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*Merrill Lynch Conference*
*Real Assets, Real Earnings, Real Cash*
*September 2003*

# Forward Looking Statements

This presentation contains forward looking statements, including these, within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Exchange Act of 1934, as amended. Forward looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. The future results and securities values of Kinder Morgan Inc., Kinder Morgan Energy Partners, L.P. and Kinder Morgan Management, LLC (collectively known as “Kinder Morgan”) may differ materially from those expressed in the forward-looking statements contained throughout this presentation and in documents filed with the SEC. Many of the factors that will determine these results and values are beyond Kinder Morgan's ability to control or predict. These statements are necessarily based upon various assumptions involving judgments with respect to the future, including, among others, the ability to achieve synergies and revenue growth; national, international, regional and local economic, competitive and regulatory conditions and developments; technological developments; capital markets conditions; inflation rates; interest rates; the political and economic stability of oil producing nations; energy markets; weather conditions; environmental conditions; business and regulatory or legal decisions; the pace of deregulation of retail natural gas and electricity and certain agricultural products; the timing and success of business development efforts; terrorism; and other uncertainties. You are cautioned not to put undue reliance on any forward-looking statement.

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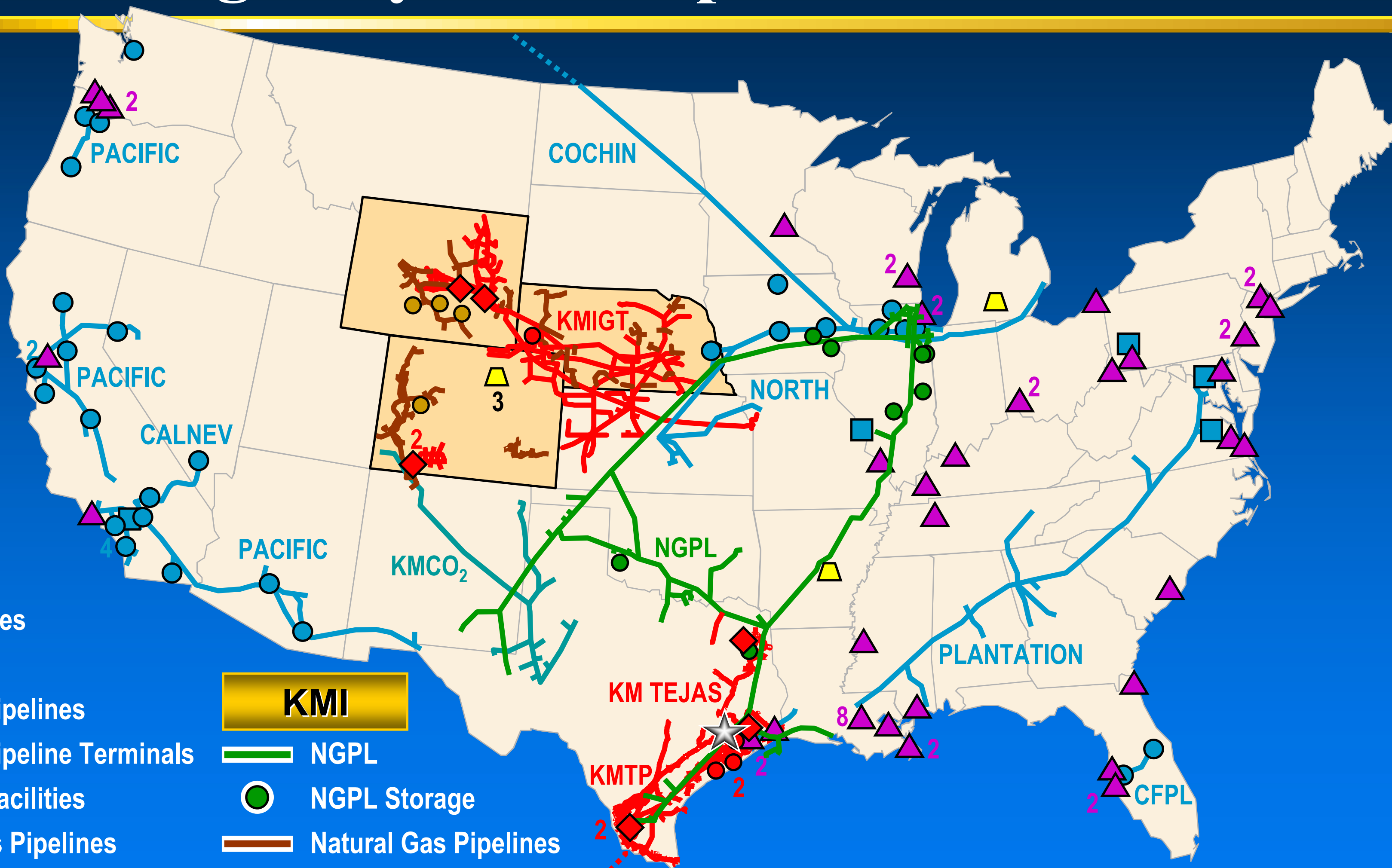
# Kinder Morgan System Map




