Kinder Morgan Holdco LLC
Form S-1
November 23, 2010

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As filed with the Securities and Exchange Commission on November 23, 2010

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM S-1

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

Kinder Morgan Holdco LLC

to be converted as described herein
into a corporation named

Kinder Morgan, Inc.

(Exact Name of Registrant as Specified in its Charter)

Delaware	**4922**	**26-0238387**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code number)	(I.R.S. Employer Identification Number)

**500 Dallas Street, Suite 1000
Houston, Texas 77002
(713) 369-9000**
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

**Joseph Listengart
500 Dallas Street, Suite 1000
Houston, Texas 77002
(713) 369-9000**
(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company:

Large accelerated filer o Accelerated filer o Non-accelerated filer ý Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Proposed Maximum Aggregate Offering Price (1)(2)	Amount of Registration Fee
Class P common stock, $0.01 par value per share	**$1,500,000,000**	**$106,950**

(1) Includes shares subject to an option to purchase additional shares granted to the underwriters.

(2) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(o) of the Securities Act of 1933.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this Registration Statement shall become effective on such date as the Commission, acting pursuant to such Section 8(a), may determine.

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EXPLANATORY NOTE

Prior to the consummation of this offering, Kinder Morgan Holdco LLC, a Delaware limited liability company, will be converted into a Delaware corporation named Kinder Morgan, Inc. and the unitholders of Kinder Morgan Holdco LLC will become stockholders of Kinder Morgan, Inc. See "The Transactions The Conversion Transactions" in the accompanying prospectus. Shares of the Class P common stock of Kinder Morgan, Inc. are being offered by the prospectus. Except as disclosed in the accompanying prospectus, the consolidated financial statements and selected historical consolidated financial data and other historical financial information included in this registration statement are those of Kinder Morgan Holdco LLC or its predecessor and their respective subsidiaries and do not give effect to the conversion.

Kinder Morgan, Inc., a Kansas corporation and wholly owned subsidiary of Kinder Morgan Holdco LLC, is not the registrant under this registration statement. Prior to the consummation of this offering, its name will be changed to Kinder Morgan Kansas, Inc.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state or other jurisdiction where the offer or sale is not permitted.

Subject to completion, dated November 23, 2010.

PRELIMINARY PROSPECTUS

Shares

Kinder Morgan, Inc.

Common Stock

This is the initial public offering of our common stock. The selling stockholders identified in this prospectus are selling all of the shares in this offering. We will not receive any of the proceeds from this offering.

Prior to this offering there has been no public market for our common stock. It is currently estimated that the public offering price per share will be between $ and $. We intend to list our common stock on the New York Stock Exchange under the symbol "KMI."

Upon completion of this offering, our current investors will own all of our investor retained stock, which will be convertible into an aggregate of shares of our common stock, or % of our common stock on a fully-converted basis. Accordingly, following this offering, our current investors will be able to exercise control over all matters requiring stockholder approval. See "Description of Our Capital Stock" beginning on page 205.

	Per Share	Total
Initial public offering price	$	$
Underwriting discount	$	$
Proceeds to the selling stockholders (before expenses)	$	$

To the extent that the underwriters sell more than shares, the underwriters have the option to purchase up to an additional shares of common stock from the selling stockholders at the initial public offering price less the underwriting discount.

Investing in our common stock involves risks. See "Risk Factors" beginning on page 16.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of common stock against payment in New York, New York on , 2010.

Goldman, Sachs & Co. **Barclays Capital**

The date of this prospectus is , 2010.

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You should rely only on the information contained in this document and any free writing prospectus prepared by us or on our behalf. We and the selling stockholders have not, and the underwriters have not, authorized anyone to provide you with any additional information or information that is different. This document may only be used where it is legal to sell these securities. The information in this document is only accurate as of the date of this document.

Dealer Prospectus Delivery Obligation

Through and including , 20 (the 25th day after the date of this prospectus), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This is in addition to a dealer's obligation to deliver a prospectus when acting as an underwriter and with respect to an unsold allotment or subscription.

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PROSPECTUS SUMMARY

This summary highlights information contained elsewhere in this prospectus. It does not contain all of the information that you should consider before making an investment decision. We urge you to read the entire prospectus carefully, including the historical financial statements and the notes to those financial statements included in this prospectus. Please read the sections entitled "Risk Factors" and "Information Regarding Forward-Looking Statements" for more information about important risks that you should consider before investing in our common stock. Prior to the consummation of this offering, Kinder Morgan Holdco LLC, a Delaware limited liability company, will be converted into a Delaware corporation named Kinder Morgan, Inc., the issuer of the common stock offered by this prospectus, and the unitholders of Kinder Morgan Holdco LLC will become stockholders of Kinder Morgan, Inc. See "The Transactions The Conversion Transactions." Unless the context otherwise requires, (1) "we," "us," and "our" refer to Kinder Morgan Holdco LLC and its subsidiaries prior to the conversion and Kinder Morgan, Inc. and its subsidiaries after the conversion, (2) references to "Kinder Morgan Kansas, Inc." and "Kinder Morgan Energy Partners, L.P." include their respective subsidiaries, (3) information presented in this prospectus, other than historical financial information, gives effect to the consummation of the Conversion Transactions and to our certificate of incorporation and bylaws, which will be in effect upon the consummation of this offering, and (4) information presented in this prospectus assumes that the underwriters do not exercise their option to purchase additional shares.

Our Business

We own the general partner and approximately 11.0% of the limited partner interests of Kinder Morgan Energy Partners, L.P., referred to in this prospectus as the "Partnership" or "KMP." The Partnership is a publicly traded pipeline limited partnership whose limited partner units are traded on the New York Stock Exchange under the ticker symbol "KMP." Additionally, the shares of our subsidiary that manages the Partnership, Kinder Morgan Management, LLC, referred to in this prospectus as "Kinder Morgan Management" or "KMR," are traded on the New York Stock Exchange under the ticker symbol "KMR." The Partnership was formed in Delaware in August 1992 and is one of the largest energy transportation and storage companies in North America.

We generate substantial free cash flow and are able to grow that cash flow with little incremental capital required above the Partnership level. KMP is the primary driver behind our cash flow and our potential for future cash flow growth. Our general partner interest in KMP entitles us to receive incentive distributions that give us an increasing share of KMP's cash flow as the distributions to its limited partners increase. From 1996, the year before Richard D. Kinder and William Morgan acquired the general partner, through 2010, the distributions we have received from the Partnership have increased by a compound annual growth rate of 55%. See " Annual Cash Distributions Received from the Partnership." Approximately 95% of the distributions we received from our subsidiaries for both the nine months ended September 30, 2010 and the year ended December 31, 2009 were attributable to KMP. In 2011, we expect to receive an aggregate of $ in distributions from KMP. See "Dividend Policy."

As of November 1, 2010, our interests in the Partnership and its affiliates consisted of the following:

- the general partner interest, which entitles us to receive incentive distributions;
- 21.7 million of the 222.4 million outstanding KMP units, representing a 6.9% limited partner interest; and
- 12.9 million of the Partnership's 90.3 million outstanding i-units, representing a 4.1% limited partner interest, through our ownership of 12.9 million KMR shares (i-units are a class of the

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Partnership's limited partner interests that receive distributions in the form of additional i-units instead of cash).

We also own a 20% equity interest in NGPL PipeCo LLC, the owner of Natural Gas Pipeline Company of America and certain affiliates, collectively referred to in this prospectus as "NGPL." NGPL is a major interstate natural gas pipeline and storage system that we operate.

Through our subsidiaries, including the Partnership, we operate or own an interest in approximately 37,000 miles of pipelines and approximately 180 terminals. These pipelines transport natural gas, gasoline, crude oil, carbon dioxide and other products, and these terminals store petroleum products and chemicals and handle bulk materials like coal and petroleum coke.

Our Business Objective and Our Dividend Policy

Our business objective is to increase dividends to our stockholders principally through our ownership of the general partner of the Partnership and KMR's management of the Partnership's operations. By supporting the Partnership in executing its business strategy and assisting the Partnership in identifying acquisition and development opportunities that expand its business and operations, we expect to be able to help grow the Partnership's distributable cash flow. From time to time, we may facilitate the Partnership's growth through various forms of financial support, such as waiving our right to receive incentive distributions in respect of common units issued by KMP in conjunction with attractive acquisitions.

We believe investors in our common stock should focus on our dividends and the expected growth of those dividends over time. Our dividend policy provides that, subject to applicable law, we will pay quarterly cash dividends generally representing the cash we receive from our subsidiaries less any cash disbursements and reserves established by our board of directors. Our ability to pay dividends is driven by the distributions we receive from KMP and NGPL, less our general and administrative expenses, interest and cash taxes. In 2009 and 2010, we distributed an aggregate of $650 million and $700 million, respectively, to our current investors. In 2011, we expect to pay aggregate dividends of $. We expect to pay an initial quarterly dividend of $ per share, and that during 2011 our dividends will total $ per share. We anticipate that the first dividend on the common stock offered by this prospectus will be paid in May 2011 and that such dividend will be prorated for the portion of the quarter of 2011 that we are first public. See "Dividend Policy."

Partnership Distributions

KMP's partnership agreement requires KMP to distribute all available cash, as defined in its partnership agreement, after the end of each calendar quarter. KMP's limited partner interests consist of common units, Class B units and i-units. KMR is the sole owner of KMP's i-units. Under KMP's partnership agreement, the general partner and owners of its common units and Class B units receive distributions in cash, while KMR receives distributions in additional i-units. KMP does not distribute cash on i-units but instead retains that cash for use in its business. The cash equivalent of distributions of i-units is treated as if it had actually been distributed for purposes of determining the distributions (including the incentive distributions) to KMP's general partner, in which we indirectly own all of the common equity. When we refer to distributions to us from KMP in this Prospectus Summary, we include the value of KMR shares received as distributions on the KMR shares we own. KMP expects to declare distributions of $ per common unit for the fourth quarter of 2010, resulting in total distributions of $4.40 per common unit for 2010.

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Our general partner interest entitles us to receive the following distributions from the Partnership when it makes distributions of cash from operations:

- 2% of all cash distributed in a quarter until the owners of all classes of Partnership units have received a total of $0.15125 per unit in cash or equivalent i-units for such quarter;

- 15% of all remaining cash distributed in a quarter until the owners of all classes of Partnership units have received a total of $0.17875 per unit in cash or equivalent i-units for such quarter;

- 25% of all remaining cash distributed in a quarter until the owners of all classes of Partnership units have received a total of $0.23375 per unit in cash or equivalent i-units for such quarter; and

- 50% of any available cash then remaining after $0.23375 per Partnership unit in cash or equivalent i-units has been distributed for such quarter.

The impact on us of changes in the Partnership's distribution levels will vary depending on several factors, including the Partnership's total outstanding partnership interests on the record date for the distribution, the aggregate cash distributions made by the Partnership and the interests in the Partnership owned by us. Generally, the distributions we receive in respect of our general partner interest increase when the distributions per limited partner interest increase and when the Partnership has additional limited partner interests outstanding. If the Partnership increases its distributions, we would expect to increase dividends to our stockholders, although the timing and amount of such increased dividends, if any, will not necessarily be comparable to the timing and amount of the increase in distributions made by the Partnership.

The graph below sets forth hypothetical distributions of cash payable to us in respect of our interests in the Partnership across an illustrative range of annualized distributions per common unit, including the currently estimated distributions of $4.40 per common unit to be declared for 2010. This information excludes any cash distributions we receive from our equity interest in NGPL and is based upon the following assumptions:

- the Partnership has a total of 222.4 million outstanding KMP units and 90.3 million outstanding i-units; and

- we own (1) the general partner interest in the Partnership, (2) 21.7 million KMP units and (3) 12.9 million KMR shares.

The graph below also illustrates the impact on those distributions at the $4.40 per common unit distribution rate if the Partnership had an additional 15 million common units outstanding at the beginning of the fiscal year. Additional outstanding common units of the Partnership would have proportionately similar effects at higher or lower distribution rates. This information is presented for illustrative purposes only; it is not intended to be a prediction of future performance and does not attempt to illustrate changes over time or the impact that changes in our or the Partnership's business, including differences that may result from changes in interest rates, energy prices or general economic conditions, or from any future acquisitions or expansion projects, divestitures or the issuance of additional debt or equity securities, will have on our or the Partnership's results of operations.

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Hypothetical Partnership Distributions of Cash from Operations Received

Note:

At each quarterly distribution, KMR receives a distribution of i-units and distributes an equivalent number of KMR shares to its shareholders, including us. After this offering, we expect to periodically sell the KMR shares we receive as distributions to generate cash. This table assumes that the net proceeds to us from the sale of such KMR shares equals the price used to calculate the number of KMR shares to be received in quarterly distributions.

(1) The Partnership generally pays its distribution for a given quarter approximately 45 days after the quarter ends. Estimated 2010 Annual Distribution Rate of $4.40 represents the distributions the Partnership paid in the last three quarters of 2010 and expects to pay in the first quarter of 2011 based on operations in 2010. Distributions actually paid in calendar 2010 were $4.32 per unit.

Annual Cash Distributions by the Partnership to its Limited Partners and General Partner

From 1996 through 2010, the Partnership has increased its annual distribution to its limited partners and general partner by a compound annual growth rate of 42%. The historical and estimated cash distributions to the limited partners and the general partner are shown in the graph set forth below:

(1) Total distributions paid to the general partner in 2010 were $884 million. These distributions to the general partner would have been $170 million greater if all distributions paid in August 2010 had been cash from operations, rather than a portion

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being a distribution to the limited partners of cash from interim capital transactions. For more information, see "Dividend Policy Distributions of Cash Under KMP's Partnership Agreement Allocation of Distributions from Operations" and " Allocation of Distributions from Interim Capital Transactions."

(2) Based on an assumed $1,054 million of distributions to the general partner in 2010, including the $170 million referred to in (1) above. If calculated based on actual distributions to the general partner of $884 million, the compound annual growth rate would still be 42%.

(3) The Partnership generally pays its distribution for a given quarter approximately 45 days after the quarter ends. Partnership distributions are shown for the year in which they are paid rather than for the year in which the cash was generated. For example, the Partnership expects to pay distributions of $4.40 per unit for 2010 based on cash generated in 2010, while it paid distributions of $4.32 per unit in 2010.

Annual Cash Distributions Received from the Partnership

From 1996 through 2010, the distributions we have received from the Partnership have increased by a compound annual growth rate of 55%. The cash distributions we have received from the Partnership, including distributions received on KMP limited partner units and KMR shares owned by us, are shown in the graph set forth below:

(1) See footnote (1) to the previous graph.

(2) Based on an assumed $1,054 million of distributions to the general partner in 2010, including the $170 million referred to in (1) above. If calculated based on actual distributions to the general partner of $884 million, the compound annual growth rate would be 53%.

(3) See footnote (3) to the previous graph.

The Partnership's Businesses

The Partnership focuses on providing fee-based services to customers, generally avoiding commodity price risks to the extent possible. KMP's operations are conducted through its subsidiaries and are grouped into the following five business segments:

Products Pipelines 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 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;

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CO_2 Produces, markets and transports, through approximately 1,400 miles of pipelines, carbon dioxide, commonly called "CO_2," 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 Consists of approximately 120 owned or operated liquids and bulk terminal facilities and more than 30 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; and

Kinder Morgan Canada Transports crude oil and refined petroleum products through over 2,500 miles of pipelines from Alberta, Canada to marketing terminals and refineries in British Columbia, the State of Washington and the Rocky Mountains and Central regions of the United States.

The Partnership's Competitive Strengths

Large and well-diversified operating asset base. KMP's diversified asset base reduces its exposure to sector specific risks and provides a substantial platform for accretive growth opportunities. The Partnership is one of the largest energy transportation and storage companies in North America. In the United States, KMP is the largest independent transporter of petroleum products, the second largest transporter of natural gas (including NGPL), the largest provider of contracted natural gas treating services, the largest transporter of CO_2 and the largest independent terminal operator.

Strategically positioned asset base. The Partnership's transportation and storage assets are an important part of the energy infrastructure of the United States and Canada, and their geographic diversity gives the Partnership opportunities to participate in most significant developments across the United States energy industry. This positioning leads to accretive investment and acquisition opportunities. The Partnership's products pipelines and associated terminals are strategically located with origins in refinery centers and/or ports and terminuses in population centers. KMP's and its joint ventures' natural gas operations are positioned in many of the most important domestic natural gas basins and supply points, including the Barnett, Eagle Ford, Fayetteville and Haynesville shale gas formations and the Rocky Mountains area of the United States. The Partnership's terminals are strategically located on three coasts and on inland waterways to serve their customers. The Partnership's Canadian pipelines are well positioned to take advantage of growth in production from the Canadian oil sands.

Growing distributions. The nature of KMP's assets and the opportunities that arise from them have allowed it to consistently grow annual distributions. From 1996 through 2010, the Partnership has grown total distributions by a compound annual growth rate of 42%. During the same period, the distributions we have received from the Partnership have grown by a compound annual growth rate of 55%. The Partnership focuses on providing fee-based services to customers, while generally avoiding commodity price risks. Management is committed to substantially hedging commodity price risk and maintaining an acquisition strategy focused on fee-based assets.

Financial flexibility. The Partnership has successfully raised capital throughout different financial cycles. Since 1997, KMP has raised approximately $21.5 billion in new public capital, including approximately $10.5 billion in equity. Ready access to capital, due in part to its investment grade credit ratings, provides the Partnership with financial flexibility to pursue its growth strategy.

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Experienced and proven management team. KMP has a well-regarded and experienced management team, with a proven track record of identifying and executing on attractive growth projects and of delivering equity returns. The management team is led by one of our founders, Richard D. Kinder, who serves as Chairman and Chief Executive Officer. Neither Mr. Kinder nor any member of the senior management team is selling shares in this offering, and they will continue to hold a significant ownership stake in us immediately following this offering.

The Partnership's Strategy

The Partnership's strategy is to:

- focus on fee-based energy transportation and storage assets that are central to the energy infrastructure of growing markets within North America;
- increase utilization of its existing assets while controlling costs, operating safely and employing environmentally sound operating practices;
- leverage economies of scale from incremental acquisitions and expansions of assets that fit within the Partnership's strategy and are accretive to cash flow; and
- maximize the benefits of the Partnership's financial structure to create and return value to the Partnership's unitholders.

Background and Investors

The Partnership was formed in 1992, and its general partner was acquired by Richard D. Kinder and William Morgan in 1997. We were formed in 2006 in connection with a transaction we refer to as the "Going Private Transaction," and are currently owned by individuals and entities we refer to collectively as the "Investors." The Investors are:

- Richard D. Kinder, our Chairman and Chief Executive Officer;
- investment funds advised by, or affiliated with, Goldman, Sachs & Co. (which funds we refer to as "Goldman Sachs"), Highstar Capital LP, The Carlyle Group and Riverstone Holdings LLC, which we refer to collectively as the "Sponsor Investors;"
- Fayez Sarofim, one of our directors, and investment entities affiliated with him, and an investment entity affiliated with Michael Morgan, another of our directors, and William Morgan, one of our founders, whom we refer to collectively as the "Original Stockholders;" and
- a number of other members of our management, whom we refer to collectively as "Other Management."

