KINDER MORGAN, INC.
Form 10-K
March 08, 2010

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____to_____

Commission file number: 1-06446
Kinder Morgan, Inc.
(Exact name of registrant as specified in its charter)

Kansas (State or other jurisdiction of incorporation or organization)	48-0290000 (I.R.S. Employer Identification No.)

500 Dallas Street, Suite 1000, Houston, Texas 77002
(Address of principal executive offices) (zip code)

Registrant’s telephone number, including area code: 713-369-9000

Securities registered pursuant to Section 12(b) of the Act:

None

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by checkmark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. Yes [ ] No [X]

Indicate by checkmark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Securities Exchange Act of 1934. Yes [X] No [ ]

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [ ] No [X]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [ ] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934).
Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X] Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Securities Exchange Act of 1934). Yes [ ] No [X]

The number of shares outstanding of the registrant's common stock, $0.01 par value, as of January 29, 2010 was 100 shares.

KINDER MORGAN, INC. AND SUBSIDIARIES
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Note: Individual financial statements of the parent company are omitted pursuant to the provisions of Accounting Series Release No. 302.

PART I

Items 1 and 2. Business and Properties.

Unless the context requires otherwise, references to "we," "us," "our," or the "Company" are intended to mean Kinder Morgan Inc. and its consolidated subsidiaries, including Kinder Morgan Energy Partners, L.P. All dollars are United States dollars, except where stated otherwise. Canadian dollars are designated as C$. Unless otherwise indicated, all volumes of natural gas are stated at a pressure base of 14.73 pounds per square inch absolute and at 60 degrees Fahrenheit and, in most instances, are rounded to the nearest major multiple. In this report, the term "MMcf" means million cubic feet, the term "Bcf" means billion cubic feet, the term "MBbl/d" means million barrels per day, the term "Bbl" means barrels, the term "bpd" means barrels per day and the terms "Dth" (dekatherms) and "MMBtus" mean million British Thermal Units ("Btus"). Natural gas liquids consist of ethane, propane, butane, iso-butane and natural gasoline.

You should read the following in conjunction with the accompanying audited Consolidated Financial Statements and related Notes. We have prepared the Consolidated Financial Statements under the rules and regulations of the United States Securities and Exchange Commission.

(a) General Development of Business

Organizational Structure

Kinder Morgan, Inc. (formerly Knight Inc.) is a large private pipeline transportation and storage company based in North America and incorporated in Kansas on May 18, 1927. We operate or own an interest in approximately 37,000 miles of pipelines and approximately 180 terminals. Our pipelines transport natural gas, refined petroleum products, crude oil, carbon dioxide and other products, and our terminals store petroleum products and chemicals and handle bulk materials like coal and petroleum coke. We are also the leading provider of carbon dioxide, commonly called "CO2," for enhanced oil recovery projects in North America. We have both regulated and nonregulated operations. The address of our principal executive offices is 500 Dallas Street, Suite 1000, Houston, Texas 77002 and our telephone number is (713) 369-9000.

Kinder Morgan Management, LLC, referred to in this report as "Kinder Morgan Management" is a publicly traded Delaware limited liability company that was formed on February 14, 2001. Kinder Morgan G.P., Inc., of which we indirectly own all of the outstanding common equity, owns all of Kinder Morgan Management's voting shares. Kinder Morgan Management, pursuant to a delegation of control agreement, has been delegated, to the fullest extent permitted under Delaware law, all of Kinder Morgan G.P., Inc.'s power and authority to manage and control the business and affairs of Kinder Morgan Energy Partners, L.P. ("Kinder Morgan Energy Partners"), subject to Kinder Morgan G.P., Inc.'s right to approve certain transactions. Kinder Morgan Management also owns all of the i-units of Kinder Morgan Energy Partners. The i-units are a class of Kinder Morgan Energy Partners' limited partner interests that have been, and will be, issued only to Kinder Morgan Management. We have certain rights and obligations with respect to these securities.

Kinder Morgan Energy Partners is a publicly traded pipeline limited partnership whose limited partnership units are traded on the New York Stock Exchange under the ticker symbol "KMP." Kinder Morgan Management's shares (other than the voting shares held by Kinder Morgan G.P., Inc.) are traded on the New York Stock Exchange under the ticker symbol "KMR."

The equity interests in Kinder Morgan Energy Partners and Kinder Morgan Management (which are both consolidated in our financial statements) owned by the public are reflected within “noncontrolling interests” on the accompanying Consolidated Balance Sheets. The earnings recorded by Kinder Morgan Energy Partners and Kinder Morgan Management that are attributed to their units and shares, respectively, held by the public are reported as “noncontrolling interests” in the accompanying Consolidated Statements of Operations.

On May 30, 2007, Kinder Morgan, Inc. merged with a wholly owned subsidiary of Kinder Morgan Holdco LLC, with Kinder Morgan, Inc. continuing as the surviving legal entity and subsequently renamed Knight Inc. On July 15, 2009, the Company’s name was changed back to Kinder Morgan, Inc. Kinder Morgan Holdco LLC is a private company owned by Richard D. Kinder, our Chairman and Chief Executive Officer; our co-founder William V. Morgan; former Kinder Morgan, Inc. board members Fayez Sarofim and Michael C. Morgan; other members of our senior management, most of whom are also senior officers of Kinder Morgan G.P., Inc. and Kinder Morgan Management and affiliates of (i) Goldman Sachs Capital Partners, (ii) Highstar Capital, (iii) The Carlyle Group and (iv) Riverstone Holdings LLC. This transaction is referred to in this report as “the Going Private transaction.” As a result of the Going Private transaction, we are now privately owned, our stock is no longer traded on the New York Stock Exchange and we have adopted a new basis of accounting for our assets and liabilities.

Additional information concerning the business of, and our investment in and obligations to, Kinder Morgan Energy Partners and Kinder Morgan Management is contained in Notes 2 and 10 of the accompanying Notes to Consolidated

Financial Statements and in Kinder Morgan Energy Partners' and Kinder Morgan Management's Annual Reports on Form 10-K for the year ended December 31, 2009.

Recent Developments

The following is a brief listing of significant developments since December 31, 2008. We begin with developments pertaining to our reportable business segments. Additional information regarding most of these items may be found elsewhere in this report.

Products Pipelines–KMP

On June 1, 2009, Kinder Morgan Energy Partners completed a phased horsepower expansion on its West Coast Products Pipelines' 12-inch diameter, 175-mile Concord to Fresno, California refined petroleum products pipeline segment. The expansion added approximately 10,000 barrels per day of capacity;

On June 16, 2009, Plantation Pipe Line Company successfully completed the first United States ("U.S.") transmarket commercial shipment of blended biodiesel (a 5% blend commonly referred to as B5) on a mainline segment of its pipeline. During 2009, Plantation successfully delivered blended biodiesel to marketing terminals located in Georgia North Carolina and Virginia. Plantation is prepared to deliver biodiesel to other markets along its pipeline system in response to customers' need for blending and transporting biodiesel to meet federal regulatory requirements;

On September 22, 2009, Kinder Morgan Energy Partners began commercial transportation of blended biodiesel (a 2% blend commonly referred to as B2) on its West Coast Products Pipelines' 115-mile Oregon Pipeline that extends from Portland to Eugene, Oregon. The first commercial batch of approximately 100,000 barrels of B2 was created using a newly installed blending system to inject B99 (a diesel blend that contains 99% biodiesel and 1% petroleum diesel) into ultra low sulfur diesel at the Willbridge refined products terminal located in Portland, Oregon.

Subsequently, Kinder Morgan Energy Partners has undertaken additional renewable fuels projects at several of its West Coast refined products terminal locations, including improvements to allow for the blending of biodiesel at both the truck-loading rack at its Willbridge terminal and the barge-loading facilities at its Linnton terminal, also located in Portland. All of these biodiesel shipments help diesel fuel suppliers throughout Oregon meet a state biodiesel mandate that became effective on October 1, 2009;

During 2009, Kinder Morgan Energy Partners approved an approximately $15.8 million investment to install new infrastructure at its West Coast Products Pipelines' California terminals to facilitate customer requirements to increase the ethanol blend rate to 10%, consistent with recent California environmental initiatives. All of Kinder Morgan Energy Partners' California refined products terminals began blending ethanol at 10% effective January 11, 2010; and

As of December 31, 2009, Kinder Morgan Energy Partners completed modifications to its Central Florida Pipeline to more efficiently move gasoline and ultra-low sulfur diesel fuel within the terminal community at the Port of Tampa. Kinder Morgan Energy Partners modified its existing inter-terminal pipelines to provide BP with access to the port's deep-draft ship berths. The modifications also provide a platform for third-party Port of Tampa terminals to tie-in to the Central Florida pipeline system. Relatedly, in the fourth quarter of 2009, Kinder Morgan Energy Partners placed into service two new storage tanks at its Central Florida's Orlando terminal. The additional tankage (half for ethanol and half for refined petroleum products) increased the facility's total storage capacity by 200,000 barrels.

Natural Gas Pipelines–KMP

On June 21, 2009, Kinder Morgan Energy Partners completed construction and fully placed into service its Kinder Morgan Louisiana Pipeline, a 133-mile, 42-inch diameter, pipeline that provides approximately 3.2 billion cubic feet per day of take-away natural gas capacity from the Cheniere Sabine Pass liquefied natural gas terminal, located in Cameron Parish, Louisiana. The pipeline system interconnects with multiple third-party pipelines in Louisiana, and all of the pipeline capacity has been fully subscribed by Chevron and Total under 20-year firm transportation contracts. The Kinder Morgan Louisiana Pipeline project cost approximately $1 billion to complete;

On August 1, 2009, Kinder Morgan Energy Partners completed construction and fully placed into service its 50%-owned Midcontinent Express Pipeline, a 507-mile natural gas pipeline system. Energy Transfer Partners L.P. owns the remaining interest. The pipeline's Zone 1 segment extends from Bennington, Oklahoma to an interconnect with Columbia Gulf Transmission Company in Madison Parish, Louisiana. It has a design capacity of approximately 1.5 billion cubic feet per day, and currently transports approximately 1.4 billion cubic feet per day. The pipeline's Zone 2 segment extends from the Columbia Gulf interconnect, and terminates at an interconnection with the Transco Pipeline near Butler, Alabama. It has a design capacity of approximately 1.2 billion cubic feet per day, and currently transports approximately 1.0 billion cubic feet per day.

The Midcontinent Express pipeline system connects the Barnett Shale, Bossier Sands and other natural gas producing regions in Texas, Oklahoma and Louisiana to markets in the eastern United States, and substantially all of the pipeline's capacity is fully subscribed with long-term binding commitments from creditworthy shippers. In an order issued September 17, 2009, the Federal Energy Regulatory Commission, referred to in this report as the FERC, approved Midcontinent Express' (i) amendment to move one compressor station in Mississippi and modify the facilities at another station in Texas; and (ii) application to expand the capacity in Zone 1 by 0.3 billion cubic feet per day (this expansion is expected to be completed in December 2010). The current estimate of total construction costs on the entire project, including expansions, is approximately $2.3 billion;

On June 29, 2009, Kinder Morgan Energy Partners commenced interim transportation service for up to 1.6 billion cubic feet per day of natural gas on the first 444 miles of its then 51%-owned Rockies Express-East pipeline segment. This segment extends from Audrain County, Missouri to the Lebanon Hub in Warren County, Ohio. On November 12, 2009, Kinder Morgan Energy Partners completed and placed into service the remainder of Rockies Express-East, consisting of approximately 195-miles of 42-inch diameter pipe extending to a terminus near the town of Clarington in Monroe County, Ohio.

On November 14, 2009, Rockies Express-East experienced a pipeline girth weld failure downstream of its Chandlersville, Ohio compressor station (approximately 60 miles upstream from the system terminus at Clarington). Rockies Express declared a force majeure on its contractual obligations to provide service east of the Chandlersville compressor station, in order to repair and inspect the affected segment. Reservation charges under certain shipper service contracts were credited to shippers, in part, during this force majeure outage.

Following coordination with the United States Department of Transportation Pipeline and Hazardous Materials Safety Administration, Kinder Morgan Energy Partners developed a Return to Service Plan. The pipeline was repaired and the affected segment returned to reduced capacity on January 27, 2010. The restoration of service at reduced capacity was sufficient to meet current contractual obligations and the reservation fees under shipper service contracts were billed at the level in effect prior to the force majeure event. On February 6, 2010, the force majeure was lifted and the segment was returned to pre-failure capacity. On February 17, 2010, the United States Department of Transportation Pipeline and Hazardous Materials Safety Administration issued a Corrective Action Order that incorporates the Return to Service Plan. Rockies Express-East has completed implementation of the majority of the requirements of the Return to Service Plan and the Corrective Action Order.

The 639-mile, Rockies Express-East pipeline segment is the third and final phase of the Rockies Express Pipeline. It permits natural gas delivery to pipelines and local distribution companies providing service to the midwestern and eastern U.S. markets. The interconnecting interstate pipelines include Missouri Gas Pipeline, Natural Gas Pipeline Company of America LLC (a 20% owned equity investee of Kinder Morgan, Inc. and referred to in this report as NGPL), Midwestern Gas Transmission, Trunkline, Panhandle Eastern Pipe Line, ANR, Columbia Gas, Dominion Transmission, Tennessee Gas, Texas Eastern, and Texas Gas Transmission. The local distribution companies include Ameren, Vectren, and Dominion East Ohio. Now fully operational, the 1,679-mile Rockies Express Pipeline has the capacity to transport up to 1.8 billion cubic feet of natural gas per day. Effective December 1, 2009, Kinder Morgan Energy Partners' ownership interest in the Rockies Express Pipeline was reduced to 50% and ConocoPhillips' interest was increased to 25% (from 24%). Sempra Pipelines and Storage owns the remaining 25% interest.

Binding firm commitments from creditworthy shippers have been secured for nearly all of the capacity on the Rockies Express Pipeline, including a compression expansion on the Rockies Express-Entrega segment. The first leg of this expansion extends from Meeker, Colorado to Wamsutter, Wyoming, and began service in December 2009. The second leg of the expansion will extend from Wamsutter to the Cheyenne Hub in Colorado and is expected to be completed in July 2010. The Rockies Express Pipeline is one of the largest natural gas pipeline systems ever constructed in North America, and the current estimate of total construction costs on the entire project, including expansions, is approximately $6.8 billion;

On September 30, 2009, the FERC issued authority to Kinder Morgan Energy Partners' subsidiary, Kinder Morgan Interstate Gas Transmission LLC, the right to construct and operate $14 million in capital improvements to increase the withdrawal capability of its Huntsman natural gas storage facility. Incremental storage capacity arising from the expansion project is contracted under a firm service agreement for a five-year term. The service for these new facilities commenced on February 1, 2010;

Effective October 1, 2009, Kinder Morgan Energy Partners acquired the natural gas treating business from Crosstex Energy, L.P. and Crosstex Energy, Inc. for an aggregate consideration of $270.7 million. The acquired assets primarily consist of approximately 290 natural gas amine-treating and dew-point control plants and related equipment that are used to remove impurities and liquids from natural gas in order to meet pipeline quality specifications. The assets are predominantly located in Texas and Louisiana, with additional facilities located in Mississippi, Oklahoma, Arkansas and Kansas. The acquisition makes Kinder Morgan Energy Partners the largest contract provider of natural gas treating services in the U.S. and complements and expands the existing natural gas treating operations currently being offered by its Texas intrastate natural gas pipeline group;

On October 22, 2009, Kinder Morgan Energy Partners announced that it had received the Continuing Excellence Award for its participation in the United States Environmental Protection Agency's Natural Gas STAR program. The Natural Gas STAR Program is a flexible, voluntary partnership that encourages oil and natural gas companies—both domestically and abroad—to adopt cost-effective technologies and practices that improve operational efficiency and reduce emissions of methane.

The Continuing Excellence Award recognizes a partner's outstanding performance over multiple years in reducing methane emissions, identifying and implementing new emission-reducing technologies and practices, and supporting the overall objectives of the Natural Gas STAR program. In 2008, Kinder Morgan Energy Partners implemented several technologies and operational practices that resulted in methane emission reductions of 3,469,719 thousand cubic feet. These reductions were achieved through the installation of new electric motor driven compressors and gas turbines, using compressors to pump down pipeline sections prior to maintenance activities, implementation of directed inspection and maintenance programs and other methane emission reduction practices;

Effective November 1, 2009, Kinder Morgan Energy Partners acquired a 40% ownership interest in Endeavor Gathering LLC, the natural gas gathering and compression business of GMX Resources Inc., for an aggregate consideration of $36.0 million. Endeavor Gathering LLC provides natural gas gathering service to GMX Resources' exploration and production activities in its Cotton Valley Sands and Haynesville/Bossier Shale horizontal well developments located in East Texas. GMX Resources operates and owns the remaining 60% interest in Endeavor Gathering LLC. The acquisition complements Kinder Morgan Energy Partners' existing natural gas gathering and transportation business located in the state of Texas;

On November 13, 2009, Kinder Morgan Energy Partners and Copano Energy, L.L.C. announced that they have entered into a letter of intent for a joint venture to provide natural gas gathering, transportation and processing services to natural gas producers in the Eagle Ford Shale formation in south Texas. Kinder Morgan Energy Partners will own 50% of the equity in the project and Copano will own the remaining 50% interest. As a first phase, the joint venture will construct an approximately 22-mile, 24-inch diameter, natural gas gathering pipeline and enter into new commercial arrangements with both Kinder Morgan Energy Partners and Copano. The natural gas pipeline will originate in LaSalle County, Texas and will terminate in Duval County, Texas. It will have an initial capacity of 350 million cubic feet per day and is expected to be completed in the third quarter of 2010; and

On December 17, 2009, the FERC approved and issued Fayetteville Express Pipeline LLC's certificate application, authorizing construction of its previously announced Fayetteville Express Pipeline. Kinder Morgan Energy Partners own a 50% interest in Fayetteville Express Pipeline LLC and Energy Transfer Partners L.P. owns the remaining interest. As of February 2010, development continues on the construction of the Fayetteville Express Pipeline, a 187-mile, 42-inch diameter, natural gas pipeline that will provide shippers in the Arkansas Fayetteville Shale area with takeaway natural gas capacity and further access to growing markets. The pipeline will extend from Conway County, Arkansas to a terminus located in Panola County, Mississippi, and construction is expected to begin before the end of the first quarter of 2010.

The pipeline will have an initial capacity of two billion cubic feet per day, and has currently secured binding commitments for at least ten years totaling 1.85 billion cubic feet per day of capacity. Pending necessary regulatory approvals, the pipeline is expected to be in service by late 2010 or early 2011. Currently, it is estimated that the Fayetteville Express Pipeline project will cost approximately $1.2 billion to complete.

CO2–KMP

In July 2009, Kinder Morgan Energy Partners announced that it would invest approximately $180 million over the next several years to further expand its carbon dioxide operations in the eastern Permian Basin area of Texas. The expansion will involve the installation of a 91-mile, 10-inch carbon dioxide distribution pipeline, and the development of a new carbon dioxide flood in the Katz field. It is anticipated that the carbon dioxide pipeline will be placed in service in early 2011 and initial carbon dioxide injections into the Katz field will commence shortly thereafter.

Terminals–KMP

In the second quarter of 2009, Kinder Morgan Energy Partners completed an approximately C$45.6 million expansion project at its Vancouver Wharves bulk marine terminal located in British Columbia, Canada. The project added 250,000 barrels of liquids petroleum storage capacity and expanded copper, zinc, and lead bulk-handling operations at the facility;

Effective April 23, 2009, Kinder Morgan Energy Partners acquired certain marine vessels from Megafleet Towing Co., Inc. for an aggregate consideration of $21.7 million. Kinder Morgan Energy Partners' consideration included $18.0 million in cash and an obligation to pay additional cash consideration on April 23, 2014 (five years from the acquisition date) contingent upon the purchased assets providing an agreed-upon amount of earnings, as defined by the purchase and sale agreement, during the five year period. The acquired assets primarily consist of nine marine vessels that provide towing and harbor boat services along the Gulf coast, the intracoastal waterway and the Houston Ship Channel;

In May 2009, Kinder Morgan Energy Partners completed an approximately $12.8 million expansion at its Cora, Illinois coal terminal. The expansion project increased terminal storage capacity by approximately 250,000 tons (to 1.25 million tons) and expanded maximum throughput at the terminal to approximately 13 million tons annually;

On July 15, 2009, Kinder Morgan Energy Partners announced that it had entered into an agreement with a major oil company and will invest approximately $60 million to construct one million barrels of new petroleum and ethanol storage tank capacity at its liquids terminal located in Carteret, New Jersey. The project is expected to be completed in the first quarter of 2011;

In the fourth quarter of 2009, Kinder Morgan Energy Partners brought approximately 450,000 barrels of new liquids storage capacity into service at its Galena Park and Pasadena, Texas liquids terminals, which are located on the Houston Ship Channel. The incremental tank capacity is supported by multi-year customer agreements. For the full year 2009, approximately 1.85 million barrels of combined liquids storage capacity at these two terminals was added; and

Effective January 15, 2010, Kinder Morgan Energy Partners acquired three unit train ethanol handling terminals from U.S Development Group ("USD")for an aggregate consideration of $197.4 million, consisting of $115.7 million in cash and $81.7 million in common units. The three train terminals are located in Linden, New Jersey, Baltimore, Maryland, and Dallas, Texas.

As part of the transaction, Kinder Morgan Energy Partners announced the formation of a joint venture with USD to optimize and coordinate customer access to the three acquired terminals, other ethanol terminal assets already owned and operated by Kinder Morgan Energy Partners, and other terminal projects currently under development by both parties. The joint agreement will combine USD's expertise in designing, developing and operating ethanol terminals with Kinder Morgan Energy Partners' ethanol terminal assets and pipeline assets to create a nationwide distribution network of ethanol handling facilities connected by rail, marine, truck and pipeline, capable of meeting the growing U.S. demand for biofuels. With the new terminal joint venture and other projects completed or underway (including projects in the Products Pipelines–KMP business segment) Kinder Morgan Energy Partners expects to handle in excess of 250,000 barrels of ethanol per day in 2010; and

On March 5, 2010, Kinder Morgan Energy Partners acquired four terminals from Slay Industries for approximately $98 million in cash. The facilities include (i) a marine terminal located in Sauget, Illinois, (ii) a transload liquid operation located in Muscatine, Iowa, (iii) a liquid bulk terminal located in St. Louis, Missouri and (iv) a warehousing distribution center located in St. Louis. All of the acquired terminals have long-term contracts with large credit worthy shippers. As part of the transaction, Kinder Morgan Energy Partners and Slay Industries entered into joint venture agreements at both the Kellogg Dock coal bulk terminal, located in Modoc, Illinois, and at the newly created North Cahokia terminal, located in Sauget and which has approximately 175 acres to develop. All of the assets in Sauget have access to the Mississippi River and five rail carriers.

Kinder Morgan Energy Partners' Debt and Equity Offerings, Swap Agreements and Debt Retirements

On January 12, 2009, Kinder Morgan Energy Partners terminated an existing fixed-to-variable interest rate swap agreement having a notional principal amount of $300 million. Kinder Morgan Energy Partners received proceeds of $144.4 million from the early termination of this swap agreement, and it used the proceeds to reduce the borrowings under its bank credit facility;

On February 1, 2009, Kinder Morgan Energy Partners paid $250 million to retire the principal amount of 6.30% senior notes that matured on that date;

In 2009, Kinder Morgan Energy Partners issued a combined 22,942,447 common units, described following. The net proceeds received from the issuance of these common units were used to reduce the borrowings under its bank credit facility:

On January 16, 2009, Kinder Morgan Energy Partners entered into an equity distribution agreement with UBS Securities LLC as sales agent, and according to the provisions of this agreement, it issued 5,488,947 of its common units during 2009. After commissions, net proceeds of $281.2 million were received from the issuance of these common units;

On March 27, 2009, Kinder Morgan Energy Partners completed a public offering of 5,666,000 of its common units at a price of $46.95 per unit, less commissions and underwriting expenses;

On July 6, 2009, Kinder Morgan Energy Partners completed a public offering of 6,612,500 of its common units at a price of $51.50 per unit, less commissions and underwriting expenses; and

On December 4, 2009, Kinder Morgan Energy Partners completed a public offering of 5,175,000 of its common units at a price of $57.15 per unit, less commissions and underwriting expenses; and

In 2009, Kinder Morgan Energy Partners completed two separate public offerings of senior notes, described following. The net proceeds received from the issuance of these notes were used to reduce the borrowings under its bank credit facility:

On May 14, 2009, Kinder Morgan Energy Partners issued a total of $1 billion in principal amount of senior notes, consisting of $300 million of 5.625% notes due February 15, 2015 and $700 million of 6.850% notes due February 15, 2020; and

On September 16, 2009, Kinder Morgan Energy Partners issued a total of $1 billion in principal amount of senior notes, consisting of $400 million of 5.80% notes due March 1, 2021 and $600 million of 6.50% notes due September 1, 2039.

2010 Outlook

On November 23, 2009, Kinder Morgan Energy Partners announced that it expects to declare cash distributions of $4.40 per unit for 2010, a 4.8% increase over its cash distributions of $4.20 per unit for 2009. Kinder Morgan Energy Partners' expected growth in distributions in 2010 assumes an average West Texas Intermediate ("WTI") crude oil price of approximately $84 per barrel in 2010.

Although the majority of the cash generated by Kinder Morgan Energy Partners' assets is fee based and is not sensitive to commodity prices, theCO_2–KMP business segment is exposed to commodity price risk related to the price volatility of crude oil and natural gas liquids. Kinder Morgan Energy Partners hedges the majority of its crude oil production, but does have exposure to unhedged volumes, the majority of which are natural gas liquids volumes. For 2010, Kinder Morgan Energy Partners expects that every $1 change in the average WTI crude oil price per barrel will impact its CO_2–KMP segment's cash flows by approximately $6 million (or less than 0.2% of its combined business segments' anticipated earnings before depreciation, depletion and amortization expenses). This sensitivity to the average WTI price is very similar to what was experienced in 2009. Kinder Morgan Energy Partners' 2010 cash distribution expectations do not take into account any capital costs associated with financing any payment it may be required to make of reparations sought by shippers on its West Coast Products Pipelines' interstate pipelines. Any resolution of claims of shippers on Kinder Morgan Energy Partners West Coast Products Pipelines' interstate pipelines that requires it to pay reparations, absent other changes, could mean it may not generate sufficient cash from operations to cover its expected cash distributions. There are some items that could be adjusted—such as reductions in operating, general and administrative expenses and/or sustaining capital expenditures—to somewhat enhance cash from operations. However, cumulative excess coverage may be reduced and/or we, as indirect owner of Kinder Morgan Energy Partners' general partner, may decide to forego part of our incentive distribution in order for Kinder Morgan Energy Partners to meet its distribution forecast. Cumulative excess coverage is cash from operations (as described under Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Noncontrolling Interests Distributions to Kinder Morgan Energy Partners' Common Unit Holders") generated since the inception in excess of cash distributions paid.

Also on that date, Kinder Morgan Energy Partners announced that for the year 2010, Kinder Morgan Energy Partners anticipates that (i) its business segments will generate approximately $3.4 billion in earnings before all non-cash depreciation, depletion and amortization expenses, including amortization of excess cost of equity investments, (ii) it will distribute approximately $1.35 billon to its limited partners and (iii) it will invest approximately $1.5 billion for its capital expansion program (including small acquisitions).

Kinder Morgan Energy Partners anticipates 2010 expansion investment will help drive earnings and cash flow growth in 2010 and beyond, and estimates that approximately $400 million of the equity required for its 2010 investment program will be funded by cash retained as a function of Kinder Morgan Management dividends. In 2009, Kinder

Morgan Energy Partners' capital expansion program was approximately $3.3 billion—including both sustaining and discretionary capital spending, equity contributions (net of distributions) to its equity investees, and acquisition cash expenditures.

(b) Financial Information About Segments

For financial information on our seven reportable business segments, see Note 15 of the accompanying Notes to Consolidated Financial Statements.

(c) Narrative Description of Business

Business Strategy

The objective of our business strategy is to grow our portfolio of businesses by:

- focusing on stable, fee-based energy transportation and storage assets that are the core of the energy infrastructure of growing markets within North America;
- increasing utilization of our existing assets while controlling costs, operating safely, and employing environmentally sound operating practices;
- leveraging economies of scale from incremental acquisitions and expansions of assets that fit within our strategy and are accretive to cash flow; and
- maximizing the benefits of our financial structure to create and return value to our stockholder.

It is our intention to carry out the above business strategy, modified as necessary to reflect changing economic conditions and other circumstances. However, as discussed under Item 1A. "Risk Factors" below, there are factors that could affect our ability to carry out our strategy or affect its level of success even if carried out.

We (primarily through Kinder Morgan Energy Partners) regularly consider and enter into discussions regarding potential acquisitions and are currently contemplating potential acquisitions. Any such transaction would be subject to negotiation of mutually agreeable terms and conditions, receipt of fairness opinions and approval of the parties' respective boards of directors. While there are currently no unannounced purchase agreements for the acquisition of any material business or assets, such transactions can be effected quickly, may occur at any time and may be significant in size relative to our existing assets or operations.

Business Segments

We own and manage a diversified portfolio of energy transportation and storage assets. Our operations are conducted through our seven reportable business segments, the first five of which are also business segments of Kinder Morgan Energy Partners. These segments are as follows:

- Products Pipelines–KMP—which consists of approximately 8,400 miles of refined petroleum products pipelines that deliver gasoline, diesel fuel, jet fuel and natural gas liquids to various markets; plus approximately 60 associated product terminals and petroleum pipeline transmix processing facilities serving customers across the United States;

Natural Gas Pipelines–KMP—which consists of approximately 15,000 miles of natural gas transmission pipelines and gathering lines, plus natural gas storage, treating and processing facilities, through which natural gas is gathered, transported, stored, treated, processed and sold;

CO2–KMP—which produces, markets and transports, through approximately 1,400 miles of pipelines, carbon dioxide to oil fields that use carbon dioxide to increase production of oil; owns interests in and/or operates ten oil fields in West Texas; and owns and operates a 450-mile crude oil pipeline system in West Texas;

Terminals–KMP—which consists of approximately 120 owned or operated liquids and bulk terminal facilities and more than 32 rail transloading and materials handling facilities located throughout the United States and portions of Canada, which together transload, store and deliver a wide variety of bulk, petroleum, petrochemical and other liquids products for customers across the United States and Canada;

Kinder Morgan Canada–KMP—which consists of approximately 800 miles of common carrier pipelines, originating at Edmonton, Alberta, for the transportation of crude oil and refined petroleum to the interior of British Columbia and to marketing terminals and refineries located in the greater Vancouver, British Columbia area and Puget Sound in Washington State, along with five associated product terminals. It also includes a one-third interest in an approximately 1,700-mile integrated crude oil pipeline connecting Canadian and United States producers to refineries in the U.S. Rocky Mountain and Midwest regions, and a 25-mile aviation turbine fuel pipeline serving the Vancouver International Airport;

NGPL PipeCo LLC—consists of our 20% interest in NGPL PipeCo LLC, the owner of Natural Gas Pipeline Company of America and certain affiliates, collectively referred to as Natural Gas Pipeline Company of America or NGPL, a major interstate natural gas pipeline and storage system, which we operate. Prior to February 15, 2008, we owned 100% of NGPL; and

Power—consists of two natural gas-fired electric generation facilities.

Products Pipeline–KMP

The Products Pipelines–KMP segment consists of Kinder Morgan Energy Partners' refined petroleum products and natural gas liquids pipelines and associated terminals, Southeast terminals and transmix processing facilities.

West Coast Products Pipelines

West Coast Products Pipelines operations include SFPP, L.P. operations (sometimes referred to in this report as Pacific operations), Calnev Pipeline operations and West Coast Terminals operations. The assets include interstate common carrier pipelines regulated by the FERC, intrastate pipelines in the state of California regulated by the California Public Utilities Commission, and certain non rate-regulated operations and terminal facilities.

SFPP, L.P. operations serve six western states with approximately 2,500 miles of refined petroleum products pipelines and related terminal facilities that provide refined products to major population centers in the United States, including California; Las Vegas and Reno, Nevada; and the Phoenix-Tucson, Arizona corridor. In 2009, the SFPP mainline pipeline system transported approximately 1,078,800 barrels per day of refined products, with the product mix being approximately 61% gasoline, 22% diesel fuel, and 17% jet fuel. In 2008, the SFPP pipeline system delivered approximately 1,122,600 barrels per day of refined petroleum products.

