

Appendix

KMP Current Cost of Capital Calculation

	Annualized Indicated LP Distribution		Current KMP Unit Price		
Equity					
Current KMP Yield	\$4.64	÷	\$84.95		5.5%
GP Gross-up				÷	55%
Cost of Equity				=	9.9%
Equity % of Capital Structure				x	50%
Equity Component of Cost of Capital				=	4.9%
	Interest Rate		% of Overall Debt		
Debt					
Short-term Floating Rate ^(a)	3.0%	X	50%		1.5%
Long-term Fixed Rate	6.0%	X	50%	+	3.0%
Cost of Debt				=	4.5%
Debt % of Capital Structure				x	50%
Debt Component of Cost of Capital				=	2.3%

Equity Component		Debt Component		Current Cost of Capital
4.9%	+	2.3%	=	7.2%

Note: excludes any impact from the proposed acquisition of El Paso by KMI

(a) Includes fixed-floating interest rate swaps

Explanation of Return Calculations

	<u>Formula</u>	<u>Notes</u>
Segment Return on Investment =	$\frac{\text{Segment Distributable Cash Flow before Certain Items}}{\text{Average Total Investment}}$	(a) (c)
KMP Return on Investment =	$\frac{\text{KMP Distributable Cash Flow before Certain Items}}{\text{Average Total Investment}}$	(b) (c)
Return on Equity =	$\frac{\text{Distributable Cash Flow before Certain Items}}{\text{Average Equity}}$	(d) (e)

(a) Segment Distributable Cash Flow before Certain Items is defined as the applicable segment earnings before DD&A and certain items less sustaining capex. In addition, several adjustments are made to segment earnings before DD&A to more closely tie to cash: (1) KMP's share of REX, MEP, FEP, KinderHawk (until May-2011), EagleHawk, Red Cedar and Cypress DD&A is added back and sustaining capex is deducted, (2) Express, Endeavor and Eagle Ford pre-tax earnings are subtracted and cash received is added back

(b) KMP Distributable Cash Flow before Certain Items is defined as the sum of the five individual Segment Distributable Cash Flow before Certain Items less G&A

(c) See next page for calculation, annual number is calculated based on average of the quarterly Total Investment

(d) Distributable Cash Flow before Certain Items is defined as outlined on the Non-GAAP Financial Measures slide plus the general partner's incentive and the general partner non-controlling interest

(e) Equity is based on cumulative equity raised inception to date as of the end of each quarter and then averaged for the year

Explanation of Return Calculations – Cont’d

	Formula	Notes
Calculation of Total Investment:	Gross PP&E	
	Investments	(a)
	Goodwill	
	Gross intangibles (excluding amortization)	
	Plus:	
	Asset write-offs / retirements	
	Cumulative environmental reserves	
	Legal reserves / expenditures	(b)
	Cumulative cash spent on asset retirement	(d)
	Minus:	
	Cumulative sustaining capex	
	Assumed liabilities	
	Trans Mountain / Express adjustment	(c)
Cumulative asset retirement costs	(d)	
Book value of sold assets / investments		
Equals:		
Total investment	(e)	

(a) Investments are calculated based on GAAP book value equal to cumulative contributions plus cumulative earnings less cumulative distributions, except REX, MEP, FEP, KinderHawk (until May-2011 when consolidated), EagleHawk, Eagle Ford, Cypress, Parkway, Plantation and Red Cedar, which are based on cumulative equity contributed. These investments are not adjusted for earnings or distributions

(b) Litigation and environmental reserves deducted as certain items are added to investment, except for SFPP and Calnev litigation reserves. For SFPP and Calnev, actual legal payments are added to the investment when they are made

(c) For assets acquired from Kinder Morgan, Inc. (Express, Trans Mountain) which represent a transfer of assets between entities under common control and are recorded at KMI's carrying value on KMP's financials, an adjustment has been made to reflect these assets at KMP's purchase price

