



LETTER TO SHAREHOLDERS FOR 2011

Kinder Morgan Management, LLC (NYSE: KMR) is a limited partner in and manages and controls the business and affairs of Kinder Morgan Energy Partners, L.P. (NYSE: KMP), one of the largest publicly traded pipeline limited partnerships in the United States. KMP is an energy transportation and storage company that owns an investment in or operates approximately 29,000 miles of pipelines and 180 terminals in North America. Our pipelines transport natural gas, gasoline, crude oil, CO₂ and other products, and our terminals store petroleum products and chemicals and handle such products as ethanol, coal, petroleum coke and steel.

KMR's success is dependent upon our operation and management of KMP, and KMP's resulting performance. In 2011, KMP declared total cash distributions of \$4.61 per limited partner unit, almost a 5 percent increase from the previous year. KMR, like KMP, declared \$4.61 per share for 2011. Since its formation in May of 2001, KMR has delivered an average annual return to shareholders of 16 percent.

Looking ahead, KMR, like KMP, expects to pay a distribution of \$4.98 per share for 2012, which would be an 8 percent increase over the 2011 distribution. We believe there are exceptional growth opportunities across our five KMP business segments led by the continuing emergence of the natural gas and liquids shale plays and other opportunities. We intend to continue to invest in expansions, joint ventures and acquisitions to further grow the company.

It's important to note that the 2012 projections for KMR and KMP do not include any impact from Kinder Morgan, Inc.'s (NYSE: KMI) pending acquisition of El Paso Corporation (NYSE: EP), which is expected to close in the second quarter of 2012. Over time, we expect many of the natural gas pipelines that KMI is acquiring from El Paso will be sold to KMP. This will provide KMP with additional regulated interstate pipelines that produce substantial, stable cash flow, and will give us access to additional natural gas supply basins and markets for years to come.

Distributions to KMR shareholders, which are paid in the form of additional shares, are based on the amount of the cash distributions paid to KMP unitholders. Because distributions of additional KMR shares are made proportionately to all shareholders, distributions are not includable in the gross income of shareholders for federal income tax purposes and no Form 1099 will be issued.

For more information, please refer to my KMP unitholder letter which is published on our web site at www.kindermorgan.com, along with the annual report Form 10-K for KMR, KMP and KMI. Thank you for your ongoing support. We still believe the best is yet to come!

Sincerely,

A handwritten signature in black ink, appearing to read "Richard D. Kinder".

Richard D. Kinder
Chairman and CEO