The Calnev Pipeline consists of two parallel 248-mile, 14-inch and 8-inch diameter pipelines that run from Kinder Morgan Energy Partners' facilities at Colton, California to Las Vegas, Nevada. The pipeline serves the Mojave Desert through deliveries to a terminal at Barstow, California and two nearby major railroad yards. It also serves Nellis Air Force Base, located in Las Vegas, and also includes approximately 55 miles of pipeline serving Edwards Air Force Base. In 2009, the Calnev pipeline system transported approximately 120,400 barrels per day of refined products, with the product mix being approximately 45% gasoline, 28% diesel fuel, and 27% jet fuel. In 2008, the Calnev pipeline system delivered approximately 130,700 barrels per day of refined petroleum products.

The West Coast Products Pipelines operations include 15 truck-loading terminals (13 on SFPP, L.P. and two on Calnev) with an aggregate usable tankage capacity of approximately 14.8 million barrels. The truck terminals provide services including short-term product storage, truck loading, vapor handling, additive injection, dye injection and ethanol blending.

The West Coast Terminals are fee-based terminals located in the Seattle, Portland, San Francisco and Los Angeles areas along the west coast of the United States with a combined total capacity of approximately 8.5 million barrels of storage for both petroleum products and chemicals.

Markets. Combined, the West Coast Products Pipelines operations' pipelines transport approximately 1.2 million barrels per day of refined petroleum products, providing pipeline service to approximately 31 customer-owned terminals, 11 commercial airports and 15 military bases. Currently, the West Coast Products Pipelines operations' pipelines serve approximately 74 shippers in the refined petroleum products market; the largest customers being major petroleum companies, independent refiners, and the United States military.

A substantial portion of the product volume transported is gasoline. Demand for gasoline, and in turn the volumes transported, depends on such factors as prevailing economic conditions, government specifications and regulations, vehicular use and purchase patterns and demographic changes in the markets served. Certain product volumes can also experience seasonal variations and, consequently, overall volumes may be lower during the first and fourth quarters of each year.

Supply. The majority of refined products supplied to the West Coast Product Pipelines operations' pipeline system come from the major refining centers around Los Angeles, San Francisco, West Texas and Puget Sound, as well as from waterborne terminals and connecting pipelines located near these refining centers.

Competition. The two most significant competitors of the West Coast Products Pipelines operations' pipeline system are proprietary pipelines owned and operated by major oil companies in the area where the pipeline system delivers products and also refineries with terminals that have trucking arrangements within its market areas. Kinder Morgan Energy Partners believes that high capital costs, tariff regulation, and environmental and right-of-way permitting considerations make it unlikely that a competing pipeline system comparable in size and scope to the West Coast Products Pipelines operations will be built in the foreseeable future. However, the possibility of individual pipelines such as the Holly pipeline to Las Vegas, Nevada, being constructed or expanded to serve specific markets is a continuing competitive factor.

The use of trucks for product distribution from either shipper-owned proprietary terminals or from their refining centers continues to compete for short haul movements by pipeline. The West Coast Products Pipelines terminal operations compete with terminals owned by its shippers and by third party terminal operators in California, Arizona and Nevada. Competitors include Shell Oil Products U.S., BP, Wilmington Liquid Bulk Terminals (Vopak), NuStar, and Chevron. Kinder Morgan Energy Partners' cannot predict with any certainty whether the use of short haul trucking will decrease or increase in the future.

Plantation Pipe Line Company

Kinder Morgan Energy Partners owns approximately 51% of Plantation Pipe Line Company, the sole owner of the approximately 3,100-mile refined petroleum products Plantation pipeline system serving the southeastern United States. Kinder Morgan Energy Partners operates the system pursuant to agreements with Plantation and its wholly-owned subsidiary, Plantation Services LLC. The Plantation pipeline system serves as a common carrier of refined petroleum products to various metropolitan areas, including Birmingham, Alabama; Atlanta, Georgia; Charlotte, North Carolina; and the Washington, D.C. area. An affiliate of ExxonMobil Corporation owns the remaining 49% ownership interest, and ExxonMobil is the largest shipper on the Plantation system both in terms of volumes and revenues.

In 2009, Plantation delivered approximately 487,000 barrels per day of refined petroleum products. These delivered volumes were comprised of gasoline (63%), diesel/heating oil (22%) and jet fuel (15%). In 2008, Plantation delivered approximately 480,000 barrels per day of refined petroleum products.

Markets. Plantation ships products for approximately 30 companies to terminals throughout the southeastern United States. Plantation's principal customers are Gulf Coast refining and marketing companies, fuel wholesalers, and the United States Department of Defense. During 2009, Plantation's top seven shippers represented approximately 87% of total system volumes.

The eight states in which Plantation operates represent a collective pipeline demand of approximately two million barrels per day of refined petroleum products. Plantation currently has direct access to about 1.5 million barrels per day of this overall market. The remaining 0.5 million barrels per day of demand lies in markets (e.g., Nashville, Tennessee; North Augusta, South Carolina; Bainbridge, Georgia; and Selma, North Carolina) currently served by another pipeline company. Plantation also delivers jet fuel to the Atlanta, Georgia; Charlotte, North Carolina; and Washington, D.C. airports (Ronald Reagan National and Dulles).

Supply. Products shipped on Plantation originate at various Gulf Coast refineries from which major integrated oil companies and independent refineries and wholesalers ship refined petroleum products. Plantation is directly connected to and supplied by a total of ten major refineries representing approximately 2.5 million barrels per day of refining capacity.

Competition. Plantation competes primarily with the Colonial pipeline system, which also runs from Gulf Coast refineries throughout the southeastern United States and extends into the northeastern United States.

Central Florida Pipeline

The Central Florida pipeline system consists of (i) a 110-mile, 16-inch diameter pipeline that transports gasoline and ethanol, and (ii) an 85-mile, 10-inch diameter pipeline that transports diesel fuel and jet fuel from Tampa to

Orlando. In addition to being connected to Kinder Morgan Energy Partners' Tampa terminal, the pipeline system is connected to terminals owned and operated by TransMontaigne, Citgo, BP, and Marathon Petroleum. The 10-inch diameter pipeline is connected to Kinder Morgan Energy Partners' Taft, Florida terminal (located near Orlando), has an intermediate delivery point at Intercession City, Florida, and is also the sole pipeline supplying jet fuel to the Orlando International Airport in Orlando, Florida. In 2009, the pipeline system transported approximately 107,100 barrels per day of refined products, with the product mix being approximately 69% gasoline and ethanol, 12% diesel fuel, and 19% jet fuel. In 2008, the Central Florida pipeline system delivered approximately 106,700 barrels per day of refined petroleum products.

Kinder Morgan Energy Partners also owns and operates liquids terminals in Tampa and Taft, Florida. The Tampa terminal contains approximately 1.5 million barrels of storage capacity and is connected to two ship dock facilities in the Port of Tampa. The Tampa terminal provides storage for gasoline, ethanol, diesel fuel and jet fuel for further movement into either trucks or into the Central Florida pipeline system. The Tampa terminal also provides storage and truck rack blending services for bio-diesel. The Taft terminal contains approximately 0.7 million barrels of storage capacity, for gasoline, ethanol, and diesel fuel for further movement into trucks.

Markets. The total refined petroleum products demand for the Central Florida region of the state, which includes the Tampa and Orlando markets, is estimated to be approximately 375,000 barrels per day, or 45% of the consumption of refined products in the state, and gasoline is, by far, the largest component of that demand. Kinder Morgan Energy Partners distributes approximately 150,000 barrels of refined petroleum products per day, including the Tampa terminal truck loadings. The balance of the market is supplied primarily by trucking firms and marine transportation firms. Most of the jet fuel used at Orlando International Airport is moved through Kinder Morgan Energy Partners' Tampa terminal and the Central Florida pipeline system. The market in Central Florida is seasonal and heavily influenced by tourism, with demand peaks in March and April during spring break and again in the summer vacation season.

Supply. The vast majority of refined petroleum products consumed in Florida is supplied via marine vessels from major refining centers in the Gulf Coast of Louisiana and Mississippi and refineries in the Caribbean basin. A lesser amount of refined petroleum products is supplied by refineries in Alabama and by Texas Gulf Coast refineries via marine vessels and through pipeline networks that extend to Bainbridge, Georgia. The supply into Florida is generally transported by ocean-going vessels to the larger metropolitan ports, such as Tampa, Port Everglades near Miami, and Jacksonville. Individual markets are then supplied from terminals at these ports and other smaller ports, predominately by trucks, except the Central Florida region, which is served by a combination of trucks and pipelines.

Competition. With respect to the Central Florida pipeline system, the most significant competitors are trucking firms and marine transportation firms. Trucking transportation is more competitive in serving markets close to the marine terminals on the east and west coasts of Florida. Kinder Morgan Energy Partners is utilizing tariff incentives to attract volumes to the pipeline that might otherwise enter the Orlando market area by truck from Tampa or by marine vessel into Cape Canaveral. Kinder Morgan Energy Partners believes it is unlikely that a new pipeline system comparable in size and scope to the Central Florida pipeline system will be constructed, due to the high cost of pipeline construction, tariff regulation and environmental and right-of-way permitting in Florida. However, the possibility of such a pipeline or a smaller capacity pipeline being built is a continuing competitive factor.

With respect to terminal operations at Tampa, the most significant competitors are proprietary terminals owned and operated by major oil companies, such as the Marathon Petroleum, BP and Citgo terminals located along the Port of Tampa, and the Chevron and Motiva terminals located in Port Tampa. These terminals generally support the storage requirements of their parent or affiliated companies' refining and marketing operations and provide a mechanism for an oil company to enter into exchange contracts with third parties to serve its storage needs in markets where the oil company may not have terminal assets.

Cochin Pipeline System

The Cochin pipeline system consists of an approximately 1,900-mile, 12-inch diameter multi-product pipeline operating between Fort Saskatchewan, Alberta and Windsor, Ontario, along with five terminals. The pipeline operates on a batched basis and has an estimated system capacity of approximately 70,000 barrels per day. It includes 31 pump stations spaced at 60 mile intervals and five United States propane terminals. Underground storage is available at Fort Saskatchewan, Alberta and Windsor, Ontario through third parties. In 2009 and 2008, the pipeline system transported approximately 29,300 and 30,800 barrels per day of natural gas liquids, respectively.

Markets. The pipeline traverses three provinces in Canada and seven states in the United States and can transport propane, butane and natural gas liquids to the midwestern United States and eastern Canadian petrochemical and fuel markets. Current operations involve only the transportation of propane on Cochin.

Supply. Injection into the system can occur from BP, Provident, Keyera or Dow facilities with connections at Fort Saskatchewan, Alberta, and from Spectra at interconnects at Regina and Richardson, Saskatchewan.

Competition. The pipeline competes with railcars and Enbridge Energy Partners, L.P. for natural gas liquids long-haul business from Fort Saskatchewan, Alberta and Windsor, Ontario. The pipeline's primary competition in the Chicago natural gas liquids market comes from the combination of the Alliance pipeline system, which brings unprocessed gas into the United States from Canada, and Aux Sable, which processes and markets the natural gas liquids in the Chicago market.

Cypress Pipeline

The Cypress pipeline is an interstate common carrier natural gas liquids pipeline originating at storage facilities in Mont Belvieu, Texas and extending 104 miles east to a connection with Westlake Chemical Corporation, a major petrochemical producer in the Lake Charles, Louisiana area. Mont Belvieu, located approximately 20 miles east of Houston, is the largest hub for natural gas liquids gathering, transportation, fractionation and storage in the United States. In 2009 and 2008, the pipeline system transported approximately 43,400 and 43,900 barrels per day of natural gas liquids, respectively. On July 14, 2009, Kinder Morgan Energy Partners received notice from Westlake Petrochemicals LLC, a wholly-owned subsidiary of Westlake Chemical Corporation, that it was exercising its option to purchase a 50% ownership interest in the Cypress Pipeline; however, it is expected that the transaction will close no earlier than the end of the first quarter of 2010.

Markets. The pipeline was built to service Westlake under a 20-year ship-or-pay agreement that expires in 2011. The contract requires a minimum volume of 30,000 barrels per day.

Supply. The Cypress pipeline originates in Mont Belvieu where it is able to receive ethane and ethane/propane mix from local storage facilities. Mont Belvieu has facilities to fractionate natural gas liquids received from several pipelines into ethane and other components. Additionally, pipeline systems that transport natural gas liquids from major producing areas in Texas, New Mexico, Louisiana, Oklahoma and the Mid-Continent Region supply ethane and ethane/propane mix to Mont Belvieu.

Competition. The pipeline's primary competition into the Lake Charles market comes from Louisiana onshore and offshore natural gas liquids.

Southeast Terminals

The Southeast terminal operations consist of 24 high-quality, liquid petroleum products terminals located along the Plantation/Colonial pipeline corridor in the Southeastern United States. The terminals are owned and operated by Kinder Morgan Energy Partners' subsidiary, Kinder Morgan Southeast Terminals LLC and its consolidated affiliate, Guilford County Terminal Company, LLC. Combined, the Southeast terminals have a total storage capacity of approximately 8.2 million barrels. In 2009 and 2008, these terminals transferred approximately 348,000 and 351,000 barrels of refined products per day, respectively.

Markets. The acquisition and marketing activities of the Southeast terminal operations are focused on the Southeastern United States from Mississippi through Virginia, including Tennessee. The primary function involves the receipt of petroleum products from common carrier pipelines, short-term storage in terminal tankage, and subsequent loading onto tank trucks. During 2009, the Southeast terminal operations continued to expand their ethanol blending and storage services into several conventional gasoline markets. The new ethanol blending facilities added in 2009 are located in Collins, Mississippi; Knoxville, Tennessee; Charlotte and Greensboro, North Carolina; and Roanoke, Virginia. Longer term storage is available at many of the terminals. Combined, the Southeast terminal operations have a physical presence in markets representing almost 80% of the pipeline-supplied demand in the Southeast and offer a competitive alternative to marketers seeking relationships with independent truck terminal service providers.

Supply. Product supply is predominately from Plantation and Colonial pipelines with a number of terminals connected to both pipelines. To the maximum extent practicable, Kinder Morgan Energy Partners endeavors to connect its Southeast terminals to both of the Plantation and Colonial pipeline systems. In addition to pipeline supply, Kinder Morgan Energy Partners is also able to take marine receipts at both Kinder Morgan Energy Partners' Richmond and Chesapeake, Virginia terminals.

Competition. Most of the refined petroleum products terminals in this region are owned by large oil companies (BP, Motiva, Citgo, Marathon, and Chevron) who use these assets to support their own proprietary market demands as well as product exchange activity. These oil companies are not generally seeking third party throughput customers. Magellan Midstream Partners, L.P. and TransMontaigne Product Services Inc. represent the other significant independent terminal operators in this region.

Transmix Operations

The Transmix operations include the processing of petroleum pipeline transmix, a blend of dissimilar refined petroleum products that have become co-mingled in the pipeline transportation process. During pipeline transportation, different products are transported through the pipelines abutting each other, and generate a volume of different mixed products called transmix. At transmix processing facilities, Kinder Morgan Energy Partners processes and separates pipeline transmix into pipeline-quality gasoline and light distillate products at six separate processing facilities located in Colton, California; Richmond, Virginia; Dorsey Junction, Maryland; Indianola, Pennsylvania; Wood River, Illinois; and Greensboro, North Carolina. Combined, transmix facilities processed approximately 10.0 million and 10.4 million barrels of transmix in 2009 and 2008, respectively.

Markets. The Gulf and East Coast refined petroleum products distribution system, particularly the Mid-Atlantic region, is the target market for the East Coast transmix processing operations. The Mid-Continent area and the New York Harbor are the target markets for Kinder Morgan Energy Partners' Illinois and Pennsylvania assets, respectively. West Coast transmix processing operations support the markets served by Kinder Morgan Energy Partners' Pacific operations in Southern California.

Supply. Transmix generated by Plantation, Colonial, Explorer, Sun, Enterprise, and Kinder Morgan Energy Partners' Pacific operations provide the vast majority of the supply. These suppliers are committed to the use of the transmix facilities under long-term contracts. Individual shippers and terminal operators provide additional supply. Shell acquires transmix for processing at Indianola, Richmond and Wood River; Colton is supplied by pipeline shippers of Kinder Morgan Energy Partners' Pacific operations; Dorsey Junction is supplied by Colonial Pipeline Company; and Greensboro is supplied by the Plantation pipeline.

Competition. Placid Refining is Kinder Morgan Energy Partners' main competitor in the Gulf Coast area. There are various processors in the Mid-Continent area who compete with Kinder Morgan Energy Partners' transmix facilities, primarily ConocoPhillips, Gladieux Refining and Williams Energy Services. Motiva Enterprises' transmix facility located near Linden, New Jersey is the principal competition for New York Harbor transmix supply and for Kinder Morgan Energy Partners' Indianola facility. A number of smaller organizations operate transmix processing facilities in the western and southwestern United States. These operations compete for supply that is envisioned as the basis for growth in the west and southwest regions of the United States. Kinder Morgan Energy Partners' Colton processing facility also competes with major oil company refineries in California.

Natural Gas Pipelines–KMP

The Natural Gas Pipelines segment contains both interstate and intrastate pipelines. Its primary businesses consist of natural gas sales, transportation, storage, gathering, processing and treating. Within this segment, Kinder Morgan Energy Partners owns approximately 15,000 miles of natural gas pipelines and associated storage and supply lines that are strategically located at the center of the North American pipeline grid. Kinder Morgan Energy Partners' transportation network provides access to the major gas supply areas in the western United States, Texas and the Midwest, as well as major consumer markets.

Texas Intrastate Natural Gas Pipeline Group and Kinder Morgan Treating, L.P.

Texas Intrastate Natural Gas Pipeline Group

The Texas intrastate natural gas pipeline group, which operates primarily along the Texas Gulf Coast, consists of the following four natural gas pipeline systems: (i) Kinder Morgan Texas Pipeline, (ii) Kinder Morgan Tejas Pipeline, (iii) Mier-Monterrey Mexico Pipeline and (iv) Kinder Morgan North Texas Pipeline.

The two largest systems in the group are the Kinder Morgan Texas Pipeline and the Kinder Morgan Tejas Pipeline. These pipelines essentially operate as a single pipeline system, providing customers and suppliers with improved flexibility and reliability. The combined system includes approximately 6,000 miles of intrastate natural gas pipelines with a peak transport and sales capacity of approximately 5.2 billion cubic feet per day of natural gas and approximately 145 billion cubic feet of on-system natural gas storage capacity including 11 billion cubic feet contracted from a third party. In addition, the combined system, through owned assets and contractual arrangements with third parties, has the capability to process 685 million cubic feet per day of natural gas for liquids extraction and to treat approximately 180 million cubic feet per day of natural gas for carbon dioxide removal.

Collectively, the combined system primarily serves the Texas Gulf Coast by selling, transporting, processing and treating gas from multiple onshore and offshore supply sources to serve the Houston/Beaumont/Port Arthur/Austin industrial markets, local gas distribution utilities, electric utilities and merchant power generation markets. It serves as a buyer and seller of natural gas, as well as a transporter of natural gas. The purchases and sales of natural gas are primarily priced with reference to market prices in the consuming region of its system. The difference between the purchase and sale prices is the rough equivalent of a transportation fee and fuel costs.

Included in the operations of the Kinder Morgan Tejas system is the Kinder Morgan Border Pipeline system. Kinder Morgan Border Pipeline owns and operates an approximately 102-mile, 24-inch diameter pipeline that extends from a point of interconnection with the pipeline facilities of Pemex Gas Y Petroquimica Basica at the International Border between the United States and Mexico in Hidalgo County, Texas, to a point of interconnection with other intrastate pipeline facilities of Kinder Morgan Tejas located at King Ranch, Kleburg County, Texas. The pipeline has a capacity of approximately 300 million cubic feet of natural gas per day and is capable of importing this volume of Mexican gas into the United States or exporting this volume of gas to Mexico.

The Mier-Monterrey Pipeline consists of a 95-mile natural gas pipeline that stretches from the International Border between the United States and Mexico in Starr County, Texas, to Monterrey, Mexico and can transport up to 375 million cubic feet per day. The pipeline connects to a 1,000-megawatt power plant complex and to the Pemex natural gas transportation system. The Mier-Monterrey Pipeline has entered into a long-term contract (expiring in 2018) with Pemex, which has subscribed for all of the pipeline's capacity.

The Kinder Morgan North Texas Pipeline consists of an 82-mile pipeline that transports natural gas from an interconnect with the facilities of NGPL in Lamar County, Texas to a 1,750-megawatt electric generating facility located in Forney, Texas, 15 miles east of Dallas, Texas. It has the capacity to transport 325 million cubic feet per day of natural gas and is fully subscribed under a long-term contract that expires in 2032. The system is bi-directional, permitting deliveries of additional supply from the Barnett Shale area to NGPL's pipeline as well as power plants in the area.

The Texas intrastate natural gas pipeline group also owns and operates various gathering systems in southern and eastern Texas. These systems aggregate natural gas supplies into the Texas intrastate natural gas pipeline group's main transmission pipelines, and in certain cases, aggregate natural gas that must be processed or treated at its own or third-party facilities. The Texas intrastate natural gas pipeline group owns plants that can process up to 135 million cubic feet per day of natural gas for liquids extraction, and has contractual rights to process approximately 550 million cubic feet per day of natural gas at third-party owned facilities. The Texas intrastate natural gas pipeline group also shares in gas processing margins on gas processed at certain third-party owned facilities. Additionally, the Texas intrastate natural gas pipeline group owns and operates three natural gas treating plants that provide carbon dioxide and/or hydrogen sulfide removal. The Texas intrastate natural gas pipeline group can treat up to 85 million cubic feet per day of natural gas for carbon dioxide removal at its plant in Fandango Complex in Zapata County, Texas, 50 million cubic feet per day of natural gas at its Indian Rock Plant in Upshur County, Texas and approximately 45 million cubic feet per day of natural gas at its Thompsonville Facility located in Jim Hogg County, Texas.

The North Dayton natural gas storage facility, located in Liberty County, Texas, has two existing storage caverns providing approximately 6.1 billion cubic feet of total capacity, consisting of 4.0 billion cubic feet of working capacity and 2.1 billion cubic feet of cushion gas. The Texas intrastate natural gas pipeline group has entered into a long-term storage capacity and transportation agreement with NRG Energy, Inc. covering two billion cubic feet of natural gas working capacity that expires in March 2017. In June 2006, the Texas intrastate natural gas pipeline group announced an expansion project that will significantly increase natural gas storage capacity at the North Dayton facility. The project is now expected to cost between $100 million and $105 million and involves the development of a new underground storage cavern that will add an estimated 7.0 billion cubic feet of incremental working natural gas storage capacity. The additional capacity is expected to be available in the third quarter of 2010.

The Texas intrastate natural gas pipeline group also owns the West Clear Lake natural gas storage facility located in Harris County, Texas, and it leases both a salt dome storage facility located near Markham, Texas in Matagorda County, and two salt dome caverns located in Brazoria County, Texas. Pursuant to a long term contract that expires in 2012, Shell Energy North America (US), L.P. operates and controls the 96 billion cubic feet of natural gas working capacity at the West Clear Lake facility, and the Texas intrastate natural gas pipeline group provides transportation service into and out of the facility. The Texas intrastate natural gas pipeline group leases the natural gas storage capacity at the Markham facility from Texas Brine Company, LLC according to the provisions of an operating lease that expires in March 2013, and it can, at its sole option, extend the term of this lease for two additional ten-year periods. The facility consists of five salt dome caverns with approximately 25.0 billion cubic feet of working natural gas capacity and up to 1.1 billion cubic feet per day of peak deliverability. The Texas intrastate natural gas pipeline group leases the two caverns located in Brazoria County, Texas (known as the Stratton Ridge facilities) from Ineos USA, LLC. The Stratton Ridge facilities have a combined working natural gas capacity of 1.4 billion cubic feet and a peak day deliverability of 150 million cubic feet per day. In addition to the aforementioned storage facilities, the Texas intrastate natural gas pipeline group contracts for storage services from third parties, which it then sells to customers on its pipeline system.

Additionally, effective November 1, 2009, the Texas intrastate natural gas pipeline group acquired a 40% equity ownership interest in Endeavor Gathering LLC, as discussed above in "—(a) General Development of Business—Recent Developments—Natural Gas Pipelines–KMP."

Markets. Texas is one of the largest natural gas consuming states in the country. The natural gas demand profile in the Texas intrastate natural gas pipeline group's market area is primarily composed of industrial (including on-site cogeneration facilities), merchant and utility power, and local natural gas distribution consumption. The industrial demand is primarily year-round load. Merchant and utility power demand peaks in the summer months and is complemented by local natural gas distribution demand that peaks in the winter months. As new merchant gas fired generation has come online and displaced traditional utility generation, the Texas intrastate natural gas pipeline group has successfully attached many of these new generation facilities to its natural gas pipeline systems in order to maintain and grow its share of natural gas supply for power generation.

The Texas intrastate natural gas pipeline group serves the Mexico market through interconnection with the facilities of Pemex at the United States-Mexico border near Arguellas, Mexico and its Mier-Monterrey Mexico pipeline. In 2009, deliveries through the existing interconnection near Arguellas fluctuated from zero to approximately 194 million cubic feet per day of natural gas. Deliveries to Monterrey also ranged from zero to 309 million cubic feet per day. The Texas intrastate natural gas pipeline group primarily provides transport service to these markets on a fee for service basis, including a significant demand component, which is paid regardless of actual throughput. Revenues earned from its activities in Mexico are paid in U.S. dollar equivalent.

Supply. The Texas intrastate natural gas pipeline group purchases its natural gas directly from producers attached to its system in South Texas, East Texas, West Texas and along the Texas Gulf Coast. In addition, the Texas intrastate natural gas pipeline group also purchases gas at interconnects with third-party interstate and intrastate pipelines. While the Texas intrastate natural gas group does not produce gas, it does maintain an active well connection program in order to offset natural declines in production along its system and to secure supplies for additional demand in its market area. This intrastate system has access to both onshore and offshore sources of supply and liquefied natural gas from the Freeport LNG terminal near Freeport, Texas and from the Golden Pass Terminal currently under development by ExxonMobil south of Beaumont, Texas.

Competition. The Texas intrastate natural gas market is highly competitive, with many markets connected to multiple pipeline companies. The Texas intrastate natural gas pipeline group competes with interstate and intrastate pipelines, and their shippers, for attachments to new markets and supplies and for transportation, processing and treating services.

Kinder Morgan Treating L.P.

Kinder Morgan Energy Partners' subsidiary, Kinder Morgan Treating, L.P., owns and operates (or leases to producers for operation) treating plants that remove impurities (carbon dioxide, hydrogen sulfide, and hydrocarbon liquids) from natural gas before it is delivered into gathering systems and transmission pipelines to ensure that it meets pipeline quality specifications. Its primary treating assets include approximately 225 natural gas amine-treating plants and approximately 56 dew point control plants.

The amine treating process involves a continuous circulation of a liquid chemical called amine that physically contacts with the natural gas. Amine has a chemical affinity for hydrogen sulfide and carbon dioxide that allows it to remove these impurities from the gas. After mixing, gas and reacted amine are separated and the impurities are removed from the amine by heating. Treating plants are sized by the amine circulation capacity in terms of gallons per minute.

Dew point control is complementary to the treating business, as pipeline companies enforce gas quality specifications to lower the dew point of the gas they receive and transport. A higher relative dew point can sometimes cause liquid hydrocarbons to condense in the pipeline and cause operating problems and gas quality issues to the downstream markets. Hydrocarbon dew point plants, which consist of skid mounted processing equipment, remove these hydrocarbons. Typically these plants use a Joules-Thompson expansion process to lower the temperature of the gas stream and collect the liquids before they enter the downstream pipeline. As of December 31, 2009, Kinder Morgan Treating had approximately 200 treating and dew point control plants in operation.

Supply. Kinder Morgan Treating believes it has the largest natural gas treating fleet operation in the United States. Natural gas from certain formations in the Texas Gulf Coast, as well as other locations, is high in carbon dioxide, which generally needs to be removed before introduction of the gas into transportation pipelines. Many of the active plants are treating natural gas from the Wilcox and Edwards formations in the Texas Gulf Coast, both of which are deep formations that are high in carbon dioxide. Typically, a fixed monthly rental fee is charged, plus in those instances where Kinder Morgan Treating operates the equipment, a fixed monthly operating fee.

Markets. Many of the shale reservoirs being developed today have concentrations of carbon dioxide above the normal pipeline quality specifications of 2.0%. The Haynesville Shale rock formation in northwest Louisiana and East Texas is experiencing robust development, and Kinder Morgan Treating believes that its treating business strategy is well suited to the producers in the Haynesville Shale.

Competition. These natural gas treating operations face competition from manufacturers of new treating and dew point control plants and from a number of regional operators that provide similar plants and operations. Kinder

Morgan Treating also faces competition from vendors of used equipment that occasionally operate plants for producers.

In addition, Kinder Morgan Treating may lose business to natural gas gatherers who have underutilized treating or processing capacity. It may also lose wellhead treating opportunities to blending, which is a pipeline company's ability to waive quality specifications and allow producers to deliver their contaminated natural gas untreated. This is generally referred to as blending because of the receiving company's ability to blend this natural gas with cleaner natural gas in the pipeline such that the resulting natural gas meets pipeline specification.

Western Interstate Natural Gas Pipeline Group

The Western interstate natural gas pipeline group, which operates primarily along the Rocky Mountain region of the Western portion of the United States, consists of the following three natural gas pipeline systems: (i) Kinder Morgan Interstate Gas Transmission Pipeline, (ii) TransColorado Pipeline and (iii) Kinder Morgan Energy Partners' 50% ownership interest in the Rockies Express Pipeline.

Kinder Morgan Interstate Gas Transmission LLC

Kinder Morgan Energy Partners' subsidiary, Kinder Morgan Interstate Gas Transmission LLC ("KMIGT") owns approximately 5,100 miles of transmission lines in Wyoming, Colorado, Kansas, Missouri and Nebraska. The KMIGT pipeline system is powered by 28 transmission and storage compressor stations, which have approximately 160,000 horsepower. KMIGT also owns the Huntsman natural gas storage facility, located in Cheyenne County, Nebraska, which has approximately 11 billion cubic feet of firm capacity commitments and provides for withdrawal of up to 179 million cubic feet of natural gas per day.

Under transportation agreements and FERC tariff provisions, KMIGT offers its customers firm and interruptible transportation and storage services, including no-notice service and park and loan services. For these services, KMIGT charges rates which include the retention of fuel and gas lost and unaccounted for in-kind. Under KMIGT's tariffs, firm transportation and storage customers pay reservation charges each month plus a commodity charge based on the actual transported or stored volumes. In contrast, interruptible transportation and storage customers pay a commodity charge based upon actual transported and/or stored volumes. Under the no-notice service, customers pay a fee for the right to use a combination of firm storage and firm transportation to effect deliveries of natural gas up to a specified volume without making specific nominations. KMIGT also has the authority to make gas purchases and sales, as needed for system operations, pursuant to its currently effective FERC gas tariff.

KMIGT also offers its Cheyenne Market Center service, which provides nominated storage and transportation service between its Huntsman storage field and multiple interconnecting pipelines at the Cheyenne Hub, located in Weld County, Colorado. This service is fully subscribed through May 2014.

Markets. Markets served by the KMIGT pipeline system provide a stable customer base with expansion opportunities due to the system's access to Rocky Mountain supply sources. Markets served by the system are comprised mainly of local natural gas distribution companies and interconnecting interstate pipelines in the mid-continent area. End-users of the local natural gas distribution companies typically include residential, commercial, industrial and agricultural customers. The pipelines interconnecting with the KMIGT system in turn deliver gas into multiple markets including some of the largest population centers in the Midwest. Natural gas demand to power pumps for crop irrigation during the summer from time-to-time exceeds heating season demand and provides KMIGT relatively consistent volumes throughout the year. KMIGT has seen a significant increase in demand from ethanol producers, and has expanded its system to meet the demands from the ethanol producing community. Additionally, the KMIGT pipeline system includes the Colorado Lateral, which is a 41-mile, 12-inch pipeline extending from the Cheyenne Hub southward to the Greeley, Colorado area. The Colorado Lateral serves Atmos Energy under a long-term firm transportation contract, and KMIGT is currently marketing additional capacity along its route.

Supply. As of December 31, 2009, approximately 13%, by volume, of KMIGT's firm contracts expire within one year and 45% expire between one and five years. Over 96% of the system's total firm transport capacity is currently subscribed, with 68% of KMIGT's transport business in 2009 being conducted with its top ten shippers.

Competition. KMIGT competes with other interstate and intrastate gas pipelines transporting gas from the supply sources in the Rocky Mountain and Hugoton Basins to mid-continent pipelines and market centers.

