



Kinder Morgan Update

September 2001

Forward looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. The future results and securities values of Kinder Morgan Inc. and Kinder Morgan Energy Partners, L.P. (collectively known as "Kinder Morgan") may differ materially from those expressed in the forward-looking statements contained throughout this presentation. Many of the factors that will determine these results and values are beyond Kinder Morgan's ability to control or predict. These statements are necessarily based upon various assumptions involving judgments with respect to the future, including, among others, the ability to achieve synergies and revenue growth; national, international, regional and local economic, competitive and regulatory conditions and developments; technological developments; capital markets conditions; inflation rates; interest rates; the political and economic stability of oil producing nations; energy markets; weather conditions; business and regulatory or legal decisions; the pace of deregulation of retail natural gas and electricity and certain agricultural products; the timing and success of business development efforts; and other uncertainties. You are cautioned not to put undue reliance on any forward-looking statement.

Kinder Morgan Management LLC

A written prospectus meeting the requirements of Section 10 of the Securities Act of 1933 may be obtained from Goldman, Sachs & Co., 85 Broad Street, New York, New York 10004.

This communication shall not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of these securities in any State in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such State.

Unique Financial Structure

■ Senior Management

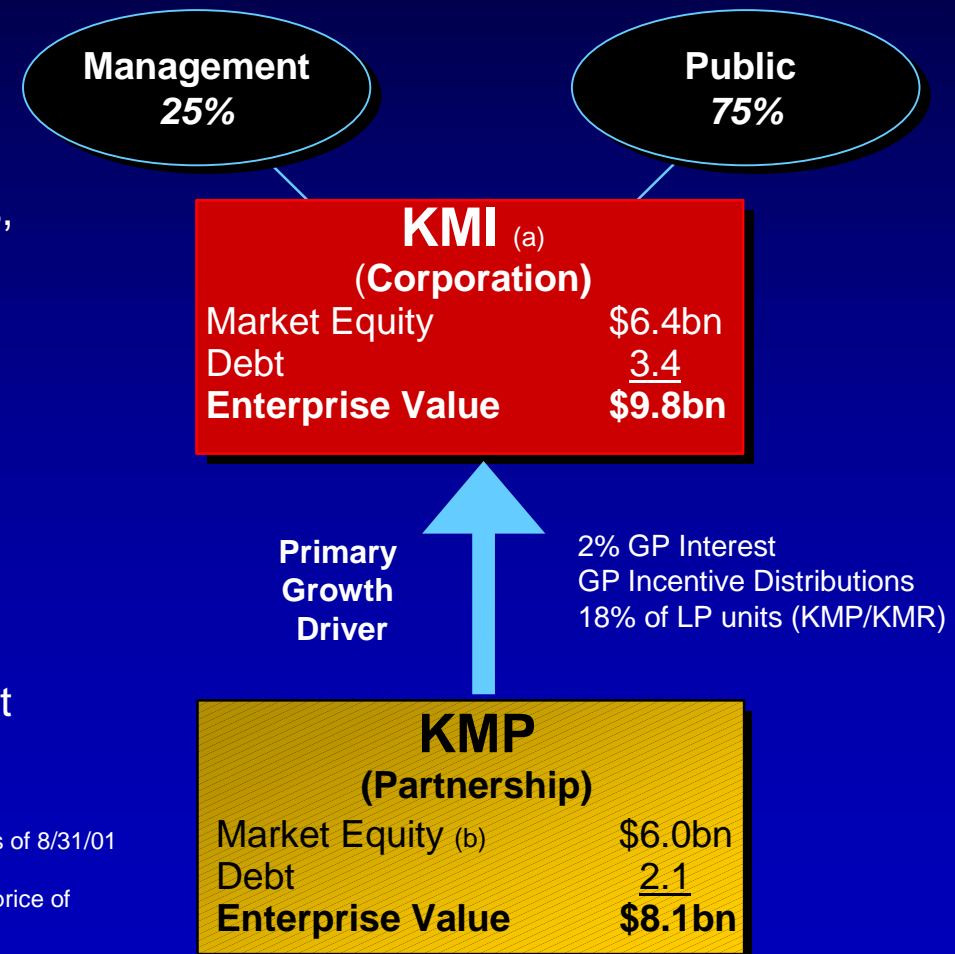
- Owns 25% of KMI
- Rich Kinder (Chairman & CEO) and Bill Morgan (Vice Chairman) have \$1/year salaries, no bonus, no options
- Recently announced \$300mm share repurchase

■ KMP drives growth at KMI

- KMP is the fastest growing segment of KMI
 - Tax advantaged partnership structure
 - Strong internal growth plus acquisitions
- Represents approximately 34% of KMI's segment income in 2001

(a) Market cap. and enterprise values based on 115.3mm shares o/s and a price of \$55.60 as of 8/31/01 and debt balance as of 6/30/01

