

*All amounts in U.S. dollars
unless otherwise noted.*

Kinder Morgan and Terasen *August 2005*

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information purposes only, and are not
intended to be proxy solicitation materials.*

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Overview of Transaction (a)

- **\$5.6 billion total purchase price**
 - \$3.1 billion in equity
 - \$2.5 billion in assumed debt
- **KMI will purchase all of TER's outstanding stock**
- **Equity consideration will be financed ~ 65% in cash and ~ 35% in stock (b)**
 - 0.1165 KMI shares for each TER share: \$10.35 (C\$12.66)/share
 - Cash consideration of \$19.01 (C\$23.25)/share
 - Totaling approximately \$29.36 (C\$35.91)/TER share
 - Represents a 20% premium on 20 day average price
- **Headquartered in Houston, with Rich Kinder as Chairman and CEO**
- **TER Gas Headquarters remain in Vancouver, Pipeline in Calgary**

Note: All amounts in U.S. dollars unless otherwise noted.

(a) Presentation assumes USD/CAD exchange ratio of 0.8175, KMI price = \$88.86/share unless otherwise noted.

(b) On average. Terasen shareholders will be able to elect, for each TER share held, either (i) C\$35.75 in cash, (ii) 0.3331 shares of KMI common stock, or (iii) C\$23.25 in cash plus 0.1165 shares of KMI common stock. All elections will be subject to proration in the event total cash elections exceed approximately 65 percent of the total consideration to be paid or total stock elections exceed approximately 35 percent.