Prior to the closing of this offering, Kinder Morgan Holdco LLC will be converted from a Delaware limited liability company to a Delaware corporation to be named Kinder Morgan, Inc., and its outstanding units will be converted into shares of our capital stock. These conversion transactions are referred to in this prospectus as the "Conversion Transactions." See "The Transactions."

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Our Capital Stock

Following the Conversion Transactions, our capital stock will consist of common stock, Class A shares, Class B shares and Class C shares. The Class A shares, Class B shares and Class C shares are owned by the Investors and are collectively referred to as "investor retained stock." Following the completion of this offering, shares of our investor retained stock will be convertible into a fixed aggregate of shares of our common stock. As a result, we will have shares of common stock outstanding following this offering on a fully-converted basis. In the aggregate, our investor retained stock is entitled to receive a dividend per share on a fully-converted basis equal to the dividend per share on our common stock. The conversion of shares of investor retained stock into shares of common stock will not increase our total fully-converted shares outstanding, impact the aggregate dividends we pay or the dividends we pay per share on our common stock. As a result, the holders of our common stock will not be diluted by the conversion of the investor retained stock into shares of our common stock.

The Sponsor Investors are the selling stockholders in this offering and will convert some of their investor retained stock into the common stock they sell. In the event the underwriters exercise their option to purchase additional shares of common stock in connection with this offering, an additional portion of the shares of investor retained stock held by the Sponsor Investors will be converted into shares of common stock to be sold in this offering, and there will be a corresponding decrease in the aggregate number of shares of common stock underlying the investor retained stock.

The Class A shares represent the total capital contributed at the time of the Going Private Transaction by our Investors. The Class B shares and Class C shares represent incentive compensation that will be held by members of management, including Mr. Kinder in the case of the Class B shares. Holders of our common stock will not bear any of the direct economic cost of this incentive compensation arrangement. and will not be diluted as a result of this program. See "Management Executive Compensation Compensation Discussion and Analysis Compensation Related to the Going Private Transaction."

The following table sets forth the percentage of our common stock on a fully-converted basis represented by the investor retained stock held by the Investors and the percentage represented by the shares of common stock owned by the public, both immediately before and immediately after this offering:

	Immediately before this offering	Immediately after this offering (assuming no exercise of the underwriters' option)	Immediately after this offering (assuming exercise of the underwriters' option in full)
Richard D. Kinder	30.6%	30.6%	30.6%
Funds affiliated with Goldman Sachs	25.2		
Funds affiliated with Highstar Capital LP	16.0		
Funds affiliated with The Carlyle Group	11.2		
Funds affiliated with Riverstone Holdings LLC	11.2		
Original Stockholders	5.2	5.2	5.2
Other Management	0.6	0.6	0.6
Total held by the Investors	100.0		
Public			
Total	100.0%	100.0%	100.0%

Note:

Amounts in the table assume the outstanding Class A shares are fully converted into all the shares of common stock underlying the investor retained stock and that the Class B and Class C shares are converted into zero shares of common stock. Any conversion of the Class B shares and Class C shares into common stock would result in a corresponding decrease in the number of shares of common stock into which the Class A shares are convertible.

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After the expiration of lock-up agreements entered into in connection with this offering, the Sponsor Investors will be able to convert their shares of investor retained stock and sell shares of common stock. In addition, subject to certain additional restrictions, Richard D. Kinder and the Original Stockholders may convert their shares of investor retained stock and sell shares of common stock. See "Description of Our Capital Stock Voluntary Conversion" and "Certain Relationships and Related Party Transactions Shareholders Agreement Registration Rights" and " Transfer Restrictions."

For more information about our classes of capital stock and the ownership of our capital stock, see "Description of Our Capital Stock" and "Principal and Selling Stockholders."

Governance Matters

Our shareholders agreement with the Investors governs, among other things, the selection of nominees for our board of directors. See "Certain Relationships and Related Party Transactions Shareholders Agreement."

After the offering, our board of directors will consist of thirteen members:

- six directors nominated by the Sponsor Investors;
- five directors nominated by Richard D. Kinder; and
- two additional independent directors.

The number of directors each Sponsor Investor has the right to nominate is based on its level of ownership in us. Each of the Sponsor Investors has the right to nominate one director as long as it owns at least 2.5% of the voting power entitled to vote for the election of directors. Each group of funds affiliated with Goldman Sachs and Highstar Capital LP has the right to nominate an additional director so long as it owns at least 5.0% of the voting power entitled to vote for the election of directors.

Substantially all actions brought before our board of directors while the Sponsor Investors collectively have the right to appoint at least five nominees will require supermajority board approval, which is initially eight directors.

For more information about our governance, see Certain Relationships and "Related Party Transactions Shareholders Agreement" and "Description of Our Capital Stock."

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The following diagram depicts in a simplified form our organizational structure immediately following the consummation of the Conversion Transactions and this offering:

Offices

The address of our principal executive offices is 500 Dallas Street, Suite 1000, Houston, Texas 77002, and our telephone number at this address is (713) 369-9000.

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The Offering

Common stock offered by the selling stockholders	shares.
Option to purchase additional shares of common stock	The selling stockholders have granted the underwriters an option for a period of 30 days from the date of this prospectus to purchase up to additional shares of common stock.
Common stock to be outstanding immediately after this offering	shares (shares if the option to purchase additional shares is exercised in full).
Common stock into which outstanding shares of investor retained stock will be convertible immediately after this offering	shares (shares if the option to purchase additional shares is exercised in full).
Common stock to be outstanding immediately after this offering on a fully-converted basis	shares.
Use of proceeds	We will not receive any of the proceeds from the sale of shares in this offering.
Dividend policy	Our dividend policy provides that, subject to applicable law, we will pay quarterly cash dividends generally representing the cash we receive from our subsidiaries less any cash disbursements and reserves established by our board of directors, including for general and administrative expenses, interest and cash taxes. We expect to pay an initial quarterly dividend of $ per share. We anticipate that the first dividend on the common stock offered by this prospectus will be paid in May 2011 and that such dividend will be prorated for the portion of the quarter of 2011 that we are first public. However, the actual amount of dividends will depend on many factors. See "Dividend Policy."
Voting rights	Holders of common stock will be entitled to one vote per share. As to the investor retained stock, holders of Class A shares will be entitled to one vote per share, and holders of Class B shares and Class C shares will be entitled to 1/10th of a vote per share on the election of directors. Upon completion of this offering, the investor retained stock will represent approximately % of the voting power of all of our outstanding capital stock with respect to the election of directors. See "Description of Our Capital Stock."

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	If the underwriters exercise in full their option to purchase additional shares of common stock, the aggregate voting power with respect to the election of directors of holders of our common stock purchased in this offering will increase from % to %, and the aggregate voting power of the investor retained stock will decrease correspondingly.
Proposed New York Stock Exchange symbol	KMI
Risk factors	An investment in our common stock involves risks. See "Risk Factors" and "Information Regarding Forward-Looking Statements" in this prospectus. Realization of any of those risks or adverse results from the listed matters could have a material adverse effect on our business, financial condition, cash flows and results of operations.
Conflicts of interest	Affiliates of Goldman, Sachs & Co., one of the underwriters in this offering, beneficially own more than 10% of our capital stock. Goldman, Sachs & Co. is therefore considered by the Financial Industry Regulatory Authority, or FINRA, to have a conflict of interest with us in regards to this offering. Accordingly, Barclays Capital Inc. is acting as a "qualified independent underwriter" in this offering. See "Underwriting Relationships and Conflicts of Interest."

Unless otherwise indicated, references in this prospectus to the number of shares of common stock to be outstanding immediately after this offering exclude shares of common stock issuable in the future under our equity compensation plans, consisting of , and shares of common stock reserved for issuance under our Stock Incentive Plan, Employees Stock Purchase Plan and Stock Compensation Plan for Non-Employee Directors, respectively.

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Summary Financial Data

You should read the following summary financial data of Kinder Morgan Holdco LLC and Kinder Morgan Kansas, Inc. together with "The Transactions," "Selected Historical Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the historical financial statements and related notes of Kinder Morgan Holdco LLC and Kinder Morgan Kansas, Inc. included elsewhere in this prospectus. For accounting purposes, Kinder Morgan Kansas, Inc. is considered our predecessor for all periods ended on or before May 31, 2007, the date of closing of the Going Private Transaction.

The statement of operations and statement of cash flows data for the years ended December 31, 2009 and 2008 and the seven months ended December 31, 2007 and the balance sheet data as of December 31, 2009, 2008 and 2007 have been derived from the audited consolidated financial statements of Kinder Morgan Holdco LLC included elsewhere in this prospectus. The statement of operations and statement of cash flows data for the five months ended May 31, 2007 have been derived from the audited consolidated financial statements of Kinder Morgan Kansas, Inc. included elsewhere in this prospectus. The statement of operations and statement of cash flows data for the nine months ended September 30, 2010 and 2009 and the balance sheet data as of September 30, 2010 have been derived from the unaudited consolidated financial statements of Kinder Morgan Holdco LLC included elsewhere in this prospectus. The unaudited interim consolidated financial statements include all adjustments (consisting of normal, recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of our financial position and results of operations for the periods presented. The interim results of operations are not necessarily indicative of operations for a full fiscal year.

The summary historical financial information is not indicative of our expected future operating results. Further, the summary historical financial information

- for periods prior to February 15, 2008, does not reflect our sale of 80% of NGPL and the application of the approximately $5.9 billion of proceeds from that sale;

- for periods prior to May 31, 2007, does not reflect the Going Private Transaction which was accounted for as a business combination, requiring that we record the assets acquired and liabilities assumed at their values as of the date of the Going Private Transaction, resulting in a new basis of accounting. The SEC's "push down" accounting rules required our new accounting basis in Kinder Morgan Kansas, Inc.'s assets and liabilities to be reflected in Kinder Morgan Kansas, Inc.'s financial statements effective with the closing of the Going Private Transaction; and

- for periods subsequent to December 31, 2005, consolidates the accounts, balances and results of operations of the Partnership into our financial statements.

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	Kinder Morgan Holdco LLC(1)					Kinder Morgan Kansas, Inc.
	Nine Months Ended September 30,		Year Ended December 31,		Seven Months Ended December 31,	Five Months Ended May 31,
	2010	2009	2009	2008	2007	2007
	(Unaudited)	(Unaudited)				
	(In millions)					
Statement of operations data:						
Revenues	$ 6,236.7	$ 5,234.5	$ 7,185.2	$ 12,094.8	$ 6,394.7	$ 4,165.1
Operating income (loss)(2)(3)(4)(5)	830.9	1,047.8	1,407.2	(2,472.1)	1,042.8	204.8
Earnings (loss) from equity investments(6)	(256.1)	164.2	221.9	201.1	56.8	40.7
Income (loss) from continuing operations	133.4	583.0	772.8	(3,202.3)	286.6	(142.0)
Income (loss) from discontinued operations, net of tax(7)	(0.4)	0.4	0.3	(0.9)	(1.5)	298.6
Net income (loss)	133.0	583.4	773.1	(3,203.2)	285.1	156.6
Net income attributable to noncontrolling interests(8)	(237.3)	(215.5)	(278.1)	(396.1)	(37.6)	(90.7)
Net income (loss) attributable to Kinder Morgan Holdco LLC/Kinder Morgan Kansas, Inc.(9)	(104.3)	367.9	495.0	(3,599.3)	247.5	65.9
Statement of cash flows data:						
Capital expenditures(10):						
Kinder Morgan Holdco LLC/Kinder Morgan Kansas, Inc.	4.7	1.0	0.5	12.3	170.9	77.3
KMP and its subsidiaries(11)	722.1	1,075.4	1,323.8	2,533.0	1,116.1	575.5
Cash dividends/distributions to members	500.0	300.0	650.0		83.7	234.9
Balance sheet data (end of period):						
Net property, plant and equipment	16,947.9		16,803.5	16,109.8	14,803.9	
Total assets	28,748.8		27,581.0	25,444.9	36,195.8	
Long-term debt:						
Kinder Morgan Holdco LLC/Kinder Morgan Kansas, Inc. and its subsidiaries (excluding KMP and its subsidiaries)(12)	2,127.6		2,882.0	2,880.9	8,641.8	
KMP and its subsidiaries(13)	10,278.6		9,997.7	8,274.9	6,455.9	

(1) Includes significant impacts resulting from Kinder Morgan Kansas, Inc.'s Going Private Transaction. See note 2 to Kinder Morgan Kansas, Inc.'s annual consolidated financial statements for additional information.

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

(3) Includes a goodwill impairment charge of $377.1 million in the five months ended May 31, 2007 relating to the Partnership's acquisition of Trans Mountain Pipeline from Kinder Morgan Kansas, Inc. effective April 30, 2007. See note 7 to Kinder Morgan Kansas, Inc.'s annual consolidated financial statements for additional information.

(4) Includes a $158.0 million litigation reserve in the nine months ended September 30, 2010 related to KMP's West Coast pipeline rate case.

(5) Includes a $200.0 million litigation reserve in the nine months ended September 30, 2010 related to the Going Private Transaction litigation settlement. See note 11 to our interim consolidated financial statements included elsewhere in this prospectus.

(6) Includes an impairment charge of $430.0 million in the nine months ended September 30, 2010 to reduce the carrying value of our investment in NGPL.

(7) In the five months ended May 31, 2007, primarily relates to the Canada-based and U.S. retail gas distribution businesses and the Corridor Pipeline System that we owned.

(8) Includes application of new accounting policies for noncontrolling interests adopted in 2009 in accordance with Accounting Standards Codification 810, "Consolidation," and applied to all years presented. See note 2 to our annual consolidated financial statements for additional information.

(9)

Includes an approximately $106.6 million reduction in the income we recognized for our general partner interest in KMP due to a KMP distribution of cash from interim capital transactions in the nine months ended September 30, 2010. See note 11 to our interim consolidated financial statements included elsewhere in this prospectus.

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

(11) Includes capital expenditures of Trans Mountain Pipeline, which KMP acquired from Kinder Morgan Kansas, Inc. effective April 30, 2007. In accordance with applicable accounting standards, amounts for both 2007 periods reflect capital expenditures as though the transfer of Trans Mountain to KMP had occurred on January 1, 2006.

(12) Excludes value of interest rate swaps. Increases to long-term debt for value of interest rate swaps for Kinder Morgan Kansas, Inc. and its subsidiaries (excluding KMP and its subsidiaries) totaled $76.6 million, $28.5 million, $19.7 million and $47.5 million as of September 30, 2010 and December 31, 2009, 2008 and 2007, respectively.

(13) Excludes value of interest rate swaps. Increases to long-term debt for value of interest rate swaps for KMP and its subsidiaries totaled $952.7 million, $332.5 million, $951.3 million and $152.2 million as of September 30, 2010 and December 31, 2009, 2008 and 2007, respectively.

RISK FACTORS

Investing in our common stock involves risks. You should carefully consider the risks described below, in addition to the other information contained in this prospectus, before investing in our common stock. Realization of any of the following risks, or adverse results from any matter listed under "Information Regarding Forward-Looking Statements," could have a material adverse effect on our business, financial condition, cash flows and results of operations and could result in a decline in the trading price of our common stock. You might lose all or part of your investment. This prospectus also contains forward-looking statements, estimates and projections that involve risks and uncertainties. Our actual results could differ materially from those anticipated in the forward-looking statements, estimates and projections as a result of specific factors, including the risks described below.

Risks Related to Our Business

All of our operations are conducted by our subsidiaries, including the Partnership and its subsidiaries and joint ventures, and our equity investees, particularly NGPL. To the extent that a risk decribed below relates to both the Partnership's and NGPL's businesses, we use the terms "we," "us" and "our" to refer to those entities' businesses. Where the risk described is particular to the Partnership's business or to NGPL's business, the risk factor refers specifically to that entity.

We are dependent on cash distributions received from the Partnership.

Approximately 95% of the distributions we received from our subsidiaries for both the nine months ended September 30, 2010 and the year ended December 31, 2009 were attributable to the Partnership. A decline in the Partnership's revenues or increases in its general and administrative expenses, principal and interest payments under existing and future debt instruments, expenditures for taxes, working capital requirements or other cash needs will limit the amount of cash the Partnership can distribute to us, which would reduce the amount of cash available for distribution to our stockholders, which could be material.

New regulations, rulemaking and oversight, as well as changes in regulations, by 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 Federal Energy Regulatory Commission, referred to as the "FERC," the California Public Utilities Commission, referred to as the "CPUC," and Canada's National Energy Board. Regulatory actions taken by these agencies have the potential to adversely affect our profitability. Regulation affects almost every part of our business and extends to such matters as:

- rates (which include reservation, commodity, surcharges, fuel and gas lost and unaccounted for), operating terms and conditions of service;
- the types of services we may offer to our customers;
- the contracts for service entered into with our customers;
- the certification and construction of new facilities;
- the integrity, safety and security of facilities and operations;
- the acquisition of other businesses;
- the acquisition, extension, disposition or abandonment of services or facilities;

reporting and information posting requirements;

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the maintenance of accounts and records; and

relationships with affiliated companies involved in various aspects of the natural gas and energy businesses.

Should we fail to comply with any applicable statutes, rules, regulations, and orders of such regulatory authorities, we could be subject to substantial penalties and fines.

New regulations sometimes arise from unexpected sources. For example, the Department of Homeland Security Appropriation Act of 2007 required the Department of Homeland Security 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."

New laws or regulations or different interpretations of existing laws or regulations, including unexpected policy changes, applicable to us or our assets could have a material adverse impact on our business, financial condition and results of operations. See "Description of Business Regulatory and Compliance Matters."

Pending FERC and CPUC proceedings seek substantial refunds and reductions in tariff rates on some of the Partnership's pipelines. If the proceedings are determined adversely to the Partnership, they could have a material adverse impact on us.

Regulators and shippers on our pipelines have rights to challenge, and have challenged, the rates we charge under certain circumstances prescribed by applicable regulations. Some shippers on various KMP pipelines have filed complaints with the FERC and the CPUC that seek substantial refunds for alleged overcharges during the years in question and prospective reductions in the tariff rates on the Partnership's Pacific operations' pipeline system. Further, the FERC has initiated an investigation to determine whether some interstate natural gas pipelines, including KMP's Kinder Morgan Interstate Gas Transmission pipeline, have over-collected on rates charged to shippers. NGPL recently settled a proceeding brought by the FERC with respect to the rates charged by Natural Gas Pipeline Company of America. This settlement will result in a reduction in the rates it may charge in the future. We may face challenges, similar to those described in notes 11 and 12 to our interim consolidated financial statements included elsewhere in this prospectus, to the rates we charge on our pipelines. Any successful challenge could materially adversely affect our future earnings, cash flows and financial condition.

Energy commodity transportation and storage activities involve numerous risks that may result in accidents or otherwise adversely affect our 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 serious injury and loss of human life, significant damage to property and natural resources, environmental pollution and impairment of operations, any of which also could result in substantial financial 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. Incidents that cause an interruption of service, such as when unrelated third party construction damages a pipeline or a newly completed expansion experiences a weld failure, may negatively impact our revenues and earnings while the affected asset is temporarily out of service. In addition, 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.

