MARCH 2010 LETTER TO UNITHOLDERS

2009 was another difficult year for many, and while we certainly had our share of challenges at Kinder Morgan Energy Partners (NYSE: KMP), I'm delighted to report that we were able to generate enough cash flow to cover our annual distribution target of $4.20 per unit and end the year with excess coverage of $14 million. The $4.20 per unit distribution represents a 4.5 percent increase over our 2008 distribution of $4.02 per unit. More importantly to you, our unitholders, KMP returned 45 percent to its limited partners in 2009 and has delivered a compound annual return of 27 percent since KMP was founded in early 1997.

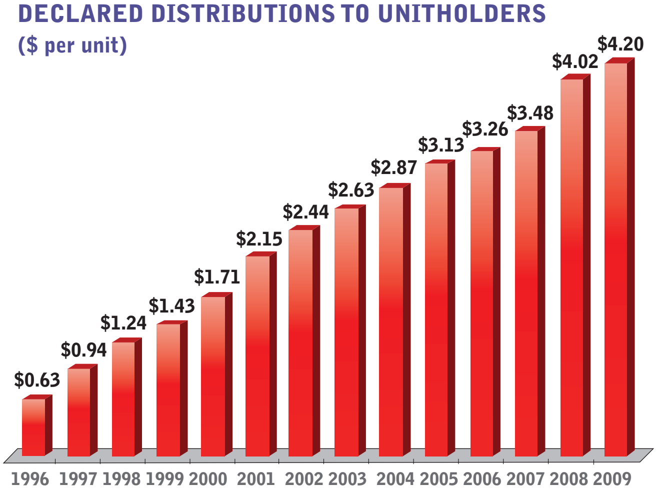
Our businesses were impacted by various economic headwinds during 2009, including lower refined products transportation volumes, decreased steel handling at our bulk terminals, lower crude oil prices and a difficult business environment for our Texas Intrastate Pipelines. We were able to overcome these headwinds by exceeding expectations at some of our other assets, reducing internal costs and benefiting from lower interest rates. Also in 2009, we maintained a strong balance sheet and continued to have excellent access to the capital markets.

KMP has been described by some analysts and media as a resilient company that produces solid results in all types of market conditions. How have we accomplished that? First, we have a large, diversified portfolio of assets that produce tremendous amounts of stable cash flow. Second, we have an experienced management team with a proven track record. And third, we have outstanding employees. Considering the challenges that we faced in 2009, what our 8,000 employees were able to accomplish was truly exceptional and I salute them for their commitment and tireless efforts.

LOOKING AHEAD

In 2010, KMP expects to pay cash distributions of $4.40 per unit, which would be a 4.8 percent increase over the 2009 distribution of $4.20 per unit.

DECLARED DISTRIBUTIONS TO UNITHOLDERS
($ per unit)



We plan to continue to execute the same successful strategy that has made KMP one of the largest and leading midstream energy companies in North America. In a nutshell, we will continue to focus on owning and operating primarily fee-based assets that are core to the energy infrastructure of growing markets and that produce stable cash flow.

KMP is well positioned for the future. We completed construction of and placed into service three large natural gas pipelines last year—Rockies Express, Midcontinent Express and Kinder Morgan Louisiana. In 2010, we anticipate investing approximately $1.5 billion to further grow the company. Since KMP was formed in 1997, we have invested approximately $20 billion in new-build projects, expansions and acquisitions.

Our large footprint of assets provides us with opportunities to expand and grow more cost effectively than smaller companies, and we continue to stand poised and ready to capitalize on emerging trends in the industry. For example, we anticipate more natural gas (the cleanest burning fossil fuel) will be used in the future to meet energy demand and reduce carbon emissions. Our assets position us well to access, transport, store and treat more natural gas from various supply sources, including the emerging shale plays. Additionally, Renewable Fuels Standard mandates are increasing the amount of ethanol and biodiesel that is being used. In 2010, we expect to handle about 80 million barrels of ethanol, or about 25 to 30 percent of all the ethanol handled in the United States. We are also well positioned to capitalize on our extensive crude oil reserves in the Permian Basin in West Texas, and if CO_2 sequestration becomes more feasible we have the expertise to play a major role in that arena.

While the markets are currently better than they were a year ago, we still face plenty of challenges in addition to these opportunities. Commodity prices are still volatile, the general economy remains unstable and we face continued regulatory uncertainty. With approximately 28,000 miles of pipelines and 180 terminals we also face an ongoing concern of operating our assets in a safe, compliant and environmentally sound manner. Every year we spend hundreds of millions of dollars on integrity management programs and maintenance, and I'm pleased to say that we continue to outperform the industry averages on environmental, health and safety measures. I invite you to visit www.kindermorgan.com to review KMP's operational performance, our annual budget, investor presentations and more.

While the future is always unknown, I pledge that we will continue to do our best to operate our assets safely, satisfy our customers and deliver an attractive return to our limited partners. Thanks for your ongoing support. I still believe the best is yet to come!

