KINDER MORGAN

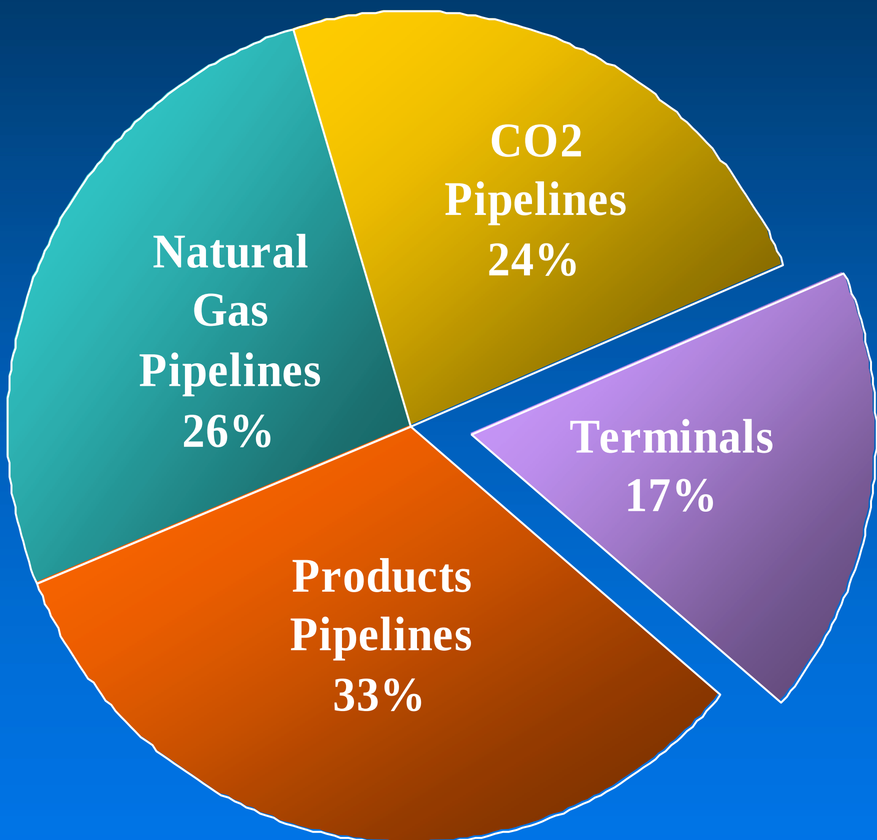
Other Segments and Corporate Development

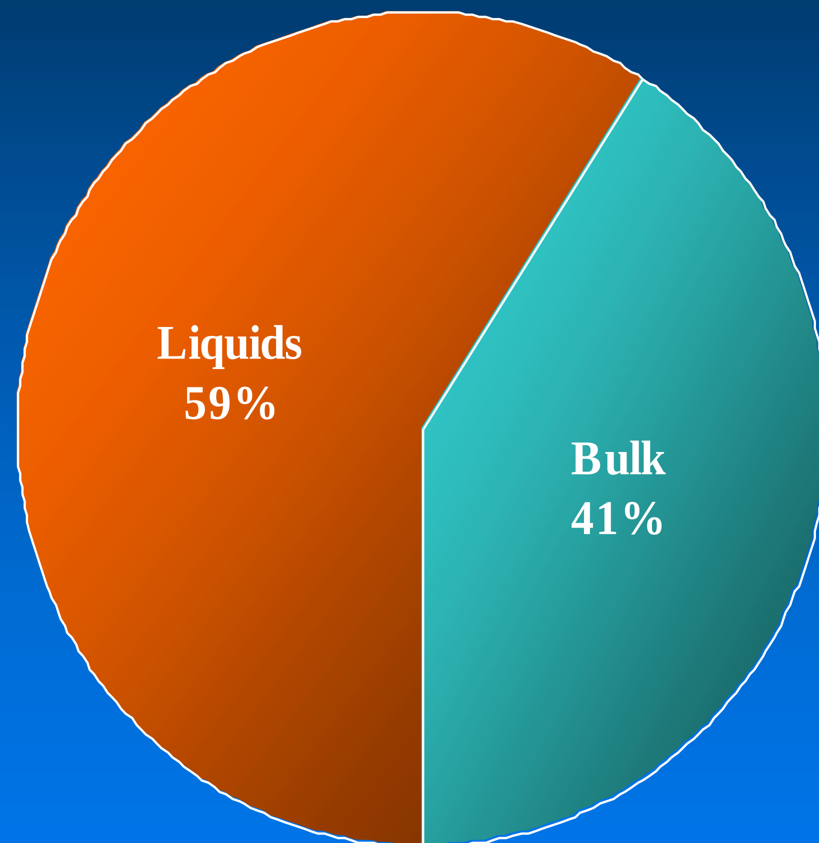
Mike Morgan

Agenda

- Terminals
- Retail
- Power
- Acquisition Update
- TransColorado Dropdown
- Financing Acquisitions
- KMR vs. KMP Price
- Distribution Management Policy

Terminals Segment Overview (a)



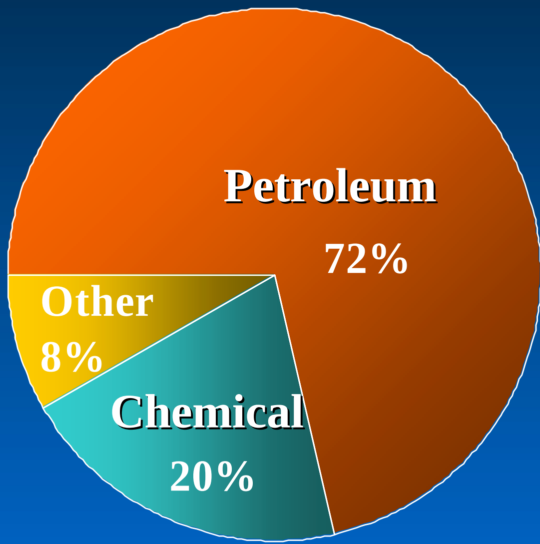


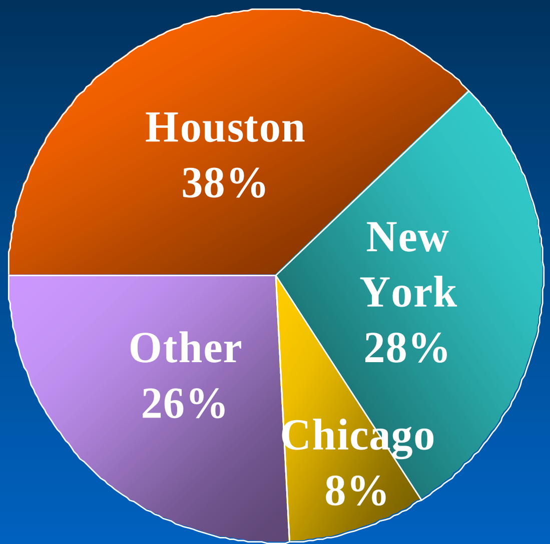
(a) 2004 budgeted distributable cash flow before allocation of G&A and interest

