



Real Assets, Real Earnings, Real Cash

January 17, 2002

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2002 Analyst Conference

- 2001 Results and 2002 Overview
- Natural Gas Pipelines
- Products Pipelines
- Terminals
- KMP Cash Distribution Math
- Other Assets
- Corporate Development
- Financial Review

Agenda – Rich Kinder

- Overview
- 2001 Results
- 2002 Plan
- Common Questions
 - Is Kinder Morgan's structure complex?
 - Is Kinder Morgan's growth dependent on acquisitions?
 - Where is Kinder Morgan trading relative to its peers?

The Kinder Morgan Structure



(a) Market cap based on 125 million shares and a price of \$55.69 as of 12/31/01. Debt balance as of 12/31/01.

(b) Market cap based on 166 million units, a common unit price of \$37.82, and a KMR price of \$37.90 as of 12/31/01. Debt balance as of 12/31/01.

2001 Results

Promises Made – 2001 Conference

■ KMP

- Year end distributions = \$2.00-\$2.10
- Average distribution >\$1.95
- EPU = \$1.42-1.47
- Maintain 60% equity/40% debt ratio

■ KMI

- EPS = \$1.66 - \$1.79
- Improve to 50% equity/50% debt
- Goal of strong BBB rated credit

Promises Kept

■ KMP

- Year end distributions = \$2.20
- Average distribution = \$2.15
- EPU = \$1.56
- 46% debt (anticipated KMR equity offering will return to 40%)

■ KMI

- EPS = \$1.96
- 47% debt with \$300 million stock repurchase
- BBB/Baa2

2001 Results: KMI EPS

	4Q	2001 vs. 2000	2001	2001 vs. 2000
KMP	\$73.0	106%	\$251.9	122%
NGPL	88.6	-2%	346.4	1%
Retail	24.1	29%	57.4	15%
Power and Other	15.1	99%	63.3	89%
KMTP (a)	-	-100%	-	-100%
Total	\$200.8	23%	\$719.0	26%
G&A	(23.2)	52%	(70.2)	21%
Interest Expense	(49.3)	-15%	(217.0)	-11%
Other	(3.6)	-107%	(24.4)	-164%
Income Tax	(52.3)	-8%	(168.8)	37%
Income Continuing Operations	\$72.4	-17%	\$238.7	30%
Discontinued/Extraordinary Items	-		(13.6)	-57%
Net Income	\$72.4	31%	\$225.2	48%
Per Share	<u>\$0.60</u>	40%	<u>\$1.96</u>	52%

(a) KMTP was sold to KMP effective December 31, 2000. KMTP has income of in 4Q 2000 of \$10.9 million and and for the year 2000 of \$29.3 million.

2001 Results: KMP/KMR Earnings

<u>Segment Earnings before DD&A:</u>	<u>4Q</u>	<u>2001 vs. 2000</u>	<u>2001</u>	<u>2001 vs. 2000</u>
Products	\$95.4	30%	\$380.2	42%
Natural Gas	65.5	98%	226.7	67%
CO2	28.9	0%	111.4	39%
Terminals	41.3	260%	157.0	232%
Total	\$231.1	57%	\$875.3	65%
DD&A	(41.6)	66%	(151.1)	66%
G&A	(30.0)	96%	(99.0)	65%
Net Debt Costs	(35.4)	30%	(171.5)	84%
Minority Interest	(3.5)	73%	(11.4)	43%
Net Income	\$120.7	56%	\$442.3	59%
Less: GP Interest	(55.0)	66%	(202.1)	85%
LP Net Income	\$65.6	49%	\$240.2	42%
Net Income Per Unit	<u>\$0.40</u>	17%	<u>\$1.56</u>	17%
DD&A/Unit	0.25	29%	0.98	37%
Sustaining Capex/Unit	(0.09)	34%	(0.36)	30%
Declared Distribution	<u>\$0.55</u>	16%	<u>\$2.15</u>	26%

The Kinder Morgan Strategy

Same Strategy 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**
 - Reduce needless overhead
 - Apply best practices to core operations
- **Maximize benefit of a unique financial structure which fits with strategy**
 - MLP avoids double taxation on distributions from high cash flow businesses
 - 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

- Senior management limited to \$200,000/year in salary
- No planes, sports tickets, etc.

