



Goldman Sachs Conference

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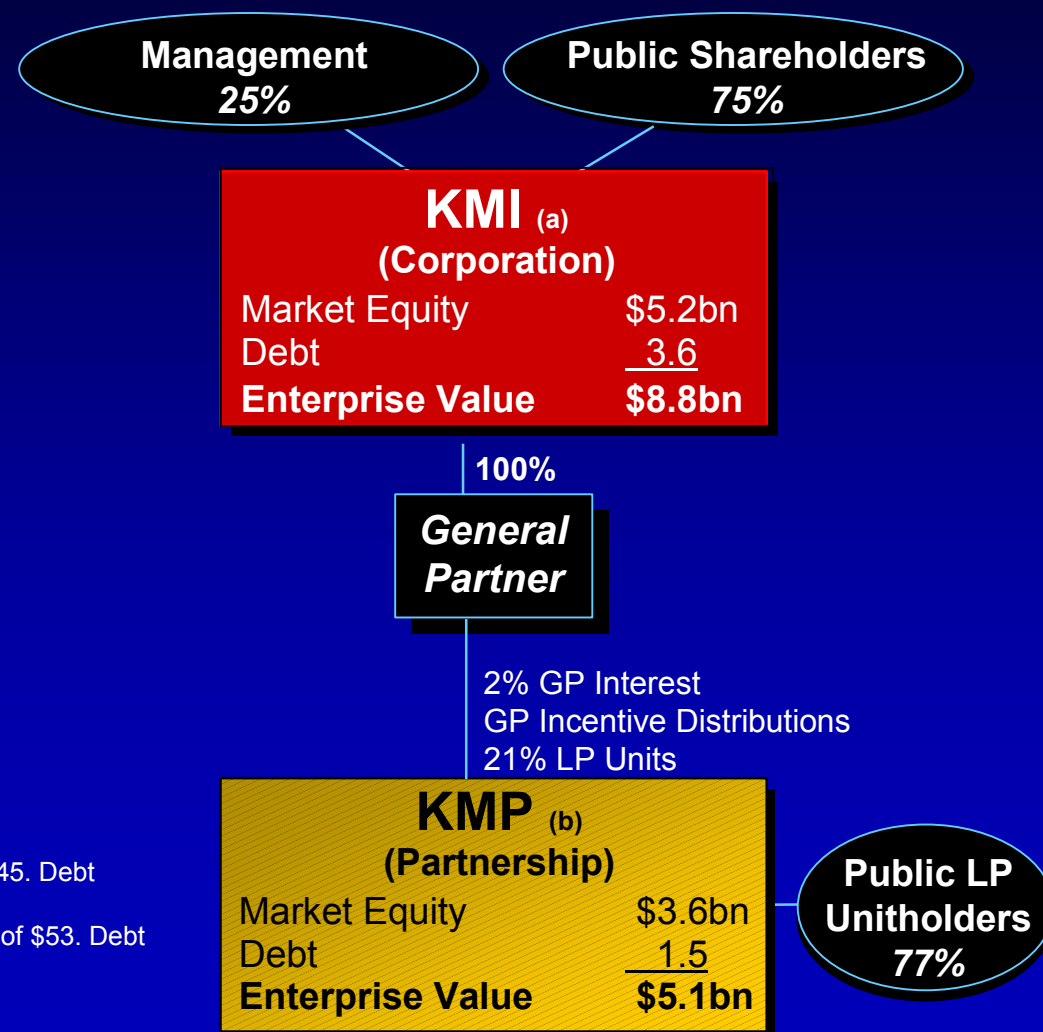
Elements of Kinder Morgan's Strategy

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 all 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 stable, high cash flow businesses
 - GP promote turns modest growth into superior growth
 - Strong balance sheet allows flexibility when raising capital for acquisitions / expansions

Unique Financial Structure

- **KMI owns 100% of the General Partner of KMP**
- **For a given KMP acquisition, KMI contributes 2% of the equity capital for 34% of the cash flow and 50% of the upside** (c)
- **KMP generates growth and income**
 - approximately 7% tax deferred yield
 - has increased per unit distributions at over 30% CAGR (d)



(a) Market equity and enterprise values assume 116M shares o/s and a price of \$45. Debt balance as of 9/30

(b) Market equity and enterprise values assume 67.5M shares o/s and a unit price of \$53. Debt balance as of 9/30