Terminals Overview

Liquids

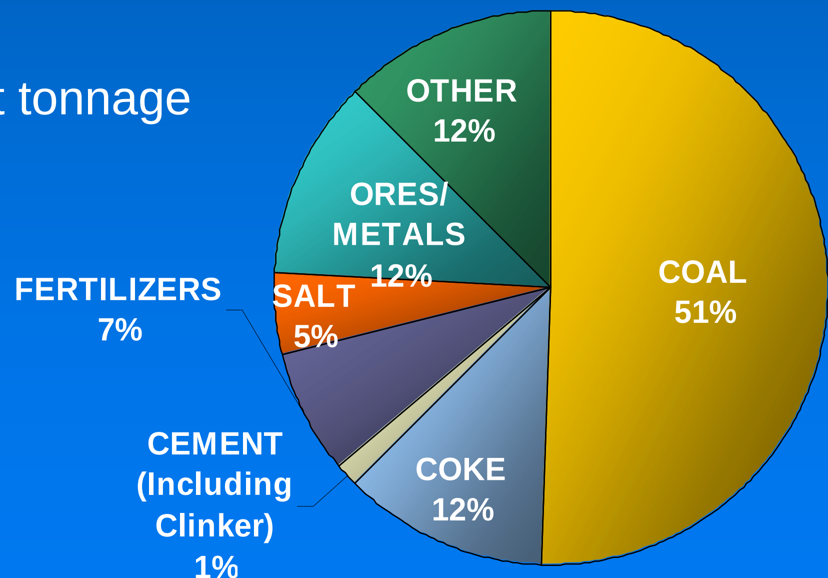
- 12 terminals
  - 36.2MM barrels of storage
  - 66% in Houston, NY (a)





Bulk

- 42 terminals
  - 59MM total through-put tonnage
- 49 transload terminals



(a) Based on 2004E EBITDA

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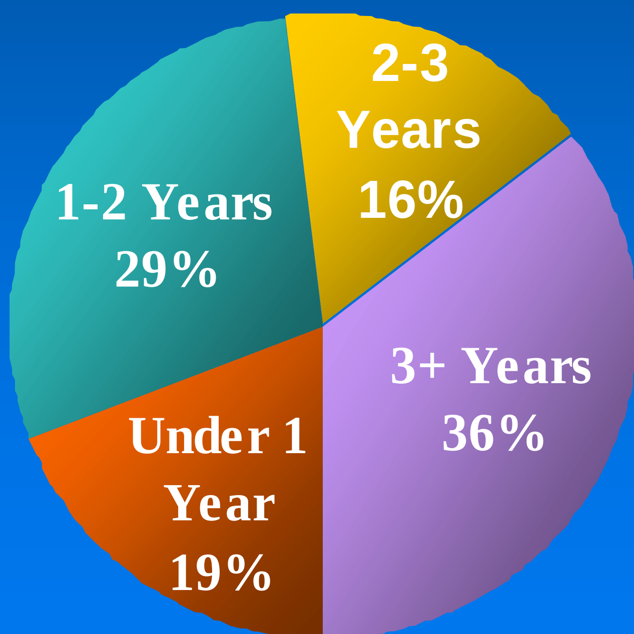
Liquids Terminals Contract Life

- 2 – 3 years average contract life
  - Under 1 year – 19.1% of total revenue
  - 1 – 2 years – 29.1% of total revenue
  - 2 – 3 years – 16.2% of total revenue
  - 3 + years – 35.7% of total revenue



Terminals Financial Results

Financial Results

- 2003 Earnings before DD&A $240,776
- 2004E Earnings before DD&A $256,726 (7% growth)

Macro-Growth Factors	2002	2003	Growth
Increased Gasoline Demand	8,844MM BPD	8,932MM BPD	1%
Increased Distillate Demand	3,761MM BPD	3,869MM BPD	3%
Increased Gasoline Imports	809MM BPD	873MM BPD	8%
Average Refinery Utilization	90.6%	92.3%	

Long Term Trends

- Greater dependence on imported petroleum
- Increased number of product specs

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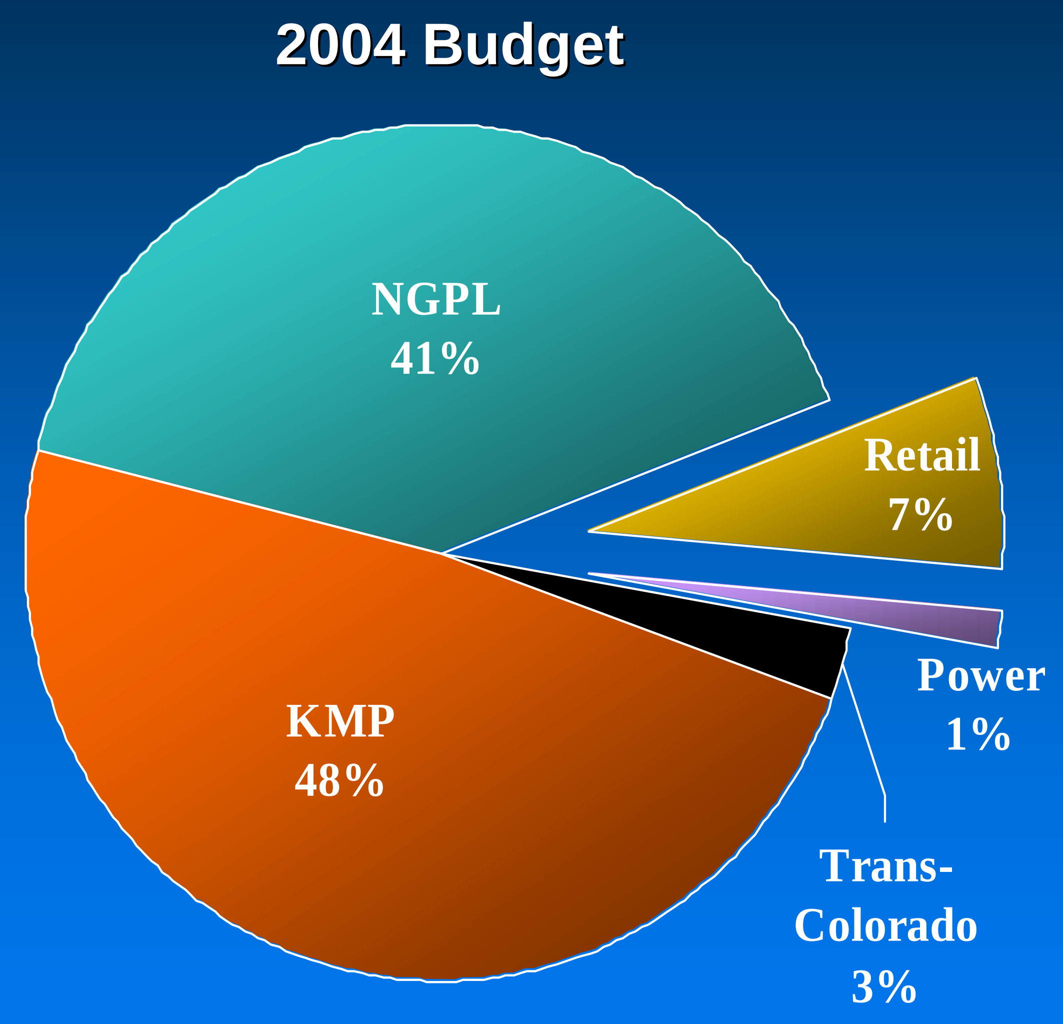
2004 Terminals Growth Drivers