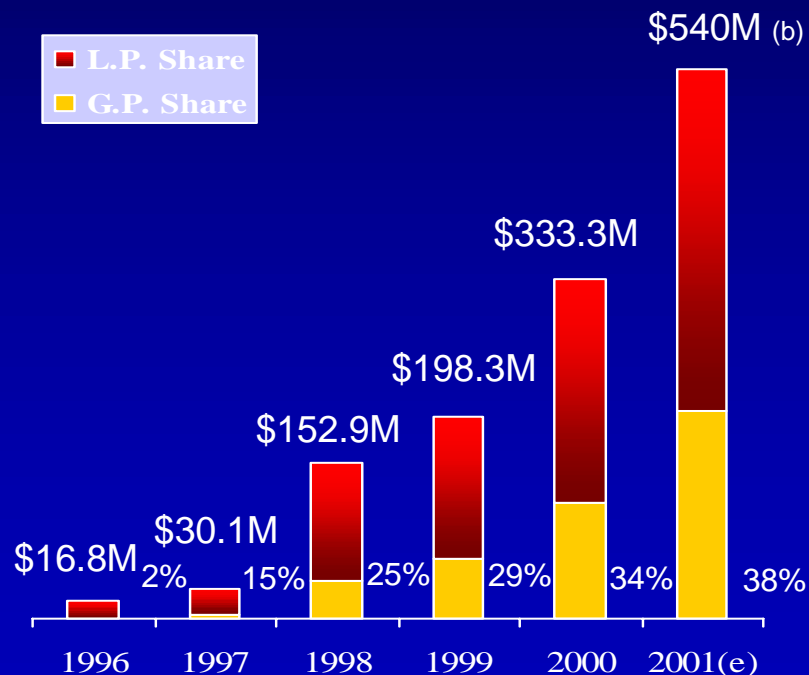
(b) Market cap based on 165mm common units, a common unit price of \$36.58, and a KMR price of \$36.725 as of 8/31/01. Debt balance as of 6/30/01



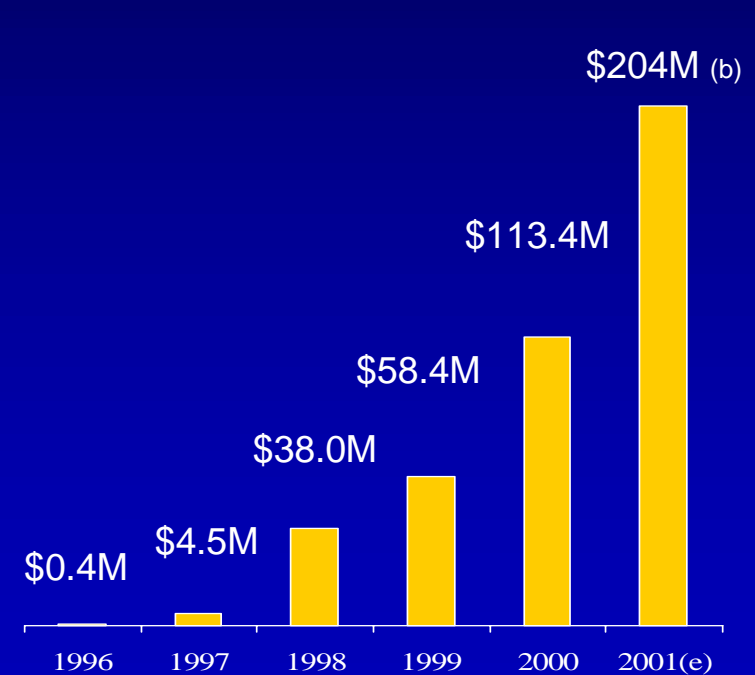
How KMP Impacts KMI

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 Distributions



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



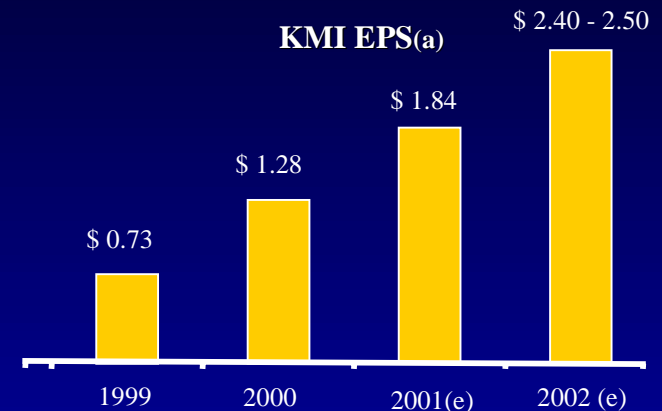
(a) Includes only the 2% GP Interest - does not include L.P. units and KMR shares owned by GP/KMI

(b) Assumes yearly average distribution of \$2.125 on 165M units outstanding

Investment Opportunities for Institutions

■ KMI: Exceptional Growth Potential

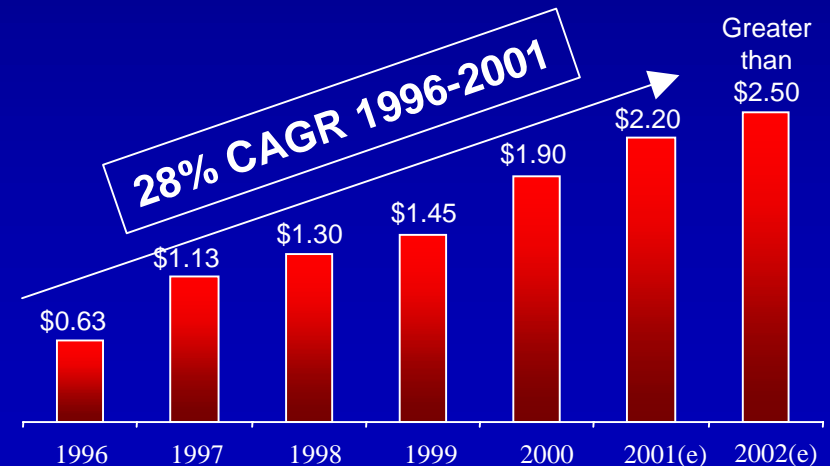
- G.P. incentive structure passes 50% of incremental cash flow growth to G.P.
- G.P. benefits tremendously from accretive acquisitions by the partnership
- Trading at 23x '02 earnings vs. consensus 40% growth in '01 and 30% in '02