(c) Based on \$3.40 distribution

(d) Calculated since 2/97 when current management assumed control

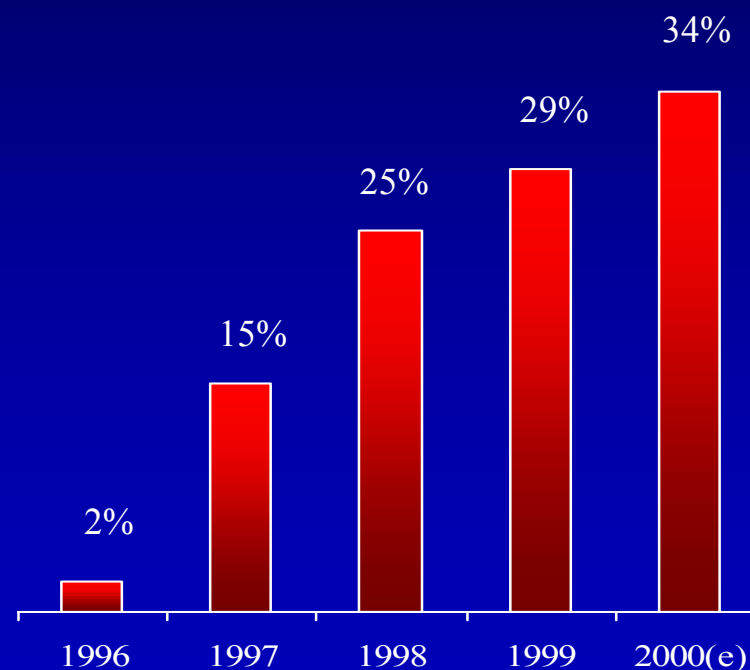
How KMP Impacts KMI

As the per-unit KMP distributions have increased, the GP's percentage of total cash flow has grown dramatically

KMP Distribution/Unit



KMI % of KMP Cash Flow (a)

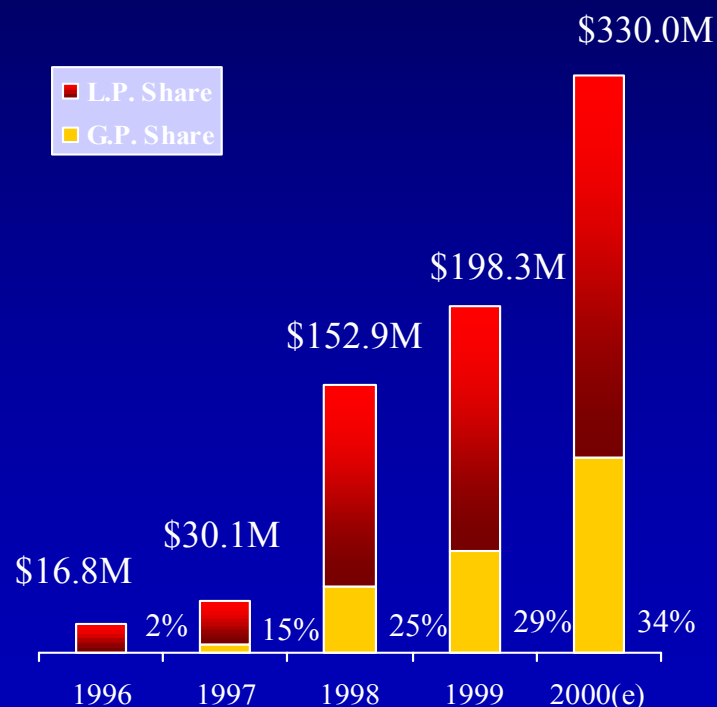


(a) Includes only the 2% GP Interest - does not include L.P. units owned by the G.P. (KMI)

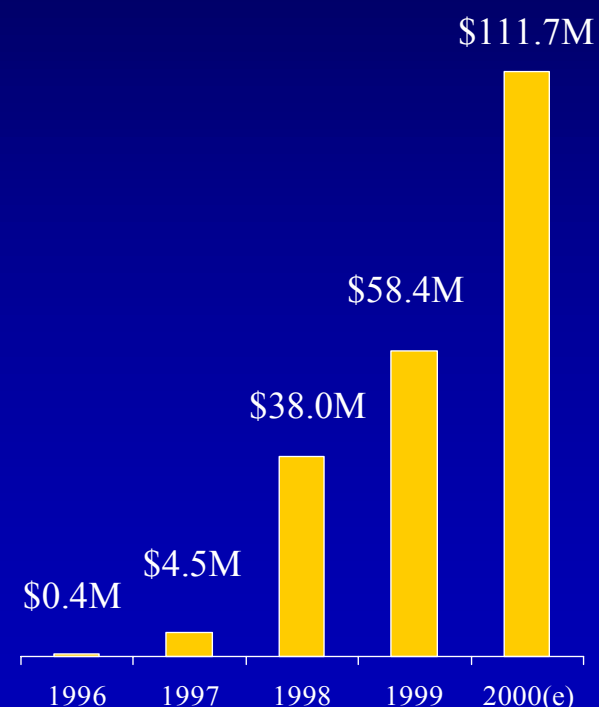
How KMP Impacts KMI

The combination of growth in both KMP's total cash flow and KMI's share of that total has produced dramatic cash flow growth for KMI's GP interest

