



Kinder Morgan Update

August 2001

Forward looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. The future results and securities values of Kinder Morgan Inc. and Kinder Morgan Energy Partners, L.P. (collectively known as "Kinder Morgan") may differ materially from those expressed in the forward-looking statements contained throughout this presentation. 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; 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; and other uncertainties. You are cautioned not to put undue reliance on any forward-looking statement.

Kinder Morgan Management LLC

A written prospectus meeting the requirements of Section 10 of the Securities Act of 1933 may be obtained from Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004.

This communication shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

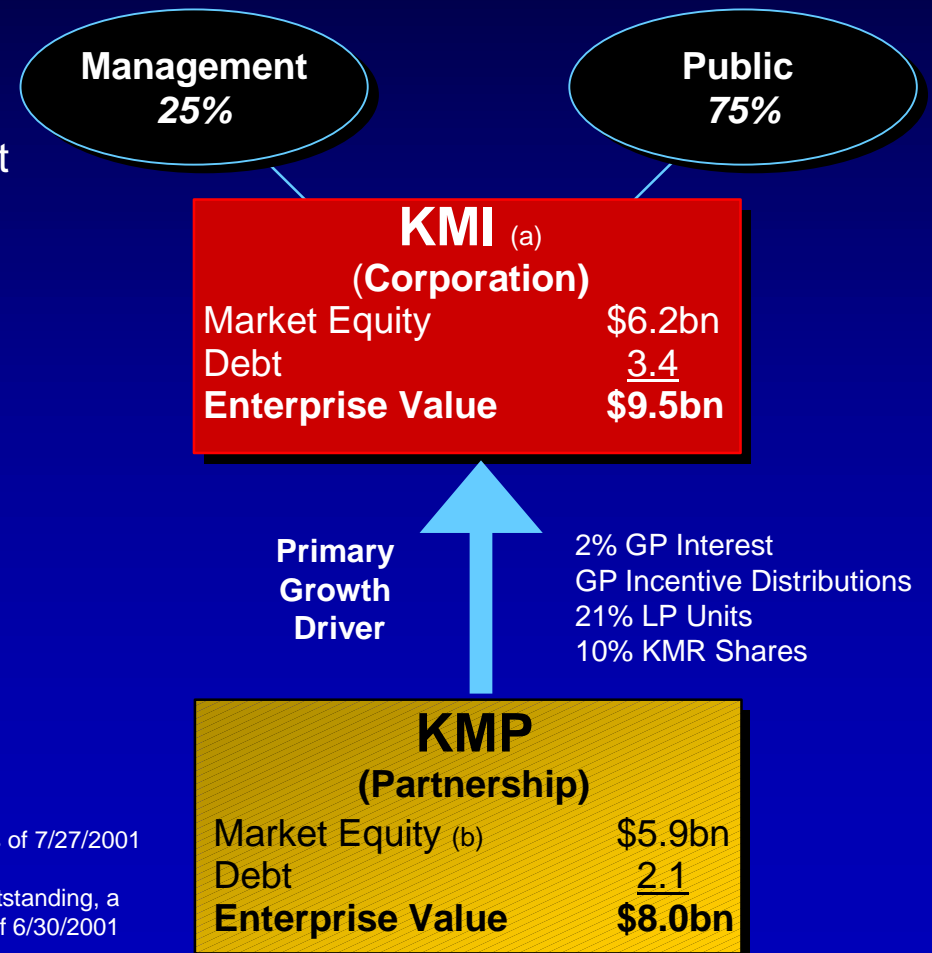
Unique Financial Structure

■ KMP drives growth at KMI

- Over \$250 million of distributions to KMI for 2001
- Represents approximately 34% of KMI's segment income in 2001
- Fastest growing business segment of KMI

■ Senior Management

- Owns 25% of KMI
- KMI owns \$1 billion of KMP units
- Rich Kinder and Bill Morgan have \$1/year salaries, no bonus, no options



(a) Market cap. and enterprise values based on 115.3mm shares o/s and a price of \$53.65 as of 7/27/2001 and debt balance as of 6/30/2001