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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. Department of Transportation and pipeline companies in the areas of testing, education, training and communication. The U.S. Department of Transportation issued final rules (effective February 2004 with respect to natural gas pipelines) requiring pipeline operators to develop integrity management programs to comprehensively evaluate their pipelines and take measures to protect pipeline segments located in what the rules refer to as "High Consequence Areas." The ultimate costs of compliance with the integrity management rules are difficult to predict. The majority of the costs to comply with the rules are associated with pipeline integrity testing and the repairs found to be necessary. Changes such as advances of in-line inspection tools, identification of additional threats to a pipeline's integrity and changes to the amount of pipeline determined to be located in "High Consequence Areas" can have a significant impact on the costs to perform integrity testing and repairs. We plan to continue our pipeline integrity testing programs to assess and maintain the integrity of our existing and future pipelines as required by the U.S. Department of Transportation rules. The results of these tests could cause us to incur significant and unanticipated capital and operating expenditures for repairs or upgrades deemed necessary to ensure the continued safe and reliable operation of our pipelines.

Further, 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. There can be no assurance as to the amount or timing of future expenditures for pipeline integrity regulation, 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 deemed by regulators to be fully recoverable from our customers, could have a material adverse effect on our business, financial position, results of operations and prospects.

We may face competition from competing pipelines and other forms of transportation into the markets we serve as well as with respect to the supply for our pipeline systems.

Any current or future pipeline system or other form of transportation that delivers petroleum products or natural gas into the markets that our pipelines serve could offer transportation services that are more desirable to shippers than those we provide because of price, location, facilities or other factors. 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 otherwise to retain existing customers could be impaired. We also could experience competition for the supply of petroleum products or natural gas from both existing and proposed pipeline systems. Several pipelines access many of the same areas of supply as our pipeline systems and transport to markets not served by us.

Cost overruns and delays on the Partnership's expansion and new build projects could adversely affect its business.

The Partnership has recently completed several major expansion and new build projects, including the joint venture projects Rockies Express Pipeline, Midcontinent Express Pipeline and Fayetteville Express Pipeline. The Partnership also is conducting what are referred to as "open seasons" to evaluate the potential for new construction, alone or with others, in some areas of shale gas formations. A variety of factors outside the Partnership's control, such as weather, natural disasters and difficulties in obtaining permits and rights-of-way or other regulatory approvals, as well as performance by third-party contractors, has resulted in, and may continue to result in, increased costs or delays in construction. Significant cost overruns or delays in completing a project could have a material adverse effect on the Partnership's return on investment, results of operations and cash flows.

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. See note 16 to our annual consolidated financial statements included elsewhere in this prospectus.

Whether we have the power of eminent domain for our 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. Our interstate natural gas pipelines have federal eminent domain authority. In either case, we must compensate landowners for the use of their property and, in eminent domain actions, such compensation may be determined by a court. Our inability to exercise the power of eminent domain could negatively affect our business if we were to lose the right to use or occupy the property on which our pipelines are located.

The Partnership's acquisition strategy and expansion programs require access to new capital. Tightened capital markets or more expensive capital would impair its ability to grow.

Consistent with the terms of its partnership agreement, KMP has distributed most of the cash generated by its operations. As a result, it has relied on external financing sources, including commercial borrowings and issuances of debt and equity securities, to fund its acquisition and growth capital expenditures. However, to the extent KMP is unable to continue to finance growth externally, its cash distribution policy will significantly impair its ability to grow. The Partnership may need new capital to finance these activities. Limitations on the Partnership's access to capital will impair its ability to execute this strategy. The Partnership historically has funded most of these activities with short-term debt and repaid such debt through the subsequent issuance of equity and long-term debt. An inability to access the capital markets, particularly the equity markets, will impair the Partnership's ability to execute this strategy and have a detrimental impact on its credit profile.

The Partnership's rapid growth may cause difficulties integrating and constructing new operations, and it may not be able to achieve the expected benefits from any future acquisitions.

Part of the Partnership's business strategy includes acquiring additional businesses, expanding existing assets and constructing new facilities. If KMP does not successfully integrate acquisitions, expansions or newly constructed facilities, it may not realize anticipated operating advantages and cost savings. The integration of companies that have previously operated separately involves a number of risks, including:

- demands on management related to the increase in the Partnership's size after an acquisition, expansion or completed construction project;
- the diversion of management's attention from the management of daily operations;
- difficulties in implementing or unanticipated costs of accounting, estimating, reporting and other systems;
- difficulties in the assimilation and retention of necessary employees; and
- potential adverse effects on operating results.

The Partnership 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 KMP's ability to manage those operations and to

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eliminate redundant and excess costs. Because of difficulties in combining and expanding operations, the Partnership may not be able to achieve the cost savings and other size-related benefits that it hoped to achieve after these acquisitions, which would harm its financial condition and results of operations.

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 under the Comprehensive Environmental Response, Compensation, and Liability Act, commonly known as CERCLA or Superfund, the Resource Conservation and Recovery Act, the Federal Clean Water Act or analogous state laws for the remediation of contaminated areas. Private parties, including the owners of properties through which our pipelines pass, also may 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 also may 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 undertake 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,

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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. For more information, see "Description of Business Environmental Matters."

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. The U.S. Environmental Protection Agency plans to begin regulating the greenhouse gas emissions of certain stationary sources on January 2, 2011, and 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 the Partnership's 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. Recovery of such increased costs from our customers 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. For more information about climate change regulation, see "Description of Business Environmental Matters Climate Change."

Increased regulation of exploration and production activities, including hydraulic fracturing, could result in reductions or delays in drilling and completing new oil and natural gas wells, which could adversely impact the Partnership's revenues by decreasing the volumes of natural gas transported on the Partnership's or its joint ventures' natural gas pipelines.

The natural gas industry is increasingly relying on natural gas supplies from unconventional sources, such as shale, tight sands and coal bed methane. Natural gas extracted from these sources frequently requires hydraulic fracturing. Hydraulic fracturing involves the pressurized injection of water, sand, and chemicals into the geologic formation to stimulate gas production and is a commonly used stimulation process employed by oil and gas exploration and production operators in the completion of certain oil and gas wells. Recently, there have been initiatives at the federal and state levels to regulate or otherwise restrict the use of hydraulic fracturing. Adoption of legislation or regulations placing restrictions on hydraulic fracturing activities could impose operational delays, increased operating costs and additional regulatory burdens on exploration and production operators, which could reduce their production of natural gas and, in turn, adversely affect the Partnership's revenues and results of

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operations by decreasing the volumes of natural gas transported on its or its joint ventures' natural gas pipelines, several of which gather gas from areas in which the use of hydraulic fracturing is prevalent.

The Partnership's substantial debt could adversely affect its financial health and make it more vulnerable to adverse economic conditions.

As of September 30, 2010, the Partnership and its subsidiaries had outstanding approximately $11.7 billion of debt (excluding the fair value of interest rate swaps). This level of debt could have important consequences, such as:

- limiting the Partnership's ability to obtain additional financing to fund its working capital, capital expenditures, debt service requirements or potential growth or for other purposes;

- limiting the Partnership's ability to use operating cash flow in other areas of its business or to pay distributions because it must dedicate a substantial portion of these funds to make payments on its debt;

- placing the Partnership at a competitive disadvantage compared to competitors with less debt; and

- increasing the Partnership's vulnerability to adverse economic and industry conditions.

The Partnership's ability to service its debt will depend upon, among other things, its future financial and operating performance, which will be affected by prevailing economic conditions and financial, business, regulatory and other factors, many of which are beyond the Partnership's control. If its operating results are not sufficient to service its indebtedness, or any future indebtedness that it incurs, the Partnership will be forced to take actions such as reducing distributions, reducing or delaying its business activities, acquisitions, investments or capital expenditures, selling assets or seeking additional equity capital. The Partnership may not be able to effect any of these actions on satisfactory terms or at all. For more information about the Partnership's debt, see "Description of Certain Indebtedness."

The Partnership's large amount of variable rate debt makes it vulnerable to increases in interest rates.

As of September 30, 2010, the Partnership had outstanding approximately $11.7 billion of consolidated debt (excluding the fair value of interest rate swaps). Of this amount, approximately 52% 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, the amount of cash required to service this debt would increase and the Partnership's earnings could be adversely affected. For more information about the Partnership's interest rate risk, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures About Market Risk Interest Rate Risk."

We do not have an investment grade credit rating, which may limit our financial flexibility and increase our financing costs.

Since the Going Private Transaction, Kinder Morgan Kansas, Inc.'s credit ratings have been below investment grade. As a result, we have not had access to the commercial paper market and have utilized Kinder Morgan Kansas, Inc.'s $1.0 billion revolving credit facility for our short-term borrowing needs. Non-investment grade credit ratings limit our access to the debt markets and increase our cost of capital. The instruments governing any future debt may contain more restrictive covenants than if we had investment grade credit ratings. Our ability to respond to changes in business and economic conditions and to obtain additional financing, if needed, may be restricted by these covenants. A downgrade in one or more of the Partnership's credit ratings would similarly affect the Partnership.

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There is the potential for a change of control of the general partner of the Partnership if Kinder Morgan Kansas, Inc. or we default on debt.

Kinder Morgan Kansas, Inc., our wholly owned subsidiary, owns all of the common equity of Kinder Morgan G.P., Inc., the general partner of the Partnership. If Kinder Morgan Kansas, Inc. or we default on debt, then the lenders under such debt, in exercising their rights as lenders, could acquire control of Kinder Morgan G.P., Inc. or otherwise influence Kinder Morgan G.P., Inc. through their control of Kinder Morgan Kansas, Inc. or us. A change of control of Kinder Morgan G.P., Inc. could materially adversely affect the distributions we receive from the Partnership, which could have a material adverse impact on us or our cash available for distribution to our stockholders.

Current or future distressed financial conditions of our 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.

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. 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.

Future business development of our pipelines is dependent on the supply of and demand for the commodities transported by our pipelines.

Our pipelines depend on production of natural gas, oil and other products in the areas served 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 in the Alberta oil sands. Producers in areas served by us may not be successful in exploring for and developing additional reserves, and our gas plants and pipelines may not be able to maintain existing volumes of throughput. Commodity prices and tax incentives may not remain at a level that 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 from oil and natural gas producing areas. In addition, with respect to the CO_2 business segment, changes in the regulatory environment or governmental policies

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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 the Partnership's products pipelines also may 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.

The future success of the Partnership's 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 CO_2 business segment will decline. The Partnership 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 the Partnership does not realize production volumes greater than, or equal to, its hedged volumes, it may suffer financial losses not offset by physical transactions.

The Partnership's 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, the 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 the Partnership's business.

The revenues, profitability and future growth of the CO_2 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. For 2010, KMP estimated that every $1 change in the average West Texas Intermediate crude oil price per barrel would impact the CO_2 segment's cash flows by approximately $6 million. 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,

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uncertainties within the market and a variety of other factors beyond the Partnership's 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 would result in a commensurate reduction in the Partnership's 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 its proved reserves. In the event prices fall substantially, the Partnership 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 impact the accuracy of assumptions used in the Partnership's budgeting process. For more information about the Partnership's energy and commodity market risk, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures About Market Risk Energy Commodity Market Risk."

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

We 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 price 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 consolidated financial statements may reflect some volatility due to these hedges, even when there is no underlying economic impact at the dates of those statements. In addition, it is not always possible for us to engage in hedging transactions that completely mitigate our exposure to commodity prices. Our consolidated 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 more information about our hedging activities, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies and Estimates Hedging Activities."

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The recent adoption of derivatives legislation by the U.S. Congress could have an adverse effect on our ability to hedge risks associated with our business.

The U.S. Congress recently adopted comprehensive financial reform legislation, known as the Dodd-Frank Act, that establishes federal oversight and regulation of the over-the-counter derivatives market and entities that participate in that market. The Dodd-Frank Act was signed into law by the President on July 21, 2010, and requires the Commodities Futures Trading Commission, or CFTC, and the SEC to promulgate rules and regulations implementing the new legislation within 360 days from the date of enactment. The act also requires the CFTC to institute broad new position limits for futures and options traded on regulated exchanges. As the law favors exchange trading and clearing, the Dodd-Frank Act also may require us to move certain derivatives transactions to exchanges where no trade credit is provided and also comply with margin requirements in connection with our derivatives activities that are not exchange traded, although the application of those provisions to us is uncertain at this time. The Dodd-Frank Act also requires many counterparties to our derivatives instruments to spin off some of their derivatives activities to a separate entity, which may not be as creditworthy as the current counterparty, or cause the entity to comply with the capital requirements, which could result in increased costs to counterparties such as us. The Dodd-Frank Act and any new regulations could

- significantly increase the cost of derivative contracts, including those requirements to post collateral which could adversely affect our available liquidity,
- reduce the availability of derivatives to protect against risks we encounter, and
- reduce the liquidity of energy related derivatives.

If we reduce our use of derivatives as a result of the legislation and regulations, our results of operations may become more volatile and our cash flows may be less predictable, which could adversely affect our ability to plan for and fund capital expenditures. Increased volatility may make us less attractive to certain types of investors. Finally, the Dodd-Frank Act was intended, in part, to reduce the volatility of oil and natural gas prices, which some legislators attributed to speculative trading in derivatives and commodity instruments related to oil and natural gas. Our revenues could therefore be adversely affected if a consequence of the legislation and regulations is to lower commodity prices. Any of these consequences could have a material adverse effect on our financial condition and results of operations.

The Kinder Morgan Canada segment is subject to U.S. dollar/Canadian dollar exchange rate fluctuations.

We are a U.S. dollar reporting company. As a result of the operations of the Kinder Morgan Canada segment, a portion of our consolidated assets, liabilities, revenues and expenses are denominated in Canadian dollars. 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 stockholders' equity under applicable accounting rules. For more information about our foreign currency risk, see "Management's Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosures About Market Risk Foreign Currency Risk."

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 operate, resulting in reduced demand and increased price competition for our products and services. Our operating results in one or more geographic regions also may 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 CO_2 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.

Hurricanes and other natural disasters could have an 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. Natural disasters can similarly affect the facilities of our customers. In either case, losses could exceed our insurance coverage and our business, financial condition and results of operations could be adversely affected, perhaps materially.

The tax treatment applied to the Partnership depends on its status as a partnership for U.S. 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 treats the Partnership as a corporation for U.S. federal income tax purposes or if the Partnership becomes subject to a material amount of entity-level taxation for state tax purposes, the amount of cash available for distribution to its partners, including us, would be substantially reduced.

We own the general partner interest and approximately 11% of the limited partner interests of the Partnership. The anticipated after-tax economic benefit of our investment in the Partnership depends largely on the Partnership being treated as a partnership for U.S. federal income tax purposes. To maintain its status as a partnership for U.S. 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 of 1986, as amended, which we refer to as the "Code." The Partnership has not requested, and does not plan to request, a ruling from the Internal Revenue Service, which we refer to as the "IRS," on this or any other matter affecting it.

Despite the fact that the Partnership is a limited partnership under Delaware law, it is possible under certain circumstances for such an entity to be treated as a corporation for U.S. federal income tax purposes. If the Partnership were to be treated as a corporation for U.S. federal income tax purposes, it would pay U.S. federal income tax on its income at the corporate tax rate, which is currently a maximum of 35%, and would pay state income taxes at varying rates. Distributions by the Partnership to its partners, including us, 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 the Partnership as a corporation, its cash available for distribution would be substantially reduced. Therefore, treatment of the Partnership 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 amount of distributions we receive from the Partnership, in the value of our investment in the Partnership and in the value of our common stock.

Current law or the business of the Partnership may change so as to cause it to be treated as a corporation for U.S. federal income tax purposes or otherwise subject it to entity-level taxation. Members of Congress are considering substantive changes to the existing U.S. federal income tax laws that would affect the tax treatment of certain publicly-traded partnerships. For example, federal income tax legislation recently has been considered by Congress that would eliminate partnership tax treatment for certain publicly-traded partnerships. Although the legislation most recently considered by Congress would not appear to affect the Partnership's tax treatment as a partnership for U.S. federal income tax purposes, we are unable to predict whether any other proposals will ultimately be enacted. Any such changes could negatively impact our cash flows, the value of our investment in the Partnership and the value of our common stock.

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, the Partnership 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 its gross income that is apportioned to Texas. This tax reduces, and the imposition of such a tax on the Partnership by another state will reduce, the cash available for distribution by the Partnership to its partners, including us.

The Partnership's partnership agreement provides that if a law is enacted that subjects the Partnership to taxation as a corporation or otherwise subjects it to entity-level taxation for U.S. federal income tax purposes, the minimum quarterly distribution and the target distribution levels will be adjusted to reflect the impact of that law on the Partnership.

The Partnership has adopted certain valuation methodologies that may result in a shift of income, gain, loss and deduction between it and its unitholders. The IRS may challenge this treatment, which could adversely affect the value of the Partnership's common units.

When the Partnership issues additional units or engages in certain other transactions, it determines the fair market value of its assets and allocates any unrealized gain or loss attributable to its assets to the capital accounts of its unitholders and us. This methodology may be viewed as understating the value of the Partnership's assets. In that case, there may be a shift of income, gain, loss and deduction between certain unitholders and us, which may be unfavorable to such unitholders. Moreover, under the Partnership's current valuation methods, subsequent purchasers of its common units may have a greater portion of their adjustment under Section 743(b) of the Code allocated to its tangible assets and a lesser portion allocated to its intangible assets. The IRS may challenge these valuation methods, or the Partnership's allocation of the adjustment under Section 743(b) of the Code attributable to its tangible and intangible assets, and allocations of income, gain, loss and deduction between us and certain of its unitholders.

A successful IRS challenge to these methods or allocations could adversely affect the amount of taxable income or loss being allocated to the Partnership's unitholders, including us. It also could affect the amount of gain from the Partnership's unitholders' sale of common units and could have a negative impact on the value of the common units or result in audit adjustments to its unitholders' or the general partner's tax returns without the benefit of additional deductions.

The Partnership's treatment of a purchaser of common units as having the same tax benefits as the seller could be challenged, resulting in a reduction in value of the common units.

Because the Partnership cannot match transferors and transferees of common units, it is required to maintain the uniformity of the economic and tax characteristics of these units in the hands of the purchasers and sellers of these units. It does so by adopting certain depreciation conventions that do not conform to all aspects of the U.S. Treasury regulations. A successful IRS challenge to these conventions could adversely affect the tax benefits to a unitholder, such as us, of ownership of the common units and could have a negative impact on their value or result in audit adjustments to unitholders' tax returns.

If the Partnership's unitholders remove the general partner, we would lose our general partner interest, including the right to incentive distributions, and the ability to manage the Partnership.

We own the general partner of the Partnership and all of the voting shares of KMR, to which the general partner has delegated its rights and powers to control the business and affairs of the

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Partnership, subject to the approval of the general partner for certain actions. The Partnership's partnership agreement, however, gives unitholders of the Partnership the right to remove the general partner if

- the holders of $66^2/_3$% of the Partnership's outstanding units (including the common units, Class B units and i-units) voting as a single class vote for such removal; in such a vote, the common units and Class B units owned by the general partner and its affiliates would be excluded, a number of i-units equal to the number of KMR shares owned by the general partner and its affiliates also would be excluded, and the remaining i-units would be voted in the same proportion as the vote of the other holders of the KMR shares;

- the holders of the Partnership's outstanding units approve the election and succession of a new general partner by the same vote; and

- the Partnership receives an opinion of counsel that the removal and succession of the general partner would not result in the loss of the limited liability of any limited partner of the Partnership or its operating partnership subsidiaries or cause the Partnership or its operating partnership subsidiaries to be taxed as a corporation for federal income tax purposes.

