Forward Looking Statements

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Kinder Morgan: Three Securities

**Kinder Morgan Energy Partners**
- Market Equity (a) $7.7
- Debt 3.7
- Enterprise Value $11.4
- 2003E EBITDA $1,102 mm
- 2003E Dist. CF $809 mm

**Kinder Morgan, Inc**
- Market Equity (b) $6.4
- Debt 3.0
- Enterprise Value $9.4
- 2003E EBITDA $939 mm
- 2003E Dist. CF $530 mm

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(a) KMEP market cap based on 140 million common units at a price of $42.06, and 48 million KMR i-units at a price of $38.32 as of September 12, 2003. Debt balance as of June 30, 2003, excluding the fair value of interest rate swaps, net of cash.

(b) KMI market cap based on 123 million shares at $52.10 as of September 12, 2003. Debt balance as of June 30, 2003, excluding the fair value of interest rate swaps, net of cash.

(c) Includes 5 million Class B units owned by KMI. Class B units are unlisted KMP common units.
Consistent Track Record

Total Distributions (GP + LP) ($mm)

KMP Distribution / Unit (a)

KMI Earnings Per Share (b)

Debt to Total Capital

- **Consistent Track Record**

- **Total Distributions (GP + LP) ($mm)**

- **KMP Distribution / Unit (a)**

- **KMI Earnings Per Share (b)**

- **Debt to Total Capital**

- **(a) Declared 4Q distribution annualized (i.e. multiplied by four).**

- **(b) Excluding special items.**
## Attractive Value Proposition

<table>
<thead>
<tr>
<th></th>
<th>KMP/KMR (a)</th>
<th>KMI (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stable Cash Flow</td>
<td>~ 6.5% / 7.0% yield</td>
<td>~ 3.0% yield</td>
</tr>
<tr>
<td>Add: Internal Growth</td>
<td>8-10%</td>
<td>12%+</td>
</tr>
<tr>
<td>Internal Growth - Total Return Potential</td>
<td>15-17%</td>
<td>15%+</td>
</tr>
<tr>
<td>Acquisition Upside - Total Return Potential</td>
<td>&gt;15-17%</td>
<td>&gt;15+%</td>
</tr>
</tbody>
</table>

(a) Returns calculated from 2002 to 2007.
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
Management Philosophy

- **Low Cost Asset Operator**
  - Senior management limited to $200,000 per year in base salary
  - No planes, sports tickets, etc.

- **Attention to Detail**
  - Weekly operations and financial assessment
  - Monthly earnings and accounts receivable review
  - Quarterly strategic review

- **Risk Management**
  - Avoid businesses with direct commodity price exposure wherever possible
  - Hedge incidental commodity price risk

- **Alignment of Incentives**
  - Bonus targets are tied to published budget – KMP DCF of $2.63 and KMI EPS of $3.18 for 2003
  - Senior management has KMI restricted stock. All other employees have options.
  - Rich Kinder has the largest equity stake in the energy industry — 20% in KMI
  - He receives $1 per year in salary, no bonus, no options
Solid Asset Base Generates Stable Fee Income

- **Terminals**
  - Largest independent terminal operator in U.S.
  - 65% Liquids, 35% Bulk
  - Geographic and product diversity
  - 3-4 year average contract life

- **CO₂**
  - Leading provider of CO₂ in U.S.; long-term contracts
  - 37% CO₂ transport and sales
  - 63% oil production related
  - Oil price hedged out to 5 years

- **Natural Gas Pipelines**
  - 38% FERC regulated with 7-8 year average contract life
  - 51% Texas Railroad Commission regulated
  - Little incidental commodity risk

- **Product Pipelines**
  - Largest independent refined products pipeline system in U.S.
  - Refinery hub to population center strategy
  - 47% FERC regulated (b)
  - 19% CPUC regulated (b)
  - No commodity price risk

- **2003 DCF** (a)

---

(a) Budgeted 2003 distributable cash flow before allocation of G&A and interest.
(b) Based on 2002 earnings.
# Targeted KMP Internal Segment Growth

## Business Segments

<table>
<thead>
<tr>
<th>Business Segments</th>
<th>DCF 2002 Actual</th>
<th>DCF 2003 Budget</th>
<th>Change</th>
<th>Growth Drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Products Pipelines</td>
<td>$399.1</td>
<td>$418.7</td>
<td>$19.6</td>
<td>Demographics in West and Southeast U.S.</td>
</tr>
<tr>
<td>Natural Gas Pipelines</td>
<td>307.6</td>
<td>341.1</td>
<td>33.5</td>
<td>Expansions and extensions</td>
</tr>
<tr>
<td>CO₂ Pipelines</td>
<td>128.6</td>
<td>171.9</td>
<td>43.3</td>
<td>SACROC growth</td>
</tr>
<tr>
<td>Terminals</td>
<td>187.9</td>
<td>211.7</td>
<td>23.8</td>
<td>Expansions, new contracts</td>
</tr>
<tr>
<td><strong>Total (a)</strong></td>
<td><strong>$1,023.2</strong></td>
<td><strong>$1,143.4</strong></td>
<td><strong>$120.2</strong></td>
<td></td>
</tr>
</tbody>
</table>

(a) Total segment distributable cash before G&A and interest.

