UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

☑ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended **December 31, 2007**
or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____to_____

Commission File Number 1-16459

Kinder Morgan Management, LLC

(Exact name of registrant as specified in its charter)

Delaware	**76-0669886**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

500 Dallas Street, Suite 1000, Houston, Texas 77002
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code (713) 369-9000

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Shares Representing Limited Liability Company Interests	New York Stock Exchange

Securities registered pursuant to section 12(g) of the Act:

None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:
Yes ☑ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act:
Yes ☐ No ☑

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days: Yes ☑ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Exchange Act). Large accelerated filer ☑ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☑

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was $3,108,216,679 as of June 29, 2007.

The number of shares outstanding for each of the registrant's classes of common equity, as of January 31, 2008 was approximately two voting shares and 72,432,480 listed shares.

KINDER MORGAN MANAGEMENT, LLC AND SUBSIDIARY

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Note: Individual financial statements of the parent company are omitted pursuant to the provisions of Accounting Series Release No. 302.

PART I

Items 1 and 2. *Business and Properties.*

In this report, unless the context requires otherwise, references to "we," "us," "our," or the "Company" are intended to mean Kinder Morgan Management, LLC and its consolidated subsidiary. Our shares representing limited liability company interests are traded on the New York Stock Exchange under the symbol "KMR". Our executive offices are located at 500 Dallas Street, Suite 1000, Houston, Texas 77002 and our telephone number is (713) 369-9000.

We are a publicly traded Delaware limited liability company that was formed on February 14, 2001. We are a limited partner in Kinder Morgan Energy Partners, L.P., and manage and control its business and affairs pursuant to a delegation of control agreement. Our success is dependent upon our operation and management of Kinder Morgan Energy Partners, L.P. and its resulting performance. Therefore, we have attached hereto as Annex A Kinder Morgan Energy Partners, L.P.'s 2007 Annual Report on Form 10-K. Pursuant to the delegation of control agreement among Kinder Morgan G.P., Inc., Kinder Morgan Energy Partners, L.P., Kinder Morgan Energy Partners, L.P.'s operating partnerships and us (as the agreement was amended effective May 30, 2007):

- Kinder Morgan G.P., Inc., as general partner of Kinder Morgan Energy Partners, L.P., delegated to us, to the fullest extent permitted under Delaware law and the Kinder Morgan Energy Partners, L.P. partnership agreement, and we assumed, all of Kinder Morgan G.P., Inc.'s power and authority to manage and control the business and affairs of Kinder Morgan Energy Partners, L.P. and Kinder Morgan Energy Partners, L.P.'s operating partnerships; and

- We have agreed that we will not take any of the following actions without the approval of Kinder Morgan G.P., Inc.:

  - amend or propose an amendment to the Kinder Morgan Energy Partners, L.P. partnership agreement,

  - change the amount of the distribution made on the Kinder Morgan Energy Partners, L.P. common units,

  - allow a merger or consolidation involving Kinder Morgan Energy Partners, L.P.,

  - allow a sale or exchange of all or substantially all of the assets of Kinder Morgan Energy Partners, L.P.,

  - dissolve or liquidate Kinder Morgan Energy Partners, L.P., or, after taking into account the creditors of Kinder Morgan Energy Partners, L.P., SFPP, L.P. or Calnev Pipe Line, L.L.C., respectively, allow Kinder Morgan Energy Partners, L.P., SFPP, L.P. or Calnev Pipe Line, L.L.C. to take any of the following actions: (a) instituting proceedings to be adjudicated bankrupt or insolvent, or (b) consenting in writing to the institution of bankruptcy or insolvency proceedings against it, or (c) filing a petition seeking or consenting to reorganization or relief under any applicable federal or state law relating to bankruptcy, or (d) consenting in writing to the appointment of a receiver, liquidator, assignee, trustee, sequestrator (or other similar official) of Kinder Morgan Energy Partners, L.P., SFPP, L.P. or Calnev Pipe Line, L.L.C. or a substantial part of their respective property, or (e) making any assignment for the benefit of its creditors, or (f) except as required by law, admitting in writing its inability to pay its respective debts generally as they become due,

  - take any action requiring unitholder approval,

  - call any meetings of the Kinder Morgan Energy Partners, L.P. common unitholders,

  - take any action that, under the terms of the partnership agreement of Kinder Morgan Energy Partners, L.P., must or should receive a special approval of the conflicts and audit committee of Kinder Morgan G.P., Inc.,

  - take any action that, under the terms of the partnership agreement of Kinder Morgan Energy Partners, L.P., cannot be taken by the general partner without the approval of all outstanding units,

  - settle or compromise any claim or action directly against or otherwise relating to indemnification of our or the general partner's (and respective affiliates) officers, directors, managers or members or relating to our structure or securities,

  - settle or compromise any claim or action relating to the i-units, which are a separate class of Kinder Morgan Energy Partners, L.P.'s limited partnership interests, our shares or any offering of our shares,

  - settle or compromise any claim or action involving tax matters,

  - allow Kinder Morgan Energy Partners, L.P. to incur indebtedness if the aggregate amount of its indebtedness then exceeds 50% of the market value of the then outstanding units of Kinder Morgan Energy Partners, L.P., or

  - allow Kinder Morgan Energy Partners, L.P. to issue units in one transaction, or in a series of related transactions, having a market value in excess of 20% of the market value of then outstanding units of Kinder Morgan Energy Partners, L.P.

- Kinder Morgan G.P., Inc.:

  - is not relieved of any responsibilities or obligations to Kinder Morgan Energy Partners, L.P. or its unitholders as a result of such delegation,

  - owns, or one of its affiliates owns, all of our voting shares, and

  - will not withdraw as general partner of Kinder Morgan Energy Partners, L.P. or transfer to a non-affiliate all of its interest as general partner, unless approved by both the holders of a majority of each of the i-units and the holders of a majority of all units voting as a single class, excluding common units and Class B units held by Kinder Morgan G.P., Inc. and its affiliates and excluding the number of i-units corresponding to the number of our shares owned by Kinder Morgan G.P., Inc. and its affiliates.

- Kinder Morgan Energy Partners, L.P. has agreed to:

  - recognize the delegation of rights and powers to us,

  - indemnify and protect us and our officers and directors to the same extent as it does with respect to Kinder Morgan G.P., Inc. as general partner, and

  - reimburse our expenses to the same extent as it does with respect to Kinder Morgan G.P., Inc. as general partner.

The delegation of control agreement will continue in effect until either Kinder Morgan G.P., Inc. has withdrawn or been removed as the general partner of Kinder Morgan Energy Partners, L.P. or all of our shares are owned by Knight Inc. and its affiliates. The partnership agreement of Kinder Morgan Energy Partners, L.P. recognizes the delegation of control agreement. The delegation of control agreement also applies to the operating partnerships of Kinder Morgan Energy Partners, L.P. and their partnership agreements.

Kinder Morgan G.P., Inc. remains the sole general partner of Kinder Morgan Energy Partners, L.P. and all of its operating partnerships. Kinder Morgan G.P., Inc. retains all of its general partner interests and shares in the profits, losses and distributions from all of these partnerships.

The withdrawal or removal of Kinder Morgan G.P., Inc. as general partner of Kinder Morgan Energy Partners, L.P. will simultaneously result in the termination of our power and authority to manage and control the business and affairs of Kinder Morgan Energy Partners, L.P. Similarly, if Kinder Morgan G.P., Inc.'s power and authority as general partner are modified in the partnership agreement of Kinder Morgan Energy Partners, L.P., then the power and authority delegated to us will be modified on the same basis. The delegation of control agreement can be amended by all parties to the agreement, but on any amendment that would reduce the time for any notice to which owners of our shares are entitled or that would have a material adverse effect on our shares, as determined by our board of directors in its discretion, the approval of the owners of a majority of the shares, excluding shares owned by Knight Inc. and its affiliates, is required.

Through our ownership of i-units, we are a limited partner in Kinder Morgan Energy Partners, L.P. We do not expect to have any cash flow attributable to our ownership of the i-units, but we expect that we will receive quarterly distributions of additional i-units from Kinder Morgan Energy Partners, L.P. The number of additional i-units we receive will be based on the amount of cash to be distributed by Kinder Morgan Energy Partners, L.P. to an owner of one of its common units. The amount of cash distributed by Kinder Morgan Energy Partners, L.P. to its owners of common units is dependent on the operations of Kinder Morgan Energy Partners, L.P. and its operating limited partnerships and their subsidiaries and investees, and will be determined in accordance with its partnership agreement.

We have elected to be treated as a corporation for federal income tax purposes. Because we are treated as a corporation for federal income tax purposes, an owner of our shares will not report on its federal income tax return any of our items of income, gain, loss and deduction relating to an investment in us.

We are subject to federal income tax on our taxable income; however, the i-units owned by us generally are not entitled to allocations of income, gain, loss or deduction of Kinder Morgan Energy Partners, L.P. until such time as there is a liquidation of Kinder Morgan Energy Partners, L.P. Therefore, we do not anticipate that we will have material amounts of taxable

income resulting from our ownership of the i-units unless we enter into a sale or exchange of the i-units or Kinder Morgan Energy Partners, L.P. is liquidated.

We have no properties. Our assets consist of a small amount of working capital and the i-units that we own.

We have no employees. For more information, see Note 4 of the accompanying Notes to Consolidated Financial Statements and Kinder Morgan Energy Partners, L.P.'s report on Form 10-K for the year ended December 31, 2007.

We make available free of charge on or through our Internet website, at http://www.kindermorgan.com, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission.

Item 1A. *Risk Factors*

You should carefully consider the risks described below, in addition to the other information contained in this document. Realization of any of the following risks could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Because our only assets are the i-units issued by Kinder Morgan Energy Partners, L.P., our success is dependent solely upon our operation and management of Kinder Morgan Energy Partners, L.P. and its resulting performance. We are a limited partner in Kinder Morgan Energy Partners, L.P. In the event that Kinder Morgan Energy Partners, L.P. decreases its cash distributions to its common unitholders, distributions of i-units on the i-units that we own will decrease correspondingly, and distributions of additional shares to owners of our shares will decrease as well. The risk factors that affect Kinder Morgan Energy Partners, L.P. also affect us; see "Risk Factors" for Kinder Morgan Energy Partners, L.P. included in Annex A.

The value of the quarterly distribution of an additional fractional share may be less than the cash distribution on a common unit of Kinder Morgan Energy Partners, L.P. The fraction of a Kinder Morgan Management, LLC share to be issued per share outstanding with each quarterly distribution is based on the average closing price of the shares for the ten consecutive trading days preceding the ex-dividend date for our shares. Because the market price of our shares may vary substantially over time, the market value of our shares on the date a shareholder receives a distribution of additional shares may vary substantially from the cash the shareholder would have received had the shareholder owned common units instead of our shares.

The tax treatment applied to Kinder Morgan Energy Partners, L.P. depends on its status as a partnership for federal income tax purposes, as well as Kinder Morgan Energy Partners, L.P. not being subject to a material amount of entity-level taxation by individual states. If the Internal Revenue Service treats Kinder Morgan Energy Partners, L.P. as a corporation or Kinder Morgan Energy Partners, L.P. becomes subject to a material amount of entity-level taxation for state tax purposes, it would substantially reduce the amount of cash available for distribution to common unitholders and the value of i-units that Kinder Morgan Energy Partners, L.P. will distribute quarterly to us and the value of our shares that we will distribute quarterly to our shareholders. The anticipated benefit of an investment in our shares depends largely on the treatment of Kinder Morgan Energy Partners, L.P. as a partnership for federal income tax purposes. In order for Kinder Morgan Energy Partners, L.P. to be treated as a partnership for federal income tax purposes, current law requires that 90% or more of its gross income for every taxable year consist of "qualifying income," as defined in Section 7704 of the Internal Revenue Code. Kinder Morgan Energy Partners, L.P. may not meet this requirement or current law may change so as to cause, in either event, Kinder Morgan Energy Partners, L.P. to be treated as a corporation for federal income tax purposes or otherwise subject to federal income tax. Kinder Morgan Energy Partners, L.P. has not requested, and does not plan to request, a ruling from the Internal Revenue Service on this or any other matter affecting Kinder Morgan Energy Partners, L.P.

If Kinder Morgan Energy Partners, L.P. were to be treated as a corporation for federal income tax purposes, it would pay federal income tax on its income at the corporate tax rate, which is currently a maximum of 35%, and would pay state income taxes at varying rates. Distributions to us of additional i-units would generally be taxed as a corporate distribution. Because a tax would be imposed upon Kinder Morgan Energy Partners, L.P. as a corporation, the cash available for distribution to common unitholders would be substantially reduced, which would reduce the values of i-units distributed quarterly to us and our shares distributed quarterly to our shareholders. Treatment of Kinder Morgan Energy Partners, L.P. as a corporation would cause a substantial reduction in the value of our shares.

Current law or Kinder Morgan Energy Partners, L.P.'s business may change so as to cause Kinder Morgan Energy Partners, L.P. to be treated as a corporation for federal income tax purposes or otherwise subject Kinder Morgan Energy Partners, L.P. to entity-level taxation. Members of Congress are considering substantive changes to the existing federal income tax laws that affect certain publicly-traded partnerships. For example, federal income tax legislation has been proposed that would eliminate partnership tax treatment for certain publicly-traded partnerships. Although the currently proposed legislation would not appear to affect Kinder Morgan Energy Partners, L.P.'s tax treatment as a partnership, we are unable to predict whether any of these changes, or other proposals, will ultimately be enacted. Any such changes could negatively impact the

value of an investment in our shares.

In addition, because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise or other forms of taxation. For example, Kinder Morgan Energy Partners, L.P. is now subject to a new entity-level tax on the portion of its total revenue that is generated in Texas. Specifically, the Texas margin tax is imposed at a maximum effective rate of 0.7% of Kinder Morgan Energy Partners, L.P.'s total revenue that is apportioned to Texas. Imposition of such a tax on Kinder Morgan Energy Partners, L.P. by Texas, or any other state, will reduce Kinder Morgan Energy Partners, L.P.'s cash available for distribution to its partners. If any state were to impose a tax upon Kinder Morgan Energy Partners, L.P. as an entity, the cash available for distribution to its common unitholders would be reduced, which would reduce the values of i-units distributed quarterly to us and our shares distributed quarterly to our shareholders.

Kinder Morgan Energy Partners, L.P.'s partnership agreement provides that if a law is enacted that subjects Kinder Morgan Energy Partners, L.P. to taxation as a corporation or otherwise subjects Kinder Morgan Energy Partners, L.P. to entity-level taxation for federal income tax purposes, the minimum quarterly distribution and the target distribution levels will be adjusted to reflect the impact on Kinder Morgan Energy Partners, L.P. of that law.

As an owner of i-units, we may not receive value equivalent to the common unit value for our i-unit interest in Kinder Morgan Energy Partners, L.P. if Kinder Morgan Energy Partners, L.P. is liquidated. As a result, a shareholder may receive less per share in our liquidation than is received by an owner of a common unit in a liquidation of Kinder Morgan Energy Partners, L.P. If Kinder Morgan Energy Partners, L.P. is liquidated and Knight Inc. does not satisfy its obligation to purchase your shares, which is triggered by a liquidation, then the value of your shares will depend on the after-tax amount of the liquidating distribution received by us as the owner of i-units. The terms of the i-units provide that no allocations of income, gain, loss or deduction will be made in respect of the i-units until such time as there is a liquidation of Kinder Morgan Energy Partners, L.P. If there is a liquidation of Kinder Morgan Energy Partners, L.P., it is intended that we will receive allocations of income and gain in an amount necessary for the capital account attributable to each i-unit to be equal to that of a common unit. As a result, we will likely realize taxable income upon the liquidation of Kinder Morgan Energy Partners, L.P. However, there may not be sufficient amounts of income and gain to cause the capital account attributable to each i-unit to be equal to that of a common unit. If they are not equal, we, and therefore our shareholders, will receive less value than would be received by an owner of common units.

Further, the tax indemnity provided to us by Knight Inc. only indemnifies us for our tax liabilities to the extent we have not received sufficient cash in the transaction generating the tax liability to pay the associated tax. Prior to any liquidation of Kinder Morgan Energy Partners, L.P., we do not expect to receive cash in a taxable transaction. If a liquidation of Kinder Morgan Energy Partners, L.P. occurs, however, we likely would receive cash which would need to be used at least in part to pay taxes. As a result, our residual value and the value of our shares likely will be less than the value of the common units upon the liquidation of Kinder Morgan Energy Partners, L.P.

Our management and control of the business and affairs of Kinder Morgan Energy Partners, L.P. and its operating partnerships could result in our being liable for obligations to third parties who transact business with Kinder Morgan Energy Partners, L.P. and its operating partnerships and to whom we held ourselves out as a general partner. We could also be responsible for environmental costs and liabilities associated with Kinder Morgan Energy Partners, L.P.'s assets in the event that it is not able to perform all of its obligations under environmental laws. Kinder Morgan Energy Partners, L.P. may not be able to reimburse or indemnify us as a result of its insolvency or bankruptcy. The primary adverse impact of that insolvency or bankruptcy on us would be the decline in or elimination of the value of our i-units, which are our only significant assets. Assuming under these circumstances that we have some residual value in our i-units, a direct claim by creditors of Kinder Morgan Energy Partners, L.P. against us could further reduce our net asset value and cause us also to declare bankruptcy. Another risk with respect to third party claims will occur, however, under the circumstances when Kinder Morgan Energy Partners, L.P. is financially able to pay us, but for some other reason does not reimburse or indemnify us. For example, to the extent that Kinder Morgan Energy Partners, L.P. fails to satisfy any environmental liabilities for which it is responsible, we could be held liable under environmental laws. For additional information, see the following risk factor.

If we are not fully indemnified by Kinder Morgan Energy Partners, L.P. for all the liabilities we incur in performing our obligations under the delegation of control agreement, we could face material difficulties in paying those liabilities, and the net value of our assets could be adversely affected. Under the delegation of control agreement, we have been delegated management and control of the business and affairs of Kinder Morgan Energy Partners, L.P. and its operating partnerships. There are circumstances under which we may not be indemnified by Kinder Morgan Energy Partners, L.P. or Kinder Morgan G.P., Inc. for liabilities we incur in managing and controlling the business and affairs of Kinder Morgan Energy Partners, L.P. These circumstances include:

- if we act in bad faith; and
- if we breach laws like the federal securities laws, where indemnification may not be allowed.

If in the future we cease to manage and control the business and affairs of Kinder Morgan Energy Partners, L.P., we may be deemed to be an investment company for purposes of the Investment Company Act of 1940. In that event, we would either have to register as an investment company under the Investment Company Act, obtain exemptive relief from the Securities and Exchange Commission, or modify our organizational structure or our contract rights to fall outside the definition of an investment company. Registering as an investment company could, among other things, materially limit our ability to engage in transactions with our affiliates, including the purchase and sale of certain securities or other property to or from our affiliates, restrict our ability to borrow funds or engage in other transactions involving leverage, and require us to add directors who are independent of us or our affiliates.

The interests of Knight Inc. may differ from our interests, the interests of our shareholders and the interests of unitholders of Kinder Morgan Energy Partners, L.P. Knight Inc. owns all of the outstanding common equity of the general partner of Kinder Morgan Energy Partners, L.P. and elects all of its directors. The general partner of Kinder Morgan Energy Partners, L.P. owns all of our voting shares and elects all of our directors. Furthermore, some of our directors and officers are also directors and officers of Knight Inc. and the general partner of Kinder Morgan Energy Partners, L.P. and have fiduciary duties to manage the businesses of Knight Inc. and Kinder Morgan Energy Partners, L.P. in a manner that may not be in the best interest of our shareholders. Knight Inc. has a number of interests that differ from the interests of our shareholders and the interests of the unitholders. As a result, there is a risk that important business decisions will not be made in the best interest of our shareholders.

Our limited liability company agreement restricts or eliminates a number of the fiduciary duties that would otherwise be owed by our board of directors to our shareholders, and the partnership agreement of Kinder Morgan Energy Partners, L.P. restricts or eliminates a number of the fiduciary duties that would otherwise be owed by the general partner to the unitholders. Modifications of state law standards of fiduciary duties may significantly limit the ability of our shareholders and the unitholders to successfully challenge the actions of our board of directors and the general partner, respectively, in the event of a breach of their fiduciary duties. These state law standards include the duties of care and loyalty. The duty of loyalty, in the absence of a provision in the limited liability company agreement or the limited partnership agreement to the contrary, would generally prohibit our board of directors or the general partner from taking any action or engaging in any transaction as to which it has a conflict of interest. Our limited liability company agreement and the limited partnership agreement of Kinder Morgan Energy Partners, L.P. contain provisions that prohibit our shareholders and the limited partners, respectively, from advancing claims that otherwise might raise issues as to compliance with fiduciary duties or applicable law. For example, the limited partnership agreement of Kinder Morgan Energy Partners, L.P. provides that the general partner may take into account the interests of parties other than Kinder Morgan Energy Partners, L.P. in resolving conflicts of interest. Further, it provides that in the absence of bad faith by the general partner, the resolution of a conflict by the general partner will not be a breach of any duty. The provisions relating to the general partner apply equally to us as its delegate. Our limited liability company agreement provides that none of our directors or officers will be liable to us or any other person for any acts or omissions if they acted in good faith.

Item 1B. *Unresolved Staff Comments.*

None.

Item 3. *Legal Proceedings.*

We are not a party to any litigation.

Item 4. *Submission of Matters to a Vote of Security Holders.*

There were no matters submitted to a vote of our shareholders during the fourth quarter of 2007.

PART II

Item 5. ***Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.***

Our shares are listed for trading on the New York Stock Exchange under the symbol "KMR." The per share high and low sale prices of our shares, as reported on the New York Stock Exchange, by quarter for the last two years are provided below.

	Market Price Per Share			
	2007		2006	
	Low	High	Low	High
Quarter Ended:				
March 31	$44.42	$51.78	$41.21	$47.25
June 30	$49.50	$54.70	$40.09	$45.06
September 30	$44.06	$53.24	$41.35	$43.60
December 31	$46.21	$53.19	$41.26	$47.05

There were approximately 41,000 holders of our listed shares as of January 31, 2008, which includes individual participants in security position listings.

Under the terms of our limited liability company agreement, except in connection with our liquidation, we do not pay distributions on our shares in cash but we make distributions on our shares in additional shares or fractions of shares. At the same time Kinder Morgan Energy Partners, L.P. makes a distribution on its common units and i-units, we distribute on each of our shares that fraction of a share determined by dividing the amount of the cash distribution to be made by Kinder Morgan Energy Partners, L.P. on each common unit by the average market price of a share determined for the ten-trading day period ending on the trading day immediately prior to the ex-dividend date for our shares.

	Share Distributions					
	Shares Distributed Per Outstanding Share		Equivalent Distribution Value Per Share[1]		Total Number of Additional Shares Distributed	
Quarter Ended:	2007	2006	2007	2006	2007	2006
March 31	0.015378	0.018566	$ 0.83	$ 0.81	974,285	1,093,826
June 30	0.016331	0.018860	$ 0.85	$ 0.81	1,143,661	1,131,777
September 30	0.017686	0.018981	$ 0.88	$ 0.81	1,258,778	1,160,520
December 31	0.017312	0.016919	$ 0.92	$ 0.83	1,253,951	1,054,082

[1] This is the cash distribution paid or payable to each common unit of Kinder Morgan Energy Partners, L.P. for the quarter indicated and is used to calculate our distribution of shares as discussed above. Because of this calculation, the market value of the shares distributed on the date of distribution may be less or more than the cash distribution per common unit of Kinder Morgan Energy Partners, L.P.

There were no sales of unregistered equity securities during the periods covered by this report. We did not repurchase any shares during the fourth quarter of 2007.

For information regarding our equity compensation plans, please refer to Item 12, included elsewhere herein.

Item 6. *Selected Financial Data.*

KINDER MORGAN MANAGEMENT, LLC AND SUBSIDIARY

	Post-Acquisition Basis[1]	Pre-Acquisition Basis[1]				
		Restated[2]				
	Seven Months Ended December 31, 2007	Five Months Ended May 31, 2007	Year Ended December 31, 2006	2005	2004	2003
	(In millions except per share amounts)	(In millions except per share amounts)				
Equity in Earnings (Loss) of Kinder Morgan Energy Partners, L.P.	$ 65.4	$ (64.6)	$ 131.1	$ 88.4	$ 113.5	$ 94.8
Provision (Benefit) for Income Taxes	15.0	(23.3)	47.0	32.1	38.4	36.0
Net Income	$ 50.4	$ (41.3)	$ 84.1	$ 56.3	$ 75.1	$ 58.8
Earnings (Loss) Per Share, Basic and Diluted	$ 0.71	$ (0.65)	$ 1.40	$ 1.00	$ 1.47	$ 1.24
Number of Shares Used in Computing Basic and Diluted Earnings Per Share	71.1	63.7	60.1	56.1	51.2	47.4
Equivalent Distribution Value Per Share[3]	$ 2.65	$ 0.83	$ 3.26	$ 3.13	$ 2.87	$ 2.63
Total Number of Additional Shares Distributed	3.6	1.0	4.4	3.8	3.7	3.3
Total Assets at End of Period	$ 2,213.8	$ 1,944.5	$ 1,707.9	$ 1,583.7	$ 1,639.3	$ 1,506.3

[1] On May 30, 2007, Knight Inc. (formerly Kinder Morgan, Inc.) completed a merger transaction under which investors including Richard D. Kinder, Knight Inc.'s Chairman and Chief Executive Officer, acquired all of the outstanding shares of that company, referred to as the "Going Private transaction." The acquisition was accounted for under the purchase method of accounting, as required by Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*. The purchase price of Knight Inc. has been "pushed-down" and allocated to the assets and liabilities of its subsidiary companies, including us. Accordingly, our post-acquisition selected financial data shown above for the seven months ended December 31, 2007 reflect a new basis of accounting. The selected financial data for the periods ended May 31, 2007 and December 31, 2006, 2005, 2004 and 2003 reflect the operations of the Company prior to the acquisition. Hence, there is a blackline division on the selected financial data shown above, which is intended to signify that the amounts shown for periods prior to and subsequent to the acquisition are not comparable. While the Going Private transaction closed on May 30, 2007, for convenience, the Pre-Acquisition Basis is assumed to end on May 31, 2007 and the Post-Acquisition Basis is assumed to begin on June 1, 2007. The results for the two-day period from May 30, 2007 to May 31, 2007 are not material to the data for any of the periods presented.