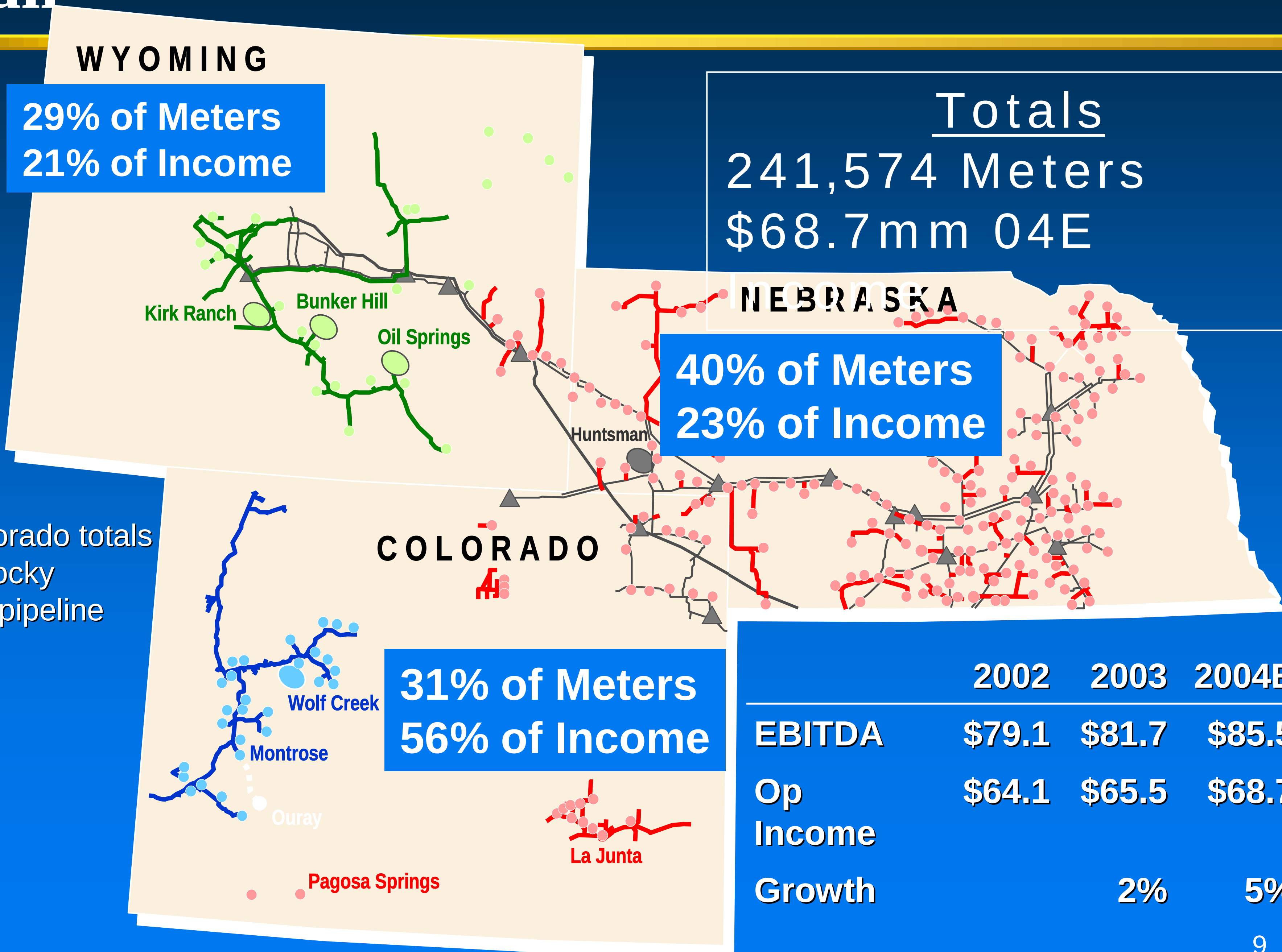
- KMLT
  - Expanded capacity in the Northeast by 300,000 bbls
  - Full year of new KM to Buckeye Pipeline
  - Full year of new tankage in Houston – 300,000 bbls
- KMBT
  - Soda ash on West Coast up 200,000 tons
  - Petroleum coke up by 250,000 tons
  - Increase in imported fertilizer in Southwest due to high cost of natural gas
  - Increased services at in-plant facilities
  - Increased handling of ore products and synfuel

Retail and Power Segments



(a) 2004 budgeted segment earnings before allocation of G&A and interest expense. KMP includes: (i) general partner interest, (ii) earnings from 18 million KMP units and (iii) earnings from 15 million KMR units.

Retail



29% of Meters
21% of Income

40% of Meters
23% of Income

31% of Meters
56% of Income

Note: Colorado totals include Rocky intrastate pipeline

Totals
241,574 Meters
$68.7mm 04E Income

	2002	2003	2004E
EBITDA	$79.1	$81.7	$85.5
Op Income	$64.1	$65.5	$68.7
Growth		2%	5%

2004 KMI Retail Segment Key Drivers

- Completion of Montrose to Ouray pipeline and distribution expansion
- Colorado meter growth
- Hedging strategy minimizes weather-related margin fluctuations
- Operational efficiencies from automated schedule/dispatch system and new technologies such as automated meter reading (AMR)
- Choice Gas Supply programs available to 165,000 customers of which 135,000 participate (82%)