If the general partner were removed as general partner of the Partnership, it would lose its ability to manage the Partnership and its delegation of authority to KMR would terminate at the same time. The general partner would receive cash or common units in exchange for its general partner interest. While the cash or common units the general partner would receive are intended under the terms of the Partnership's partnership agreement to fully compensate us, as the owner of the general partner, in the event such an exchange is required, the value of the investments we might make with the cash or the common units may not over time be equivalent to the value of the general partner interest and the related incentive distributions had the general partner retained its general partner interest.

If in the future KMR and the general partner cease to manage and control the Partnership, we may be deemed to be an investment company under the Investment Company Act of 1940.

If our subsidiaries, KMR and Kinder Morgan G.P., Inc., which is the general partner of the Partnership, cease to manage and control the Partnership, we may be deemed to be an investment company under the Investment Company Act of 1940. In that case, we would either have to register as an investment company under the Investment Company Act, obtain exemptive relief from the SEC or modify our organizational structure or our contractual rights so as to fall outside the definition of an investment company. Registering as an investment company could, among other things, materially limit our ability to engage in transactions with affiliates, including the purchase and sale of certain securities or other property to or from our affiliates, restrict our ability to borrow funds or engage in other transactions involving leverage and require us to add additional directors who are independent of us and our affiliates, and could adversely affect the price of our common stock.

If we are unable to retain our executive officers, our growth may be hindered.

Our success depends in part on the performance of and our ability to retain our executive officers, particularly our Chairman and Chief Executive Officer, Richard D. Kinder, who is also one of our founders. Along with the other members of our senior management, Mr. Kinder has been responsible for developing and executing our growth strategy since 1997. If we are not successful in retaining Mr. Kinder or our other executive officers or replacing them, our business, financial condition or results of operations could be adversely affected. We do not maintain key personnel insurance.

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Risks Related to This Offering and Ownership of Our Common Stock

There has been no active trading market for our common stock, and an active trading market may not develop.

Prior to this offering, there has not been a public market for our common stock. We cannot predict the extent to which investor interest in our company will lead to the development of an active trading market on a United States stock exchange or otherwise or how liquid that market might become. If an active market does not develop, it will affect your ability to sell the shares that you buy and the market price of the common stock.

Future sales, or the perception of future sales, of a substantial amount of our common stock by the Investors or us could cause the share price to decline and future issuances by us may dilute your ownership interest in our company.

We are unable to predict when or whether significant amounts of our common stock will be sold by the Investors or us after the offering. The Class A shares will be immediately convertible into shares of our common stock, and the Class B shares and Class C shares will convert into shares of our common stock under certain circumstances, in each case as described under "Description of Our Capital Stock." The Sponsor Investors and Richard D. Kinder have the right to require us to register for sale shares of our common stock received upon the conversion of their Class A shares at any time, subject to certain limitations, including, in the case of Mr. Kinder, transfer restrictions. See "Certain Relationships and Related Party Transactions Shareholders Agreement." Any future sales of substantial amounts of common stock in the public market by our current holders or us, or the perception that these sales might occur, could lower the market price of the common stock and could impair our ability to raise capital through future sales of equity securities at a time and price we deem appropriate. Further, if we issue additional common stock or convertible securities to raise additional capital, your ownership interest in our company may be diluted and the value of your investment may be reduced. See "Shares Eligible for Future Sale" for information about the number of shares that will be outstanding and could be sold after this offering. We also may issue common stock or convertible securities from time to time as consideration for future acquisitions and investments. If any such acquisition or investment is significant, the number of shares or convertible securities that we may issue could be significant.

The initial public offering price of our common stock may not be indicative of its market price after this offering.

The initial public offering price of our common stock will be determined by negotiations between us, the selling stockholders and representatives of the underwriters, based on numerous factors that we discuss in the "Underwriting" section of this prospectus. This price may not be indicative of the market price at which our common stock will trade after this offering.

The price of the common stock may be volatile, and you could lose a significant portion of your investment.

There has been significant volatility in the market price and trading volume of equity securities which is often unrelated to the financial performance of the companies issuing the securities. The market price of the common stock could be similarly volatile, and you may not be able to resell your common stock at or above the offering price due to fluctuations in the market price of the common stock, including changes in price caused by factors unrelated to our operating performance or prospects.

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Specific factors that may have a significant effect on the market price for the common stock include:

- changes in stock market analyst recommendations or earnings estimates regarding the common stock, the common units of KMP, other companies comparable to us or KMP or companies in the industries we serve;
- actual or anticipated fluctuations in our operating results or future prospects;
- reaction to our public announcements;
- strategic actions taken by us or our competitors, such as acquisitions or restructurings;
- the recruitment or departure of key personnel;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business and operations;
- changes in tax or accounting standards, policies, guidance, interpretations or principles;
- adverse conditions in the financial markets or general U.S. or international economic conditions, including those resulting from war, incidents of terrorism and responses to such events;
- sales of common stock by us, members of our management team or significant stockholders; and
- the extent of analysts' interest in following our company.

We are a "controlled company" within the meaning of the New York Stock Exchange rules, and although we do not intend to rely on exemptions from various corporate governance requirements immediately following the closing of this offering, we may rely on such exemptions in the future.

A company of which more than 50% of the voting power for the election of directors is held by an individual, a group or another company is a "controlled company" within the meaning of the New York Stock Exchange rules. A "controlled company" may elect not to comply with various corporate governance requirements of the New York Stock Exchange, including the requirement that a majority of its board of directors consist of independent directors, the requirement that its nominating and governance committee consist of all independent directors and the requirement that its compensation committee consist of all independent directors.

Following this offering, we believe that we will be a "controlled company" since the Sponsor Investors and Richard D. Kinder will collectively hold approximately % of the voting power of our outstanding capital stock entitled to vote on the election of directors, and they have agreed to vote together on certain matters pursuant to our shareholders agreement, including on the election of our directors. See "Certain Relationships and Related Party Transactions Shareholders Agreement."

Although we initially do not intend to rely on the "controlled company" exemption to the board of directors and committee composition requirements under the New York Stock Exchange rules, we may decide in the future to rely on that exemption. In addition, under our shareholders agreement, if at any time our board of directors does not meet the majority independence requirements of the New York Stock Exchange or any other national securities exchange on which the common stock is listed for trading, we will be obligated to operate under a "controlled company" exemption, to the extent such an exemption is available to us at that time. If we rely on that exemption, you may not have the same corporate governance advantages afforded to stockholders of companies that are subject to all of the corporate governance requirements of the New York Stock Exchange.

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Our organizational documents contain additional approval requirements for certain changes of control that may inhibit a takeover, which could adversely affect the value of our common stock.

Our shareholders agreement prohibits us from directly or indirectly engaging in any merger, amalgamation, consolidation or other business combination or similar transaction or series of transactions (other than for solely cash consideration) unless the organizational documents and capital structure of the acquiring, surviving or resulting entity preserve in all material respects the economic and other rights (including conversion, transfer, distribution and governance rights as set forth in our certificate of incorporation, bylaws and shareholders agreement), characteristics and tax treatment, including on a relative basis, of the Sponsor Investors, the Class A shares, the Class B shares, the Class C shares and the shares of our common stock as they exist on the date of such transaction. A determination that a transaction meets the above requirements requires approval by each of the following: (1) Sponsor Investors holding a majority of our outstanding shares of capital stock then entitled to vote for the election of directors then held by Sponsor Investors that hold Class A shares, (2) Richard D. Kinder (so long as he and his permitted transferees hold Class A shares), (3) holders of a majority of our outstanding Class B shares, and (4) holders of a majority of our outstanding Class C shares. These provisions will apply even if the offer is considered beneficial by some of our stockholders. If, in addition to any required approvals by the holders of our common stock, the Sponsor Investors and Mr. Kinder approve a transaction that does not meet the above requirements, we generally may engage in such transaction so long as the holders of common stock, Class A shares, Class B shares and Class C shares receive the consideration provided in our charter. In addition, our certificate of incorporation permits our board of directors to issue blank check preferred stock, which if issued could include special class voting rights on a change of control transaction. Also, for so long as the Sponsor Investors collectively have the right to nominate at least five of our directors, change of control transactions will require supermajority board approval. If a change of control or change in management is delayed or prevented, the market price of our common stock could decline. See "Description of Our Capital Stock Certain Anti-Takeover Provisions of Our Charter and Bylaws and Delaware Law" for a description of these provisions.

Non-U.S. holders of our common stock may be subject to U.S. federal income tax with respect to gain on the disposition of our common stock.

If we are or have been a "United States real property holding corporation" within the meaning of the Code at any time within the shorter of (1) the five-year period preceding a disposition of our common stock by a non-U.S. holder, or (2) such holder's holding period for such common stock, and assuming our common stock is "regularly traded," as defined by applicable U.S. Treasury regulations, on an established securities market, the non-U.S. holder may be subject to U.S. federal income tax with respect to gain on such disposition if it held more than 5% of our common stock during the shorter of periods (1) and (2) above. We believe we are, or may become, a United States real property holding corporation. See "Certain U.S. Federal Income Tax Consequences to Non-U.S. Holders" in this prospectus.

Risks Related to Our Dividend Policy

You may not receive the anticipated level of dividends under our dividend policy or any dividends at all.

Our dividend policy provides that, subject to applicable law, we will pay quarterly cash dividends generally representing the cash we receive from our subsidiaries less any cash disbursements and reserves established by a majority vote of our board of directors, including for general and administrative expenses, interest and cash taxes. However, our board of directors, subject to the requirements of our bylaws and other governance documents, may amend, revoke or suspend our dividend policy at any time, and even while the current policy is in place, the actual amount of dividends on our capital stock will depend on many factors, including our financial condition and

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results of operations, liquidity requirements, market opportunities, capital requirements of our subsidiaries, legal, regulatory and contractual constraints, tax laws and other factors. Dividends other than as provided in our dividend policy require supermajority board approval while the Sponsor Investors maintain prescribed ownership thresholds. See "Description of Our Capital Stock Certain Other Provisions of Our Charter and Bylaws and Delaware Law Supermajority Board Approval."

Over time, our capital and other cash needs may change significantly from our current needs, which could affect whether we pay dividends and the amount of any dividends we may pay in the future. The terms of any future indebtedness we incur also may restrict us from paying cash dividends on our stock under certain circumstances. A decline in the market price or liquidity, or both, of our common stock could result if our board of directors establishes large reserves that reduce the amount of quarterly dividends paid or if we reduce or eliminate the payment of dividends. This may in turn result in losses by you, which could be substantial.

If our estimates relating to dividends expected to be paid in the first year following the closing of this offering are not achieved, you may not receive the amount of dividends you expected.

If our cash available to pay dividends for the first year following the closing of this offering were to fall below our expectations, if our assumptions regarding our estimated cash needs during such period prove to be too low or if other applicable assumptions were to prove incorrect, we may need to:

- either reduce or eliminate dividends, which may result in a decline, which could be substantial, in the market price or liquidity, or both, of our common stock;
- fund dividends by incurring debt, which would increase our leverage and limit our funding alternatives for other uses;
- fund dividends from issuances of equity securities, which could be dilutive to our stockholders and negatively affect the market price of our common stock; and
- reduce other expected uses of cash, which could limit our ability to grow.

The general partner, with our consent but without the consent of our stockholders, may take steps to support the Partnership that have the effect of reducing cash we have or are entitled to receive, thereby reducing the cash we have available to pay dividends.

We utilize the Partnership as our vehicle for growth. We have historically received a significant portion of our cash flows from incentive distributions on the general partner interest. As the owner of the general partner, we may take steps we judge beneficial to the Partnership's growth that in the short-run reduce the cash we receive and have available to pay dividends. The board of directors of the general partner may determine to support a desirable acquisition that may not be immediately accretive to cash available for distribution per Partnership unit. For example, the general partner, with our consent, waived its incentive distributions from the second quarter of 2010 through 2011 on common units issued to finance a portion of the Partnership's acquisition of a 50% interest in the KinderHawk joint venture. An example of action we took to support the Partnership occurred in 2006 when the Partnership had missed the annual growth and earnings/distribution targets under its bonus plan, which would have resulted in no bonus payments for employees for their service to the Partnership. We believed that those bonuses were appropriate and in our and the Partnership's interest, so we funded the bonuses by waiving a portion of the general partner's incentive distribution. Similar or different actions in the future, even if determined to be in our long-term best interests, will have the effect of reducing the cash we have or are entitled to receive from the Partnership, and reducing the cash we have available to pay dividends.

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Our dividend policy may limit our ability to pursue growth opportunities above the Partnership level or impair our financial flexibility.

If we pay dividends at the level currently anticipated under our dividend policy, we may not retain a sufficient amount of cash to finance growth opportunities above the Partnership level, meet any large unanticipated liquidity requirements or fund our operations in the event of a significant business downturn. In addition, because of the dividends required under our dividend policy, our ability to pursue any material expansion of our business above the Partnership level, including through acquisitions, increased capital spending or other increases of our expenditures, will depend more than it otherwise would on our ability to obtain third party financing. We cannot assure you that such financing will be available to us at all, or at an acceptable cost. If we are unable to take timely advantage of growth opportunities, our future financial condition and competitive position may be harmed, which in turn may adversely affect the market price of our common stock. Further, while the Sponsor Investors maintain specified ownership thresholds, any changes to our dividend policy will require supermajority board approval, which may prevent us from modifying our dividend policy to pursue such growth opportunities.

An increase in U.S. federal income tax rates applicable to us would reduce the amount of our cash available to pay dividends. Further, an increase in individual tax rates could encourage us to conclude that it would be better for our investors for us to use our cash to repurchase shares in the open market rather than pay dividends. This, too, would reduce our cash available to pay dividends.

There currently is much public speculation regarding the future of U.S. federal income tax rates. We cannot predict whether legislation will be passed and become law that raises tax rates applicable to us or to individuals, or if such legislation were to become law, its effective date. Any increase in the corporate income tax rates applicable to us will reduce the amount of cash available to pay dividends. Further, any increase in individual tax rates could encourage our board of directors to conclude that it would be better for our investors if we were to use our cash to repurchase shares in the open market. This, too, would reduce our cash available to pay dividends.

The U.S. federal income tax rate on dividend income is scheduled to increase in 2011.

Our distributions to our stockholders will constitute dividends for U.S. federal income tax purposes to the extent such distributions are paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Dividends received by certain non-corporate U.S. stockholders, including individuals, are subject to a reduced maximum federal tax rate of 15% for taxable years beginning on or before December 31, 2010. However, for taxable years beginning after December 31, 2010, dividends received by such non-corporate U.S. stockholders will be taxed at the rate applicable to ordinary income of individuals, which is scheduled to increase to a maximum of 39.6%.

If we do not receive sufficient distributions from our subsidiaries, we may be unable to pay dividends.

All of our operations are conducted by our subsidiaries, and our cash flow and our ability to satisfy obligations and to pay dividends to our stockholders are dependent upon cash dividends and distributions or other transfers from our subsidiaries, particularly the Partnership. In addition, our joint ventures and some of our subsidiaries, such as the Partnership, are not wholly owned by us. When funds are distributed to us by such joint ventures and subsidiaries, funds also will be distributed to their other owners.

Each of our subsidiaries is a distinct legal entity and has no obligation to transfer funds to us. A number of our subsidiaries are a party to credit facilities and are or may in the future be a party to other borrowing agreements that restrict the payment of dividends to us, and such subsidiaries are

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likely to continue to be subject to such restrictions and prohibitions for the foreseeable future. See "Description of Certain Indebtedness" for a description of the terms of such indebtedness, including provisions limiting the ability of our subsidiaries to declare and pay dividends. In addition, the ability of our subsidiaries to make distributions will depend on their respective operating results and may be subject to further restrictions under, among other things, the laws of their jurisdiction of organization.

The board of directors of Kinder Morgan Management, which is the delegate of KMP's general partner, has broad authority to establish cash reserves for the prudent conduct of KMP's business. The establishment of those reserves could result in smaller distributions by KMP and a corresponding reduction of our cash available for dividends and our anticipated dividend level. Further, the calculation of KMP's available cash for distribution is at the discretion and subject to the approval of the board of directors of Kinder Morgan Management, taking into consideration the terms of KMP's constituent agreements. Similarly, while the constituent agreements of NGPL provide that it is the intention of NGPL to make distributions of available cash, we own less than a majority of NGPL and do not control it. The same is true for joint ventures in which the Partnership owns an interest, such as Rockies Express Pipeline LLC, Midcontinent Express Pipeline LLC, Fayetteville Express Pipeline LLC and KinderHawk Field Services LLC.

The distributions we receive from KMP are largely attributable to the incentive distributions on our general partner interest. The distributions we receive are not as large if KMP distributes cash from interim capital transactions rather than cash from operations, or if KMP's general partner waives receipt of a portion of those incentive distributions. See "Dividend Policy Distributions of Cash Under KMP's Partnership Agreement."

As a result of the foregoing, we may be unable to receive cash through distributions or other payments from our subsidiaries in sufficient amounts to pay dividends on our common stock. If we are unable to authorize the payment of dividends due to insufficient cash, a decline in the market price or liquidity, or both, of our common stock could result. This may in turn result in losses by you, which could be substantial.

Our ability to pay dividends will be restricted by Delaware law.

Under the Delaware General Corporation Law, which we refer to in this prospectus as the "DGCL," our board of directors may not authorize payment of a dividend unless it is either paid out of surplus, as calculated in accordance with the DGCL, or if we do not have a surplus, it is paid out of net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year. Our bylaws require the declaration and payment of dividends to comply with the DGCL. If, as a result of these restrictions, we are unable to authorize payment of dividends, a decline in the market price or liquidity, or both, of our common stock could result. This may in turn result in losses by you.

Risks Related to Conflicts of Interest

The Sponsor Investors are in a position to affect our ongoing operations, corporate transactions and other matters, and their interests may conflict with or differ from your interests as a stockholder.

Upon the consummation of this offering, the Sponsor Investors will collectively own a total of % of our Class A shares, which collectively will represent approximately % of the voting power of our outstanding capital stock for the election of directors and % of the voting power of our outstanding capital stock for other matters. As a result, the Sponsor Investors initially will be able to control the outcome of matters submitted to a vote of our stockholders. For so long as the Sponsor Investors own a significant percentage of our outstanding capital stock, even if less than a majority, they will have the power to determine or significantly influence the outcome of matters submitted to a vote of our stockholders, including amendments to our certificate of incorporation and bylaws. Our shareholders agreement also provides the Sponsor Investors who continue to own at least 2.5% of the

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voting power of our outstanding shares of capital stock entitled to vote for the election of directors with veto rights over specified actions that may impose a regulatory burden on such Sponsor Investors and requires us to reasonably cooperate with such Sponsor Investors and their affiliates to mitigate consequences of such actions. We also are required to keep such Sponsor Investors informed of any events or changes with respect to any criminal or regulatory investigation or action involving us or any of our affiliates. The interests of the Sponsor Investors may conflict with or differ from your interests as a stockholder. See "Certain Relationships and Related Party Transactions Shareholders Agreement."

