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# *RBC 2005 MLP/Trust Conference*

**November 17, 2005**

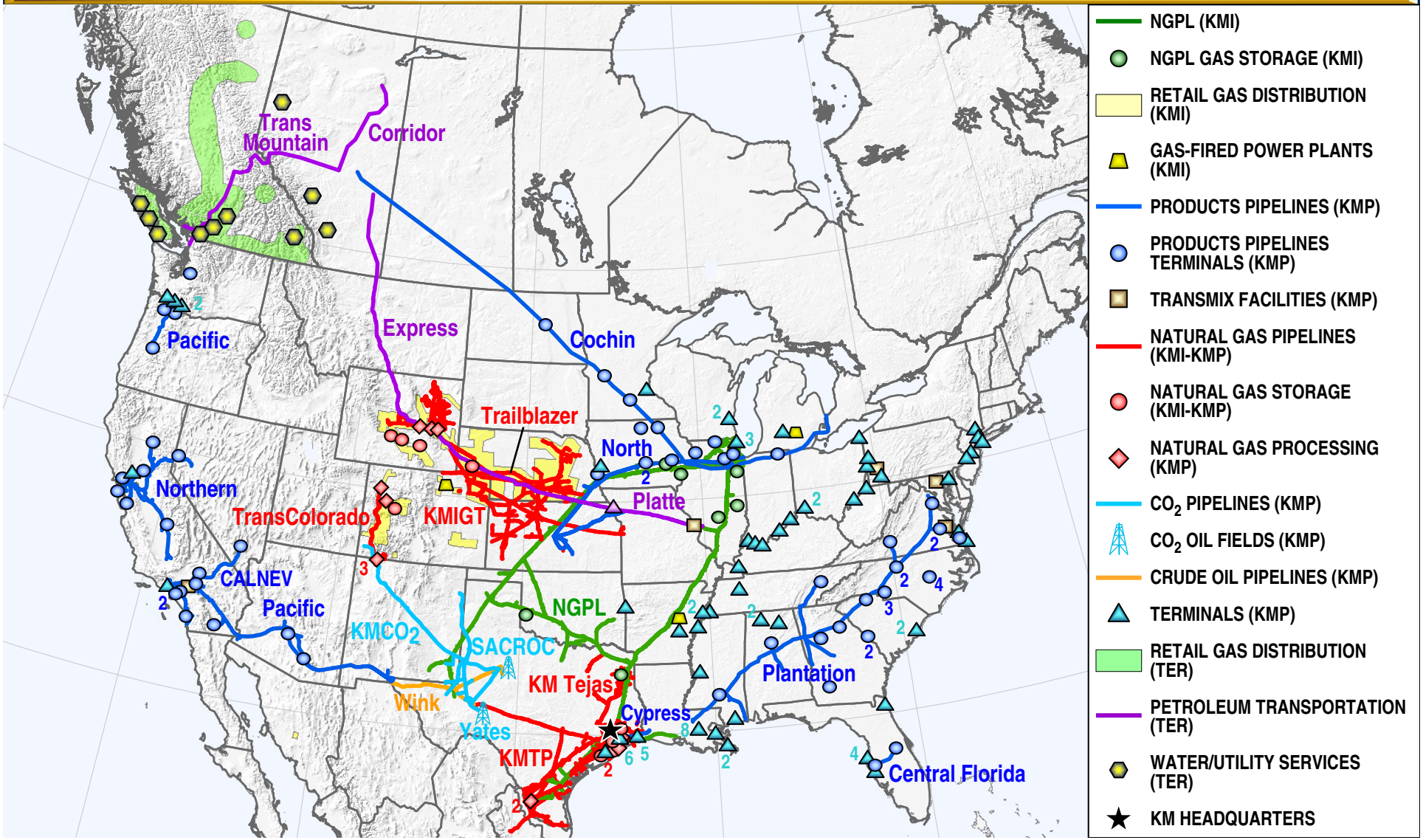
*All amounts in U.S. dollars unless otherwise noted.*

# 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, completion of the proposed transaction and realization of the benefits there from, 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.