Sincerely,

Richard D. Kinder
Chairman and CEO
Kinder Morgan Energy Partners

Kinder Morgan Energy Partners (NYSE: KMP) is a premier publicly traded pipeline limited partnership in North America with approximately 28,000 miles of pipelines, 180 terminals and an enterprise value of over $29 billion. KMP returned 45 percent to its limited partners in 2009 and has delivered a compound annual return of 27 percent since KMP was founded in early 1997.

Our large, diversified footprint of unmatched assets operates like a giant toll road and we have minimal exposure to commodity prices. We primarily receive fees for transporting, storing and handling various energy products such as natural gas, refined petroleum products, crude oil, ethanol, biodiesel, coal, petroleum coke and CO_2. Our customers include producers, shippers, oil companies, utilities and more.

In the United States, KMP is the largest independent transporter of petroleum products, the second largest transporter of natural gas, the largest provider of contracted natural gas treating services, the largest transporter of CO_2 and the largest independent terminal operator. We are also the second largest oil producer in Texas and the only oilsands pipeline serving Vancouver, British Columbia, and Washington state.

BUSINESS SEGMENTS

In 2009, all five of KMP's business segments outperformed their 2008 results, producing a total of $2.96 billion in segment earnings before DD&A. For 2010, we expect to generate approximately $3.36 billion in total segment earnings before DD&A.

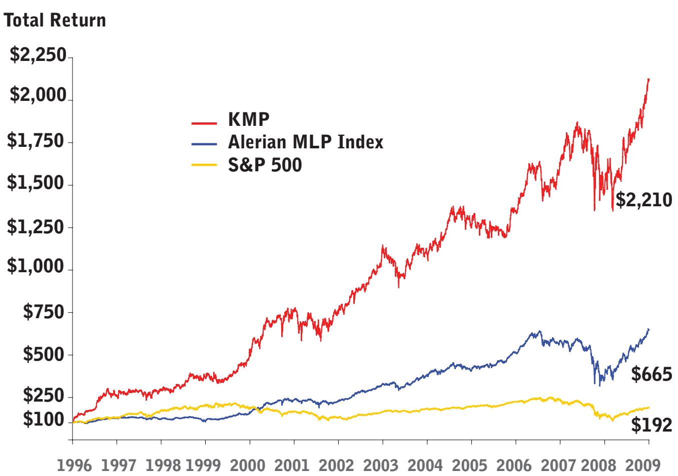
Products Pipelines produced 2009 segment earnings before DD&A and certain items of $635.1 million, up 11 percent from 2008. Highlights included beginning commercial transportation of biodiesel on our Plantation and Oregon pipelines, constructing a new tank farm facility for the military at Miramar, Calif., constructing new storage tanks and related facilities for both ethanol and petroleum products at company terminals in California and Florida, modifying our Southeast Terminals to provide automated ethanol blending services, and acquiring the jet fuel pipeline that serves the Portland International Airport in Oregon. While the increasing use of ethanol tends to reduce pipeline transport volumes in this segment, our investments in ethanol storage and blending infrastructure at various facilities have produced new revenues and cash flow to offset that decline.

For 2010, the Products Pipelines budget projects $698.6 million in segment earnings before DD&A, which would be a 10 percent increase over 2009. Growth in this segment will be driven by expansions and identified terminal acquisitions. In 2010, Products Pipelines expects to invest approximately $103 million in expansion capital projects to further grow this segment. Projects include building new tanks to increase refined petroleum products storage capacity, primarily in California, and additional ethanol related investments system wide. We also plan to pursue and conclude potential terminal acquisitions as the major oil companies continue to divest certain assets. Finally, we continue to assess additional capital investments and shipper support for transporting more biofuels on our pipelines.

The **Natural Gas Pipelines** business produced 2009 segment earnings before DD&A and certain items of $787.5 million, up 5 percent from 2008. Highlights included completing the Rockies Express, Midcontinent Express and Kinder Morgan Louisiana pipelines, purchasing approximately 290 amine-treating and dew-point control plants from Crosstex Energy for approximately $266 million, and acquiring a 40 percent interest in the GMXR midstream natural gas gathering and compression business (Endeavor) for approximately $36 million.

For 2010, the Natural Gas Pipelines budget projects $830.2 million in segment earnings before DD&A, which would be a 5 percent increase over 2009. Growth will be driven in part by a full year of contributions from the completed pipeline projects, along with expansions. In 2010, we expect to invest approximately $108 million in expansion capital projects to further grow this segment. We expect to complete storage expansions at our Huntsman, Neb., and Dayton, Texas, facilities, compression expansions that will increase capacity on the Rockies Express and Midcontinent Express pipelines, and various projects to further grow our Texas Intrastate Pipeline system. Construction is also expected to begin on the Fayetteville Express pipeline project in the first quarter. Scheduled to be in service by early 2011, Fayetteville Express will have an initial capacity of 2 billion cubic feet per day, the great majority of which has been secured by 10-year binding commitments. This project is a joint venture with Energy Transfer Partners.

