

**From:** Maryann Harper [<mailto:mbharper17@gmail.com>]  
**Sent:** Thursday, December 03, 2015 12:37 PM  
**To:** Monroe, Pamela  
**Subject:** Kinder Morgan, Inc.: Is There A Storm Gathering On The Horizon?

SEC DOCKET 2015-08

Dear Ms Monroe:

This comment will serve as a follow up to my previous comment that included Bloomberg News assessment of Kinder Morgan's financial status. I would like to add as additional information the article from Seeking Alpha.

As reference I again include the following information -

In January of 2015, I attended an overview of the NH SEC Review Process presented by Attorney Michael Iacopino. I am grateful for the insight into the process that he provided. According to his presentation ( I have included the wording here verbatim for reference ) it is a function of the NH SEC to ascertain that the company proposing the energy project is financially sound - IE: has the capability to complete the project as proposed.

**SEC Findings Re: Proposed Site and Facility**

**RSA 162-H:16, IV (a)-(c)**

**• Applicant has adequate financial, technical, and managerial capability to assure construction and operation of the facility in continuing compliance with the terms and conditions of the certificate.**

In light of recent financial news about Kinder Morgan - the parent company operating as Tennessee Gas Pipeline Co LLC - I am requesting that this comment which includes in whole here an article from Seeking Alpha of 12.2.2015 be filed on the Docket: SEC 2015-08. I have also included the link for verification of same: <http://seekingalpha.com/article/3726896-kinder-morgan-inc-is-there-a-storm-gathering-on-the-horizon?ifp=0>

Respectfully submitted,

Maryann B. Harper

Rindge, NH

## **Kinder Morgan, Inc.: Is There A Storm Gathering On The Horizon?**

Dec. 2, 2015 6:19 AM ET

### **Summary**

Yesterday, Moody's changed its credit outlook on Kinder Morgan.

As a result, Kinder Morgan's stock fell to a new 52-week low, crossed the 9% yield mark.

The threat of a credit downgrade after latest transaction doesn't bode well for Kinder Morgan's stock in the near term.

**A downgrade to the junk bond class and potential dividend cut would likely lead to an exodus of income investors. In this case, 20-30% downside are possible.**



Bad news for **Kinder Morgan, Inc.** (NYSE:[KMI](#)) shareholders on Tuesday: Rating agency Moody's changed its outlook on Kinder Morgan's corporate debt from "stable" to "negative". The outlook comes after Kinder Morgan [announced](#) an increase in its ownership stake in Natural Gas Pipeline Company of America LLC at the end of November. Moody's contended (via Barron's):

The negative outlook reflects Kinder Morgan's increased business risk profile and additional pressure on its already high leverage that will result from its agreement to increase ownership in NGPL, a distressed company. NGPL is facing potential default on its pending interest payments, suggesting that KMI will need to provide cash injections, which will likely be debt funded initially.

It goes without saying that the negative credit outlook didn't sit well with Kinder Morgan's shareholders who saw their stock fall to fresh 52-week lows on the back of Moody's opinion. Kinder Morgan's shares slumped 4.88% on Tuesday and closed at just \$22.42 -- close to its new multi-year low of \$22.36. Since investors used the rating news to drop shares of Kinder Morgan, KMI crossed the 9% yield mark, too. Based on Tuesday's closing price of \$22.42, KMI now sells for a ~9.1% forward dividend yield.



**The drop in Kinder Morgan's share price underscores that shareholders rightly view a potential credit rating in the junk bond class as a very unfavorable event**, with potentially negative effects on the company's dividend policy. Kinder Morgan has grown its dividend payout substantially over the years, and investors are now concerned that KMI's debt load (~\$43 billion in short and long-term debt as of September 30, 2015) might turn out to be a bigger burden for the company moving forward than initially realized.

**Debt downgrade might affect dividend growth projections**

A lower credit rating has two big implications for a company whose rating is getting slashed: 1. A lower rating translates into higher interest payments for the company because bondholders want to be compensated for the higher degree of risk they have to accept; and 2. Higher interest payments will put pressure on Kinder Morgan's capital budget and potentially its dividend if management decides to de-prioritize dividend growth.

The second point has also profound implications for Kinder Morgan's share price: If the company decides to cut its dividend in order to accommodate higher debt payments, KMI is good for a painful drop in value, and investors are up for a rude awakening.

Kinder Morgan is, first and foremost, an income vehicle with a huge following from the income investor crowd. If Kinder Morgan's dividend ends up getting cut, I wouldn't be surprised if the stock goes down another 20-30% as investors will be rushing out of the door all at the same time. Moody's' opinion on Kinder Morgan's debt is not encouraging, and will probably continue to affect the stock for a while longer.

## **Your Takeaway**

There are clouds gathering at the horizon. The stock has fallen to a new 52-week low on Tuesday on concerning news that its current credit rating is in danger. As a result, KMI has crossed the 9% yield mark. If other rating agencies follow Moody's' lead, there is a good chance that more selling pressure will build in the near term. Should Kinder Morgan decide at some point to react to a credit downgrade by cutting its dividend, the stock will almost certainly be good for a ~20-30% plunge. Tread carefully.