Kinder Morgan Holdco LLC
Form S-1/A
January 28, 2011

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As filed with the Securities and Exchange Commission on January 28, 2011

Registration No. 333-170773

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

AMENDMENT NO. 4
TO

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)

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(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

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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

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 January 28, 2011.

PRELIMINARY PROSPECTUS

80,000,000 Shares

Kinder Morgan, Inc.

Common Stock

This is the initial public offering of our common stock. The selling stockholders identified in this prospectus, including an affiliate of an underwriter, 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 a fixed aggregate of 627,000,000 shares of our common stock, or 88.7% 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 241.

	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 80,000,000 shares, the underwriters have the option to purchase up to an additional 12,000,000 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 21.

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 , 2011.

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

BofA Merrill Lynch **Citi** **Credit Suisse**

Deutsche Bank Securities **J.P. Morgan** **Wells Fargo Securities**

Madison Williams Morgan Keegan Raymond James

RBC Capital Markets Simmons & Company International

The date of this prospectus is , 2011.

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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 , 2011 (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% 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 in terms of market capitalization.

We generate substantial cash to pay dividends and are able to grow that cash with little incremental capital required above the Partnership level. KMP is our primary source of cash and drives our potential future dividend 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 V. Morgan acquired the general partner, through 2011 (as estimated by the Partnership), the distributions we will have received from the Partnership will have increased by a compound annual growth rate of 52%. 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 $1.3 billion in distributions from KMP. See "Dividend Policy."

As of December 31, 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 224.2 million outstanding KMP units, representing an approximately 7% limited partner interest; and
- 13.1 million of the Partnership's 91.9 million outstanding i-units, representing an approximately 4% limited partner interest, through our ownership of 13.1 million KMR shares (i-units are a

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class of the 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 $820 million. We expect to pay an initial quarterly dividend of $0.29 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 and described under the caption "Dividend Policy Distributions of Cash Under KMP's 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. On January 19, 2011, KMP announced distributions of $1.13 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 distributions of $4.40 per common unit declared for 2010 and KMP's intended distribution of $4.60 per unit for 2011. This information excludes any cash distributions we receive from our equity interest in NGPL and is based upon the following assumptions:

- the Partnership has an average of approximately 307 million units outstanding for the period; and
- we own (1) the general partner interest in the Partnership, (2) an average of 21.7 million KMP units for the period and (3) an average of 12.6 million KMR shares for the period.

The graph below also illustrates the impact on those distributions at the $4.60 per common unit distribution rate if the Partnership had an additional 14 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)
A 4.5% increase in the hypothetical annualized distribution per unit of cash from operations from $4.40 to $4.60, with a 14 million unit increase in the total number of units outstanding, from approximately 307 million units to approximately 321 million units, results in an increase of 9.7%, or $121 million, in total hypothetical distributions to us.

(2)
The Partnership generally pays its distribution for a given quarter approximately 45 days after the quarter ends. $4.40 represents the distributions the Partnership paid in the last three quarters of 2010 and will pay in the first quarter of 2011 based on operations in 2010. Distributions actually paid in calendar 2010 were $4.32 per unit. $4.60 represents the distributions the Partnership expects to pay in the last three quarters of 2011 and the first quarter of 2012 based on operations in 2011. The Partnership expects to pay distributions of $4.57 per unit in 2011.

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

From 1996 through 2011 (as estimated by the Partnership), the Partnership's annual distribution to its limited partners and general partner will have increased by a compound annual growth rate of 40%. The historical and estimated cash distributions (including the cash equivalent of i-unit 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 in 2010 ($1,054 million) if all distributions paid in August 2010 had been cash from operations, rather than a portion 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) 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, for 2010, the Partnership will pay distributions of $4.40 per unit based on cash generated in 2010, while it paid distributions of $4.32 per unit in 2010. For 2011, the Partnership expects to pay distributions of $4.60 per unit based on cash generated in 2011, while it expects to pay distributions of $4.57 per unit in 2011.

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Annual Cash Distributions Received from the Partnership

From 1996 through 2011 (as estimated by the Partnership), the distributions we receive from the Partnership will have increased by a compound annual growth rate of 52%. The historical and estimated cash distributions we receive 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:

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

(2) See footnote (2) to the previous graph.

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Our general and administrative expenses, interest and cash taxes incurred above the Partnership level reduce the amount of cash we have available to pay dividends from the amounts we receive from the Partnership. The distributions we receive from NGPL increase the amount we have available. For example, while we estimate we will receive $1,330 million in distributions from the Partnership in 2011, we estimate we will have $820 million available to pay dividends in that year. See "Dividend Policy."

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;

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 eight 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 terms of market capitalization. In the United States, we believe KMP is:

- the largest independent transporter of petroleum products (by barrels of petroleum products transported);
- the second largest transporter of natural gas (together with NGPL) (by miles of natural gas transmission pipeline);
- the largest provider of contracted natural gas treating services (by gallons per minute of natural gas treating capacity);

the largest transporter of CO_2 (by cubic feet per day of CO_2 transportation capacity);

the second largest crude oil producer in Texas (by gross barrels of crude oil produced); and

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the largest independent liquids terminal operator (by barrels of liquids terminaling capacity).

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 2011 (as estimated by the Partnership), the Partnership's total distributions will have grown by a compound annual growth rate of 40%. During the same period, the distributions we receive from the Partnership will have grown by a compound annual growth rate of 52%. 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 $21.4 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.

Experienced and proven management team. KMP has a well-regarded management team with extensive experience in the pipeline and terminals sectors. KMP's management has a proven track record of identifying and executing on attractive growth projects and of delivering equity returns in a variety of competitive and regulatory environments. The management team is led by one of our founders, Richard D. Kinder, who serves as Chairman and Chief Executive Officer. Mr. Kinder has 30 years of experience in the midstream energy industry. 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 by:
  - focusing on traditional fixed cost businesses with little variable costs; and
  - improving productivity to drop top-line growth to the bottom line;

Leverage economies of scale from incremental acquisitions and expansions of assets that fit within the Partnership's strategy and are accretive to cash flow by:

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- reducing redundant overhead; and
- applying best practices to acquired operations; and

Maximize the benefits of the Partnership's financial structure to create and return value to the Partnership's unitholders by:

- owning assets in the most tax efficient structure, enabling increasing distributions from high cash flow businesses; and
- maintaining a strong balance sheet to provide flexibility when raising capital for acquisitions and expansions.

The Partnership's Growth Drivers

We believe the Partnership's growth will be driven by a combination of organic growth, expansion opportunities and acquisition opportunities. This is supported by the Partnership's historical record and the continued demand for energy infrastructure in the areas it serves.

Organic Growth

We believe the Partnership will continue to realize organic growth in cash flows, including from the following sources:

- Tariffs on KMP's products pipelines and terminals that increase as a function of inflation-based indexes, such as the Producer Price Index, or by contractually agreed amounts;
- Rates on KMP's terminals and natural gas pipelines that increase as contracts expire and are renegotiated, driven by demand for terminaling capacity and for natural gas;
- Increased utilization of KMP's existing assets;
- Impact of higher oil prices on our production and on demand for CO_2; and
- Increases in KMP's crude oil hedge prices over time. Currently, KMP's average hedge prices increase from $59 per barrel in 2010 to $69 per barrel in 2011 to $84 per barrel in 2012.

Expansion Opportunities

From 1998 through 2010, the Partnership has invested approximately $12 billion in expansion projects. We believe there will be continued opportunity to expand the Partnership's businesses in the future due to the dynamic nature of the energy industry, including the following identified trends:

- Natural gas is a logical fuel of choice to meet the United States' energy needs. It is cheap, abundant domestically (largely due to the shale discoveries, including the Haynesville, Eagle Ford, Fayetteville, Barnett and Marcellus formations) and cleaner than many other fuel sources;

The proliferation of petroleum product specifications which require dedicated facilities to satisfy the Partnership's customers' desire for optionality;

The U.S. Environmental Protection Agency's Renewable Fuel Standard, which requires an increase in the supply of renewable fuels, much of which is required to be blended into conventional fuels, from 9 billion gallons in 2008 to 36 billion gallons by 2022;

The continued demand for transportation of Canadian crude oil and refined products to the West coast; and

Increased demand for CO_2 for enhanced oil recovery driven by higher oil prices.

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In addition, we believe that the significant amount of oil remaining in the Yates and SACROC fields, as well as continuing technology improvements, will lead to additional opportunities to invest capital in KMP's CO_2 segment to produce additional oil.

Acquisition Opportunities

From 1998 through 2010, the Partnership completed approximately $10 billion in acquisitions, including approximately $1.3 billion in 2010. We believe that sales by exploration and production companies of their midstream assets in order to deploy capital into their core businesses, the fragmented nature of the bulk terminals industry, and asset sales by major oil and gas companies will present attractive acquisition opportunities in the future.

The Partnership's Challenges

The Partnership faces a number of challenges in implementing its business strategy. For example:

Regulatory. New regulations, rulemaking and oversight, as well as changes in regulations by agencies having jurisdiction over the Partnership's pipelines, storage facilities and operations, affect almost every part of its business. These matters could adversely affect its operations and financial condition.

Crude Oil Production Volumes. The Partnership's oil development and production operations depend in part on its ability to produce expected volumes and to develop additional reserves that are economically recoverable. In 2011, it expects to produce approximately 29,400 barrels per day of crude oil at the SACROC field and 22,500 barrels per day (11,250 barrels per day attributable to KMP's 50% share) at the Yates field. In 2011, at budgeted prices, every 1,000 barrel per day change at SACROC and Yates impacts the CO_2 segment's cash flows by approximately $25 million and $13 million, respectively.

