“With Change Comes Opportunity.” This was the theme of our annual investor conference in late January 2015. Two significant events occurred in 2014 that we believe will lead to multiple opportunities for Kinder Morgan. First, we merged all of the Kinder Morgan entities into one company, which gives us a lower cost of capital and more financial wherewithal to expand our current assets and make acquisitions. Second, due to the rapid decline in commodity prices, we believe 2015 will be an opportunity-rich environment for acquisitions. Kinder Morgan is well positioned and poised to acquire stable midstream assets, assuming they produce an attractive return on our investment.

In early February 2015, for example, we completed the purchase of Hiland Partners for approximately $3 billion. We acquired primarily fee-based crude oil gathering and transportation pipelines, and natural gas gathering and processing systems that serve production from the Bakken Formation in North Dakota and Montana. This accretive transaction gives us a premier midstream platform in the core of the Bakken, one of the most prolific oil producing basins in North America.

But acquisitions are only one way that we can further grow the company. We own an unparalleled footprint of diversified assets across North America, which we operate like a giant toll road, and we continue to find many opportunities to expand our existing assets and build new midstream energy infrastructure. We began 2015 with nearly $18 billion of organic growth projects in our five-year project backlog. These projects have a high certainty of completion and will drive future growth at the company across all of our business segments.

A Look Back

Kinder Morgan had a good year in 2014 and paid cash dividends of $1.74 per share, exceeding our annual budget of $1.72 per share, and 9 percent higher than the 2013 declared dividend of $1.60. While we experienced some headwinds in the fourth quarter due primarily to commodity pricing, we demonstrated once again that our large portfolio of mostly fee-based assets can produce good results even in tumultuous market conditions. Since our formation in 1997, historical results show that we have been able to produce consistent and increasing cash flow in all types of market conditions.

Below are a few highlights from 2014:

• We completed the $77 billion roll-up of Kinder Morgan Energy Partners, Kinder Morgan Management and El Paso Pipeline partners into Kinder Morgan, Inc., which paves the way for significant dividend growth at KMI and simplifies the company for investors.
• We invested $4.8 billion in expansions (including joint ventures) and acquisitions.
• We placed $3.3 billion of growth projects in service.
• We are a market leader in each of our business segments, which generated $7.539 billion in earnings before DD&A and certain items (EBDA), up 9 percent over 2013.
• We consider the safe operation of our assets to be mission critical to our long-term success. We closed the year with performance on environment, health and employee safety that was better than the industry averages in 35 out of 36 measures.

A Look Ahead

We have implemented the same strategy since 1997. We focus on: stable, fee-based assets that are core to North American energy infrastructure; controlling costs; leveraging our asset footprint to seek attractive capital investment opportunities through both expansions and acquisitions; maintaining a strong balance sheet; and providing transparency to our investors.

This strategy has proven successful. Kinder Morgan is:

• the largest midstream and third largest energy company in North America with approximately 80,000 miles of pipelines and 180 terminals,
• the largest transporter of natural gas and CO₂, and the largest independent transporter of refined petroleum products in North America,
• the largest terminal operator in North America, and
• the only oilsands pipeline moving crude oil to the West Coast.
2015 began with a five-year backlog of expansion
and joint venture investments of nearly $18 billion,
about $3 billion higher than the previous year. These
highly probable projects either have secured commercial
contracts in place or are at an advanced stage of
negotiation. It’s important to note that the existing
backlog is largely insulated from oil price fluctuation due
to long-term customer contracts and association with
high-demand, multi-year projects. There continues to be
a great need for additional midstream infrastructure to
get energy products to markets across North America,
and we are pursuing customer commitments for billions
of dollars in additional projects that are not yet far
enough along to add to the backlog.

We remain bullish on natural gas, which is
domestic, clean, abundant and reasonably priced. Certain
industry experts are projecting natural gas demand
increases of about 40 percent to nearly 110 billion cubic
feet per day over the next decade. With the largest
natural gas network in North America, this bodes well
for Kinder Morgan. We currently move about one-third
of the natural gas consumed in the United States. Future
opportunities for natural gas include the need for more
capacity in the Northeast, demand for gas-fired power
generation, LNG exports and exports to Mexico. Other
anticipated growth areas include crude oil, where U.S.
production is expected to continue to grow despite the
pull back in price, and NGL exports.

