Vision

Rich Kinder
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Agenda

- Vision – Rich Kinder
  - What we have accomplished
  - Where we are going

- Financial Excellence – Park Shaper

- Operational Excellence – Steve Kean
What We’ve Accomplished

KM enterprise value has grown from roughly $300 million 9 years ago to more than $35 billion today

- $6 billion in asset acquisitions
  - Tejas, GATX, Shell CO₂, TGS
    - Terminals – achieved national footprint
    - CO₂ – purchase of Shell CO₂, SACROC, Yates
    - Natural Gas – doubled Texas intrastate position

- $14 billion in corporate transactions
  - SFPP, KN Energy, Terasen
    - Products Pipelines – purchased pipelines in fastest growing demographic markets
    - Natural Gas – acquired significant natural gas pipes: KMIGT, TransColorado, KMTG, NGPL
    - Crude Pipelines – major takeaway capacity from Canadian oilsands

- $3 billion in expansion capital expenditures
  - Gulf Coast and East Coast terminals
  - SACROC and Yates
  - Natural gas storage: Sayre, North Lansing
  - Greenfield pipelines: Horizon, North Texas, Monterrey, Rancho
  - Natural gas pipelines: North Line, TransColorado, Trailblazer

- Largest independent transporter of petroleum products in the U.S.
  - transport more than 2 million barrels per day (Bbl/d)

- 2nd largest transporter of crude oil and petroleum products in Canada
  - transport more than 950,000 Bbl/d of crude oil and petroleum products

- 2nd largest transporter of natural gas in U.S.
  - approximately 24,000 miles of interstate / intrastate pipeline

- Largest transporter of CO₂ in the U.S.
  - transport more than 1 Bcf/d of CO₂

- Largest independent terminal operator in U.S.
  - ~96 million barrels of liquids capacity
  - handle over 80 million tons of dry bulk products

- 3rd largest LDC in Canada (largest in B.C.)
  - 892,000 customers

Note: All amounts in U.S. dollars unless otherwise noted.
Kinder Morgan: Three Securities

**Kinder Morgan Energy Partners**
- Market Equity (a) $11.0
- Debt (a) 5.2
- Enterprise Value $16.2 B
- 2006E EBITDA $1,802 mm
- 2006E Dist. CF $1,290 mm

**Kinder Morgan, Inc.**
- Market Equity (b) $14.0
- Debt (b) 7.1
- Enterprise Value $21.1 B
- 2006E EBITDA $1,739 mm
- 2006E FCF $760 mm

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**Note:** All amounts in U.S. dollars unless otherwise noted.

(a) KMP market cap based on 163 million common units at a price of $50.79 and 58 million KMR i-units at a price of $46.62 as of January 20, 2005. Debt balance as of December 31, 2005, excludes the fair value of interest rate swaps, net of cash.

(b) KMI market cap based on 135 million shares at a price of $100.98 as of January 20, 2005. Market equity also includes $391 million of preferred securities. Debt balance as of December 31, 2005, excludes the fair value of interest rate swaps and preferred securities, net of cash.

(c) Includes 5.3 million Class B units owned by KMI. Class B units are unlisted KMP common units.
## Promises Made, Promises Kept

<table>
<thead>
<tr>
<th>Promises Made</th>
<th>Promises Kept</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KMP/KMR</strong></td>
<td><strong>KMP/KMR</strong></td>
</tr>
<tr>
<td>Distribution per unit:</td>
<td>Distribution per unit:</td>
</tr>
<tr>
<td>2000: $1.60</td>
<td>2000: $1.71</td>
</tr>
<tr>
<td>2001: $1.95</td>
<td>2001: $2.15</td>
</tr>
<tr>
<td>2002: $2.40</td>
<td>2002: $2.435</td>
</tr>
<tr>
<td>2003: $2.63</td>
<td>2003: $2.63</td>
</tr>
<tr>
<td>2004: $2.84</td>
<td>2004: $2.87</td>
</tr>
<tr>
<td>2005: $3.13</td>
<td>2005: $3.13</td>
</tr>
<tr>
<td><strong>KMI</strong></td>
<td><strong>KMI</strong></td>
</tr>
<tr>
<td>Earnings Per Share (a):</td>
<td>Earnings Per Share (a):</td>
</tr>
<tr>
<td>2000: $1.10</td>
<td>2000: $1.28</td>
</tr>
<tr>
<td>2001: $1.66 - $1.79</td>
<td>2001: $1.96</td>
</tr>
<tr>
<td>2002: $2.55 - $2.65</td>
<td>2002: $2.84</td>
</tr>
<tr>
<td>2003: $3.18</td>
<td>2003: $3.33</td>
</tr>
<tr>
<td>2004: $3.71</td>
<td>2004: $3.81</td>
</tr>
<tr>
<td>2005: $4.22</td>
<td>2005: $4.31</td>
</tr>
</tbody>
</table>

**Note:** All amounts in U.S. dollars unless otherwise noted.

(a) Excludes certain items and loss on early extinguishment of debt. KMI 2005 EPS excludes the impact of Terasen.
2006 Financial Goals

- **Distribution Target (a)**
  - $3.28 per unit (5% growth)
  - Excess coverage of ~ $9 million

- **Stable to Improving Balance Sheet**
  - Expansions / acquisitions financed 60% equity, 40% debt

- **EPS Target (a)**
  - $5.00 per share (16% growth (b))

- **Stable to Improving Balance Sheet**

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*(Note: All amounts in U.S. dollars unless otherwise noted. Targets do not include any impact from resolution of SFPP rate case.

