



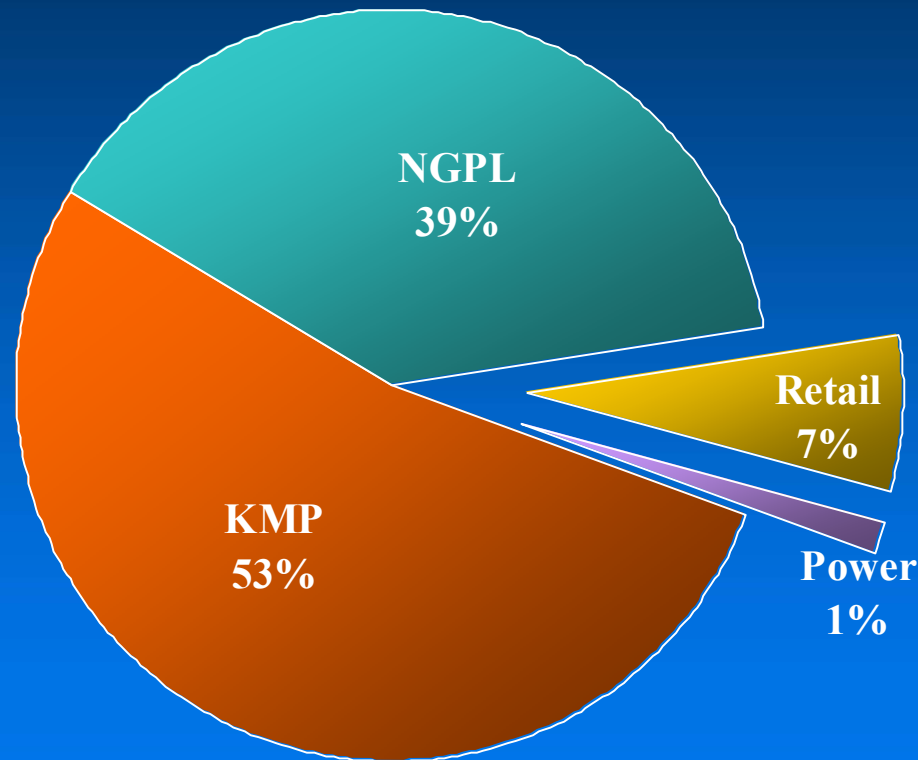
Other Segments and Financial Review
Park Shaper

Agenda

- Retail and Power Segments
- Acquisitions
- 2005 Cash Flow
- 2005 Budget
 - Sustaining Capital Shift
 - Options Expense Impact
 - SFPP Impact
 - KMR Sales
 - Quarterly Earnings Distribution
- Balance Sheet Analysis
- Summary

KMI Retail and Power Segments

2005 Budget (a)

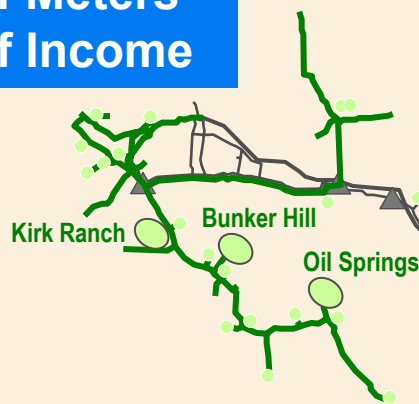


(a) 2005 budgeted segment earnings before G&A and interest expense. KMP includes: (i) general partner interest, (ii) earnings from 20 million KMP units and (iii) earnings from 15 million KMR units.

