KINDER MORGAN

ENERGY PARTNERS, L.P.

Vision, Financial Excellence, Operational Excellence

January 23, 2007

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Vision

Rich Kinder

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Forward Looking Statements

This presentation contains forward looking statements, including these, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended. Forward looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. The future results and securities values of Kinder Morgan Inc., Kinder Morgan Energy Partners, L.P. and Kinder Morgan Management, LLC (collectively known as "Kinder Morgan") may differ materially from those expressed in the forward-looking statements contained throughout this presentation and in documents filed with the SEC. 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; environmental 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; terrorism; and other uncertainties. You are cautioned not to put undue reliance on any forward-looking statement.

In connection with the proposed Merger involving Kinder Morgan, Inc. (the "Company"), the Company has filed a definitive proxy statement with the Securities and Exchange Commission (the "SEC"). INVESTORS AND SECURITY HOLDERS ARE ADVISED TO READ THE DEFINITIVE PROXY STATEMENT BECAUSE IT CONTAINS IMPORTANT INFORMATION ABOUT THE MERGER AND THE PARTIES TO THE MERGER. Investors and security holders may obtain a free copy of the definitive proxy statement and other relevant documents filed by the Company with the SEC from the SEC's website at http://www.sec.gov. The Company's security holders and other interested parties will also be able to obtain, without charge, a copy of the definitive proxy statement and other relevant documents by directing a request by mail or telephone to Investor Relations, Kinder Morgan, Inc., 500 Dallas Street, Suite 1000, Houston, Texas 77002, telephone (713) 369 9490, or from the Company's website, www.kindermorgan.com.

The Company and its directors, executive officers and other members of its management and employees may be deemed to be participants in the solicitation of proxies from the Company's stockholders with respect to the Merger. Information about the Company's directors and executive officers and their ownership of the Company's common stock is set forth in the proxy statement for the Company's 2006 Annual Meeting of Stockholders, which was filed with the SEC on April 3, 2006. Stockholders and investors may obtain additional information regarding the interests of the Company and its directors and executive officers in the Merger, which may be different than those of the Company's stockholders generally, by reading the definitive proxy statement and other relevant documents regarding the Merger, which has been filed with the SEC.

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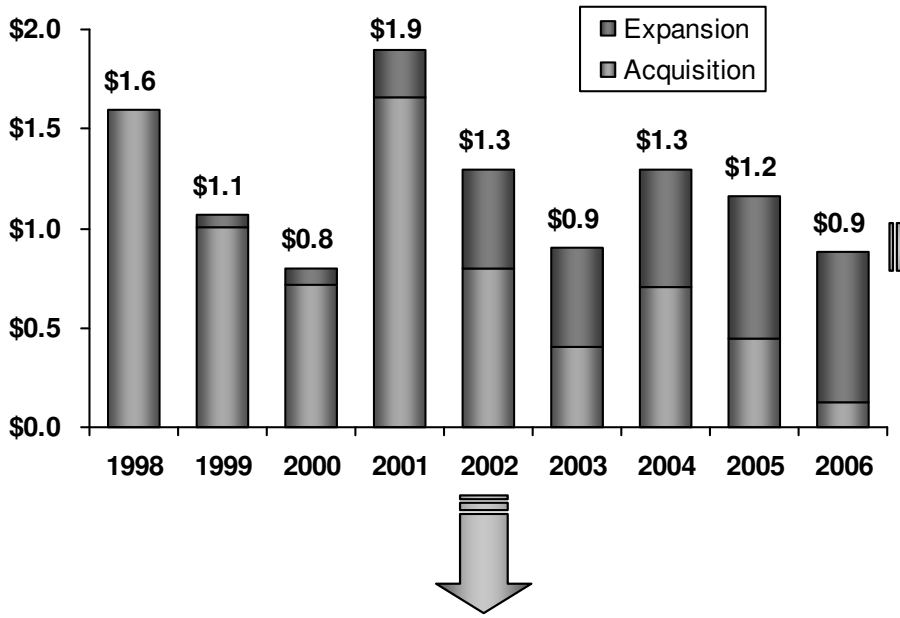
Agenda

- Vision – Rich Kinder
- Financial Excellence – Park Shaper
- Operational Excellence – Steve Kean

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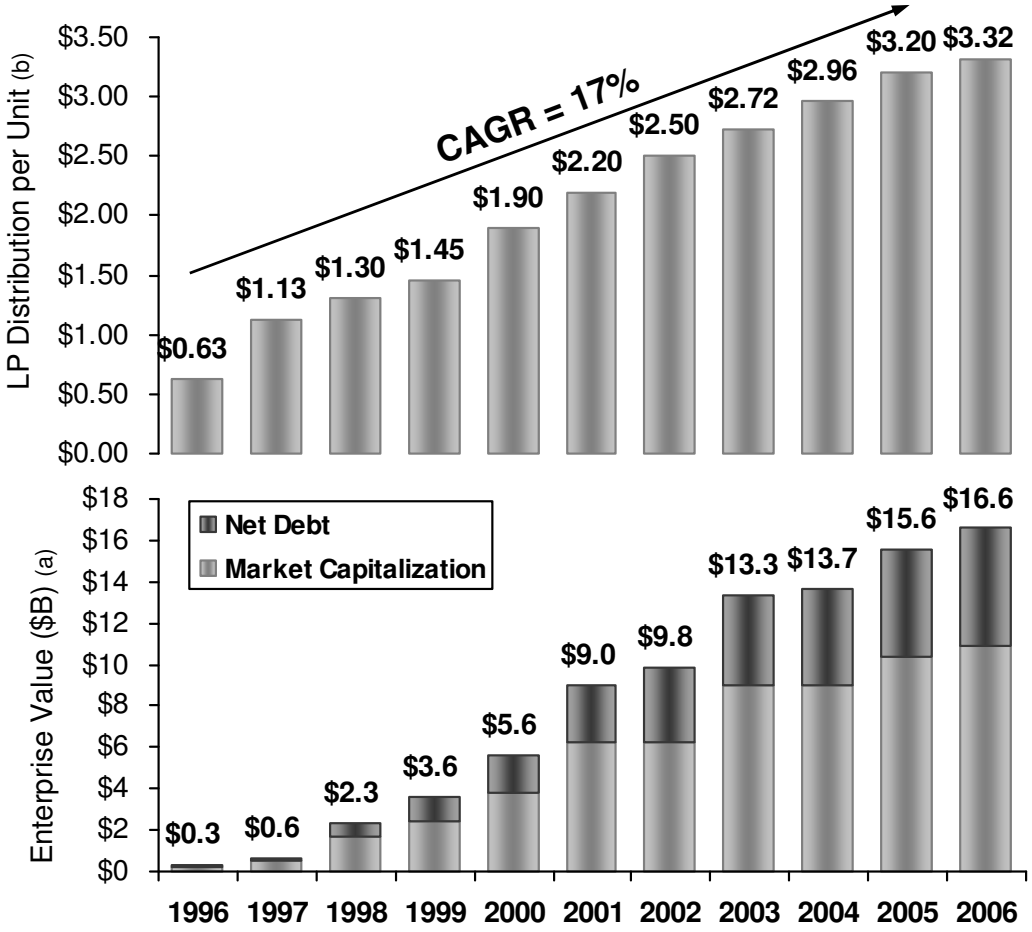
The KMP Story: 10 Years of Remarkable Growth

$11B of Disciplined Capital Investment…



- **Largest independent transporter of petroleum products in U.S.**
- **2nd Largest transporter of natural gas in U.S. when combined with KMI**
- **Largest transporter of CO_2 in U.S.**
- **Largest independent bulk and liquid terminal operator in U.S.**

…Leads to Sustained Growth

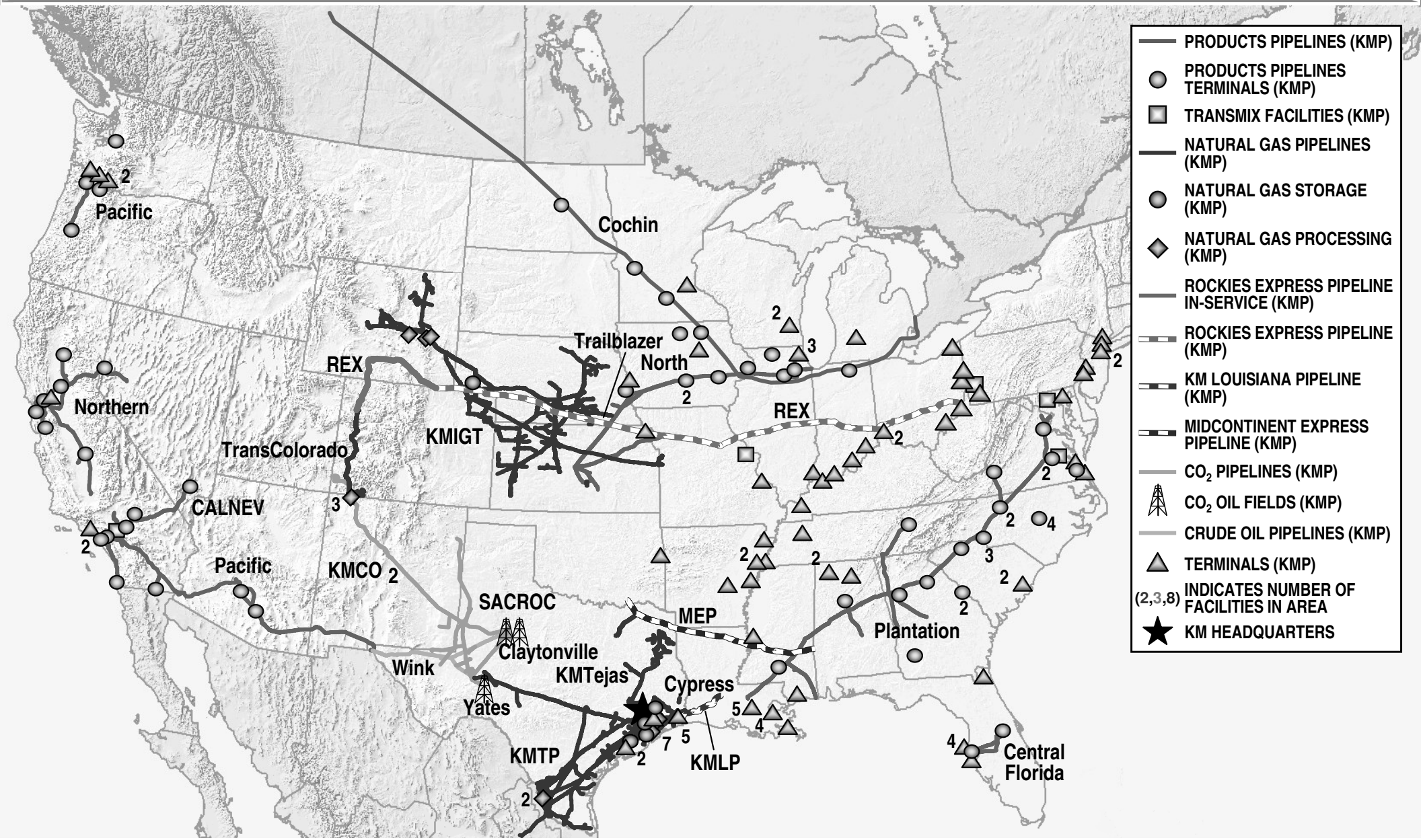


(a) Market capitalization as of year-end for the respective period and includes Class B units beginning in 2000 and i-Shares beginning in 2001. Net debt as of year-end for the respective period; net of cash and excludes the fair value of interest rate swaps.

(b) Declared 4Q distribution annualized (i.e. multiplied by four)

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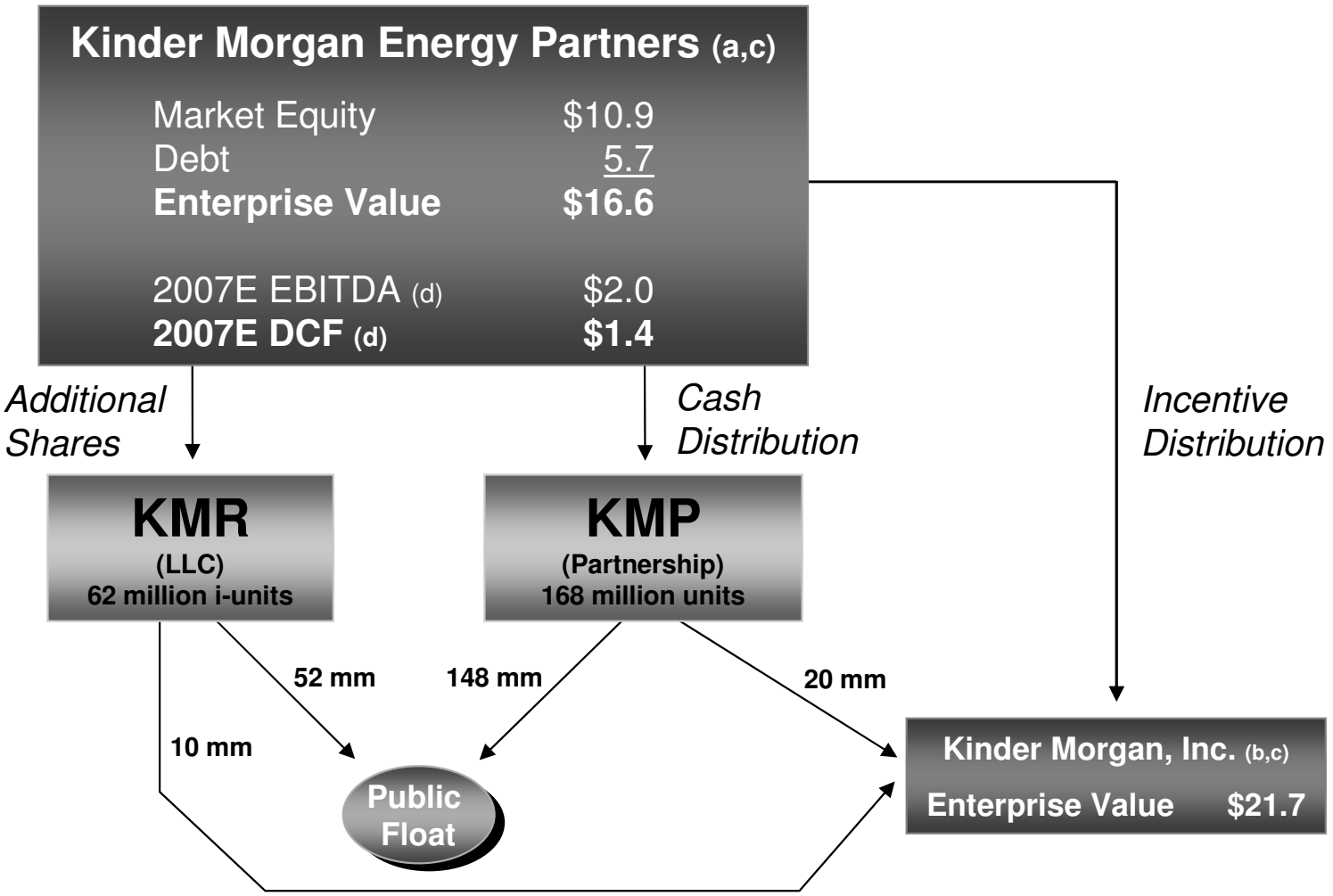
System Map