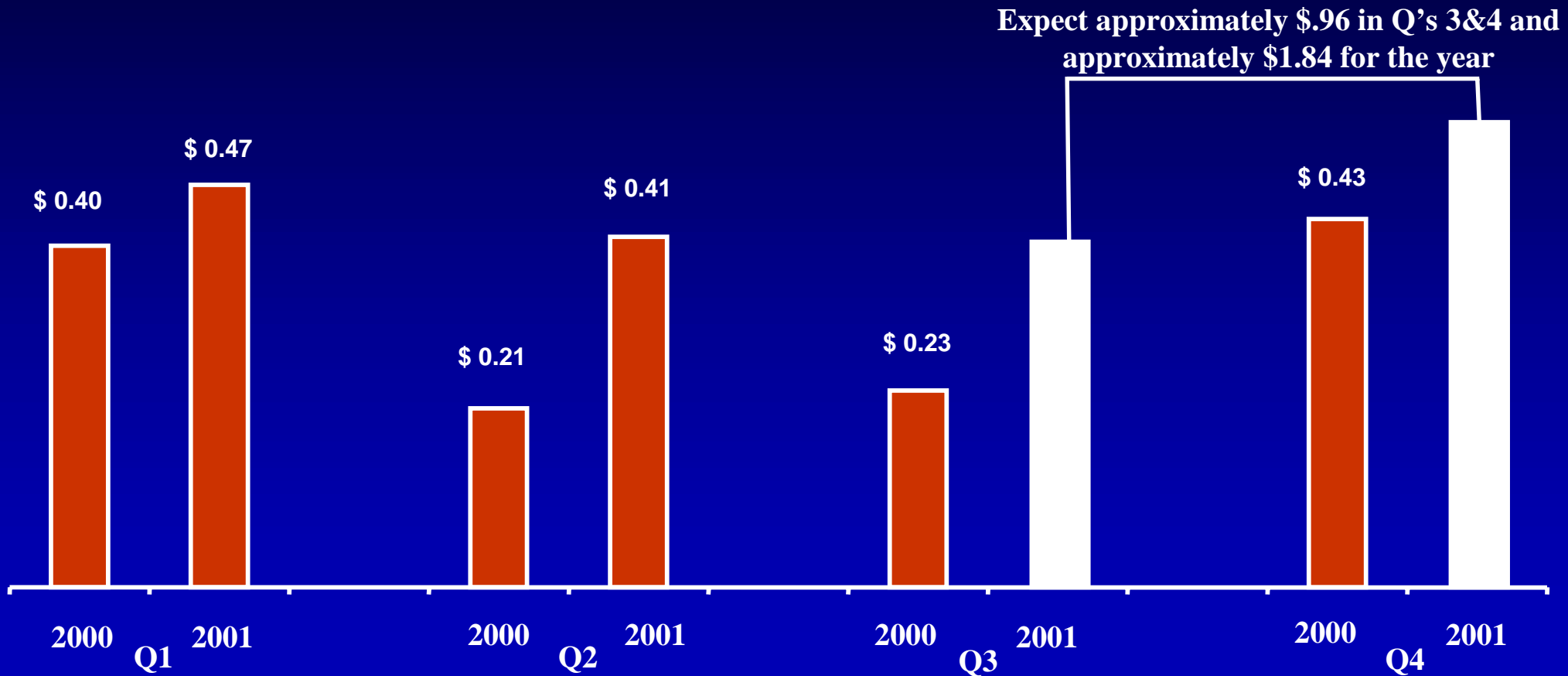
(b) Market cap based on 67.5mm common units outstanding, approximately 15mm I-Units outstanding, a common unit price of \$71.05, and a KMR price of \$70.55 as of 7/27/01. Debt balance as of 6/30/2001

Business Strategy

Since the formation of Kinder Morgan, management has:

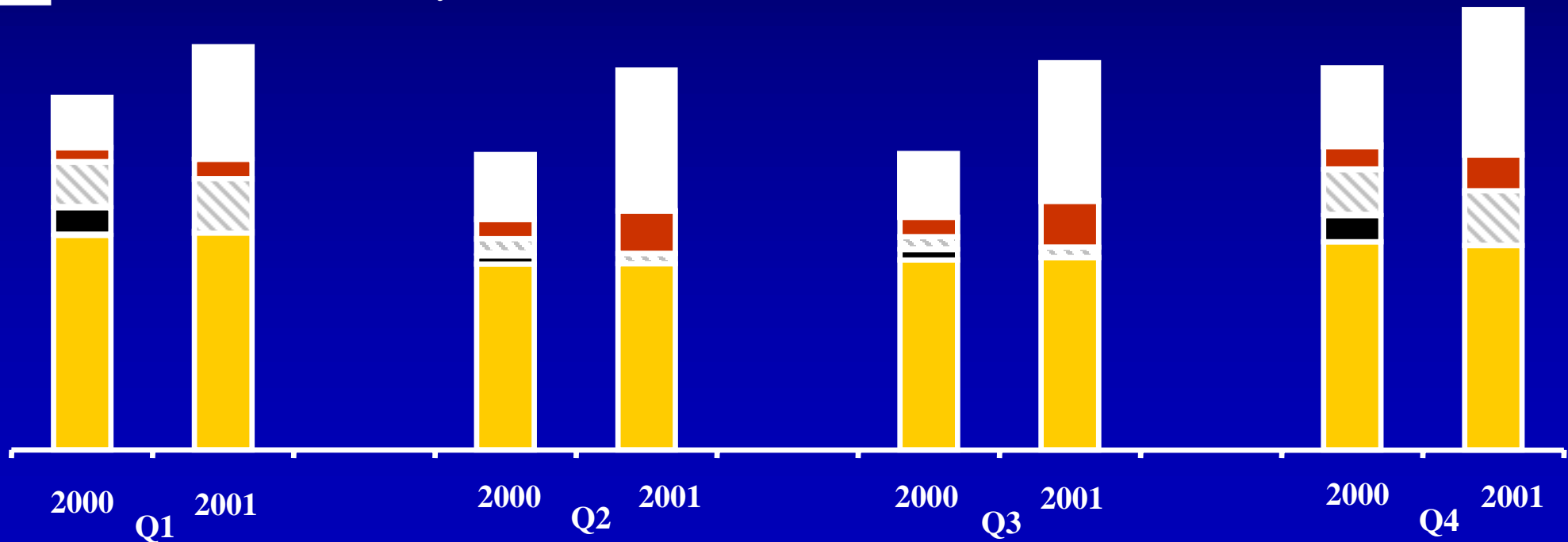
- **Focused on stable, fee-based assets which are core to the energy infrastructure of growing markets**
 - Virtually no commodity price risk
 - Increased use of weather hedges
- **Increased utilization of assets while controlling costs**
 - Classic fixed cost businesses with little variable costs
 - Improve productivity to drop most of top-line growth to bottom line
- **Leveraged economies of scale from incremental acquisitions**
 - Reduce needless overhead
 - Apply best practices to core operations
- **Maximized benefit of a unique financial structure which fits with strategy**
 - MLP avoids double taxation on distributions from high cash flow businesses
 - Strong balance sheet allows flexibility when raising capital for acquisitions / expansions