Retail

WYOMING

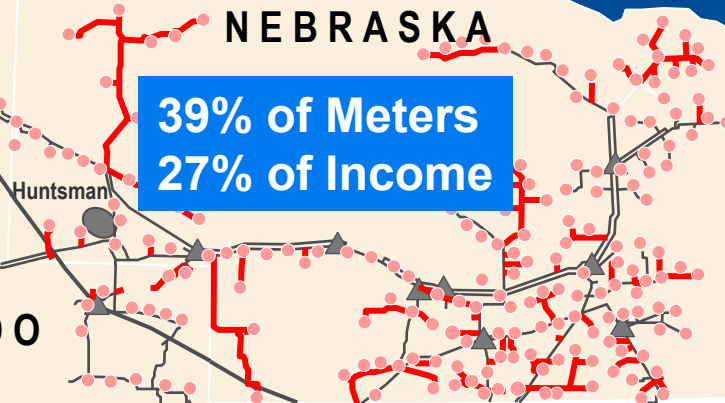
**29% of Meters
35% of Income**



Totals
243,029 Meters
\$70.7mm 05E Income

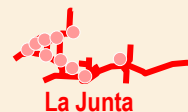
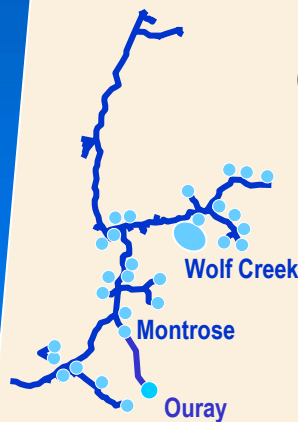
NEBRASKA

**39% of Meters
27% of Income**



COLORADO

**32% of Meters
38% of Income**



Pagosa Springs

	2003	2004	2005E
EBITDA	\$81.7	\$86.4	\$88.5
Op Income	\$65.5	\$69.3	\$70.7
Growth		6%	2%

Small Power Portfolio, 1% of KMI

Plant	Capacity (Mw)	Ownership	Type of Contract	Counter-Party	Contract Expiration	2005E Earnings (\$mm)	Notes
<u>Equity Interest:</u>							
Ft. Lupton	272	50%	Toll	PSCo	2009, 2019		(a)
Greeley	32	100%	PPA	PSCo	2011		(b)
Sithe	72	33.5%	Toll	PSCo	2013		(c)
Total Colorado	376					\$9.8	
<u>Preferred Interest:</u>							
Jackson	541	N/A	Toll	Williams	2018	\$4.8	(d)
Wrightsville	550	N/A	N/A	N/A	N/A		(e)
Total Power	1,467					\$14.6	

(a) 272 Mwh contracted through 2009, 122 Mwh contracted through 2019.

(b) PSCo pays a fixed demand charge. Gas supply risk mitigated through long term contract.

(c) Kinder Morgan owns a 33.5% royalty interest.

(d) 2005E represents fees that KM receives as plant operator. No earnings in 2005E associated with preferred interest.

(e) Kinder Morgan owns a preferred interest. Mirant placed plant in bankruptcy in 2003; bankruptcy proceedings are ongoing.

KMP 2004 Acquisitions

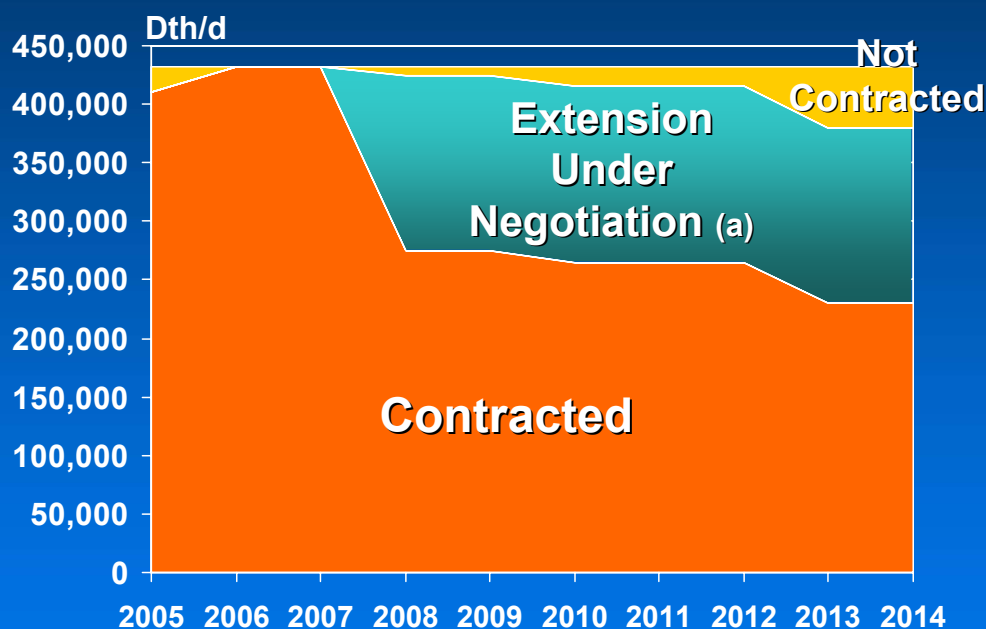
	Acquisition	Date	Purchase Price (a) (\$mm)	Estimated Annual DCF (b) (\$mm)	Multiple
1.	Southeast terminals	Feb, Nov-04	\$129.0	\$19.9	6.5
2.	Kaston Pipeline	Aug-04	111.0	17.5	6.3
3.	Global Materials	Oct-04	80.0	12.0	6.7
4.	TransColorado	Nov-04	275.0	35.0	7.9
5.	Cochin	Nov-04	11.8	1.5	7.9
6.	Novolog	Dec-04	15.8	2.6	6.1
Total			\$622.6	\$88.5	7.0