**Consistent with 8% Internal Growth to LP Units**
Modest Top Line Growth at KMP Leads to Significant Bottom Line Growth

**Illustrative**

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Growth</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Margin</td>
<td>$100</td>
<td>$104</td>
<td>4%</td>
<td>Price and volume</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>50</td>
<td>50</td>
<td></td>
<td>Efficiency savings compensate for small increase in variable cost</td>
</tr>
<tr>
<td>Operating Income</td>
<td>$50</td>
<td>$54</td>
<td>8%</td>
<td></td>
</tr>
<tr>
<td>G&amp;A</td>
<td>6</td>
<td>6</td>
<td></td>
<td>No increase associated with internal growth</td>
</tr>
<tr>
<td>Net Before Debt</td>
<td>$44</td>
<td>$48</td>
<td>9%</td>
<td></td>
</tr>
<tr>
<td>Interest Expense (a)</td>
<td>11</td>
<td>11</td>
<td></td>
<td>No increase associated with internal growth</td>
</tr>
<tr>
<td>Net After Debt</td>
<td>$33</td>
<td>$37</td>
<td>12%</td>
<td></td>
</tr>
<tr>
<td>LP Share</td>
<td>20</td>
<td>22</td>
<td>10%</td>
<td>LP receives 59% of total and 50% of upside</td>
</tr>
<tr>
<td>GP Share</td>
<td>13</td>
<td>15</td>
<td>15%</td>
<td>GP receives 41% of total and 50% of upside</td>
</tr>
</tbody>
</table>

(a) Based on enterprise value equal to $450 million, 40% leverage and 6% interest rate.
## KMP 2003 Expansion Capital Budget

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>2003 Budget</th>
<th>Major Projects</th>
<th>Cost – Major Projects</th>
<th>Completion Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product Pipelines</td>
<td>$66</td>
<td>Sacramento, Ethanol</td>
<td>$88</td>
<td>2003-2005</td>
</tr>
<tr>
<td>Natural Gas Pipelines</td>
<td>$67</td>
<td>Cheyenne, Monterrey</td>
<td>$118</td>
<td>2003-2004</td>
</tr>
<tr>
<td>CO2 Pipelines</td>
<td>$233</td>
<td>SACRO/C/Centerline</td>
<td>$236</td>
<td>2003</td>
</tr>
<tr>
<td>Terminals</td>
<td>$58</td>
<td>Northeast, Houston</td>
<td>$44</td>
<td>2003</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$424</strong></td>
<td></td>
<td><strong>$486</strong></td>
<td></td>
</tr>
</tbody>
</table>
Natural Gas Infrastructure Development

- Silver Canyon
- TransColorado Extension
- NGPL Permian Expansion
- North Texas Pipeline
- NGPL North Lansing Storage
- Monterrey
- Trailblazer Pipeline
- TransColorado
- KM Gathering
- KM Retail
- RMNG / KMICD
- Blythe/Ehrenberg
- Opal
- Cheyenne Hub
- Advantage
- Blanco
- Waha
- Katy
- Henry
- St. Louis Lateral

Legend:
- Green: NGPL
- Pink: KMTP / KM Tejas
- Yellow: KMIGT
- Purple: Trailblazer Pipeline
- Blue: TransColorado
- Gray: KM Retail
- Teal: RMNG / KMICD
- Light Blue: KM Gathering
- Hexagon: Market Hub
- Circle: Gas Storage
- Diamond: Gas Processing
KMP is conservatively capitalized

Rating Baa1/BBB+
Current Net Debt / Total Capital 51%

2003 Budget Estimates:
Debt / EBITDA 3.6x
EBITDA / Interest 6.0x

CP Capacity:
Total Revolver $1,050
Outstanding CP (6/30/03) 347
Excess Capacity $703

Enterprise Value and Credit Ratings (a):

Maturities: $ (in millions)
2003 - Remaining 45
2004 5
2005 205
2006 45
2007 255

KMR Reduces KMP’s Need to Access Market

- 2003 EBITDA: $1,100
- Interest, Sustaining Cap Ex, Taxes: $300
- LP Distribution: $480
- KMR Distribution: $120
- GP Distribution: $320
- Reinvested in Business: $120