Year - End Cash Distribution Per KMP Unit (b)

■ KMP: Income Plus Growth

- Currently yielding 5.7%
- Targeting mid-teens growth in distributions
- Institutions can invest via KMR
 - KMR solves partnership tax reporting problems
 - Economically equivalent to KMP

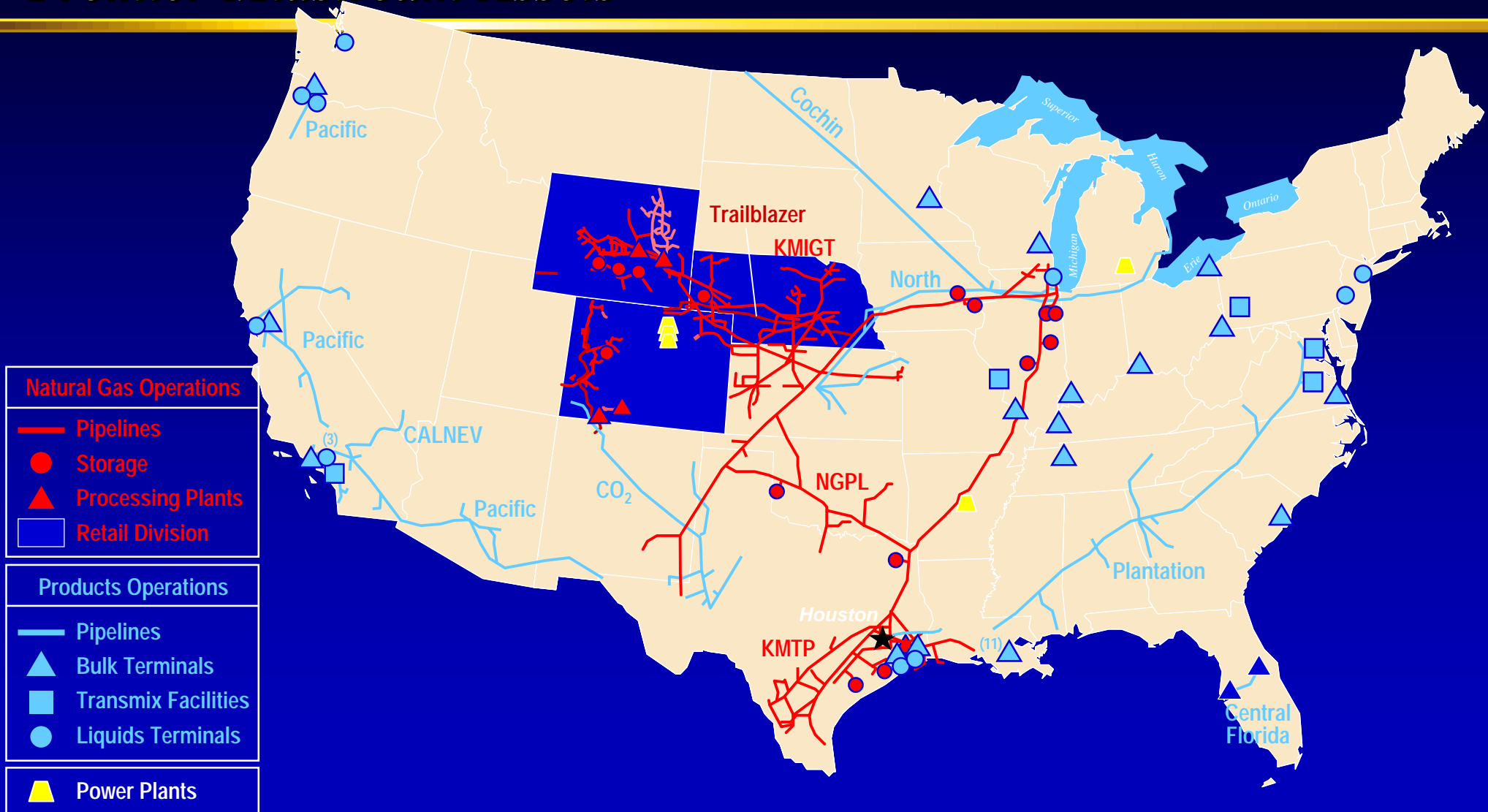


(a) Recurring Diluted EPS

(b) Historical and projected year-end run rate for KMP distribution per unit (equal to Q4 distribution x4)

Kinder Morgan System Map

Premier Midstream Assets



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**
 - Virtually no commodity price risk
 - No marketing and trading business
- **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

