

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, 2005**
 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:

| <u>Title of each class</u> | <u>Name of each exchange on which registered</u> |
|--|--|
| 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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one): Large accelerated filer Accelerated filer Non-accelerated filer

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant was \$2,019,519,784 as of June 30, 2005.

The number of shares outstanding for each of the registrant's classes of common equity, as of February 28, 2006 was approximately two voting shares and 58,915,551 listed shares.

KINDER MORGAN MANAGEMENT, LLC AND SUBSIDIARY**CONTENTS**

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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. Pursuant to this 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:

- 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.,
 - 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 Kinder Morgan, 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 Kinder Morgan, 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, 2005.

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 Exhibit 99.1.

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.

Kinder Morgan Energy Partners, L.P. could be treated as a corporation for United States federal income tax purposes. The treatment of Kinder Morgan Energy Partners, L.P. as a corporation would substantially reduce the cash distributions on the common units 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 United States federal income tax purposes. 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. Current law requires Kinder Morgan Energy Partners, L.P. to derive at least 90% of its annual gross income from specific activities to continue to be treated as a partnership for United States federal income tax purposes. Kinder Morgan Energy Partners, L.P. may not find it possible, regardless of its efforts, to meet this income requirement or may inadvertently fail to meet this income requirement. Current law may change so as to cause Kinder Morgan Energy Partners, L.P. to be treated as a corporation for United States federal income tax purposes without regard to its sources of income or otherwise subject Kinder Morgan Energy Partners, L.P. to entity-level taxation.

If Kinder Morgan Energy Partners, L.P. were to be treated as a corporation for United States federal income tax purposes, it would pay United States 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.

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 Kinder Morgan, 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 Kinder Morgan, 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 Kinder Morgan, Inc. may differ from our interests, the interests of our shareholders and the interests of unitholders of Kinder Morgan Energy Partners, L.P. Kinder Morgan, Inc. owns all of the stock 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 Kinder Morgan, Inc. and the general partner of Kinder Morgan Energy Partners, L.P. and have fiduciary duties to manage the businesses of Kinder Morgan, Inc. and Kinder Morgan Energy Partners, L.P. in a manner that may not be in the best interest of our shareholders. Kinder Morgan, 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 2005.

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 | | | |
|--------------------|------------------------|---------|---------|---------|
| | 2005 | | 2004 | |
| | Low | High | Low | High |
| Quarter Ended: | | | | |
| March 31 | \$39.33 | \$43.93 | \$39.72 | \$44.50 |
| June 30 | \$40.93 | \$46.47 | \$34.25 | \$42.86 |
| September 30 | \$46.01 | \$50.05 | \$36.25 | \$41.52 |
| December 31 | \$44.50 | \$50.06 | \$39.28 | \$42.39 |

There were approximately 23,000 holders of our listed shares as of February 3, 2006, 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 | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Quarter Ended: | | | | | | |
| March 31 | 0.017482 | 0.017412 | \$ 0.76 | \$ 0.69 | 963,495 | 872,958 |
| June 30 | 0.016210 | 0.018039 | \$ 0.78 | \$ 0.71 | 909,009 | 920,140 |
| September 30 | 0.016360 | 0.017892 | \$ 0.79 | \$ 0.73 | 932,292 | 929,105 |
| December 31 | 0.017217 | 0.017651 | \$ 0.80 | \$ 0.74 | 997,180 | 955,936 |

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 2005.

Item 6. Selected Financial Data.**KINDER MORGAN MANAGEMENT, LLC AND SUBSIDIARY**

| | Year Ended December 31, | | | | February 14, 2001 (Inception) Through December 31, |
|--|---|--------------|--------------|--------------|--|
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| | (In thousands except per share amounts) | | | | |
| Equity in Earnings of Kinder Morgan Energy | | | | | |
| Partners, L.P. | \$ 88,448 | \$ 113,482 | \$ 94,775 | \$ 72,199 | \$ 28,354 |
| Provision for Income Taxes | 32,124 | 38,360 | 36,014 | 26,865 | 11,342 |
| Net Income | \$ 56,324 | \$ 75,122 | \$ 58,761 | \$ 45,334 | \$ 17,012 |
| Earnings Per Share, Basic and Diluted | \$ 1.00 | \$ 1.47 | \$ 1.24 | \$ 1.23 | \$ 0.78 |
| Number of Shares Used in Computing | | | | | |
| Basic and Diluted Earnings Per Share | 56,090 | 51,181 | 47,372 | 36,790 | 21,756 |
| Equivalent Distribution Value Per Share ¹ | \$ 3.130 | \$ 2.870 | \$ 2.630 | \$ 2.435 | \$ 1.625 |
| Total Number of Additional Shares Distributed | 3,802 | 3,678 | 3,262 | 2,944 | 1,340 |
| Total Assets at End of Period | \$ 1,583,661 | \$ 1,639,348 | \$ 1,506,286 | \$ 1,439,190 | \$ 1,034,824 |

¹ 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., an indirect wholly owned subsidiary of Kinder Morgan, Inc. and the general partner of Kinder Morgan Energy Partners, L.P. Kinder Morgan, Inc. is one of the largest energy storage and transportation companies in North America, operating, either for itself or on behalf of Kinder Morgan Energy Partners, L.P., or owning an interest in approximately 43,000 miles of pipelines and approximately 150 terminals. 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 the owner and operator of the largest independent refined petroleum products pipeline system in the United States in terms of volumes delivered. Kinder Morgan Energy Partners, L.P. owns and/or operates a diverse group of assets used in the transportation, storage and processing of energy products, including (i) refined petroleum products pipeline systems with more than 10,000 miles of products pipeline and over 60 associated products terminals, (ii) approximately 15,000 miles of natural gas transmission pipelines and gathering lines, plus natural gas storage, treating and processing facilities, (iii) approximately 85 liquid and bulk terminal facilities and more than 50 rail transloading and material handling facilities located throughout the United States, handling over 80 million tons of coal, petroleum coke and other dry-bulk materials annually and having a liquids storage capacity of almost 70 million barrels for refined petroleum products, chemicals and other liquid products and (iv) Kinder Morgan CO₂ Company, L.P., which transports, markets and produces carbon dioxide for use in enhanced oil recovery operations and owns interests in and/or operates seven oil fields in West Texas, all of which are using or have used carbon dioxide injection operations. Kinder Morgan CO₂ Company, L.P. also owns and operates the

Wink Pipeline, a crude oil pipeline in West Texas.

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 as Exhibit 99.1 hereto Kinder Morgan Energy Partners, L.P.'s 2005 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 revenues 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, 2005, through our ownership of i-units, we owned approximately 26.3% 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, therefore, we record earnings equal to approximately 26.3% of Kinder Morgan Energy Partners, L.P.'s limited partners' net income. Our percentage ownership in Kinder Morgan Energy Partners, L.P. will change 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.

For the years ended December 31, 2005, 2004 and 2003, Kinder Morgan Energy Partners, L.P. reported limited partners' net income of \$334.9 million, \$436.5 million and \$370.8 million, respectively. Our net income for the corresponding periods was \$56.3 million, \$75.1 million and \$58.8 million, respectively. The reported segment earnings contribution by business segment for Kinder Morgan Energy Partners, L.P. is set forth below. This information should be read in conjunction with Kinder Morgan Energy Partners, L.P.'s 2005 Annual Report on Form 10-K, which is attached hereto as Exhibit 99.1.

Kinder Morgan Energy Partners, L.P.

| | Year Ended December 31, | | |
|---|-------------------------|-------------------|-------------------|
| | 2005 | 2004 | 2003 |
| | (In thousands) | | |
| Segment Earnings Contribution: | | | |
| Product Pipelines..... | \$ 287,503 | \$ 370,321 | \$ 370,974 |
| Natural Gas Pipelines..... | 438,386 | 364,872 | 319,288 |
| CO ₂ | 318,980 | 234,258 | 140,755 |
| Terminals..... | 255,529 | 238,848 | 203,701 |
| Total Segment Earnings..... | 1,300,398 | 1,208,299 | 1,034,718 |
| Interest and Corporate Administrative Expenses ¹ | (488,171) | (376,721) | (337,381) |
| Net Income..... | <u>\$ 812,227</u> | <u>\$ 831,578</u> | <u>\$ 697,337</u> |

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

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 that we own, reduced by a deferred income tax provision. 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 the periods presented. There are no securities outstanding that may be converted into or exercised for shares.

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. 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 recognition of the increased investment associated with recording our equity in the earnings of Kinder Morgan Energy Partners, L.P.

The income tax provision decreased from \$38.4 million in 2004 to \$32.1 million in 2005, a decrease of \$6.3 million (16.4%) due principally to (i) the fact that the tax provision for 2004 includes a reduction of \$2.9 million due to the impact of applying a lower effective tax rate on previously recorded net deferred tax liabilities and (ii) a decrease of \$9.2 million due to a decrease in pre-tax income of \$25.0 million.