The Investors will have the ability to nominate a majority of our board of directors.

In connection with the Conversion Transactions, we will enter into a shareholders agreement with the Investors pursuant to which the Sponsor Investors will have the right, after the offering, to nominate six of the thirteen members of our board of directors, and Richard D. Kinder will have the right to nominate five of the thirteen members of our board of directors. In that agreement, the Sponsor Investors and Mr. Kinder agree to vote all of their shares of capital stock in favor of those nominees. Two of the Sponsor Investors each have the right to nominate two directors as long as they each own 5% of the voting power of our outstanding shares of capital stock entitled to vote for the election of directors. Those two Sponsor Investors and the other two Sponsor Investors each have the right to nominate one director as long as they each own 2.5% of the voting power of our outstanding shares of capital stock entitled to vote for the election of directors. Mr. Kinder has the right to nominate five directors as long as he is our Chief Executive Officer and owns at least 2.5% of the voting power of our outstanding shares of capital stock entitled to vote for the election of directors. If Mr. Kinder is terminated as Chief Executive Officer for cause, he will retain the right to nominate one director, which cannot be Mr. Kinder himself. If Mr. Kinder ceases to be the Chief Executive Officer for any reason other than as a result of termination for cause, he will retain the right to nominate two directors, one of whom can be Mr. Kinder himself. If Mr. Kinder loses such nomination rights, such rights will shift to the Original Stockholders and Other Management in specified circumstances. Accordingly, even after the Investors' ownership in us has significantly declined, they will be able to nominate the majority of our directors. After the consummation of this offering, assuming exercise in full of the underwriters' option to purchase additional shares, the Class A shares owned by the Sponsor Investors and the Class A shares and Class B shares owned by Mr. Kinder will represent approximately % of the total voting power of our outstanding shares of capital stock entitled to vote for the election of directors (with the Sponsor Investors in the aggregate holding approximately % of such total voting power and Mr. Kinder holding approximately % of such total voting power). Accordingly, the Sponsor Investors and Mr. Kinder initially will have not only the right to nominate 11 of our 13 directors, but also the voting power to elect all 13 of our directors. See "Certain Relationships and Related Party Transactions Shareholders Agreement Board, Committee and Observer Rights."

Our organizational documents will provide the directors nominated by the Sponsor Investors with a collective veto over substantially all of the actions required to be approved by our board of directors.

Our bylaws require that substantially all actions brought before our board of directors while the Sponsor Investors collectively have the right to appoint at least five director nominees will require supermajority board approval, which is defined as the affirmative vote of eight directors when our board of directors has twelve members (while the Sponsor Investors collectively have the right to appoint five director nominees) or thirteen members (while the Sponsor Investors collectively have the right to appoint six director nominees). As a result, our board of directors will be unable to approve of any action by supermajority board approval if all of the directors nominated by the Sponsor Investors vote against such action. The inability of our board of directors to approve specified actions by supermajority board approval as required by our bylaws could have a material adverse effect on our

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business, financial condition, results of operations or prospects if we are unable to take action on critical corporate matters.

Our certificate of incorporation and shareholders agreement contain provisions renouncing our interest and expectancy in certain corporate opportunities.

Our certificate of incorporation and our shareholders agreement each provide that none of the Sponsor Investors, the directors nominated by the Sponsor Investors, the Sponsor Investors' affiliates and subsidiaries, nor any of their managers, officers, directors, agents, stockholders, members or partners will have any duty to tell us about or offer to us any business opportunity, even if it is the same business or similar business activities or lines of business in which we operate. These documents also provide that none of the Sponsor Investors nor their respective affiliates will be liable to us or our stockholders for breach of any duty by reason of any such activities. For instance, a director of our company who also serves as a director, officer or employee of a Sponsor Investor or any of its subsidiaries or affiliates may pursue certain acquisition or other opportunities that may be complementary to our business and, as a result, such acquisition or other opportunities may not be available to us. These potential conflicts of interest could have a material adverse effect on our business, financial condition, results of operations or prospects if attractive corporate opportunities are pursued by such a Sponsor Investor or its subsidiaries or affiliates instead of by us. See "Description of Our Capital Stock Certain Other Provisions of Our Charter and Bylaws and Delaware Law Corporate Opportunities" and "Certain Relationships and Related Party Transactions Shareholders Agreement Corporate Opportunities."

The Sponsor Investors and their affiliates may compete with us.

The Sponsor Investors and their affiliates are in the business of making investments in companies, and they may, from time to time, acquire and hold interests in businesses that compete directly or indirectly with us. The Sponsor Investors and their affiliates also may pursue, for their own account, acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. We have waived certain potential conflicts of interest between us and the Sponsor Investors. See " Our certificate of incorporation and shareholders agreement contain provisions renouncing our interest and expectancy in certain corporate opportunities." As a result, the Sponsor Investors and their affiliates may not be liable for pursuing business opportunities and not making them available to us. These potential conflicts of interest could have a material adverse effect on our business, financial condition, results of operations or prospects if attractive corporate opportunities are pursued by a Sponsor Investor or its subsidiaries or affiliates instead of by us.

The Partnership and its subsidiaries may compete with us.

None of the Partnership or any of its subsidiaries or entities in which it owns an interest is restricted from competing with us. Kinder Morgan Management and the general partner have the same individuals on their boards of directors, and a majority of those directors are independent. Kinder Morgan Management manages the Partnership (subject to certain decisions requiring the approval of the Partnership's general partner) in what it considers to be the best interests of the Partnership and its partners. The Partnership and its subsidiaries may acquire, invest in or construct assets that may be in direct competition with us, which could have a material adverse effect on our business, financial condition, results of operations or prospects.

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Actions taken by our board of directors, and actions taken by the boards of directors of Kinder Morgan Management and other of our subsidiaries, may affect the amount of cash available for dividends to our stockholders.

The amount of cash that is available for dividends to our stockholders is affected by decisions of our board of directors and the boards of directors of Kinder Morgan Management and others of our subsidiaries regarding such matters as:

- the amount and timing of cash expenditures, including those relating to compensation;
- the amount and timing of investments and dispositions;
- our indebtedness and the indebtedness of our subsidiaries;
- tax matters;
- reserves; and
- our issuance of additional equity securities, including common stock.

Many of our directors and officers also serve as directors or officers of our non-wholly owned subsidiaries, including Kinder Morgan Management, or entities in which we own an interest, such as NGPL, as a result of which conflicts of interest exist and will arise in the future.

Many of our directors and officers are also directors or officers of our non-wholly owned subsidiaries, including Kinder Morgan Management, which manages and controls the Partnership (subject to certain decisions requiring the approval of the Partnership's general partner), and other entities in which we own an interest, such as NGPL. In making decisions in such person's capacity as a director or officer of one of our non-wholly owned subsidiaries or such other entities, such person may make a decision that favors the interests of such subsidiary over our interests or your interests and may be to our detriment. However, any officer or director of our non-wholly owned subsidiaries, including Kinder Morgan Management, who is also a director or officer of ours, in making decisions in such person's capacity as our officer or director, is required to act in accordance with his or her fiduciary duties to us. Further, the organizational documents of many of these entities may have provisions reducing or eliminating the duties of their officers or directors to those entities and their owners, including us. In addition, our directors are not required to work full time on our business and affairs and may devote significant time to the affairs of our non-wholly owned subsidiaries. There could be material competition for the time and effort of our directors who provide services to our non-wholly owned subsidiaries.

Common stockholders will have no right to enforce obligations of the Investors and their affiliates under agreements with us.

Any agreements between us, on the one hand, and the Investors and their affiliates, on the other, will not grant to the common stockholders, separate and apart from us, the right to enforce the obligations of the Investors and their affiliates in our favor. Purchasers of shares of common stock pursuant to this offering or after this offering will not become parties to the shareholders agreement. As a result, holders of common stock will not be able to enforce any obligations under the shareholders agreement in the event that we decide not to pursue any remedies available to us under the shareholders agreement, which could have a material adverse effect on our business, financial condition or results of operations.

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Contracts between us, on the one hand, and the Investors and their affiliates, on the other, will not be the result of arm's-length negotiations.

We may enter into additional contractual arrangements with any of the Investors or their affiliates. Neither our charter or bylaws nor the shareholders agreement or any other agreements, contracts and arrangements between us on the one hand, and any of the Investors or their affiliates on the other, are or will be the result of arm's-length negotiations. Our board of directors or a committee thereof will determine the terms of any of these transactions.

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INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains estimates and forward-looking statements, principally under the captions "Prospectus Summary," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations," "Description of Business," "The Transactions" and "Dividend Policy." These statements use words such as "anticipate," "believe," "intend," "plan," "projection," "forecast," "strategy," "position," "continue," "estimate," "expect," "may," or the negative of those terms or other variations of them or comparable terminology. Our estimates and forward-looking statements are mainly based on our current expectations and estimates of future events and trends, which affect or may affect our businesses and operations. In particular, statements, express or implied, concerning future actions, conditions or events, future operating results or the ability to generate revenues, income or cash flow, to service debt or to pay dividends are forward-looking statements. Although we believe that these estimates and forward-looking statements are based on reasonable assumptions, they are subject to risks and uncertainties and are made in light of information currently available to us. Many factors, in addition to the factors described in this prospectus, may adversely affect our results as indicated in forward-looking statements. We urge you to read carefully this prospectus and the documents that we have filed as exhibits to the registration statement of which this prospectus is a part with the understanding that our actual future results may be materially different from what we expect. Many of the factors that will determine these results are beyond our ability to control or predict. Specific factors that could cause actual results to differ from those in the forward-looking statements include:

- price trends and overall demand for natural gas liquids, refined petroleum products, oil, carbon dioxide, natural gas, electricity, coal, steel and other bulk materials and chemicals in North America;
- economic activity, weather, alternative energy sources, conservation and technological advances that may affect price trends and demand;
- changes in tax laws, principally related to the Partnership;
- our indebtedness, which could make us vulnerable to general adverse economic and industry conditions, limit our ability to borrow additional funds, and/or place us at competitive disadvantages compared to our competitors that have less debt or have other adverse consequences;
- capital markets conditions, inflation and interest rates;
- changes in laws or regulations, third-party relations and approvals, and decisions of courts, regulators and governmental bodies that may adversely affect our business or our ability to compete;
- changes in the tariff rates charged by our pipeline subsidiaries implemented by the FERC, the CPUC, Canada's National Energy Board or another regulatory agency;
- our ability to acquire new businesses and assets and integrate those operations into existing operations, as well as the ability to expand our facilities;
- difficulties or delays experienced by railroads, barges, trucks, ships or pipelines in delivering products to or from our terminals or pipelines;
- our ability to successfully identify and close acquisitions and make cost-saving changes in operations;

our ability to achieve cost savings and revenue growth;

our ability to complete expansion projects on time and on budget;

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shut-downs or cutbacks at major refineries, petrochemical or chemical plants, ports, utilities, military bases or other businesses that use our services or provide services or products to us;

crude oil and natural gas production from exploration and production areas that we serve, such as the Permian Basin area of West Texas, the U.S. Rocky Mountains, areas of shale gas formation and the Alberta oil sands;

changes in accounting pronouncements that impact the measurement of our results of operations, the timing of when such measurements are to be made and recorded and the disclosures surrounding these activities;

our ability to offer and sell equity securities and debt securities or obtain debt financing in sufficient amounts to implement that portion of our business plan that contemplates growth through acquisitions of operating businesses and assets and expansions of our facilities;

interruptions of electric power supply to our facilities due to natural disasters, power shortages, strikes, riots, terrorism, war or other causes;

our ability to obtain insurance coverage without significant levels of self-retention of risk;

acts of nature, sabotage, terrorism or other similar acts causing damage greater than our insurance coverage limits;

the political and economic stability of the oil producing nations of the world;

national, international, regional and local economic, competitive and regulatory conditions and developments;

foreign exchange fluctuations;

the timing and extent of changes in commodity prices for oil, natural gas, electricity and certain agricultural products;

the extent of our success in discovering, developing and producing oil and gas reserves, including the risks inherent in exploration and development drilling, well completion and other development activities;

engineering and mechanical or technological difficulties that we may experience with operational equipment, in well completions and workovers, and in drilling new wells;

the uncertainty inherent in estimating future oil and natural gas production or reserves that we may experience;

the timing and success of our business development efforts;

unfavorable results of litigation and the fruition of contingencies referred to in the notes to the financial statements included elsewhere in this prospectus;

our dependence on cash distributions from the Partnership;

our ability to pay the anticipated level of dividends;

the impact of our and our subsidiaries' financial results on our ability to pay dividends;

the effect of steps taken to support the Partnership that reduce cash distributions received from the Partnership;

changes in our dividend policy implemented by our board of directors or resulting from restrictions under Delaware law or the terms of any future indebtedness; and

those other factors discussed in the section entitled "Risk Factors."

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Estimates and forward-looking statements speak only as of the date they were made, and, except to the extent required by law, we undertake no obligation to update or to review any estimate and/or forward-looking statements because of new information, future events or other factors. Estimates and forward-looking statements involve risks and uncertainties and are not guarantees of future performance. There is no assurance that any of the risks described under the caption "Risk Factors" or that any of the uncertainties associated with the estimates and forward-looking statements discussed in this prospectus will occur, or if any of them do, when they will occur or what impact they will have on our operations or financial condition. Our future results and our performance may differ materially from those expressed in these estimates and forward-looking statements due to, but not limited to, the factors mentioned above. Because of these uncertainties, you should not place undue reliance on these estimates and forward-looking statements when making an investment decision.

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USE OF PROCEEDS

All of the shares of common stock being sold in this offering are being sold by the selling stockholders. See "Principal and Selling Stockholders." We will not receive any of the proceeds from this offering.

DIVIDEND POLICY

Our Dividend Policy

Our dividend policy provides that, subject to applicable law, we will pay quarterly cash dividends divided among our classes of capital stock in accordance with our charter. These dividends generally will represent the cash we receive from our subsidiaries and other sources less any cash disbursements and reserves established by a majority vote of our board of directors, including for general and administrative expenses, interest and cash taxes. This policy reflects our judgment that our stockholders would be better served if we distributed to them a substantial portion of our cash. See "Description of Our Capital Stock Classes of Common Stock Dividends."

So long as the Sponsor Investors maintain specified ownership thresholds, supermajority board approval will be required to change our dividend policy or to declare and pay any dividends that are not in accordance with our dividend policy. See "Description of Our Capital Stock Certain Other Provisions of Our Charter and Bylaws and Delaware Law Supermajority Board Approval." The actual amount of dividends on our capital stock will depend on many factors, including our financial condition and results of operations, liquidity requirements, market opportunities, capital requirements of our subsidiaries, legal, regulatory and contractual constraints, tax laws and other factors. See "Risk Factors Risks Related to Our Dividend Policy."

The Partnership's Cash Distribution Policy

Distributions received from KMP are the most significant source of our cash available to pay dividends, and our ability to pay and increase dividends to our stockholders is primarily dependent on distributions received from KMP. KMP's limited partnership agreement requires it to distribute all of its available cash to its partners on a quarterly basis within 45 days after the end of each quarter. KMP's determination of available cash is described under " Distributions of Cash Under KMP's Partnership Agreement" below. KMP's quarterly distributions have grown over time as its midstream energy business has grown, primarily as a result of acquisitions and internal growth projects. KMP has paid quarterly cash distributions to its partners since February 1997, when Richard D. Kinder and William Morgan acquired KMP's general partner. Since that time, KMP has increased its quarterly distribution on its common units 38 times, raising its annual distribution from $0.63 per unit for 1996 to the $4.40 per unit expected for 2010. From 1996 through 2010, KMP has increased its total annual distributions to its limited partners and general partner by a compound annual growth rate of 42%.

Distributions of Cash Under KMP's Partnership Agreement

Distributions of Available Cash. KMP's partnership agreement requires that it distribute 100% of "Available Cash," as defined in its partnership agreement, to its partners within 45 days following the end of each calendar quarter. Available Cash consists generally of all of KMP's cash receipts, including cash received by its operating partnerships and net reductions in reserves, less cash disbursements and net additions to reserves and amounts payable to the former general partner of SFPP, L.P. in respect of its remaining 0.5% interest in SFPP. See "Description of Business KMP Operations Products Pipelines West Coast Products Pipelines" for a description of SFPP.

KMP's general partner is granted discretion by KMP's partnership agreement, which discretion has been delegated to Kinder Morgan Management, subject to the approval of KMP's general partner in

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certain cases, to establish, maintain and adjust reserves for the proper conduct of KMP's business, which might include reserves for matters such as future operating expenses, debt service, sustaining capital expenditures and rate refunds, and for distributions for the next four quarters. These reserves are not restricted by magnitude, but only by type of future cash requirements with which they can be associated. When Kinder Morgan Management determines KMP's quarterly distributions, it considers current and expected reserve needs along with current and expected cash flows to identify the appropriate sustainable distribution level.

KMP's general partner and the owners of its common units and Class B units receive distributions in cash, while Kinder Morgan Management, the sole owner of KMP's i-units, receives distributions in additional i-units. KMP does not distribute cash to i-unit owners but instead retains the cash for use in its business. However, the cash equivalent of distributions of i-units is treated as if it had actually been distributed for purposes of determining the distributions to KMP's general partner. Each time KMP makes a distribution, the number of i-units owned by Kinder Morgan Management and, accordingly, the percentage of KMP's total units owned by Kinder Morgan Management increase automatically under the provisions of KMP's partnership agreement.

Pursuant to KMP's partnership agreement, distributions are characterized either as distributions of cash from operations or as distributions of cash from interim capital transactions. This distinction affects the distributions to owners of common units, Class B units and i-units relative to the distributions to KMP's general partner.

Cash from Operations. Cash from operations generally refers to KMP's cash balance on the date it commenced operations, plus all cash generated by the operation of its business, after deducting related cash expenditures, net additions to or reductions in reserves, debt service and various other items.

Cash from Interim Capital Transactions. Interim capital transactions generally include borrowings, sales of debt and equity securities and sales or other dispositions of assets for cash, other than inventory, accounts receivable and other current assets and assets disposed of in the ordinary course of business.

Rule for Characterizing Distributions. All available cash distributed by KMP from any source will be treated as distributions of cash from operations until the sum of all available cash distributed equals the cumulative amount of cash from operations actually generated from the date KMP commenced operations through the end of the calendar quarter prior to any applicable distribution. Any distribution of available cash which, when added to the sum of all prior distributions, is in excess of the cumulative amount of cash from operations, will be considered a distribution of cash from interim capital transactions until the initial common unit price is fully recovered as described under " Allocation of Distributions from Interim Capital Transactions." For purposes of calculating the sum of all distributions of available cash, the total equivalent cash amount of all distributions of i-units to Kinder Morgan Management, as the holder of all i-units, will be treated as distributions of available cash, even though the distributions to Kinder Morgan Management are made in additional i-units rather than in cash. KMP retains this cash and uses it in its business. To date, all of KMP's cash distributions, other than the $177.1 million distribution of cash from interim capital transactions for the second quarter of 2010, have been treated as distributions of cash from operations.