Paid in shares, cash reinvested
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

- KMI BOD has authorized KMI to act opportunistically to repurchase KMR shares
## KMR has Produced Attractive Returns

<table>
<thead>
<tr>
<th></th>
<th>Price at Offering</th>
<th>Price at 9/12</th>
<th>Annual Return (c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>KMR IPO (a)</td>
<td>$35.205</td>
<td>$38.32</td>
<td>11%</td>
</tr>
<tr>
<td>KMR Secondary (b)</td>
<td>$27.50</td>
<td>$38.32</td>
<td>44%</td>
</tr>
</tbody>
</table>

(a) Offering date was May 15, 2001.
(b) Offering date was July 31, 2002.
(c) Annual return calculated on a daily basis assuming dividends reinvested.
KMP, KMR Price Differential Presents Opportunity
Solid Asset Base Generates Stable Fee Income

**KMI (b)**
- **2003 Segment Income**
  - KMP 45%
  - NGPL 43%
  - Retail 8%
  - Power 2%
  - TransColorado 2%

**KMP (a)**
- General partner interest provides incentive distributions
- Own 18% of total limited partner units

**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 Colorado, Wyoming and Nebraska
- 240,000 customers

**Power**
- Equity interest in five plants

**TransColorado**
- Transports natural gas from Rockies to northern New Mexico

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(a) Includes: (i) general partner interest, (ii) earnings from 18 million KMP units and (iii) earnings from 14 million KMR units. On a comparable basis 2002 numbers were KMP 42%, NGPL 43%, Retail 8%, Power 5% and TransColorado 2%.

(b) Budgeted 2003 segment earnings before allocation of G&A and interest.
# Targeted KMI Internal Growth

## Three Assumptions:

1. **KMP**
   - 8 - 10% LP distribution growth plus resulting GP incentive

2. **NGPL / Other Assets**
   - 3 - 5% segment earnings growth

3. **Cash Available after sustaining and modest expansion CAPEX**
   - 50% Dividends/ Repurchase Shares
   - 50% Reduce Debt

---

**Consistent with 12% Internal Growth + 3% Yield**
## KMI vs. SPX:
### Higher Return, Lower Risk, Trading at a Discount

<table>
<thead>
<tr>
<th></th>
<th>Projected Growth (a)</th>
<th>Dividend Yield</th>
<th>Total Projected Return (b)</th>
<th>Beta</th>
<th>2003 EPS Multiple</th>
</tr>
</thead>
<tbody>
<tr>
<td>KMI</td>
<td>12.0%</td>
<td>3.0%</td>
<td>15.0%</td>
<td>.69</td>
<td>16X</td>
</tr>
<tr>
<td>SPX</td>
<td>7.0%</td>
<td>1.7%</td>
<td>8.7%</td>
<td>1.0</td>
<td>19X</td>
</tr>
</tbody>
</table>

(a) Source: KMI = Company Estimates; SPX = First Call Consensus
(b) Projected Growth plus Dividend Yield
Potential Dividend Increase above $1.60 in 2004

Free Cash Flow: ~ $500 million (a)

Less: Dividend $200 million (b)

Less: Share Repurchase: $50 million

Less: Debt Repayment: $100 million

Remaining: $150 million

2004 Decision: What portion to debt repayment vs. increased dividend?

(a) After expansion capital expenditures. Round numbers used to simplify example. 2003 projected cash flow available to pay dividends, repurchase shares and pay down debt is approximately $465 million. 2004 is projected to exceed 2003.

(b) Current dividend = $1.60/share
Risks

- **Regulatory**
  - Pacific Products Pipeline FERC/CPUC case
  - Trailblazer rate case
  - Affiliate rule change
  - Unexpected FERC policy changes

- **Environmental**

- **Terrorism**

- **Interest Rates**
  - 50% of debt is floating rate
  - Budget assumes approximately 100 bps increase in floating rates over the year
  - A full year of a 100 basis point increase in rates equals $19 million increase in expense at KMP and $15 million at KMI
Unique Structure, Stable Assets and Attractive Growth

Unique Structure
- KMP
  - Tax efficient entity
  - Pay-out 100% of available cash
  - Structure creates discipline
- KMR
  - Dividend reinvestment funds capital expenditures
- KMI
  - Minimal capital required
  - Growth from GP incentive fee
  - Significant excess cash returned to debt and equity holders

Stable Assets, Attractive Growth
- Stable cash flow from essential infrastructure
- Low cost discipline
- Conservative capital structure
- Management team with significant equity stake
- Outstanding track record
- Attractive internal growth from favorable demographics and expansion opportunities
- Acquisition upside potential