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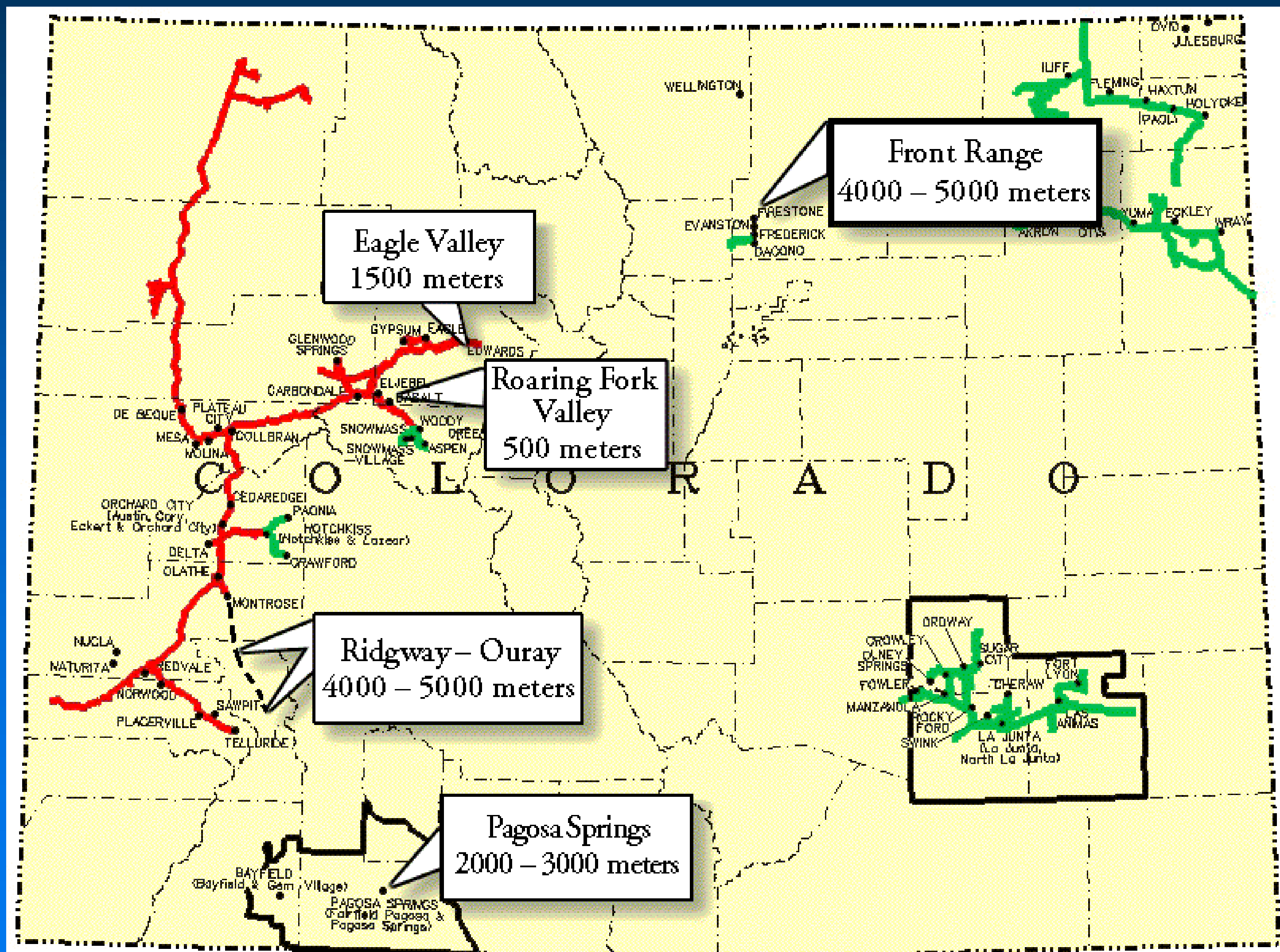
Colorado Growth



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Small Power Portfolio, 1% of KMI

Plant	Capacity (Mw)	Owner-ship	Type of Contract	Counter-Party	Contract Expiration	2004E ($mm)	Notes
Equity Interest:							
Ft. Lupton	272	50%	Toll	PSCo	2009, 2019		(a)
Greeley	32	100%	PPA	PSCo	2011		(b)
Sithe	72	33.5%	Toll	PSCo	2013		(c)
Total Colorado	376					$8.7	
Preferred Interest:							
Jackson	541	N/A	Toll	Williams	2018	$4.8	(d)
Wrightsville	550	N/A	N/A	N/A	N/A	$0	(e)
Total Power	1,467					$13.5	

(a) 272 Mwh contracted through 2009, 122 Mwh contracted through 2019.
(b) PSCo pays a fixed demand charge. Gas supply risk mitigated through long term contract.
(c) Kinder Morgan owns a 33.5% royalty interest.
(d) 2004E represents fees that KM receives as plant operator. No earnings in 2004E associated with preferred interest.
(e) Mirant buys the gas, sells the power and operates the plant. Kinder Morgan owns a preferred interest. Mirant placed plant in bankruptcy in 2003.

Other Items

- **Turbines**
  - To sell at beginning of 2003:
    - 1 7EA
    - 6 LM6000s
    - Associated Equipment
  - Progress
    - Sold 1 LM6000 to 3rd party
    - No gain or loss recognized on sale
    - Will sell 2 LM6000s at same price to CO_2 (mid year 2004)
    - Pursuing leads on 4 remaining
- **$29.4 million Q4 after-tax revaluation**
  - Wrightsville = $27.6
  - E&P Reserves = $1.8

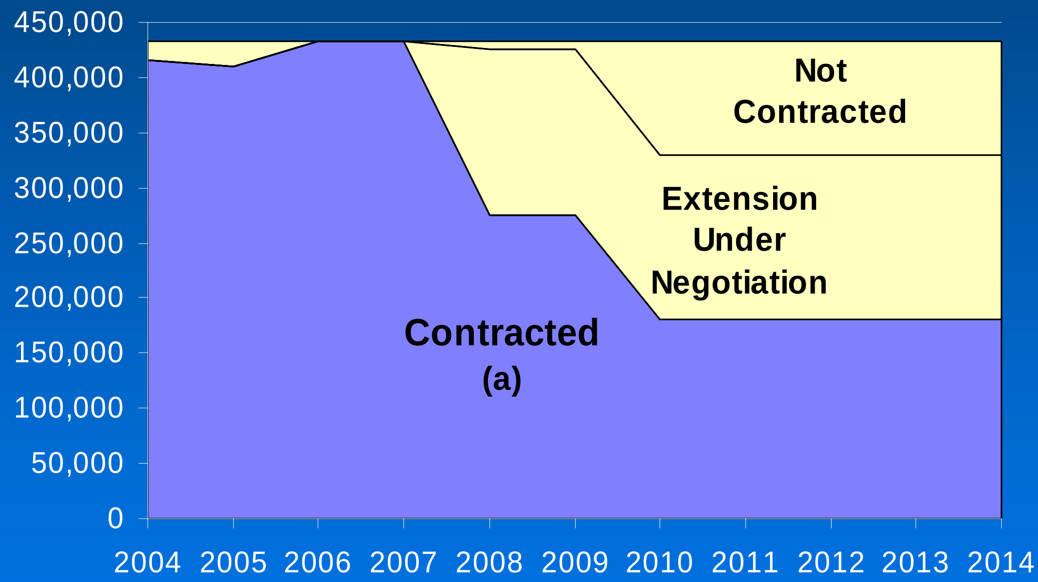
KMP 2003 Acquisitions

Acquisition in Every Business Segment

	Segment	Date	Value ($ millions)
Red Cedar	Natural Gas	Q3	$10
CO_2 – 42.5% Yates, 12.75% SACROC	CO_2	Q4, Q2	254
Shell West Coast Terminals	Products	Q4	28
Mid-Tex Storage	Natural Gas	Q4	18
Rancho Pipeline	Natural Gas	Q4	30
Southeast Terminals	Products	Q4	14
4 Terminals – Tampa and NY	Terminals	Q4	33
Total			$387