[2] See Note 5 of the accompanying Notes to Consolidated Financial Statements.

[3] This is the amount of cash distributions payable to each common unit of Kinder Morgan Energy Partners, L.P. for each period shown. Under the terms of our limited liability company agreement, except in connection with our liquidation, we do not pay distributions on our shares in cash but we make distributions on our shares in additional shares or fractions of shares. At the same time Kinder Morgan Energy Partners, L.P. makes a distribution on its common units and i-units, we distribute on each of our shares that fraction of a share determined by dividing the amount of the cash distribution to be made by Kinder Morgan Energy Partners, L.P. on each common unit by the average market price of a share determined for a ten-trading day period ending on the trading day immediately prior to the ex-dividend date for our shares. Because of this calculation, the market value of the shares distributed on the date of distribution may be less or more than the cash distribution per common unit of Kinder Morgan Energy Partners, L.P.

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations.*

General

We are a publicly traded Delaware limited liability company, formed on February 14, 2001, that has elected to be treated as a corporation for federal income tax purposes. Our voting shares are owned by Kinder Morgan G.P., Inc., of which Knight Inc. owns all the outstanding common equity. Kinder Morgan G.P., Inc. is the general partner of Kinder Morgan Energy Partners, L.P.

Knight Inc., a Kansas corporation and a private company formerly known as Kinder Morgan, Inc., is one of the largest energy transportation and storage companies in North America, operating, either for itself or on behalf of Kinder Morgan Energy Partners, L.P., or owning an interest in more than 37,000 miles of pipelines that transport primarily natural gas, crude oil, petroleum products and carbon dioxide, and approximately 165 terminals that store, transfer and handle products like gasoline and coal. On August 28, 2006, Kinder Morgan, Inc. entered into an agreement and plan of merger whereby generally each share of Kinder Morgan, Inc. common stock would be converted into the right to receive $107.50 in cash without interest. Kinder Morgan, Inc. in turn would merge with a wholly owned subsidiary of Knight Holdco LLC, a privately owned company in which Richard D. Kinder, Kinder Morgan, Inc.'s Chairman and Chief Executive Officer, would be a major investor. On May 30, 2007, the merger closed, with Kinder Morgan, Inc. continuing as the surviving legal entity and subsequently renamed "Knight Inc." Additional investors in Knight Holdco LLC include the following: other senior members of Knight Inc. management, most of whom are also senior officers of Kinder Morgan G.P., Inc.; Kinder Morgan, Inc. co-founder William V. Morgan; Kinder Morgan, Inc. board members Fayez Sarofim and Michael C. Morgan; and affiliates of (i) Goldman Sachs Capital Partners; (ii) American International Group, Inc.; (iii) The Carlyle Group; and (iv) Riverstone Holdings LLC. This transaction is referred to in this report as the Going Private transaction. As a result of this transaction, we have adopted a new basis of accounting for our assets and liabilities. Therefore, in the accompanying financial information, transactions and balances prior to the closing of the Going Private transaction (the amounts labeled "Pre-Acquisition Basis") reflect the historical basis of accounting for our assets and liabilities, while the amounts subsequent to the closing (the amounts labeled "Post-Acquisition Basis") reflect the push-down of Knight Inc.'s new accounting basis to our financial statements. The amounts labeled "Combined" include, in some instances, balances reflecting both the historical and the new push-down basis of accounting and, as such, do not represent amounts prepared in accordance with generally accepted accounting principles, but in our opinion are useful for comparing results between periods. Additional information on this transaction and its effect on our financial information is contained in Note 1(A) of the accompanying Notes to Consolidated Financial Statements.

Kinder Morgan Energy Partners, L.P. is one of the largest publicly traded pipeline limited partnerships in the United States in terms of market capitalization, and is a leading pipeline transportation and energy storage company in North America. Kinder Morgan Energy Partners, L.P. owns an interest in or operates more than 25,000 miles of pipelines and approximately 165 terminals. Kinder Morgan Energy Partners, L.P.'s pipelines transport natural gas, gasoline, crude oil, carbon dioxide and other products, and its terminals store petroleum products and chemicals and handle bulk materials like coal and petroleum coke. Kinder Morgan Energy Partners, L.P. is also the leading provider of carbon dioxide for enhanced oil recovery projects in North America.

We are a limited partner in Kinder Morgan Energy Partners, L.P., and manage and control its business and affairs pursuant to a delegation of control agreement. Our success is dependent upon our operation and management of Kinder Morgan Energy Partners, L.P. and its resulting performance. Therefore, we have attached hereto as Annex A Kinder Morgan Energy Partners, L.P.'s 2007 Annual Report on Form 10-K. The following discussion should be read in conjunction with the accompanying financial statements and related notes.

Business

Kinder Morgan G.P., Inc. has delegated to us, to the fullest extent permitted under Delaware law and Kinder Morgan Energy Partners, L.P.'s limited partnership agreement, all of its rights and powers to manage and control the business and affairs of Kinder Morgan Energy Partners, L.P. subject to Kinder Morgan G.P., Inc.'s right to approve specified actions.

Results of Operations

Our results of operations consist of the offsetting expenses and receipts associated with our managing and controlling the business and affairs of Kinder Morgan Energy Partners, L.P. and our equity in the earnings of Kinder Morgan Energy Partners, L.P. attributable to the i-units we own. At December 31, 2007, through our ownership of i-units, we owned approximately 29.2% of all of Kinder Morgan Energy Partners, L.P.'s outstanding limited partner interests. We use the equity method of accounting for our investment in Kinder Morgan Energy Partners, L.P. and we record earnings as described below. Our percentage ownership in Kinder Morgan Energy Partners, L.P. changes over time upon the distribution of additional i-units to us or upon issuances of additional common units or other equity securities by Kinder Morgan Energy Partners, L.P.

Our earnings, as reported in the accompanying Consolidated Statements of Income, represent equity in earnings of Kinder Morgan Energy Partners, L.P. attributable to the i-units we own, reduced by a deferred income tax provision and adjusted for the push down effect of Knight Inc.'s purchase of us and Kinder Morgan Energy Partners, L.P. The deferred income tax provision is calculated based on the book/tax basis difference created by our recognition, under accounting principles generally accepted in the United States of America, of our share of the earnings of Kinder Morgan Energy Partners, L.P. Our earnings per share (both basic and diluted) is our net income divided by our weighted-average number of outstanding shares during each period presented. There are no securities outstanding that may be converted into or exercised for our shares.

Upon the implementation of Emerging Issues Task Force Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*, effective January 1, 2006, Knight Inc., our parent, no longer accounted for its investment in Kinder Morgan Energy Partners, L.P. under the equity method of accounting, but instead included the accounts, balances and results of operations of Kinder Morgan Energy Partners, L.P. in its consolidated financial statements. This resulted in Knight Inc. and Kinder Morgan Energy Partners, L.P. being entities under common control.

Kinder Morgan Energy Partners, L.P.'s acquisition of Trans Mountain from Knight Inc. on April 30, 2007 was accounted for as a transfer of net assets between entities under common control, and the method of accounting prescribed by SFAS No. 141, *Business Combinations*, for such transfers is similar to the pooling-of-interests method of accounting. Under this method, the carrying amount of net assets recognized in the balance sheets of each combining entity are carried forward to the balance sheet of the combined entity, and no other assets or liabilities are recognized as a result of the combination (that is, no recognition is made for a purchase premium or discount representing any difference between the cash consideration and the book value of the net assets acquired). This treatment is consistent with the concept of poolings as combinations of common stockholder (or unitholder) interests. Similarly, the income statement of the combined entity for the year of combination is presented as if the entities had been combined for the full year, and all comparative financial statements are presented as if the entities had previously been combined as of January 1, 2006, the date of common control.

As a result, all Kinder Morgan Energy Partners, L.P. financial information included in this report has been presented as though the transfer of Trans Mountain from Knight Inc. to Kinder Morgan Energy Partners, L.P. had occurred at the date when both Trans Mountain and Kinder Morgan Energy Partners, L.P. met the accounting requirements for entities under common control (January 1, 2006). The impact of this restatement on our results of operations was to reduce our Equity in Earnings of Kinder Morgan Energy Partners, L.P. and Net Income by $96.4 million and $61.6 million, respectively for the four months ended April 30, 2007 and increase our Equity in Earnings of Kinder Morgan Energy Partners, L.P. and Net Income by $7.9 million and $5.1 million, respectively, for the year ended December 31, 2006.

Our results for the seven months ended December 31, 2007 are affected by the push-down of the application of the purchase method of accounting related to the May 30, 2007 Going Private transaction. However, we believe that combining the Pre-Acquisition Basis and the Post-Acquisition Basis periods is useful for comparing results even though such combined amounts do not represent amounts prepared in accordance with generally accepted accounting principles. The following discussion is based on the results for the years ended December 31, 2007, 2006 and 2005 rather than the pre-acquisition and post-acquisition periods.

For the years ended December 31, 2007, 2006 and 2005, Kinder Morgan Energy Partners, L.P. reported limited partners' net income (loss) of ($21.3) million, $490.8 million and $334.9 million, respectively. Our combined net income for the year ended December 31, 2007 was $9.1 million and our net income for the years ended December31, 2006 and 2005 was $84.1 million and $56.3 million, respectively. Following is summarized restated income statement information and segment earnings contribution by business segment for Kinder Morgan Energy Partners, L.P. Additional information on Kinder Morgan Energy Partners, L.P.'s results of operation and financial position are contained in its Annual Report on Form 10-K for the year ended December 31, 2007, attached hereto as Annex A.

Kinder Morgan Energy Partners, L.P.

	Year Ended December 31,		
	2007	**2006**	**2005**
		(In millions)	
Segment Earnings Contribution:			
Product Pipelines	$ 569.6	$ 491.2	$ 370.1
Natural Gas Pipelines	600.2	574.8	500.3
CO_2	537.0	488.2	470.9
Terminals	416.0	408.1	314.6
Trans Mountain	(293.6)	76.5	–
Total Segment Earnings	1,829.2	2,038.8	1,655.9
Depreciation, Depletion and Amortization Expenses	(547.0)	(432.8)	(349.8)
Amortization of Excess Cost of Investments	(5.8)	(5.7)	(5.6)
Interest and Corporate Administrative Expenses[1]	(686.1)	(596.2)	(488.3)
Net Income	$ 590.3	$ 1,004.1	$ 812.2
General Partners' Interest in Net Income	$ 611.6	$ 513.3	$ 477.3
Limited Partner's Interest in Net Income	$ (21.3)	$ 490.8	$ 334.9

[1] Includes interest and debt expense, general and administrative expenses, minority interest expense and other insignificant items.

Income Taxes

We are a limited liability company that has elected to be treated as a corporation for federal income tax purposes. Deferred income tax assets and liabilities are recognized for temporary differences between the basis of our assets and liabilities for financial reporting and tax purposes. Under our new basis of accounting, we have excluded nondeductible goodwill associated with our investment in Kinder Morgan Energy Partners, L.P. Prior to the Going Private transaction we recognized temporary differences between the basis of our assets and liabilities for financial reporting and tax purposes including nondeductible goodwill associated with our investment in Kinder Morgan Energy Partners, L.P. Changes in tax legislation are included in the relevant computations in the period in which such changes are effective.

The income tax provision decreased from $47.0 million in 2006 to a combined income tax benefit of $8.3 million in 2007, a decrease of $55.3 million (117.7%). The net decrease of $55.3 million principally results from a decrease in pre-tax income of $130.3 million and our accounting policy to exclude nondeductible goodwill associated with our investment in Kinder Morgan Energy partners, L.P. as a temporary difference between the basis of this investment for financial reporting and tax purposes.

The income tax provision increased from $32.1 million in 2005 to $47.0 million in 2006, an increase of $14.9 million (46.4%). The net increase of $14.9 million principally results from an increase in pre-tax income of $42.7 million.

The effective tax rate used in computing our income tax provision was 22.9%, 36.1%, 35.9% and 36.3% for the seven months ended December 31, 2007, the five months ended May 31, 2007 and the years ended December 31, 2006 and 2005, respectively. The lower effective tax rate of 22.9% for the seven months ended December 31, 2007 results principally from the impact of nondeductible goodwill associated with our investment in Kinder Morgan Energy Partners, L.P.

We are a party to a tax indemnification agreement with Knight Inc. Pursuant to this tax indemnification agreement, Knight Inc. agreed to indemnify us for any tax liability attributable to our formation or our management and control of the business and affairs of Kinder Morgan Energy Partners, L.P., and for any taxes arising out of a transaction involving the i-units we own to the extent the transaction does not generate sufficient cash to pay our taxes with respect to such transaction.

See Note 2E of the accompanying Notes to Consolidated Financial Statements for additional information on income taxes.

Liquidity and Capital Resources

Our authorized capital structure consists of two classes of interests: (1) our listed shares and (2) our voting shares, collectively referred to in this document as our "shares." Additional classes of interests may be approved by our board and

holders of a majority of our shares, excluding shares held by Knight Inc. and its affiliates. Our only off-balance sheet arrangement is our equity investment in Kinder Morgan Energy Partners, L.P.

The number of our shares outstanding will at all times equal the number of i-units of Kinder Morgan Energy Partners, L.P., all of which we own. Under the terms of our limited liability company agreement, except in connection with our liquidation, we do not pay distributions on our shares in cash but we make distributions on our shares in additional shares or fractions of shares. At the same time Kinder Morgan Energy Partners, L.P. makes a distribution on its common units and i-units, we distribute on each of our shares that fraction of a share determined by dividing the amount of the cash distribution to be made by Kinder Morgan Energy Partners, L.P. on each common unit by the average market price of a share determined for a ten-trading day period ending on the trading day immediately prior to the ex-dividend date for our shares.

On February 14, 2008, we paid a share distribution of 0.017312 shares per outstanding share (1,253,951 total shares) to shareholders of record as of January 31, 2008, based on the $0.92 per common unit distribution declared by Kinder Morgan Energy Partners, L.P. This distribution was paid in the form of additional shares or fractions thereof based on the average market price of a share determined for a ten-trading day period ending on the trading day immediately prior to the ex-dividend date for our shares.

On May 15, 2007, we issued 5.7 million listed shares in a public offering at a price of $52.26 per share. We used the net proceeds of $297.9 million from the sale to purchase 5.7 million i-units from Kinder Morgan Energy Partners, L.P.

Kinder Morgan Energy Partners, L.P.'s partnership agreement requires that it distribute 100% of available cash, as defined in the partnership agreement, to its partners within 45 days following the end of each calendar quarter in accordance with their respective percentage interests. Available cash consists generally of all of Kinder Morgan Energy Partners, L.P.'s cash receipts, including cash received by its operating partnerships and net reductions in reserves, less cash disbursements and net additions to reserves and amounts payable to the former general partner of SFPP, L.P. in respect of its remaining 0.5% interest in SFPP, L.P.

Kinder Morgan Energy Partners, L.P.'s general partner is granted discretion by the partnership agreement, which discretion has been delegated to us, subject to the approval of the general partner in certain cases, to establish, maintain and adjust reserves for future operating expenses, debt service, maintenance capital expenditures, rate refunds and distributions for the next four quarters. These reserves are not restricted by magnitude, but only by type of future cash requirements with which they can be associated. When we determine Kinder Morgan Energy Partners, L.P.'s quarterly distributions, we consider current and expected reserve needs along with current and expected cash flows to identify the appropriate sustainable distribution level.

The general partner and owners of Kinder Morgan Energy Partners, L.P.'s common units and Class B units receive distributions in cash, while we, the sole owner of Kinder Morgan Energy Partners, L.P.'s i-units, receive distributions in additional i-units. For each outstanding i-unit, a fraction of an i-unit will be issued. The fraction is calculated by dividing the amount of cash being distributed per Kinder Morgan Energy Partners, L.P. common unit by the average closing price of our shares over the ten consecutive trading days preceding the date on which the shares begin to trade ex-dividend under the rules of the New York Stock Exchange. The cash equivalent of distributions of i-units is treated as if it had actually been distributed for purposes of determining the distributions to the general partner, although Kinder Morgan Energy Partners, L.P. does not distribute cash to i-unit owners but retains the cash for use in its business.

Available cash is initially distributed 98% to the limited partners and 2% to the general partner. These distribution percentages are modified to provide for incentive distributions to be paid to the general partner in the event that quarterly distributions to unitholders exceed certain specified targets.

Kinder Morgan Energy Partners, L.P.'s available cash for each quarter is distributed:

- first, 98% to the owners of all classes of units pro rata and 2% to the general partner until the owners of all classes of units have received a total of $0.15125 per unit in cash or equivalent i-units for such quarter;

- second, 85% of any available cash then remaining to the owners of all classes of units pro rata and 15% to the general partner until the owners of all classes of units have received a total of $0.17875 per unit in cash or equivalent i-units for such quarter;

- third, 75% of any available cash then remaining to the owners of all classes of units pro rata and 25% to the general partner until the owners of all classes of units have received a total of $0.23375 per unit in cash or equivalent i-units for such quarter; and

- fourth, 50% of any available cash then remaining to the owners of all classes of units pro rata, to owners of common units and Class B units in cash and to owners of i-units in the equivalent number of i-units, and 50% to the general partner.

Incentive distributions are generally defined as all cash distributions paid to the general partner that are in excess of 2% of the aggregate value of cash and i-units being distributed. The general partner's incentive distribution for the distributions that Kinder Morgan Energy Partners, L.P. declared for 2007 was $611.9 million. The general partner's incentive distribution that Kinder Morgan Energy Partners, L.P. paid during 2007 to the general partner (for the fourth quarter of 2006 and the first nine months of 2007) was $559.6 million. The difference between declared and paid distributions is due to the fact that distributions for the fourth quarter of each year are declared and paid in the first quarter of the following year. In addition, Kinder Morgan G.P., Inc. waived $20.1 million of its 2006 incentive distribution for the fourth quarter of 2006, which was paid in the first quarter of 2007, in order to fund the annual bonus for employees.

We expect that our expenditures associated with managing and controlling the business and affairs of Kinder Morgan Energy Partners, L.P. and the reimbursement for these expenditures received by us from Kinder Morgan Energy Partners, L.P. will continue to be equal. As stated above, the distributions we expect to receive on the i-units we own will be in the form of additional i-units. Therefore, we expect neither to generate nor to require significant amounts of cash in ongoing operations. We currently have no debt and have no plans to incur any debt. Any cash received from the sale of additional shares will immediately be used to purchase additional i-units. Accordingly, we do not anticipate any other sources or needs for additional liquidity.

Recent Accounting Pronouncements

Refer to Note 6 of the accompanying Consolidated Financial Statements for information regarding recent accounting pronouncements.

Information Regarding Forward-looking Statements

This filing includes forward-looking statements. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. They use words such as "anticipate," "believe," "intend," "plan," "projection," "forecast," "strategy," "position," "continue," "estimate," "expect," "may," or the negative of those terms or other variations of them or comparable terminology. In particular, statements, express or implied, concerning future actions, conditions or events, future operating results or the ability to generate sales, income or cash flow or to pay dividends or make distributions are forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future actions, conditions or events and future results of our operations and those of Kinder Morgan Energy Partners, L.P. may differ materially from those expressed in these forward-looking statements. Please see "Information Regarding Forward-Looking Statements" for Kinder Morgan Energy Partners, L.P. included in Annex A. Many of the factors that will determine these results are beyond our ability to control or predict. Specific factors that could cause actual results to differ from those in the forward-looking statements include:

- price trends and overall demand for natural gas liquids, refined petroleum products, oil, carbon dioxide, natural gas, coal and other bulk materials and chemicals in North America;

- economic activity, weather, alternative energy sources, conservation and technological advances that may affect price trends and demand;

- changes in Kinder Morgan Energy Partners, L.P.'s tariff rates implemented by the Federal Energy Regulatory Commission or the California Public Utilities Commission;

- Kinder Morgan Energy Partners, L.P.'s ability to acquire new businesses and assets and integrate those operations into its existing operations, as well as its ability to make expansions to its facilities;

- difficulties or delays experienced by railroads, barges, trucks, ships or pipelines in delivering products to or from Kinder Morgan Energy Partners, L.P.'s terminals or pipelines;

- Kinder Morgan Energy Partners, L.P.'s ability to successfully identify and close acquisitions and make cost-saving changes in operations;

- shut-downs or cutbacks at major refineries, petrochemical or chemical plants, ports, utilities, military bases or other businesses that use Kinder Morgan Energy Partners, L.P.'s services or provide services or products to Kinder Morgan Energy Partners, L.P.;

- crude oil and natural gas production from exploration and production areas that Kinder Morgan Energy Partners, L.P. serves, including, among others, the Permian Basin area of West Texas;

- changes in laws or regulations, third-party relations and approvals, decisions of courts, regulators and governmental bodies that may adversely affect Kinder Morgan Energy Partners, L.P.'s business or its ability to compete;
- changes in accounting pronouncements that impact the measurement of Kinder Morgan Energy Partners, L.P.'s or our results of operations, the timing of when such measurements are to be made and recorded, and the disclosures surrounding these activities;
- our ability to offer and sell equity securities and Kinder Morgan Energy Partners, L.P.'s ability to offer and sell equity securities and debt securities or obtain debt financing in sufficient amounts to implement that portion of Kinder Morgan Energy Partners, L.P.'s business plan that contemplates growth through acquisitions of operating businesses and assets and expansions of its facilities;
- Kinder Morgan Energy Partners, L.P.'s indebtedness could make it vulnerable to general adverse economic and industry conditions, limit its ability to borrow additional funds and/or place it at competitive disadvantages compared to its competitors that have less debt or have other adverse consequences;
- interruptions of electric power supply to Kinder Morgan Energy Partners, L.P.'s facilities due to natural disasters, power shortages, strikes, riots, terrorism, war or other causes;
- our and Kinder Morgan Energy Partners, L.P.'s ability to obtain insurance coverage without significant levels of self-retention of risk;
- acts of nature, sabotage, terrorism or other similar acts causing damage greater than Kinder Morgan Energy Partners, L.P.'s insurance coverage limits;
- capital markets conditions;
- the political and economic stability of the oil producing nations of the world;
- national, international, regional and local economic, competitive and regulatory conditions and developments;
- the ability of Kinder Morgan Energy Partners, L.P. to achieve cost savings and revenue growth;
- inflation;
- interest rates;
- the pace of deregulation of retail natural gas and electricity;
- foreign exchange fluctuations;
- the timing and extent of changes in commodity prices for oil, natural gas, electricity and certain agricultural products;
- the extent of Kinder Morgan Energy Partners, L.P.'s success in discovering, developing and producing oil and gas reserves, including the risks inherent in exploration and development drilling, well completion and other development activities;
- engineering and mechanical or technological difficulties that Kinder Morgan Energy Partners, L.P. may experience with operational equipment, in well completions and workovers, and in drilling new wells;
- the uncertainty inherent in estimating future oil and natural gas production or reserves that Kinder Morgan Energy Partners, L.P. may experience;
- the ability of Kinder Morgan Energy Partners, L.P. to complete expansion projects on time and on budget;
- the timing and success of Kinder Morgan Energy Partners, L.P.'s business development efforts; and
- unfavorable results of litigation involving Kinder Morgan Energy Partners, L.P. and the fruition of contingencies referred to in Kinder Morgan Energy Partners, L.P.'s Annual Report on Form 10-K for the year ended December 31, 2007, attached hereto as Annex A.

There is no assurance that any of the actions, events or results of the forward-looking statements will occur, or if any of them do, what impact they will have on our results of operations or financial condition. Because of these uncertainties, you should not put undue reliance on any forward-looking statements. See Item 1A "Risk Factors" for a more detailed description of these and other factors that may affect the forward-looking statements. When considering forward-looking statements, one should keep in mind the risk factors described in "Risk Factors" above. The risk factors could cause our actual results to differ materially from those contained in any forward-looking statement. We disclaim any obligation, other than as required by applicable law, to update the above list or to announce publicly the result of any revisions to any of the forward-looking statements to reflect future events or developments.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

The nature of our business and operations is such that no activities or transactions of the type requiring discussion under this item are conducted or entered into.