KMI Guidance – 2001 EPS up over 40%



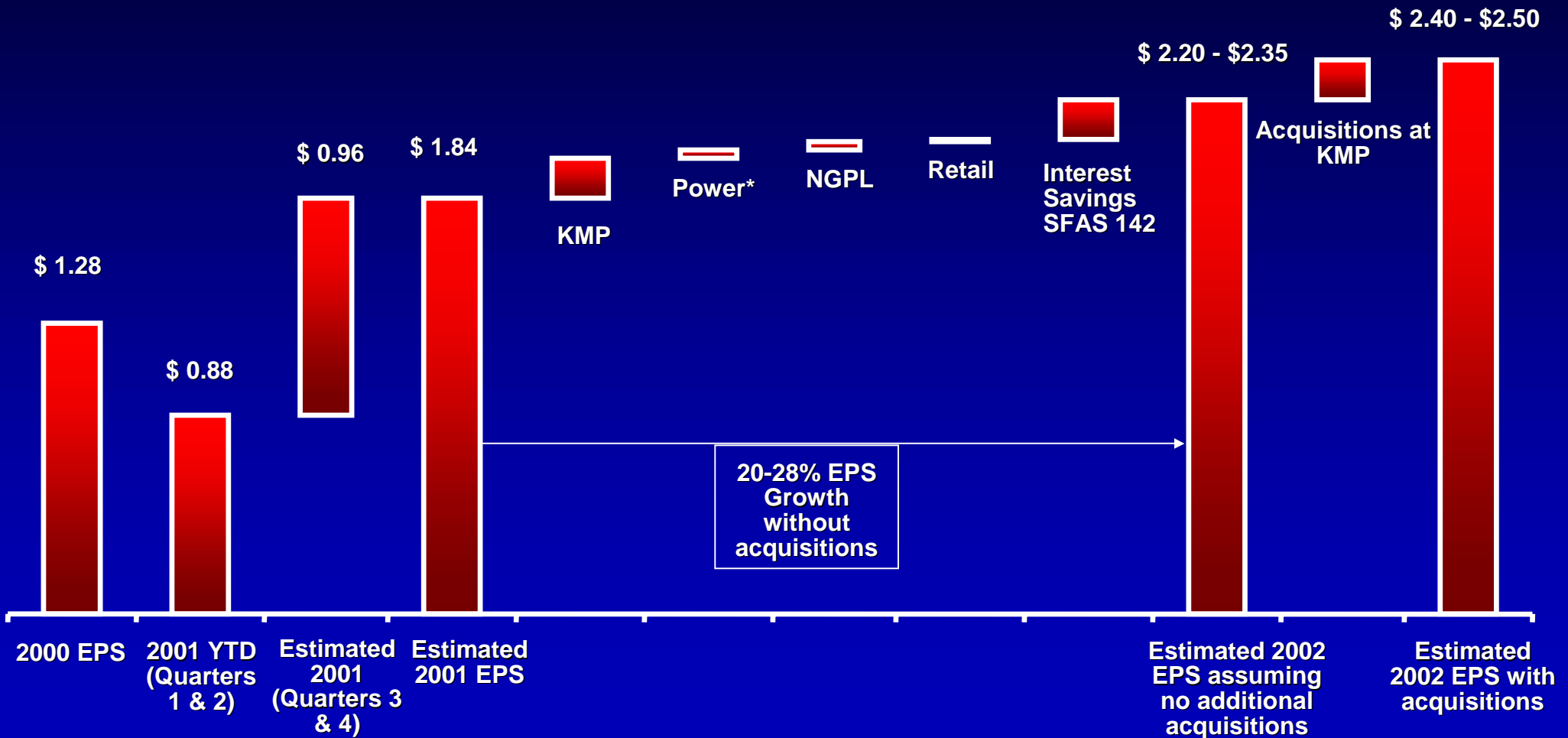
KMI Guidance - Segment Income Contribution ^(a)

- KMP - Should almost double in 2nd half of 2001 vs 2000
- Power & Other – Expect approximately 80% increase in 2nd half 2001 vs 2000
- Retail – Expect 10% growth in 2001
- KMTP – moved to MLP
- NGPL – Should be relatively flat in 2001