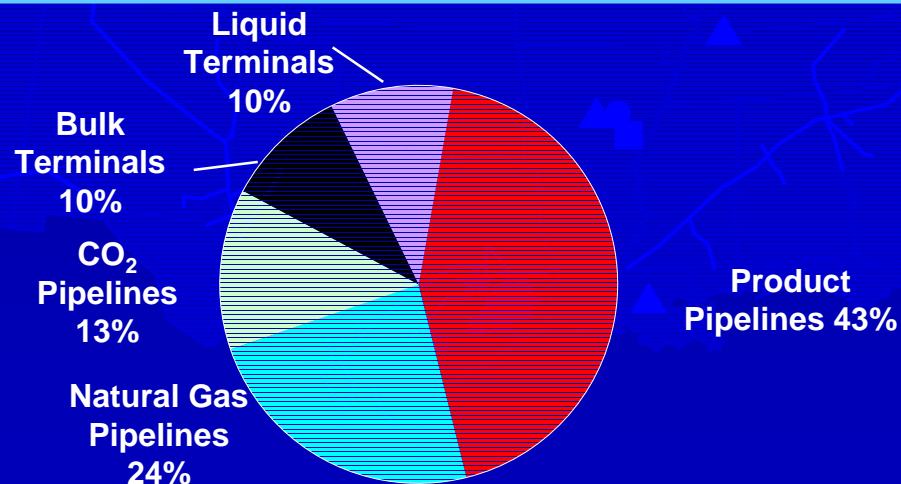
Market Position

- Largest pipeline MLP
- Largest independent refined products pipeline systems
- Largest CO₂ transporter
- Largest independent bulk terminal operator
- Second largest liquids terminal operator

Financial Profile (a)

■ Cash Distribution:	\$ 2.10
■ Distribution Yield:	5.7%
■ 4 Year Distribution CAGR (b)	31%
■ 4 Year Total Return (8/31/2001)	617%
■ Price / Distribution	17.4x

2001 Estimated Earnings Contribution



(a) Based on a \$36.58 unit price as of 8/31/2001

(b) Through Q2 2001

Kinder Morgan Inc.

Segment Overview

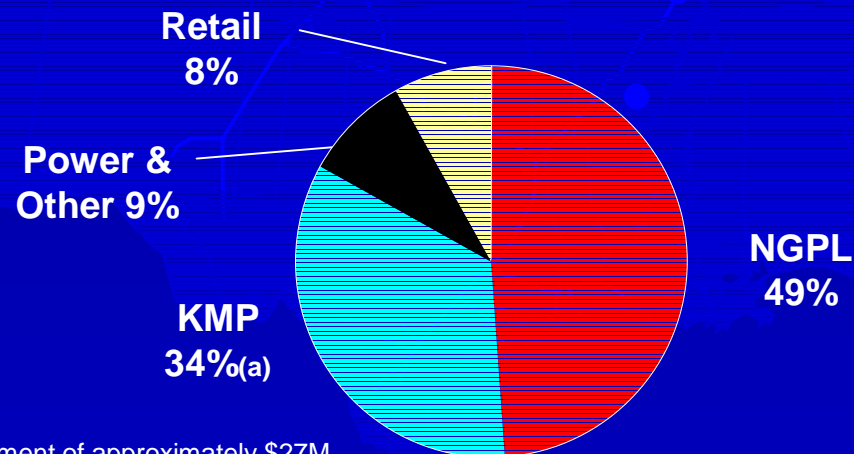
Market Position

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

Market Performance

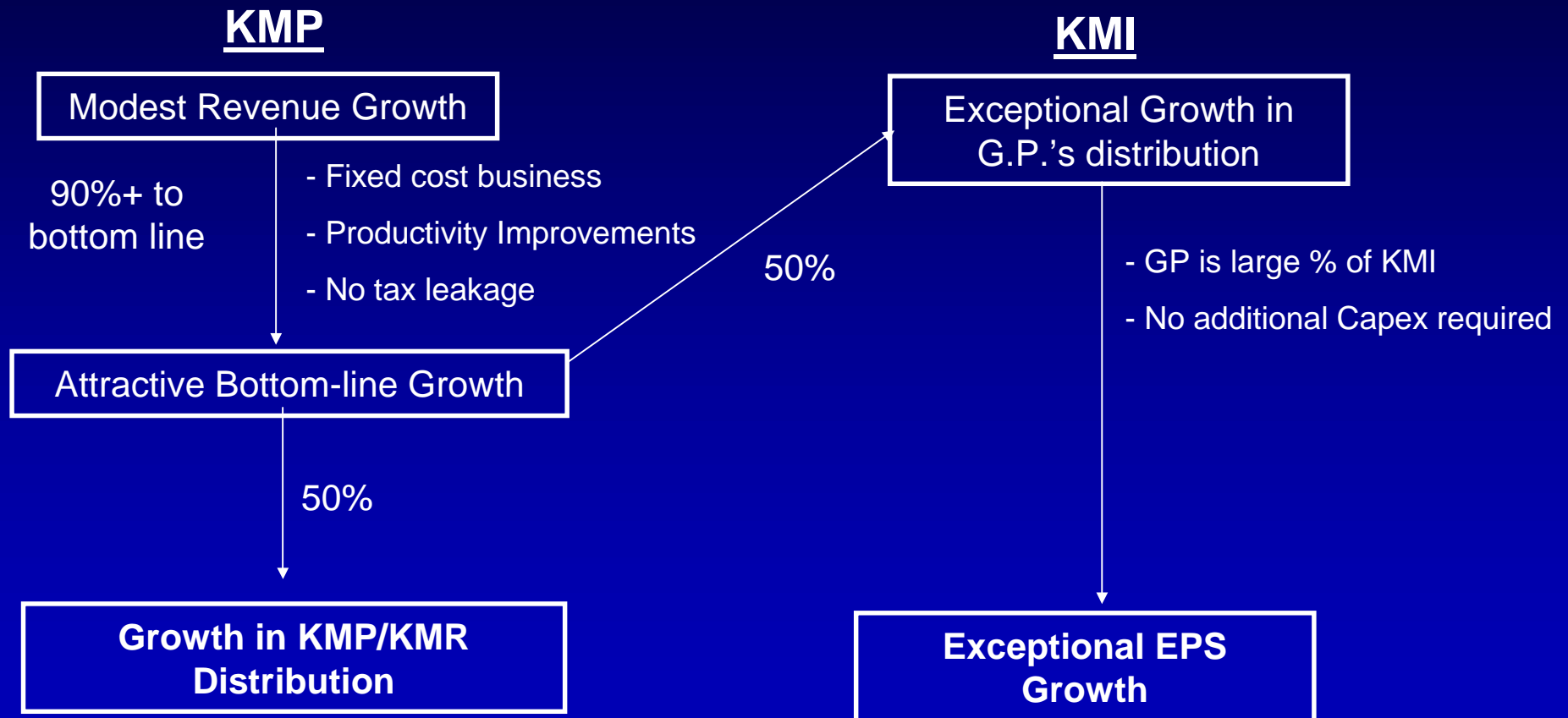
- Approximately 332% Total Return under current management (7/01/99 – 8/31/01)

