Other Segments and Corporate Development
Mike Morgan
Agenda

- Terminals
- Retail
- Power
- Acquisition Update
- TransColorado Dropdown
- Financing Acquisitions
- KMR vs. KMP Price
- Distribution Management Policy
Terminals Segment Overview (a)

(a) 2004 budgeted distributable cash flow before allocation of G&A and interest
Terminals Overview

Liquids

- 12 terminals
  - 36.2MM barrels of storage
  - 66% in Houston, NY (a)

Bulk

- 42 terminals
  - 59MM total through-put tonnage
- 49 transload terminals

(a) Based on 2004E EBITDA
Liquids Terminals Contract Life

- **2 – 3 years average contract life**
  - Under 1 year – 19.1% of total revenue
  - 1 – 2 years – 29.1% of total revenue
  - 2 – 3 years – 16.2% of total revenue
  - 3 + years – 35.7% of total revenue
Terminals Financial Results

Financial Results

- 2003 Earnings before DD&A $240,776
- 2004E Earnings before DD&A $256,726 (7% growth)

Macro-Growth Factors

<table>
<thead>
<tr>
<th>Growth</th>
<th>2002</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased Gasoline Demand</td>
<td>8,844MM BPD</td>
<td>8,932MM BPD</td>
</tr>
<tr>
<td>(1%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased Distillate Demand</td>
<td>3,761MM BPD</td>
<td>3,869MM BPD</td>
</tr>
<tr>
<td>(3%)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increased Gasoline Imports</td>
<td>809MM BPD</td>
<td>873MM BPD</td>
</tr>
<tr>
<td>(8%)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Long Term Trends

- Average Refinery Utilization 90.6% 92.3%
- Greater dependence on imported petroleum
- Increased number of product specs
2004 Terminals Growth Drivers

- KMLT
  - Expanded capacity in the Northeast by 300,000 bbls
  - Full year of new KM to Buckeye Pipeline
  - Full year of new tankage in Houston – 300,000 bbls

- KMBT
  - Soda ash on West Coast up 200,000 tons
  - Petroleum coke up by 250,000 tons
  - Increase in imported fertilizer in Southwest due to high cost of natural gas
  - Increased services at in-plant facilities
  - Increased handling of ore products and synfuel
Retail and Power Segments

2004 Budget

- NGPL 41%
- KMP 48%
- Retail 7%
- Power 1%
- Trans-Colorado 3%

(a) 2004 budgeted segment earnings before allocation of G&A and interest expense. KMP includes: (i) general partner interest, (ii) earnings from 18 million KMP units and (iii) earnings from 15 million KMR units.
Totals
241,574 Meters
$68.7mm 04E

Note: Colorado totals include Rocky intrastate pipeline

Retail

WYOMING

29% of Meters
21% of Income

COLORADO

31% of Meters
56% of Income

NEBRASKA

40% of Meters
23% of Income

Note: Colorado totals include Rocky intrastate pipeline

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004E</th>
</tr>
</thead>
<tbody>
<tr>
<td>EBITDA</td>
<td>$79.1</td>
<td>$81.7</td>
<td>$85.5</td>
</tr>
<tr>
<td>Op Income</td>
<td>$64.1</td>
<td>$65.5</td>
<td>$68.7</td>
</tr>
<tr>
<td>Growth</td>
<td>2%</td>
<td>5%</td>
<td></td>
</tr>
</tbody>
</table>

Growth

5% 2% 5%
2004 KMI Retail Segment Key Drivers

- Completion of Montrose to Ouray pipeline and distribution expansion
- Colorado meter growth
- Hedging strategy minimizes weather-related margin fluctuations
- Operational efficiencies from automated schedule/dispatch system and new technologies such as automated meter reading (AMR)
- Choice Gas Supply programs available to 165,000 customers of which 135,000 participate (82%)
Colorado Growth

- **Eagle Valley**: 1500 meters
- **Roaring Fork Valley**: 500 meters
- **Ridgway-Ouray**: 4000 – 5000 meters
- **Pagosa Springs**: 2000 – 3000 meters