**KMP**

- $CO_2$ Pipelines
- Terminals
- Products Pipelines
- Products Pipeline Terminals
- Transmix Facilities
- Natural Gas Pipelines
- Natural Gas Storage
- Natural Gas Plants
- (2,3,8) Indicates # of Facilities

**KMI**

- NGPL
- NGPL Storage
- Natural Gas Pipelines
- Natural Gas Storage
- Gas-Fired Power Plants
- Retail Natural Gas Division

Kinder Morgan Headquarters
Houston, Texas

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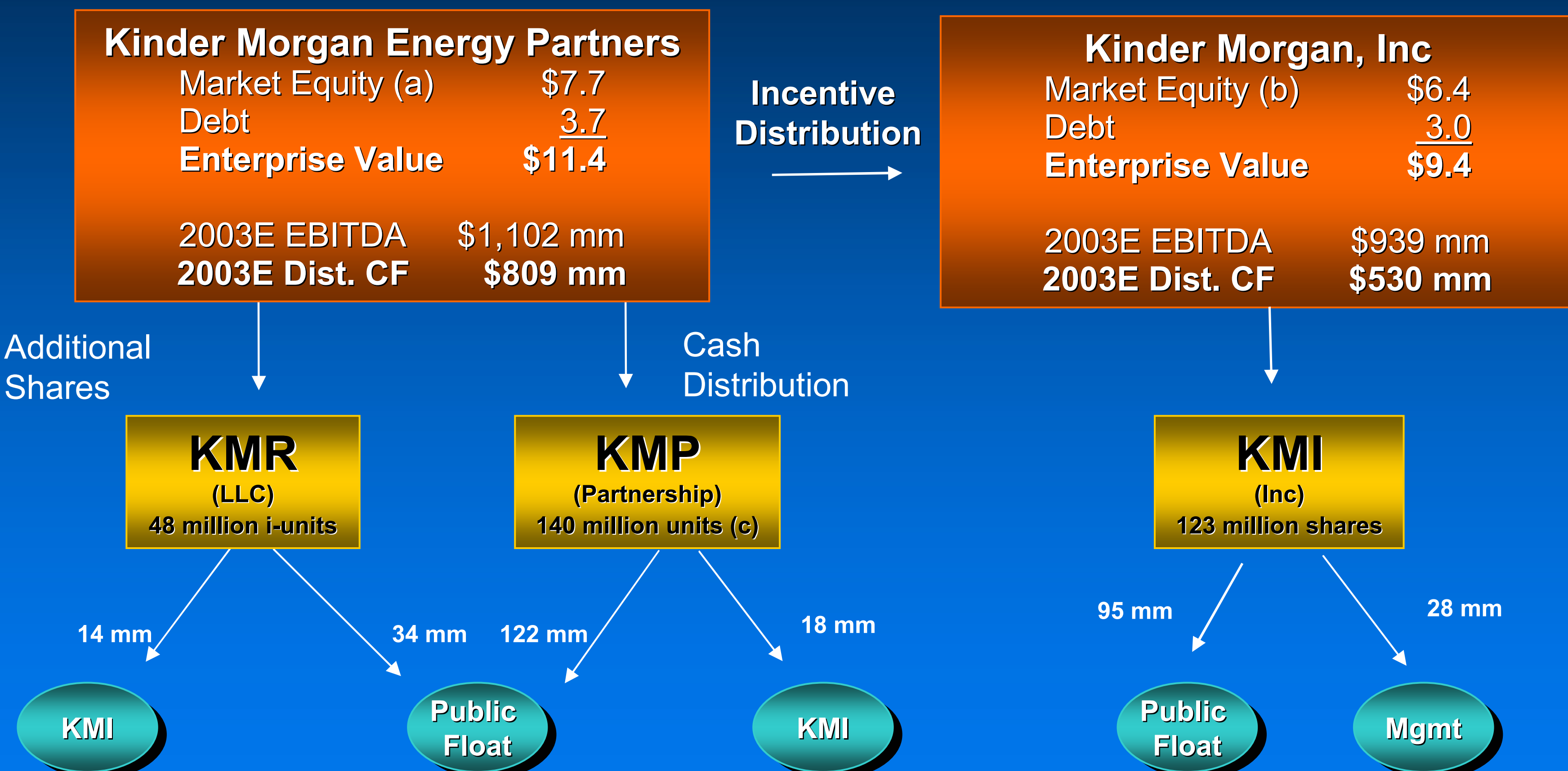
# Kinder Morgan: Three Securities