KMP Total Cash Flow



KMI's 2% G.P. Interest (a)



(a) Includes only the 2% GP Interest - does not include L.P. units owned by GP/KMI



How KMP Assets Fit the Strategy

KMP Assets provide stability along with strong growth potential

■ Product Pipelines

- 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

■ Gas Pipelines

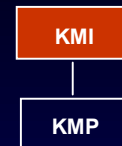
- Serve various producing regions with long-term contracts
- Excess capacity positioned to profit from gas growth

■ CO₂

- Dominant player in attractive niche business
- Extremely low variable cost produces consistent results in a variety of commodity price environments

■ Bulk Terminals

- Geographic and product diversity with long-term contracts
- Like pipelines, a fee-based, fixed cost business
- Growth in low-sulfur coal, petcoke, and cement



How KMI Assets Fit the Strategy

KMI businesses are low-risk with significant upside

■ NGPL

- Recent recontracting success has stabilized business
 - Recontracted top 3 LDCs for 3-5 years
 - Little sensitivity to near-term weather due to contract structure
- Classic fixed cost business with little variable costs
- Gas-fired generation plants drive future demand
 - volume upsides
 - pricing upsides

■ Retail

- Stable, mostly unbundled LDC operations
- Exceptional growth on western slope of Colorado

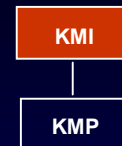
■ Power

- Realize value created by GE contract and sites on gas pipelines
- Fee-based revenues from power plant development and operation
- Tolls with investment grade credits eliminate commodity risk

KMP - 2001 Goals

KMP goals for 2001

- **Year - end distributions in the \$4.00 - \$4.20 range (approx. \$3.90 avg. for year)**
 - Approximately \$0.20 - \$0.30 internal growth
 - Approximately \$0.20 - \$0.30 acquisition growth
- **Maintain B/S near current 60% equity / 40% debt ratio**
 - Complete institutional equity offering
 - Continue to expand public debt program



KMI - 2001 Goals

KMI Goals for 2001

- **EPS Growth of 30% - 40% (\$1.62 - \$1.75)**
 - Low end of range assumes no additional KMP acquisitions
 - High end of range assumes modest KMP acquisitions
 - Change in seasonality resulting from sales/transfers should produce 25% of annual EPS in 1st quarter

- **Segment Growth**
 - GP expected to contribute most to growth
 - Power expected to double by adding new plants
 - Modest growth from NGPL and Retail

- **Balance Sheet Improvement**
 - Debt to total capital in low 50's by year-end '01
 - Goal of strong BBB rated credit

Profile of Ideal Acquisition Candidate

- Pipeline or terminal assets
- Stable cash flows
- Opportunity to reduce overhead
- Opportunity to more aggressively pursue growth
 - Excess capacity
 - Aggressive deployment of expansion capex
 - Innovative customer contracts

Acquisition Opportunities

- **Rationalization by major oil companies**
 - FTC requirements
 - Internal restructuring
 - Other oil companies following suit
- **Liquids pipelines and terminals consolidation opportunities**
- **Bulk terminals acquisition opportunities**
- **Continued restructuring in the natural gas industry**

**KMP: 17 Transactions for Approximately \$4.6 Bn in
Last 3.5 Years**

KMI - Acquisition Matrix

For acquisitions completed at KMP, KMI stockholders receive a significant EPS contribution (a) *

<u>Value of Acquisitions</u>	<u>5.0X</u>	<u>6.5X</u>	<u>8.0X</u>	<u>9.5X</u>
\$1250M	\$ 0.55	\$ 0.38	\$ 0.27	\$ 0.19
\$1000M	\$ 0.44	\$ 0.30	\$ 0.22	\$ 0.16
\$750M	\$ 0.33	\$ 0.23	\$ 0.16	\$ 0.12
\$500M	\$ 0.22	\$ 0.15	\$ 0.11	\$ 0.08

Target \$0.20 - 0.30

(a) Assumes acquisition financed 60% equity / 40% debt, pre-tax debt cost of 7%, a \$3.40 annual distribution, a unit price of \$53, and outstanding units of 67.5 million.

* The above figures regarding growth 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.