TransColorado Gas Transmission Company LLC

Kinder Morgan Energy Partners' subsidiary, TransColorado Gas Transmission Company LLC, referred to in this report as TransColorado, owns a 300-mile interstate natural gas pipeline that extends from approximately 20 miles southwest of Meeker, Colorado to Bloomfield, New Mexico. It has multiple points of interconnection with various interstate and intrastate pipelines, gathering systems, and local distribution companies. The TransColorado pipeline system is powered by eight compressor stations having an aggregate of approximately 40,000 horsepower.

The TransColorado system has the ability to flow gas south or north. It receives gas from one coal seam natural gas treating plant, located in the San Juan Basin of Colorado, and from pipeline, processing plant and gathering system interconnections within the Paradox and Piceance Basins of western Colorado. Gas flowing south through the pipeline system flows into the El Paso, Transwestern and Questar Southern Trail pipeline systems, and gas moving north through the pipeline flows into the Colorado Interstate, Wyoming Interstate and Questar pipeline systems at the Greasewood Hub, and into the Rockies Express pipeline system at the Meeker Hub. TransColorado provides transportation services to third-party natural gas producers, marketers, gathering companies, local distribution companies and other shippers.

Pursuant to transportation agreements and FERC tariff provisions, TransColorado offers its customers firm and interruptible transportation and interruptible park and loan services. The underlying reservation and commodity charges are assessed pursuant to a maximum recourse rate structure, which does not vary based on the distance gas is transported.

TransColorado has the authority to negotiate rates with customers if it has first offered service to those customers under its reservation and commodity charge rate structure.

Markets. The TransColorado system acts principally as a feeder pipeline system from the developing natural gas supply basins on the Western Slope of Colorado into the interstate natural gas pipelines that lead away from the Blanco Hub area of New Mexico and the interstate natural gas pipelines that lead away eastward from northwestern Colorado and southwestern Wyoming. TransColorado is one of the largest transporters of natural gas from the Western Slope supply basins of Colorado and provides a competitively attractive outlet for that developing natural gas resource. In 2009 and 2008, TransColorado transported an average of approximately 617 million and 675 million cubic feet per day of natural gas from these supply basins, respectively.

Supply. During 2009, 97% of TransColorado's transport business was with processors or producers or their own marketing affiliates, and 3% was with marketing companies and various gas marketers. Approximately 69% of TransColorado's transport business in 2009 was conducted with its three largest customers. Nearly all of TransColorado's long-haul southbound pipeline capacity is committed under firm transportation contracts that extend at least through year-end 2010. As of December 31, 2009, approximately 26% by volume of TransColorado's firm transportation contracts expire within one year, and 23% expire between one and five years; however, TransColorado is actively pursuing contract extensions and/or replacement contracts to increase firm subscription levels beyond 2010.

Competition. TransColorado competes with other transporters of natural gas in each of the natural gas supply basins it serves. These competitors include both interstate and intrastate natural gas pipelines and natural gas gathering systems. TransColorado's shippers compete for market share with shippers drawing upon gas production facilities within the New Mexico portion of the San Juan Basin. TransColorado has phased its past construction and expansion efforts to coincide with the ability of the interstate pipeline grid at Blanco, New Mexico and at the north end of its system to accommodate greater natural gas volumes.

Historically, the competition faced by TransColorado with respect to its natural gas transportation services has generally been based upon the price differential between the San Juan and Rocky Mountain Basins. New pipelines servicing these producing basins and a reduction of rigs drilling in this area for gas have had the effect of reducing that price differential.

Rockies Express Pipeline

Kinder Morgan Energy Partners operates and currently owns 50% of the 1,679-mile Rockies Express natural gas pipeline system, one of the largest natural gas pipelines ever constructed in North America. The entire 1,679-mile system is powered by 18 compressor stations totaling approximately 412,000 horsepower, and the system is capable of transporting 1.8 billion cubic feet per day of natural gas. Kinder Morgan Energy Partners' ownership is through its 50% equity interest in Rockies Express Pipeline LLC, the sole owner of the Rockies Express pipeline system and referred to in this report as Rockies Express. Now fully complete, the Rockies Express system has binding firm commitments secured for nearly all of the 1.8 billion cubic feet per day of pipeline capacity. Kinder Morgan Energy Partners' investment in Rockies Express is accounted under the equity method of accounting, and Sempra Pipelines & Storage (25%), a unit of Sempra Energy, and ConocoPhillips (25%) hold the remaining ownership interests in Rockies Express.

Markets. Rockies Express is capable of delivering gas to multiple markets along its pipeline system, primarily through interconnects with other interstate pipeline companies and direct connects to local distribution companies. The system's Zone 1 encompasses receipts and deliveries of natural gas west of the Cheyenne Hub, located in Northern Colorado near Cheyenne, Wyoming. Through the Zone 1 facilities, the Rockies Express system can deliver gas to the TransColorado pipeline system in northwestern Colorado, which can in turn transport the gas further south for delivery into the San Juan Basin area. In Zone 1, the Rockies Express system can also deliver gas into western Wyoming through leased capacity on the Overthrust Pipeline Company system, or through its interconnections with Colorado Interstate Gas Company and Wyoming Interstate Company in southern Wyoming. In addition, through the system's Zone 1 facilities, shippers have the ability to deliver natural gas to points at the Cheyenne Hub, which could be used in markets along the Front Range of Colorado, or could be transported further east through the system's Zone 2 (Rockies Express-West pipeline segment) and Zone 3 (Rockies Express-East pipeline segment) facilities into other pipeline systems.

The Rockies Express system's Rockies Express-West facilities extend from the Cheyenne Hub to an interconnect with Panhandle Eastern Pipeline Company in Audrain County, Missouri. Through the Rockies Express-West facilities, the system facilitates the delivery of natural gas into the Midcontinent area of the Unites States through various interconnects with other major interstate pipelines in Nebraska (Northern Natural Gas Pipeline and NGPL), Kansas (ANR Pipeline), and Missouri (Panhandle Eastern Pipeline), and through a connection with Kinder Morgan Energy Partners' subsidiary, KMIGT.

The Rockies Express system's Rockies Express-East facilities extend eastward from the terminus of the Rockies Express-West line. The Rockies Express-East facilities permit natural gas delivery to pipelines and local distribution companies providing service to the midwestern and eastern U.S. markets. The interconnecting interstate pipelines include Missouri Gas

Pipeline, NGPL, Midwestern Gas Transmission, Trunkline, Panhandle Eastern Pipeline, ANR, Columbia Gas, Dominion Transmission, Tennessee Gas, Texas Eastern and Texas Gas Transmission. The local distribution companies include Ameren and Vectren.

Supply. The Rockies Express pipeline system directly accesses major gas supply basins in western Colorado and western Wyoming. In western Colorado, the system has access to gas supply from the Uinta and Piceance Basins in eastern Utah and western Colorado. In western Wyoming, the system accesses the Green River Basin through its facilities that are leased from Overthrust. With its connections to numerous other pipeline systems along its route, the Rockies Express system has access to almost all of the major gas supply basins in Wyoming, Colorado and eastern Utah.

Competition. Capacity on the Rockies Express system is nearly fully contracted under ten year firm service agreements with producers from the Rocky Mountain supply basin. These agreements provide the pipeline with fixed monthly reservation revenues for the primary term of such contracts. Although there are other pipeline competitors providing transportation from Rocky Mountain supply basins, the Rockies Express system was designed and constructed to realize economies of scale and offers its shippers competitive fuel rates and variable costs to transport gas supplies from the Rockies to Midwestern and Eastern markets. Other pipelines accessing the Rocky Mountain gas supply basins include Questar Pipeline Company, Wyoming Interstate, Colorado Interstate Gas Company, Kern River Gas Pipeline Company, Northwest Pipeline, and the proposed Ruby Pipeline, which filed in January 2009 for FERC authority to build a pipeline from Opal, Wyoming to Malin, Oregon, and which has a planned in-service date of March 2011.

Central Interstate Natural Gas Pipeline Group

The Central interstate natural gas pipeline group, which operates primarily in the mid-continent portion of the United States, consists of the following four natural gas pipeline systems: (i) the Trailblazer Pipeline, (ii) the Kinder Morgan Louisiana Pipeline, (iii) a 50% ownership interest in the Midcontinent Express Pipeline and (iv) a 50% ownership interest in the Fayetteville Express Pipeline.

Trailblazer Pipeline Company LLC

Kinder Morgan Energy Partners' subsidiary, Trailblazer Pipeline Company LLC, ("Trailblazer"), owns the 436-mile Trailblazer natural gas pipeline system. Trailblazer's pipeline originates at an interconnection with Wyoming Interstate Company Ltd.'s pipeline system near Rockport, Colorado and runs through southeastern Wyoming to a terminus near Beatrice, Nebraska where it interconnects with NGPL's and Northern Natural Gas Company's pipeline systems. We manage, maintain and operate the Trailblazer system for Kinder Morgan Energy Partners, for which we are reimbursed at cost. Trailblazer offers its customers firm and interruptible transportation.

Markets. Significant growth in Rocky Mountain natural gas supplies has prompted a need for additional pipeline transportation service. The Trailblazer system has a certificated capacity of 846 million cubic feet per day of natural gas.

Supply. As of December 31, 2009, none of Trailblazer's firm contracts, by volume, expire before one year and 53%, by volume, expire within one to five years. Affiliated entities have contracted for less than 1% of the total firm transportation capacity. All of the system's firm transport capacity is currently subscribed.

Competition. The main competition that Trailblazer currently faces is that the gas supply in the Rocky Mountain area is transported on competing pipelines to the west or east. El Paso's Cheyenne Plains Pipeline can transport approximately 730 million cubic feet per day of natural gas from Weld County, Colorado to Greensburg, Kansas, and the Rockies Express Pipeline (discussed above) can transport 1.8 billion cubic feet per day of natural gas from the Rocky Mountain area to Midwest markets. These two systems compete with Trailblazer for natural gas pipeline transportation demand from the Rocky Mountain area. Additional competition could come from other proposed pipeline projects. No assurance can be given that additional competing pipelines will not be developed in the future.

Kinder Morgan Louisiana Pipeline

Kinder Morgan Energy Partners' subsidiary, Kinder Morgan Louisiana Pipeline LLC, owns the Kinder Morgan Louisiana natural gas pipeline system. The pipeline system provides approximately 3.2 billion cubic feet per day of take-away natural gas capacity from the Cheniere Sabine Pass liquefied natural gas terminal located in Cameron Parish, Louisiana. The system capacity is fully supported by 20 year take-or-pay customer commitments with Chevron and Total that expire in 2029.

The Kinder Morgan Louisiana pipeline system consists of two segments:

a 132-mile, 42-inch diameter pipeline with firm capacity of approximately 2.0 billion cubic feet per day of natural gas that extends from the Sabine Pass terminal to a point of interconnection with an existing Columbia Gulf Transmission line in Evangeline Parish, Louisiana (an offshoot consists of approximately 2.3 miles of 24-inch diameter pipeline with firm peak day capacity of approximately 300 million cubic feet per day extending away from the 42-inch diameter line to the Florida Gas Transmission Company compressor station in Acadia Parish, Louisiana); and

a 1-mile, 36-inch diameter pipeline with firm capacity of approximately 1.2 billion cubic feet per day that extends from the Sabine Pass terminal and connects to NGPL's natural gas pipeline.

Kinder Morgan Energy Partners commenced limited natural gas transportation service on the Kinder Morgan Louisiana pipeline system in April 2009, and construction was fully completed and transportation service on the system's remaining portions began in full on June 21, 2009.

Midcontinent Express Pipeline LLC

Kinder Morgan Energy Partners owns a 50% interest in Midcontinent Express Pipeline LLC, the sole owner of the approximate 500-mile Midcontinent Express natural gas pipeline system, and accounts for its investment under the equity method of accounting. Energy Transfer Partners, L.P. owns the remaining 50% interest in Midcontinent Express Pipeline LLC.

The Midcontinent Express pipeline system originates near Bennington, Oklahoma and extends eastward through Texas, Louisiana, and Mississippi, and terminates at an interconnection with the Transco Pipeline near Butler, Alabama. The Midcontinent Express transmission system commenced interim service for Zone 1 of its pipeline system on April 10, 2009, with deliveries to NGPL, and natural gas service to all Zone 1 delivery points occurred by May 21, 2009. On August 1, 2009, Zone 2, the system's remaining portion was placed into service. Now fully operational, it has the capability to transport up to 1.4 billion cubic feet per day of natural gas, and the pipeline capacity is fully subscribed with long-term binding commitments from creditworthy shippers.

Fayetteville Express Pipeline LLC

Fayetteville Express Pipeline LLC is currently developing the Fayetteville Express natural gas pipeline system. Kinder Morgan Energy Partners owns a 50% interest in Fayetteville Express Pipeline LLC, and accounts for its investment under the equity method of accounting. Energy Transfer Partners L.P. owns the remaining interest and will operate the Fayetteville Express pipeline system, which when completed, will consist of a 187-mile, 42-inch diameter pipeline originating in Conway County, Arkansas, continuing eastward through White County, Arkansas, and terminating at an interconnect with Trunkline Gas Company's pipeline in Panola County, Mississippi. The system will also interconnect with NGPL's pipeline in White County, Arkansas, Texas Gas Transmission's pipeline in Coahoma County, Mississippi, and ANR Pipeline Company's pipeline in Quitman County, Mississippi, and will parallel existing pipeline or electric transmission right-of-ways where possible to minimize impact to the environment, communities and landowners.

The Fayetteville Express pipeline system will have an initial capacity of 2.0 billion cubic feet of natural gas per day. Pending necessary regulatory approvals, the approximate $1.2 billion pipeline project is expected to be in service by early 2011. Fayetteville Express Pipeline LLC has secured binding 10-year commitments totaling approximately 1.85 billion cubic feet per day. On December 17, 2009, the FERC approved and issued the pipeline's certificate application authorizing construction, and pending the FERC's approval of Fayetteville Express' implementation plan, construction of the pipeline is expected to begin before the end of the first quarter of 2010. The pipeline is expected to be in service by late 2010 or early 2011.

Upstream

Kinder Morgan Energy Partners' Natural Gas Pipelines' upstream operations consists of the Casper and Douglas natural gas processing operations and a 49% ownership interest in the Red Cedar Gas Gathering Company.

Casper and Douglas Natural Gas Processing Systems

Kinder Morgan Energy Partners owns and operates the Casper and Douglas, Wyoming natural gas processing plants, which have the capacity to process up to 185 million cubic feet per day of natural gas depending on raw gas quality.

Markets. Casper and Douglas are processing plants servicing gas streams flowing into the KMIGT pipeline system. Natural gas liquids processed by the Casper plant are sold into local markets consisting primarily of retail propane dealers and oil refiners. Natural gas liquids processed by the Douglas plant are sold to ConocoPhillips via their Powder River natural gas liquids pipeline for either ultimate consumption at the Borger refinery or for further disposition to the natural gas liquids trading hubs located in Conway, Kansas and Mont Belvieu, Texas.

Competition. Other regional facilities in the Greater Powder River Basin include (i) the Hilight plant, which has a processing capacity of approximately 80 million cubic feet per day and is owned and operated by Anadarko, (ii) the Sage

Creek plant, which has a processing capacity of approximately 50 million cubic feet per day and is owned and operated by Merit Energy and (iii) the Rawlins plant, which has a processing capacity of approximately 230 million cubic feet per day and is owned and operated by El Paso Corporation. Casper and Douglas, however, are the only plants which provide straddle processing of natural gas flowing into the KMIGT pipeline system.

West Frenchie Draw Treater

In the first quarter of 2009 Kinder Morgan Energy Partners placed into service a new carbon dioxide/sulfur treating facility in the West Frenchie Draw field of the Wind River Basin of Wyoming. This is a 50 million cubic feet per day treating facility which has full capacity dedication through 2014 with two of the area's major natural gas producers - Encana and ExxonMobil. It treats a natural gas stream which contains approximately 4% carbon dioxide down to KMIGT's pipeline specification of 2%. The facility's only outlet feeds into KMIGT.

Red Cedar Gathering Company

Kinder Morgan Energy Partners owns a 49% equity interest in the Red Cedar Gathering Company ("Red Cedar"), a joint venture organized in August 1994 and referred to in this report as Red Cedar. The remaining 51% interest in Red Cedar is owned by the Southern Ute Indian Tribe. Red Cedar owns and operates natural gas gathering, compression and treating facilities in the Ignacio Blanco Field in La Plata County, Colorado. The Ignacio Blanco Field lies within the Colorado portion of the San Juan Basin, most of which is located within the exterior boundaries of the Southern Ute Indian Tribe Reservation.

Red Cedar gathers coal seam and conventional natural gas at wellheads and several central delivery points, for treating, compression and delivery into any one of three major interstate natural gas pipeline systems and an intrastate pipeline. Red Cedar's gas gathering system currently consists of approximately 743 miles of gathering pipeline connecting more than 1,200 producing wells, 96,250 horsepower of compression at 23 field compressor stations and two carbon dioxide treating plants. The capacity and throughput of the Red Cedar gathering system is approximately 750 million cubic feet per day of natural gas.

Red Cedar also owns Coyote Gas Treating, LLC. The sole asset owned by Coyote Gas Treating, LLC is a 175 million cubic feet per day natural gas treating facility located in La Plata County, Colorado. The inlet gas stream treated by this plant contains an average carbon dioxide content of between 12% and 13%, and the plant treats the gas down to a carbon dioxide concentration of 2% in order to meet interstate natural gas pipeline quality specifications. It then compresses the natural gas into Kinder Morgan Energy Partners' TransColorado pipeline system for transport to the Blanco, New Mexico-San Juan Basin Hub.

CO2–KMP

The CO2–KMP segment consists of Kinder Morgan CO2 Company, L.P. and its consolidated affiliates, ("KMCO2"). Carbon dioxide is used in enhanced oil recovery projects as a flooding medium for recovering crude oil from mature oil fields. The carbon dioxide pipelines and related assets allow Kinder Morgan Energy Partners to market a complete package of carbon dioxide supply, transportation and technical expertise to the customer. The CO2–KMP business segment produces, transports and markets carbon dioxide for use in enhanced oil recovery operations. KMCO2 also holds ownership interests in several oil-producing fields and owns a crude oil pipeline, all located in the Permian Basin region of West Texas.

Oil Producing Activities

KMCO2 also holds ownership interests in oil-producing fields, including (i) an approximate 97% working interest in the SACROC unit; (ii) an approximate 50% working interest in the Yates unit; (iii) an approximate 21% net profits interest in the H.T. Boyd unit; (iv) an approximate 65% working interest in the Claytonville unit; (v) an approximate 96% working interest in the Katz CB Long unit; (vi) a 100% working interest in the Katz SW River unit; (vii) a 100% working interest in the Katz East River unit; and (viii) lesser interests in the Sharon Ridge unit, the Reinecke unit and the MidCross unit, all of which are located in the Permian Basin of West Texas.

The SACROC unit is one of the largest and oldest oil fields in the United States using carbon dioxide flooding technology. The field is comprised of approximately 56,000 acres located in the Permian Basin in Scurry County, Texas. SACROC was discovered in 1948 and has produced over 1.32 billion barrels of oil since discovery. It is estimated that SACROC originally held approximately 2.7 billion barrels of oil. Kinder Morgan Energy Partners has expanded the development of the carbon dioxide project initiated by the previous owners and increased production over the last several years. The Yates unit is also one of the largest oil fields ever discovered in the United States. It is estimated that it originally held more than five billion barrels of oil, of which about 29% has been produced. The field, discovered in 1926, is comprised of approximately 26,000 acres located about 90 miles south of Midland, Texas.

In 2009, the average purchased carbon dioxide injection rate at SACROC was 253 million cubic feet per day, down from an average of 259 million cubic feet per day in 2008. The average oil production rate for 2009 was approximately 30,100 barrels of oil per day, up from an average of approximately 28,000 barrels of oil per day during 2008. The average natural gas liquids production rate (net of the processing plant share) for 2009 was approximately 6,500 barrels per day, an increase from an average of approximately 5,500 barrels per day during 2008.

Kinder Morgan Energy Partners' plan has been to increase the production rate and ultimate oil recovery from Yates by combining horizontal drilling with carbon dioxide injection to ensure a relatively steady production profile over the next several years. Kinder Morgan Energy Partners has been implementing its plan and during 2009, the Yates unit produced approximately 26,500 barrels of oil per day, down from an average of approximately 27,600 barrels of oil per day during 2008. Unlike the operations at SACROC, where carbon dioxide and water are used to drive oil to the producing wells, carbon dioxide is used at Yates in order to enhance the gravity drainage process, as well as to maintain reservoir pressure. The differences in geology and reservoir mechanics between the two fields mean that substantially less capital will be needed to develop the reserves at Yates than is required at SACROC.

Kinder Morgan Energy Partners also operates and owns an approximate 65% gross working interest in the Claytonville oil field unit located in Fisher County, Texas. The Claytonville unit is located nearly 30 miles east of the SACROC unit in the Permian Basin of West Texas, and the unit produced 218 barrels of oil per day during 2009, down from an average of 235 barrels of oil per day during 2008. Kinder Morgan Energy Partners is presently evaluating operating and subsurface technical data from the Claytonville unit to further assess redevelopment opportunities including carbon dioxide flood operations.

Kinder Morgan Energy Partners also operates and owns working interests in the Katz CB Long unit, the Katz Southwest River unit and Katz East River unit. The Katz field is located in the Permian Basin area of West Texas and during 2009, the field produced 380 barrels of oil per day, down from an average of 425 barrels of oil per day during 2008. In July 2009, Kinder Morgan Energy Partners announced it would invest approximately $183 million over the next several years to further expand its operations in the eastern Permian Basin of Texas. The expansion will involve the installation of a 91-mile 10-inch carbon dioxide distribution pipeline, and the development of a new carbon dioxide flood in the Katz field. It is anticipated that the carbon dioxide pipeline will be placed in service in early 2011 and initial carbon dioxide injections into the Katz field will commence shortly thereafter.

See Note 20 of the accompanying Notes to Consolidated Financial Statements for additional information with respect to operating statistics and supplemental information on oil and gas producing activities.

Gas and Gasoline Plant Interests

Kinder Morgan Energy Partners operates and owns an approximate 22% working interest plus an additional 28% net profits interest in the Snyder gasoline plant. It also operates and owns a 51% ownership interest in the Diamond M gas plant and a 100% ownership interest in the North Snyder plant, all of which are located in the Permian Basin of West Texas. The Snyder gasoline plant processes gas produced from the SACROC unit and neighboring carbon dioxide projects, specifically the Sharon Ridge and Cogdell units, all of which are located in the Permian Basin area of West Texas. The Diamond M and the North Snyder plants contract with the Snyder plant to process gas. Production of natural gas liquids at the Snyder gasoline plant during December 2009 was approximately 14,500 barrels per day, compared to 13,900 barrels per day in December 2008.

Carbon Dioxide Reserves

Kinder Morgan Energy Partners owns approximately 45% of, and operate, the McElmo Dome unit in Colorado, which contains more than ten trillion cubic feet of recoverable carbon dioxide. Deliverability and compression capacity exceeds 1,300 million cubic feet per day. The McElmo Dome unit produces approximately 1,200 million cubic feet per day.

Kinder Morgan Energy Partners also owns approximately 11% of the Bravo Dome unit in New Mexico, which contains more than one trillion cubic feet of recoverable carbon dioxide and produces approximately 300 million cubic feet per day, and an approximately 87% ownership interest in the Doe Canyon Deep unit in Colorado, which contains more than 1.5 trillion cubic feet of carbon dioxide and produces approximately 110 million cubic feet per day.

Markets. The principal market for carbon dioxide is for injection into mature oil fields in the Permian Basin, where industry demand is expected to remain strong for the next several years. Kinder Morgan Energy Partners is exploring additional potential markets, including enhanced oil recovery targets in California, Wyoming, Oklahoma, the Gulf Coast, Mexico, and Canada, and coal bed methane production in the San Juan Basin of New Mexico.

Competition. The primary competitors for the sale of carbon dioxide include suppliers that have an ownership interest in McElmo Dome, Bravo Dome and Sheep Mountain carbon dioxide reserves, and PetroSource Energy Company, L.P., and its parent SandRidge Energy, Inc., which produce waste carbon dioxide from natural gas production in the Val Verde Basin and the Pinion field areas of West Texas. There is no assurance that new carbon dioxide sources will not be discovered or developed, which could compete with us, or that new methodologies for enhanced oil recovery will not replace carbon dioxide flooding.

Carbon Dioxide Pipelines

As a result of Kinder Morgan Energy Partners' 50% ownership interest in Cortez Pipeline Company, it owns a 50% equity interest in, and operates, the approximate 500-mile Cortez pipeline. The pipeline carries carbon dioxide from the McElmo Dome and Doe Canyon source fields near Cortez, Colorado to the Denver City, Texas hub. The Cortez pipeline currently transports over 1,200 million cubic feet of carbon dioxide per day, including approximately 99% of the carbon dioxide transported downstream on Kinder Morgan Energy Partners' Central Basin pipeline and its Centerline pipeline (discussed following). The tariffs charged by Cortez Pipeline are not regulated.

The Central Basin pipeline consists of approximately 143 miles of mainline pipe and 177 miles of lateral supply lines located in the Permian Basin between Denver City, Texas and McCamey, Texas. The pipeline has an ultimate throughput capacity of 700 million cubic feet per day. At its origination point in Denver City, the Central Basin pipeline interconnects with all three major carbon dioxide supply pipelines from Colorado and New Mexico, namely the Cortez pipeline (operated by KMCO2) and the Bravo and Sheep Mountain pipelines (operated by Oxy Permian). Central Basin's mainline terminates near McCamey, where it interconnects with the Canyon Reef Carriers pipeline and the Pecos pipeline. The tariffs charged by the Central Basin pipeline are not regulated.

Kinder Morgan Energy Partners' Centerline pipeline consists of approximately 113 miles of pipe located in the Permian Basin between Denver City, Texas and Snyder, Texas. The pipeline has a capacity of 300 million cubic feet per day. The tariffs charged by the Centerline pipeline are not regulated.

Kinder Morgan Energy Partners owns a 13% undivided interest in the 218-mile, Bravo pipeline, which delivers carbon dioxide from the Bravo Dome source field in northeast New Mexico to the Denver City hub and has a capacity of more than 350 million cubic feet per day. Tariffs on the Bravo pipeline are not regulated.

In addition, Kinder Morgan Energy Partners owns approximately 98% of the Canyon Reef Carriers pipeline and approximately 69% of the Pecos pipeline. The Canyon Reef Carriers pipeline extends 139 miles from McCamey, Texas, to the SACROC unit. The pipeline has a capacity of approximately 270 million cubic feet per day and makes deliveries to the SACROC, Sharon Ridge, Cogdell and Reinecke units. The Pecos pipeline is a 25-mile pipeline that runs from McCamey to Iraan, Texas. It has a capacity of approximately 120 million cubic feet per day of carbon dioxide and makes deliveries to the Yates unit. The tariffs charged on the Canyon Reef Carriers and Pecos pipelines are not regulated.

Markets. The principal market for transportation on Kinder Morgan Energy Partners' carbon dioxide pipelines is to customers, including ourselves, using carbon dioxide for enhanced recovery operations in mature oil fields in the Permian Basin, where industry demand is expected to remain strong for the next several years.

Competition. Kinder Morgan Energy Partners ownership interests in the Central Basin, Cortez and Bravo pipelines are in direct competition with other carbon dioxide pipelines. Kinder Morgan Energy Partners also competes with other interest owners in McElmo Dome, Doe Canyon and Bravo Dome for transportation of carbon dioxide to the Denver City, Texas market area.

Crude Oil Pipeline

The Kinder Morgan Wink Pipeline is a 450-mile Texas intrastate crude oil pipeline system consisting of three mainline sections, two gathering systems and numerous truck delivery stations. The segment that runs from Wink to El Paso has a total capacity of 130,000 barrels of crude oil per day. The pipeline allows Kinder Morgan Energy Partners to better manage crude oil deliveries from its oil field interests in West Texas, and it has entered into a long-term throughput agreement with Western Refining Company, L.P. to transport crude oil into Western's 120,000 barrel per day refinery in El Paso. The 20-inch pipeline segment transported approximately 117,000 barrels of oil per day in 2009 and approximately 118,000 barrels of oil per day in 2008. The Kinder Morgan Wink Pipeline is regulated by both the FERC and the Texas Railroad Commission.

Terminals–KMP

The Terminals–KMP segment includes the operations of Kinder Morgan Energy Partners' petroleum, chemical and other liquids terminal facilities (other than those included in its Products Pipelines segment) and all of its coal, petroleum coke, fertilizer, steel, ores and dry-bulk material services, including all transload, engineering, conveying and other in-plant services. Combined, the segment is composed of approximately 121 owned or operated liquids and bulk terminal facilities, and more than 33 rail transloading and materials handling facilities located throughout the United States, Canada, and the

Netherlands.

Liquids Terminals

The liquids terminals operations primarily store refined petroleum products, petrochemicals, industrial chemicals and vegetable oil products in aboveground storage tanks and transfer products to and from pipelines, vessels, tank trucks, tank barges, and tank railcars. Combined, the liquids terminals facilities possess liquids storage capacity of approximately 56.4 million barrels, and in 2009 and 2008, these terminals handled approximately 604 million barrels and 597 million barrels, respectively, of petroleum, chemicals and vegetable oil products.

Kinder Morgan Energy Partners' major liquids terminal assets include the following:

the Houston, Texas terminal complex located in Pasadena and Galena Park, Texas, along the Houston Ship Channel. Recognized as a distribution hub for Houston's refineries situated on or near the Houston Ship Channel, the Pasadena and Galena Park terminals are the western Gulf Coast refining community's central interchange point. The complex has approximately 26.2 million barrels of capacity and is connected via pipeline to 14 refineries, four petrochemical plants and ten major outbound pipelines. Combined, the Pasadena and Galena Park terminals brought an incremental 1.85 million barrels of liquids storage capacity online during 2009 (including incremental truck loading capacity) as refinery outputs along the Gulf Coast have continued to increase. Since Kinder Morgan Energy Partners' acquisition of the terminal complex in January 2001, it has upgraded its pipeline manifold connection with the Colonial Pipeline system; added pipeline connections to new refineries and an additional cross-channel pipeline to increase the connectivity between the two terminals and constructed an additional loading bay at its fully automated truck loading rack located at its Pasadena terminal. In addition, the facilities have five ship docks and seven barge docks for inbound and outbound movement of products. The terminals are served by the Union Pacific railroad;

three liquids facilities in the New York Harbor area: one in Carteret, New Jersey; one in Perth Amboy, New Jersey; and one on Staten Island, New York. Kinder Morgan Energy Partners' two New Jersey facilities offer viable alternatives for moving petroleum products between the refineries and terminals throughout the New York Harbor and both are New York Mercantile Exchange delivery points for gasoline and heating oil. Both facilities are connected to the Intra Harbor Transfer Service, an operation that offers direct outbound pipeline connections that allow product to be moved from over 20 harbor delivery points to destinations north and west of New York City.

The Carteret facility is located along the Arthur Kill River just south of New York City and has a capacity of approximately 7.8 million barrels of petroleum and petrochemical products. Since its acquisition of the terminal in January 2001, Kinder Morgan Energy Partners has added more than 1.5 million barrels of new storage capacity and completed the construction of a 16-inch diameter pipeline that connects to the Buckeye pipeline system, a major products pipeline serving the East Coast. In the second quarter of 2009, Kinder Morgan Energy Partners announced a major expansion to the facility, which will add over one million barrels of new liquids capacity for a large petroleum customer. Kinder Morgan Energy Partners expects the expansion to come on-line in the first quarter of 2011. Kinder Morgan Energy Partners' Carteret facility has two ship docks and four barge docks. It is connected to the Colonial, Buckeye, Sun and Harbor pipeline systems, and the CSX and Norfolk Southern railroads service the facility.

The Perth Amboy facility is also located along the Arthur Kill River and has a capacity of approximately 3.5 million barrels of petroleum and petrochemical products. The Perth Amboy terminal provides chemical and petroleum storage and handling, as well as dry-bulk handling of salt and aggregates. In addition to providing product movement via vessel, truck and rail, Perth Amboy has direct access to the Buckeye and Colonial pipelines. The facility has one ship dock and one barge dock, and is connected to the CSX and Norfolk Southern railroads.

The Kinder Morgan Staten Island terminal is located on Staten Island, New York. The facility is bounded to the north and west by the Arthur Kill River and covers approximately 200 acres, of which 120 acres are used for site operations. The terminal has a storage capacity of approximately 3.0 million barrels for gasoline, diesel fuel and fuel oil. The facility also maintains and operates an above ground piping network to transfer petroleum products throughout the operating portion of the site, and since the acquisition of the terminal in July 2005, Kinder Morgan Energy Partners has constructed ship and barge berths at the facility that accommodate tanker vessels;

two liquids terminal facilities in the Chicago area: one facility located in Argo, Illinois, approximately 14 miles southwest of downtown Chicago and situated along the Chicago sanitary and ship channel; and the other located in the Port of Chicago along the Calumet River. The Argo facility is a large petroleum product and ethanol blending facility and a major break bulk facility for large chemical manufacturers and distributors. It has approximately 2.7 million barrels of tankage capacity and three barge docks. The facility is connected to the Enterprise and Westshore pipelines, and has a direct connection to Midway Airport. The Canadian National railroad services this facility.

