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# **Targa Resources Partners LP**

**Wells Fargo Securities  
NGL Summit**

**May 26, 2010**

# Forward Looking Statements

Certain statements in this presentation are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this presentation that address activities, events or developments that the Targa Resources Partners LP ("NGLS" or the "Partnership") expects, believes or anticipates will or may occur in the future are forward-looking statements. These forward-looking statements rely on a number of assumptions concerning future events and are subject to a number of uncertainties, factors and risks, many of which are outside the Partnership's control, which could cause results to differ materially from those expected by management of Targa Resources Partners. Such risks and uncertainties include, but are not limited to, weather, political, economic and market conditions, including declines in the production of natural gas or in the price and market demand for natural gas and natural gas liquids, the timing and success of business development efforts, the credit risk of customers and other uncertainties. These and other applicable uncertainties, factors and risks are described more fully in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2009 and other reports filed with the Securities and Exchange Commission. The Partnership undertakes no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

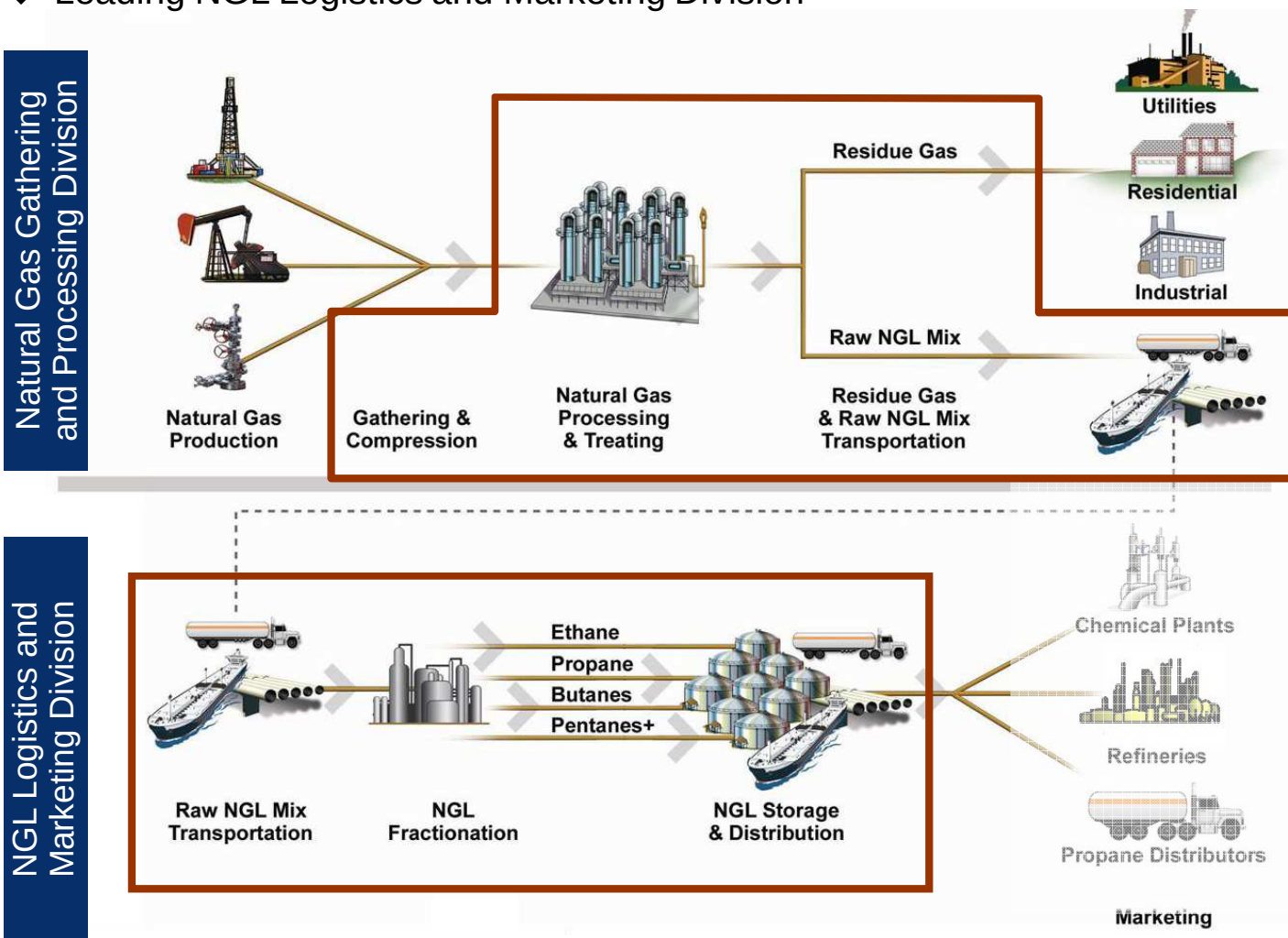


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# **Introduction to Targa Resources Partners and State of the NGL Business**

# Overview of Targa Resources Partners LP (NYSE: NGLS)

- ◆ \$2.1 billion enterprise value, \$1.5 billion of equity market capitalization
- ◆ \$286 million in LTM Adjusted EBITDA as of 3-31-10
- ◆ Leading Natural Gas Gathering and Processing Division
- ◆ Leading NGL Logistics and Marketing Division



# NGLS Investment Highlights

## Strategically Located Assets

### Gathering & Processing

- ♦ Located in active and attractive basins
- ♦ Drilling and production activity diversified across geographic basins and across crude oil and natural gas

### Downstream Business

- ♦ Logistics Assets across the US well positioned to benefit from increasing domestic NGL supply
- ♦ Diversified customer base

## Strong Financial Profile

### Low leverage

- ♦ Debt/LTM Adjusted EBITDA ~2.6x as of March 31, 2010

### Strong liquidity

- ♦ Liquidity approximately \$170 million as of March 31, 2010

### Robust distribution coverage

- ♦ Average 1.4x coverage based on last 4 reported quarterly figures
- ♦ Distribution support available Q2 2010 through Q4 2011, if required

### Fee-based Logistics Assets, well-hedged G&P

- ♦ ~80% of gathering and processing natural gas and combined NGL and condensate equity volumes hedged in 2010
- ♦ Logistics Assets segment is fee-based

### Growth oriented capex

- ♦ Forecasted 2010 capex ~\$145 million includes fractionation expansion (only ~25% maintenance)

### No near term debt maturities

- ♦ Earliest maturity is February 2012

## Focused on Execution

- ♦ Focused on operating cost control
- ♦ Continuing to evaluate organic, new shale development and acquisition-based growth opportunities
- ♦ Disciplined hedging program
- ♦ Proven management team with history of successful execution
- ♦ Parent expects to continue dropdown strategy

# NGL and Natural Gas Industry Dynamics

## Key Industry Dynamics

## Potential Targa Asset and US Industry Impacts

### Technology and Shale Plays

- ◆ More economic production of gas and NGLs
- ◆ Potential LT feedstock advantage for US petchem industry
- ◆ Potential higher G&P and Downstream throughput; potential negative for NGL pricing

### Enhanced NGL Processing Recoveries

- ◆ Lighter NGL barrel (more ethane)
- ◆ Potential LT feedstock advantage for US petchem industry
- ◆ Potential higher G&P NGL production and Downstream throughput; potential negative for NGL pricing

### Higher Int'l Gas and LPG production

- ◆ Potential higher Downstream throughput
- ◆ Imports further impact lighter barrel trend (LNG – ethane/propane, LPG - propane)
- ◆ Potential negative for NGL pricing given impact on global petchem

### Healthy Outlook for Crude Prices

- ◆ Potential for higher throughput from crude-driven basins (Permian)
- ◆ Disproportionate increase in NGL supplies given high-GPM associated gas (given lower conventional gas drilling activity)

