4	12.3	15.0	NA	3.1
11/25/1996	6/18/1997	Duke Energy / PanEnergy	7,553	9,989	18.3	25.6	21.7	21.3	19.2	9.9	9.1	8.4	3.1
Asset													
1/29/2001	1/29/2001	Enterprise Products / El Paso Energy	NA	112.0	NA	NA	NA	NA	NA	NA	21.9	13.4	NA
12/15/1999	1/20/2000	Kinder Morgan E. / Kinder Morgan Inc.	743	779	NA	NA	NA	NA	NA	8.4	8.0	8.1	1.1
12/20/1999	12/20/1999	Kinder Morgan Energy / Trailblazer	38	66	NA	NA	NA	NA	NA	7.5	6.2	6.4	1.4
5/4/1999	7/1/1999	TransMontaigne / Amerada Hess	NA	66	NA	NA	NA	NA	NA	NA	NA	NA	NA
11/2/1998	3/29/1999	CMS Energy / Duke Energy (Panhandle)	1,900	2,200	NA	NA	16.6	NA	NA	9.3	NA	NA	1.3
3/2/1998	8/14/1998	El Paso / Leviathan (Deep Tech)	NA	450	NA	NA	NA	NA	NA	8.3	NA	NA	NA
6/19/1996	12/12/1996	El Paso / Tenneco	879	3,879	NA	NA	NA	NA	NA	9.0	13.6	12.4	0.7
1/30/1996	10/8/1996	PanEnergy / Mobil	307	307	NA	NA	NA	NA	NA	NA	NA	NA	NA
Mean					22.0%	28.9%	23.3 x	26.3 x	18.5 x	9.8 x	11.1 x	9.3 x	2.2 x
Median					22.7%	28.4%	21.7	20.9	18.3	9.7	9.4	8.3	2.5

Pipelines

[1] *Source: J.S. Herold, Company announcements.*

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Comparison of Selected Midstream Transactions

($ in millions, except per share amounts)

Gath & Process

Refined Product Pipes

Liquids

Date Announced	Date Effective	Acquiror / Target	Value ($) Equity	Value ($) Levered	Market Premium (%) Previous Day	Market Premium (%) 30-Day Average	Price to Earnings (x) LTM	Price to Earnings (x) Current Year	Price to Earnings (x) Next Year	Lev Mult. of EBITDA (x) LTM	Lev Mult. of EBITDA (x) Current Year	Lev Mult. of EBITDA (x) Next Year	Market / Book (x)
Gas Gathering & Processing													
Corporate													
3/16/2001	Pending	Enbridge / Midcoast Energy Resources	351	598	7.1	NA	10.1	14.4	12.3	9.5	NA	NA	NA
1/24/2001	3/30/2001	Northern Border / Bear Paw Energy	270	370	NA	NA	NA	NA	NA	9.3	NA	NA	NA
3/10/1999	6/1/1999	Leviathan / El Paso	21	108	NA	NA	NA	NA	NA	8.1	NA	NA	NA
3/12/1997	4/15/1997	PacifiCorp / TPC Corp	288	437	20.5	26.0	49.7	22.7	16.2	NM	NA	NA	2.8
1/31/1997	1/1/1997	PG&E / Valero Energy	723	1,500	NA	NA	NA	NA	NA	10.6	NA	NA	NA
5/9/1996	6/6/1996	Tejas Gas / Transok (Unit of C&S West)	690	882	NA	NA	27.2	NA	NA	10.5	10.7	NA	2.1
4/15/1996	8/5/1997	Texas Utilities / ENSERCH	550	1,700	41.1	NA	20.4	NA	NA	NA	9.2	NA	NA
Asset													
1/31/2000	12/22/2000	El Paso Energy / PG&E	279	840	NA	NA	NA	NA	NA	8.4	6.0	4.9	NA
4/20/1999	9/20/1999	Enterprise Products / RD-Shell (Tejas NGL)	NA	422	NA	NA	NA	NA	NA	8.2	NA	NA	NA
1/7/1999	6/1/1999	El Paso Energy / Leviathan (Viosca Knoll)	85	117	NA	NA	NA	NA	NA	6.5	NA	NA	NA
Mean					22.9%	26.0%	26.8 x	18.6 x	14.2 x	8.9 x	8.6 x	4.9 x	2.5 x
Median					20.5%	26.0%	23.8	18.6	14.2	8.9	9.2	4.9	2.5
Refined Product Pipelines													
Corporate													
11/24/1997	3/30/1998	Williams Cos. / MAPCO	2,552	3,368	34.3	38.8	22.2	24.3	18.8	8.8	11.0	9.3	3.9
Asset													
8/28/1995	12/30/1995	TransMontaigne / Mobil	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Liquids Pipelines													
Corporate													
10/20/1997	3/6/1998	Kinder Morgan / Santa Fe Pacific	971	1,288	23.4	28.0	NM	NA	NA	12.4	NA	NA	3.7
Asset													
11/30/1998	11/30/1998	Kinder Morgan / GATX	NA	1,150	NA	NA	NA	NA	NA	7.5	NA	NA	NA
6/17/1998	8/15/1998	Kinder Morgan / RD-Shell	NA	110	NA	NA	NA	NA	NA	6.4	NA	NA	NA
Mean					28.8%	33.4%	22.2 x	24.3 x	18.8 x	8.8 x	11.0 x	9.3 x	3.8 x
Median					28.8%	33.4%	22.2	24.3	18.8	8.2	11.0	9.3	3.8
For All Transactions													
Minimum					0.2%	0.3%	10.1 x	10.0 x	6.6 x	6.1 x	6.0 x	4.9 x	0.7 x
Mean					17.8%	21.2%	24.1	23.7	17.4	9.4	10.4	8.4	2.4
Median					21.2%	26.8%	22.3	20.9	17.4	9.3	9.3	8.3	2.5
Maximum					41.1%	40.7%	49.7	59.5	27.8	14.9	21.9	13.4	5.0