(d) The present value of accumulated asset retirement costs are included in gross PP&E; for purposes of this calculation, we decrease our Total Investment / subtract out the accumulated asset retirement costs, and increase our Total Investment / add back the cash actually spent on asset retirement

(e) Van Wharves, Cochin, Trans Mountain, and Express Total Investment is based on acquisition price plus cumulative expansion capital including overhead. The purpose of calculating Total Investment in this manner is to exclude the foreign exchange impact reflected in our GAAP financials. GAAP financials revalue the entire asset balance based on the end of period exchange rate

KMP CO₂ Asset Summary



CO ₂ Reserves	KMP Interest	Location	Remaining Deliverability	Operator
McElmo Dome	45%	SW Colorado	18+ years	KMP
Doe Canyon	87%	SW Colorado	18+ years	KMP
Bravo Dome	11%	NE New Mexico	9+ years	Oxy

Pipelines	KMP Interest	Location	Capacity (MMcf/d)	Operator
Cortez	50%	McElmo Dome to Denver City	1,350	KMP
Bravo	13%	Bravo Dome to Denver City	375	Oxy
Central Basin (CB)	100%	Denver City to McCamey	700	KMP
Canyon Reef	98%	McCamey to Snyder	290	KMP
Centerline	100%	Denver City to Snyder	300	KMP
Pecos	~70%	McCamey to Iraan	125	KMP
Eastern Shelf	100%	Snyder to Katz	65	KMP
Wink (crude)	100%	McCamey & Snyder to El Paso	125 MBbl/d	KMP

Crude Reserves	KMP Interest / (Net of royalty)	Location	Remaining Life	Operator
SACROC	97% (83%)	W Texas	8+ years	KMP
Yates	50% (44%)	W Texas	25+ years	KMP
Katz	99% (83%)	W Texas	20+ years ^(a)	KMP

(a) Based on current development plan

KMP GAAP Reconciliation

	2011	2012B		2011	2012B
<u>KMP Consolidated DCF Excluding Certain Items</u> ^(a)			<u>Total Distributions</u>		
Net income per GAAP income statement	\$ 1,258	\$ 2,156	LP distributions per GAAP cash flow statement	\$ 1,054	
Certain items (net of minority interest)	484	(8)	Difference due to KMR and timing on cash payment ^(d)	450	
Net income before certain items	1,742	2,148	Calendar-year LP declared distribution	<u>\$ 1,504</u>	
DD&A	961	1,036	GP distributions per GAAP cash flow statement	\$ 1,189	
JV DD&A - KM share ^(b)	171	171	Difference due to timing and minority interest	8	
Eagle Ford / Express / Endeavor contribution	15	7	Calendar-year GP declared distribution	<u>\$ 1,197</u>	
Book / (cash) tax difference	27	26	Total declared distributions (GP + LP)	\$ 2,701	
Sustaining capex ^(c)	(212)	(249)			
KMP DCF	<u>\$ 2,705</u>	<u>\$ 3,138</u>			
<u>Segment DCF Excluding Certain Items</u> ^(a)			<u>Debt Ratios</u>		
Segment earnings before DD&A (EBDA)	\$ 3,242	\$ 4,214	Long-term debt excluding market value of swaps	\$ 10,660	
Certain items impacting segments	397	(8)	Notes payable & current maturities	2,138	
Segment EBDA excluding certain items	3,639	4,206	Less: cash & equivalents	(409)	
JV DD&A - KM share ^(b)	171	171	Debt, net of cash	<u>\$ 12,389</u>	<u>\$ 13,499</u>
Segment EBDA exc certain items, inc JV DD&A	3,810	4,377	EBITDA to interest	6.5x	6.8x
Segment sustaining capex without overhead ^(c)	(189)	(223)	Debt to EBITDA	3.6x	3.4x
Segment DCF	<u>\$ 3,621</u>	<u>\$ 4,154</u>			
<u>EBITDA Excluding Certain Items</u>			<u>Certain Items (Net of Minority Interest)</u>		
Net income per GAAP income statement	\$ 1,258	\$ 2,156	Allocated non-cash long-term compensation	\$ (81)	
Certain items (net of minority interest)	484	(8)	Environmental reserves	(10)	
Net income before certain items	1,742	2,148	Legal reserves and settlements	(231)	
Income taxes	55	70	Mark-to-market & ineffectiveness of certain hedges	5	
DD&A	961	1,036	Loss on remeasurement of asset to fair value	(165)	
JV DD&A - KM share ^(b)	171	171	Prior period asset write-off	(10)	
Interest, net of interest income	531	588	Other	8 ^(e)	8 ^(f)
EBITDA excluding certain items	<u>\$ 3,460</u>	<u>\$ 4,013</u>	Total	<u>\$ (484)</u>	<u>\$ 8</u>

