

KINDER MORGAN INC
Form S-3
October 14, 2005

As filed with the Securities and Exchange Commission on October 14, 2005

Registration No. 333-

Registration No. 333-

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

FORM S-3
REGISTRATION STATEMENTS UNDER THE SECURITIES ACT OF 1933

KINDER MORGAN MANAGEMENT, LLC
KINDER MORGAN, INC.

(Exact name of registrant as specified in its charter)

Delaware
Kansas

(State or other jurisdiction of incorporation or organization)

76-0669886
48-0290000

(I.R.S. Employer Identification Number)

500 Dallas Street, Suite 1000
Houston, Texas 77002
(713) 369-9000

(Address, including zip code, and telephone number, including area code, of each registrant's principal executive offices)

Joseph Listengart
500 Dallas Street, Suite 1000
Houston, Texas 77002
(713) 369-9000

(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copy to:

Gary W. Orloff
Bracewell & Giuliani LLP
711 Louisiana Street, Suite 2300
Houston, TX 77002-2770
(713) 221-1306
(713) 221-2166 (Fax)

Approximate date of commencement of proposed sale to the public: From time to time after the effective date of these registration statements.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

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, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

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.

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 delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Proposed Maximum Offering Price Per Share(2)	Proposed Maximum Aggregate Offering Price(2)	Amount of Registration Fee(3)
Shares representing limited liability company interests Purchase obligation(4)	3,000,000 shares	\$47.97	\$143,910,000	\$16,939

- (1) Pursuant to Rule 429 under the Securities Act of 1933, as amended, these Registration Statements contain a combined prospectus that also relates to (i) 2,500,000 shares representing limited liability company interests in Kinder Morgan Management, LLC previously registered on Form S-3, Registration No. 333-123408, of which 782,967 shares remain unsold, and (ii) the related purchase obligation issued by Kinder Morgan, Inc. previously registered on Form S-3, Registration No. 333-123408-01. In addition to the 782,967 shares previously registered, 3,000,000 shares of Kinder Morgan Management, LLC may be offered pursuant to such combined prospectus. Pursuant to Rule 416 under the Securities Act of 1933, the number of shares previously registered and registered hereby shall also include an indeterminate number of shares that may be issued in connection with a share split, share dividend, recapitalization or similar event or adjustment in the number of shares.
- (2) Estimated pursuant to Rule 457(c) under the Securities Act of 1933 solely for the purpose of calculating the registration fee based on the average of the high and low prices of the Kinder Morgan Management, LLC shares on The New York Stock Exchange on October 13, 2005.
- (3) Paid herewith.
- (4) Issued by Kinder Morgan, Inc.

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

Pursuant to Rule 429 under the Securities Act of 1933, these Registration Statements contain a combined prospectus that also relates to 782,967 shares representing limited liability company interests of Kinder Morgan Management, LLC previously registered on Registration Statement No. 333-123408 and the related purchase obligation issued by Kinder Morgan, Inc. previously registered on Registration Statement No. 333-123408-01, which were declared effective on April 5, 2005 (the Previously Registered Securities). This Registration Statement constitutes Post-Effective Amendment No. 2 to Registration Statement Nos. 333-123408 and 333-123408-01 pursuant to which the total amount of unsold Previously Registered Securities registered on Registration Statement Nos. 333-123408 and 333-123408-01 may be offered and sold together with the securities registered hereunder through the use of the combined prospectus included herein. In the event such Previously Registered Securities are offered and sold prior to the effective date of this Registration Statement, the amount of such Previously Registered Securities so sold will not be included in the prospectus hereunder.

EXPLANATORY NOTE

These registration statements contain a prospectus to be used in connection with the offer and sale of Kinder Morgan Management, LLC shares. These registration statements also register the obligation of Kinder Morgan, Inc. to purchase all of the outstanding shares of Kinder Morgan Management, LLC not owned by Kinder Morgan, Inc. or its affiliates under specified circumstances pursuant to the terms of an agreement, which is part of the limited liability company agreement of Kinder Morgan Management, LLC, between Kinder Morgan, Inc. and Kinder Morgan Management, LLC, for itself and for the express benefit of the owners of its shares.

The information in this 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 prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED OCTOBER 14, 2005

PROSPECTUS

3,782,967 Shares

Representing Limited Liability Company Interests

The selling shareholder identified in this prospectus is offering to sell up to an aggregate of 3,782,967 of our shares representing limited liability company interests. The shares offered are the same class as listed on the New York Stock Exchange. We will not receive any of the proceeds from the shareholder's sale of the shares offered by this prospectus.

Our shares are traded on the New York Stock Exchange under the symbol KMR. The last reported sale price of our shares on _____, 2005, as reported on the NYSE, was \$ _____ per share.

Investing in our shares involves risks. See Risk Factors beginning on page 3.

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 date of this prospectus is _____, 2005.

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You should rely only on the information contained or incorporated by reference in this prospectus. Kinder Morgan Management, LLC and Kinder Morgan, Inc. have not authorized anyone to provide you with different information. This prospectus may only be used where it is legal to sell the offered securities. You should not assume that the information in this prospectus is accurate as of any date other than the date on the front cover of this prospectus. You should not assume that the information incorporated by reference in this prospectus is accurate as of any date other than the date the respective information was filed with the Securities and Exchange Commission. The business, financial condition, results of operations and prospects of Kinder Morgan Management, LLC and Kinder Morgan, Inc. may have changed since those dates.

WHERE YOU CAN FIND MORE INFORMATION

This prospectus is part of a registration statement on Form S-3 that we and Kinder Morgan, Inc. have filed with the SEC under the Securities Act using a shelf registration process. This prospectus does not contain all of the information set forth in the registration statement, or the exhibits that are part of the registration statement, parts of which are omitted as permitted by the rules and regulations of the SEC. For further information about us and Kinder Morgan, Inc. and about the securities to be sold in this offering, please refer to the information below and to the registration statement and the exhibits which are part of the registration statement.

Kinder Morgan Management, LLC and Kinder Morgan, Inc. file annual, quarterly and special reports, proxy statements and other information with the SEC. Their current SEC filings are available to the public over the Internet at the SEC's web site at <http://www.sec.gov>. You may also read and copy any document they file at the SEC's public reference room located at 100 F Street, NE, Room 1580, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room and its copy charges.

Because Kinder Morgan Management, LLC's shares and Kinder Morgan, Inc.'s common stock are listed on the New York Stock Exchange, their reports, proxy statements and other information can be reviewed and copied at the office of that exchange at 20 Broad Street, New York, New York 10005.