### Relative Outlook of Crude and Gas Prices

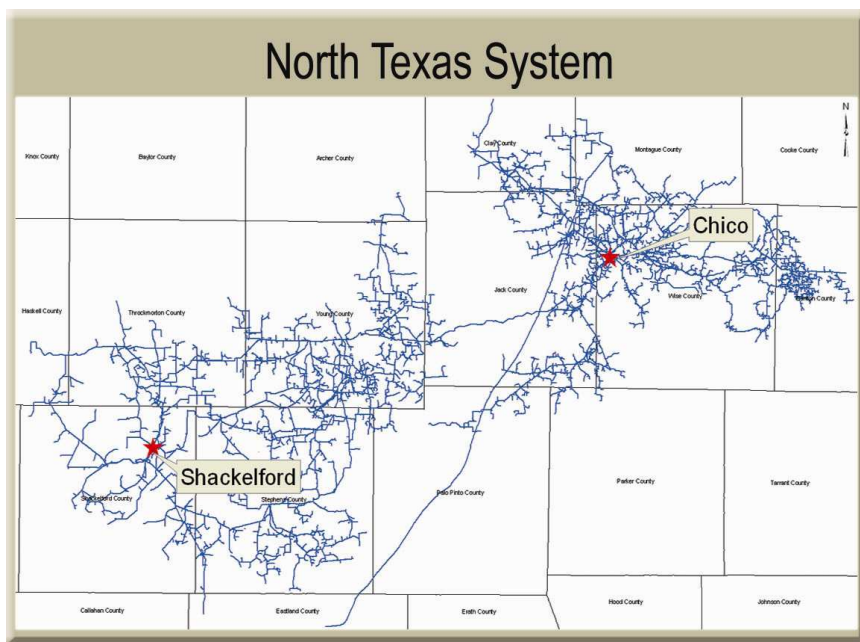
- ◆ Current outlook for crude relative to gas prices indicates frac spread should remain healthy for an extended period
- ◆ High frac spread supports G&P margins from keep-whole contracts
- ◆ Outlook contingent on continued petchem conversions to lightend feedstocks as NGL supply increases



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# Gathering and Processing Review

# North Texas System



## North Texas System

| MMcf/d      | Inlet Volumes |      |      |       | Processing Capacity |
|-------------|---------------|------|------|-------|---------------------|
|             | 2007          | 2008 | 2009 | Q1 10 |                     |
| Chico       | 152           | 152  | 164  |       | 265                 |
| Shackelford | 10            | 11   | 10   |       | 13                  |
| Total       | 162           | 163  | 174  | 174   | 278                 |

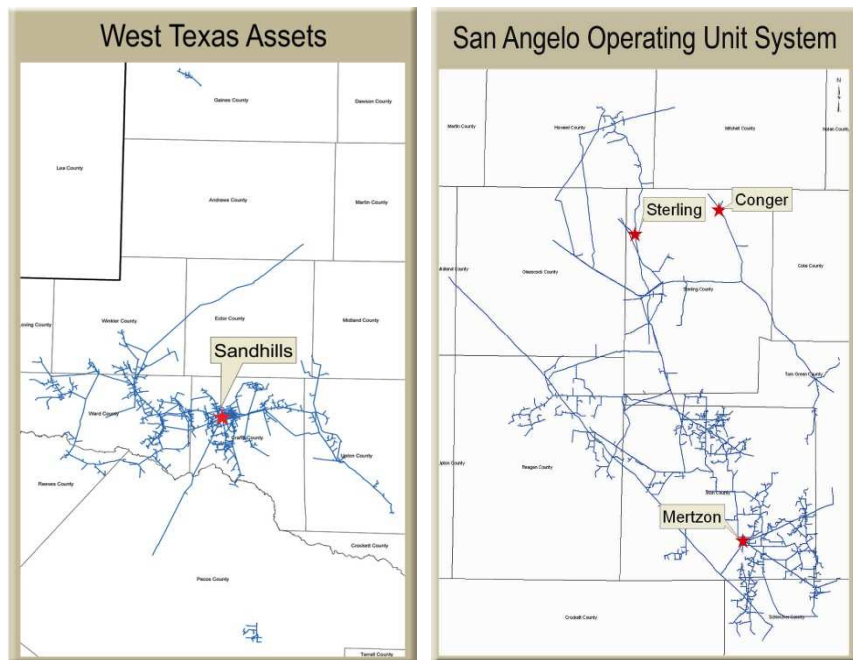
## Description

- ◆ Approximately 4,100 miles of pipelines covering 12 counties
- ◆ Two processing plants with 278 MMcf/d of processing capacity
- ◆ The Chico plant has fractionation capacity of approximately 15 MBbl/d
- ◆ At current commodity pricing, drilling activity in the Barnett Shale varies across the basin driven largely by the liquids content of the wells (oil, condensate, NGLs)
- ◆ The “oilier” (more oil, condensate, NGLs) areas are active
- ◆ Gathered gas for the Partnership is rich with recoverable GPM of 4.8 for Q1 2010
- ◆ Contracts almost entirely percent-of-proceeds

## Outlook

- ◆ Current producer activity combined with growth projects indicate 2010 wellhead volumes should approximate 2009 volumes
- ◆ Volume outlook could be impacted by weakness in commodity prices and economic environment
- ◆ System well positioned to take advantage of expansion into “oilier” areas of play

# Permian Basin Assets



## Description

- ◆ San Angelo Operating Unit  
1,500 miles of pipelines covering 4,000 square miles  
Three processing plants with 135 MMcf/d of processing capacity
- ◆ West Texas Assets (Sand Hills)  
1,300 mile gathering system and 150 MMcf/d processing plant located in Crane County, Texas
- ◆ Operate in strategic producing regions of the Permian Basin in West Texas
- ◆ Rich associated gas with recoverable GPM's in the 5.0 – 7.0 range
- ◆ Contracts almost entirely percent-of-proceeds

## Outlook

- ◆ Current producer activity indicates 2010 inlet volumes should meet or exceed 2009 volumes for both systems
- ◆ SAOU System is poised to hook up a record number of wells in 2010
- ◆ Economics of oil development on dedicated acreage have improved the volume outlook

### San Angelo – SAOU System

| MMcf/d   | Inlet Volumes |         |         |         | Processing Capacity |
|----------|---------------|---------|---------|---------|---------------------|
|          | 2007          | 2008    | 2009    | Q1 10   |                     |
| Mertzon  | 40            | 46      | 45      |         | 48                  |
| Sterling | 49            | 44      | 47      |         | 62                  |
| Conger   | Standby       | Standby | Standby | Standby | 25                  |
| Total    | 89            | 90      | 92      | 92      | 135                 |

### West Texas Assets

| MMcf/d    | Inlet Volumes |      |      |       | Processing Capacity |
|-----------|---------------|------|------|-------|---------------------|
|           | 2007          | 2008 | 2009 | Q1 10 |                     |
| Sandhills | 100           | 106  | 106  |       | 150                 |
| Other     | 18            | 14   | 12   |       | 0                   |
| Total     | 118           | 120  | 118  | 125   | 150                 |

# Louisiana Assets

Louisiana Assets



## Coastal Straddle Plants

### Description

- ◆ Positioned on mainline gas pipelines and process volumes of gas collected from multiple offshore producing areas
- ◆ Gross processing capacity of approximately 7.5 Bcf/d represents almost 50% market share of total Gulf of Mexico processing capacity
- ◆ Lean gas with recoverable GPM's of approximately 1.0
- ◆ ~50% of contracts are hybrid with remainder keep-whole, fee, and POL

### Outlook

- ◆ Current producer activity indicates 2010 inlet volumes should exceed 2009 volumes
- ◆ Potential for more plant consolidation and rationalization
- ◆ Impacts from recent oil spill uncertain but future volumes must come from deep and ultra deep regions of Gulf of Mexico

## Louisiana – LOU System

### Description

- ◆ Louisiana Operating Unit is onshore gathering and processing between Lake Charles and Lafayette, Louisiana
- ◆ 850 miles of pipelines covering ~3,800 square miles
- ◆ Two processing plants with 260 MMcf/d processing capacity
- ◆ The Gillis plant has fractionation capacity of approximately 13 MBbl/d
- ◆ Discretionary volumes purchased from other pipeline systems are attractive when processing economics are favorable
- ◆ Lean gas with recoverable GPM's in the 1.0 – 2.0 range