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# Kinder Morgan & Terasen Assets



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# KMI-TER Transaction Overview (a)

- **$5.6 billion total purchase price**
  - $3.1 billion in equity
  - $2.5 billion in assumed debt
- **KMI will purchase all of TER's outstanding stock**
- **Equity consideration will be financed ~ 65% in cash and ~ 35% in stock (b)**
  - 0.1165 KMI shares for each TER share: $10.37 (C$12.37)/share
  - Cash consideration of $19.49 (C$23.25)/share
  - Totaling approximately $29.86 (C$35.62)/TER share
  - 20% premium to 20 day average price (at announcement)
- **Headquartered in Houston, with Rich Kinder as Chairman and CEO**
- **TER Gas Headquarters remain in Vancouver, Pipeline in Calgary**

Note: All amounts in U.S. dollars unless otherwise noted.
(a) As of Nov-15-2005. Assumes USD/CAD exchange ratio of 0.8384, KMI price = $88.99/share unless otherwise noted.
(b) On average. Terasen shareholders will be able to elect, for each TER share held, either (i) C$35.75 in cash, (ii) 0.3331 shares of KMI common stock, or (iii) C$23.25 in cash plus 0.1165 shares of KMI common stock. All elections will be subject to proration in the event total cash elections exceed approximately 65 percent of the total consideration to be paid or total stock elections exceed approximately 35 percent.

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# Strategic Rationale

- **Stable, regulated, low risk assets**
- **Solid earnings accretion**
  - ~ $5.00/share KMI pro-forma 2006E earnings
  - ~ 6-8% accretion to KMI 2006E stand alone EPS
- **Strong cash flow generation**
  - Almost $800 million in 2006E cash flow (a)
  - $3.50/share 2006 expected dividend
    - Represents 58% increase in TER dividend, 17% increase in KMI
- **Substantial expansion opportunities from Canadian oilsands**
  - Production expected to double in next 5-7 years
  - Pipeline, Terminals and $CO_2$
  - EPS and Dividend growth rate expected to be 10%
- **Solid Credit**
    - Expect to maintain BBB
    - 56% debt to total cap at close, declining thereafter

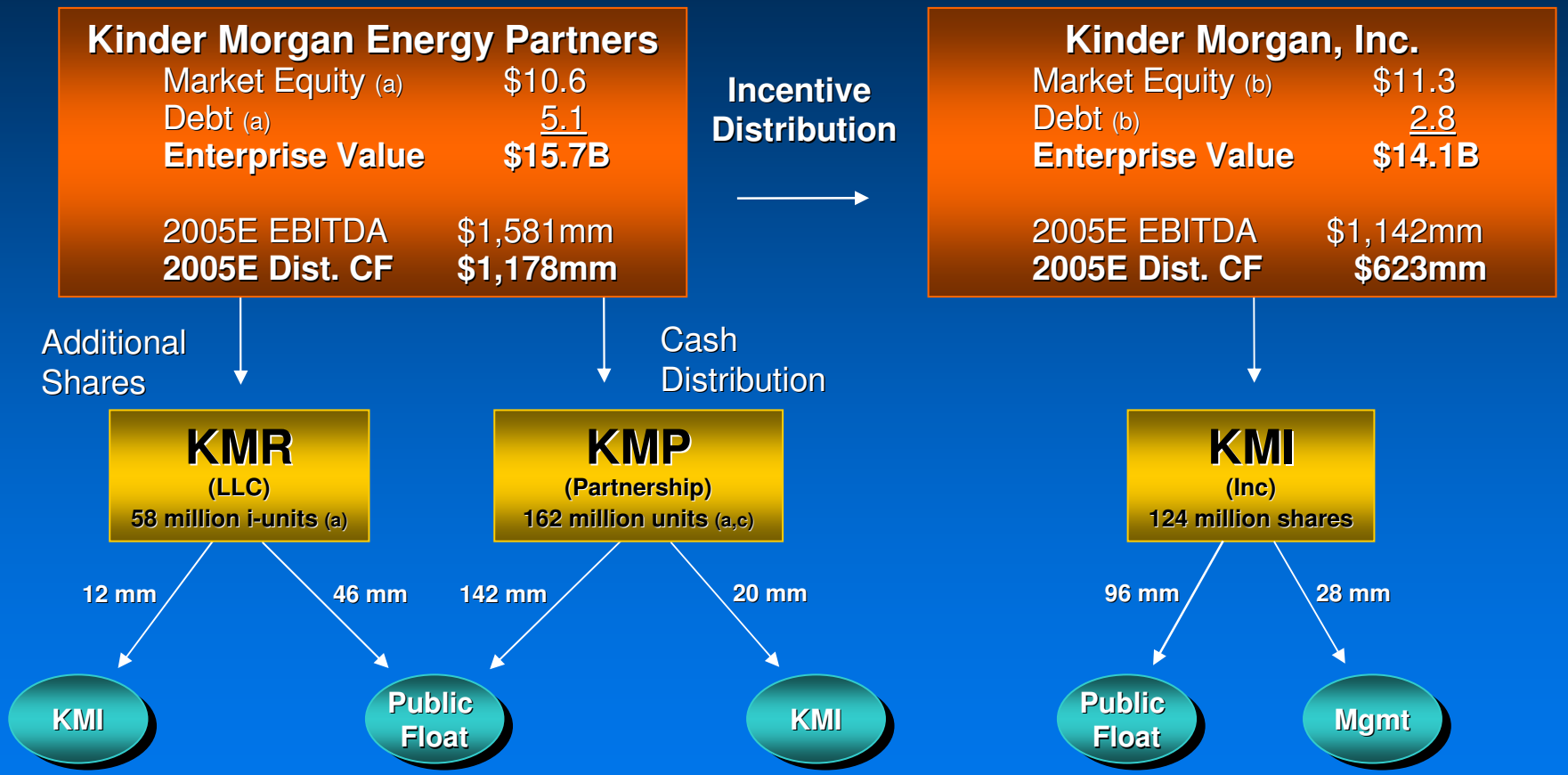
Note: All amounts in U.S. dollars unless otherwise noted.
(a) Cash flow is defined as pre-tax income before depletion, depreciation, and amortization, less cash paid for income taxes and sustaining capital expenditures.