The income tax provision increased from \$36.0 million in 2003 to \$38.4 million in 2004, an increase of \$2.4 million (6.7%). The net increase of \$2.4 million results from (i) a reduction of \$2.9 million due to the impact of applying a lower effective tax rate on previously recorded net deferred tax liabilities and (ii) an increase of \$5.3 million due to an increase in pre-tax income of \$18.7 million.

The effective tax rate used in computing our income tax provision was 36.3% for 2005, 33.8% for 2004 and 38% for 2003. The effective tax rate for 2004 was reduced by 2.5%, due to a reduction in the state tax rate on our cumulative deferred tax liability.

We are a party to a tax indemnification agreement with Kinder Morgan, Inc. Pursuant to this tax indemnification agreement, Kinder Morgan, 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 Kinder Morgan, 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. 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, 2006, we paid a share distribution of 0.017217 shares per outstanding share (997,180 total shares) to shareholders of record as of January 31, 2006, based on the \$0.80 per common unit distribution declared by Kinder Morgan Energy Partners, L.P. This distribution is 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.

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 Exhibit 99.1. 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 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 a significant level 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 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, 2005.

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 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations – Risk Factors of our Business" 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 of our Business" above. The risk factors could cause our actual results to differ materially from those contained in any forward-looking statement. We disclaim any obligation 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.***INDEX**

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Report of Independent Registered Public Accounting Firm

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

We have completed integrated audits of Kinder Morgan Management, LLC's 2005 and 2004 consolidated financial statements and of its internal control over financial reporting as of December 31, 2005, and an audit of its 2003 consolidated financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audits, are presented below.

Consolidated financial statements

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Kinder Morgan Management, LLC and its subsidiary (the "Company") at December 31, 2005 and 2004, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 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 of financial statements 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.

Internal control over financial reporting

Also, in our opinion, management's assessment, included in Management's Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2005 based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on criteria established in *Internal Control - Integrated Framework* issued by the COSO. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express opinions on management's assessment and on the effectiveness of the Company's internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting 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 effective internal control over financial reporting was maintained in all material respects. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider 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
March 13, 2006

CONSOLIDATED STATEMENTS OF INCOME
Kinder Morgan Management, LLC and Subsidiary

| | Year Ended December 31, | | |
|---|---|------------|-----------|
| | 2005 | 2004 | 2003 |
| | (In thousands except per share amounts) | | |
| Equity in Earnings of Kinder Morgan Energy Partners, L.P. | \$ 88,448 | \$ 113,482 | \$ 94,775 |
| Provision for Income Taxes..... | 32,124 | 38,360 | 36,014 |
| Net Income | \$ 56,324 | \$ 75,122 | \$ 58,761 |
| Earnings Per Share, Basic and Diluted..... | \$ 1.00 | \$ 1.47 | \$ 1.24 |
| Number of Shares Used in Computing Basic and Diluted Earnings Per Share..... | 56,090 | 51,181 | 47,372 |

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

| | Year Ended December 31, | | |
|--|---|-----------|-----------|
| | 2005 | 2004 | 2003 |
| | (In thousands except per share amounts) | | |
| Net Income | \$ 56,324 | \$ 75,122 | \$ 58,761 |
| Equity in Other Comprehensive Loss of Equity | | | |
| Method Investee (Net of Tax Benefits of \$58,950, \$28,798 and \$11,828)..... | (103,359) | (50,497) | (19,297) |
| Total Comprehensive Income (Loss)..... | \$ (47,035) | \$ 24,625 | \$ 39,464 |

The accompanying notes are an integral part of these statements.

CONSOLIDATED BALANCE SHEETS
Kinder Morgan Management, LLC and Subsidiary

| | December 31, | |
|---|---------------------|---------------------|
| | 2005 | 2004 |
| | (In thousands) | |
| ASSETS | | |
| Current Assets: | | |
| Accounts Receivable – Related Party | \$ 22,230 | \$ 24,857 |
| Prepayments and Other | 3,498 | 884 |
| | <u>25,728</u> | <u>25,741</u> |
| Investment in Kinder Morgan Energy Partners, L.P. | <u>1,557,933</u> | <u>1,613,607</u> |
| Total Assets | <u>\$ 1,583,661</u> | <u>\$ 1,639,348</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 2,648 | \$ 1,252 |
| Accrued Expenses and Other | 23,004 | 24,413 |
| | <u>25,652</u> | <u>25,665</u> |
| Deferred Income Taxes | <u>62,395</u> | <u>82,601</u> |
| Shareholders' Equity: | | |
| Voting Shares - Unlimited Authorized; 2 Voting Shares Issued and Outstanding | 100 | 100 |
| Listed Shares - Unlimited Authorized; 57,918,371 and 54,157,639 Listed Shares Issued and Outstanding, Respectively | 1,958,445 | 1,778,090 |
| Retained Deficit | (284,591) | (172,127) |
| Accumulated Other Comprehensive Loss | (178,340) | (74,981) |
| Total Shareholders' Equity | <u>1,495,614</u> | <u>1,531,082</u> |
| Total Liabilities and Shareholders' Equity | <u>\$ 1,583,661</u> | <u>\$ 1,639,348</u> |

The accompanying notes are an integral part of these statements.

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

| | Year Ended December 31, | | | | | |
|---|-------------------------|---------------------|-------------------|---------------------|-------------------|---------------------|
| | 2005 | | 2004 | | 2003 | |
| | Shares | Amount | Shares | Amount | Shares | Amount |
| | (Dollars in thousands) | | | | | |
| Voting Shares: | | | | | | |
| Beginning Balance | 2 | \$ 100 | 2 | \$ 100 | 2 | \$ 100 |
| Ending Balance..... | <u>2</u> | <u>100</u> | <u>2</u> | <u>100</u> | <u>2</u> | <u>100</u> |
| Listed Shares: | | | | | | |
| Beginning Balance | 54,157,639 | 1,778,090 | 48,996,463 | 1,559,485 | 45,654,046 | 1,440,255 |
| Listed Shares Issued | - | - | 1,660,664 | 67,603 | - | - |
| Share Dividends | 3,760,732 | 168,788 | 3,500,512 | 137,733 | 3,342,417 | 117,972 |
| Share Issuance Costs | - | (40) | - | (1,777) | - | - |
| Revaluation of Kinder Morgan Energy Partners, L.P. Investment (Note 3)..... | - | 11,607 | - | 15,046 | - | 1,258 |
| Ending Balance..... | <u>57,918,371</u> | <u>1,958,445</u> | <u>54,157,639</u> | <u>1,778,090</u> | <u>48,996,463</u> | <u>1,559,485</u> |
| Retained Deficit: | | | | | | |
| Beginning Balance | | (172,127) | | (109,516) | | (50,305) |
| Net Income | | 56,324 | | 75,122 | | 58,761 |
| Share Dividends | | (168,788) | | (137,733) | | (117,972) |
| Ending Balance..... | | <u>(284,591)</u> | | <u>(172,127)</u> | | <u>(109,516)</u> |
| Accumulated Other Comprehensive Loss (Net of Tax Benefits): | | | | | | |
| Beginning Balance | | (74,981) | | (24,484) | | (5,187) |
| Equity in Other Comprehensive Loss of Equity Method Investees (Net of Tax Benefits of \$58,950, \$28,798 and \$11,828)..... | | (103,359) | | (50,497) | | (19,297) |
| Ending Balance..... | | <u>(178,340)</u> | | <u>(74,981)</u> | | <u>(24,484)</u> |
| Total Shareholders' Equity | <u>57,918,373</u> | <u>\$ 1,495,614</u> | <u>54,157,641</u> | <u>\$ 1,531,082</u> | <u>48,996,465</u> | <u>\$ 1,425,585</u> |

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

| | Year Ended December 31, | | |
|---|--------------------------------|-----------------|-------------|
| | 2005 | 2004 | 2003 |
| | | (In thousands) | |
| Cash Flows From Operating Activities: | | | |
| Net Income | \$ 56,324 | \$ 75,122 | \$ 58,761 |
| Adjustments to Reconcile Net Income to Net Cash Flows from Operating Activities: | | | |
| Deferred Income Taxes | 32,124 | 38,360 | 36,014 |
| Equity in Earnings of Kinder Morgan Energy Partners, L.P. | (88,448) | (113,482) | (94,775) |
| Decrease (Increase) in Accounts Receivable..... | 2,627 | (10,196) | (260) |
| (Increase) Decrease in Other Current Assets..... | (773) | 773 | 3,318 |
| (Decrease) Increase in Accounts Payable..... | 1,396 | (1,490) | (677) |
| (Decrease) Increase in Other Current Liabilities | (3,250) | 10,913 | (2,381) |
| Net Cash Flows Provided by Operating Activities | - | - | - |
| Cash Flows From Investing Activities: | | | |
| Purchase of i-units of Kinder Morgan Energy Partners, L.P. | - | (67,528) | - |
| Net Cash Flows Used in Investing Activities | - | (67,528) | - |
| Cash Flows From Financing Activities: | | | |
| Shares Issued..... | - | 67,603 | - |
| Share Issuance Costs | - | (75) | - |
| Net Cash Flows Provided by Financing Activities..... | - | 67,528 | - |
| 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., an indirect wholly owned subsidiary of Kinder Morgan, Inc., (a midstream energy company traded on the New York Stock Exchange under the symbol “KMI”), owns all of our voting shares. References to “we,” “our” or “the Company” are intended to mean Kinder Morgan Management, LLC and its consolidated subsidiary.