The SEC allows Kinder Morgan Management, LLC and Kinder Morgan, Inc. to incorporate by reference the information they file with it, which means that Kinder Morgan Management, LLC and Kinder Morgan, Inc. can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this prospectus, and information that Kinder Morgan Management, LLC and Kinder Morgan, Inc. file later with the SEC will automatically update and supersede this information as well as the information included in this prospectus. Kinder Morgan Management, LLC and Kinder Morgan, Inc. incorporate by reference the documents listed below and any future filings made with the SEC under Sections 13 (a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 until the termination of the offering:

Kinder Morgan Management, LLC

SEC Filings (File No. 1-16459)

Annual Report on Form 10-K, as amended by Form 10-K/A
 Quarterly Reports on Form 10-Q

Current Report on Form 8-K
 Registration Statement on Form 8-A/A

Period
 Year ended December 31, 2004
 Quarters ended March 31, 2005 and
 June 30, 2005
 Filed May 6, 2005
 Filed July 24, 2002

Kinder Morgan, Inc.

SEC Filings (File No. 1-06446)

Annual Report on Form 10-K, as amended by Form 10-K/A
 Quarterly Reports on Form 10-Q

Current Reports on Form 8-K

Registration Statement on Form 8-A/A

Period
 Year ended December 31, 2004
 Quarters ended March 31, 2005 and
 June 30, 2005
 Filed May 6, 2005, May 16, 2005,
 August 1, 2005, August 11, 2005,
 September 16, 2005 and September 23,
 2005
 Filed July 24, 2002

Should you want more information regarding Kinder Morgan Energy Partners, L.P. please refer to the annual, quarterly and special reports and proxy statements, as applicable, filed by Kinder Morgan Energy Partners, L.P. with the SEC.

Kinder Morgan Management, LLC and Kinder Morgan, Inc., respectively, will provide a copy of any document incorporated by reference in this prospectus and any exhibit specifically incorporated by reference in those documents at no cost by request directed to them at the following address and telephone number:

Kinder Morgan Management, LLC

Kinder Morgan, Inc.

Investor Relations Department

500 Dallas Street, Suite 1000

Houston, Texas 77002

(713) 369-9000

The information concerning Kinder Morgan Management, LLC contained or incorporated by reference in this document has been provided by Kinder Morgan Management, LLC, and the information concerning Kinder Morgan, Inc. contained or incorporated by reference in this document has been provided by Kinder Morgan, Inc.

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SUMMARY

Kinder Morgan Management, LLC

We are a limited liability company that has elected to be treated as a corporation for United States income tax purposes. Our shares trade on the NYSE under the symbol KMR. We are a limited partner in Kinder Morgan Energy Partners, L.P. and manage and control its business and affairs. The outstanding shares of the class that votes to elect our directors are owned by Kinder Morgan G.P., Inc., the general partner of Kinder Morgan Energy Partners, L.P. Kinder Morgan G.P., Inc. has delegated to us, to the fullest extent permitted under Delaware law and the Kinder Morgan Energy Partners, L.P. partnership agreement, all of its rights and powers to manage and control the business and affairs of Kinder Morgan Energy Partners, L.P. and its subsidiary operating limited partnerships and their subsidiaries, subject to Kinder Morgan G.P., Inc.'s right to approve specified actions. We were formed in Delaware on February 14, 2001.

Kinder Morgan Energy Partners, L.P.

Kinder Morgan Energy Partners, L.P., a limited partnership with its common units traded on the NYSE under the symbol KMP, was formed in Delaware in August 1992. Kinder Morgan Energy Partners, L.P. is one of the largest publicly-traded pipeline limited partnerships in the United States in terms of market capitalization and the largest independent refined petroleum products pipeline system in the United States in terms of volumes delivered. Kinder Morgan Energy Partners, L.P.'s operations are conducted through its subsidiary operating limited partnerships and their subsidiaries and are grouped into the following business segments: Products Pipelines, Natural Gas Pipelines, CO₂ and Terminals.

Kinder Morgan, Inc.

Kinder Morgan, Inc. is a Kansas corporation incorporated in 1927 with its common stock traded on the NYSE under the symbol KMI. Kinder Morgan, Inc. is one of the largest energy transportation and storage companies in the United States, operating, either for itself or on behalf of Kinder Morgan Energy Partners, L.P., over 35,000 miles of natural gas and petroleum products pipelines and approximately 145 terminals. Kinder Morgan, Inc. also has retail distribution and electric generation assets. In addition, Kinder Morgan, Inc. owns the general partner of, and a significant limited partner interest in, Kinder Morgan Energy Partners, L.P.

On August 1, 2005, Kinder Morgan, Inc. agreed to acquire Terasen Inc., a corporation existing under the laws of British Columbia, pursuant to a Combination Agreement among Kinder Morgan, Inc., one of its wholly-owned subsidiaries, and Terasen. Pursuant to the terms of the Combination Agreement, Terasen shareholders will be able to elect, for each Terasen share held, either (i) C\$35.75 in cash, (ii) 0.3331 shares of Kinder Morgan, Inc. common stock, or (iii) C\$23.25 in cash plus 0.1165 shares of Kinder Morgan, Inc. common stock. All elections will be subject to proration in the event total cash elections exceed approximately 65 percent of the total consideration to be paid or total stock elections exceed approximately 35 percent. The transaction is subject to approval by Terasen shareholders, regulatory approvals and other conditions. Following the consummation of the transaction, Terasen will become a wholly-owned indirect subsidiary of Kinder Morgan, Inc.

Terasen, based in Vancouver, Canada, is a leading provider of energy and utility services. Through Terasen Gas and Terasen Gas (Vancouver Island), Terasen distributes natural gas to approximately 875,000 customers, representing more than 95 percent of natural gas consumers in British Columbia. Through Terasen Pipelines, the company provides petroleum transportation services from the Athabasca oilsands to Edmonton, and from Alberta to British Columbia, Washington State, the U.S. Rocky Mountain region and the U.S. Midwest. Terasen electronically files specified documents and other information with Canadian securities authorities which are publicly available via the Internet at www.sedar.com. We encourage you to read this information, including the risk factors described in Terasen's Management's Discussion and Analysis for the year ended December 31, 2004.

Information about the Combination Agreement, specified financial statements of Terasen and specified unaudited pro forma condensed combined financial statements are contained in the documents filed by Kinder Morgan, Inc. listed earlier in this prospectus under *Where You Can Find More Information*.

The principal executive office of each of Kinder Morgan Management, LLC and Kinder Morgan, Inc. is located at 500 Dallas, Suite 1000, Houston, Texas 77002, and the phone number at this address is (713) 369-9000.

