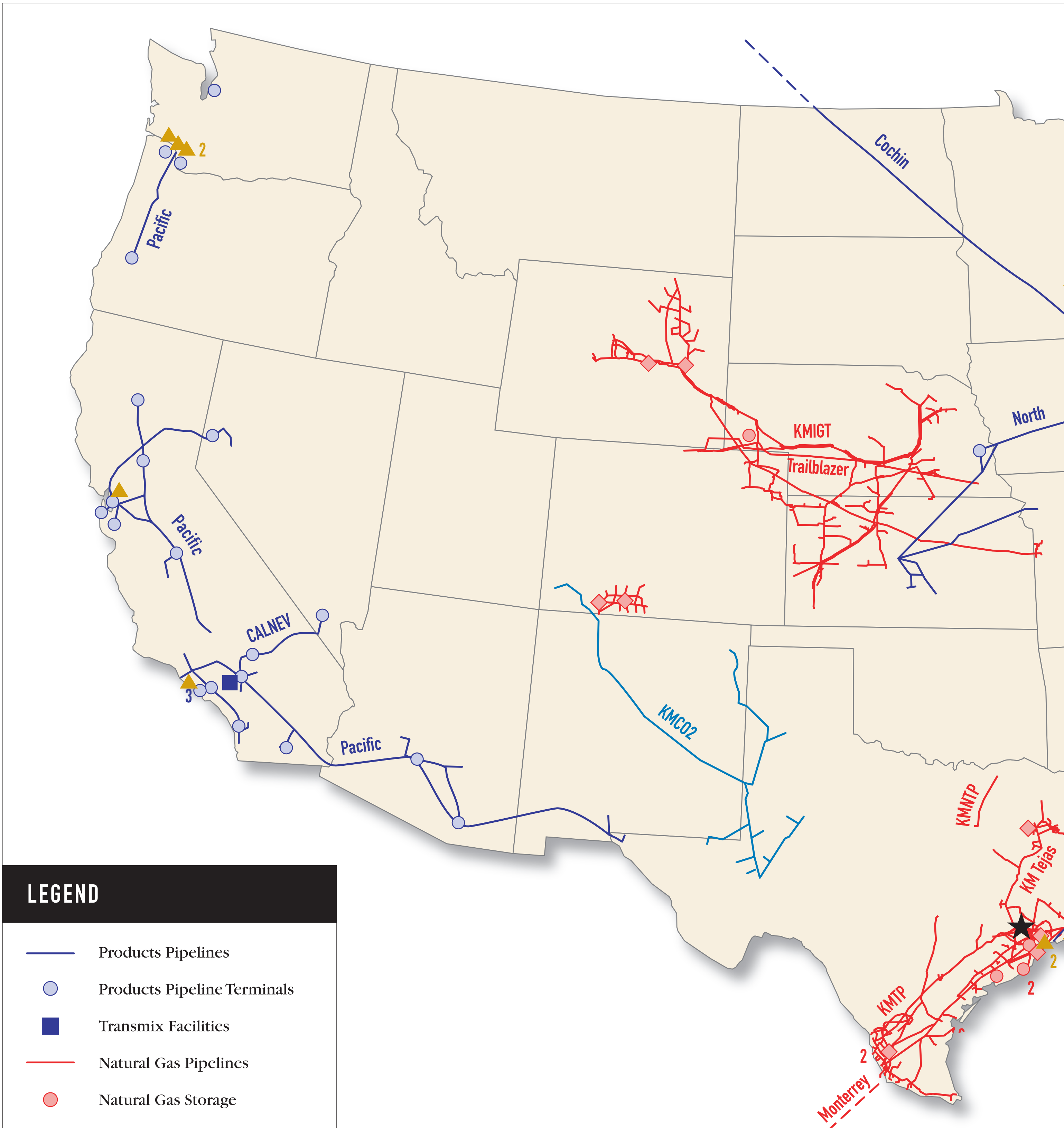
KINDER MORGAN
ENERGY PARTNERS, L.P.