The Port of Chicago facility handles a wide variety of liquid chemicals with a working capacity of approximately 796,000 barrels. The facility provides access to a full slate of transportation options, including a deep water barge/ship berth on Lake Calumet, and offers services including truck loading and off-loading, iso-container handling and drumming. There are two ship docks and four barge docks, and the facility is served by the Norfolk Southern railroad;

the Port of New Orleans facility, located in Harvey, Louisiana. The New Orleans facility handles a variety of liquids products such as chemicals, vegetable oils, animal fats, alcohols and oil field products, and also provides ancillary services including drumming, packaging, warehousing, and cold storage services. It has approximately 3.0 million barrels of tankage capacity, three ship docks, and one barge dock. The Union Pacific railroad provides rail service and the terminal can be accessed by vessel, barge, tank truck, or rail; and

the Kinder Morgan North 40 terminal, located near Edmonton, Alberta, Canada. Kinder Morgan Energy Partners constructed and placed into service its North 40 terminal, which is a crude oil tank farm that serves as a premier blending and storage hub for Canadian crude oil. The facility has storage for approximately 2.15 million barrels of crude oil and has access to more than 20 incoming pipelines and several major outbound systems, including a connection with Kinder Morgan Energy Partners' Trans Mountain pipeline system. The entire capacity of this terminal is contracted under long-term contracts.

Competition. Kinder Morgan Energy Partners is one of the largest independent operators of liquids terminals in North America. Kinder Morgan Energy Partners' primary competitors are IMTT, Magellan, Morgan Stanley, NuStar, Oil Tanking, Enterprise, and Vopak.

Bulk Terminals

Kinder Morgan Energy Partners' bulk terminal operations primarily involve dry-bulk material handling services; however, it also provides conveyor manufacturing and installation, engineering and design services, and in-plant services covering material handling, conveying, maintenance and repair, truck-railcar-marine transloading, railcar switching and miscellaneous marine services. Combined, Kinder Morgan Energy Partners' dry-bulk and material transloading facilities handled approximately 78 million tons and 105 million tons of coal, petroleum coke, fertilizers, steel, ores and other dry-bulk materials in 2009 and 2008, respectively. Kinder Morgan Energy Partners owns or operates approximately 95 dry-bulk terminals in the United States, Canada and the Netherlands.

Kinder Morgan Energy Partners' major bulk terminal assets include the following:

the Vancouver Wharves bulk marine terminal, located at the entrance to the Port of Vancouver, British Columbia, Canada. Kinder Morgan Energy Partners owns certain bulk terminal buildings and equipment and operates the terminal under a 40-year agreement. The facility consists of five vessel berths situated on a 139-acre site, extensive rail infrastructure, dry-bulk and liquid storage, and material handling systems, rail track and transloading systems, and a shiploader. The terminal can handle over 3.5 million tons of cargo annually. In the second quarter of 2009, Kinder Morgan Energy Partners completed a terminal expansion that brought on-line an additional 225,000 barrels of liquids capacity. Vancouver Wharves has access to three major rail carriers connecting to shippers in western and central Canada and the U.S. Pacific Northwest. Vancouver Wharves offers a variety of inbound, outbound and value-added services for mineral concentrates, wood products, agri-products and sulfur;

approximately 32 petroleum coke or coal terminals Kinder Morgan Energy Partners operates or owns. Kinder Morgan Energy Partners is the largest independent handler of petroleum coke in the U.S., in terms of volume, and in 2009, it handled approximately 12.9 million tons of petroleum coke, as compared to approximately 14.8 million tons in 2008. Petroleum coke is a by-product of the crude oil refining process and has characteristics similar to coal. It is used in domestic utility and industrial steam generation facilities and by the steel industry in the manufacture of ferro alloys and carbon and graphite products. A portion of the petroleum coke handled is imported from or exported to foreign markets. Most of Kinder Morgan Energy Partners' customers are large integrated oil companies that choose to outsource the storage and loading of petroleum coke for a fee. All of Kinder Morgan Energy Partners' petroleum coke assets are located in the state of Texas, and include facilities at the Port of Houston, the Port of Beaumont and the TGS Deepwater Terminal located on the Houston Ship Channel. These facilities also provide handling and storage services for a variety of other bulk materials.

In 2009, Kinder Morgan Energy Partners also handled approximately 27.8 million tons of coal, as compared to approximately 34.3 million tons of coal handled in 2008. Coal continues to be the fuel of choice for electric generation plants, accounting for more than 50% of U.S. electric generation feedstock. Current domestic supplies are predicted to last for several hundred years and most coal transloaded through Kinder Morgan Energy Partners' coal terminals is destined for use in coal-fired electric generation facilities. Kinder Morgan Energy Partners' Cora coal terminal is a high-speed, rail-to-barge coal transfer and storage facility located on approximately 480 acres of land along the upper Mississippi River near Rockwood, Illinois. The terminal sits on the mainline of the Union Pacific

Railroad and is strategically positioned to receive coal shipments from the western United States. The majority of the coal arrives at the terminal by rail from the Powder River Basin in Wyoming, and the coal is then transferred out on barges to power plants along the Ohio and Mississippi rivers, although small quantities are shipped overseas. The Cora terminal can receive and dump coal from trains and can load barges at the same time, has ground capacity to store a total of 1.25 million tons of coal, and maximum throughput at the terminal is approximately 13 million tons annually. This coal storage and transfer capacity provides customers the flexibility to coordinate their supplies of coal with the demand at power plants.

The Grand Rivers, Kentucky terminal is a coal transloading and storage facility located along the Tennessee River just above the Kentucky Dam. The terminal is operated on land under easements with an initial expiration of July 2014 and has current annual throughput capacity of approximately 12 million tons with a storage capacity of approximately one million tons. The Grand Rivers Terminal provides easy access to the Ohio-Mississippi River network and the Tennessee-Tombigbee River system. The Paducah & Louisville Railroad, a short line railroad, serves Grand Rivers with connections to seven Class I rail lines including the Union Pacific, CSX, and Burlington Northern Santa Fe.

The Cora and Grand Rivers terminals handle low sulfur coal originating in Wyoming, Colorado, and Utah, as well as coal that originates in the mines of southern Illinois and western Kentucky. However, since many shippers, particularly in the East, are using western coal or a mixture of western coal and other coals as a means of meeting environmental restrictions, Kinder Morgan Energy Partners anticipates that growth in volume through the two terminals will be primarily due to increased use of western low sulfur coal originating in Wyoming, Colorado and Utah;

Kinder Morgan Energy Partners' approximately 47 ferro alloys terminals located at strategic locations throughout the United States, which transload and handle steel, ferro chrome, ferro manganese, ferro silicon, silicon metal and many other alloys and ores. Kinder Morgan Energy Partners' value-added services include canning, drumming, bagging and filling boxes and supersacks, and its handling methods and integrity eliminates product degradation and assures accurate inventory control. Combined, these facilities handled approximately 15.7 million tons and 30.8 million tons of ores/metals in 2009 and 2008, respectively. The 49% decrease in year-to-year volumes was primarily due to the difficult economic environment during 2009, and while the operating results of the metal handling terminals are affected by a number of business-specific factors, the primary drivers for Kinder Morgan Energy Partners' ores/metal volumes are general economic conditions in North America, Europe and China, and the levels of worldwide steel production and consumption.

In addition to steel handling activities done at the Vancouver Wharves bulk marine terminal, Kinder Morgan Energy Partners handles numerous types of steel and bulk commodities at two deepwater port facilities, the Chesapeake bulk terminal facility, located on Chesapeake Bay in Sparrows Point, Maryland, and the Berkley facility, located in Huger, South Carolina. The Chesapeake terminal offers stevedoring services, storage, and rail, ground, or water transportation for products such as coal, petroleum coke, iron and steel slag, and other mineral products. It offers both warehouse storage and approximately 100 acres of open storage. The facility is serviced by the Norfolk Southern and CSX railroads and offers storage services to and from vessels, barges, tank trucks or rail cars. The Berkley facility provides dedicated storage to Nucor Corporation (a large domestic steel company with significant operations in the Southeast region of the U.S.) for finished steel, scrap, hot briquetted iron, and direct reduced iron along the Cooper River. The facility also provides scrap handling and processing services and can unload barges, vessels and railcars.

The Kinder Morgan Texas terminal is a 30-acre site, which provides 50,000 square feet of climate-controlled, covered storage, and provides another 100,000 square feet of leased covered storage located on the Houston Ship Channel. The facility can handle coils, pipe, and other finished steel products. The facility also has 55 rail spots and performs rail loading and unloading services.

Kinder Morgan Energy Partners' river steel facilities include facilities on the Mississippi, Ohio, Tennessee, Missouri, and Arkansas rivers, and on other smaller inland waterways. The Hickman and Barfield terminals are located near Blytheville, Arkansas and provide storage and handling services on the Mississippi river, primarily for Nucor. Both facilities can service barge, truck, and perform rail loading and unloading. Kinder Morgan Energy Partners' Industry facility is located along the Ohio River in Industry, Pennsylvania, and it provides 435,000 square feet of covered warehouse space and 200,000 square feet of open storage. This facility primarily handles ferro alloy products and provides value-added ancillary services such as screening, processing, and packaging of alloy products. The Decatur, Alabama facility is located along the Tennessee River and provides dedicated storage to Nucor as well as scrap handling and charge bucket handling.

In September 2007, Kinder Morgan Energy Partners acquired five steel handling facilities from Marine Terminals, Inc. (including those described above that are primarily dedicated to servicing Nucor's steel plants), and as part of the asset purchase, Kinder Morgan Energy Partners entered into a service contract with Nucor. It is estimated that approximately 95% of the projected revenues and profits of these five facilities will be generated from this contract with Nucor; and

the Pier IX terminal located on a 30-acre storage site in Newport News, Virginia. The terminal has the capacity to transload approximately 12 million tons of bulk products per year, and for coal, offers storage capacity of 1.4 million tons, blending services and rail to storage or direct transfer to ship. For other dry bulk products, the terminal offers ship to storage to rail or truck. The Pier IX Terminal exports coal to foreign markets, serves power plants on the eastern seaboard of the United States, and imports cement pursuant to a long-term contract. The Pier IX Terminal is served by the CSX Railroad, which transports coal from central Appalachian and other eastern coal basins. Cement imported to the Pier IX Terminal primarily originates in Europe;

Competition. Kinder Morgan Energy Partners' bulk terminals compete with numerous independent terminal operators, other terminals owned by oil companies, stevedoring companies, and other industrials opting not to outsource terminal services. Many of Kinder Morgan Energy Partners' bulk terminals were constructed pursuant to long-term contracts for specific customers. As a result, Kinder Morgan Energy Partners believes other terminal operators would face a significant disadvantage in competing for this business.

Materials Services (rail transloading)

Kinder Morgan Energy Partners' materials services operations include rail or truck transloading operations conducted at 33 owned and non-owned facilities. The Burlington Northern Santa Fe, CSX, Norfolk Southern, Union Pacific, Kansas City Southern and A&W railroads provide rail service for these terminal facilities. Approximately 50% of the products handled are liquids, including an entire spectrum of liquid chemicals, and 50% are dry-bulk products. Many of the facilities are equipped for bi-modal operation (rail-to-truck, and truck-to-rail) or connect via pipeline to storage facilities. Several facilities provide railcar storage services. Kinder Morgan Energy Partners also designs and builds transloading facilities, performs inventory management services, and provides value-added services such as blending, heating and sparging. In 2009 and 2008, Kinder Morgan Energy Partners' materials services operations handled approximately 227,000 and 348,000 railcars, respectively.

Competition. Kinder Morgan Energy Partners' material services operations compete with a variety of national transload and terminal operators across the United States, including Savage Services, Watco and Bulk Plus Logistics. Additionally, single or multi-site terminal operators are often entrenched in the network of Class 1 rail carriers.

Kinder Morgan Canada–KMP

The Kinder Morgan Canada–KMP business segment includes the Trans Mountain pipeline system, the ownership of a one-third interest in the Express pipeline system, and the 25-mile Jet Fuel pipeline system.

Trans Mountain Pipeline System

The Trans Mountain common carrier pipeline system originates at Edmonton, Alberta and transports crude oil and refined petroleum to destinations in the interior and on the west coast of British Columbia. A connecting pipeline owned by Kinder Morgan Energy Partners delivers petroleum to refineries in the state of Washington.

Trans Mountain's pipeline is 715 miles in length. The capacity of the line at Edmonton ranges from 300,000 barrels per day when heavy crude represents 20% of the total throughput (which is a historically normal heavy crude percentage) to 400,000 barrels per day with no heavy crude.

Trans Mountain also operates a 5.3 mile spur line from its Sumas Pump Station to the U.S. – Canada international border where it connects with a 63-mile pipeline system owned and operated by Kinder Morgan Energy Partners. The pipeline system in Washington State has a sustainable throughput capacity of approximately 135,000 barrels per day when heavy crude represents approximately 25% of throughput and connects to four refineries located in northwestern Washington State. The volumes of petroleum shipped to Washington State fluctuate in response to the price levels of Canadian crude oil in relation to petroleum produced in Alaska and other offshore sources.

In 2009, deliveries on Trans Mountain averaged 280,507 barrels per day. This was an increase of 18% from average 2008 deliveries of 237,172 barrels per day. Shipments of refined petroleum also represent a significant portion of Trans Mountain's throughput. In 2009 and 2008, combined shipments of refined petroleum and iso-octane represented 20% of pipeline throughput.

The crude oil and refined petroleum transported through Trans Mountain's pipeline system originates in Alberta and British Columbia. The refined and partially refined petroleum transported to Kamloops, British Columbia and Vancouver originates from oil refineries located in Edmonton. Petroleum products delivered through Trans Mountain's pipeline system are used in markets in British Columbia, Washington State and elsewhere.

Overall, Alberta crude oil supply has been increasing steadily over the past few years as a result of significant oil sands development with projects led by firms including Royal Dutch Shell, Suncor Energy and Syncrude Canada. Notwithstanding current economic factors and some announced project delays, further development is expected to continue into the future with expansions to existing oil sands production facilities as well as with new projects. In its moderate growth case, the Canadian Association of Petroleum Producers forecasts Western Canadian crude oil production to increase by over 1.4 million barrels per day by 2015. While recently expanded pipeline capacity to the United States results in excess capacity currently, the long-term increase in supply will require additional export capacity from Western Canada to both U.S. and offshore markets later this decade. This long-term supply growth and increasing global demand supports Kinder Morgan Energy Partners' view that the demand for transportation services provided by Trans Mountain's pipeline will remain strong for the foreseeable future.

Competition. Trans Mountain's pipeline to the West Coast of North America is one of several pipeline alternatives for Western Canadian petroleum production. This pipeline, like all of Kinder Morgan Energy Partners' petroleum pipelines, competes against other pipeline companies who could be in a position to offer different tolling structures.

Express and Jet Fuel Pipeline Systems

Kinder Morgan Energy Partners owns a one-third ownership interest in the Express pipeline system and a long-term investment in a debt security issued by Express US Holdings LP (the obligor), the partnership that maintains ownership of the U.S. portion of the Express pipeline system. Kinder Morgan Energy Partners operates the Express pipeline system and accounts for its 33 1/3% investment under the equity method of accounting. The Express pipeline system is a batch-mode, common-carrier, crude oil pipeline system comprised of the Express Pipeline and the Platte Pipeline, collectively referred to in this report as the Express pipeline system. The approximate 1,700-mile integrated oil transportation pipeline connects Canadian and United States producers to refineries located in the U.S. Rocky Mountain and Midwest regions.

The Express Pipeline is a 780-mile, 24-inch diameter pipeline that begins at the crude oil pipeline hub at Hardisty, Alberta and terminates at the Casper, Wyoming facilities of the Platte Pipeline. At the Hardisty, Canada oil hub, the Express Pipeline receives a variety of light, medium and heavy crude oil produced in Western Canada, and makes deliveries to markets in Montana, Wyoming, Utah and Colorado. The Express Pipeline has a design capacity of 280,000 barrels per day. Receipts at Hardisty averaged 208,246 barrels per day in 2009, as compared to 196,160 barrels per day in 2008.

The Platte Pipeline is a 926-mile, 20-inch diameter pipeline that runs from the crude oil pipeline hub at Casper, Wyoming to refineries and interconnecting pipelines in the Wood River, Illinois area, and includes related pumping and storage facilities (including tanks). The Platte Pipeline transports crude oil shipped on the Express Pipeline and crude oil produced from the U.S. Rocky Mountain area to markets located in Kansas and Illinois, and to other interconnecting carriers in those areas. The Platte Pipeline has a current capacity of approximately 150,000 barrels per day downstream of Casper, Wyoming and approximately 140,000 barrels per day downstream of Guernsey, Wyoming. Platte deliveries averaged 137,810 barrels per day during 2009, as compared to 133,637 barrels per day during 2008.

The current Express pipeline system rate structure is a combination of committed rates and uncommitted rates. The committed rates apply to those shippers who have signed long-term (10 or 15 year) contracts with the Express pipeline system to transport crude oil on a ship-or-pay basis. As of December 31, 2009, Express had total firm commitments of approximately 231,000 barrels per day, or 83% of its total capacity. These contracts expire in 2012, 2014 and 2015 in amounts of 40%, 11% and 32% of total capacity, respectively. The remaining contracts provide for committed tolls for transportation on the Express pipeline system, and can be increased each year by up to 2%. The capacity in excess of 231,000 barrels per day is made available to shippers as uncommitted capacity.

Kinder Morgan Energy Partners also owns and operates the approximate 25-mile aviation turbine fuel pipeline that serves the Vancouver International Airport, located in Vancouver, British Columbia, Canada. The turbine fuel pipeline is referred to in this report as the Jet Fuel pipeline system. In addition to its receiving and storage facilities located at the Westridge Marine terminal, located in the Port of Vancouver, the Jet Fuel pipeline system's operations include a terminal at the Vancouver airport that consists of five jet fuel storage tanks with an overall volume of 15,000 barrels.

Competition. The Express pipeline system to the U.S. Rocky Mountains and Midwest is one of several pipeline alternatives for Western Canadian petroleum production, and throughput on the Express pipeline system may decline if (i) overall petroleum production in Alberta declines, (ii) demand in the U.S. Rocky Mountains decreases, (iii) new pipelines are built; or (iv) tolls become uncompetitive compared to alternatives. The Express pipeline system competes against other pipeline providers who could be in a position to establish and offer lower tolls.

NGPL PipeCo LLC ("NGPL")

In February 2008, we completed the sale of an 80% ownership interest in NGPL PipeCo LLC for approximately $5.9 billion. We account for our 20% ownership interest as an equity method investment. We continue to operate NGPL's assets pursuant to a 15-year operating agreement. NGPL owns and operates approximately 9,200 miles of interstate natural gas pipelines, storage fields, field system lines and related facilities, consisting primarily of two major interconnected natural gas transmission pipelines terminating in the Chicago, Illinois metropolitan area. NGPL's Amarillo Line originates in the West Texas and New Mexico producing areas and is comprised of approximately 4,400 miles of mainline and various small-diameter pipelines. Its other major pipeline, the Gulf Coast Line, originates in the Gulf Coast areas of Texas and Louisiana and consists of approximately 4,100 miles of mainline and various small-diameter pipelines. These two main pipelines are connected at points in Texas and Oklahoma by NGPL's approximately 800-mile Amarillo/Gulf Coast pipeline. NGPL's system has 813 points of interconnection with 34 interstate pipelines, 34 intrastate pipelines, 38 local distribution companies, 32 end users including power plants and a number of gas producers, thereby providing significant flexibility in the receipt and delivery of natural gas.

NGPL is one of the nation's largest natural gas storage operators with approximately 600 billion cubic feet of total natural gas storage capacity, approximately 258 billion cubic feet of working gas capacity and over 4.3 billion cubic feet per day of peak deliverability from its storage facilities, which are located in major supply areas and near the markets it serves. NGPL owns and operates 13 underground storage reservoirs in eight field locations in four states. These storage assets complement its pipeline facilities and allow it to optimize pipeline deliveries and meet peak delivery requirements in its principal markets.

Competition. NGPL competes with other transporters of natural gas in virtually all of the markets it serves and, in particular, in the Chicago area, which is the northern terminus of NGPL's two major pipeline segments and its largest market. These competitors include both interstate and intrastate natural gas pipelines that transport U.S. produced natural gas along with the Alliance Pipeline, which transports Canada-produced natural gas, into the Chicago area. The Vector Pipeline provides the ability to transport Chicago area natural gas supplies to additional markets that are farther north and farther east. The overall impact of the considerable pipeline capacity into the Chicago area, combined with limited take-away capacity and the demand in the area creates a situation that is competitive and dynamic with respect to the impact on individual transporters such as NGPL. From time to time, other pipelines are proposed that would compete with NGPL. We cannot predict whether or when any such pipeline might be built, nor its impact on NGPL's operations or profitability.

NGPL Section 5 Proceeding. On November 19, 2009, NGPL was notified by the FERC of a proceeding against it pursuant to section 5 of the Natural Gas Act (the "Order"). The proceeding will set the matter for hearing and determine whether NGPL's current rates, which were approved by the FERC in NGPL's last rate case settlement, remain just and reasonable. The FERC made no findings in its Order as to what would constitute just and reasonable rates or a reasonable return for NGPL. A proceeding under section 5 of the Natural Gas Act is prospective in nature. A change in rates charged customers by NGPL would likely occur only after the FERC has issued a final order. According to the procedural schedule adopted in the case, an initial Administrative Law Judge decision is due by November 15, 2010. The final FERC decision will be based on the record developed before the Administrative Law Judge.

Power

In January 2008, we sold our interests in three natural gas-fired power plants in Colorado. Our remaining Power operations consist of (i) an ownership interest in and operations of a 550-megawatt natural gas-fired electricity generation facility in Michigan (“Triton Power”) and (ii) operating and maintaining a 105-megawatt natural gas-fired power plant in Snyder, Texas, under a cost reimbursement agreement with the CO2–KMP business segment. During 2009, most of Power’s revenues represented operating revenues from Triton Power.

Upon the adoption of Accounting Standards Update No. 2009-17, which amended the codification’s “Consolidation” topic, on January 1, 2010, Triton Power operations will no longer be consolidated into our financial statements, but be treated as an equity investment, resulting in decreases to revenues, operating expenses and noncontrolling interests with no impact to net income attributable to Kinder Morgan, Inc. See Note 18 of the accompanying Notes to Consolidated Financial Statements for “Recent Accounting Pronouncements.”

Our Michigan facility competes with other commercial wholesale generators interconnected to the Midwest Independent System Operator grid. The principal impact of this competition on our Michigan facility is the level of dispatch of the plant and the related, but minor, effect on profitability.

Major Customers

Our total revenues are derived from a wide customer base. For each of the years ended December 31, 2009 and 2008, and seven months ended December 31, 2007 and five months ended May 31, 2007, no revenues from transactions with a single external customer accounted for 10% or more of our total consolidated revenues. Kinder Morgan Energy Partners’ Texas intrastate natural gas pipeline group buys and sells significant volumes of natural gas within the state of Texas and, to a far lesser extent, the CO2–KMP business segment also sells natural gas. Combined, total revenues from the sales of natural gas from the Natural Gas Pipelines–KMP, CO2–KMP and NGPL (from January 1, 2007 to February 14, 2008) business segments for the year ended December 31, 2009 and 2008, seven months ended December 31, 2007 and five months ended May 31, 2007 accounted for 44.8%, 63.7%, 56.7% and 58.4%, respectively, of our total consolidated revenues.

As a result of Kinder Morgan Energy Partners' Texas intrastate group selling natural gas in the same price environment in which it is purchased, both our total consolidated revenues and our total consolidated purchases (cost of sales) increase considerably due to the inclusion of the cost of gas in both financial statement line items. However, these higher revenues and higher purchased gas costs do not necessarily translate into increased margins, in comparison to those situations in which a fee is charged to transport gas owned by others. To the extent possible, Kinder Morgan Energy Partners' attempts to balance the pricing and timing of its natural gas purchases to its natural gas sales, and these contracts are often settled in terms of an index price for both purchases and sales. We do not believe that a loss of revenues from any single customer would have a material adverse effect on our business, financial position, results of operations or cash flows.

Regulation

Interstate Common Carrier Refined Petroleum Products and Oil Pipeline Rate Regulation – U.S. Operations

Some of our U.S. refined petroleum products and crude oil pipelines are interstate common carrier pipelines, subject to regulation by the FERC under the Interstate Commerce Act, or ICA. The ICA requires that we maintain our tariffs on file with the FERC. Those tariffs set forth the rates we charge for providing transportation services on our interstate common carrier pipelines as well as the rules and regulations governing these services. The ICA requires, among other things, that such rates on interstate common carrier pipelines be "just and reasonable" and nondiscriminatory. The ICA permits interested persons to challenge newly proposed or changed rates and authorizes the FERC to suspend the effectiveness of such rates for a period of up to seven months and to investigate such rates. If, upon completion of an investigation, the FERC finds that the new or changed rate is unlawful, it is authorized to require the carrier to refund the revenues in excess of the prior tariff collected during the pendency of the investigation. The FERC may also investigate, upon complaint or on its own motion, rates that are already in effect and may order a carrier to change its rates prospectively. Upon an appropriate showing, a shipper may obtain reparations for damages sustained during the two years prior to the filing of a complaint.

On October 24, 1992, Congress passed the Energy Policy Act of 1992. The Energy Policy Act deemed petroleum products pipeline tariff rates that were in effect for the 365-day period ending on the date of enactment or that were in effect on the 365th day preceding enactment and had not been subject to complaint, protest or investigation during the 365-day period to be just and reasonable or "grandfathered" under the ICA. The Energy Policy Act also limited the circumstances under which a complaint can be made against such grandfathered rates. The rates Kinder Morgan Energy Partners charged for transportation service on its Cypress Pipeline were not suspended or subject to protest or complaint during the relevant 365-day period established by the Energy Policy Act. For this reason, we believe these rates should be grandfathered under the Energy Policy Act. Certain rates on Kinder Morgan Energy Partners' Pacific operations pipeline system were subject to protest during the 365-day period established by the Energy Policy Act. Accordingly, certain of the Pacific pipelines' rates have been, and continue to be, subject to complaints with the FERC, as is more fully described in Note 16 of the accompanying Notes to Consolidated Financial Statements.

Petroleum products pipelines may change their rates within prescribed ceiling levels that are tied to an inflation index. Shippers may protest rate increases made within the ceiling levels, but such protests must show that the portion of the rate increase resulting from application of the index is substantially in excess of the pipeline's increase in costs from the previous year. A pipeline must, as a general rule, utilize the indexing methodology to change its rates. The FERC, however, uses cost-of-service ratemaking, market-based rates and settlement rates as alternatives to the indexing approach in certain specified circumstances.

Common Carrier Pipeline Rate Regulation – Canadian Operations

The Canadian portion of Kinder Morgan Energy Partners' crude oil and refined petroleum products pipeline systems is under the regulatory jurisdiction of Canada's National Energy Board ("NEB"). The National Energy Board Act gives the NEB power to authorize pipeline construction and to establish tolls and conditions of service.

Trans Mountain. In the fourth quarter of 2006, Kinder Morgan Energy Partners' subsidiary Trans Mountain Pipeline L.P. completed negotiations with the Canadian Association of Petroleum Producers and principal shippers for a new incentive toll settlement for its Trans Mountain Pipeline to be effective for the period starting January 1, 2006 and ending December 31, 2010. The 2006 toll settlement incorporates an incentive toll mechanism that is intended to provide Trans Mountain with the opportunity to earn a return on equity greater than that calculated using the formula established by the NEB. In return for this opportunity, Trans Mountain has agreed to assume certain risks and provide cost certainty in certain areas. Part of the incentive toll mechanism specifies that Trans Mountain is allowed to keep 75% of the net revenue generated by throughput in excess of 92.5% of the capacity of the pipeline.

The 2006 incentive toll settlement provides for base tolls which will remain in effect for the five-year period, unless recalculated or adjusted in certain specified circumstances. The toll settlement also governs the financial arrangements for two expansion projects which were completed during 2007 and 2008. Combined, the projects cost approximately C$765 million and added 75,000 barrels per day of incremental capacity to the system, increasing pipeline capacity to approximately 300,000 barrels per day. The toll charged for the portion of Trans Mountain's pipeline system located in the United States falls under the jurisdiction of the FERC. See "—Interstate Common Carrier Refined Petroleum Products and Oil Pipeline Rate Regulation – U.S. Operations" preceding.

Express Pipeline System. The Canadian segment of the Express Pipeline is regulated by the NEB as a Group 2 pipeline, which results in rates and terms of service being regulated on a complaint basis only. Express committed rates are subject to a 2% inflation adjustment April 1 of each year. The U.S. segment of the Express Pipeline and the Platte Pipeline are regulated by the FERC. See "—Interstate Common Carrier Refined Petroleum Products and Oil Pipeline Rate Regulation – U.S. Operations." Additionally, movements on the Platte Pipeline within the state of Wyoming are regulated by the Wyoming Public Service Commission, which regulates the tariffs and terms of service of public utilities that operate in the state of Wyoming. The Wyoming Public Service Commission standards applicable to rates are similar to those of the FERC and the NEB.

Interstate Natural Gas Transportation and Storage Regulation

Posted tariff rates set the general range of maximum and minimum rates we charge shippers on our interstate natural gas pipelines. Within that range, each pipeline is permitted to charge discounted rates to meet competition, so long as such discounts are offered to all similarly situated shippers and granted without undue discrimination. Apart from discounted rates offered within the range of tariff maximums and minimums, the pipeline is permitted to offer negotiated rates where the pipeline and shippers want rate certainty, irrespective of changes that may occur to the range of tariff-based maximum and minimum rate levels. Accordingly, there are a variety of rates that different shippers may pay. For example, some shippers may pay a negotiated rate that is different than the posted tariff rate and some may pay the posted maximum tariff rate or a discounted rate that is limited by the posted maximum and minimum tariff rates. Most of the rates Kinder Morgan Energy Partners charges shippers on its greenfield projects, like the Rockies Express or Midcontinent Express pipelines, are pursuant to negotiated rate long-term transportation agreements. As such, negotiated rates provide certainty to the pipeline and the shipper of a fixed rate during the term of the transportation agreement, regardless of changes to the posted tariff rates. While rates may vary by shipper and circumstance, the terms and conditions of pipeline transportation and storage services are not generally negotiable.

The FERC regulates the rates, terms and conditions of service, construction and abandonment of facilities by companies performing interstate natural gas transportation and storage services under the Natural Gas Act. To a lesser extent, the FERC regulates interstate transportation rates, terms and conditions of service under the Natural Gas Policy Act of 1978. Beginning in the mid-1980's, the FERC initiated a number of regulatory changes intended to create a more competitive environment in the natural gas marketplace. Among the most important of these changes were:

- the Energy Policy Act of 2005 (2005), which, among other things, amended the Natural Gas Act to prohibit market manipulation by any entity, directed the FERC to facilitate market transparency in the market for sale or transportation of physical natural gas in interstate commerce, and significantly increased the penalties for violations of the Natural Gas Act, the Natural Gas Policy Act of 1978, or FERC rules, regulations or orders thereunder;

- Order No. 436 (1985) which required open-access, nondiscriminatory transportation of natural gas;
- Order No. 497 (1988) which set forth new standards and guidelines imposing certain constraints on the interaction between interstate natural gas pipelines and their marketing affiliates and imposing certain disclosure requirements regarding that interaction;
- Order No. 636 (1992) which required interstate natural gas pipelines that perform open-access transportation under blanket certificates to "unbundle" or separate their traditional merchant sales services from their transportation and storage services and to provide comparable transportation and storage services with respect to all natural gas supplies.

Natural gas pipelines must now separately state the applicable rates for each unbundled service they provide (i.e., for the natural gas commodity, transportation and storage). Order No. 636 contains a number of procedures designed to increase competition in the interstate natural gas industry, including (i) requiring the unbundling of sales services from other services, (ii) permitting holders of firm capacity on interstate natural gas pipelines to release all or a part of their capacity for resale by the pipeline and (iii) providing for the issuance of blanket sales certificates to interstate pipelines for unbundled services. Order No. 636 has been affirmed in all material respects upon judicial review, and our own FERC orders approving our unbundling plans are final and not subject to any pending judicial review; and

- Order No. 717 (2008 and 2009) which revised the FERC standards of conduct for natural gas and electric transmission providers by eliminating Order No. 2004's concept of energy affiliates and corporate separation in favor of an employee functional approach as used in Order No. 497.