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# Transaction Timeline

- ✓ Sign/announce definitive agreement – Aug 1
- ✓ Canadian Competition Act – Aug 25
- ✓ HSR – September
- ✓ Comptroller of Water Rights (BC) – Oct 11
- ✓ Terasen Shareholder vote – Oct 18
- ✓ Alaska Utilities Commission – Nov 8
- ✓ British Columbia Utilities Commission – Nov 10
- ✓ Investment Canada – Nov 16
- ☐ TER election deadline – Nov 22
- ☐ Close transaction ~ on or before Nov-30

# Kinder Morgan: Three Securities




Note: All amounts in U.S. dollars unless otherwise noted.

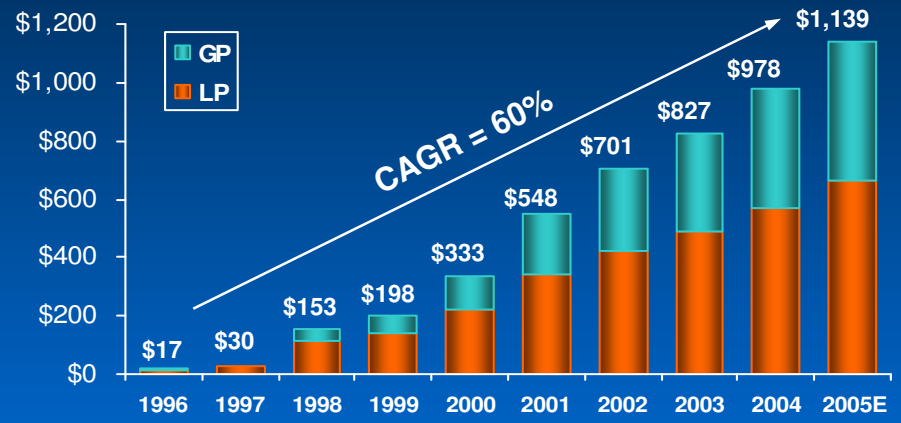
(a) Adjusted for recent KMP equity offering and KMR share dividend. KMP market cap based on 162 million common units at a price of $48.75 and 58 million KMR i-units at a price of $46.00 as of November 15, 2005. Debt balance, as of September 30, 2005, excludes the fair value of interest rate swaps, net of cash.

(b) KMI market cap based on 124 million shares at a price of $88.99 as of November 15, 2005. Market equity also includes $284 million of capital trust securities (TRUPS). Debt balance as of September 30, 2005, excluding fair value of interest rate swaps.