Crude Oil Prices. The Partnership is exposed to fluctuations in crude oil prices in its CO_2 segment. The Partnership's 2011 budget assumes an $89 per barrel realized price on unhedged barrels, and it estimates that every $1 change in the average West Texas Intermediate crude oil price per barrel would impact its CO_2 segment cash flows by approximately $5.5 million.

Economically Sensitive Businesses. The Partnership transports, handles and stores some products, such as steel and gasoline, which can be sensitive to economic conditions. In weaker economic environments, the Partnership's cash flows may be negatively impacted compared to its expectations as a result of lower volumes from these products.

Acquisitions. Any inability to access capital markets at the time an acquisition opportunity becomes available will impair the Partnership's ability to execute acquisitions and expansion opportunities. Further, operations acquired may underperform expectations and prove difficult to integrate into existing Partnership operations. Our certificate of incorporation and shareholders agreement provide that the Sponsor Investors identified in this prospectus and their affiliates may pursue for their own account acquisition opportunities that may be complementary to our business. As a result, those acquisition opportunities may not be available to us.

Environmental. Laws and regulations relating to the protection of the environment, natural resources and human health and safety affect many aspects of the Partnership's operations, and compliance with such laws and regulations requires significant expenditures. Liability under environmental laws and regulations may be incurred without regard to fault.

Terrorism. Public warnings have been issued that indicate that pipelines and other energy assets might be specific targets of terrorist organizations. In light of these circumstances, our

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operations could require increased security measures, and there is no assurance that adequate sabotage and terrorism insurance will be available at rates we believe are reasonable.

Interest Rates. Approximately 50% of the Partnership's debt is floating rate debt. The Partnership estimates that a full-year impact of a 100 basis point increase in rates for 2011 would equate to an approximately $60 million increase in the Partnership's interest expense.

For a further discussion of these and other challenges the Partnership faces, please read "Risk Factors" and "Information Regarding Forward-Looking Statements."

Background and Investors

The Partnership was formed in 1992, and its general partner was acquired by Richard D. Kinder and William V. 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 C. Morgan, another of our directors, and William V. 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."

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 627,000,000 shares of our common stock. As a result, we will have 707,000,000 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.

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The Class A shares represent the total capital contributed by our Investors at the time of the Going Private Transaction. The Class B shares and Class C shares represent incentive compensation that will be held by members of management, including Mr. Kinder only 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. 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	20.8	20.1
Funds affiliated with Highstar Capital LP	16.0	13.1	12.7
Funds affiliated with The Carlyle Group	11.2	9.2	8.9
Funds affiliated with Riverstone Holdings LLC	11.2	9.2	8.9
Original Stockholders	5.2	5.2	5.2
Other Management	0.6	0.6	0.6
Total held by the Investors	100.0	88.7	87.0
Public		11.3	13.0
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. Our Class A shares, Class B shares and Class C shares will be convertible into a fixed aggregate number of shares of our common stock after the completion of this offering. Our Class A shares initially will be convertible into shares of common stock on a one-for-one basis, and our Class B shares and Class C shares initially will not be convertible into any shares of common stock. Under circumstances specified in our certificate of incorporation as described in "Description of Our Capital Stock Classes of Common Stock General," our Class B shares and Class C shares may convert into shares of common stock, and each share of common stock issued upon conversion of the Class B shares or Class C shares will decrease on a share-for-share basis the number of shares of common stock into which our Class A shares would be able to convert.

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."

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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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Our Organizational Structure

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

(1) Immediately after the completion of this offering, Richard D. Kinder, the Original Stockholders and Other Management will own Class A shares and members of management, including Mr. Kinder only in the case of Class B shares, will own Class B shares and Class C shares. Class A shares initially

will be convertible into shares of common stock on a one-for-one basis, and the Class B shares and Class C shares initially will not be convertible into any shares of common stock. Assuming 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 shares and Class C shares are converted into zero shares of common stock, Mr. Kinder, the Original Stockholders and Other Management will hold approximately 30.6%, 5.2% and 0.6%, respectively, of our common stock on a fully-converted basis after the completion of this offering.

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(2) Immediately after the completion of this offering, the Sponsor Investors will own Class A shares. Assuming 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 shares and Class C shares are converted into zero shares of common stock, the Sponsor Investors will hold approximately 52.3% of our common stock on a fully-converted basis after the completion of this offering.

(3) Immediately after the completion of this offering, purchasers of shares in this offering will own approximately 11.3% of our common stock on a fully-converted basis. This ownership percentage will not be impacted by the conversion of Class A, Class B, or Class C shares into common stock since our investor retained stock is convertible into a fixed number of shares of common stock.

(4) With respect to matters other than the election of directors, each holder of Class A shares will be entitled to one vote for each Class A share and holders of Class B shares and holders of Class C shares will not be entitled to vote. With respect to the election of directors, each holder of Class A shares will be entitled to one vote for each Class A share, each holder of Class B shares will be entitled to $^{1}/_{10}$ of one vote for each Class B share and each holder of Class C shares will be entitled to $^{1}/_{10}$ of one vote for each Class C share.

(5) Each holder of common stock will be entitled to one vote for each share of common stock on all matters.

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	80,000,000 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 12,000,000 additional shares of common stock.
Common stock to be outstanding immediately after this offering	80,000,000 shares (92,000,000 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	627,000,000 shares (615,000,000 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	707,000,000 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 $0.29 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 88.8% 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 11.2% to 12.8%, 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 17,750,000 shares of common stock issuable in the future under our equity compensation plans, consisting of 15,000,000, 2,500,000 and 250,000 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, except per share amounts)					
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
Unaudited pro forma net income (loss) per share of common stock (basic and diluted)(10)	(0.15)	0.52	0.70	(5.09)	0.35	
Statement of cash flows data:						
Capital expenditures(11):						
Kinder Morgan Holdco LLC/Kinder Morgan Kansas, Inc.	4.7	1.0	0.5	12.3	170.9	77.3
KMP and its subsidiaries(12)	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)(13)	2,127.6		2,882.0	2,880.9	8,641.8	
KMP and its subsidiaries(14)	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.

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(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.

(10) Unaudited pro forma net income (loss) per share of common stock is calculated assuming 707,000,000 shares of common stock outstanding, including 80,000,000 shares of our common stock to be sold by the selling stockholders in this offering and investor retained stock that will be convertible into a fixed aggregate of 627,000,000 shares of our common stock. There is no difference between basic and diluted pro forma net income (loss) per share because the conversion of Class A, Class B, and Class C shares into shares of common stock does not impact the number of shares of common stock on a fully-converted basis since our investor retained stock is convertible into a fixed number of shares of common stock.

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

(12) 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.

(13) 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.

(14) 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.

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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 described 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.

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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 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, 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 began 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 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 2011, KMP estimates 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 \$5.5 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 may 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 resales of 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 82.2% 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 and provisions of Delaware law we have elected to apply to us 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) without obtaining the unanimous approval of our shareholders 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 all requisite shareholders other than the holders of Class C shares approve such a transaction, we generally may engage in such transaction so long as the Class C shares receive the consideration provided in our charter. In addition, if the transaction is otherwise approved by the requisite holders of our capital stock, the Sponsor Investors and Mr. Kinder may decide that the holders of common stock, Class A shares, Class B shares and Class C shares receive the consideration provided in our charter, regardless of whether such transaction is determined to meet the above requirements. 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. Further, as a Delaware corporation, we are subject to Section 203 of the Delaware General Corporation Law, referred to in the prospectus as the "DGCL." Section 203 limits the ability of interested stockholders, which are certain stockholders owning in excess of 15% of our outstanding voting stock, to merge or combine with us. Neither Richard D. Kinder nor any Sponsor Investors that are interested stockholders on the date of this prospectus fall within this limitation, and we have elected not to opt out of this provision. Accordingly, Section 203 will apply to any stockholder that becomes an interested stockholder after the date of this prospectus. These provisions could discourage or make it more difficult to accomplish transactions other stockholders might deem desirable. 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

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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 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.

Our financial estimates, including our estimate of our expected cash dividends, are based on various assumptions that may not prove to be correct.

The financial estimates set forth in the forecast included elsewhere in this prospectus are based on assumptions and information available to us as of the date of this prospectus. We do not know whether our assumptions will prove correct. Any or all of the estimates in this prospectus may turn out to be wrong. They can be adversely affected by inaccurate assumptions or by known or unknown risks and uncertainties, many of which are beyond our control. Many factors mentioned in this prospectus, including the risks outlined in this "Risk Factors" section and the events described under "Information Regarding Forward-Looking Statements" will be important in determining our future results and the amount, if any, of our actual cash dividends. As a result of these contingencies, actual future results may vary materially from our estimates. In view of these uncertainties, the inclusion of our estimate of expected cash dividends in this prospectus should not be viewed as a representation that the forecasted results will be achieved or that the expected cash dividends will be paid.

Further, any forward-looking statement speaks only as of the date on which it is made, and we undertake no obligation, other than as required by applicable law, to update our financial estimates herein to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of anticipated or unanticipated events or circumstances. Our estimates were not prepared with a view toward compliance with published guidelines of any regulatory or professional body.