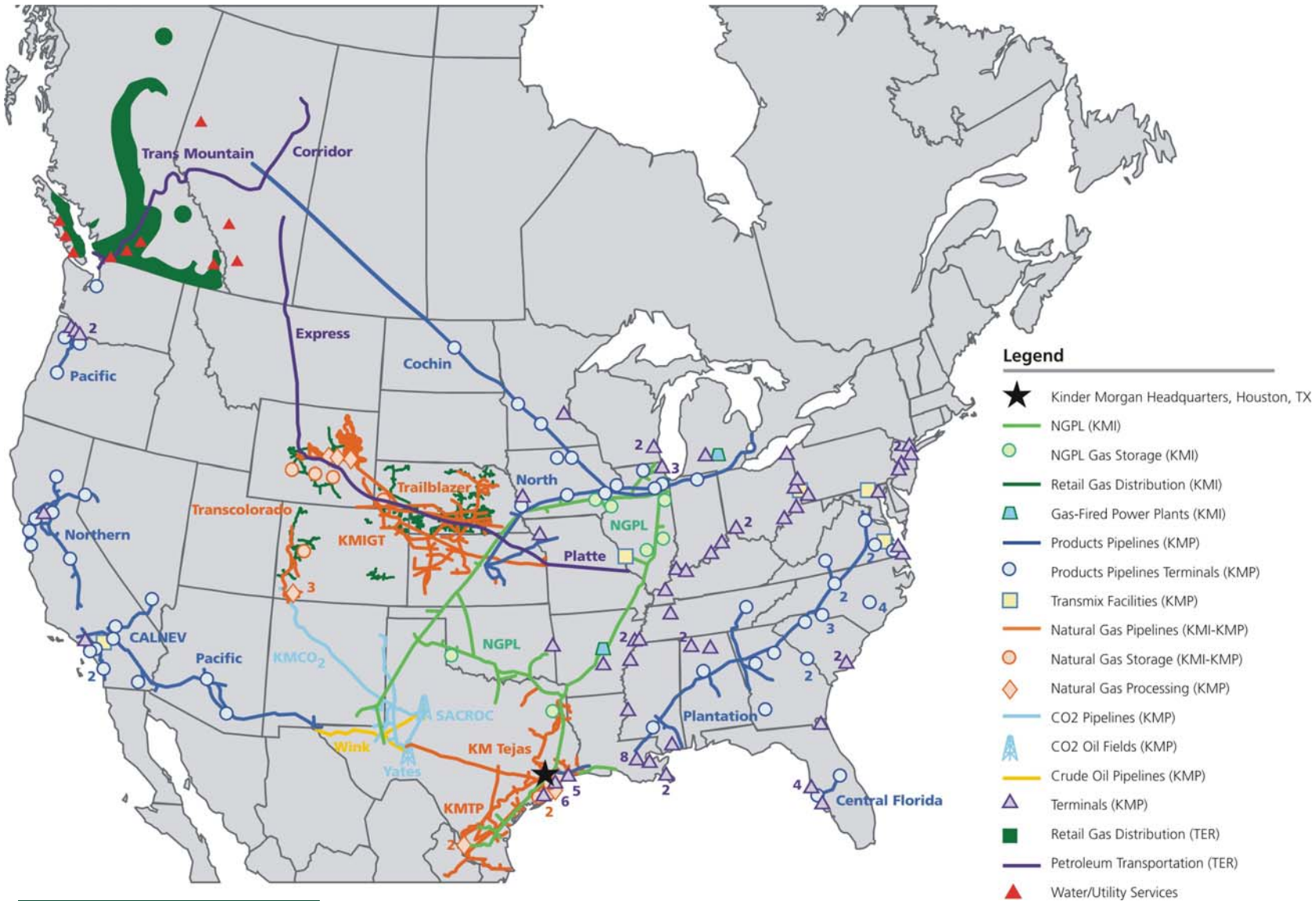
Strategic Rationale

- **Stable, regulated, low risk assets**
- **Solid earnings accretion**
 - ~ \$5.00/share KMI pro-forma 2006E earnings
 - ~ 6-8% accretion to KMI 2006E stand alone EPS
- **Strong cash flow generation**
 - Almost \$800 million in 2006E cash flow (a)
 - \$3.50/share 2006 expected dividend
 - Represents 58% increase in TER dividend, 17% increase in KMI
- **Substantial expansion opportunities from Canadian oilsands**
 - Production expected to double in next 5-7 years
 - Pipeline, Terminals and CO₂
 - EPS and Dividend growth rate expected to be 10%
- **Solid credit**
 - Expect to maintain BBB
 - 56% debt to total cap at close, declining thereafter

Note: All amounts in U.S. dollars unless otherwise noted.

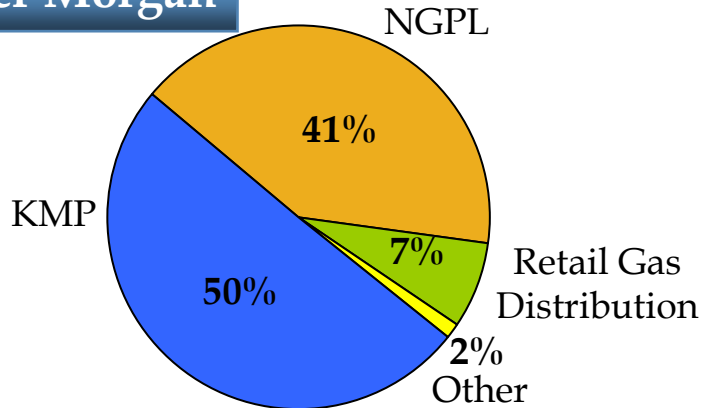
(a) Cash flow is defined as pre-tax income before depletion, depreciation, and amortization, less cash paid for income taxes and sustaining capital expenditures.