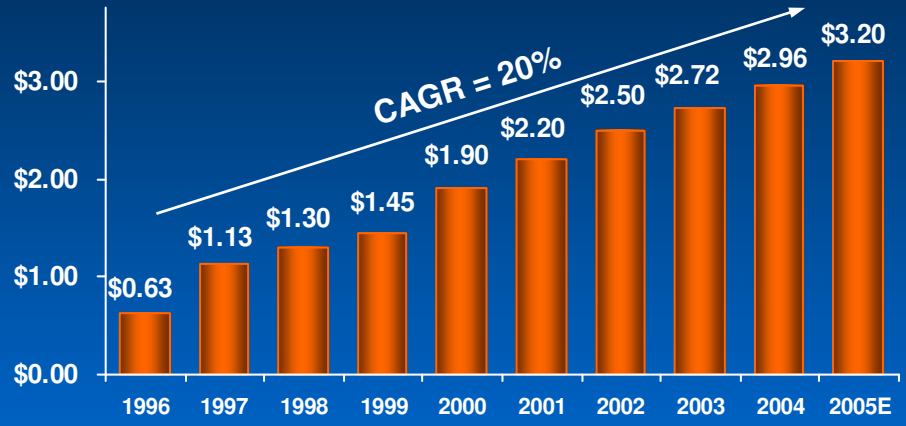
(c) Includes 5.3 million Class B units owned by KMI. Class B units are unlisted KMP common units.

# Consistent Track Record

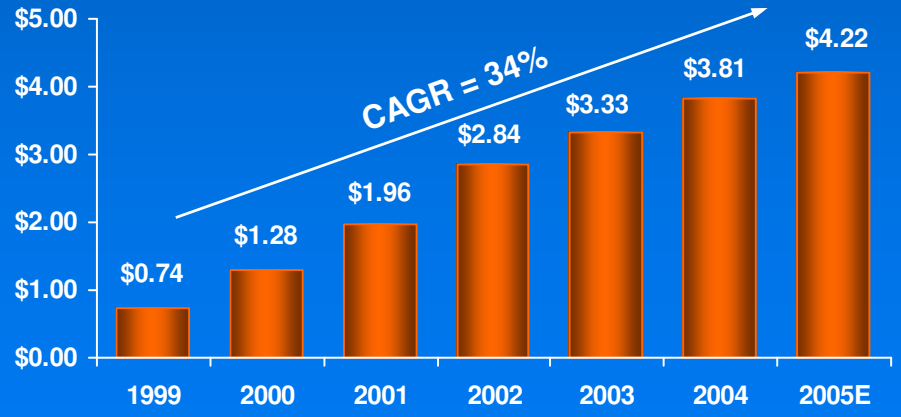
## Total Distributions (GP + LP) ($mm)



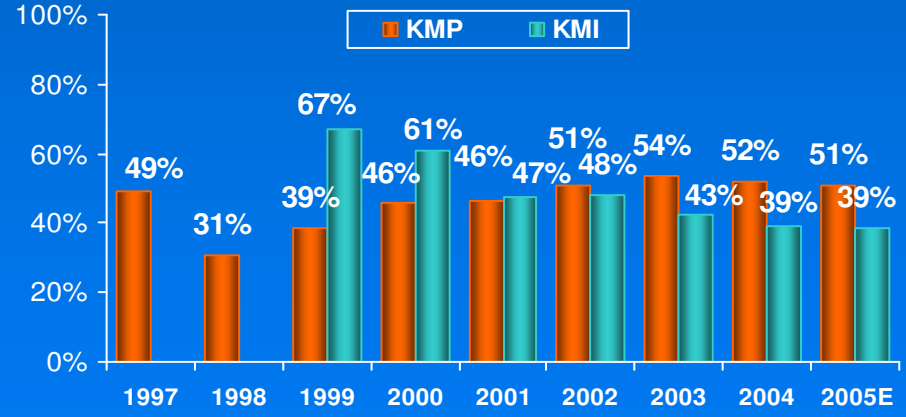

## KMP Distribution / Unit (a)




## KMI Earnings Per Share




## Debt to Total Capital (b)




Note: All amounts in U.S. dollars unless otherwise noted.
(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

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# 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

# Management Philosophy

- Low Cost Asset Operator
- Attention to Detail
- Disciplined Capital Allocation
- Risk Management
- Transparency
- Cash is King
- Alignment of Incentives
- Business Unit Autonomy