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Capital Structure

(billions except where noted)



(a) KMP market cap based on 168 million common units (includes 5.3 million Class B units owned by KMI; Class B units are unlisted KMP common units.) at a price of $47.90 and 62 million KMR i-units at a price of $45.68 as of 29-Dec-2006.
(b) Excludes the consolidation of KMP. KMI enterprise value based on 136 million shares at a price of $105.75 as of 29-Dec-2006.
(c) Debt balance as of 31-Dec-2006, excludes the fair value of interest rate swaps, net of cash.
(d) EBITDA defined as pre-tax income plus DD&A and interest expense. DCF (distributable cash flow) defined as net income plus DD&A less sustaining capex.

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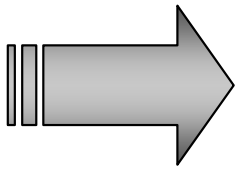
Promises Made, Promises Kept

Promises Made

KMP/KMR

Distribution per unit:

2000: $1.60
2001: $1.95
2002: $2.40
2003: $2.63
2004: $2.84
2005: $3.13
2006: $3.28



Promises Kept

KMP/KMR

Distribution per unit:

2000: $1.71
2001: $2.15
2002: $2.435
2003: $2.63
2004: $2.87
2005: $3.13
2006: $3.26 (oops!)

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2006 in Review

(millions)

DCF– 2006 Budget (a)	**$1,280**
Variances	
Natural Gas Pipelines	$58
Terminals	13
CO_2 – *SACROC*	(53)
Products Pipelines – *Rate Case, Environmental*	(43)
Other	(3)
Total Variances	(28)
DCF - 2006 Actual (a)	**$1,252**

(a) After 1% GP minority interest.

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2007 Partnership Goals

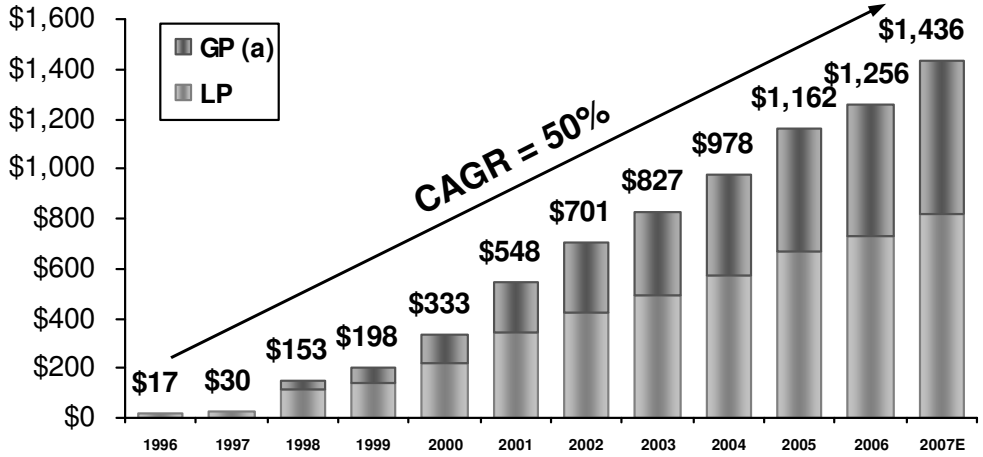
- **Distribution Target (a)**
  - $3.44 per unit (6% growth)
  - Excess coverage of ~ $5 million
- **Maintain Solid Balance Sheet**
  - Expansions / acquisitions financed 50% equity, 50% debt
- **Deliver Projects on Time and on Budget**

(a) Without unidentified acquisitions.

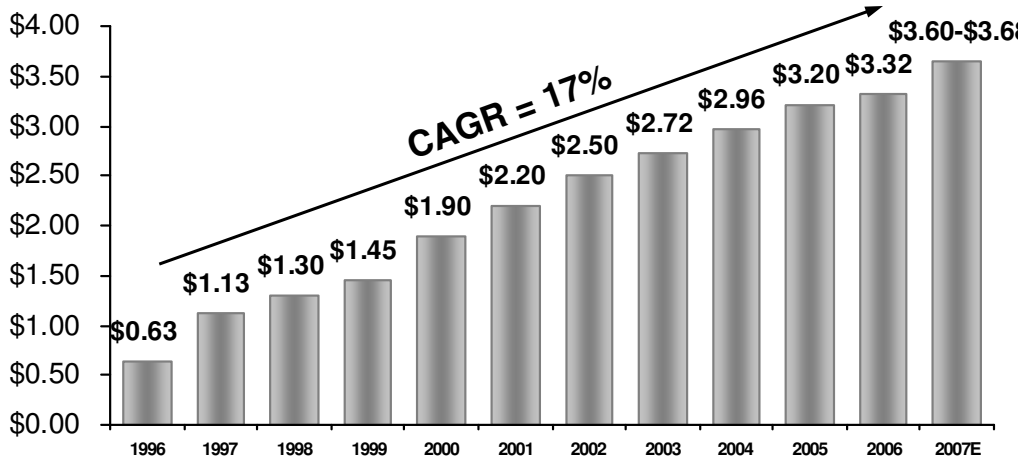
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Consistent Track Record

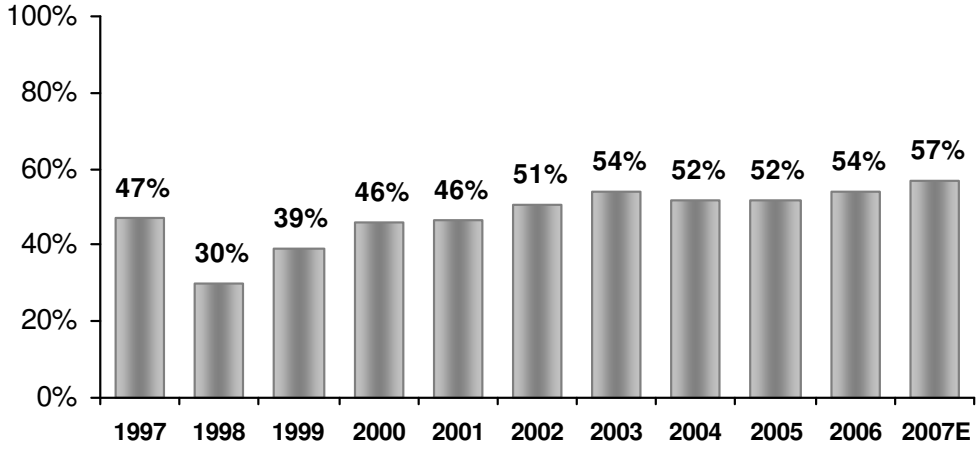
Total Distributions (GP + LP) ($mm)



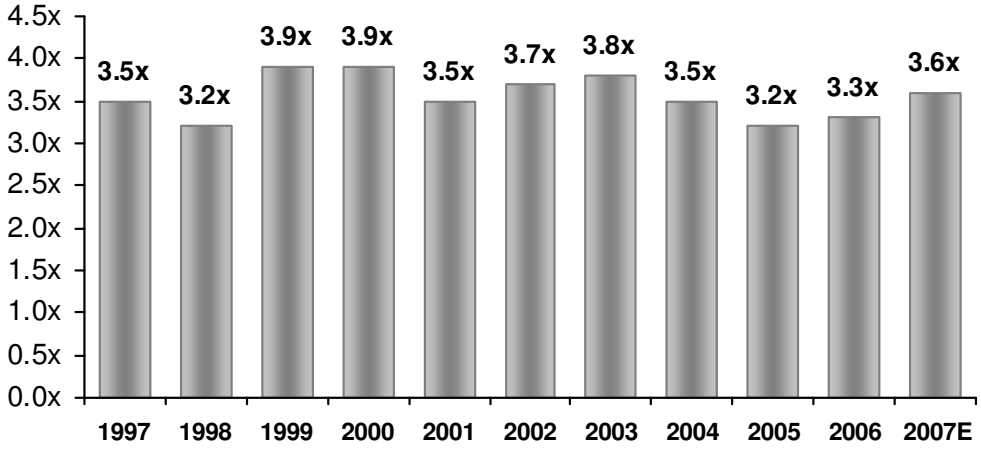
LP Distribution Per Unit (b)



Net Debt to Total Capital (c)



Net Debt to EBITDA (c)

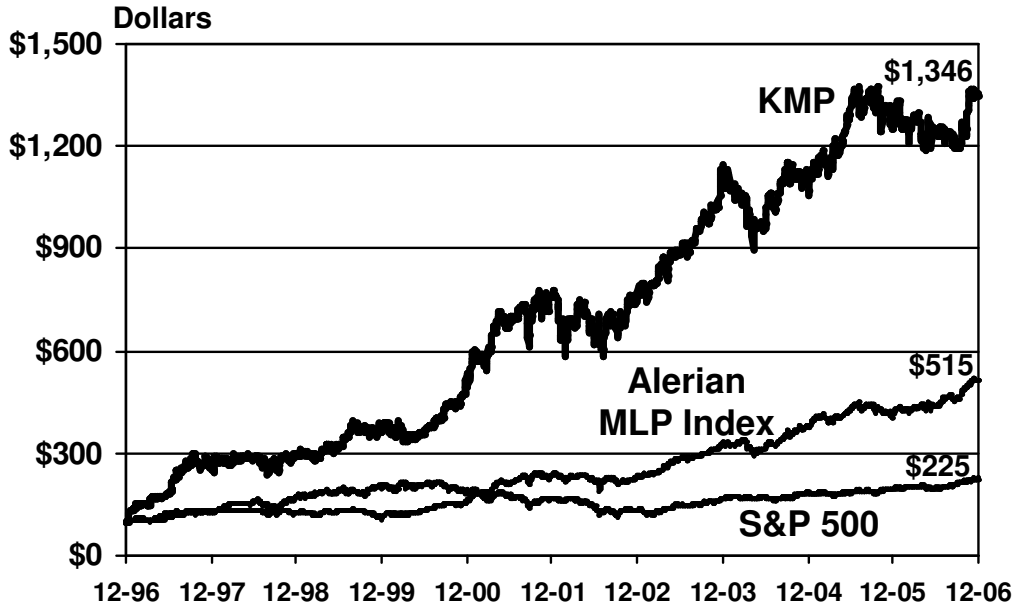


(a) Includes 2% GP interest.
(b) Declared 4Q distribution annualized (i.e. multiplied by four)
(c) Debt is net of cash and excludes fair value of interest rate swaps. Total capital excludes accumulated other comprehensive loss related to hedges.

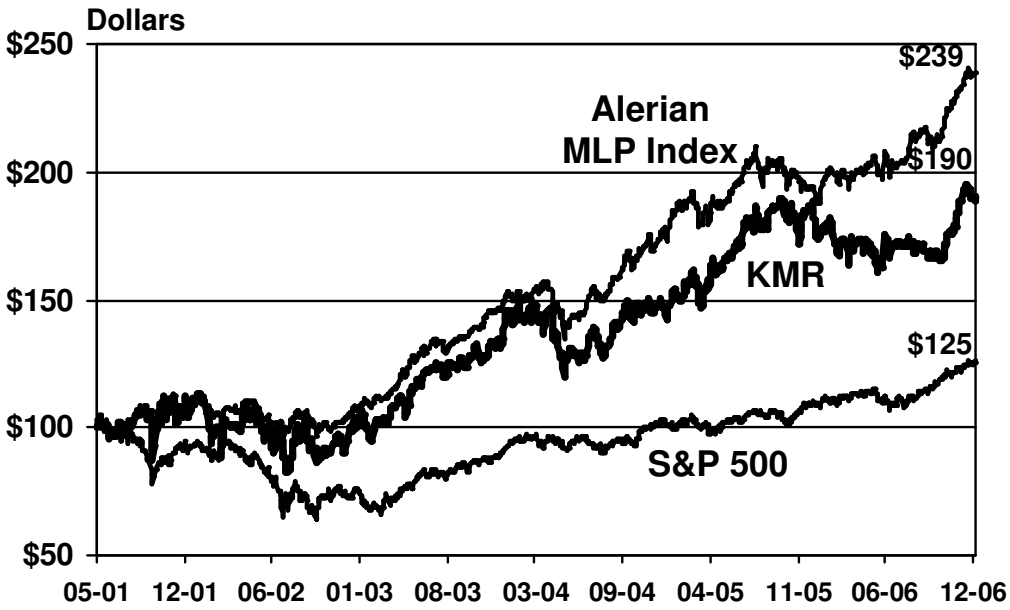
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Significant Historical Returns (a)

KMP: 30% annual return (b)



KMR: 12% annual return (c)



Source: Bloomberg

(a) Total returns calculated on a daily basis through December 29, 2006 assuming dividends/distributions reinvested in index/stock/unit.