The financial estimates included in this prospectus have been prepared by, and are the responsibility of, our management. Moreover, neither our independent auditors, PricewaterhouseCoopers LLP, nor any other independent consultants have examined, compiled or performed any procedures with respect to our estimate of our expected cash dividends, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and,

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accordingly, PricewaterhouseCoopers LLP assumes no responsibility for, and disclaims any association with, our estimate of our expected cash dividends. The reports of PricewaterhouseCoopers LLP included in this prospectus relate exclusively to the historical financial information of the entities named in those reports and do not cover any other information in this prospectus and should not be read to do so.

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.

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

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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.

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 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 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 58.8% of our Class A shares, which collectively will represent approximately 51.4% of the voting power of our outstanding capital stock for the election of directors and 52.3% 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 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 with each other 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 80.5% 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 49.8% of such total voting power and Mr. Kinder holding approximately 30.7% 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 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

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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. Among other things, we and KMP have a policy that acquistion opportunities of businesses or operating assets will be pursued above the Partnership level only if KMP elects not to pursue the opportunity.

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.

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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.

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

You should read the following discussion of our intended initial dividends in conjunction with the assumptions included in this section. For more detailed information regarding the factors and material operating, financial and other assumptions of our management relating to our ability to pay dividends in the amounts intended, see " Assumptions and Considerations" below. Additional information regarding our historical operating results is contained in our historical financial statements and those of Kinder Morgan Kansas, Inc. included elsewhere in this prospectus. When considering the following information about our expected cash dividends, you should also keep in mind the risk factors and other cautionary statements under the headings "Risk Factors," including " Risks Related to Our Dividend Policy," and "Information Regarding Forward-Looking Statements" elsewhere in this prospectus. These factors and contingencies will be important in determining future results and our future cash dividends. Any of these factors or the other risks discussed in this prospectus, as well as unknown risks and uncertainties, could cause our cash flows and the amount of cash available for dividends to vary significantly from those set forth in the following discussion.

Unless otherwise stated, the information presented in this section assumes that the underwriters will exercise their option to purchase additional shares of common stock in full.

Our Dividend Policy

In connection with this offering, our board of directors will adopt the dividend policy set forth in our shareholders agreement, which provides that, subject to applicable law, we will pay quarterly cash dividends on all classes of our capital stock equal to 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. The division of our dividends among our classes of capital stock will be in accordance with our charter. Our board of directors may declare dividends by a majority vote in accordance with our dividend policy pursuant to our bylaws. This policy reflects our judgment that our stockholders would be better served if we distributed to them a substantial portion of our cash. As a result, we may not retain a sufficient amount of cash to fund our operations or to finance unanticipated capital expenditures or growth opportunities, including acquisitions.

In 2009 and 2010, we distributed an aggregate of $650 million and $700 million, respectively, to the Investors. In 2011, we expect to pay aggregate dividends of $820 million or $205 million per quarter. On a fully-converted basis, assuming that we were public for all of 2011, these expected dividends would equal $1.16 annually, or $0.29 quarterly, per share. We anticipate that the first quarterly 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 first quarter of 2011 that we are public. We will calculate that proration by multiplying the dividend for the first quarter of 2011 by a fraction, the numerator of which is the number of days of the first quarter of 2011 that we are public, starting on the closing date of this offering, and the denominator of which is 90. The dividend we will pay in February 2011 and the dividend we will pay for the portion of the first quarter of 2011 that we are not public will be paid only to the Investors, both of which we expect will be paid prior to the closing of this offering.

Dividends on our common stock will not be cumulative. Dividends on our investor retained stock generally will be paid at the same time as dividends on our common stock and will be based on the aggregate number of shares of common stock into which our investor retained stock is convertible on

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the record date for the applicable dividend. The portion of our dividends payable on the three classes of our investor retained stock may vary among those classes, but the variations will not affect the dividends we pay on our common stock since the total number of shares of common stock into which our outstanding investor retained stock can convert in the aggregate will be fixed on the closing of this offering. Following the completion of this offering, our Class A shares, Class B shares and Class C shares will be convertible into a fixed aggregate of 615,000,000 shares of our common stock, which will represent 87.0% of our common stock on a fully-converted basis. See "Description of Our Capital Stock Classes of Common Stock Dividends."

Our board of directors may amend, revoke or suspend our dividend policy at any time and for any reason, which would require a supermajority board approval while the Sponsor Investors maintain prescribed ownership thresholds. During that time, supermajority approval would also be required to declare and pay any dividends that are not in accordance with our dividend policy. There is nothing in our dividend policy or our governing documents that prohibits us from borrowing to pay dividends. 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 to be paid on our capital stock will depend on many factors, including our financial condition and results of operations, liquidity requirements, market opportunities, our capital requirements, legal, regulatory and contractual constraints, tax laws and other factors. The dividends we expect to pay described in this section would be permitted under the Delaware General Corporation Law. 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.

Our Intended Initial Quarterly Dividend

We expect to pay an initial quarterly dividend of $0.29 per share of common stock, and anticipate that the first dividend on the common stock offered by this prospectus will be paid in May 2011. That dividend will be prorated for the portion of the first quarter of 2011 that we are public. The dividend related to the portion of the first quarter of 2011 that we are not public, as well as our expected $205 million February 2011 dividend, will be paid only to the Investors and will be paid prior to the closing of this offering. We expect to pay aggregate dividends in 2011 of $820 million, or $205 million per quarter. On a fully-converted basis, assuming that we were public for all of 2011, these expected dividends would equal $1.16 per share of common stock. Our consolidated cash available for dividends pro forma for the year ended December 31, 2009 and estimated for the year ended December 31, 2010 was $696 million and $654 million ($763 million excluding the negative impact of the KMP distribution of cash from interim capital transactions in the third quarter of 2010), respectively. In 2009 and 2010, we distributed $650 million and $700 million, respectively, to the Investors, which equates to $0.92 per share of common stock in 2009 and $0.99 per share in 2010 on a fully-converted basis.

In order for us to pay our estimated 2011 dividends, and to pay our estimated general and administrative expenses, interest and cash taxes, in 2011 we would need to receive approximately $1,330 million in distributions from KMP (including the value of additional Kinder Morgan Management shares we receive as distributions) and approximately $33 million in distributions from NGPL. See " Estimated Cash Available to Pay Dividends."

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Our dividends will not be cumulative. Consequently, if dividends on our common stock are not paid at the intended levels, our common stockholders will not be entitled to receive those payments in the future. We expect to pay our dividends after we receive quarterly distributions from KMP, which are paid within 45 days after the end of each quarter, generally on or about the 15th day of each February, May, August and November. Therefore, our dividend generally will be paid on or about the 16th day of each February, May, August and November. If the day after we receive KMP's distribution is not a business day, we expect to pay our dividend on the business day immediately following.

Overview of Presentation

In the sections that follow, we present the basis for our belief that we will be able to pay our intended initial quarterly dividend of $0.29 per share of common stock. In these sections, we present several tables, including:

- Our "Estimated Cash Available to Pay Dividends," in which we present our estimate of cash available to pay dividends on our capital stock for the years ending December 31, 2011 and 2010, which is the basis for our belief that we will be able to fully fund our estimated initial quarterly dividend of $0.29 per common share and our anticipated aggregate dividends of $820 million in 2011;

- Our "Unaudited Pro Forma Cash Available to Pay Dividends," in which we present the amount of cash we would have had available to pay dividends on our capital stock on a pro forma basis with respect to the nine months ended September 30, 2010 and the year ended December 31, 2009;

- A "Reconciliation of Estimated Cash Available to Pay Dividends" to our estimated income from continuing operations for the years ending December 31, 2011 and 2010; and

- A "Reconciliation of Pro Forma Cash Available to Pay Dividends" to our income from continuing operations for the nine months ended September 30, 2010 and the year ended December 31, 2009.

Estimated Cash Available to Pay Dividends

The following presentation is intended to demonstrate the minimum base level of financial performance of KMP and NGPL that would allow for distributions to us and others, and for us to meet our intended dividends totaling $1.16 per common share on a fully-converted basis, or $820 million in the aggregate, in 2011. As reflected in the table below and the related assumptions, and adjusting 2010 to eliminate the $170 million pre-tax (approximately $109 million after-tax) negative impact of a KMP distribution of cash from interim capital transactions in the third quarter of 2010, we estimate that the total distributions we will receive from KMP will increase by approximately 11% from 2010 to 2011 due to the announced increase in the expected 2011 KMP declared distribution per unit of approximately 5% and an estimated $700 million issuance of additional equity by KMP. This 11% increase is partially offset by an increase in our general and administrative expense and interest expense, resulting in approximately 7% growth in our cash available to pay dividends in 2011 (after adjusting 2010 to eliminate the negative impact of the KMP distribution of cash from interim capital transactions in the third quarter of 2010). Our general and administrative expense is estimated to increase partly due to increased costs of being a public company. Our interest expense is expected to increase due to (1) our December 2010 refinancing at 6% of $750 million of 5.35% senior notes which mature January 2011 and (2) our higher average debt balance in 2011 versus 2010, primarily associated with the December 2010 funding of the proposed settlement of the litigation related to the Going Private Transaction. We do not expect our debt balance, net of cash, above the Partnership level at December 31, 2011 to be materially different than at December 31, 2010. Our next significant bond maturity is $839 million of

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6.5% senior notes which mature in September 2012. The assumptions included in this "Dividend Policy" section are those we believe are significant to our estimate.