TransColorado: Asset has been Stabilized

Long-Term Contracts in Place



~ 6-year average contract life compares favorably to KMP average

Reduced Exposure to Differentials

Customer	Capacity mmcf/d	Contract Exp. Date	Min. Rate
Customer A	10,000	3/05	$.07
Customer B	25,000	12/07	$.05
Total	35,000		

Represents only 2.8% of 2004E revenues

(a) Includes ROFR capacity

TransColorado: Potential Dropdown in 2004

KMI 2004E Segment Income	$26.1 mm
Post expansion EBITDA	> $32 mm
FERC Approval Expected	2Q 2004
Expansion Completion	3Q 2004
Estimated Dropdown Timing	2Q-3Q 2004

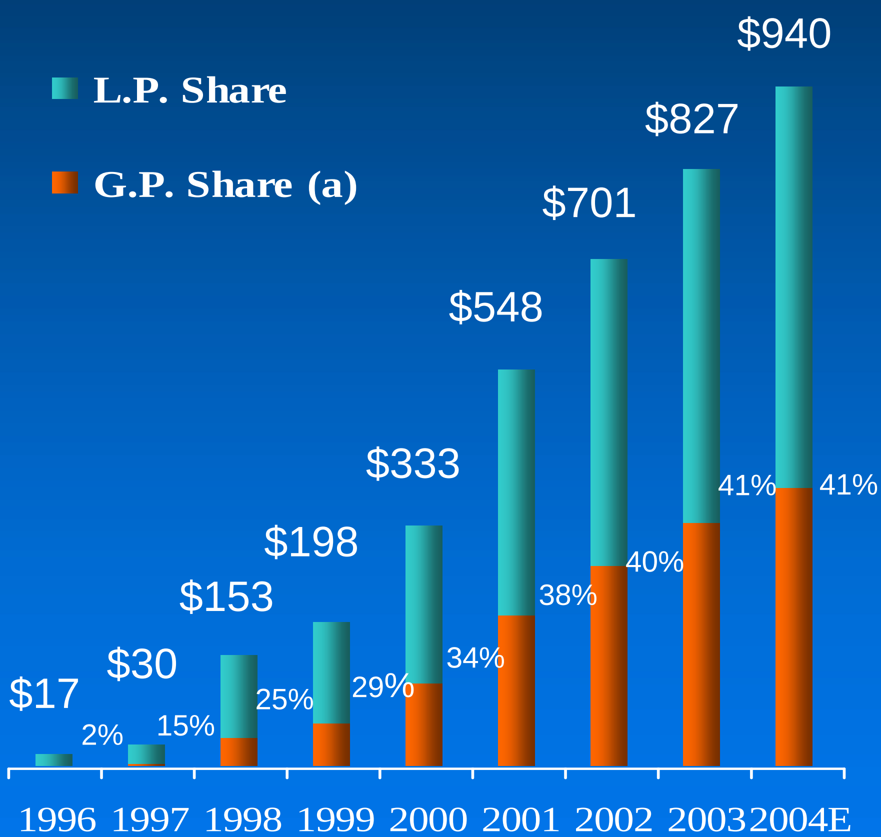
Process:

(1) KMI and KMR boards hire independent counsel, banks, etc

(2) Approval by both KMI and KMR boards

(3) FERC Approval for Expansion

GP Participation has Increased with Success



	KMP Distribution Per LP Unit (b)	General Partner	Limited Partner
Tier I	$0.00 to $0.605	2%	98%
Tier II	$0.605 to $0.715	15%	85%
Tier III	$0.715 to $0.935	25%	75%
Tier IV	> $0.935	50%	50%

(a) Includes only the 2% GP Interest - does not include limited partner units owned by GP/KMI
(b) Annual calculation. Actual calculations are made quarterly at 25% of distribution target shown

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Cost of Capital Substantially Below Acquisition Multiples

Cost of Equity		Cost of Debt	
Nominal Yield	6.0%	10-year Fixed (50%)	6.5%
GP Gross-Up	4.2%	10-year Floating (50%)	4.5%
Pre-Tax Cost of Equity	10.2%	Pre-Tax Cost of Debt	5.5%

60% 40%

Weighted Average Cost of Capital = 8.3%

VS.

Acquisition multiples of:

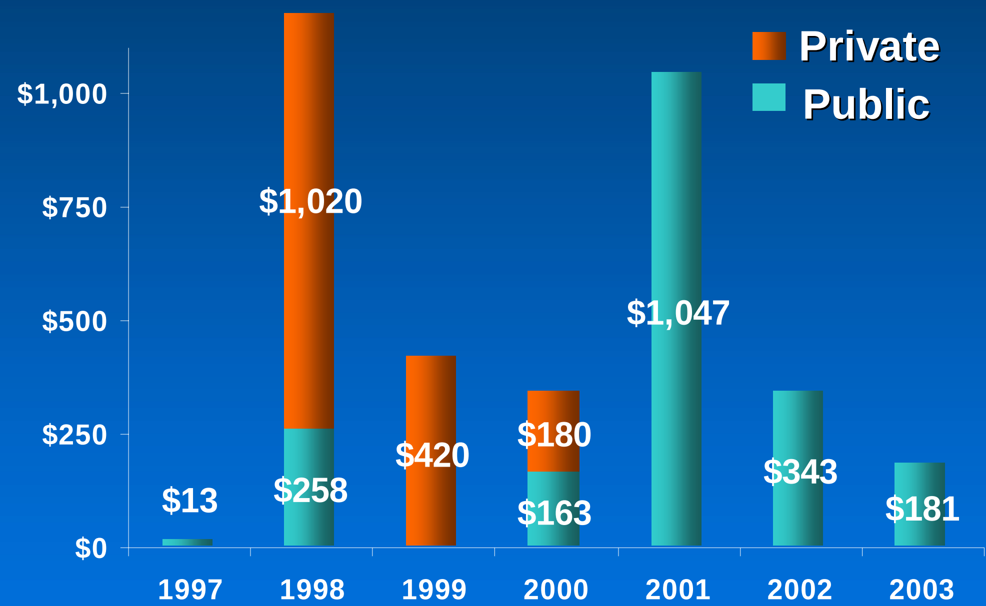
6.0X	16.7%	
7.0X	14.3%	2003 ROI = 13.1%
8.0X	12.5%	