Our 2015 budget calls for declared dividends
of $2 per share, a 15 percent increase over the 2014
declared dividend of $1.74 per share, segment EBDA
of $8.2 billion and excess coverage of approximately
$654 million. While 85 percent of our EBDA is fee-based,
and 94 percent is fee-based or hedged, we do have
some commodity price sensitivity which was detailed
at our annual investor conference in January 2015. That
presentation is available at www.kindermorgan.com
in the Investor section. Despite this commodity price
sensitivity, we still expect Kinder Morgan will generate
substantial coverage above our declared dividends, even
in a sustained low-price commodity environment. For
2015, we estimate that every $1 per barrel change in the
average West Texas Intermediate (WTI) crude oil price
will impact distributable cash flow by approximately
$10 million (budget assumes WTI price of $70 per barrel),
and each $0.10 per MMBtu change in the price of natural
gas will impact distributable cash flow by approximately
$3 million (budget assumes Henry Hub natural gas price
of $3.80 per MMBtu).

Moving forward, we pledge to do our best to
manage the ongoing business risks facing us and others
in the industry, including regulatory rate cases and
changes, project execution, environmental matters and
interest rates. While past performance does not guarantee
future results, you can trust that at Kinder Morgan you
are investing in an experienced management team with
a proven track record that has delivered strong financial
results and attractive returns to shareholders and
unitholders spanning 18 years.

Thanks for your ongoing support. We still believe
the best is yet to come!

Sincerely,

Richard D. Kinder    Steven J. Kean    Kimberly A. Dang
Chairman & CEO      President & COO     CFO
Kinder Morgan, Inc. (NYSE: KMI) is the largest energy infrastructure company in North America. It owns an interest in or operates approximately 80,000 miles of pipelines and 180 terminals. The company’s pipelines transport natural gas, gasoline, crude oil, CO₂ and other products, and its terminals store petroleum products and chemicals, and handle bulk materials like coal and petroleum coke. Kinder Morgan is the largest midstream and third largest energy company in North America with an enterprise value of approximately $130 billion. For more information please visit www.kindermorgan.com.

BUSINESS SEGMENTS

Kinder Morgan’s Natural Gas Pipelines produced 2014 segment earnings before DD&A and certain items of $4.069 billion, up 9 percent from 2013. Growth in the segment was driven by strong performance by Tennessee Gas Pipeline (TGP), El Paso Natural Gas (EPNG) and our South Texas Copano midstream assets, which we owned for the full year. Full-year earnings were boosted by a number of TGP expansion projects that came online and resulted in a 16 percent throughput increase on TGP compared with 2013. EPNG throughput was 10 percent higher than the previous year due in part to increased demand in Mexico. South Texas Copano midstream assets benefited from higher gathering volumes from Eagle Ford Shale production.

Approximately 54 percent of Kinder Morgan’s projected 2015 cash flow is expected to be produced by our Natural Gas Pipelines segment. Our budget projects $4.093 billion in segment earnings before DD&A and certain items for this segment in 2015, up slightly from 2014. We expect TGP to continue to be in high demand, as it is uniquely positioned to transport natural gas to both the Gulf Coast and Northeast markets from the growing Marcellus and Utica shale plays. Growing natural gas demand for power generation and industrial use, along with incremental exports to Mexico, should also drive earnings.

As of mid-January 2015, our Natural Gas Pipelines business had approximately $4.6 billion in the project backlog. Major projects include the approximately $750 million Broad Run Flexibility and Broad Run Expansion projects, which will move gas north to south from West Virginia to Mississippi and Louisiana. The projects are supported by a major shipper who entered into a contract for all 790,000 dekatherms per day (Dth/d) of incremental capacity. TGP plans to place the two projects in service in November 2015 and November 2017, respectively.