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.

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.

(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. 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, 2005, through our ownership of i-units, we owned approximately 26.3% of all of Kinder Morgan Energy Partners, L.P.’s outstanding limited partner interests.

We adjust the carrying value of our investment when an equity method investee or a consolidated subsidiary issues additional equity (or reacquires equity shares) in any manner that alters our ownership percentage. Differences between the per unit sales proceeds from these equity issuances (or costs for reacquisitions) and our underlying book basis are recorded directly to paid-in capital rather than being recognized as gains or losses. See Note 3 for a discussion of several such transactions.

(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 earnings plus depreciation, depletion and amortization minus sustaining capital expenditures, 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. We include changes in tax legislation in the relevant computations in the period in which such changes are effective.

Our long-term deferred income tax liability of \$62.4 million and \$82.6 million at December 31, 2005 and 2004, respectively, results from recognition of the increased investment associated with recording our equity in the earnings of Kinder Morgan Energy Partners, L.P. The effective tax rate utilized in computing our income tax provision was 36.3% for 2005, 33.8% for 2004 and 38% for 2003. The effective tax rate includes the 35% federal statutory rate, a provision for state income taxes and a reduction of 2.5% in 2004 due to a reduction in the state tax rate on our cumulative deferred tax liability.

We entered into a tax indemnification agreement with Kinder Morgan, Inc. Pursuant to this tax indemnification agreement, Kinder Morgan, 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, 2005, Kinder Morgan, Inc. owned approximately 10.0 million, or approximately 17.2% of our outstanding shares.

On November 8, 2005, Kinder Morgan Energy Partners, L.P. issued 2.6 million common units in a public offering at a price of \$51.75 per common unit, receiving total net proceeds (after underwriting discount) of \$130.1 million. We did not acquire any of these common units. This transaction changed our percentage ownership of Kinder Morgan Energy Partners, L.P. and had the associated effects of increasing our (i) investment in the net assets of Kinder Morgan Energy Partners, L.P. by \$4.0 million,

(ii) associated accumulated deferred income taxes by \$1.5 million and (iii) paid-in capital by \$2.5 million.

In August and September 2005, Kinder Morgan Energy Partners, L.P. issued an aggregate of 5.75 million common units in a public offering at a price of \$51.25 per common unit, receiving total net proceeds (after underwriting discount) of \$283.6 million. We did not acquire any of these common units. Also in August 2005, Kinder Morgan Energy Partners, L.P. issued 64,412 common units as partial consideration for the acquisition of General Stevedores, L.P. These issuances, collectively, changed our percentage ownership of Kinder Morgan Energy Partners, L.P. and had the associated effects of increasing our (i) investment in the net assets of Kinder Morgan Energy Partners, L.P. by \$12.0 million, (ii) associated accumulated deferred income taxes by \$4.3 million and (iii) paid-in capital by \$7.7 million.

In April 2005, Kinder Morgan Energy Partners, L.P. issued 957,656 common units as partial consideration for the acquisition of seven bulk terminal operations. This transaction changed our percentage ownership of Kinder Morgan Energy Partners, L.P. and had the associated effects of increasing our (i) investment in the net assets of Kinder Morgan Energy Partners, L.P. by \$2.2 million, (ii) associated accumulated deferred income taxes by \$0.8 million and (iii) paid-in capital by \$1.4 million.

In February 2004, Kinder Morgan Energy Partners, L.P. issued 5.3 million common units in a public offering at a price of \$46.80 per common unit, receiving total net proceeds (after underwriting discount) of \$237.8 million. We did not acquire any of these common units. On March 25, 2004, we closed the issuance and sale of 360,664 of our listed shares in a limited registered offering. None of the shares from our offering were purchased by Kinder Morgan, Inc. We used the net proceeds of approximately \$14.9 million from the offering to buy additional i-units from Kinder Morgan Energy Partners, L.P. In November 2004, Kinder Morgan Energy Partners, L.P. issued 5.5 million common units in a public offering at a price of \$46.00 per common unit. An additional 0.6 million common units were issued by Kinder Morgan Energy Partners, L.P. in December 2004 in order to meet the underwriters' over-allotment option. Kinder Morgan Energy Partners, L.P. received total net proceeds (after underwriting discount) from these offerings of \$268.3 million. We did not acquire any of these common units. Also in November 2004, we closed the issuance and sale of 1.3 million of our listed shares in a limited registered offering. None of the shares from our offering were purchased by Kinder Morgan, Inc. We used the net proceeds of approximately \$52.6 million from the offering to buy additional i-units from Kinder Morgan Energy Partners, L.P. These issuances, collectively, changed our percentage ownership of Kinder Morgan Energy Partners, L.P. and had the associated effects of increasing our (i) investment in the net assets of Kinder Morgan Energy Partners, L.P. by \$23.6 million, (ii) associated accumulated deferred income taxes by \$8.6 million and (iii) paid-in capital by \$15.0 million. See Note 2(B).

In June 2003, Kinder Morgan Energy Partners, L.P. issued 4.6 million common units in a public offering at a price of \$39.35 per common unit, receiving total net proceeds (after underwriting discount) of \$173.3 million. We did not acquire any of these common units. This issuance of common units by Kinder Morgan Energy Partners, L.P. changed our percentage ownership of Kinder Morgan Energy Partners, L.P. and had the associated effects of increasing our (i) investment in the net assets of Kinder Morgan Energy Partners by \$6.4 million, (ii) associated accumulated deferred income taxes by \$2.4 million and (iii) paid-in capital by \$4.0 million. See Note 2(B).

On February 14, 2006, we paid a share distribution of 0.017217 shares per outstanding share (997,180 total shares) to shareholders of record as of January 31, 2006, based on the \$0.80 per common unit distribution declared by Kinder Morgan Energy Partners, L.P. This distribution is 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 \$178.4 million, \$167.4 million and \$140.4 million of expenses during the years ended December 31, 2005, 2004 and 2003, 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, 2005, \$22.2 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 Kinder Morgan, 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. During the twelve months ended December 31, 2005, 2004 and 2003 the expenses totaled approximately \$215.3 million, \$172.6 million and \$165.8 million, respectively.

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

Following is summarized financial 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 2005 Annual Report on Form 10-K, which is attached to this report as Exhibit 99.1.

Summarized Income Statement Information

| | Year Ended December 31, | | |
|--|--------------------------------|-------------------|-------------------|
| | 2005 | 2004 | 2003 |
| | | (In thousands) | |
| Operating Revenues | \$ 9,787,128 | \$ 7,932,861 | \$ 6,624,322 |
| Operating Expenses | 8,773,606 | 6,958,865 | 5,817,633 |
| Operating Income | <u>\$ 1,013,522</u> | <u>\$ 973,996</u> | <u>\$ 806,689</u> |
| Income Before Cumulative Effect of a Change in Accounting Principle | <u>\$ 812,227</u> | <u>\$ 831,578</u> | <u>\$ 693,872</u> |
| Net Income..... | <u>\$ 812,227</u> | <u>\$ 831,578</u> | <u>\$ 697,337</u> |

Summarized Balance Sheet Information

| | As of December 31, | |
|-----------------------------|---------------------------|---------------------|
| | 2005 | 2004 |
| | | (In thousands) |
| Current Assets | <u>\$ 1,215,224</u> | <u>\$ 853,171</u> |
| Noncurrent Assets..... | <u>\$ 10,708,238</u> | <u>\$ 9,699,771</u> |
| Current Liabilities..... | <u>\$ 1,808,885</u> | <u>\$ 1,180,855</u> |
| Noncurrent Liabilities..... | <u>\$ 6,458,506</u> | <u>\$ 5,429,921</u> |
| Minority Interest..... | <u>\$ 42,331</u> | <u>\$ 45,646</u> |

6. Recent Accounting Pronouncements

In December 2004, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 123R (revised 2004), *Share-Based Payment*. This Statement amends SFAS No. 123, *Accounting for Stock-Based Compensation*, and requires companies to expense the value of employee stock options and similar awards. Significant provisions of SFAS No. 123R include the following:

- share-based payment awards result in a cost that will be measured at fair value on the awards' grant date, based on the estimated number of awards that are expected to vest. Compensation cost for awards that vest would not be reversed if the awards expire without being exercised;
- when measuring fair value, companies can choose an option-pricing model that appropriately reflects their specific circumstances and the economics of their transactions;
- companies will recognize compensation cost for share-based payment awards as they vest, including the related tax effects. Upon settlement of share-based payment awards, the tax effects will be recognized in the income statement or additional paid-in capital; and
- public companies are allowed to select from three alternative transition methods – each having different reporting implications.