  On November 25, 2003, the FERC issued Order No. 2004, adopting revised standards of conduct that apply uniformly to interstate natural gas pipelines and public utilities. In light of the changing structure of the energy industry, these standards of conduct govern relationships between regulated interstate natural gas pipelines and all of their energy affiliates. These standards were designed to (i) eliminate the loophole in the previous regulations that did not cover an interstate natural gas pipeline's relationship with energy affiliates that are not marketers, (ii) prevent interstate natural gas pipelines from giving an undue preference to any of their energy affiliates and (iii) ensure that transmission is provided on a nondiscriminatory basis. In addition, unlike the prior regulations, these requirements applied even if the energy affiliate was not a customer of its affiliated interstate pipeline. However, on November 17, 2006, the United States Court of Appeals for the District of Columbia Circuit vacated FERC Order No. 2004 as applied to natural gas pipelines, and remanded these same orders back to the FERC.

  On October 16, 2008, the FERC issued a Final Rule in Order No. 717. According to the provisions of Order No. 717, a transmission provider is prohibited from disclosing to a marketing function employee non-public information about the transmission system or a transmission customer. The final rule also retains the long-standing no-conduit rule, which prohibits a transmission function provider from disclosing non-public information to marketing function employees by using a third party conduit. Additionally, the final rule requires that a transmission provider provide annual training on the Standards of Conduct to all transmission function employees, marketing function employees, officers, directors, supervisory employees, and any other employees likely to become privy to transmission function information. This rule became effective November 26, 2008.

  On October 15, 2009, the FERC issued Order No. 717-A, an order on rehearing and clarification regarding FERC's Affiliate Rule—Standards of Conduct, and on November 16, 2009, the FERC issued Order No. 717-B, an order clarifying what employees should be considered marketing function employees. In both orders, the FERC clarified a lengthy list of issues relating to: the applicability, the definition of transmission function and transmission function employees, the definition of marketing function and marketing function employees, the definition of transmission function information, independent functioning, transparency, training, and North American Energy Standards Board business practice standards. The FERC generally reaffirmed its determinations in Order No. 717, but granted rehearing on and clarified certain provisions. Order Nos. 717-A and 717-B aim to make the Standards of Conduct clearer and aim to refocus the rules on the areas where there is the greatest potential for abuse. The rehearing and clarification granted in Order No. 717-A are not anticipated to have a material impact on the operation of our interstate pipelines.

California Public Utilities Commission Rate Regulation

The intrastate common carrier operations of Kinder Morgan Energy Partners' Pacific operations pipelines in California are subject to regulation by the California Public Utilities Commission ("CPUC"), under a "depreciated book plant" methodology, which is based on an original cost measure of investment. Intrastate tariffs filed by Kinder Morgan Energy Partners with the CPUC have been established on the basis of revenues, expenses and investments allocated as applicable to the California intrastate portion of the Pacific operations' business. Tariff rates with respect to intrastate pipeline service in California are subject to challenge by complaint by interested parties or by independent action of the CPUC. A variety of factors can affect the rates of return permitted by the CPUC, and certain other issues similar to those which have arisen with respect to Kinder Morgan Energy Partners' FERC regulated rates could also arise with respect to its intrastate rates. Certain of the Pacific operations' pipeline rates have been, and continue to be, subject to complaints with the CPUC, as is more fully described in Note 16 of the accompanying Notes to Consolidated Financial Statements.

Texas Railroad Commission Rate Regulation

The intrastate operations of our natural gas and crude oil pipelines in Texas are subject to certain regulation with respect to such intrastate transportation by the Texas Railroad Commission. The Texas Railroad Commission has the authority to regulate our transportation rates, though it generally has not investigated the rates or practices of our intrastate pipelines in the absence of shipper complaints.

Safety Regulation

Our interstate pipelines are subject to regulation by the United States Department of Transportation ("U.S. DOT"), and our intrastate pipelines and other operations are subject to comparable state regulations with respect to their design, installation, testing, construction, operation, replacement and management. Comparable regulation exists in some states in which we conduct pipeline operations. In addition, our truck and terminal loading facilities are subject to U.S. DOT regulations dealing with the transportation of hazardous materials by motor vehicles and railcars, and we are also subject to the requirements of the Federal Occupational Safety and Health Act and other comparable federal and state statutes that address employee health and safety.

The Pipeline Safety Improvement Act of 2002 provides guidelines in the areas of testing, education, training and communication. The Pipeline Safety Act requires pipeline companies to perform integrity tests on natural gas transmission pipelines that exist in high population density areas that are designated as high consequence areas. Testing consists of hydrostatic testing, internal magnetic flux or ultrasonic testing, or direct assessment of the piping. In addition to the pipeline integrity tests, pipeline companies must implement a qualification program to make certain that employees are properly trained. A similar integrity management rule exists for refined petroleum products pipelines.

In general, we expect to increase expenditures in the future to comply with higher industry and regulatory safety standards; however we cannot accurately estimate such increases in expenditures at this time.

State and Local Regulation

Our activities are subject to various state and local laws and regulations, as well as orders of regulatory bodies, governing a wide variety of matters, including marketing, production, pricing, pollution, protection of the environment, human health and safety.

Environmental Matters

Our business operations are subject to federal, state, provincial and local laws and regulations relating to environmental protection, pollution and human health and safety in the United States and Canada. For example, if an accidental leak, release or spill of liquid petroleum products, chemicals or other hazardous substances occurs at or from our pipelines, or at or from our storage or other facilities, we may experience significant operational disruptions, and we may have to pay a significant amount to clean up the leak, release or spill, pay for government penalties, address natural resource damages, compensate for human exposure or property damage, install costly pollution control equipment or a combination of these and other measures. The resulting costs and liabilities could materially and negatively affect our business, financial condition, results of operations and cash flows. In addition, emission controls required under federal, state and provincial environmental laws could require significant capital expenditures at our facilities.

Environmental and human health and safety laws and regulations are subject to change. The clear trend in environmental regulation is to place more restrictions and limitations on activities that may be perceived to affect the environment, wildlife, natural resources and human health. Also, there can be no assurance as to the amount or timing of future expenditures for environmental regulation compliance or remediation, and actual future expenditures may be different from the amounts we currently anticipate. Revised or additional regulations that result in increased compliance costs or additional operating restrictions, particularly if those costs are not fully recoverable from our customers, could have a material adverse effect on our business, financial position, results of operations and cash flows.

In accordance with generally accepted accounting principles, we accrue liabilities for environmental matters when it is probable that obligations have been incurred and the amounts can be reasonably estimated. This policy applies to assets or businesses currently owned or previously disposed. We have accrued liabilities for probable environmental remediation obligations at various sites, including multiparty sites where the U.S. Environmental Protection Agency ("U.S. EPA"), or similar state agency has identified us as one of the potentially responsible parties. The involvement of other financially responsible companies at these multiparty sites could increase or mitigate our actual joint and several liability exposures. Although no assurance can be given, we believe that the ultimate resolution of these environmental matters will not have a material adverse effect on our business, financial position or results of operations. We have accrued an environmental reserve in the amount of $86.3 million as of December 31, 2009. Our reserve estimates range in value from approximately $86.3 million to approximately $143.7 million, and we recorded our liability equal to the low end of the range, as we did not identify any amounts within the range as a better estimate of the liability. For additional information related to environmental matters, see Note 16 of the accompanying Notes to Consolidated Financial Statements.

Hazardous and Non-Hazardous Waste

We generate both hazardous and non-hazardous wastes that are subject to the requirements of the Federal Resource Conservation and Recovery Act and comparable state statutes. From time to time, state regulators and the U.S. EPA, consider the adoption of stricter disposal standards for non-hazardous waste. Furthermore, it is possible that some wastes that are currently classified as non-hazardous, which could include wastes currently generated during our pipeline or liquids or bulk terminal operations, may in the future be designated as hazardous wastes. Hazardous wastes are subject to more rigorous and costly handling and disposal requirements than non-hazardous wastes. Such changes in the regulations may result in additional capital expenditures or operating expenses for us.

Superfund

The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") in this report and commonly known as the Superfund law, and analogous state laws impose joint and several liability, without regard to fault or the legality of the original conduct, on certain classes of potentially responsible persons for releases of hazardous substances into the environment. These persons include the owner or operator of a site and companies that disposed or arranged for the disposal of the hazardous substances found at the site.

CERCLA authorizes the U.S. EPA and, in some cases, third parties to take actions in response to threats to the public health or the environment and to seek to recover from the responsible classes of persons the costs they incur, in addition to compensation for natural resource damages, if any. Although petroleum is excluded from CERCLA's definition of a hazardous substance, in the course of our ordinary operations, we have and will generate materials that may fall within the definition of a hazardous substance. By operation of law, if we are determined to be a potentially responsible person, we may be responsible under CERCLA for all or part of the costs required to clean up sites at which such materials are present, in addition to compensation for natural resource damages, if any.

Clean Air Act

Our operations are subject to the Clean Air Act, its implementing regulations, and analogous state statutes and regulations. We believe that the operations of our pipelines, storage facilities and terminals are in substantial compliance with such statutes. The Clean Air Act regulations contain lengthy, complex provisions that may result in the imposition over the next several years of certain pollution control requirements with respect to air emissions from the operations of our pipelines, treating facilities, storage facilities and terminals. Depending on the nature of those requirements and any additional requirements that may be imposed by state and local regulatory authorities, we may be required to incur certain capital and operating expenditures over the next several years for air pollution control equipment in connection with maintaining or obtaining operating permits and approvals and addressing other air emission-related issues. At this time, we are unable to fully estimate the effect on earnings or operations or the amount and timing of such required capital expenditures; however, we do not believe that we will be materially adversely affected by any such requirements.

Clean Water Act

Our operations can result in the discharge of pollutants. The Federal Water Pollution Control Act of 1972, as amended, also known as the Clean Water Act, and analogous state laws impose restrictions and controls regarding the discharge of pollutants into state waters or waters of the United States. The discharge of pollutants into regulated waters is prohibited, except in accordance with the terms of a permit issued by applicable federal or state authorities. The Oil Pollution Act was enacted in 1990 and amends provisions of the Clean Water Act pertaining to prevention and response to oil spills. Spill prevention control and countermeasure requirements of the Clean Water Act and some state laws require containment and similar structures to help prevent contamination of navigable waters in the event of an overflow or release.

Climate Change

Studies have suggested that emissions of certain gases, commonly referred to as greenhouse gases, may be contributing to warming of the Earth's atmosphere. Methane, a primary component of natural gas, and carbon dioxide, which is naturally occurring and also a byproduct of burning of natural gas, are examples of greenhouse gases. The U.S. Congress is actively considering legislation to reduce emissions of greenhouse gases. On June 26, 2009, the U.S. House of Representatives passed the "American Clean Energy and Security Act of 2009 ("ACESA"), which would establish an economy-wide cap-and-trade program to reduce U.S. emissions of "greenhouse gases" including carbon dioxide and methane. The U.S. Senate is working on its own legislation for restricting domestic greenhouse gas emissions, and President Obama has indicated his support of legislation to reduce greenhouse gas emissions through an emission allowance system. It is not possible at this time to predict when the Senate may act on climate change legislation or how any bill passed by the Senate would be reconciled with ACESA. The U.S. EPA separately announced on December 7, 2009, its findings that emissions of carbon dioxide, methane and other "greenhouse gases" present an endangerment to human health and the environment. These findings by the U.S. EPA may allow the agency to proceed with the adoption and implementation of regulations that would restrict emissions of greenhouse gases under existing provisions of the federal Clean Air Act. In addition, on September 22, 2009, the U.S EPA issued a final rule requiring the reporting of greenhouse gas emissions in the United States beginning in 2011 for emissions occurring in 2010 from specified large greenhouse gas emission sources, fractionated natural gas liquids, and the production of naturally occurring carbon dioxide, like Kinder Morgan Energy Partners' McElmo Dome carbon dioxide field, even when such production is not emitted to the atmosphere.

Because our operations, including our compressor stations and gas processing plants in the Natural Gas Pipelines–KMP segment, emit various types of greenhouse gases, primarily methane and carbon dioxide, such legislation or regulation could increase our costs related to operating and maintaining our facilities and require us to install new emission controls on our facilities, acquire allowances for our greenhouse gas emissions, pay taxes related to our greenhouse gas emissions and administer and manage a greenhouse gas emissions program. We are not able at this time to estimate such increased costs; however, they could be significant. While we may be able to include some or all of such increased costs in the rates charged by our natural gas pipelines, such recovery of costs is uncertain in all cases and may depend on events beyond our control including the outcome of future rate proceedings before the FERC and the provisions of any final legislation or other regulations. Any of the foregoing could have adverse effects on our business, financial position, results of operations and prospects.

Some climatic models indicate that global warming is likely to result in sea level rise, increased intensity of hurricanes and tropical storms, and increased frequency of extreme precipitation and flooding. We may experience increased insurance premiums and deductibles, or a decrease in available coverage, for our assets in areas subject to severe weather. To the extent these phenomena occur, they could damage our physical assets, especially operations located in low-lying areas near coasts and river banks, and facilities situated in hurricane-prone regions. However, the timing and location of these climate change impacts is not known with any certainty and, in any event, these impacts are expected to manifest themselves over a long time horizon. Thus, we are not in a position to say whether the physical impacts of climate change pose a material risk to our business, financial position, results of operations or prospects.

Because natural gas emits less greenhouse gas emissions per unit of energy than competing fossil fuels, cap-and-trade legislation or U.S. EPA regulatory initiatives could stimulate demand for natural gas by increasing the relative cost of fuels such as coal and oil. In addition, we anticipate that greenhouse gas regulations will increase demand for carbon sequestration technologies, such as the techniques we have successfully demonstrated in our enhanced oil recovery operations within the CO2-KMP segment. However, these positive effects on our markets may be offset if these same regulations also cause the cost of natural gas to increase relative to competing non-fossil fuels. Although the magnitude and direction of these impacts cannot now be predicted, greenhouse gas regulations could have material adverse effects on our business, financial position, results of operations and prospects.

Department of Homeland Security

In Section 550 of the Homeland Security Appropriations Act of 2007, the U.S. Congress gave the Department of Homeland Security (“DHS”), regulatory authority over security at certain high-risk chemical facilities. Pursuant to its congressional mandate, on April 9, 2007, the DHS promulgated the Chemical Facility Anti-Terrorism Standards and required all high-risk chemical and industrial facilities, including oil and gas facilities, to comply with the regulatory requirements of these standards.

This process includes completing security vulnerability assessments, developing site security plans, and implementing protective measures necessary to meet DHS-defined risk-based performance standards. The DHS has not provided final notice to all facilities that DHS determines to be high risk and subject to the rule. Therefore, neither the extent to which our facilities may be subject to coverage by the rules nor the associated costs to comply can currently be determined, but it is possible that such costs could be substantial.

Other

We employed 7,931 full-time people at December 31, 2009, including employees of our indirect subsidiary KMGP Services Company, Inc., who are dedicated to the operations of Kinder Morgan Energy Partners, and employees of Kinder Morgan Canada Inc. Approximately 890 full-time hourly personnel at certain terminals and pipelines are represented by labor unions under collective bargaining agreements that expire between 2010 and 2014. We, KMGP Services Company, Inc., and Kinder Morgan Canada Inc. each consider relations with our employees to be good. For more information on our related party transactions, see Note 11 of the accompanying Notes to Consolidated Financial Statements.

KMGP Services Company, Inc., a subsidiary of Kinder Morgan G.P., Inc., provides employees and Kinder Morgan Services LLC, a subsidiary of Kinder Morgan Management, provides centralized payroll and employee benefits services to Kinder Morgan Management, Kinder Morgan Energy Partners and Kinder Morgan Energy Partners' operating partnerships and subsidiaries (collectively, "the Group"). Employees of KMGP Services Company, Inc. are assigned to work for one or more members of the Group. The direct costs of compensation, benefits expenses, employer taxes and other employer expenses for these employees are allocated and charged by Kinder Morgan Services LLC to the appropriate members of the Group, and the members of the Group reimburse their allocated shares of these direct costs. No profit or margin is charged by Kinder Morgan Services LLC to the members of the Group. Our human resources department provides the administrative support necessary to implement these payroll and benefits services, and the related administrative costs are allocated to members of the Group in accordance with existing expense allocation procedures. The effect of these arrangements is that each member of the Group bears the direct compensation and employee benefits costs of its assigned or partially assigned employees, as the case may be, while also bearing its allocable share of administrative costs. Pursuant to its limited partnership agreement, Kinder Morgan Energy Partners provides reimbursement for its share of these administrative costs and such reimbursements are accounted for as described above. Kinder Morgan Energy Partners reimburses Kinder Morgan Management with respect to the costs incurred or allocated to Kinder Morgan Management in accordance with Kinder Morgan Energy Partners' limited partnership agreement, the Delegation of Control Agreement among Kinder Morgan G.P., Inc., Kinder Morgan Management, Kinder Morgan Energy Partners and others, and Kinder Morgan Management's limited liability company agreement.

Our named executive officers and other employees that provide management or services to both us and the Group are employed by us. Additionally, other of our employees assist Kinder Morgan Energy Partners in the operation of its Natural Gas Pipeline assets. These employees' expenses are allocated without a profit component between us and the appropriate members of the Group.

We believe that we have generally satisfactory title to the properties we own and use in our businesses, subject to liens on the assets of Kinder Morgan, Inc. and its subsidiaries (excluding Kinder Morgan Energy Partners and its subsidiaries) incurred in connection with the financing of the Going Private transaction, liens for current taxes, liens incident to minor encumbrances, and easements and restrictions that do not materially detract from the value of such property or the interests in those properties or the use of such properties in our businesses. We generally do not own the land on which our pipelines are constructed. Instead, we obtain the right to construct and operate the pipelines on other people's land for a period of time. Substantially all of our pipelines are constructed on rights-of-way granted by the apparent record owners of such property. In many instances, lands over which rights-of-way have been obtained are subject to prior liens that have not been subordinated to the right-of-way grants. In some cases, not all of the apparent record owners have joined in the right-of-way grants, but in substantially all such cases, signatures of the owners of majority interests have been obtained. Permits have been obtained from public authorities to cross over or under, or to lay facilities in or along, water courses, county roads, municipal streets and state highways. In some instances, such permits are revocable at the election of the grantor, or, the pipeline may be required to move its facilities at its own expense. Permits have also been obtained from railroad companies to cross over or under lands or rights-of-way, many of which are also revocable at the grantor's election. Some such permits require annual or other periodic payments. In a few minor cases, property for pipeline purposes was purchased in fee.

Our terminals, storage facilities, processing plants, regulator and compressor stations, offices and related facilities are located on real property owned or leased by us. In some cases, the real property we lease is on federal, state, provincial or local government land.

(D) Financial Information about Geographic Areas

For geographic information concerning our assets and operations, see Note 15 of the accompanying Notes to Consolidated Financial Statements.

(E) Available Information

We make available free of charge on or through our internet website, at www.kindermorgan.com, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after we electronically file such material with, or furnish it to, the Securities and Exchange Commission. The information contained on or connected to our internet website is not incorporated by reference into this Form 10-K and should not be considered part of this or any other report that we file with or furnish to the Securities and Exchange

Commission.

Item 1A. Risk Factors.

You should carefully consider the risks described below, in addition to the other information contained in this document. Realization of any of the following risks could have a material adverse effect on our business, financial condition, cash flows and results of operations.

Risks Related to Our Business

Our business is subject to extensive regulation that affects our operations and costs.

Our assets and operations are subject to regulation by federal, state, provincial and local authorities, including regulation by the FERC, and by various authorities under federal, state, provincial and local environmental, human health and safety and pipeline safety laws. Regulation affects almost every aspect of our business, including, among other things, our ability to determine terms and rates for our interstate pipeline services, to make acquisitions or to build extensions of existing facilities. The costs of complying with such laws and regulations are already significant, and additional or more stringent regulation could have a material adverse impact on our business, financial condition and results of operations.

In addition, regulators have taken actions designed to enhance market forces in the gas pipeline industry, which have led to increased competition. In a number of U.S. markets, natural gas interstate pipelines face competitive pressure from a number of new industry participants, such as alternative suppliers, as well as traditional pipeline competitors. Increased competition driven by regulatory changes could have a material impact on business in our markets and therefore adversely affect our financial condition and results of operations.

Pending Federal Energy Regulatory Commission ("FERC") and California Public Utilities Commission proceedings seek substantial refunds and reductions in tariff rates on some of Kinder Morgan Energy Partners' pipelines. An additional FERC proceeding to determine whether current rates are just and reasonable is pending against NGPL. If the proceedings are determined adversely to Kinder Morgan Energy Partners or NGPL, they could have a material adverse impact on us.

Regulators and shippers on our pipelines have rights to challenge the rates we charge under certain circumstances prescribed by applicable regulations. Some shippers on Kinder Morgan Energy Partners' pipelines have filed complaints with the FERC and CPUC that seek substantial refunds for alleged overcharges during the years in question and prospective reductions in the tariff rates on Kinder Morgan Energy Partners' Pacific operations' pipeline system. The FERC has also notified NGPL of a proceeding against it to determine whether NGPL's current rates remain just and reasonable. We may face challenges, similar to those described in Notes 16 and 17 of the accompanying Notes to Consolidated Financial Statements, to the rates we receive on our pipelines in the future. Any successful challenge could adversely and materially affect our future earnings and cash flows.

Rulemaking and oversight, as well as changes in regulations, by the regulatory agencies having jurisdiction over our operations could adversely impact our income and operations.

Our pipelines and storage facilities are subject to regulation and oversight by federal, state and local regulatory authorities, such as the FERC, NEB and CPUC and regulatory actions taken by these agencies have the potential to adversely affect our profitability. Regulation extends to such matters as (i) rates, operating terms and conditions of service, (ii) the types of services we may offer to our customers, (iii) the contracts for service entered into with our customers, (iv) the certification and construction of new facilities, (v) the integrity, safety and security of facilities and operations, (vi) the acquisition, extension, disposition or abandonment of services or facilities, (vii) reporting and information posting requirements, (viii) the maintenance of accounts and records and (ix) relationships with affiliated companies involved in various aspects of the natural gas and energy businesses.

New laws or regulations or different interpretations of existing laws or regulations, including unexpected policy changes, applicable to our assets could have a material adverse impact on our business, financial condition and results of operations.

Increased regulatory requirements relating to the integrity of our pipelines will require us to spend additional money to comply with these requirements.

Through our regulated pipeline subsidiaries, we are subject to extensive laws and regulations related to pipeline integrity. There are, for example, federal guidelines for the U.S. DOT and pipeline companies in the areas of testing, education, training and communication. Compliance with laws and regulations requires significant expenditures. We have increased our capital expenditures to address these matters and expect to significantly increase these expenditures in the foreseeable future. Additional laws and regulations that may be enacted in the future or a new interpretation of existing laws and regulations could significantly increase the amount of these expenditures.

Environmental, health and safety laws and regulations could expose us to significant costs and liabilities.

Our operations are subject to federal, state, provincial and local laws, regulations and potential liabilities arising under or relating to the protection or preservation of the environment, natural resources and human health and safety. Such laws and regulations affect many aspects of our present and future operations, and generally require us to obtain and comply with various environmental registrations, licenses, permits, inspections and other approvals. Liability under such laws and regulations may be incurred without regard to fault, including, for example, under CERCLA, the Resource Conservation and Recovery Act, the Clean Water Act and analogous state laws for the remediation of contaminated areas. Private parties, including the owners of properties through which our pipelines pass may also have the right to pursue legal actions to enforce compliance as well as to seek damages for non-compliance with such laws and regulations or for personal injury or property damage. Our insurance may not cover all environmental risks and costs and/or may not provide sufficient coverage in the event an environmental claim is made against us.

Failure to comply with these laws and regulations may also expose us to civil, criminal and administrative fines, penalties and/or interruptions in our operations that could influence our business, financial position, results of operations and prospects. For example, if an accidental leak, release or spill of liquid petroleum products, chemicals or other hazardous substances occurs at or from our pipelines or our storage or other facilities, we may experience significant operational disruptions and we may have to pay a significant amount to clean up the leak, release or spill, pay for government penalties, address natural resource damage, compensate for human exposure or property damage, install costly pollution control equipment or a combination of these and other measures. The resulting costs and liabilities could materially and negatively affect our level of earnings and cash flows. In addition, emission controls required under the Federal Clean Air Act and other similar federal, state and provincial laws could require significant capital expenditures at our facilities.

We own and/or operate numerous properties that have been used for many years in connection with our business activities. While we have utilized operating and disposal practices that were standard in the industry at the time, hydrocarbons or other hazardous substances may have been released at or from properties owned, operated or used by us or our predecessors, or at or from properties where our or our predecessors' wastes have been taken for disposal. In addition, many of these properties have been owned and/or operated by third parties whose management, handling and disposal of hydrocarbons or other hazardous substances were not under our control. These properties and the hazardous substances released and wastes disposed on them may be subject to laws in the United States such as CERCLA, which impose joint and several liability without regard to fault or the legality of the original conduct. Under the regulatory schemes of the various Canadian provinces, such as British Columbia's Environmental Management Act, Canada has similar laws with respect to properties owned, operated or used by us or our predecessors. Under such laws and implementing regulations, we could be required to remove or remediate previously disposed wastes or property contamination, including contamination caused by prior owners or operators. Imposition of such liability schemes could have a material adverse impact on our operations and financial position.

In addition, our oil and gas development and production activities are subject to numerous federal, state and local laws and regulations relating to environmental quality and pollution control. These laws and regulations increase the costs of these activities and may prevent or delay the commencement or continuance of a given operation. Specifically, these activities are subject to laws and regulations regarding the acquisition of permits before drilling, restrictions on drilling activities in restricted areas, emissions into the environment, water discharges, and storage and disposition of wastes. In addition, legislation has been enacted that requires well and facility sites to be abandoned and reclaimed to the satisfaction of state authorities.

Further, we cannot ensure that such existing laws and regulations will not be revised or that new laws or regulations will not be adopted or become applicable to us. There can be no assurance as to the amount or timing of future expenditures for environmental compliance or remediation, and actual future expenditures may be different from the amounts we currently anticipate. Revised or additional regulations that result in increased compliance costs or additional operating restrictions, particularly if those costs are not fully recoverable from our customers, could have a material adverse effect on our business, financial position, results of operations and prospects.

Climate change regulation at the federal, state, provincial or regional levels could result in increased operating and capital costs for us.

Methane, a primary component of natural gas, and carbon dioxide, a byproduct of the burning of natural gas, are examples of greenhouse gases. The U.S. Congress is considering legislation to reduce emissions of greenhouse gases. In addition, the U.S. EPA announced on December 7, 2009, its findings that emissions of carbon dioxide, methane and other "greenhouse gases" present an endangerment to human health and the environment. These findings by the U.S. EPA may allow the agency to proceed with the adoption and implementation of regulations that would restrict emissions of greenhouse gases under existing provisions of the federal Clean Air Act. In addition, the U.S. EPA has issued a final rule requiring the reporting of greenhouse gas emissions in the United States beginning in 2011 for emissions occurring in 2010 from specified large greenhouse gas emission sources, fractionated natural gas liquids, and the production of naturally occurring carbon dioxide, like Kinder Morgan Energy Partners' McElmo Dome carbon dioxide field, even when such production is not emitted to the atmosphere.

Because our operations, including our compressor stations and natural gas processing plants in the Natural Gas Pipelines–KMP and NGPL segments, emit various types of greenhouse gases, primarily methane and carbon dioxide, such new legislation or regulation could increase our costs related to operating and maintaining our facilities and require us to install new emission controls on our facilities, acquire allowances for our greenhouse gas emissions, pay taxes related to our greenhouse gas emissions and administer and manage a greenhouse gas emissions program. We are not able at this time to estimate such increased costs; however, they could be significant. While we may be able to include some or all of such increased costs in the rates charged by our natural gas pipelines, such recovery of costs is uncertain in all cases and may depend on events beyond our control including the outcome of future rate proceedings before FERC and the provisions of any final legislation or other regulations. Any of the foregoing could have adverse effects on our business, financial position, results of operations and prospects.

New regulations issued by the Department of Homeland Security could result in increased operating and capital costs for us.

The Department of Homeland Security Appropriation Act of 2007 requires the DHS to issue regulations establishing risk-based performance standards for the security of chemical and industrial facilities, including oil and gas facilities that are deemed to present “high levels of security risk.” The DHS has issued rules that establish chemicals of interest and their respective threshold quantities that will trigger compliance with these standards. Covered facilities that are determined by the DHS to pose a high level of security risk will be required to prepare and submit security vulnerability assessments and site security plans as well as comply with other regulatory requirements, including those regarding inspections, audits, recordkeeping and protection of chemical-terrorism vulnerability information. We have not yet determined the extent of the costs to bring our facilities into compliance, but it is possible that such costs could be substantial.

Cost overruns and delays on our expansion and new build projects could adversely affect our business.

Kinder Morgan Energy Partners currently has several major expansion and new build projects planned or underway, including the Fayetteville Express Pipeline which is expected to cost $1.2 billion. A variety of factors outside our control, such as weather, natural disasters and difficulties in obtaining permits and rights-of-way or other regulatory approvals, as well as the performance by third party contractors has resulted in, and may continue to result in, increased costs or delays in construction. Cost overruns or delays in completing a project could have a material adverse effect on our return on investment, results of operations and cash flows.

Our rapid growth may cause difficulties integrating and constructing new operations, and we may not be able to achieve the expected benefits from any future acquisitions.

Part of our business strategy includes acquiring additional businesses, expanding existing assets, or constructing new facilities. If we do not successfully integrate acquisitions, expansions, or newly constructed facilities, we may not realize anticipated operating advantages and cost savings. The integration of companies that have previously operated separately involves a number of risks, including (i) demands on management related to the increase in our size after an acquisition, an expansion, or a completed construction project, (ii) the diversion of our management’s attention from the management of daily operations, (iii) difficulties in implementing or unanticipated costs of accounting, estimating, reporting and other systems, (iv) difficulties in the assimilation and retention of necessary employees and (v) potential adverse effects on operating results.

We may not be able to maintain the levels of operating efficiency that acquired companies have achieved or might achieve separately. Successful integration of each acquisition, expansion, or construction project will depend upon our ability to manage those operations and to eliminate redundant and excess costs. Because of difficulties in combining and expanding operations, we may not be able to achieve the cost savings and other size-related benefits that we hoped to achieve after these acquisitions, which would harm our financial condition and results of operations.

Our acquisition strategy and expansion programs require access to new capital. Tightened capital markets or more expensive capital would impair our ability to grow.

Part of our business strategy includes acquiring additional businesses and expanding our assets. We may need to raise debt and equity to finance these acquisitions and expansions. Limitations on our access to capital will impair our ability to execute this strategy. We normally fund acquisitions and expansions with short-term debt and repay such debt through the issuance of equity and long-term debt. An inability to access the capital markets may result in a substantial increase in our leverage and have a detrimental impact on our credit profile.

Energy commodity transportation and storage activities involve numerous risks that may result in accidents or otherwise adversely affect operations.

There are a variety of hazards and operating risks inherent to natural gas transmission and storage activities, and refined petroleum products and carbon dioxide transportation activities—such as leaks, explosions and mechanical problems that could result in substantial financial losses. In addition, these risks could result in loss of human life, significant damage to property, environmental pollution and impairment of operations, any of which also could result in substantial losses. For pipeline and storage assets located near populated areas, including residential areas, commercial business centers, industrial sites and other public gathering areas, the level of damage resulting from these risks could be greater. If losses in excess of our insurance coverage were to occur, they could have a material adverse effect on our business, financial condition and results of operations.

The development of oil and gas properties involves risks that may result in a total loss of investment.

The business of developing and operating oil and gas properties involves a high degree of business and financial risk that even a combination of experience, knowledge and careful evaluation may not be able to overcome. Acquisition and development decisions generally are based on subjective judgments and assumptions that, while they may be reasonable, are by their nature speculative. It is impossible to predict with certainty the production potential of a particular property or well.

Furthermore, a successful completion of a well does not ensure a profitable return on the investment. A variety of geological, operational, and market-related factors, including, but not limited to, unusual or unexpected geological formations, pressures, equipment failures or accidents, fires, explosions, blowouts, cratering, pollution and other environmental risks, shortages or delays in the availability of drilling rigs and the delivery of equipment, loss of circulation of drilling fluids or other conditions may substantially delay or prevent completion of any well, or otherwise prevent a property or well from being profitable. A productive well may become uneconomic in the event water or other deleterious substances are encountered, which impair or prevent the production of oil and/or gas from the well. In addition, production from any well may be unmarketable if it is contaminated with water or other deleterious substances.

The volatility of natural gas and oil prices could have a material adverse effect on our business.