(a) Purchase price after consideration of inclusion capital and other liabilities

(b) Annualized distributable cash flow; calculated as EBITDA less sustaining capex and cash taxes

TransColorado Acquisition

Stable Asset



KMP Purchase Price

(\$mm)

Price	\$275
2005E DCF	\$35
DCF Multiple	7.9X

KMI Use of Proceeds

(\$mm)

KMP Shares	\$64
Debt Reduction	\$50
Share Repurchase	\$161
Total	\$275

(a) 2007 contract expiration has rate of \$.17/mmcft versus recent transactions ranging from \$.23-.29/mmcft.

KMP Distributable Cash Per Unit

(thousands, except per unit)

	2003 (a)	2004	2005E	Growth Rate 04-05E
Net Income	\$693,872	\$831,578	\$947,411	
DD&A	224,607	294,201	356,288	
Sustaining Capex	<u>(92,837)</u>	<u>(119,244)</u>	<u>(125,777)</u>	
Total Distributable Cash Flow	825,642	1,006,535	1,177,922	17%
General Partner's Interest	<u>(326,489)</u>	<u>(395,092)</u>	<u>(475,892)</u>	
Distributable Cash Flow	\$499,153	\$611,443	\$702,030	15%
Net Income - \$/unit	\$1.98	\$2.22	\$2.23	0%
DD&A - \$/unit	1.21	1.49	1.68	
Sustaining capex - \$/unit	<u>(0.50)</u>	<u>(.61)</u>	<u>(0.60)</u>	
Distributable cash flow - \$/unit	\$2.69	\$3.10	\$3.31	7%
Total distribution - \$/unit	\$2.63	\$2.87	\$3.13	9%

(a) 2003 numbers exclude gain from change in accounting principle.

KMI Cash Per Share

(thousands, except per share)

	2003	2004	2005E	Growth Rate 04-05E
Recurring Earnings	\$411,941	\$475,781	\$520,094	
<i>Diluted EPS</i>	\$3.33	\$3.81	\$4.22	11%
Add: DD&A	117,528	118,742	120,329	
Less: Sustaining Capital	(83,469)	(82,233)	(100,562)	
Add: Book –Cash Taxes (a)	<u>112,031</u>	<u>99,945</u>	<u>82,763</u>	
Free Cash Flow (b,c)	\$558,031	\$612,235	\$622,624	
Average Shares Outstanding	123,824	124,938	123,247	
Free Cash Flow Per Share	\$4.51	\$4.90	\$5.05	3%

(a) The Q4 2004 tax payment of \$56 million will actually be made in Q1 2005. For purposes of this presentation, the payment is shown in Q4 2004.

(b) In 2005, KMI will make a \$25 million pension plan contribution and an \$8 million VEBA contribution.