We also have significant LNG projects well underway. Elba Liquefaction received Shell’s election in late 2014 to move forward with the final two liquefaction trains for full, 10-train development of the planned project. Our expected investment in the project, which has already received Free Trade Agreement LNG export authority, is approximately $1.3 billion. Subject to regulatory approvals, initial production from the project is expected to occur in 2017. Work also continues on the Elba Express Company and Southern Natural Gas Company expansion projects to provide 854,000 Dth/d of incremental natural gas transportation service to support the needs of customer in Georgia, South Carolina and northern Florida. The first phases of the combined, approximately $280 million projects, are expected to be in service in June 2016.

Work also continues on the second phase of our approximately $530 million West Region system expansion which will result in incremental deliveries of 550,000 Dth/d of natural gas to Arizona and California. The project is supported by long-term contracts and is expected to be completed by October 2020.

The CO₂ business produced 2014 segment earnings before DD&A and certain items of $1.458 billion, up 2 percent from 2013. Lower commodity prices impacted earnings overall, but this segment achieved some exceptional operational results in 2014, establishing annual records in oil, NGL and CO₂ production. Combined gross oil production volumes averaged 57.6 thousand barrels per day (MBbl/d) for the year, led by an 8 percent increase at our large SACROC Unit, which performed significantly above plan for 2014. We also achieved record throughput on the Cortez Pipeline, which transports CO₂ from southwestern Colorado to the Permian Basin, and record throughput on the Wink Pipeline, which transports crude from the Permian Basin to a refinery in El Paso, Texas. Also in 2015 we initiated CO₂ injection in the residual oil zone of our new Tall Cotton field in West Texas.

Approximately 16 percent of Kinder Morgan’s projected 2015 cash flow is expected to be produced by our CO₂ segment – 11 percent from enhanced oil recovery and 5 percent from our source and transportation business. Our budget projects
$1.343 billion in segment earnings before DD&A and certain items for CO₂ in 2015, which would be an 8 percent decrease from 2014 due to the significant decline in oil prices. As a reminder, we use a long-term hedging strategy to mitigate risk and generate more stable prices from our oil production. Increased oil production from the SACROC unit and incremental CO₂ volumes from the planned in-service of the Cow Canyon expansion project in southwestern Colorado are expected to help offset some of the impact of lower commodity prices (see the commodity price sensitivity details in the shareholder letter).

As of mid-January 2015, our CO₂ business had approximately $3.6 billion in the project backlog to further expand our source and transportation assets and our enhanced oil production recovery efforts. For example, we will continue to pursue the Cow Canyon development in southwestern Colorado and the northern portion of the Cortez Pipeline expansion to increase both the production and transportation of CO₂ for use in enhanced oil recovery projects in the Permian Basin of West Texas. Additionally, we will continue our enhanced oil recovery efforts at our new Tall Cotton field pilot project and at SACROC, Yates, Katz and Goldsmith. While commodity prices remain low, we will place extra emphasis on reducing operational costs and delay the start of certain projects.

The Products Pipelines business produced 2014 segment earnings before DD&A and certain items of $860 million, up 10 percent from 2013. Growth was driven by an increase in crude and condensate volumes to over 100,000 barrels per day (bpd), up from approximately 35,000 bpd in 2013, and a 6 percent increase in overall refined products volumes.

Approximately 14 percent of Kinder Morgan’s projected 2015 cash flow is expected to be produced by our Products Pipelines segment. Our budget projects $1.114 billion in segment earnings before DD&A and certain items for Products Pipelines in 2015, which would be 29 percent growth over 2014. Growth in this segment is expected to be driven by increased volumes on the Kinder Morgan Crude and Condensate (KMCC) Pipeline, placing the condensate processing facility in service at the Houston Ship Channel, receiving a full-year of earnings from the Cochin Reversal project and improved transmix margins.