KMP Acquisition Success More Than Cost of Capital

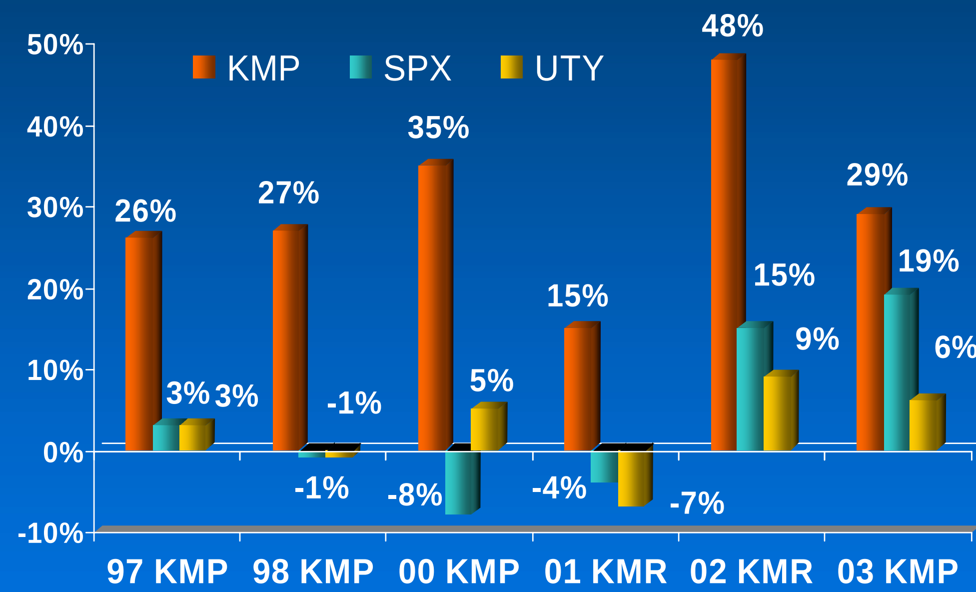
- **G&A Cost Reductions**
  - Tejas: 87 employees
  - GATX: 121 employees
  - Santa Fe: 104 employees
- **Synergies with Existing Asset Base**
  - Tejas interconnections with KMTP
  - Shell Terminals on SFPP
  - Cross-over Customers (e.g. liquids and bulk terminals)
- **Financing Risk**
  - Have won auctions although not highest bid
  - Excellent track record on deals over $1 billion
- **Post-acquisition allocation of capital to expansion projects**

Financing Risk is Low

$3.6 billion in Equity Raised (a)



Investors Have Done Well (b)



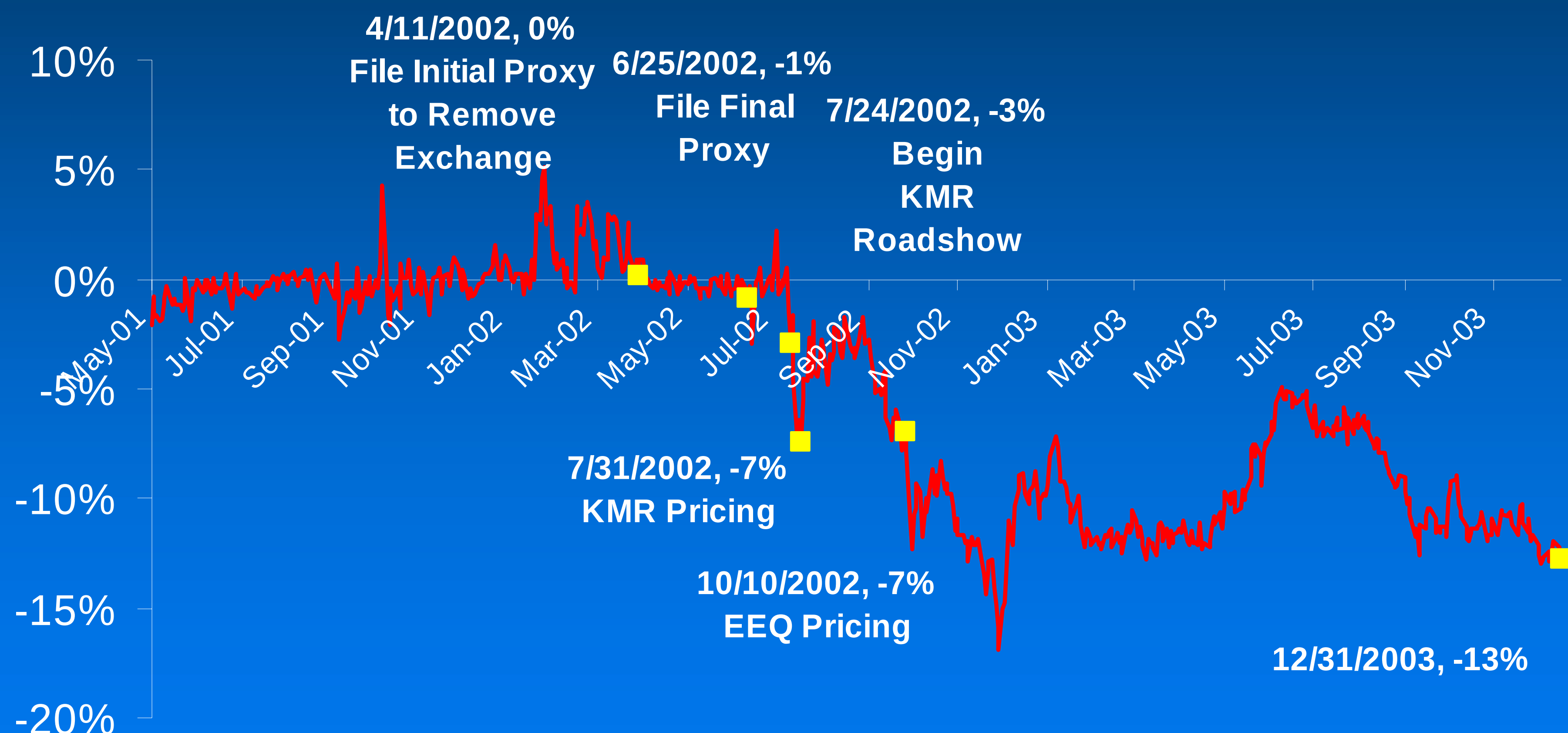
17% 15% 14% 8% 10% 7%

Current Yield on Offer Price

a) Does not include KMR distributions, totaling approximately $260 million.