	Projected Years Ending December 31, 2011	2010
	(In millions, except per share amounts)	
KMP distributions:		
To general partner(a)(b)	$ 1,169	$ 884
On KMP units owned by us(c)	99	94
On KMR shares owned by us(d)	62	54
Total KMP distributions to us	1,330	1,032
NGPL distributions(e)	33	35
Total distributions received	1,363	1,067
General and administrative expenses and sustaining capital expenditures(f)	(8)	2
Interest expense(g)	(168)	(158)
Cash available to pay dividends before cash taxes	1,187	911
Cash taxes(h)	(367)	(257)
Cash available to pay dividends(a)	$ 820	$ 654
2011 estimated dividend/2010 dividend paid	$ 820	$ 700
Aggregate common shares outstanding and into which the investor retained stock is convertible(i)	707	707
Dividends per share of common stock	$ 1.16	$ 0.99

(a) Includes $170 million pre-tax (approximately $109 million after-tax) negative impact in the third quarter of 2010 of a KMP distribution of cash from interim capital transactions. As a result of the distribution of cash from interim capital transactions, the amount actually distributed to the general partner in 2010 was $170 million lower than it otherwise would have been had all distributions been cash from operations. Excluding the effect of the distribution of cash from interim capital transactions, 2010 projected cash available to pay dividends would be approximately $763 million. See " Distributions of Cash Under KMP's Partnership Agreement."

(b) KMP's estimated distributions payable to us are based on our general partner interest and related incentive distributions assuming (1) KMP distributions of $4.57 per common unit paid in 2011 ($4.60 per common unit declared for 2011) and $4.32 per common unit paid in 2010 ($4.40 per common unit declared for 2010), (2) 321 million and 307 million average aggregate common units, Class B units and i-units outstanding in 2011 and 2010, respectively, (3) with respect to the 7.9 million common units issued during 2010 that were deemed by the general partner to be issued in connection with financing a portion of the acquisition of KMP's interests in the KinderHawk joint venture, the general partner has waived receipt of its related incentive distributions in respect of calendar quarters through 2011, and (4) no distributions by KMP in 2011 will constitute distributions of cash from interim capital transactions.

(c) Calculated as 21.7 million KMP units owned by us multiplied by the assumed KMP per unit distribution paid during the period, as outlined in footnote (b) above.

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(d) Assumes that we sell approximately 0.9 million and 1.0 million KMR shares that we receive as distributions in 2010 and 2011, respectively, at the price used to calculate the number of KMR shares to be received in quarterly distributions. In 2010, we started the year with 12.2 million KMR shares, and assumes in 2011 we start the year with 13.1 million KMR shares. We did not sell any KMR shares in 2010. After this offering, we intend periodically to sell the KMR shares we receive as distributions to generate cash.

(e) All $35 million of NGPL distributions in 2010 were received in the first three quarters of that year.

(f) Amount in 2010 does not reflect the December 2010 payment of $200 million ($128 million net of tax) to fund the proposed settlement of the litigation related to the Going Private Transaction. This payment was financed using our credit facility and is included in our outstanding debt referred to in (f) below. Interest on this additional debt is included in our projected interest expense.

(g) Consists of cash interest on our outstanding debt above the Partnership level and dividends on $100 million of outstanding Kinder Morgan G.P., Inc. preferred stock. At December 31, 2010, we expect our debt balance net of cash (above the Partnership level and excluding the preferred stock of Kinder Morgan G.P., Inc., purchase accounting and the fair value of interest rate swaps) to be approximately $3.2 billion.

(h) Cash taxes for 2011 and 2010 do not include non-recurring tax benefits of approximately $35 million and $37 million, respectively. The $35 million of non-recurring cash tax savings in 2011 will be used to pay down debt. Our taxable income is generally less than our cash available to pay dividends before cash taxes due to (1) the deferral of income with respect to the KMP common units that we own, primarily due to allocated depreciation, (2) our basis in the KMR shares that we own and (3) an 80% dividends received deduction on the distributions we receive from NGPL. For 2010 and 2011, we estimate that approximately 100% and 90%, respectively, of the distributions we receive on the KMP units that we own will be tax deferred.

(i) There will be 92,000,000 shares of common stock outstanding upon completion of this offering, assuming exercise in full of the underwriters' option to purchase additional shares of common stock. Outstanding investor retained stock will be convertible into an aggregate of 615,000,000 shares of common stock. See "Description of Our Capital Stock Classes of Common Stock Voluntary Conversion" and " Mandatory Conversion."

Assumptions and Considerations

KMP Assumptions

The estimate of cash distributions to be received from KMP during the twelve months ending December 31, 2011 assumes that KMP will declare cash distributions of $4.60 per common unit for 2011 and pay $4.57 per common unit in 2011. A $4.60 per unit distribution represents an increase of $0.20 per unit over the $4.40 per common unit cash distribution that the Partnership will pay for 2010. The following assumptions with respect to KMP's business segments and its overall operations show the basis for the estimated increase. For a description of KMP's business segments and operations, see "Description of Business" and "Management's Discussion and Analysis of Financial Condition and Results of Operations General." Amounts in the following discussion do not include the impact of certain items and purchase accounting, which for the historical periods are discussed in the footnotes to the tables in "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Interim Periods" and " Results of Operations Annual Periods."

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We have noted the more significant certain items and purchase accounting impacting segment earnings before DD&A in 2010 and 2011 in the footnotes to the tables below.

KMP Business Segments

Products Pipelines KMP. The following table shows estimated earnings before DD&A for this segment for the twelve months ending December 31, 2011 compared to the Partnership's estimate for the twelve months ending December 31, 2010.

	Twelve Months Ending December 31,		
	2011	2010	Increase
	(In millions)		
Earnings before DD&A(1)	$ 730	$ 687	$ 43

(1) For the twelve months ending December 31, 2010, estimated earnings before DD&A does not include a net $191 million reduction due to certain items and purchase accounting. For the nine months ended September 30, 2010, this segment had a net $185 million reduction due to certain items and purchase accounting, primarily a $158 million expense associated with rate case liability adjustments and demolition and environmental clean-up expenses associated with preparation of land for sale, described in the footnotes to the table in "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Interim Periods Products Pipelines KMP." The incremental $6 million certain item in the fourth quarter relates primarily to additional rate case liability adjustments.

Segment earnings before DD&A are anticipated to increase by $43 million in 2011, an increase of approximately 6%, driven by (1) an increase in revenues from existing assets, (2) incremental revenues from expansion projects that were placed into service during 2010 or that are anticipated to be placed into service in 2011, including new tanks with a total capacity of 640,000 barrels at the Carson and Colton terminals and a project to move additional volumes on the Cochin pipeline, and (3) a full year of operations from 2010 acquisitions with a total purchase price of approximately $50 million. The increase in revenues from existing assets is primarily attributable to (1) anticipated transportation volume increases which vary depending on the asset and (2) a FERC annual index adjustment equal to the Producer Price Index-Finished Goods plus an adjustment that applies to our interstate products pipelines. For the period from 2006 through 2010, that adjustment has been plus 1.3%, and KMP budgeted it to be plus 2.9% in 2011. FERC recently established the adjustment at plus 2.65% for 2011 through 2015. This twenty-five basis point difference is offset by the difference between the Producer Price Index KMP had budgeted for in 2011 and the consensus estimate for the 2011 Producer Price Index. The price adjustment occurs on July 1 of each year. For the first six months of 2011, the price adjustment, which went into effect on July 1, 2010, is (1.3)%, and the price adjustment for the last six months of 2011 is estimated to be 6.8%.

From 2007 through 2009, segment earnings before DD&A have increased by approximately 4% per annum, which is lower than the approximately 6% the Partnership is projecting for the increase between 2010 and 2011. The lower historical rate is primarily attributable to the sale of the North System in October 2007 and a lowering of certain SFPP rates in 2008 due to a rate case settlement. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Annual Periods Products Pipelines KMP" for a discussion of this segment's earnings before DD&A for 2007 through 2009.

For the first nine months of 2010, segment earnings before DD&A were $332 million. After adjusting for the $185 million reduction described in the footnote to the table above, these segment earnings before DD&A were $517 million, or $689 million on an annualized basis. We expect that segment earnings before DD&A for the twelve months ending December 31, 2010 will be generally consistent with the first nine months of 2010 annualized. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Interim Periods Products Pipelines KMP" for a description of the first nine months of 2010.

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Natural Gas Pipelines KMP. The following table shows estimated earnings before DD&A for this segment for the twelve months ending December 31, 2011 compared to the Partnership's estimate for the twelve months ending December 31, 2010.

	Twelve Months Ending December 31, 2011	Twelve Months Ending December 31, 2010	Increase
	(In millions)		
Earnings before DD&A(1)(2)	$ 1,079	$ 981	$ 98

(1) Includes KMP's share of DD&A of the Rockies Express Pipeline LLC, Midcontinent Express Pipeline LLC, Fayetteville Express Pipeline LLC and KinderHawk Field Services LLC joint ventures, estimated to be $146 million and $176 million for the years ending December 31, 2010 and 2011, respectively. This amount was $106 million for the nine months ended September 30, 2010.

(2) For the twelve months ending December 31, 2010, estimated earnings before DD&A does not include a $7 million reduction due to purchase accounting.

Segment earnings before DD&A are anticipated to increase by $98 million in 2011, an increase of approximately 10%. This increase is primarily attributable to (1) a full year of operations by the Fayetteville Express pipeline, which was placed into service in December 2010, (2) a full year of operations as well as increased volumes from the KinderHawk joint venture, KMP's 50% interest in which was acquired in May 2010, (3) a full year of the Midcontinent Express pipeline operating at its expanded capacity, and (4) expansions in KMP's Texas Intrastate business, including the North Dayton storage expansion and the Copano Eagle Ford joint venture project.