■ Attention to Detail

- Weekly operations and financial assessment
- Monthly earnings and accounts receivable review
- Quarterly strategic review

■ Risk Management

- Avoid businesses with direct commodity price exposure wherever possible
- Hedge incidental commodity price risk

■ Alignment of Incentives

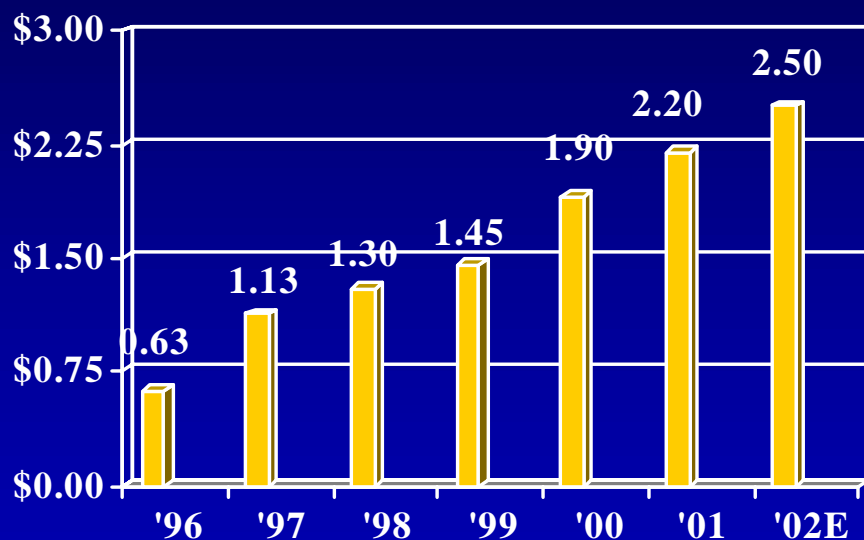
- Employees
 - Bonus targets = publicly stated KMI EPS and KMP DCF goals of \$2.58 and \$2.40, respectively
 - All employees have stock options
- Rich Kinder and William Morgan
 - Largest equity stake in energy industry = 23%
 - \$1/year in salary, no bonus, no options

Bill Morgan's Transition

- Intends to transition to non-executive role by 60th birthday (April 2003)
- Will remain as Vice Chairman and active Board member
- Intends to retain significant KMI position (over \$100 million) over the long term
- Intends to begin a sales program on a portion of stock
 - Orderly and price sensitive
 - Done for estate planning and diversification reasons (to meet annuity obligations related to a Grantor Retained Annuity Trust)
 - Anticipates selling approximately half of 4.5 million shares over the next three years

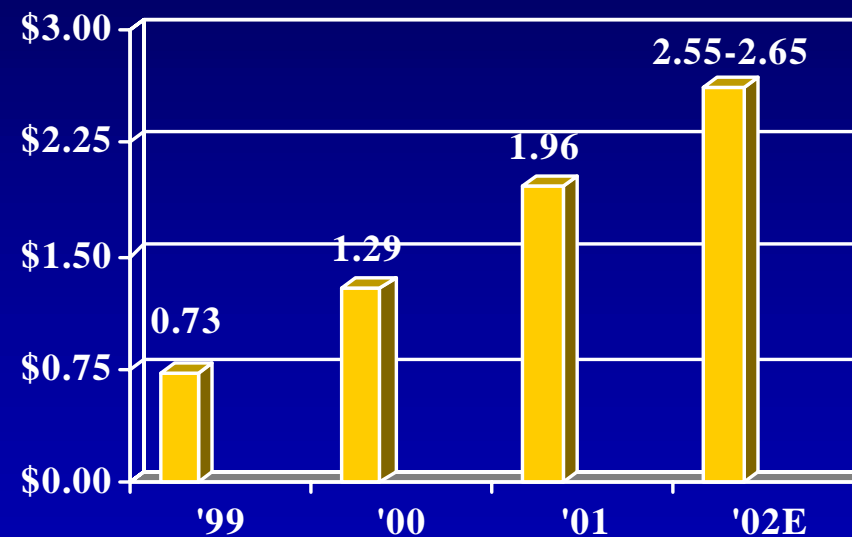
Strong Historical Growth

KMP DCF



26% CAGR (b)