2001 Estimated Earnings Contribution



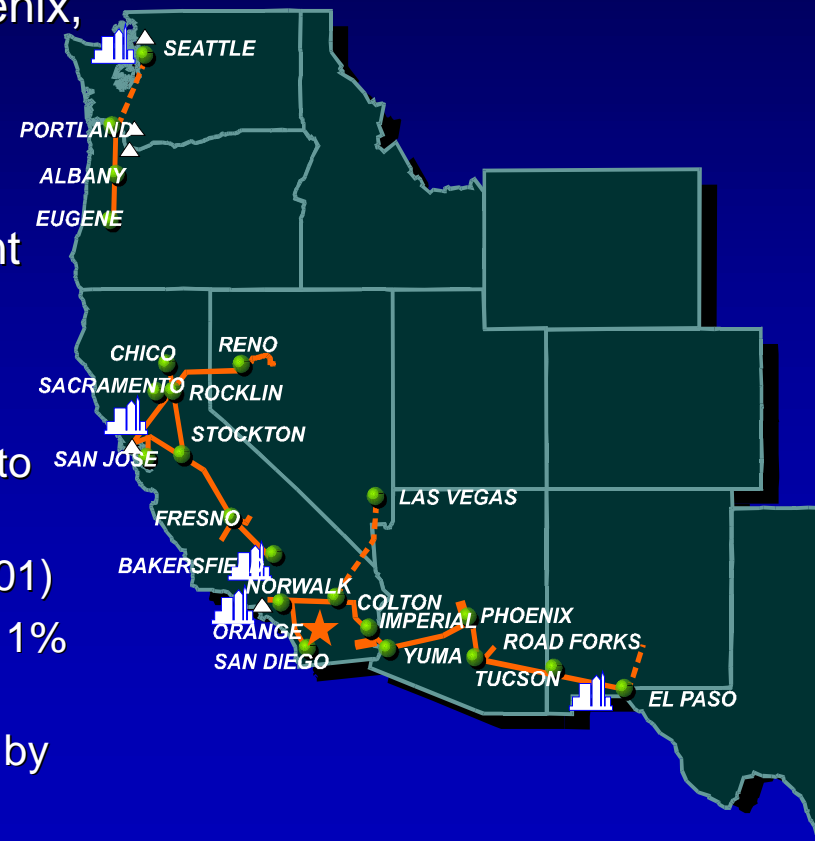
(a) Does not include amortization of excess investment of approximately \$27M

KMI Benefits from KMP Internal Growth



Internal Growth Case Study: Pacific System

- Transports gasoline, diesel and jet fuel to some of the fastest growing markets in U.S. (i.e. Las Vegas, Phoenix, San Diego)
- Demographic growth drives volume growth
- Excess capacity for next 8-10 years without significant capital
- Virtually all revenue growth drops to the bottom line
 - Paid same fee regardless of commodity price (e.g. LA to Phoenix is approx. \$1.30 / bbl)
 - Volume growth is 3% - 5% per year (4.7% first half of '01)
 - Due to simplified regulation, tariff is increased at PPI – 1% each July 1 (2.75% in '01)
 - Slight variable cost (power to pump the product) offset by productivity improvements



Internal Growth Summary

KMP

Primary Internal Growth Driver

- Products Pipes • Demographic movements to West and South East U.S.
- Nat. Gas Pipes • Increased production in Rockies and growth in gas – fired generation
- CO2 Pipes • Maturation of on-shore oil basins in United States
- Terminals • Increased refinery utilization, increased product specifications, and increased use of low sulfur coals

KMI

- G.P. of KMP • G.P. incentive structure leveraging KMP internal growth drivers (above)
- NGPL • Servicing additional 3,000 – 4,000 MW of gas-fired generating capacity annually
- Power • Continued development/construction of plants for Williams and Mirant
- Retail • Rapid customer growth on West Slope of Colorado

Expansion Opportunities are Increasing

KMP

Primary Internal Growth Driver

Products Pipes

- Extending to new markets in Tennessee, Florida, and San Diego

Nat. Gas Pipes

- Significant new infrastructure needed for 30Tcf market (new plants/new markets)

CO2 Pipes

- Extension of existing pipeline system and new field floods from existing partners (Marathon / Yates joint venture)

Terminals

- Customers increasingly willing to sign long-term agreements for new terminal capacity

KMI

NGPL

- Significant new infrastructure needed for 30Tcf market (new plants/new markets)