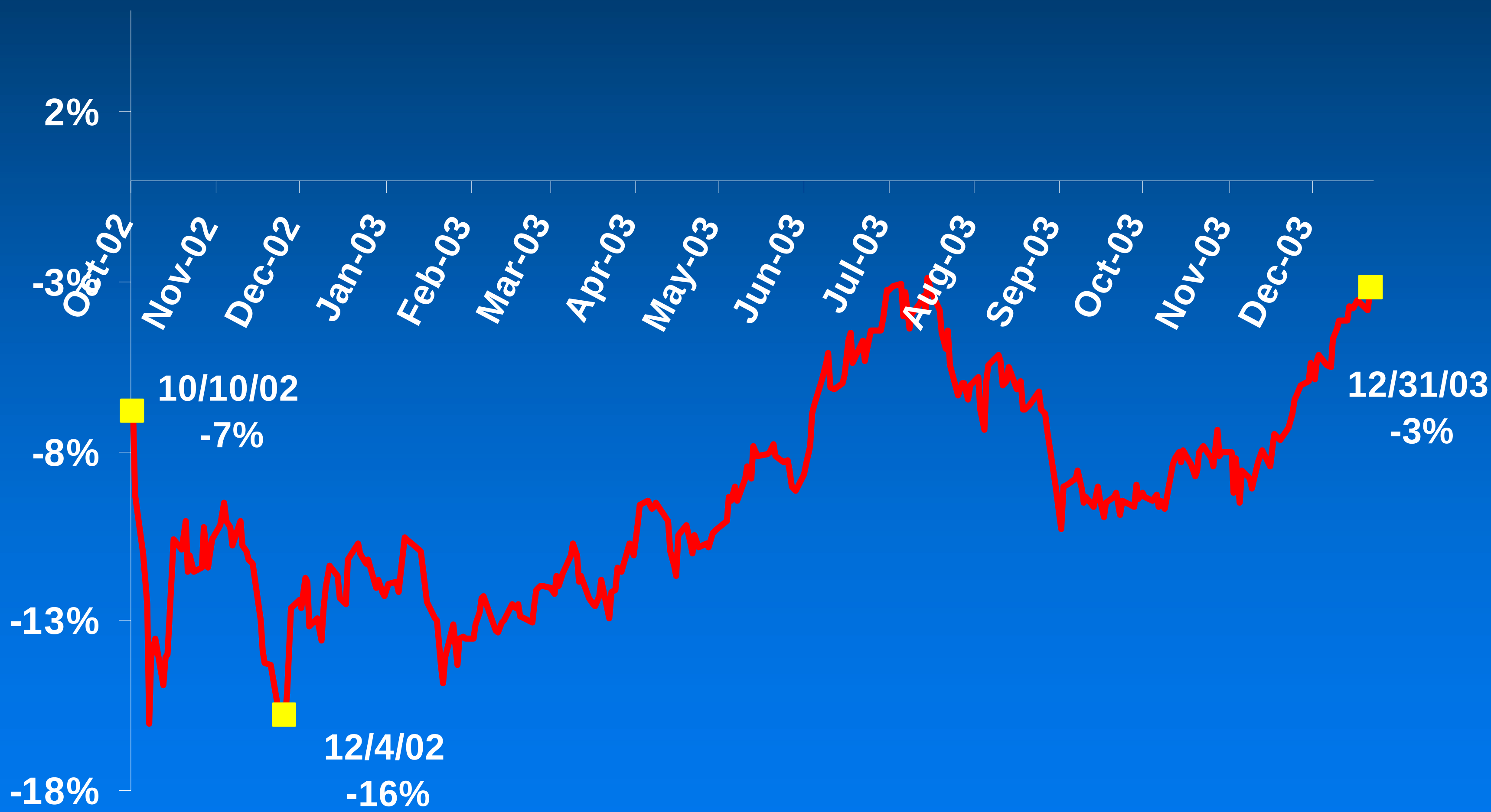
b) Source: Bloomberg. With the exception of 2003, all returns are calculated on a daily basis from date of offering through 12/31/2003 assuming dividends reinvested. 2003 returns are calculated the same way but are not annualized in order to be more conservative (i.e. total return over 7 months).

KMR Discount/Premium to KMP



Source: Bloomberg

EEQ Discount/Premium to EEP



Source: Bloomberg

KMR is a Tax Efficient Way to Own KMP

- Higher Current Yield When KMR Trades at a Discount
  - KMP Cash Distribution / KMR Price (10 days prior to ex-dividend)
- Same or Better Terminal Value
  - guarantee upon mandatory purchase events of higher of KMP or KMR value
- Same Voting Rights as KMP
- Taxes
  - Share distributions are not taxed and reduce per share basis
  - One year after purchase, all gains (including most recent share distribution) are long term capital gains
- Frictional costs to liquidate share dividend and replicate KMP are minimal.

KMP Distribution Management

- MLP unit holders want a stable and growing distribution
- Oil production will ultimately begin to decline (2011-2013)
- KMP Distribution Management Policy
  - Grow coverage
  - Reinvest retained capital in accretive projects to offset decline
- Viewed in a vacuum, decline may look significant
- However, in context of overall MLP, the distribution is not expected to decline
- Will reassess overall coverage each year