Note: excludes any impact from the proposed acquisition of El Paso by KMI

(a) DCF = Distributable cash flow

(b) Includes REX, MEP, FEP, KinderHawk (until May-2011), EagleHawk, Eagle Ford (2012-only), Red Cedar and Cypress JV DD&A

(c) Includes joint venture sustaining capex for our share of REX, MEP, FEP, KinderHawk (until May-2011), EagleHawk, Eagle Ford (2012-only), Red Cedar and Cypress

(d) KMR distributes additional shares in lieu of cash

(e) Gain on sale of assets and asset disposition expenses, Cochin imputed interest expense, FX gain on Cochin note payable, Terminals overhead credit on certain items capex, acquisition costs, legal expenses, insurance deductible, casualty losses and reimbursements

(f) Gain on sale of assets

KMI GAAP Reconciliation

	<u>2011</u>	<u>2012B</u>		<u>2011</u>	<u>2012B</u>
<u>Cash Available to Pay Dividends</u>			<u>Distributions Received Less G&A</u>		
Income from continuing operations	\$ 652	\$ 1,366	Cash available to pay dividends (above)	\$ 866	\$ 985
DD&A	1,092	1,166	Cash taxes	368	437
Amortization of excess cost of investments	7	7	Interest expense	166	167
Income from equity investments	(313)	(341)	Distributions received less G&A	<u>\$ 1,400</u>	<u>\$ 1,589</u>
Distributions from equity investments ^(a)	523	529			
KMP certain items (pre-tax)	493	(8)	<u>Debt Ratios</u>		
Kinder Morgan Kansas, Inc. purchase accounting	(9)	10	Long-term debt - Kinder Morgan Kansas, Inc.	\$ 1,941	
Difference between cash & book taxes	(32)	59	Current portion of L-T debt - Kinder Morgan Kansas, Inc.	1,260	
Difference between cash & book interest expense ^(b)	(1)	11	Less: cash & equivalents - Kinder Morgan Kansas, Inc.	(2)	
Sustaining capital expenditures	(213)	(250)	Add back: purchase accounting	37	
KMP declared distribution on LP units owned by public	(1,357)	(1,533)	Debt, net of cash	<u>\$ 3,236</u>	<u>\$ 3,363</u>
Other ^(c)	24	(31)			
Cash available to pay dividends	<u>\$ 866</u>	<u>\$ 985</u>	Net debt / distributions received less G&A	2.3x	2.1x

Note: excludes any impact from the proposed acquisition of El Paso by KMI

(a) Distributions from equity investments and distributions from equity investments in excess of cumulative earnings

(b) Difference between cash and book interest expense for Kinder Morgan Kansas, Inc.

(c) Consists of timing differences between earnings and cash, and cash flow in excess of our distributions

Investor Relations Contacts

Institutional Investors / Sell-side Analysts

David Kinder	VP, Corporate Development & Treasurer	(713) 369-9469	david_kinder@kindermorgan.com
Peter Staples	Director, Investor Relations	(713) 369-9221	peter_staples@kindermorgan.com

Retail Investors / Brokers

Mindy Thornock	Director, Treasury	(713) 369-9449	mindy_thornock@kindermorgan.com
----------------	--------------------	----------------	---------------------------------