Power

- Opportunities to build and operate plants for a fee for marketing partners

Announced Expansion Projects

<u>Segment</u>	<u>Project</u>	<u>Capital</u>	<u>In Service Date</u>
KMP – Gas pipelines	Trailblazer expansion	\$ 40 million	June 2002
KMP – Gas Pipelines	KMTP for Calpine	\$ 15 million	Q3 2002
Product Pipelines	CALNEV Expansion	\$ 9 million	Q2 2002
Terminals	Shipyard River	\$ 18 million	Q1 2001
Terminals	Liquid terminal expansion	\$ 17 million	Various over 2002
Terminals	Delta Terminals	\$ 25 million	Various over 3 years
CO2	SACROC Expansion	\$ 29 million	Q1 2002
NGPL	St. Louis Expansion	\$ 35 million	June 2002
NGPL	Horizon expansion	\$ 40 million	April 2002
Power	Williams Toll (MI)	\$ 50-70 million	Summer 2002
Power	Williams Toll (MO, IL)	\$100 – 140 million	Summer 2003
Power	Southern plant – Little Rock	<u>\$ 60 million</u>	Summer 2002
		Approx \$500	

Acquisition Opportunities

■ Product Pipelines

- Kinder Morgan has only 7% of the U.S. petroleum pipeline market
- Rationalization by the majors
- FTC - mandated divestitures resulting from mergers
- Elimination of inefficient joint-venture structures (e.g. Plantation)

■ Natural Gas Pipelines

- Industry has seen more consolidation than product pipelines
- Transaction drivers in the future
 - FTC orders (e.g. El Paso / Coastal)
 - Continued restructuring away from asset-based businesses by marketing companies
 - Opportunity to integrate into existing Kinder Morgan system

Acquisition Opportunities - Continued

■ Terminals

- Average cash flow multiples lower than pipelines
- Target over \$200m / yr in acquisitions
- Significant opportunities remain for liquids terminal acquisitions
 - Kinder Morgan's market share of top 10 independent volume is less than 15%
 - Restructuring by majors
- Coal represents significant opportunity
 - KMP handled about 2% of 1.1bn ton domestic coal market in 2000
- Petcoke growing with increased use of heavy crudes in U.S. refineries

Kinder Morgan Advantages as Acquirer

■ Pretax MLP Structure

- Significant cost of capital advantage vs. traditional Corps.
- Significant scale and cost of capital advantage vs. other MLP's

■ Track record of eliminating overhead

■ Focus on Asset Operation

- Not viewed as a competitor (i.e. no marketing and trading)
- Simplifies integration of acquired businesses
- Creates opportunities for follow-on capital investment

Acquisition Track Record

Acquisitions	Approximate Value (\$mm)
6 Deals in 1997-1998	\$ 1,720
4 Deals in 1999	950
Milwaukee / Dakota Terminal	25
80% Shell CO ₂	212
CRC CO ₂ Pipeline / SACROC	53
Buckeye Transmix	38
Cochin Pipeline (34.8%)	126
Delta Terminals	114
Duke Transmix	11
Phase II Dropdown (KMTP)	300
Marathon JV (CO ₂)	40
GATX Pipelines & Terminals	1,170
Pinney Dock Terminals	42
Vopak Terminals	44
Oxy Pipeline	360
Total	\$5,205

KMP Acquisition Matrix

Accretion per KMP Unit (\$) ^(a)

**Hypothetical
Value of
Acquisitions**

Multiple of Distributable Cash Flow

\$1,250M

\$ 0.40

\$ 0.24

\$ 0.14

1,000M

0.32

0.20

0.12

750M

0.25

0.15

0.09

500M

0.17

0.10

0.06

Target \$0.15 - 0.20

(a) Assumes acquisition financed 60% equity / 40% debt, pre-tax debt cost of 7.0%, a \$2.10 annual distribution, a unit/KMR share price of \$37.00, and outstanding units of 165 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

KMI Acquisition Matrix

Accretion per KMI Common Share (\$) ^(a)