KMI EPS

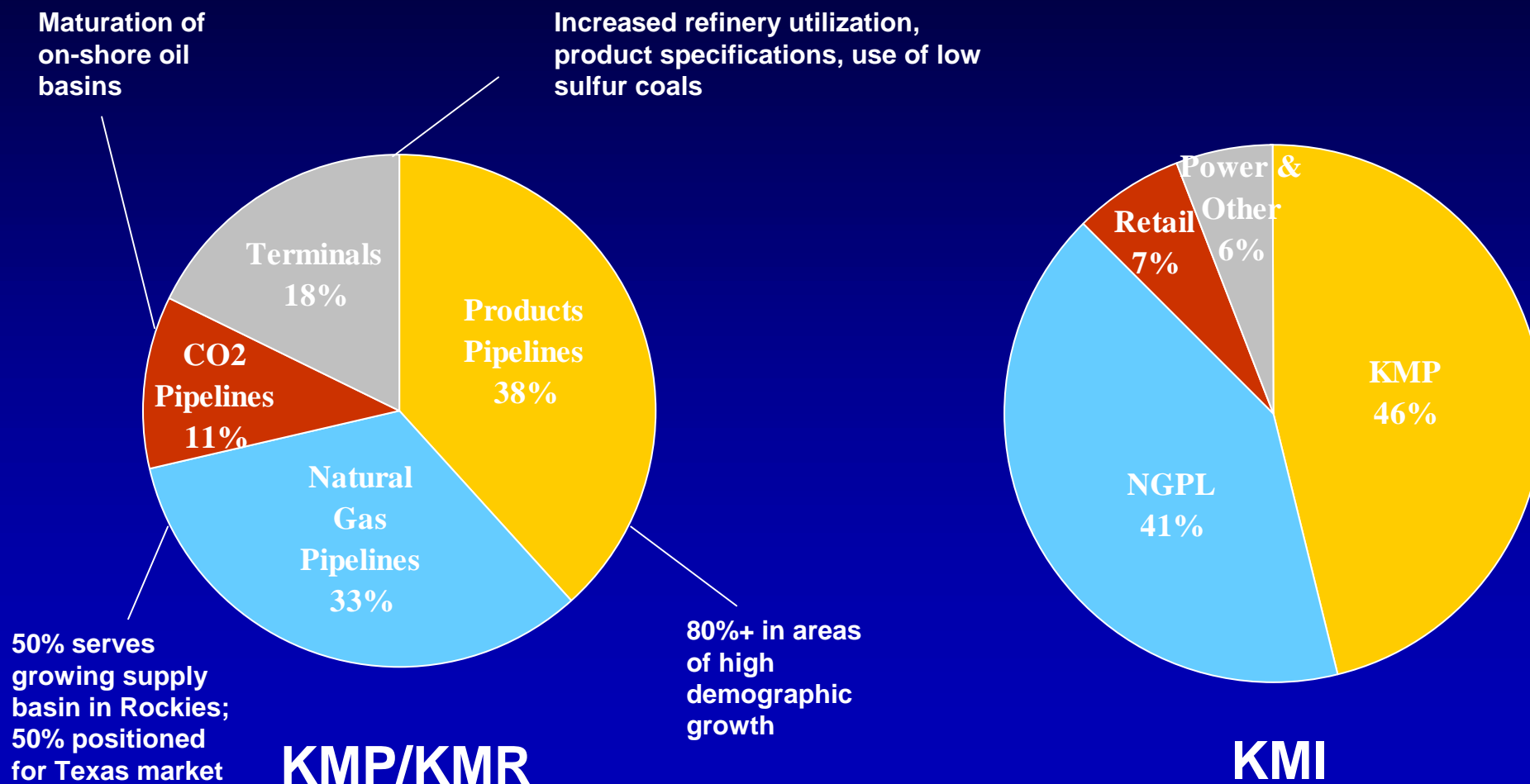


52% CAGR (b)

(a) KMP DCF reflects year end run rate (i.e. 4Q X 4)

(b) Time frames shown reflect period for which current management in place: KMP early 1997 and KMI late 1999.

2002 Sources of Cash Flow and Growth ^(a)



(a) 2002 segment earnings (KMI) and DCF (KMP/KMR) before allocation of G&A and interest.