(a) Without unidentified acquisitions.

(b) Numerator in growth calculation (KMI 2005 EPS) excludes the December 2005 impact of Terasen.)*
Consistent Track Record

Total Distributions (GP + LP) ($mm)

KMP Distribution Per Unit (b)

KMI Earnings Per Share (c)

Net Debt to Total Capital (d)

Note: All amounts in U.S. dollars unless otherwise noted.
(a) Includes 2% GP interest.
(b) Declared 4Q distribution annualized (i.e. multiplied by four)
(c) Excludes certain items and loss on early extinguishment of debt. KMI 2005 EPS excludes the December 2005 impact of Terasen.
(d) Excludes loss/gains in Other Comprehensive Income related to hedges; debt excludes preferred securities (KMI).
Significant Historical Returns, thru 12-31-05

KMI: 39% annual return

KMP: 32% annual return

KMR: 13% annual return

Note: All amounts in U.S. dollars unless otherwise noted.
Sources: Bloomberg, Citigroup Smith Barney
(a) Returns calculated on a daily basis through December 30, 2005 assuming dividends/distributions reinvested in index/stock/unit, except MLP Index calculated on a monthly basis.
(b) Start date 7/8/1999; KN Energy merger announced
(c) Start date 12/31/1996
(d) Start date 5/14/2001; KMR Initial public offering
The Kinder Morgan Strategy

**Same Strategy Since Inception**

- **Focus on stable, fee-based assets which are core to the energy infrastructure of growing markets**
- **Increase utilization of assets while controlling costs**
  - Classic fixed cost businesses with little variable costs
  - Improve productivity to drop all top-line growth to bottom line
- **Leverage economies of scale from incremental acquisitions and expansions**
  - Reduce needless overhead
  - Apply best practices to core operations
- **Maximize benefit of a unique financial structure which fits with strategy**
  - MLP avoids double taxation, increasing distributions from high cash flow businesses
  - Strong balance sheet allows flexibility when raising capital for acquisitions / expansions
KMP: Solid Asset Base Generates Stable Fee Income

- **CO₂**
  - 30% CO₂ transport and sales
  - 70% oil production related
  - Expected production hedged (b):
    - 2006=88%
    - 2007=75%
    - 2008=54%

- **Terminals**
  - 47% Liquids, 53% Bulk
  - Geographic and product diversity
  - 3-4 year average contract life

- **KMP 2006 DCF (a)**
  - CO₂ 29%
  - Products Pipelines 27%
  - Terminals 19%
  - Natural Gas Pipelines 25%

- **Products Pipelines**
  - Refinery hub to population center strategy
  - 68% Pipelines
  - 27% Associated Terminals (c)
  - 5% Transmix
  - No commodity price risk

- **Natural Gas Pipelines**
  - 51% Texas Intrastate
  - 49% Rockies
  - Little incidental commodity risk

(a) Budgeted 2006 distributable cash flow before G&A and interest
(b) Net equity production, approved plus identified potential projects. Includes heavier NGL components (C4+).
(c) Terminals are not FERC regulated except portion of CalNev.
KMI: Solid Asset Base Generates Stable Fee Income

**Investment in KMP (b)**
- General partner interest earns incentive distributions
- Owns 13% of total limited partner units

**KM Canada**
- Three major systems connected to Canadian Oilsands
- Existing capacity substantially committed under long-term contracts

**KMI 2006 Segment Income (a)**
- KMP 39%
- NGPL 30%
- Retail Gas Distribution 23%
- KM Canada 7%
- Other 1%

**NGPL**
- FERC regulated with 3-year average contract life
- Primary customers are Chicago local distribution companies
- Little incidental commodity risk

**Retail**
- Natural gas distribution service
- Serve ~ 890,000 customers in British Columbia
- Serve ~ 245,000 customers in Colorado, Wyoming and Nebraska

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(a) Budgeted 2006 segment earnings before G&A and interest.
(b) Includes: (i) general partner interest, (ii) earnings from ~ 20 million KMP units and (iii) earnings from ~ 10 million KMR shares.
Vision: Where We’re Going

Growing Rockies Natural Gas Production

Increased Supply of LNG on Gulf Coast

Canadian Oilsands

Increased Use of Heavy Crude

Growing Coal Imports

High Oil Prices – Leading to Demand for Enhanced Oil Recovery

Natural Gas Price Volatility

Demographic Growth in West and Southeast U.S.