# Kinder Morgan Energy Partners (KMP and KMR)

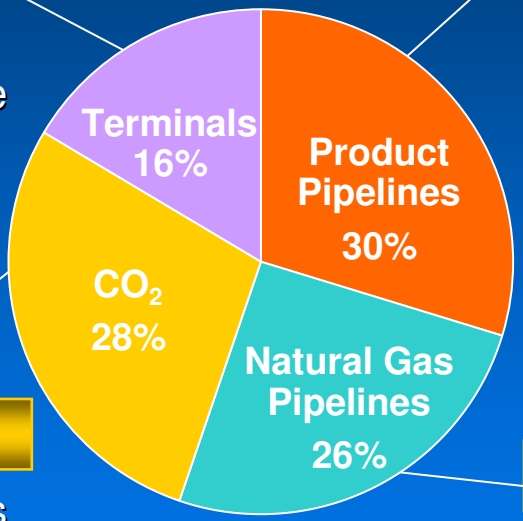
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# Solid Asset Base Generates Stable Fee Income

## Terminals

- 55% Liquids, 45% Bulk
- Geographic and product diversity
- 3-4 year average contract life

## KMP 2005 DCF (a)




## Products Pipelines

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

## $CO_2$

- 25% $CO_2$ transport and sales
- 75% oil production related
- Expected production hedged: 2005=100%; 2006=90%; 2007=77%

## 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

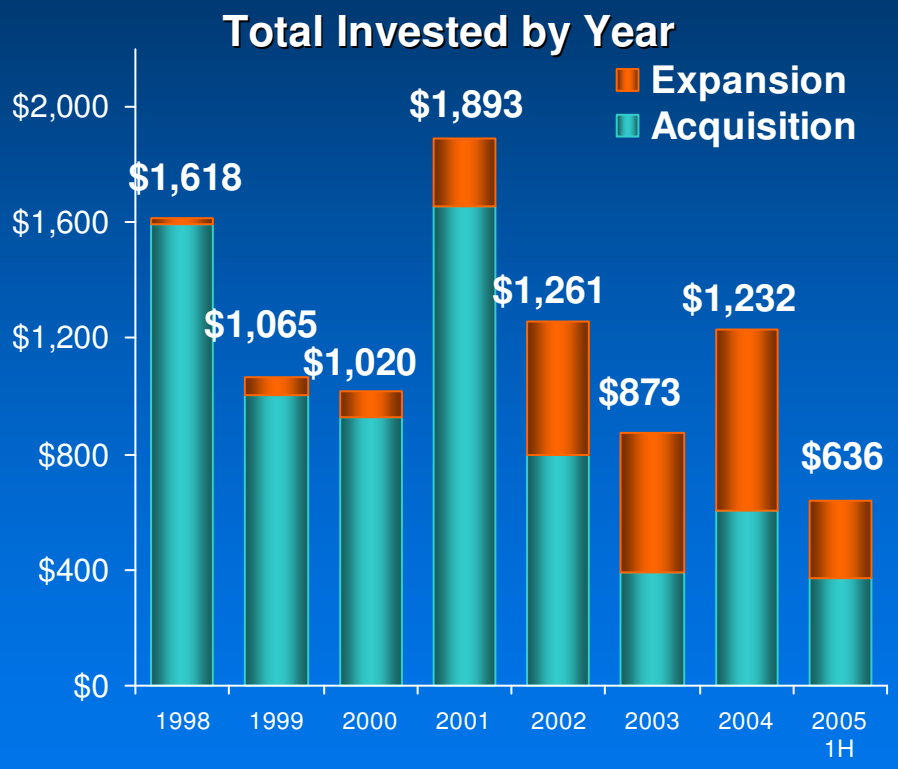
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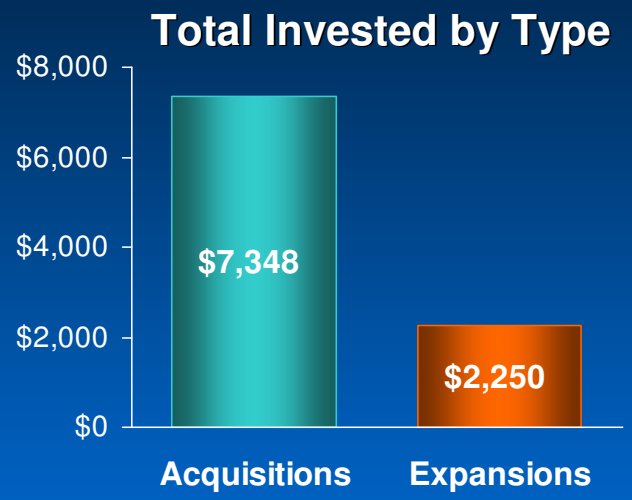
# Long-Term Growth Drivers