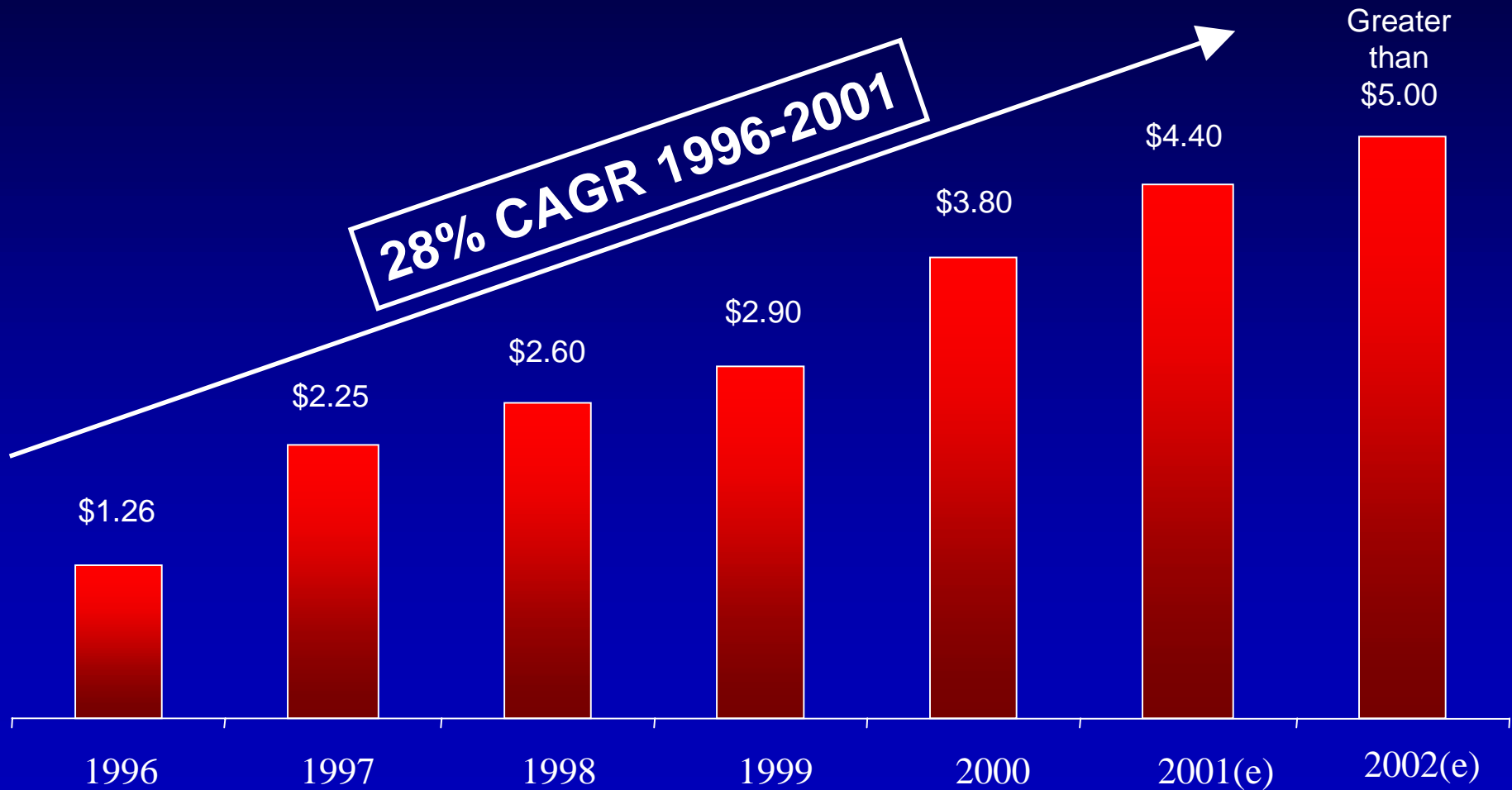
(a) Income from MLP is pre-amortization from excess investment

KMI Guidance - 2002



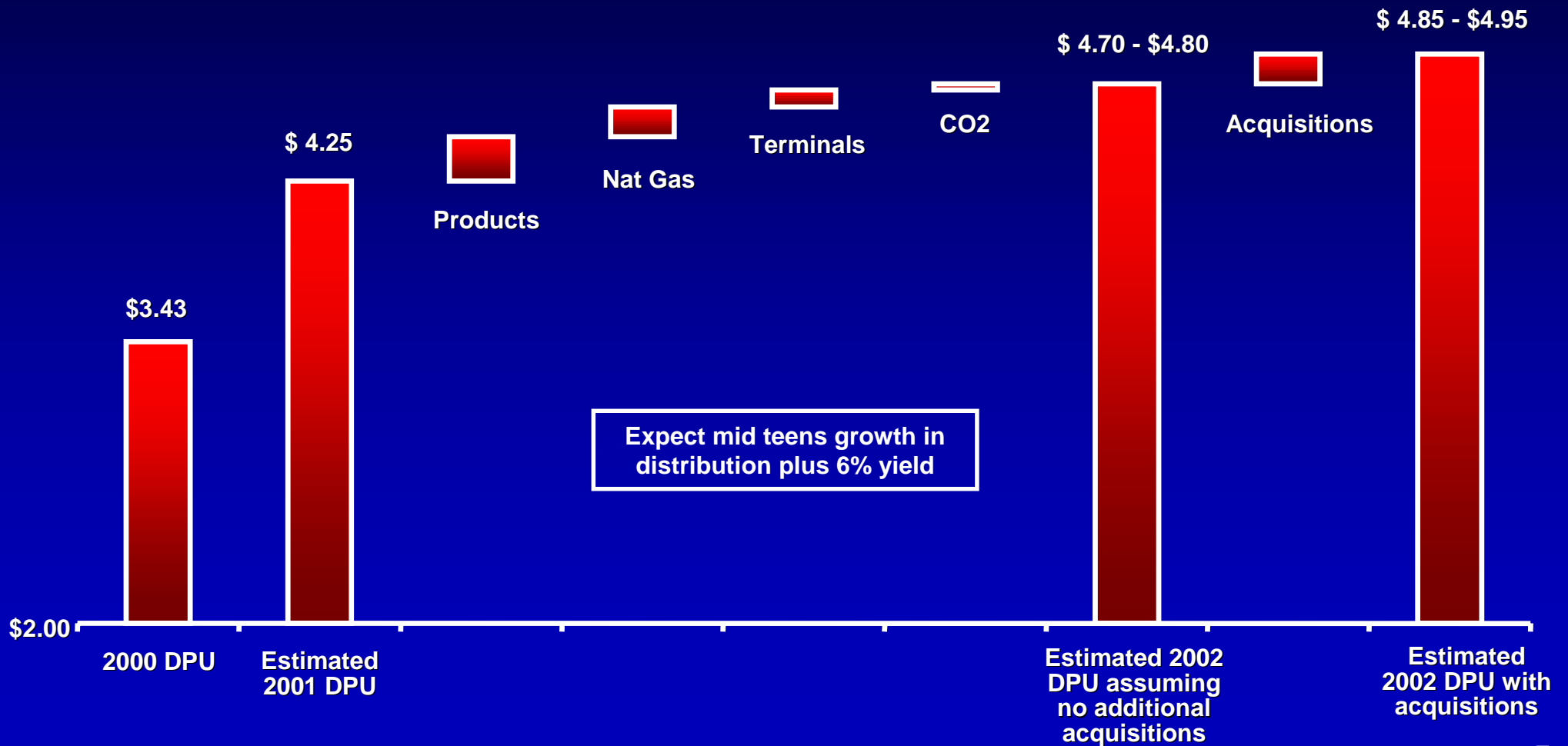
* Includes other businesses not constituting a separate segment