Item 8. ***Financial Statements and Supplementary Data.***

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Report of Independent Registered Public Accounting Firm

To the Board of Directors
and Stockholders of Kinder Morgan Management, LLC:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of comprehensive income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Kinder Morgan Management, LLC and its subsidiary (the "Company") at December 31, 2007, and the results of their operations and their cash flows for the period from June 1, 2007 to December 31, 2007 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated audit. We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audit of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

PricewaterhouseCoopers LLP
Houston, Texas
February 27, 2008

Report of Independent Registered Public Accounting Firm

To the Board of Directors
and Stockholders of Kinder Morgan Management, LLC:

In our opinion, the accompanying consolidated balance sheet and the related consolidated statements of income, of comprehensive income, of shareholders' equity and of cash flows present fairly, in all material respects, the financial position of Kinder Morgan Management, LLC and its subsidiary (the "Company") at December 31, 2006, and the results of their operations and their cash flows for the periods January 1, 2007 to May 31, 2007, and the years ended December 31, 2006 and 2005 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP
Houston, Texas
February 27, 2008

CONSOLIDATED STATEMENTS OF INCOME
Kinder Morgan Management, LLC and Subsidiary

	Post-Acquisition Basis	Pre-Acquisition Basis		
		Restated; See Note 5.		
	Seven Months Ended December 31, 2007	Five Months Ended May 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005
	(In millions except per share amounts)	(In millions except per share amounts)		
Equity in Earnings (Loss) of Kinder Morgan Energy Partners, L.P.	$ 65.4	$ (64.6)	$ 131.1	$ 88.4
Provision (Benefit) for Income Taxes	15.0	(23.3)	47.0	32.1
Net Income (Loss)	$ 50.4	$ (41.3)	$ 84.1	$ 56.3
Earnings (Loss) Per Share, Basic and Diluted	$ 0.71	$ (0.65)	$ 1.40	$ 1.00
Number of Shares Used in Computing Basic and Diluted Earnings Per Share	71.1	63.7	60.1	56.1

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Post-Acquisition Basis	Pre-Acquisition Basis		
		Restated; See Note 5.		
	Seven Months Ended December 31, 2007	Five Months Ended May 31, 2007	Year Ended December 31, 2006	Year Ended December 31, 2005
	(In millions)	(In millions)		
Net Income (Loss)	$ 50.4	$ (41.3)	$ 84.1	$ 56.3
Other Comprehensive Income (Loss), Net of Tax:				
Change in Fair Value of Derivatives Utilized for Hedging Purposes (Net of Tax Benefit of $45.6, $6.6, $17.3 and $99.0, respectively)	(80.7)	(5.8)	(30.5)	(173.7)
Reclassification of Change in Fair Value of Derivatives to Net Income (Net of Tax of $13.9, $7.4, $39.4 and $40.2, respectively)	24.5	6.5	69.7	70.4
Change in Foreign Currency Translation Adjustment	4.1	2.2	(3.2)	(0.1)
Minimum Pension Liability Adjustments, and reclassification of post-retirement benefit and pension plan actuarial gains/losses and prior service costs/credits to net income	(0.3)	–	–	–
Total Other Comprehensive Income (Loss)	(52.4)	2.9	36.0	(103.4)
Comprehensive Income (Loss)	$ (2.0)	$ (38.4)	$ 120.1	$ (47.1)

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS
Kinder Morgan Management, LLC and Subsidiary

	Post-Acquisition Basis	Pre-Acquisition Basis Restated; See Note 5
	December 31, 2007	December 31, 2006
	(In millions)	(In millions)
ASSETS		
Current Assets:		
Accounts Receivable – Related Party	$ 28.6	$ 14.7
Prepayments and Other	2.3	4.0
	30.9	18.7
Investment in Kinder Morgan Energy Partners, L.P.	2,155.0	1,689.2
Deferred Tax Assets	27.9	-
Total Assets	$ 2,213.8	$ 1,707.9
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	$ 1.3	$ 1.2
Accrued Expenses and Other	29.5	17.4
	30.8	18.6
Deferred Income Taxes	-	109.5
Shareholders' Equity:		
Voting Shares - Unlimited Authorized; 2 Voting Shares Issued and Outstanding	0.1	0.1
Listed Shares - Unlimited Authorized; 72,432,480 and 62,301,674 Listed Shares Issued and Outstanding, Respectively	2,374.8	2,109.4
Retained Deficit	(66.0)	(387.0)
Accumulated Other Comprehensive Loss	(125.9)	(142.7)
Total Shareholders' Equity	2,183.0	1,579.8
Total Liabilities and Shareholders' Equity	$ 2,213.8	$ 1,707.9

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
Kinder Morgan Management, LLC and Subsidiary

	Post-Acquisition Basis	
	Seven Months Ended December 31, 2007	
	Shares	Amount
	(Dollars in millions)	
Voting Shares:		
Beginning Balance	2	$ 0.1
Ending Balance	2	0.1
Listed Shares:		
Beginning Balance	70,030,041	2,258.6
Share Dividends	2,402,439	116.4
Share Issuance Costs		(0.2)
Ending Balance	72,432,480	2,374.8
Retained Deficit:		
Beginning Balance		–
Net Income		50.4
Share Dividends		(116.4)
Ending Balance		(66.0)
Accumulated Other Comprehensive Loss (Net of Tax Benefits):		
Derivatives:		
Beginning Balance		(73.5)
Change in Fair Value of Derivatives Utilized for Hedging Purposes		(80.7)
Reclassification of Change in Fair Value of Derivatives to Net Income		24.5
Ending Balance		(129.7)
Foreign Currency Translation:		
Beginning Balance		–
Currency Translation Adjustment		4.1
Ending Balance		4.1
Employee Benefit Plans:		
Beginning Balance		–
SFAS No. 158 Amortization/Adjustments		(0.3)
Ending Balance		(0.3)
Total Accumulated Other Comprehensive Loss		(125.9)
Total Shareholders' Equity	72,432,482	$ 2,183.0

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (continued)
Kinder Morgan Management, LLC and Subsidiary

	Pre-Acquisition Basis					
	Restated; See Note 5					
	Five Months Ended May 31,2007		Year Ended December 31, 2006		2005	
	Shares	Amount	Shares	Amount	Shares	Amount
			(Dollars in millions)			
Voting Shares:						
Beginning Balance	2	$ 0.1	2	$ 0.1	2	$ 0.1
Ending Balance	2	0.1	2	0.1	2	0.1
Listed Shares:						
Beginning Balance	62,301,674	2,109.4	57,918,371	1,958.5	54,157,639	1,778.11
Listed Shares Issued	5,700,000	297.9	–	–	–	–
Share Dividends	2,028,367	105.2	4,383,303	186.5	3,760,732	168.8
Share Issuance Costs	–	–	–	(0.1)	–	–
Revaluation of Kinder Morgan Energy Partners, L.P. Investment	–	–	–	(35.5)	–	11.6
Ending Balance	70,030,041	2,512.5	62,301,674	2,109.4	57,918,371	1,958.5
Retained Deficit:						
Beginning Balance		(387.0)		(284.6)		(172.1)
Net Income (Loss)		(41.3)		84.1		56.3
Share Dividends		(105.2)		(186.5)		(168.8)
Ending Balance		(533.5)		(387.0)		(284.6)
Accumulated Other Comprehensive Loss (Net of Tax Benefits):						
Derivatives:						
Beginning Balance		(139.1)		(178.3)		(75.0)
Change in Fair Value of Derivatives Utilized for Hedging Purposes		(5.8)		(30.5)		(173.7)
Reclassification of Change in Fair Value of Derivatives to Net Income		6.5		69.7		70.4
Ending Balance		(138.4)		(139.1)		(178.3)
Foreign Currency Translation:						
Beginning Balance		(3.3)		(0.1)		–
Currency Translation Adjustment		2.2		(3.2)		(0.1)
Ending Balance		(1.1)		(3.3)		(0.1)
Employee Retirement Benefits:						
Beginning Balance		(0.3)		–		–
Adjustment to Initially Apply SFAS No. 158		–		(0.3)		–
Ending Balance		(0.3)		(0.3)		–
Total Accumulated Other Comprehensive Loss		(139.8)		(142.7)		(178.4)
Total Shareholders' Equity	70,030,043	$ 1,839.3	62,301,676	$ 1,579.8	57,918,373	$ 1,495.6

The accompanying notes are an integral part of these statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS
Kinder Morgan Management, LLC and Subsidiary
Increase (Decrease) in Cash and Cash Equivalents

	Post-Acquisition Basis	Pre-Acquisition Basis		
		Restated; See Note 5		
	Seven Months Ended December 31, 2007	Five Months Ended May 31, 2007	Year Ended December 31, 2006	2005
	(In millions)		(In millions)	
Cash Flows From Operating Activities:				
Net Income (Loss)	$ 50.4	$ (41.3)	$ 84.1	$ 56.3
Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities:				
Deferred Income Taxes	15.0	(23.3)	47.0	32.1
Equity in Earnings (Loss) of Kinder Morgan Energy Partners, L.P.	(65.4)	64.6	(131.1)	(88.4)
(Increase) Decrease in Accounts Receivable	(16.1)	2.2	7.6	2.6
Decrease (Increase) in Other Current Assets	1.0	0.7	(0.6)	(0.8)
Increase (Decrease) in Accounts Payable	–	0.1	(1.4)	1.4
Increase (Decrease) in Other Current Liabilities	15.1	(3.0)	(5.6)	(3.2)
Net Cash Flows Provided by Operating Activities	–	–	–	–
Cash Flows From Investing Activities:				
Purchase of i-units of Kinder Morgan Energy Partners, L.P.	–	(297.9)	–	–
Net Cash Flows Used in Investing Activities	–	(297.9)	–	–
Cash Flows From Financing Activities:				
Shares Issued	–	297.9	–	–
Share Issuance Costs	–	–	–	–
Net Cash Flows Provided by Financing Activities	–	297.9	–	–
Net Increase in Cash and Cash Equivalents	–	–	–	–
Cash and Cash Equivalents at Beginning of Period	–	–	–	–
Cash and Cash Equivalents at End of Period	$ –	$ –	$ –	$ –

The accompanying notes are an integral part of these statements.

KINDER MORGAN MANAGEMENT, LLC AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General

Kinder Morgan Management, LLC is a publicly traded Delaware limited liability company that was formed on February 14, 2001. Kinder Morgan G.P., Inc., of which Knight Inc. indirectly owns all of the outstanding common equity, is the general partner of Kinder Morgan Energy Partners, L.P. and owns all of our voting shares. Kinder Morgan G.P., Inc., pursuant to a delegation of control agreement among us, Kinder Morgan G.P., Inc. and Kinder Morgan Energy Partners, L.P., has delegated to us, to the fullest extent permitted under Delaware law and Kinder Morgan Energy Partners, L.P.'s limited partnership agreement, all of its rights and powers to manage and control the business and affairs of Kinder Morgan Energy Partners, L.P., subject to the general partner's right to approve specified actions. We are a limited partner in Kinder Morgan Energy Partners, L.P. through our ownership of its i-units, and manage and control its business and affairs pursuant to the delegation of control agreement. Our success is dependent upon our operation and management of Kinder Morgan Energy Partners, L.P. and its resulting performance, see Note 5. Unless the context requires otherwise, references to "we," "us," "our," or the "Company" are intended to mean Kinder Morgan Management, LLC and its consolidated subsidiary, Kinder Morgan Services LLC.

2. Significant Accounting Policies

(A) Basis of Presentation

Our consolidated financial statements include the accounts of Kinder Morgan Management, LLC and its wholly owned subsidiary, Kinder Morgan Services LLC. All material intercompany transactions and balances have been eliminated.

On August 28, 2006, Kinder Morgan, Inc. entered into an agreement and plan of merger whereby generally each share of Kinder Morgan, Inc. common stock would be converted into the right to receive $107.50 in cash without interest. Kinder Morgan, Inc. in turn would merge with a wholly owned subsidiary of Knight Holdco LLC, a privately owned company in which Richard D. Kinder, Kinder Morgan, Inc.'s Chairman and Chief Executive Officer, would be a major investor. On May 30, 2007, the merger closed, with Kinder Morgan, Inc. continuing as the surviving legal entity and subsequently renamed "Knight Inc." Additional investors in Knight Holdco LLC include the following: other senior members of Knight Inc. management, most of whom are also senior officers of Kinder Morgan G.P., Inc.; Kinder Morgan, Inc. co-founder William V. Morgan; Kinder Morgan, Inc. board members Fayez Sarofim and Michael C. Morgan; and affiliates of (i) Goldman Sachs Capital Partners; (ii) American International Group, Inc.; (iii) The Carlyle Group; and (iv) Riverstone Holdings LLC. This transaction is referred to in this report as the Going Private transaction. The acquisition was accounted for under the purchase method of accounting, as required by Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*. The purchase price of Knight Inc. has been "pushed-down" and allocated to the assets and liabilities of its subsidiary companies, including us. Accordingly, our post-acquisition consolidated financial statements reflect a new basis of accounting. Our Consolidated Statements of Income and our Consolidated Statements of Cash Flows for the periods ended May 31, 2007, December 31, 2006 and December 31, 2005 and the Consolidated Balance Sheet as of December 31, 2006 reflect the operations of the Company prior to the acquisition. Hence, there is a blackline division on the financial statements and relevant footnotes, which is intended to signify that the amounts shown for periods prior to and subsequent to the acquisition are not comparable. While the Going Private transaction closed on May 30, 2007, for convenience, the Pre-Acquisition Basis is assumed to end on May 31, 2007 and the Post-Acquisition Basis is assumed to begin on June 1, 2007. The results for the two-day period from May 30, 2007 to May 31, 2007 are not material to any of the periods presented.

The purchase price of Knight Inc. was preliminarily allocated to the assets it acquired and the liabilities it assumed based on their estimated fair values. The push-down of this allocation of fair value to us caused a step-up in the recorded value of our investment in Kinder Morgan Energy Partners, L.P. of approximately $224.1 million and the recording of a deferred tax asset. The difference between the book value of our investment in Kinder Morgan Energy Partners, L.P. and our share of their recognized net assets at book value consists of two pieces. First, an amount related to the difference between the recognized net assets at book value and the fair value of those net assets, and secondly, a premium in excess of the fair value of the underlying net assets referred to as equity method goodwill. As with all purchase accounting transactions, the preliminary allocation of purchase price resulting from the purchase of Knight Inc. will be adjusted during an allocation period as better or more complete information becomes available. Some of these adjustments may be significant. Generally, this allocation period will not exceed one year, and will end when Knight Inc. is no longer waiting for information that is known to be available or obtainable. The allocation of purchase price resulting from the purchase of Knight Inc. is not final.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses. Actual results could differ from these estimates.

Our results have been restated for the periods beginning January 1, 2006 through April 30, 2007 due to the restatement of Kinder Morgan Energy Partners, L.P.'s results for those periods to include the results of the Trans Mountain acquisition as if it had occurred on January 1, 2006. Refer to Note 5 for more information on the restatement of results of Kinder Morgan Energy Partners, L.P.

(B) Accounting for Investment in Kinder Morgan Energy Partners, L.P.

We use the equity method of accounting for our investment in Kinder Morgan Energy Partners, L.P., which investment is further described in Notes 3 and 4. Kinder Morgan Energy Partners, L.P. is a publicly traded limited partnership and is traded on the New York Stock Exchange under the symbol "KMP." We record, in the period in which it is earned, our share of the earnings of Kinder Morgan Energy Partners, L.P. attributable to the i-units we own, which beginning June 1, 2007, includes an adjustment to reflect the impact of the push down of the purchase price of Knight Inc. on our equity investment in Kinder Morgan Energy Partners, L.P. We receive distributions from Kinder Morgan Energy Partners, L.P. in the form of additional i-units, which increase the number of i-units we own. We issue additional shares (or fractions thereof) of the Company to our existing shareholders in an amount equal to the additional i-units received from Kinder Morgan Energy Partners, L.P. At December 31, 2007, through our ownership of i-units, we owned approximately 29.2% of all of Kinder Morgan Energy Partners, L.P.'s outstanding limited partner interests.

(C) Accounting for Share Distributions

Our board of directors declares and we make additional share distributions at the same times that Kinder Morgan Energy Partners, L.P. declares and makes distributions on the i-units to us, so that the number of i-units we own and the number of our shares outstanding remain equal. We account for the share distributions we make by charging retained earnings and crediting outstanding shares with amounts that equal the number of shares distributed multiplied by the closing price of the shares on the date the distribution is payable. As a result, we expect that our retained earnings will always be in a deficit position because (i) distributions per unit for Kinder Morgan Energy Partners, L.P. (which serve to reduce our retained earnings) are based on "Available Cash" as defined by its partnership agreement, which amount generally exceeds the earnings per unit (which serve to increase our retained earnings) and (ii) the impact on our retained earnings attributable to our equity in the earnings of Kinder Morgan Energy Partners, L.P. is recorded after a provision for income taxes.

(D) Earnings Per Share

Both basic and diluted earnings per share are computed based on the weighted-average number of shares outstanding during each period, adjusted for share splits. There are no securities outstanding that may be converted into or exercised for shares.

(E) Income Taxes

We are a limited liability company that has elected to be treated as a corporation for federal income tax purposes. Deferred income tax assets and liabilities are recognized for temporary differences between the basis of our assets and liabilities for financial reporting and tax purposes. Under our new basis of accounting, we have excluded nondeductible goodwill associated with our investment in Kinder Morgan Energy Partners, L.P. Prior to the Going Private transaction we recognized temporary differences between the basis of our assets and liabilities for financial reporting and tax purposes including nondeductible goodwill associated with our investment in Kinder Morgan Energy Partners, L.P. Changes in tax legislation are included in the relevant computations in the period in which such changes are effective. Currently, our only such temporary difference results from our investment in Kinder Morgan Energy Partners, L.P.

The effective tax rate utilized in computing our income tax provision was 22.9%, 36.1%, 35.9% and 36.3% for the seven months ended December 31, 2007, the five months ended May 31, 2007 and the years ended December 31, 2006 and 2005, respectively. The effective tax rate for all periods includes the 35% federal statutory rate and a provision for state income taxes. The lower effective tax rate of 22.9% for the seven months ended December 31, 2007 is impacted significantly by nondeductible goodwill associated with our investment in Kinder Morgan Energy Partners, L.P.

We entered into a tax indemnification agreement with Knight Inc. Pursuant to this tax indemnification agreement, Knight Inc. agreed to indemnify us for any tax liability attributable to our formation or our management and control of the business and affairs of Kinder Morgan Energy Partners, L.P. and for any taxes arising out of a transaction involving the i-units we own to the extent the transaction does not generate sufficient cash to pay our taxes with respect to such transaction.

(F) Cash Flow Information

We consider all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. No cash payments for interest or income taxes were made during the periods presented.

3. Capitalization

Our authorized capital structure consists of two classes of interests: (1) our listed shares and (2) our voting shares, collectively referred to in this document as our "shares." Prior to the May 2001 initial public offering of our shares, our issued capitalization consisted of $100,000 contributed by Kinder Morgan, G.P., Inc. for two voting shares. At December 31, 2007, Knight Inc. owned approximately 10.3 million, or approximately 14.3% of our outstanding shares.

On February 14, 2008, we paid a share distribution of 0.017312 shares per outstanding share (1,253,951 total shares) to shareholders of record as of January 31, 2008, based on the $0.92 per common unit distribution declared by Kinder Morgan Energy Partners, L.P. This distribution was paid in the form of additional shares or fractions thereof based on the average market price of a share determined for a ten-trading day period ending on the trading day immediately prior to the ex-dividend date for our shares.

4. Business Activities and Related Party Transactions

At no time after our formation and prior to our initial public offering did we have any operations or own any interest in Kinder Morgan Energy Partners, L.P. Upon the closing of our initial public offering in May 2001, we became a limited partner in Kinder Morgan Energy Partners, L.P. and, pursuant to a delegation of control agreement, we assumed the management and control of its business and affairs. Under the delegation of control agreement, Kinder Morgan G.P., Inc. delegated to us, to the fullest extent permitted under Delaware law and the Kinder Morgan Energy Partners, L.P. partnership agreement, all of Kinder Morgan G.P., Inc.'s power and authority to manage and control the business and affairs of Kinder Morgan Energy Partners, L.P., subject to Kinder Morgan G.P., Inc.'s right to approve certain transactions. Kinder Morgan Energy Partners, L.P. will either pay directly or reimburse us for all expenses we incur in performing under the delegation of control agreement and will be obligated to indemnify us against claims and liabilities provided that we have acted in good faith and in a manner we believed to be in, or not opposed to, the best interests of Kinder Morgan Energy Partners, L.P. and the indemnity is not prohibited by law. Kinder Morgan Energy Partners, L.P. consented to the terms of the delegation of control agreement including Kinder Morgan Energy Partners, L.P.'s indemnity and reimbursement obligations. We do not receive a fee for our service under the delegation of control agreement, nor do we receive any margin or profit on the expense reimbursement. We incurred approximately $135.8 million, $116.9 million, $215.5 million and $178.4 million of expenses during the seven months ended December 31, 2007, the five months ended May 31, 2007 and the years ended December 31, 2006 and 2005, respectively, on behalf of Kinder Morgan Energy Partners, L.P. The expense reimbursements by Kinder Morgan Energy Partners, L.P. to us are accounted for as a reduction to the expense incurred by us. The net monthly balance payable or receivable from these activities is settled in cash in the following month. At December 31, 2007, $28.6 million, primarily a receivable from Kinder Morgan Energy Partners, L.P., is recorded in the caption "Accounts Receivable, Related Party" in the accompanying Consolidated Balance Sheet.

Kinder Morgan Services LLC is our wholly owned subsidiary and provides centralized payroll and employee benefits services to us, Kinder Morgan G.P., Inc., Kinder Morgan Energy Partners, L.P. and Kinder Morgan Energy Partners, L.P.'s operating partnerships and subsidiaries (collectively, the "Group"). Employees of KMGP Services Company, Inc., a subsidiary of Kinder Morgan G.P., Inc., are assigned to work for one or more members of the Group. When they do so, they remain under our ultimate management and control. The direct costs of all compensation, benefits expenses, employer taxes and other employer expenses for these employees are allocated and charged by Kinder Morgan Services LLC to the appropriate members of the Group, and the members of the Group reimburse Kinder Morgan Services LLC for their allocated shares of these direct costs. There is no profit or margin charged by Kinder Morgan Services LLC to the members of the Group. The administrative support necessary to implement these payroll and benefits services is provided by the human resource department of Knight Inc., and the related administrative costs are allocated to members of the Group in accordance with expense allocation procedures. The effect of these arrangements is that each member of the Group bears the direct compensation and employee benefits costs of its assigned or partially assigned employees, as the case may be, while also bearing its allocable share of administrative costs. Pursuant to its limited partnership agreement, Kinder Morgan Energy Partners, L.P. reimburses Kinder Morgan Services LLC for its share of these administrative costs, and such reimbursements are accounted for as described above. Additionally, Kinder Morgan Energy Partners, L.P. reimburses us with respect to costs incurred or allocated to us in accordance with Kinder Morgan Energy Partners, L.P.'s limited partnership agreement, the delegation of control agreement among Kinder Morgan G.P., Inc., Kinder Morgan Energy Partners, L.P., us and others, and our limited liability company agreement. During the seven months ended December 31, 2007, the five months ended May 31, 2007 and the twelve months ended December 31, 2006 and 2005 the expenses totaled approximately $163.7 million, $112.1 million, $248.3, million and $215.3 million, respectively.

5. Summarized Financial Information for Kinder Morgan Energy Partners, L.P.

Upon the implementation of Emerging Issues Task Force Issue No. 04-5, *Determining Whether a General Partner, or the General Partners as a Group, Controls a Limited Partnership or Similar Entity When the Limited Partners Have Certain Rights*, effective January 1, 2006, Knight Inc., our parent, no longer accounted for its investment in Kinder Morgan Energy Partners, L.P. under the equity method of accounting, but instead included the accounts, balances and results of operations of Kinder Morgan Energy Partners, L.P. in its consolidated financial statements. This resulted in Knight Inc. and Kinder Morgan Energy Partners, L.P. being entities under common control.

Kinder Morgan Energy Partners, L.P.'s acquisition of Trans Mountain from Knight Inc. on April 30, 2007 was accounted for as a transfer of net assets between entities under common control, and the method of accounting prescribed by SFAS No. 141, *Business Combinations*, for such transfers is similar to the pooling-of-interests method of accounting. Under this method, the carrying amount of net assets recognized in the balance sheets of each combining entity are carried forward to the balance sheet of the combined entity, and no other assets or liabilities are recognized as a result of the combination (that is, no recognition is made for a purchase premium or discount representing any difference between the cash consideration and the book value of the net assets acquired). This treatment is consistent with the concept of poolings as combinations of common stockholder (or unitholder) interests. Similarly, the income statement of the combined entity for the year of combination is presented as if the entities had been combined for the full year, and all comparative financial statements are presented as if the entities had previously been combined as of January 1, 2006, the date of common control.