(b) Start date 31-Dec-1996

(c) Start date 14-May-2001; KMR Initial public offering

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

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Solid Asset Base Generates Stable Fee Income

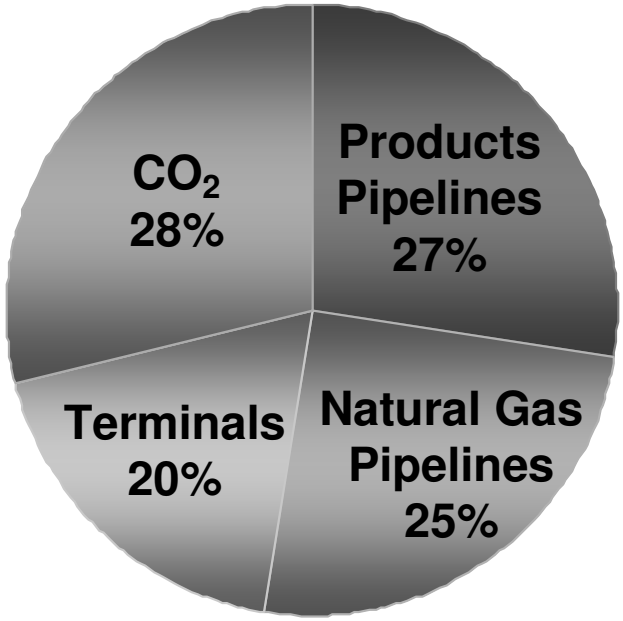
CO_2

- 28% CO_2 transport and sales
- 72% oil production related
- Production hedged (a):
  - 2007=85% ($35/Bbl)
  - 2008=83% ($44)
  - 2009=71% ($49)
  - 2010=72% ($56)

Terminals

- 49% Liquids, 51% Bulk
- Geographic and product diversity
- 3-4 year average contract life

2007 DCF Profile (b)



Products Pipelines

- Refinery hub to population center strategy
- 68% Pipelines
- 27% Associated Terminals (c)
- 5% Transmix
- No commodity price risk

Natural Gas Pipelines

- 55% Texas Intrastate
- 45% Rockies
- Little incidental commodity risk

(a) 2007 production based on Kinder Morgan budget; 2008-2011 based on Netherland, Sewell reserve report. Includes heavier NGL components (C4+). Incorporates swaps and puts at strike price net of premium, WTI/WTS spread @ $6-7.00/Bbl.
(b) Budgeted 2007 distributable cash flow before G&A and interest.
(c) Terminals are not FERC regulated except portion of CALNEV.

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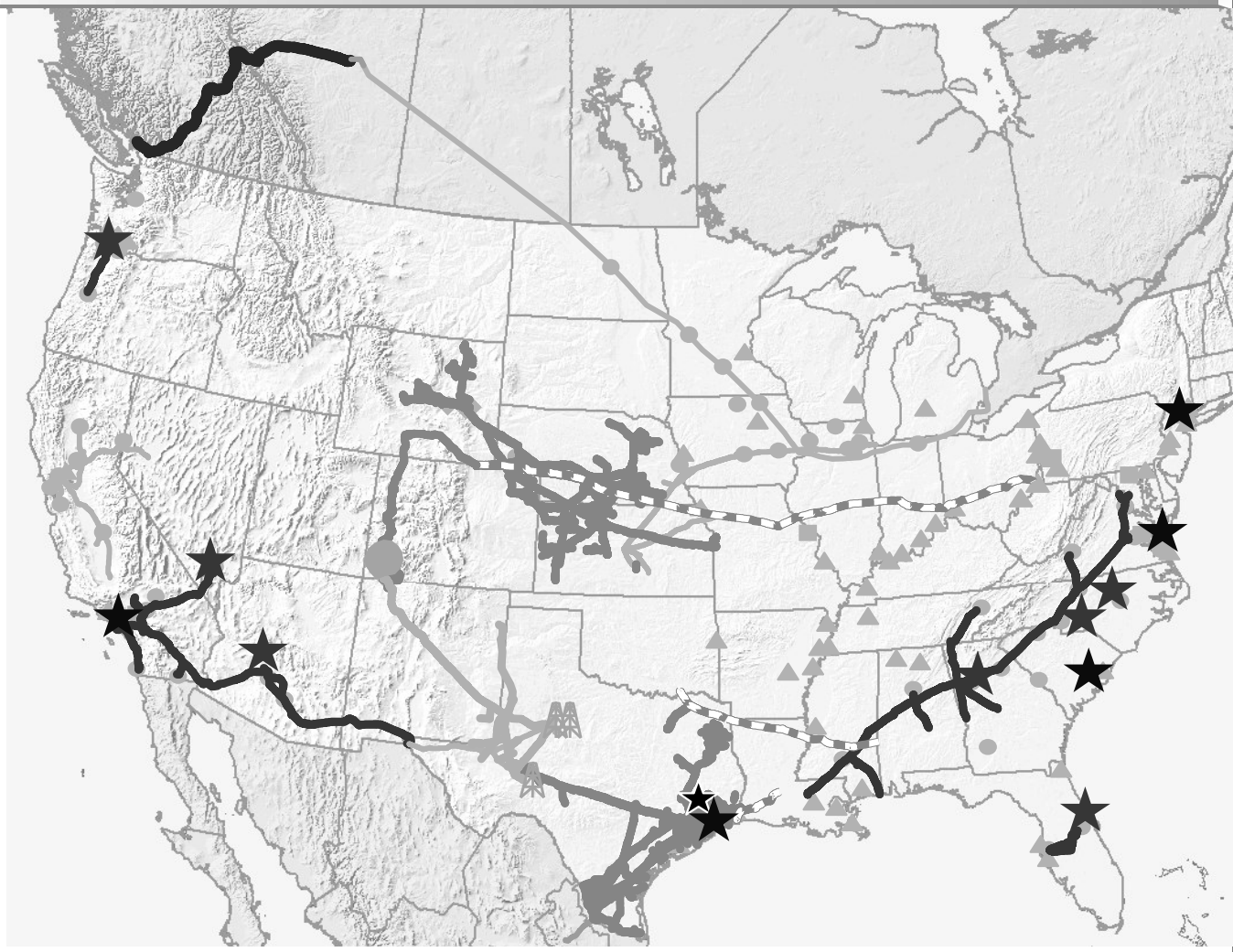
Growth Opportunities

	Current Projects (2007-2010)	Additional Opportunities
Shifting Natural Gas Supply Sources		
— Rockies	Rockies Express pipeline	*Storage, further pipeline expansions, extensions, incremental shipper services (backhaul, hub, etc.)*
— LNG	KM Louisiana pipeline	
— Barnett Shale	Midcontinent Express pipeline	
Demographic Growth	CALNEV and East Line products pipeline projects	*Additional pipeline and terminal expansions*
Growing Production from Canadian Oilsands	Trans Mountain pipeline dropdown, Edmonton terminal project	*TMX2, TMX3, TMX North, terminals, CO_2 capture and transport*
High Crude Oil Prices	McElmo Dome, Cortez expansions, SACROC, Yates	*Future CO_2 sales & transport expansion, incremental production from EOR*
Increased Use of Heavy Crude		
— Petcoke Handling	Increased volume at petcoke terminals	*Increased handling of petcoke, application of prilling technology at terminal facilities – U.S. & Canada*
— Sulfur Handling	Acquisition of prilling technology	
Growing Coal Imports	Shipyard River, Pier IX terminal expansions	*Additional terminal expansions*
Growing Petroleum Product Imports	New York, Houston terminal expansions	*Additional terminal expansions*
Increased Use of Renewable Fuels		
— Biodiesel	Houston biodiesel facility project	*Additional ethanol/biodiesel storage and blending at terminal facilities*
— Ethanol	Houston, Philadelphia terminal expansions, sales of natural gas transport capacity to ethanol producers	

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Advantage of Huge Asset Position

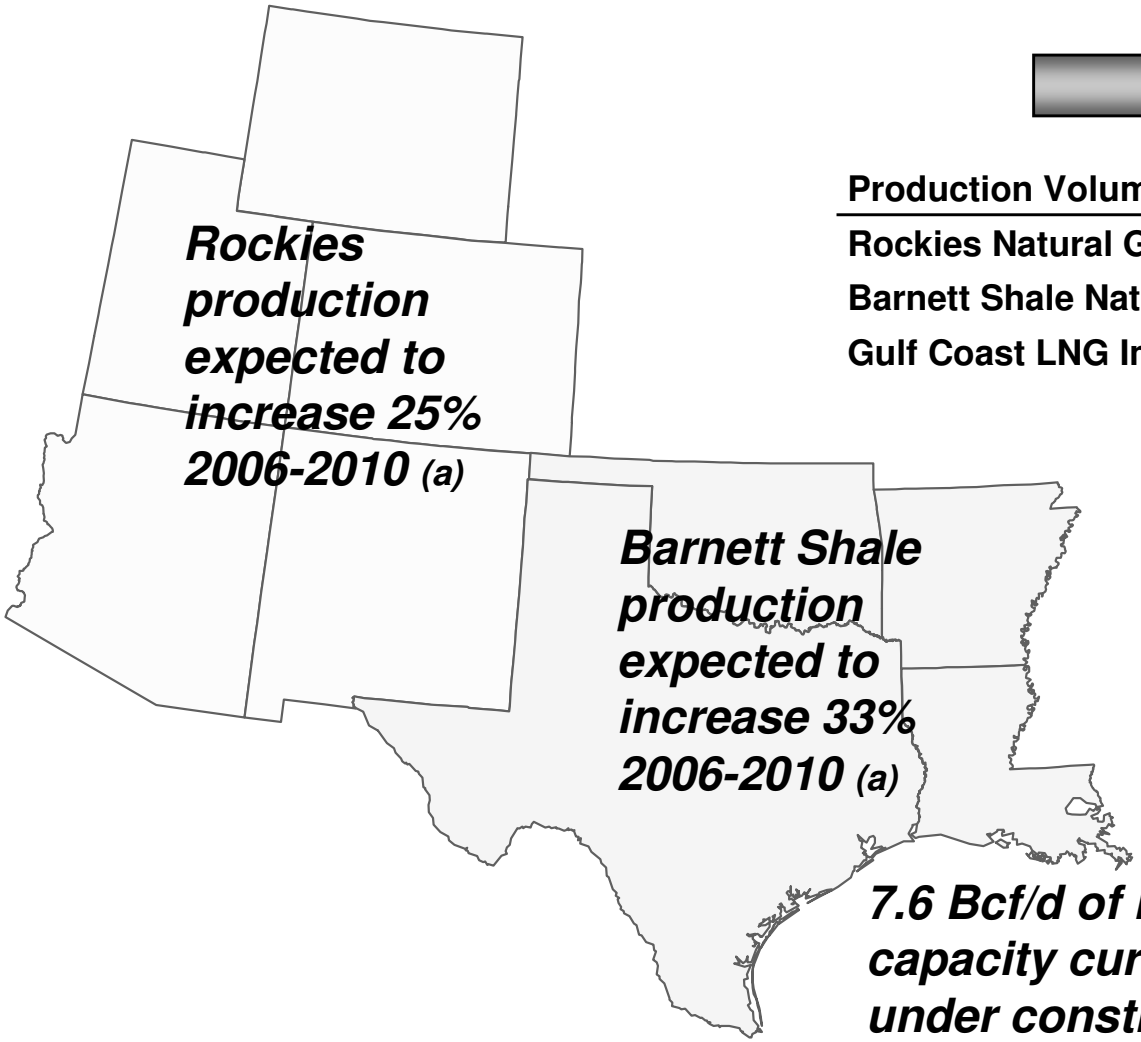
- ★ **Demographics: products pipelines serve 7 of 10 fastest growing markets in U.S.** (a)
- ■ **Shifting Natural Gas Supply Sources: pipes well-positioned in Rockies and TX**
- ■ **High Crude Oil Prices: own and operate best source of CO_2 for enhanced oil recovery**
- ★ **Imports: terminals well-positioned on three coasts**
- ■ **Growing Production from Canadian Oilsands: Trans Mountain and terminals**



(a) Bureau of the Census: 1990 – 2000 percent change in seventy largest Metropolitan Statistical Areas

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Shifting Natural Gas Supply Sources



Rockies production expected to increase 25% 2006-2010 (a)

Barnett Shale production expected to increase 33% 2006-2010 (a)