2002 ANNUAL REPORT



LEGEND

- Products Pipelines
- Products Pipeline Terminals
- Transmix Facilities
- Natural Gas Pipelines
- Natural Gas Storage
- Natural Gas Processing/ Treating Plants
- CO_2 Pipelines
- Terminals
- (2, 3, 8) Indicates # of facilities in area
- Kinder Morgan Headquarters Houston, Texas

PRODUCTS PIPELINES

Largest independent products pipeline owner/operator in the U.S.; transport over 2 million barrels/day of gasoline, jet fuel, diesel fuel and natural gas liquids through 10,000 miles of pipeline; more than 30 products pipeline terminals with a storage capacity of about 20 million barrels; and 5 transmix facilities.

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TERMINALS

Largest independent operator of terminals in the U.S.; approximately 50 terminals nationwide handle over 60 million tons annually of coal and other dry-bulk materials and have a liquids storage capacity of 35 million barrels for petroleum products and chemicals; segment also includes more than 60 transload facilities.

NATURAL GAS PIPELINES

Major transporter of natural gas in Texas and the Rocky Mountain, Midwest and Gulf Coast areas; 15,000-mile pipeline system has transportation capacity of 7.8 billion cubic feet/day and includes gathering, treating, processing and storage facilities.

CO_2 PIPELINES

Largest transporter and marketer of carbon dioxide for enhanced oil recovery projects in the U.S.; transport more than 1 billion cubic feet/day of CO_2; more than 900 miles of pipeline and significant ownership interests in essential CO_2 infrastructure and oil-producing fields in Texas, including the SACROC Unit.

LETTER TO UNITHOLDERS

Kinder Morgan Energy Partners, L.P. (NYSE: KMP) generated record earnings and cash flow in 2002 and has nearly quadrupled the distribution to unitholders since KMP was formed six years ago. We are very proud of our financial performance in a tumultuous year in which there was uncertainty around the world, increased scrutiny across corporate America and volatile energy and financial markets.

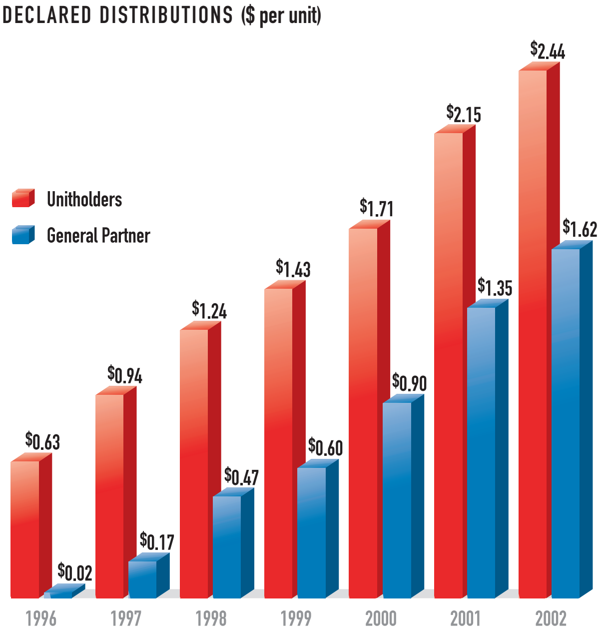
Net income for KMP in 2002 was $608.4 million, up 38 percent over 2001, or $1.96 per common unit versus $1.56 in 2001. Each of our business segments reported increased earnings over the previous year. The cash distribution per common unit was increased to an annualized rate of $2.50 at year-end 2002, up 14 percent over the previous year.

Our total return to unitholders in 2002, including reinvested distributions, was -1 percent. Although we are pleased that KMP significantly outperformed the S&P 500 (-22 percent), we are not satisfied with our return, as it is not indicative of the value that we have historically delivered to our unitholders or the overall strength of the company.

Strong internal growth and contributions from acquired assets drove our record earnings. While many companies have dramatically altered their business models to adapt to changing market conditions, KMP continues to produce superb financial results by successfully executing the same strategy upon which our company was founded. We focus on fee-based pipelines and terminals that are core to the energy infrastructure of growing markets, and our objective is to grow distributions to our partners by increasing utilization of these assets while controlling costs.

Distribution Nearly Quadruples in Six Years – 650% Total Return to Unitholders

DECLARED DISTRIBUTIONS ($ per unit)



With skepticism and mistrust hanging over much of corporate America, we want to give you specific examples of how Kinder Morgan is managed differently than many other companies.