Combined Company Operations



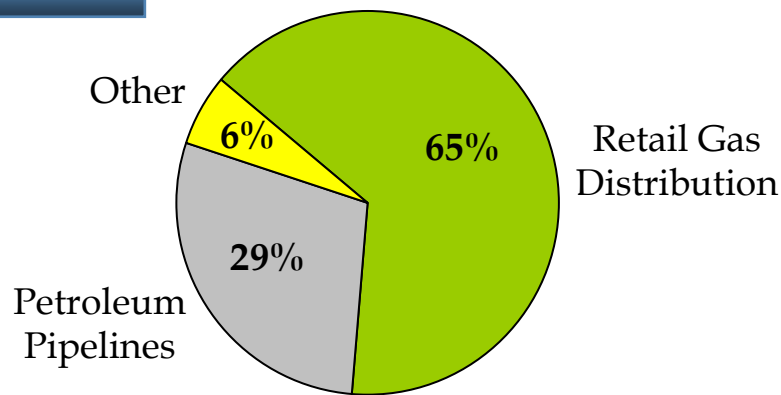
Segment Overview

Kinder Morgan



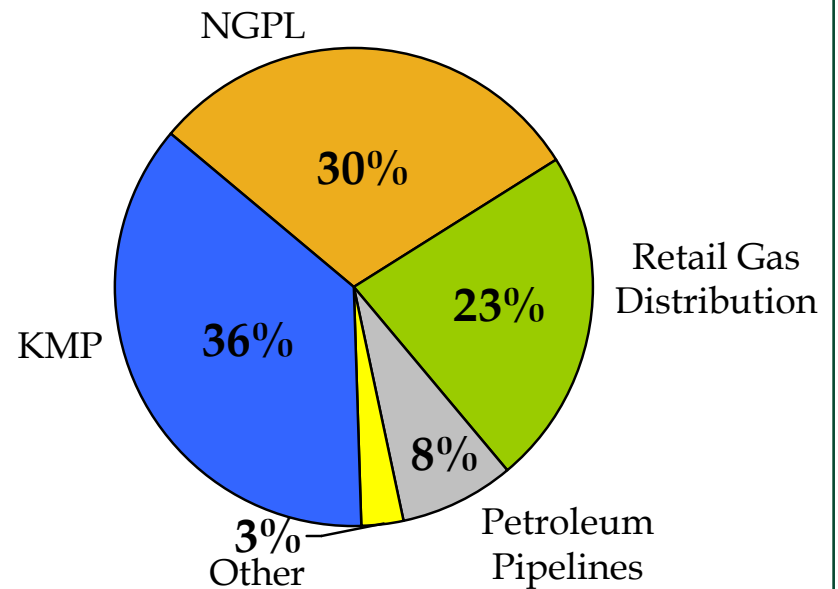
2006E EBITDA = \$1.3 billion (a)

Terasen



2006E EBITDA = \$0.5 billion (a)

Pro Forma of Combined Companies



2006E EBITDA = \$1.8 billion (a)

Note: All amounts in U.S. dollars unless otherwise noted.

*Other includes Power at KMI and Water/Utility Services at Terasen.

(a) Excludes corporate G&A and is before any cost savings. KMP equity income net of KMR minority interest. Petroleum pipelines includes equity income from Express pipeline.

The Kinder Morgan Strategy

The Same Since Inception

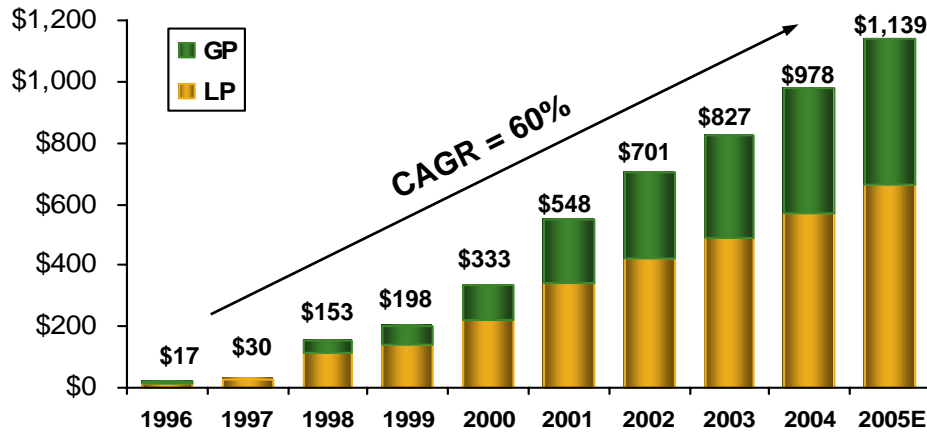
- **Focus on stable, fee-based assets which are core to the energy infrastructure of growing markets**
- **Increase utilization of assets while controlling costs**
 - Classic fixed cost businesses with little variable costs
 - Improve productivity to drop all top-line growth to bottom line
- **Leverage economies of scale from incremental acquisitions and expansions**
 - Reduce overhead
 - Apply best practices to core operations
- **Maximize benefit of a unique financial structure which fits with strategy**
 - GP promote turns modest growth into exceptional growth
 - Strong balance sheet allows flexibility when raising capital for acquisitions / expansions