7.6 Bcf/d of LNG import capacity currently under construction on Gulf Coast (b)

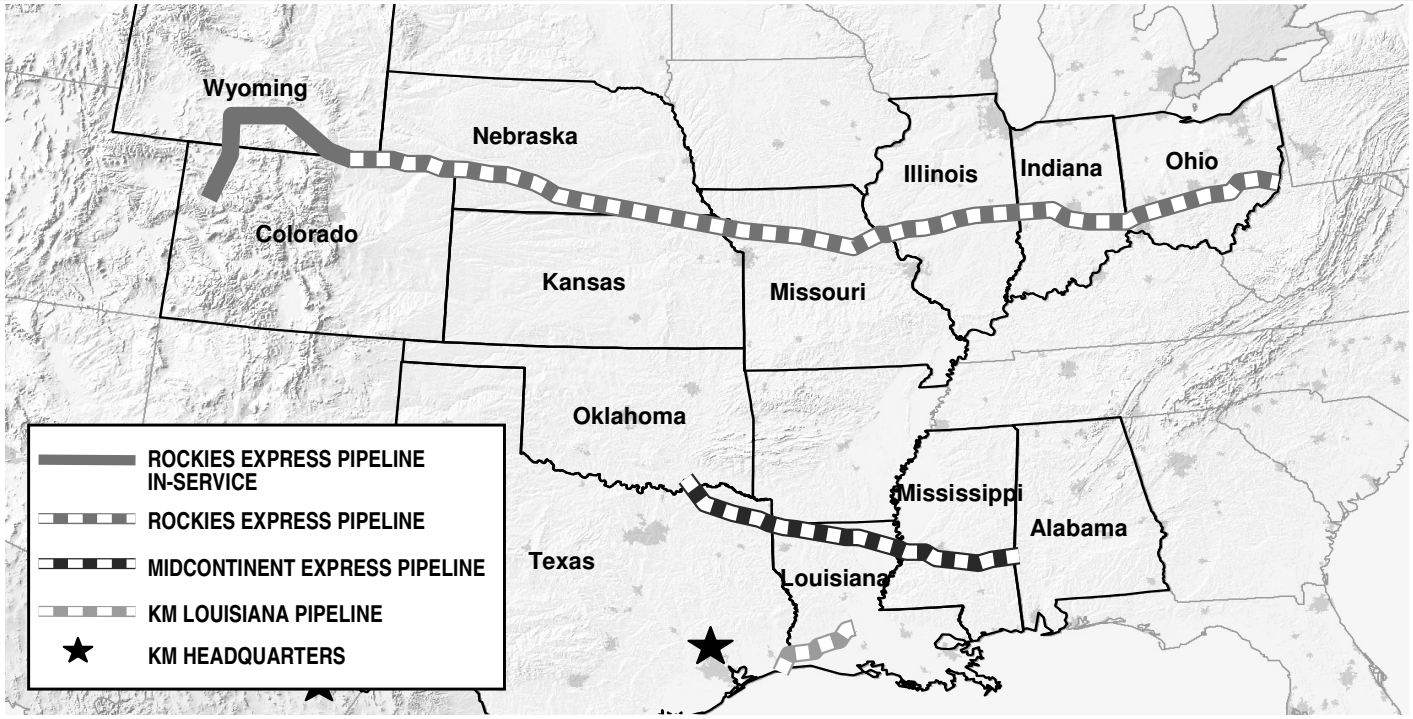
Natural Gas Supply

Production Volumes (a)	2006	2010	Change	% Change
Rockies Natural Gas	7.7	9.6	1.9	25%
Barnett Shale Natural Gas	1.5	2.0	0.5	33%
Gulf Coast LNG Imports	0.3	3.1	2.8	933%

(a) Source: Wood Mackenzie
(b) Source: FERC

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Newbuild Natural Gas Pipelines



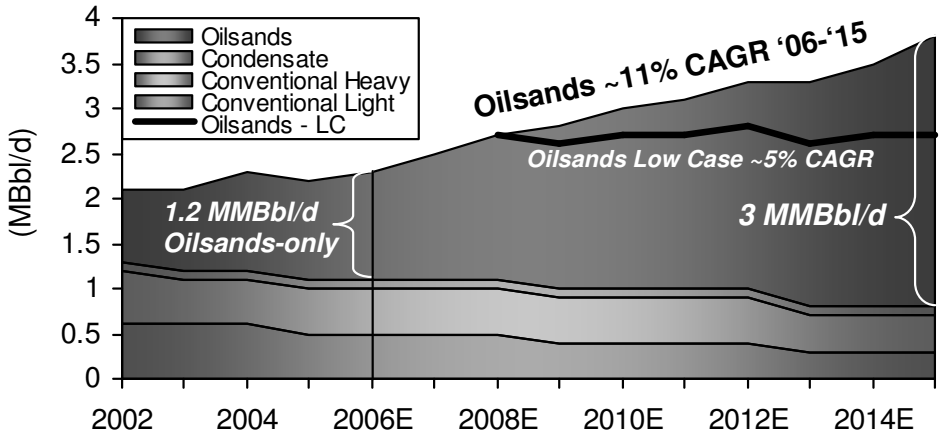
	Rockies Express Pipeline	Midcontinent Express Pipeline	KM Louisiana Pipeline		Total
KM Cost ($mm)	$2,200	$625	$500	=	$3,325
Capacity (Bcf/d)	1.8	1.4	2.1	=	5.3
In-service	2007-2009	2009	2009		
Term of Contracts	10 yrs	10 yrs	20 yrs		
Ownership	KMP 50% (a) SRE 25% COP 25%	KMP 50% ETC 50%	KMP 100%		

(a) Upon completion of construction.

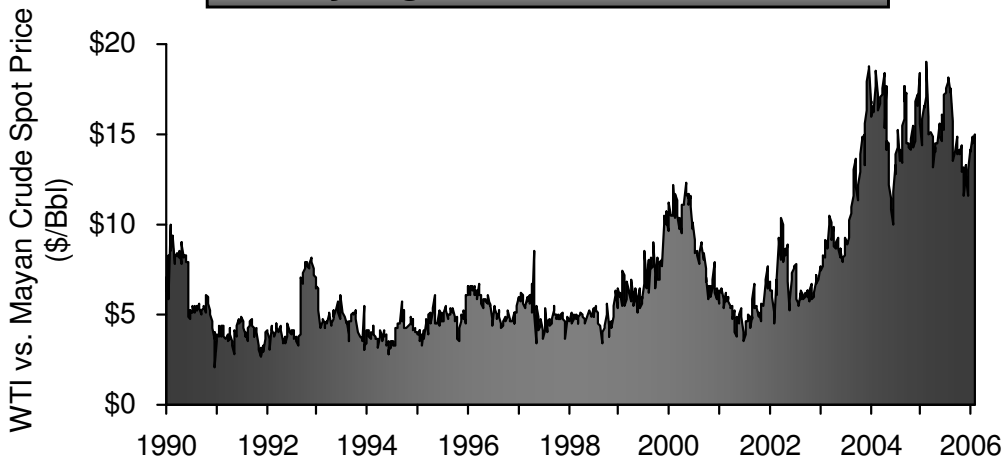
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Growing Production from Canadian Oilsands

WCSB Crude Production by Type (a)

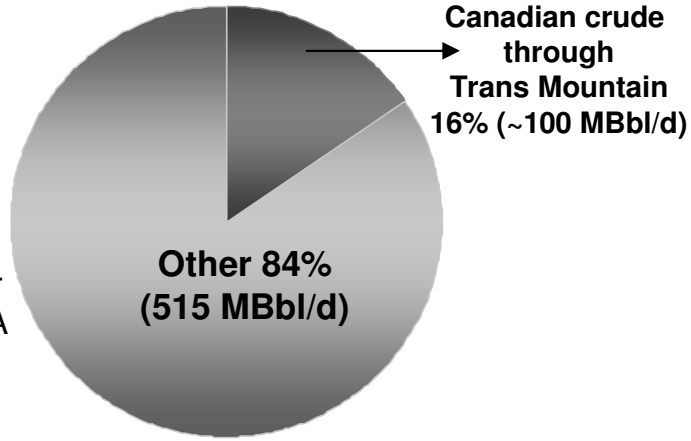


Heavy/Light Crude Differential (b)

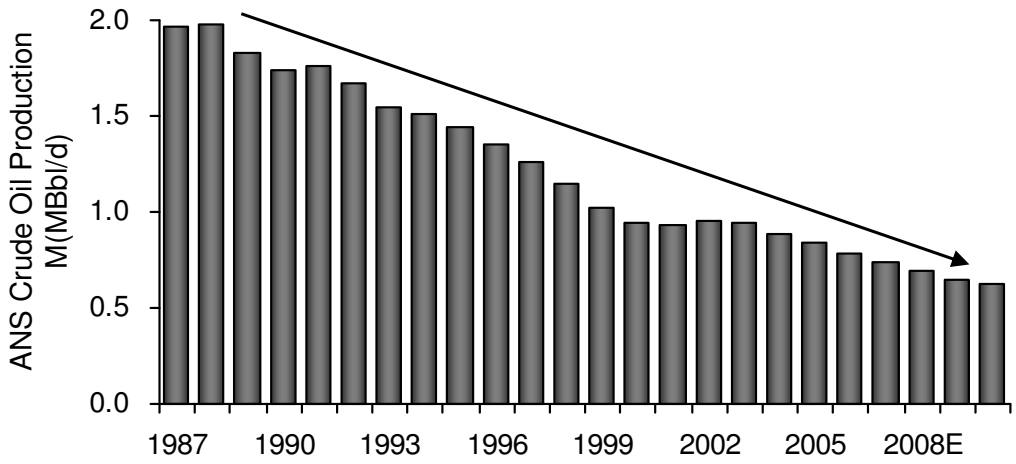


Washington State Refinery Capacity (c)

- **Washington state refiners only use ~100,000 Bbl/d of Canadian crude**
- **Announced upgrade:**
  - COP – Coker Ferndale, WA 2012-2015



ANS Production in Decline (d)



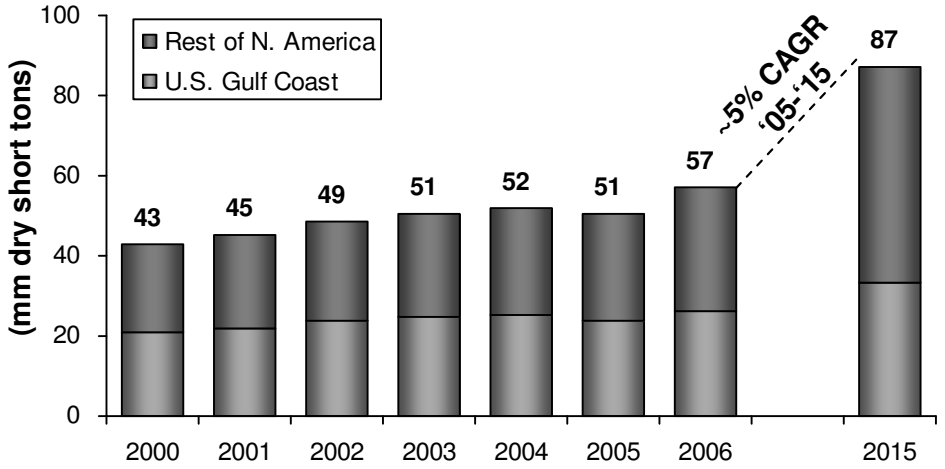
(a) Source: National Energy Board
(b) Sources: Bloomberg
(c) Dominion Bond Rating Service, Company reports
(d) Sources: EIA, CIBC

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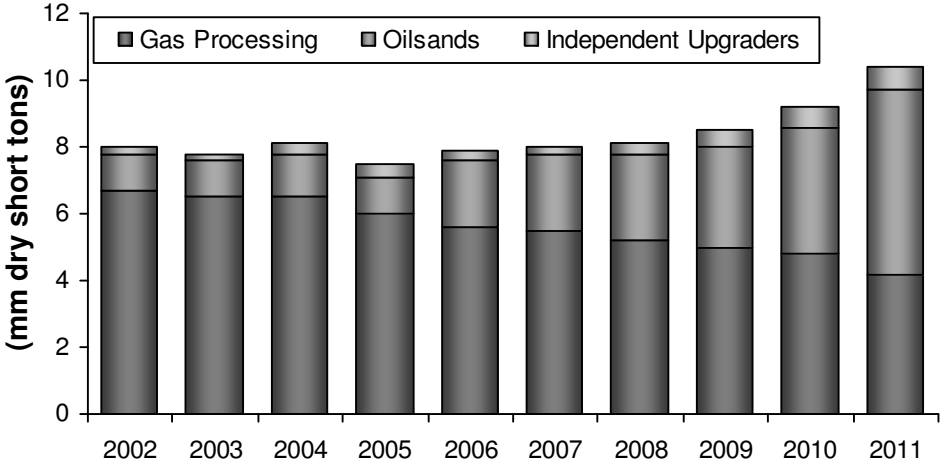
Increased Use of Heavy Crude

- **Crude supply is heavier, more sour**
- **Heavier, sour crude produces more residue**
  - Petcoke
  - Sulfur

North American Petcoke Production (a)



Canadian Sulfur Production (b)

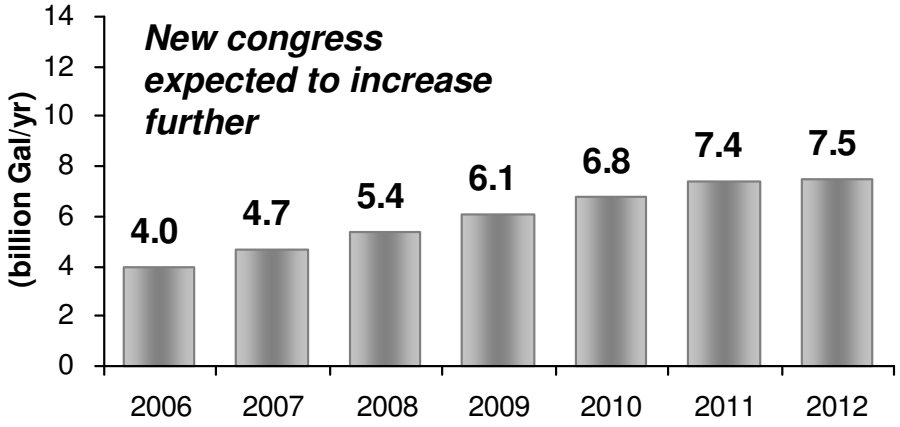


(a) Source: Jacobs Consultancy
(b) Source: PentaSul

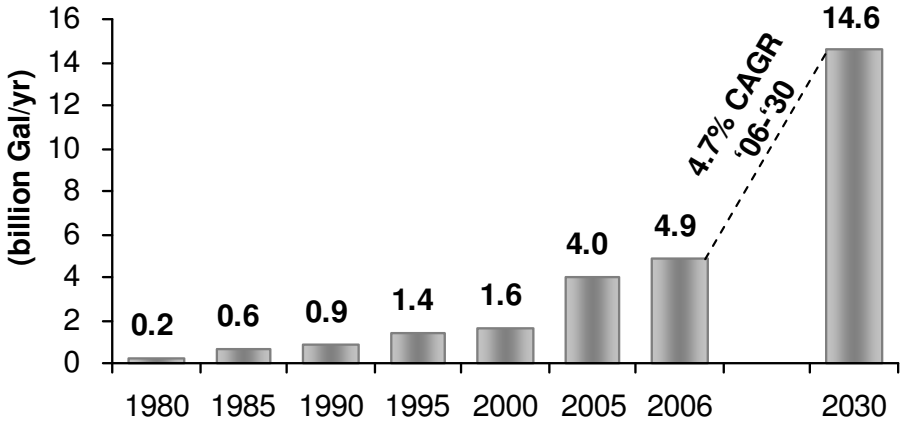
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Increased Use of Renewable Fuels: Ethanol