The revenues, profitability and future growth of the CO2–KMP business segment and the carrying value of its oil, natural gas liquids and natural gas properties depend to a large degree on prevailing oil and gas prices. Prices for oil, natural gas liquids and natural gas are subject to large fluctuations in response to relatively minor changes in the supply and demand for oil, natural gas liquids and natural gas, uncertainties within the market and a variety of other factors beyond our control. These factors include, among other things, weather conditions and events such as hurricanes in the United States; the condition of the United States economy; the activities of the Organization of Petroleum Exporting Countries; governmental regulation; political stability in the Middle East and elsewhere; the foreign supply of and demand for oil and natural gas; the price of foreign imports; and the availability of alternative fuel sources.

A sharp decline in the price of natural gas, natural gas liquids or oil prices would result in a commensurate reduction in our revenues, income and cash flows from the production of oil and natural gas and could have a material adverse effect on the carrying value of Kinder Morgan Energy Partners' proved reserves. In the event prices fall substantially, Kinder Morgan Energy Partners may not be able to realize a profit from its production and would operate at a loss. In recent decades, there have been periods of both worldwide overproduction and underproduction of hydrocarbons and periods of both increased and relaxed energy conservation efforts. Such conditions have resulted in periods of excess supply of, and reduced demand for, crude oil on a worldwide basis and for natural gas on a domestic basis. These periods have been followed by periods of short supply of, and increased demand for, crude oil and natural gas. The excess or short supply of crude oil or natural gas has placed pressures on prices and has resulted in dramatic price fluctuations even during relatively short periods of seasonal market demand. These fluctuations necessarily impact the accuracy of assumptions used in our budgeting process.

Our use of hedging arrangements could result in financial losses or reduce our income.

We currently engage in hedging arrangements to reduce our exposure to fluctuations in the prices of oil and natural gas. These hedging arrangements expose us to risk of financial loss in some circumstances, including when production is less than expected, when the counterparty to the hedging contract defaults on its contract obligations, or when there is a change in the expected differential between the underlying price in the hedging agreement and the actual prices received. In addition, these hedging arrangements may limit the benefit we would otherwise receive from increases in prices for oil and natural gas.

The accounting standards regarding hedge accounting are very complex, and even when we engage in hedging transactions (for example, to mitigate our exposure to fluctuations in commodity prices or currency exchange rates or to balance our exposure to fixed and variable interest rates) that are effective economically, these transactions may not be considered effective for accounting purposes. Accordingly, our financial statements may reflect some volatility due to these hedges, even when there is no underlying economic impact at that point. In addition, it is not always possible for us to engage in a hedging transaction that completely mitigates our exposure to commodity prices. Our financial statements may reflect a gain or loss arising from an exposure to commodity prices for which we are unable to enter into a completely effective hedge.

We must either obtain the right from landowners or exercise the power of eminent domain in order to use most of the land on which our pipelines are constructed, and we are subject to the possibility of increased costs to retain necessary land use.

We obtain the right to construct and operate pipelines on other owners' land for a period of time. If we were to lose these rights or be required to relocate our pipelines, our business could be affected negatively. In addition, we are subject to the possibility of increased costs under our rental agreements with landowners, primarily through rental increases and renewals of expired agreements.

Whether Kinder Morgan Energy Partners has the power of eminent domain for its pipelines, other than interstate natural gas pipelines, varies from state to state depending upon the type of pipeline—petroleum liquids, natural gas or carbon dioxide—and the laws of the particular state. Kinder Morgan Energy Partners' interstate natural gas pipelines have federal eminent domain authority. In either case, Kinder Morgan Energy Partners must compensate landowners for the use of their property and, in eminent domain actions, such compensation may be determined by a court. The inability to exercise the power of eminent domain could negatively affect Kinder Morgan Energy Partners' business if it were to lose the right to use or occupy the property on which its pipelines are located.

Our substantial debt could adversely affect our financial health and make us more vulnerable to adverse economic conditions.

As of December 31, 2009, we had outstanding $13.6 billion of consolidated debt (excluding the fair value of interest rate swaps). Of this amount, $10.6 billion was debt of Kinder Morgan Energy Partners and its subsidiaries, and the remaining $3.0 billion was debt of Kinder Morgan, Inc. and its subsidiaries, other than Kinder Morgan Energy Partners and its subsidiaries. Kinder Morgan, Inc.'s debt is currently secured by most of the assets of Kinder Morgan, Inc. and its subsidiaries, but the security interest does not apply to the assets of Kinder Morgan G.P., Inc., Kinder Morgan Energy Partners, Kinder Morgan Management and their respective subsidiaries. This level of debt could have important consequences, such as (i) limiting our ability to obtain additional financing to fund our working capital, capital expenditures, debt service requirements or potential growth or for other purposes, (ii) limiting our ability to use operating cash flow in other areas of our business because we must dedicate a substantial portion of these funds to make payments on our debt, (iii) placing us at a competitive disadvantage compared to competitors with less debt and (iv) increasing our vulnerability to adverse economic and industry conditions. Each of these factors is to a large extent dependent on economic, financial, competitive and other factors beyond our control.

Our variable rate debt makes us vulnerable to increases in interest rates.

As of December 31, 2009, we had outstanding $13.6 billion of consolidated debt (excluding the fair value of interest rate swaps). Of this amount, approximately 48% was subject to variable interest rates, either as short-term or long-term debt of variable rate credit facilities or as long-term fixed-rate debt converted to variable rates through the use of interest rate swaps. Should interest rates increase significantly, the amount of cash required to service our debt would increase and our earnings could be adversely affected. For information on our interest rate risk, see Item 7A "Quantitative and Qualitative Disclosures About Market Risk—Interest Rate Risk."

Our debt instruments may limit our financial flexibility and increase our financing costs.

The instruments governing our debt contain restrictive covenants that may prevent us from engaging in certain transactions that we deem beneficial and that may be beneficial to us. The agreements governing our debt generally require us to comply with various affirmative and negative covenants, including the maintenance of certain financial ratios and restrictions on (i) incurring additional debt, (ii) entering into mergers, consolidations and sales of assets, (iii) granting liens and (iv) entering into sale-leaseback transactions. The instruments governing any future debt may contain similar or more restrictive restrictions. Our ability to respond to changes in business and economic conditions and to obtain additional financing, if needed, may be restricted.

Current or future distressed financial conditions of customers could have an adverse impact on us in the event these customers are unable to pay us for the products or services we provide.

Some of our customers are experiencing, or may experience in the future, severe financial problems that have had or may have a significant impact on their creditworthiness. We cannot provide assurance that one or more of our financially distressed customers will not default on their obligations to us or that such a default or defaults will not have a material adverse effect on our business, financial position, future results of operations, or future cash flows. Furthermore, the bankruptcy of one or more of our customers, or some other similar proceeding or liquidity constraint, might make it unlikely that we would be able to collect all or a significant portion of amounts owed by the distressed entity or entities. In addition, such events might force such customers to reduce or curtail their future use of our products and services, which could have a material adverse effect on our results of operations and financial condition.

Current levels of market volatility could impair our access to the credit and capital markets.

The capital markets have been experiencing extreme volatility since mid-year 2008. Our plans for growth, primarily at Kinder Morgan Energy Partners, require regular access to the capital markets. If current levels of market volatility continue or worsen, our access to capital markets, primarily at Kinder Morgan Energy Partners, could be disrupted making growth through acquisitions and development projects, primarily at Kinder Morgan Energy Partners, difficult or impractical to pursue until such time as markets stabilize.

Our operating results may be adversely affected by unfavorable economic and market conditions.

Economic conditions worldwide have from time to time contributed to slowdowns in several industries, including, the oil and gas industry, the steel industry and in specific segments and markets in which we, primarily Kinder Morgan Energy Partners, operate resulting in reduced demand and increased price competition for our products and services. Our operating results in one or more geographic regions may also be affected by uncertain or changing economic conditions within that region, such as the challenges that are currently affecting economic conditions in the United States and Canada. Volatility in commodity prices might have an impact on many of our customers, which in turn could have a negative impact on their ability to meet their obligations to us. In addition, decreases in the prices of crude oil and natural gas liquids will have a negative impact on the results of the CO2–KMP business segment. If global economic and market conditions (including volatility in commodity markets), or economic conditions in the United States or other key markets, remain uncertain or persist, spread or deteriorate further, we may experience material impacts on our business, financial condition and results of operations.

Downturns in the credit markets can increase the cost of borrowing and can make financing difficult to obtain, each of which may have a material adverse effect on our results of operations and business.

In 2008 and 2009 events in the financial markets had an adverse impact on the credit markets and, as a result, the availability of credit has become more expensive and difficult to obtain. Some lenders are imposing more stringent restrictions on the terms of credit and there may be a general reduction in the amount of credit available in the markets in which we conduct business. In addition, as a result of the current credit market conditions and the downgrade of Kinder Morgan Energy Partners' short-term credit ratings by Standard & Poor's Rating Services, it is currently unable to access commercial paper borrowings and instead is meeting its short-term financing and liquidity needs through borrowings under its bank credit facility. The negative impact of these events may have a material adverse effect on Kinder Morgan Energy Partners resulting from, but not limited to, an inability to expand facilities or finance the acquisition of assets on favorable terms, if at all, increased financing costs or financing with increasingly restrictive covenants.

The Going Private transaction resulted in substantially more debt to us and a downgrade of the ratings of our debt securities, which has increased our cost of capital.

In connection with the Going Private transaction, Standard & Poor's Rating Services and Moody's Investors Service, Inc. downgraded the ratings assigned to Kinder Morgan, Inc.'s senior unsecured debt to BB- and Ba2, respectively. Upon the February 2008 80% ownership interest sale of our NGPL PipeCo LLC business segment, which resulted in Kinder Morgan, Inc.'s repayment of a substantial amount of debt; Standard & Poor's Rating Services and Moody's Investors Service, Inc. upgraded Kinder Morgan, Inc.'s senior unsecured debt to BB and Ba1, respectively. However, these ratings are still below investment grade. Since the Going Private transaction, Kinder Morgan, Inc. has not had access to the commercial paper market and is currently utilizing its $1.0 billion revolving credit facility for its short-term borrowing needs.

The future success of Kinder Morgan Energy Partners' oil and gas development and production operations depends in part upon its ability to develop additional oil and gas reserves that are economically recoverable.

The rate of production from oil and natural gas properties declines as reserves are depleted. Without successful development activities, the reserves and revenues of the oil producing assets within the CO2–KMP business segment will decline. Kinder Morgan Energy Partners may not be able to develop or acquire additional reserves at an acceptable cost or have necessary financing for these activities in the future. Additionally, if Kinder Morgan Energy Partners does not realize production volumes greater than, or equal to, its hedged volumes, Kinder Morgan Energy Partners may suffer financial losses not offset by physical transactions.

Competition could ultimately lead to lower levels of profits and adversely impact our ability to recontract for expiring transportation capacity at favorable rates or maintain existing customers.

In the past, competitors to our interstate natural gas pipelines have constructed or expanded pipeline capacity into the areas served by our pipelines. To the extent that an excess of supply into these market areas is created and persists, our ability to recontract for expiring transportation capacity at favorable rates or to maintain existing customers could be impaired. In addition, our products pipelines compete against proprietary pipelines owned and operated by major oil companies, other independent products pipelines, trucking and marine transportation firms (for short-haul movements of products) and railcars. Throughput on our products pipelines may decline if the rates we charge become uncompetitive compared to alternatives.

Future business development of our products, crude oil and natural gas pipelines is dependent on the supply of and demand for those commodities.

Our pipelines depend on production of natural gas, oil and other products in the areas serviced by our pipelines. Without reserve additions, production will decline over time as reserves are depleted and production costs may rise. Producers may shut down production at lower product prices or higher production costs, especially where the existing cost of production exceeds other extraction methodologies, such as at the Alberta oil sands. Producers in areas serviced by us may not be successful in exploring for and developing additional reserves, and the gas plants and the pipelines may not be able to maintain existing volumes of throughput. Commodity prices and tax incentives may not remain at a level which encourages producers to explore for and develop additional reserves, produce existing marginal reserves or renew transportation contracts as they expire.

Changes in the business environment, such as a decline in crude oil or natural gas prices, an increase in production costs from higher feedstock prices, supply disruptions, or higher development costs, could result in a slowing of supply such as from the Alberta oil sands. In addition, with respect to the CO2–KMP business segment, changes in the regulatory environment or governmental policies may have an impact on the supply of crude oil. Each of these factors impact our customers shipping through our pipelines, which in turn could impact the prospects of new transportation contracts or renewals of existing contracts.

Throughput on our products pipelines may also decline as a result of changes in business conditions. Over the long term, business will depend, in part, on the level of demand for oil and natural gas in the geographic areas in which deliveries are made by pipelines and the ability and willingness of shippers having access or rights to utilize the pipelines to supply such demand. The implementation of new regulations or the modification of existing regulations affecting the oil and gas industry could reduce demand for natural gas and crude oil, increase our costs and may have a material adverse effect on our results of operations and financial condition. We cannot predict the impact of future economic conditions, fuel conservation measures, alternative fuel requirements, governmental regulation or technological advances in fuel economy and energy generation devices, all of which could reduce the demand for natural gas and oil.

We are subject to U.S. dollar/Canadian dollar exchange rate fluctuations.

As a result of the operations of the Kinder Morgan Canada–KMP segment, a portion of our assets, liabilities, revenues and expenses are denominated in Canadian dollars. We are a U.S. dollar reporting company. Fluctuations in the exchange rate between United States and Canadian dollars could expose us to reductions in the U.S. dollar value of our earnings and cash flows and a reduction in our stockholder’s equity under applicable accounting rules.

Terrorist attacks, or the threat of them, may adversely affect our business.

The U.S. government has issued public warnings that indicate that pipelines and other energy assets might be specific targets of terrorist organizations. These potential targets might include our pipeline systems or storage facilities. Our operations could become subject to increased governmental scrutiny that would require increased security measures. Recent federal legislation provides an insurance framework that should cause current insurers to continue to provide sabotage and terrorism coverage under standard property insurance policies. Nonetheless, there is no assurance that adequate sabotage and terrorism insurance will be available at rates we believe are reasonable in the near future. These developments may subject our operations to increased risks, as well as increased costs, and, depending on their ultimate magnitude, could have a material adverse effect on our business, results of operations and financial condition.

Hurricanes and other natural disasters could have a material adverse effect on our business, financial condition and results of operations.

Some of our pipelines, terminals and other assets are located in areas that are susceptible to hurricanes and other natural disasters. These natural disasters could potentially damage or destroy our pipelines, terminals and other assets and disrupt the supply of the products we transport through our pipelines, which could have a material adverse effect on our business, financial condition and results of operations.

There is the potential for a change of control of the general partner of Kinder Morgan Energy Partners if we default on debt.

We own all of the common equity of Kinder Morgan G.P., Inc., the general partner of Kinder Morgan Energy Partners. If we default on our debt, in exercising their rights as lenders, our lenders could acquire control of Kinder Morgan G.P., Inc. or otherwise influence Kinder Morgan G.P., Inc. through their control of us. While our operations provide cash independent of the dividends we receive from Kinder Morgan G.P., Inc., a change in control could materially affect our cash flow and results of operations.

Kinder Morgan Energy Partners' tax treatment depends on its status as a partnership for United States federal income tax purposes, as well as it not being subject to a material amount of entity-level taxation by individual states. If the Internal Revenue Service were to treat Kinder Morgan Energy Partners as a corporation for United States federal income tax purposes or it was to become subject to a material amount of entity-level taxation for state tax purposes, then its cash available for distribution to its partners, including us, would be substantially reduced.

The anticipated after-tax economic benefit of an investment in Kinder Morgan Energy Partners depends largely on it being treated as a partnership for United States federal income tax purposes. In order for Kinder Morgan Energy Partners to be treated as a partnership for United States federal income tax purposes, current law requires that 90% or more of its gross income for every taxable year consist of "qualifying income," as defined in Section 7704 of the Internal Revenue Code. Kinder Morgan Energy Partners may not meet this requirement or current law may change so as to cause, in either event, it to be treated as a corporation for United States federal income tax purposes or otherwise subject it to taxation as an entity.

Kinder Morgan Energy Partners has not requested, and does not plan to request, a ruling from the Internal Revenue Service, or the IRS, on this or any other matter affecting it.

If Kinder Morgan Energy Partners were treated as a corporation for United States federal income tax purposes, it would pay United States federal income tax on its income at the corporate tax rate, which is currently a maximum of 35%, and would pay state income tax at varying rates. Distributions by Kinder Morgan Energy Partners would generally be taxed again as corporate distributions, and no income, gains, losses or deductions would flow through to its partners, including us. Because a tax would be imposed on Kinder Morgan Energy Partners as a corporation, the cash available for distribution would be substantially reduced. Therefore, treatment of Kinder Morgan Energy Partners as a corporation would result in a material reduction in the anticipated cash flow and after-tax return to its partners, including us, likely causing a substantial reduction in the value of our investment in Kinder Morgan Energy Partners.

Current law or Kinder Morgan Energy Partners' business may change so as to cause it to be treated as a corporation for United States federal income tax purposes or otherwise subject it to a material amount of entity-level taxation. In addition, because of widespread state budget deficits and other reasons, several states are evaluating ways to subject partnerships to entity-level taxation through the imposition of state income, franchise or other forms of taxation. For example, Kinder Morgan Energy Partners is now subject to an entity-level tax on the portion of its total revenue that is generated in Texas. Specifically, the Texas margin tax is imposed at a maximum effective rate of 0.7% of Kinder Morgan Energy Partners' total revenue that is apportioned to Texas. This tax reduces, and the imposition of such a tax on Kinder Morgan Energy Partners by any other state will reduce, the cash available for distribution by Kinder Morgan Energy Partners to its partners, including us.

Kinder Morgan Energy Partners' partnership agreement provides that if a law is enacted that subjects it to taxation as a corporation or otherwise subjects it to entity-level taxation for United States federal income tax purposes, the minimum quarterly distribution and the target distribution levels will be adjusted to reflect the impact on it of that law.

The tax treatment of publicly traded partnerships or an investment, including that of the general partner, in Kinder Morgan Energy Partners units could be subject to potential legislative, judicial or administrative changes and differing interpretations, possibly on a retroactive basis.

The present United States federal income tax treatment of publicly traded partnerships, including Kinder Morgan Energy Partners, or an investment in it, may be modified by administrative, legislative or judicial interpretation at any time. For example, members of Congress are considering substantive changes to the existing United States federal income tax laws that affect certain publicly traded partnerships. Any modification to the United States federal income tax laws or interpretations thereof could make it difficult or impossible to meet the requirements for Kinder Morgan Energy Partners to be treated as a partnership for United States federal income tax purposes, affect or cause Kinder Morgan Energy Partners to change its business activities, affect the tax considerations of an investment in it, change the character or treatment of portions of its income and adversely affect an investment, including that of the general partner, in Kinder Morgan Energy Partners. Moreover, any modification to the United States federal income tax laws and interpretations thereof may or may not be applied retroactively. Although the currently proposed legislation would not appear to affect Kinder Morgan Energy Partners' tax treatment as a partnership, it is unable to predict whether any of these changes, or other proposals, will ultimately be enacted. Any potential change in law or interpretation thereof could negatively impact the value of an investment, including that of the general partner, in Kinder Morgan Energy Partners.

If the IRS contests the United States federal income tax positions Kinder Morgan Energy Partners takes, the market for its units may be adversely impacted and the cost of any IRS contest will reduce its cash available for distribution to its partners.

Kinder Morgan Energy Partners has not requested a ruling from the IRS with respect to its treatment as a partnership for United States federal income tax purposes or any other matter affecting it. The IRS may adopt positions that differ from the conclusions of its counsel or from the positions it takes. It may be necessary to resort to administrative or court proceedings to sustain some or all of conclusions or the positions taken by Kinder Morgan Energy Partners. A court may not agree with some or all of such conclusions or the positions taken by Kinder Morgan Energy Partners' counsel. Any contest with the IRS may materially and adversely impact the market for Kinder Morgan Energy Partners' units and the price at which they trade. In addition, the costs of any contest with the IRS will be borne indirectly by the partners of Kinder Morgan Energy Partners because the costs will reduce the cash available for distribution.

Item 1B. Unresolved Staff Comments.

None.

Item 3. Legal Proceedings.

See Note 16 of the accompanying Notes to Consolidated Financial Statements.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

As a result of the Going Private transaction, our common stock ceased trading on May 30, 2007. Prior to the Going Private transaction, our common stock was listed for trading on the New York Stock Exchange under the symbol "KMI."

On February 17, 2009, May 18, 2009, August 17, 2009 and November 16, 2009, we paid cash dividends on our common stock of $50.0 million, $100.0 million, $150.0 million and $350.0 million, respectively, to our sole stockholder, which then made dividends to Kinder Morgan Holdco LLC. Our Board of Directors declared a dividend of $150.0 million on January 20, 2010 that was paid on February 16, 2010.

For information on our equity compensation plans, see Item 12 "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters—Equity Compensation Plan Information." Also see Note 12 of the accompanying Notes to Consolidated Financial Statements "Commitments and Contingent Liabilities-Share-based Compensation."

Item 6. Selected Financial Data

Five-Year Review
Kinder Morgan, Inc. and Subsidiaries

	Successor Company			Predecessor Company		
	Year Ended December 31,		Seven Months Ended December 31,	Five Months Ended May 31,	Year Ended December 31,	
	2009(a)(b)	2008(a)(b)	2007(a)(b)	2007(b)(c)	2006(b)(c)	2005(c)
Income and Cash Flow Data	(In millions)				(In millions)	
Revenues	$7,185.2	$12,094.8	$6,394.7	$4,165.1	$10,208.6	$1,025.6
Operating income (loss) (d)(e)	$1,407.2	$(2,472.1)	$1,042.8	$204.8	$1,745.2	$381.3
Earnings from equity investments	$221.9	$201.1	$56.8	$40.7	$104.2	$620.7
Income (loss) from continuing operations	$773.8	$(3,202.3)	$286.1	$(142.0)	$974.6	$564.7
Income (loss) from discontinued operations, net of tax (f)	$0.3	$(0.9)	$(1.5)	$298.6	$(528.5)	$40.4
Net income (loss)	$774.1	$(3,203.2)	$284.6	$156.6	$446.1	$605.1
Net income attributable to noncontrolling interests (g)	$278.1	$396.1	$37.6	$90.7	$374.2	$50.5
Net income (loss) attributable to Kinder Morgan, Inc.'s stockholder	$496.0	$(3,599.3)	$247.0	$65.9	$71.9	$554.6
Capital expenditures (h)	$1,324.3	$2,545.3	$1,287.0	$652.8	$1,375.6	$134.1

Successor Company			Predecessor Company	
As of December 31,			As of December 31,	
2009	2008	2007(a)	2006(b)	2005(c)

Balance Sheet Data		(In millions)		(In millions)	
Net property, plant and equipment	$ 16,803.5	$ 16,109.8	$ 14,803.9	$ 18,839.6	$ 9,545.6
Total assets	$ 27,586.3	$ 25,444.9	$ 36,101.0	$ 26,795.6	$ 17,451.6
Long-term debt(i)	$ 12,879.7	$ 11,155.8	$ 15,097.7	$ 11,014.4	$ 6,677.6

(a) Includes significant impacts resulting from the Going Private transaction. See Note 2 of the accompanying Notes to Consolidated Financial Statements for additional information.

(b) Effective January 1, 2006, the accounts, balances and results of operations of Kinder Morgan Energy Partners were consolidated into our financial statements and we ceased applying the equity method of accounting for our investments in Kinder Morgan Energy Partners. See Note 2 of the accompanying Notes to Consolidated Financial Statements.

(c) Reflects the acquisition of Terasen Inc. on November 30, 2005.

(d) Includes non-cash goodwill charges of $4,033.3 million in the year ended December 31, 2008.

(e) Includes a goodwill impairment charge of $377.1 million in the five months ended May 31, 2007 relating to Kinder Morgan Energy Partners' acquisition of Trans Mountain pipeline from us on April 30, 2007. See Note 7 of the accompanying Notes to Consolidated Financial Statements.

(f) Includes a goodwill impairment charge of $650.5 million in 2006 to reduce the carrying value of Terasen Inc.

(g) Includes application of new accounting policies for noncontrolling interests adopted in 2009 and applied to all years presented. See Note 2 of the accompanying Notes to Consolidated Financial Statements.

(h) Capital expenditures shown are for continuing operations only.

(i) Excludes value of interest rate swaps. Increases to long-term debt for value of interest rate swaps totaled $361.0 million, $971.0 million, $199.7 million, $46.4 million and $51.8 million as of December 31, 2009, 2008, 2007, 2006 and 2005, respectively.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis should be read in conjunction with the accompanying Consolidated Financial Statements and related Notes. Additional sections in this report which should be helpful to the reading of our discussion and analysis include the following: (i) a description of our business strategy found in Items 1 and 2 "Business and Properties—(c) Narrative Description of Business—Business Strategy;" (ii) a description of developments during 2009, found in Items 1 and 2 "Business and Properties—(a) General Development of Business—Recent Developments;" and (iii) a description of risk factors affecting us and our business, found in Item 1A "Risk Factors." In as much as the discussion below and the other sections to which we have referred you pertain to management's comments on financial resources, capital spending, our business strategy and the outlook for our business, such discussions contain forward-looking statements. These forward-looking statements reflect the expectations, beliefs, plans and objectives of management about future financial performance and assumptions underlying management's judgment concerning the matters discussed, and accordingly, involve estimates, assumptions, judgments and uncertainties. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause or contribute to any differences include, but are not limited to, those discussed below and elsewhere in this report, particularly in "Risk Factors" and "Information Regarding Forward-looking Statements."

General

Our business model, through our direct ownership and operation of energy related assets and through our ownership interests in and operation of Kinder Morgan Energy Partners, is built to support two principal components:

- helping customers by providing energy, bulk commodity and liquids products transportation, storage and distribution; and
- creating long-term value for our shareholder.

To achieve these objectives, we focus on providing fee-based services to customers from a business portfolio consisting of energy-related pipelines, bulk and liquids terminal facilities, and carbon dioxide and petroleum reserves. Our reportable business segments are based on the way our management organizes our enterprise, and each of our segments represents a component of our enterprise that engages in a separate business activity and for which discrete financial information is available.

Our reportable business segments are:

- Products Pipelines–KMP: the ownership and operation of refined petroleum products pipelines that deliver gasoline, diesel fuel, jet fuel and natural gas liquids to various markets, plus the ownership and/or operation of associated product terminals and petroleum pipeline transmix facilities;
- Natural Gas Pipelines–KMP: the ownership and operation of major interstate and intrastate natural gas pipeline and storage systems, plus the ownership and/or operation of associated natural gas processing and treating facilities;
- CO2 –KMP: (i) the production, transportation and marketing of carbon dioxide, referred to as CO2, to oil fields that use CO2 to increase production of oil, (ii) ownership interests in and/or operation of oil fields in West Texas and (iii) the ownership and operation of a crude oil pipeline system in West Texas;

- Terminals–KMP: the ownership and/or operation of liquids and bulk terminal facilities and rail transloading and materials handling facilities located throughout the United States and portions of Canada;

- Kinder Morgan Canada–KMP: (i) the ownership and operation of the Trans Mountain pipeline system that transports crude oil and refined petroleum products from Edmonton, Alberta, Canada to marketing terminals and refineries in British Columbia, Canada and the state of Washington and (ii) the 33 1/3% interest in the Express crude oil pipeline system, which connects Canadian and U.S. producers to refineries located in the U.S. Rocky Mountain and Midwest regions, and the Jet Fuel aviation turbine fuel pipeline that serves the Vancouver (Canada) International Airport;

- NGPL PipeCo LLC—consists of our 20% interest in NGPL PipeCo LLC, the owner of Natural Gas Pipeline Company of America and certain affiliates, collectively referred to as Natural Gas Pipeline Company of America or NGPL, a major interstate natural gas pipeline and storage system, which we operate. Prior to February 15, 2008, we owned 100% of NGPL; and

- Power—which consists of two natural gas-fired electric generation facilities.

As an energy infrastructure owner and operator in multiple facets of the United States' and Canada's various energy businesses and markets, we examine a number of variables and factors on a routine basis to evaluate our current performance and our prospects for the future. Many of our operations are regulated by various U.S. and Canadian regulatory bodies. The profitability of our products pipeline transportation business is generally driven by the utilization of our facilities in relation to their capacity, as well as the prices we receive for our services. Transportation volume levels are primarily driven by the demand for the petroleum products being shipped or stored and the prices for shipping are generally based on regulated tariffs that are adjusted annually based on changes in the U.S. Producer Price Index. Because of the overall effect of utilization on our products pipeline transportation business, we seek to own refined products pipelines located in, or that transport to, stable or growing markets and population centers.

With respect to our interstate natural gas pipelines and related storage facilities, the revenues from these assets tend to be received under contracts with terms that are fixed for various periods of time. To the extent practicable and economically feasible in light of our strategic plans and other factors, we generally attempt to mitigate risk of reduced volumes and prices by negotiating contracts with longer terms, with higher per-unit pricing and for a greater percentage of our available capacity. However, changes, either positive or negative, in actual quantities transported on our interstate natural gas pipelines may not accurately measure or predict associated changes in profitability because many of the underlying transportation contracts specify that we receive the majority of our fee for making the capacity available, whether or not the customer actually chooses to utilize the capacity.

The CO2–KMP business segment sales and transportation business, like the natural gas pipelines business, generally has take-or-pay contracts, although the contracts in the CO2–KMP business segment typically have minimum volume requirements. In the long term, the success in this business is driven by the demand for carbon dioxide. However, short-term changes in the demand for carbon dioxide typically do not have a significant impact on us due to the required minimum transport volumes under many of our contracts. In the oil and gas producing activities within the CO2–KMP business segment, we monitor the amount of capital we expend in relation to the amount of production that is added or the amount of declines in oil and gas production that are postponed. In that regard, our production during any period and the reserves that we add during that period are important measures. In addition, the revenues we receive from our crude oil, natural gas liquids and carbon dioxide sales are affected by the prices we realize from the sale of these products. Over the long term, we will tend to receive prices that are dictated by the demand and overall market price for these products. In the shorter term, however, published market prices are likely not indicative of the revenues we will receive due to our risk management, or hedging, program in which the prices to be realized for certain of our future sales quantities are fixed, capped or bracketed through the use of financial derivative contracts, particularly for crude oil.

As with our pipeline transportation businesses, the profitability of our terminals businesses is generally driven by the utilization of our terminals facilities in relation to their capacity, as well as the prices we receive for our services, which in turn are driven by the demand for the products being shipped or stored. The extent to which changes in these variables affect our terminals businesses in the near term is a function of the length of the underlying service contracts, the extent to which revenues under the contracts are a function of the amount of product stored or transported and the extent to which such contracts expire during any given period of time. To the extent practicable and economically feasible in light of our strategic plans and other factors, we generally attempt to mitigate the risk of reduced volumes and pricing by negotiating contracts with longer terms, with higher per-unit pricing and for a greater percentage of our available capacity. In addition, weather-related factors such as hurricanes, floods and droughts may impact our facilities and access to them and, thus, the profitability of certain terminals for limited periods of time or, in relatively rare cases of severe damage to facilities, for longer periods.

In our discussions of the operating results of individual businesses that follow, we generally identify the important fluctuations between periods that are attributable to acquisitions and dispositions separately from those that are attributable to businesses owned in both periods. Principally through Kinder Morgan Energy Partners, we have a history of making accretive acquisitions and economically advantageous expansions of existing businesses. Our ability to increase earnings and Kinder Morgan Energy Partners' ability to increase distributions to us and other investors will, to some extent, be a function of Kinder Morgan Energy Partners' success in acquisitions and expansions. Kinder Morgan Energy Partners continues to have opportunities for expansion of its facilities in many markets and expects to continue to have such opportunities in the future, although the level of such opportunities is difficult to predict.

Kinder Morgan Energy Partners' ability to make accretive acquisitions is a function of the availability of suitable acquisition candidates and, to some extent, its ability to raise necessary capital to fund such acquisitions, factors over which it has limited or no control. Thus, it has no way to determine the number or size of accretive acquisition candidates, in the future, or whether it will complete the acquisition of any such candidates.

Critical Accounting Policies and Estimates

Accounting standards require information in financial statements about the risks and uncertainties inherent in significant estimates, and the application of generally accepted accounting principles involves the exercise of varying degrees of judgment. Certain amounts included in or affecting our consolidated financial statements and related disclosures must be estimated, requiring us to make certain assumptions with respect to values or conditions that cannot be known with certainty at the time our financial statements are prepared. These estimates and assumptions affect the amounts we report for our assets and liabilities, our revenues and expenses during the reporting period, and our disclosure of contingent assets and liabilities at the date of our financial statements. We routinely evaluate these estimates, utilizing historical experience, consultation with experts and other methods we consider reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates, and any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

In preparing our consolidated financial statements and related disclosures, examples of certain areas that require more judgment relative to others include our use of estimates in determining (i) the economic useful lives of our assets, (ii) the fair values used to allocate purchase price from business combinations, determine possible asset impairment charges, and calculate the annual goodwill impairment test, (iii) reserves for environmental claims, legal fees, transportation rate cases and other litigation liabilities, (iv) provisions for uncollectible accounts receivables, (v) exposures under contractual indemnifications and (vi) unbilled revenues.