### Outlook

- ◆ 2010 inlet volumes should exceed 2009 volumes based on current prices

### Coastal Straddle Plants

| MMcf/d   | Net Inlet Volumes |      |       |       | Net Processing Capacity <sup>1</sup> |
|----------|-------------------|------|-------|-------|--------------------------------------|
|          | 2007              | 2008 | 2009  | Q1 10 |                                      |
| 9 Plants |                   |      |       |       |                                      |
| Total    | 1,199             | 966  | 1,014 | 1,135 | 2,025                                |

### Louisiana – LOU System

| MMcf/d | Inlet Volumes |      |      |       | Processing Capacity |
|--------|---------------|------|------|-------|---------------------|
|        | 2007          | 2008 | 2009 | Q1 10 |                     |
| Gillis | 149           | 140  | 154  |       | 180                 |
| Acadia | 29            | 28   | 27   |       | 80                  |
| Total  | 178           | 168  | 181  | 213   | 260                 |

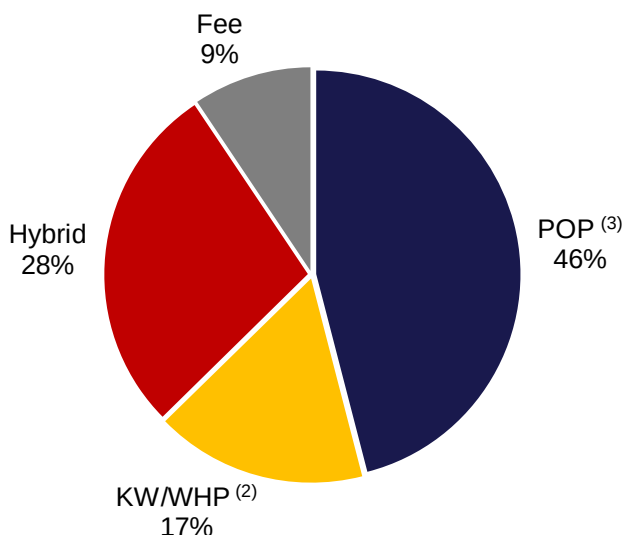


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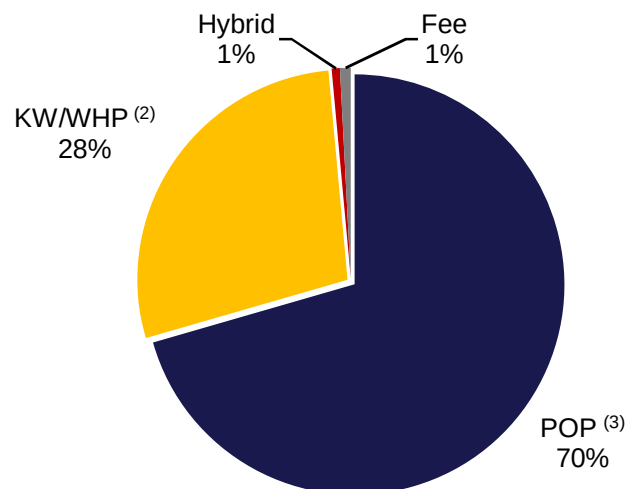
1. Capacity calculated net of ownership interest

# Natural Gas Gathering and Processing – Contract Mix

Combined Contract Mix  
Plant Inlet Volumes Q1 2010 <sup>(1)</sup>



Combined Contract Mix – Ex Straddles  
Plant Inlet Volumes Q1 2010



## Contract Discussion Points

- ◆ G&P contract mix by area has proven to be fairly stable
- ◆ POP Contracts Well Hedged – Approximately 80% of natural gas and combined NGL and condensate equity volumes are hedged in 2010
- ◆ Coastal Straddle Plant hybrid contracts possess a fee-floor, but have been settling as POL
- ◆ Keep-whole contracts predominantly discretionary and risk mitigated primarily at LOU System given operational and commercial flexibility

## Contract Mix By System – Plant Inlet Volumes Q1 2010

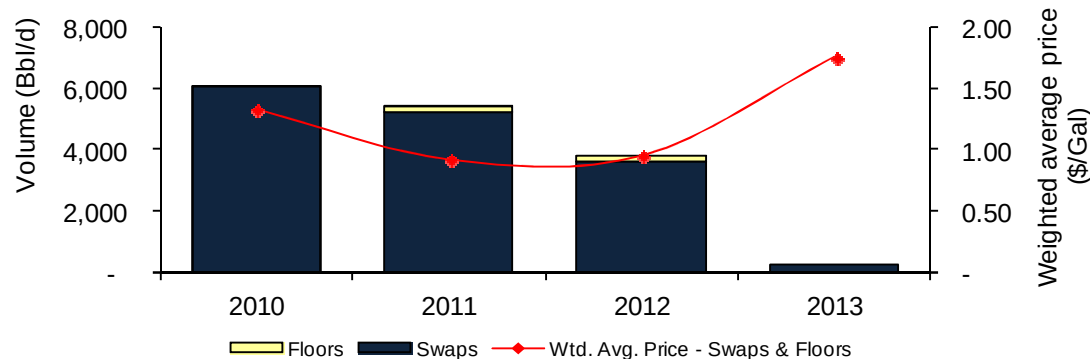
| System                  | POP   | KW/WHP | Hybrid | Fee   |
|-------------------------|-------|--------|--------|-------|
| North Texas System      | 98.5% | 1.5%   | 0.0%   | 0.0%  |
| SAOU System             | 94.2% | 0.1%   | 0.3%   | 5.4%  |
| West Texas Assets       | 99.7% | 0.3%   | 0.0%   | 0.0%  |
| LOU System              | 20.8% | 77.5%  | 1.7%   | 0.0%  |
| Coastal Straddle Plants | 32.4% | 10.5%  | 43.0%  | 14.1% |
| Combined Contract Mix   | 46.0% | 16.7%  | 27.9%  | 9.4%  |
| Combined - Ex Straddles | 70.5% | 28.0%  | 0.6%   | 0.8%  |

# NGLS Commodity Hedging Program and Outlook

## Natural Gas Hedge Arrangements



## NGL and Condensate Hedge Arrangements <sup>(1)</sup>



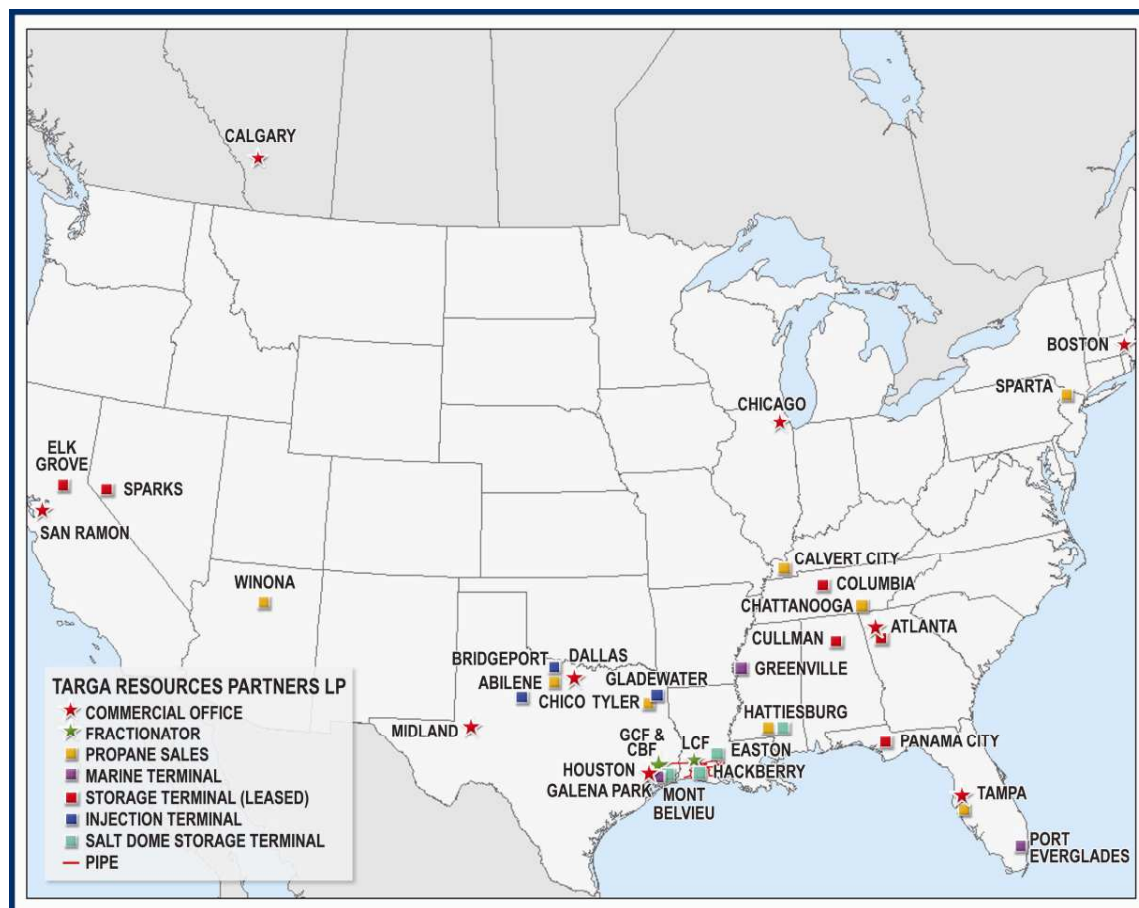
- ◆ **~80% of equity volumes (from POP contracts) are hedged through 2010 with decreasing percentages through 2013**  
Management focused on active hedge execution throughout commodity price cycles with no effort to “time” market
- ◆ **Highly correlated hedges including specific NGL components (ethane, propane, etc.) and basis differentials for gas**
- ◆ **Hedging Trends and Observations**
  - ◆ High discounts still exist for long-dated NGL component hedges which has led to hedging for shorter durations
  - ◆ Potential to hedge keep-whole margins
  - ◆ Potential risk from new derivatives legislation via increased industry collateral requirements