Organizational Structure

The following chart depicts the current organizational structure of Kinder Morgan Management, LLC, Kinder Morgan, Inc. and Kinder Morgan Energy Partners, L.P.

RISK FACTORS

You should carefully consider the risks described below, in addition to the other information contained or incorporated by reference in this prospectus. Specifically, please see Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2004, and in the Kinder Morgan Energy Partners, L.P. Annual Report on Form 10-K for the year ended December 31, 2004 included in our Form 10-K as Annex A, for a discussion of risk factors that may affect our business. Realization of any of those risks could have a material adverse effect on our business, financial condition, cash flows and results of operations. Realization of any of those or the following risks could result in a decline in the trading price of our shares, and you might lose all or part of your investment.

Because our only assets are the i-units in Kinder Morgan Energy Partners, L.P., our success is dependent solely upon our operation and management of Kinder Morgan Energy Partners, L.P. and its resulting performance.

We are a limited partner in Kinder Morgan Energy Partners, L.P. In the event that Kinder Morgan Energy Partners, L.P. decreases its cash distributions to its common unitholders, distributions of i-units on the i-units that we own will decrease correspondingly, and distributions of additional shares to owners of our shares will decrease as well. Furthermore, we may establish cash reserves at Kinder Morgan Energy Partners, L.P. that in our reasonable discretion are necessary to fund Kinder Morgan Energy Partners, L.P.'s future operating and capital expenditures, provide for the proper conduct of business, comply with applicable laws or agreements to which Kinder Morgan Energy Partners, L.P. is a party, or provide funds for future distributions to partners. These cash reserves affect the amount of cash available for distribution to holders of Kinder Morgan Energy Partners, L.P.'s common units and, consequently, the distributions on your shares.

The value of the quarterly distribution of an additional fractional share may be less than the cash distribution on a common unit of Kinder Morgan Energy Partners, L.P.

The fraction of a share to be issued per share outstanding with each quarterly distribution is based on the average closing price of the shares for the ten consecutive trading days preceding the ex-dividend date for our shares. Because the market price of our shares may vary substantially over time, the market value of our shares on the date you receive a distribution of additional shares may vary substantially from the cash you would have received had you owned common units instead of our shares.

Kinder Morgan Energy Partners, L.P. could be treated as a corporation for United States federal income tax purposes. The treatment of Kinder Morgan Energy Partners, L.P. as a corporation would substantially reduce the cash distributions on the common units and the value of i-units that Kinder Morgan Energy Partners, L.P. will distribute quarterly to us and the value of our shares that we will distribute quarterly to you.

The anticipated benefit of an investment in our shares depends largely on the treatment of Kinder Morgan Energy Partners, L.P. as a partnership for United States federal income tax purposes. Kinder Morgan Energy Partners, L.P. has not requested, and does not plan to request, a ruling from the Internal Revenue Service on this or any other matter affecting Kinder Morgan Energy Partners, L.P. Current law requires Kinder Morgan Energy Partners, L.P. to derive at least 90% of its annual gross income from specific activities to continue to be treated as a partnership for United States federal income tax purposes. Kinder Morgan Energy Partners, L.P. may not find it possible, regardless of its efforts, to meet this income requirement or may inadvertently fail to meet this income requirement. Current law may change so as to cause Kinder Morgan Energy Partners, L.P. to be treated as a corporation for United States federal income tax purposes without regard to its sources of income or otherwise subject Kinder Morgan Energy Partners, L.P. to entity-level taxation.

If Kinder Morgan Energy Partners, L.P. were to be treated as a corporation for United States federal income tax purposes, it would pay United States federal income tax on its income at the corporate tax rate, which is currently a maximum of 35%, and would pay state income taxes at varying rates. Distributions to us of additional i-units would generally be taxed as a corporate distribution. Because a tax would be imposed upon Kinder Morgan Energy Partners, L.P. as a corporation, the cash available for distribution to common unitholders would be substantially reduced, which would reduce the values of i-units distributed quarterly to us and our shares distributed quarterly to our shareholders. Treatment of Kinder Morgan Energy Partners, L.P. as a corporation would cause a substantial reduction in the value of our shares.

Kinder Morgan Energy Partners, L.P. may issue additional common or other units and we may issue additional shares, which would dilute your ownership interest.

The issuance of additional common or other units by Kinder Morgan Energy Partners, L.P. or shares by us other than in our quarterly distributions to you may have the following effects:

the amount available for distributions on each share may decrease;

the relative voting power of each previously outstanding share will be decreased; and

the market price of shares may decline.

The market price of our shares on any given day generally is less than the market price of the common units of Kinder Morgan Energy Partners, L.P.

Since our initial public offering, our shares have generally traded on the New York Stock Exchange at prices at a discount to, but in general proximity to, the prices of common units of Kinder Morgan Energy Partners, L.P. Thus, the market price of our shares on any given day generally is less than the market price of the common units of Kinder Morgan Energy Partners, L.P. The market price of our shares will depend, as does the market price of the common units of Kinder Morgan Energy Partners, L.P., on many factors, including our operation and management of Kinder Morgan Energy Partners, L.P., the future performance of Kinder Morgan Energy Partners, L.P., conditions in the energy transportation and storage industry, general market conditions, and conditions relating to businesses that are similar to that of Kinder Morgan Energy Partners, L.P.

Your shares are subject to optional and mandatory purchase provisions which could result in your having to sell your shares at a time or price you do not like.

If either of the optional purchase rights are exercised by Kinder Morgan, Inc., or if there is a mandatory purchase event, you will be required to sell your shares at a time or price that may be undesirable, and could receive less than you paid for your shares. Any sale of our shares for cash, to Kinder Morgan, Inc. or otherwise, will be a taxable transaction to the owner of the shares sold. Accordingly, a gain or loss will be recognized on the sale equal to the difference between the cash received and the owner's tax basis in the shares sold. For further information regarding the optional and mandatory purchase rights, please read Description of Our Shares Optional Purchase and Description of Our Shares Mandatory Purchase.

Our board of directors has the power to change the terms of the shares in ways our board determines, in its sole discretion, are not materially adverse to the owners of our shares. You may not like the changes, and even if you believe the changes are materially adverse to the owners of shares, you may have no recourse to prevent them.

As an owner of our shares, you may not like the changes made to the terms of the shares and you may disagree with the board's decision that the changes are not materially adverse to you as a shareholder. Your recourse if you disagree will be limited because our limited liability company agreement gives broad latitude and discretion to the board of directors and eliminates or reduces the fiduciary duties that our board of directors would otherwise owe to you. For further information regarding amendments to the shares, our limited liability company agreement and other agreements, please read Description of Our Shares Limited Voting Rights.