Allocation of Distributions from Operations. Cash from operations for each quarter will be distributed effectively as follows:

- first, 98% to the owners of all classes of units pro rata and 2% to KMP's general partner until the owners of all classes of units have received a total of $0.15125 per unit in cash or equivalent i-units for such quarter;

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second, 85% of any available cash then remaining to the owners of all classes of units pro rata and 15% to KMP's general partner until the owners of all classes of units have received a total of $0.17875 per unit in cash or equivalent i-units for such quarter;

third, 75% of any available cash then remaining to the owners of all classes of units pro rata and 25% to KMP's general partner until the owners of all classes of units have received a total of $0.23375 per unit in cash or equivalent i-units for such quarter; and

fourth, 50% of any available cash then remaining to the owners of all classes of units pro rata, to owners of common units and Class B units in cash and to the owner of i-units in the equivalent number of i-units, and 50% to KMP's general partner.

Incentive distributions are generally defined as all cash distributions paid to KMP's general partner that are in excess of 2% of the aggregate value of cash and i-units being distributed. KMP's general partner's incentive distributions that KMP declared for 2009 were $932.3 million, while the incentive distributions paid to KMP's general partner in 2009 were $906.5 million. The difference between distributions declared for a year and paid in a year is due to the fact that KMP's distributions for the fourth quarter of each year are declared and paid in the first quarter of the following year.

On May 14, 2010, KMP paid a quarterly distribution of $1.07 per unit for the first quarter of 2010. This distribution was 2% greater than the $1.05 per unit distribution it paid in May 2009 for the first quarter of 2009. On August 13, 2010, KMP paid a cash distribution of $1.09 per unit for the second quarter of 2010 (an annualized rate of $4.36 per unit). This distribution was 4% higher than the $1.05 per unit distribution KMP made for the second quarter of 2009. On November 12, 2010, KMP paid a cash distribution of $1.11 per unit for the third quarter of 2010 (an annualized rate of $4.44 per unit). This distribution was 6% higher than the $1.05 per unit distribution KMP made for the third quarter of 2009. KMP paid each of these distributions in cash to its general partner and to its common and Class B unitholders. Kinder Morgan Management received additional i-units based on the cash distribution per common unit.

The incentive distribution that KMP paid on May 14, 2010 to its general partner (for the first quarter of 2010) was $249.4 million. The general partner's incentive distribution that KMP paid in May 2009 (for the first quarter of 2009) was $223.2 million. The period-to-period increase in the general partner incentive distributions resulted from both increased cash distributions per unit and increases in the number of common units and i-units outstanding.

KMP's general partner's incentive distribution for the distribution that KMP paid in August 2010 for the second quarter of 2010 was $89.8 million, and the general partner's incentive distribution for the distribution that KMP paid for the second quarter of 2009 was $231.8 million. The general partner's incentive distribution for the second quarter of 2010 was affected by (1) a waived incentive amount equal to $5.3 million related to common units issued to finance a portion of KMP's acquisition of a 50% interest in the KinderHawk joint venture and (2) a reduced incentive amount of $168.3 million (including the general partner's 2% general partner interest, total cash distributions were reduced $170.0 million), due to a portion of KMP's cash distributions for the second quarter of 2010 being a distribution of cash from interim capital transactions, rather than a distribution of cash from operations. As provided in KMP's partnership agreement and described below, KMP's general partner receives no incentive distribution on distributions of cash from interim capital transactions.

The incentive distribution that KMP paid on November 12, 2010 to its general partner (for the third quarter of 2010) was $266.7 million. The general partner's incentive distribution that KMP paid in November 2009 (for the third quarter of 2009) was $235.0 million. The period-to-period increase in the general partner incentive distribution resulted from increased cash distributions per unit and increases in the number of common units and i-units outstanding. The incentive distribution would have been $5.8 million greater if the general partner had not waived its incentive distribution with respect to

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common units issued to finance a portion of KMP's acquisition of a 50% interest in the KinderHawk joint venture.

Allocation of Distributions from Interim Capital Transactions. Any distribution by KMP of available cash that would constitute cash from interim capital transactions would be distributed effectively as follows:

- 98% to all owners of common units and Class B units pro rata in cash and to the holder of i-units in equivalent i-units; and

- 2% to KMP's general partner, until KMP has distributed cash from this source in respect of a common unit outstanding since KMP's original public offering in an aggregate amount per unit equal to the initial common unit price of $5.75, as adjusted for splits.

As cash from interim capital transactions is distributed, it would be treated as if it were a repayment of the initial public offering price of the common units. To reflect that repayment, the first three distribution levels of cash from operations would be adjusted downward proportionately by multiplying each distribution level amount by a fraction, the numerator of which is the unrecovered initial common unit price immediately after giving effect to that distribution and the denominator of which is the unrecovered initial common unit price immediately prior to giving effect to that distribution. For example, assuming the unrecovered initial common unit price is $5.75 per common unit and that cash from interim capital transactions of $2.375 per unit is then distributed to owners of common units, then the amount of the first three distribution levels would each be reduced to 50% of its then current level. The unrecovered initial common unit price generally is the amount by which the initial common unit price exceeds the aggregate distribution of cash from interim capital transactions per common unit. When the initial common unit price is fully recovered, then each of the first three distribution levels will have been reduced to zero. Thereafter, all distributions of available cash from all sources will be treated as if they were cash from operations and distributed 50% to all classes of units pro rata, with the distribution to i-units being made instead in the form of i-units, and 50% to KMP's general partner. In connection with the distribution of cash from interim capital transactions for the second quarter 2010, however, we waived any adjustment in the target distribution levels and any reduction in the unrecovered initial common unit price that otherwise would have been made because of that distribution of cash from interim capital transactions.

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CAPITALIZATION

The following table sets forth our consolidated cash and capitalization information as of September 30, 2010:

- on an actual basis, and
- on an as adjusted basis after giving effect to the consummation of the Conversion Transactions and this offering.

You should read this table together with the other information in this prospectus, including "The Transactions," "Selected Historical Consolidated Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the historical consolidated financial statements and related notes of Kinder Morgan Holdco LLC and Kinder Morgan Kansas, Inc. included elsewhere in this prospectus.

	September 30, 2010	
	Actual	As Adjusted(1)
	(Unaudited) (Dollars in millions, except per share amounts)	
Cash and cash equivalents(2)	$ 196.6	$ 196.6
Kinder Morgan Kansas, Inc. and its subsidiaries (excluding KMP and its subsidiaries):		
Notes payable and current portion of long-term debt	$ 1,044.2	$ 1,044.2
Long-term debt, excluding current portion(3)(4)	2,127.6	2,127.6
KMP and its subsidiaries:		
Notes payable and current portion of long-term debt	1,409.8	1,409.8
Long-term debt, excluding current portion(3)	10,278.6	10,278.6
Total long-term debt, including current portion	14,860.2	14,860.2
Members' equity:		
Members' capital	3,707.7	
Accumulated other comprehensive loss	(104.5)	
Total Kinder Morgan Holdco LLC unitholders' equity	3,603.2	
Stockholders' equity:		
Common stock, $0.01 par value, shares authorized, shares issued and outstanding (as adjusted)		
Class A shares, $0.01 par value, shares authorized, shares issued and outstanding (as adjusted)		
Class B shares, $0.01 par value, shares authorized, shares issued and outstanding (as adjusted)		
Class C shares, $0.01 par value, shares authorized, shares issued and outstanding (as adjusted)		
Additional paid-in capital		
Retained deficit		
Accumulated other comprehensive loss		
Total Kinder Morgan, Inc. stockholders' equity		
Noncontrolling interests	5,126.1	
Total capitalization	$ 23,589.5	$

(1) Assumes the underwriters do not exercise their option to purchase additional shares. If the underwriters were to exercise their option in full, the number of shares of common stock outstanding would increase by shares and the number of Class A shares outstanding would decrease by shares.

(2) Includes $191.6 million of cash and cash equivalents of KMP and its subsidiaries.

(3) Excluding fair value of interest rate swaps.

(4) Includes Kinder Morgan G.P., Inc.'s $100 million of Series A Fixed-to-Floating Rate Term Cumulative Preferred Stock due 2057.

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SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

You should read the following selected historical consolidated financial data of Kinder Morgan Holdco LLC and Kinder Morgan Kansas, Inc. together with "The Transactions," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and the historical consolidated financial statements and related notes of Kinder Morgan Holdco LLC and Kinder Morgan Kansas, Inc. included elsewhere in this prospectus. For accounting purposes, Kinder Morgan Kansas, Inc. is considered our predecessor for all periods ended on or before May 31, 2007, the date of closing for the Going Private Transaction.

The statement of operations and statement of cash flows data for the years ended December 31, 2009 and 2008 and the seven months ended December 31, 2007 and the balance sheet data as of December 31, 2009, 2008 and 2007 have been derived from the audited consolidated financial statements of Kinder Morgan Holdco LLC included elsewhere in this prospectus. The statement of operations and statement of cash flows data for the five months ended May 31, 2007 have been derived from the audited consolidated financial statements of Kinder Morgan Kansas, Inc. included elsewhere in this prospectus. The statement of operations and statement of cash flows data for the nine months ended September 30, 2010 and 2009 and the balance sheet data as of September 30, 2010 and 2009 have been derived from the unaudited consolidated financial statements of Kinder Morgan Holdco LLC included elsewhere in this prospectus. The statement of operations data for the years ended December 31, 2006 and 2005 and the balance sheet data as of December 31, 2006 and 2005 have been derived from audited consolidated financial statements of Kinder Morgan Kansas, Inc. which are not included in this prospectus. The unaudited interim consolidated financial statements include all adjustments (consisting of normal, recurring adjustments) that are, in the opinion of management, necessary for a fair presentation of our financial position and results of operations for the periods presented. The interim results of operations are not necessarily indicative of operations for a full fiscal year.

The selected historical financial information is not indicative of our expected future operating results. Further, the selected historical financial information

- for periods prior to February 15, 2008, does not reflect our sale of 80% of NGPL and the application of the approximately $5.9 billion of proceeds from that sale;

- for periods prior to May 31, 2007, does not reflect the Going Private Transaction which was accounted for as a business combination, requiring that we record the assets acquired and liabilities assumed at their values as of the date of the Going Private Transaction, resulting in a new basis of accounting. The SEC's "push down" accounting rules required our new accounting basis in Kinder Morgan Kansas, Inc.'s assets and liabilities to be reflected in Kinder Morgan Kansas, Inc.'s financial statements effective with the closing of the Going Private Transaction; and

- for periods subsequent to December 31, 2005, consolidates the accounts, balances and results of operations of the Partnership into our financial statements.

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	Kinder Morgan Holdco LLC(1)					Kinder Morgan Kansas, Inc.		
	Nine Months Ended September 30,		Year Ended December 31,		Seven Months Ended December 31,	Five Months Ended May 31,	Year Ended December 31,	
	2010	2009	2009	2008	2007	2007	2006(2)	2005(3)
	(Unaudited)	(Unaudited)						
				(In millions)				
Statement of operations data:								
Revenues	$ 6,236.7	$ 5,234.5	$ 7,185.2	$ 12,094.8	$ 6,394.7	$ 4,165.1	$ 10,208.6	$ 1,025.6
Operating income (loss)(4)(5)(6)(7)	830.9	1,047.8	1,407.2	(2,472.1)	1,042.8	204.8	1,745.2	381.3
Earnings (loss) from equity investments(8)	(256.1)	164.2	221.9	201.1	56.8	40.7	104.2	620.7
Income (loss) from continuing operations	133.4	583.0	772.8	(3,202.3)	286.6	(142.0)	974.6	564.7
Income (loss) from discontinued operations, net of tax(9)	(0.4)	0.4	0.3	(0.9)	(1.5)	298.6	(528.5)	40.4
Net income (loss)	133.0	583.4	773.1	(3,203.2)	285.1	156.6	446.1	605.1
Net income attributable to noncontrolling interests(10)	(237.3)	(215.5)	(278.1)	(396.1)	(37.6)	(90.7)	(374.2)	(50.5)
Net income (loss) attributable to Kinder Morgan Holdco LLC/Kinder Morgan Kansas, Inc.(11)	(104.3)	367.9	495.0	(3,599.3)	247.5	65.9	71.9	554.6
Statement of cash flows data:								
Capital expenditures(12):								
Kinder Morgan Holdco LLC/Kinder Morgan Kansas, Inc.	4.7	1.0	0.5	12.3	170.9	77.3	193.5	134.1
KMP and its subsidiaries(13)	722.1	1,075.4	1,323.8	2,533.0	1,116.1	575.5	1,182.1	
Cash dividends/distributions to members	500.0	300.0	650.0		83.7	234.9	468.5	355.2
Balance sheet data (end of period):								
Net property, plant and equipment	16,947.9		16,803.5	16,109.8	14,803.9		18,839.6	9,545.6
Total assets	28,748.8		27,581.0	25,444.9	36,195.8		26,795.6	17,451.6
Long-term debt:								
Kinder Morgan Holdco LLC/Kinder Morgan Kansas, Inc.(14)	2,127.6		2,882.0	2,880.9	8,641.8		6,630.1	6,677.6
KMP and its subsidiaries(15)	10,278.6		9,997.7	8,274.9	6,455.9		4,384.3	

(1) Includes significant impacts resulting from Kinder Morgan Kansas, Inc.'s Going Private Transaction. See note 2 to Kinder Morgan Kansas, Inc's annual consolidated financial statements for additional information.

(2) Effective January 1, 2006, the accounts, balances and results of operations of the Partnership were consolidated into our financial statements and we ceased applying the equity method of accounting for our investments in the Partnership.

(3) Reflects the acquisition of Terasen Inc. on November 30, 2005 by Kinder Morgan Kansas, Inc. Most of the businesses of Terasen were subsequently sold. See notes 3 and 4 to Kinder Morgan Kansas, Inc.'s annual consolidated financial statements for information regarding Terasen.

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

(5) Includes a goodwill impairment charge of $377.1 million in the five months ended May 31, 2007 relating to the Partnership's acquisition of Trans Mountain Pipeline from Kinder Morgan Kansas, Inc. effective April 30, 2007. See note 7 to Kinder Morgan Kansas, Inc.'s annual consolidated financial statements for additional information.

(6) Includes a $158.0 million litigation reserve in the nine months ended September 30, 2010 related to KMP's West Coast pipeline rate cases.

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(7) Includes a $200.0 million litigation reserve in the nine months ended September 30, 2010 related to the Going Private Transaction litigation settlement. See note 11 to our interim consolidated financial statements included elsewhere in this prospectus.

(8) Includes a $430.0 million impairment charge in the nine months ended September 30, 2010 to reduce the carrying value of our investment in NGPL.

(9) In the five months ended May 31, 2007, primarily relates to the Canada-based and U.S. retail gas distribution businesses and the Corridor Pipeline System that we owned. In 2006, includes a goodwill impairment charge of $650.5 million to reduce the carrying value of Terasen Inc.

(10) Includes application of new accounting policies for noncontrolling interests adopted in 2009 in accordance with Accounting Standards Codification 810, "Consolidation," and applied to all years presented. See note 2 to our annual consolidated financial statements for additional information.

(11) Includes an approximately $106.6 million reduction in the income we recognized for our general partner interest in KMP due to a KMP distribution of cash from interim capital transactions in the nine months ended September 30, 2010. See note 11 to our interim consolidated financial statements included elsewhere in this prospectus.

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

(13) Includes capital expenditures of Trans Mountain Pipeline, which KMP acquired from Kinder Morgan Kansas, Inc. effective April 30, 2007. In accordance with applicable accounting standards, amounts for both 2007 and 2006 reflect capital expenditures as though the transfer of Trans Mountain to KMP had occurred at the beginning of the period (January 1, 2006).

(14) Excludes value of interest rate swaps. Increases to long-term debt for value of interest rate swaps for Kinder Morgan Kansas, Inc. and its subsidiaries (excluding KMP and its subsidiaries) totaled $76.6 million, $28.5 million, $19.7 million, $47.5 million, $3.8 million and $51.8 million as of September 30, 2010 and December 31, 2009, 2008, 2007, 2006 and 2005, respectively.

(15) Excludes value of interest rate swaps. Increases to long-term debt for value of interest rate swaps for KMP and its subsidiaries totaled $952.7 million, $332.5 million, $951.3 million, $152.2 million, $42.6 million and $0 as of September 30, 2010 and December 31, 2009, 2008, 2007, 2006 and 2005, respectively.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Selected Historical Consolidated Financial Data" and the financial statements and related notes included elsewhere in this prospectus. This discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth under "Risk Factors" and elsewhere in this prospectus. See "Information Regarding Forward-Looking Statements."

The historical consolidated financial data discussed below reflect the historical results of operations and financial condition of Kinder Morgan Kansas, Inc. and Kinder Morgan Holdco LLC. For accounting purposes, Kinder Morgan Kansas, Inc. is considered our predecessor for all periods ended on or before May 31, 2007, the date of closing for the Going Private Transaction. As a result, unless the context otherwise requires, references in the following discussion and analysis to "we," "us" and "our" mean (1) Kinder Morgan Kansas, Inc. and its consolidated subsidiaries for all periods ended on or before May 31, 2007, and (2) Kinder Morgan Holdco LLC and its consolidated subsidiaries for all periods following May 31, 2007. The historical consolidated financial data does not give effect to the Conversion Transactions. See "The Transactions The Conversion Transactions."

General

Our assets that currently generate cash for the payment of dividends and for other purposes consist primarily of our indirect ownership of the general partner interest in KMP, our indirect ownership of approximately 11% of the limited partner interests of KMP and our ownership of a 20% interest in NGPL. Approximately 95% of the distributions we received from our subsidiaries for both the nine months ended September 30, 2010 and the year ended December 31, 2009 were attributable to KMP.

Throughout this discussion, when we refer to "our" financial results or operations, we are referring to the financial results or operations of all of our consolidated subsidiaries, including KMP.

Our business model, through our direct ownership and operation of energy related assets and through our ownership of the general partner of the Partnership and KMR's management of the Partnership's operations, 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 equity holders.

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;

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CO_2 KMP (1) the production, transportation and marketing of carbon dioxide, referred to as "CO_2," to oil fields that use CO_2 to increase production of oil, (2) ownership interests in and/or operation of oil fields in West Texas and (3) 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 (1) 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, (2) the $33^1/_3$% interest in the Express crude oil pipeline system, referred to as the "Express pipeline system," which connects Canadian and U.S. producers to refineries located in the U.S. Rocky Mountain and Midwest regions, and (3) the Jet Fuel aviation turbine fuel pipeline, referred to as "Jet Fuel," that serves the Vancouver (Canada) International Airport; and

NGPL 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.

In addition, during the historical periods presented in this prospectus, we had a business segment referred to as "Power," which consisted of our ownership of natural gas-fired electric generation facilities. On October 22, 2010, we sold our facility located in Michigan, referred to as "Triton Power," for approximately $14.8 million in cash, and as a result, in future periods we will no longer report Power as a business segment. See note 2 to our interim consolidated financial statements included elsewhere in this prospectus.