(c) 2005E expansion capital = \$38.4 million

KMP 2005 Budget

(thousands)

	<u>2005E</u>	<u>2004</u>	<u>Change 04 – 05E</u>	<u>% Change</u>
Segment Earnings before DD&A				
Products Pipelines	\$535,168	\$475,476	\$59,692	12.6%
Natural Gas Pipelines	439,409	410,659	28,750	7.0%
CO₂	473,927	353,510	120,417	34.1%
Terminals	288,168	263,167	25,001	9.5%
Total Segment Earnings b/f DD&A	<u>1,736,672</u>	<u>1,502,812</u>	<u>233,860</u>	<u>15.6%</u>
DD&A	(356,288)	(294,201)	(62,087)	21.1%
G&A	(170,353)	(170,507)	154	(.1%)
Interest	(251,173)	(194,973)	(56,200)	28.8%
Other	0	(1,874)	1,874	(100%)
Minority Interest	(11,447)	(9,679)	(1,768)	18.3%
Net Income	<u>947,411</u>	<u>831,578</u>	<u>115,833</u>	<u>13.9%</u>
GP Share	(475,892)	(395,092)	(80,800)	20.5%
Limited Partners' Net Income	<u>\$471,519</u>	<u>\$436,486</u>	<u>\$35,033</u>	<u>8.0%</u>

KMP 2005 Budget Per Unit

(thousands except per unit)

	<u>2005E</u>	<u>2004</u>	<u>Change</u> <u>04 – 05E</u>	<u>% Change</u>
Limited Partners' Net Income	\$471,519	\$436,486	\$35,033	8.0%
Units Outstanding (avg)	211,802	197,038	14,764	7.5%
Income Per Unit	\$2.23	\$2.22	\$.01	.5%
DD&A Per Unit	1.68	1.49	.19	12.8%
Sustaining Capex Per Unit	<u>(0.60)</u>	<u>(.61)</u>	<u>.01</u>	<u>(1.7%)</u>
Distributable Cash Flow Per Unit	\$3.31	\$3.10	\$.21	6.8%
Total Distribution Per Unit	\$3.13	\$2.87	\$.26	9.1%

KMI 2005 Budget

(thousands except per share)

	<u>2005E</u>	<u>2004</u>	<u>Change</u> <u>04-05E</u>	<u>% Change</u>
Segment Income				
KMP	\$654,371	\$558,078	\$96,293	17.3%
NGPL	413,125	392,806	20,319	5.2%
TransColorado	0	20,255	(20,255)	(100%)
Retail	70,659	69,264	1,395	2.0%
Power	14,555	15,255	(700)	(4.6%)
Total Segment Income	<u>1,152,710</u>	<u>1,055,658</u>	<u>97,052</u>	<u>9.2%</u>
G&A	(74,800)	(77,841)	3,041	(3.9%)
Interest	(151,881)	(133,219)	(18,662)	14.0%
TRUPS	(21,912)	(21,912)	0	0%
Minority Interest	(56,439)	(50,271)	(6,168)	12.3%
Other	587	3,311	(2,724)	(82.3%)
Pre-tax Income	<u>848,265</u>	<u>775,726</u>	<u>72,539</u>	<u>9.4%</u>
Income Tax	<u>(328,171)</u>	<u>(299,945)</u>	<u>(28,226)</u>	<u>9.4%</u>
Net Income before Certain Items	<u>\$520,094</u>	<u>\$475,781</u>	<u>\$44,313</u>	<u>9.3%</u>
Shares Outstanding (avg)	123,247	124,938	(1,691)	(1.4%)
Per Share	\$4.22	\$3.81	\$.41	10.8%

Option Expense

- Options required to be expensed beginning July 1, 2005 - Q3
- Methodology:

Expense	Valuation Method
Unvested options as of July 1, 2005	→ Same method as used for existing disclosure
New options issued	→ New standard: calculate fair value under one of several methods

- Last options grant – July 2004, approximately 300,000
- Most 2004 equity compensation was restricted stock, required to be expensed
- Half year impact of option expense in 2005
 - KMI: \$.01/share
 - KMP: \$.01/unit
- Full-year impact of option expense in 2006:
 - KMI: \$.02/share
 - KMP: \$.01/unit

Sustaining Capital Shift

- Two factors driving shift:
 - 2005: FERC proposed policy change
 - Costs of integrity testing are expensed
 - Historically, testing was expensed if less than 100 ft of pipe replaced
 - 2004: KM anomaly rate lower than historical
- KMP – No impact on cash for distribution
- KMI – Earnings impact; expense is reflected in 2005 budget