In April 2005, the Securities and Exchange Commission extended the effective date for public companies to implement SFAS No. 123R (revised 2004). The new Statement is now effective for non-small business entities starting with the first interim or annual period of the company's first fiscal year beginning on or after June 15, 2005 (January 1, 2006, for us). We currently have no share-based compensation plans.

In June 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*. This Statement replaces Accounting Principles Board Opinion ("APB") No. 20, *Accounting Changes* and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements*. SFAS No. 154 applies to all voluntary changes in accounting principle, and changes the requirements for accounting for and reporting of a change in accounting principle.

SFAS No. 154 requires retrospective application to prior periods' financial statements of a voluntary change in accounting principle unless it is impracticable. In contrast, APB No. 20 previously required that most voluntary changes in accounting principle be recognized by including in net income of the period of the change the cumulative effect of changing to the new accounting principle.

The provisions of this Statement will be effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005 (January 1, 2006 for us). Earlier application is permitted for accounting changes and corrections of errors made occurring in fiscal years beginning after June 1, 2005. The Statement does not change the transition provisions of any existing accounting pronouncements, including those that are in a transition phase as of the effective date of this Statement. Adoption of this Statement will not have any immediate effect on our consolidated financial statements, and we will apply this guidance prospectively.

In June 2005, the Emerging Issues Task Force reached a consensus on Issue No. 04-5, or EITF 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*. EITF 04-5 provides guidance for purposes of assessing whether certain limited partners' rights might preclude a general partner from controlling a limited partnership.

For general partners of all new limited partnerships formed, and for existing limited partnerships for which the partnership agreements are modified, the guidance in EITF 04-5 is effective after June 29, 2005. For general partners in all other limited partnerships, the guidance is effective no later than the beginning of the first reporting period in fiscal years beginning after December 15, 2005 (January 1, 2006, for us). The implementation of this Issue will have no impact on our consolidated financial statements.

We do not expect these pronouncements to have a significant impact on our financial statements, except for any impacts that may result from changes in our equity in earnings of Kinder Morgan Energy Partners, L.P. as a result of its adoption of these pronouncements.

KINDER MORGAN MANAGEMENT, LLC AND SUBSIDIARY**SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)****Quarterly Operating Results for 2005 and 2004**

| | 2005-Three Months Ended | | | |
|---|---|------------------|---------------------|--------------------|
| | March 31 | June 30 | September 30 | December 31 |
| | (In thousands except per share amounts) | | | |
| Equity in Earnings (Losses) of Kinder Morgan Energy Partners, L.P..... | \$ 29,422 | \$ 27,825 | \$ 32,621 | \$ (1,420) |
| Income Tax Provision (Benefit)..... | 10,686 | 10,106 | 11,848 | (516) |
| Net Income (Loss) | <u>\$ 18,736</u> | <u>\$ 17,719</u> | <u>\$ 20,773</u> | <u>\$ (904)</u> |
| Earnings (Loss) Per Share, Basic and Diluted ... | <u>\$ 0.34</u> | <u>\$ 0.32</u> | <u>\$ 0.37</u> | <u>\$ (0.02)</u> |
| Number of Shares Used in Computing Basic and Diluted Earnings Per Share | <u>54,646</u> | <u>55,632</u> | <u>56,571</u> | <u>57,472</u> |
| | 2004-Three Months Ended | | | |
| | March 31 | June 30 | September 30 | December 31 |
| | (In thousands except per share amounts) | | | |
| Equity in Earnings of Kinder Morgan Energy Partners, L.P. | \$ 25,653 | \$ 25,662 | \$ 30,591 | \$ 31,576 |
| Provision for Income Taxes | 9,748 | 9,752 | 11,624 | 7,236 |
| Net Income | <u>\$ 15,905</u> | <u>\$ 15,910</u> | <u>\$ 18,967</u> | <u>\$ 24,340</u> |
| Earnings Per Share, Basic and Diluted | <u>\$ 0.32</u> | <u>\$ 0.31</u> | <u>\$ 0.37</u> | <u>\$ 0.46</u> |
| Number of Shares Used in Computing Basic and Diluted Earnings Per Share | <u>49,435</u> | <u>50,596</u> | <u>51,498</u> | <u>53,168</u> |

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:

| | December 31, | | |
|--|---------------------|-------------|----------------------|
| | 2005 | 2004 | 2003 |
| | (In thousands) | | |
| Net Capitalized Costs..... | \$ 287,433 | \$ 245,006 | \$ 194,101 |
| Costs Incurred for the Year Ended..... | 74,264 | 75,294 | 150,539 ¹ |
| Results of Operations for the Year Ended | 30,939 | 21,054 | 10,473 ¹ |

¹ Includes amounts relating to Kinder Morgan Energy Partners, L.P.'s previous 15% ownership interest in MKM Partners, L.P., which Kinder Morgan Energy Partners, L.P. accounted for under the equity method. MKM Partners, L.P. was dissolved on June 30, 2003.

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, | | | |
|---|---------------------|-------------|-------------|-------------------------|
| | 2005 | 2004 | 2003 | 2002¹ |
| Proved Reserves: | | | | |
| Crude Oil (MBbls) | 36,584 | 31,723 | 29,619 | 18,838 |
| Natural Gas Liquids (MBbls)..... | 4,892 | 5,191 | 4,131 | 4,008 |
| Natural Gas (MMcf) ² | 555 | 408 | 836 | 4,592 |
| Standardized Measure of Discounted Cash Flows for the Year Ended | \$ 792,497 | \$ 524,304 | \$ 357,589 | \$ 140,834 |

¹ Includes amounts relating to Kinder Morgan Energy Partners, L.P.'s previous 15% ownership interest in MKM Partners, L.P., which Kinder Morgan Energy Partners, L.P. accounted for under the equity method. MKM Partners, L.P. was dissolved on June 30, 2003.

² 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, 2005, 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 in all material respects 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. There has been no change in our internal control over financial reporting during the quarter ended December 31, 2005 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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. 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. 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, 2005.

Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included 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 2005 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 and Executive Officers of the Registrant.

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, Kinder Morgan, Inc. was one of our directors until its resignation in January 2003.

| <u>Name</u> | <u>Age</u> | <u>Position</u> |
|----------------------------|------------|--|
| Richard D. Kinder..... | 61 | Director, Chairman and Chief Executive Officer |
| C. Park Shaper | 37 | Director and President |
| Steven J. Kean..... | 44 | Executive Vice President and Chief Operating Officer |
| Edward O. Gaylord..... | 74 | Director |
| Gary L. Hultquist | 62 | Director |
| Perry M. Waughtal..... | 70 | Director |
| Kimberly A. Dang..... | 36 | Vice President, Investor Relations and Chief Financial Officer |
| Jeffrey R. Armstrong | 37 | Vice President (President, Terminals) |
| Thomas A. Bannigan | 52 | Vice President (President, Products Pipelines) |
| Richard T. Bradley..... | 50 | Vice President (President, CO ₂) |
| David D. Kinder..... | 31 | Vice President, Corporate Development and Treasurer |
| Joseph Listengart | 37 | Vice President, General Counsel and Secretary |
| Scott E. Parker | 45 | Vice President (President, Natural Gas Pipelines) |
| James E. Street..... | 49 | 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 Kinder Morgan, 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 Kinder Morgan, 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 Kinder Morgan, Inc. in July 2004 and served as President until May 2005. 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 Kinder Morgan, Inc.

C. Park Shaper is Director and President of Kinder Morgan Management, LLC and Kinder Morgan G.P., Inc. and President of Kinder Morgan, Inc. Mr. Shaper was elected President of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Kinder Morgan, Inc. in May 2005. He served as Executive Vice President of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Kinder Morgan, 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. 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 Kinder Morgan, 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 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.

Steven J. Kean is Executive Vice President and Chief Operating Officer of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Kinder Morgan Inc. Mr. Kean was elected Executive Vice President and Chief Operating Officer of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Kinder Morgan Inc. in January 2006. He served as Executive Vice President, Operations of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Kinder Morgan 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. Until December 2001, Mr. Kean was Executive Vice President and Chief of Staff of Enron Corp. 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, formerly Kimberly J. Allen, is Vice President, Investor Relations and Chief Financial Officer of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Kinder Morgan, Inc. Mrs. Dang was elected Chief Financial Officer of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Kinder Morgan, Inc. in May 2005. She served as Treasurer of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Kinder Morgan, 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 Kinder Morgan, Inc. in July 2002. From November 2001 to July 2002, she served as Director, Investor Relations. 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 Murphee Venture Partners, a venture capital firm. 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, CO₂) of Kinder Morgan Management, LLC and of Kinder Morgan G.P., Inc. and President of Kinder Morgan CO₂ Company, L.P. Mr. Bradley was elected Vice President (President, CO₂) of Kinder Morgan Management, LLC upon its formation in February 2001 and Vice President (President, CO₂) of Kinder Morgan G.P., Inc. in April 2000. Mr. Bradley has been President of Kinder Morgan CO₂ Company, L.P. (formerly known as Shell CO₂ 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 Kinder Morgan, Inc. Mr. Kinder was elected Treasurer of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Kinder Morgan, Inc. in May 2005. He was elected Vice President, Corporate Development of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Kinder Morgan, Inc. in October 2002. He served as manager of corporate development for Kinder Morgan G.P., Inc. and Kinder Morgan, Inc. from January 2000 to October 2002. 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 Kinder Morgan, 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 Kinder Morgan, 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. 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 Kinder Morgan, Inc. He was elected Vice President (President, Natural Gas Pipelines) of Kinder Morgan Management, LLC, Kinder Morgan G.P., Inc. and Kinder Morgan, Inc. in May 2005. Mr. Parker served as Co-President of Kinder Morgan, 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 Kinder Morgan, 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 Kinder Morgan, 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

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 and rules respectively. 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, Inc., 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 2006, Mr. Hultquist was elected for a one year term to serve as lead director to develop the agendas for and moderate these executive sessions of independent directors.