From 2007 through 2009, segment earnings before DD&A have increased by approximately 19% per annum, which is higher than the 10% growth the Partnership is projecting for 2011. The 2007 through 2009 growth rate is higher primarily due to the number of large projects which came on line during that period, including the Rockies Express, Midcontinent Express and Kinder Morgan Louisiana pipeline projects. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Annual Periods Natural Gas Pipelines KMP" for a discussion of this segment's earnings before DD&A for 2007 through 2009.

For the first nine months of 2010, segment earnings before DD&A were $592 million. Including the $106 million of DD&A from the joint ventures described in the footnote to the table above and other minor adjustments totaling approximately $1 million, these segment earnings before DD&A were $699 million, or $932 million on an annualized basis. We add back KMP's share of DD&A from the joint ventures because the resulting total more closely reflects the dividends that KMP receives from the joint ventures. We expect segment earnings before DD&A for the twelve months ending December 31, 2010 to be greater than the first nine months of 2010 annualized primarily due to seasonality in KMP's Texas Intrastate business and the May 2010 acquisition of its interest in the KinderHawk joint venture. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Interim Periods Natural Gas Pipelines KMP" for a description of the first nine months of 2010.

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CO_2 KMP. The following table shows the estimated earnings before DD&A for this segment for the twelve months ending December 31, 2011 compared to the Partnership's estimate for the twelve months ending December 31, 2010.

	Twelve Months Ending December 31, 2011	Twelve Months Ending December 31, 2010	Increase/ (Decrease)
	(In millions)		
Earnings before DD&A(1)(2)	$ 1,098	$ 960	$ 138

(1) For the twelve months ending December 31, 2010, estimated earnings before DD&A does not include a net $58 million increase due to certain items and purchase accounting. For the nine months ended September 30, 2010, this segment had a net $45 million increase due to certain items and purchase accounting, primarily related to unrealized gains and purchase accounting valuation adjustments to KMP's crude oil hedges related to the Going Private Transaction (which had the effect of increasing income), described in the footnotes to the table in "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Interim Periods CO_2 KMP." The $13 million increase in the fourth quarter relates to the same items as discussed for the nine months ended September 30, 2010.

(2) For the twelve months ended December 31, 2011, does not include a $17 million increase related to purchase accounting valuation adjustments to our crude oil hedges as described above.

Segment earnings before DD&A are anticipated to increase by $138 million in 2011, an increase of approximately 14%. The expected increase in earnings before DD&A is primarily attributable to an expected increase in prices, including (1) a $10 per barrel increase in the average hedge price and (2) a budgeted $10 per barrel increase in the market price to approximately $89 per barrel which approximated the forward curve at the time KMP's 2011 budget was prepared. Oil production at SACROC is anticipated to be relatively flat compared to 2010 estimates. Oil production at Yates is expected to decline by approximately 1,500 barrels per day (of which 750 barrels per day are attributable to KMP's 50% share) to 22,500 barrels per day, which is slightly lower than the Partnership's estimates for the end of 2010. Oil production at the Katz field is expected to increase by over 1,000 barrels per day due to the expected implementation of a CO_2 flood during 2011. Net production (including heavy natural gas liquids) for 2011 is 78% hedged, as compared to 78% for 2010. For 2011, KMP estimates 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 $5.5 million.

From 2007 through 2009, segment earnings before DD&A have increased by approximately 22% per annum, which is higher than the 14% growth the Partnership is projecting for 2011. The 2007 to 2009 growth rate is higher primarily due to increased production from 2007 to 2009 versus relatively flat production expected from 2010 to 2011, as well as a larger increase in average price from 2007 to 2009 versus the expected increase from 2010 to 2011. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Annual Periods CO_2 KMP" for a discussion of this segment's earnings before DD&A for 2007 through 2009.

For the first nine months of 2010, segment earnings before DD&A were $764 million. After adjusting for the $45 million increase described in footnote (1) to the table above, these segment earnings before DD&A were $719 million, or $958 million on an annualized basis. We expect segment earnings before DD&A for the twelve months ending December 31, 2010 will be consistent with the first nine months of 2010 annualized. See "Management's Discussion and Analysis of Financial

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Condition and Results of Operations Results of Operations Interim Periods $_2$CKOMP" for a description of the first nine months of 2010.

Terminals KMP. The following table shows estimated earnings before DD&A for this segment for the twelve months ending December 31, 2011 compared to the Partnership's estimate for the twelve months ending December 31, 2010.

	Twelve Months Ending December 31,		
	2011	2010	Increase
	(In millions)		
Earnings before DD&A(1)	$ 713	$ 647	$ 66

(1)
For the twelve months ending December 31, 2011, does not include a net $16 million increase due to certain items related to insurance proceeds received for casualty losses.

Segment earnings before DD&A are anticipated to increase by $66 million in 2011, an increase of 10%, primarily driven by (1) formulaic rate increases (based on the Consumer Price Index, Producer Price Index or Gross Domestic Product) in certain of KMP's terminal contracts, (2) an increase in contract rates at the liquids terminals for contracts that expired in 2010 or will expire in 2011 and have been or are expected to be renegotiated at higher average rates, (3) a full year earnings impact from assets acquired in 2010 having a total purchase price of approximately $370 million, including acquisitions from US Development Group and Slay Industries, and a partial year earnings impact from approximately $175 million (two-thirds of which have been identified) in expected acquisitions in 2011 and (4) a full year of operations at expansion projects that were completed during 2010 and a partial year of operations at expansions expected to be completed during 2011, including system upgrades at the Carteret, New Jersey facility, Pier IX coal expansion and petroleum coke expansion projects. These expansion projects are generally committed under customer contracts.

From 2007 through 2009, earnings before DD&A have increased by approximately 14% per annum, which is higher than the 10% growth the Partnership is projecting for 2011. The higher growth rate from 2007 to 2009 is principally a function of the level of acquisitions and expansions during that period. In addition, the expected growth rate from 2010 to 2011 is impacted by some small planned dispositions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Annual Periods Terminals KMP" for a discussion of this segment's earnings before DD&A for 2007 through 2009.

For the first nine months of 2010, segment earnings before DD&A were $475 million, or $633 million on an annualized basis. We expect segment earnings before DD&A for the twelve months ending December 31, 2010 to be greater than the first nine months of 2010 annualized due to contractual shortfall payments which are expected to be received during the fourth quarter. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Interim Periods Terminals KMP" for a description of the first nine months of 2010.

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Kinder Morgan Canada KMP. The following table shows estimated earnings before DD&A for this segment for the twelve months ending December 31, 2011 compared to the Partnership's estimate for the twelve months ending December 31, 2010.

	Twelve Months Ending December 31, 2011	Twelve Months Ending December 31, 2010	Increase
	(In millions)		
Earnings before DD&A	$ 193	$ 182	$ 11

Segment earnings before DD&A are anticipated to increase by $11 million in 2011, an increase of 6%, primarily due to a new agreement with the Canadian Association of Petroleum Producers on the Trans Mountain pipeline which is currently awaiting approval by the National Energy Board of Canada. The existing agreement expires on December 31, 2010. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Annual Periods Kinder Morgan Canada KMP" for a discussion of this segment's earnings before DD&A for 2007 through 2009.

For the first nine months of 2010, segment earnings before DD&A were $133 million, or $177 million on an annualized basis. We expect segment earnings before DD&A for the twelve months ending December 31, 2010 to be slightly greater than the first nine months of 2010 annualized primarily due to the strengthening Canadian dollar. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Interim Periods Kinder Morgan Canada KMP" for a description of the first nine months of 2010.

Other KMP Assumptions

General and Administrative Expenses. KMP's general and administrative expenses are estimated to be approximately $389 million for the twelve months ending December 31, 2011, as compared to approximately $375 million estimated for the twelve months ending December 31, 2010. KMP's general and administrative expenses were approximately $288 million for the nine months ended September 30, 2010.

Sustaining Capital Expenditures. KMP's sustaining capital expenditures are estimated to increase by approximately 26% to approximately $225 million for the twelve months ending December 31, 2011, as compared to $179 million estimated for the twelve months ending December 31, 2010. KMP's sustaining capital expenditures were approximately $121 million for the nine months ended September 30, 2010. The increase from 2010 to 2011 is driven by an increase in pipeline relocations, increased environmental spending, timing of compression and turbine overhauls, increased compliance spending in KMP's Terminals segment, expansions and acquisitions. Sustaining capital expenditures are made on an ongoing basis to maintain current operations.

Expansion Capital Expenditures, Acquisitions and Capital Contributions. In the aggregate, KMP is projected to spend approximately $1.4 billion in expansion capital expenditures, small acquisitions and contributions to its joint ventures in 2011. These expenditures in 2011 are expected to be funded with approximately 50% debt and 50% equity as discussed below. KMP's expansion capital expenditures, acquisitions and contributions to its joint ventures totaled approximately $2.1 billion for the nine months ended September 30, 2010 and are expected to total approximately $2.5 billion for 2010. For 2011, KMP's expansion capital expenditures are estimated to be approximately $795 million, as compared to approximately $838 million estimated for the twelve months ending December 31, 2010. KMP's expenditures for acquisitions are estimated to be approximately $225 million for the twelve months ending December 31,

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2011. Additionally, KMP is projected to contribute approximately $357 million in 2011 to its joint ventures, primarily the Fayetteville Express pipeline and Copano Eagle Ford joint ventures, to fund its share of expansion capital.