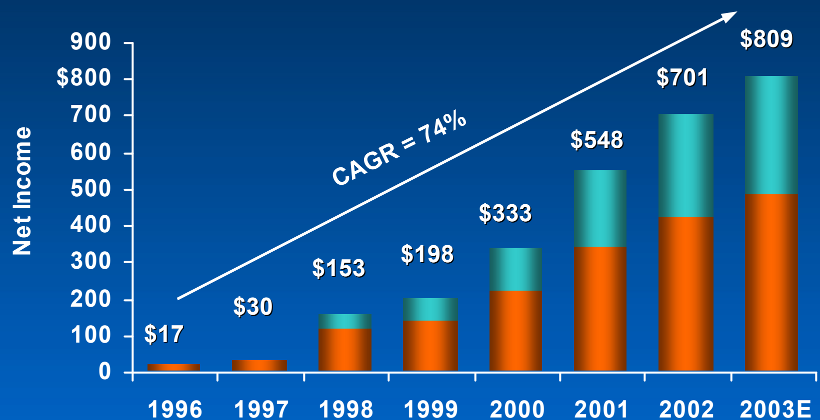

(a) KMEP market cap based on 140 million common units at a price of $42.06, and 48 million KMR i-units at a price of $38.32 as of September 12, 2003. Debt balance as of June 30, 2003, excluding the fair value of interest rate swaps, net of cash.

(b) KMI market cap based on 123 million shares at $52.10 as of September 12, 2003. Debt balance as of June 30, 2003, excluding the fair value of interest rate swaps, net of cash.

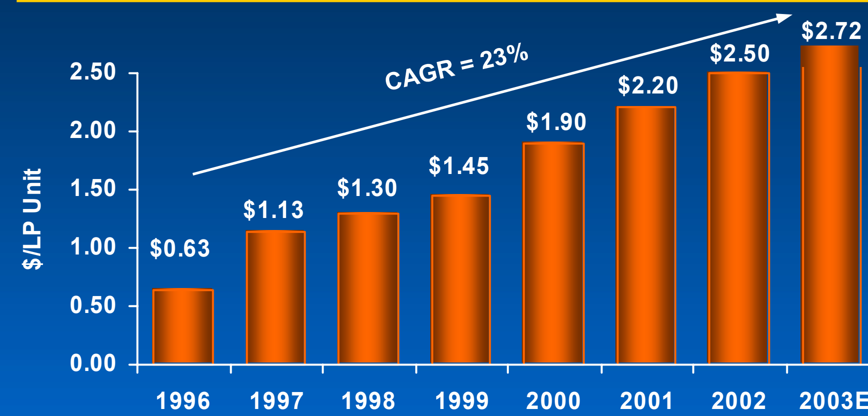
(c) Includes 5 million Class B units owned by KMI. Class B units are unlisted KMP common units.

# Consistent Track Record

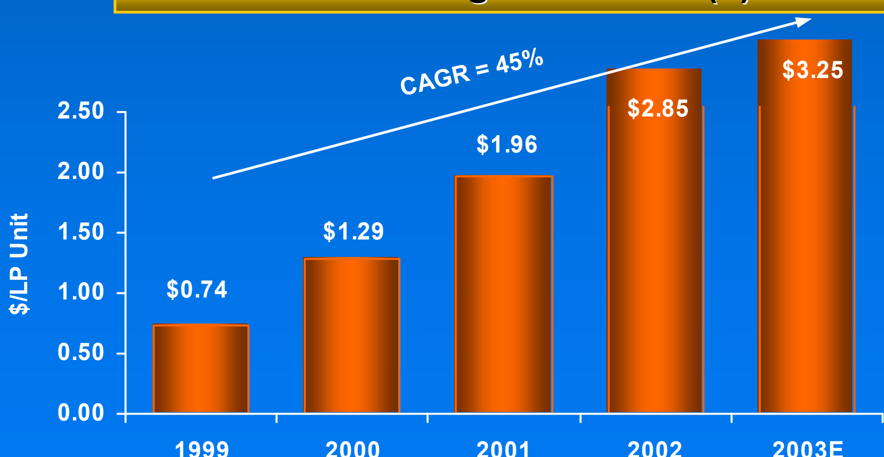
## Total Distributions (GP + LP) ($mm)



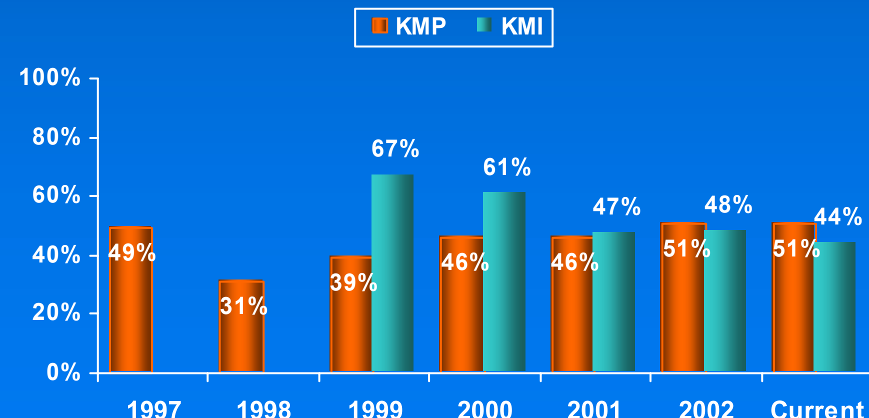

## KMP Distribution / Unit (a)




## KMI Earnings Per Share (b)




## Debt to Total Capital




(a) Declared 4Q distribution annualized (i.e. multiplied by four).
(b) Excluding special items.