2002 Goals

KMP/KMR

- **Distribution Target (no acquisitions):**
 - \$2.40 – annual average (12% growth)
 - \$2.50 – year end run rate
- **Segment DCF Growth ^(a):**
 - Products: +11%
 - Natural Gas: +52% (with Tejas)
 - CO2: +2%
 - Terminals: +23%
- **\$0.10-\$0.15 in accretive acquisitions (annualized)**
- **40% debt to total capital target**

KMI

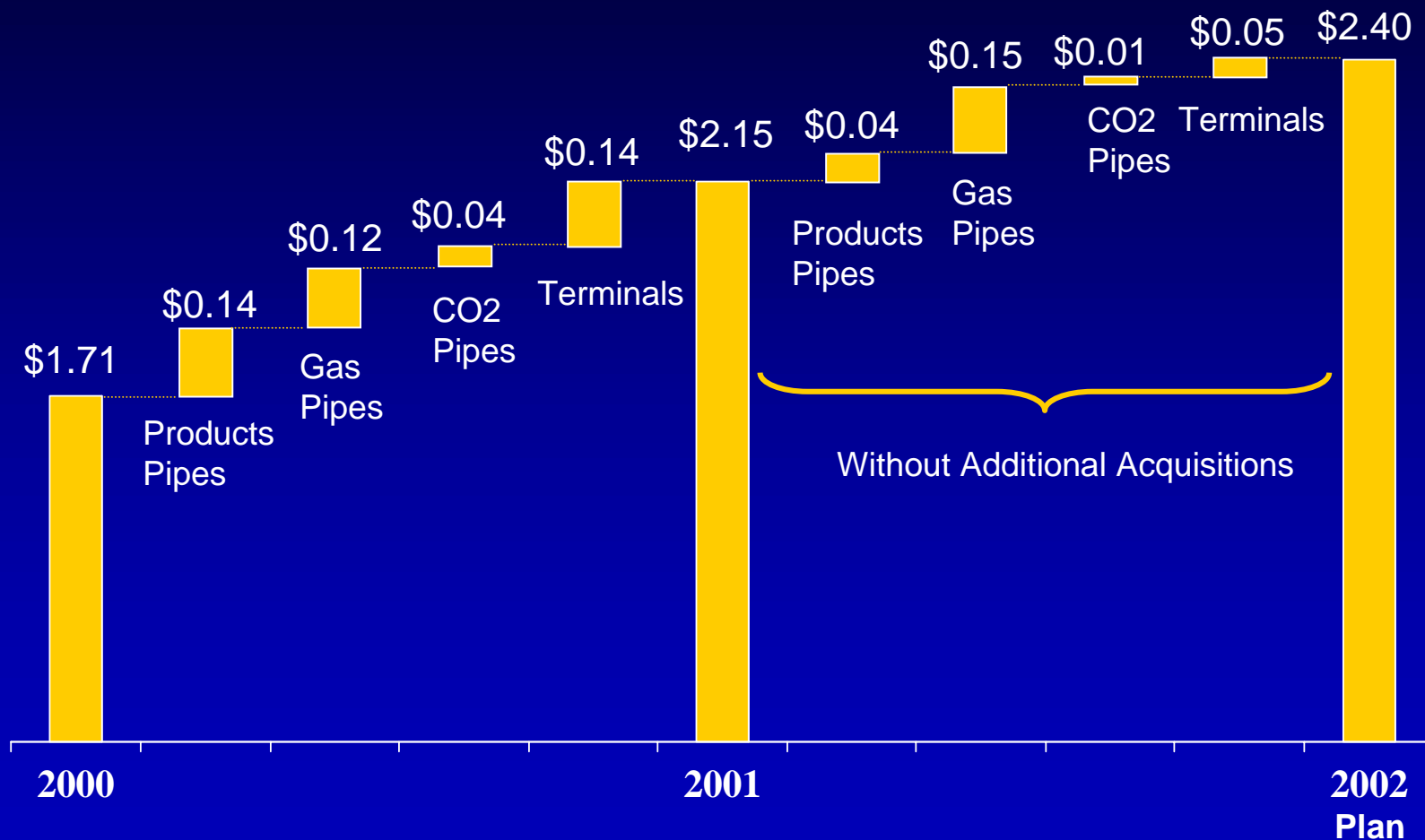
- **EPS Targets:**
 - \$2.55 – no acquisitions (30% growth)
 - \$2.65 – modest acquisitions (35% growth)
 - \$2.58 – bonus target
- **Cash Flow Per Share: \$3.37 ^(b)**
- **Segment Income Growth ^(c):**
 - KMP: +60%
 - NGPL: +4%
 - Retail: +5%
 - Power and Other: -21%
- **50% debt to total capital target**

(a) KMP/KMR = DCF before Interest and G&A

(b) Calculation: [Net Income after Tax + DD&A – Maintenance Cap Ex + (Book Taxes – Cash Taxes)]/Number of Shares.