Financing and Interest Expense. KMP's interest expense is expected to be approximately $558 million for the twelve months ending December 31, 2011, as compared to approximately $505 million estimated for the twelve months ending December 31, 2010. The expected increase for 2011 is primarily due to an increase in the estimated average outstanding debt balance of over $900 million.

Average Units Outstanding. KMP is projecting approximately $700 million of additional equity in the twelve months ending December 31, 2011, including the issuance of approximately $270 million of common units and approximately $430 million of cash retained due to i-unit distributions made in additional i-units rather than in cash. Average units outstanding for the twelve months ending December 31, 2011 are expected to be approximately 321 million.

The table below summarizes the effect of the above assumptions on KMP's ability to distribute $4.60 per common unit for 2011:

		Year Ending December 31, 2011 (In millions)
Segment earnings before DD&A:		
Products Pipelines KMP	$	730
Natural Gas Pipelines KMP		1,079
CO_2 KMP		1,098
Terminals KMP		713
Kinder Morgan Canada KMP		193
Total segments		3,813
General and administrative expenses, interest, sustaining capital expenditures, cash versus book taxes and other		(1,128)
Distributable cash flow	$	2,685
Distributions to general partner	$	1,171(a)
Distributions to limited partners		1,477(b)
Coverage		37(c)
Total	$	2,685

(a) Does not equal amount presented in the table under " Estimated Cash Available to Pay Dividends" as that amount is presented based on the KMP distribution expected to be paid in 2011 while the above amount is presented based on distributions expected to be declared for 2011. In addition, the cash that the general partner receives for its 2% interest as presented in the table under " Estimated Cash Available to Pay Dividends" is higher than the amount KMP records in earnings.

(b) Assuming an average of 321 million common units outstanding in 2011, equates to a distribution of $4.60 per common unit.

(c) Coverage means cash retained and not distributed.

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Kinder Morgan, Inc. Assumptions

Interest in KMP. Our estimated cash available to pay dividends assumes KMP distributes cash from operations in 2011 of $4.57 per common unit ($4.60 per common unit declared for 2011), as described above.

NGPL. The estimated distribution from NGPL during the twelve months ending December 31, 2011 is $33 million, based on our 20% interest. This compares to distributions of $35 million (all of which was received by the third quarter of 2010) and $56 million in 2010 and 2009, respectively. Our 2010 distribution and our 2011 distribution estimate reflect the impact of NGPL's recently settled FERC Section 5 rate case. While NGPL's limited liability company agreement provides that it is the intention of NGPL to make distributions of available cash, we do not control NGPL.

General and Administrative Expenses and Sustaining Capital Expenditures. Our general and administrative expenses and sustaining capital expenditures (other that those of the Partnership and its subsidiaries, which are accounted for above) are expected to be an expense of approximately $8 million in 2011 and a net benefit of approximately $2 million in 2010. The increase in costs for 2011 over 2010 partly relates to an estimate of the "public company" costs that we will incur in 2011. Combined general and administrative expenses and sustaining capital expenditures were an approximately $4 million net benefit for the twelve months ended December 31, 2009.

Financing and Cash Interest Expense. Interest expense (other than that of the Partnership and its subsidiaries, which is accounted for above) is expected to be approximately $168 million for the twelve months ending December 31, 2011, as compared to approximately $158 million estimated for the twelve months ending December 31, 2010. Interest expense was approximately $176 million for the twelve months ended December 31, 2009. Interest expense for the nine months ended September 30, 2010 was approximately $153 million. Cash interest expense is not equally distributed through the quarters as we typically pay interest semi-annually on our outstanding senior notes. The expected increase in 2011 over 2010 is primarily driven by (1) the refinancing of Kinder Morgan Finance Company, LLC's $750 million principal amount of 5.35% senior notes due 2011, which mature in January 2011, with $750 million of 6.00% senior notes due 2018 and (2) a higher average debt balance. We do not expect our net debt balance at December 31, 2011 to be materially different than our net debt balance at the beginning of the year (in both cases, above the Partnership level and excluding the fair value of interest rate swaps and purchase accounting).

Taxes. Our estimates are based on an estimated 36% combined federal and state income tax rate. Our taxable income is generally less than our cash available to pay dividends before cash taxes due to (1) the deferral of income primarily due to depreciation with respect to the KMP common units that we own, (2) our basis in the KMR shares that we own and (3) an 80% dividends received deduction on the distributions we receive from NGPL. For 2010 and 2011, we estimate that approximately 100% and 90%, respectively, of the distributions we receive on the KMP units that we own will be tax deferred.

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Unaudited Pro Forma Cash Available to Pay Dividends
Nine Months Ended September 30, 2010 and Year Ended December 31, 2009

The following table presents our measure of consolidated cash that would have been available to pay dividends to our common stockholders with respect to the nine months ended September 30, 2010 and the year ended December 31, 2009 after giving pro forma effect to the Conversion Transactions, the adjustments noted in the footnotes below and this offering, assuming full exercise of the underwriters' option to purchase additional shares of common stock.

	Pro Forma Nine Months Ended September 30, 2010	Pro Forma Twelve Months Ended December 31, 2009
	(In millions, except per share amounts)	
KMP distributions paid:		
To general partner(a)(b)	$ 607	$ 940
On KMP units owned by us(c)	69	91
On KMR shares owned by us(d)	40	48
Total KMP distributions to us	716	1,079
NGPL distributions	35	56
Total distributions received	751	1,135
General and administrative expenses and sustaining capital expenditures	2	4
Interest expense(e)	(153)	(176)
Cash available to pay dividends before cash taxes	600	963
Cash taxes(f)	(169)	(267)
Cash available to pay dividends(a)	$ 431	$ 696
Distributions paid	$ 500	$ 650
Aggregate common shares outstanding and into which the investor retained stock is convertible(g)	707	707
Dividends per share of common stock	$ 0.71	$ 0.92

(a) Includes $170 million pre-tax (approximately $109 million after-tax) impact in the third quarter of 2010 of a KMP distribution of cash from interim capital transactions. As a result of the distribution of cash from interim capital transactions, the amount actually distributed to the general partner in the nine months ended September 30, 2010 was $170 million lower than it otherwise would have been had all distributions been cash from operations. Excluding the effect of the distribution of cash from interim capital transactions, pro forma cash available to pay dividends for the nine months ended September 30, 2010 would be approximately $540 million. See " Distributions of Cash Under KMP's Partnership Agreement."

(b) KMP's distributions to us are based on our general partner interest and related incentive distributions and are a function of (1) KMP distributions of $4.20 per common unit paid in 2009 ($4.20 per common unit declared for 2009) and $3.21 per common unit paid in the first nine months of 2010 ($3.27 per common unit declared for the first nine months of 2010), (2) 281 million and 305 million average aggregate common units, Class B units and i-units outstanding in 2009 and the first nine months of 2010, respectively, and (3) with respect to the 7.9 million common units issued during 2010 that were deemed by the general partner to be issued in connection with financing a portion of the acquisition of KMP's interests in the KinderHawk joint venture, the general partner's waiver of its related incentive distributions in respect of calendar quarters through 2011.

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(c)

Calculated as an aggregate of 21.7 million KMP units owned by us multiplied by the KMP per unit distribution paid during the period, as outlined in footnote (b) above.

(d)

Assumes that we sold approximately 0.7 million and 1.1 million KMR shares that we received as distributions in the nine months ended September 30, 2010 and in the year ended December 31, 2009, respectively, at the price used to calculate the number of KMR shares received in quarterly distributions. We did not sell any KMR shares in 2009 or 2010. After this offering, we intend periodically to sell the KMR shares we receive in the future as distributions to generate cash.

(e)

Consists of cash interest on our outstanding debt above the Partnership level and cash dividends paid on $100 million of outstanding Kinder Morgan G.P., Inc. preferred stock. At December 31, 2010, we expect our debt balance net of cash (above the Partnership level and excluding the preferred stock of Kinder Morgan G.P., Inc., purchase accounting and the fair value of interest rate swaps) to be approximately $3.2 billion.

(f)

Cash taxes that we would owe based on the information presented in the table and footnotes above. The amount for the nine months ended September 30, 2010 does not include non-recurring tax benefits of approximately $24 million. Our taxable income is generally less than our cash available to pay dividends before cash taxes due to (1) the deferral of income with respect to the KMP common units that we own, primarily due to depreciation, (2) our basis in the KMR shares that we own and (3) an 80% dividends received deduction on the distributions we receive from NGPL.

(g)

There will be 92,000,000 shares of common stock outstanding upon completion of this offering, assuming exercise in full of the underwriters' option to purchase additional shares of common stock. Outstanding investor retained stock will be convertible into an aggregate of 615,000,000 shares of common stock. See "Description of Our Capital Stock Classes of Common Stock Voluntary Conversion" and " Mandatory Conversion."

Our pro forma cash available for the payment of dividends for the year ended December 31, 2009 as set forth above would have been insufficient to pay our intended quarterly dividend in 2011, with a shortfall of $0.18 per common share and $124 million in the aggregate.

Our cash available for the payment of dividends for the nine months ended September 30, 2010 as set forth above would have been insufficient to pay three quarters of our intended quarterly dividends in 2011, with a shortfall of $0.26 per common share and $184 million in the aggregate ($0.11 per share and $75 million in the aggregate excluding the impact of the KMP distribution of cash from interim capital transactions in the third quarter of 2010).