KMP Year End Distribution ^(a)



(a) Historical and projected year-end run rate for KMP distribution per unit (equal to Q4 distribution x4)

KMP Guidance - 2002



Vopak Acquisition

- **Acquired 4 terminals for \$44 million in cash at approximately 6.5x distributable cash flow**
- **Three terminals in Florida**
 - Port Sutton and Manatee terminal in Tampa – primarily fertilizers and ammonia sulfate
 - Nassau Terminals in San Fernandina Beach – break bulk primarily paper and containers
- **One terminal in Virginia**
 - Elizabeth River Terminal in Chesapeake – ammonia sulfate and other bulk materials

Oxy Acquisition

- Acquired the partnership that owns a major part of the Kinder Morgan Texas Pipeline
- 2600 miles of gas pipeline that transports gas from south Texas to Houston
- KMP signed a 5 year agreement to supply approximately 90 Bcf of gas to Oxy Chemical plants in Houston area
- Paid \$360mm or approximately 8.5x distributable cash flow
 - \$40mm lease payments are no longer paid
 - Incremental margin from new gas contract
 - Funded with short-term debt
 - \$0.08 DPU accretion to KMP
 - Only \$0.02 earnings accretion due to lease expense method and depreciation



KMP Acquisition Matrix

Accretion per LP Unit (\$) ^(a)

**Hypothetical
Value of
Acquisitions**

Multiple of Distributable Cash Flow

	5.0 X	6.5 X	8.0 X
\$1,250M	\$ 0.77	\$ 0.46	\$ 0.27
1,000M	0.63	0.38	0.22
750M	0.49	0.29	0.17
500M	0.33	0.20	0.12

Target \$0.25 - 0.35

(a) Assumes acquisition financed 60% equity / 40% debt, pre-tax debt cost of 7.0%, a \$4.20 annual distribution, a unit/KMR share price of \$71.00, and outstanding units of 82.4 million.

The above figures regarding acquisition accretion potential are based on various forward-looking assumptions made by the management of Kinder Morgan. While Kinder Morgan believes that these assumptions are reasonable, it can give no assurance that such results will materialize

KMI Acquisition Matrix

Accretion per Common Share (\$) ^(a)

Hypothetical Value of Acquisitions	Multiple of Distributable Cash Flow		
	5.0 X	6.5 X	8.0 X
\$1,250M	\$ 0.57	\$ 0.39	\$ 0.29
1,000M	0.46	0.32	0.23
750M	0.34	0.24	0.17
500M	0.23	0.16	0.11

Target \$0.25 - 0.30

(a) Assumes acquisition financed 60% equity / 40% debt, pre-tax debt cost of 7.0%, a \$4.20 annual distribution, a unit/KMR share price of \$71.00, outstanding units of 82.4 million and 115.3 million KMI shares outstanding

The above figures regarding acquisition accretion potential are based on various forward-looking assumptions made by the management of Kinder Morgan. While Kinder Morgan believes that these assumptions are reasonable, it can give no assurance that such results will materialize

Other Developments

FERC 497

- FERC considering re-examining relationships between pipelines & marketing affiliates
- Kinder Morgan has no marketing & trading
- Could lead to acquisition opportunities if major marketers are forced to divest pipes