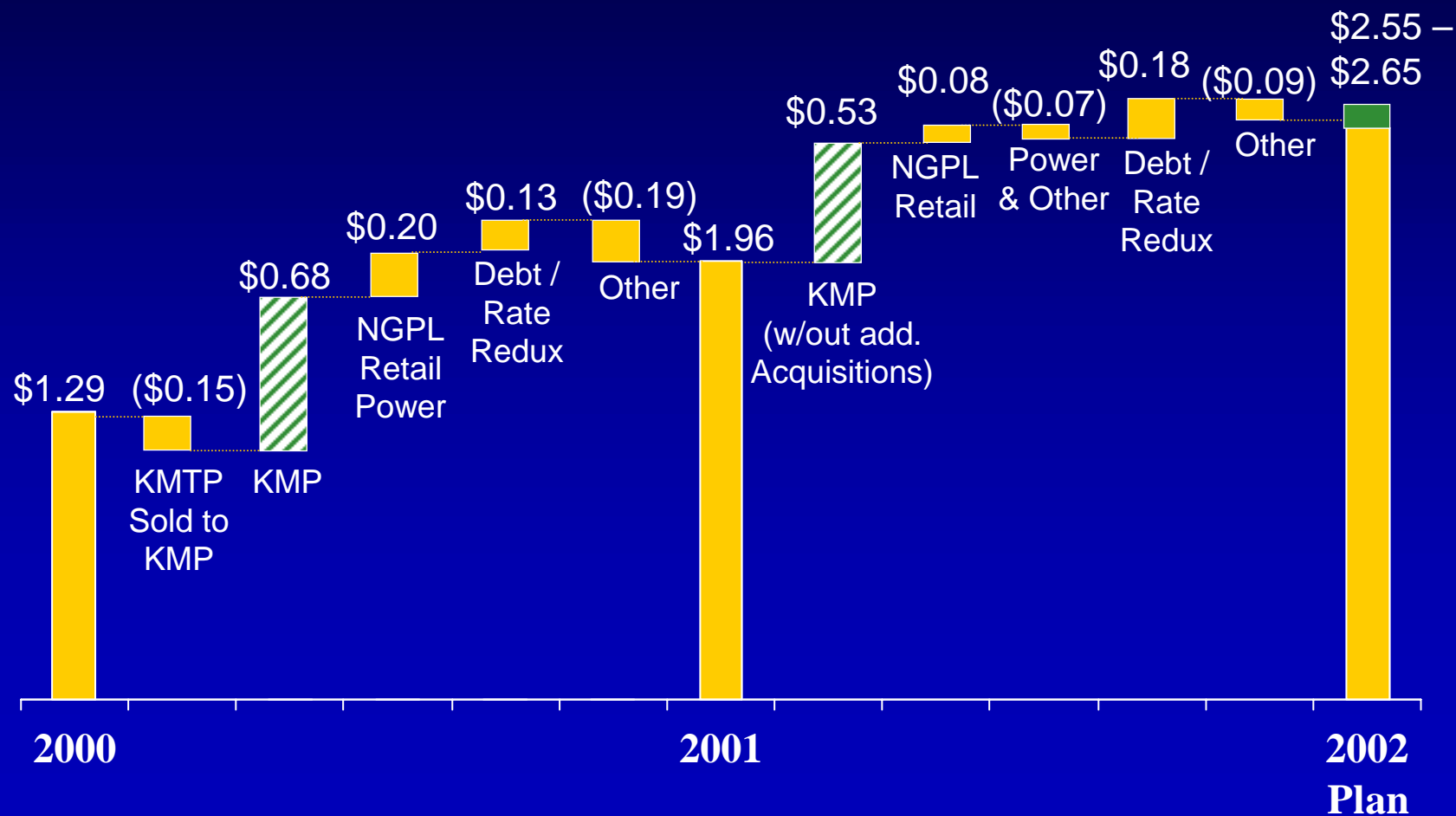
(c) KMI = Operating Income before Interest and G&A.

