

# The Power of the MLP GP

Kinder Morgan Partners (KMP) announced a secondary offering of 6.9 million shares last night at \$78.32, raising \$540 million. KMP is predictably weaker this morning as is usually the case when an MLP sells stock unexpectedly. For Kinder Morgan Inc., (KMI), the math is somewhat different. KMI owns the General Partner (GP) of KMP, and as such is entitled to 50% of the distributable cashflow generated by KMP. Simplistically, without considering any additional debt that KMP might raise, KMI will earn the return on 50% of the equity capital KMP has raised. In effect, the value of the assets on which KMI earns a return has gone up by \$270 million, without KMI having to put up any money. KMI investors should thank the KMP investors for making this possible.