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Kinder Morgan: Three Securities

Kinder Morgan Energy Partners
- Market Equity (a) $9.7
- Debt (a) 4.9
- Enterprise Value $14.6
- 2005E EBITDA $1,581 mm
- 2005E Dist. CF $1,178 mm

Kinder Morgan, Inc
- Market Equity (b) $9.6
- Debt (b) 2.7
- Enterprise Value $12.3
- 2005E EBITDA $1,142 mm
- 2005E Dist. CF $623 mm

(a) KMEP market cap based on 153 million common units at a price of $47.06 and 56 million KMR i-units at a price of $43.81 as of May 6, 2005. Debt balance, as of March 31, 2005, excluding the fair value of interest rate swaps, net of cash.

(b) KMI market cap based on 123 million shares at a price of $75.83 as of May 6, 2005. Market equity also includes $284 million of capital trust securities (TRUPS). Debt balance as of March 31, 2005, excluding fair value of interest rate swaps.

(c) Includes 5.3 million Class B units owned by KMI. Class B units are unlisted KMP common units.
Consistent Track Record

Total Distributions (GP + LP) ($mm)

KMI Earnings Per Share

KMP Distribution / Unit (a)

Debt to Total Capital (b)

(a) Declared 4Q distribution annualized (i.e. multiplied by four)
(b) Excludes loss/gains in Other Comprehensive Income related to hedges; KMI 2004 excludes cash on hand from TransColorado sale
Overview

- **Vision**
  - Find tsunamis
  - Create opportunities

- **Operational Excellence**
  - Safety
  - Environmental
  - Efficiency

- **Financial Excellence**
  - Cost control
  - Disciplined capital allocation
  - Bottom line performance
  - Transparency
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
Solid Asset Base Generates Stable Fee Income

**KMP 2005 DCF (a)**
- **Terminals**
  - 55% Liquids, 45% Bulk
  - Geographic and product diversity
  - 3-4 year average contract life
- **CO₂**
  - 25% CO₂ transport and sales
  - 75% oil production related
  - Expected production hedged:
    - 2005=95%; 2006=72%; 2007=58%

**Products Pipelines**
- Refinery hub to population center strategy
- 64% Pipelines
- 31% Associated Terminals (b)
- 5% Transmix
- No commodity price risk

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

---

(a) Budgeted 2005 distributable cash flow before G&A and interest
(b) Terminals are not FERC regulated except portion of CALNEV
Approximately $9 Billion in Capital Invested at KMP

Note: Investment is defined as Gross PP&E plus Investments and Intangibles, less cumulative sustaining capex, minority interest (KMI), deferred taxes and assumed liabilities.
Solid Asset Base Generates Stable Fee Income

**Investment in KMP (a)**
- General partner interest earns incentive distributions
- Owns 17% of total limited partner units

**2005 Segment Income (b)**
- KMP 53%
- NGPL 39%
- Power 1%
- Retail 7%

**KMI**

**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

---

(a) Includes: (i) general partner interest, (ii) earnings from 20 million KMP units and (iii) earnings from 15 million KMR shares.
(b) Budgeted 2005 segment earnings before G&A and interest.
Over $2.7 billion returned to investors 2000-2005

- Dividends: $839
- Share Repurchase: $778
- Change in Net Debt: $1,149
- Total: $2,201

(a) 2005E numbers include $118 million in share repurchase from TransColorado sale.
Risks

- **Regulatory**
  - Pacific Products Pipeline FERC/CPUC case
  - Periodic rate reviews
  - 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
  - The full-year impact of a 100-bp increase in rates equates to an approximate $24 million increase in expense at KMP and $15 million at KMI
## Long-Term Growth Drivers