KMP DCF Per Unit



Allocates DCF growth to segments based on change in earnings before DD&A

KMI Earnings Per Share



2002 Plan: Upsides

- Additional accretive acquisitions by KMP
- Natural Gas: more rapid realization of Tejas synergies
- CO2: increased SACROC production volumes
- Product Pipelines: faster demand growth due to economic recovery

2002 Plan: Risks

- Regulatory/Legal
- Environmental/Terrorism
- Interest Rates

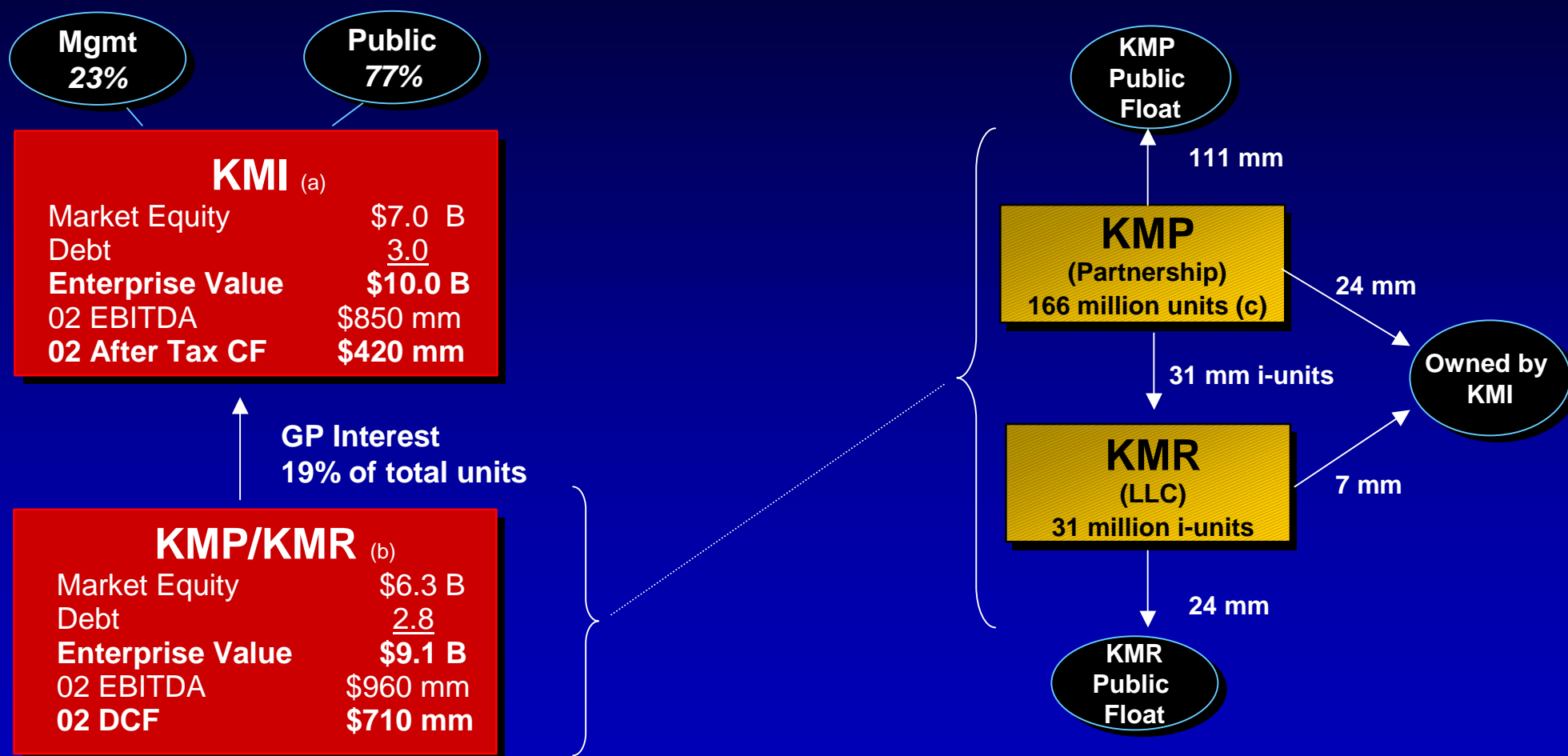
Common Questions

- Is Kinder Morgan's structure complex?
- Is Kinder Morgan's growth dependent on acquisitions?
- Where is Kinder Morgan trading relative to its peers?