Management Philosophy

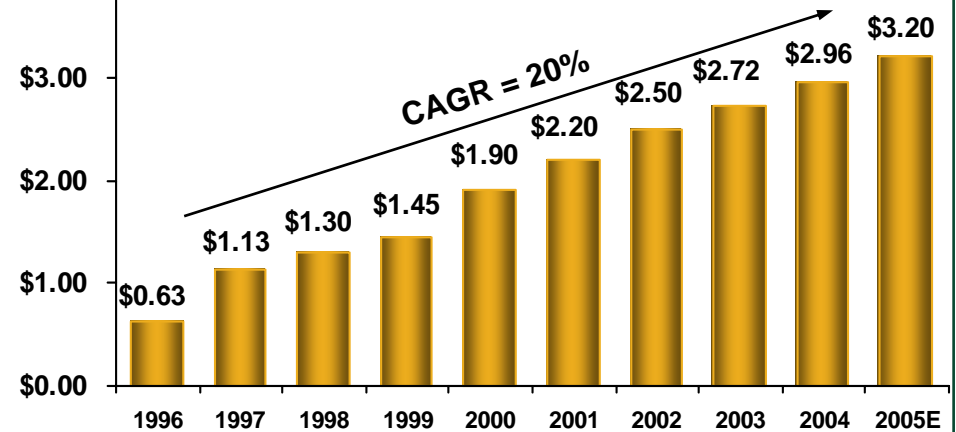
- **Low Cost Asset Operator**
- **Attention to Detail**
- **Disciplined Capital Allocation**
- **Risk Management**
- **Transparency**
- **Cash is King**
- **Alignment of Incentives**
- **Business Unit Autonomy**

Consistent Track Record

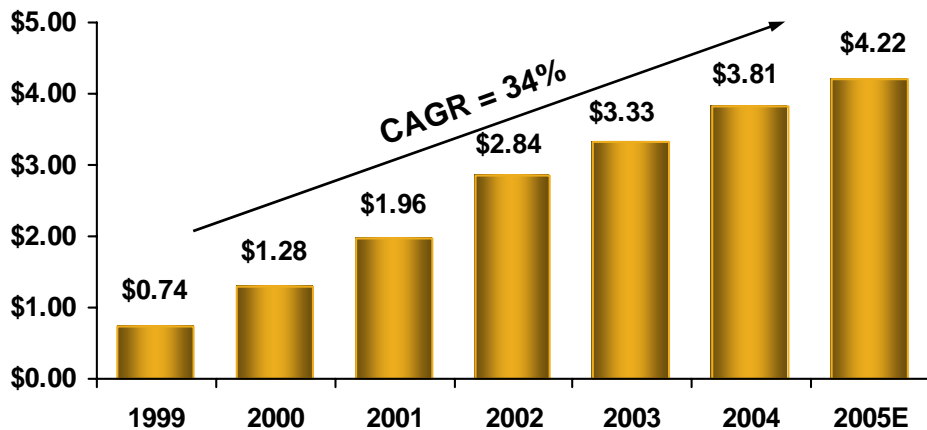
Total Distributions from KMP (\$mm)



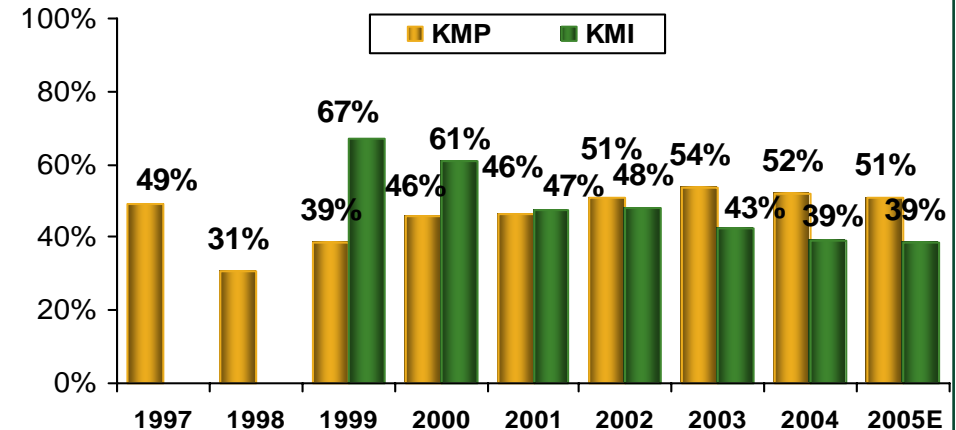
KMP Distribution / Unit (a)