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 and a portion of our business portfolio (including our Kinder Morgan Canada KMP business segment, the Canadian portion of our Cochin Pipeline, and our bulk and liquids terminal facilities located in Canada) uses the local Canadian dollar as the functional currency for its Canadian operations and enters into foreign currency-based transactions, both of which affect segment results due to the inherent variability in U.S.-Canadian dollar exchange rates. To help understand our reported operating results, all of the following references to "currency impacts," "changes due to currency" or similar terms in this section represent our estimates of the changes in financial results, in U.S. dollars, resulting from fluctuations in the relative value of the Canadian dollar to the U.S. dollar. The references are made to facilitate period-to-period comparisons of business performance and may not be comparable to similarly titled measures used by other registrants.

The profitability of our refined petroleum products pipeline transportation business is generally driven by the volume of petroleum products that we transport and the prices we receive for our services. Transportation volume levels are primarily driven by the demand for the petroleum products being shipped or stored. Demand for petroleum products tends to track in large measure demographic and economic growth, and with the exception of periods of time with very high product prices or recessionary conditions, demand tends to be relatively stable. Because of that, we seek to own refined products pipelines located in, or that transport to, stable or growing markets and population centers. The prices for shipping are generally based on regulated tariffs that are adjusted annually based on changes in the U.S. Producer Price Index.

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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 and extended 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. These long-term contracts are typically structured with a fixed-fee reserving the right to transport natural gas and 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. Therefore, where we have long-term contracts, we are not exposed to short-term changes in commodity supply or demand. However, as contracts expire, we do have exposure to the longer term trends in supply and demand for natural gas. As of September 30, 2010, the remaining average contract life of our natural gas transportation contracts was in excess of eight years.

The CO_2 sales and transportation business, like the natural gas pipelines business, generally has fixed fee contracts with minimum volume requirements. In the long-term, our 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 CO_2 KMP business segment, we monitor the amount of capital we expend in relation to the amount of production that we expect to add. In that regard, our production during any period is an important measure. 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, 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.

The factors impacting the terminals business generally differ depending on whether the terminal is a liquid or bulk terminal, and in the case of a bulk terminal, the type of product being handled or stored. As with our products pipeline transportation business, the revenues from our bulk terminals business are generally driven by the volumes we handle and/or store, 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. While we handle and store a large variety of products in our bulk terminals, the primary products are coal, petroleum coke, and steel. For the most part, we have contracts for this business that have minimum volume guarantees and are volume based above the minimums. Because these contracts are volume based above the minimums, our profitability from the bulk business can be sensitive to economic conditions. Our liquids terminals business generally is backed by longer-term contracts which require the customer to pay regardless of whether they use the capacity. Thus, similar to our natural gas pipeline business, our liquids terminals business is less sensitive to short-term changes in supply and demand. Therefore, the extent to which changes in these variables affect our terminals business 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 KMP, we believe that we have a history of making accretive acquisitions and economically advantageous expansions of existing businesses since 1998, KMP has invested over $20 billion of capital for both strategic business acquisitions and expansions of existing assets. KMP's capital investments have helped it to achieve compound annual growth rates in cash distributions to its limited partners of 4.5%, 8.8%, and 7.9%, respectively, for the one-year, three-year, and five-year periods ended December 31, 2009.

Thus, KMP's ability to increase distributions to us and other investors will, to some extent, be a function of its successful completion of acquisitions and expansions. We believe KMP will continue to have opportunities for expansion of its facilities in many markets, and it has budgeted approximately $1.5 billion for its 2010 capital expansion program, including small acquisitions. Based on our historical record and because there is continued demand for energy infrastructure in the areas we serve, we expect to continue to have such opportunities in the future, although the level of such opportunities is difficult to predict.

KMP's ability to make accretive acquisitions is a function of the availability of suitable acquisition candidates at the right cost, and includes factors over which we have limited or no control. Thus, we have no way to determine the number or size of accretive acquisition candidates in the future, or whether we will complete the acquisition of any such candidates.

In addition, KMP's ability to make accretive acquisitions or expand its assets is impacted by its ability to maintain adequate liquidity and to raise the necessary capital needed to fund such acquisitions. As a master limited partnership, KMP distributes all of its available cash, and it accesses capital markets to fund acquisitions and asset expansions. Historically, KMP has succeeded in raising necessary capital in order to fund its acquisitions and expansions, often doing so during periods of notably tight financial conditions. For example, in December 2008, KMP raised a combined $675 million in cash from public debt and equity offerings. Although we cannot predict future changes in the overall equity and debt capital markets (in terms of tightening or loosening of credit), we believe that KMP's stable cash flows, its investment grade credit rating, and its historical record of successfully accessing both equity and debt funding sources should allow it to continue to execute its current investment, distribution and acquisition strategies, as well as refinance maturing debt when required. For a further discussion of our liquidity, please see " Liquidity and Capital Resources" below.

Critical Accounting Policies and Estimates

Our discussion and analysis of financial condition and results of operations are based on our consolidated financial statements and those of Kinder Morgan Kansas, Inc., as described above, prepared in accordance with accounting principles generally accepted in the United States of America and contained elsewhere in this prospectus. 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 disclosures 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: (1) the

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economic useful lives of our assets; (2) the fair values used to allocate purchase price from business combinations, determine possible asset impairment charges and calculate the annual goodwill impairment test; (3) reserves for environmental claims, legal fees, transportation rate cases and other litigation liabilities; (4) provisions for uncollectible accounts receivable; (5) exposures under contractual indemnifications; and (6) unbilled revenues.

For a summary of our significant accounting policies, see note 2 to our annual consolidated financial statements included elsewhere in this prospectus. We believe that certain accounting policies are of more significance in our consolidated financial statement preparation process than others, which policies are discussed below.

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 to our annual consolidated financial statements and note 11 to our interim consolidated financial statements included elsewhere in this prospectus.

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.

Our most significant ongoing litigation proceedings involve KMP's 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 products pipeline systems are "grandfathered" under the Energy Policy Act of 1992 unless "substantially changed circumstances"

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are found to exist. To the extent "substantially changed circumstances" are found to exist, KMP's 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. Following the FERC's approval of a settlement agreement KMP reached with certain shippers, those KMP subsidiaries made settlement payments totaling $206.3 million in May 2010. For more information on our FERC regulatory proceedings, see note 16 to our annual consolidated financial statements and note 11 to our interim consolidated financial statements included elsewhere in this prospectus.

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, Kinder Morgan Kansas, Inc. changed the date of its annual goodwill impairment test date to May 31 of each year (from January 1). We also perform our annual goodwill impairment test on May 31 of each year.

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 KMP 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 or 2010, and no event indicating an impairment has occurred subsequent to May 31, 2010.

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 KMP 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 this analysis, we recorded a goodwill impairment charge of $377.1 million to our consolidated statement of operations for the five months ended May 31, 2007.

The 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 our 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 note 7 to our annual consolidated financial statements and note 3 to our interim consolidated financial statements included elsewhere in this prospectus.

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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 19 to our annual consolidated financial statements included elsewhere in this prospectus.

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 the 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 transaction 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 to our annual consolidated financial statements and note 6 to our interim consolidated financial statements included elsewhere in this prospectus.

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 to our annual consolidated financial statements included elsewhere in this prospectus. While we believe our choices for these assumptions are appropriate in the circumstances, other assumptions also could 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 $500,000 ($500,000) 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 KMP. 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 KMP.

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 reflect the historical basis of accounting for Kinder Morgan Kansas, Inc.'s assets and liabilities, while the amounts subsequent to the closing 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)" below.

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Our adoption of a new basis of accounting for our assets and liabilities as a result of the 2007 Going Private Transaction, the 2007 sales of our retail natural gas distribution and related operations and our Corridor operations, the 2008 sale of our North System, the 2008 sale of an 80% interest in NGPL, the 2008 goodwill impairments described above, the 2010 impairment charge related to our investment in NGPL, the 2010 rate case liability adjustments, the 2010 settlement of litigation related to the Going Private Transaction and other acquisitions and divestitures (including the transfer of certain assets to KMP), among other factors, affect comparisons of our financial position and results of operations between certain periods.

Results of Operations Interim Periods

Consolidated

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Earnings increase/(decrease)	
	(In millions, except percentages)			
Segment earnings (loss) before depreciation, depletion and amortization expense and amortization of excess cost of equity investments(a)				
Products Pipelines KMP(b)	$ 331.8	$ 468.0	$ (136.2)	(29)%
Natural Gas Pipelines KMP(c)	592.3	559.8	32.5	6%
CO_2 KMP(d)	763.9	635.6	128.3	20%
Terminals KMP(e)	474.5	430.3	44.2	10%
Kinder Morgan Canada KMP(f)	132.9	113.9	19.0	17%
NGPL(g)	(405.0)	31.4	(436.4)	(1,390)%
Power	3.8	3.8		
Segment earnings before depreciation, depletion and amortization expense and amortization of excess cost of equity investments	1,894.2	2,242.8	(348.6)	(16)%
Depreciation, depletion and amortization expense	(813.7)	(777.1)	(36.6)	(5)%
Amortization of excess cost of equity investments	(4.3)	(4.3)		
NGPL fixed fee revenue(h)	35.4	34.4	1.0	3%
Other operating revenues	1.5		1.5	n/a
General and administrative expense(i)	(528.7)	(269.2)	(259.5)	(96)%
Unallocable interest and other, net(j)	(492.6)	(425.2)	(67.4)	(16)%
Income from continuing operations before income taxes	91.8	801.4	(709.6)	(89)%
Unallocable income tax benefit (expense)(a)	41.6	(218.4)	260.0	119%
Income from continuing operations	133.4	583.0	(449.6)	(77)%
Income (loss) from discontinued operations, net of tax	(0.4)	0.4	(0.8)	(200)%
Net income	133.0	583.4	(450.4)	(77)%
Net income attributable to noncontrolling interests	(237.3)	(215.5)	(21.8)	(10)%
Net income (loss) attributable to Kinder Morgan Holdco LLC(k)	$ (104.3)	$ 367.9	$ (472.2)	(128)%

(a)

Includes revenues, earnings from equity investments, allocable interest income and other, net, less operating expenses, allocable income taxes, and other expense (income). Operating expenses include natural gas purchases and other costs of sales, operations and maintenance expenses, and taxes, other than income taxes. Segment earnings include KMP's allocable income taxes expense of

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$12.5 million and $28.8 million for the nine months ended September 30, 2010 and 2009, respectively.

(b)

2010 amount includes a $158.0 million (pre-tax) increase in expense associated with rate case liability adjustments, and a $17.4 million decrease in income associated with combined property environmental expenses and the demolition of physical assets in preparation for the sale of the Gaffey Street, California land. 2009 amount includes a $0.1 million increase in income from hurricane casualty gains. 2010 and 2009 amounts also include (1) increases in expense of $2.5 million and $3.8 million, respectively, associated with environmental liability adjustments and (2) increases in income of $0.4 million and $1.5 million, respectively, resulting from unrealized foreign currency gains and losses on long-term debt transactions. Also 2010 and 2009 amounts include decreases in segment earnings of $7.3 million and $0.3 million, respectively, related to property disposal losses, which had been revalued as part of the Going Private Transaction and recorded in the application of the purchase method of accounting.

(c)

2010 amount includes a $0.8 million unrealized loss on derivative contracts used to hedge forecasted natural gas sales, and a $0.4 million increase in income from certain measurement period adjustments related to KMP's October 1, 2009 natural gas treating business acquisition. 2009 amount includes a $4.5 million decrease in income resulting from unrealized mark to market gains and losses due to the discontinuance of hedge accounting at Casper Douglas, and a $3.7 million increase in income from a hurricane casualty gain. Also, 2010 and 2009 amounts include increases in segment earnings of $0.1 million and $0.2 million, 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. 2010 and 2009 amounts also include decreases in segment earnings of $0.7 million and $1.1 million, respectively, related to property disposal losses, which had been revalued as part of the Going Private Transaction and recorded in the application of the purchase method of accounting.

(d)

2010 and 2009 amounts include a $5.4 million unrealized gain and a $5.4 million unrealized loss, respectively, on derivative contracts used to hedge forecasted crude oil sales. Also, 2010 and 2009 amounts include increases in segment earnings resulting from valuation adjustments of $39.8 million and $72.3 million, respectively, primarily 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)

2010 amount includes (1) a $6.7 million casualty indemnification gain related to a 2008 fire at the Pasadena, Texas liquids terminals, (2) a $0.2 million decrease in expense from certain measurement period adjustments related to KMP's March 5, 2010 Slay Industries terminal acquisition, (3) a $5.0 million increase in expense from casualty insurance deductibles and (4) a $0.6 million increase in expense related to storm and flood clean-up and repair activities. 2009 amount includes (1) an $11.2 million increase in income from fire and hurricane casualty gains, (2) a $0.5 million decrease in expense associated with legal liability adjustments related to a litigation matter involving the Staten Island liquids terminal and (3) a $0.1 million increase in expense associated with environmental liability adjustments. Also, 2010 and 2009 amounts include decreases in segment earnings of $0.7 million and $2.5 million, respectively, 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 Trans Mountain pipeline system's previously established deferred tax liability and a $3.7 million decrease in expense due to a certain non-cash accounting adjustment related to book tax accruals made by the Express pipeline system.

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(g) Includes a non-cash investment impairment charge, which we recorded in the amount of $430.0 million (pre-tax); see note 2 to our interim consolidated financial statements included elsewhere in this prospectus.

(h) See note 9 to our interim consolidated financial statements included elsewhere in this prospectus.

(i) Includes unallocated litigation and environmental expenses. 2010 amount includes a $200 million (pre-tax) Going Private Transaction litigation settlement; see note 11 to our interim consolidated financial statements included elsewhere in this prospectus. 2010 and 2009 amounts include (1) increases in expense of $3.5 million and $0.6 million, respectively, for certain asset and business acquisition costs and (2) decreases in expense of $0.2 million and $2.4 million, respectively, related to capitalized overhead costs associated with the 2008 hurricane season. 2010 amount also includes a $1.6 million increase in legal expense associated with items disclosed in these footnotes such as legal settlements and pipeline failures.

(j) 2010 and 2009 amounts include increases in imputed interest expense of $0.8 million and $1.2 million, respectively, related to KMP's January 1, 2007 Cochin Pipeline acquisition.

(k) 2010 amount includes a reduction of approximately $107 million (after-tax) in the income we recognized from our interest in the general partner due to a KMP distribution of cash from interim capital transactions. See note 11 to our interim consolidated financial statements included elsewhere in this prospectus.

For the first nine months of 2010 the net loss attributable to Kinder Morgan Holdco LLC totaled $104.3 million as compared to net income attributable to Kinder Morgan Holdco LLC of $367.9 million in the first nine months of 2009. Our total revenues for the comparative periods were $6,236.7 million and $5,234.5 million, respectively. Net income attributable to Kinder Morgan Holdco LLC for the nine months ended September 30, 2010 was negatively impacted by (1) a $128 million (after-tax) Going Private Transaction litigation settlement, (2) approximately $107 million (after-tax) from a reduction in the income we recognized from our interest in the general partner due to a KMP distribution of cash from interim capital transactions and (3) approximately $275 million (after-tax) from an investment impairment charge recorded in the first quarter of 2010.

For the comparable nine month periods, total segment earnings before depreciation, depletion and amortization, sometimes referred to as "earnings before DD&A," decreased $348.6 million (16%) in 2010; however, the overall decrease included a decrease in earnings of $630.6 million from the combined effect of the certain items described in the footnotes to the table above (combining to affect total segment earnings before depreciation, depletion and amortization by a $570.0 million decrease and a $60.6 million increase in the first nine months of 2010 and 2009, respectively). The two primary items described in the footnotes to the table above contributing to the $570 million decrease in total segment earnings before depreciation, depletion and amortization for the first nine months of 2010 were (1) a $430 million (pre-tax) impairment of our investment in NGPL and (2) a $158 million (pre-tax) expense associated with the Products Pipeline KMP litigation. The remaining $282.0 million (13%) increase in total segment earnings before depreciation, depletion and amortization in the first nine months of 2010 versus the first nine months of 2009 resulted from better performance from all five of KMP's reportable business segments, mainly due to increases attributable to the CO_2 KMP, Terminals KMP, and Products Pipelines KMP business segments.

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Products Pipelines KMP

	Nine Months Ended September 30, 2010	
	2010	**2009**
	(In millions, except operating statistics)	
Revenues	$ 661.5	$ 611.6
Operating expenses(a)	(341.7)	(165.8)
Other income (expense)(b)	(11.3)	(0.2)
Earnings from equity investments	15.5	12.8
Interest income and Other, net-income(c)	6.0	9.8
Income tax benefit (expense)	1.8	(0.2)
Earnings before depreciation, depletion and amortization expense and amortization of excess cost of equity investments	$ 331.8	$ 468.0
Gasoline (MMBbl)(d)	299.4	301.2
Diesel fuel (MMBbl)	109.5	107.9
Jet fuel (MMBbl)	78.1	83.7
Total refined product volumes (MMBbl)	487.0	492.8
Natural gas liquids (MMBbl)	18.3	18.4
Total delivery volumes (MMBbl)(e)	505.3	511.2
Ethanol (MMBbl)(f)	22.4	16.7

(a) 2010 amount includes an increase in expense of $2.5 million from environmental liability adjustments, an increase in expense of $13.5 million associated with environmental clean-up expenses and the demolition of physical assets in preparation for the sale of KMP's Gaffey Street, California land, and a $158.0 million increase in expense associated with rate case liability adjustments. 2009 amount includes a $3.8 million increase in expense associated with environmental liability adjustments.

(b) 2010 amount includes disposal losses of $3.9 million related to the retirement of KMP's Gaffey Street, California land. 2009 amount includes $0.1 million gains from hurricane casualty indemnifications. Also, 2010 and 2009 amounts include $7.3 million and $0.3 million, respectively, of decreases in segment earnings related to property disposal losses, which had been revalued as part of the Going Private Transaction and recorded in the application of the purchase method of accounting.

(c) 2010 and 2009 amounts include increases in income of $0.4 million and $1.5 million, respectively, resulting from unrealized foreign currency gains and losses on long-term debt transactions.

(d) Volumes include ethanol pipeline volumes.

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

(f) Represents total ethanol volumes, including ethanol pipeline volumes.

For the nine months ended September 30, 2010, the certain items described in the footnotes to the table above decreased earnings before depreciation, depletion and amortization expenses by $182.3 million when compared to the same period of 2009. Following is information for the nine month periods of 2010 and 2009, related to the segment's (1) remaining $46.1 million (10%) increase in

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earnings before depreciation, depletion and amortization and (2) $49.9 million (8%) increase in operating revenues:

Nine months ended September 30, 2010 versus Nine months ended September 30, 2009

	Earnings before DD&A increase/(decrease)		Revenues increase/(decrease)	
	(In millions, except percentages)			
Pacific operations	$ 31.5	16%	$ 38.0	13%
Southeast Terminals	11.4	29%	10.3	18%
West Coast Terminals	7.4	15%	7.3	11%
Central Florida Pipeline	3.2	8%	1.9	4%
Cochin Pipeline	(10.8)	(31)%	(6.7)	(17)%
Transmix operations	(1.6)	(6)%	(4.7)	(12)%
All others (including intrasegment eliminations)	5.0	7%	3.8	5%
Total Products Pipelines KMP	$ 46.1	10%	$ 49.9	8%

The increases in the Products Pipelines KMP business segment's earnings before depreciation, depletion and amortization expenses in the first nine months of 2010, when compared to the same period a year ago, were driven by higher earnings from the Pacific operations. The earnings increase was largely revenue related, due to an increase of $25.8 million (12%) in mainline delivery revenues and an increase of $12.2 million (16%) in fee-based terminal revenues. The increase in pipeline delivery revenues year-to-date were attributable to higher average tariff rates in 2010 (due in part to FERC-approved rate increases) and military tender rate increases. The increases in terminal revenues were mainly attributable to incremental ethanol handling services that were due in part to mandated increases in ethanol blending rates in California since the end of September 2009.