Kinder Morgan, Inc. may be unable to purchase shares upon the occurrence of the mandatory purchase events, resulting in a loss in value of your shares.

The satisfaction of the obligation of Kinder Morgan, Inc. to purchase shares following a purchase event is dependent on Kinder Morgan, Inc.'s financial ability to meet its obligations. There is no requirement for Kinder Morgan, Inc. to secure its obligation or comply with financial covenants to ensure its performance of these obligations. If Kinder Morgan, Inc. is unable to meet its obligations upon the occurrence of a mandatory purchase event, you may not receive cash for your shares.

As an owner of i-units, we may not receive value equivalent to the common unit value for our i-unit interest in Kinder Morgan Energy Partners, L.P. if Kinder Morgan Energy Partners, L.P. is liquidated. As a result, you may receive less per share in our liquidation than is received by an owner of a common unit in a liquidation of Kinder Morgan Energy Partners, L.P.

If Kinder Morgan Energy Partners, L.P. is liquidated and Kinder Morgan, Inc. does not satisfy its obligation to purchase your shares, which is triggered by a liquidation, then the value of your shares will depend on the after-tax amount of the liquidating distribution received by us as the owner of i-units. The terms of the i-units provide that no allocations of income, gain, loss or deduction will be made in respect of the i-units until such time as there is a liquidation of Kinder Morgan Energy Partners, L.P. If there is a liquidation of Kinder Morgan Energy Partners, L.P., it is intended that we will receive allocations of income and gain in an amount necessary for the capital account attributable to each i-unit to be equal to that of a common unit. As a result, we will likely realize taxable income upon the liquidation of Kinder Morgan Energy Partners, L.P. However, there may not be sufficient amounts of income and gain to cause the capital account attributable to each i-unit to be equal to that of a common unit. If they are not equal, we, and therefore you, will receive less value than would be received by an owner of common units.

Further, the tax indemnity provided to us by Kinder Morgan, Inc. only indemnifies us for our tax liabilities to the extent we have not received sufficient cash in the transaction generating the tax liability to pay the associated tax. Prior to any liquidation of Kinder Morgan Energy Partners, L.P., we do not expect to receive cash in a taxable transaction. If a liquidation of Kinder Morgan Energy Partners, L.P. occurs, however, we likely would receive cash which would need to be used at least in part to pay taxes. As a result, our residual value and the value of our shares likely will be less than the value of the common units upon the liquidation of Kinder Morgan Energy Partners, L.P. **A person or group owning 20% or more of the aggregate number of issued and outstanding common units and our shares, other than Kinder Morgan, Inc. and its affiliates, may not vote common units or shares; as a result, you are less likely to receive a premium for your shares in a hostile takeover.**

Any common units and shares owned by a person or group that owns 20% or more of the aggregate number of issued and outstanding common units and shares cannot be voted. This limitation does not apply to Kinder Morgan, Inc. and its affiliates. This provision may:

discourage a person or group from attempting to take over control of us or Kinder Morgan Energy Partners, L.P.; and

reduce the price at which the common units will trade under certain circumstances.

For example, a third party will probably not attempt to remove the general partner of Kinder Morgan Energy Partners, L.P. and take over our management of Kinder Morgan Energy Partners, L.P. by making a tender offer for the common units at a price above their trading market price.

The exercise of the mandatory or optional purchase right associated with our shares is a taxable event to the owners of shares purchased pursuant to that exercise.

Any sale of our shares, to Kinder Morgan, Inc. or otherwise, for cash will be a taxable transaction to the owner of the shares sold. Accordingly, a gain or loss will be recognized on the sale equal to the difference between the cash received and the owner's tax basis in the shares sold.

Owners of our shares have limited voting rights and therefore have little or no opportunity to influence or change our management.

Kinder Morgan G.P., Inc. owns all of our shares eligible to vote on the election of our directors and, therefore, is entitled to elect all of the members of our board of directors. For a description of the limited voting rights you will have as an owner of shares, see Description of Our Shares Limited Voting Rights.

Kinder Morgan G.P., Inc. has delegated to us, to the fullest extent permitted under Delaware law and the Kinder Morgan Energy Partners, L.P. partnership agreement, all of its rights and powers to manage and control the business and affairs of Kinder Morgan Energy Partners, L.P., subject to Kinder Morgan G.P., Inc.'s right to approve specified actions.

The interests of Kinder Morgan, Inc. may differ from our interests, the interests of our shareholders and the interests of unitholders of Kinder Morgan Energy Partners, L.P.

Kinder Morgan, Inc. owns all of the stock of the general partner of Kinder Morgan Energy Partners, L.P. and elects all of its directors. The general partner of Kinder Morgan Energy Partners, L.P. owns all of our voting shares and elects all of our directors. Furthermore, some of our directors and officers are also directors and officers of Kinder Morgan, Inc. and the general partner of Kinder Morgan Energy Partners, L.P. and have fiduciary duties to manage the businesses of Kinder Morgan, Inc. and Kinder Morgan Energy Partners, L.P. in a manner that may not be in the best interest of our shareholders. Kinder Morgan, Inc. has a number of interests that differ from the interests of our shareholders and the interests of the unitholders. As a result, there is a risk that important business decisions will not be made in your best interest as one of our shareholders.

Our limited liability company agreement restricts or eliminates a number of the fiduciary duties that would otherwise be owed by our board of directors to our shareholders, and the partnership agreement of Kinder Morgan Energy Partners, L.P. restricts or eliminates a number of the fiduciary duties that would otherwise be owed by the general partner to the unitholders.

Modifications of state law standards of fiduciary duties may significantly limit the ability of our shareholders and the unitholders to successfully challenge the actions of our board of directors and the general partner, respectively, in the event of a breach of their fiduciary duties. These state law standards include the duties of care and loyalty. The duty of loyalty, in the absence of a provision in the limited liability company agreement or the limited partnership agreement to the contrary, would generally prohibit our board of directors or the general partner from taking any action or engaging in any transaction as to which it has a conflict of interest. Our limited liability company agreement and the limited partnership agreement of Kinder Morgan Energy Partners, L.P. contain provisions that prohibit our shareholders and the limited partners, respectively, from advancing claims that otherwise might raise issues as to compliance with fiduciary duties or applicable law. For example, the limited partnership agreement of Kinder Morgan Energy Partners, L.P. provides that the general partner may take into account the interests of parties other than Kinder Morgan Energy Partners, L.P. in resolving conflicts of interest. Further, it provides that in the absence of bad faith by the general partner, the resolution of a conflict by the general partner will not be a breach of any duty. The provisions relating to the general partner apply equally to us as its delegate. Our limited liability company agreement provides that none of our directors or officers will be liable to us or any other person for any acts or omissions if they acted in good faith. See [Modification of Fiduciary Duties Owed to Our Shareholders and to the Owners of Units](#).