For a summary of our significant accounting policies, see Note 2 of the accompanying Notes to Consolidated Financial Statements. We believe that certain accounting policies are of more significance in the consolidated financial statement preparation process than others, which policies are discussed as follows.

Environmental Matters

With respect to our environmental exposure, we utilize both internal staff and external experts to assist us in identifying environmental issues and in estimating the costs and timing of remediation efforts. We expense or capitalize, as appropriate, environmental expenditures that relate to current operations, and we record environmental liabilities when environmental assessments and/or remedial efforts are probable and we can reasonably estimate the costs. We do not discount environmental liabilities to a net present value, and we recognize receivables for anticipated associated insurance recoveries when such recoveries are deemed to be probable.

Our recording of our environmental accruals often coincides with our completion of a feasibility study or our commitment to a formal plan of action, but generally, we recognize and/or adjust our environmental liabilities following routine reviews of potential environmental issues and claims that could impact our assets or operations. These adjustments may result in increases in environmental expenses and are primarily related to quarterly reviews of potential environmental issues and resulting environmental liability estimates.

These environmental liability adjustments are recorded pursuant to our management's requirement to recognize contingent environmental liabilities whenever the associated environmental issue is likely to occur and the amount of our liability can be reasonably estimated. In making these liability estimations, we consider the effect of environmental compliance, pending legal actions against us, and potential third party liability claims. For more information on our environmental disclosures, see Note 16 of the accompanying Notes to Consolidated Financial Statements.

Legal Matters

We are subject to litigation and regulatory proceedings as a result of our business operations and transactions. We utilize both internal and external counsel in evaluating our potential exposure to adverse outcomes from orders, judgments or settlements. To the extent that actual outcomes differ from our estimates, or additional facts and circumstances cause us to revise our estimates, our earnings will be affected. In general, we expense legal costs as incurred. When we identify specific litigation that is expected to continue for a significant period of time and require substantial expenditures, we identify a range of possible costs expected to be required to litigate the matter to a conclusion or reach an acceptable settlement. Generally, if no amount within this range is a better estimate than any other amount, we record a liability equal to the low end of the range. Any such liability recorded is revised as better information becomes available.

As of December 31, 2009, our most significant ongoing litigation proceedings involved Kinder Morgan Energy Partners' West Coast Products Pipelines. Tariffs charged by certain of these pipeline systems are subject to certain proceedings at the FERC involving shippers' complaints regarding the interstate rates, as well as practices and the jurisdictional nature of certain facilities and services. Generally, the interstate rates on our product pipeline systems are "grandfathered" under the Energy Policy Act of 1992 unless "substantially changed circumstances" are found to exist. To the extent "substantially changed circumstances" are found to exist, Kinder Morgan Energy Partners' West Coast Products Pipeline operations may be subject to substantial exposure under these FERC complaints and could, therefore, owe reparations and/or refunds to complainants as mandated by the FERC or the United States' judicial system. For more information on our FERC regulatory proceedings, see Note 16 of the accompanying Notes to Consolidated Financial Statements.

Intangible Assets

Intangible assets are those assets which provide future economic benefit but have no physical substance. Identifiable intangible assets having indefinite useful economic lives, including goodwill, are not subject to regular periodic amortization, and such assets are not to be amortized until their lives are determined to be finite. Instead, the carrying amount of a recognized intangible asset with an indefinite useful life must be tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of the asset has decreased below its carrying value. There have not been any significant changes in these estimates during 2009; however, during the second quarter of 2008, we changed the date of our annual goodwill impairment test date to May 31 of each year (from January 1).

In conjunction with our annual impairment test of the carrying value of goodwill, performed as of May 31, 2008, we determined that the fair value of certain reporting units that are part of our investment in Kinder Morgan Energy Partners were less than the carrying values. The fair value of each reporting unit was determined from the present value of the expected future cash flows from the applicable reporting unit (inclusive of a terminal value calculated using a market multiple for the individual assets). The implied fair value of goodwill within each reporting unit was then compared to the carrying value of goodwill of each such unit, resulting in the following goodwill impairments by reporting unit: Products Pipelines–KMP (excluding associated terminals) $1.20 billion, Products Pipelines Terminals–KMP (separate from Products Pipelines–KMP for goodwill impairment purposes)—$70 million, Natural Gas Pipelines–KMP—$2.09 billion, and Terminals–KMP $677 million, for a total impairment of $4.03 billion. The goodwill impairment was a non-cash charge and did not have any impact on our cash flow. We have determined that our goodwill was not impaired as of May 31, 2009.

As of December 31, 2009 and 2008, our goodwill was $4,744.3 million and $4,698.7 million, respectively. Included in these goodwill balances are $236.0 million and $203.6 million as of December 31, 2009 and 2008, respectively, related to the Trans Mountain pipeline, which we sold to Kinder Morgan Energy Partners on April 30, 2007. This sale transaction caused us to reconsider the fair value of the Trans Mountain pipeline system in relation to its carrying value, and to make a determination as to whether the associated goodwill was impaired. As a result of our analysis, we recorded a goodwill impairment charge of $377.1 million to the accompanying Statement of Operations for the five months ended May 31, 2007.

Our remaining intangible assets, excluding goodwill, include customer relationships, contracts and agreements, technology-based assets, lease value and other long-term assets. These intangible assets have definite lives, are being amortized in a systematic and rational manner over their estimated useful lives and are reported separately as "Other intangibles, net" in the accompanying Consolidated Balance Sheets. As of December 31, 2009 and 2008, these intangibles totaled $259.8 million and $251.5 million, respectively

For more information on our goodwill and intangibles, see Notes 2 and 7 of the accompanying Notes to Consolidated Financial Statements.

Estimated Net Recoverable Quantities of Oil and Gas

We use the successful efforts method of accounting for our oil and gas producing activities. The successful efforts method inherently relies on the estimation of proved reserves, both developed and undeveloped. The existence and the estimated amount of proved reserves affect, among other things, whether certain costs are capitalized or expensed, the amount and timing of costs depleted or amortized into income, and the presentation of supplemental information on oil and gas producing activities. The expected future cash flows to be generated by oil and gas producing properties used in testing for impairment of such properties also rely in part on estimates of net recoverable quantities of oil and gas.

Proved reserves are the estimated quantities of oil and gas that geologic and engineering data demonstrates with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Estimates of proved reserves may change, either positively or negatively, as additional information becomes available and as contractual, economic and political conditions change. For more information on our ownership interests in the net quantities of proved oil and gas reserves see Note 20 of the accompanying Notes to Consolidated Financial Statements.

Hedging Activities

We engage in a hedging program that utilizes derivative contracts to mitigate (offset) our exposure to fluctuations in energy commodity prices and to balance our exposure to fixed and variable interest rates, and we believe that these hedges are generally effective in realizing these objectives. According to the provisions of current accounting standards, to be considered effective, changes in the value of a derivative contract or its resulting cash flows must substantially offset changes in the value or cash flows of the item being hedged, and any ineffective portion of the hedge gain or loss and any component excluded from the computation of the effectiveness of the derivative contract must be reported in earnings immediately.

Since it is not always possible for us to engage in a hedging transaction that completely mitigates our exposure to unfavorable changes in commodity prices—a perfectly effective hedge—we often enter into hedges that are not completely effective in those instances where we believe to do so would be better than not hedging at all. But because the part of such hedging transactions that is not effective in offsetting undesired changes in commodity prices (the ineffective portion) is required to be recognized currently in earnings, our financial statements may reflect a gain or loss arising from an exposure to commodity prices for which we are unable to enter into a completely effective hedge. For example, when we purchase a commodity at one location and sell it at another, we may be unable to hedge completely our exposure to a differential in the price of the product between these two locations; accordingly, our financial statements may reflect some volatility due to these hedges. For more information on our hedging activities, see Note 13 of the accompanying Notes to Consolidated Financial Statements.

Employee Benefit Plans

With respect to the amount of income or expense we recognize in association with our pension and retiree medical plans, we must make a number of assumptions with respect to both future financial conditions (for example, medical costs, returns on fund assets and market interest rates) as well as future actions by plan participants (for example, when they will retire and how long they will live after retirement). Most of these assumptions have relatively minor impacts on the overall accounting recognition given to these plans, but two assumptions in particular, the discount rate and the assumed long-term rate of return on fund assets, can have significant effects on the amount of expense recorded and liability recognized. We review historical trends, future expectations, current and projected market conditions, the general interest rate environment and benefit payment obligations to select these assumptions. The discount rate represents the market rate for a high quality corporate bond. The selection of these assumptions is further discussed in Note 9 of the accompanying Notes to Consolidated Financial Statements. While we believe our choices for these assumptions are appropriate in the circumstances, other assumptions could also be reasonably applied and, therefore, we note that, at our current level of pension and retiree medical funding, a change of 1% in the long-term return assumption would increase (decrease) our annual retiree medical expense by approximately $0.5 million ($0.5 million) and would increase (decrease) our annual pension expense by $1.9 million ($1.9 million) in comparison to that recorded in 2009. Similarly, a 1% change in the discount rate would increase (decrease) our accumulated postretirement benefit obligation by $6.3 million ($5.8 million) and would increase (decrease) our projected pension benefit obligation by $30.9 million ($27.6 million) compared to those balances as of December 31, 2009.

Income Taxes

We record a valuation allowance to reduce our deferred tax assets to an amount that is more likely than not to be realized. While we have considered estimated future taxable income and prudent and feasible tax planning strategies in determining the amount of our valuation allowance, any change in the amount that we expect to ultimately realize will be included in income in the period in which such a determination is reached. In addition, we do business in a number of states with differing laws concerning how income subject to each state's tax structure is measured and at what effective rate such income is taxed. Therefore, we must make estimates of how our income will be apportioned among the various states in order to arrive at an overall effective tax rate. Changes in our effective rate, including any effect on previously recorded deferred taxes, are recorded in the period in which the need for such change is identified.

In determining the deferred income tax asset and liability balances attributable to our investments, we have applied an accounting policy that looks through our investments including our investment in Kinder Morgan Energy Partners.

The application of this policy resulted in no deferred income taxes being provided on the difference between the book and tax basis on the non-tax-deductible goodwill portion of our investment in Kinder Morgan Energy Partners.

New Basis of Accounting

The Going Private transaction was accounted for as a purchase business combination and, as a result of the application of the Securities and Exchange Commission's "push-down" accounting requirements, this transaction has resulted in our adoption of a new basis of accounting for our assets and liabilities. Accordingly, our assets and liabilities have been recorded at their estimated fair values as of the date of the completion of the Going Private transaction, with the excess of the purchase price over these combined fair values recorded as goodwill.

Therefore, in the accompanying financial information, transactions and balances prior to the closing of the Going Private transaction (the amounts labeled "Predecessor Company") reflect the historical basis of accounting for our assets and liabilities, while the amounts subsequent to the closing (the amounts labeled "Successor Company") reflect the push-down of the investors' new accounting basis to our financial statements. Additional information concerning the impact of the Going Private transaction on the accompanying financial information is contained under "Impact of the Purchase Method of Accounting on Segment Earnings (Loss)" following.

Our adoption of a new basis of accounting for our assets and liabilities as a result of the 2007 Going Private transaction, the 2007 sale of our retail natural gas distribution and related operations, and our Corridor operations, the 2008 sale of our North System, the 2008 sale of our 80% interest in NGPL PipeCo LLC, the 2008 goodwill impairments described above, and other acquisitions and divestitures (including the transfer of certain assets to Kinder Morgan Energy Partners), among other factors, affect comparisons of our financial position and results of operations between certain periods.

Results of Operations

Consolidated

	Successor Company			Predecessor Company
	Year Ended December 31, 2009	Year Ended December 31, 2008	Seven Months Ended December 31, 2007	Five Months Ended May 31, 2007
		(In millions)		(In millions)
Segment earnings (loss) before depreciation, depletion and amortization expense and amortization of excess cost of equity investments(a)				
Products Pipelines–KMP(b)	$584.0	$(722.0)	$162.5	$224.4
Natural Gas Pipelines–KMP(c)	788.7	(1,344.3)	373.3	228.5
CO2–KMP(d)	878.5	896.1	433.0	210.0
Terminals–KMP(e)	596.4	(156.5)	243.7	172.3
Kinder Morgan Canada–KMP(f)	154.5	152.0	58.8	(332.0)
NGPL PipeCo LLC(g)	42.5	129.8	422.8	267.4
Power	4.8	5.7	13.4	8.9
Segment earnings (loss) before depreciation, depletion and amortization expense and amortization of excess cost of equity investments	3,049.4	(1,039.2)	1,707.5	779.5
Depreciation, depletion and amortization expense	(1,070.2)	(918.4)	(472.3)	(261.0)
Amortization of excess cost of equity investments	(5.8)	(5.7)	(3.4)	(2.4)
NGPL PipeCo LLC fixed fee revenue(h)	45.8	39.0	-	-
General and administrative expenses(i)	(373.0)	(352.5)	(175.6)	(283.6)
Unallocable interest and other, net(j)	(583.7)	(623.6)	(586.7)	(254.6)
Income (loss) from continuing operations before income taxes	1,062.5	(2,900.4)	469.5	(22.1)
Unallocable income tax expense(a)	(288.7)	(301.9)	(183.4)	(119.9)
Income (loss) from continuing operations	773.8	(3,202.3)	286.1	(142.0)
	0.3	(0.9)	(1.5)	298.6

Income (loss) from discontinued operations, net of tax				
Net (loss) income	774.1	(3,203.2)	284.6	156.6
Net income attributable to noncontrolling interests	(278.1)	(396.1)	(37.6)	(90.7)
Net (loss) income attributable to Kinder Morgan, Inc.	$496.0	$(3,599.3)	$247.0	$65.9

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(a) Kinder Morgan Energy Partners' income taxes expenses for the years ended December 31, 2009 and 2008, seven months ended December 31, 2007 and five months ended May 31, 2007 were $36.9 million, $2.4 million, $44.0 million and $15.6 million, respectively, and are included in segment earnings.

(b) 2009 amount includes (i) a $23.0 million increase in expense from the amounts previously reported in Kinder Morgan Energy Partners' 2009 fourth quarter earnings release issued on January 20, 2010, associated with adjustments to long-term receivables for environmental cost recoveries, which is primarily non-cash in 2009, (ii) an $18.0 million increase in expense associated with rate case and other legal liability adjustments, (iii) an $11.5 million increase in expense associated with environmental liability adjustments, (iv) a $1.7 million increase in income resulting from unrealized foreign currency gains on long-term debt transactions, (v) a $0.2 million increase in income from hurricane casualty gains and (vi) $0.5 million decrease in earnings related to assets sold which had been revalued as part of the Going Private transaction and recorded in the application of the purchase method of accounting . 2008 amount includes (i) a combined $10.0 million decrease in income from the proposed settlement of certain litigation matters related to Kinder Morgan Energy Partners Pacific operations' East Line pipeline and other legal liability adjustments, (ii) a combined $10.0 million decrease in income associated with environmental liability adjustments, (iii) a $3.6 million decrease in income resulting from unrealized foreign currency losses on long-term debt transactions, (iv) a combined $2.7 million decrease in income resulting from refined product inventory losses and certain property, plant and equipment write-offs, (v) a $0.3 million decrease in income related to hurricane clean-up and repair activities, (vi) non-cash goodwill impairment adjustments of $1,266.5 million and (vii) $0.4 million decrease in earnings related to assets sold which had been revalued as part of the Going Private transaction and recorded in the application of the purchase method of accounting.

(c) 2009 amount includes (i) a $7.8 million increase in income from hurricane casualty gains, (ii) a decrease in income of $5.6 million resulting from unrealized mark to market gains and losses due to the discontinuance of hedge accounting at Casper Douglas, (iii) a $0.1 million increase in expense from the amounts previously reported in Kinder Morgan Energy Partners' 2009 fourth quarter earnings release issued on January 20, 2010, associated with adjustments to long-term receivables for environmental cost recoveries and (iv) a combined $0.9 million decrease in earnings related sales and valuation adjustments of assets which had been revalued as part of the Going Private transaction and recorded in the application of the purchase method of accounting. 2008 amount includes (i) a combined $5.6 million increase in income resulting from unrealized mark to market gains and losses due to the discontinuance of hedge accounting at Casper Douglas, (ii) a $0.5 million decrease in expense associated with environmental liability adjustments, (iii) a $5.0 million increase in expense related to hurricane clean-up and repair activities, (iv) a $0.3 million increase in expense associated with legal liability adjustments, (v) a non-cash goodwill impairment adjustments of $2,090.2 million, and (vi) a combined $1.7 million decrease in earnings related to sales and valuation adjustments of assets which had been revalued as part of the Going Private transaction and recorded in the application of the purchase method of accounting.

(d) 2009 amount includes (i) a $13.5 million unrealized loss on derivative contracts used to hedge forecasted crude oil sales and (ii) increases in earnings resulting from valuation adjustments of $95.6 million related to derivative contracts in place at the time of the Going Private transaction and recorded in the application of the purchase method of accounting. 2008 amount includes (i) a $0.3 million increase in expense associated with environmental liability adjustments and (ii) increases in earnings resulting from valuation adjustments of $136.2 million related to derivative contracts in place at the time of the Going Private transaction and recorded in the application of the purchase method of accounting.

(e) 2009 amount includes (i) a combined $24.0 million increase in income from hurricane and fire casualty gains and clean-up and repair activities, (ii) a $0.5 million decrease in expense associated with legal liability adjustments related to a litigation matter involving the Staten Island liquids terminal, (iii) a $0.9 million increase in expense associated with environmental liability adjustments, (iv) a $0.7 million increase in expense from the amounts previously reported in Kinder Morgan Energy Partners' 2009 fourth quarter earnings release issued on January 20, 2010, associated with adjustments to long-term receivables for environmental cost recoveries and (v) a decreases in earnings of $2.6 million related to assets sold, which had been revalued as part of the Going Private transaction and recorded in the application of the purchase method of accounting. 2008 amount includes (i) a combined $7.2 million decrease in income related to fire damage and repair activities, (ii) a combined $5.7 million decrease in income related to hurricane clean-up and repair activities, (iii) a combined $2.8 million increase in expense from both the settlement of certain litigation matters related to Kinder Morgan Energy Partners' Elizabeth River bulk terminal and Staten Island liquids terminal, and other legal liability adjustments, (iv) a $0.6 million decrease in expense associated with environmental liability adjustments, (v) a non-cash goodwill impairment charge of $676.6 million and (vi) a decreases in earnings of $3.7 million related to assets sold, which had been revalued as part of the Going Private transaction and recorded in the application of the purchase method of accounting.

(f) 2009 amount includes a $14.9 million increase in expense primarily due to certain non-cash regulatory accounting adjustments to the carrying amount of the previously established deferred tax liability, and a $3.7 million decrease in expense due to a certain non-cash accounting change related to book tax accruals. 2008 amount includes a $19.3 million decrease in expense associated with favorable changes in Canadian income tax rates, and a combined $18.9 million increase in expense due to certain non-cash regulatory accounting adjustments.

(g)

Effective February 15, 2008, we sold an 80% ownership interest in NGPL PipeCo LLC. As a result of the sale, beginning February 15, 2008, we account for our 20% ownership interest in NGPL PipeCo LLC as an equity method investment.

(h) General administration fixed fee charges under an Operations and Reimbursement Agreement.

(i) Includes unallocated litigation and environmental expenses. 2009 amount includes (i) a $2.3 million increase in expense for certain asset and business acquisition costs, which under prior accounting standards would have been capitalized, (ii) a $1.3 million increase in expense for certain land transfer taxes associated with the April 30, 2007 Trans Mountain acquisition and (iii) a $2.7 million decrease in expense related to capitalized overhead costs associated with the 2008 hurricane season. 2008 amount includes (i) a $0.9 million increase in expense for certain Express pipeline system acquisition costs, (ii) a $0.4 million increase in expense resulting from the write-off of certain acquisition costs, which under prior accounting standards would have been capitalized, (iii) a $0.1 million increase in expense related to hurricane clean-up and repair activities and (iv) a $2.0 million decrease in expense due to the adjustment of certain insurance related liabilities.

(j) 2009 amount includes a $1.6 million increase in imputed interest expense related to the January 1, 2007 Cochin Pipeline acquisition. 2008 amount includes (i) a $7.1 million decrease in interest expense due to certain non-cash Trans Mountain regulatory accounting adjustments, (ii) a $2.0 million increase in imputed interest expense related to the January 1, 2007 Cochin Pipeline acquisition and (iii) a $0.2 million increase in interest expense related to the proposed settlement of certain litigation matters related to Kinder Morgan Energy Partners Pacific operations' East Line pipeline.

Year Ended December 31, 2009 vs. 2008

Our total revenues for 2009 and 2008 were $7.2 billion and $12.1 billion, respectively. For 2009 the net income attributable to Kinder Morgan, Inc. totaled $0.5 billion as compared to a loss of $3.6 billion in 2008. The increase in Kinder Morgan, Inc.'s net income for 2009 as compared to 2008 is primarily due to non-cash goodwill impairment charges that were recorded in the second quarter of 2008 to each segment as follows: Products Pipelines–KMP – $1.26 billion, Natural Gas Pipelines–KMP – $2.09 billion, and Terminals–KMP – $677 million, for a total impairment of $4.03 billion.

Seven Months Ended December 31, 2007

Net income for the period was driven by solid contributions from CO2–KMP, NGPL PipeCo LLC, Natural Gas Pipelines–KMP and Products Pipelines–KMP, which accounted for 25.4%, 24.7%, 21.9% and 9.5%, respectively, or 81.5% collectively, of segment earnings before DD&A. CO2–KMP was driven almost equally by its sales and transport and oil and gas producing activities. The Texas Intrastate Natural Gas Pipelines Group accounted for over 50% of the Natural Gas Pipelines–KMP performance and the West Coast Products Pipelines accounted for approximately 50% of the Product Pipelines–KMP segment earnings. NGPL PipeCo LLC contributed earnings of $422.8 million with incremental earnings coming from the re-contracting of transportation and storage services at higher rates, increased contract volumes, and recent transportation and storage expansions.

Net income was adversely impacted by (i) interest expenses related to the $4.8 billion of incremental debt resulting from the Going Private transaction (see discussion below on the impact of the purchase method of accounting on segment earnings) and (ii) DD&A expense associated with expansion capital expenditures.

Five Months Ended May 31, 2007

Net income was driven by solid performance from NGPL PipeCo LLC as well as all Kinder Morgan Energy Partners segments except Kinder Morgan Canada–KMP, as discussed below. NGPL PipeCo LLC contributed $267 million while Products Pipelines–KMP, Natural Gas Pipelines–KMP and CO2–KMP each contributed over $200 million.

Offsetting these positive factors were (i) a $377.1 million goodwill impairment charge associated with the Trans Mountain Pipeline (see Note 7 of the accompanying Notes to Consolidated Financial Statements) and (ii) $141.0 million in additional general and administrative expense associated with the Going Private transaction.

Impact of the Purchase Method of Accounting on Segment Earnings (Loss)

The impacts of the purchase method of accounting on segment earnings (loss) before DD&A relate primarily to the revaluation of the accumulated other comprehensive income related to derivatives accounted for as hedges in the CO2–KMP and Natural Gas Pipelines–KMP segments. Where there is an impact to segment earnings (loss) before DD&A from the Going Private transaction, the impact is described in the individual business segment discussions, which follow. The effects on DD&A expense result from changes in the carrying values of certain tangible and intangible assets to their estimated fair values as of May 30, 2007. This revaluation results in changes to DD&A expense in periods subsequent to May 30, 2007. The purchase accounting effects on “Unallocable interest and other, net “ result principally from the revaluation of certain debt instruments to their estimated fair values as of May 30, 2007, resulting in changes to interest expense in subsequent periods.

Segment earnings before depreciation, depletion and amortization expenses

Certain items included in earnings from continuing operations are either not allocated to business segments or are not considered by management in its evaluation of business segment performance. In general, the items not included in segment results are interest expense, general and administrative expenses, DD&A and Kinder Morgan, Inc. income taxes. We currently evaluate business segment performance primarily based on segment earnings before DD&A in relation to the level of capital employed. Because Kinder Morgan Energy Partners’ partnership agreement requires it to distribute 100% of its available cash to its partners on a quarterly basis (Kinder Morgan Energy Partners’ available cash consists primarily of all of its cash receipts, less cash disbursements and changes in reserves), we consider each period’s earnings before all non-cash depreciation, depletion and amortization expenses to be an important measure of business segment performance for our segments that are also segments of Kinder Morgan Energy Partners. We account for intersegment sales at market prices. We account for the transfer of net assets between entities under common control by carrying forward the net assets recognized in the balance sheets of each combining entity to the balance sheet of the combined entity, and no other assets or liabilities are recognized as a result of the combination. Transfers of net assets between entities under common control do not affect the income statement of the combined entity.

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Products Pipelines – KMP

	Successor Company			Predecessor Company
	Year Ended December 31,		Seven Months Ended December 31,	Five Months Ended May 31,
	2009	2008	2007	2007
	(In millions, except operating statistics)			(In millions, except operating statistics)
Revenues(a)	$ 826.6	$ 815.9	$ 471.5	$ 331.8
Operating expenses(b)	(269.5)	(291.0)	(320.6)	(116.4)
Other income (expense)(c)	(1.1)	(3.0)	0.8	(0.6)
Goodwill impairment(d)	-	(1,266.5)	-	-
Earnings from equity investments(e)	18.7	15.7	11.5	12.4
Interest income and Other, net(f)	12.4	2.0	4.7	4.7
Income tax benefit (expense)(g)	(3.1)	4.9	(5.4)	(7.5)
Earnings (loss) before depreciation, depletion and amortization expense and amortization of excess cost of equity investments	$ 584.0	$ (722.0)	$ 162.5	$ 224.4
Gasoline (MMBbl) (h)	400.1	398.4	252.7	182.8
Diesel fuel (MMBbl)	143.2	157.9	97.5	66.6
Jet fuel (MMBbl)	111.4	117.3	73.8	51.3
Total refined product volumes (MMBbl)	654.7	673.6	424.0	300.7
Natural gas liquids (MMBbl)	26.5	27.3	16.7	13.7
Total delivery volumes (MMBbl)(i)	681.2	700.9	440.7	314.4

(a) 2008 amount includes a $5.1 million decrease in revenues from the proposed settlement of certain litigation matters related to the Pacific operations' East Line pipeline.

(b) 2009 and 2008 amounts include increases in expense of $11.5 million and $9.2 million, respectively, associated with environmental liability adjustments. 2009 amount also includes (i) a $23.0 million increase in expense from the amounts previously reported in Kinder Morgan Energy Partners' 2009 fourth quarter earnings release issued on January 20, 2010, associated with adjustments to long-term receivables for environmental cost recoveries, which is primarily non-cash in 2009 and (ii) an $18.0 million increase in expense associated with rate case and other legal liability adjustments. 2008 amount also includes a combined $5.0 million increase in expense from the proposed settlement of certain litigation matters related to the Pacific operations' East Line pipeline and other legal liability adjustments, a $0.5 million increase in expense resulting from refined product inventory losses, and a $0.2 million increase in expense related to hurricane clean-up and repair activities.

(c) 2009 amount includes a gain of $0.2 million from hurricane casualty indemnifications. 2008 amount includes a $2.2 million decrease in income resulting from certain property, plant and equipment write-offs. Also, 2009 and 2008 amounts include $0.5 million and $0.4 million, respectively, of decreases in earnings related to assets sold which had been revalued as part of the Going Private transaction and recorded in the application of the purchase method of accounting.

(d) 2008 includes non-cash goodwill impairment adjustments of $1,266.5 million.

(e) 2008 amount includes an expense of $1.3 million associated with the portion of environmental liability adjustments on Plantation Pipe Line Company, and an expense of $0.1 million reflecting Kinder Morgan Energy Partners' portion of Plantation Pipe Line Company's expenses related to hurricane clean-up and repair activities.

(f) 2009 and 2008 amounts include a $1.7 million increase in income and a $3.6 million decrease in income, respectively, resulting from unrealized foreign currency gains and losses on long-term debt transactions.

(g) 2008 amount includes a $0.5 million decrease in expense reflecting the tax effect (savings) on a proportionate share of environmental expenses incurred by Plantation Pipe Line Company and described in footnote (e), and a $0.1 million decrease in expense reflecting the tax effect (savings) on the incremental legal expenses described in footnote (b).

(h) Years ended December 31, 2009 and 2008, seven months ended December 31, 2007 and five months ended May 31, 2007 volumes include ethanol volumes of 23.1 million barrels, 18.7 million barrels, 7.0 million barrels and 4.8 million barrels, respectively.

(i) Includes Pacific, Plantation, Calnev, Central Florida, Cochin, and Cypress pipeline volumes.

The Products Pipelines–KMP segment's primary businesses include transporting refined petroleum products and natural gas liquids through pipelines and operating liquid petroleum products terminals and petroleum pipeline transmix processing facilities. Combined, the certain items described in the footnotes to the table above accounted for decreases in earnings before depreciation, depletion and amortization expenses of $51.1 million in 2009 and $1,293.5 million in 2008; accounting for $1,242.4 million increase in earnings in 2009 when compared to 2008. Following is information related to the remaining increases and decreases in the segment's (i) earnings before depreciation, depletion and amortization expenses (EBDA) and (ii) revenues in 2009 when compared to 2008:

Year Ended December 31, 2009 versus Year Ended December 31, 2008

	EBDA Increase/(Decrease)		Revenues Increase/(Decrease)	
	(In millions, except percentages)			
Pacific operations	$ 21.2	8 %	$ 4.2	1 %
West Coast Terminals	13.4	25 %	12.8	16 %
Central Florida Pipeline	9.2	22 %	10.7	20 %
Transmix operations	7.7	26 %	6.2	15 %
Plantation Pipeline	3.8	10 %	(24.9)	(57) %
Calnev Pipeline	3.3	6 %	(0.2)	-
All others (including eliminations)	5.0	5 %	(3.2)	(2) %
Total Products Pipelines–KMP	$ 63.6	11 %	$ 5.6	1 %

Although ongoing weak economic conditions continued to dampen demand for refined petroleum products at many of the assets in this segment, resulting in lower diesel and jet fuel volumes and relatively flat gasoline volumes versus 2008, earnings were positively impacted by higher ethanol and terminal revenues from the Pacific operations and the Central Florida Pipeline, improved warehousing margins at existing and expanded West Coast terminal facilities, and an overall reduction in combined segment operating expenses in 2009, primarily due to lower outside services and other discretionary expenses, and to lower fuel and power expenses, when compared to a year earlier.

All of the assets and operations included in the Products Pipelines–KMP business segment reported higher earnings before depreciation, depletion and amortization in 2009 when compared to 2008, and the primary increases and decreases in segment earnings before depreciation, depletion and amortization in 2009 compared to 2008 were attributable to the following:

a $21.2 million (8%) increase in earnings from the Pacific operations—consisting of an $18.8 million decrease in combined operating expenses, a $4.2 million increase in total revenues, and a $1.8 million decrease in other operating and non-operating income items, relative to 2008.

The decrease in the Pacific operations' operating expenses in 2009 versus 2008 was primarily due to the following: (i) overall cost reductions (due in part to a 4% decrease in overall mainline delivery volumes) and delays in certain non-critical spending, (ii) lower fuel and power, and outside services expenses, (iii) higher product gains, (iv) lower right-of-way and environmental expenses and (v) lower legal expenses (due in part to incremental expenses associated with certain litigation settlements reached in 2008). The year-over-year increase in revenues was driven by higher delivery revenues to U.S. military customers, due to military tender increases in 2009, annual tariff rate increases which positively impacted the California products delivery revenues, and higher terminal revenues, primarily related to incremental ethanol handling services;

a $13.4 million (25%) increase in earnings from the West Coast terminal operations—largely revenue related, driven by higher revenues from the combined Carson/Los Angeles Harbor terminal system and by incremental returns from the completion of a number of capital expansion projects that modified and upgraded terminal infrastructure since the end of last year. Revenues at the Carson/Los Angeles terminal complex increased $8.8 million in 2009 versus 2008, due mainly to both increased warehouse charges (escalated warehousing contract rates resulting from customer contract revisions made since the end of 2008) and to new customers (including incremental terminaling for U.S. defense fuel services). Revenues from the remaining West Coast facilities increased $4.0 million in 2009 versus 2008, due mostly to additional throughput and storage services associated with renewable fuels (both ethanol and biodiesel), and partly to incremental revenues of $0.8 million from the terminals' Portland, Oregon Airport pipeline, which was acquired on July 31, 2009;

a $9.2 million (22%) increase in earnings from the Central Florida Pipeline—driven by incremental ethanol revenues and higher refined products delivery revenues, when compared to 2008. The increase from ethanol handling resulted from completed capital expansion projects that provided ethanol storage and terminal service beginning in mid-April 2008 at the Tampa and Orlando terminals, and the increase in pipeline delivery revenues was driven by higher average transportation rates that reflect two separate mid-year tariff rate increases that became effective July 1, 2008 and 2009;

a $7.7 million (26%) increase in earnings from the transmix operations—mainly due to a combined $8.0 million increase in revenues in 2009, associated with certain true-ups related to transmix settlement gains;

a $3.8 million (10%) increase in earnings from the approximate 51% equity ownership in the Plantation Pipe Line Company. Plantation's net income increased as a result of higher pipeline transportation revenues (due to both higher volumes and average tariffs) and incremental other income in 2009 from insurance reimbursements related to the settlement of certain previous environmental matters.