As a result, all Kinder Morgan Energy Partners, L.P. financial information included in this report has been presented as though the transfer of Trans Mountain from Knight Inc. to Kinder Morgan Energy Partners, L.P. had occurred at the date when both Trans Mountain and Kinder Morgan Energy Partners, L.P. met the accounting requirements for entities under common control (January 1, 2006). Following is summarized income statement information for Kinder Morgan Energy Partners, L.P., a publicly traded limited partnership in which we own a significant interest. Additional information on Kinder Morgan Energy Partners, L.P.'s results of operations and financial position are contained in its Annual Report on Form 10-K for the year ended December 31, 2007, which is attached hereto as Annex A.

Summarized Income Statement Information

	Year Ended December 31,		
	2007	**2006**	**2005**
		(In millions)	
Operating Revenues	$ 9,217.7	$ 9,048.7	$ 9,745.9
Operating Expenses	8,410.0	7,757.1	8,730.1
Operating Income	$ 807.7	$ 1,291.6	$ 1,015.8
Income from Continuing Operations	$ 416.4	$ 989.8	$ 812.4
Net Income	$ 590.3	$ 1,004.1	$ 812.2

Summarized Balance Sheet Information

	As of December 31,	
	2007	**2006**
	(In millions)	
Current Assets	$ 1,209.7	$ 1,036.8
Noncurrent Assets	$ 13,968.1	$ 12,505.4
Current Liabilities	$ 2,558.3	$ 3,137.3
Noncurrent Liabilities	$ 8,129.6	$ 5,396.4
Minority Interest	$ 54.2	$ 60.2

6. Recent Accounting Pronouncements

On September 15, 2006, the FASB issued SFAS No. 157, *Fair Value Measurements*. This Statement establishes a single definition of fair value and a framework for measuring fair value in generally accepted accounting principles. SFAS No. 157 also expands disclosures about fair value measurements. The provisions of this Statement apply to other accounting pronouncements that require or permit fair value measurements. Accordingly, this Statement does not require any new fair value measurements.

On February 12, 2008, the FASB issued FASB Staff Position ("FSP") No. FAS 157-2, *Effective Date of FASB Statement No. 157*. This FSP delays the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

The remainder of SFAS No. 157 was adopted by us effective January 1, 2008. The adoption of this Statement did not have an impact on our consolidated financial statements since we already apply its basic concepts in measuring fair values.

On September 29, 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statement Nos. 87, 88, 106 and 132(R)*. This Statement requires an employer to (i) recognize the overfunded or underfunded status of a defined benefit pension plan or postretirement benefit plan (other than a multiemployer plan) as an asset or liability in its statement of financial position (effective December 31, 2006 for us); (ii) measure a plan's assets and its obligations that determine its funded status as of the end of the employer's fiscal year and disclose certain additional information (effective December 31, 2008 for us); and (iii) recognize changes in the funded status of a plan in the year in which the changes occur through comprehensive income. While earlier application of the recognition of measurement date provisions is allowed, we have opted not to adopt this part of the Statement early.

We currently have no defined benefit pension and other postretirement benefit plans. For us, the adoption of part (i) of SFAS No. 158 described above did not have a material effect on our statement of financial position as of December 31, 2006.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109* ("FIN 48"), which became effective for us beginning in 2007. FIN 48 addressed the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN 48, the Company must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution.

Our adoption of FIN 48 on January 1, 2007 did not result in a cumulative effect adjustment to retained earnings. At January 1, 2007, we had no unrecognized tax benefits on the balance sheet. In the event interest or penalties are incurred with respect to income tax matters, our policy will be to include such items in income tax expense. We did not have an accrual for interest and penalties at January 1, 2007. At December 31, 2007, tax years 2004 through 2007 remained subject to examination by the Internal Revenue Service and applicable states. We do not expect any material change in the balance of our unrecognized tax benefits over the next twelve months.

In June 2006, the FASB ratified the consensuses reached by the Emerging Issues Task Force on EITF 06-3, *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That is, Gross versus Net Presentation)*. According to the provisions of EITF 06-3:

- taxes assessed by a governmental authority that are directly imposed on a revenue-producing transaction between a seller and a customer may include, but are not limited to, sales, use, value added, and some excise taxes; and

- that the presentation of such taxes on either a gross (included in revenues and costs) or a net (excluded from revenues) basis is an accounting policy decision that should be disclosed pursuant to Accounting Principles Board Opinion No. 22 (as amended), *Disclosure of Accounting Policies*. In addition, for any such taxes that are reported on a gross basis, a company should disclose the amounts of those taxes in interim and annual financial statements for each period for which an income statement is presented if those amounts are significant. The disclosure of those taxes can be done on an aggregate basis.

EITF 06-3 should be applied to financial reports for interim and annual reporting periods beginning after December 15, 2006 (January 1, 2007 for us). The adoption of EITF 06-3 had no effect on our consolidated financial statements.

On February 15, 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*. This Statement provides companies with an option to report selected financial assets and liabilities at fair value.

The Statement's objective is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. The Statement also establishes presentation and disclosure requirements designed to facilitate comparisons between companies that choose different measurement attributes for similar types of assets and liabilities.

SFAS No. 159 requires companies to provide additional information that will help investors and other users of financial statements to more easily understand the effect of the company's choice to use fair value on its earnings. It also requires entities to display the fair value of those assets and liabilities for which the company has chosen to use fair value on the face of the balance sheet. The Statement does not eliminate disclosure requirements included in other accounting standards,

including requirements for disclosures about fair value measurements included in SFAS No. 157, discussed above, and SFAS No. 107 *Disclosures about Fair Value of Financial Instruments*.

This Statement was adopted by us effective January 1, 2008, at which time no financial assets or liabilities, not previously required to be recorded at fair value by other authoritative literature, were designated to be recorded at fair value. As such, the adoption of this Statement did not have any impact on our consolidated financial statements.

On December 4, 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements – an amendment of ARB No. 51*. This Statement changes the accounting and reporting for noncontrolling interests in consolidated financial statements. A noncontrolling interest, sometimes referred to as a minority interest, is the portion of equity in a subsidiary not attributable, directly or indirectly, to a parent.

Specifically, SFAS No. 160 establishes accounting and reporting standards that require (i) the ownership interests in subsidiaries held by parties other than the parent be clearly identified, labeled, and presented in the consolidated balance sheet within equity, but separate from the parent's equity; (ii) the equity amount of consolidated net income attributable to the parent and to the noncontrolling interest be clearly identified and presented on the face of the consolidated income statement (consolidated net income and comprehensive income will be determined without deducting minority interest, however, earnings-per-share information will continue to be calculated on the basis of the net income attributable to the parent's shareholders); and (iii) changes in a parent's ownership interest while the parent retains its controlling financial interest in its subsidiary be accounted for consistently and similarly—as equity transactions.

This Statement is effective for fiscal years, and interim period within those fiscal years, beginning on or after December 15, 2008 (January 1, 2009 for us). Early adoption is not permitted. SFAS No. 160 shall be applied prospectively as of the beginning of the fiscal year in which it is initially applied, except for its presentation and disclosure requirements, which shall be applied retrospectively for all periods presented. We are currently reviewing the effects of this Statement.

On December 4, 2007, the FASB issued SFAS 141(R)(revised 2007), *Business Combinations*. Although this statement amends and replaces SFAS No. 141, it retains the fundamental requirements in SFAS No. 141 that (i) the purchase method of accounting be used for all business combinations; and (ii) an acquirer be identified for each business combination. SFAS No. 141R defines the acquirer as the entity that obtains control of one or more businesses in the business combination and establishes the acquisition date as the date that the acquirer achieves control. This Statement applies to all transactions or other events in which an entity (the acquirer) obtains control of one or more businesses (the acquiree), including combinations achieved without the transfer of consideration; however, this Statement does not apply to a combination between entities or businesses under common control.

Significant provisions of SFAS No. 141R concern principles and requirements for how an acquirer (i) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree; (ii) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase; and (iii) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination.

This Statement applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008 (January 1, 2009 for us). Early adoption is not permitted. We are currently reviewing the effects of this Statement.

KINDER MORGAN MANAGEMENT, LLC AND SUBSIDIARY

SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)
Quarterly Operating Results for 2007 and 2006

	2007				
	Pre-Acquisition Basis		Post-Acquisition Basis		
	Restated; See Note 5				
	Three Months Ended March 31	Two Months Ended May 31	One Month Ended June 30	Three Months Ended September 30	Three Months Ended December 31
	(In millions except per share amounts)		(In millions except per share amounts)		
Equity in Earnings (Loss) of Kinder Morgan Energy Partners, L.P.	$ (77.5)	$ 12.9	$ 11.4	$ 17.4	$ 36.6
Provision (Benefit) for Income Taxes	(28.0)	4.7	4.1	6.3	4.6
Net Income	$ (49.5)	$ 8.2	$ 7.3	$ 11.1	$ 32.0
Earnings (Loss) Per Share, Basic and Diluted	$ (0.79)	$ 0.13	$ 0.10	$ 0.16	$ 0.45
Number of Shares Used in Computing Basic and Diluted Earnings Per Share	62.8	65.0	70.0	70.6	71.8

	2006-Three Months Ended			
	Pre-Acquisition Basis			
	Restated; See Note 5			
	March 31	June 30	September 30	December 31
	(In millions except per share amounts)			
Equity in Earnings of Kinder Morgan Energy Partners, L.P.	$ 32.6	$ 33.2	$ 25.7	$ 39.6
Provision for Income Taxes	11.8	11.7	9.2	14.3
Net Income	$ 20.8	$ 21.5	$ 16.5	$ 25.3
Earnings Per Share, Basic and Diluted	$ 0.36	$ 0.36	$ 0.27	$ 0.41
Number of Shares Used in Computing Basic and Diluted Earnings Per Share	58.4	59.5	60.6	61.7

Supplemental Information on Oil and Gas Producing Activities (Unaudited)

We do not directly have oil and gas producing activities, however, our equity method investee, Kinder Morgan Energy Partners, L.P., does have significant oil and gas producing activities. The Supplementary Information on Oil and Gas Producing Activities that follows is presented as required by SFAS No. 69, *Disclosures about Oil and Gas Producing Activities,* and represents our equity interest in the oil and gas producing activities of Kinder Morgan Energy Partners, L.P. Our proportionate share of Kinder Morgan Energy Partners, L.P.'s capitalized costs, costs incurred and results of operations from oil and gas producing activities consisted of the following:

	Successor Company	Predecessor Company		
	December 31, 2007	May 31, 2007	December 31, 2006	December 31, 2005
	(In millions)		(In millions)	
Net Capitalized Costs	$ 353.6		$ 330.3	$ 287.4
Costs Incurred for the Period Ended	44.7	$ 25.1	79.1	74.3
Results of Operations for the Period Ended	5.1	3.6	21.2	30.9
Percentage of Ownership of Kinder Morgan Energy Partners, L.P.	28.63%	28.63%	26.50%	25.77%

Estimates of proved reserves are subject to change, either positively or negatively, as additional information becomes available and contractual and economic conditions change. Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions, that is, prices and costs as of the date the estimate is made. Prices include consideration of changes in existing prices provided only by contractual arrangements, but not on escalations or declines based upon future conditions. Proved developed reserves are the quantities of crude oil, natural gas liquids and natural gas expected to be recovered through existing investments in wells and field infrastructure under current operating conditions. Proved undeveloped reserves require additional investments in wells and related infrastructure in order to recover the production.

The standardized measure of discounted cash flows is based on assumptions including year-end market pricing, future development and production costs and projections of future abandonment costs. A discount factor of 10% is applied annually to the future net cash flows.

The table below represents our proportionate share of Kinder Morgan Energy Partners, L.P.'s (i) estimate of proved crude oil, natural gas liquids and natural gas reserves and (ii) standardized measure of discounted cash flows.

	December 31, 2007	2006	2005	2004
	(Dollars in millions)			
Proved Reserves:				
Crude Oil (MBbls)	34.7	32.9	36.6	31.7
Natural Gas Liquids (MBbls)	3.2	2.7	4.9	5.2
Natural Gas (MMcf)[1]	0.3	0.1	0.6	0.4
Standardized Measure of Discounted Cash Flows for the Year Ended	$1,167.5	$ 585.0	$ 792.5	$ 524.3
Percentage Ownership of Kinder Morgan Energy Partners, L.P.	28.63%	26.50%	25.77%	25.64%

[1] Natural gas reserves are computed at 14.65 pounds per square inch absolute and 60 degrees Fahrenheit.

Item 9. ***Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.***

None.

Item 9A. ***Controls and Procedures.***

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2007, our management, including our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures pursuant to Rule 13a-15(b) under the Securities Exchange Act of 1934. There are inherent limitations to the effectiveness of any system of disclosure controls and procedures, including the possibility of human error and the circumvention or overriding of the controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives. Based upon and as of the date of the evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures were effective to provide reasonable assurance that information required to be disclosed in the reports we file and submit under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported as and when required, and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in *Internal Control – Integrated Framework*, our management concluded that our internal control over financial reporting was effective as of December 31, 2007.The effectiveness of our internal control over financial reporting as of December 31, 2007 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which appears herein.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the fourth quarter of 2007 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. ***Other Information.***

None

PART III

Item 10. *Directors, Executive Officers and Corporate Governance.*

Set forth below is certain information concerning our directors and executive officers. All directors are elected annually by, and may be removed by, Kinder Morgan G.P., Inc. as the sole holder of our voting shares. All officers serve at the discretion of our board of directors. In addition to the individuals named below, Knight Inc. was one of our directors until its resignation in January 2003.

Name	Age	Position
Richard D. Kinder	63	Director, Chairman and Chief Executive Officer
C. Park Shaper	39	Director and President
Steven J. Kean	46	Executive Vice President and Chief Operating Officer
Edward O. Gaylord	76	Director
Gary L. Hultquist	64	Director
Perry M. Waughtal	72	Director
Kimberly A. Dang	38	Vice President, Investor Relations and Chief Financial Officer
Jeffrey R. Armstrong	39	Vice President (President, Terminals)
Thomas A. Bannigan	54	Vice President (President, Products Pipelines)
Richard T. Bradley	52	Vice President (President, CO_2)
David D. Kinder	33	Vice President, Corporate Development and Treasurer
Joseph Listengart	39	Vice President, General Counsel and Secretary
Scott E. Parker	47	Vice President (President, Natural Gas Pipelines)
James E. Street	51	Vice President, Human Resources and Administration

Richard D. Kinder is Director, Chairman and Chief Executive Officer of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. Mr. Kinder has served as Director, Chairman and Chief Executive Officer of Kinder Morgan Management, LLC since its formation in February 2001. He was elected Director, Chairman and Chief Executive Officer of Knight Inc. in October 1999. He was elected Director, Chairman and Chief Executive Officer of Kinder Morgan G.P., Inc. in February 1997. Mr. Kinder was elected President of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. in July 2004 and served as President until May 2005. He has also served as Chief Manager, and as a member of the Board of Managers, of Knight Holdco LLC since May 2007. Mr. Kinder is the uncle of David Kinder, Vice President, Corporate Development and Treasurer of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc.

C. Park Shaper is Director and President of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. Mr. Shaper was elected President of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. in May 2005. He served as Executive Vice President of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. from July 2004 until May 2005. Mr. Shaper was elected Director of Kinder Morgan Management, LLC and Kinder Morgan G.P., Inc. in January 2003 and of Knight Inc. in May of 2007. He was elected Vice President, Treasurer and Chief Financial Officer of Kinder Morgan Management, LLC upon its formation in February 2001, and served as its Treasurer until January 2004, and its Chief Financial Officer until May 2005. He was elected Vice President, Treasurer and Chief Financial Officer of Knight Inc. in January 2000, and served as its Treasurer until January 2004, and its Chief Financial Officer until May 2005. Mr. Shaper was elected Vice President, Treasurer and Chief Financial Officer of Kinder Morgan G.P., Inc. in January 2000, and served as its Treasurer until January 2004 and its Chief Financial Officer until May 2005. He has also served as President, and as a member of the Board of Managers, of Knight Holdco LLC since May 2007. He received a Masters of Business Administration degree from the J.L. Kellogg Graduate School of Management at Northwestern University. Mr. Shaper also has a Bachelor of Science degree in Industrial Engineering and a Bachelor of Arts degree in Quantitative Economics from Stanford University. Mr. Shaper is also a trust manager of Weingarten Realty Investors.

Steven J. Kean is Executive Vice President and Chief Operating Officer of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. Mr. Kean was elected Executive Vice President and Chief Operating Officer of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. in January 2006. He served as Executive Vice President, Operations of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. from May 2005 to January 2006. He served as President, Texas Intrastate Pipeline Group from June 2002 until May 2005. He served as Vice President of Strategic Planning for the Kinder Morgan Gas Pipeline Group from January 2002 until June 2002. He has also served as Chief Operating Officer, and as a member of the Board of Managers, of Knight Holdco LLC since May 2007. Mr. Kean received his Juris Doctor from the University of Iowa in May 1985 and received a Bachelor of Arts degree from Iowa State University in May 1982.

Edward O. Gaylord is a Director of Kinder Morgan Management, LLC and Kinder Morgan G.P., Inc. Mr. Gaylord was elected Director of Kinder Morgan Management, LLC upon its formation in February 2001. Mr. Gaylord was elected Director of Kinder Morgan G.P., Inc. in February 1997. Since 1989, Mr. Gaylord has been the Chairman of the Board of Directors of Jacintoport Terminal Company, a liquid bulk storage terminal on the Houston, Texas ship channel.

Gary L. Hultquist is a Director of Kinder Morgan Management, LLC and Kinder Morgan G.P., Inc. Mr. Hultquist was elected Director of Kinder Morgan Management, LLC upon its formation in February 2001. He was elected Director of Kinder Morgan G.P., Inc. in October 1999. Since 1995, Mr. Hultquist has been the Managing Director of Hultquist Capital, LLC, a San Francisco-based strategic and merger advisory firm.

Perry M. Waughtal is a Director of Kinder Morgan Management, LLC and Kinder Morgan G.P., Inc. Mr. Waughtal was elected Director of Kinder Morgan Management, LLC upon its formation in February 2001. Mr. Waughtal was elected Director of Kinder Morgan G.P., Inc. in April 2000. Since 1994, Mr. Waughtal has been the Chairman of Songy Partners Limited, an Atlanta, Georgia based real estate investment company. Mr. Waughtal is also a director of HealthTronics, Inc.

Kimberly A. Dang is Vice President, Investor Relations and Chief Financial Officer of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. Mrs. Dang was elected Chief Financial Officer of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. in May 2005. She served as Treasurer of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. from January 2004 to May 2005. She was elected Vice President, Investor Relations of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. in July 2002. From November 2001 to July 2002, she served as Director, Investor Relations of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. From May 2001 until November 2001, Mrs. Dang was an independent financial consultant. From September 2000 until May 2001, she served as an associate and later a principal at Murphree Venture Partners, a venture capital firm. She has also served as Chief Financial Officer of Knight Holdco LLC since May 2007. Mrs. Dang has received a Masters in Business Administration degree from the J.L. Kellogg Graduate School of Management at Northwestern University and a Bachelor of Business Administration degree in accounting from Texas A&M University.

Jeffrey R. Armstrong is Vice President (President, Terminals) of Kinder Morgan Management, LLC and Kinder Morgan G.P., Inc. Mr. Armstrong became Vice President (President, Terminals) in July 2003. He served as President, Kinder Morgan Liquids Terminals LLC from March 1, 2001, when the company was formed via the acquisition of GATX Terminals, through July 2003. From 1994 to 2001, Mr. Armstrong worked for GATX Terminals, where he was General Manager of their East Coast operations. He received his bachelor's degree from the United States Merchant Marine Academy and an MBA from the University of Notre Dame.

Thomas A. Bannigan is Vice President (President, Products Pipelines) of Kinder Morgan Management, LLC and Kinder Morgan G.P., Inc. and President and Chief Executive Officer of Plantation Pipe Line Company. Mr. Bannigan was elected Vice President (President, Products Pipelines) of Kinder Morgan Management, LLC upon its formation in February 2001. He was elected Vice President (President, Products Pipelines) of Kinder Morgan G.P., Inc. in October 1999. Mr. Bannigan has served as President and Chief Executive Officer of Plantation Pipe Line Company since May 1998. Mr. Bannigan received his Juris Doctor, cum laude, from Loyola University in 1980 and received a Bachelors degree from the State University of New York in Buffalo.

Richard T. Bradley is Vice President (President, CO_2) of Kinder Morgan Management, LLC and of Kinder Morgan G.P., Inc. and President of Kinder Morgan CO_2 Company, L.P. Mr. Bradley was elected Vice President (President, CO_2) of Kinder Morgan Management, LLC upon its formation in February 2001 and Vice President (President, CO_2) of Kinder Morgan G.P., Inc. in April 2000. Mr. Bradley has been President of Kinder Morgan CO_2 Company, L.P. (formerly known as Shell CO_2 Company, Ltd.) since March 1998. Mr. Bradley received a Bachelor of Science in Petroleum Engineering from the University of Missouri at Rolla.

David D. Kinder is Vice President, Corporate Development and Treasurer of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. Mr. Kinder was elected Treasurer of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. in May 2005. He was elected Vice President, Corporate Development of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. in October 2002. He served as manager of corporate development for Kinder Morgan G.P., Inc. and Knight Inc. from January 2000 to October 2002. He has also served as Treasurer of Knight Holdco LLC since May 2007. Mr. Kinder graduated cum laude with a Bachelors degree in Finance from Texas Christian University in 1996. Mr. Kinder is the nephew of Richard D. Kinder.

Joseph Listengart is Vice President, General Counsel and Secretary of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. Mr. Listengart was elected Vice President, General Counsel and Secretary of Kinder Morgan Management, LLC upon its formation in February 2001. He was elected Vice President and General Counsel of Kinder Morgan G.P., Inc. and Vice President, General Counsel and Secretary of Knight Inc. in October 1999. Mr. Listengart was elected Kinder Morgan G.P., Inc.'s Secretary in November 1998 and has been an employee of Kinder Morgan G.P., Inc. since March 1998. He has also served as General Counsel and Secretary of Knight Holdco LLC since May 2007. Mr. Listengart received his Masters in Business Administration from Boston University in January 1995, his Juris Doctor, magna cum laude, from Boston University in May 1994, and his Bachelor of Arts degree in Economics from Stanford University in June 1990.

Scott E. Parker is Vice President (President, Natural Gas Pipelines) of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. He was elected Vice President (President, Natural Gas Pipelines) of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. in May 2005. Mr. Parker served as President of Knight Inc.'s Natural Gas Pipeline Company of America, or NGPL, from March 2003 to May 2005. Mr. Parker served as Vice President, Business Development of NGPL from January 2001 to March 2003. He held various positions at NGPL from January 1984 to January 2001. Mr. Parker holds a Bachelor's degree in accounting from Governors State University.

James E. Street is Vice President, Human Resources and Administration of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Knight Inc. Mr. Street was elected Vice President, Human Resources and Administration of Kinder Morgan Management, LLC upon its formation in February 2001. He was elected Vice President, Human Resources and Administration of Kinder Morgan G.P., Inc. and Knight Inc. in August 1999. Mr. Street received a Masters of Business Administration degree from the University of Nebraska at Omaha and a Bachelor of Science degree from the University of Nebraska at Kearney.

Corporate Governance

We have a separately designated standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934 comprised of Messrs. Gaylord, Hultquist and Waughtal. Mr. Gaylord is the chairman of the audit committee and has been determined by the board to be an "audit committee financial expert." The board has determined that all of the members of the audit committee are independent as described under the relevant standards.

We have not, nor has Kinder Morgan Energy Partners, L.P. nor its general partner made, within the preceding three years, contributions to any tax-exempt organization in which any of our or Kinder Morgan Energy Partners, L.P.'s independent directors serves as an executive officer that in any single fiscal year exceeded the greater of $1 million or 2% of such tax-exempt organization's consolidated gross revenues.

On April 11, 2007, our chief executive officer certified to the New York Stock Exchange, as required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual, that as of April 11, 2007, he was not aware of any violation by us of the New York Stock Exchange's Corporate Governance listing standards. We have also filed as an exhibit to this report the Sarbanes-Oxley Act Section 302 certifications regarding the quality of our public disclosure.

We make available free of charge within the "Investors" information section of our internet website, at www.kindermorgan.com, and in print to any shareholder who requests, the governance guidelines, the charters of the audit committee, compensation committee and nominating and governance committee, and our code of business conduct and ethics (which applies to senior financial and accounting officers and the chief executive officer, among others). Requests for copies may be directed to Investor Relations, Kinder Morgan Management, LLC, 500 Dallas Street, Suite 1000, Houston, Texas 77002, or telephone (713) 369-9490. We intend to disclose any amendments to our code of business conduct and ethics that would otherwise be disclosed on Form 8-K and any waiver from a provision of that code granted to our executive officers or directors that would otherwise be disclosed on Form 8-K on our internet website within four business days following such amendment or waiver. The information contained on or connected to our internet website is not incorporated by reference into this Form 10-K and should not be considered part of this or any other report that we file with or furnish to the Securities and Exchange Commission.

Interested parties may contact our lead director, the chairpersons of any of the board's committees, the independent directors as a group or the full board by mail to Kinder Morgan Management, LLC, 500 Dallas Street, Suite 1000, Houston, Texas 77002, Attention: General Counsel, or by e-mail within the "Contact Us" section of our internet website, at www.kindermorgan.com. Any communication should specify the intended recipient.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16 of the Securities Exchange Act of 1934 requires our directors and officers, and persons who own more than 10% of a registered class of our equity securities, to file initial reports of ownership and reports of changes in ownership with the Securities and Exchange Commission. Such persons are required by Securities and Exchange Commission regulation to furnish us with copies of all Section 16(a) forms they file.