Based on management's experience with three publicly reporting subsidiaries, and the "public company" costs that Kinder Morgan Kansas, Inc. has continued to incur as a private entity, we do not expect the incremental costs of becoming a public company to be material. In any event, these expenses are not reflected in the historical consolidated financial statements of Kinder Morgan Holdco LLC or in our pro forma calculations of cash available for distribution by us in 2009 or the nine months ended September 30, 2010. However, we have included an estimate of these costs in our calculation of cash available to pay dividends in 2011.

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Estimated GAAP Income from Continuing Operations

	Years Ending December 31, 2011	Years Ending December 31, 2010
	(In millions)	
Earnings before DD&A for KMP segments(a)	$ 3,813	$ 3,457
NGPL(b)	24	(398)
Power(c)		4
Total earnings before DD&A	3,837	3,063
Purchase accounting(d)	17	37
Certain items excluded above(d)	16	(179)
Joint venture DD&A included above(e)	(176)	(146)
Segment earnings	3,694	2,775
DD&A and amortization of excess investment	(1,074)	(1,085)
G&A(f)	(391)	(584)
Unallocable interest and other, net(g)	(731)	(649)
	1,498	457
Unallocable income taxes(h)	(400)	(151)
Income from continuing operations	$ 1,098	$ 306

(a) Consists of total of individual KMP segments described under " Assuptions and Considerations KMP Assumptions." For information regarding the differences between estimated segment earnings before DD&A for the year ending December 31, 2010 and the amounts for the nine months ended September 30, 2010 annualized, see " Assumptions and Considerations KMP Assumptions."

(b) The estimate for the year ending December 31, 2010 is greater than the amount for the nine months ended September 30, 2010 annualized because of a $430 million goodwill impairment charge in the nine months ended September 30, 2010.

(c) On October 22, 2010, we sold Triton Power, which was the only asset in our Power segment.

(d) For more information regarding the impacts of purchase accounting and the certain items excluded above, see the footnotes to the tables under " Assumptions and Considerations KMP Assumptions" and the table detailing certain items under "Management's Discussion and Analysis of Financial Condition and Results of Operations General."

(e) For a description of these amounts, see " Assumptions and Considerations KMP Assumptions Natural Gas Pipelines KMP."

(f) Includes General and administrative expense and NGPL fixed fee revenue. The estimate for the year ending December 31, 2010 is less than the amount for the nine months ended September 30, 2010 annualized because of a $200 million reserve for settlement of litigation related to the Going Private Transaction recognized in the nine months ended September 30, 2010.

(g) Includes Unallocable interest expense and other, net and Other operating revenues.

(h) The estimate for the year ending December 31, 2010 is an expense of $151 million as compared to a benefit of $42 million for the nine months ended September 30, 2010. The fourth quarter of 2010 is impacted by higher income, an increase in our effective tax rate and taxes recorded on our investment in KMR.

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Reconciliation of Estimated Cash Available to Pay Dividends to Estimated GAAP Income from Continuing Operations

	Years Ending December 31, 2011	2010
	(In millions)	
Income from continuing operations	$ 1,098	$ 306
Depreciation, depletion and amortization	1,068	1,079
Amortization of excess cost of investments	6	6
Loss (earnings) from equity investments	(315)	186
Distributions from equity investments(a)	524	254
Distributions from equity investments in excess of cumulative earnings(a)		190
KMP certain items(b)	(13)	185
Kinder Morgan Kansas, Inc. purchase accounting(c)	(14)	(34)
Going Private Transaction settlement reserve(d)		200
Interim capital transaction(e)		(167)
Difference between cash and book taxes	47	(99)
Difference between cash and book interest expense for Kinder Morgan Kansas, Inc.	(1)	(1)
Sustaining capital expenditures	(226)	(181)
KMP declared distribution on LP units owned by the public(f)	(1,322)	(1,210)
Other(g)	(32)	(60)
Cash available for distribution	$ 820	$ 654

(a) Distributions from equity investments for 2011 includes any amounts that may ultimately be distributions from equity investments in excess of cumulative earnings, but any allocations of such amounts between these two items will not change the total.

(b) Consists of items such as legal and environmental reserves, gain/loss on sale, insurance proceeds from casualty losses, and asset disposition expenses. KMP adds back these certain items in its calculation of distributable cash flow used to determine its distribution. For more information, see the table detailing certain items under "Management's Discussion and Analysis of Financial Condition and Results of Operations General."

(c) Consists of non-cash purchase accounting adjustments related to the Going Private Transaction primarily associated with non-cash income recognized from the revaluation of KMP's crude hedges.

(d) For more information, see the footnotes to the table under "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Interim Periods Consolidated."

(e) For more information, see the footnotes to the table under "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Interim Periods Consolidated." The difference between the $167 million pre-tax ($107 million after-tax) in this table and the $170 million pre-tax ($109 million after-tax) disclosed elsewhere in this prospectus is due to differences between the earnings impact and the cash impact of the distribution of cash from interim transactions. The difference is reflected in this table in "Other."

(f) Declared distribution multiplied by LP units outstanding on the applicable record date less units owned by us. Includes distributions on KMR shares. KMP must generate the cash to cover the distributions on the KMR shares, but those distributions are paid in additional shares and KMP retains the cash. Kinder Morgan, Inc. does not have access to that cash.

(g) Consists of timing differences between earnings and cash (for example, a lag between when earnings are recognized and distributions are paid, including distributions to us by KMP), the elimination of any earnings from our Power segment, and cash flow in excess of our distributions.

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Reconciliation of Pro Forma Cash Available to Pay Dividends to GAAP Income from Continuing Operations

	Nine Months Ended September 30, 2010	Year Ended December 31, 2009
	(In millions)	
Income from continuing operations(a)	$ 133	$ 773
Depreciation, depletion and amortization(a)	814	1,070
Amortization of excess cost of investments(a)	4	6
Loss (earnings) from equity investments(a)	256	(222)
Distributions from equity investments(a)	155	277
Distributions from equity investments in excess of cumulative earnings(a)	188	126
Fayetteville Express distribution return of capital(b)		(116)
KMP certain items(c)	176	58
Kinder Morgan Kansas, Inc. purchase accounting(d)	(29)	(90)
Going Private Transaction settlement reserve(e)	200	
Interim capital transaction(f)	(167)	
Difference between cash and book income taxes(g)	(205)	45
Difference between cash and book interest expense for Kinder Morgan Kansas, Inc.	(36)	(13)
Sustaining capital expenditures(h)	(122)	(173)
KMP declared distribution on LP units owned by the public(i)	(893)	(1,064)
Other(j)	(43)	19
Cash available for distribution	$ 431	$ 696

(a)
Consists of the corresponding line items in the Unaudited Consolidated Statement of Operations or Consolidated Statement of Cash Flows.

(b)
Return of KMP's capital contributions to Fayetteville Express pipeline when credit facility was put in place to cover the construction costs. This amount is included in "Distributions from equity investments in excess of cumulative earnings" and "Distributions from equity investments" above.

(c)
Consists of items such as legal and environmental reserves, non-cash regulatory tax adjustments, insurance proceeds from casualty losses, and mark to market of certain hedges. KMP adds back these certain items in its calculation of distributable cash flow used to determine its distribution. For more information, see the table detailing certain items under "Management's Discussion and Analysis of Financial Condition and Results of Operations General" and in the footnotes to the table under "Management's Discussion and Analysis of Financial Conditions and Results of Operations Results of Operations Interim Periods Consolidated."

(d)
Consists of non-cash purchase accounting adjustments related to the Going Private Transaction (as discussed in the footnotes to the table under "Management's Discussion and Analysis of Financial Conditions and Results of Operations Results of Operations Interim Periods Consolidated") primarily associated with non-cash income recognized from the revaluation of KMP's crude hedges. The adjustment with the respect to the crude hedges is included as part of Changes in Working Capital Accrued Liabilities in the Consolidated Statement of Cash Flows.

(e)
For more information, see the footnotes to the table under "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Interim Periods Consolidated."

(f)

For more information, see the footnotes to the table under "Management's Discussion and Analysis of Financial Condition and Results of Operations Results of Operations Interim Periods Consolidated." The difference between the $167 million pre-tax ($107 million after-tax) in this table and the $170 million pre-tax ($109 million after-tax) disclosed elsewhere in this prospectus is due to differences between the earnings impact and the cash impact of the distribution of cash from interim transactions. The difference is reflected in this table in "Other."

(g)

The difference between cash and book taxes is reflected in multiple line items in our consolidated Statement of Cash Flow including Deferred Income Tax and Working Capital Accrued Taxes.

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(h)

See "Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources Capital Expenditures Annual Periods."

(i)

Declared distribution multiplied by LP units outstanding on the applicable record date less units owned by us. Includes distributions on KMR shares. KMP must generate the cash to cover the distributions on the KMR shares, but those distributions are paid in additional shares and KMP retains the cash. Kinder Morgan, Inc. does not have access to that cash.

(j)

Consists of timing differences between earnings and cash (for example, a lag between when earnings are recognized and distributions are paid, including distributions to us by KMP), the elimination of any earnings from our Power segment, and cash flow in excess of our distributions.

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 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.