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## **Downstream Business Review**

# The Downstream Business



## Downstream Business Composed of Three Segments

- ◆ Logistics Assets
- ◆ NGL Distribution and Marketing
- ◆ Wholesale Marketing and Refinery Services

## Extensive NGL Asset Base; Reach Across the U.S.

- ◆ Fractionation
- ◆ Treating
- ◆ Storage
- ◆ Terminalling
- ◆ 800 miles of gathering and distribution NGL pipeline
- ◆ Import and limited export capability
- ◆ Transportation – Barges, trucks, railcars

## Access to Attractive End-Use Markets

- ◆ Petrochemical industry
- ◆ Refining and motor gasoline blending
- ◆ Residential, industrial and agricultural use

## Assets Centered Around Key Market Hubs

- ◆ Mont Belvieu, TX
- ◆ Lake Charles, LA

*The Partnership's Downstream Business is one of the largest, most integrated NGL businesses in the U.S.*

# Logistics Assets Segment – Integrated NGL Infrastructure

## Fractionation

- ◆ Net fractionation capacity of ~286 MBbl/d across 3 facilities
- ◆ 78 MBbl/d expansion at CBF (Cedar Bayou Fractionator) will increase capacity by 36%
- ◆ Onshore growth in gas processing has created demand for fractionation and increased margins
- ◆ Facilities process under long-term, fee-based contract arrangements
- ◆ Fractionation assets integrated with storage and terminalling facilities and extensive, direct outlets to downstream consumers

## Storage and Terminalling

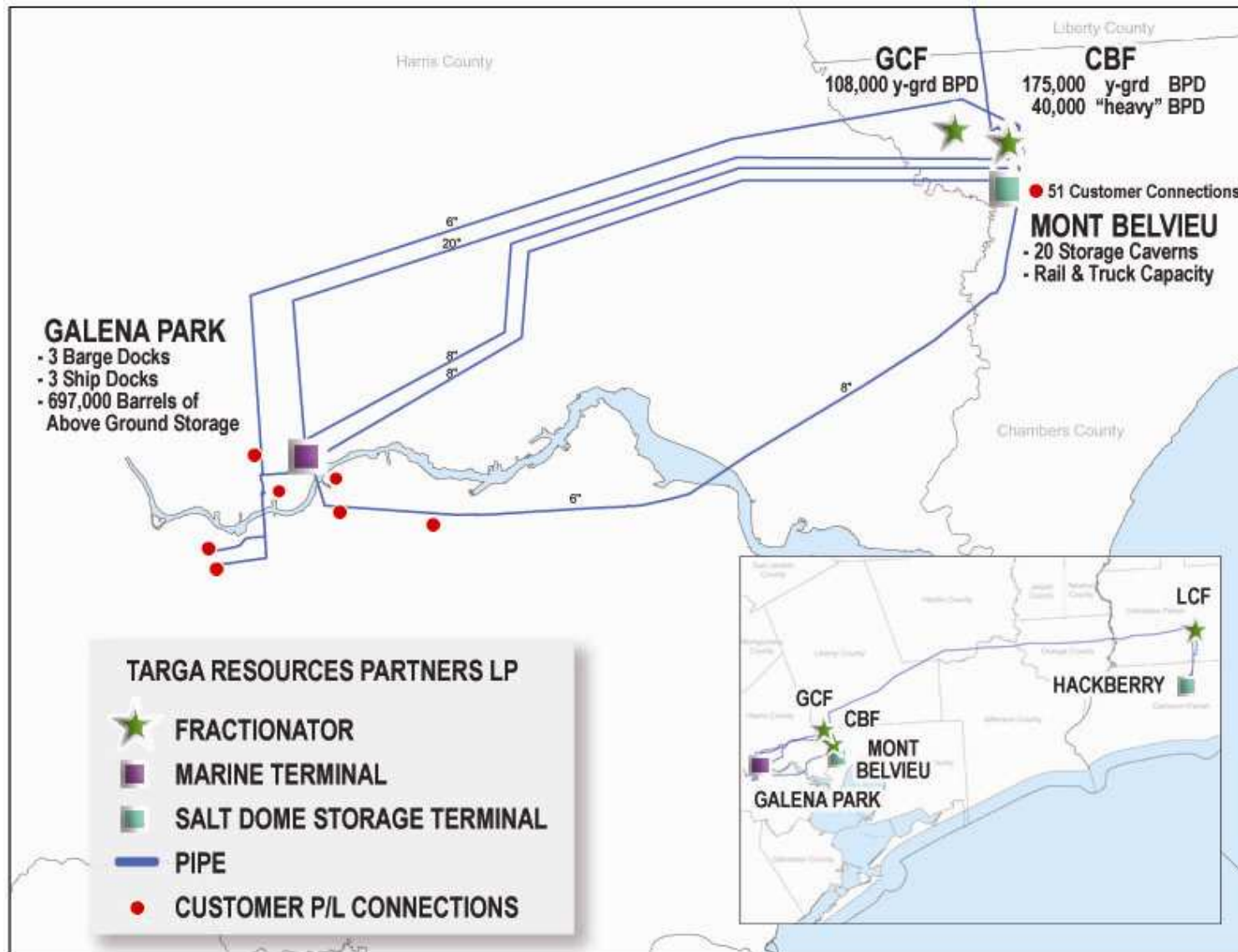
- ◆ 37 owned and operated storage wells with a net capacity of 65 MMBbl
- ◆ Galena Park marine terminal is base-loaded by domestic chemical activity while international LPG import and export opportunities present potential upside
- ◆ 15 storage, marine and transport terminals across the U.S. (owned by NGLS)
- ◆ Mont Belvieu storage supported by brine capacity to handle 9 MMBbl of annual inventory change

## Transportation and Distribution

- ◆ Fleet of 21 pressurized NGL barges is one of the largest NGL barge fleets in the U.S.
- ◆ Approximately 850 railcars, 70 transport tractors, 100 company-owned tank trailers
- ◆ Assets support 3rd party customers and the delivery requirements of our marketing business
- ◆ Provide fee-based transportation services to refineries and petrochemical companies throughout the Gulf Coast area and across the U.S.
- ◆ Deployed to serve our wholesale distribution terminals and refinery services contracts

*Logistics Assets' scale and hub proximity provides for future growth opportunities*