Renewable Fuels Standard (a)



U.S. Ethanol Production (b)



Opportunity

- Ethanol production facilities require natural gas
- Large proportion of U.S. production capacity located in Colorado, Kansas and Nebraska (~21% of existing or under construction)
- 50% of Kinder Morgan natural gas pipelines located in that region

Opportunity to supply with natural gas

Opportunity

- Corrosive to pipelines
- Must be blended at the terminal

Opportunity to store and blend at terminals in California, Gulf Coast and Northeast

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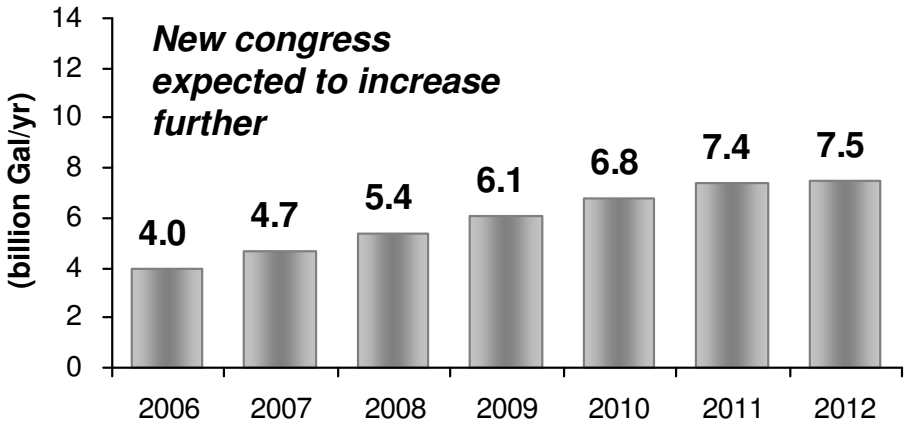
(a) Ethanol or biodiesel. Source: Renewable Fuels Association

(b) Source for historical data: Renewable Fuels Association. Source for 2030 forecast: Sanders Morris Harris

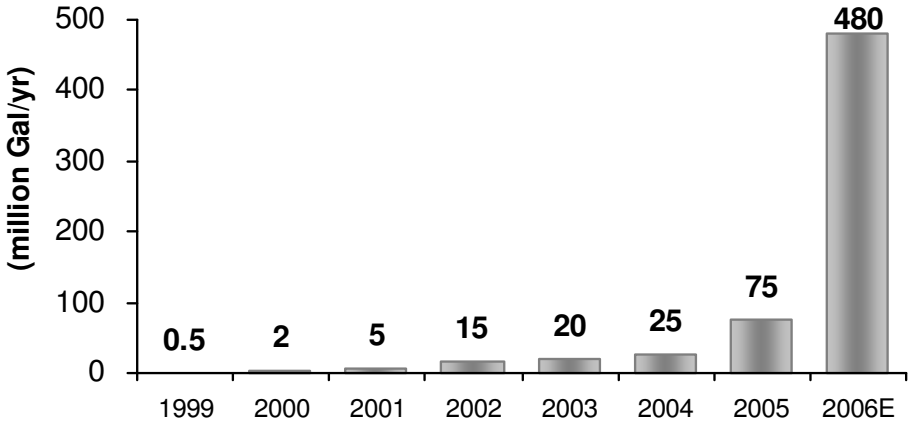
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Increased Use of Renewable Fuels: Biodiesel

Renewable Fuels Standard (a)



Biodiesel Sales (b)



(a) Ethanol or biodiesel. Source: Renewable Fuels Association
(b) Source: National Biodiesel Board

Biodiesel: The Basics

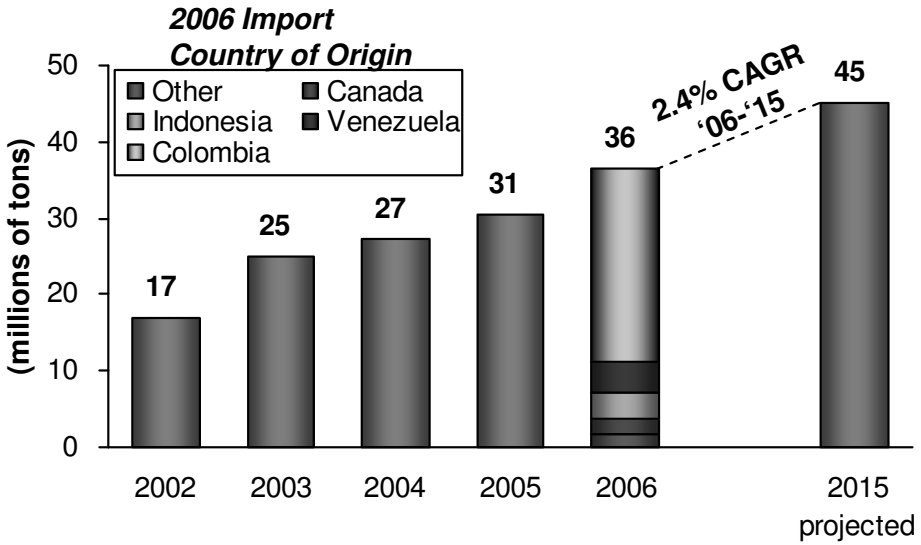
- Clean burning alternative fuel
- Produced from fats or oils such as soybean, canola or palm
- Typically blended with diesel
  - B10 = 10% biodiesel, 90% diesel
  - B20 = 20% biodiesel, 80% diesel
- Can be used in diesel engines with little or no modification

Opportunity

- KM will provide storage, blending and other services for biodiesel and its input products
- Currently, one biodiesel facility under construction at Galena Park
- In discussion on numerous other facilities at various locations on Gulf Coast, West Coast, Northeast

Growing Coal Imports

U.S. Coal Imports (a)



Rationale for Imports

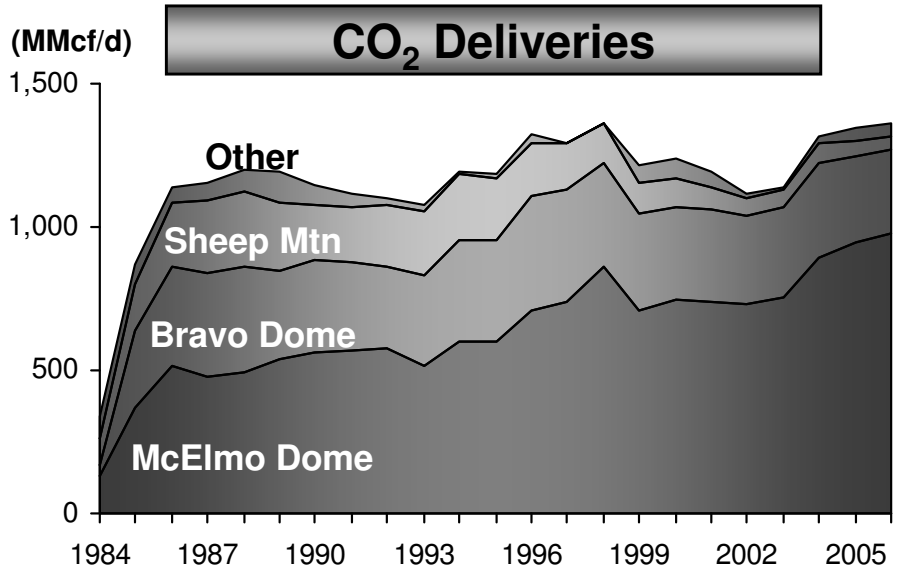
- **High BTU, low sulfur, competitive price**

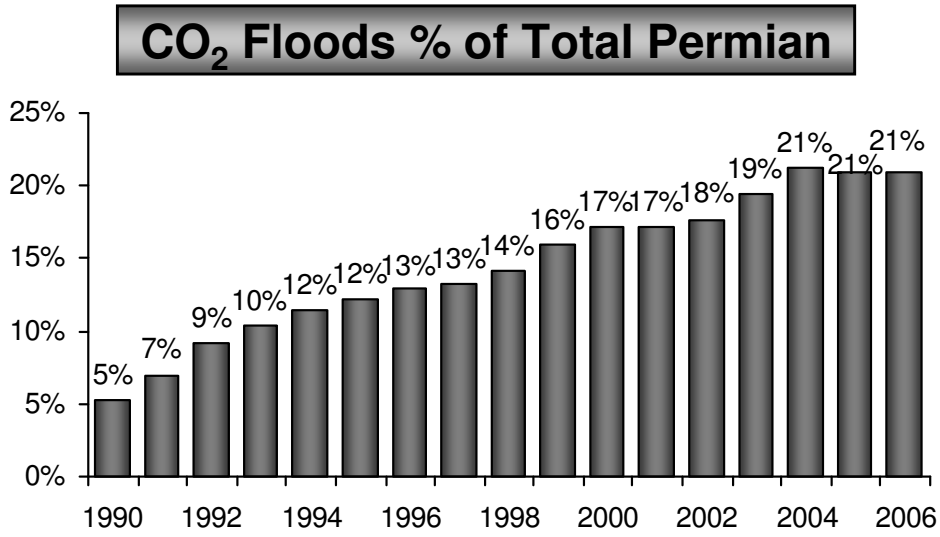
Major Sources	BTU Content	Sulfur	Avg. Delivery Price ($/Ton)	$/MMBtu
PRB	~8,800	0.4-0.5%	$35-60	$1.98-3.40
Appalachia	~12,500	1.0%+	$65-80	$2.60-3.20
Colombia	~11,500	0.6-0.8%	$60-90(b)	$2.60-3.91(b)

- **Railroad reliability and pricing**
- **Declining Central Appalachia production – affects Eastern U.S. utilities**
- **Increasing coal demand due to natural gas prices**
- **Environmental regulations on SO_2**

(a) Sources: EIA 2002-2006 (annualized EIA 9-month data for 2006), Hill & Associates 2015 projection
(b) Lower end of range closer to coast/direct-water access. Lower NO_X production provides compliance benefits for end-user.

High Oil Prices Mean Opportunities for Enhanced Oil Recovery





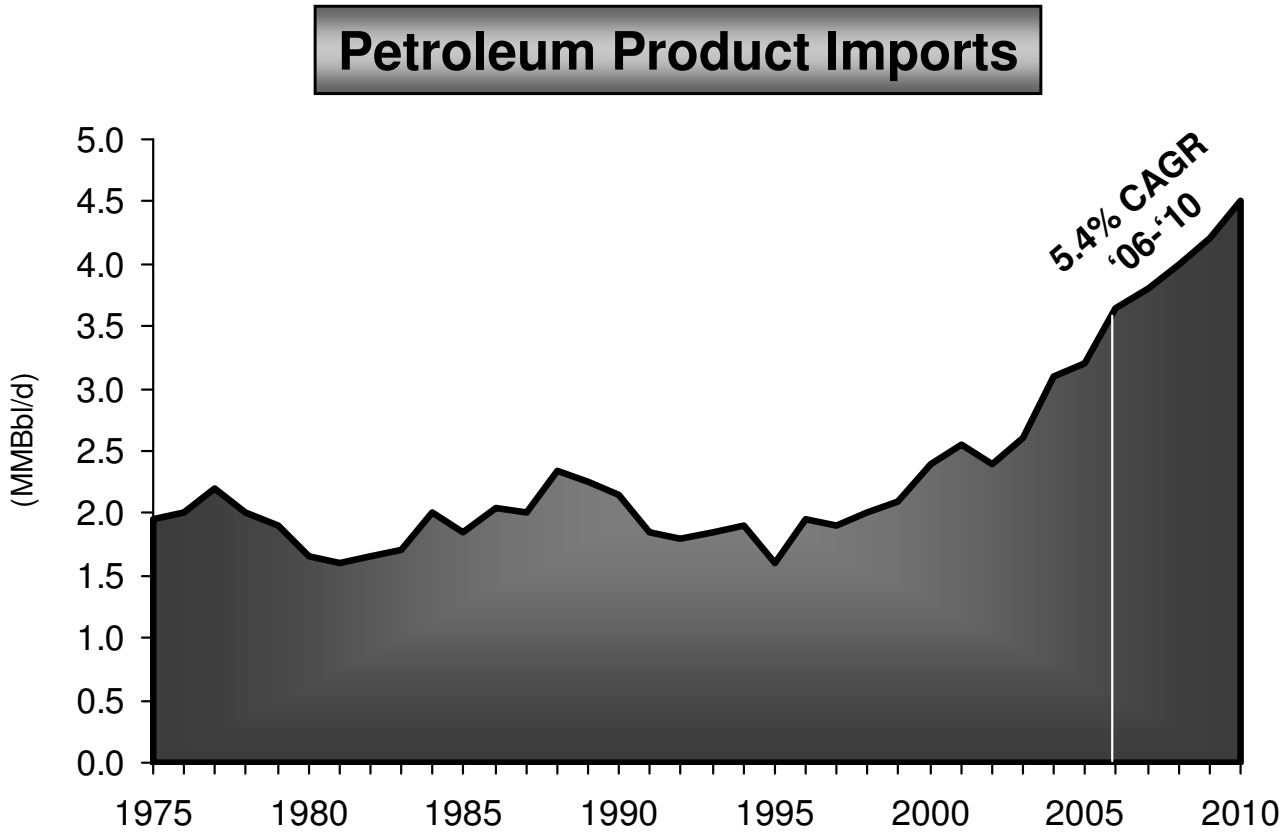
- **McElmo Dome**
  - Premiere Source of CO_2 in US
  - ~30 years remaining deliverability
  - 45% KM working interest (34% net revenue interest)
  - 9 Tcf of reserves (15 Tcf OGIP)
- **Doe Canyon**
  - Alternative supply source
  - Adjacent to McElmo
  - 88% KM working interest (69% net revenue interest)
  - 1.5 Tcf of reserves (2Tcf OGIP)

Sales & Transport Expansion

- **$205 million of capital (net to KM = $120)**
  - Cortez Pipeline +200 MMcf/d
  - McElmo Dome +200 MMcf/d
  - Doe Canyon +100 MMcf/d

Sources: KM estimates, Oil and Gas Journal, EIA

Increased Petroleum Imports



Sources: Baker & O'Brien, Inc.