Based solely on our review of the copies of such forms furnished to us and written representations from our executive officers and directors, we believe that all Section 16(a) filing requirements were met during 2007.

Item 11. *Executive Compensation*

All of our individual executive officers and directors serve in the same capacities for Kinder Morgan G.P., Inc. Certain of those executive officers also serve as executive officers of Knight Inc., formerly Kinder Morgan, Inc., and of Knight Holdco LLC, Knight Inc.'s privately owned parent company. Except as indicated otherwise, all information in this report with respect to compensation of executive officers describes the total compensation received by those persons in all capacities for Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc., Knight Inc. and their respective affiliates; consequently, in this Item 11 "we," "our" or "us" refers to Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and, where appropriate, Knight Inc.

Compensation Discussion and Analysis

Program Objectives

We are a publicly traded Delaware limited liability company. We are a limited partner in Kinder Morgan Energy Partners, L.P., and manage and control its business and affairs pursuant to a delegation of control agreement. We seek to attract and retain executives who will help us achieve our primary business strategy objective of growing the value of Kinder Morgan Energy Partners, L.P.'s portfolio of businesses for the benefit of our shareholders and its unitholders. To help accomplish this goal, we have designed an executive compensation program that rewards individuals with competitive compensation that consists of a mix of cash, benefit plans and long-term compensation, with a majority of executive compensation tied to the "at risk" portions of the annual cash bonus.

The key objectives of our executive compensation program are to attract, motivate and retain executives who will advance our overall business strategies and objectives to create and return value to our shareholders and Kinder Morgan Energy Partners, L.P.'s unitholders. We believe that an effective executive compensation program should link total compensation to financial performance and to the attainment of short and long-term strategic, operational, and financial objectives. We also believe it should provide competitive total compensation opportunities at a reasonable cost. In designing our executive compensation program, we have recognized that our executives have a much greater portion of their overall compensation at-risk than do our other employees; consequently, we have tried to establish the at-risk portions of our executive total compensation at levels that recognize their much increased level of responsibility and their ability to influence business results.

Currently, our executive compensation program is principally comprised of the following two elements: (i) base cash salary; and (ii) possible annual cash bonus (reflected in the Summary Compensation Table below as Non-Equity Incentive Plan Compensation). It has been our philosophy to pay our executive officers a base salary not to exceed $200,000, which we believe, is below annual base salaries for comparable positions in the marketplace. At its January 2008 meeting, our compensation committee (discussed more fully below) agreed to raise the cap for our executive officers' base salaries to an annual amount not to exceed $300,000. No increases above $200,000 have been implemented at this time. If this increase was implemented, we believe the base salaries paid to our executive officers would continue to be below the industry average for similarly positioned executives. While not awarded by us, our compensation committee was aware of the units awarded by Knight Holdco LLC (as discussed more fully below) and took these awards into account as components of the total compensation received by our executive officers.

In addition, we believe that the compensation of our Chief Executive Officer, Chief Financial Officer and the executives named below, collectively referred to in this Item 11 as our named executive officers, should be directly and materially tied to the financial performance of Knight Inc. and Kinder Morgan Energy Partners, L.P., and should be aligned with the interests of Kinder Morgan Energy Partners, L.P. unitholders. Therefore, the majority of our named executive officers' compensation is allocated to the "at risk" portions of our compensation program—the annual cash bonus. Accordingly, for 2007, our executive compensation was weighted toward the cash bonus, payable on the basis of achieving (i) an earnings before interest, taxes, depreciation, depletion and amortization (referred to as EBITDA) less capital spending target by Knight Inc.; and (ii) a cash distribution per common unit target by Kinder Morgan Energy Partners, L.P.

We periodically compare our executive compensation components with market information. The purpose of this comparison is to ensure that our total compensation package operates effectively, remains both reasonable and competitive with the energy industry, and is generally comparable to the compensation offered by companies of similar size and scope as us. We also keep abreast of current trends, developments, and emerging issues in executive compensation, and if appropriate, will obtain advice and assistance from outside legal, compensation or other advisors.

We have endeavored to design our executive compensation program and practices with appropriate consideration of all tax, accounting, legal and regulatory requirements. Section 162(m) of the Internal Revenue Code limits the deductibility of certain compensation for our executive officers to $1,000,000 of compensation per year; however, if specified conditions are

met, certain compensation may be excluded from consideration of the $1,000,000 limit. Since the bonuses paid to our executive officers are paid under Knight Inc.'s Annual Incentive Plan as a result of reaching designated financial targets established by Knight Inc.'s and our compensation committees, we expect that all compensation paid to our executives would qualify for deductibility under federal income tax rules, though we are advised that Kinder Morgan Energy Partners, L.P. and private companies, such as Knight Inc., are not subject to section 162(m). Kinder Morgan Energy Partners L.P. and Knight Inc. have chosen to generally operate as if this code section does apply to Kinder Morgan Energy Partners, L.P. and Knight Inc. as a measure of appropriate governance.

Prior to 2006, long-term equity awards comprised a third element of our executive compensation program. These awards primarily consisted of grants of restricted Kinder Morgan, Inc. stock and grants of non-qualified options to acquire shares of Kinder Morgan, Inc. common stock, both pursuant to the provisions of Kinder Morgan, Inc.'s Amended and Restated 1999 Stock Plan, referred to in this report as the Kinder Morgan, Inc. stock plan. Prior to 2003, we used both Kinder Morgan, Inc. stock options and restricted Kinder Morgan, Inc. stock as the principal components of long-term executive compensation, and beginning in 2003, we used grants of restricted stock exclusively as the principal component of long-term executive compensation. For each of the years ended December 31, 2006 and 2007, no restricted stock or options to purchase our shares or shares of Kinder Morgan, Inc. or Kinder Morgan Energy Partners, L.P. were granted to any of our named executive officers.

Additionally, in connection with Kinder Morgan, Inc.'s Going Private transaction, Knight Holdco LLC awarded members of Knight Inc.'s management Class A-1 and Class B units of Knight Holdco LLC. In accordance with SFAS No. 123R, Knight Holdco LLC is required to recognize compensation expense in connection with the Class A-1 and Class B units over the expected life of such units. As a subsidiary of Knight Holdco LLC, Kinder Morgan Energy Partners, L.P. is, under accounting rules, allocated a portion of this compensation expense, although neither Kinder Morgan Energy Partners, L.P. nor any of its subsidiaries have any obligation, nor does Kinder Morgan Energy Partners, L.P. expect to pay any amounts in respect of such units. For more information concerning the Knight Holdco LLC units, see Item 13. "Certain Relationships and Related Transactions, and Director Independence—Related Transactions—Kinder Morgan, Inc. Going Private Transaction"

Behaviors Designed to Reward

Our executive compensation program is designed to reward individuals for advancing our business strategies and the interests of our stakeholders, and we prohibit engaging in any detrimental activities, such as performing services for a competitor, disclosing confidential information or violating appropriate business conduct standards. Each executive is held accountable to uphold and comply with company guidelines, which require the individual to maintain a discrimination-free workplace, to comply with orders of regulatory bodies, and to maintain high standards of operating safety and environmental protection.

Unlike many companies, we have no executive perquisites and, with respect to our United States-based executives, we have no supplemental executive retirement, non-qualified supplemental defined benefit/contribution, deferred compensation or split dollar life insurance programs. Additionally, we do not have employment agreements other than with our Chairman and Chief Executive Officer, Richard D. Kinder, special severance agreements or change of control agreements for our U.S. executives. Our executives are eligible for the same severance policy as our workforce, which caps severance payments to an amount equal to six months of salary. We have no executive company cars or executive car allowances nor do we offer or pay for financial planning services. Additionally, we do not own any corporate aircraft and we do not pay for executives to fly first class. We believe that we are currently below competitive levels for comparable companies in this area of our overall compensation package, however, we have no current plans to change our policy of not offering such executive benefits, perquisite programs or special executive severance arrangements.

At his request, Mr. Richard D. Kinder, our Chairman and Chief Executive Officer, receives $1 of base salary per year. Additionally, Mr. Kinder has requested that he receive no annual bonus, unit grants, or other compensation from Kinder Morgan Energy Partners, L.P. Mr. Kinder does not have any deferred compensation, supplemental retirement or any other special benefit, compensation or perquisite arrangement with Kinder Morgan Energy Partners, L.P. Each year Mr. Kinder reimburses us for his portion of health care premiums and parking expenses. Mr. Kinder was awarded Class B units by and in Knight Holdco LLC in connection with Kinder Morgan, Inc.'s Going Private transaction, and while Kinder Morgan Energy Partners, L.P. is, under accounting rules, allocated compensation expense attributable to such Class B units, it has no obligation, nor does it expect, to pay any amounts in connection with the Class B units.

Elements of Compensation

As outlined above, our executive compensation program currently is principally comprised of the following two elements: (i) a base cash salary; and (ii) a possible annual cash bonus. With regard to our executive officers other than our Chief Executive Officer, our compensation committee reviews and approves annually the financial goals and objectives of both Knight Inc. and Kinder Morgan Energy Partners, L.P. that are relevant to the compensation of our named executive officers. Generally following the regularly scheduled fourth quarter board meetings in each year, the committees solicit information from other directors, the Chief Executive Officer and other relevant members of senior management regarding the performance of our

named executive officers other than our Chief Executive Officer during that year. Our Chief Executive Officer makes compensation recommendations to the committee with respect to our named executive officers, other than himself. The committee obtains the information and the recommendations prior to the regularly scheduled first quarter board meetings.

Annually, at our regularly scheduled first quarter board meeting, the committee evaluates the performance of our named executive officers other than our Chief Executive Officer and makes determinations regarding the terms of their continued employment and compensation for that year. If the committee deems it advisable, it may, rather than determine the terms of continued employment and compensation for the named executive officers (other than the Chief Executive Officer), make a recommendation with respect thereto to the independent members of the board, who make the determination at the first quarter board meeting. The committee also determines bonuses for the prior year based on the performance targets set therefore, and set performance targets for the present year for bonus and other relevant purposes.

If any of our or Kinder Morgan G.P., Inc.'s executive officers is also an executive officer of Knight Inc., the committee's compensation determination or recommendation (i) may be with respect to the aggregate compensation to be received by such officer from Knight Inc., Kinder Morgan G.P., Inc. and us that is to be allocated among them in accordance with procedures approved by the committee, if such aggregate compensation set by the committee and that set by the committee or our board are the same, or alternatively (ii) may be with respect to the compensation to be received by such executive officers from Knight Inc., Kinder Morgan G.P., Inc. or us, as the case may be, in which case such compensation will not be allocated among Knight Inc., on the one hand, and Kinder Morgan G.P., Inc, Kinder Morgan Energy Partners, L.P. and us, on the other. Thereafter, the committee or the Chief Executive Officer will discuss the committee's evaluation and the determination as to compensation with the named executive officers.

In addition, the compensation committee has the sole authority to retain (and terminate as necessary) and compensate any compensation consultants, counsel and other firms of experts to advise them as they determine necessary or appropriate. The committee has the sole authority to approve any such firm's fees and other retention terms, and Kinder Morgan Energy Partners, L.P. and Knight Inc., as applicable, will make adequate provision for the payment of all fees and other compensation, approved by the committee, to any such firm employed by the committee. The committee also has sole authority to determine if any compensation consultant is to be used to assist in the evaluation of director, Chief Executive Officer or senior executive compensation and will have sole authority to retain and terminate any such compensation consultant and to approve the consultant's fees and other retention terms.

Base Salary

Base salary is paid in cash. For each of the years 2007 and 2006, all of our named executive officers, with the exception of our Chairman and Chief Executive Officer who receives $1 of base salary per year as described above, were paid a base salary of $200,000 per year. At our first quarter 2008 board meeting, the compensation committee agreed to raise the base salary cap for our executive officers, beginning in 2008, to an annual cap amount not to exceed $300,000. No increases above $200,000 have been implemented at this time. Generally, we believe that our executive officers' base salaries are (and will continue to be following any implementation of the previously described increase) below base salaries for executives in similar positions and with similar responsibilities at companies of comparable size and scope.

Possible Annual Cash Bonus (Non-Equity Cash Incentive)

Our possible annual cash bonuses are provided for under Knight Inc.'s Annual Incentive Plan, which became effective January 18, 2005. The overall purpose of the Knight Inc. Annual Incentive Plan is to increase our executive officers' and our employees' personal stake in the continued success of Knight Inc. and Kinder Morgan Energy Partners, L.P. by providing them additional incentives through the possible payment of annual cash bonuses. Under the plan, annual cash bonuses may be paid to our executive officers and other employees depending on a variety of factors, including their individual performance, Knight Inc.'s financial performance, the financial performance of Knight Inc.'s subsidiaries (including Kinder Morgan Energy Partners, L.P.), and safety and environmental goals and regulatory compliance.

The plan is administered by the compensation committee of Knight Inc.'s board of directors. The compensation committee is authorized to grant awards under the plan, interpret the plan, adopt rules and regulations for carrying out the plan, and make all determinations necessary or advisable for the administration of the plan.

All of the employees of Knight Inc. and its subsidiaries, including KMGP Services Company, Inc., are eligible to participate in the plan, except employees who are included in a unit of employees covered by a collective bargaining agreement unless such agreement expressly provides for eligibility under the plan. However, only eligible employees who are selected by our and Knight Inc.'s compensation committees will actually participate in the plan and receive bonuses.

The plan consists of two components: the executive plan component and the non-executive plan component. Our Chairman and Chief Executive Officer and all employees who report directly to the Chairman are eligible for the executive plan component; however, as stated elsewhere in this report, Mr. Richard D. Kinder, our Chairman and Chief Executive Officer, has elected to not participate under the plan. As of January 31, 2008, excluding Mr. Richard D. Kinder, eleven of our current

executive officers were eligible to participate in the executive plan component. All other U.S. eligible employees were eligible for the non-executive plan component.

Our compensation committee determines which of the eligible employees will be eligible to participate under the executive plan component of the plan. At or before the start of each calendar year (or later, to the extent allowed under Internal Revenue Code regulations), performance objectives for that year are identified. The performance objectives are based on one or more of the criteria set forth in the plan. Our compensation committee establishes a bonus opportunity for each executive officer, which is Kinder Morgan Energy Partners, L.P.'s portion of the amount of the bonus the executive officer will earn if the performance objectives are fully satisfied. The compensation committee may specify a minimum acceptable level of achievement of each performance objective below which no bonus is payable with respect to that objective. The compensation committee may set additional levels above the minimum (which may also be above the targeted performance objective), with a formula to determine the percentage of the bonus opportunity to be earned at each level of achievement above the minimum. Performance at a level above the targeted performance objective may entitle the executive officer to earn a bonus in excess of 100% of the bonus opportunity.

However, the maximum payout to any individual under the plan for any year is $2.0 million, and our compensation committee has the discretion to reduce the bonus amount payable by Kinder Morgan Energy Partners, L.P. in any performance period.

Performance objectives may be based on one or more of the following criteria:

- Knight Inc.'s EBITDA less capital spending, or the EBITDA less capital spending of one of its subsidiaries or business units;
- Knight Inc.'s net income or the net income of one of its subsidiaries or business units;
- Knight Inc.'s revenues or the revenues of one of its subsidiaries or business units;
- Knight Inc.'s unit revenues minus unit variable costs or the unit revenues minus unit variable costs of one of its subsidiaries or business units;
- Knight Inc.'s return on capital, return on equity, return on assets, or return on invested capital, or the return on capital, return on equity, return on assets, or return on invested capital of one of its subsidiaries or business units;
- Knight Inc.'s cash flow return on assets or cash flows from operating activities, or the cash flow return on assets or cash flows from operating activities of one of its subsidiaries or business units;
- Knight Inc.'s capital expenditures or the capital expenditures of one of its subsidiaries or business units;
- Knight Inc.'s operations and maintenance expense or general and administrative expense, or the operations and maintenance expense or general and administrative expense of one of its subsidiaries or business units; or
- Knight Inc.'s debt-equity ratios and key profitability ratios, or the debt-equity ratios and key profitability ratios of one of its subsidiaries or business units.

Our compensation committee set two performance objectives for 2007 under both the executive plan component and the non-executive plan component. The 2007 performance objectives were $3.44 in cash distributions per common unit at Kinder Morgan Energy Partners, L.P., and $1,089.5 million of EBITDA less capital spending at Knight Inc. These targets were the same as Kinder Morgan Energy Partners, L.P.'s and Knight Inc.'s previously disclosed 2007 budget expectations. At the end of 2007, our compensation committee determined and certified in writing the extent to which the performance objectives had been attained and the extent to which the bonus opportunity had been earned under the formula previously established by our compensation committee. In 2007, both Kinder Morgan Energy Partners, L.P. and Knight Inc. exceeded their established targets.

The table below sets forth the bonus opportunities that could have been payable by Kinder Morgan Energy Partners, L.P. and Knight Inc. to our executive officers if the performance objectives established by our compensation committee for 2007 had been 100% achieved. Our compensation committee may, at its sole discretion, reduce the amount of the portion of the bonus actually paid by Kinder Morgan Energy Partners, L.P. to any executive officer under the plan from the amount of any bonus opportunity open to such executive officer; and, because payments under the plan for our executive officers are determined by comparing actual performance to the performance objectives established by the compensation committee each year for eligible executive officers chosen to participate for that year, it is not possible to accurately predict any amounts that will actually be paid under the executive plan portion of the plan over the life of the plan. The compensation committee set bonus opportunities under the plan for 2007 for the executive officers at dollar amounts in excess of those which were expected to actually be paid under the plan. The actual payout amounts under the Non-Equity Incentive Plan Awards made in 2007 are

set forth in the Summary Compensation Table set forth in this report in the column entitled "Non-Equity Incentive Plan Compensation."

Knight Inc. Annual Incentive Plan
Bonus Opportunities for 2007

Name and Principal Position	Dollar Value
Richard D. Kinder, Chairman and Chief Executive Officer	$ –[1]
Kimberly A. Dang, Vice President and Chief Financial Officer	1,000,000[2]
Steven J. Kean, Executive Vice President and Chief Operating Officer	1,500,000[3]
Scott E. Parker, Vice President (President, Natural Gas Pipelines)	1,500,000[3]
C. Park Shaper, Director and President	1,500,000[3]

[1] Declined to participate.
[2] Under the plan, for 2007, if neither of the targets was met, no bonus opportunities would have been provided; if one of the targets was met, $500,000 in bonus opportunities would have been available; if both of the targets had been exceeded by 10%, $1,500,000 in bonus opportunities would have been available. Our compensation committee may, in its sole discretion, reduce the award payable by Kinder Morgan Energy Partners, L.P. to any participant for any reason.
[3] Under the plan, for 2007, if neither of the targets was met, no bonus opportunities would have been provided; if one of the targets was met, $750,000 in bonus opportunities would have been available; if both of the targets had been exceeded by 10%, $2,000,000 in bonus opportunities would have been available. Our compensation committee may, in its sole discretion, reduce the award payable by Kinder Morgan Energy Partners, L.P. to any participant for any reason.

Knight Inc. may amend the plan from time to time without our shareholder approval except as required to satisfy the Internal Revenue Code or any applicable securities exchange rules. Awards may be granted under the plan for calendar years 2008 through 2009, unless the plan is terminated earlier by Knight Inc. However, the plan will remain in effect until payment has been completed with respect to all awards granted under the plan prior to its termination.

Other Compensation

Knight Inc. Savings Plan. The Knight Inc. Savings Plan is a defined contribution 401(k) plan. The plan permits all full-time employees of Knight Inc. and KMGP Services Company, Inc., including the named executive officers, to contribute between 1% and 50% of base compensation, on a pre-tax basis, into participant accounts. In addition to a mandatory contribution equal to 4% of base compensation per year for most plan participants, Kinder Morgan G.P., Inc. may make special discretionary contributions. Certain employees' contributions are based on collective bargaining agreements. The mandatory contributions are made each pay period on behalf of each eligible employee. Participants may direct the investment of both their contributions and employer contributions into a variety of investments at the employee's discretion. Plan assets are held and distributed pursuant to a trust agreement.

Employer contributions for employees vest on the second anniversary of the date of hire. Effective October 1, 2005, for new employees of Kinder Morgan Energy Partners, L.P.'s Terminals business segment, a tiered employer contribution schedule was implemented. This tiered schedule provides for employer contributions of 1% for service less than one year, 2% for service between one and two years, 3% for service between two and five years, and 4% for service of five years or more. All employer contributions for employees of Kinder Morgan Energy Partners, L.P.'s Terminals business segment hired after October 1, 2005 vest on the fifth anniversary of the date of hire (effective January 1, 2008, this five year anniversary date for Terminals employees was changed to three years to comply with changes in federal regulations).

At its July 2007 meeting, our compensation committee and Knight Inc.'s board of directors approved a special contribution of an additional 1% of base pay into the Savings Plan for each eligible employee. Each eligible employee will receive an additional 1% company contribution based on eligible base pay each pay period beginning with the first pay period of August 2007 and continuing through the last pay period of July 2008. The additional 1% contribution does not change or otherwise impact, the annual 4% contribution that eligible employees currently receive. It may be converted to any other Savings Plan investment fund at any time and it will vest according to the same vesting schedule described in the preceding paragraph. Since this additional 1% company contribution is discretionary, our and Knight Inc.'s compensation committees' approvals will be required annually for each additional contribution. During the first quarter of 2008, excluding Kinder Morgan Energy Partners, L.P.'s portion of the 1% additional contribution described above, Kinder Morgan Energy Partners, L.P. will not make any additional discretionary contributions to individual accounts for 2007.

Additionally, in 2006, an option to make after-tax "Roth" contributions (Roth 401(k) option) to a separate participant account was added to the Savings Plan as an additional benefit to all participants. Unlike traditional 401(k) plans, where participant contributions are made with pre-tax dollars, earnings grow tax-deferred, and the withdrawals are treated as taxable income, Roth 401(k) contributions are made with after-tax dollars, earnings are tax-free, and the withdrawals are tax-free if they occur after both (i) the fifth year of participation in the Roth 401(k) option, and (ii) attainment of age 59 ½, death or disability. The employer contribution will still be considered taxable income at the time of withdrawal.

Knight Inc. Cash Balance Retirement Plan. Employees of KMGP Services Company, Inc. and Knight Inc., including the named executive officers, are also eligible to participate in a Cash Balance Retirement Plan. Certain employees continue to accrue benefits through a career-pay formula, "grandfathered" according to age and years of service on December 31, 2000, or collective bargaining arrangements. All other employees accrue benefits through a personal retirement account in the Cash Balance Retirement Plan. Under the plan, we make contributions on behalf of participating employees equal to 3% of eligible compensation every pay period. Interest is credited to the personal retirement accounts at the 30-year U.S. Treasury bond rate, or an approved substitute, in effect each year. Employees become fully vested in the plan after five years, and they may take a lump sum distribution upon termination of employment or retirement.

The following table sets forth the estimated actuarial present value of each named executive officer's accumulated pension benefit as of December 31, 2007, under the provisions of the Cash Balance Retirement Plan. With respect to our named executive officers, the benefits were computed using the same assumptions used for financial statement purposes, assuming current remuneration levels without any salary projection, and assuming participation until normal retirement at age sixty-five. These benefits are subject to federal and state income taxes, where applicable, but are not subject to deduction for social security or other offset amounts.

Pension Benefits

Name	Plan Name	Current Credited Yrs of Service	Present Value of Accumulated Benefit[1]	Contributions During 2007
Richard D. Kinder................	Cash Balance	7	$ –	$ –
Kimberly A. Dang................	Cash Balance	6	31,408	7,294
Steven J. Kean......................	Cash Balance	6	41,724	7,767
Scott E. Parker	Cash Balance	9	71,515	9,130
C. Park Shaper	Cash Balance	7	51,079	8,194

[1] The present values in the Pension Benefits table are based on certain assumptions-including a 5.75% discount rate, RP 2000 mortality (post-retirement only), 5% cash balance interest crediting rate, and lump sums calculated using a 5% interest rate and IRS mortality. We assumed benefits would commence at normal retirement date or unreduced retirement date, if earlier. No death or turnover was assumed prior to retirement date.

Other Potential Post-Employment Benefits. On October 7, 1999, Mr. Richard D. Kinder entered into an employment agreement with Knight Inc. pursuant to which he agreed to serve as its Chairman and Chief Executive Officer. His employment agreement provides for a term of three years and one year extensions on each anniversary of October 7th. Mr. Kinder, at his initiative, accepted an annual salary of $1 to demonstrate his belief in Kinder Morgan Energy Partners, L.P.'s and Knight Inc.'s long term viability. Mr. Kinder continues to accept an annual salary of $1, and he receives no other compensation from Kinder Morgan Energy Partners, L.P. Mr. Kinder was awarded Class B units by and in Knight Holdco LLC in connection with Knight's Going Private transaction, and while Kinder Morgan Energy Partners, L.P., as a subsidiary of Knight Holdco LLC, is allocated compensation expense attributable to such Class B units, it has no obligation, nor does it expect, to pay any amounts in connection with the Class B units.