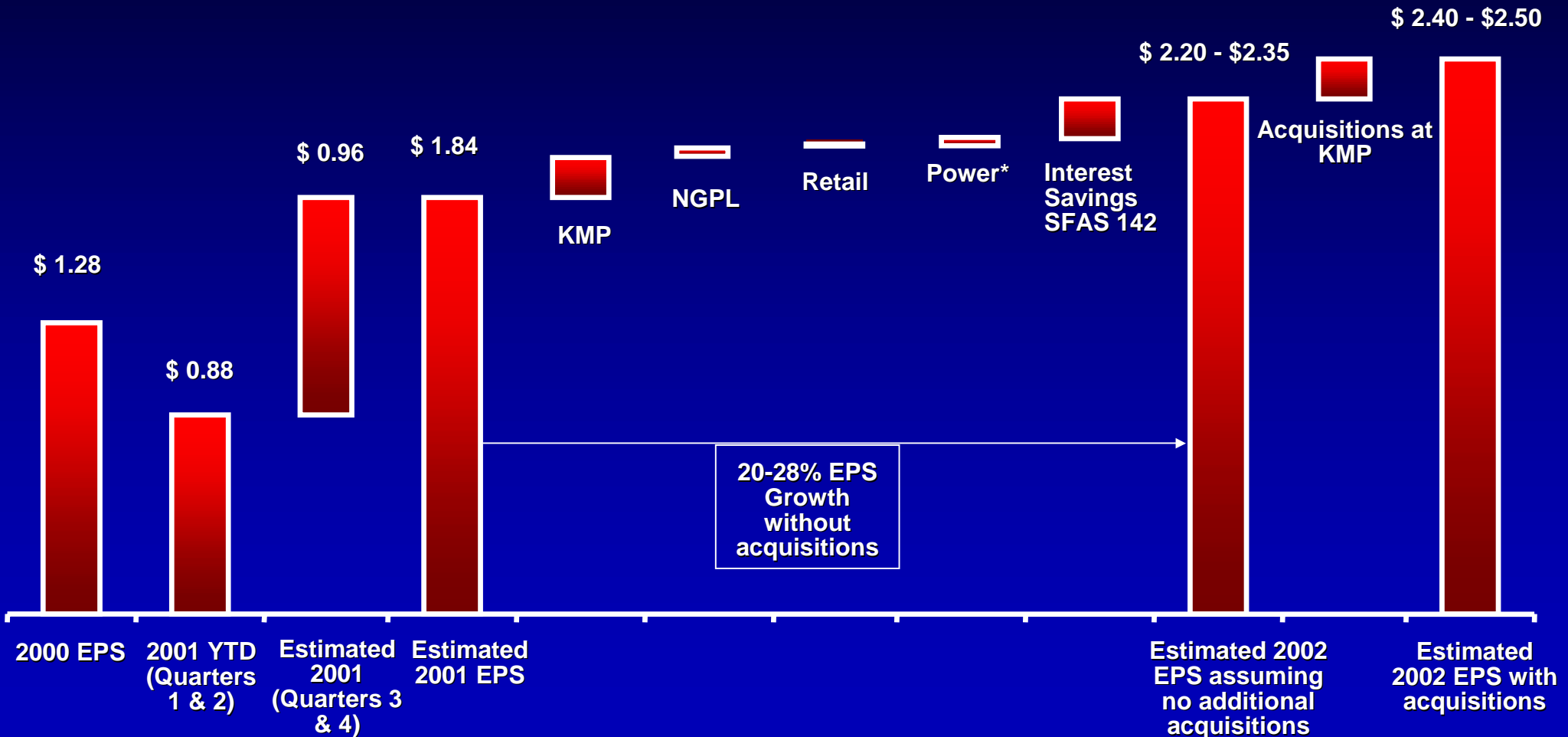
Hypothetical Value of Acquisitions	Multiple of Distributable Cash Flow		
	5.0 X	6.5 X	8.0 X
\$1,250M	\$ 0.58	\$ 0.40	\$ 0.29
1,000M	0.46	0.32	0.23
750M	0.35	0.24	0.17
500M	0.23	0.16	0.12

Target \$0.25 - 0.30

(a) Assumes acquisition financed 60% equity / 40% debt, pre-tax debt cost of 7.0%, a \$2.10 annual distribution, a unit/KMR share price of \$37.00, outstanding units of 165 million and 115.3 million KMI shares outstanding

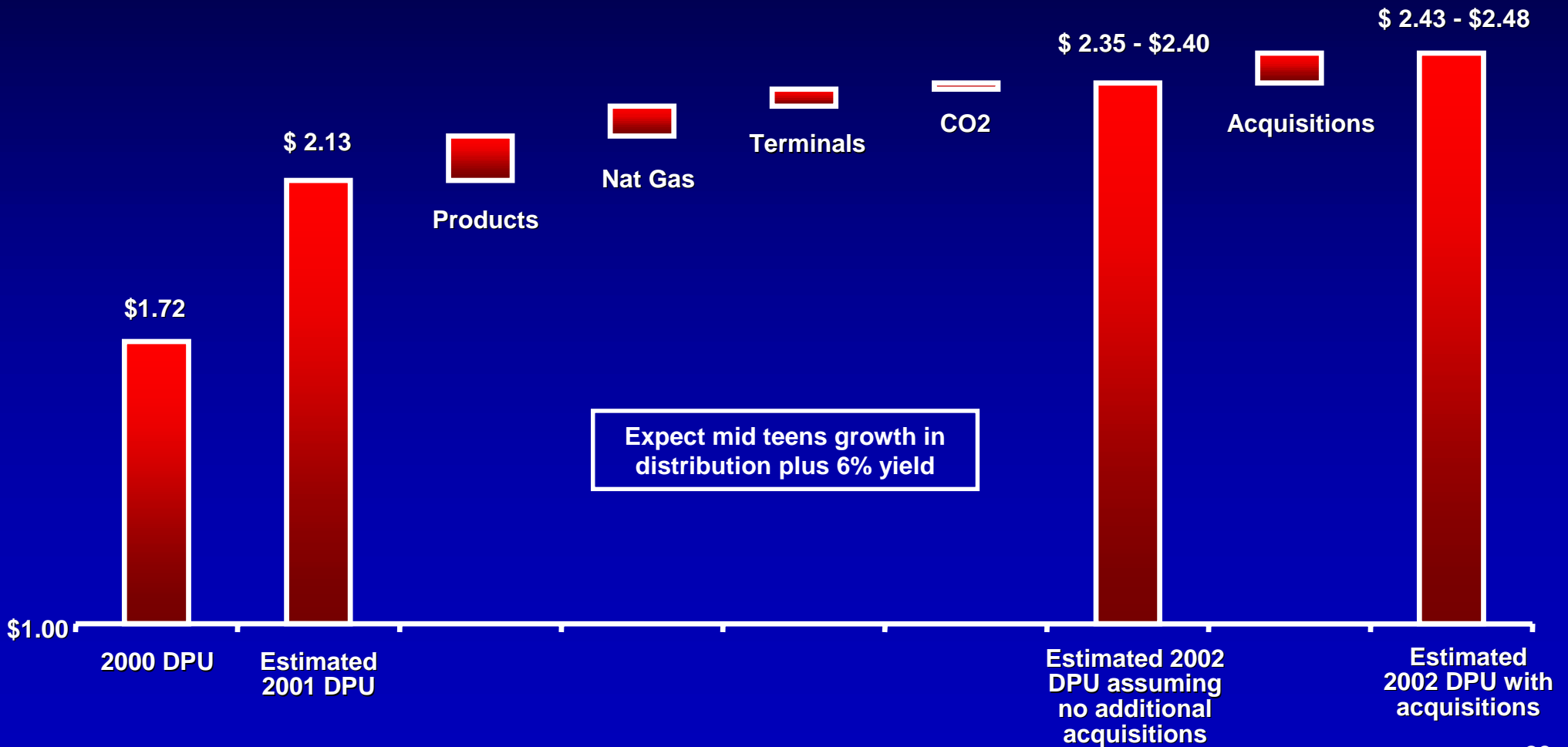
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KMI Guidance - 2002