# Logistics Assets - Houston and Louisiana Area Assets



Difficult to replicate

Integrated asset base

Fractionation full and expanding

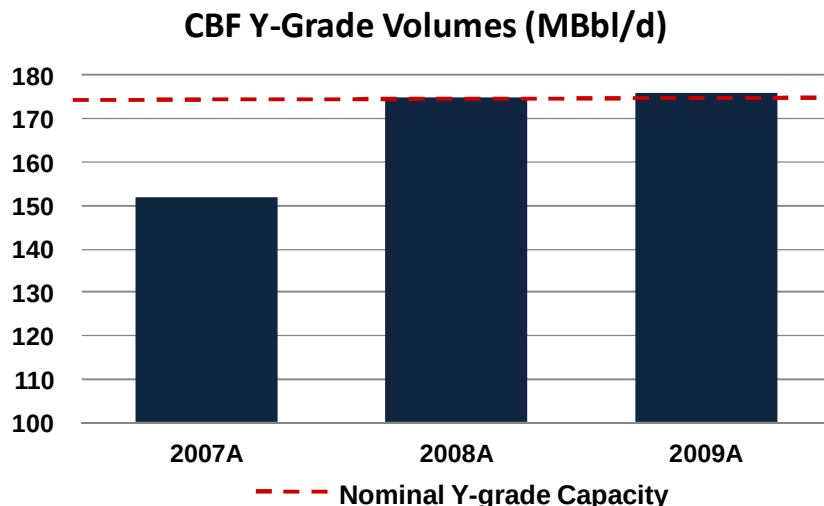
Storage activity growing with fractionation

Customer connections increasing

Marine terminal baseloaded with chemical activity;  
Upside preserved for import/export

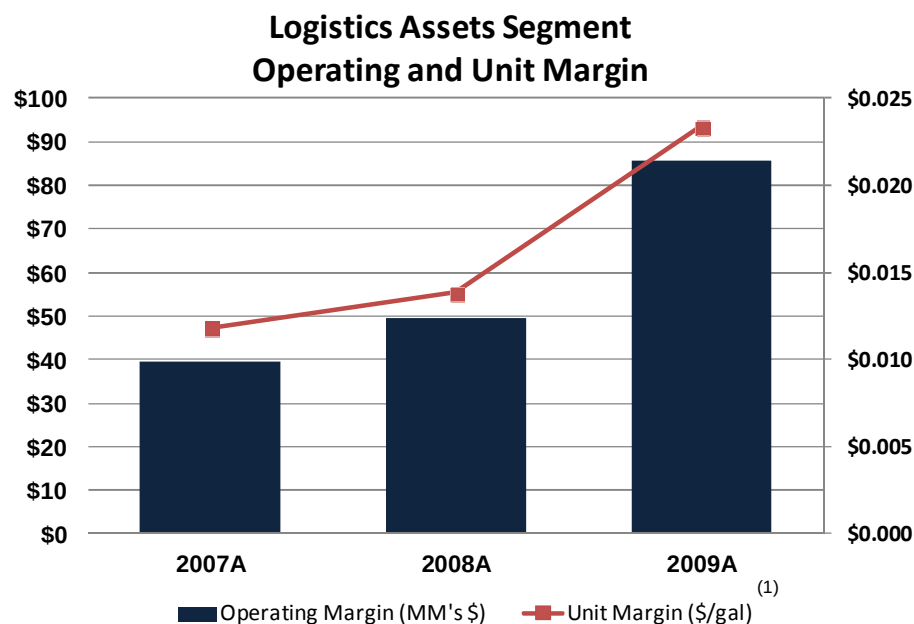
# Logistics Assets Segment Performance

## Mont Belvieu Fractionation Capacity at 100% Utilization



- ◆ Y-grade fractionation capacity utilization at majority-owned CBF reached 100% in 2009; other Mont Belvieu fractionators full
- ◆ Fractionation demand led to planned expansion project at CBF of ~78 MBbl/d, or a 36% increase (backed by long term contract)
- ◆ Industry is utilizing spare fractionation capacity in LA for long NGL supplies at Mont Belvieu

## Margins Increasing Due to Industry Capacity Constraints



- ◆ Higher fixed portion of fractionation fees and treating explains majority of segment unit margin increases
- ◆ Contract renewals have been for extended terms with firm space commitments

# Fractionation Assets – Market Overview



## ***Cedar Bayou Fractionators***

- 88% NGLS interest
- 215 MBbl/d capacity
- Onshore E&P represents major NGL supply
- Mont Belvieu, TX



## ***Lake Charles Fractionator***

- 100% NGLS interest
- 55 MBbl/d capacity
- Offshore GOM represents major NGL supply
- Lake Charles, LA



## ***Gulf Coast Fractionators***

- 38.8% NGLS interest
- Non-operated
- 108 MBbl/d capacity
- Onshore E&P represents major NGL supply
- Mont Belvieu, TX

## **NGL Supply/Demand Trends and Impacts**

- ◆ Increasing domestic NGL supplies require more fractionation capacity
- ◆ NGL supply growth has been absorbed primarily by U.S. petchem industry demand via feedstock switching
- ◆ Domestic petchem industry benefits by producing ethylene from lighter end barrel components (ethane) at globally competitive “cash costs”; offset to “cash cost” advantage is a shortage of heavy olefins

## **NGL Barrel “Make-up” Trends and Impacts**

- ◆ NGL barrel has become much lighter primarily as a result of new, more efficient processing technology in emerging basins
- ◆ Economics for production of ethylene/propylene have driven higher consumption of ethane and propane, ~9% increase '09 to '10, while reducing heavy feedstock consumption by ~15% during same period
- ◆ As stream gets lighter virtually all fractionators will see a limit in their de-ethanizers due to mechanical constraints

## **Growth Opportunities**

- ◆ 36% capacity expansion at CBF underway
- ◆ Optimization between Mont Belvieu and Lake Charles supported by NGLS product pipelines and fractionators
- ◆ Potential expansion of GCF (Gulf Coast Fractionators)

# Storage and Terminalling Assets – Market Overview

## Storage and Distribution Terminals

| Facility Count | Facility              | Description                    | 2009<br>Throughput<br>(millions<br>gallons) |
|----------------|-----------------------|--------------------------------|---------------------------------------------|
| 1              | Mont Belvieu Terminal | Transport and storage terminal | 3,867.9                                     |
| 1              | Galena Park Terminal  | Pipeline and marine terminal   | 1,269.0                                     |

## Marketing Terminal Facilities Across the U.S.<sup>1</sup>

| Facility Count | Locations    | Description                | 2009<br>Throughput<br>(millions<br>gallons) |
|----------------|--------------|----------------------------|---------------------------------------------|
| 3              | TX           | Raw NGL transport terminal | 108.6                                       |
| 2              | Southeast US | Propane injection terminal | 44.6                                        |
| 6              | Nationw ide  | Propane terminal           | 262.60                                      |
| 1              | LA           | Transport terminal         | 33.1                                        |
| 1              | LA           | Storage terminal           | 194.9                                       |

## Above and Underground Storage

| Type                 | No. of States | Description                        | Capacity<br>(MMBbl) |
|----------------------|---------------|------------------------------------|---------------------|
| Above Ground Storage | 8             | Primarily propane; some mixed NGLs | 0.8                 |
| Underground Storage  | 3             | NGLs and mixed NGLs                | 65.0                |



Chattanooga Terminal - Hamilton, TN

## NGL Supply/Demand Trends and Impacts

- ◆ Higher domestic NGL production increases throughput and demand charges for these assets
- ◆ Domestic demand for propane as a heating fuel has been on a slow decline
- ◆ Forecasted international natural gas production creates potential for LPG imports to US markets; may require import infrastructure investment
- ◆ Network of assets affords handling optionality as supply and demand of products shifts

## NGL Barrel “Make-up” Trends and Impacts

- ◆ The trend towards a “lighter” barrel does not have a meaningful impact on these assets as long as the feedstock conversion process continues

