Unique Financial Structure

**KMP drives growth at KMI**
- At current rates, will pay over $250 million of distributions to KMI for 2001
- Represents approximately 34% of KMI’s segment income in 2001
- Fastest growing business segment of KMI

**Senior Management**
- Owns 25% of KMI
- KMI owns $1 billion of KMP units
- Rich Kinder and Bill Morgan have $1/year salaries, no bonus, no options

---

(a) Market cap. and enterprise values based on 114.5mm shares o/s and a price of $54 as of 6/21/2001 and debt balance as of 3/31/2001
(b) Market cap based on 67.5mm common units outstanding, approximately 15mm I-Units outstanding, a common unit price of $68.26, and a KMR price of $67.95 as of 6/21/01.
(c) Reduced net balance of $3bn as of 3/31/01 by $1bn of KMR proceeds
Kinder Morgan Management, LLC

- Provides KMP access to the institutional market, allowing KMP to accelerate its growth strategy
- Manages and controls the operations of KMP
- Owns a new class of KMP limited partnership interests ("i-units")
- Has equivalent economics to and same voting rights as KMP common units
- KMI bought 10% of the offering

(a) Owns 11.3 million common units, 2.7 million class B units, and 1.49 million KMR shares including those held by subsidiaries, including Kinder Morgan G.P., Inc
(b) Owns 2% general partner interest in KMP, including operating partnership interests and incentive distribution rights
(c) Includes 1.4875 million shares (10%) owned by KMI
(d) Includes common and class B units owned by affiliates of KMI
# KMR is KMP

<table>
<thead>
<tr>
<th></th>
<th>KMR</th>
<th>KMP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Distributions</td>
<td>Shares</td>
<td>Cash</td>
</tr>
<tr>
<td>Yield</td>
<td>6.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Exchangeability</td>
<td>KMP Common Units</td>
<td>None</td>
</tr>
<tr>
<td>Voting Rights</td>
<td>In Parity with KMP</td>
<td>Limited</td>
</tr>
<tr>
<td>Optional Purchase</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Mandatory Purchase</td>
<td>Yes</td>
<td>No</td>
</tr>
</tbody>
</table>

## Tax Considerations
- **Allocated Taxable Income**: No Yes
- **Non-Qualifying Income**: No Yes
- **UBTI**: No Yes
- **K-1s**: No Yes
- **State Filing Obligations**: No Yes
Business Strategy

Since the formation of Kinder Morgan, management has:

- Focused on stable, fee-based assets which are core to the energy infrastructure of growing markets
- Increased utilization of assets while controlling costs
  - Classic fixed cost businesses with little variable costs
  - Improve productivity to drop most of top-line growth to bottom line
- Leveraged economies of scale from incremental acquisitions
  - Reduce needless overhead
  - Apply best practices to core operations
- Maximized benefit of a unique financial structure which fits with strategy
  - MLP avoids double taxation on distributions from high cash flow businesses
  - Strong balance sheet allows flexibility when raising capital for acquisitions / expansions
**Kinder Morgan Energy Partners**  
*Premier Pipeline MLP*

**Market Position**
- Largest pipeline MLP
- Largest independent refined products pipeline system
- Largest CO₂ transporter
- Largest independent bulk terminal operator
- Second largest independent liquids terminal operator

**Financial Profile (a)**
- Cash Distribution: $4.20
- Distribution Yield: 6.2%
- 4 Year Distribution CAGR (b): 33%
- 4 Year Total Return (6/01/2001): 590%
- Price / Distribution: 16.3x

**2001 Estimated Earnings Contribution**
- Product Pipelines: 43%
- Natural Gas Pipelines: 24%
- CO₂: 13%
- Liquid Terminals: 10%
- Bulk Terminals: 10%

(a) Based on a $68.26 unit price as of 6/20/2001  
(b) Through Q1 2001
Product Pipelines

- Accounts for 43% of KMP’s 2001 expected earnings
  - Classic fixed cost businesses with fee-based revenues and little variable costs
  - Benign regulatory environment
  - Excess capacity plus favorable demographics in SW and SE drive growth

- Pipeline Assets
  - Over 10,000 mile pipeline system
  - Refined products: gasoline, diesel, jet fuel
  - NGLs for refinery and petrochemical feedstocks
  - Transports over 2MM barrels of products a day
  - Associated terminals including west coast GATX terminals
  - Serves the highest growth markets in the U.S.

