

# Appendix

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# KMP Quarterly Earnings / DCF Profile (a)

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Year</u>
<b><u>KMP Earnings</u></b>					
<b>2011E</b>	23%	17%	23%	37%	\$1.85/unit
<b>2010</b>	29%	24%	16%	31%	\$1.47/unit
<b><u>KMP DCF</u></b>					
<b>2011E</b>	25%	20%	24%	31%	\$4.72/unit
<b>2010</b>	27%	24%	23%	26%	\$4.43/unit

# Cost of Capital Calculation

	LP Distribution		Current KMP Unit Price		
<b>Equity</b>					
Current KMP Yield	\$4.52	÷	\$73.65		6.1%
GP Gross-up				÷	56%
Cost of Equity				=	11.0%
Equity % of Capital Structure				x	50%
<b>Equity Component of Cost of Capital</b>				=	<b>5.5%</b>

	Interest Rate		% of Overall Debt		
<b>Debt</b>					
Short-term Floating Rate	3.0%	X	50%		1.5%
Long-term Fixed Rate	6.0%	X	50%	+	3.0%
Cost of Debt				=	4.5%
Debt % of Capital Structure				x	50%
<b>Debt Component of Cost of Capital</b>				=	<b>2.3%</b>

Equity Cost		Debt Cost		Current Cost of Capital
5.5%	+	2.3%	=	7.8%

# Explanation of Return Calculations

	<u>Formula</u>	<u>Notes</u>
<b>Segment Return on Investment =</b>	$\frac{\text{Segment Distributable Cash Flow before Certain Items}}{\text{Average Total Investment}}$	(a) (c)
<b>KMP Return on Investment =</b>	$\frac{\text{KMP Distributable Cash Flow before Certain Items}}{\text{Average Total Investment}}$	(b) (c)
<b>Return on Equity =</b>	$\frac{\text{Distributable Cash Flow before Certain Items}}{\text{Average Equity}}$	(d) (e)

- (a) Segment Distributable Cash Flow before Certain Items is defined as the applicable segment earnings before DD&A and certain items less sustaining capex. In addition, several adjustments are made to segment earnings before DD&A to more closely tie to cash: (1) KMP's share of REX, MEP, FEP, KinderHawk and Cypress DD&A is added back and sustaining capex is deducted, (2) Express and Endeavor pre-tax earnings are subtracted and cash received is added back
- (b) KMP Distributable Cash Flow before Certain Items is defined as the sum of the five individual Segment Distributable Cash Flow before Certain Items less G&A
- (c) See next page for calculation, annual number is calculated based on average of the quarterly Total Investment
- (d) Distributable Cash Flow before Certain Items is defined as outlined on the Non-GAAP Financial Measures slide plus the general partner's incentive and the general partner non-controlling interest
- (e) Equity is based on cumulative equity raised inception to date as of the end of each quarter and then averaged for the year

# Explanation of Return Calculations – Cont’d

	<u>Formula</u>	<u>Notes</u>
<b>Calculation of Total Investment:</b>	Gross PP&E	
	Investments	(a)
	Goodwill	
	Gross intangibles (excluding amortization)	
	Plus:	
	Asset write-offs / retirements	
	Cumulative environmental reserves	
	Legal reserves / expenditures	(b)
	Cumulative cash spent on asset retirement	(d)
	Minus:	
	Cumulative sustaining capex	
Assumed liabilities		
Trans Mountain / Express adjustment	(c)	
Cumulative asset retirement costs	(d)	
Equals:		
Total investment	(e)	

(a) Investments are calculated based on GAAP book value equal to cumulative contributions plus cumulative earnings less cumulative distributions, except REX, MEP, FEP, KinderHawk, Plantation and Red Cedar, which are based on cumulative equity contributed. These investments are not adjusted for earnings or distributions

(b) Litigation and environmental reserves deducted as certain items are added to investment, except for SFPP litigation reserves. For SFPP, actual legal payments are added to the investment when they are made

(c) For assets acquired from Kinder Morgan, Inc. (Express, Trans Mountain) which represent a transfer of assets between entities under common control and are recorded at KMI's carrying value on KMP's financials, an adjustment has been made to reflect these assets at KMP's purchase price

(d) The present value of accumulated asset retirement costs are included in gross PP&E; for purposes of this calculation, we decrease our Total Investment / subtract out the accumulated asset retirement costs, and increase our Total Investment / add back the cash actually spent on asset retirement

(e) Van Wharves, Cochin, Trans Mountain, and Express Total Investment is based on acquisition price plus cumulative expansion capital including overhead. The purpose of calculating Total Investment in this manner is to exclude the foreign exchange impact reflected in our GAAP financials. GAAP financials revalue the entire asset balance based on the end of period exchange rate

# CO<sub>2</sub> Asset Summary



CO <sub>2</sub> Reserves	KMP Interest	Location	Remaining Deliverability	Operator
McElmo Dome	45%	SW Colorado	18+ years	KMP
Doe Canyon	87%	SW Colorado	18+ years	KMP
Bravo Dome	11%	NE New Mexico	9+ years	Oxy

Pipelines	KMP Interest	Location	Capacity (MMcf/d)	Operator
Cortez	50%	McElmo Dome to Denver City	1,350	KMP
Bravo	13%	Bravo Dome to Denver City	375	Oxy
Central Basin (CB)	100%	Denver City to McCamey	700	KMP
Canyon Reef	98%	McCamey to Snyder	290	KMP
Centerline	100%	Denver City to Snyder	300	KMP
Pecos	~70%	McCamey to Iraan	125	KMP
Eastern Shelf	100%	Snyder to Katz	65	KMP
Wink (crude)	100%	McCamey & Snyder to El Paso	125 MBbl/d	KMP

Crude Reserves	KMP Interest / (Net of royalty)	Location	Remaining Life	Operator
SACROC	97% (83%)	W Texas	8+ years	KMP
Yates	50% (44%)	W Texas	25+ years	KMP
Katz	99% (83%)	W Texas	20+ years <sup>(a)</sup>	KMP

(a) Based on current development plan

# GAAP Reconciliation

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- *Detailed calculations reconciling the non-GAAP terms in this presentation to GAAP are available on our website at: <http://www.kindermorgan.com/investor/presentations/>*

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