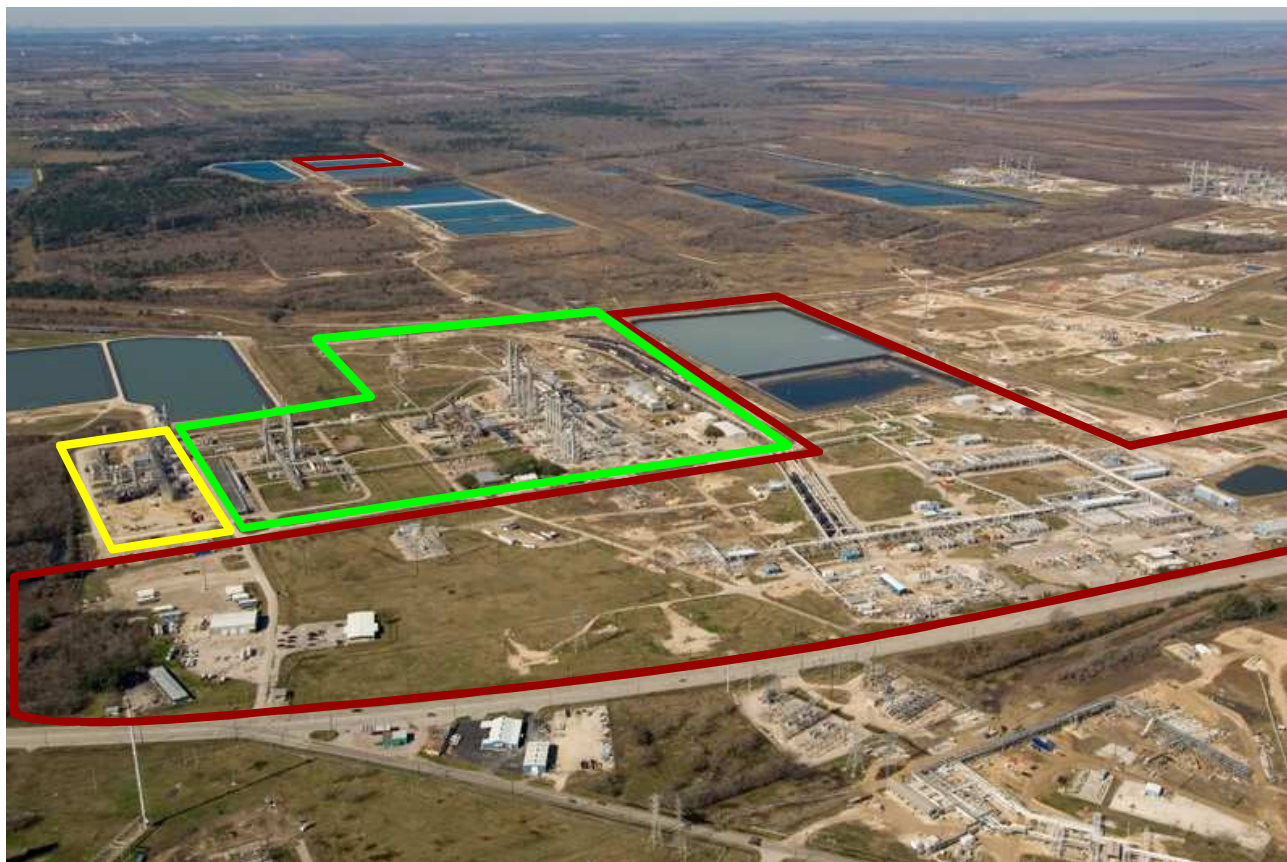
## Growth Opportunities

- ◆ Greenfield terminal construction to support outlying shale infrastructure
- ◆ Galena Park terminal
  - ◆ Increase utilization
  - ◆ Potential dock and related infrastructure expansion/upgrade ( based on long-term contracts)

Note: Volumes reflect total transport and injection volumes for NGL transport terminals, volumes reflect total import and export across dock/terminal for propane injection terminals and volumes reflect total transport and terminal throughput volumes for Mont Belvieu terminal.

1. Excludes other terminals owned by Targa Resources, Inc.

# Logistics Assets Segment – Growth Opportunities



CBF



Mont Belvieu Terminal and  
Brine Pond



LSNG

## Mont Belvieu Upgrade and Expansion Opportunities

- ◆ 78 MBbl/d fractionation expansion has been announced for CBF (Cedar Bayou Fractionator) with Q2 2011 estimated completion.
- ◆ 60 MBbl/d have been contracted under a 10-yr firm space commitment from ONEOK and 10 MBbl/d with QEP Field Services
- ◆ LSNG (low sulfur natural gasoline) unit is a fee-based processing asset that became fully operational in 2008 ; potential upgrade opportunity for benzene conversion



## Galena Park Opportunities

- ◆ Increase current utilization
- ◆ Dock and related infrastructure expansion/upgrade; based on long-term contracts

# Transportation and Distribution Assets – Market Overview



## ***Pressurized NGL Barges***

- 21 barges with 320 MBbl of capacity
- A leading US NGL barge fleet
- Assets primarily under long-term contract with remainder spot



## ***Railcars***

- Approx. 850 leased railcar fleet
- Service and support wholesale propane and refinery service marketing segments



## ***Tractors and Tank Trailers***

- Approx. 70 owned and leased transport tractors
- Approx. 100 owned tank trailers
- Service and support key corridors in our wholesale propane and Targa's asset heavy regions

## **NGL Supply/Demand Trends and Impacts**

- ◆ For barges, higher petchem product shipments and gasoline blending opportunities have somewhat offset lower NGL movements
- ◆ Other assets including railcars and tank trailers stand to benefit from higher total domestic NGL production and need for NGL products in areas not easily accessible to pipeline access and hub locations.
- ◆ Railcar loadings are driven by gasoline blending opportunities, regional supply shortages, traditional winter "peak" demand and term supply contracts

## **NGL Barrel "Make-up" Trends and Impacts**

- ◆ The trend towards a "lighter" barrel does not have a meaningful impact on these assets as long as the feedstock conversion process continues

## **Growth Opportunities**

- ◆ Transportation assets and marketing businesses stand to benefit greatly from increased NGL production by improving connectivity for inbound and outbound barrels to end users
- ◆ New shale infrastructure construction will require logistics and marketing of new production
- ◆ Barge modifications to expand product service opportunities



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## Conclusion

# Legislative Outlook and NGL Market Variables

## Legislative Outlook

- ◆ Derivatives legislation
- ◆ GHG legislation
- ◆ Carbon trading
- ◆ Emissions measurement and reporting
- ◆ Other state and federal regulation

## NGL Market Variables

- ◆ Long-term mix shift in domestic natural gas supply sources
- ◆ International LPG and LNG shipments to the US Gulf Coast
- ◆ Domestic and international economic growth rates
- ◆ Domestic petchem conversions and utilization rates