Increased Petroleum Products Imports

Increased Ethanol Demand

Trend

Rockies Express, Entrega

Kinder Morgan Louisiana Pipeline

Trans Mountain, Corridor expansions

Spirit condensate line, Edmonton terminal

Petcoke handling – Gulf Coast, Canada

Pier 9, Shipyard River terminal expansions

McElmo Dome, Cortez expansion

Sayre, North Lansing, Dayton storage expansions

East Line, CALNEV expansions

New York, Houston terminal expansions

Storage expansions at Houston, Philadelphia

Natural gas supply to ethanol plants thru KMIGT, NGPL, Retail
Rocky Mountain Natural Gas: Reserve Base Supports Need for New Infrastructure

Reserve Estimates: (PGC)

- Proved: 26
- Probable: 37
- Potential: 61
- P1 + P2 + P3: 124 Tcf
Rocky Mountain Natural Gas: Basis Spreads Support Need for New Infrastructure

(a) Basis differential versus Henry Hub. Sources: Historical Prices – GasDat, Forward Prices – Sempra Oct 05 Curve.
Rocky Mountain Natural Gas: Expected Production Growth Supports Need for New Infrastructure

*Rocky Mountain natural gas production is growing, but takeaway capacity is limited*

### Rocky Mountain Production Growth (a)

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (Bcf/d)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>5.8</td>
</tr>
<tr>
<td>2007</td>
<td>7.0</td>
</tr>
<tr>
<td>2009</td>
<td>7.6</td>
</tr>
<tr>
<td>2012</td>
<td>8.3</td>
</tr>
</tbody>
</table>

Current takeaway capacity ~ 6.5 Bcf/d

(a) Source: CERA Wet Gas Capacity Outlook
Increased Supply of LNG on Gulf Coast

~8-11 Bcf/d of terminal capacity under construction with committed contracts

- Louisiana Pipeline to serve 2.6 Bcf/d at Cheniere – Sabine Pass

Source: company websites
Canadian Oilsands: Supply

**Canadian Crude Production by Type (a)**

- **Oilsands**
- **Pentanes/Condensate**
- **Conventional Heavy**
- **Conventional Light/Med**

**Production Costs: Mining (c)**

- **Mining**
- **Upgrading**
- **Refining**

Total Operating & Upgrade: Cdn $22-26/Bbl

US $19-22/Bbl

**Price** = 30-40% below WTI

**World Oil & Bitumen Reserves – Top 10 (b)**

- **Venezuela**
- **Canada**
- **Saudi Arabia**
- **Russia**
- **Iraq**
- **UAE**
- **Kuwait**
- **Iran**
- **USA**
- **Libya**

**Oilsands Production Areas (c)**

- **Athabasca**
- **Peace River**
- **Cold Lake**
- **FT McMurray**
- **EDMONTON**
- **HARDISTY**
- **CALGARY**

All amounts in U.S. dollars unless otherwise noted.


(b) Source: NEB 2003 study “Canada’s Energy Future, Scenarios for Supply and Demand to 2025”. Note: Total discovered recoverable reserves of crude and bitumen (Saudi values are proven reserves, implying higher degree of certainty).

(c) Source: DBRS October 2005 industry study “The Canadian Oil Sands”
Canadian Oilsands: PADDs II and IV Have the Most Access to Canada

Major Canadian Oilsands Takeaway into the U.S.

<table>
<thead>
<tr>
<th>Trunkline Capacity in to U.S.</th>
<th>PADD II</th>
<th>PADD IV</th>
<th>PADD V</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(MMBbl/d)</td>
<td>2.0</td>
<td>0.5</td>
<td>0.1</td>
<td>2.6</td>
</tr>
</tbody>
</table>

Note: Pipeline paths not drawn according to precise geographic location but by general regional direction.
## U.S. Crude Refinery Inputs by PADD – 2004

<table>
<thead>
<tr>
<th>PADD (Region)</th>
<th>Total Refinery Inputs (MBbl/d)</th>
<th>% Imports</th>
<th>Canadian Imports as % of Total Imports</th>
</tr>
</thead>
<tbody>
<tr>
<td>PADD I (East Coast)</td>
<td>1,597</td>
<td>97%</td>
<td>13%</td>
</tr>
<tr>
<td>PADD II (Midwest)</td>
<td>3,288</td>
<td>89%</td>
<td>36%</td>
</tr>
<tr>
<td>PADD III (Gulf Coast)</td>
<td>7,438</td>
<td>59%</td>
<td>---</td>
</tr>
<tr>
<td>PADD IV (Rockies)</td>
<td>556</td>
<td>46%</td>
<td>100%</td>
</tr>
<tr>
<td>PADD V (West Coast)</td>
<td>2,596</td>
<td>36%</td>
<td>9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>15,475</strong></td>
<td><strong>65%</strong></td>
<td><strong>16%</strong></td>
</tr>
</tbody>
</table>