[1] *Source: J.S. Herold, Company announcements..*

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Recent Acquisitions of GP Interests

	At Time of Acquisition						Current		
	Acquisition Date	GP Aggregate Consid.	GP Cash Flow	Multiple of GP Cash Flow	IDR Tier at Acquisition	LP Distribution per Unit	Current GP Cash Flow	Marginal LP / GP Split	LP Distribution per Unit
Buckeye / Management [1]	March '96	$ 63.0	$ 4.2	15.0 x	75% / 25%	$ 1.50	$ 17.9	55% / 45%	$ 2.40
Enron Liquids / Kinder Morgan	Feb. '97	9.5	0.7	13.6 x	98% / 2%	1.26	250.0	50% / 50%	4.20
Santa Fe / Kinder Morgan	Oct. '97	84.4	4.0	21.1 x	70% / 30%	3.00	N.M.	N.M.	N.M.
Leviathan / El Paso	March '98	267.5	15.9	16.8 x	50% / 50%	2.00	24.8	50% / 50%	2.10
Ferrell Companies / Ferrell ESOT	July '98	23.1	1.3	18.1 x	98% / 2%	2.00	1.3	98% / 2%	2.00
PLX / Investor Group [2]	May '01	75.0	1.3	60.0 x	85% / 15%	1.90	1.3	85% / 15%	1.90
Mean				24.1 x					
Median				17.5 x					

Other GP Transactions

Petrolane / CSFB

Suburban / Hanson

Plum Creek (MLP to REIT)

Borden Chemicals / KKR

Polaris (MLP to C-Corp)

SunSource / Lehman

[1] *BPL management buyout from America Financial. Management vehicle actually command $1 million of equity to the purchase price. The $63 million balance was financed through an ESOP loan, the cost of which was borne by the BPL LPs and offset by immediate cost reduction.*
[2] *Acquired a 52% interest in PLX.*

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Appendix B: Buyer Detail

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Sale to Single Buyer

Potential Buyers Analysis

	Financial Capacity		Strategic Fit	Regulatory Issues	Acquisition Focus
	Cash	Stock			
Williams	◐	●	●	●	●
El Paso	●	●	●	●	●
Duke	●	●	◐	◐	●
Dynegy	◐	●	●	◐	◐
AEP	●	◐	◐	◐	◐
Exelon	●	●	◐	◐	◐
Southern	●	●	◐	◐	◐
Entergy	●	●	◐	◐	◐
Kinder Morgan	◐	◐	●	◐	●
Tractebel	●	○	◐	○	◐