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Current Projects

$6.5 Billion In Projects Over Next 4 Years

Project	Estimated Project Cost ($mm)	Expected Completion
Rockies Express	$2,200 (a)	2007-2009
Midcontinent Express	625 (a)	2009
KM Louisiana Pipeline	500	2009
CALNEV expansion	388	2010
East Line expansion	145	2007
Trans Mountain dropdown	700 (b)	2007
Trans Mountain – Anchor Loop expansion	400 (c)	2008
CO_2 – SACROC and Yates	962	2007-2010
CO_2 – source and transport	120 (a)	2008
Other identified projects	501 (d)	2007-2009
Total	**$6,541**	

(a) Pro rata expenditures for KMP's ownership interest.
(b) Estimate.
(c) Remaining expenditures assuming a 31-May-2007 dropdown.
(d) Edmonton, Houston, Pier IX, TransColorado, Dayton.

Future Opportunities

- **Natural Gas: Shifting Supply Basins and Gas Price Volatility**
  - Storage, Extensions, Expansions, Incremental Services
- **Canadian Oilsands**
  - TMX2, TMX3, TMX North, CO_2, Terminals
- **Increased Use of Heavy Crude and Increased Coal Imports, Renewable Fuels, Imported Gasoline**
  - Terminal Expansions/Newbuild
- **High Oil Prices**
  - Opportunities in CO_2 Sales, Transport and Crude Oil Production
- **Opportunistic Acquisitions**

What Does KMI Going Private Mean for KMP?

- **GP was privately owned 1997-1999**
- **Business as usual; same procedures, processes, focus, management**
  - Manage KMP for the long-term
- **Trans Mountain acquisition opportunity**
- **Hedging facility for CO_2 oil production**
- **No change to splits**
  - in high-splits since 1998
  - would consider if LPs can not earn adequate rate of return
- **Employee compensation package largely unchanged**
  - Rich to continue to receive $1/yr
  - Salary cap continues at $200,000/yr
  - Bonus program unchanged


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Financial Excellence

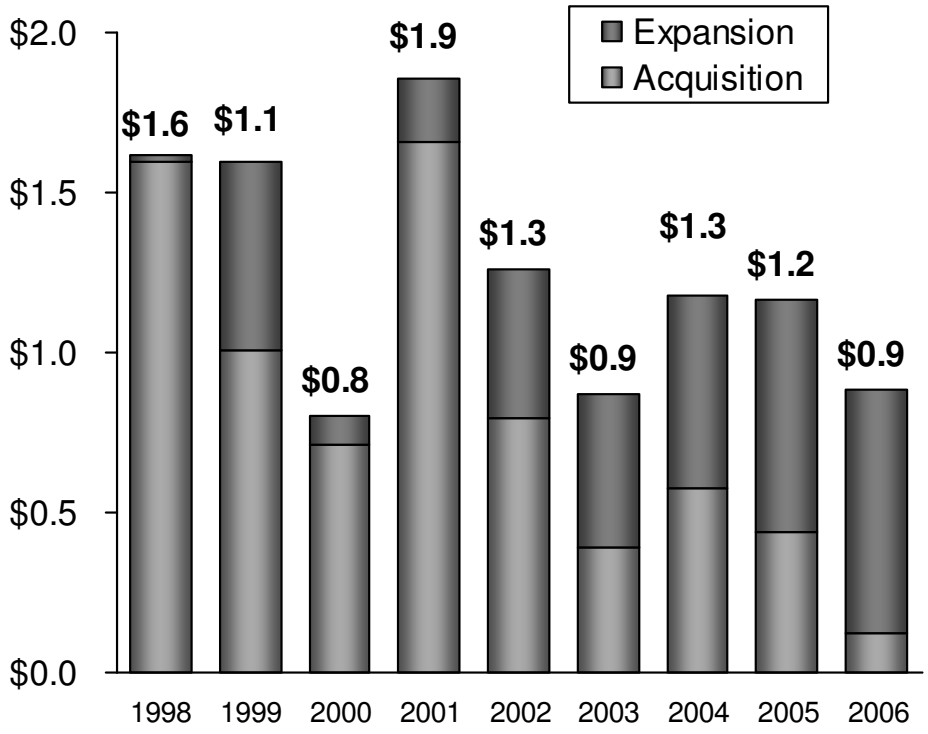
Park Shaper

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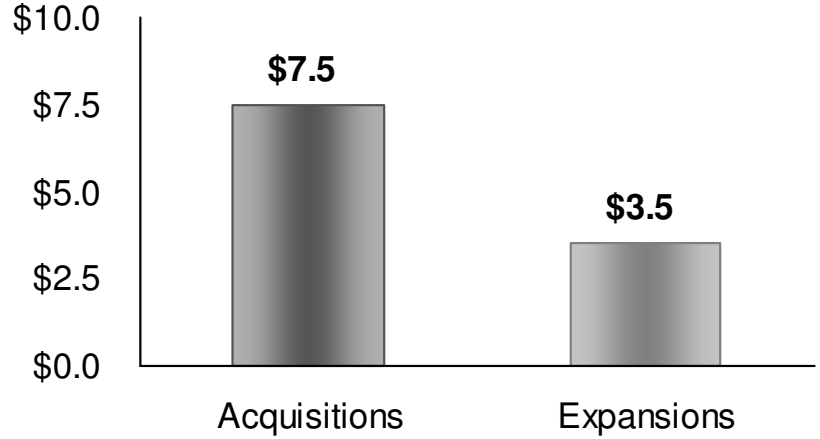
$11 Billion in Capital Invested

($ billions)

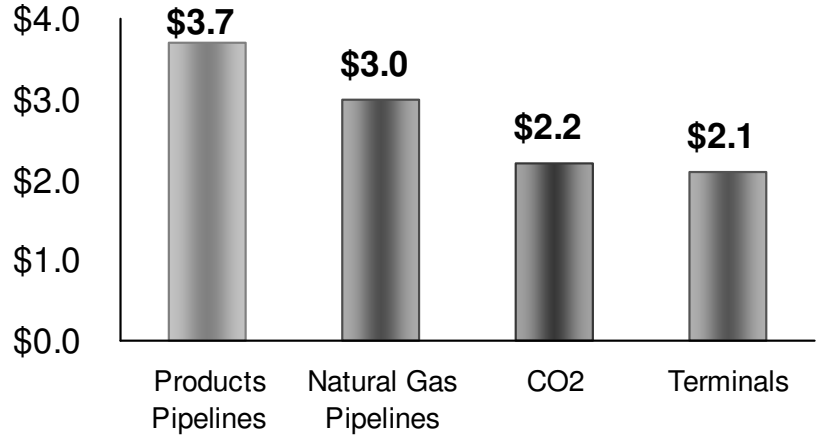
Total Invested by Year



Total Invested by Type



Total Invested by Segment



Note: See Appendix for details on calculations.

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How We Have Done: Acquisitions

(millions)

Acquisition Performance

Acquisition	Acq. Price (a)	First-year DCF Actual	First-year DCF Acq. Model	First-year DCF Variance	2006 DCF (b) Actual	2006 DCF (b) Acq. Model	2006 DCF (b) Variance
First Dropdown -- 1999 (c)	$736	$119.6	$88.2	$31.4	$143.3	$84.1	$59.2
Second Dropdown -- 2000 (d)	708	89.8	66.7	23.1	161.0	81.4	79.6
GATX – 2001	1,165	129.5	122.6	6.9	218.6	154.0	64.6
Tejas – 2002	750	69.3	88.3	(19.0)	92.6	95.5	(2.9)
2003 Acquisitions (e)	271	78.3	49.2	29.1	139.5	107.8	31.7
2004 Acquisitions (f)	623	95.0	81.5	13.5	105.9	85.6	20.3
Total	$4,253	$581.5	$496.5	$85.0	$860.9	$608.4	$252.5

(a) Does not include approximately $70 million of inclusion capital spent from 2001-2006.
(b) 2006 actual includes incremental DCF from expansion projects that were implemented subsequent to the acquisition date. In aggregate terms, over $800 million in expansion capital was spent from 2001 to 2006.
(c) Trailblazer, KMIGT, Red Cedar
(d) KMTP including OXY lease purchase, Casper Douglas, Coyote Gulch, Thunder Creek
(e) Yates, Tampaplex, COP terminals
(f) XOM SE Terminals, Kaston, GMS, Charter-Triad SE terminals, TransColorado dropdown, Cochin interest, Novolog

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How We Have Done: Major Pipeline Expansions

(millions)

Expansion Capital Analysis

	In-Service Date		Project Cost			
					Variance	
Major Pipeline Expansions	**Budget**	**Actual**	**Budget**	**Actual**	**$**	**%**
Trailblazer	Sep-2002	May-2002	$58.7	$47.3	$11.3	19%
North Texas	Dec-2002	Jan-2003	72.3	65.9	6.4	9%
Monterrey	Jul-2003	Mar-2003	83.1	85.9	(2.7)	(3%)
East Rancho	Jul-2004	Jul-2004	22.7	18.9	3.8	17%
West Rancho	Dec-2005	Oct-2005	46.8	47.1	(0.3)	(1%)
North Line *Concord-to-Sacramento*	Jan-2005	Dec-2005	88.0	110.3	(22.3)	(25%)
East Line	Apr-2006	Jun-2006	210.0	212.6	(2.6)	(1%)
Total Major Pipeline Projects			$581.6	$588.0	(6.4)	(1%)

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Attractive Returns on Capital

	2000	2001	2002	2003	2004	2005	2006
Segment ROI (a):							
Products Pipelines	11.9%	11.8%	12.8%	12.9%	12.4%	11.6%	11.8%
Natural Gas Pipelines	13.3	15.5	12.9	13.5	14.0	15.5	16.5
CO_2	27.5	24.6	22.0	21.9	23.8	25.7	23.1
Terminals	19.1	18.2	17.7	18.4	17.8	16.9	17.1
KMP ROI	12.3%	12.7%	12.6%	13.1%	13.6%	14.3%	14.4%
KMP Return on Equity	17.4%	19.0%	21.9%	23.2%	25.2%	26.6%	26.7%

Note: See Appendix for details on calculations.

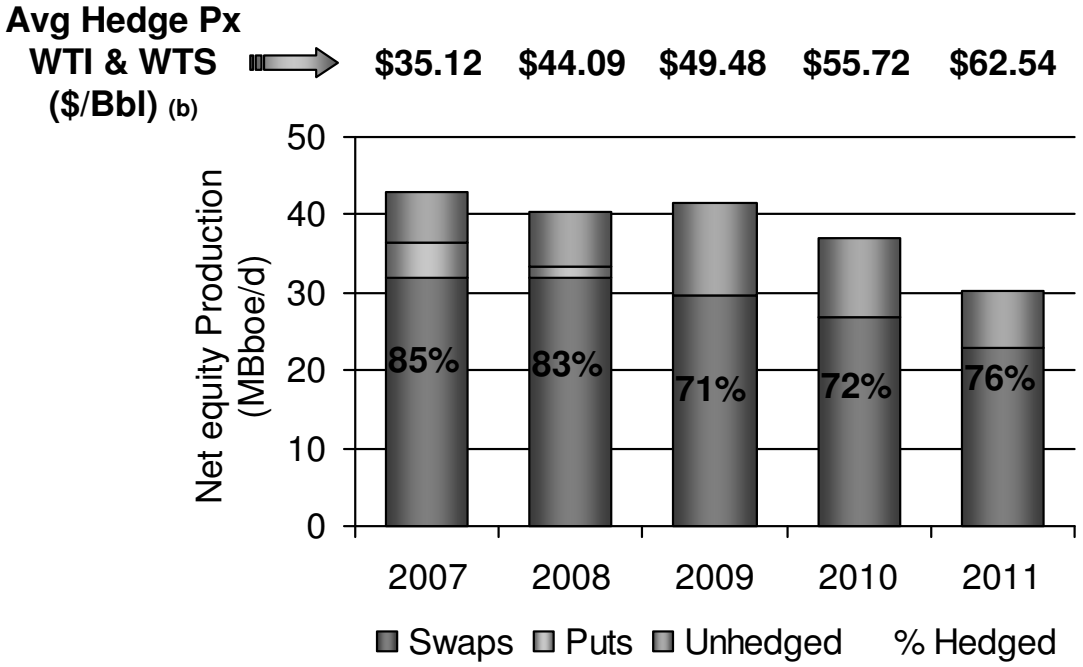
(a) Return on investment. G&A is deducted in calculating the return on investment for KMP, but is not allocated to the segments and therefore not deducted in calculating the segment information.

How We Will Grow Over the Long-term:

- Expansion projects plus Trans Mountain dropdown total more than $6 billion in capital over next four years
- Significant increase in CO_2 crude oil hedge prices; modest increase in production volumes
- Approximately 4% growth in base business
- Future expansion and newbuild opportunities
- Opportunistic acquisitions

CO_2 Crude Production Hedge Profile

SACROC & Yates Crude Oil Production (a)



(a) 2007 production based on Kinder Morgan budget; 2008-2011 based on Netherland, Sewell reserve report. Includes heavier NGL components (C4+).

(b) Incorporates swaps and puts at strike price net of premium, WTI/WTS spread @ $6-7.00/Bbl.