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. Waughtal is the chairman of the audit committee and has been determined by the board to be an "audit committee financial expert." 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.

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 March 25, 2005, 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 March 25, 2005, 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.

You 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. Your 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 2005.

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, including all of the named officers below, also serve as executive officers of Kinder Morgan, Inc. 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., Kinder Morgan, Inc. and their respective affiliates.

Summary Compensation Table

| Name and Principal Position | Year | Annual Compensation | | Long-term Compensation Awards | | All Other Compensation ⁶ |
|---|------|---------------------|--------------------|--------------------------------------|---|-------------------------------------|
| | | Salary | Bonus ¹ | Restricted Stock Awards ² | Kinder Morgan, Inc. Shares Underlying Options | |
| Richard D. Kinder Director, Chairman and CEO | 2005 | \$ 1 | \$ - | \$ - | - | \$ - |
| | 2004 | 1 | - | - | - | - |
| | 2003 | 1 | - | - | - | - |
| C. Park Shaper Director and President | 2005 | 200,000 | 1,050,000 | - | - | 10,027 |
| | 2004 | 200,000 | 975,000 | - | - | 8,378 |
| | 2003 | 200,000 | 875,000 | 5,918,000 ³ | - | 8,378 |
| Steven J. Kean Executive Vice President and Chief Operating Officer | 2005 | 200,000 | 750,000 | 6,263,600 ⁴ | - | 10,069 |
| | 2004 | 200,000 | 500,000 | 486,320 ⁴ | - | 8,420 |
| | 2003 | 200,000 | 400,000 | - | 10,000 ⁵ | 14,420 |
| Joseph Listengart Vice President, General Counsel and Secretary | 2005 | 200,000 | 975,000 | - | - | 9,224 |
| | 2004 | 200,000 | 875,000 | - | - | 8,378 |
| | 2003 | 200,000 | 825,000 | 3,766,000 ³ | - | 8,378 |
| Scott E. Parker Vice President, (President, Natural Gas Pipelines) | 2005 | 200,000 | 650,000 | 3,221,280 ⁴ | - | 9,266 |
| | 2004 | 200,000 | 440,000 | 486,320 ⁴ | - | 8,420 |
| | 2003 | 199,038 | 375,000 | - | 10,000 ⁵ | 48,378 |

¹ Amounts earned in year shown and paid the following year.

² As of December 31, 2005, Mr. Shaper held 112,500 shares of restricted Kinder Morgan, Inc. stock having a value of \$10,344,375; Mr. Kean held 83,000 shares of restricted Kinder Morgan, Inc. stock having a value of \$7,631,850; Mr. Listengart held 72,500 shares of restricted Kinder Morgan, Inc. stock having a value of \$6,666,375; and Mr. Parker held 44,625 shares of restricted Kinder Morgan, Inc. stock having a value of \$4,103,269. Restricted stock earns dividends at the same rate as the dividends paid to shareholders; otherwise, restricted stock awards have no value to the recipient until the restrictions are released.

³ Represent shares of restricted Kinder Morgan, Inc. stock awarded in 2003. The awards were issued under a shareholder approved plan. For the 2003 awards, value computed as the number of shares awarded times the closing price on date of grant (\$53.80 at July 16, 2003). 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. To vest, Kinder Morgan Energy Partners, L.P. and/or Kinder Morgan, Inc. must also achieve one of the following performance hurdles during the vesting period: (i) Kinder Morgan, Inc. must earn at least \$3.70 per share in any fiscal year; (ii) Kinder Morgan Energy Partners, L.P. must distribute at least \$2.72 over four consecutive quarters; (iii) fund at least one year's annual incentive program; or (iv) Kinder Morgan, Inc.'s stock price must average over \$60.00 per share during any consecutive 30-day period. All of these hurdles have been met. The 2003 awards were long-term equity compensation for our current senior management through July 2008. The holders of the restricted stock awards are eligible to vote and to receive dividends declared on such shares.

⁴ Represent shares of restricted Kinder Morgan, Inc. stock awarded in 2005 and 2004. The awards were issued under a shareholder approved plan. For the 2005 awards, value computed as the number of shares awarded times the closing price on date of grant (\$89.48 at July 20, 2005). 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. To vest, Kinder Morgan Energy Partners, L.P. and/or Kinder Morgan, Inc. must also achieve one of the following performance hurdles during the vesting period: (i) Kinder Morgan, Inc. must earn at least \$4.22 per share in any fiscal year; (ii) Kinder Morgan Energy Partners, L.P. must distribute at least \$3.13 over four consecutive quarters; (iii) fund at least one year's annual incentive program; or (iv) Kinder Morgan, Inc.'s stock price must average over \$90.00 per share during any consecutive 30-day period. All of these hurdles have been met. For the 2004 awards, value computed as the number of shares awarded times the closing price on date of grant (\$60.79 at July 20, 2004). 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. The 2005 and 2004 awards were long-term equity compensation for senior managers through July 2010. The holders of the restricted stock awards are eligible to vote and to receive dividends declared on such shares.

- ⁵ Messrs. Kean and Parker were each granted 10,000 options to purchase Kinder Morgan, Inc. shares on July 16, 2003 by the compensation committee of the Kinder Morgan, Inc. board of directors under the 1999 Employee Stock Plan as part of the regular stock option grant under the program. The options have an exercise price of \$53.80 per share and vest at the rate of twenty-five percent on each of the first four anniversaries after the date of grant. The compensation committee stopped granting options after 2003.
- ⁶ Amounts represent value of contributions to the Kinder Morgan Savings Plan (a 401(k) plan), value of group-term life insurance exceeding \$50,000 and taxable parking subsidy. For Messrs. Kean and Parker, in 2003, each received a \$6,000 lump sum amount in lieu of a promised salary increase. Mr. Parker also received \$34,000 in 2003 for relocation assistance.

Kinder Morgan Savings Plan. The Kinder Morgan Savings Plan is a defined contribution 401(k) plan. The plan permits all full-time employees of Kinder Morgan, Inc. and KMGP Services Company, Inc. 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 discretionary contributions in years when specific performance objectives are met. Certain employees' contributions are based on collective bargaining agreements. The mandatory contributions are made each pay period on behalf of each eligible employee. Any discretionary contributions are generally made during the first quarter following the performance year. All employer contributions, including discretionary contributions, are in the form of Kinder Morgan, Inc. stock that is immediately convertible into other available investment vehicles at the employee's discretion. Participants may direct the investment of their contributions into a variety of investments. Plan assets are held and distributed pursuant to a trust agreement. Because levels of future compensation, participant contributions and investment yields cannot be reliably predicted over the span of time contemplated by a plan of this nature, it is impractical to estimate the annual benefits payable at retirement to the individuals listed in the Summary Compensation Table above.

For employees hired on or prior to December 31, 2004, all contributions, together with earnings thereon, are immediately vested and not subject to forfeiture. Employer contributions for employees hired on or after January 1, 2005 will 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 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 services between two and five years, and 4% for service of five years or more. All employer contributions for Terminal employees hired after October 1, 2005 will vest on the fifth anniversary of the date of hire. Vesting and contributions for bargaining employees will follow the collective bargaining agreements.

At its July 2005 meeting, the compensation committee of the Kinder Morgan, Inc. 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 2005 and continuing through the last pay period of July 2006. The additional 1% contribution is in the form of KMI common stock (the same as the current 4% contribution) and 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 the vesting schedule mirrors the company's 4% contribution. Since this additional 1% company contribution is discretionary, compensation committee approval will be required

annually for each additional contribution. During the first quarter of 2006, excluding the 1% additional contribution described above, Kinder Morgan Energy Partners, L.P. will not make any additional discretionary contributions to individual accounts for 2005.

It is expected that sometime in 2006, an option to make after-tax “Roth” contributions (Roth 401(k) option) to a separate participant account will be added to the 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. Also, even though an employer matching contribution may be based entirely, or partly, on the Roth 401(k) contribution, the employer matching contribution will still be considered taxable income at the time of withdrawal.