- Kinder Morgan is committed to keeping costs low. Base salaries for senior management are limited to $200,000 a year, well below the industry median. We don't own corporate jets or fly first class, we don't do any advertising or produce expensive annual reports, and we don't own suites or tickets to sporting events.

- Senior management pays great attention to detail, holding weekly reviews of our operational and financial performance for every asset. Our strategy requires proficient execution to turn modest top-line growth into significant growth in distributions.

- We publish our annual budget each January on our web site, www.kindermorgan.com, and we will continue to review and explain any variances to the published plan during our quarterly earnings calls (accessible to unitholders via webcast).

- We avoid businesses with direct commodity price exposure whenever possible. When there is exposure, we hedge to minimize the risk. We don't have trading and marketing businesses.

- We believe management and unitholders' incentives should be aligned. To that end, I am one of the lowest-paid CEOs of any major company in America. I receive a salary of $1 a year, with no bonuses, stock options or restricted stock. The rest of our employees have an annual incentive plan that is tied to our published budget, and we must meet our financial targets before any bonuses can be paid. Last year, because we beat our published plan, we paid generous bonuses to our employees.

- We work hard to maintain a solid balance sheet and have excellent access to the capital markets. In 2002, KMP successfully issued both equity and debt, and we renewed our credit facilities on better terms. KMP's credit ratings are strong (Baa1/BBB+).

Since our formation, KMP has delivered exceptional value, outperforming the S&P 500 five of the last six years and averaging a 40 percent annualized total return compared to 4 percent for the broader market. As the

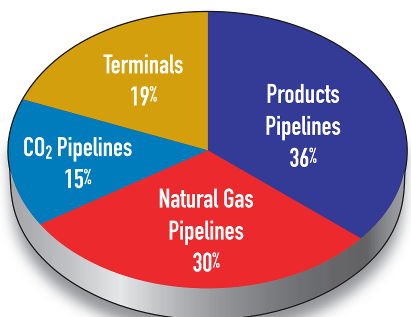
distribution per limited partner unit has grown from $0.63 to $2.50 (compound annual growth rate of 23 percent), the general partner's share of distributions has also increased significantly. We believe the distribution sharing mechanism contained in our partnership agreement is a win-win. It gives the general partner a powerful incentive to grow distributions while also protecting common unitholder distributions from unexpected downsides.

BUSINESS SEGMENTS

The **Products Pipelines** segment delivered an 11 percent increase in 2002 earnings before depreciation, depletion and amortization (DD&A) to $427.3 million, with internal growth accounting for more than 75 percent of the increase. The internal growth was attributable to a 4.5 percent increase in gasoline volumes across our system for the year, compared to just 2.6 percent nationally. Gasoline volumes comprise just over 60 percent of our business in this segment. Our volume growth tends to exceed the national average as KMP serves eight of the 10 fastest growing markets in the country. For example, our Pacific operations on the West Coast serve such markets as California, Arizona, Nevada and New Mexico. In the Southeast, Plantation Pipe Line Company reported record annual volumes in 2002. It transports refined petroleum products to growing markets like Georgia, North Carolina and Virginia. In addition, our Central Florida Pipeline serves the rapidly growing Orlando and Tampa areas. Jet fuel volumes, which comprise about 15 percent of our business in this segment, were down 3.8 percent in 2002 following 9/11, but improved steadily throughout the year.

Looking ahead, we expect our Products Pipelines business to generate approximately 36 percent of KMP's distributable cash flow in 2003. Future growth will be driven by increased demand. The United States is the largest consumer of refined petroleum products in the world, using more than 14.2 million barrels per day in 2002. Our pipeline and terminal assets are strategically located, and we have excess capacity on most of our products pipelines which will allow us to grow by increasing throughput. Additionally, we will expand capacity on our pipelines and construct additional tanks at our liquids storage terminals when appropriate to meet customer demand. We have budgeted $66 million in 2003 for expansions in this segment.