Key: ○ = Low ◐ = Moderate ● = High

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Sale to Single Buyer

Company	Market Cap / Enterprise Value	LTM EBITDA Multiple	2002 P/E Multiple	Primary Interest: Northern Natural	Primary Interest: Trans-Western	Primary Interest: Florida	Primary Interest: Northern Border	Primary Interest: EOTT
Williams	$14,545 / $24,727	6.7x	11.1x	●	●	◑	◑	○
El Paso	$27,128 / $44,494	19.0x	14.4x	◑	◑	●	◑	○
Duke	$30,890 / $46,883	8.2x	14.1x	◑	◑	◑	◑	○
Dynegy	$14,969 / $19,380	15.6x	17.6x	◑	◑	◑	◑	○
AEP	$14,378 / $30,337	7.6x	11.5x	◑	◑	◑	◑	○
Exelon	$14,454 / $28,789	8.0x	8.8x	◑	◑	◑	◑	○
Southern	$17,580 / $30,589	8.2x	15.0x	◑	◑	◑	◑	○
Entergy	$8,388 / $17,253	6.9x	10.8x	◑	◑	◑	◑	○
Kinder Morgan	$6,036 / $10,555	21.0x	20.9x	●	●	◑	◑	○
Tractebel	Subsidiary of Suez	NA	NA	◑	◑	◑	○	○

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Sale in Parts / To Consortia

	Financial Capacity		Strategic Fit	Regulatory Issues	Acquisition Focus
	Cash	Stock			
TransCanada/TC Pipelines	●	●	●	◑	●
Enterprise Products Partners	●	●	●	○	●
Enbridge/EEP	●	●	●	○	●
Plains All American	◑	◑	◑	○	◑
TEPPCO	●	●	◑	○	◑
Buckeye Partners	◑	◑	◑	○	◑
BG	●	◑	◑	○	○
Kaneb Pipeline	◑	◑	◑	○	◑
FPL	◑	●	◑	◑	◑
Private Equity	●	○	●	○	◑

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Sale in Part / To Consortia

Company	Market Cap / Enterprise Value	LTM EBITDA Multiple	2002 P/E Multiple	Primary Interest: Northern Natural	Primary Interest: Trans-Western	Primary Interest: Florida	Primary Interest: Northern Border	Primary Interest: EOTT
TransCanada Pipelines	$6,350 / $14,447	7.9x	14.3x	●	●	◑	●	○
Enterprise Products Partners	$2,654 / $3,397	10.2x	20.1x	◑	◑	●	◑	○
Enbridge	$4,695 / $9,808	10.6x	16.2x	◑	◑	◑	◑	◑
Plains All American Pipeline	$1,051 / $1,519	19.2x	15.8x	◑	◑	◑	◑	◑
TEPPCO Partners	$1,285 / $2,105	11.3x	16.9x	◑	◑	◑	◑	○
Buckeye Partners	$971 / $1,237	10.9x	14.4x	◑	◑	◑	◑	○
BG	$13,382 / $14,219	9.4x	17.8x	◑	◑	◑	◑	○
Kaneb Pipeline Partners	$871 / $1,127	12.4x	14.0x	○	○	○	◑	○
FPL	$9,508 / $15,698	6.6x	10.8x	○	○	◑	○	○
Private Equity	NA	NA	NA	○	○	○	◑	◑

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Kinder Morgan

Very Preliminary Analysis of Financial Capacity

Acquisition Value ($m)

		Multiple of Cash Flow				
		8.0x	**9.0x**	**10.0x**	**11.0x**	**12.0x**
Cash Flow Acquired ($m)	**400**	3,200	3,600	4,000	4,400	4,800
	450	3,600	4,050	4,500	4,950	5,400
	500	4,000	4,500	5,000	5,500	6,000
	550	4,400	4,950	5,500	6,050	6,600

Assumptions

Current Unit Price	$34.69
Current LP Distribution per Unit	$2.31
Current GP Distribution per Unit	$1.48
Interest Rate	7%
DCF / Distribution coverage ratio	1.00 x
Current LP Splits	50%

Accretion to LP Distribution/Unit

		Multiple of Cash Flow				
		8.0x	**9.0x**	**10.0x**	**11.0x**	**12.0x**
Cash Flow Acquired ($m)	**400**	17%	13%	9%	5%	2%
	450	18%	14%	10%	6%	2%
	500	22%	17%	12%	7%	2%
	550	27%	20%	14%	8%	3%

Percentage Equity Financed 25%

Accretion to LP Distribution/Unit

		Multiple of Cash Flow				
		8.0x	**9.0x**	**10.0x**	**11.0x**	**12.0x**
Cash Flow Acquired ($m)	**400**	23%	19%	16%	12%	8%
	450	26%	22%	18%	14%	9%
	500	32%	27%	22%	17%	12%
	550	40%	34%	28%	21%	15%

Percentage Equity Financed 0%