Common Unit Option Plan. Pursuant to Kinder Morgan Energy Partners, L.P.’s 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. Kinder Morgan Management, LLC’s compensation committee administers the option plan, and the plan has a termination date of March 5, 2008.

No individual employee may be granted options for more than 20,000 common units in any year. Kinder Morgan Management, LLC’s compensation committee will determine the duration and vesting of the options to employees at the time of grant. As of December 31, 2005, options to purchase 15,300 common units were outstanding and held by 10 former Kinder Morgan G.P., Inc. employees who are now employees of Kinder Morgan, Inc. or KMGP Services Company, Inc. Forty percent of such options will vest on the first anniversary of the date of grant and twenty percent on each of the next three anniversaries. The options expire seven years from the date of grant. As of December 31, 2005, all 15,300 outstanding options were fully vested.

The option plan also granted to each of Kinder Morgan G.P., Inc.’s non-employee directors an option to purchase 10,000 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. Under this provision, as of December 31, 2005, options to purchase 10,000 common units are currently outstanding and held by one of Kinder Morgan G.P., Inc.’s three non-employee directors. Forty percent of all such options will vest on the first anniversary of the date of grant and twenty percent on each of the next three anniversaries. The non-employee director options will expire seven years from the date of grant. As of December 31, 2005, all 10,000 outstanding options were fully vested.

For the year ended December 31, 2005, no options to purchase common units were granted to or exercised by any of the individuals named in the Summary Compensation Table above. Furthermore, as of December 31, 2005, no person named in the Summary Compensation Table owned unexercised common unit options.

Kinder Morgan, Inc. Stock Plan. Under Kinder Morgan, Inc.’s stock plan, employees of Kinder Morgan, Inc. and its affiliates, including employees of Kinder Morgan, Inc.’s direct and indirect subsidiaries, like KMGP Services Company, Inc., are eligible to receive grants of restricted Kinder Morgan, Inc. stock and grants of options to acquire shares of common stock of Kinder Morgan, Inc. The Compensation Committee of Kinder Morgan, Inc.’s board of directors administers this plan. The primary purpose for granting restricted Kinder Morgan, Inc. stock and Kinder Morgan, Inc. stock

options under this plan to employees of Kinder Morgan, Inc., KMGP Services Company, Inc. and Kinder Morgan Energy Partners, L.P.'s subsidiaries is to provide them with an incentive to increase the value of the common stock of Kinder Morgan, Inc. A secondary purpose of the grants is to provide compensation to those employees for services rendered to Kinder Morgan Energy Partners, L.P. and its subsidiaries. During 2005, none of the persons named in the Summary Compensation Table above were granted Kinder Morgan, Inc. stock options.

**Aggregated Kinder Morgan, Inc. Stock Option Exercises in 2005
and 2005 Year-End Kinder Morgan, Inc. Stock Option Values**

| Name | Shares Acquired on Exercise | Value Realized | Number of Shares Underlying Unexercised Options at 2005 Year-End | | Value of Unexercised In-the-Money Options at 2005 Year-End ¹ | |
|------------------------|-----------------------------------|-------------------|--|---------------|---|---------------|
| | | | Exercisable | Unexercisable | Exercisable | Unexercisable |
| C. Park Shaper..... | - | \$ - | 195,000 | 25,000 | \$10,057,875 | \$ 874,000 |
| Steven J. Kean..... | 62,500 | 1,712,569 | 12,500 | 35,000 | 660,375 | 1,478,875 |
| Joseph Listengart..... | - | - | 56,300 | - | 3,671,948 | - |
| Scott E. Parker..... | 3,750 | 206,614 | - | 10,000 | - | 381,500 |

¹ Calculated on the basis of the fair market value of the underlying shares at year-end, minus the exercise price.

Cash Balance Retirement Plan. Employees of KMGP Services Company, Inc. and Kinder Morgan, Inc. 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. Employees with prior service and not grandfathered converted to the Cash Balance Retirement Plan on January 1, 2001, and were credited with the current fair value of any benefits they had previously accrued through the defined benefit plan. Under the plan, we make contributions on behalf of participating employees equal to 3% of eligible compensation every pay period. In addition, discretionary contributions are made to the plan based on the performance of Kinder Morgan, Inc. and Kinder Morgan Energy Partners, L.P. No discretionary contributions were made for 2005 performance. 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 annual benefits payable as of December 31, 2005, under normal retirement at age sixty-five, assuming current remuneration levels without any salary projection, and participation until normal retirement at age sixty-five, with respect to the named executive officers under the provisions of the Kinder Morgan Cash Balance Retirement Plan. 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.

| <u>Name</u> | <u>Current Credited Years of Service</u> | <u>Estimated Credited Years of Service at Age 65</u> | <u>Age as of Jan. 1, 2006</u> | <u>Current Compensation Covered by Plans</u> | <u>Estimated Annual Benefit Payable Upon Retirement¹</u> |
|------------------------|--|--|-----------------------------------|--|---|
| Richard D. Kinder..... | 5 | 8.8 | 61.2 | \$ 1 | \$ - |
| C. Park Shaper..... | 5 | 32.7 | 37.4 | 200,000 | 62,110 |
| Steven J. Kean..... | 4 | 24.5 | 44.5 | 200,000 | 33,269 |
| Joseph Listengart..... | 5 | 32.5 | 37.6 | 200,000 | 61,358 |
| Scott E. Parker..... | 7 | 27.1 | 45.0 | 200,000 | 41,381 |

¹ The estimated annual benefits payable are based on the straight-life annuity form.

2005 Annual Incentive Plan. Effective January 18, 2005, Kinder Morgan, Inc. established the 2005 Annual Incentive Plan of Kinder Morgan, Inc. The plan was approved at the Kinder Morgan, Inc. shareholders meeting on May 10, 2005. The plan was established, in part, to enable the portion of an officer's or other employee's annual bonus based on objective performance criteria to qualify as "qualified performance-based compensation" under the Internal Revenue Code. "Qualified performance-based compensation" compensation is deductible for tax purposes. The plan permits annual bonuses to be paid to Kinder Morgan, Inc.'s officers and other employees and employees of Kinder Morgan, Inc.'s subsidiaries based on their individual performance, Kinder Morgan, Inc.'s performance and the performance of Kinder Morgan, Inc.'s subsidiaries. The plan is administered by the compensation committee of Kinder Morgan, Inc.'s Board of Directors. Under the plan, at or before the start of each calendar year, the compensation committee establishes written performance objectives. The performance objectives are based on one or more criteria set forth in the plan. 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 maximum payout to any individual under the plan in any year is \$2.0 million, and the compensation committee has the discretion to reduce the bonus amount in any performance period. The cash bonuses set forth in the Summary Compensation Table above were paid under the plan. Awards were granted under the plan for calendar year 2005; awards granted for calendar years prior to 2005 were granted under the 2000 Annual Incentive Plan, which was replaced by the 2005 Plan.

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 and Mr. James E. Street, who are executive officers of Kinder Morgan Management, LLC, participate in the deliberations of our compensation committee concerning executive officer compensation. Mr. Kinder receives \$1.00 annually in total compensation for services to Kinder Morgan, Inc., Kinder Morgan G.P., Inc. and us.

Directors Fees. Beginning in 2005, Kinder Morgan Energy Partners, L.P.'s Common Unit Compensation Plan for Non-Employee Directors, as discussed below, 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 Kinder Morgan, Inc. do not receive compensation in their capacity as directors.

In January 2005, we terminated the Directors' Unit Appreciation Rights Plan and implemented the Kinder Morgan Energy Partners, L.P. Common Unit Compensation Plan for Non-Employee Directors. Both plans are discussed following:

Directors' Unit Appreciation Rights Plan. On April 1, 2003, our compensation committee established the 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, we 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 2005, and as of December 31, 2005, 52,500 unit appreciation rights had been granted, vested and remained outstanding.

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. 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 our 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 expected to include an annual retainer payable in cash and other cash compensation. Pursuant to the plan, in lieu of receiving the other cash compensation, each non-employee director may elect to receive common units. Each election shall 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 initial election under this plan for service in 2005 was made effective January 20, 2005. The election for 2006 was made effective January 17, 2006. 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 shall 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 shall, 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 shall 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 shall 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 other cash compensation in the form of common units will equal the amount of such other 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 other cash compensation in the form of common units will receive cash equal to the difference between (i) the other 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 shall be payable in four equal installments (together with the annual cash retainer) generally around March 31, June 30, September 30 and December 31 of the calendar year in which such cash compensation is awarded.

On January 18, 2005, the date of adoption of the plan, each of our three non-employee directors was awarded a cash retainer of \$40,000, which was paid quarterly during 2005, and other cash compensation of \$79,750. The total compensation of \$119,750 was for board service during 2005. Effective January 20, 2005, each non-employee director elected to receive the other cash compensation of \$79,750 in the form of Kinder Morgan Energy Partners, L.P. common units and was issued 1,750 common units pursuant to the plan and its agreements (based on the \$45.55 closing market price of Kinder Morgan Energy Partners, L.P. common units on January 18, 2005, as reported on the New York Stock Exchange). Also, consistent with the plan, the \$37.50 of other cash compensation that did not equate to a whole common unit, based on the January 18, 2005 closing price, was paid to each of the non-employee directors as described above. No other compensation was paid to the non-employee directors during 2005.