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# Attractive Value Proposition

| | KMP/KMR (a) | KMI (a) |
|---|---|---|
| Stable Cash Flow | ~ 6.5% / 7.0% yield | ~ 3.0% yield |
| Add: Internal Growth | 8-10% | 12%+ |
| Internal Growth - Total Return Potential | 15-17% | 15%+ |
| Acquisition Upside - Total Return Potential | >15-17% | >15+% |

(a) Returns calculated from 2002 to 2007.

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# 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 and expansions**
  - Reduce needless overhead
  - Apply best practices to core operations
- **Maximize benefit of a unique financial structure which fits with strategy**
  - MLP avoids double taxation, increasing distributions from high cash flow businesses
  - Strong balance sheet allows flexibility when raising capital for acquisitions / expansions

# Management Philosophy

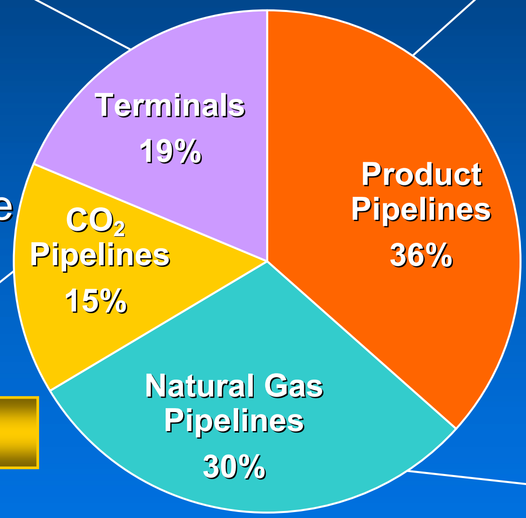
- **Low Cost Asset Operator**
  - — Senior management limited to $200,000 per year in base salary
  - — No planes, sports tickets, etc.
- **Attention to Detail**
  - — Weekly operations and financial assessment
  - — Monthly earnings and accounts receivable review
  - — Quarterly strategic review
- **Risk Management**
  - — Avoid businesses with direct commodity price exposure wherever possible
  - — Hedge incidental commodity price risk
- **Alignment of Incentives**
  - — Bonus targets are tied to published budget – KMP DCF of $2.63 and KMI EPS of $3.18 for 2003
  - — Senior management has KMI restricted stock. All other employees have options.
  - — Rich Kinder has the largest equity stake in the energy industry — 20% in KMI
  - — He receives $1 per year in salary, no bonus, no options

# Solid Asset Base Generates Stable Fee Income

## Terminals

- Largest independent terminal operator in U.S.
- 65% Liquids, 35% Bulk
- Geographic and product diversity
- 3-4 year average contract life

## KMP 2003 DCF (a)




## Products Pipelines

- Largest independent refined products pipeline system in U.S.
- Refinery hub to population center strategy
- 47% FERC regulated (b)
- 19% CPUC regulated (b)
- No commodity price risk

## $CO_2$

- Leading provider of $CO_2$ in U.S.; long-term contracts
- 37% $CO_2$ transport and sales
- 63% oil production related
- Oil price hedged out to 5 years

## Natural Gas Pipelines

- 38% FERC regulated with 7-8 year average contract life
- 51% Texas Railroad Commission regulated
- Little incidental commodity risk

(a) Budgeted 2003 distributable cash flow before allocation of G&A and interest.
(b) Based on 2002 earnings.

# Targeted KMP Internal Segment Growth

| Business Segments | DCF 2002 Actual | DCF 2003 Budget | Change | Growth Drivers |
|---|---|---|---|---|
| Products Pipelines | $399.1 | $418.7 | $19.6 | Demographics in West and Southeast U.S. |
| Natural Gas Pipelines | 307.6 | 341.1 | 33.5 | Expansions and extensions |
| $CO_2$ Pipelines | 128.6 | 171.9 | 43.3 | SACROC growth |
| Terminals | 187.9 | 211.7 | 23.8 | Expansions, new contracts |
| **Total (a)** | **$1,023.2** | **$1,143.4** | **$120.2** | |

**Consistent with 8% Internal Growth to LP Units**

(a) Total segment distributable cash before G&A and interest.

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# Modest Top Line Growth at KMP Leads to Significant Bottom Line Growth

***Illustrative***

| | Year 1 | Year 2 | Growth | Comments |
|---|---|---|---|---|
| Gross Margin | $100 | $104 | 4% | Price and volume |
| Operating Expenses | 50 | 50 | | Efficiency savings compensate for small increase in variable cost |
| **Operating Income** | **$50** | **$54** | **8%** | |
| G&A | 6 | 6 | | No increase associated with internal growth |
| **Net Before Debt** | **$44** | **$48** | **9%** | |
| Interest Expense (a) | 11 | 11 | | No increase associated with internal growth |
| **Net After Debt** | **$33** | **$37** | **12%** | |
| LP Share | 20 | 22 | 10% | LP receives 59% of total and 50% of upside |
| GP Share | 13 | 15 | 15% | GP receives 41% of total and 50% of upside |