*Every PADD uses significant imports:*
*PADD IV uses a very high percentage of Canadian*
*PADD II and V are opportunities*

Source: EIA “Petroleum Supply Annual 2004”.
ANS Production is Declining

Alaskan North Slope Production (a)

Washington State Refinery Capacity (b)

Canadian crude through Trans Mountain 15% (92 MBbl/d)

Other 85% (521 MBbl/d)

(a) Source: CIBC Jan-2006 industry report “Oil Pipeline Expansion: Refiners in Traditional Markets Girding for Expanded Diet of Canadian Heavy”.
## Canadian Oilsands: Pipeline Expansions Possible as Refineries Upgraded/Expanded

### Refinery Processing Capacity by U.S. PADD

<table>
<thead>
<tr>
<th>(MMBbl/d)</th>
<th>Refining Capacity</th>
<th>% Capacity w/ Ability to Process Heavy Crude (a)</th>
<th>Heavy Crude Processing Capability (a)</th>
<th>Canadian Imports</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>PADD I (East Coast)</td>
<td>1.6</td>
<td>51%</td>
<td>0.8</td>
<td>0.2</td>
<td>0.6</td>
</tr>
<tr>
<td>PADD II (Midwest)</td>
<td>3.6</td>
<td>47%</td>
<td>1.7</td>
<td>1.1</td>
<td>0.6</td>
</tr>
<tr>
<td>PADD III (Gulf Coast)</td>
<td>8.1</td>
<td>60%</td>
<td>4.9</td>
<td>---</td>
<td>4.9</td>
</tr>
<tr>
<td>PADD IV (Rockies)</td>
<td>0.6</td>
<td>41%</td>
<td>0.2</td>
<td>0.3</td>
<td>---</td>
</tr>
<tr>
<td>PADD V (West Coast)</td>
<td>3.1</td>
<td>62%</td>
<td>2.0</td>
<td>0.1</td>
<td>1.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>17.0</strong></td>
<td><strong>56%</strong></td>
<td><strong>9.6</strong></td>
<td><strong>1.6</strong></td>
<td><strong>---</strong></td>
</tr>
</tbody>
</table>

*Note: Numbers may not sum due to rounding.*

Source: EIA “Petroleum Supply Annual 2004”.

(a) Facilities that have Cokers, Catalytic Crackers and Hydrocrackers.

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**PADD V provides a ready-made market for Canadian bitumen**

**Asia Remains Potential Longer-term Market**
CO₂: High Oil Prices Leading to Demand for Enhanced Oil Recovery

- **Opportunities to expand supply and pipeline capacity**
- **McElmo Dome**…
  ...is one of the cheapest sources of CO₂
  ...has ~35 years of remaining reserves
- **Cortez is near capacity**

<table>
<thead>
<tr>
<th>Source</th>
<th>Avg. '05 Volumes (Bcf/d)</th>
<th>Capacity Utilization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cortez</td>
<td>946</td>
<td>90%</td>
</tr>
<tr>
<td>Bravo</td>
<td>330</td>
<td>89%</td>
</tr>
<tr>
<td>Central Basin</td>
<td>425</td>
<td>71%</td>
</tr>
<tr>
<td>CRC</td>
<td>163</td>
<td>60%</td>
</tr>
<tr>
<td>CLPL</td>
<td>147</td>
<td>49%</td>
</tr>
</tbody>
</table>

Sources: KM estimates, Oil and Gas Journal, EIA
Higher Petcoke Production

- Crude supply increasingly heavy
- Heavy crude refiners have wider margins
- Heavy Crude ⇒ MORE PETCOKE
- Approximately 56% of U.S. refiners have the ability to handle heavy crude

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**U.S. Petcoke Production (a)**

- KM handled 12 million dry short tons (dst) in 2005 (partial year)
- Expect to handle 17 million (dst) in 2006

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(a) Sources: EIA, Jacobs Consultancy, Kinder Morgan
Growing Coal Imports

High BTU, low sulfur, competitive price

- **Major Sources**: Colombia, Appalachia, Indonesia, Canada, Other
- **Content**: PRB ~8,800 BTU, Appalachia ~12,500 BTU, Colombia ~11,500 BTU
- **Sulfur**:
  - PRB: 0.4-0.5%
  - Appalachia: 1.0%
  - Colombia: 0.6-0.8%
- **Price**:
  - Lower end of range closer to coast/direct-water access. Lower NOx production provides compliance benefits for end-user.

Railroad constraints

Declining basins – Eastern U.S.

Increasing demand due to natural gas prices

Environmental regulation

All amounts in U.S. dollars unless otherwise noted.