Knight Inc. believes that Mr. Kinder's employment agreement contains provisions that are beneficial to Knight Inc. and its subsidiaries and accordingly, Mr. Kinder's employment agreement is extended annually at the request of Knight Inc. and our board of directors. For example, with limited exceptions, Mr. Kinder is prevented from competing in any manner with Knight Inc. or any of its subsidiaries, while he is employed by Knight Inc. and for 12 months following the termination of his employment with Knight Inc. The agreement contains provisions that address termination with and without cause, termination as a result of change in duties or disability, and death. At his current compensation level, the maximum amount that would be paid to Mr. Kinder or his estate in the event of his termination is three times $750,000, or $2.25 million. This payment would be made if Mr. Kinder were terminated by Knight Inc. without cause or if Mr. Kinder terminated his employment with Knight Inc. as a result of a change in duties (as defined in the employment agreement). There are no employment agreements or change-in-control arrangements with any of our other executive officers.

Mr. Scott E. Parker elected to not participate in the Going Private transaction. As a result, Knight Inc. offered Mr. Parker a retention agreement. The agreement was effective May 30, 2007, and lasts for three years. Mr. Parker is eligible for quarterly cash payments of $65,000, a one-time relocation payment of $100,000, and the right to participate in both the annual incentive plan and employee benefit plans. Under the terms of the agreement, Mr. Parker will also receive payments of

$500,000 on May 30, 2008, $500,000 on May 30, 2009, and $2,000,000 on May 30, 2010, respectively, provided he is an active employee on each respective date. The agreement also contains confidential information, non-solicitation of employees and non-compete provisions.

Common Unit Option Plan. Pursuant to Kinder Morgan Energy Partners, L.P. Common Unit Option Plan, key personnel are eligible to receive grants of options to acquire common units. The total number of common units authorized under the option plan is 500,000. None of the options granted under the option plan may be "incentive stock options" under Section 422 of the Internal Revenue Code. If an option expires without being exercised, the number of common units covered by such option will be available for a future award. The exercise price for an option may not be less than the fair market value of a common unit on the date of grant. Our compensation committee determines the duration and vesting of the options to employees at the time of grant, and no individual employee may be granted options for more than 20,000 common units in any year. As of December 31, 2007, no options to purchase common units were outstanding under the plan. Our compensation committee administers the option plan, and the plan has a termination date of March 5, 2008.

For the year ended December 31, 2007, no options to purchase common units were granted to or exercised by any of our executive officers, and as of December 31, 2007, none of our executive officers owned unexercised common unit options. The plan may also grant, to each of our non-employee directors, options to purchase common units at an exercise price equal to the fair market value of the common units at the end of the trading day on such date. For the year ended December 31, 2007, no options to purchase common units were granted to our non-employee directors.

Summary Compensation Table

The following table shows compensation paid by or otherwise awarded to (i) our principal executive officer, (ii) our principal financial officer, (iii) our three most highly compensated executive officers (other than our principal executive officer and principal financial officer) serving at fiscal year end 2007, (collectively referred to as the "named executive officers") for services rendered to Kinder Morgan Energy Partners, L.P., its subsidiaries or its affiliates, including Knight Inc. and Knight Holdco LLC (collectively referred to as the "Knight affiliated entities"), during fiscal years 2007 and 2006. The amounts in the columns below, except the column entitled "Unit Awards by Knight Holdco LLC", represent the total compensation paid or awarded to the named executive officers by all the Knight affiliated entities, and as a result the amounts are in excess of the compensation expense allocated to and recognized by Kinder Morgan Energy Partners, L.P. for services rendered to it. The amounts in the column entitled "Unit Awards by Knight Holdco LLC" consist of accounting expense calculated in accordance with SFAS No. 123R and allocated to Kinder Morgan Energy Partners, L.P. for the Knight Holdco LLC Class A-1 and Class B units awarded by Knight Holdco LLC to the named executive officers. As a subsidiary of Knight Holdco LLC, Kinder Morgan Energy Partners, L.P. is allocated a portion of the compensation expense recognized by Knight Holdco LLC with respect to such units, although neither Kinder Morgan Energy Partners, L.P. or any of its subsidiaries have any obligation, nor does it expect, to pay any amounts in respect of such units and none of the named executive officers has received any payments in respect of such units.

Name and Principal Position	Year	Salary	Bonus	(1) Stock Awards by Kinder Morgan, Inc.	(2) Option Awards by Kinder Morgan, Inc.	(3) Non-Equity Incentive Plan Compensation	(4) Change in Pension Value	(5) All Other Compensation	(6) Unit Awards by Knight Holdco LLC	Total
Richard D. Kinder Director, ...	2007	$ 1	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,016,000	$ 1,016,001
Chairman and Chief Executive Officer	2006	1	-	-	-	-	-	-	-	-
Kimberly A. Dang	2007	200,000	-	338,095	-	400,000	7,294	32,253	73,800	1,051,442
Vice President and Chief Financial Officer	2006	200,000		139,296	37,023	270,000	6,968	46,253	-	699,540
Steven J. Kean	2007	200,000	-	4,397,080	-	1,100,000	7,767	147,130	295,010	6,146,987
Executive Vice President and Chief Operating Officer	2006	200,000	-	1,591,192	147,943	-	7,422	284,919	-	2,231,476
Scott E. Parker	2007	200,000	-	2,340,080	-	1,100,000	9,130	307,688	-	3,956,898
Vice President (President, Natural Gas Pipelines)	2006	200,000	350,000	881,317	29,490	500,000	8,735	164,630	-	2,134,172
C. Park Shaper	2007	200,000	-	1,950,300	-	1,200,000	8,194	155,953	466,110	3,980,557
Director and President	2006	200,000	-	1,134,283	24,952	-	7,835	348,542	-	1,715,612

[1] Consists of expense calculated in accordance with SFAS No. 123R attributable to restricted Kinder Morgan, Inc. stock awarded in 2003, 2004 and 2005 according to the provisions of the Kinder Morgan, Inc. Stock Plan. No restricted stock

was awarded in 2007 or 2006. For grants of restricted stock, we take the value of the award at time of grant and accrue the expense over the vesting period according to SFAS No. 123R. For grants made July 16, 2003—Kinder Morgan, Inc. closing price was $53.80, twenty-five percent of the shares in each grant vest on the third anniversary after the date of grant and the remaining seventy-five percent of the shares in each grant vest on the fifth anniversary after the date of grant. For grants made July 20, 2004—Kinder Morgan, Inc. closing price was $60.79, fifty percent of the shares vest on the third anniversary after the date of grant and the remaining fifty percent of the shares vest on the fifth anniversary after the date of grant. For grants made July 20, 2005—Kinder Morgan, Inc. closing price was $89.48, twenty-five percent of the shares in each grant vest on the third anniversary after the date of grant and the remaining seventy-five percent of the shares in each grant vest on the fifth anniversary after the date of grant. As a result of the Going Private transaction, all outstanding restricted shares vested in 2007 and therefore all remaining compensation expense with respect to restricted stock was recognized in 2007 in accordance with SFAS No. 123R. However, Knight Inc. bore all of the costs associated with this acceleration.

[2] Consists of expense calculated in accordance with SFAS No. 123R attributable to options to purchase Kinder Morgan, Inc. shares awarded in 2002 and 2003 according to the provisions of the Kinder Morgan, Inc. Stock Plan. No options were granted in 2007 or 2006. For options granted in 2002—volatility of 0.3912 using a 6 year term, 4.01% five year risk free interest rate return, and a 0.71% expected annual dividend rate. For options granted in 2003—volatility of 0.3853 using a 6.25 year term, 3.37% treasury strip quote at time of grant, and a 2.973% expected annual dividend rate. As a result of the Going Private transaction, all outstanding options vested in 2007 and therefore all remaining compensation expense with respect to options was recognized in 2007 in accordance with SFAS No. 123R. As a condition to their being permitted to participate in the Going Private transaction, Messrs. Kean and Shaper agreed to the cancellation of 10,467 and 22,031 options, respectively. These cancelled options had weighted average exercise prices of $39.12 and $24.75 per share, respectively. However, Knight Inc. bore all of the costs associated with this acceleration.

[3] Represents amounts paid according to the provisions of the Knight Inc. Annual Incentive Plan. In the case of Mr. Parker for the year 2006, an additional $350,000 was paid outside of the plan as reflected in the Bonus column. Amounts were earned in the fiscal year indicated but were paid in the next fiscal year. Messrs. Kean and Shaper refused to accept a bonus for 2006. The committee agreed that this was not a reflection of performance on either person.

[4] Represents the 2007 and 2006, as applicable, change in the actuarial present value of accumulated defined pension benefit (including unvested benefits) according to the provisions of Knight Inc.'s Cash Balance Retirement Plan.

[5] Amounts represent value of contributions to the Knight Inc. Savings Plan (a 401(k) plan), value of group-term life insurance exceeding $50,000, taxable parking subsidy and dividends paid on unvested restricted stock awards. Amounts each year include $10,000 representing the value of contributions to the Knight Inc. Savings Plan. Amounts representing the value of dividends paid on unvested restricted stock awards are as follows: for 2007—Mrs. Dang $21,875; Mr. Kean $136,500; Mr. Parker $77,000; and Mr. Shaper $144,375; for 2006—Mrs. Dang $35,875; Mr. Kean $273,000; Mr. Parker $154,000; and Mr. Shaper $336,875. Mr. Parker's 2007 amount also includes amounts for imputed income for company provided cell phone, a $100,000 relocation allowance, and a $130,000 payment to compensate for loss of dividends associated with the Going Private Transaction.

[6] Such amounts represent the amount of the non-cash compensation expense calculated in accordance with SFAS No. 123R attributable to the Class A-1 and Class B units of Knight Holdco LLC and allocated to Kinder Morgan Energy Partners, L.P. for financial reporting purposes but does not include any such expense allocated to Knight Inc. or any of its other subsidiaries. None of the named executive officers has received any payments in connection with such units, and neither Kinder Morgan Energy Partners L.P. nor its subsidiaries are obligated, nor does Kinder Morgan Energy Partners, L.P. expect, to pay any amounts in respect of such units. See Item 13. "Certain Relationships and Related Transactions, and Director Independence—Related Transactions—KMI Going Private Transaction" for further discussion of these units.

Kinder Morgan, Inc. Stock Options and Restricted Stock

Effective with the completion of the Kinder Morgan, Inc. Going Private transaction on May 30, 2007, all of Kinder Morgan, Inc.'s equity compensation awards (including awards held by our named executive officers) were subject to the following treatment:

- each option or other award to purchase shares of Kinder Morgan, Inc. common stock granted under any Kinder Morgan Inc. employee or director equity plan, whether vested or unvested, that was outstanding immediately prior to the effective time of the buyout, vested as of the effective time of the buyout, and was cancelled and converted into the right to receive a cash payment equal to the number of shares of Kinder Morgan, Inc. common stock underlying such options multiplied by the amount (if any) by which the $107.50 per share merger consideration issued in the Going Private transaction exceeded the option exercise price, without interest and less any applicable withholding tax; and

- each share of restricted stock or restricted stock unit under any Kinder Morgan stock plan or benefit plan vested as of the effective time of the buyout and was cancelled and converted into the right to receive a cash payment equal to the number of outstanding shares of restricted stock or restricted stock units, multiplied by the $107.50 per share merger consideration, without interest and less any applicable withholding tax.

The following table sets forth, for each of our named executive officers (i) the number of Kinder Morgan, Inc. stock options (all of which were vested) held by such persons; (ii) the cash value realized with respect to such stock options upon consummation of the Going Private transaction; (iii) the number of shares of restricted Kinder Morgan, Inc. stock held by such persons; and (iv) the aggregate cash value realized with respect to such shares of restricted stock upon consummation of the Going Private transaction. A portion of the consideration received by the named executive officers with respect to their options to acquire shares of Kinder Morgan, Inc. common stock and their restricted shares of Kinder Morgan, Inc. common stock was reinvested in exchange for ownership interests in Knight Holdco LLC, and certain executive officers, as a condition to their being permitted to participate as investors in Knight Holdco LLC, agreed to the cancellation of certain of their options prior to the Going Private transaction.

	Option Awards		Stock Awards	
Name	Stock Options	Value Realized[1]	Shares of Restricted Stock	Value Realized[2]
Richard D. Kinder	–	–	–	–
Kimberly A. Dang	24,750	$ 1,443,178	8,000	$ 860,000
Steven J. Kean[3]	25,533	1,375,772	78,000	8,385,000
Scott E. Parker	10,000	537,000	44,000	4,730,000
C. Park Shaper[4]	197,969	12,529,810	82,500	8,868,750

[1] Calculated based on the actual exercise prices underlying the related options, as opposed to the weighted average exercise price per share of options.

[2] Calculated as $107.50 multiplied by the number of shares of restricted stock.

[3] Mr. Kean, as a condition to his being permitted to participate as an investor in Knight Inc., agreed to the cancellation of 10,467 of his options shown above, with a weighted average exercise price of $39.12 per share, prior to the Going Private transaction.

[4] Mr. Shaper, as a condition to his being permitted to participate as an investor in Knight Inc., agreed to the cancellation of 22,031 of his options shown above, with a weighted average exercise price of $24.75 per share, prior to the Going Private transaction.

Grants of Plan-Based Awards

The following supplemental compensation table shows compensation details on the value of all non-guaranteed and non-discretionary incentive awards granted during 2007 to our named executive officers, as well as awards of Knight Holdco LLC units received in 2007 by each named executive officer. The table includes the Knight Holdco LLC Class A-1 and Class B units awarded by Knight Holdco LLC to the named executive officers. As a subsidiary of Knight Holdco LLC, Kinder Morgan Energy Partners, L.P. is allocated a portion of the compensation expense recognized by Knight Holdco LLC with respect to such units, although neither Kinder Morgan Energy Partners, L.P. nor any of its subsidiaries have any obligation to pay any amounts in respect of such units. The table includes awards made during or for 2007. The information in the table under the caption "Estimated Possible Payments Under Non-Equity Incentive Plan Awards" represents the threshold, target and maximum amounts payable under the Knight Inc. Annual Incentive Plan for performance in 2007. Amounts actually paid under that plan for 2007 are set forth in the Summary Compensation Table under the caption "Non-Equity Incentive Plan Compensation." There will not be any additional payouts under the Annual Incentive Plan for 2007.

The following supplemental compensation table shows compensation details on the value of all non-guaranteed and non-discretionary incentive awards granted during 2007 to our named executive officers and discloses estimated future payouts for non-equity incentive plans pursuant to grant awards made during 2007. Specifically, the estimated future payout amounts relate to grants made pursuant to the provisions of the Knight Inc. Annual Incentive Plan for 2007. See "Elements of Compensation—Possible Annual Cash Bonus (Non-Equity Cash Incentive)" above for a discussion of these awards.

		Estimated Future Payouts Under Non-Equity Incentive Plan Awards[1]			All Other Stock Awards[2]	Grant Date Fair Value of Stock Awards[3]
Name	Grant Date	Threshold	Target	Maximum	Number of Units	
Richard D. Kinder	May 30, 2007	$ –	$ –	$ –	791,405,452	$ 9,200,000
Kimberly A. Dang	Jan. 17, 2007	500,000	1,000,000	1,500,000	–	–
	May 30, 2007	–	–	–	49,893,032	674,887
Steven J. Kean	Jan. 17, 2007	750,000	1,500,000	2,000,000	–	–
	May 30, 2007	–	–	–	162,114,878	2,720,252
Scott E. Parker	Jan. 17, 2007	500,000	1,500,000	2,000,000	–	–
C. Park Shaper	Jan. 17, 2007	750,000	1,500,000	2,000,000	–	–
	May 30, 2007	–	–	–	225,436,274	4,315,475

[1] Represents grants under the Knight Inc. Annual Incentive Plan for performance in 2007. See "Elements of

Compensation—Possible Annual Cash Bonus (Non-Equity Cash Incentive)" for a discussion of these awards.

[2] Represents the sum of the number of Class A-1 units and the number of Class B units of Knight Holdco LLC awarded to the named executive officers in connection with the Going Private transaction. See Item 13. "Certain Relationships and Related Transactions, and Director Independence—Related Transactions—Kinder Morgan, Inc. Going Private transaction" for detail regarding these awards.

[3] Amounts represent the fair value calculated in accordance with SFAS No. 123R attributable to Class A-1 and Class B units of Knight Holdco LLC awarded by Knight Holdco LLC to the named executive officers in connection with the Going Private transaction. None of the named executive officers has received any payments in connection with such units, and neither Kinder Morgan Energy Partners, L.P. nor its subsidiaries is obligated to pay any amounts in respect of such units. See Item 13. "Certain Relationships and Related Transactions, and Director Independence—Related Transactions—Kinder Morgan, Inc. Going Private transaction" for further discussion of these units.

Outstanding Equity Awards at Fiscal Year-End

The only unvested equity awards outstanding at the end of fiscal 2007 were the Class B units of Knight Holdco LLC awarded by Knight Holdco LLC to the named executive officers. As a subsidiary of Knight Holdco LLC, Kinder Morgan Energy Partners, L. P. is allocated a portion of the compensation expense recognized by Knight Holdco LLC with respect to such units, although neither Kinder Morgan Energy Partners, L.P. nor any of its subsidiaries have any obligation, nor does Kinder Morgan Energy Partners, L.P. expect, to pay any amounts in respect of such units.

	Stock awards:		
Name	**Type of units:**	**Number of units that have not vested**	**Market value of units of stock that have not vested[1]**
Richard D. Kinder	Class B units	791,405,452	N/A
Kimberly A. Dang	Class B units	49,462,841	N/A
Steven J. Kean	Class B units	158,281,090	N/A
C. Park Shaper	Class B units	217,636,499	N/A

[1] Because the Class B units are equity interests of Knight Holdco LLC, a private limited liability company, the market value of such interests is not readily determinable. None of the named executive officers has received any payments in connection with such units, and neither Kinder Morgan Energy Partners, L.P. nor its subsidiaries is obligated, nor does Kinder Morgan Energy Partners, L.P. expect, to pay any amounts in respect of such units. See Item 13. "Certain Relationships and Related Transactions, and Director Independence—Related Transactions—Kinder Morgan, Inc. Going Private Transaction" for further discussion of these units.

Director Compensation

Compensation Committee Interlocks and Insider Participation. Kinder Morgan Management, LLC's compensation committee, comprised of Mr. Edward O. Gaylord, Mr. Gary L. Hultquist and Mr. Perry M. Waughtal, makes compensation decisions regarding our and Kinder Morgan G.P., Inc.'s executive officers. Mr. Richard D. Kinder, Mr. James E. Street, and Messrs. Shaper and Kean, who are executive officers of Kinder Morgan Management, LLC, participate in the deliberations of our compensation committee concerning executive officer compensation. None of the members of our compensation committee is or has been one of our officers or employees, and none of our executive officers served during 2007 on a board of directors of another entity which has employed any of the members of our compensation committee.

Directors Fees. Beginning in 2005, awards under Kinder Morgan Energy Partners, L.P.'s Common Unit Compensation Plan for Non-Employee Directors served as compensation for each of our three non-employee directors. In addition, directors are reimbursed for reasonable expenses in connection with board meetings. Our directors who are also employees of Knight Inc. (Messrs. Richard D. Kinder and C. Park Shaper) do not receive compensation in their capacity as directors.

Kinder Morgan Energy Partners, L.P. Common Unit Compensation Plan for Non-Employee Directors. On January 18, 2005, our compensation committee established the Kinder Morgan Energy Partners, L.P. Common Unit Compensation Plan for Non-Employee Directors. The plan is administered by our compensation committee and our board has sole discretion to terminate the plan at any time. The primary purpose of this plan was to promote Kinder Morgan Energy Partners, L.P.'s interests and the interests of Kinder Morgan Energy Partners, L.P.'s unitholders by aligning the compensation of the non-employee members of our board of directors with unitholders' interests. Further, since our success is dependent on its operation and management of Kinder Morgan Energy Partners, L.P.'s business and its resulting performance, the plan is expected to align the compensation of the non-employee members of the board with the interests of our shareholders.

The plan recognizes that the compensation to be paid to each non-employee director is fixed by our board, generally annually, and that the compensation is payable in cash. Pursuant to the plan, in lieu of receiving cash compensation, each non-employee director may elect to receive common units. Each election will be generally at or around the first board meeting in January of each calendar year and will be effective for the entire calendar year. The election for 2006 was made

effective January 17, 2006, the election for 2007 was made effective January 17, 2007 and the election for 2008 was made effective January 16, 2008. A non-employee director may make a new election each calendar year. The total number of common units authorized under this compensation plan is 100,000.

Each annual election will be evidenced by an agreement, the Common Unit Compensation Agreement, between Kinder Morgan Energy Partners, L.P. and each non-employee director, and this agreement will contain the terms and conditions of each award. Pursuant to this agreement, all common units issued under this plan are subject to forfeiture restrictions that expire six months from the date of issuance. Until the forfeiture restrictions lapse, common units issued under the plan may not be sold, assigned, transferred, exchanged, or pledged by a non-employee director. In the event the director's service as a director of our board is terminated prior to the lapse of the forfeiture restriction either for cause, or voluntary resignation, each director will, for no consideration, forfeit to Kinder Morgan Energy Partners, L.P. all common units to the extent then subject to the forfeiture restrictions. Common units with respect to which forfeiture restrictions have lapsed will cease to be subject to any forfeiture restrictions, and Kinder Morgan Energy Partners, L.P. will provide each director a certificate representing the units as to which the forfeiture restrictions have lapsed. In addition, each non-employee director will have the right to receive distributions with respect to the common units awarded to him under the plan, to vote such common units and to enjoy all other unitholder rights, including during the period prior to the lapse of the forfeiture restrictions.

The number of common units to be issued to a non-employee director electing to receive the cash compensation in the form of common units will equal the amount of such cash compensation awarded, divided by the closing price of the common units on the New York Stock Exchange on the day the cash compensation is awarded (such price, the fair market value), rounded down to the nearest 50 common units. The common units will be issuable as specified in the Common Unit Compensation Agreement. A non-employee director electing to receive the cash compensation in the form of common units will receive cash equal to the difference between (i) the cash compensation awarded to such non-employee director and (ii) the number of common units to be issued to such non-employee director multiplied by the fair market value of a common unit. This cash payment will be payable in four equal installments generally around March 31, June 30, September 30 and December 31 of the calendar year in which such cash compensation is awarded.

On January 17, 2007, each of our three non-employee directors was awarded cash compensation of $160,000 for board service during 2007. Effective January 17, 2007, each non-employee director elected to receive certain amounts of that compensation in the form of Kinder Morgan Energy Partners, L.P. common units and each was issued common units pursuant to the plan and its agreements (based on the $48.44 closing market price of Kinder Morgan Energy Partners, L.P. common units on January 17, 2007, as reported on the New York Stock Exchange). Mr. Gaylord elected to receive compensation of $95,911.20 in the form of Kinder Morgan Energy Partners, L.P. common units and was issued 1,980 common units; Mr. Waughtal elected to receive compensation of $159,852.00 in the form of Kinder Morgan Energy Partners, L.P. common units and was issued 3,300 common units; and Mr. Hultquist elected to receive cash compensation of $96,880.00 in the form of Kinder Morgan Energy Partners, L.P. common units and was issued 2,000 common units. All remaining compensation ($64,088.80 to Mr. Gaylord; $148.00 to Mr. Waughtal; and $63,120.00 to Mr. Hultquist) will be paid in cash to each of the non-employee directors as described above, and no other compensation will be paid to the non-employee directors during 2007.

On January 16, 2008, each of our three non-employee directors was awarded cash compensation of $160,000 for board service during 2008; however, during a plan audit it was determined that each director was inadvertently paid an additional dividend in 2007. As a result, each director's cash compensation for service during 2008 was adjusted downward to reflect this error. The correction results in cash compensation awarded for 2008 in the amounts of $158,380.00 for Mr. Hultquist; $158,396.20 for Mr. Gaylord; and $157,327.00 for Mr. Waughtal. Effective January 16, 2008, two of the three non-employee directors elected to receive certain amounts of that compensation in the form of Kinder Morgan Energy Partners, L.P. common units and each was issued common units pursuant to the plan and its agreements (based on the $55.81 closing market price of Kinder Morgan Energy Partners, L.P. common units on January 16, 2008, as reported on the New York Stock Exchange). Mr. Gaylord elected to receive compensation of $84,831.20 in the form of Kinder Morgan Energy Partners, L.P. common units and was issued 1,520 common units; and Mr. Waughtal elected to receive compensation of $157,272.58 in the form of Kinder Morgan Energy Partners, L.P. common units and was issued 2,818 common units. All remaining compensation ($73,565.00 to Mr. Gaylord; $54.42 to Mr. Waughtal; and $158,380.00 to Mr. Hultquist) will be paid in cash to each of the non-employee directors as described above, and no other compensation will be paid to the non-employee directors during 2008.