KMI Earnings Per Share



Debt to Total Capital (b)

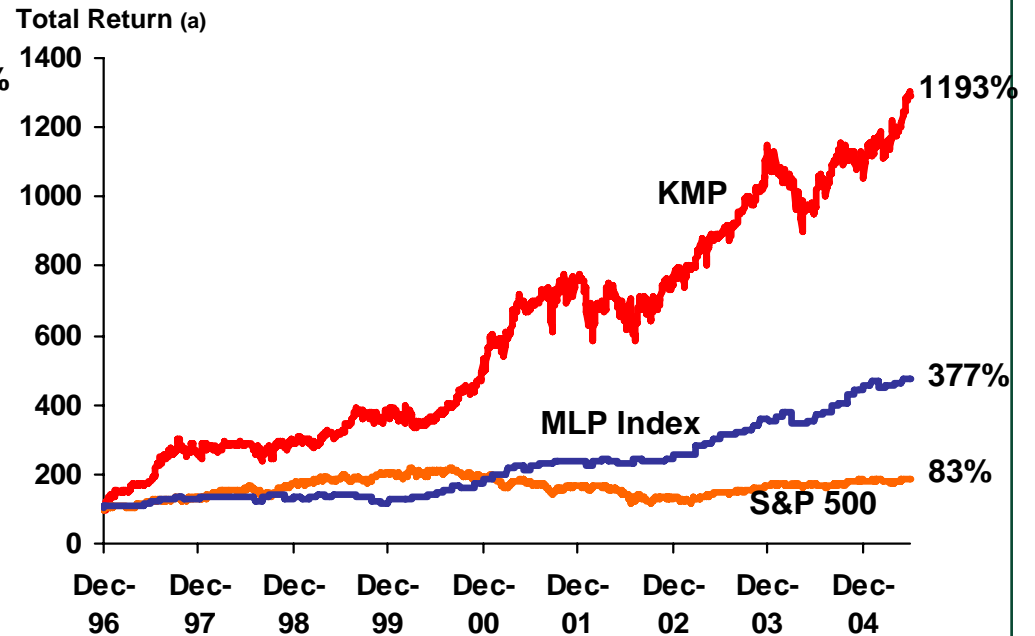
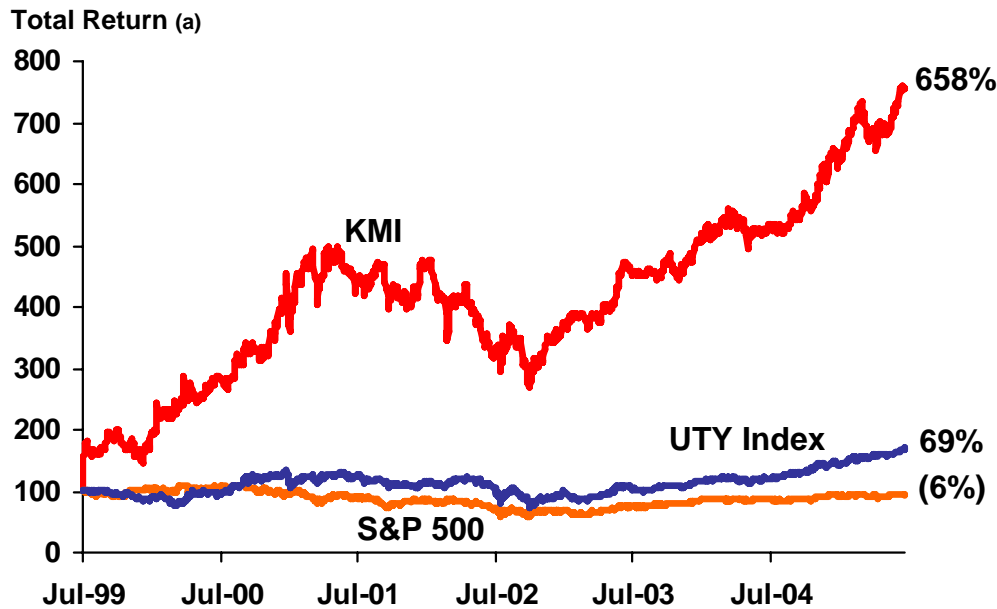