(a) Sources: EIA 2002-2005 (annualized EIA 9-month data for 2005), Hill & Associates 2015 projection
(b) Lower end of range closer to coast/direct-water access. Lower NOx production provides compliance benefits for end-user.
Identified Future Growth Opportunities

Approximately $8 billion in identified growth opportunities over next 5 years

<table>
<thead>
<tr>
<th>Entity</th>
<th>Project</th>
<th>Estimated Total Project Cost ($B)</th>
<th>Expected Completion</th>
</tr>
</thead>
<tbody>
<tr>
<td>KMP</td>
<td>Louisiana Pipeline (LNG)</td>
<td>$0.5</td>
<td>2009</td>
</tr>
<tr>
<td>KMP</td>
<td>Entrega</td>
<td>0.5 (a)</td>
<td>2006-2007</td>
</tr>
<tr>
<td>KMP</td>
<td>Rockies Express</td>
<td>2.3 (a)</td>
<td>2008-2009</td>
</tr>
<tr>
<td>KMP</td>
<td>CO₂</td>
<td>1.1 (b)</td>
<td>2006-2010</td>
</tr>
<tr>
<td>KMP</td>
<td>East Line expansion</td>
<td>0.3 (c)</td>
<td>2006-2007</td>
</tr>
<tr>
<td>KMP</td>
<td>Spirit</td>
<td>0.4 (d)</td>
<td>2008-2009</td>
</tr>
<tr>
<td>KMI</td>
<td>Trans Mountain expansion</td>
<td>1.3</td>
<td>2007-2008</td>
</tr>
<tr>
<td>KMI</td>
<td>Corridor expansion</td>
<td>0.9</td>
<td>2009</td>
</tr>
<tr>
<td>KMP</td>
<td>Other identified expansions (e)</td>
<td>0.7</td>
<td>2006-2010</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>$8.0</strong></td>
<td></td>
</tr>
</tbody>
</table>

All amounts in U.S. dollars unless otherwise noted.
(a) Assumes 2/3 Kinder Morgan ownership. Entrega includes the purchase of Phase I.
(b) 2006-2010
(c) Phase I and phase II.
(d) Assumes 50% Kinder Morgan ownership.
(e) Shipyard River Terminal, Pier 9, Edmonton terminal, CALNEV and Dayton.
Financial Excellence

Park Shaper
Financial Excellence

■ Internal Accountability
  — Extensive, top-down and bottom-up budget process
  — Weekly operations and financial assessment
  — Monthly and quarterly earnings

■ Risk Management
  — Avoid businesses with direct commodity price exposure where possible
  — Hedge commodity price risk

■ Disciplined Capital Allocation
  — Realistic cash flow forecast ⇒ become budget targets
  — Consistent risk-adjusted return hurdles

■ Commitment to Conservative Capital Structure

■ Return Cash to Investors
  — Collect the cash ⇒ monthly accounts receivable meetings
  — Return cash to investors; let investor make reinvestment decision

■ External Accountability and Transparency
  — Publish budget, compare to actual quarterly results on conference calls
  — Publish detailed information for analyst conference
Risk Management

■ Avoid Businesses with Direct Commodity Exposure

■ Hedge CO₂ BOE Production

— CO₂ hedging policy: (swaps and/or options)

<table>
<thead>
<tr>
<th>Months</th>
<th>% of Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-12</td>
<td>80-100%</td>
</tr>
<tr>
<td>13-24</td>
<td>60-80%</td>
</tr>
<tr>
<td>25-36</td>
<td>25-60%</td>
</tr>
<tr>
<td>37-48</td>
<td>0-50%</td>
</tr>
<tr>
<td>49-60</td>
<td>0-40%</td>
</tr>
</tbody>
</table>

Note: All amounts in U.S. dollars unless otherwise noted.
(a) Net equity production, approved plus identified potential projects. Includes heavier NGL components (C4+).
(b) Incorporates swaps and puts at strike price net of premium, WTI/WTS spread @ $5.00/Bbl.
$10 Billion in Capital Invested at KMP

Total Invested by Year

$1.6 1998
$1.1 1999
$1.0 2000
$1.9 2001
$1.3 2002
$1.3 2003
$1.1 2004
$0.0 2005

Note: All amounts in U.S. dollars unless otherwise noted. See Appendix for details on calculations.
$13 Billion in Acquisitions at KMI

<table>
<thead>
<tr>
<th>Acquisition</th>
<th>Close Date</th>
<th>Price ($B)</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td>KN Energy</td>
<td>Oct 1999</td>
<td>$7.0</td>
<td>Major natural gas pipelines</td>
</tr>
<tr>
<td>Terasen</td>
<td>Nov 2005</td>
<td>5.9</td>
<td>Canadian oilsands</td>
</tr>
</tbody>
</table>

Total $12.9

Note: All amounts in U.S. dollars unless otherwise noted.
# 2006 Expansion Capital Budgets