**Front Range**: 4000 – 5000 meters
# Small Power Portfolio, 1% of KMI

<table>
<thead>
<tr>
<th>Plant</th>
<th>Capacity (Mw)</th>
<th>Ownership</th>
<th>Type of Contract</th>
<th>Counter-Party</th>
<th>Contract Expiration</th>
<th>2004E ($mm)</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Interest:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Ft. Lupton</td>
<td>272</td>
<td>50%</td>
<td>Toll</td>
<td>PSCo</td>
<td>2009, 2019</td>
<td></td>
<td>(a) 272 Mwh contracted through 2009, 122 Mwh contracted through 2019.</td>
</tr>
<tr>
<td>Greeley</td>
<td>32</td>
<td>100%</td>
<td>PPA</td>
<td>PSCo</td>
<td>2011</td>
<td></td>
<td>(b) PSCo pays a fixed demand charge. Gas supply risk mitigated through long term contract.</td>
</tr>
<tr>
<td>Sithe</td>
<td>72</td>
<td>33.5%</td>
<td>Toll</td>
<td>PSCo</td>
<td>2013</td>
<td></td>
<td>(c) Kinder Morgan owns a 33.5% royalty interest.</td>
</tr>
<tr>
<td>Total Colorado</td>
<td>376</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$8.7</td>
<td></td>
</tr>
<tr>
<td>Preferred Interest:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Jackson</td>
<td>541</td>
<td>N/A</td>
<td>Toll</td>
<td>Williams</td>
<td>2018</td>
<td>$4.8</td>
<td>(d) 2004E represents fees that KM receives as plant operator. No earnings in 2004E associated with preferred interest.</td>
</tr>
<tr>
<td>Wrightsville</td>
<td>550</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>N/A</td>
<td>$0</td>
<td>(e) Mirant buys the gas, sells the power and operates the plant. Kinder Morgan owns a preferred interest. Mirant placed plant in bankruptcy in 2003.</td>
</tr>
<tr>
<td>Total Power</td>
<td>1,467</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$13.5</td>
<td></td>
</tr>
</tbody>
</table>
Other Items

Turbines

- To sell at beginning of 2003:
  - 1 7EA
  - 6 LM6000s
  - Associated Equipment

- Progress
  - Sold 1 LM6000 to 3rd party
  - No gain or loss recognized on sale
  - Will sell 2 LM6000s at same price to CO₂ (mid year 2004)
  - Pursuing leads on 4 remaining

$29.4 million Q4 after-tax revaluation

- Wrightsville = $27.6
- E&P Reserves = $1.8
## KMP 2003 Acquisitions

### Acquisition in Every Business Segment

<table>
<thead>
<tr>
<th>Segment</th>
<th>Date</th>
<th>Value ($ millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Red Cedar Natural Gas</td>
<td>Q3</td>
<td>$10</td>
</tr>
<tr>
<td>CO₂ – 42.5% Yates, 12.75% SACROC CO₂</td>
<td>Q4, Q2</td>
<td>254</td>
</tr>
<tr>
<td>Shell West Coast Terminals Products</td>
<td>Q4</td>
<td>28</td>
</tr>
<tr>
<td>Mid-Tex Storage Natural Gas</td>
<td>Q4</td>
<td>18</td>
</tr>
<tr>
<td>Rancho Pipeline Natural Gas</td>
<td>Q4</td>
<td>30</td>
</tr>
<tr>
<td>Southeast Terminals Products</td>
<td>Q4</td>
<td>14</td>
</tr>
<tr>
<td>4 Terminals – Tampa and NY Terminals</td>
<td>Q4</td>
<td>33</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$387</strong></td>
</tr>
</tbody>
</table>
TransColorado: Asset has been Stabilized

Long-Term Contracts in Place

Reduced Exposure to Differentials

<table>
<thead>
<tr>
<th>Customer</th>
<th>Capacity mmcf/d</th>
<th>Contract Exp. Date</th>
<th>Min. Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer A</td>
<td>10,000</td>
<td>3/05</td>
<td>$.07</td>
</tr>
<tr>
<td>Customer B</td>
<td>25,000</td>
<td>12/07</td>
<td>$.05</td>
</tr>
<tr>
<td>Total</td>
<td>35,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Represents only 2.8% of 2004E revenues

~ 6-year average contract life compares favorably to KMP average

(a) Includes ROFR capacity
TransColorado: Potential Dropdown in 2004

**KMI 2004E Segment Income**  $26.1 mm

**Post expansion EBITDA**  > $32 mm

**FERC Approval Expected**  2Q 2004

**Expansion Completion**  3Q 2004

**Estimated Dropdown Timing**  2Q-3Q 2004

**Process:**
1. KMI and KMR boards hire independent counsel, banks, etc.
2. Approval by both KMI and KMR boards
3. FERC Approval for Expansion
GP Participation has Increased with Success