Note: All amounts in U.S. dollars unless otherwise noted.
 (a) Declared 4Q distribution annualized (i.e. multiplied by four)
 (b) Excludes loss/gains in Other Comprehensive Income related to hedges; KMI 2004 excludes cash on hand from TransColorado sale

Significant Historical Returns

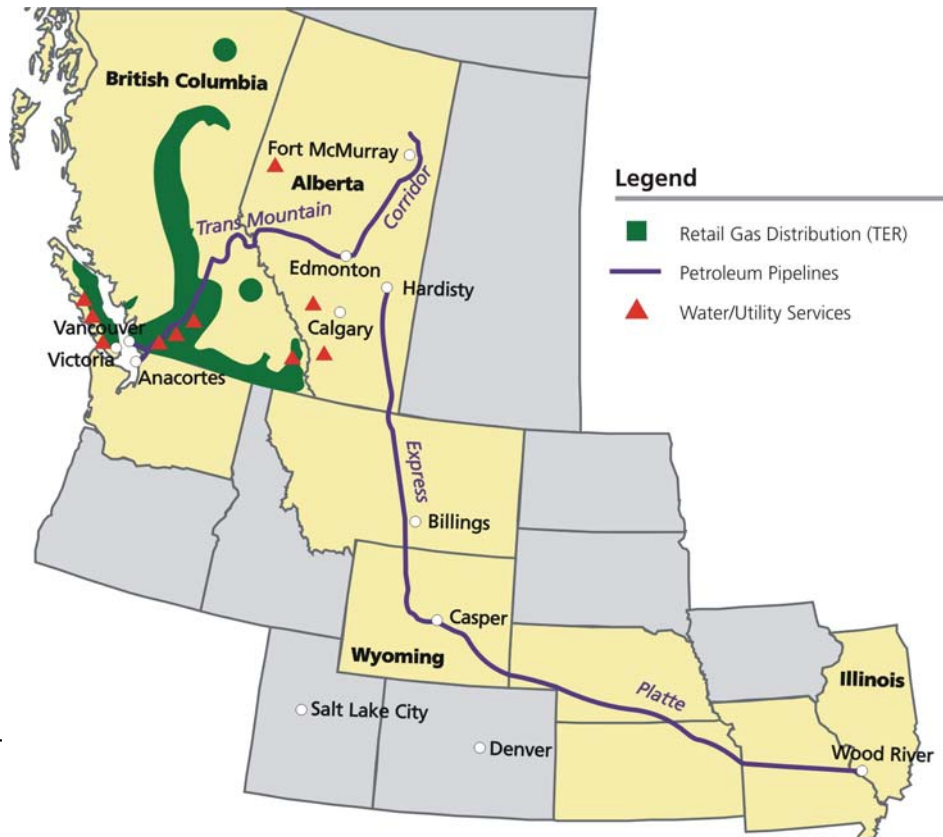
KMI: 40% annualized return (a)

KMP: 35% annualized return (a)



Terasen Asset Overview

- **Stable, Regulated, Low-Risk Assets**
 - Over 95% regulated (a)
 - Stable regulatory environment; focused on expanding infrastructure
- **Strategic Location**
 - Utility serves high growth areas in Western Canada
 - Pipelines sourced from the prolific Canadian oilsands
- **One of largest utilities in Canada**
- **Large backlog of regulated expansion/growth opportunities**



(a) Based on 2006E EBITDA.