<table>
<thead>
<tr>
<th>Business Segment</th>
<th>Growth Drivers</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Products Pipelines</strong></td>
<td>§ Gasoline demand tracks demographic growth</td>
</tr>
<tr>
<td></td>
<td>§ Serve 8 of 10 fastest growing metropolitan areas</td>
</tr>
<tr>
<td></td>
<td>§ Price escalator = PPI</td>
</tr>
<tr>
<td></td>
<td>§ Advantage to existing assets</td>
</tr>
<tr>
<td><strong>Natural Gas Pipelines</strong></td>
<td>§ Natural gas demand growth = 1.5%/year (a)</td>
</tr>
<tr>
<td></td>
<td>§ US is infrastructure constrained</td>
</tr>
<tr>
<td></td>
<td>§ LNG requires new infrastructure</td>
</tr>
<tr>
<td></td>
<td>§ Advantage to existing assets</td>
</tr>
<tr>
<td><strong>CO₂</strong></td>
<td>§ Production at SACROC and Yates</td>
</tr>
<tr>
<td></td>
<td>§ Additional Permian Basin Opportunities</td>
</tr>
<tr>
<td></td>
<td>§ Opportunities in new basins</td>
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<tr>
<td></td>
<td>§ CO₂ Expertise</td>
</tr>
<tr>
<td><strong>Terminals</strong></td>
<td>§ Increasing product specifications</td>
</tr>
<tr>
<td></td>
<td>§ Changing regulations</td>
</tr>
<tr>
<td></td>
<td>§ Advantage to existing assets</td>
</tr>
</tbody>
</table>

(a) Source: Energy Information Administration (EIA) 2005 Annual Energy Outlook
Natural Gas Pipelines
Rocky Mountain Natural Gas

Natural Gas Production 3Q 2004 vs. 3Q 2003 MMcf/d

- Big Horn: 63 (+1)
- Powder River: 989 (-67)
- Wind River: 683 (+153)
- Green River: 2,832 (+112)
- Hanna: 57 (+4)
- Opal: 654 (+33)
- Piceance: 689 (+160)
- Paradox: 133 (+1)
- San Juan Basin: 2,832 (+112)
- Blanco: 57 (+4)

Source: Lippman Consulting, Inc.
Rockies – Continued Growth Expected

<table>
<thead>
<tr>
<th></th>
<th>Projected</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2004</td>
</tr>
<tr>
<td>Rockies Production</td>
<td>6,754</td>
</tr>
<tr>
<td>(MMcf/d)</td>
<td>8,541 (^{(a)})</td>
</tr>
</tbody>
</table>

(includes: Colorado, Montana, Utah & Wyoming)

- Rocky mountain natural gas production is projected to grow more than 25% (1,787 MMcf/d) in the next 4 years
- Estimated expansion capability of existing Rockies infrastructure is ~1,400 MMcf/d \(^{(b)}\)
- Need other outlets besides Mid-continent

Sources: Platt’s \(^{(a)}\), KM estimates \(^{(b)}\)
LNG on the Gulf Coast

- **SU Trunkline**: 300 MMcf/day expansion
- **Sempra Cameron**: 1.5 Bcf/day
- **Cheniere Creole Trail**: 2.6 Bcf/day
- **BP Pelican Isl.**: 1.2 Bcf/day
- **Freeport LNG**: 1.5 Bcf/day
- **Sempra Port Arthur**: 1.5 – 3 Bcf/day
- **ExxonMobil Golden Pass**: 1 – 2 Bcf/day
- **Cheniere Sabine Pass**: 2.6 Bcf/day
- **Shell Gulf Landing**: 1 Bcf/day
- **Excelerate Energy Energy Bridge**: 0.5 Bcf/day
- **ChevronTexaco Port Pelican**: 1.6 Bcf/day

- **Calhoun LNG**: 1 Bcf/day
- **Oxy Ingleside**: 1 Bcf/day
- **ExxonMobil Vista Del Sol**: 1 Bcf/day
- **Cheniere Corpus Christi**: 2.6 Bcf/day
- **Cheniere under consideration**: 1 Bcf/day

- **Natural Gas Pipeline Co. of America KM Tejas Pipeline KM Texas Pipeline KM Mier-Monterrey Pipeline**
Perspective on LNG

- LNG on the Texas Gulf Coast

- KM Texas well positioned to provide services
  - header system (intrastate)
  - downstream services: swing management (storage)

- LNG terminals will be controlled by the majors

- But .... downstream services (e.g. to smooth out deliveries) have potential
CO₂
Permian Basin CO₂ Purch. & Oil Production

Permian CO₂ Deliveries

Permian Oil Production

Cum: 847 MMBbls

CO₂ Floods - % of Permian

Sources: KM estimates, Oil and Gas Journal, EIA
Kinder Morgan Crude Oil Production