<u>Shift from Sustaining to Expense</u>	<u>2004</u>	<u>2005E</u>
NGPL	\$7.8	\$6.3
Retail	<u>0</u>	<u>0.3</u>
Total KMI	\$7.8	\$6.6
Texas Intrastates	\$2.1	\$6.1
KMIGT	<u>0</u>	<u>0.6</u>
Total KMP	\$2.1	\$6.7

SFPP Rate Case Potential Impact

Potential Earnings Impact	KMP (Per Unit)	KMI (Per Share)
Rate Reduction/Recurring Impact:		
Full Year	\$.15	\$.18
2005 Potential Impact	\$.06	\$.08
 One-Time Reparations	 \$.26 - \$.42	 \$.32 - \$.47

Notes

- (a) Calculated based on estimates of amounts sought by shippers as disclosed in SEC filings. Although management believes that the impact should not be greater, actual amounts may vary.
- (b) Rate reductions and reparations are assumed to be recognized at the time of decision. Carrying cost of reparations are included in the rate reduction.
- (c) As of January 25, 2005, the estimated timing of a potential decision as disclosed in our SEC filings (Q3 2005) has not changed. 2005 Potential Impact reflects this timing.

KMI: Sales of KMR

- **KMI has carryover capital losses which expire in 2005 and 2006**
 - **Approximately \$52 million in 2005, \$2 million in 2006**
 - **Associated with asset sales transactions during restructure**
- **To use must generate capital gains**
- **Unless another transaction materializes, sales of KMR shares make the most sense**
- **KMP units have recapture income, which triggers ordinary income tax**
- **Expect to sell between 2.4 - 2.8 million shares**
- **Will work to minimize disruptions**
- **Proceeds not included in 2005 budget/cash flow**

Quarterly Earnings Distribution

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Total</u>
<u>KMI Earnings (a,b)</u>					
2005E	>25%	<25%	<25%	>25%	\$4.22/sh
2004	27%	22%	24%	27%	\$3.81/sh
2003	27%	23%	23%	27%	\$3.33/sh
2002	26%	21%	24%	29%	\$2.84/sh
<u>KMP Earnings (c)</u>					
2005E	>25%	~25%	<25%	~25%	\$2.23/u
2004	23%	23%	27%	27%	\$2.22/u
2003	25%	24%	25%	26%	\$1.98/u
2002	24%	24%	26%	26%	\$1.96/u

(a) Excluding certain items.
 (b) Quarterly numbers adjusted for tax rate change which occurred in 4Q.
 (c) Excludes gain from change in accounting principle

Balance Sheet Ratios

	<u>2005E</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
<u>KMP</u>							
Debt to Capital (a)	51%	52%	54%	51%	46%	46%	39%
Debt/EBITDA	3.0x	3.5x	3.8x	3.7x	3.5x	3.9x	3.9x
EBITDA/Interest Exp.	6.3x	6.9x	6.2x	5.5x	4.6x	5.1x	5.6x
<u>KMI</u>							
Debt to Capital (a)	39%	38% (b)	43%	48%	47%	61%	67%
Debt/EBITDA	2.4x	2.5x	3.1x	3.8x	3.9x	5.0x	7.4x
EBITDA/Interest Exp.	7.5x	8.0x	6.9x	5.4x	3.6x	2.6x	2.1x
<u>KMI – Pro-Forma with KMP Consolidation</u>							
Debt to Capital		53%					
Debt/EBITDA		3.9x					
EBITDA/Interest Exp.		5.7x					

(a) Excludes loss/gain from Other Comprehensive Income.

(b) Debt to Capital includes cash on hand from TransColorado sale. Without TransColorado = 39%

Financial Summary

KMP

- 7% growth in DCF/unit to \$3.31/unit before acquisitions
- 9% growth in budgeted declared distribution to \$3.13/unit before acquisitions
- \$39 million in excess coverage
- Finance expansion budget 85% equity and 15% debt
- Finance new acquisitions 60% equity and 40% debt
- Distributions total \$1.14 billion

KMI

- 11% growth in EPS to \$4.22
- 39% debt to total capital
- Long term growth 10-12% annually
- Use free cash to return to equity (dividends and share repurchase)

KINDER  MORGAN