KMP/ KMR 2:1 Split

- Effective August 31
- KMP numbers will need to be updated

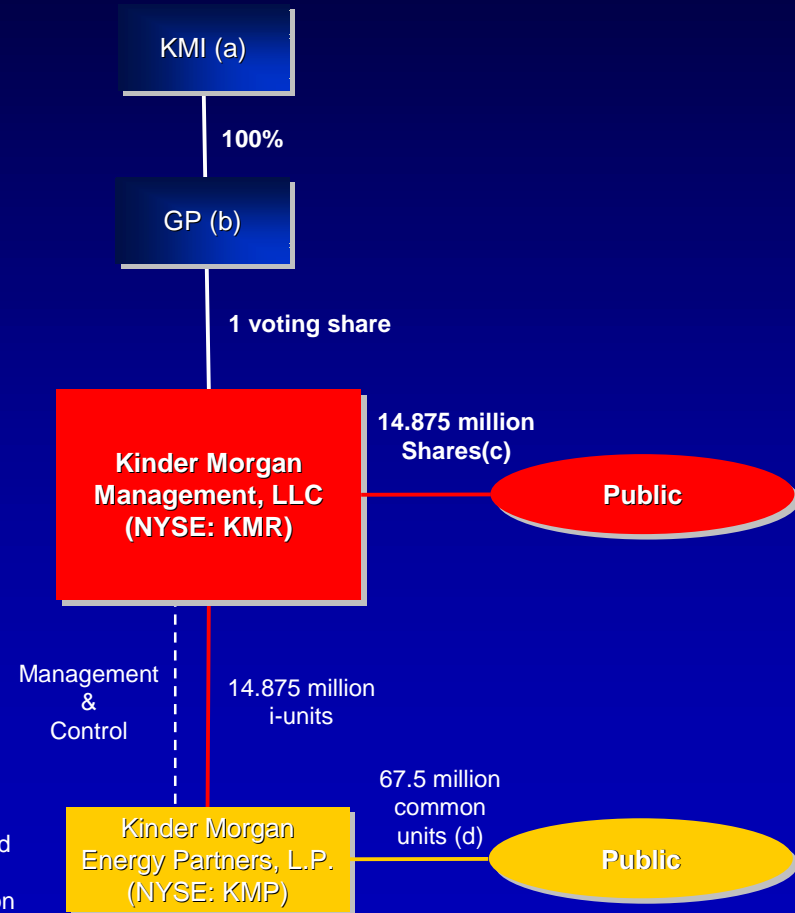
KMR Offering Summary

- **Issuer:** Kinder Morgan Management, LLC
- **Size:** 14.875 million shares (originally filed 8.5 million)
- **Price:** \$70.41 (indication on original filing was \$59.75)
- **Gross Proceeds_(a):** \$1,047 million (indication original filing was \$508) which returns KMP to 40% debt target
- **Distribution/Yield:** In parity with KMP common units (approx - 6%)
Distribution in additional shares
- **Exchange Feature:** Exchangeable into common units of KMP owned by KMI

(a) Amounts stated are before underwriters discount and any greenshoe

Kinder Morgan Management, LLC

- Provides KMP access to the institutional market, allowing KMP to accelerate its growth strategy
- Manages and controls the operations of KMP
- Owns a new class of KMP limited partnership interests (“i-units”)
- Has equivalent economics to and same voting rights as KMP common units
- KMI bought 10% of the offering



(a) Owns 11.3 million common units, 2.7 million class B units, and 1.49 million KMR shares including those held by subsidiaries, including Kinder Morgan, G.P., Inc

(b) Owns 2% general partner interest in KMP, including operating partnership interests and incentive distribution rights

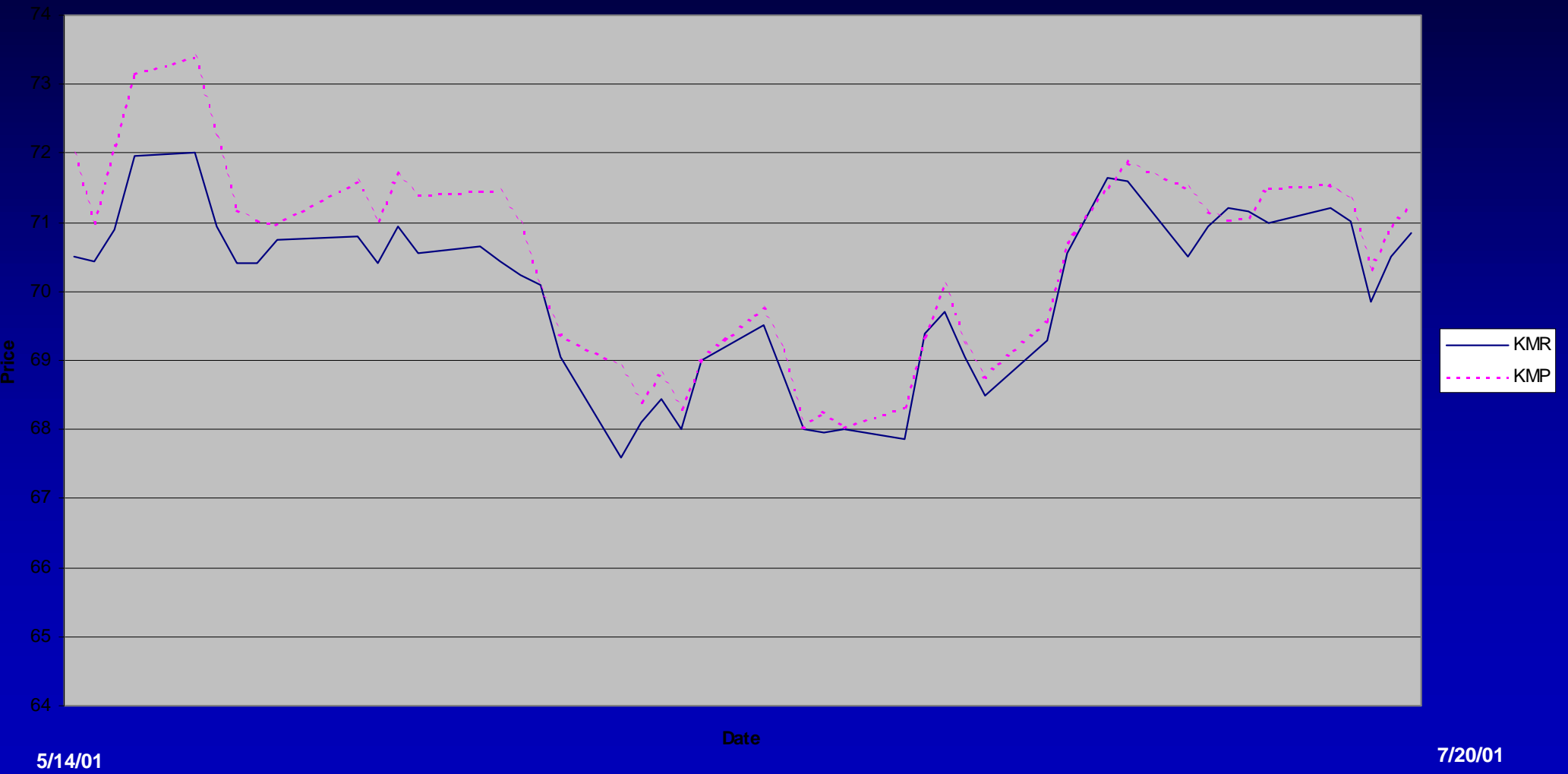
(c) Includes 1.4875 million shares (10%) owned by KMI