SACROC

Pre-2002 - Cumulative oil prod. 1.25B Bbls, 44.5% OOIP, Production ~8,500 Bbl/d (time of purchase)

2005 - Average oil production 34 – 35,000 Bbl/d
- Average CO₂ injection 611 MMcf/d
- SACROC EBITDA* $253 MM

2005-2010 - Depending upon pace & extent of development:
- Oil Rate may increase to 36 – 50,000 Bbl/d
- EBITDA $250-300 MM
- at $30/Bbl unhedged oil price

*CO₂ Margin has not been eliminated

Yates

Pre-2002 - Cumulative oil prod. 1.4B Bbls, 27.4% of OOIP, Production ~18,000 Bbl/d (time of purchase)

2005 - Average Oil production 22 - 23,000 Bbl/d
- Commence N₂ rejection April
- Drill 97 HDH wells
- Increase gas sales to 3.7 MMcf/d
- Yates EBITDA $53.3 MM

2005-2010 - Oil rate should remain flat or even increase slightly for many years dependent on impact of CO₂ on gravity drainage, and timing of N₂ rejection
CO₂ Long-Term Outlook / Goals

- **Domestic oil reserve replacement costs are increasing**
  - CO₂ flooding provides an attractive cost structure and a proven track record to add new reserves

- **Kinder Morgan will leverage infrastructure in Permian Basin**
  - Lowest cost CO₂ supply combined with largest reserves, infrastructure
  - Own significant interest in and operate two world class reservoirs
  - Remain patient and poised to selectively acquire strategic EOR target fields – and only at the right price

- **Use CO₂ assets and technology to maintain leadership in emerging U.S. CO₂ market**
  - Lowest cost CO₂ supply combined with largest reserves, infrastructure
Terminals
Petroleum Products – Imports are Increasing

**Imports as Percent of Demand**

<table>
<thead>
<tr>
<th></th>
<th>2002</th>
<th>2003</th>
<th>2004</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline</td>
<td>9.1%</td>
<td>9.8%</td>
<td>10.2%</td>
</tr>
<tr>
<td>Distillate</td>
<td>7.1%</td>
<td>8.5%</td>
<td>7.9%</td>
</tr>
<tr>
<td>Jet</td>
<td>6.6%</td>
<td>6.9%</td>
<td>7.0%</td>
</tr>
</tbody>
</table>

**Source:** EIA
Additives: Ethanol Increasing, MTBE Decreasing

U.S. Average Daily Production, MBbl/d

- 2002: Ethanol 139, MTBE 204
- 2003: Ethanol 183, MTBE 168
- 2004: Ethanol 221, MTBE 131

Source: EIA
KM Ethanol Terminals

Ethanol capacity shown in barrels

Legend
- Liquid Locations
- Product Pipelines Locations

- 2,090M Fuel Grade Ethanol Combined Capacity
- 440M Fuel Grade Ethanol
- 578M Fuel Grade Ethanol
- 647M Fuel Grade Ethanol
- 425.7M Fuel Grade Ethanol

2,090M Fuel Grade Ethanol Combined Capacity
440M Fuel Grade Ethanol
578M Fuel Grade Ethanol
647M Fuel Grade Ethanol
425.7M Fuel Grade Ethanol
Increasing Coal Imports

Source: EIA

Projected 24% Average Annual Growth

Source: EIA
KM Potential Coal Import Locations

East Coast

- 11 million tpy currently received by water served utilities
- Rapid Rail turnaround required
- Import potential as high as 43 million tons
- Some infrastructure upgrade required
- Over 234 million tons of coal consumed by Electric Utilities in East Coast States in 2003
- Over 60 power plant locations to service

Shipyard River
Charleston, SC

Fairless Hills
Fairless Hills, PA

Chesapeake Bulk
Baltimore, MD

Pier IX
Newport News, VA

Tampaplex
Tampa, FL

KMT Import Coal
Strategic Locations
Growing Petcoke Supply

U.S. Pet coke Production, MM tons

Source: EIA
Summary

- Stable company
- Disciplined capital allocation
- Focused on growth opportunities
  - Natural Gas
    - Rockies
    - LNG
  - CO₂
    - Yates and SACROC
    - Other Permian basin
  - Terminals
    - Imported petroleum products
    - Coal imports
    - Petcoke