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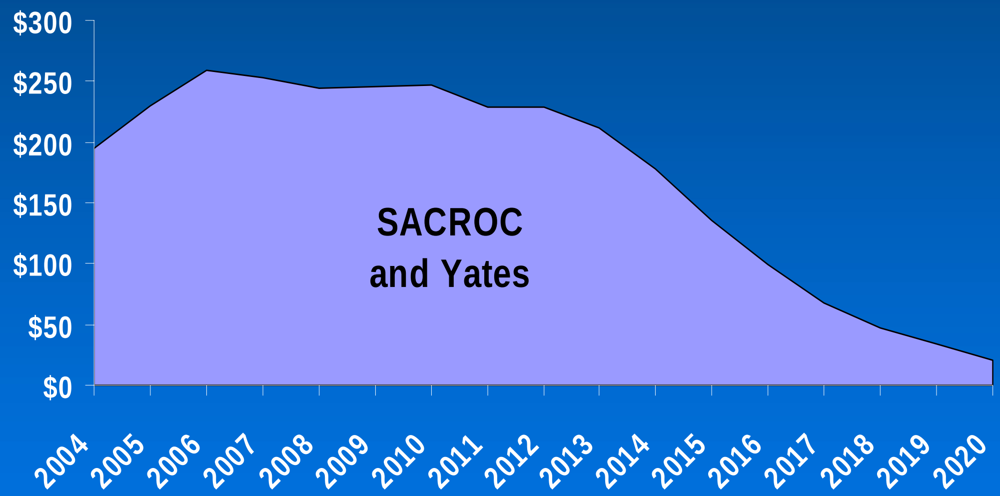
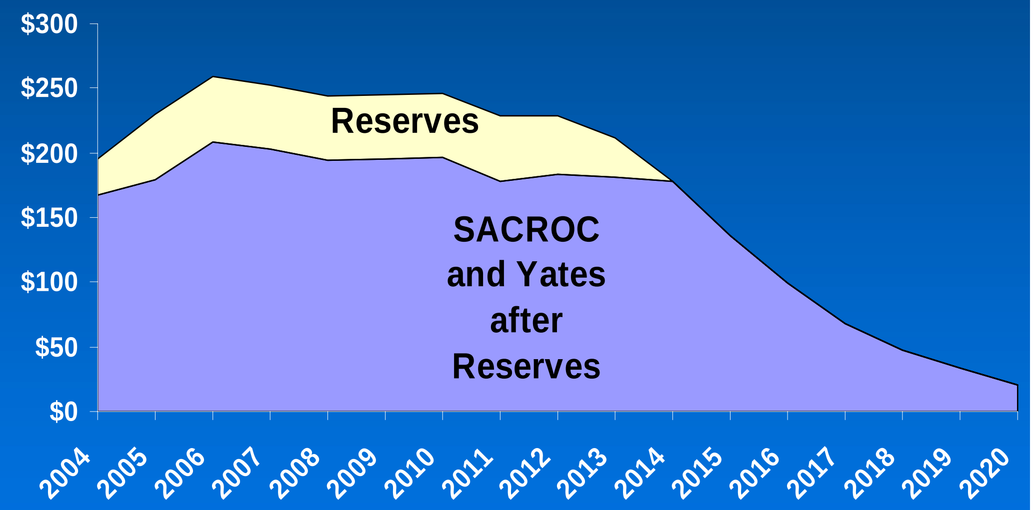
CO_2 Oil Production as a Stand-Alone Business

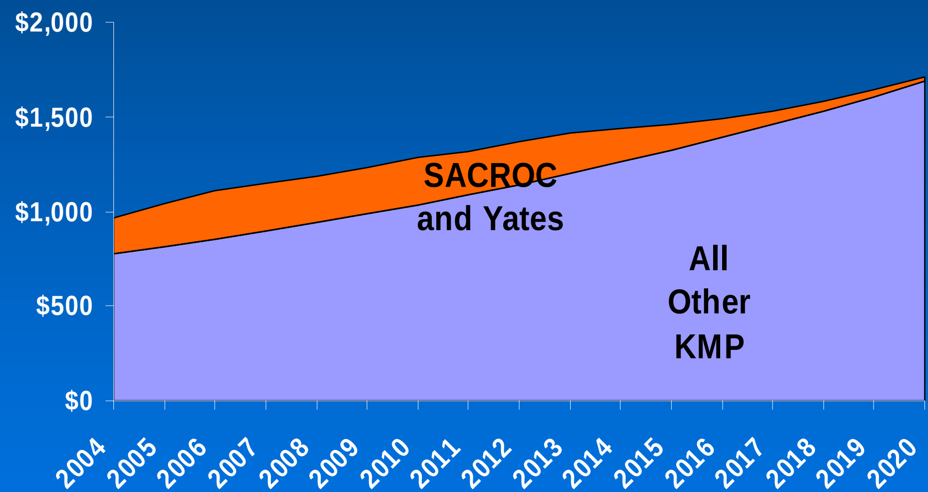
DCF from Oil Production ($ millions)

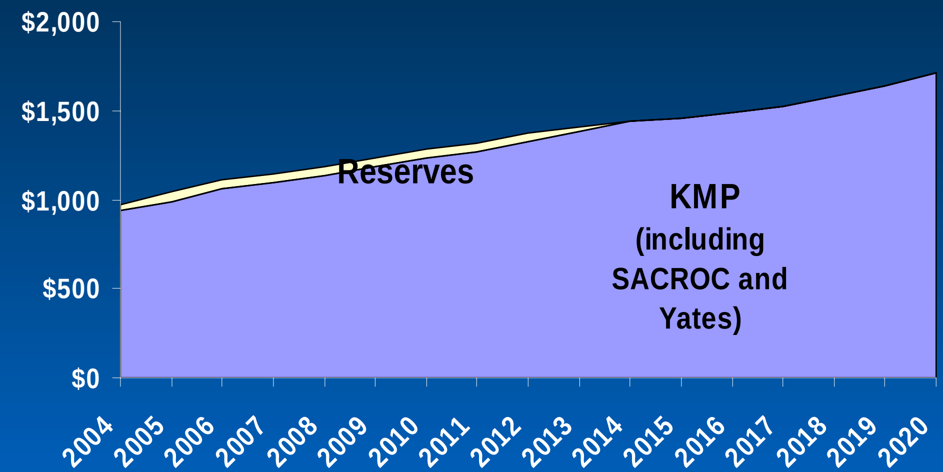


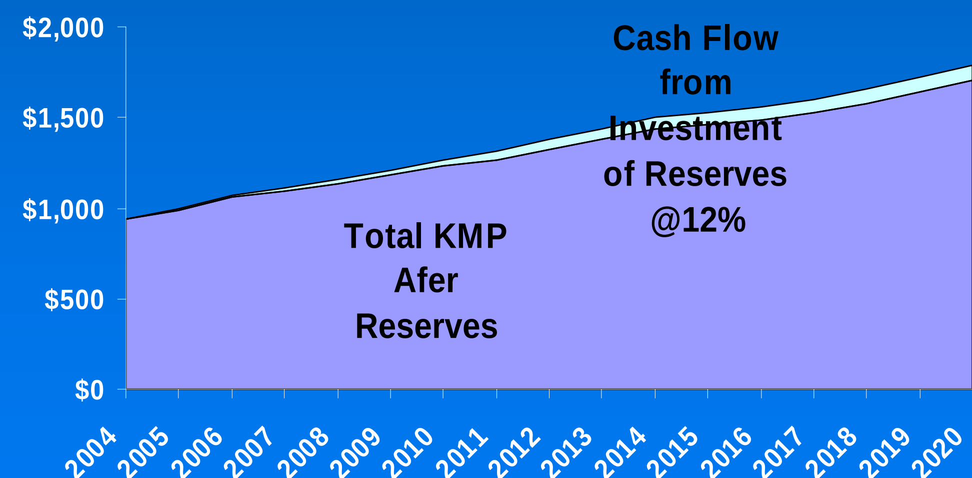


Oil Production Impact on Total KMP is Modest

Total KMP DCF ($ millions)







Assumes that KMP DCF, excluding SACROC and Yates, grows at 5% .