* Includes other businesses not constituting a separate segment

KMP/KMR Guidance - 2002



Unique Investment Opportunity

- **Kinder Morgan generates growth from stable, fee-based businesses while avoiding commodity price risk**
- **KMP/KMR**
 - High current yield of 5.7%
 - Low-risk internal growth from favorable demographic trends
 - Significant upside potential by extending acquisition track record
 - Focus on cash flow for distributions
- **KMI**
 - Extraordinary growth through GP
 - Unique management incentives via inside ownership
 - Generating significant free cash flow



Appendix

KMR Offering Summary (Post Split)

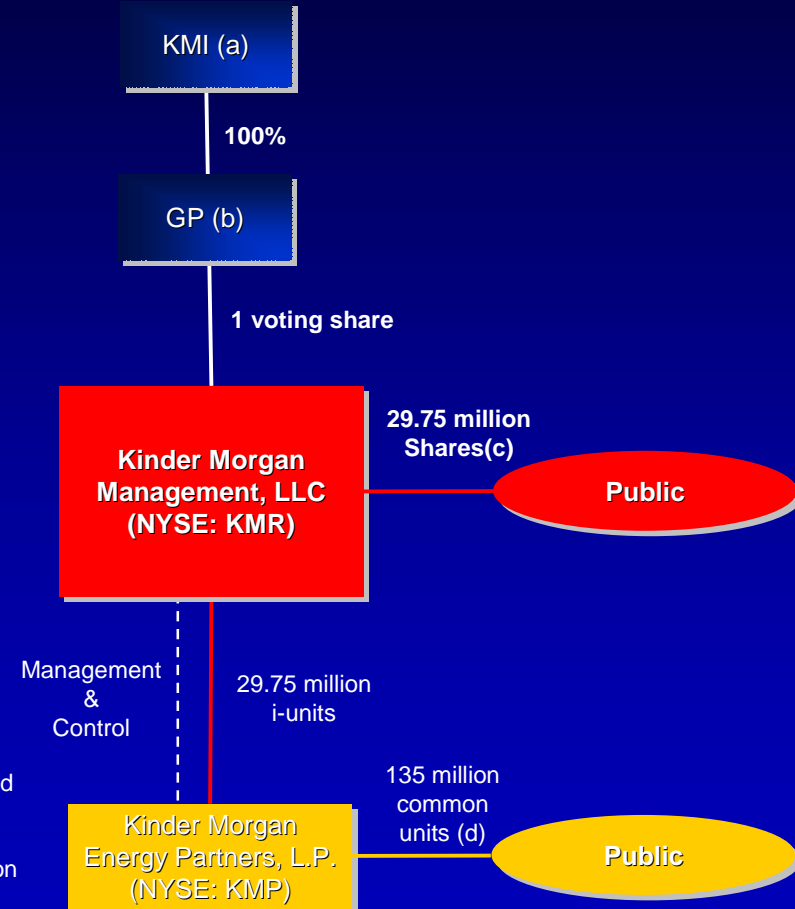
- **Issuer:** Kinder Morgan Management, LLC
- **Size:** 29.75 million shares (originally filed 17 million)
- **Price:** \$35.205 (indication on original filing was \$29.875)
- **Gross Proceeds^(a):** \$1,047 million (indication original filing was \$508) which returns KMP to 40% debt target
- **Distribution/Yield:** In parity with KMP common units (approx - 6%)
Distribution in additional shares
- **Exchange Feature:** Exchangeable into common units of KMP owned by KMI

(a) Amounts stated are before underwriters discount and any greenshoe

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 22.6 million common units, 5.4 million class B units, and 2.98 million KMR shares including those held by subsidiaries, including Kinder Morgan, G.P., Inc – does not include dividends paid on KMR shares since offering
- (b) Owns 2% general partner interest in KMP, including operating partnership interests and incentive distribution rights
- (c) Includes 2.975 million shares (10%) owned by KMI – does not include dividends paid on KMR shares since offering
- (d) Includes common and class B units owned by affiliates of KMI



KMR is KMP

	KMR	KMP
Distributions	Shares	Cash
Yield	5.7%	5.7%
Exchangeability	KMP Common Units	None
Voting Rights	In Parity with KMP	Limited
Optional Purchase	Yes	Yes
Mandatory Purchase	Yes	No
<u>Tax Considerations</u>		
Allocated Taxable Income	No	Yes
Non-Qualifying Income	No	Yes
UBTI	No	Yes
K-1s	No	Yes
State Filing Obligations	No	Yes

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August 2001