<table>
<thead>
<tr>
<th>KMP</th>
<th>2006 Budget ($mm)</th>
<th>Major Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>East Line, Las Vegas, Greensboro</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Rancho, Louisiana Pipeline</td>
</tr>
<tr>
<td></td>
<td></td>
<td>SACROC and Yates</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Pasadena, Perth Amboy, Shipyard River</td>
</tr>
<tr>
<td>Product Pipelines</td>
<td>$141</td>
<td></td>
</tr>
<tr>
<td>Natural Gas Pipelines</td>
<td>29</td>
<td></td>
</tr>
<tr>
<td>CO₂</td>
<td>353</td>
<td></td>
</tr>
<tr>
<td>Terminals</td>
<td>150</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$673</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>KMI</th>
<th>2006 Budget ($mm)</th>
<th>Major Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>North Lansing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Roaring Fork, new meters</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Trans Mountain – pump station expansion</td>
</tr>
<tr>
<td></td>
<td></td>
<td>New meters</td>
</tr>
<tr>
<td>NGPL</td>
<td>$77</td>
<td></td>
</tr>
<tr>
<td>Retail</td>
<td>38</td>
<td></td>
</tr>
<tr>
<td>KM Canada</td>
<td>204</td>
<td></td>
</tr>
<tr>
<td>Terasen Gas</td>
<td>36</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$355</td>
<td></td>
</tr>
</tbody>
</table>

Note: All amounts in U.S. dollars unless otherwise noted.
## Attractive Return on Capital

<table>
<thead>
<tr>
<th></th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Products Pipelines</strong></td>
<td>11.9%</td>
<td>11.8%</td>
<td>12.8%</td>
<td>12.9%</td>
<td>12.4%</td>
<td>11.3%</td>
</tr>
<tr>
<td><strong>Natural Gas Pipelines</strong></td>
<td>13.3</td>
<td>15.5</td>
<td>12.9</td>
<td>13.5</td>
<td>14.0</td>
<td>15.5</td>
</tr>
<tr>
<td><strong>CO₂</strong></td>
<td>27.5</td>
<td>24.6</td>
<td>22.0</td>
<td>21.9</td>
<td>23.8</td>
<td>25.7</td>
</tr>
<tr>
<td><strong>Terminals</strong></td>
<td>19.1</td>
<td>18.2</td>
<td>17.7</td>
<td>18.4</td>
<td>17.8</td>
<td>16.9</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>KMP Return on Investment</strong></th>
<th>12.3%</th>
<th>12.7%</th>
<th>12.6%</th>
<th>13.1%</th>
<th>13.6%</th>
<th>14.2%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>KMP Return on Equity</strong></td>
<td>17.4%</td>
<td>19.0%</td>
<td>21.9%</td>
<td>23.2%</td>
<td>25.2%</td>
<td>26.6%</td>
</tr>
</tbody>
</table>

**Note:** Please see Appendix for details on calculations.

(a) G&A is deducted in calculating the return on investment for KMP, but is not allocated to the segments and therefore not deducted in calculating the segment information.
**Attractive Return on Capital**

<table>
<thead>
<tr>
<th>KMI</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
<th>2005</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment in KMP</td>
<td>11.2%</td>
<td>16.9%</td>
<td>21.4%</td>
<td>25.0%</td>
<td>29.6%</td>
<td>37.9%</td>
</tr>
<tr>
<td>NGPL</td>
<td>11.4</td>
<td>11.1</td>
<td>10.9</td>
<td>11.4</td>
<td>12.1</td>
<td>12.6</td>
</tr>
<tr>
<td>Retail</td>
<td>13.0</td>
<td>11.7</td>
<td>15.0</td>
<td>14.5</td>
<td>13.1</td>
<td>10.6</td>
</tr>
<tr>
<td>Power</td>
<td>14.3</td>
<td>20.2</td>
<td>9.7</td>
<td>5.6</td>
<td>4.7</td>
<td>5.8</td>
</tr>
<tr>
<td>KMI Return on Investment</td>
<td>10.5%</td>
<td>11.7%</td>
<td>12.4%</td>
<td>13.3%</td>
<td>14.8%</td>
<td>17.0%</td>
</tr>
<tr>
<td>KMI Return on Equity</td>
<td>16.6%</td>
<td>19.0%</td>
<td>18.5%</td>
<td>21.3%</td>
<td>23.2%</td>
<td>22.3%</td>
</tr>
</tbody>
</table>

Note: Please see Appendix for details on calculations.

(a) G&A is deducted in calculating return on investment, but is not allocated to the segments and therefore not deducted in calculating the segment information.

(b) Totals include all assets owned in given year, even if subsequently divested.