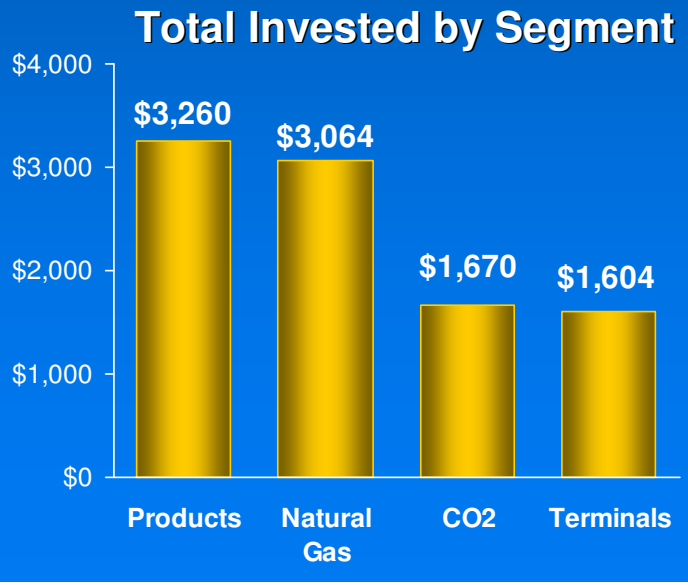
| Business Segment | Growth Drivers |
|---|---|
| **Products Pipelines** | ▪ Gasoline demand tracks demographic growth<br>▪ Serve 8 of 10 fastest growing metropolitan areas<br>▪ Price escalator = PPI<br>▪ Advantage to existing assets |
| **Natural Gas Pipelines** | ▪ US is infrastructure constrained<br>▪ LNG requires new infrastructure<br>▪ Rocky Mountain production<br>▪ Advantage to existing assets |
| **$CO_2$** | ▪ Production at SACROC and Yates<br>▪ Additional Permian Basin Opportunities<br>▪ Opportunities in new basins<br>▪ $CO_2$ Expertise |
| **Terminals** | ▪ Increasing product specifications<br>▪ Changing regulations<br>▪ Advantage to existing assets |

# Over $9 Billion in Capital Invested at KMP

*($ millions)*




Note:
All amounts in U.S. dollars unless otherwise noted.
Investment is defined as Gross PP&E plus Investments and Intangibles, less cumulative sustaining capex, minority interest (KMI), deferred taxes and assumed liabilities

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# Leads to Attractive Return on Capital

| Return on Investment: | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|
| Products Pipelines | 11.9% | 11.8% | 12.8% | 12.9% | 12.6% |
| Natural Gas Pipelines | 13.3 | 15.5 | 12.9 | 13.5 | 14.0 |
| $CO_2$ | 27.5 | 24.6 | 22.0 | 21.9 | 23.8 |
| Terminals | 19.1 | 18.2 | 17.7 | 18.4 | 18.0 |
| KMP Return on Investment (a) | 12.3% | 12.7% | 12.6% | 13.1% | 13.7% |
| KMP Return on Equity | 17.4% | 19.0% | 21.9% | 23.2% | 25.2% |

(a) G&A is deducted in calculating KMP's return on investment, but is not allocated to the segments and therefore not deducted in calculating the segment information. See Appendix from the 2005 Analyst Conference presentation, available at www.kindermorgan.com, for details on calculations.

# KMP is Conservatively Capitalized

*($ millions)*

## Credit Summary

| | |
|---|---|
| Long-term Debt Rating | Baa1/BBB+ (a) |
| 2005 Budget Estimates | |
| Debt / EBITDA | 3.0x |
| EBITDA / Interest Exp. | 6.3x |
| Net Debt / Total Cap (b) | 51% |

## CP Capacity (c)

| | |
|---|---|
| Total Revolver | $1,600 |
| Outstanding CP | 539 |
| Excess Capacity | $1,061 |

## Long-term Debt Maturities (d)

| | |
|---|---|
| 2005 (e) | --- |
| 2006 | $5 |
| 2007 | $255 |
| 2008 | $5 |
| 2009 | $250 |

(a) S&P placed on CreditWatch on Aug 2, 2005, related to KMI's announced merger with Terasen, Inc.
(b) Excludes loss/gain from other comprehensive income.
(c) CP Balance on September 30, 2005. Total Revolver reflects August 5, 2005 increase in credit facility.
(d) At September 30, 2005.
(e) Remaining in 2005.