On January 17, 2006, each of our three non-employee directors was awarded a cash retainer of \$72,220, which will be paid quarterly during 2006, and other cash compensation of \$87,780. The total compensation of \$160,000 is for board service during 2006. Effective January 17, 2006, each non-employee director elected to receive the other cash compensation of \$87,780 in the form of Kinder Morgan Energy Partners, L.P. common units and was issued 1,750 common units pursuant to the plan and its agreements (based on the \$50.16 closing market price of Kinder Morgan Energy Partners, L.P. common units on January 17, 2006, as reported on the New York Stock Exchange). The annual cash retainer will be paid to each of the non-employee directors as described above. No other compensation will be paid to the non-employee directors during 2006.

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

The following table sets forth information as of January 31, 2006, regarding (a) the beneficial ownership of (i) Kinder Morgan Energy Partners, L.P.'s common and Class B units, (ii) our shares and (iii) the common stock of Kinder Morgan, Inc., the parent company of Kinder Morgan G.P., Inc., by all our directors and those of Kinder Morgan G.P., Inc., by each of the named executive officers 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. 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 Ownership¹

| | <u>Kinder Morgan Energy Partners, L.P.</u> | | | | <u>Kinder Morgan Management, LLC Shares</u> | | <u>Kinder Morgan, Inc. Voting Stock</u> | |
|--|--|-------------------------|------------------------------------|-------------------------|---|-------------------------|---|-------------------------|
| | <u>Common Units</u> | | <u>Class B Units</u> | | <u>Number of Shares⁴</u> | <u>Percent of Class</u> | <u>Number of Shares⁵</u> | <u>Percent of Class</u> |
| | <u>Number of Units²</u> | <u>Percent of Class</u> | <u>Number of Units³</u> | <u>Percent of Class</u> | | | | |
| Richard D. Kinder ⁶ | 315,979 | * | - | - | 55,695 | * | 24,000,000 | 17.90% |
| C. Park Shaper ⁷ | 4,000 | * | - | - | 2,708 | * | 351,932 | * |
| Edward O. Gaylord ⁸ | 36,500 | * | - | - | - | - | 2,000 | * |
| Gary L. Hultquist ⁹ | 14,500 | * | - | - | - | - | - | - |
| Perry M. Waughtal ¹⁰ | 40,800 | * | - | - | 40,202 | * | 60,000 | * |
| Steven J. Kean ¹¹ | - | - | - | - | - | - | 113,627 | * |
| Joseph Listengart ¹² | 4,198 | * | - | - | - | - | 140,230 | * |
| Scott E. Parker ¹³ | - | - | - | - | - | - | 45,316 | * |
| Directors and Executive Officers as a group (14 persons) ¹⁴ | 429,377 | * | - | - | 103,351 | * | 25,069,687 | 18.70% |
| Kinder Morgan, Inc. ¹⁵ | 14,355,735 | 9.14% | 5,313,400 | 100.00% | 8,951,851 | 15.46% | - | - |
| Fayez Sarofim ¹⁶ | 7,729,948 | 5.00% | - | - | - | - | - | - |
| Kayne Anderson Capital Advisors, L.P. ¹⁷ | - | - | - | - | 6,250,520 | 10.79% | - | - |
| OppenheimerFunds, Inc. ¹⁸ | - | - | - | - | 5,047,640 | 8.72% | - | - |
| Tortoise Capital Advisors, L.L.C. ¹⁹ | - | - | - | - | 3,728,878 | 6.44% | - | - |

*Less than 1%.

¹ Except as noted otherwise, all units, our shares and Kinder Morgan, Inc. 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. If a director does not already own the minimum number of required securities, the director will have six years to acquire such securities.

² As of January 31, 2006, Kinder Morgan Energy Partners, L.P. had 157,012,776 common units issued and outstanding.

³ As of January 31, 2006, 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, 2006, there were 57,918,373 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 As of January 31, 2006, Kinder Morgan, Inc. had a total of 134,041,480 shares of issued and outstanding voting common stock, which excludes 14,592,001 shares held in treasury.

⁶ Includes (a) 7,879 common units owned by Mr. Kinder's spouse, (b) 5,173 Kinder Morgan, Inc. shares held by Mr. Kinder's spouse and (c) 250 Kinder Morgan, Inc. shares held by Mr. Kinder in a custodial account for his nephew. Mr. Kinder disclaims any and all beneficial or pecuniary interest in these units and shares.

- ⁷ Includes options to purchase 220,000 Kinder Morgan, Inc. shares exercisable within 60 days of January 31, 2006, and includes 110,000 shares of restricted Kinder Morgan, Inc. stock.
- ⁸ Includes 1,750 restricted common units.
- ⁹ Includes options to purchase 10,000 common units exercisable within 60 days of January 31, 2006, and includes 1,750 restricted common units.
- ¹⁰ Includes 1,750 restricted common units.
- ¹¹ Includes options to purchase 25,000 Kinder Morgan, Inc. shares exercisable within 60 days of January 31, 2006, and includes 78,000 shares of restricted Kinder Morgan, Inc. stock.
- ¹² Includes options to purchase 56,300 Kinder Morgan, Inc. shares exercisable within 60 days of January 31, 2006, and includes 70,000 shares of restricted Kinder Morgan, Inc. stock.
- ¹³ Includes 44,000 shares of restricted Kinder Morgan, Inc. stock.
- ¹⁴ Includes options to purchase 10,000 common units and 432,550 Kinder Morgan, Inc. shares exercisable within 60 days of January 31, 2006, and includes 5,250 restricted common units and 489,500 shares of restricted Kinder Morgan, Inc. stock.
- ¹⁵ Includes common units owned by Kinder Morgan, Inc. and its consolidated subsidiaries, including 1,724,000 common units owned by Kinder Morgan G.P., Inc.
- ¹⁶ As reported on the Schedule 13G/A filed February 13, 2006 by Fayeze Sarofim & Co. and Fayeze Sarofim. Fayeze Sarofim & Co. reported that in regard to Kinder Morgan Energy Partners, L.P.'s common units, it had sole voting power over 0 common units, shared voting power over 4,108,689 common units, sole disposition power over 0 common units and shared disposition power over 5,424,148 common units. Mr. Sarofim reported that in regard to Kinder Morgan Energy Partners, L.P.'s common units, he had sole voting power over 2,300,000 common units, shared voting power over 4,114,489 common units, sole disposition power over 2,300,000 common units and shared disposition power over 5,429,948 common units. Mr. Sarofim's address is 2907 Two Houston Center, Houston, Texas 77010.
- ¹⁷ As reported on the Schedule 13G/A filed February 9, 2006 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 sole voting power over 0 shares, shared voting power over 6,250,520 shares, sole disposition power over 0 shares and shared disposition power over 6,250,520 shares. Mr. Kayne reports that in regard to Kinder Morgan Management, LLC shares, he had sole voting power over 988 shares, shared voting power over 6,250,520 shares, sole disposition power over 988 shares and shared disposition power over 6,250,520 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.
- ¹⁸ As reported on the Schedule 13G/A filed February 8, 2006 by OppenheimerFunds, Inc. and Oppenheimer Capital Income Fund. OppenheimerFunds, Inc. reported that in regard to Kinder Morgan Management, LLC shares, it had sole voting power over 0 shares, shared voting power over 5,047,640 shares, sole disposition power over 0 shares and shared disposition power over 5,047,640 shares. Of those 5,047,640 Kinder Morgan Management, LLC shares, Oppenheimer Capital Income Fund had sole voting power over 0 shares, shared voting power over 3,510,000 shares, sole disposition power over 0 shares and shared disposition power over 3,510,000 shares. OppenheimerFunds, Inc.'s address is Two World Financial Center, 225 Liberty Street, 11th Floor, New York, New York 10281, and Oppenheimer Capital Income Fund's address is 6803 South Tucson Way, Centennial, Colorado 80112.
- ¹⁹ As reported on the Schedule 13G filed February 10, 2006 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 3,658,188 shares, sole disposition power over 0 shares and shared disposition power over 3,728,878 shares. Tortoise Capital Advisors, L.L.C.'s address is 10801 Mastin Blvd., Suite 222, Overland Park, Kansas 66210.

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, 2005. Specifically, the table provides information regarding Kinder Morgan Energy Partners, L.P.’s Common Unit Option Plan described in Item 11. “Executive Compensation” as of December 31, 2005.

| Plan category | Number of securities to be issued upon exercise of outstanding options, warrants and rights (a) | Weighted average exercise price of outstanding options, warrants and rights (b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c) |
|---|--|--|--|
| Equity compensation plans approved by security holders..... | - | - | - |
| Equity compensation plans not approved by security holders..... | <u>25,300</u> | \$ 19.2494 | <u>55,400</u> |
| Total | <u>25,300</u> | | <u>55,400</u> |

Item 13. *Certain Relationships and Related Transactions.*

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 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 Kinder Morgan, 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 Kinder Morgan, Inc. and the Group are employed by Kinder Morgan, Inc. Additionally, other Kinder Morgan, Inc. employees assist in the operation of Kinder Morgan Energy Partners, L.P.’s Natural Gas Pipeline assets. These Kinder Morgan, Inc. employees’ expenses are allocated without a profit component between Kinder Morgan, 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, 2005, Kinder Morgan G.P., Inc. owned 1,724,000 common units, representing approximately 0.78% 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.