(c) 2005 excludes impact of Terasen.
# KMP Has Consistently Raised Equity to Fund Projects

($ millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Capital Invested</th>
<th>Equity Raised</th>
<th>Percent Equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>1,618</td>
<td>1,278</td>
<td>79%</td>
</tr>
<tr>
<td>1999</td>
<td>1,065</td>
<td>421</td>
<td>40%</td>
</tr>
<tr>
<td>2000</td>
<td>1,020</td>
<td>358</td>
<td>35%</td>
</tr>
<tr>
<td>2001</td>
<td>1,893</td>
<td>1,096</td>
<td>58%</td>
</tr>
<tr>
<td>2002</td>
<td>1,261</td>
<td>437</td>
<td>35%</td>
</tr>
<tr>
<td>2003</td>
<td>873</td>
<td>307</td>
<td>35%</td>
</tr>
<tr>
<td>2004</td>
<td>1,343</td>
<td>809</td>
<td>60%</td>
</tr>
<tr>
<td>2005</td>
<td>1,143</td>
<td>656</td>
<td>57%</td>
</tr>
<tr>
<td>Total</td>
<td>10,216</td>
<td>5,362</td>
<td>53%</td>
</tr>
</tbody>
</table>

Note: All amounts in U.S. dollars unless otherwise noted. KMR added beginning in 2001.
## KMI & KMP Have Solid Balance Sheets

### ($ millions)

#### Credit Summary

<table>
<thead>
<tr>
<th></th>
<th>KMP (a)</th>
<th>KMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>L-T Debt Rating</td>
<td>Baa1/BBB+</td>
<td>Baa2/BBB</td>
</tr>
<tr>
<td>Net Debt / Total Capital (b,c)</td>
<td>52%</td>
<td>56%</td>
</tr>
</tbody>
</table>

#### 2006 Budget Estimates:

<table>
<thead>
<tr>
<th></th>
<th>KMP</th>
<th>KMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Debt / EBITDA</td>
<td>3.1x</td>
<td>4.2x</td>
</tr>
<tr>
<td>EBITDA / Interest</td>
<td>5.6x</td>
<td>4.0x</td>
</tr>
</tbody>
</table>

#### CP Capacity (c)

<table>
<thead>
<tr>
<th></th>
<th>KMP</th>
<th>KMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Bank Credit</td>
<td>$1,600</td>
<td>$1,811</td>
</tr>
<tr>
<td>Outstanding CP</td>
<td>539</td>
<td>611</td>
</tr>
<tr>
<td>TGVI Drawn</td>
<td>---</td>
<td>180</td>
</tr>
<tr>
<td>Letters of Credit</td>
<td>599</td>
<td>182</td>
</tr>
<tr>
<td>Excess Capacity</td>
<td>$462</td>
<td>$838</td>
</tr>
</tbody>
</table>

#### Long-term Debt Maturities (c)

<table>
<thead>
<tr>
<th></th>
<th>KMP</th>
<th>KMI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>$45</td>
<td>$346</td>
</tr>
<tr>
<td>2007</td>
<td>$255</td>
<td>$220</td>
</tr>
<tr>
<td>2008</td>
<td>$5</td>
<td>$639</td>
</tr>
<tr>
<td>2009</td>
<td>$250</td>
<td>$85</td>
</tr>
<tr>
<td>2010</td>
<td>$250</td>
<td>$129</td>
</tr>
</tbody>
</table>

---

Note: All amounts in U.S. dollars unless otherwise noted.

(a) Without additional/potential expansions outlined in Financial Review. For impact with potential expansions, see Financial Review.

(b) Debt excludes preferred securities (KMI) and fair value of interest rate swaps and is net of cash. Capital includes preferred securities (KMI) and excludes loss/gain from other comprehensive income.

(c) At December 31, 2005.
KMP Has Returned Nearly $5 Billion in Cash to Partners, 1996-2005

Note: All amounts in U.S. dollars unless otherwise noted.
(a) Includes 2% general partner interest.
KMI Has Returned Over $3 Billion in Cash to Investors, 2000-2005

Note: All amounts in U.S. dollars unless otherwise noted.
Risks

■ Regulatory
  — Pacific Products Pipeline FERC/CPUC case
  — Periodic rate reviews
  — Unexpected FERC, NEB, BCUC policy changes

■ Environmental

■ Terrorism

■ Interest Rates
  — 50% of debt is floating rate
  — Budget assumes an increase based on the forward curve
  — The full-year impact of a 100-bp increase in rates equates to an approximate $28 million increase in expense at KMP and $28 million at KMI

Note: All amounts in U.S. dollars unless otherwise noted.
Operational Excellence

Steve Kean
Operational Excellence

- Objectives
- Approach
- Progress to Date
- Next Steps
Objectives

- Better than industry averages and improvement over 3-year KM averages, in each business unit.
- Zero significant incidents
- Compliance with all applicable rules and regulations
- Constructive relationships with regulatory authorities
- Improve operational efficiency
Approach

- Set objectives
- Develop measures
- Accountability for results
- Frequent updating and progress tracking
- Transparency

➢ In short, same as approach to financial excellence
  — using same management structure and systems
  — authority and accountability in the business units (where the information and resources are)
  — weekly, monthly, and quarterly reviews
Approach – Measures

- Gather data and compare each business unit to industry average and 3 year business unit average to determine:
  1. how we are performing relative to peers
  2. whether we are improving on our own performance.