- Transmix Processing
  - 5 facilities
  - Fee-based
Natural Gas Pipelines

**Accounts for 24% of 2001 expected earnings**
- Serves various producing regions with long-term contracts
- Excess capacity positioned to profit from growth in gas demand
- Regulated asset base with long-term rate moratorium

**Pipeline Assets**
- Approximately 10,000 miles of pipeline plus gathering and storage facilities
- Approximately 1.05 Tcf of natural gas throughput per year
- Moves Rockies and Mid-Continent gas to end users
- Provides approximately 35% of all deliveries into Houston and southeast Texas area
- Recently announced Sonoran pipeline with Calpine to deliver gas to California by 2003

Shading denotes significant supply basin
CO₂ Pipelines

- Accounts for 13% of 2001 expected earnings
  - Major player in attractive niche business
  - Extremely low variable cost produces consistent results in a variety of commodity price environments
  - New contracts with Oxy and Marathon

- Delivers CO₂ for use in enhanced oil recovery projects

- Transports CO₂ via four pipelines with 2.2 Bcf/d capacity

- Long-term deliverability of CO₂ reserves
Bulk Terminals

- Accounts for 10% of 2001 expected earnings
  - Geographic and product diversity with long-term contracts
  - Like pipelines, a fee-based, fixed cost business
  - Growth in low-sulfur coal, petroleum coke and cement

- 29 owned or operated bulk terminals
  - Handle over 40 million tons annually:
    - Coal
    - Petroleum Coke
    - Cement and other bulk products
Liquids Terminals

Accounts for 10% of 2001 expected
- KMP is second largest independent in the U.S. in
  - Petroleum storage
  - Chemical storage
- Focus on fee-based opportunities not subject to commodity futures markets

5 Liquids Terminals
- Storage capacity of 26.6 mmbbls
- Primary locations in Houston, New York Harbor, and Chicago
- 66% of revenues from long-term contracts with 20% over 5 years
Kinder Morgan Inc.
Segment Overview

Market Position
- One of the largest midstream energy companies in U.S.
- 30,000 miles of natural gas and products pipelines

Market Performance
- 325% Total Return under current management (b)

2001 Estimated Earnings Contribution
- NGPL 49%
- KMP 34%(a)
- Power & Other 9%
- Retail 8%

(a) Does not include amortization of excess investment of approximately $27M
(b) Total return including dividend reinvestment from 07/01/99 – 6/01/01
Natural Gas Pipeline of America (NGPL)

- 49% of 2001 expected earnings
- Transport natural gas to Chicago and other Midwest markets
- Over 10,000 miles of pipe and 200 bcf of storage with peak deliverability of 5.7 bcf/day
- Recent 3-5 year contract extensions with largest LDC customers
- 3rd party construction of gas-fired power plants is expected to drive long-term growth
  - Over 3,000 MW attached in 2000
  - Expect 3,000-4,000 MW annually for ‘01-’03
- Hub America
- Horizon Pipeline
- St Louis Pipeline
- Additional Market Area Extensions Expected
Power

- 9% of 2001 expected earnings
- Plan to develop power generating plants along gas pipelines
- Orion configuration - Innovative plant design that can be ramped up or down quickly
  - Little Rock, AK project with Southern Company (under construction)
  - Six additional sites to be developed with Williams Co. including Jackson, MI (to serve Detroit), Cape Girardeau, MO, and Waukegan, IL
- Beneficial GE contract and impact of development fees
- Interests in four existing plants in Colorado
Retail

- 8% of 2001 expected earnings
- Provides natural gas to approximately 225,000 residential, commercial, industrial and agricultural customers in Nebraska, Colorado and Wyoming
- Promote choice gas, which un-bundles supplier of gas from transporter
- 6-8% load growth on western slope of Colorado mitigated by slower growth in WY and NE
# Acquisition Track Record

<table>
<thead>
<tr>
<th>Acquisitions</th>
<th>Approximate Value ($mm)</th>
</tr>
</thead>
<tbody>
<tr>
<td>6 Deals in 1997-1998</td>
<td>$1,720</td>
</tr>
<tr>
<td>4 Deals in 1999</td>
<td>950</td>
</tr>
<tr>
<td>Milwaukee / Dakota</td>
<td>25</td>
</tr>
<tr>
<td>80% Shell CO₂</td>
<td>212</td>
</tr>
<tr>
<td>CRC CO₂ Pipeline / SACROC</td>
<td>53</td>
</tr>
<tr>
<td>Buckeye Transmix</td>
<td>38</td>
</tr>
<tr>
<td>Cochin Pipeline (32.5%)</td>
<td>118</td>
</tr>
<tr>
<td>Delta Terminals</td>
<td>114</td>
</tr>
<tr>
<td>Duke Transmix</td>
<td>11</td>
</tr>
<tr>
<td>Marathon JV</td>
<td>40</td>
</tr>
<tr>
<td>Phase II Dropdown (KMTP)</td>
<td>300</td>
</tr>
<tr>
<td>GATX</td>
<td>1,170</td>
</tr>
<tr>
<td>10 Deals in 2000</td>
<td>2,081</td>
</tr>
<tr>
<td>Pinney Dock in 2001</td>
<td>42</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$4,793</strong></td>
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</table>
Substantial Acquisition Potential in Current Environment

- **Petroleum pipelines represent a large opportunity**
  - Rationalization by Major Oil Companies
    - Pipelines perceived to be a capital intensive, regulated business with modest growth
    - Internal restructuring to reallocate midstream capital into core businesses
  - Elimination of inefficient joint-venture structures (e.g. Plantation)
  - FTC mandated divestitures from mergers
  - KMP currently accounts for only 7% of the domestic market (a)