USE OF PROCEEDS

Because the shares covered by this prospectus are being sold by the selling shareholder and not us, we will not receive any proceeds from the sale of the shares pursuant to this prospectus. Unless otherwise described in a prospectus supplement, Kinder Morgan, Inc., the selling shareholder, intends to use the net proceeds from the sale of shares under this prospectus for general corporate purposes. This may include, among other things, additions to working capital, repayment or refinancing of existing indebtedness or other corporate obligations, financing of capital expenditures and acquisitions, investment in existing and future projects, and repurchases and redemptions of securities. Pending any specific application, Kinder Morgan, Inc. may initially invest funds in short-term marketable securities or apply them to the reduction of indebtedness.

SELLING SHAREHOLDER

This prospectus relates to shares of the class that are listed on the NYSE, which we call our listed shares. It does not relate to our voting shares, which, pursuant to our limited liability company agreement, are owned solely by a wholly-owned subsidiary of Kinder Morgan, Inc. Kinder Morgan, Inc. is offering a portion of our listed shares that it owns. It may from time to time offer and sell pursuant to this prospectus or a supplement hereto any or all of those listed shares.

As disclosed elsewhere in this prospectus, Kinder Morgan G.P., Inc. is the sole owner of our voting shares, which are the only shares entitled to vote on the election of our directors. Kinder Morgan, Inc. indirectly owns all of the voting stock of Kinder Morgan G.P., Inc. Even if Kinder Morgan, Inc. were to sell all of the listed shares it owns, it will still own indirectly all of our voting shares.

As of October 10, 2005, Kinder Morgan, Inc. and its controlled affiliates beneficially owned approximately 12,296,411, or 21.6%, of our outstanding listed shares. The calculation of the percentage of beneficial ownership is based on Rule 13d-3(d)(i) of the Securities Exchange Act and uses 56,986,079 listed shares outstanding as of October 10, 2005. So long as Kinder Morgan, Inc. owns listed shares, each time we make a distribution in additional listed shares or fractional listed shares, Kinder Morgan, Inc. will receive its pro rata portion of the listed shares distributed. Kinder Morgan, Inc. may offer all, some or none of the 3,782,967 listed shares offered by this prospectus. Because Kinder Morgan, Inc. may offer all or some portion of the listed shares it owns, and because of listed share distributions that it may receive, no estimate can be given as to the amount of the listed shares that will be held by Kinder Morgan, Inc. upon termination of any sales. In addition, Kinder Morgan, Inc. may have sold, transferred or otherwise disposed of all or a portion of the listed shares since the date of this prospectus in transactions exempt from the registration requirements of the Securities Act.

DESCRIPTION OF OUR SHARES

Number of Shares

All of our voting shares are held by Kinder Morgan G.P., Inc. The shares offered pursuant to this prospectus are the same class we have previously sold to the public, which we call our listed shares, and do not entitle owners of such shares to vote on the election of our directors. Other than our voting shares, as of October 10, 2005, we had 56,986,079 listed shares outstanding, including approximately 12,296,411 listed shares held by Kinder Morgan, Inc. and its controlled affiliates. Our limited liability company agreement does not limit the number of shares we may issue.

Where Shares are Traded

Except for our voting shares, all of which are held by Kinder Morgan G.P., Inc., our outstanding shares are listed on the New York Stock Exchange under the symbol KMR.

General

The following is a summary of the principal documents which relate to our shares. Copies of those documents are on file with the SEC as part of our registration statement. See [Where You Can Find More Information](#) for information on how to obtain copies. You should refer to the provisions of each of the following agreements because they, and not this summary, will govern your rights as a holder of our shares. These agreements include:

- our limited liability company agreement, which provides for the issuance of our shares, distributions and limited voting rights attributable to our shares and which establishes the rights, obligations and limited circumstances for the mandatory and optional purchase of our shares by Kinder Morgan, Inc. as provided in the Kinder Morgan, Inc. purchase provisions;

- the Kinder Morgan, Inc. purchase provisions, which are part of our limited liability company agreement and which provide for the optional and mandatory purchase of our shares in the limited circumstances set forth in our limited liability company agreement;

- the Kinder Morgan, Inc. tax indemnification agreement, which provides that Kinder Morgan, Inc. will indemnify us for any tax liability attributable to our formation or our management and control of the business and affairs of Kinder Morgan Energy Partners, L.P., and for any taxes arising out of a transaction involving our i-units to the extent the transaction does not generate sufficient cash to pay our taxes; and

- the delegation of control agreement among us, Kinder Morgan G.P., Inc. and Kinder Morgan Energy Partners, L.P. and its operating partnerships, which delegates to us, to the fullest extent permitted under Delaware law and the Kinder Morgan Energy Partners, L.P. partnership agreement, the power and authority to manage and control the business and affairs of Kinder Morgan Energy Partners, L.P. and its operating partnerships, subject to Kinder Morgan G.P., Inc.'s right to approve specified actions.

Distributions

General. Under the terms of our limited liability company agreement, except in connection with our liquidation, we do not pay distributions on our shares in cash. Instead, we make distributions on our shares in additional shares or

fractions of shares. At the same time that Kinder Morgan Energy Partners, L.P. makes any cash

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distribution on its common units, we distribute on each of our shares that fraction of a share determined by dividing the amount of the cash distribution to be made by Kinder Morgan Energy Partners, L.P. on each common unit by the average market price of a share determined for the ten consecutive trading days immediately prior to the ex-dividend date for our shares.

We also will distribute to owners of our shares additional shares if owners of common units receive a cash distribution or other cash payment on their common units other than a regular quarterly distribution. In that event, we will distribute on each share that fraction of a share determined by dividing the cash distribution declared by Kinder Morgan Energy Partners, L.P. on each common unit by the average market price of a share determined for a ten consecutive trading day period ending on the trading day immediately prior to the ex-dividend date for the shares.

Our limited liability company agreement provides that a shareholder's right to a distribution that has been declared (or for which a record date has been set) but that has not yet been made ceases on the purchase date if the funds for Kinder Morgan, Inc.'s optional or mandatory purchase of the shares are deposited with the transfer agent and the notice of purchase has been given.