Available cash is initially distributed 98% to Kinder Morgan Energy Partners, L.P.'s limited partners and 2% to Kinder Morgan G.P., Inc. These distribution percentages are modified to provide for incentive distributions to be paid to Kinder Morgan G.P., Inc. in the event that quarterly distributions to unitholders exceed certain specified targets.

Available cash for each quarter is distributed:

- first, 98% to the owners of all classes of units pro rata and 2% to Kinder Morgan G.P., Inc. 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 Kinder Morgan G.P., Inc. 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 Kinder Morgan G.P., Inc. 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 us, as the owner of i-units, in the equivalent number of i-units, and 50% to Kinder Morgan G.P., Inc. in cash.

Incentive distributions are generally defined as all cash distributions paid to Kinder Morgan G.P., Inc. that are in excess of 2% of the aggregate amount of cash and i-units being distributed. Kinder Morgan G.P., Inc.'s declared incentive distributions for the years ended December 31, 2005, 2004 and 2003 were \$473.9 million, \$390.7 million and \$322.8 million, respectively.

Kinder Morgan, Inc.

Kinder Morgan, Inc., through its subsidiary Kinder Morgan (Delaware), Inc., remains the sole stockholder of Kinder Morgan G.P., Inc. At December 31, 2005, Kinder Morgan, Inc. directly owned 8,838,095 common units and 5,313,400 Class B units, indirectly owned 5,517,640 common units owned by its consolidated affiliates, including Kinder Morgan G.P., Inc., and owned 9,980,494 of our shares, representing an indirect ownership interest of 9,980,494 Kinder Morgan Energy Partners, L.P.'s i-units. Together, these units represent approximately 13.5% 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 2005 distribution level, Kinder Morgan, Inc. received approximately 51% of all quarterly distributions from Kinder Morgan Energy Partners, L.P., of which approximately 42% is attributable to its general partner interest and 9% is attributable to its limited partner interest. The actual level of distributions Kinder Morgan, 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

We, as Kinder Morgan G.P., Inc.'s delegate, are the sole owner of Kinder Morgan Energy Partners, L.P.'s 57,918,373 i-units.

Operations

Kinder Morgan, 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 Kinder Morgan, Inc., operates Trailblazer Pipeline Company's assets under a long-term contract pursuant to which Trailblazer Pipeline Company incurs the costs and expenses related to Natural Gas Pipeline Company of America's operating and maintaining the assets. Trailblazer Pipeline Company provides the funds for capital expenditures.

Natural Gas Pipeline Company of America does not profit from or suffer loss related to its operation of Trailblazer Pipeline Company'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 North System and Cypress Pipeline, which are part of Kinder Morgan Energy Partners, L.P.'s Products Pipelines business segment, are operated under agreements between Kinder Morgan, Inc. and Kinder Morgan Energy Partners, L.P. Pursuant to the applicable underlying agreements, Kinder Morgan Energy Partners, L.P. pays Kinder Morgan, 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 Kinder Morgan, Inc. for corporate general and administrative costs, including amounts related to Trailblazer Pipeline Company, were \$5.5 million of fixed costs and \$24.2 million of actual costs incurred for 2005, and \$8.8 million of fixed costs and \$13.1 million of actual costs incurred for 2004. Kinder Morgan Energy Partners, L.P. estimates the total reimbursement for corporate general and administrative costs to be paid to Kinder Morgan, Inc. in respect of all pipeline assets operated by Kinder Morgan, Inc. and its subsidiaries for Kinder Morgan Energy Partners, L.P. for 2006 will be approximately \$40.3 million, which includes \$1.0 million of fixed costs (adjusted for inflation) and \$39.3 million of actual costs. The expected increase in actual costs and expected decrease in fixed costs, in 2006 relative to 2005, relate to a higher level of future reimbursements being based on actual incurred expenses versus negotiated/fixed amounts.

Kinder Morgan Energy Partners, L.P. believes the amounts paid to Kinder Morgan, 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 have exactly matched 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 Kinder Morgan, Inc. and its subsidiaries in performing such services. Kinder Morgan Energy Partners, L.P. also reimburses Kinder Morgan, Inc. and its subsidiaries for operating and maintenance costs and capital expenditures incurred with respect to these assets.

Kinder Morgan, 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. Kinder Morgan Production Company, a subsidiary of one of Kinder Morgan Energy Partners, L.P.'s operating limited partnerships, completed construction of the power plant in June 2005 at an approximate cost of \$76 million. The power plant provides the majority of SACROC's current electricity needs.

Kinder Morgan Power Company, a subsidiary of Kinder Morgan, Inc., operates and maintains the power plant under a five-year contract entered into in June 2005. Pursuant to the contract, Kinder Morgan, 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 Kinder Morgan, Inc.'s expenses, including all agreed-upon labor costs, and also pays to Kinder Morgan, 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 Kinder Morgan, Inc. and invoiced monthly as provided by the contract, if not paid directly by Kinder Morgan Production Company. The amount paid to Kinder Morgan, Inc. in 2005 for operating and maintaining the power plant was \$0.8 million. Kinder Morgan Energy Partners, L.P. estimates the total reimbursement to be paid to Kinder

Morgan, Inc. for operating and maintaining the plant for 2006 will be approximately \$2.2 million. Furthermore, Kinder Morgan Energy Partners, L.P. believes the amounts paid to Kinder Morgan, 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 Kinder Morgan, 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 Kinder Morgan, 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.

From time to time in the ordinary course of business, Kinder Morgan Energy Partners, L.P. buys and sells pipeline and related services from Kinder Morgan, 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, crude oil and carbon dioxide. Kinder Morgan Energy Partners, L.P. performs risk management activities that involve the use of energy financial instruments to reduce these risks and protect Kinder Morgan Energy Partners, L.P.'s profit margins. Kinder Morgan Energy Partners, L.P.'s risk management policies prohibit Kinder Morgan Energy Partners, L.P. from engaging in speculative trading. Commodity-related activities of Kinder Morgan Energy Partners, L.P.'s risk management group are monitored by Kinder Morgan Energy Partners, L.P.'s risk management committee, which is a separately designated standing committee comprised of 15 executive-level employees of Kinder Morgan, 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.

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. Kinder Morgan, 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., Kinder Morgan, Inc. and us. The directors and officers of Kinder Morgan, Inc. have fiduciary duties to manage Kinder Morgan, Inc., including selection and management of its investments in its subsidiaries and affiliates, in a manner beneficial to the shareholders of Kinder Morgan, Inc. 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 directors and officers of Kinder Morgan, Inc. to the shareholders of Kinder Morgan, Inc. may, therefore, come into conflict with our duties and the duties of our directors and officers to Kinder Morgan Energy Partners, L.P. 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 Kinder Morgan, Inc. or its subsidiaries, on the one hand, and Kinder Morgan Energy Partners, L.P., on the other hand.

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, 2005, and December 31, 2004:

| | Year Ended December 31, | |
|-------------------|--------------------------------|-------------------|
| | 2005 | 2004 |
| | (In dollars) | |
| Audit fees- | \$ 189,000 | \$ 171,000 |
| Total | <u>\$ 189,000</u> | <u>\$ 171,000</u> |

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 are pre-approved by our audit committee. Pursuant to the charter of our audit committee, the committee's primary purposes include the following:

- to select, appoint, engage, oversee, retain, evaluate and terminate our external auditors;
- to pre-approve all audit and non-audit services, including tax services, to be provided, consistent with all applicable laws, to us by our external auditors; and
- to establish the fees and other compensation to be paid to our external auditors.

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 107 through 200 of Kinder Morgan Energy Partners, L.P.'s Annual Report on Form 10-K for the year ended December 31, 2005.

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*

| <u>Exhibit Number</u> | <u>Description</u> |
|---------------------------|--|
| 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 (filed as Exhibit 4.2 to the Company's Registration Statement on Form 8-A/A filed on July 24, 2002 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 4.2 to the Company's Registration Statement on Form 8-A/A filed on July 24, 2002 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. (Exhibit 4.3 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002). |
| 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)).
- 10.3 Resignation and Non-Compete Agreement, dated as of July 21, 2004, between KMGP Services, Inc. and Michael C. Morgan (Exhibit 10.4 to Kinder Morgan Management, LLC's Quarterly Report on Form 10-Q for the quarter ended June 30, 2004).
- 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.
- 99.1* Kinder Morgan Energy Partners, L.P. Annual Report on Form 10-K for the year ended December 31, 2005.

* 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: March 14, 2006

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.

/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