- Reportable spills and releases.

- Addressing challenges in obtaining data and industry averages for some businesses (e.g. Terminals).
Approach – Accountability

- Portion of incentive compensation pool for each business unit is tied to performance against these measures and the elimination of significant incidents (e.g. fatalities or significant spills/releases).
Approach – Progress Tracking

- Weekly business unit meetings update progress on operational excellence
  - Incidents
  - Efficiency (e.g. product loss in operations)
- Monthly update of statistics
- Quarterly business reviews address progress on operational excellence.
- Regular interaction between operations VP’s and EHS.
  - Embedding operational excellence in corporate culture in the same way financial excellence is embedded in the culture today.
Approach – Transparency

- Posting safety statistics on KM external website.
- Expanding reporting in Q1
Progress to Date

- Organization changes
- Resolving key outstanding issues (constructively engaging with regulators)
  - Arizona
  - OPS
- KM-wide set of principles and standards established
- Each business unit has developed long-term plans for operational excellence – updating progress at QBR’s.
## Safety Performance (2005)

<table>
<thead>
<tr>
<th>Business Unit</th>
<th>Injury/Illness Rate</th>
<th>Avoidable Vehicle Accident Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Vs. 3-yr</td>
<td>Vs. Industry</td>
</tr>
<tr>
<td>Products</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Gas Pipeline</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Terminals</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Retail</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>CO₂</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Power</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>
## Kinder Morgan Safety Performance – 2005

As of 12/31/05

<table>
<thead>
<tr>
<th>Gas Transmission</th>
<th>Retail</th>
<th>CO₂/SAACRO/Yates</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Kinder Morgan Entity</strong></td>
<td>#</td>
<td>#</td>
</tr>
<tr>
<td>Industry Averages:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>AGA (2003)</td>
<td>24</td>
<td>17</td>
</tr>
<tr>
<td>(CO₂) NAICS 211</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

| **Kinder Morgan Entity** | # | # | Rate | | # | # | Rate | | # | # | Rate | |
| Industry Averages: | | | | | | | | | | | | |
| AGA (2003) | 16 | 13 | 0.93 | 1.09 | 9 | 16 | 1.33 | 2.01 | 3 | 8 | 0.80 | 1.65 |
| | | | 1.48 | | | 3.65 | | | | | | 1.48 |

Notes: OSHA recordable: per 200,000 hours
Vehicle accidents: per 1,000,000 miles
3-Year KM Avg = 2002, 2003, 2004
YTD 2005 vehicle accident incident rate includes total miles driven in company vehicles, rental vehicles, and business miles driven in personal vehicles.
Kinder Morgan Safety Performance – 2005 (cont.)

As of 12/31/05

<table>
<thead>
<tr>
<th>Products Pipelines (a)</th>
<th>KM Terminals</th>
<th>KM Power</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>YTD 2005</strong></td>
<td><strong>YE 2004</strong></td>
<td><strong>YTD 2005</strong></td>
</tr>
<tr>
<td>#</td>
<td>#</td>
<td>Rate</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>9</td>
<td>9</td>
<td>1.09</td>
</tr>
<tr>
<td>1.13</td>
<td>9.70</td>
<td>5.00</td>
</tr>
</tbody>
</table>

**OSHA Recordable Injures/Illnesses**
- Kinder Morgan Entity
- Industry Averages:
  - API (2004)
  - (KMT) NAICS 49311 (LT) / 44883 (BT)
  - (Power) NAICS 22111

**Avoidable Company Vehicle Accidents**
- Kinder Morgan Entity
- Industry Averages:

<table>
<thead>
<tr>
<th>Products Pipelines (a)</th>
<th>KM Terminals</th>
<th>KM Power</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>YTD 2005</strong></td>
<td><strong>YE 2004</strong></td>
<td><strong>YTD 2005</strong></td>
</tr>
<tr>
<td>#</td>
<td>#</td>
<td>Rate</td>
</tr>
<tr>
<td>---</td>
<td>---</td>
<td>---</td>
</tr>
<tr>
<td>4</td>
<td>7</td>
<td>0.71</td>
</tr>
</tbody>
</table>

---

(a) Includes West Coast Terminals, Transmix, Pacific, Southeast Liquids Pipelines, and KMST.
(b) No avoidable vehicle accident benchmark available for KM Terminals or KM Power.
Next Steps

- Continued progress on long-term plans by each business unit.

- Extension of near miss reporting system (in use on Southeast Products assets today) to all KM business units – driving improvements and efficiency gains from the field.