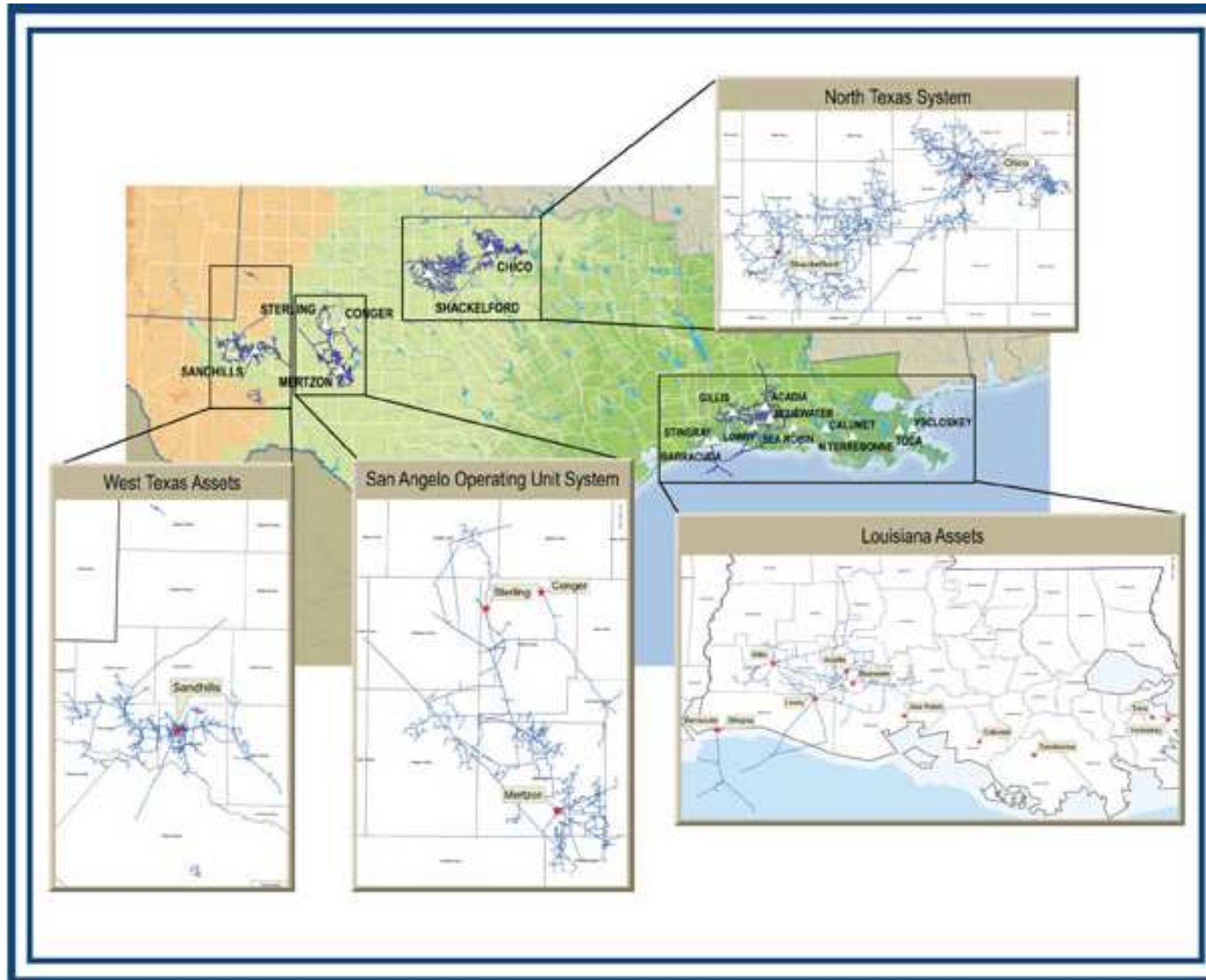
## Targa Resources Partners Well Positioned

- ◆ The Partnership is well positioned to respond via unique asset mix with upstream and downstream diversification
- ◆ Constant business development within domestic and import/export energy markets creates ability to capitalize on opportunities
- ◆ Conservative financial and operating philosophy creates valuable flexibility in uncertain economic times



# Appendix

# Natural Gas Gathering and Processing Division



**Leading North American Gas Gatherer and Processor**

**Scale Gathering and Processing Assets in Key Basins**

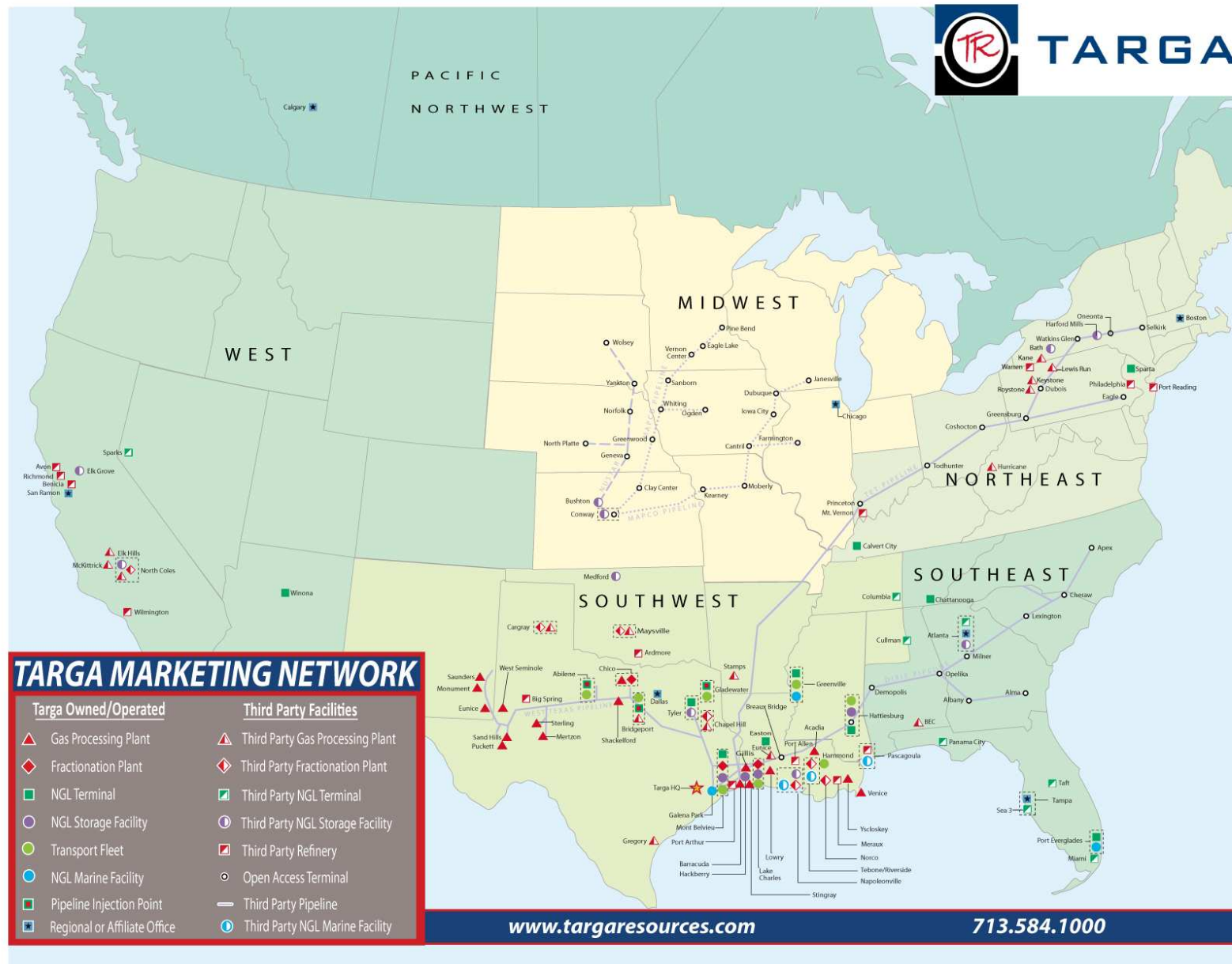
**Field Processing Capacity of ~823 MMcf/d**

**Net Gulf of Mexico Processing Capacity of ~2 Bcf/d**

**NGL Fractionation Capacity of 28 MBbl/d**

**High quality, Diverse Customer Base Across Regions**

# NGL Marketing Network – Targa Resources Partners



# Non-GAAP Measures Reconciliation

This presentation includes non-GAAP financial measures of Adjusted EBITDA, operating margin and distributable cash flow. The presentation provides reconciliations of these non-GAAP financial measures to their most directly comparable financial measure calculated and presented in accordance with generally accepted accounting principles in the United States of America ("GAAP"). Our non-GAAP financial measures should not be considered as alternatives to GAAP measures such as net income, operating income, net cash flows provided by operating activities or any other GAAP measure of liquidity or financial performance.

# Non-GAAP Measures Reconciliation

\$ Millions

The following table presents a reconciliation of Adjusted EBITDA and operating margin to net income (loss) for the periods shown for NGLS.