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

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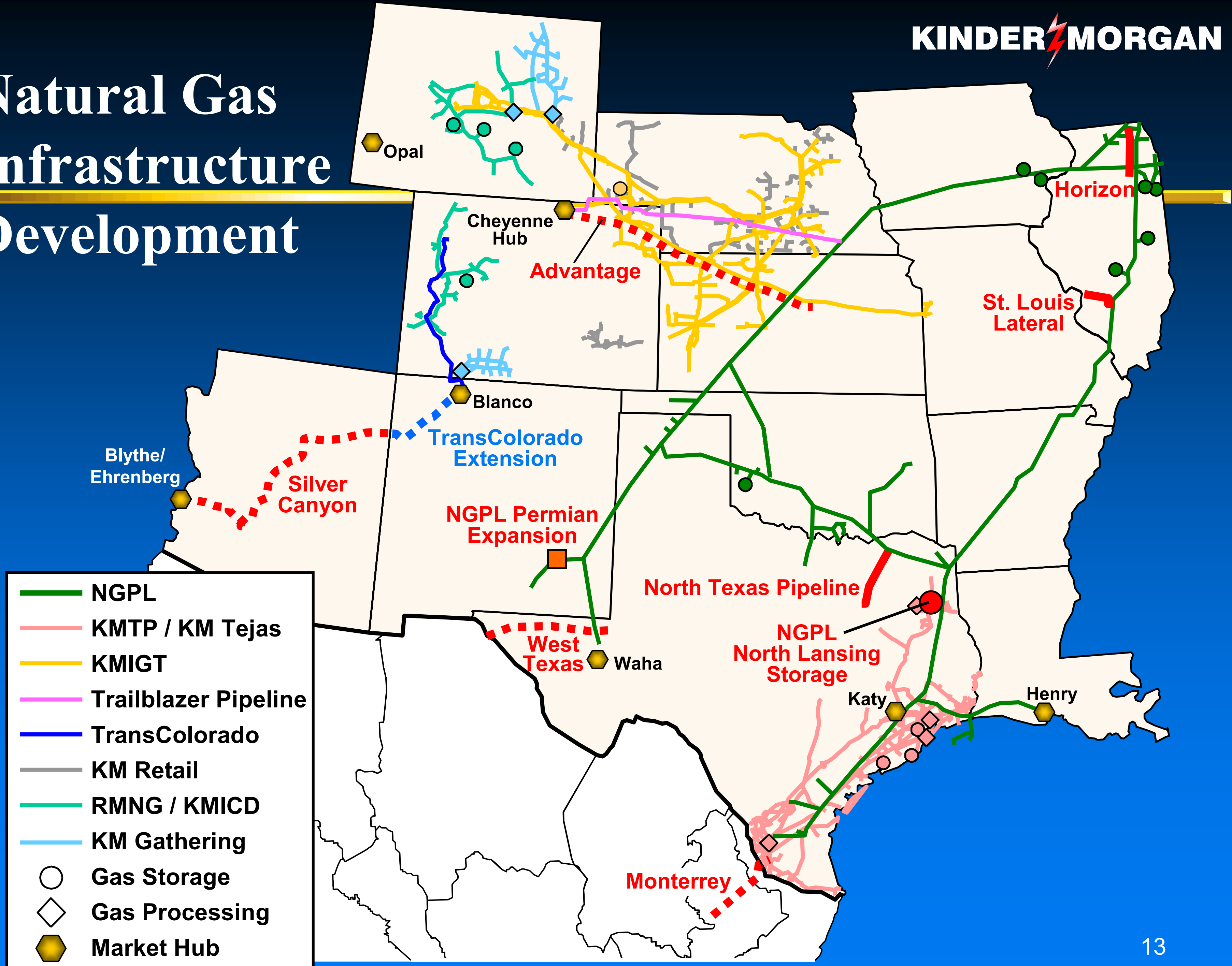
# High Return Internal Expansions Add Growth

## KMP 2003 Expansion Capital Budget

| Business Segment | 2003 Budget | Major Projects | Cost – Major Projects | Completion Date |
|---|---|---|---|---|
| Product Pipelines | $66 | Sacramento, Ethanol | $88 | 2003-2005 |
| Natural Gas Pipelines | $67 | Cheyenne, Monterrey | $118 | 2003-2004 |
| CO2 Pipelines | $233 | SACROC/Centerline | $236 | 2003 |
| Terminals | $58 | Northeast, Houston | $44 | 2003 |
| **Total** | **$424** | | **$486** | |