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Subset of $6.5 Billion in Current Projects Secures 8% Growth

- **8% growth achievable with three components:**
  1. **Increase in average CO_2 hedge price from $35 in 2007 to $56 in 2010**
  2. **$3.3 billion in natural gas pipeline projects**
     - ✓ **Rockies Express, Midcontinent Express, and KM Louisiana Pipeline**
  3. **4% growth in base business**
- **Additional growth to come from:**
  - **Remaining $2.3 billion in current projects (a)**
  - **Future opportunities – expansion or acquisition**
  - **Potential for less equity on major joint venture pipelines which are funded at project level.**

(a) Total current projects of $6.5 billion, as detailed on slide 25 of this section, less major natural gas pipeline projects and CO_2 – SACROC and Yates.

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Subset of Projects Secures 8% Growth

Illustrative

(millions except where noted)	2008	2009	2010	Total
Expansion Capital (a)				
Natural Gas Pipeline Projects	$699	$2,274	---	$2,973
CO_2	230	198	209	637
Total	$929	$2,472	$209	$3,610
Incremental Unlevered Cash Flow				
Natural Gas Pipeline Projects	$168	$160	$64	$392
CO_2: Increase in Average Hedge Price	95	72	61	228
4% Growth in Base Assets ('07E EBITDA = $1,984)	79	83	86	248
Total	$343	$314	$210	$868
Cost of Capital: (50% debt/50% equity) (b)				
Debt (c)	$55	$66	$21	$142
Equity	55	120	38	214
Total	$110	$186	$59	$356
Incremental Distributable Cash Flow	$232	$128	$151	$512
LP Share (split 50/50 with GP)	$116	$64	$76	$256
Total LP Units Outstanding ('07E = 250) (d)	*259*	*277*	*282*	*282*
Accretion per LP Unit	$0.45	$0.23	$0.27	
Total LP Distribution per Unit ('07E = $3.44)	$3.89	$4.12	$4.39	
Year-over-year Growth	*13%*	*6%*	*7%*	
CAGR	*13%*	*9%*	*8%*	

(a) Does not include all committed expansion projects. Natural gas pipe projects include: Rockies Express, Midcontinent Express and KM Louisiana Pipeline.
(b) Assumes KM Louisiana Pipeline completed 31-Mar-2009; Midcontinent Express completed 30-Jun-2009.
(c) 6.5% interest rate; 2008 includes incremental 2007 expense of approximately $25 million.
(d) KMP issue price based on 6.75% yield on prior year distribution.

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Ability to Raise Capital to Fund Capex

Equity:

- KMP has raised almost $6 billion of equity since 1998
- KMP to raise equity when growth is delivered; timed with completion of projects
- KMR distribution in-kind ~$200 million per year (assuming no new issuance)
- KMR accesses institutions, deeper source of capital
  - Institutional interest and participation continues to increase
- Hybrids, total return swaps

Debt:

- Initially fund with short-term borrowing; time permanent debt to when projects are coming on line
- KMP expects to maintain a solid balance sheet
- Joint venture pipelines funded at project level, non-recourse

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Solid Balance Sheet

($ millions)

Credit Summary

L-T Debt Rating	Baa1/BBB
Current Net Debt / Total Capital (a,b)	53.8%
2007 Budget Estimates:	
Debt / EBITDA	3.6x
EBITDA / Interest	5.1x

CP Capacity (b)

Total Bank Credit	$1,850
Less:	
Outstanding CP	1,098
Letters of Credit	386
Excess Capacity	$366

Long-term Debt Maturities (b)

2007	$255
2008	$5
2009	$250
2010	$250
2011	$700

(a) Debt balance excludes fair value of interest rate swaps and is net of cash. Capital excludes loss/gain from other comprehensive income.
(b) At 31-Dec-2006.

Risks

- **Regulatory**
  - Pacific Products Pipeline FERC/CPUC case
  - Periodic rate reviews
  - Unexpected policy changes
- **CO_2 Crude Oil Production Volumes**
- **Construction Cost Overruns**
- **Environmental**
- **Terrorism**
- **Interest Rates**
  - Approximately 50% floating rate debt
  - Budget assumes flat rates at a level above the current forward curve
  - The full-year impact of a 100-bp increase in rates equates to an approximate $32 million increase in interest expense

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Operational Excellence

Steve Kean

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Operations Goals – Safe, Reliable, Efficient Operations

- **Continuous reduction in risk to the public, employees, contractors and the environment**
  - Pipeline integrity
  - Hazardous chemical handling
  - Heavy equipment operation
- **Continuous improvement in the efficiency and productivity of existing operations**
- **Well-executed expansions and effective integration of acquired operations**
- **Establish culture of excellence in operations**

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Operations Goals – Elements

- **Risk Reduction**
  - Safe and environmentally sound operations
  - Comprehensive and effective asset integrity programs for high-consequence assets
  - Effective handling of emergencies and other disruptions
  - Open and productive relationships with regulators and the public
  - Compliance with applicable laws, rules and regulations
- **Efficiency and Productivity**
  - Cost effectiveness
  - Optimization
- **Expansion**
  - Meet or exceed AFE economics on new construction
  - Meet customer need
  - Acquisitions – safe and effective integration into KM operations
- **Culture of Excellence**
  - Well trained and qualified employees and contractors
  - Effective communication between and among management, supervisors and the field
  - Management commitment to and attention to operations goals
  - Organization commitment to continuous improvement
  - Accountability (performance is measured and reported and affects compensation)

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Progress / Next Steps

- **Risk Reduction**
  - Bottoms-up budget process
  - Identification and action plan for high-consequence assets and operations – updated at quarterly business reviews (QBR)
  - Emergency Response Plan
  - ERL (emergency response line) system
  - **Near-miss and incident database**
  - Cross-company EHS management system developed
  - Comprehensive audits of select assets
  - "Find and fix" initiatives
  - Incident reviews at weekly and quarterly meetings
  - Empowered operations VPs
    - veto right on new acquisitions
  - Updates in weekly meetings and QBRs
  - **Process Safety Management (PSM) resources to be added in 2007**
  - **Ongoing cross-company review of excavation safety**

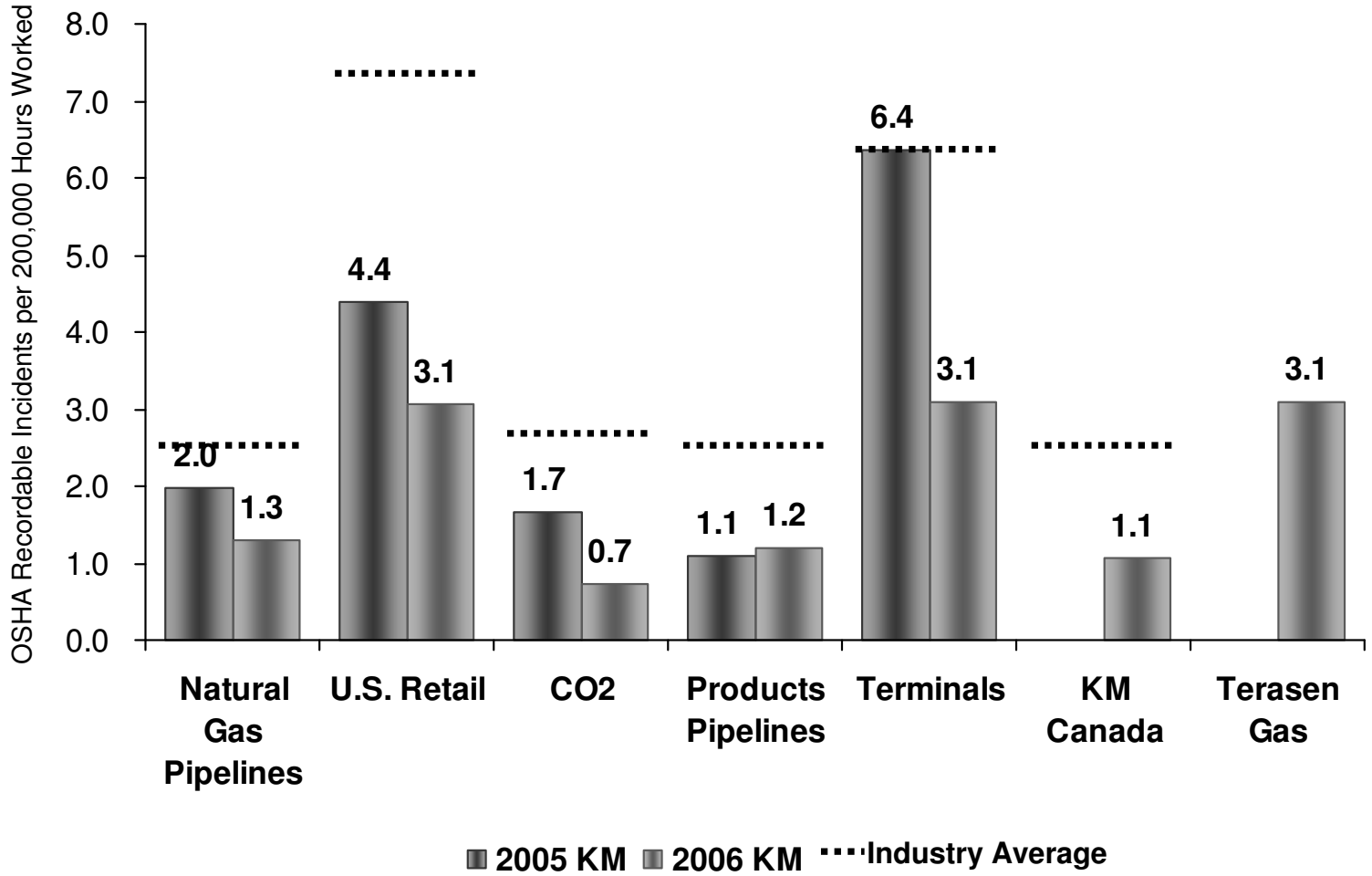
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Progress / Next Steps

- **Efficiency and Productivity of Existing Assets**
  - **Annual budget process incorporates cost savings and efficiency gain opportunities**
  - Weekly review includes review of operating costs, throughput, and product use and loss.
- **Expansions**
  - **KM contractor safety program (added to employee incentive plan for ’07)**
  - **Monthly review of major projects**
    - **Issues (e.g. access to materials and labor, permitting etc.)**
    - **Projected costs**
    - **Projected schedule**
    - **Change in timing of spend**
    - **Updates to EBITDA and IRR**
  - QBR updates
  - “Swat team” to rollout KM procedures at acquired facilities
- **Culture of Excellence**
  - EHS performance posted on KM website
  - Review operations in weekly, monthly and quarterly processes
  - Incident reviews and lessons learned
  - Incentive program tied to operations performance (particularly EHS)
  - Online access to training
  - Programs for disseminating and recording training
  - Management site visits
  - Enhanced communications between office and field

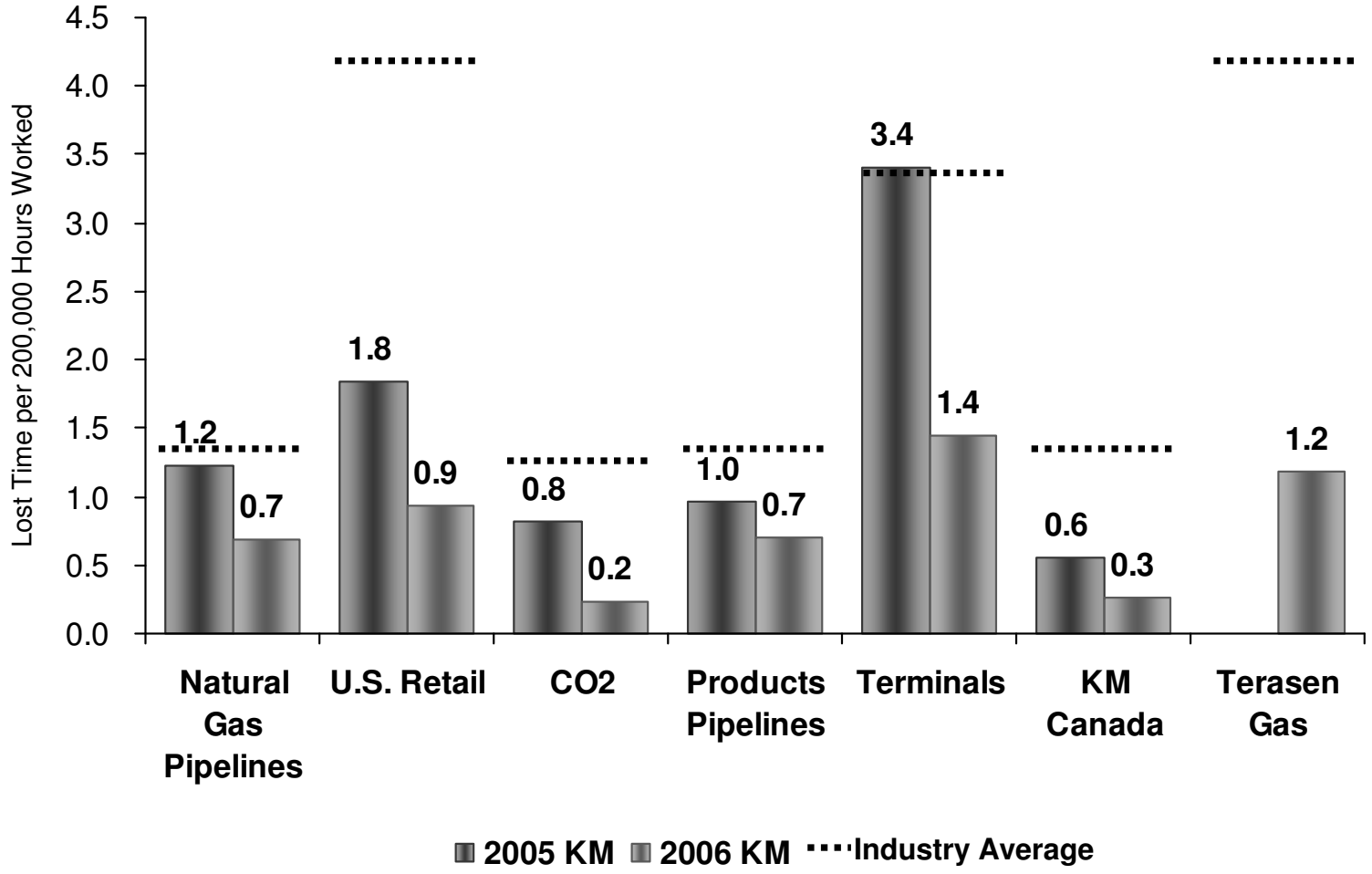
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Results –
Safety Performance: OSHA Recordable Incidents