(d) Includes common and class B units owned by affiliates of KMI

KMR is KMP

	KMR	KMP
Distributions	Shares	Cash
Yield	5.9%	5.9%
Exchangeability	KMP Common Units	None
Voting Rights	In Parity with KMP	Limited
Optional Purchase	Yes	Yes
Mandatory Purchase	Yes	No
<u>Tax Considerations</u>		
Allocated Taxable Income	No	Yes
Non-Qualifying Income	No	Yes
UBTI	No	Yes
K-1s	No	Yes
State Filing Obligations	No	Yes

Other Developments – KMR IPO Update



5/14/01

Date

7/20/01



Accounting Appendix

KMR – Income Statement & Cash Flow

Consolidated Statement of Income

Equity in Earnings of KMP (approx 18% of KMP LP equity)	
Provision for Income Taxes (at 40%)	
Net Income	
Earnings Per Membership Share, Basic and Diluted	
Weighted Average Membership Shares O/S (14.875mm prorated for partial quarter)	

Three Months Ended
June 30, 2001

\$ 5,215

\$(2,086)

\$ 3,129

\$ 0.40

7,768

Equates to \$0.72 *
14.875m shares * 1/2
period

Permanent
“temporary” difference/
indemnified by KMI

Increases each quarter
by share distribution

KMR – Cash Flow Statement

	Three Months Ended	
	<u>June 30, 2001</u>	
<u>Consolidated Statement of Cash Flow</u>		
Net Income	\$ 3,129	
Adjustments to reconcile Net Income to Net Cash Flow		
Deferred Taxes	\$ 2,086	
Equity in Earnings of KMP (approx 18% of KMP LP equity)	\$ (5,215)	
Net Cash Flows provided by Operating Activities	-	
Purchase of I - Units	\$ (991,869)	
Net Cash Flows Used in Investing Activities	\$ (991,869)	
Membership Shares Issued	\$ 1,047,349	
Membership Share Issuance Costs	\$ (55,480)	
Net Cash Flows Provided By Financing Activities	\$ 991,869	
Cash and Cash Equivalents at Beginning of Period	-	
Cash and Cash Equivalents at End of Period	-	

KMR – Accounting Summary

■ KMI

- KMI owns 10% of KMR but also has control - thus consolidates
- KMI records 100% of KMR's pretax earnings but backs out a 90% minority interest

■ KMR

- Value of KMR is derived from KMP distribution
- Owns I-units which represent approximately 18% of the LP interest in KMP
- KMR never pays cash taxes but must make a book tax provision (resulting in a perpetual deferred tax liability)
- Effect of book tax provision - KMR's earnings will always be lower than KMP's
- If KMR ever incurs cash tax liability – KMI will indemnify
- KMR can convert on 1:1 basis with KMP

■ KMP

- Account exactly as if \$1bn common unit offering

KMR – KMI Income Statement

Three Months Ended
June 30, 2001

KMI Income Statement (000)

Operating Income	\$ 80,825	
KMP Equity Earnings	\$ 67,058	← KMI Records 100% of KMR's pretax earnings (\$5,215 for Q2)
Amortization of Excess Investment	\$ (6,591)	
Equity in Losses of Other Equity Investments	\$ (724)	
Interest Expense	\$ (56,238)	
Minority Interests	\$ (8,528)	← Back out 90% of KMR after tax earnings (\$2,816 for Q2)
Other, Net	\$ <u>9,282</u>	
Income Before Income Taxes and Extraordinary Items	\$ 85,084	
Income Taxes	\$ 35,184	← Taxed at 40% - includes taxes for 90% minority interest (\$1,878 for Q2)
Income Before Extraordinary Item	\$ <u>49,900</u>	← Net income contribution (\$313 for Q2)
Net Income	\$ <u><u>49,900</u></u>	