Directors' Unit Appreciation Rights Plan. On April 1, 2003, our compensation committee established Kinder Morgan Energy Partners, L.P. Directors' Unit Appreciation Rights Plan. Pursuant to this plan, each of our three non-employee directors was eligible to receive common unit appreciation rights. Upon the exercise of unit appreciation rights, Kinder Morgan Energy Partners, L.P. will pay, within thirty days of the exercise date, the participant an amount of cash equal to the excess, if any, of the aggregate fair market value of the unit appreciation rights exercised as of the exercise date over the aggregate award price of the rights exercised. The fair market value of one unit appreciation right as of the exercise date will be equal to the closing price of one common unit on the New York Stock Exchange on that date. The award price of one unit appreciation right will be equal to the closing price of one common unit on the New York Stock Exchange on the date of grant. Proceeds, if any,

from the exercise of a unit appreciation right granted under the plan will be payable only in cash (that is, no exercise will result in the issuance of additional common units) and will be evidenced by a unit appreciation rights agreement.

All unit appreciation rights granted vest on the six-month anniversary of the date of grant. If a unit appreciation right is not exercised in the ten year period following the date of grant, the unit appreciation right will expire and not be exercisable after the end of such period. In addition, if a participant ceases to serve on the board for any reason prior to the vesting date of a unit appreciation right, such unit appreciation right will immediately expire on the date of cessation of service and may not be exercised.

On April 1, 2003, the date of adoption of the plan, each of our three non-employee directors was granted 7,500 unit appreciation rights. In addition, 10,000 unit appreciation rights were granted to each of our three non-employee directors on January 21, 2004, at the first meeting of the board in 2004. During the first board meeting of 2005, the plan was terminated and replaced by the Kinder Morgan Energy Partners, L.P. Common Unit Compensation Plan for Non-Employee Directors; however, all unexercised awards made under the plan remain outstanding. No unit appreciation rights were exercised during 2006. In 2007, Mr. Hultquist exercised 7,500 unit appreciation rights and received a cash amount of $116,250. As of December 31, 2007, 45,000 unit appreciation rights had been granted, vested and remained outstanding.

The following table discloses the compensation earned by each of our three non-employee directors for board service during fiscal year 2007. In addition, directors are reimbursed for reasonable expenses in connection with board meetings. Our directors who are also employees of Knight Inc. do not receive compensation in their capacity as directors.

Name	Fees Earned or Paid in Cash	Common Unit Awards[1]	All Other Compensation[2]	Total
Edward O. Gaylord	$ 64,089	$ 95,911	$111,466	$271,466
Gary L. Hultquist	63,120	96,880	65,840	225,840
Perry M. Waughtal	148	159,852	114,726	274,726

1 Represents the value of cash compensation received in the form of Kinder Morgan Energy Partners, L.P. common units according to the provisions of Kinder Morgan Energy Partners, L.P. Common Unit Compensation Plan for Non-Employee Directors. Value computed as the number of common units elected to be received in lieu of cash times the closing price on date of election. For Mr. Gaylord, 1,980 units elected on January 17, 2007 times the closing price of $48.44; for Mr. Hultquist, 2,000 units elected times the closing price of $48.44; and for Mr. Waughtal, 3,300 units elected times the closing price of $48.44.

2 For each, represents (i) the value of common unit appreciation rights earned according to the provisions of Kinder Morgan Energy Partners, L.P. Directors' Unit Appreciation Rights Plan for Non-Employee Directors, determined according to the provisions of SFAS No.123R—for each common unit appreciation right, equal to the increase in value of a corresponding common unit from December 31, 2006 to December 31, 2007; and (ii) for distributions paid on unvested common units awarded according to the provisions of Kinder Morgan Energy Partners, L.P. Common Unit Compensation Plan for Non-Employee Directors. For 2007, for Mr. Gaylord, includes (i) value of $106,575 computed as the number of common unit appreciation rights held during 2007 (17,500) times the increase in common unit closing price from December 31, 2006 to December 31, 2007 ($6.09; equal to $53.99 at December 31, 2007 less $47.90 at December 31, 2006); and (ii) $4,891 for distributions paid on unvested common units awarded according to the provisions of Kinder Morgan Energy Partners, L.P. Common Unit Compensation Plan for Non-Employee Directors; for Mr. Hultquist, includes (i) value of $60,900 computed as the number of common unit appreciation rights held during 2007 (10,000) times the increase in common unit closing price from December 31, 2006 to December 31, 2007 ($6.09; equal to $53.99 at December 31, 2007 less $47.90 at December 31, 2006); and (ii) $4,940 for distributions paid on unvested common units awarded according to the provisions of Kinder Morgan Energy Partners, L.P. Common Unit Compensation Plan for Non-Employee Directors; for Mr. Waughtal, includes (i) value of $106,575 computed as the number of common unit appreciation rights held during 2007 (17,500) times the increase in common unit closing price from December 31, 2006 to December 31, 2007 ($6.09; equal to $53.99 at December 31, 2007 less $47.90 at December 31, 2006); and (ii) $8,151 for distributions paid on unvested common units awarded according to the provisions of Kinder Morgan Energy Partners, L.P. Common Unit Compensation Plan for Non-Employee Directors.

Compensation Committee Report

Throughout fiscal 2007, the compensation committee of our board of directors was comprised of three directors, each of which our board of directors has determined meets the criteria for independence under our governance guidelines and the New York Stock Exchange rules.

The compensation committee has discussed and reviewed the above Compensation Discussion and Analysis for fiscal year 2007 with management. Based on this review and discussion, the compensation committee recommended to our board of directors that this Compensation Discussion and Analysis be included in this annual report on Form 10-K for the fiscal year 2007.

Compensation Committee:

Edward O. Gaylord
Gary L. Hultquist
Perry M. Waughtal

Item 12. ***Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.***

The following table sets forth information as of January 31, 2008, regarding (a) the beneficial ownership of (i) Kinder Morgan Energy Partners, L.P.'s common and Class B units and (ii) our shares by all our directors and those of Kinder Morgan G.P., Inc., by each of the named executive officers identified in Item 11 "Executive Compensation" and by all our directors and executive officers as a group and (b) the beneficial ownership of Kinder Morgan Energy Partners, L.P.'s common and Class B units or our shares by all persons known by us to own beneficially at least 5% of Kinder Morgan Energy Partners, L.P.'s common and Class B units and our shares. For information regarding the beneficial ownership of Knight Holdco LLC's units by our named executive officers (and our executive officers who are also officers of Knight Inc.) and directors, see Item 13. "Certain Relationships and Related Transactions, and Director Independence—Related Transactions—Kinder Morgan, Inc. Going Private Transaction." Unless otherwise noted, the address of each person below is c/o Kinder Morgan Energy Partners, L.P., 500 Dallas Street, Suite 1000, Houston, Texas 77002.

Amount and Nature of Beneficial Ownership[1]

	Kinder Morgan Energy Partners, L.P.				Kinder Morgan Management, LLC Shares	
	Common Units		Class B Units			
	Number of Units[2]	Percent of Class	Number of Units[3]	Percent of Class	Number of Shares[4]	Percent of Class
Richard D. Kinder[5]	315,979	*	–	–	84,663	*
C. Park Shaper	4,000	*	–	–	23,793	*
Edward O. Gaylord[6]	40,000	*	–	–	–	–
Gary L. Hultquist	11,500	*	–	–	–	–
Perry M. Waughtal[7]	46,918	*	–	–	46,180	*
Steven J. Kean	–	–	–	–	–	–
Scott E. Parker	–	–	–	–	–	–
Kimberly A. Dang	121	*	–	–	440	*
Directors and Executive Officers as a group (14 persons)[8]	435,955	*	–	–	175,027	*
Knight Inc.[9]	14,355,735	8.43%	5,313,400	100.00%	10,334,746	14.27%
Kayne Anderson Capital Advisors, L.P. and Richard A Kayne[10]	–	–	–	–	7,869,016	10.86%
Tortoise Capital Advisors, L.L.C.[11]	–	–	–	–	4,314,123	5.96%
Janus Capital Management LLC[12]	–	–	–	–	3,647,958	5.04%

*Less than 1%.

1 Except as noted otherwise, all units, our shares involve sole voting power and sole investment power. For Kinder Morgan Management, LLC, see note (4). On January 18, 2005, Kinder Morgan Management, LLC's board of directors initiated a rule requiring each director to own a minimum of 10,000 common units, Kinder Morgan Management, LLC shares, or a combination thereof.

2 As of January 31, 2008, Kinder Morgan Energy Partners, L.P. had 170,224,734 common units issued and outstanding.

3 As of January 31, 2008, Kinder Morgan Energy Partners, L.P. had 5,313,400 Class B units issued and outstanding.

[4] Represent the limited liability company shares of Kinder Morgan Management, LLC. As of January 31, 2008, there were 72,432,482 issued and outstanding Kinder Morgan Management, LLC shares, including two voting shares owned by Kinder Morgan G.P., Inc. In all cases, Kinder Morgan Energy Partners, L.P.'s i-units will be voted in proportion to the affirmative and negative votes, abstentions and non-votes of owners of Kinder Morgan Management, LLC shares. Through the provisions in Kinder Morgan Energy Partners, L.P.'s partnership agreement and Kinder Morgan Management, LLC's limited liability company agreement, the number of outstanding Kinder Morgan Management, LLC shares, including voting shares owned by Kinder Morgan G.P., Inc., and the number of Kinder Morgan Energy Partners, L.P.'s i-units will at all times be equal.

[5] Includes 7,879 common units owned by Mr. Kinder's spouse. Mr. Kinder disclaims any and all beneficial or pecuniary interest in these units.

[6] Includes 1,520 restricted common units.

[7] Includes 2,818 restricted common units.

[8] Includes 4,338 restricted common units. Also includes 671 Kinder Morgan Management, LLC shares purchased by one of our executives for his children. The executive disclaims any beneficial ownership in such Kinder Morgan Management, LLC shares.

[9] Includes common units owned by Knight Inc. and its consolidated subsidiaries, including 1,724,000 common units owned by Kinder Morgan G.P., Inc.

[10] As reported on the Schedule 13G/A filed February 13, 2008 by Kayne Anderson Capital Advisors, L.P. and Richard A. Kayne. Kayne Anderson Capital Advisors, L.P. reported that in regard to Kinder Morgan Management, LLC shares, it had over 1,133 shares and shared disposition power over 7,867,883 shares. Kayne Anderson Capital Advisors, L.P.'s and Richard A. Kayne's address is 1800 Avenue of the Stars, Second Floor, Los Angeles, California 90067.

[11] As reported on the Schedule 13G/A filed February 12, 2008 by Tortoise Capital Advisors, L.L.C. Tortoise Capital Advisors, L.L.C. reported that in regard to Kinder Morgan Management, LLC shares, it had sole voting power over 0 shares, shared voting power over 4,202,836 shares, sole disposition power over 0 shares and shared disposition power over 4,314,123 shares. Tortoise Capital Advisors, L.L.C.'s address is 10801 Mastin Blvd., Suite 222, Overland Park, Kansas 66210.

[12] As reported on the Schedule 13G filed February 14, 2008 by Janus Capital Management LLC. Janus Capital Management LLC reported that in regard to Kinder Morgan Management, LLC shares, it had sole voting power over 3,647,958 shares, shared voting power over 0 shares, sole disposition power over 3,647,958 shares and shared disposition power over 0 shares. Janus Capital Management LLC's address is 151 Detroit Street, Denver, Colorado 80206.

Equity Compensation Plan Information

The following table sets forth information regarding Kinder Morgan Energy Partners, L.P.'s equity compensation plans as of December 31, 2007. Specifically, the table provides information regarding Kinder Morgan Energy Partners, L.P.'s Common Unit Option Plan and Common Unit Compensation Plan for Non-Employee Directors, both described in Item 11, "Executive Compensation—Compensation Discussion and Analysis—Elements of Compensation—Other Compensation—Common Unit Option Plan," and Item 11 "Executive Compensation—Director Compensation—Kinder Morgan Energy Partners, L.P. Common Unit Compensation Plan for Non-employee Directors."

Plan category	Number of securities remaining available for future issuance under equity compensation plans
Equity compensation plans approved by security holders	–
Equity compensation plans not approved by security holders	141,820
Total	141,820

Item 13. ***Certain Relationships and Related Transactions, and Director Independence.***

Related Transactions

Going Private Transaction

On May 30, 2007, Knight Inc. (formerly Kinder Morgan, Inc.) completed the Going Private transaction, whereby pursuant to a merger agreement, generally each share of Kinder Morgan, Inc. common stock was converted into the right to receive $107.50 in cash without interest. See Item 11. "Executive Compensation—Kinder Morgan, Inc. Stock Options and Restricted Stock" for a discussion of the disposition of options to purchase Kinder Morgan, Inc. common stock and shares of restricted Kinder Morgan, Inc. stock in the Going Private transaction. For further information regarding this transaction, see Note 2(A) of the accompanying Notes to Consolidated Financial Statements.

In connection with the Going Private transaction, some of our executive officers became investors in Knight Holdco LLC, Knight Inc.'s parent company. None of our independent directors, Messrs. Gaylord, Hultquist and Waughtal, are investors in Knight Holdco LLC. Each of the investors in Knight Holdco LLC entered into an amended and restated limited liability company agreement of Knight Holdco LLC which governs the rights and obligations of the investors with respect to Knight Holdco LLC and Knight Inc. Pursuant to the limited liability agreement, Knight Holdco LLC is a "manager managed" limited liability company governed by an 11 member board of managers and initially by a "chief manager." Mr. Richard D. Kinder, our Chairman and Chief Executive Officer, is Knight Holdco LLC's initial chief manager. Mr. Kinder is also a member of the board of managers and has the right to appoint an additional four members of the board of managers. The chief manager has control over most of the operations of Knight Holdco LLC, subject to rights of the board of managers (and in some cases, the members of Knight Holdco LLC, acting in their capacity as such) to approve significant actions proposed to be taken by Knight Holdco LLC or its subsidiaries (generally other than us, Kinder Morgan Energy Partners, L.P. and our respective subsidiaries), including, among other things, liquidations, issuances of equity securities, distributions (other than identified tax related distributions), transactions with affiliates, settlement of litigation or entry into agreements with a value in excess of $50 million, entry into new lines of business and approval of the annual budget.

Additionally, the members of Knight Holdco LLC (and in some cases, just certain members) have the ability to compel restructuring and liquidity events, including an initial public offering of Knight Holdco LLC or any of its subsidiaries or businesses, a sale or disposition of Knight Holdco LLC or any of its material subsidiaries or its businesses, or distributions of excess cash to the members of Knight Holdco LLC, although in some cases such actions may only be so compelled after specified time periods.

Generally, Knight Holdco LLC has three classes of units—Class A units, Class A-1 units, and Class B units. The Class A units were issued to investors, including members of senior management who directly or indirectly reinvested all or a portion of their Kinder Morgan, Inc. equity and/or cash, in respect of their capital contributions to Knight Holdco LLC. Generally, the holders of Class A units will share ratably in all distributions, subject to amounts allocated to the Class A-1 units and the Class B units as set forth below.

The Class B units were awarded by Knight Holdco LLC to members of Knight Inc.'s management in consideration of their services to or for the benefit of Knight Holdco LLC. The Class B units represent interests in the profits of Knight Holdco LLC following the return of capital for the holders of Class A units and the achievement of predetermined performance targets over time. The Class B units will performance vest in increments of 5% of profits distributions up to a maximum of 20% of all profits distributions that would otherwise be payable with respect to the Class A units and Class A-1 units, based on the achievement of predetermined performance targets. The Class B units are subject to time based vesting, and with respect to any holder thereof, will vest 33⅓% on each of the 3rd, 4th and 5th year anniversary of the issuance of such Class B units to such holder. The amended and restated limited liability company agreement also includes provisions with respect to forfeiture of Class B units upon termination for cause, Knight Holdco LLC call rights upon termination and other related provisions relating to an employee's tenure. The allocation of the Class B units among Knight Inc.'s management was determined prior to closing by Mr. Kinder, and approved by other, non-management investors.

The Class A-1 units were awarded by Knight Holdco LLC to members of Knight Inc.'s management (other than Mr. Richard D. Kinder) who reinvested their equity interests in Knight Holdco LLC in connection with the Going Private transaction in consideration of their services to or for the benefit of Knight Holdco LLC. Class A-1 units entitle a holder thereof to receive distributions from Knight Holdco LLC in an amount equal to distributions paid on Class A units (other than distributions on the Class A units that represent a return of the capital contributed in respect of such Class A units), but only after the Class A units have received aggregate distributions in an amount equal to the amount of capital contributed in respect of the Class A units.

The table below sets forth the beneficial ownership (as defined in Rule 13(d)(3) of the Exchange Act) of Knight Holdco LLC's units by each of our directors and named executive officers (and executive officers of ours who are also executive officers of Knight Inc.), detailing the contributions made by each in respect of their Class A units and the grant date fair value, as calculated in accordance with SFAS No. 123R, of the Class A-1 and Class B units received by each. In accordance with SFAS No. 123R, Knight Holdco LLC is required to recognize compensation expense in connection with the Class A-1 and Class B units over the expected life of such units. As a subsidiary of Knight Holdco LLC, Kinder Morgan Energy Partners, L.P. is allocated a portion of this compensation expense, although neither Kinder Morgan Energy Partners, L.P. nor any of its subsidiaries have any obligation, nor does it expect, to pay any amounts in respect of such units. Please see Item 11. "Executive Compensation" for disclosure regarding the Class A-1 and Class B units received by each of the named executive officers and the expense as calculated in accordance with SFAS No. 123R allocated to Kinder Morgan Energy Partners, L.P. for 2007 in respect of each officer's units. Except as noted otherwise, each individual has sole voting power and sole disposition power over the units listed.

	Class A Units	% of Class A Units[1]	Class A-1 Units	% of Class A-1 Units[2]	Class B Units	% of Class B Units[3]
Richard D. Kinder[4]	2,424,000,000	30.6	–	–	791,405,452	40.0
Edward O. Gaylord	–	–	–	–	–	–
Gary L. Hultquist	–	–	–	–	–	–
Perry M. Waughtal	–	–	–	–	–	–
C. Park Shaper[5]	13,598,785	*	7,799,775	28.3	217,636,499	11.0
Steven J. Kean[6]	6,684,149	*	3,833,788	13.9	158,281,090	8.0
Kimberly A. Dang[7]	750,032	*	430,191	1.6	49,462,841	2.5
David D. Kinder[8]	1,075,981	*	617,144	2.3	55,398,382	2.8
Joseph Listengart[9]	6,059,449	*	3,475,483	12.6	79,140,545	4.0
Scott E. Parker	–	–	–	–	–	–
James E. Street[10]	3,813,005	*	2,187,003	7.9	49,462,841	2.5
Executive officers and directors as a group (14 persons)	2,460,763,539	31.1	21,086,247	76.5	1,626,338,205	82.2

*Less than 1%.

1 As of January 31, 2008, Knight Holdco LLC had 7,914,367,913 Class A Units issued and outstanding.

2 As of January 31, 2008, Knight Holdco LLC had 27,225,694 Class A-1 Units issued and outstanding and 345,042 phantom Class A-1 Units issued and outstanding. The phantom Class A-1 Units were issued to Canadian management employees.

3 As of January 31, 2008, Knight Holdco LLC had 1,922,620,621 Class B Units issued and outstanding and 55,893,008 phantom Class B Units issued and outstanding. The phantom Class B Units were issued to Canadian management employees.

4 Includes 522,372 Class A units owned by Mr. Kinder's wife. Mr. Kinder disclaims any and all beneficial or pecuniary interest in the Class A units held by his wife. Also includes 263,801,817 Class B Units that Mr. Kinder transferred to a limited partnership. Mr. Kinder may be deemed to be the beneficial owner of these transferred Class B Units, because Mr. Kinder controls the voting and disposition power of these Class B Units, but he disclaims ninety-nine percent of any beneficial and pecuniary interest in them. Mr. Kinder contributed 23,994,827 shares of Kinder Morgan, Inc. common stock and his wife contributed 5,173 shares of Kinder Morgan, Inc. common stock to Knight Holdco LLC that were valued for purposes of Knight Holdco LLC's limited liability agreement at $2,423,477,628 and $522,372, respectively, in exchange for their respective Class A units. The Class B units received by Mr. Kinder had a grant date fair value as calculated in accordance with SFAS No. 123R of $9,200,000.

5 Includes 217,636,499 Class B Units that Mr. Shaper transferred to a limited partnership. Mr. Shaper may be deemed to be the beneficial owner of these transferred Class B Units, because Mr. Shaper controls the voting and disposition power of these Class B Units, but he disclaims approximately twenty-two percent of any beneficial and pecuniary interest in them. Mr. Shaper made a cash investment of $13,598,785 of his after-tax proceeds from the conversion in the Going Private transaction of 82,500 shares of Kinder Morgan, Inc. restricted stock and options to acquire 197,969 shares of Kinder Morgan, Inc. common stock in exchange for his Class A units. The Class A-1 units and Class B units received by Mr. Shaper had an aggregate grant date fair value as calculated in accordance with SFAS No. 123R of $4,315,475.

6 Mr. Kean made a cash investment of $6,684,149 of his after-tax proceeds from the conversion in the Going Private transaction of 78,000 shares of Kinder Morgan, Inc. restricted stock and options to acquire 25,533 shares of Kinder Morgan, Inc. common stock in exchange for his Class A units. The Class A-1 units and Class B units received by Mr. Kean had an aggregate grant date fair value as calculated in accordance with SFAS No. 123R of $2,720,252.

7 Includes 49,462,841 Class B Units that Ms. Dang transferred to a limited partnership. Ms. Dang may be deemed to be the beneficial owner of these transferred Class B Units, because Ms. Dang has voting and disposition power of these Class B Units, but she disclaims ten percent of any beneficial and pecuniary interest in them. Ms. Dang made a cash investment of $750,032 of her after-tax proceeds from the conversion in the Going Private transaction of 8,000 shares of Kinder Morgan, Inc. restricted stock and options to acquire 24,750 shares of Kinder Morgan, Inc. common stock in exchange for her Class A units. The Class A-1 units and Class B units received by Ms. Dang had an aggregate grant date fair value as calculated in accordance with SFAS No. 123R of $674,887.

8 Includes 55,398,382 Class B Units that Mr. Kinder transferred to a limited partnership. Mr. Kinder may be deemed to be the beneficial owner of these transferred Class B Units, because Mr. Kinder controls the voting and disposition power of these Class B Units, but he disclaims eight percent of any beneficial and pecuniary interest in them. Mr. Kinder made a cash investment of $1,075,981 of his after-tax proceeds from the conversion in the Going Private transaction of 15,750 shares of Kinder Morgan, Inc. restricted stock in exchange for his Class A units. The Class A-1 units and Class B units received by Mr. Kinder had an aggregate grant date fair value as calculated in accordance with SFAS No. 123R of $787,587.

9 Mr. Listengart made a cash investment of $6,059,449 of his after-tax proceeds from the conversion in the Going Private transaction of 52,500 shares of Kinder Morgan, Inc. restricted stock and options to acquire 48,459 shares of Kinder Morgan, Inc. common stock in exchange for his Class A units. The Class A-1 units and Class B units received by Mr. Listengart had an aggregate grant date fair value as calculated in accordance with SFAS No. 123R of $1,712,851.

10 Mr. Street made a cash investment of $3,813,005 of his after-tax proceeds from the conversion in the Going Private transaction of 30,000 shares of Kinder Morgan, Inc. restricted stock and options to acquire 34,588 shares of Kinder

Morgan, Inc. common stock in exchange for his Class A units. The Class A-1 units and Class B units received by Mr. Street had an aggregate grant date fair value as calculated in accordance with SFAS No. 123R of $1,074,434.

General and Administrative Expenses

KMGP Services Company, Inc., a subsidiary of Kinder Morgan G.P., Inc., provides employees and Kinder Morgan Services LLC, our wholly owned subsidiary, provides centralized payroll and employee benefits services to us, Kinder Morgan G.P., Inc., Kinder Morgan Energy Partners, L.P. and Kinder Morgan Energy Partners, L.P.'s operating partnerships and subsidiaries (collectively, the "Group"). Employees of KMGP Services Company, Inc. are assigned to work for one or more members of the Group. The direct costs of all compensation, benefits expenses, employer taxes and other employer expenses for these employees are allocated and charged by Kinder Morgan Services LLC to the appropriate members of the Group, and the members of the Group reimburse Kinder Morgan Services LLC for their allocated shares of these direct costs. There is no profit or margin charged by Kinder Morgan Services LLC to the members of the Group. The administrative support necessary to implement these payroll and benefits services is provided by the human resource department of Knight Inc., and the related administrative costs are allocated to members of the Group in accordance with existing expense allocation procedures. The effect of these arrangements is that each member of the Group bears the direct compensation and employee benefits costs of its assigned or partially assigned employees, as the case may be, while also bearing its allocable share of administrative costs. Pursuant to its limited partnership agreement, Kinder Morgan Energy Partners, L.P. provides reimbursement for its share of these administrative costs and such reimbursements will be accounted for as described above.

Additionally, Kinder Morgan Energy Partners, L.P. reimburses us with respect to costs incurred or allocated to us in accordance with Kinder Morgan Energy Partners, L.P.'s limited partnership agreement, the delegation of control agreement among Kinder Morgan G.P., Inc., Kinder Morgan Energy Partners, L.P., us and others, and our limited liability company agreement.

Our named executive officers and other employees that provide management or services to both Knight Inc. and the Group are employed by Knight Inc. Additionally, other Knight Inc. employees assist in the operation of Kinder Morgan Energy Partners, L.P.'s Natural Gas Pipeline assets. These Knight Inc. employees' expenses are allocated without a profit component between Knight Inc. and the appropriate members of the Group.