Terasen Retail Gas Distribution

- Largest LDC in British Columbia, with 875,000 meters
- Steady organic growth = ~2%
- Low risk rate structure
 - 50/50 sharing of certain savings
 - Separate O&M and volume trackers
- Potential expansion/ growth projects
- Long history of negotiating/ renewing incentive regulatory settlements
- Regulated by British Columbia Utilities Commission



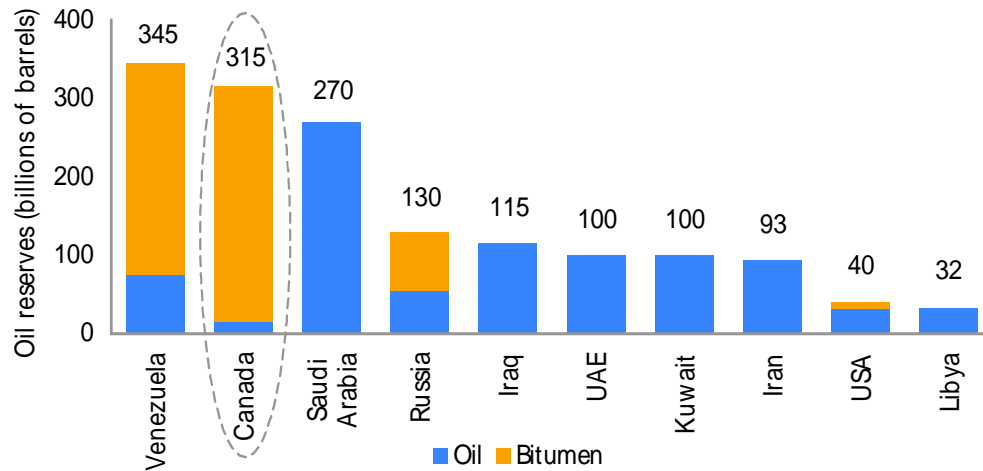
Terasen Petroleum Pipelines

- Owns and operates several major crude oil and products pipeline systems
- Assets regulated by National Energy Board (NEB), FERC and the Wyoming Public Service Commission
- Growing demand for oil pipeline infrastructure due to large amount of Canadian oilsands reserves
- Existing capacity substantially utilized with long-term contracts
- Over \$2.5 billion of potential expansion/growth projects



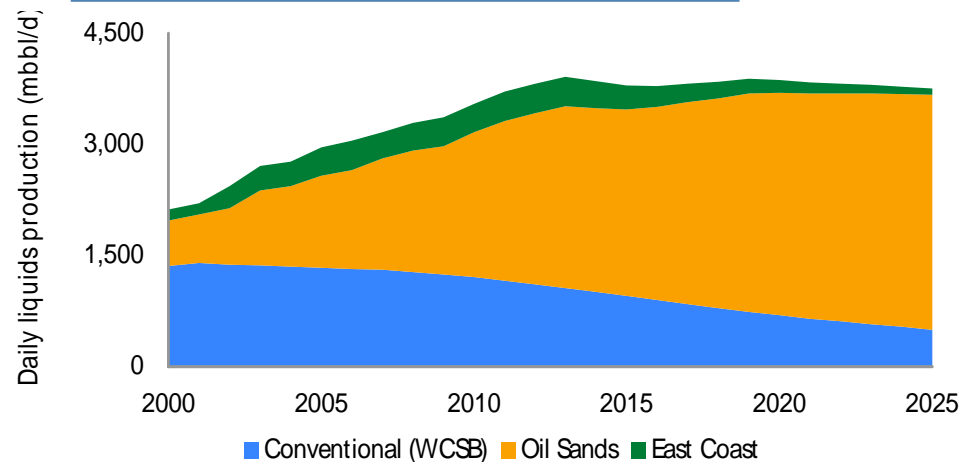
Significant Growth Potential in Oilsands

Oil and Bitumen Reserves¹ (billions of Bbls, 2003)



- Total cost ~ \$16-18/Bbl
- 10 oilsands projects now on-stream
- Current production ~ 1 mm Bbl/d
- Numerous new projects and expansions under development
- 2010-12 production ~ 2 mm Bbl/d
- Estimated \$50 billion in E&P investment over next 5 - 10 years

Canadian Crude Production by Type



All amounts in U.S. dollars unless otherwise noted.