# Natural Gas Infrastructure Development



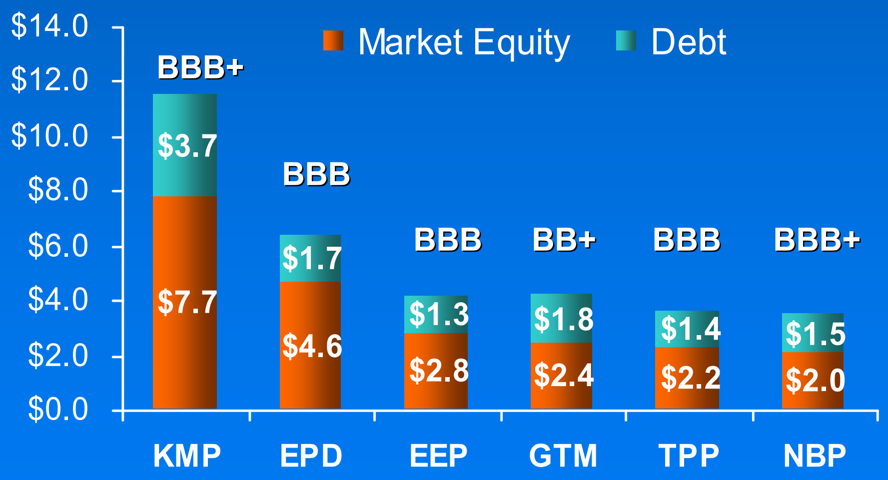
# KMP is conservatively capitalized

| | |
|---|---|
| Rating | Baa1/BBB+ |
| Current Net Debt / Total Capital | 51% |
| 2003 Budget Estimates: | |
| Debt / EBITDA | 3.6x |
| EBITDA / Interest | 6.0x |

**CP Capacity:**

| | |
|---|---|
| Total Revolver | $1,050 |
| Outstanding CP (6/30/03) | 347 |
| Excess Capacity | $703 |

**Enterprise Value and Credit Ratings (a):**




| **Maturities:** | **$ (in millions)** |
|---|---|
| 2003 - Remaining | 45 |
| 2004 | 5 |
| 2005 | 205 |
| 2006 | 45 |
| 2007 | 255 |

(a) Prices as of September 12, 2003. Shares outstanding from Bloomberg. Debt balances and credit ratings based July 22 Citigroup MLP Reference Book.

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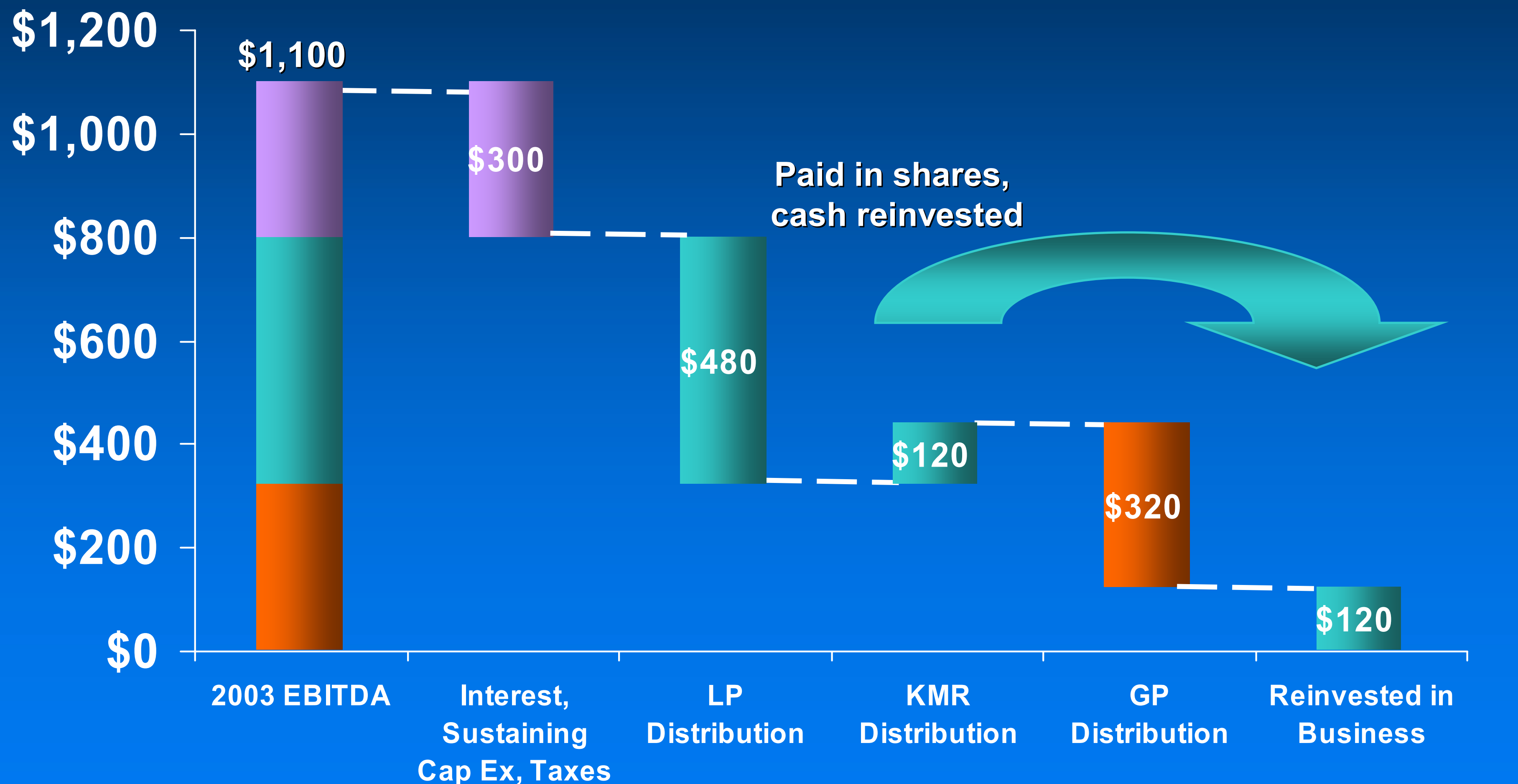
# KMR Reduces KMP's Need to Access Market