There is no public market for trading fractional shares. We issue fractional shares in payment of the distribution to owners of our shares. No fraction of a share can be traded on any exchange on which our shares are traded until a holder acquires the remainder of the fraction and has a whole share.

The term average market price is used above in connection with the share distributions and it is used below in connection with the optional and mandatory purchase of our shares. When we refer to the average market price of a share or a common unit, we mean the average closing price of a share or common unit during the ten consecutive trading days prior to the determination date but not including that date, unless a longer or shorter number of trading days is expressly noted.

The closing price of securities on any day means:

for securities listed on a national securities exchange, the last sale price for that day, regular way, or, if there are no sales on that day, the average of the closing bid and asked prices for that day, regular way, in either case as reported in the principal composite transactions reporting system for the principal national securities exchange on which the securities are listed;

if the securities are not listed on a national securities exchange

the last quoted price on that day, or, if no price is quoted, the average of the high bid and low asked prices on that day, each as reported by NASDAQ;

if on that day the securities are not so quoted, the average of the closing bid and asked prices on that day furnished by a professional market maker in the securities selected by our board of directors in its sole discretion (or, in the cases of mandatory or optional purchases, by the board of directors of Kinder Morgan, Inc.); or

if on that day no market maker is making a market in the securities, the fair value of the securities as determined by our board of directors in its sole discretion (or, in the cases of mandatory or optional purchases, by the board of directors of Kinder Morgan, Inc.).

A trading day for securities means a day on which:

the principal national securities exchange on which the securities are listed is open for business, or

if the securities are not listed on any national securities exchange, a day on which banking institutions in New York, New York generally are open.

Distributions are made in accordance with the New York Stock Exchange's distribution standards.

Limited Voting Rights

The shares offered pursuant to this prospectus are the same class we have previously sold to the public, and do not entitle owners of such shares to vote on the election of our directors. Kinder Morgan G.P., Inc. owns all shares eligible to elect our directors and elects all of our directors. Owners of our shares are entitled to vote on the specified matters

described under the following caption.

Actions Requiring Vote of Owners of Our Shares. Our limited liability company agreement provides that we will not, without the approval of a majority of the shares owned by persons other than Kinder Morgan, Inc. and its affiliates, amend, alter or repeal any of the provisions of our limited liability company agreement, including the Kinder Morgan, Inc. purchase provisions, the Kinder Morgan, Inc. tax indemnification agreement or the delegation of control agreement, in a manner that materially adversely affects the preferences or rights of the owners of our shares as determined in the sole discretion of our board of directors, or reduces the time for any notice to which the holders of our shares may be entitled, except as provided below under *Actions Not Requiring the Vote of Holders.*

Under the terms of Kinder Morgan Energy Partners, L.P.'s partnership agreement, the i-units it issues to us are entitled to vote on all matters on which the common units are entitled to vote. We will submit to a vote of our shareholders any matter submitted to us by Kinder Morgan Energy Partners, L.P. for a vote of i-units. We will vote our i-units in the same way that our shareholders vote their shares for or against a matter, including non-votes or abstentions. In general, the i-units, common units and Class B units will vote together as a single class, with each i-unit, common unit and Class B unit having one vote. The i-units vote separately as a class on:

amendments to the Kinder Morgan Energy Partners, L.P. partnership agreement that would have a material adverse effect on the rights or preferences of holders of the i-units in relation to the other outstanding classes of units;

the approval of the withdrawal of Kinder Morgan G.P., Inc. as the general partner of Kinder Morgan Energy Partners, L.P. in some circumstances; and

the transfer to a non-affiliate by Kinder Morgan G.P., Inc. of all its interest as a general partner of Kinder Morgan Energy Partners, L.P.

Our limited liability company agreement also provides that we will not, without the approval of a majority of our shares owned by persons other than Kinder Morgan, Inc. and its affiliates, take an action that we have covenanted not to take without shareholder approval, as summarized below, or issue any shares of classes other than the two classes of shares that are currently outstanding.

Limitations on Voting Rights of Kinder Morgan, Inc. and its Affiliates. The shares owned by Kinder Morgan, Inc. and its affiliates, generally, are entitled to vote on any matter submitted to us as the owner of i-units. Shares owned by Kinder Morgan, Inc. or its affiliates will not, however, be entitled to vote on the matters described below when submitted to a vote of shareholders to determine how the i-units should be voted as long as Kinder Morgan, Inc. or its affiliates owns our voting shares:

any matters on which the i-units vote as a separate class;

a proposed removal of the general partner of Kinder Morgan Energy Partners, L.P.;

some proposed transfers of all of the general partner's interest as the general partner of Kinder Morgan Energy Partners, L.P. and the admission of any successor transferee as a successor general partner; and

a proposed withdrawal of the general partner of Kinder Morgan Energy Partners, L.P. in some circumstances.

When any shares, including voting shares, owned by Kinder Morgan, Inc. and its affiliates are not entitled to vote as described above, they will be treated as not outstanding. Therefore, they will not be included in the numerator of the number of shares voting for approval or the denominator of the number of shares outstanding in determining whether the required percentage has been voted to approve a matter. Similarly, a number of i-units equal to the number of our shares, including voting shares, owned by Kinder Morgan, Inc. and its affiliates will be treated as not being outstanding and will not be included in the numerator or denominator in determining if the required percentage of i-units or total units has been voted to approve a matter.

Limitations on Voting Rights of 20% or More Holders. A person or group owning 20% or more of the aggregate number of issued and outstanding common units and shares is not entitled to vote its shares. Therefore, such shares will not be included in the numerator of the number of shares voting for approval or the denominator of the numbers

of shares outstanding in determining whether the required percentage has been voted to approve a matter. This limitation does not apply to Kinder Morgan, Inc. and its affiliates, including Kinder Morgan G.P., Inc., although, as described above, there are a number of matters on which Kinder Morgan, Inc. and its affiliates may not vote.