- **Significant bulk terminals opportunities**
  - Average cash flow multiples lower than pipelines
  - Coal represents largest opportunity
  - Utilities (81% of market) and IPP’s (14% of market) are likely sellers of coal assets

(a) Source: Association of Oil Pipelines and FERC data compiled by Oil & Gas Journal
- Approximately 7% of total miles of domestic pipelines
- Approximately 6% of total barrels delivered annually
- Approximately 8% of total annual transport revenue
Substantial Acquisition Potential in Current Environment (continued)

- **Liquids Terminals from Majors and Independents**
  - Disaggregated industry
  - Focused on physical logistics rather than marketing-dependent facilities

- **Continued Restructuring in Natural Gas Industry**
  - Industry has seen more consolidation than product pipelines
  - Significant opportunity to expand our ownership as gas market grows to 30Tcf
  - Sources of future opportunities:
    - FTC orders (e.g. El Paso / Coastal)
    - Restructuring by peers away from asset-based businesses
    - New build projects to meet growing U.S. demand
    - Tuck-in acquisition opportunities

- **Will explore additional opportunities for CO₂ around U.S.**
  - Acquire and convert to CO₂ use
  - Partnering with major customers to develop new basins
# KMP Acquisition Matrix

## Hypothetical Value of Acquisitions vs. Multiple of Distributable Cash Flow

<table>
<thead>
<tr>
<th>Hypothetical Value of Acquisitions</th>
<th>Multiple of Distributable Cash Flow</th>
<th>Accretion per LP Unit ($) (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>5.0 X</td>
<td>6.5 X</td>
</tr>
<tr>
<td>$1,250M</td>
<td>$0.76</td>
<td>$0.45</td>
</tr>
<tr>
<td>1,000M</td>
<td>0.62</td>
<td></td>
</tr>
<tr>
<td>750M</td>
<td>0.48</td>
<td>0.19</td>
</tr>
<tr>
<td>500M</td>
<td>0.33</td>
<td></td>
</tr>
</tbody>
</table>

### Target

$0.20 - 0.30

---

(a) Assumes acquisition financed 60% equity / 40% debt, pre-tax debt cost of 7.0%, a $4.20 annual distribution, a unit/KMR share price of $69.00, and outstanding units of 82.4 million.

The above figures regarding acquisition accretion potential are based on various forward-looking assumptions made by the management of Kinder Morgan. While Kinder Morgan believes that these assumptions are reasonable, it can give no assurance that such results will materialize.
### Hypothetical Value of Acquisitions

<table>
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<tr>
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<th>Multiple of Distributable Cash Flow</th>
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<tbody>
<tr>
<td></td>
<td>5.0 X</td>
</tr>
<tr>
<td>$1,250M</td>
<td>$0.57</td>
</tr>
<tr>
<td>1,000M</td>
<td>0.46</td>
</tr>
<tr>
<td>750M</td>
<td>0.35</td>
</tr>
<tr>
<td>500M</td>
<td>0.23</td>
</tr>
</tbody>
</table>

**Target $0.20 - 0.30**

---

(a) Assumes acquisition financed 60% equity / 40% debt, pre-tax debt cost of 7.0%, a $4.20 annual distribution, a unit/KMR share price of $69.00, outstanding units of 82.4 million and 114.5 million KMI shares outstanding.

The above figures regarding acquisition accretion potential are based on various forward-looking assumptions made by the management of Kinder Morgan. While Kinder Morgan believes that these assumptions are reasonable, it can give no assurance that such results will materialize.
KMI 3 Year Growth Targets

KMI EPS is expected to grow at a 21% CAGR over the next 3 years without additional acquisitions.

2000 EPS | KMI Growth potential without additional acquisitions | 2003 Expected EPS before additional acquisitions at KMP | Additional acquisition potential at KMP | 2003 expected EPS with additional acquisitions at KMP

$1.28 | $0.53 | $0.24 | $0.09 | $0.05 | $0.16 | ($0.10) | $2.25 | $0.75 | $3.00

NGPL | Power | Retail | Return on excess cash | KMTP | 33% Total EPS CAGR | 21% EPS CAGR without acquisitions
KMP 3 Year Growth Targets

KMP distribution per unit is expected to grow at an 11% CAGR over the next 3 years without additional acquisitions.

- 2000 Distribution
- KMP Growth potential without additional acquisitions
- 2003 Expected DPU before additional acquisitions at KMP
- Additional acquisition potential at KMP
- 2003 expected DPU with additional acquisitions at KMP

- Products
  - Nat Gas: $0.30
  - Bulk Terminals: $0.51
- Liquids
  - CO2: $0.17
  - $0.06
- $3.43
- $4.65
- $0.75
- $5.40

11% DPU CAGR without acquisitions
16% Total DPU CAGR
A Unique Investment Opportunity

- Unique combination of growth and yield
- Premier assets with stable, fee-based cash flows
- Committed to growing distributions driven by organic growth and acquisitions
- Strong management team aligned with unitholders
- KMR eliminates difficulties with holding partnership equity