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# KMR is a Tax Efficient Way to Own KMP

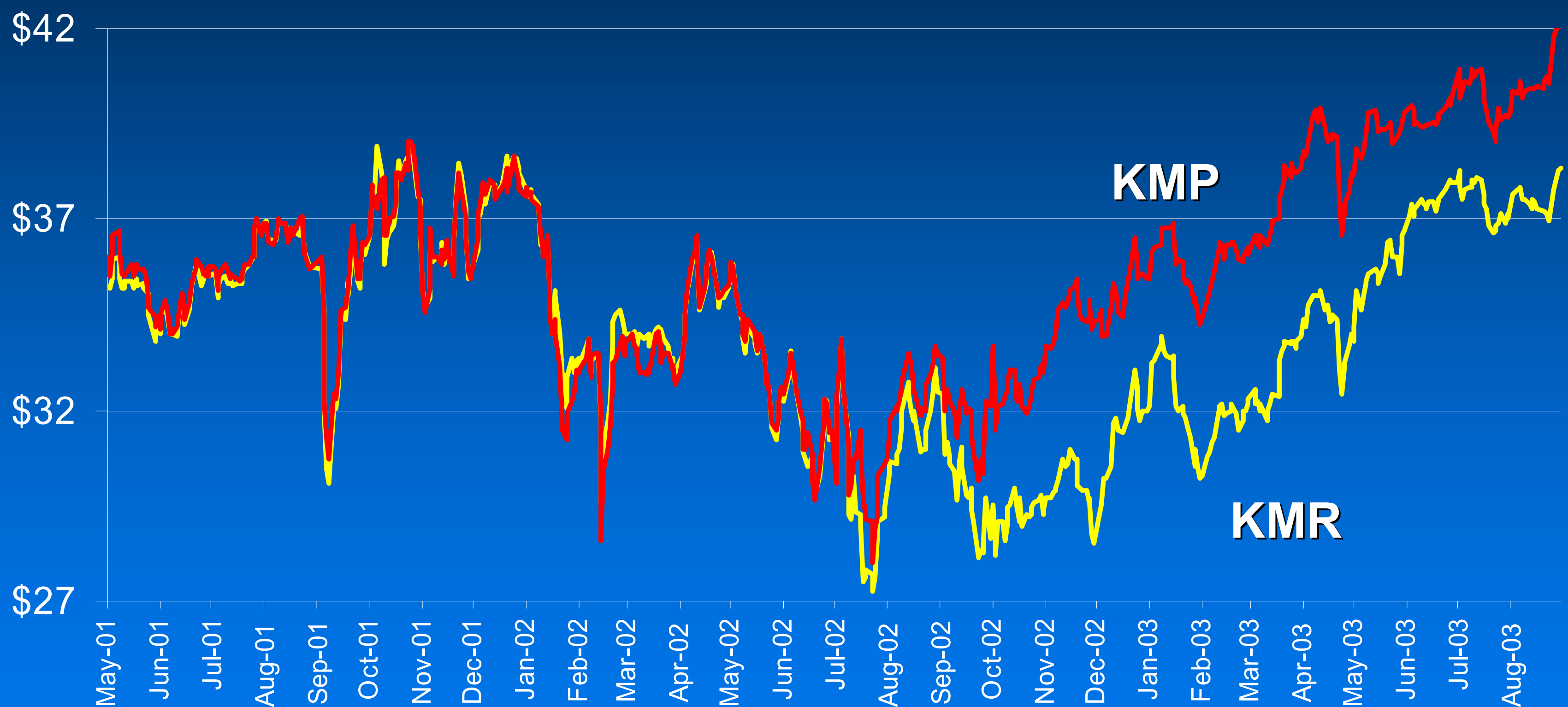
- Higher Current Yield When KMR Trades at a Discount
  - KMP Cash Distribution / KMR Price (10 days prior to ex-dividend)
- Same or Better Terminal Value
  - guarantee upon mandatory purchase events of higher of KMP or KMR value
- Same Voting Rights as KMP
- Taxes
  - Share distributions are not taxed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

# KMR has Produced Attractive Returns

| | Price at Offering | Price at 9/12 | Annual Return (c) |
|---|---|---|---|
| KMR IPO (a) | $35.205 | $38.32 | 11% |
| KMR Secondary (b) | $27.50 | $38.32 | 44% |

(a) Offering date was May 15, 2001.
(b) Offering date was July 31, 2002.
(c) Annual return calculated on a daily basis assuming dividends reinvested.