The decrease in revenues associated with the investment in Plantation in 2009 compared to 2008 was mainly due to a restructuring of the Plantation operating agreement between ExxonMobil and Kinder Morgan Energy Partners. On January 1, 2009, both parties agreed to reduce the fixed operating fees Kinder Morgan Energy Partners earns from operating the pipeline and to charge pipeline operating expenses directly to Plantation, resulting in a minimal impact to the earnings. Accordingly, the $24.9 million reduction in the fee revenues in 2009 was offset by a corresponding decrease in the operating expenses of $26.9 million; and

a $3.3 million (6%) increase in earnings from the Calnev Pipeline—driven by a $2.9 million reduction in combined fuel and power expenses in 2009 versus 2008. The drop in fuel and power expenses was due primarily to an overall 8% decrease in refined products delivery volumes, chiefly due to lower diesel volumes.

Earnings Before DD&A by Major Segment Asset

	Successor Company Seven Months Ended December 31, 2007 (In millions)	Predecessor Company Five Months Ended May 31, 2007 (In millions)
Pacific operations	$ (10.3)	$ 105.1
Calnev Pipeline	27.5	20.1
West Coast Terminals	24.3	19.3
Plantation Pipeline	22.2	18.2
Central Florida Pipeline	21.9	15.3
Cochin Pipeline System	30.6	15.3
Southeast Terminals	24.8	16.6
Transmix operations	18.3	12.4
All others	3.2	2.1
Segment Earnings Before DD&A	$ 162.5	$ 224.4

Revenues by Major Segment Asset

	Successor Company Seven Months Ended December 31, 2007 (In millions)	Predecessor Company Five Months Ended May 31, 2007 (In millions)
Pacific operations	$ 224.4	$ 156.0
Calnev Pipeline	41.9	27.7
West Coast Terminals	42.9	29.1
Plantation Pipeline	24.6	17.6
Central Florida Pipeline	27.1	19.3

Cochin Pipeline System	42.6	32.3
Southeast Terminals	38.4	29.9
Transmix operations	25.8	17.5
All others	3.8	2.4
Segment Revenues	$ 471.5	$ 331.8

Seven Months Ended December 31, 2007

The results for the seven months were negatively impacted by $154.9 million of legal liability adjustments primarily associated with the Pacific operations. Offsetting the charges, earnings before DD&A for this segment were positively affected by (i) approximately $15.4 million associated with Kinder Morgan Energy Partners' January 1, 2007 acquisition of the remaining ownership interest in Cochin (approximately 50.2%) that it did not already own, at which time Kinder Morgan Energy Partners became the pipeline operator, (ii) strong pipeline revenues from the Plantation Pipeline for the period, largely due to favorable oil loss allowance tariff rates, relative to pipeline operating expenses that included only minor pipeline integrity expenses, (iii) favorable margins and strong mainline delivery volumes from the 2006 East Line pipeline expansion and demand from West Coast military bases within the Pacific operations, (iv) military and commercial tariff rate increases in 2007 on the Calnev Pipeline, (v) strong demand for terminal services at the Carson/Los Angeles Harbor terminal system, recently expanded in 2006, and the Linnton and Willbridge terminals located in Portland, Oregon, included in the West Coast Terminals operations, (vi) $4.8 million of earnings before DD&A and $5.7 million of revenue generated by the Kinder Morgan Energy Partners' approximate $11 million Greensboro facility, placed in service in 2006, which is used for petroleum pipeline transmix operations and (vii) the West Coast Terminals' $3.6 million gain on the sale of its interest in the Black Oil pipeline system in Los Angeles, California in June 2007.

Effective October 5, 2007, Kinder Morgan Energy Partners sold its North System common carrier natural gas liquids pipeline and its 50% ownership interest in the Heartland Pipeline Company to ONEOK Partners, L.P. for approximately $295.7 million in cash, and used the proceeds received to pay down short-term debt borrowings. The North System business results of operations are not included in the tables and discussion above and have been classified to Discontinued Operations on the accompanying Statements of Operations for the seven months ended December 31, 2007 and five months ended May 31, 2007.

Five Months Ended May 31, 2007

Earnings before DD&A were positively affected by (i) approximately $7.7 million associated with Kinder Morgan Energy Partners' January 1, 2007 acquisition of the remaining ownership interest in Cochin (approximately 50.2%) that it did not already own, at which time Kinder Morgan Energy Partners became the pipeline operator, (ii) an increase in average tariff rates and mainline delivery from the 2006 expansion of the East Line pipeline within the Pacific operations and demand from West Coast military bases, which contributed to the Pacific operations' revenues and earnings, (iii) strong demand for throughput volumes at the combined Carson/Los Angeles Harbor terminal system and the Linnton and Willbridge terminals located in Portland, Oregon, for the West Coast Terminals operations and (iv) $2.8 million of earnings before DD&A and $3.3 million of revenue generated by the Kinder Morgan Energy Partners' Greensboro facility discussed above. The results for the five months were negatively impacted by a $2.2 million expense associated with East Line pipeline legal liability adjustments.

Natural Gas Pipelines–KMP

	Successor Company			Predecessor Company
	Year Ended December 31, 2009	2008	Seven Months Ended December 31, 2007	Five Months Ended May 31, 2007
	(In millions, except operating statistics)			(In millions, except operating statistics)
Revenues	$ 3,806.9	$ 8,422.0	$ 3,825.9	$ 2,640.6
Operating expenses(a)	(3,192.7)	(7,803.3)	(3,461.4)	(2,418.5)
Other income (expense) (b)	6.6	0.2	1.9	(0.1)
Goodwill impairment(c)	-	(2,090.2)	-	-
Earnings from equity investments	141.8	113.4	10.3	8.9
	31.8	16.3	-	0.2

Interest income and other, net-income				
Income tax expense	(5.7)	(2.7)	(3.4)	(2.6)
Earnings (loss) before depreciation, depletion and amortization expense and amortization of excess cost of equity investments	$ 788.7	$ (1,344.3)	$ 373.3	$ 228.5
Natural gas transport volumes (Trillion Btus)(d)	2,284.8	2,008.6	1,067.0	645.6
Natural gas sales volumes (Trillion Btus)(e)	794.5	866.9	519.7	345.8

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(a) 2009 and 2008 amounts include a $5.6 million decrease in income and a $5.6 million increase in income, respectively, resulting from unrealized mark to market gains and losses due to the discontinuance of hedge accounting at Casper Douglas. Beginning in the second quarter of 2008, the Casper and Douglas gas processing operations discontinued hedge accounting. 2009 amount also includes a $0.1 million increase in expense from the amounts previously reported in Kinder Morgan Energy Partners' 2009 fourth quarter earnings release issued on January 20, 2010, associated with adjustments to long-term receivables for environmental cost recoveries. 2008 amount includes a $5.0 million increase in expense related to hurricane clean-up and repair activities, a $0.3 million increase in expense associated with legal liability adjustments, and a $0.5 million decrease in expense associated with environmental liability adjustments. Amounts also include increases in earnings of $0.3 million and $0.8 million for the years ended 2009 and 2008, respectively, resulting from valuation adjustments related to derivative contracts in place at the time of the Going Private transaction and recorded in the application of the purchase method of accounting.

(b) 2009 amount includes gains of $7.8 million from hurricane casualty indemnifications. 2009 and 2008 amounts include $1.2 million and $3.1 million, respectively, in decreased earnings related to assets sold, and 2008 amount also includes a $0.6 million increase in earnings related to valuation adjustments of assets. These assets had been revalued as part of the Going Private transaction and recorded in the application of the purchase method of accounting.
(c) 2008 amount include non-cash goodwill impairment adjustments of $2,090.2 million.
(d) Includes Kinder Morgan Interstate Gas Transmission LLC, Trailblazer Pipeline Company LLC, TransColorado Gas Transmission Company LLC, Rockies Express Pipeline LLC, Midcontinent Express Pipeline LLC, Kinder Morgan Louisiana Pipeline LLC and Texas intrastate natural gas pipeline group pipeline volumes.
(e) Represents Texas intrastate natural gas pipeline group volumes.

The Natural Gas Pipelines–KMP segment's primary businesses involve marketing, transporting, storing, gathering, processing and treating natural gas through both intrastate and interstate pipeline systems and related facilities. Combined, the certain items described in the footnotes to the table above accounted for an increase of $1.2 million in 2009 and a decrease of $2,091.1 million in 2008 in earnings before depreciation, depletion and amortization expenses; accounting for a $2,092.3 million increase in earnings before depreciation, depletion and amortization expenses in 2009 when compared to 2008. Following is information related to the increases and decreases in the segment's (i) remaining changes in earnings before depreciation, depletion and amortization expenses ("EBDA") and (ii) revenues in 2009 when compared to 2008:

Year Ended December 31, 2009 versus Year Ended December 31, 2008

	EBDA Increase/(Decrease)		Revenues Increase/(Decrease)	
	(In millions, except percentages)			
Kinder Morgan Louisiana Pipeline	$30.2	n/a	$25.3	n/a
Midcontinent Express Pipeline	14.1	n/a	-	-
Rockies Express Pipeline	13.2	16 %	-	-
Kinder Morgan Interstate Gas Transmission	9.6	8 %	(24.6)	(4) %
Kinder Morgan Gas Treating	9.4	n/a	14.2	n/a
TransColorado Pipeline	(3.5)	(6) %	(2.6)	(4) %
Texas Intrastate Natural Gas Pipeline Group	(34.0)	(9) %	(4,580.7)	(57) %
All others	1.7	2 %	(46.7)	(25) %
Intrasegment eliminations	-	-	-	-
Total Natural Gas Pipelines–KMP	$40.7	5 %	$(4,615.1)	(55) %

The overall increase in the Natural Gas Pipelines–KMP's earnings before depreciation, depletion and amortization expenses in 2009 versus 2008 was driven by incremental contributions from the fully-owned Kinder Morgan Louisiana pipeline system, the 50% investment in the Midcontinent Express pipeline system, and the 50% investment in the Rockies Express pipeline system. Kinder Morgan Energy Partners accounts for the investments in Midcontinent Express and Rockies Express under the equity method of accounting.

The Kinder Morgan Louisiana Pipeline commenced limited natural gas transportation service on the pipeline system in April 2009, and construction was fully completed and transportation service on the system's remaining portions began in full on June 21, 2009. The overall incremental earnings in 2009 compared to 2008 consisted of operating income (revenues less operating expenses) of $18.4 million and non-operating other income of $11.8 million, due primarily to higher non-cash allowances for capital funds used during construction. Pursuant to FERC regulations governing allowances for capital funds that are used for pipeline construction costs (an equity cost of capital allowance), Kinder Morgan Energy Partners was allowed a reasonable return on the construction costs that it funded by equity contributions, similar to the allowance for capital costs funded by borrowings.

The incremental equity earnings from Midcontinent Express also relates to the start-up of natural gas transportation service in 2009. The system commenced interim service for Zone 1 of its pipeline system on April 10, 2009, with deliveries to Natural Gas Pipeline Company of America. Natural gas service to all Zone 1 delivery points occurred by May 21, 2009, and on August 1, 2009, the system's remaining portion (Zone2) was placed into service. Currently, the pipeline system can provide transportation service for up to 1.4 billion cubic feet per day of natural gas, and the pipeline capacity is fully subscribed with long-term binding commitments from creditworthy shippers.

The increase in earnings from Rockies Express was primarily attributable to both the completion and start-up of the Rockies Express-East pipeline segment in 2009 and to the inclusion of a full year of operations from the Rockies Express-West pipeline segment. The Rockies Express-East line is the third and final phase of the Rockies Express joint venture project. It began initial pipeline service on June 29, 2009, and began full operations on November 12, 2009. The Rockies Express-West line began initial pipeline service on January 12, 2008, and began full operations on May 20, 2008.

On November 14, 2009, a pipeline girth weld failure on the Rockies Express-East line resulted in approximately 60 miles of the pipeline being shutdown. The pipeline was placed back into service at a reduced capacity on January 27, 2010, and at full capacity on February 6, 2010. The negative impact on the equity earnings from Rockies Express in the fourth quarter of 2009 was approximately $16 million.

Following is information on other year-over-year increases and decreases in segment earnings before depreciation, depletion and amortization expenses in 2009 compared to 2008:

a $9.6 million (8%) increase in earnings from the Kinder Morgan Interstate Gas Transmission pipeline system ("KMIGT")— driven by higher operational gas sales margins, higher firm transportation demand fees (resulting from both system expansions and incremental ethanol customers) and higher pipeline fuel recoveries (KMIGT's operational gas sales are primarily made possible by its collection of fuel in-kind pursuant to its transportation tariffs and recovery of storage cushion gas volumes);

incremental earnings of $9.4 million from Kinder Morgan Gas Treating, L.P., which acquired the natural gas treating business from Crosstex Energy, L.P. and Crosstex Energy, Inc. effective October 1, 2009. The business consists of multiple natural gas treating plants, predominantly located in Texas and Louisiana, that are used to remove impurities and liquids from natural gas in order to meet pipeline quality specifications;

a $3.5 million (6%) decrease in earnings from the TransColorado Pipeline—primarily due to a $2.6 million (4%) drop in natural gas transportation revenues and partly to increases in both pipeline remediation expenses and property tax expenses in 2009 compared to 2008. The decrease in transportation revenues related primarily to the negative impact caused by the increased transportation service offered by a competing pipeline in 2009; and

a $34.0 million (9%) decrease in earnings from the Texas intrastate natural gas pipeline group—mainly attributable to (i) lower margins from natural gas sales, primarily due to lower sales volumes and to higher supply prices relative to sales prices in 2009. The increase in supply prices resulted from a decline in field volumes being replaced with more expensive supplies from more liquid supply locations in 2009, (ii) lower natural gas processing margins, due to unfavorable gross processing spreads as a result of significantly lower average natural gas liquids prices in 2009 and (iii) higher system operational expenses, due primarily to higher pipeline integrity expenses relative to last year. The overall decreases in earnings were partially offset by higher year-to-year natural gas storage margins which resulted from favorable proprietary and fee based storage activities and from the leasing of additional storage capacity to customers from completed capital expansion projects.

The Texas intrastate natural gas pipeline group includes the operations of the following four natural gas pipeline systems: Kinder Morgan Tejas (including Kinder Morgan Border Pipeline), Kinder Morgan Texas Pipeline, Kinder Morgan North Texas Pipeline and the Mier-Monterrey Mexico Pipeline, and combined, the group accounted for 46% and 53%, respectively, of the segment's earnings before depreciation, depletion and amortization expenses in 2009 and 2008, 89% and 95%, respectively, of the segment's revenues in 2009 and 2008, and 95% and 97%, respectively, of the segment's operating expenses in 2009 and 2008.

For each of the years 2009 and 2008, the overall changes in both segment revenues and segment operating expenses (which include natural gas costs of sales) primarily relate to the natural gas purchase and sale activities of the intrastate group, with the variances from year-to-year in both revenues and operating expenses mainly due to corresponding changes in the intrastate group's average prices and volumes for natural gas purchased and sold. The group both purchases and sells significant volumes of natural gas, which is often stored and/or transported on its pipelines, and because the group generally sells natural gas in the same price environment in which it is purchased, the increases and decreases in its gas sales revenues are largely offset by corresponding increases and decreases in gas purchase costs.

With regard to natural gas sales activity, the intrastate group's business strategy involves relying both on long and short-term natural gas sales and purchase agreements, and the Texas intrastate natural gas pipeline group uses this flexibility to help optimize the margins realized by capturing favorable differences due to changes in timing, location, prices and volumes. To the extent possible, the Texas intrastate natural gas pipeline group balances the pricing and timing of the natural gas purchases to the natural gas sales, and the purchase and sales contracts are frequently settled in terms of an index price for both purchases and sales. Generally, the Texas intrastate natural gas pipeline group attempts to lock-in an acceptable margin by capturing the difference between the average gas sales prices and the average gas purchase and cost of fuel prices.

Earnings Before DD&A by Major Segment Asset

	Successor Company Seven Months Ended December 31, 2007 (In millions)	Predecessor Company Five Months Ended May 31, 2007 (In millions)
Texas Intrastate Natural Gas Pipeline Group	$ 221.1	$ 133.0
Kinder Morgan Interstate Gas Transmission	65.7	43.1
Trailblazer Pipeline	31.9	18.1
TransColorado Pipeline	25.7	17.9
Rockies Express Pipeline	(8.3)	(4.3)
Casper and Douglas Gas Processing	18.0	7.3
All others	19.2	13.4
Segment Earnings Before DD&A	$ 373.3	$ 228.5

Revenues by Major Segment Activities

	Successor Company Seven Months Ended December 31, 2007 (In millions)	Predecessor Company Five Months Ended May 31, 2007 (In millions)
Texas Intrastate Natural Gas Pipeline Group	$ 3,562.0	$ 2,492.4
Kinder Morgan Interstate Gas Transmission	130.7	70.7
Trailblazer Pipeline	36.4	22.6
TransColorado Pipeline	30.3	20.7
Casper and Douglas Gas Processing	67.1	34.7
All others	0.2	-
Intrasegment eliminations	(0.8)	(0.5)
Segment Revenues	$ 3,825.9	$ 2,640.6

Seven Months Ended December 31, 2007

Earnings before DD&A in the seven months ended December 31, 2007 were also positively affected by (i) strong performances by the Texas intrastate natural gas pipeline group due to (a) favorable natural gas sales margins on renewal contracts, (b) increased transportation service revenue due to a new long-term contract with a major customer that became effective April 1, 2007, (c) greater value from natural gas storage activities and natural gas processing margins, (d) sales of cushion gas due to the termination of a storage facility lease and (e) storage revenues from transportation and storage under a new long term contract with a major customer that became effective April 1,2007, (ii) strong performance from KMIGT, Trailblazer Pipeline and TransColorado Pipeline due mainly to solid earnings from transportation and natural gas park and loan services and (iii) earnings from Casper and Douglas gas processing operations that had solid natural gas liquids sales revenues driven by favorable prices and volumes.

Adversely affecting earnings before DD&A in the seven months ended December 31, 2007 was Kinder Morgan Energy Partners' share of net losses from its equity investment in Rockies Express due to depreciation and interest expenses allocable to a segment of this project that was placed in service in February 2007, and until the completion of the Rockies Express-West project which became fully operational in May 2008, generated only limited natural gas reservation revenues and volumes.

Five Months Ended May 31, 2007

Earnings before DD&A in the five months ended May 31, 2007 were positively affected by (i) strong performances by the Texas intrastate natural gas pipeline group due to (a) favorable natural gas sales margins on renewal and incremental contracts, (b) strong demand for and favorable rates on transportation services, (c) greater value from natural gas storage activities and natural gas processing margins, (d) sales of cushion gas due to the termination of a storage facility lease and (e) storage revenues from a new long-term contract with a major customer that became effective April 1, 2007, (ii) strong performance from KMIGT, Trailblazer Pipeline and TransColorado Pipeline due mainly to solid earnings from transportation and natural gas park and loan services and (iii) earnings from Casper and Douglas gas processing operations that had solid natural gas liquids sales revenues driven by favorable prices and volumes.

Rockies Express operations adversely affected earnings before DD&A by $4.3 million for the five months ended May 31, 2007 as depreciation and interest expenses were in excess of gross profits realized on limited natural gas reservation revenues and volumes.

CO2–KMP

	Successor Company			Predecessor Company
	Year Ended December 31, 2009	Year Ended December 31, 2008	Seven Months Ended December 31, 2007	Five Months Ended May 31, 2007
	(In millions, except operating statistics)			(In millions, except operating statistics)
Revenues(a)	$ 1,131.3	$ 1,269.2	$ 605.9	$ 324.2
Operating expenses(b)	(271.1)	(391.8)	(182.7)	(121.5)
Earnings from equity investments	22.3	20.7	10.5	8.7
Other, net income (expense)	-	1.9	0.1	(0.1)
Income tax expense	(4.0)	(3.9)	(0.8)	(1.3)
Earnings before depreciation, depletion and amortization expense and amortization of excess cost of equity investments	$ 878.5	$ 896.1	$ 433.0	$ 210.0
Carbon dioxide delivery volumes (Bcf)(c)	774.0	732.1	365.0	272.3
SACROC oil production (gross)(MBbl/d)(d)	30.1	28.0	26.5	29.1
SACROC oil production (net)(MBbl/d)(e)	25.1	23.3	22.1	24.2
Yates oil production (gross)(MBbl/d)(d)	26.5	27.6	27.4	26.4
Yates oil production (net)(MBbl/d)(e)	11.8	12.3	12.2	11.7
Natural gas liquids sales volumes (net)(MBbl/d)(e)	9.5	8.4	9.5	9.7
Realized weighted average oil price per Bbl(f)(g)	$ 49.55	$ 49.42	$ 36.80	$ 35.03
	$ 37.96	$ 63.00	$ 58.55	$ 45.04

Realized weighted average natural gas liquids price per Bbl(g)(h)

(a) 2009 amount includes a $13.5 million unrealized loss (from a decrease in revenues) on derivative contracts used to hedge forecasted crude oil sales. Also, amounts include increases in segment earnings resulting from valuation adjustments of $95.6 million and $136.2 million for the years ended 2009 and 2008, respectively, related to derivative contracts in place at the time of the Going Private transaction and recorded in the application of the purchase method of accounting.
(b) 2008 amount includes increases in expense associated with environmental liability adjustments of $0.3 million.
(c) Includes Cortez, Central Basin, Canyon Reef Carriers, Centerline and Pecos pipeline volumes.
(d) Represents 100% of the production from the field. Kinder Morgan Energy Partners owns an approximately 97% working interest in the SACROC unit and an approximately 50% working interest in the Yates unit.
(e) Net to Kinder Morgan Energy Partners after royalties and outside working interests.
(f) Includes all Kinder Morgan Energy Partners owned crude oil production properties.
(g) Hedge gains/losses for crude oil and natural gas liquids are included with crude oil.
(h) Includes production attributable to leasehold ownership and production attributable to Kinder Morgan Energy Partners ownership in processing plants and third party processing agreements.

The CO_2–KMP segment's primary businesses involve the production, marketing and transportation of both carbon dioxide (commonly called CO_2) and crude oil, and the production and marketing of natural gas and natural gas liquids. Combined, the certain items described in the footnotes to the table above accounted for increases in earnings before depreciation, depletion and amortization expenses of $82.1 million in 2009 and $135.9 million in 2008; accounting for decreases in earnings before depreciation, depletion and amortization expenses of $53.8 million in 2009 when compared with 2008. For each of the segment's two primary businesses, following is information related to the remaining changes in (i) earnings before depreciation, depletion and amortization expenses and (ii) revenues in 2009 when compared to 2008:

Year Ended December 31, 2009 versus Year Ended December 31, 2008

	EBDA Increase/(Decrease)		Revenues Increase/(Decrease)	
	(In millions, except percentages)			
Sales and transportation activities	$(84.4)	(28)%	$(78.2)	(23)%
Oil and gas producing activities	120.6	26%	(44.5)	(5)%
Intrasegment eliminations	-	-	38.9	46%
Total CO2–KMP	$36.2	5%	$(83.8)	(7)%

The segment's overall $36.2 million (5%) increase in earnings before depreciation, depletion and amortization expenses in 2009 compared to 2008 was due to a $120.6 million (26%) increase in earnings from its oil and gas producing activities, which include the operations associated with its ownership interests in oil-producing fields and natural gas processing plants. Generally, earnings from the segment's oil and gas producing activities align closely with the revenues it earns from both crude oil and natural gas plant products sales, but the overall increase in earnings in 2009 consisted of (i) a $166.1 million (39%) increase from lower oil and gas related operating expenses, (ii) a $44.5 million (5%) decrease from lower revenues and (iii) a $1.0 million (51%) decrease in other income items.

The overall decrease in combined operating expenses in 2009 consisted of a $103.6 million (29%) decrease in oil and gas related field operating and maintenance expenses (including all cost of sales and fuel and power expenses), and a $62.5 million (87%) decrease in taxes, other than income tax expenses. The decrease in operating expenses in 2009 compared to 2008 was primarily due to (i) lower prices charged by the industry's material and service providers (for items such as outside services, maintenance, and well workover services), which impacted rig costs, other materials and services, and capital and exploratory costs, (ii) lower fuel and utility rates and (iii) the successful renewal of lower priced service and supply contracts negotiated by the CO2–KMP segment since the end of 2008. The overall decrease in other tax expenses, relative to 2008, was driven by a decrease in severance tax expenses, related both to the decrease in natural gas liquids and crude oil sales revenues (discussed following) and to a $30.3 million favorable adjustment to the accrued severance tax liabilities due to prior year overpayments.

The overall $44.5 million (5%) decline in oil and gas related revenues in 2009 versus 2008 was driven by a $61.2 million (32%) decrease in natural gas liquids sales revenues, but partly offset by a $22.9 million (3%) increase in crude oil sales revenues, due to a 3% increase in crude oil sales volumes. The decrease in liquids sales revenues was due entirely to a 40% decrease in the realized weighted average price per barrel of liquids in 2009; however, the decrease in revenues caused by lower natural gas liquids realizations in 2009 was partly offset by higher revenues resulting from a 13% increase in natural gas liquids sales volumes in 2009, due in part to the negative impact on sales volumes in 2008 from Hurricane Ike.

The realized weighted average price per barrel of oil was essentially flat across both 2009 and 2008, although average industry price levels for crude oil have increased since the beginning of 2009. Because prices of crude oil and natural gas liquids are subject to external factors over which Kinder Morgan Energy Partners has no control, and because future price changes may be volatile, the CO2–KMP business segment is exposed to price risk related to the price volatility of these commodities. To some extent, however, Kinder Morgan Energy Partners is able to mitigate this risk through a long-term hedging strategy that is intended to generate more stable realized prices by using derivative contracts as hedges to the exposure of fluctuating expected future cash flows produced by changes in commodity sales prices. Nonetheless, decreases in the prices of crude oil and natural gas liquids will have a negative impact on the results of the CO2–KMP segment, and Kinder Morgan Energy Partners has exposure on all unhedged sales volumes, the majority of which are natural gas liquids volumes. Had Kinder Morgan Energy Partners not used energy derivative contracts to transfer commodity price risk, the crude oil sales prices would have averaged $59.02 per barrel in 2009 and $97.70 per barrel in 2008.

The $84.4 million (28%) decrease in the segment's sales and transportation earnings for 2009 versus 2008 was due primarily to the $78.2 million (23%) drop in revenues, which included both a $65.4 million (28%) decrease in carbon dioxide sales revenues and a $9.7 million (11%) decrease in carbon dioxide and crude oil pipeline transportation revenues. The decrease from carbon dioxide sales revenues was entirely price related, as the segment's average price received from carbon dioxide sales in 2009 decreased 36% compared to last year, reducing revenues by $95.8 million. The decrease in carbon dioxide sales revenues resulting from the unfavorable price change more than offset a $30.4 million increase in sales revenues resulting from higher sales volumes, which increased 13% in 2009, primarily due to carbon dioxide expansion projects completed since the end of 2008, and to a continued strong demand for carbon dioxide from tertiary oil recovery projects. Although Kinder Morgan Energy Partners purchases certain volumes of carbon dioxide on an intercompany basis for use, Kinder Morgan Energy Partners does not recognize profits on carbon dioxide sales to itself.

The overall decrease in carbon dioxide and crude oil pipeline transportation revenues in 2009 versus 2008 was mainly due to lower carbon dioxide transportation revenues from the Central Basin Pipeline and to lower crude oil transportation revenues from the Wink Pipeline. Although its deliveries of carbon dioxide volumes increased 7% in 2009—and combined segment delivery volumes increased 6%—Central Basin's revenues were negatively impacted by lower weighted average transportation rates, due partly to the fact that a portion of its carbon dioxide transportation contracts were indexed to lower oil prices in 2009, when compared to last year. The decrease in delivery revenues from the Wink crude oil pipeline was primarily due to lower pipeline loss allowance revenues in 2009, resulting from lower market prices for crude oil relative to last year.

For more information on Kinder Morgan Energy Partners ownership interests in the net quantities of proved oil and gas reserves and its measures of discounted future net cash flows from oil and gas reserves, please see Note 20 of the accompanying Notes to Consolidated Financial Statements.

Earnings Before DD&A by Major Segment Activities

	Successor Company Seven Months Ended December 31, 2007 (In millions)	Predecessor Company Five Months Ended May 31, 2007 (In millions)
Sales and transportation activities	$ 110.4	$ 67.2
Oil and gas production activities	322.6	142.8
Segment Earnings Before DD&A	$ 433.0	$ 210.0

Revenues by Major Segment Activities

	Successor Company Seven Months Ended December 31, 2007 (In millions)	Predecessor Company Five Months Ended May 31, 2007 (In millions)
Sales and transportation activities	$ 116.1	$ 71.3
Oil and gas production activities	518.7	271.7
Intrasegment eliminations	(28.9)	(18.8)
Segment Revenues	$ 605.9	$ 324.2

Seven Months Ended December 31, 2007

For the seven months ended December 31, 2007, SACROC’s gross production averaged 26.5 thousand barrels per day and Yates’ gross production averaged 27.4 thousand barrels per day. SACROC contributed approximately 56% of earnings before DD&A for the total oil and gas producing activities. The earnings before DD&A in the seven months ended December 31, 2007 were positively affected by (i) strong average crude oil and natural gas plant product prices,

(ii) strong oil production at the Yates field unit and (iii) a favorable realized weighted-average price per barrel in the SACROC field unit gas processing operations. The period’s results were also positively affected by valuation adjustments of $106.0 million for derivative contracts on crude oil hedges.

Partially offsetting these factors was a reduced average carbon dioxide realized sales price resulting from the December 2006 expiration of a large volume high-priced sales contract.

With respect to crude oil, overall sales volumes were stable, but the segment benefited from a strong realized weighted-average price per barrel. With respect to natural gas liquids, low sales volumes were more than offset by a favorable realized weighted-average price per barrel.

Five Months Ended May 31, 2007

The segment’s sales and transportation activities were adversely affected by a decrease in average carbon dioxide prices. A significant portion of the decrease in average carbon dioxide prices is timing related, as some of the segment’s carbon dioxide contracts are tied to crude oil prices in prior periods, and the 2007 contracts had been tied to lower crude oil prices, relative to 2006. These decreases in carbon dioxide prices were only partially offset by slightly higher carbon dioxide sales volumes related to increased carbon dioxide production from the McElmo Dome source field.

Highlights surrounding oil and gas producing activities for the five months ended May 31, 2007 include (i) increases in oil production at the Yates field unit, (ii) favorable weighted-average price per barrel and (iii) solid earnings from natural gas liquids sales volumes and prices, largely due to increased recoveries at the SACROC gas processing operations.

Terminals–KMP

	Successor Company			Predecessor Company
	Year Ended December 31,		Seven Months Ended December 31,	Five Months Ended May 31,
	2009	2008	2007	2007
	(In millions, except operating statistics)			(In millions, except operating statistics)
Revenues	$ 1,109.0	$ 1,173.6	$ 599.2	$ 364.5
Operating expenses(a)	(536.8)	(631.8)	(344.2)	(192.2)
Other income (expense)(b)	25.0	(6.4)	3.3	3.0
Goodwill impairment(c)	-	(676.6)	-	-
Earnings from equity investments	0.7	2.7	0.6	-
Other, net-income	3.7	1.7	0.7	0.3
Income tax expense(d)	(5.2)	(19.7)	(15.9)	(3.3)
Earnings (loss) before depreciation, depletion and amortization expense and amortization of excess cost of equity investments	$ 596.4	$ (156.5)	$ 243.7	$ 172.3
Bulk transload tonnage (MMtons)(e)	78.0	103.0	62.5	33.7
Ethanol (MMBbl)	32.9			