2003 BUDGETED DISTRIBUTABLE CASH FLOW

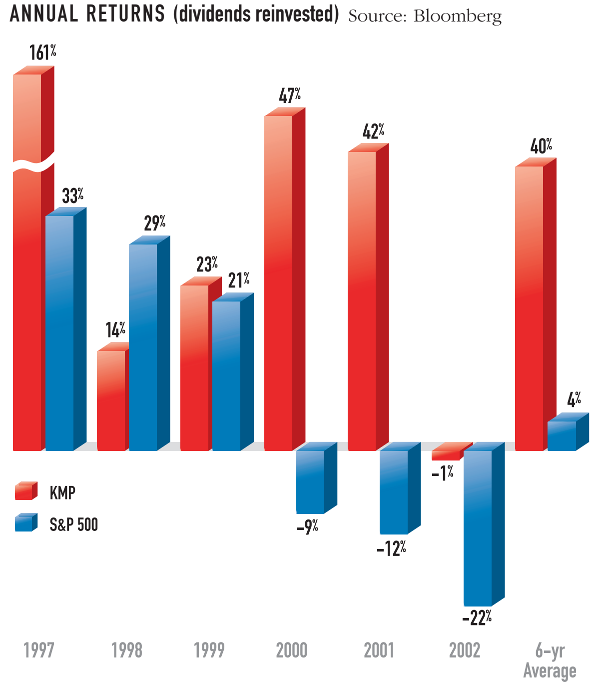


The **Natural Gas Pipelines** segment produced 2002 earnings before DD&A of $325.5 million, up 44 percent from 2001. The annual increase was primarily attributable to contributions from Kinder Morgan Tejas, which we acquired in the first quarter of 2002, and improved results on our expanded Trailblazer system.

Looking ahead, we expect our Natural Gas Pipelines to produce about 30 percent of KMP's distributable cash flow in 2003. We positioned this segment for future growth by attracting incremental business at our existing facilities during 2002, and we plan to invest $67 million in expansion projects in 2003. For example, Kinder Morgan Tejas entered into long-term transportation, storage and sales contracts with BP, and Kinder Morgan Texas Pipeline entered into new and extended existing contracts with several large customers including Southern Union. In addition, construction is expected to be completed in the second quarter of 2003 on the Mier-Monterrey Pipeline that will stretch from south Texas to Monterrey, Mexico – one of that country's fastest growing industrial areas. Pemex has entered into a 15-year contract with KMP for all of the capacity on the pipeline, up to 375 million cubic feet per day. Additionally, we completed construction on the Kinder Morgan North Texas Pipeline and sold out all 6 billion cubic feet of our proposed Cheyenne Market Center storage project in Colorado.

The **CO_2 Pipelines** segment delivered 2002 earnings before DD&A of $132.2 million, up 18 percent from 2001. Approximately 90 percent of the increase was driven by internal growth. CO_2 pipeline delivery volumes

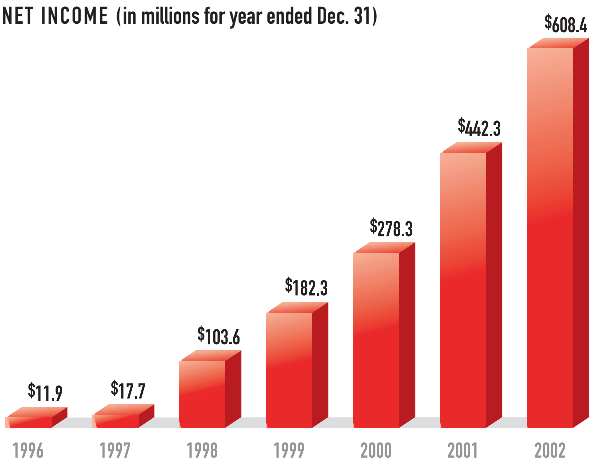
ANNUAL RETURNS (dividends reinvested) Source: Bloomberg



increased by 11 percent, and oil production at the SACROC Unit in the Permian Basin of west Texas increased by 43 percent compared to 2001 levels. SACROC, one of the largest and oldest oil fields in the U.S. using CO_2 injection technology, continued to perform better than expected. Oil production increased to nearly 16,000 barrels per day at year-end, nearly double what the field was producing when KMP purchased it in 2000.

Looking ahead, we expect our CO_2 Pipelines to generate approximately 15 percent of KMP's distributable cash flow in 2003 and to be our single fastest growing business segment. We are investing $233 million in additional development at SACROC, and we expect average oil production to increase to 20,000 barrels per day in 2003. CO_2 is one of the only areas where KMP has exposure to commodity price risk, but we mitigate that risk with a long-term hedging strategy that is intended to produce more stable realized prices.