KMR – KMI Balance Sheet

<u>KMI Balance Sheet (000)</u>	<u>As of</u> <u>June 30, 2001</u>	
<u>Assets</u>		
Increase in assets	\$ 991,900	
<u>Liabilities</u>		
Increase in St Debt	\$ 99,200	} Net improves debt to cap to 52% (45% post PEPS conversion)
Increase in minority interest	\$ 892,700	

KMI Historicals

KMI SEGMENT EARNINGS / P&L	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total Year	
	Actual 2001	Actual 2000	Plan 2001	Actual 2000	2001	Actual 2000	2001	Actual 2000	Plan 2001	Actual 2000
<u>Investment in Kinder Morgan Energy Partners:</u>										
Equity in Earnings	55,037	29,583	67,058	35,142		34,562		41,626		140,913
Amortization of Excess Investment	(6,951)	(7,577)	(6,591)	(6,862)		(6,927)		(6,951)		(28,317)
Net	48,086	22,006	60,467	28,280		27,635		34,675		112,596
<u>Segment Earnings</u>										
NGPL	93,882	91,950	80,294	79,246		82,305		89,386		342,887
Retail	23,514	19,787	4,124	6,331		4,875		18,739		49,732
Power & Other	8,859	5,887	18,775	8,519		10,048		10,508		34,962
KMTP	-	11,330	-	3,097		3,957		10,934		29,318
Operating Income before corporate costs	174,341	150,960	163,660	125,473		128,820		164,242		569,495
General & Administrative	(15,590)	(14,354)	(15,451)	(13,898)		(14,611)		(15,224)		(58,087)
Interest Expense, Net	(58,287)	(60,584)	(56,238)	(62,891)		(61,956)		(57,724)		(243,155)
Other, Net	(5,794)	(147)	(6,887)	(8,438)		(7,395)		(7,515)		(23,495)
Income Before Income Taxes & Extraordinary Item	94,670	75,875	85,084	40,246		44,858		83,779		244,758
Income Taxes	37,868	30,182	35,184	16,528		18,144		33,168		98,022
Income Before Extraordinary Item	56,802	45,693	49,900	23,718		26,714		50,611		146,736
Average Dilluted Common Units	121,320	113,456	122,359	114,981		116,177		118,594		115,030
EPS	0.47	0.40	0.41	0.21		0.23		0.43		1.28

KMP Historicals

KMP SEGMENT EARNINGS / P&L	First Quarter		Second Quarter		Third Quarter		Fourth Quarter		Total Year	
	Actual 2001	Actual 2000	Actual 2001	Actual 2000	Actual 2001	Actual 2000	Actual 2000	Actual 2000	Actual 2000	
<u>Segment Earnings Before DD&A</u>										
Product Pipelines	85,793	64,761	101,788	64,969	64,461	73,703	268,396			
Nat Gas Pipelines	66,274	36,074	39,564	31,808	34,619	32,808	134,807			
CO2 Ops	27,588	3,590	28,622	23,719	23,940	28,796	80,045			
Bulk Terminals	15,334	11,771	16,991	12,660	11,348	11,482	47,261			
Liquids Terminals	20,400	-	21,386	-	-	-	-			
<u>Segment DD&A</u>										
Product Pipelines	15,945	11,354	17,692	11,403	11,666	12,340	47,228			
Nat Gas Pipelines	7,602	6,935	7,590	5,277	5,052	5,091	21,890			
CO2 Ops	4,126	3	4,869	3,118	4,102	4,852	12,075			
Bulk Terminals	3,086	2,226	3,539	2,280	2,305	2,821	9,632			
Liquids Terminals	1,569	-	4,511	-	-	-	-			
	32,328		38,201							
<u>Segment Earnings Contribution</u>										
Product Pipelines	69,848	53,407	84,096	53,566	52,795	61,363	221,168			
Nat Gas Pipelines	58,672	29,139	31,974	26,531	29,567	27,717	112,917			
CO2 Ops	23,462	3,587	23,753	20,601	19,838	23,944	67,970			
Bulk Terminals	12,248	9,545	13,452	10,380	9,043	8,661	37,629			
Liquids Terminals	18,831	-	16,875	-	-	-	-			
Acquisitions										
G&A	(28,585)	(14,323)	(18,016)	(15,380)	(15,052)	(15,310)	(60,065)			
Plantation										
Interest Expense	(49,807)	(20,118)	(45,275)	(21,797)	(24,115)	(27,254)	(93,284)			
Minority Interest	(3,002)	(1,678)	(2,633)	(2,091)	(2,216)	(2,002)	(7,987)			
Total NI	101,667	59,559	104,226	71,810	69,860	77,119	278,348			
GP Interest	(41,622)	(22,257)	(50,606)	(27,003)	(26,985)	(33,224)	(109,470)			
LP Income	60,045	37,302	53,620	44,807	42,875	43,895	168,878			
Shares O/S	67,611	59,559	74,843	64,088	64,213	64,626	63,150			
EPU	0.89	0.63	0.72	0.70	0.67	0.68	2.67			

KINDER MORGAN

August 2001