# Kinder Morgan, Inc. (KMI)

# Solid Asset Base Generates Stable Fee Income

## Investment in KMP (a)

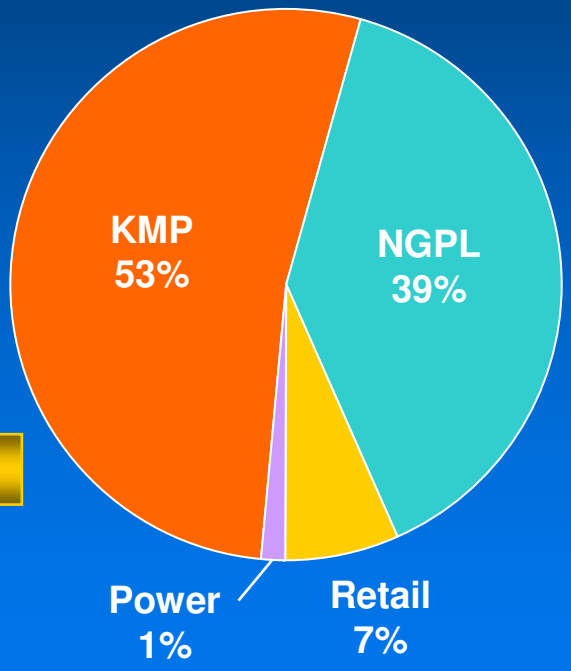
- General partner interest earns incentive distributions
- Owns 17% of total limited partner units

## Power

- Equity interest in five plants

## KMI

**2005 Segment Income (b)**




## 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.

# KMI is Conservatively Capitalized

*($ millions)*

## Credit Summary

| | |
|---|---|
| Long-term Debt Rating | Baa2/BBB (a) |
| 2005 Budget Estimates | |
| Debt / EBITDA | 2.4x |
| EBITDA / Interest Exp. | 7.5x |
| Net Debt / Total Cap (b) | 39% |

## CP Capacity (c)

| | |
|---|---|
| Total Revolver | $800 |
| Outstanding CP | 269 |
| Excess Capacity | $531 |

## Long-term Debt Maturities (c)

| | |
|---|---|
| 2005 (d) | --- |
| 2006 | $5 |
| 2007 | $5 |
| 2008 | $305 |
| 2009 | $5 |

(a) S&P placed on CreditWatch on Aug 2, 2005, related to KMI's announced merger with Terasen, Inc.
(b) Excludes loss/gain from other comprehensive income.
(c) At September 30, 2005.
(d) Remaining in 2005.

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# Tremendous Historical Incremental Returns