The following table presents a reconciliation of distributable cash flow to net income (loss) for the periods shown for NGLS.

|                                                          | Year Ended      |                 |                 | Quarter Ended  |                |
|----------------------------------------------------------|-----------------|-----------------|-----------------|----------------|----------------|
|                                                          | Dec 31          | Dec 31          | Dec 31          | Mar 31         | Mar 31         |
|                                                          | 2007            | 2008            | 2009            | 2009           | 2010           |
| (In millions)                                            |                 |                 |                 |                |                |
| <b>Reconciliation of net income to Adjusted EBITDA:</b>  |                 |                 |                 |                |                |
| Net income                                               | 35.1            | 49.4            | 52.0            | (5.3)          | 12.6           |
| Add:                                                     |                 |                 |                 |                |                |
| Interest expense, net                                    | 99.4            | 97.1            | 95.4            | 24.4           | 15.3           |
| Deferred income tax expense                              | 2.5             | 2.4             | 1.0             | 0.5            | 1.3            |
| Depreciation and amortization expense                    | 93.5            | 97.8            | 101.2           | 24.8           | 25.8           |
| instruments                                              | 30.8            | 23.4            | 37.6            | 18.4           | 7.6            |
| Nontrolling interest adjustment                          | (0.8)           | (0.7)           | (0.9)           | (0.2)          | (0.2)          |
| Adjusted EBITDA                                          | <u>\$ 260.5</u> | <u>\$ 269.4</u> | <u>\$ 286.3</u> | <u>\$ 62.6</u> | <u>\$ 62.4</u> |
|                                                          |                 |                 |                 |                |                |
|                                                          | Year Ended      |                 |                 | Quarter Ended  |                |
|                                                          | Dec 31          | Dec 31          | Dec 31          | Mar 31         | Mar 31         |
|                                                          | 2007            | 2008            | 2009            | 2009           | 2010           |
| <b>Reconciliation of net income to operating margin:</b> |                 |                 |                 |                |                |
| Net income                                               | 35.1            | 49.4            | 52.0            | (5.3)          | 12.6           |
| Add:                                                     |                 |                 |                 |                |                |
| Depreciation and amortization expense                    | 93.5            | 97.8            | 101.2           | 24.8           | 25.8           |
| Deferred income tax expense                              | 2.5             | 2.4             | 1.0             | 0.5            | 1.3            |
| Interest expense, net                                    | 99.4            | 97.1            | 95.4            | 24.4           | 15.3           |
| Gain on debt extinguishment                              | -               | (13.1)          | -               | -              | -              |
| Loss (gain) related to derivatives                       | 30.2            | 1.0             | -               | -              | -              |
| Other, net                                               | (2.3)           | (5.0)           | (2.8)           | (0.9)          | 0.4            |
| General and administrative and other expense             | 63.7            | 67.7            | 78.1            | 16.1           | 16.5           |
| Operating margin                                         | <u>\$ 322.1</u> | <u>\$ 297.3</u> | <u>\$ 324.9</u> | <u>\$ 59.6</u> | <u>\$ 71.9</u> |
|                                                          |                 |                 |                 |                |                |
| <b>Operating margin by segment an in total</b>           |                 |                 |                 |                |                |
| Natural Gas Gathering and Processing                     | \$ 203.8        | \$ 215.8        | \$ 168.4        | \$ 31.6        | \$ 40.8        |
| Logistics Assets                                         | 40.0            | 49.9            | 87.0            | 9.1            | 14.7           |
| NGL Distribution and Marketing Services                  | 55.5            | 18.5            | 45.8            | 14.6           | 9.6            |
| Wholesale Marketing                                      | 22.8            | 13.1            | 23.7            | 4.3            | 6.8            |
|                                                          | <u>\$ 322.1</u> | <u>\$ 297.3</u> | <u>\$ 324.9</u> | <u>\$ 59.6</u> | <u>\$ 71.9</u> |

|                                                                 | Quarter Ended  |
|-----------------------------------------------------------------|----------------|
|                                                                 | Mar 31         |
|                                                                 | 2010           |
| <b>Reconciliation of net income to distributable cash flow:</b> |                |
| Net income                                                      | 12.6           |
| Depreciation and amortization expense                           | 25.8           |
| Deferred income tax expense                                     | 0.6            |
| Amortization in interest expense                                | 1.3            |
| Gain on debt extinguishment                                     | -              |
| Non-cash (gain) loss related to derivatives                     | 7.6            |
| Other                                                           | (0.2)          |
| Maintenance capital expenditures                                | (3.7)          |
| Distributable cash flow                                         | <u>\$ 44.0</u> |

Note: See section of this presentation starting on page 30 for a discussion of Adjusted EBITDA, operating margin and distributable cash flow

# Non-GAAP Measures Reconciliation

**Adjusted EBITDA** – The Partnership and Targa define Adjusted EBITDA as net income before interest, income taxes, depreciation and amortization and non-cash income or loss related to derivative instruments. Adjusted EBITDA is used as a supplemental financial measure by our management and by external users of our financial statements such as investors, commercial banks and others, to assess: (1) the financial performance of our assets without regard to financing methods, capital structure or historical cost basis; (2) our operating performance and return on capital as compared to other companies in the midstream energy sector, without regard to financing or capital structure; and (3) the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities. The economic substance behind management's use of Adjusted EBITDA is to measure the ability of our assets to generate cash sufficient to pay interest costs, support our indebtedness and make distributions to our investors. The GAAP measure most directly comparable to Adjusted EBITDA is net income (loss). Our non-GAAP financial measure of Adjusted EBITDA should not be considered as an alternative to GAAP net income (loss). Adjusted EBITDA is not a presentation made in accordance with GAAP and has important limitations as an analytical tool. You should not consider Adjusted EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted EBITDA excludes some, but not all, items that affect net income and is defined differently by different companies in our industry, our definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies. Management compensates for the limitations of Adjusted EBITDA as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these insights into management's decision-making processes.

**Operating Margin** - With respect to the Natural Gas Gathering and Processing division, the Partnership and Targa define operating margin as total operating revenues, which consist of natural gas and NGL sales plus service fee revenues, less product purchases, which consist primarily of producer payments and other natural gas purchases less operating expense. Natural gas and NGL sales revenue includes settlement gains and losses on commodity hedges. Our Natural Gas Gathering and Processing segment operating margin is impacted by volumes and commodity prices as well as by our contract mix and hedging program, which are described in more detail in the Partnership's reports and other filings with the Securities and Exchange Commission. With respect to our NGL Logistics and Marketing division, the Partnership defines operating margin as total revenue, which consists primarily of service fee revenues and NGL sales, less cost of sales, which consists primarily of NGL purchases and changes in inventory valuation. Within this division, our management analyzes segment operating margin for each of the three segments per unit of NGL handled or sold as an indicator of operational and commercial performance. The GAAP measure most directly comparable to operating margin is net income. The Partnership's non-GAAP financial measure of operating margin should not be considered as an alternative to GAAP net income. Operating margin is not a presentation made in accordance with GAAP and has important limitations as an analytical tool. You should not consider operating margin in isolation or as a substitute for analysis of the Partnership's results as reported under GAAP. Because operating margin excludes some, but not all, items that affect net income and is defined differently by different companies, the Partnership's definition of operating margin may not be comparable to similarly titled measures of other companies, thereby diminishing its utility. Management compensates for the limitations of operating margin as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these learnings into its decision-making processes.

**Distributable Cash Flow** – Distributable cash flow is a significant performance metric used by us and by external users of our financial statements, such as investors, commercial banks, research analysts and others to compare basic cash flows generated by us (prior to the establishment of any retained cash reserves by our general partner) to the cash distributions we expect to pay our unitholders. Using this metric, management can quickly compute the coverage ratio of estimated cash flows to planned cash distributions. Distributable cash flow is also an important non-GAAP financial measure for our unitholders because it serves as an indicator of our success in providing a cash return on investment. Specifically, this financial measure indicates to investors whether or not we are generating cash flow at a level that can sustain or support an increase in our quarterly distribution rates. Distributable cash flow is also a quantitative standard used throughout the investment community with respect to publicly-traded partnerships and limited liability companies because the value of a unit of such an entity is generally determined by the unit's yield (which in turn is based on the amount of cash distributions the entity pays to a unitholder). The economic substance behind our use of distributable cash flow is to measure the ability of our assets to generate cash flows sufficient to make distributions to our investors. The GAAP measure most directly comparable to distributable cash flow is net income (loss). Our non-GAAP measure of distributable cash flow should not be considered as an alternative to GAAP net income (loss). Distributable cash flow is not a presentation made in accordance with GAAP and has important limitations as an analytical tool. You should not consider distributable cash flow in isolation or as a substitute for analysis of our results as reported under GAAP. Because distributable cash flow excludes some but not all, items that affect net income (loss) and is defined differently by different companies in our industry, our definition of distributable cash flow may not be compatible to similarly titled measures of other companies, thereby diminishing its utility. We compensate for the limitations of distributable cash flow as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these insights into our decision-making processes.