Structure is Common and Public

- Partnership – 10 years old
- Similar to approximately 25 other publicly traded MLPs
- Widely disclosed and publicly documented
- Widely followed by analysts
- Majority of independent board members
- Detailed cash flow tracking presentation at lunch

The Kinder Morgan Structure



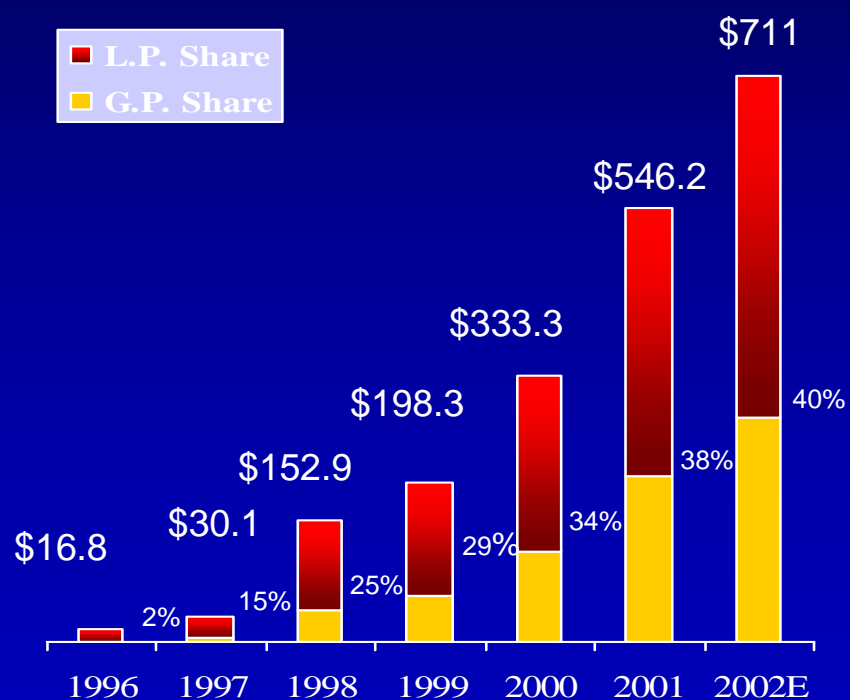
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(c) Includes I-units and Class B units.

Structure is Focused on Cash

KMP Total Cash Distributions



Cash

KMI GP Interest (a)



(a) Includes only the 2% GP Interest - does not include limited partner units owned by GP/KMI

Modest Top Line Growth = Significant Bottom Line Growth

Illustrative

	<u>Year 1</u>	<u>Year 2</u>	<u>Growth</u>	<u>Comments</u>
Gross Margin	\$100	\$104	4%	Price and volume
Operating Expenses	<u>50</u>	<u>50</u>		Efficiency savings compensate for small increase in variable cost.
Operating Income	\$50	\$54	8%	
G&A	<u>6</u>	<u>6</u>		No increase associated with internal growth
Net before Debt	\$44	\$48	9%	
Interest Expense (a)	<u>11</u>	<u>11</u>		No increase associated with internal growth
Net After Debt	\$33	\$37	12%	
LP Share	20	2	10%	LP receives 60% of total; 50% of upside
GP Share	13	2	15%	GP receives 40% of total; 50% of upside

(a) Based on enterprise value equal to \$450, 40% leverage and 6% interest rate.

Excess Capacity Available for Growth

KMP/KMR

Products Pacific: approximately 70% utilization on average
 Plantation: approximately 80%; 5-8 years of excess capacity
 CFPL: approximately 65%

Natural Gas Texas systems (which compose approximately 50% of total natural gas pipelines) have 25% excess capacity

CO2 Cortez has approximately 20% additional capacity
 Central Basin has 50% excess capacity
 CRC is near 100% capacity.

Terminals High utilization on liquids; substantial excess in bulk

KMI

NGPL High utilization; growth will come from Horizon/St. Louis plus re-contracting success

Internal Expansions add Additional Growth

2001 Announced Expansions	Number of Projects	Capital Committed	Completion Date	Comments
Products Pipelines	1	\$9	2002	CALNEV
Natural Gas Pipelines	5	\$200	2002-2003	Trailblazer, FPC, Horizon, St. Louis
CO2 Pipelines	1	\$29	2002	SACROC
Terminals	<u>4</u>	<u>\$80</u>	2002-2003	Delta, Dakota
Total	11	\$318		

Targeted KMP Internal Growth

	Total Change 2001-2002	Annual Internal Target	Variance Comments
Products	\$39.6	\$30-35	CALNEV partial period
Natural Gas	113.4	20-25	Tejas, Occidental partial period
CO2	1.9	20-25	SACROC growth in 2003
Terminals	33.3	10-15	Partial period acquisitions
G&A, Interest , Other		(5-10)	Interest for expansion projects
Total		\$75-90	



Approximately 8-10% internal growth

Internal Growth Only

Hypothetical KMI Four Year Internal EPS Growth (2001-2005) ^(a)

KMI Other Asset Growth ^(b)					
		2%	4%	6%	8%
KMP Internal DPU Growth	6%	15%	16%	17%	19%
	8%	17%	18%	19%	20%
	10%	19%	20%	21%	22%
	12%	21%	22%	23%	24%

(a) Assumes 50% of cash flow after tax is used to pay down debt and 50% used to repurchase shares.