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Rule for Characterizing Distributions. All available cash distributed by KMP from any source will be treated as distributions of cash from operations unless the sum of all available cash distributed exceeds 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 portion of a distribution of available cash for that quarter 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 and treated 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 distribution of cash from interim capital transactions for the second quarter of 2010 (paid in August 2010), have qualified under the rule stated above 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;

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

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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 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, 2,000,000,000 shares authorized, 80,000,000 shares issued and outstanding (as adjusted)		0.8
Class A shares, $0.01 par value, 707,000,000 shares authorized, 627,000,000 shares issued and outstanding (as adjusted)		6.3
Class B shares, $0.01 par value, 100,000,000 shares authorized, 100,000,000 shares issued and outstanding (as adjusted)		1.0
Class C shares, $0.01 par value, 2,462,927 shares authorized, 2,462,927 shares issued and outstanding (as adjusted)		
Preferred stock, $0.01 par value, 10,000,000 shares authorized, none outstanding		
Additional paid-in capital		3,699.6
Retained earnings (deficit)		
Accumulated other comprehensive loss		(104.5)
Total Kinder Morgan, Inc. stockholders' equity		3,603.2
Noncontrolling interests	5,126.1	5,126.1
Total capitalization	$ 23,589.5	$ 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 12,000,000 shares and the number of Class A shares outstanding would decrease by 12,000,000 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 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, except per share amounts)							
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
Unaudited pro forma net income (loss) per share of common stock (basic and diluted)(12)	(0.15)	0.52	0.70	(5.09)	0.35			
Statement of cash flows data:								
Capital expenditures(13):								
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(14)	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.(15)	2,127.6		2,882.0	2,880.9	8,641.8		6,630.1	6,677.6
KMP and its subsidiaries(16)	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.

(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) Unaudited pro forma net income (loss) per share of common stock is calculated assuming 707,000,000 shares of common stock outstanding, including 80,000,000 shares of our common stock to be sold by the selling stockholders in this offering and investor retained stock that will be convertible into a fixed aggregate of 627,000,000 shares of our common stock. There is no difference between basic and diluted pro forma net income (loss) per share because the conversion of Class A, Class B, and Class C shares into shares of common stock does not impact the number of shares of common stock on a fully-converted basis since our investor retained stock is convertible into a fixed number of shares of common stock.

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

(14) 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).

(15) 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.

(16) 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, including KMP, for all periods ended on or before May 31, 2007, and (2) Kinder Morgan Holdco LLC and its consolidated subsidiaries, including KMP, 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 ownership of the general partner interest in KMP, approximately 11% of the limited partner interests of KMP and 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.

Our business model, through our 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;
- *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) a $33^1/_3$% 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) an 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. The regulatory returns on our products pipelines, like our interstate natural gas pipelines and Canadian pipelines, mitigate the downside of these operations.

With respect to our interstate natural gas pipelines and related storage facilities, the revenues from these assets are primarily 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. Similarly, in our Texas Intrastate Pipeline business we have long-term transport and sales requirements with minimum volume payment obligations which secure approximately 75% of our sales and transport margins in that business. 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 January 1, 2011, the remaining average contract life of KMP's natural gas transportation contracts (including for its intrastate pipelines) was approximately nine years.

The CO_2 sales and transportation business, has primarily fixed fee contracts with minimum volume requirements, which as of January 1, 2011, had a remaining average contract life of 4.7 years. On a volume-weighted basis approximately 76% of our contractual volumes are based on a fixed fee, and 24% fluctuates with the price of oil. 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. As of January 7, 2011, we had 78%, 48%, 31% and 13% of our crude oil and heavy natural gas liquids net production hedged for 2011 through 2014, respectively, at average prices of $69, $84, $88 and $88 per barrel, respectively.

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 (which is typically approximately 3 years), 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 $22 billion of capital, including more than $11 billion in the last four years, for both strategic business acquisitions and expansion projects. KMP's capital investments have helped it to achieve compound annual growth rates in cash distributions per unit 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 estimates it will spend approximately $1.4 billion for its 2011 capital expansion projects (including contributions to joint ventures) and 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, the strength of its balance sheet 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.

We believe KMP's access to financial resources and the strength of its balance sheet is demonstrated by, among other things, the ratio of net debt to EBITDA before certain items maintained by KMP. Management considers this an important measure, and it is presented because management believes it provides additional information to investors and rating agencies. The following sets forth this

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ratio and a reconciliation to KMP's net income and long-term debt for the years 2000 through 2009 (actual), 2010 (estimated) and 2011 (estimated).

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010E	2011E
	(dollars in millions)											
Calculation of EBITDA before certain items												
Net income attributable to KMP per 10-K/Estimated	$ 278.3	$ 442.3	$ 608.4	$ 697.3	$ 831.6	$ 812.2	$1,004.1	$ 590.3	$1,304.8	$ 1,267.5	$ 1,320.4	$ 1,759.5
Certain items				(3.5)	1.7	170.1	(45.5)	437.8	33.1	57.8	185.1	(12.6)
Net income before certain items	278.3	442.3	608.4	693.8	833.3	982.3	958.6	1,028.1	1,337.9	1,325.3	1,505.5	1,746.9
Income taxes	14.0	16.4	15.3	16.7	19.7	24.4	19.8	66.6	33.0	43.7	36.0	59.7
DD&A	90.8	151.1	177.6	224.6	294.2	355.5	419.4	546.5	701.5	856.6	910.6	923.2
FEP/REX/MEP/KinderHawk DD&A KMP share								8.3	33.2	74.6	145.7	176.9
Net interest expense	93.3	171.5	176.4	181.4	192.9	258.9	336.1	392.2	402.6	429.7	505.3	558.3
EBITDA before certain items	**$ 476.4**	**$ 781.3**	**$ 977.7**	**$1,116.5**	**$1,340.1**	**$1,621.1**	**$1,733.9**	**$2,041.7**	**$2,508.2**	**$ 2,729.9**	**$ 3,103.1**	**$ 3,465.0**
Calculation of net debt												
Long-term debt per 10-K	$1,255.5	$2,231.6	$3,826.5	$4,438.1	$4,852.6	$5,319.4	$4,426.9	$6,608.1	$9,226.2	$10,330.2		
Value of interest rate swaps		5.4	(167.0)	(121.4)	(130.2)	(98.5)	(42.6)	(152.2)	(951.3)	(332.5)		
Long-term debt excluding value of interest rate swaps	1,255.5	2,237.0	3,659.5	4,316.7	4,722.4	5,220.9	4,384.3	6,455.9	8,274.9	9,997.7		
Current portion of debt	648.9	560.2		2.2			1,359.1	610.2	288.7	594.7		
Cash & cash equivalents	(59.3)	(62.8)	(41.1)	(23.3)		(12.1)	(6.7)	(58.9)	(62.5)	(146.6)		
Net debt	**$ 1,845.1**	**$2,734.4**	**$3,618.4**	**$4,295.6**	**$4,722.4**	**$5,208.8**	**$5,736.7**	**$7,007.2**	**$8,501.1**	**$10,445.8**	**$11,410.7**	**$12,303.6**
Debt/EBITDA	**3.9x**	**3.5x**	**3.7x**	**3.8x**	**3.5x**	**3.2x**	**3.3x**	**3.4x**	**3.4x**	**3.8x**	**3.7x**	**3.6x**

Note:

KMP defines EBITDA before certain items as earnings before certain items, interest, income taxes, depreciation and amortization, plus KMP's share of depreciation and amortization of our joint ventures; Rockies Express, Midcontinent Express, Fayetteville Express and KinderHawk. EBITDA before certain items is a non-GAAP financial measure and is not intended to be used in lieu of the GAAP presentation of net income. KMP defines net debt as long-term debt plus the current portion of debt, excluding the value of interest rate swaps and reduced by cash and cash equivalents. Net debt is a non-GAAP financial measure and is not intended to be used in lieu of the GAAP presentation of long-term debt. Further, KMP's calculation of EBITDA before certain items and net debt may not be comparable to those of others because they may not calculate such measures in the same manner as KMP does.

The following table sets forth detail regarding the certain items included in the table above. There were no adjustments for certain items for the years 2000 through 2002.

	2003	2004	2005	2006	2007	2008	2009	2010E	2011E
	(dollars in millions)								
Trans Mountain goodwill impairment					$ (377.1)				
Legal reserves and settlements			$ (105.0)	$ (0.5)	(183.3)	$ (11.3)	$ (18.0)	$ (172.0)	
Gain on sale				15.1	152.8	14.3		8.8	
Environmental reserves and receivables			(23.3)	(17.9)	(17.7)	(9.2)	(36.2)	(2.5)	
Casualty losses and insurance reimbursement for losses				8.8		(18.3)	32.0	(1.3)	$ 15.6
Trans Mountain income before dropdown				32.0	14.9				

G&A Settlements			(30.4)						
Allocated non-cash long-term compensation					(26.2)	(5.6)	(5.7)	(4.6)	(2.3)
Mark to market and ineffectiveness of certain hedges						5.6	(19.1)	5.3	
Asset disposition expenses								(18.0)	
North System Inventory Adjustment			(13.7)						
Kinder Morgan Canada non-cash adjustments						(6.5)	(11.2)		
Contract settlements				11.9					
Acquisition costs previously capitalized						(1.3)	(2.3)	(3.6)	
Change in accounting for asset retirement	$ 3.5								
Loss from early extinguishment of debt		$ (1.6)							
Legal expenses							0.5	(1.6)	
Other		(0.1)	2.3	(3.9)	(1.2)	(0.8)	2.2	4.4	(0.7)
	$ 3.5	$ (1.7)	$ (170.1)	$ 45.5	$ (437.8)	$ (33.1)	$ (57.8)	$ (185.1)	$ 12.6

For a further discussion of our liquidity, please see " Liquidity and Capital Resources" below.

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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 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 as