# KMP, KMR Price Differential Presents Opportunity



# Solid Asset Base Generates Stable Fee Income

## KMP (a)

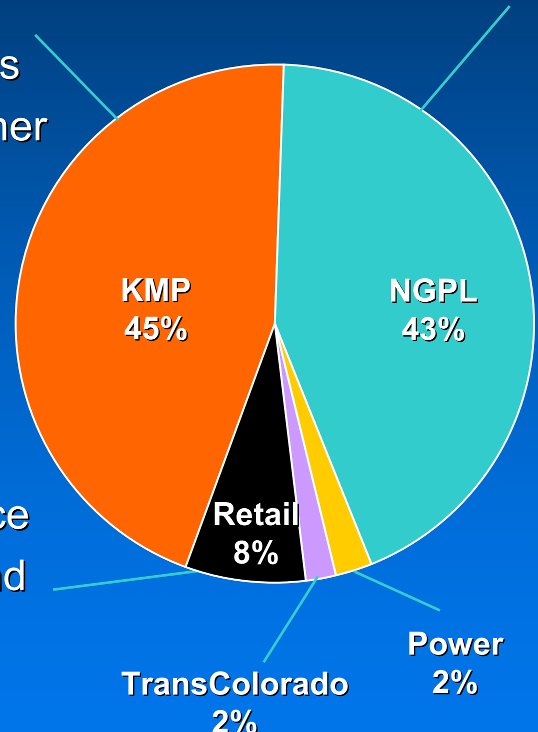
- General partner interest provides incentive distributions
- Own 18% of total limited partner units

## Retail

- Natural gas distribution service
- Serve Colorado, Wyoming and Nebraska
- 240,000 customers

## KMI

### 2003 Segment Income (b)




## NGPL

- FERC regulated with 3 year average contract life
- Primary customers are Chicago local distribution companies
- Little incidental commodity risk

## Power

- Equity interest in five plants

## TransColorado

- Transports natural gas from Rockies to northern New Mexico

(a) Includes: (i) general partner interest, (ii) earnings from 18 million KMP units and (iii) earnings from 14 million KMR units. On a comparable basis 2002 numbers were KMP 42%, NGPL 43%, Retail 8%, Power 5% and TransColorado 2%.

(b) Budgeted 2003 segment earnings before allocation of G&A and interest.

# Targeted KMI Internal Growth

**Three Assumptions:**

| | |
|---|---|
| 1. KMP | 8 - 10% LP distribution growth plus resulting GP incentive |
| 2. NGPL / Other Assets | 3 - 5% segment earnings growth |
| 3. Cash Available after sustaining and modest expansion CAPEX | 50% Dividends/ Repurchase Shares<br>50% Reduce Debt |

**Consistent with 12% Internal Growth + 3% Yield**

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# KMI vs. SPX:
# Higher Return, Lower Risk, Trading at a Discount

| | Projected Growth (a) | Dividend Yield | Total Projected Return (b) | Beta | 2003 EPS Multiple |
|---|---|---|---|---|---|
| KMI | 12.0% | 3.0% | 15.0% | .69 | $\boxed{16X}$ |
| SPX | 7.0% | 1.7% | 8.7% | 1.0 | 19X |

(a) Source: KMI = Company Estimates; SPX = First Call Consensus
(b) Projected Growth plus Dividend Yield

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# Potential Dividend Increase above $1.60 in 2004

**Free Cash Flow: ~ $500 million (a)**

→ **Less: Dividend $200 million (b)**

↓ **Less: Share Repurchase: $50 million**

↓ **Less: Debt Repayment: $100 million**

→ **Remaining: $150 million**

**2004 Decision: What portion to debt repayment vs. increased dividend?**

(a) After expansion capital expenditures. Round numbers used to simplify example. 2003 projected cash flow available to pay dividends, repurchase shares and pay down debt is approximately $465 million. 2004 is projected to exceed 2003.

(b) Current dividend = $1.60/share

# Risks

- **Regulatory**
  - Pacific Products Pipeline FERC/CPUC case
  - Trailblazer rate case
  - Affiliate rule change
  - Unexpected FERC policy changes
- **Environmental**
- **Terrorism**
- **Interest Rates**
  - 50% of debt is floating rate
  - Budget assumes approximately 100 bps increase in floating rates over the year
  - A full year of a 100 basis point increase in rates equals $19 million increase in expense at KMP and $15 million at KMI

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# Unique Structure, Stable Assets and Attractive Growth

## Unique Structure

- KMP
  - Tax efficient entity
  - Pay-out 100% of available cash
  - Structure creates discipline
- KMR
  - Dividend reinvestment funds capital expenditures
- KMI
  - Minimal capital required
  - Growth from GP incentive fee
  - Significant excess cash returned to debt and equity holders

## Stable Assets, Attractive Growth

- Stable cash flow from essential infrastructure
- Low cost discipline
- Conservative capital structure
- Management team with significant equity stake
- Outstanding track record
- Attractive internal growth from favorable demographics and expansion opportunities
- Acquisition upside potential

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