(b) Growth in operating income from other KMI Assets: NGPL, power and retail.

To Whom Do You Compare KM Entities?

	KMP/KMR	KMI	Feels Like
Stable Cash Flow Strong Balance Sheet	6% yield 40% debt/cap	Share buyback 50% debt/cap	Utility
↓ Add: Internal Growth	8-10%	15-20%	Unregulated Business
↓ Add: Acquisitions	15%	20-30%	Growth stock; Leading company in sector

Stable Cash Flow Streams

■ Revenues

- Products Pipelines – connects major supply hubs to stable end user demand
- Natural Gas Pipelines – long term take or pay contracts
- CO2 –long term contracts; low marginal cost to produce
- Terminals – long term contracts; product and geographic diversity

■ Commodity Exposure

- Avoid businesses with direct commodity exposure
- Hedge businesses with incidental exposure

■ Expenses

- Fixed cost business with low, predictable variable cost.

Strong Balance Sheet

■ Debt

- Conservative Leverage
 - 47% KMI
 - 46% KMP
- 50% Fixed Rate

■ Insignificant off-balance sheet financing

- Primarily related to Plantation and CO2 (GAAP rules)
- All significant leases have been moved on balance sheet post KN

Augment Internal Growth with Acquisitions

Disciplined Strategy

<u>Segment</u>	<u>Purchase Price</u>	<u>DCF</u>	<u>DCF Multiple</u>	<u>Target Multiples</u>	<u>Comments</u>
Natural Gas Pipelines	\$1,178	\$137	8.6	6-8X	Oxy lease effect, Tejas
Products Pipelines	\$19	4	4.3	6-8X	Cochin, Transmix
CO2 Pipelines	\$12	3	4.4	5-7X	SACROC
Terminals	\$202	30	6.6	4-7X	Stolt, Vopak,
Total – 2001 (a)	\$1,410	\$175	8.1		
Total – 1997-2000	\$4,731				
Grand Total (a)	\$6,141				

(a) Does not include \$11 million retail acquisition completed at KMI.

KMI Long Term Outlook

Hypothetical KMI: Four Year Compounded Annual Growth Rate (2001-2005)

Acquisitions Per Year @ KMP					
KMP Internal DPU Growth		\$0	\$500	\$1,000	\$1,500
	6%	16%	21%	25%	28%
	8%	18%	22%	26%	30%
	10%	20%	24%	28%	31%
	12%	22%	26%	30%	33%

Assumptions: (i) NGPL, retail and power grow at 4%, (ii) 50% of cash flow used to pay down debt and 50% used to repurchase shares, (iii) acquisitions made at 7.0X multiple and financed on a long term basis at 60% equity/40% debt.

Unique Combination of Stability and Growth

		2002 P/E	Price CAGR (c)	EPS Growth	LT EPS Growth	P/E to Growth
Stable cash flow + Strong balance sheet + Solid internal growth + Acquisitions	KMI (a)	21.6X	78%	64%	25%	.86
	S&P	24.2	(6%)	(12%)	7-8% (d)	3.2
Comparables?						
		Current Yield	Price CAGR (c)	Total Annual Return	EPS/ DCF Growth	LT EPS/DCF Growth
	KMP (b)	5.8%	41%	49%	28%	10-15%
	S&P	1.4%	9%	13% (f)	(1%)	7-8% (d)
	UTY	3.8%	5%	12% (f)	n/a	n/a
	MLP	6.8%	12% (e)	22% (f)	n/a	8% (d)

(a) 12/31/01 close price = \$ 55.69; EPS = \$2.58

(b) Year end run rate = \$0.55 x 4=\$2.20 at 12/31 close of \$37.82.

(c) Share price appreciation. KMP from 1/97 through 12/01; KMI from 7/99 through 12/01. Reflects time frame current management in place.

(d) Estimates from various investment banks, First Call

(e) Assumes investment in existing pipeline MLPs as of 1/97 and in subsequent pipeline MLPs as IPOs occur.

(f) Estimated