Actions Not Requiring the Vote of Holders. The relevant agreements provide that notwithstanding the voting provisions described above, we may make changes in the terms of our shares, our limited liability company agreement (including the purchase provisions), the tax indemnification agreement and the delegation of control agreement without any approval of holders of our shares, in order to meet the requirements of applicable securities and other laws and regulations and exchange rules, to effect the intent of the provisions of the limited liability company agreement and to make other changes which our board of directors determines in its sole discretion will not have a material adverse effect on the preferences or rights associated with our shares or reduce the time for any notice to which the holders of our shares may be entitled. The agreements provide that we are also permitted, in the good faith discretion of our board of directors, to amend the terms of the shares and these agreements without the approval of holders of shares to accommodate the assumption of the obligations of Kinder Morgan, Inc. by a person, other than Kinder Morgan, Inc. and its affiliates, who becomes the beneficial owner of more than 50% of the total voting power of all shares of capital stock of the general partner of Kinder Morgan Energy Partners, L.P. in a transaction that does not constitute a mandatory purchase event but that requires the vote of the holders of the outstanding common units and shares, or to accommodate changes resulting from a merger, recapitalization, reorganization or similar transaction involving Kinder Morgan Energy Partners, L.P. which in each case does not constitute a mandatory purchase event but that requires the vote of the holders of the outstanding common units and shares. We believe that amendments made pursuant to these agreements, except in some cases in the context of a merger, recapitalization, reorganization or similar transaction, would not be significant enough to constitute the issuance of a new security; but, if an amendment constituted the issuance of a new security, we would have to register the issuance of the securities with the SEC or rely on an exemption from registration.

Anti-Dilution Adjustments

The partnership agreement of Kinder Morgan Energy Partners, L.P. provides that Kinder Morgan Energy Partners, L.P. will adjust proportionately the number of i-units held by us through the payment to us of an i-unit distribution or by causing an i-unit subdivision, split or combination if various events occur, including:

- the payment of a common unit distribution on the common units; and

- a subdivision, split or combination of the common units.

Our limited liability company agreement provides that the number of all of our outstanding shares, including the voting shares, shall at all times equal the number of i-units we own. If there is a change in the number of i-units we own, we will make to all our shareholders a share distribution or effect a share split or combination to provide that at all times the number of shares outstanding equals the number of i-units we own. Through the combined effect of the provisions in the Kinder Morgan Energy Partners, L.P. partnership agreement and the provisions of our limited liability company agreement, the number of outstanding shares and i-units always will be equal.

Covenants

Our limited liability company agreement provides that our activities will be limited to being a limited partner in, and controlling and managing the business and affairs of, Kinder Morgan Energy Partners, L.P. and its operating partnerships and engaging in any lawful business, purpose or activity related thereto. It also includes provisions that are intended to maintain a one-to-one relationship between the number of i-units we own and our outstanding shares, including provisions:

- prohibiting our sale, pledge or other transfer of i-units;

- prohibiting our issuance of options, warrants or other securities entitling the holder to subscribe for or purchase our shares;

- prohibiting us from borrowing money or issuing debt;

- prohibiting a liquidation, merger or recapitalization or similar transactions involving us; and

- prohibiting our purchase of any of our shares, including voting shares.

Under the terms of the Kinder Morgan Energy Partners, L.P. partnership agreement, Kinder Morgan Energy Partners, L.P. agrees that it will not:

except in liquidation, make a distribution on an i-unit other than in additional i-units or a security that has in all material respects the same rights and privileges as the i-units;

make a distribution on a common unit other than in cash, in additional common units or a security that has in all material respects the same rights and privileges as the common units;

allow an owner of common units to receive any consideration other than cash, common units or a security that has in all material respects the same rights and privileges as the common units, or allow us, as the owner of the i-units, to receive any consideration other than i-units or a security that has in all material respects the same rights and privileges as the i-units in a:

merger in which Kinder Morgan Energy Partners, L.P. is not the survivor, if the unitholders of Kinder Morgan Energy Partners, L.P. immediately prior to the transaction own more than 50% of the residual common equity securities of the survivor immediately after the transaction;

merger in which Kinder Morgan Energy Partners, L.P. is the survivor, if the unitholders of Kinder Morgan Energy Partners, L.P. immediately prior to the transaction own more than 50% of the limited partner interests in Kinder Morgan Energy Partners, L.P. immediately after the transaction; or

recapitalization, reorganization or similar transaction;

be a party to a merger in which Kinder Morgan Energy Partners, L.P. is not the survivor, sell substantially all of its assets to another person or enter into similar transactions if:

the survivor of the merger or the other person is to be controlled by Kinder Morgan, Inc. or its affiliates after the transaction; and

the transaction would be a mandatory purchase event;

make a tender offer for common units unless the consideration:

is exclusively cash; and

together with any cash payable in respect of any tender offer by Kinder Morgan Energy Partners, L.P. for the common units concluded within the preceding 360 days and the aggregate amount of any cash distributions to all owners of common units made within the preceding 360-day period is less than 12% of the aggregate average market value of all classes of units of Kinder Morgan Energy Partners, L.P.

determined on the trading day immediately preceding the commencement of the tender offer; or

issue any of its i-units to any person other than us.

The Kinder Morgan Energy Partners, L.P. partnership agreement provides that when any cash is to be received by a common unitholder as a result of a consolidation or merger of Kinder Morgan Energy Partners, L.P. with or into another person, other than a consolidation or merger in which Kinder Morgan Energy Partners, L.P. is a survivor and which does not result in any reclassification, conversion, exchange or cancellation of outstanding common units, or as a result of the sale or other disposition to another person of all or substantially all of the assets of Kinder Morgan Energy Partners, L.P., that payment will require Kinder Morgan Energy Partners, L.P. to issue additional i-units or fractions of i-units to us except in liquidation. The distribution of additional i-units or fractions of i-units will be equal to the cash distribution on each common unit divided by the average market price of one of our shares determined for a consecutive ten day trading period ending immediately prior to the effective date of the transaction. This will result in us also issuing an equal number of shares to the holders of our shares.

Optional Purchase

The Kinder Morgan, Inc. purchase provisions, which are part of our limited liability company agreement, provide that if at any time Kinder Morgan, Inc. and its affiliates own 80% or more of our outstanding shares, then Kinder Morgan, Inc. has the right, but not the obligation, to purchase for cash all of our outstanding shares that Kinder Morgan, Inc. and its affiliates do not own. Kinder Morgan, Inc. can exercise its right to make that purchase by delivering notice to the transfer agent for the shares of its election to make the purchase not less than ten days and not more than 60 days prior to the date which it selects for the purchase. We will use reasonable efforts to cause the

transfer agent to mail the notice of the purchase to the record holders of the shares.

The price at which Kinder Morgan, Inc. may make the optional purchase is equal to 110% of the higher of:
the average market price for the shares for the ten consecutive trading days ending on the fifth trading day prior
to the date the notice of the purchase is given; and

the highest price Kinder Morgan, Inc. or its affiliates paid for the shares during the 90-day period ending on the day prior to the date the notice of purchase is given.