NET INCOME (in millions for year ended Dec. 31)



The **Terminals** segment reported 2002 earnings before DD&A of $205.6 million, a 26 percent increase over 2001. Results were driven by internal growth at terminals that KMP already owned, as well as strong performances by a number of smaller acquisitions. Internal growth was spearheaded by expansion projects at the Carteret, Pasadena and Harvey liquids terminals located on New York Harbor, the Houston Ship Channel and the Port of New Orleans, respectively. These projects resulted in increased throughput, utilization and leasable capacity. Purchases that contributed to an increase in earnings included an interest in the International Marine Terminals Partnership (IMT), a terminal in Louisiana that handles about 7 million tons of coal, petroleum coke and iron ore per year, and Laser Materials Services LLC, which is comprised of over 60 transload facilities across the country.

In 2003, we expect our Terminals business to generate about 19 percent of KMP's distributable cash flow. We see strong demand for additional liquids storage tanks and dry-bulk handling facilities across the country, and we expect future growth to come from both internal sources (increased utilization and $58 million in 2003 expansion projects) and acquisitions.

OUTLOOK

As expected, Vice Chairman William V. Morgan retired in January 2003 after spending a year working within the company to ensure a smooth transition. Bill obviously has been a key component of Kinder Morgan's success, and we are delighted that he has agreed to continue to be available to the company as an unpaid advisor. Chief Financial Officer C. Park Shaper has replaced Bill on our board of directors and joins President Mike Morgan and me in the Office of the Chairman.

Like all companies, KMP faces various obstacles, and regulatory challenges are among the most important risks that we must address. For example, the rates that we charge on our Pacific system have been challenged by shippers. While we believe that KMP will prevail in this matter, a negative outcome could reduce earnings in the Products Pipelines segment. New pipeline safety regulations, heightened security requirements due to the threat of terrorism and related increases in insurance rates, environmental issues and escalating health care costs for employees are among other issues that we must effectively manage. Despite these challenges, we believe the future is bright.

Kinder Morgan is well positioned for growth in 2003 and beyond. With approximately $450 million in capital expansion planned for 2003 and additional opportunities to further increase utilization of our existing assets, we expect KMP to grow distributions annually by 8 to 10 percent for the foreseeable future through internal growth alone. Combined with a yield of about 7 percent, we are confident that KMP will remain an attractive investment. In addition, we will continue to pursue various acquisition opportunities which could further increase returns to our unitholders. We project cash distributions of at least $2.63 per unit at KMP for 2003, and we expect to increase the quarterly distribution to $0.68 per unit ($2.72 annualized) by the fourth quarter.

By staying focused on operational excellence and safety, meeting our customers' needs and paying attention to details day in and day out, we have an excellent opportunity to continue growing KMP and delivering valuable returns to our unitholders. We thank you for your ongoing support and continue to believe the best is yet to come!

Richard D. Kinder
Chairman and
Chief Executive Officer

PRINCIPAL OFFICERS

Richard D. Kinder
Chairman and Chief Executive Officer

Michael C. Morgan
President

C. Park Shaper
Vice President and Chief Financial Officer

Richard L. Bullock
Vice President and Chief Tax Officer

Jack W. Ellis
Vice President and Controller

David D. Kinder
Vice President, Corporate Development

Joseph Listengart
Vice President and General Counsel

James E. Street
Vice President, Human Resources

Laurel L. Tiffin
Vice President and Chief Information Officer

OPERATING OFFICERS

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President, Products Pipelines

R. Tim Bradley
President, CO_2 Pipelines

Deborah A. Macdonald
President, Natural Gas Pipelines

Thomas B. Stanley
President, Terminals

Please visit our web site at
www.kindermorgan.com
for investor information

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Hultquist Capital, LLC

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Limited Partner and Chairman
Songy Partners Limited

Kinder Morgan Energy Partners, L.P. does not have officers or directors. Listed are the officers and directors of the General Partner, Kinder Morgan G.P., Inc. and Kinder Morgan Management, LLC (the delegate of Kinder Morgan G.P., Inc.).

(1) Chairman, Audit Committee
(2) Member, Audit Committee

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