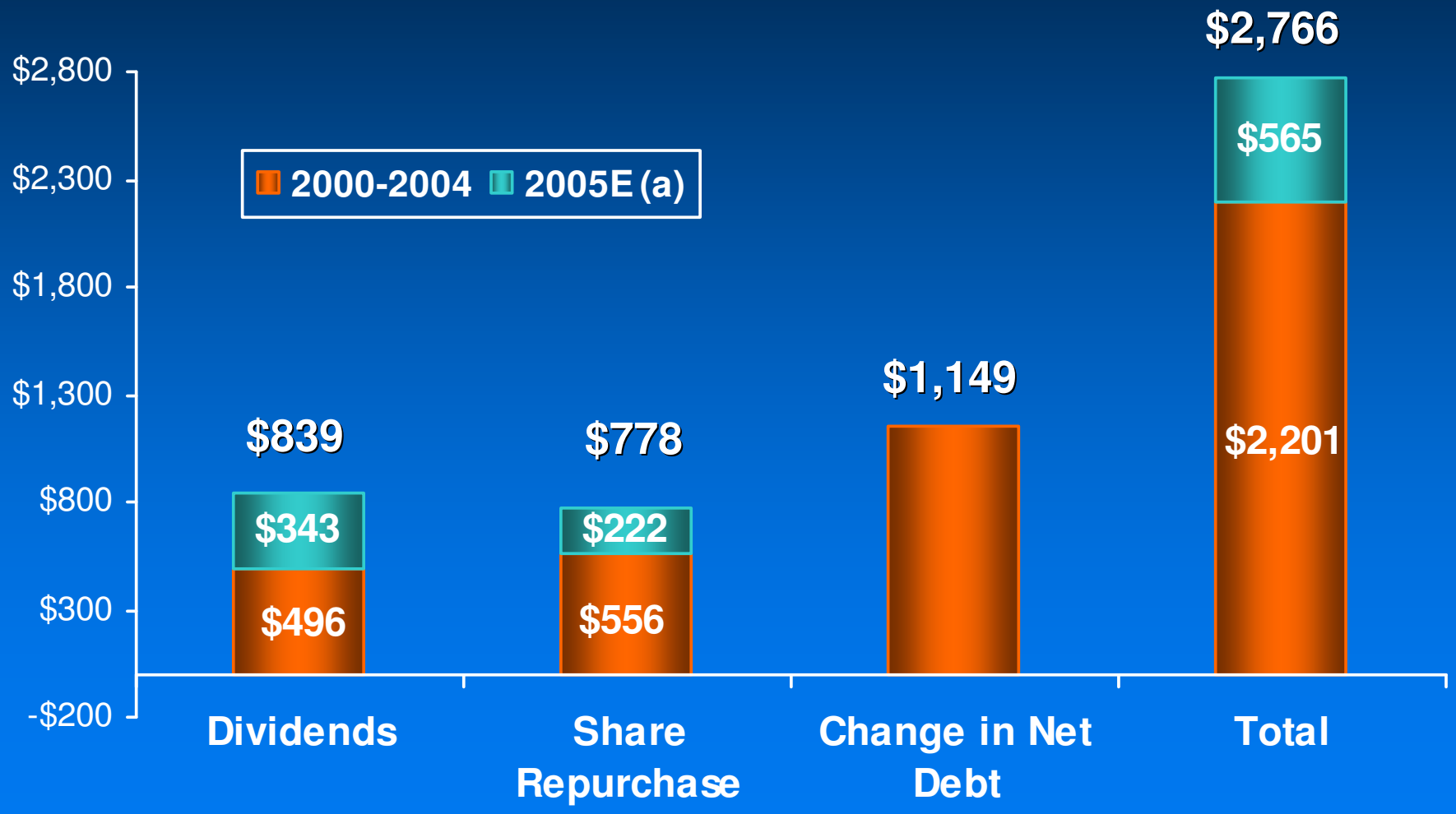
| Return on Investment: | 2000 | 2001 | 2002 | 2003 | 2004 |
|---|---|---|---|---|---|
| Investment in KMP | 11.2% | 16.9% | 21.4% | 25.0% | 29.6% |
| NGPL | 11.4 | 11.1 | 10.9 | 11.4 | 12.1 |
| Retail | 13.0 | 11.7 | 15.0 | 14.5 | 13.1 |
| Power | 14.3 | 20.2 | 9.7 | 5.6 | 4.7 |
| KMI Return on Investment (a,b) | 10.5% | 11.7% | 12.4% | 13.3% | 14.8% |
| KMI Return on Equity | 16.6% | 19.0% | 18.5% | 21.3% | 23.2% |

(a) G&A is deducted in calculating KMI's return on investment, but is not allocated to the segments and therefore not deducted in calculating the segment information. See Appendix from the 2005 Analyst Conference presentation, available at www.kindermorgan.com, for details on calculations.

(b) Totals include all assets owned in given year, even if subsequently divested.

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# Over $2.7 billion returned to investors 2000-2005




Note: All amounts in U.S. dollars unless otherwise noted.
(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 $27 million increase in expense at KMP and $15 million at KMI

Note: All amounts in U.S. dollars unless otherwise noted.

# Summary

- **Stable Cash Flow**
  - Own assets core to energy infrastructure
- **Internal Growth Opportunities**
  - Critical Mass
  - Well-located assets/favorable demographics
- **Fixed Cost Business**
  - Drop growth to bottom line
- **Unique Structure**
  - Tax Efficient
  - Incentive Fee
- **Management Philosophy**
  - Low-Cost Operator
  - Focused on cash
  - Disciplined Investment

**KMP/KMR:**
**6-7% Yield**
**and**
**8-10%**
**Long-Term**
**Growth**

**KMI:**
**3.4% Yield**
**and**
**10%**
**Long-Term**
**Growth**