The Kinder Morgan, Inc. purchase provisions, which are a part of our limited liability company agreement, and Kinder Morgan Energy Partners, L.P.'s partnership agreement each provides that if at any time Kinder Morgan, Inc. and its affiliates own 80% or more of the outstanding common units and the outstanding shares on a combined basis, then Kinder Morgan, Inc. has the right to purchase all of our shares that Kinder Morgan Inc. and its affiliates do not own, but only if the general partner of Kinder Morgan Energy Partners, L.P., elects to purchase all of the common units that Kinder Morgan, Inc. and its affiliates do not own. The price at which Kinder Morgan, Inc. and the general partner may make the optional purchase is equal to the highest of:

the average market price of our shares or the common units, whichever is higher, for the 20 consecutive trading days ending five days prior to the date on which the notice of the purchase is given; and

the highest price Kinder Morgan, Inc. or its affiliates paid for such shares or common units, whichever is higher, during the 90-day period ending on the day prior to the date the notice of purchase is given.

Kinder Morgan, Inc. or the general partner, as the case may be, may exercise its right to make the optional purchase by giving notice to the transfer agent for the shares and for the common units of its election to make the optional purchase not less than ten days and not more than 60 days prior to the date which it selects for the purchase. We will use reasonable efforts to cause the transfer agent also to mail that notice of the purchase to the record holders of our shares.

If either elects to purchase either our shares or the combination of the common units and our shares, Kinder Morgan, Inc. and, if applicable, the general partner, will deposit the aggregate purchase price for the shares and the common units, as the case may be, with the respective transfer agents. On and after the date set for the purchase, the holders of the shares or the common units, as the case may be, will have no rights as holders of shares or common units, except to receive the purchase price, and their shares or common units will be deemed to be transferred to Kinder Morgan, Inc., or the general partner in the case of the common units, for all purposes.

Kinder Morgan, Inc. will comply with Rule 13e-3 under the Securities Exchange Act if it makes an optional purchase.

Mandatory Purchase

General. Under the terms of the Kinder Morgan, Inc. purchase provisions, upon the occurrence of any of the following mandatory purchase events, Kinder Morgan, Inc. will be required to purchase for cash all of our shares that it and its affiliates do not own at a purchase price equal to the higher of the average market price for the shares and the average market price for common units as determined for the ten-day trading period immediately prior to the date of the applicable event.

A mandatory purchase event means any of the following:

the first day on which the aggregate distributions or other payments by Kinder Morgan Energy Partners, L.P. on the common units, other than distributions or payments made in common units or in securities which have in all material respects the same rights and privileges as common units but including distributions or payments made pursuant to an issuer tender offer by Kinder Morgan Energy Partners, L.P., during the immediately preceding 360-day period exceed 50% of the average market price of a common unit during the ten consecutive trading day period ending on the last trading day prior to the first day of that 360-day period.

the occurrence of an event resulting in Kinder Morgan, Inc. and its affiliates ceasing to be the beneficial owner, as defined in Rules 13d-3 and 13d-5 under the Securities Exchange Act of 1934, of more than 50% of the total voting power of all shares of capital stock of the general partner of Kinder Morgan Energy Partners, L.P., unless:

the event results in another person becoming the beneficial owner of more than 50% of the total voting power of all shares of capital stock of the general partner of Kinder Morgan Energy Partners, L.P.;

that other person is organized under the laws of a state in the United States;

that other person has long term unsecured debt with an investment grade credit rating, as determined by Moody's Investor Services, Inc. and Standard & Poor's Rating Service, immediately prior to the event; and

that other person assumes all obligations of Kinder Morgan, Inc. to us and to the owners of the shares under the purchase provisions and the tax indemnification agreement.

the merger of Kinder Morgan Energy Partners, L.P. with or into another person in any case where Kinder Morgan Energy Partners, L.P. is not the surviving entity, or the sale of all or substantially all of the assets of Kinder Morgan Energy Partners, L.P. and its subsidiaries, taken as a whole, to another person, unless in the transaction:

the owners of common units receive in exchange for their common units a security of such other person that has in all material respects the same rights and privileges as the common units;

we receive in exchange for all of the i-units a security of such other person that has in all material respects the same rights and privileges as the i-units;

no consideration is received by an owner of common units other than securities that have in all material respects the same rights and privileges as the common units and/or cash, and the amount of cash received per common unit does not exceed 33 1/3% of the average market price of a common unit during the ten trading day period ending immediately prior to the date of execution of the definitive agreement for the transaction; and

no consideration is received by the owners of i-units other than securities of such other person that have in all material respects the same rights and privileges as the i-units.

Procedure. Within three business days following any event requiring a mandatory purchase by Kinder Morgan, Inc., Kinder Morgan, Inc. will mail or deliver to the transfer agent for mailing to each holder of record of the shares on the earlier of the date of the purchase event and the most recent practicable date, a notice stating:

that a mandatory purchase event has occurred and that Kinder Morgan, Inc. will purchase such holder's shares for the purchase price described above;

the circumstances and relevant facts regarding the mandatory purchase event;

the dollar amount per share of the purchase price;

the purchase date, which shall be no later than five business days from the date such notice is mailed; and

the instructions a holder must follow in order to have the holder's shares purchased.

On or prior to the date of the purchase, Kinder Morgan, Inc. will irrevocably deposit with the transfer agent funds sufficient to pay the purchase price. Following the purchase date, a share owned by any person other than Kinder Morgan, Inc. and its affiliates will only represent the right to receive the purchase price.

For purposes of the optional and mandatory purchase provisions, including the definitions of the mandatory purchase events, Kinder Morgan, Inc. will be deemed to include Kinder Morgan, Inc., its successors by merger, and any entity that succeeds to Kinder Morgan, Inc.'s obligations under the purchase provisions and the tax indemnification agreement in connection with an acquisition of all or substantially all of the assets of Kinder Morgan, Inc.

Kinder Morgan, Inc. will comply with Rule 13e-3 under the Securities Exchange Act in connection with the occurrence of a mandatory purchase event.

Tax Indemnity of Kinder Morgan, Inc.

We have a tax indemnification agreement with Kinder Morgan, Inc. Pursuant to this agreement, Kinder Morgan, Inc. agreed to indemnify us for any tax liability attributable to our formation or our management and control of Kinder

Morgan Energy Partners, L.P., and for any taxes arising out of a transaction involving our i-units to the extent the transaction does not generate sufficient cash to pay our taxes.

Transfer Agent and Registrar

Our transfer agent and registrar for the shares is EquiServe Trust Company, N.A. It may be contacted at 525 Washington Blvd., Jersey City, New Jersey 07310.

The transfer agent and registrar may at any time resign, by notice to us, or be removed by us. That resigna