KMP: 27% ANNUAL RETURN



Source: Bloomberg. Total returns calculated on a daily basis through Dec. 31, 2009, assuming dividends/distributions reinvested in index/stock/unit.

The CO_2 business produced 2009 segment earnings before DD&A and certain items of $796.4 million, up almost 5 percent from 2008. Highlights included an 8 percent increase in oil production at the SACROC Unit in 2009 compared to the previous year (which exceeded our expectations), a 6 percent increase in CO_2 delivery volumes and a 13 percent increase in sales volumes. This performance, combined with reduced operating and capital costs, offset lower oil prices that impacted our unhedged volumes.

For 2010, the CO_2 budget projects $1.01 billion in segment earnings before DD&A, a 26 percent increase over 2009. Growth is expected to be driven by projected higher oil prices on both our hedged and unhedged volumes compared to 2009 and further development at SACROC and the Yates Field. In 2010, we plan to invest $415 million in expansion capital projects to further grow this segment, the majority of which will be spent to further develop SACROC. Engineering and construction activities are also underway to expand our operations in the eastern Permian Basin of Texas. This project will involve installation of a new CO_2 transportation pipeline and development of a new CO_2 flood in the Katz Field. We anticipate this project will unlock an incremental 25 million barrels of oil to be produced over the next 15 to 20 years, and will also provide a platform for future enhanced oil recovery operations in the region. The company expects the pipeline will be completed and CO_2 will be injected into the Katz field in early 2011.

The **Terminals** business produced 2009 segment earnings before DD&A and certain items of $576.1 million, up 7 percent from 2008. Highlights included constructing new liquids storage tanks (all of which are supported by multi-year agreements with customers) at our facilities on the Houston Ship Channel and in Vancouver, British Columbia, contributions from a new drumming facility in Louisiana and the acquisition of three unit train ethanol handling terminals from U.S. Development Group for approximately $195 million. This segment was impacted in 2009 by weak economic conditions, which resulted in a 25 percent decline in bulk tonnage, the majority of which occurred in our steel handling business.

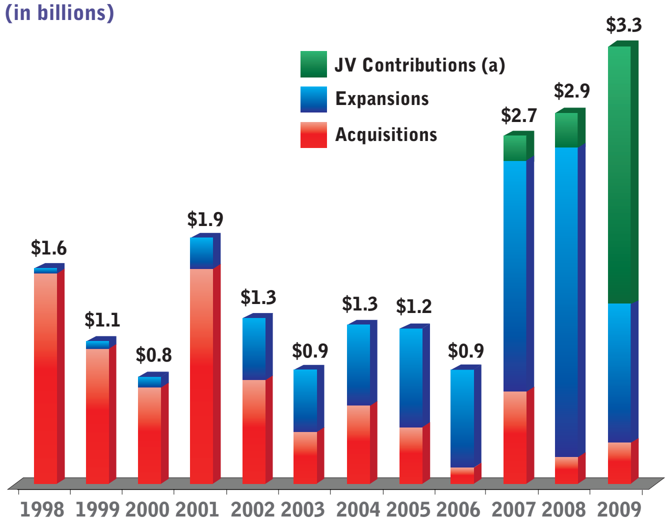
For 2010, the Terminals budget projects $655.2 million in segment earnings before DD&A, which would be a 14 percent increase over 2009. Growth will come from recent expansions and acquisitions, including significant investments that we have made in the renewable fuels handling business. We expect to handle about 25 to 30 percent of the U.S. ethanol market in 2010. We also recently acquired four terminals in the Midwest that give us entry into the strategic St. Louis market and provide customers with superior access to major markets via rail and waterway. In 2010, we plan to invest $196 million in capital expansion projects to further grow this segment. Projects include additional new tank construction, primarily at facilities in Texas, to store both refined petroleum products and ethanol, and further expansions at our Pier IX coal terminal in Virginia and the Vancouver Wharves terminal in British Columbia.

Kinder Morgan Canada produced 2009 segment earnings before DD&A and certain items of $165.7 million, up 18 percent from 2008. Highlights included good throughput on the Trans Mountain pipeline system, which was driven by strong ship traffic at the Port of Metro Vancouver and a full year of contributions from the Anchor Loop expansion, and the acquisition of the Express-Platte pipeline system and a jet fuel pipeline from Kinder Morgan, Inc.

For 2010, the Kinder Morgan Canada budget projects $168.3 million in segment earnings before DD&A, which would be a 2 percent increase over 2009. We are ramping up efforts to obtain shipper support and necessary permits to further expand Trans Mountain.

In our ongoing efforts to be prudent in how we spend our unitholders' money, and to reduce our impact on the environment, we have chosen once again to publish our annual report and Form 10-K online, as opposed to printing and mailing approximately 200,000 copies. These reports are available on the Investor section of our web site, www.kindermorgan.com, where you may also sign up to automatically receive Kinder Morgan financial information by e-mail. Please direct any inquiries to Investor Relations at (800) 324-2900 or (713) 369-9490.

ABOUT $20 BILLION IN CAPITAL INVESTED
(in billions)



(a) For joint-ventures, reflects our equity contributions.