As of mid-January 2015, our Products Pipelines business had almost $2 billion of investments in the project backlog. Work continues on the approximately $505 million Utopia East project, which will move ethane and ethane-propane mixtures across Ohio through a new pipeline and repurpose existing Kinder Morgan pipeline facilities to move product eastward to Windsor, Ontario, Canada. The project is supported by a long-term transportation agreement with a major shipper. Following a successful binding open season, we announced that the approximately $1.1 billion Palmetto project will move forward. We will invest approximately $815 million (net of our partner interest) in Palmetto, which will transport about 167,000 bpd of gasoline, diesel and ethanol from Louisiana, Mississippi and South Carolina to points in South Carolina, Georgia and Florida. The project will consist of a segment of expansion capacity on the Plantation pipeline that Palmetto will lease and a new 360-mile pipeline from South Carolina to Florida. We anticipate an in-service date of July 2017, pending regulatory approvals. We are also nearing completion of our approximately $385 million condensate splitter, noted above. Supported by a long-term fee-based agreement with BP North America for the vast majority of the 100,000 bpd of capacity, the entire project is expected to be in service by July 2015. Additionally, KMCC continues to benefit from strong Eagle Ford crude and condensate production and further expansions are planned.

The Terminals business produced 2014 segment earnings before DD&A and certain items of $979 million, up 23 percent over 2013. Approximately two-thirds of the growth was organic, with the remainder coming from acquisitions. Earnings growth
was driven by strong performance at our liquids terminals, particularly along the Gulf Coast, an increase in petcoke volumes and recent expansions totaling over $1 billion at BOSTCO, Edmonton, Deepwater and IMT. Our fleet of Jones Act tankers, which we acquired in two separate transactions totaling approximately $1.4 billion, also contributed to the growth in this segment. These tankers engage in the marine transportation of crude oil, condensate and refined products in the United States.

In 2014, our Terminals and Products Pipelines businesses combined handled over 113 million barrels of ethanol, up 9 percent from 2013. We currently handle approximately one-third of the ethanol used in the United States.

Approximately 14 percent of Kinder Morgan’s projected 2015 cash flow is expected to be produced by our Terminals segment. Our budget projects $1.174 billion in segment earnings before DD&A and certain items for our Terminals business in 2015, which would be a 20 percent increase over 2014. The majority of this growth is expected to be driven by expansion projects, with acquisitions accounting for the remainder.

As of mid-January 2015, our Terminals business had approximately $2 billion in the project backlog. A significant portion of these investments are directed toward further expansions at our liquids facilities along the Houston Ship Channel and in Edmonton. Projects include building new refined products storage tanks at Pasadena and Galena Park, as well as new ship and barge docks. We are also making progress on the joint venture Edmonton Rail Terminal expansion, which is expected to start up in the first quarter with a capacity of over 210,000 bpd, increasing up to 250,000 bpd. The terminal will be connected via pipeline to our Trans Mountain terminal and will be capable of sourcing all crude streams handled by us for delivery by rail to North American markets and refineries. Additionally, in the fourth quarter of 2015, we anticipate taking delivery of the first of five new-build Jones Act tankers, which will be placed into service as part of a multi-year time charter agreement with a major oil company.

Kinder Morgan Canada produced 2014 segment earnings before DD&A and certain items of $182 million compared with $200 million for 2013. While demand for capacity remained high on the Trans Mountain pipeline for the full year, earnings were impacted primarily by an unfavorable foreign exchange rate. For 2015, Kinder Morgan Canada’s budget calls for $184 million in segment earnings before DD&A and certain items, a slight increase over 2014.

Kinder Morgan Canada is currently engaged in the process of achieving approval from the National Energy Board (NEB) for the Trans Mountain expansion project. We continue to engage extensively with landowners, Aboriginal groups, communities and stakeholders along the proposed expansion route, and marine communities. Based on feedback from landowners and local residents, and subsequent research, we determined that tunneling or drilling under Burnaby Mountain would be less disruptive than constructing the pipe in road right-of-way and landowners’ yards. The NEB ruled that it was appropriate to extend the timeline for consideration of our application by seven months to permit examination of this new preferred route. The NEB decision is scheduled for January 2016, and accordingly, we expect the Trans Mountain expansion to be completed in the third quarter of 2018. Thirteen companies in the Canadian producing and oil marketing business signed firm long-term contracts supporting the project for approximately 708,000 bpd. Kinder Morgan Canada received approval of the commercial terms related to the expansion from the NEB in May of 2013. The proposed $5.4 billion expansion, which is included in our project backlog, will increase capacity on Trans Mountain from approximately 300,000 to 890,000 bpd.