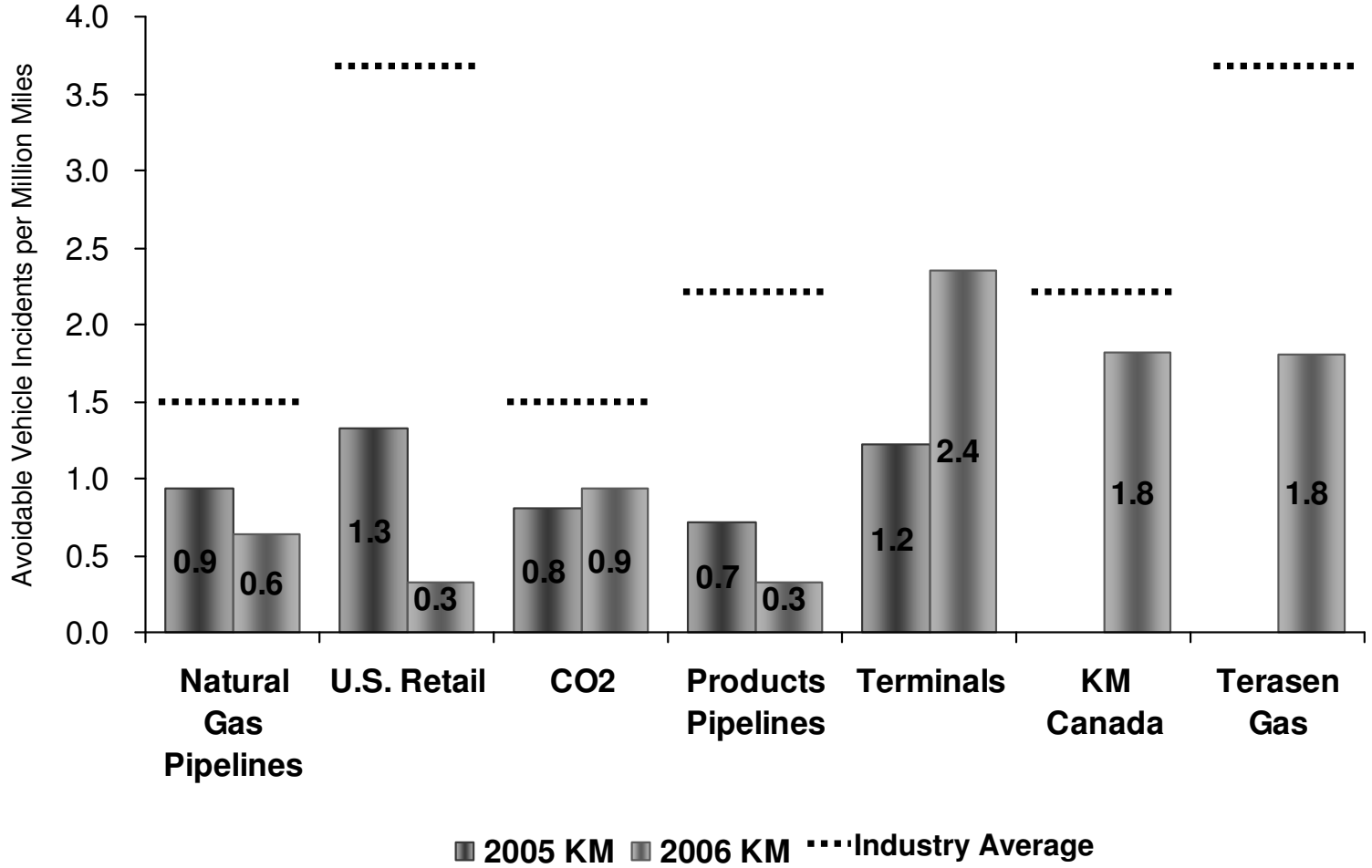
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Results –
Safety Performance: OSHA Lost Time Cases



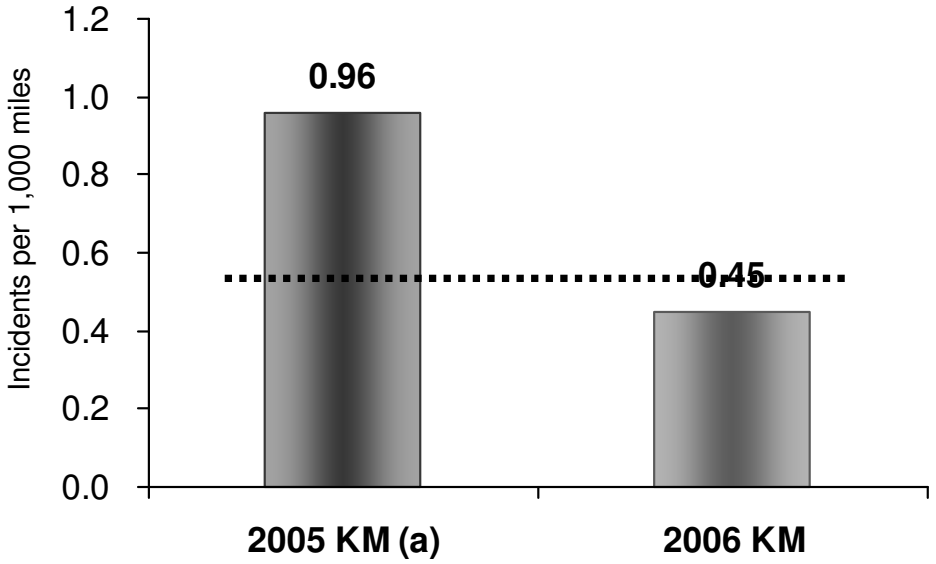
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Results –
Safety Performance: Avoidable Vehicle Incidents

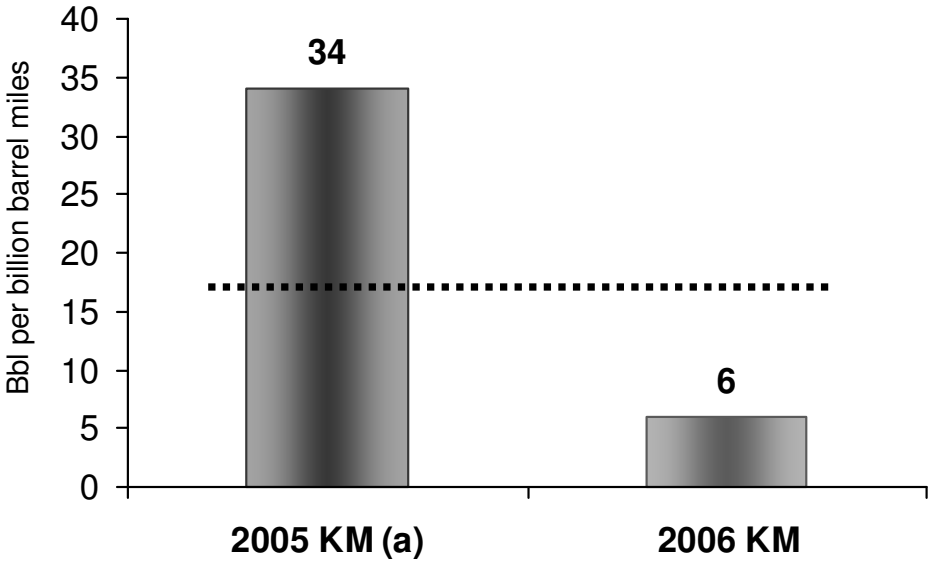


Results –
Incidents and Releases: Liquids Pipeline ROW

Liquids Pipeline Incidents per Mile (a)



Liquids Pipeline Release Rate (a)



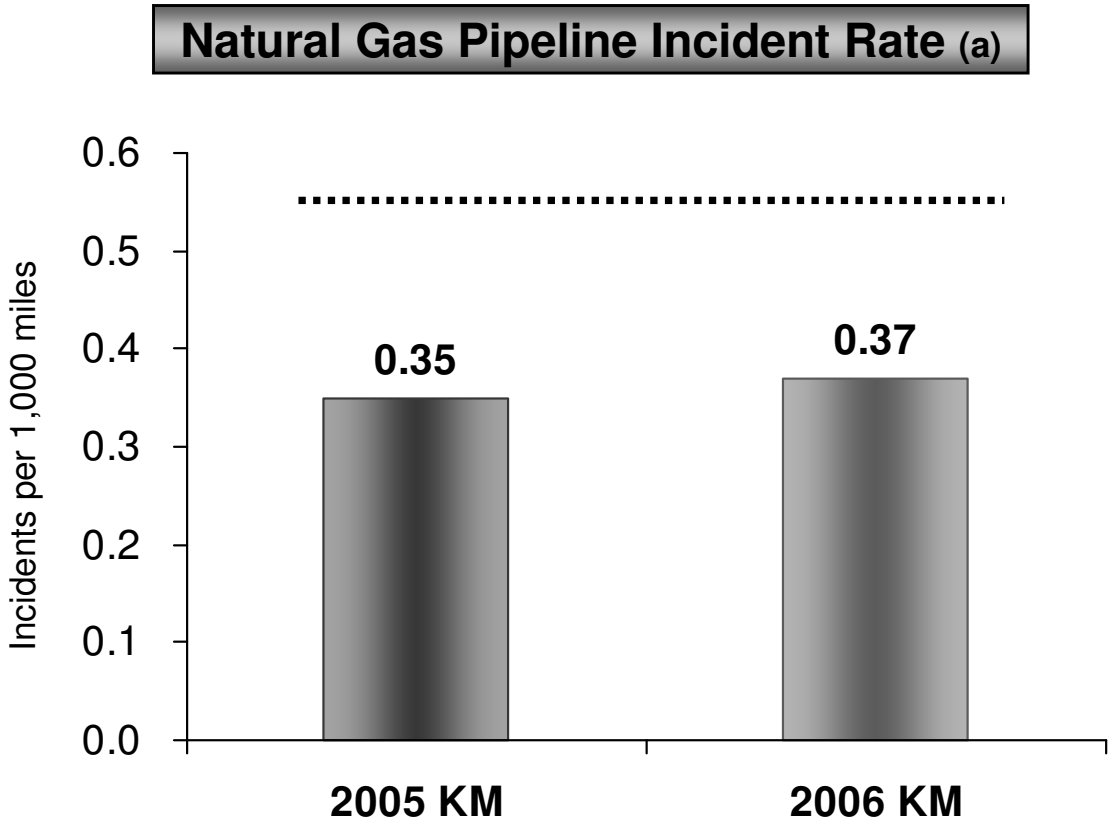
Notes:

(a) Failures involving onshore pipelines that occurred on the ROW, including valve sites, in which there is a release of the liquid or carbon dioxide transported resulting in any of the following:
  (1) Explosion or fire not intentionally set by the operator.
  (2) Release 5 barrels or greater. (NOTE: PHMSA does not record system location for releases less than 5 barrels.)
  (3) Death of any person;
  (4) Personal injury necessitating hospitalization;
  (5) Estimated property damage, including cost of clean-up and recovery, value of lost product, and damage to the property of the operator or others, or both, exceeding $50,000. Not included: natural gas transportation assets.

(b) 2005 rates are 12-months ending 28-Feb-2006.

(c) KM total excludes non-DOT jurisdictional CO2 Gathering and Crude Gathering for compatibility with industry comparisons.

Results –
Incidents and Releases: Natural Gas Pipeline ROW



(a) An Incident means any of the following events:

(1) An event that involves a release of gas from a pipeline or of a liquefied natural gas or gas from an LNG Facility and
  (i) A death, or personal injury necessitating in-patient hospitalization; or
  (ii) Estimated property damage, including cost of gas lost, of the operator or others, or both, of $50,000 or more.

(2) An event that results in an emergency shutdown of an LNG facility.

(3) An event that is significant, in the judgment of the operator, even though it did not meet the criteria of paragraphs (1) or (2).

Expansion Challenges

- **High demand for pipeline construction spreads**
- **Other material/equipment issues: steel and pipe mill capability, drilling rigs, compressor and pump stations, valves and metering equipment**
  - Lengthening lead times
  - Nontraditional sources
- **Workforce availability and skill level**
- **Decreased leverage on contract terms**

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Managing Expansion Risks

- **Disciplined project approval process**
  - Costs, contingency, required returns and schedule
  - Customer commitments underlying expansions
- **Risk management**
  - Properly allocate risk between Kinder Morgan and customers
  - Lock costs in where appropriate
- **Experience**
  - Successful track record of expansion
- **Expertise**
  - Existing organization (project management, engineering, operations, procurement and commercial staffs)
- **Well-positioned with contractors and suppliers**
  - good credit, good working relationships and continuing work opportunities
- **Progress tracking**
  - Updates at weekly and quarterly meetings
  - Separate monthly major projects review

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Major Projects Review

- Cost, schedule, EBITDA and IRR updates; timing of spend; issue updates
- Still early in the process for most of the capital spend
- Summary (major expansion projects for KMP only; capex numbers are life-of-project)

	Capex ($MM)	Projects
Business Segment		
Natural Gas Pipelines	$2,932	6
Products Pipelines	384	5
Terminals	491	12
CO_2 (a)	534	8
	$4,341	31 (a)

(a) Additional 10 major projects at KMI.

Conclusion

- Good progress on existing operations, but more to be done
- Actively managing execution risks on major expansion projects


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