Kinder Morgan Energy Partners, L.P. Distributions

Kinder Morgan G.P., Inc.

Kinder Morgan G.P., Inc. serves as the sole general partner of Kinder Morgan Energy Partners, L.P. Pursuant to their partnership agreements, Kinder Morgan G.P., Inc.'s general partner interests represent a 1% ownership interest in Kinder Morgan Energy Partners, L.P., and a direct 1.0101% ownership interest in each of Kinder Morgan Energy Partners, L.P.'s five operating partnerships. Collectively, Kinder Morgan G.P., Inc. owns an effective 2% interest in the operating partnerships, excluding incentive distributions rights as follows:

- its 1.0101% direct general partner ownership interest (accounted for as minority interest in the consolidated financial statements of Kinder Morgan Energy Partners, L.P.); and
- its 0.9899% ownership interest indirectly owned via its 1% ownership interest in Kinder Morgan Energy Partners, L.P. As of December 31, 2007, Kinder Morgan G.P., Inc. owned 1,724,000 common units, representing approximately 0.70% of Kinder Morgan Energy Partners, L.P.'s outstanding limited partner units.

Kinder Morgan Energy Partners, L.P.'s partnership agreement requires that it distribute 100% of available cash, as defined in the partnership agreement, to its partners within 45 days following the end of each calendar quarter in accordance with their respective percentage interests. Available cash consists generally of all of Kinder Morgan Energy Partners, L.P.'s cash receipts, including cash received by its operating partnerships and net reductions in reserves, less cash disbursements and net additions to reserves and amounts payable to the former general partner of SFPP, L.P. in respect of its remaining 0.5% interest in SFPP, L.P.

Kinder Morgan G.P., Inc. is granted discretion by Kinder Morgan Energy Partners, L.P.'s partnership agreement, which discretion has been delegated to us, subject to the approval of Kinder Morgan G.P., Inc. in certain cases, to establish, maintain and adjust reserves for future operating expenses, debt service, maintenance capital expenditures, rate refunds and distributions for the next four quarters. These reserves are not restricted by magnitude, but only by type of future cash requirements with which they can be associated. When we determine Kinder Morgan Energy Partners, L.P.'s quarterly distributions, we consider current and expected reserve needs along with current and expected cash flows to identify the appropriate sustainable distribution level.

Kinder Morgan G.P., Inc. and owners of Kinder Morgan Energy Partners, L.P.'s common units and Class B units receive distributions in cash, while we, the sole owner of Kinder Morgan Energy Partners, L.P.'s i-units, receive distributions in

additional i-units. Kinder Morgan Energy Partners, L.P. does not distribute cash to i-unit owners but retains the cash for use in its business. However, the cash equivalent of distributions of i-units is treated as if it had actually been distributed for purposes of determining the distributions to Kinder Morgan G.P., Inc. Each time Kinder Morgan Energy Partners, L.P. makes a distribution, the number of i-units owned by us and the percentage of Kinder Morgan Energy Partners, L.P.'s total units owned by us increase automatically under the provisions of Kinder Morgan Energy Partners, L.P.'s partnership agreement.

Knight Inc.

Knight Inc. is the sole owner of all the common equity of Kinder Morgan G.P., Inc. Also, as of December 31, 2007, Knight Inc. directly owned 8,838,095 common units, indirectly owned 5,313,400 Class B units and 5,517,640 common units owned by its consolidated affiliates, including Kinder Morgan G.P., Inc., and owned 10,334,746 of our shares, representing an indirect ownership interest of 10,334,746 Kinder Morgan Energy Partners, L.P.'s i-units. Together, these units represent approximately 12.1% of Kinder Morgan Energy Partners, L.P.'s outstanding limited partner units. Including both its general and limited partner interests in Kinder Morgan Energy Partners, L.P., at the 2007 distribution level, Knight Inc. received approximately 49% of all quarterly distributions from Kinder Morgan Energy Partners, L.P., of which approximately 43% was attributable to its general partner interest and the remaining 6% was attributable to its limited partner interest. The actual level of distributions Knight Inc. will receive in the future will vary with the level of distributions to the limited partners determined in accordance with Kinder Morgan Energy Partners, L.P.'s partnership agreement.

Kinder Morgan Management, LLC

As of December 31, 2007, we as Kinder Morgan G.P., Inc.'s delegate, are the sole owner of Kinder Morgan Energy Partners, L.P.'s 72,432,482 i-units.

Operations

Knight Inc. or its subsidiaries operate and maintain for Kinder Morgan Energy Partners, L.P. the assets comprising Kinder Morgan Energy Partners, L.P.'s Natural Gas Pipelines business segment. Natural Gas Pipeline Company of America, a subsidiary of Knight Inc., operates Trailblazer Pipeline Company LLC's assets under a long-term contract pursuant to which Trailblazer Pipeline Company LLC incurs the costs and expenses related to Natural Gas Pipeline Company of America's operating and maintaining the assets. Trailblazer Pipeline Company LLC provides the funds for its own capital expenditures. Natural Gas Pipeline Company of America does not profit from or suffer loss related to its operation of Trailblazer Pipeline Company LLC's assets.

The remaining assets comprising Kinder Morgan Energy Partners, L.P.'s Natural Gas Pipelines business segment as well as Kinder Morgan Energy Partners, L.P.'s Cypress Pipeline (and Kinder Morgan Energy Partners, L.P.'s North System until its sale in October 2007), which are part of Kinder Morgan Energy Partners, L.P.'s Products Pipelines business segment, are operated under other agreements between Knight Inc. and Kinder Morgan Energy Partners, L.P. Pursuant to the applicable underlying agreements, Kinder Morgan Energy Partners, L.P. pays Knight Inc. either a fixed amount or actual costs incurred as reimbursement for the corporate general and administrative expenses incurred in connection with the operation of these assets. The amounts paid to Knight Inc. for corporate general and administrative costs, including amounts related to Trailblazer Pipeline Company LLC, were $1.0 million of fixed costs and $48.1 million of actual costs incurred for 2007, $1.0 million of fixed costs and $37.9 million of actual costs incurred for 2006, and $5.5 million of fixed costs and $24.2 million of actual costs incurred for 2005.

Kinder Morgan Energy Partners, L.P. believes the amounts paid to Knight Inc. for the services they provided each year fairly reflect the value of the services performed. However, due to the nature of the allocations, these reimbursements may not exactly match the actual time and overhead spent. Kinder Morgan Energy Partners, L.P. believes the fixed amounts that were agreed upon at the time the contracts were entered into were reasonable estimates of the corporate general and administrative expenses to be incurred by Knight Inc. and its subsidiaries in performing such services. Kinder Morgan Energy Partners, L.P. also reimburses Knight Inc. and its subsidiaries for operating and maintenance costs and capital expenditures incurred with respect to these assets.

Knight Inc. or its subsidiaries operate and maintain for Kinder Morgan Energy Partners, L.P. the power plant Kinder Morgan Energy Partners, L.P. constructed at the SACROC oil field unit, located in the Permian Basin area of West Texas. The power plant provides approximately half of SACROC's current electricity needs. Kinder Morgan Power Company, a subsidiary of Knight Inc., operates and maintains the power plant under a five-year contract expiring in June 2010. Pursuant to the contract, Knight Inc. incurs the costs and expenses related to operating and maintaining the power plant for the production of electrical energy at the SACROC field. Such costs include supervisory personnel and qualified operating and maintenance personnel in sufficient numbers to accomplish the services provided in accordance with good engineering, operating and maintenance practices. Kinder Morgan Production Company fully reimburses Knight Inc.'s expenses, including all agreed-upon labor costs, and also pays to Knight Inc. an operating fee of $20,000 per month.

In addition, Kinder Morgan Production Company is responsible for processing and directly paying invoices for fuels utilized by the plant. Other materials, including but not limited to lubrication oil, hydraulic oils, chemicals, ammonia and any catalyst are purchased by Knight Inc. and invoiced monthly as provided by the contract, if not paid directly by Kinder Morgan Production Company. The amounts paid to Knight Inc. in 2007 and 2006 for operating and maintaining the power plant were $3.1 million and $2.9 million, respectively. Furthermore, Kinder Morgan Energy Partners, L.P. believes the amounts paid to Knight Inc. for the services they provide each year fairly reflect the value of the services performed.

KM Insurance, Ltd., referred to as KMIL, is a Bermuda insurance company and wholly owned subsidiary of Knight Inc. KMIL was formed during the second quarter of 2005 as a Class 2 Bermuda insurance company, the sole business of which is to issue policies for Knight Inc. and Kinder Morgan Energy Partners, L.P. to secure the deductible portion of Kinder Morgan Energy Partners, L.P.'s workers compensation, automobile liability, and general liability policies placed in the commercial insurance market. Kinder Morgan Energy Partners, L.P. accrues for the cost of insurance, which is included in the related party general and administrative expenses and which totaled approximately $3.6 million in 2007 and $5.8 million in 2006.

From time to time in the ordinary course of business, Kinder Morgan Energy Partners, L.P. buys and sells pipeline and related services from Knight Inc. and its subsidiaries. Such transactions are conducted in accordance with all applicable laws and regulations and on an arms' length basis consistent with Kinder Morgan Energy Partners, L.P.'s policies governing such transactions.

Certain of Kinder Morgan Energy Partners, L.P.'s business activities expose Kinder Morgan Energy Partners, L.P. to risks associated with changes in the market price of natural gas, natural gas liquids and crude oil. Kinder Morgan Energy Partners, L.P. also has exposure to interest rate risk as a result of the issuance of its fixed rate debt obligations. Pursuant to Kinder Morgan Energy Partners, L.P.'s management's approved risk management policy, Kinder Morgan Energy Partners, L.P. uses derivative contracts to hedge or reduce its exposure to these risks and protect its profit margins, and is prohibited from engaging in speculative trading.

Kinder Morgan Energy Partners, L.P.'s commodity-related risk management activities are monitored by its risk management committee, which is a separately designated standing committee whose job responsibilities involve operations exposed to commodity market risk and other external risks in the ordinary course of business. Kinder Morgan Energy Partners, L.P.'s risk management committee is charged with the review and enforcement of its management's risk management policy. The committee is comprised of 19 executive-level employees of Knight Inc. or KMGP Services Company, Inc. whose job responsibilities involve operations exposed to commodity market risk and other external risks in the ordinary course of business. The committee is chaired by Kinder Morgan Energy Partners, L.P.'s President and is charged with the following three responsibilities: (i) establish and review risk limits consistent with Kinder Morgan Energy Partners, L.P.'s risk tolerance philosophy; (ii) recommend to our audit committee any changes, modifications, or amendments to Kinder Morgan Energy Partners, L.P.'s risk management policy; and (iii) address and resolve any other high-level risk management issues.

In addition, as discussed in Note 2(A) of the accompanying Notes to Consolidated financial Statements, as a result of the Going Private transaction, a number of individuals and entities became significant investors in Knight Holdco LLC. By virtue of the size of their ownership interest in Knight Holdco LLC, two of those investors became "related parties" to Kinder Morgan Energy Partners, L.P. (as that term is defined in authoritative accounting literature): (i) American International Group, Inc. ("AIG") and certain of its affiliates; and (ii) Goldman Sachs Capital Partners ("Goldman Sachs") and certain of its affiliates. Kinder Morgan Energy Partners, L.P. and/or its affiliates enter into transactions with certain AIG affiliates in the ordinary course of their conducting insurance and insurance-related activities, although no individual transaction is, and all such transactions collectively are not, material to Kinder Morgan Energy Partners, L.P.'s consolidated financial statements.

Kinder Morgan Energy Partners, L.P. also conducts commodity risk management activities in the ordinary course of implementing its risk management strategies in which the counterparty to certain of its derivative transactions is an affiliate of Goldman Sachs. In conjunction with these activities, Kinder Morgan Energy Partners, L.P. is a party (through one of its subsidiaries engaged in the production of crude oil) to a hedging facility with J. Aron & Company/Goldman Sachs which requires Kinder Morgan Energy Partners, L.P. to provide certain periodic information, but does not require the posting of margin. As a result of changes in the market value of Kinder Morgan Energy Partners, L.P.'s derivative positions, Kinder Morgan Energy Partners, L.P. has created both amounts receivable from and payable to Goldman Sachs affiliates.

The following table summarizes the fair values of these energy commodity derivative contracts associated with Kinder Morgan Energy Partners, L.P.'s commodity price risk management activities with related parties and included on its consolidated balance sheets as of December 31, 2007 (in millions):

Derivatives-net asset/(liability)	
Accrued other current liabilities	$ (239.8)
Other long-term liabilities and deferred credits	$ (386.5)

Other

Generally, we make all decisions relating to the management and control of Kinder Morgan Energy Partners, L.P.'s business. Kinder Morgan G.P., Inc. owns all of our voting securities and is our sole managing member. Knight Inc., through its wholly owned and controlled subsidiary Kinder Morgan (Delaware), Inc., owns all the common stock of Kinder Morgan G.P., Inc. Certain conflicts of interest could arise as a result of the relationships among Kinder Morgan Energy Partners, L.P., Kinder Morgan G.P., Inc., Knight Inc. and us. The officers of Knight Inc. have fiduciary duties to manage Knight Inc., including selection and management of its investments in its subsidiaries and affiliates, in a manner beneficial to themselves. In general, we have a fiduciary duty to manage Kinder Morgan Energy Partners, L.P. in a manner beneficial to Kinder Morgan Energy Partners, L.P. unitholders. The partnership agreements for Kinder Morgan Energy Partners, L.P. and its operating partnerships contain provisions that allow us to take into account the interests of parties in addition to Kinder Morgan Energy Partners, L.P. in resolving conflicts of interest, thereby limiting our fiduciary duty to Kinder Morgan Energy Partners, L.P. unitholders, as well as provisions that may restrict the remedies available to Kinder Morgan Energy Partners, L.P. unitholders for actions taken that might, without such limitations, constitute breaches of fiduciary duty.

The partnership agreements provide that in the absence of bad faith by us, the resolution of a conflict by us will not be a breach of any duties. The duty of the officers of Knight Inc. may, therefore, come into conflict with our duties and the duties of our directors and officers to Kinder Morgan Energy Partners, L.P.'s unitholders. The audit committee of our board of directors will, at our request, review (and is one of the means for resolving) conflicts of interest that may arise between Knight Inc. or its subsidiaries, on the one hand, and Kinder Morgan Energy Partners, L.P., on the other hand.

Our policy is that (i) employees must obtain authorization from the appropriate business unit president of the relevant company or head of corporate function, and (ii) directors, business unit presidents, executive officers and heads of corporate functions must obtain authorization from the non-interested members of the audit committee of the applicable board of directors for any business relationship or proposed business transaction in which they or an immediate family member has a direct or indirect interest, or from which they or an immediate family member may derive a personal benefit (a "related party transaction"). The maximum dollar amount of related party transactions that may be approved as described above in this paragraph in any calendar year is $1.0 million. Any related party transactions that would bring the total value of such transactions to greater than $1.0 million must be referred to the audit committee of the appropriate board of directors for approval or to determine the procedure for approval.

For information regarding other related transactions, see Note 4 of the accompanying Notes to Consolidated Financial Statements.

Director Independence

Pursuant to a delegation of control agreement among Kinder Morgan Energy Partners, L.P., its general partner, us and others, we manage and control the business and affairs of Kinder Morgan Energy Partners, L.P., except that we cannot take certain specified actions without the approval of Kinder Morgan Energy Partners, L.P.'s general partner. The limited partnership agreement of Kinder Morgan Energy Partners, L.P. provides for a general partner of the Partnership rather than a board of directors. Through the operation of Kinder Morgan Energy Partners, L.P.'s limited partnership agreement and the delegation of control agreement, our board of directors performs the functions of and is the equivalent of a board of directors of Kinder Morgan Energy Partners, L.P. Similarly, the standing committees of our board function as standing committees of the board of Kinder Morgan Energy Partners, L.P. Our board of directors is comprised of the same persons who comprise Kinder Morgan Energy Partners, L.P.'s general partner's board of directors. References in this report to the board mean our board acting as the delegate of and as the board of directors of Kinder Morgan Energy Partners, L.P.'s general partner, and references to committees mean committees of the board acting as the delegate of and as the committees of the board of directors of Kinder Morgan Energy Partners, L.P.'s general partner.

The board has adopted governance guidelines for the board and charters for the audit committee, nominating and governance committee and compensation committee. The governance guidelines and the rules of the New York Stock Exchange require that a majority of the directors be independent, as described in those guidelines, the committee charters and rules, respectively. Copies of the guidelines and committee charters are available on our internet website at www.kindermorgan.com. To assist in making determinations of independence, the board has determined that the following categories of relationships are not material relationships that would cause the affected director not to be independent:

- If the director was an employee, or had an immediate family member who was an executive officer, of us or Kinder Morgan Energy Partners, L.P. or any of its affiliates, but the employment relationship ended more than three years prior to the date of determination (or, in the case of employment of a director as an interim chairman, interim chief executive officer or interim executive officer, such employment relationship ended by the date of determination);

- If during any twelve month period within the three years prior to the determination the director received no more than, and has no immediate family member that received more than, $100,000 in direct compensation from Kinder

Morgan Energy Partners, L.P. or its affiliates, other than (i) director and committee fees and pension or other forms of deferred compensation for prior service (provided such compensation is not contingent in any way on continued service), (ii) compensation received by a director for former service as an interim chairman, interim chief executive officer or interim executive officer, and (iii) compensation received by an immediate family member for service as an employee (other than an executive officer);

- If the director is at the date of determination a current employee, or has an immediate family member that is at the date of determination a current executive officer, of another company that has made payments to, or received payments from, Kinder Morgan Energy Partners, L.P. and its affiliates for property or services in an amount which, in each of the three fiscal years prior to the date of determination, was less than the greater of $1.0 million or 2% of such other company's annual consolidated gross revenues. Contributions to tax-exempt organizations are not considered payments for purposes of this determination;

- If the director is also a director, but is not an employee or executive officer, of Kinder Morgan Energy Partners, L.P.'s general partner or another affiliate or affiliates of us or Kinder Morgan Energy Partners, L.P., so long as such director is otherwise independent; and

- If the director beneficially owns less than 10% of each class of voting securities of us, Kinder Morgan Energy Partners, L.P. or its general partner.

The board has affirmatively determined that Messrs. Gaylord, Hultquist and Waughtal, who constitute a majority of the directors, are independent as described in our governance guidelines and the New York Stock Exchange rules. Each of them meets the standards above and has no other relationship with us. In conjunction with all regular quarterly and certain special board meetings, these three non-management directors also meet in executive session without members of management. In January 2008, Mr. Waughtal was elected for a one year term to serve as lead director to develop the agendas for and preside at these executive sessions of independent directors.

The governance guidelines and our audit committee charter, as well as the rules of the New York Stock Exchange and the Securities and Exchange Commission, require that members of the audit committee satisfy independence requirements in addition to those above. The board has determined that all of the members of the audit committee are independent as described under the relevant standards.

Item 14. ***Principal Accounting Fees and Services*.**

The following sets forth fees billed for the audit and other services provided by PricewaterhouseCoopers LLP to us for the fiscal years ended December 31, 2007 and 2006:

	Year Ended December 31,	
	2007	2006
	(In dollars)	
Audit fees[1]	$ 343,275	$ 180,000
Total	$ 343,275	$ 180,000

[1] Includes fees for integrated audit of annual financial statements and internal control over financial reporting, reviews of the related quarterly financial statements and reviews of documents filed with the Securities and Exchange Commission.

All services rendered by PricewaterhouseCoopers LLP are permissible under applicable laws and regulations, and were pre-approved by our Audit Committee, consistent with the Audit Committee's charter, which requires the pre-approval of all audit and non-audit services. The Audit Committee's primary purposes include the following:

- monitor the integrity of our financial statements, financial reporting processes, systems of internal controls regarding finance, accounting and legal compliance and disclosure controls and procedures;
- monitor our compliance with legal and regulatory requirements;
- select, appoint, engage, oversee, retain, evaluate and terminate our external auditors, pre-approve all audit and non-audit services to be provided, consistent with all applicable laws, to us by our external auditors, and establish the fees and other compensation to be paid to our external auditors;
- monitor and evaluate the qualifications, independence and performance of our external auditors and internal auditing function; and
- establish procedures for the receipt, retention, response to and treatment of complaints, including confidential, anonymous submissions by our employees, regarding accounting, internal controls, disclosure or auditing matters, and provide an avenue of communication among our external auditors, management, the internal auditing function and our Board of Directors.

The Audit Committee has reviewed the external auditors' fees for audit services for fiscal year 2007.

Furthermore, the audit committee will review the external auditors' proposed audit scope and approach as well as the performance of the external auditors. It also has direct responsibility for and sole authority to resolve any disagreements between our management and our external auditors regarding financial reporting, will regularly review with the external auditors any problems or difficulties the auditors encountered in the course of their audit work, and will, at least annually, use its reasonable efforts to obtain and review a report from the external auditors addressing the following (among other items):

- the auditors' internal quality-control procedures;
- any material issues raised by the most recent internal quality-control review, or peer review, of the external auditors;
- the independence of the external auditors; and
- the aggregate fees billed by our external auditors for each of the previous two fiscal years.

PART IV

Item 15. *Exhibits and Financial Statement Schedules.*

(a) 1. *Financial Statements*

Reference is made to the index of financial statements and supplementary data under Item 8 in Part II.

2. *Financial Statement Schedules*

The financial statements of Kinder Morgan Energy Partners, L.P., an equity method investee of the Registrant, are incorporated herein by reference from pages 114 through 210 of Kinder Morgan Energy Partners, L.P.'s Annual Report on Form 10-K for the year ended December 31, 2007.

KINDER MORGAN MANAGEMENT, LLC AND SUBSIDIARY

SCHEDULE II — VALUATION AND QUALIFYING ACCOUNTS

We have no valuation or qualifying accounts subject to disclosure in Schedule II.

3. *Exhibits*

Exhibit Number	Description
3.1	Form of Certificate of Formation of the Company (filed as Exhibit 3.1 to the Company's Registration Statement on Form S-1 (Registration No. 333-55868) and incorporated by reference herein).
3.2	Second Amended and Restated Limited Liability Company Agreement of the Company, as amended (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 30, 2007 and incorporated by reference herein).
3.3	Amendment No. 1, dated as of July 20, 2007, to Delegation of Control Agreement dated May 18, 2001, among Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc., and Kinder Morgan Energy Partners, L.P. and its operating limited partnership subsidiaries, attached as Annex C to the Second Amended and Restated Limited Liability Company Agreement of Kinder Morgan Management, LLC, as amended (filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on July 20, 2007 and incorporated by reference herein).
4.1	Form of certificate representing shares of the Company (filed as Exhibit 4.3 to the Company's Registration Statement on Form 8-A/A filed on July 24, 2002 and incorporated by reference herein).
4.2	Form of Purchase Provisions between the Company and Kinder Morgan, Inc. (included as Annex B to the Second Amended and Restated Limited Liability Company Agreement filed as Exhibit 3.1 to the Company's Current Report on Form 8-K filed on May 30, 2007 and incorporated by reference herein).
4.3	Registration Rights Agreement dated May 18, 2001 among the Company, Kinder Morgan Energy Partners, L.P. and Kinder Morgan, Inc. (filed as Exhibit 4.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002 and incorporated by reference herein).
10.1	Form of Tax Indemnity Agreement between the Company and Kinder Morgan, Inc. (filed as Exhibit 10.1 to the Company's Registration Statement on Form S-1 (Registration No. 333-55868) and incorporated by reference herein).
10.2	Delegation of Control Agreement among Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Kinder Morgan Energy Partners, L.P. and its operating partnerships (filed as Exhibit 10.1 to the Kinder Morgan Energy Partners, L.P. June 30, 2001 Form 10-Q (Commission File No. 1-11234) and incorporated by reference herein).

Exhibit Number	Description
10.3	Amendment No. 1, dated as of July 20, 2007, to Delegation of Control Agreement dated May 18, 2001, among Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc., and Kinder Morgan Energy Partners, L.P. and its operating limited partnership subsidiaries (filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on July 20, 2007 and incorporated by reference herein).
10.4	Resignation and Non-Compete Agreement, dated as of July 21, 2004, between KMGP Services, Inc. and Michael C. Morgan (filed as Exhibit 10.4 to Kinder Morgan Management, LLC's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004 and incorporated by reference herein).
21.1*	List of Subsidiaries.
23.1*	Consent of PricewaterhouseCoopers LLP.
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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* Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

KINDER MORGAN MANAGEMENT, LLC
(Registrant)
By /s/ Kimberly A. Dang
Kimberly A. Dang
Vice President and Chief Financial Officer

Date: February 28, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities set forth below and as of the date set forth above.

Signature	Title
/s/ Richard D. Kinder Richard D. Kinder	Director, Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ Kimberly A. Dang Kimberly A. Dang	Vice President and Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)
/s/ Edward O. Gaylord Edward O. Gaylord	Director
/s/ Gary L. Hultquist Gary L. Hultquist	Director
/s/ C. Park Shaper C. Park Shaper	Director and President
/s/ Perry M. Waughtal Perry M. Waughtal	Director