**KMP Distribution Per LP Unit (b)**

<table>
<thead>
<tr>
<th>Tier</th>
<th>General Partner</th>
<th>Limited Partner</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tier I</td>
<td>$0.00 to $0.605</td>
<td>2%</td>
</tr>
<tr>
<td>Tier II</td>
<td>$0.605 to $0.715</td>
<td>15%</td>
</tr>
<tr>
<td>Tier III</td>
<td>$0.715 to $0.935</td>
<td>25%</td>
</tr>
<tr>
<td>Tier IV</td>
<td>&gt; $0.935</td>
<td>50%</td>
</tr>
</tbody>
</table>

(a) Includes only the 2% GP Interest - does not include limited partner units owned by GP/KMI
(b) Annual calculation. Actual calculations are made quarterly at 25% of distribution target shown
## Cost of Capital Substantially Below Acquisition Multiples

<table>
<thead>
<tr>
<th>Cost of Equity</th>
<th>Cost of Debt</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nominal Yield</td>
<td>6.0%</td>
</tr>
<tr>
<td>GP Gross-Up</td>
<td>4.2%</td>
</tr>
<tr>
<td>Pre-Tax Cost of Equity</td>
<td>10.2%</td>
</tr>
<tr>
<td>Pre-Tax Cost of Debt</td>
<td>5.5%</td>
</tr>
</tbody>
</table>

### Cost of Equity vs. Cost of Debt

- Nominal Yield: 6.0%
- GP Gross-Up: 4.2%
- Pre-Tax Cost of Equity: 10.2%
- Pre-Tax Cost of Debt: 5.5%

\[
\text{Weighted Average Cost of Capital} = 8.3\%
\]

### Acquisition Multiples

<table>
<thead>
<tr>
<th>Multiples</th>
<th>ROI</th>
<th>2003 ROI</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.0X</td>
<td>16.7%</td>
<td></td>
</tr>
<tr>
<td>7.0X</td>
<td>14.3%</td>
<td>13.1%</td>
</tr>
<tr>
<td>8.0X</td>
<td>12.5%</td>
<td></td>
</tr>
</tbody>
</table>
KMP Acquisition Success More Than Cost of Capital

- **G&A Cost Reductions**
  - Tejas: 87 employees
  - GATX: 121 employees
  - Santa Fe: 104 employees

- **Synergies with Existing Asset Base**
  - Tejas interconnections with KMTP
  - Shell Terminals on SFPP
  - Cross-over Customers (e.g. liquids and bulk terminals)

- **Financing Risk**
  - Have won auctions although not highest bid
  - Excellent track record on deals over $1 billion

- **Post-acquisition allocation of capital to expansion projects**
Financing Risk is Low

$3.6 billion in Equity Raised (a)

Investors Have Done Well (b)

Current Yield on Offer Price

a) Does not include KMR distributions, totaling approximately $260 million.
b) Source: Bloomberg. With the exception of 2003, all returns are calculated on a daily basis from date of offering through 12/31/2003 assuming dividends reinvested. 2003 returns are calculated the same way but are not annualized in order to be more conservative (i.e. total return over 7 months).
KMR Discount/Premium to KMP

4/11/2002, 0%
File Initial Proxy to Remove Exchange

6/25/2002, -1%
File Final Proxy

7/24/2002, -3%
Begin KMR Roadshow

7/31/2002, -7%
KMR Pricing

10/10/2002, -7%
EEQ Pricing

12/31/2003, -13%

Source: Bloomberg
KMR is a Tax Efficient Way to Own KMP

- Higher Current Yield When KMR Trades at a Discount
  - KMP Cash Distribution / KMR Price (10 days prior to ex-dividend)

- Same or Better Terminal Value
  - guarantee upon mandatory purchase events of higher of KMP or KMR value

- Same Voting Rights as KMP

- Taxes
  - Share distributions are not taxed and reduce per share basis
  - One year after purchase, all gains (including most recent share distribution) are long term capital gains

- Frictional costs to liquidate share dividend and replicate KMP are minimal.
MLP unit holders want a stable and growing distribution

Oil production will ultimately begin to decline (2011-2013)

KMP Distribution Management Policy
  — Grow coverage
  — Reinvest retained capital in accretive projects to offset decline

Viewed in a vacuum, decline may look significant

However, in context of overall MLP, the distribution is not expected to decline

Will reassess overall coverage each year
CO₂ Oil Production as a Stand-Alone Business

**DCF from Oil Production ($ millions)**

- SACROC and Yates
- SACROC and Yates after Reserves
Oil Production Impact on Total KMP is Modest

**Total KMP DCF ($ millions)**

Assumes that KMP DCF, excluding SACROC and Yates, grows at 5%.