Source: UBS, NEB, Canada's Energy Future Scenarios for Supply and Demand to 2025 (2003)

Note 1: Total discovered recoverable reserves of crude oil and bitumen (Saudi Arabian values represent proven reserves, implying a higher degree of certainty)

Terasen Pipeline Growth Opportunities

❖ **Trans Mountain expansions:**

Phase I: Additional compression

- Estimated cost: C\$210mm
- Incremental capacity: 35 MBbl/d
- In-service: late-2006
- Status: in discussion with shippers for expedited approval

Phase II: Loop existing pipeline

- Estimated cost: C\$365mm
- Incremental capacity: 40 MBbl/d
- In-service: 2008
- Status: open season summer 2005

❖ Potential competition from Enbridge's proposed Gateway project



Terasen Pipeline Growth Opportunities

❖ Corridor expansions

Phase 1 - additional compression

- Estimated cost: C\$8.4mm
- Incremental capacity: 35 MBbl/d
- In-service: Fall-2005

Phase 2 - loop existing pipeline

- Estimated cost: C\$800mm
- Incremental capacity: 400 MBbl/d
- In-service: 2009



KMI Provides:

▪ Access to capital

More than \$10 billion in debt/equity capital raised under current management

▪ Pipeline Experience

More than \$9 billion invested in energy infrastructure

— Over \$2B in total expansion projects

Pipeline expansions (\$MM):

East Line - \$210

Horizon - \$80

Monterrey - \$85

North Line - \$80

North Texas - \$70

Rancho - \$73

Trailblazer - \$50

TransColorado - \$45

▪ Size

One of the largest integrated pipeline companies in North America

Pro forma enterprise value of KMI-TER in combination with KMP is \$35 billion

Kinder Morgan, Inc. (KMI: NYSE)

	(\$B)
Market Equity (a)	\$11.2
Debt	2.7
Enterprise Value	\$13.9

Terasen, Inc. (TER: TSX)

	(\$B)
Market Equity (b)	\$2.7
Debt	2.4
Enterprise Value	\$5.1

Pro Forma of Combined (d)

	(\$B)
Market Equity	\$12.0
Debt	7.2
Enterprise Value	\$19.2
KMP E.V. (c)	15.9
E.V. with KMP	\$35.1

KMI/TER 2006E EBITDA	\$1.8
KMI/TER 2006E Cash Flow	\$0.8

Note: All amounts in U.S. dollars unless otherwise noted.

(a) KMI market cap based on 123mm diluted shares at a price of \$88.86 as of Jul-29-05, includes \$284mm capital trust securities. Debt net of cash as of Jun-30-05 and excludes fair value of interest rate swaps.

(b) TER market cap based on 105mm diluted shares at a price of C\$31.40, or US\$25.67, as of Jul-29-05 at an exchange ratio of 0.8175.

(c) KMP market cap based on 154mm units at a price of \$52.41 and 56mm KMR i-units at a price of \$47.46 as of Jul-29-05. Debt is net of cash as of Jun-30-05 and excludes fair value of interest rate swaps.

(d) Pro-forma assumes acquisition is 65% cash and 35% KMI stock (0.1165 KMI shares per TER share).

Transaction Timeline

- **Next 4-6 months: Regulatory Approvals**
 - British Columbia Utilities Commission
 - Canadian Competition Act
 - Investment Canada
 - Other
- **October 2005: Terasen Shareholder vote**
- **Q4 2005: Close transaction**

Transaction Summary

- **Stable, regulated, low-risk assets**
- **Solid earnings accretion**
 - \$5.00/share KMI pro-forma 2006E earnings
- **Strong cash flow generation**
 - Annual dividend of \$3.50/share expected in 2006
 - Represents 58% increase in TER dividend, 17% increase in KMI
- **Expansion opportunities from oilsands**
 - Pipelines, Terminals, CO₂
- **Long-term EPS and dividend growth of 10%**
- **Strong balance sheet - expect to maintain BBB credit rating**

Kinder Morgan and Terasen

August 2005