Other period-to-period increases and decreases in segment earnings before depreciation, depletion and amortization in the comparable nine month periods of 2010 and 2009 included the following:

- an increase of $7.4 million (15%) from the West Coast terminal operations. The increase was driven by higher warehousing revenues and incremental customers at the combined Carson/Los Angeles Harbor terminal system, incremental biodiesel revenues from the liquids facilities located in Portland, Oregon, and incremental earnings contributions from the terminals' Portland, Oregon Airport pipeline, which was acquired on July 31, 2009;

- a decrease of $10.8 million (31%) from the Cochin pipeline system. The decrease in earnings was primarily attributable to a 23% decline in system delivery volumes in 2010, due in part to the negative impacts from unfavorable tariff changes in 2010;

- a decrease of $1.6 million (6%) from the Transmix processing operations. The lower period-to-period earnings were mainly due to a combined $8.0 million increase in revenues recognized in August 2009. At that time, KMP recorded certain true-ups related to transmix settlement gains (including tank gains and incremental loss allowance gains);

- an increase of $3.2 million (8%) from the Central Florida Pipeline. For the comparable nine month period, earnings increased in 2010 due to both incremental product inventory gains and higher ethanol handling revenues; and

- an increase of $11.4 million (29%), from the Southeast terminal operations. For the comparable nine month period, earnings increased in 2010 due to both increased ethanol throughput and higher product inventory sales at higher prices.

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For all segment assets combined, ethanol volumes handled increased 34% in the first nine months of 2010, when compared to the same period last year. Although the growing use of ethanol as part of the domestic fuel supply tends to reduce other refined products pipeline volumes, KMP believes the capital investments it has made for ethanol storage and blending infrastructure have enabled it to recover the decreases in revenues and cash flows resulting from lower pipeline transport volumes.

Natural Gas Pipelines KMP

	Nine Months Ended September 30,	
	2010	2009
	(In millions, except operating statistics)	
Revenues(a)	$ 3,414.0	$ 2,751.2
Operating expenses(b)	(2,938.0)	(2,325.7)
Other income (expense)(c)	(0.7)	2.6
Earnings from equity investments	115.9	104.7
Interest income and Other, net-income	2.9	31.1
Income tax expense	(1.8)	(4.1)
Earnings before depreciation, depletion and amortization expense and amortization of excess cost of equity investments	$ 592.3	$ 559.8
Natural gas transport volumes (Bcf)(d)	1,920.8	1,683.6
Natural gas sales volumes (Bcf)(e)	602.1	602.3

(a) 2010 amount includes a $0.4 million increase in revenues from certain measurement period adjustments related to the October 1, 2009 natural gas treating business acquisition.

(b) 2010 amount includes an unrealized loss of $0.8 million on derivative contracts used to hedge forecasted natural gas sales. 2009 amount includes a decrease in income of $4.5 million 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 Douglas gas processing operations discontinued hedge accounting, and the last of the related derivative contracts expired in December 2009. Also, 2010 and 2009 amounts include increases in segment earnings of $0.1 million and $0.2 million, 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.

(c) 2009 amount includes a $3.7 million gain from hurricane casualty indemnifications. Also, 2010 and 2009 amounts include $0.7 million and $1.1 million decreases in segment earnings related to property disposal losses and assets sold, respectively, which had been revalued as part of the Going Private Transaction and recorded in the application of the purchase method of accounting.

(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.

For the nine months ended September 30, 2010, the certain items described in the footnotes to the table above increased earnings before depreciation, depletion and amortization expense by $0.7 million when compared to the same period in 2009 and increased revenues in 2010 by $0.4 million, when compared to 2009. Following is information for the comparable nine month periods of 2010 and 2009,

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related to the segment's (1) remaining $31.8 million (6%) increase in earnings before depreciation, depletion and amortization and (2) remaining $662.4 million (24%) increase in operating revenues:

Nine months ended September 30, 2010 versus Nine months ended September 30, 2009

	Earnings before DD&A increase/(decrease)		Revenues increase/(decrease)	
	(In millions, except percentages)			
Kinder Morgan Natural Gas Treating	$ 32.0	n/a	$ 46.1	n/a
Kinder Morgan Louisiana Pipeline	13.8	49%	42.4	501%
Midcontinent Express Pipeline(a)	13.2	172%		
KinderHawk Field Services(a)	6.8	n/a		
Texas Intrastate Natural Gas Pipeline Group	(20.8)	(8)%	544.7	22%
Rockies Express Pipeline(a)	(12.1)	(16)%		
Kinder Morgan Interstate Gas Transmission	(9.2)	(10)%	3.6	3%
All others (including intrasegment eliminations)	8.1	8%	25.6	19%
Total Natural Gas Pipelines KMP	$ 31.8	6%	$ 662.4	24%

(a) Equity investments. KMP records earnings under the equity method of accounting, but it receives distributions in amounts essentially equal to equity earnings plus depreciation and amortization expenses less sustaining capital expenditures.

The increase in the Natural Gas Pipelines KMP segment's earnings before depreciation, depletion and amortization expenses in the first nine months of 2010 versus the same period of 2009 was driven by incremental contributions from the Kinder Morgan Natural Gas Treating operations and the Kinder Morgan Louisiana natural gas pipeline system.

KMP's Kinder Morgan Louisiana pipeline system began full transportation service on June 21, 2009. KMP acquired the majority of the Kinder Morgan Natural Gas Treating operations from CrossTex Energy, Inc. on October 1, 2009, and it acquired the remaining portion from Gas-Chill, Inc. on September 1, 2010. Combined, these assets contributed incremental earnings before depreciation, depletion and amortization of $32.0 million, revenues of $46.1 million and operating expenses of $14.1 million in the first nine months of 2010.

Other period-to-period increases and decreases in segment earnings before depreciation, depletion and amortization in the comparable nine month periods of 2010 and 2009 included the following:

- an increase of $6.8 million due to incremental equity earnings from the 50%-owned KinderHawk Field Services LLC. KMP acquired its 50% ownership interest on May 21, 2010 KinderHawk's assets consist of more than 300 miles of pipeline currently in service, with projected throughput of approximately 800 million cubic feet per day of natural gas by the end of 2010. Additionally, the system's natural gas amine treating plants have a current capacity of approximately 2,135 gallons per minute.

  KinderHawk has also received a dedication to transport and treat all of Petrohawk Energy Corporation's operated Haynesville and Bossier shale gas production in northwest Louisiana for the life of the leases at agreed upon rates, as well as minimum volume commitments from Petrohawk for the first five years of the joint venture agreement. It will also focus on providing transportation services to third-party producers;

- an increase of $13.2 million (172%) due to incremental equity earnings from the 50%-owned Midcontinent Express natural gas pipeline system. The incremental earnings from the investment in Midcontinent Express were driven by the commencement and/or expansion of natural gas

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transportation service since the end of the third quarter of 2009. The Midcontinent Express system initiated interim natural gas transportation service for its Zone 1 on April 10, 2009, achieved full Zone 1 service on May 21, 2009, and achieved full Zone 2 service on August 1, 2009. In addition, in June 2010, Midcontinent Express completed two natural gas compression projects that increased Zone 1 capacity from 1.5 to 1.8 billion cubic feet per day, and Zone 2 capacity from 1.0 to 1.2 billion cubic feet per day. The incremental capacity is fully subscribed with ten-year binding shipper agreements;

a decrease of $20.8 million (8%) from the Texas intrastate natural gas pipeline group. The overall decrease in earnings was driven by (1) a decrease of $13.0 million from overall storage activities (primarily due to lower price spreads relative to 2009); (2) a decrease of $4.1 million due to lower natural gas gains; (3) a $6.0 million decrease in natural gas sales margins, largely attributable to higher costs of natural gas supplies relative to sales price; (4) a $3.5 million decrease from lower interest income, due to a one-time natural gas loan to a single customer in 2009; and (5) a $7.6 million increase in natural gas processing margins, due mainly to higher natural gas liquids prices relative to 2009;

a decrease of $12.1 million (16%) from the 50%-owned Rockies Express pipeline system, primarily due to lower net income earned by Rockies Express Pipeline LLC in 2010. The decrease in Rockies Express' 100% net income was mainly due to (1) a $47.8 million increase in interest expense, due to the debt mix shifting to longer term maturities and lower capitalized interest expense; (2) a $71.8 million increase in depreciation and amortization expenses, due to a higher depreciable asset base; and (3) a $44.3 million increase in property tax expenses, including an $11.7 million increase associated with a higher than expected assessment in the state of Ohio.

Partially offsetting the decreases in earnings described above were increases in earnings (primarily from incremental natural gas transportation revenues) in the first nine months of 2010 related to the completion and start-up of the Rockies Express-East pipeline segment, which began initial pipeline service on June 29, 2009, and began full operations on November 12, 2009. KMP's operating results for the first nine months of 2010 also were negatively impacted, however, by a portion of the Rockies Express-East pipeline segment being shutdown due to a pipeline girth weld failure that occurred on November 14, 2009. Partial service was restored on January 27, 2010, and full service was restored on February 6, 2010. The shutdown cost KMP approximately $15 million in demand charge credits in the first quarter of 2010; and

a decrease of $9.2 million (10%) from the Kinder Morgan Interstate Gas Transmission pipeline system due largely to lower margins on operational sales of natural gas (due mainly to lower average natural gas prices in 2010), lower pipeline net fuel recoveries and lower earnings from short-term natural gas balancing services.

The overall changes in both segment revenues and segment operating expenses (which include natural gas costs of sales) in the comparable nine month periods of 2010 and 2009 primarily relate to the natural gas purchase and sale activities of the Texas intrastate group, with the variances from period-to-period 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 intrastate 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 its gas purchase costs. For the comparable nine month periods of 2010 and 2009, the intrastate group accounted for 89% and 90%, respectively, of total revenues, and 95% and 96%, respectively, of total segment operating expenses.

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CO_2 KMP

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
	(In millions, except operating statistics)	
Revenues(a)	$ 972.2	$ 821.7
Operating expenses	(229.9)	(198.4)
Earnings from equity investments	17.7	16.4
Interest income and Other, net-income (expense)	1.9	(1.2)
Income tax benefit (expense)	2.0	(2.9)
Earnings before depreciation, depletion and amortization expense and amortization of excess cost of equity investments	$ 763.9	$ 635.6
Carbon dioxide delivery volumes (Bcf)(b)	558.2	579.7
SACROC oil production (gross)(MBbl/d)(c)	29.4	30.2
SACROC oil production (net)(MBbl/d)(d)	24.5	25.2
Yates oil production (gross)(MBbl/d)(c)	24.4	26.6
Yates oil production (net)(MBbl/d)(d)	10.8	11.8
Natural gas liquids sales volumes (net)(MBbl/d)(d)	9.9	9.3
Realized weighted average oil price per Bbl(e)(f)	$ 59.88	$ 48.27
Realized weighted average natural gas liquids price per Bbl(f)(g)	$ 50.06	$ 34.31

(a) 2010 amount includes unrealized gains (from increases in revenues) of $5.4 million on derivative contracts used to hedge forecasted crude oil sales. 2009 amount includes unrealized losses (from decreases in revenues) of $5.4 million on derivative contracts used to hedge forecasted crude oil sales. Also, amounts include increases in segment earnings resulting from valuation adjustments of $39.8 million and $72.3 million, respectively, for the nine months ended September 30, 2010 and 2009, primarily 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) Includes Cortez, Central Basin, Canyon Reef Carriers, Centerline and Pecos pipeline volumes.

(c) Represents 100% of the production from the field. KMP owns an approximately 97% working interest in the SACROC unit and an approximately 50% working interest in the Yates unit.

(d) Net to KMP, after royalties and outside working interests.

(e) Includes all of KMP's crude oil production properties.

(f) Hedge gains/losses for crude oil and natural gas liquids are included with crude oil.

(g) Includes production attributable to leasehold ownership and production attributable to KMP's 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. We refer to the segment's two primary businesses as its "Oil and Gas Producing Activities" and "Sales and Transportation Activities."

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For the nine months ended September 30, 2010, the unrealized gains and losses on derivative contracts used to hedge forecasted crude oil sales described in footnote (a) to the table above decreased both earnings before depreciation, depletion and amortization expenses and revenues by $21.7 million when compared to the same period of 2009. For each of the segment's two primary businesses, following is information for the comparable nine month periods of 2010 and 2009, related to the segment's (1) remaining $150.0 million (26%) increases in earnings before depreciation, depletion and amortization and (2) remaining $172.2 million (23%) increases in operating revenues:

Nine months ended September 30, 2010 versus Nine months ended September 30, 2009

	Earnings before DD&A increase/(decrease)		Revenues increase/(decrease)	
	(In millions, except percentages)			
Oil and Gas Producing Activities	$ 115.0	28%	$ 145.9	24%
Sales and Transportation Activities	35.0	22%	31.6	17%
Intrasegment eliminations			(5.3)	(16)%
Total CO_2 KMP	$ 150.0	26%	$ 172.2	23%

The segment's overall period-to-period increase in earnings before depreciation, depletion and amortization expenses was primarily due to higher earnings from its oil and gas producing activities, which include the operations associated with KMP's ownership interests in oil-producing fields and natural gas processing plants. The increase in earnings from oil and gas producing activities in the nine month period ended September 30, 2010 compared to the nine month period ended September 30, 2009 was mainly due to the following:

- an increase of $138.4 million (24%) in combined crude oil and natural gas plant products sales revenues, due largely to an increase of 24% in the realized weighted average price per barrel of crude oil, and an increase of 46% in the realized weighted average price per barrel of natural gas liquids. KMP also benefitted from an increase in natural gas liquids sales volumes of 6% in the first nine months of 2010, when compared to the same period a year ago. Overall operating revenues were somewhat offset by a decrease in crude oil sales volumes of 5% in first nine months of 2010;

- an increase of $7.5 million (38%) in other revenues, driven by higher net profits interest revenues in 2010 from KMP's 28% net profits interest in the Snyder, Texas natural gas processing plant, due to higher natural gas liquid production; and

- a decrease of $32.8 million (17%) due to higher operating expenses driven by (1) an increase in tax expenses, other than income tax expenses, resulting primarily from reductions in severance tax expense in the first nine months of 2009 related to prior year overpayments and (2) for the comparable nine month periods, higher operating and maintenance expenses resulting from increased natural gas processing volumes in 2010.

The overall period-to-period increase in earnings from the segment's sales and transportation activities were mainly due to an increase of $31.4 million (25%) in carbon dioxide sales revenues. The increase in sales revenues was primarily price related and partly volume related. The segment's average price received for all carbon dioxide sales in the first nine months of 2010 increased 25% reflecting continuing strong demand for carbon dioxide's oil recovery use in mature oil fields. Overall carbon dioxide sales volumes increased 1% in the first nine months of 2010 versus the same prior year period.

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Terminals KMP

	Nine Months Ended September 30,	
	2010	2009
	(In millions, except operating statistics)	
Revenues	$ 946.1	$ 814.9
Operating expenses(a)	(480.3)	(395.1)
Other income(b)	9.7	11.8
Earnings from equity investments	1.3	0.3
Interest income and Other, net-income	3.2	2.4
Income tax expense(c)	(5.5)	(4.0)
Earnings before depreciation, depletion and amortization expense and amortization of excess cost of equity investments	$ 474.5	$ 430.3
Bulk transload tonnage (MMtons)(d)	71.0	61.8
Ethanol (MMBbl)	44.1	24.7
Liquids leaseable capacity (MMBbl)	58.2	55.6
Liquids utilization %	96.2%	96.7%

(a) 2010 amount includes a $0.2 million decrease in expense from certain measurement period adjustments related to KMP's March 5, 2010 Slay Industries terminal acquisition and a $0.6 million increase in expense related to storm and flood clean-up and repair activities. 2009 amount includes a $0.5 million decrease in expense associated with legal liability adjustments related to a litigation matter involving the Staten Island liquids terminal, and a $0.1 million increase in expense associated with environmental liability adjustments.

(b) 2010 amount includes a $6.7 million casualty indemnification gain related to a 2008 fire at the Pasadena, Texas liquids terminal. 2009 amount includes a gain of $11.3 million from hurricane and fire casualty indemnifications. Also, 2010 and 2009 amounts include decreases in segment earnings of $0.7 million and $2.5 million, respectively, 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 a $0.1 million increase in expense related to hurricane casualty gains.

(d) Volumes for acquired terminals are included for all periods.

The Terminals KMP business segment includes the operations of the petroleum, chemical and other liquids terminal facilities (other than those included in the Products Pipelines KMP segment), and all of the coal, petroleum coke, fertilizer, steel, ores and other dry-bulk material services facilities. KMP groups the bulk and liquids terminal operations into regions based on geographic location and/or primary operating function. This structure allows the management to organize and evaluate segment performance and to help make operating decisions and allocate resources.

In addition to the $0.2 million decrease in expense from certain measurement period adjustments related to KMP's March 5, 2010 Slay Industries terminal acquisition described in footnote (a) to the table above, its acquired terminal operations accounted for incremental earnings before depreciation, depletion and amortization of $23.1 million, revenues of $47.4 million, operating expenses of $24.2 million, and equity earning losses of $0.1 million.

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All of the incremental amounts listed above represent the earnings, revenues and expenses from acquired terminals' operations during the additional months of ownership in 2010, and do not include increases or decreases during the same months KMP owned the assets in 2009. For more information on the terminal assets and operations KMP acquired in the first nine months of 2010, see note 2 to our interim consolidated financial statements included elsewhere in this prospectus.

For all other terminal operations (those owned during identical periods in both 2010 and 2009), the certain items described in the footnotes to the table accounted for a decrease in earnings before depreciation, depletion and amortization of $8.7 million in 2010, when compared to the same period last year. Following is information for these terminal operations, for the comparable nine month periods and by terminal operating region, related to (1) the remaining $29.6 million (7%) increase in earnings before depreciation, depletion and amortization and (2) the $83.8 million (10%) increase in operating revenues:

Nine months ended September 30, 2010 versus Nine months ended September 30, 2009

	Earnings before DD&A increase/(decrease)		Revenues increase/(decrease)	
	(In millions, except percentages)			
West	$ 12.4	36%	$ 26.0	43%
Gulf Coast	12.0	11%	14.1	10%
Mid River	6.4	50%	19.2	47%
Southeast	4.8	15%	9.7	14%
Ohio Valley	3.3	26%	8.5	20%
Lower River (Louisiana)	(2.9)	(8)%	6.5	9%
Midwest	(2.1)	(6)%	1.9	3%
Texas Petcoke	(2.0)	(4)%	2.8	3%