

Rating: Sell
 S&P 500: 1472

Kinder Morgan (KMI, KMP, KMR) Deal Delayed

<i>Symbol</i>	KMI	KMP	KMR	KMx
<i>Rating</i>	Sell	Sell	Sell	
<i>Price (US\$/sh)</i>	107.02	56.96	54.46	
<i>Pricing Date</i>	4/18/07	4/18/07	4/18/07	
<i>Publicly Held Shares (mm)</i>	133	152	52	
<i>Market Capitalization (US\$mm)</i>	14,300	8,660	2,830	25,800
<i>Debt (US\$mm)</i>	14,000	2,690	920	17,600
<i>Enterprise Value (EV) (US\$mm)</i>	28,200	11,350	3,750	43,300
<i>Present Value (PV) (US\$mm)</i>	18,400	4,970	1,700	25,100
<i>Net Present Value (US\$/share)</i>	33	15	15	
<i>Debt/Present Value</i>	0.76	0.54	0.54	0.70
<i>McDep Ratio - EV/PV</i>	1.54	2.28	2.21	1.73
<i>Ebitda Next Twelve Months ending 3/31/08 (US\$mm)</i>	2,070	630	219	2,920
<i>North American Natural Gas/Ebitda (%)</i>	0	0	0	
<i>Natural Gas and Oil Production/Ebitda (%)</i>	7	18	18	
<i>Adjusted Reserves/Production NTM</i>	7.3	7.3	7.3	
<i>EV/Ebitda</i>	13.6	18.0	17.4	14.8
<i>PV/Ebitda</i>	8.9	7.9	7.9	8.6
<i>Undeveloped Reserves (%)</i>	42	42	42	
<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	26.60	26.60	26.60	
<i>Present Value Proven Reserves(US\$/boe)</i>	19.37	19.37	19.41	
<i>Present Value Proven Reserves(US\$/mcfe)</i>	3.23	3.23	3.23	
<i>Earnings Next Twelve Months (US\$/sh)</i>	5.08	1.03	1.03	
<i>Price/Earnings Next Twelve Months</i>	21	55	53	29
<i>Indicated Annual Distribution (US\$/sh)</i>	3.50	3.32	3.32	
<i>Distribution Yield (%/yr)</i>	3.3	5.8	6.1	4.4
<i>Ebitda by Function</i>				
<i>Natural Gas Pipelines</i>	1447	166	58	1672
<i>Oil Products Pipelines</i>	236	176	61	473
<i>CO2 Pipelines</i>	212	158	55	424
<i>Terminals</i>	175	130	45	350

Reported results may vary widely from estimates.

For historical analysis of KMx since 2001 see www.mcdep.com/2kmi.htm
 and www.mcdep.com/2kmp.htm.

Summary and Recommendation

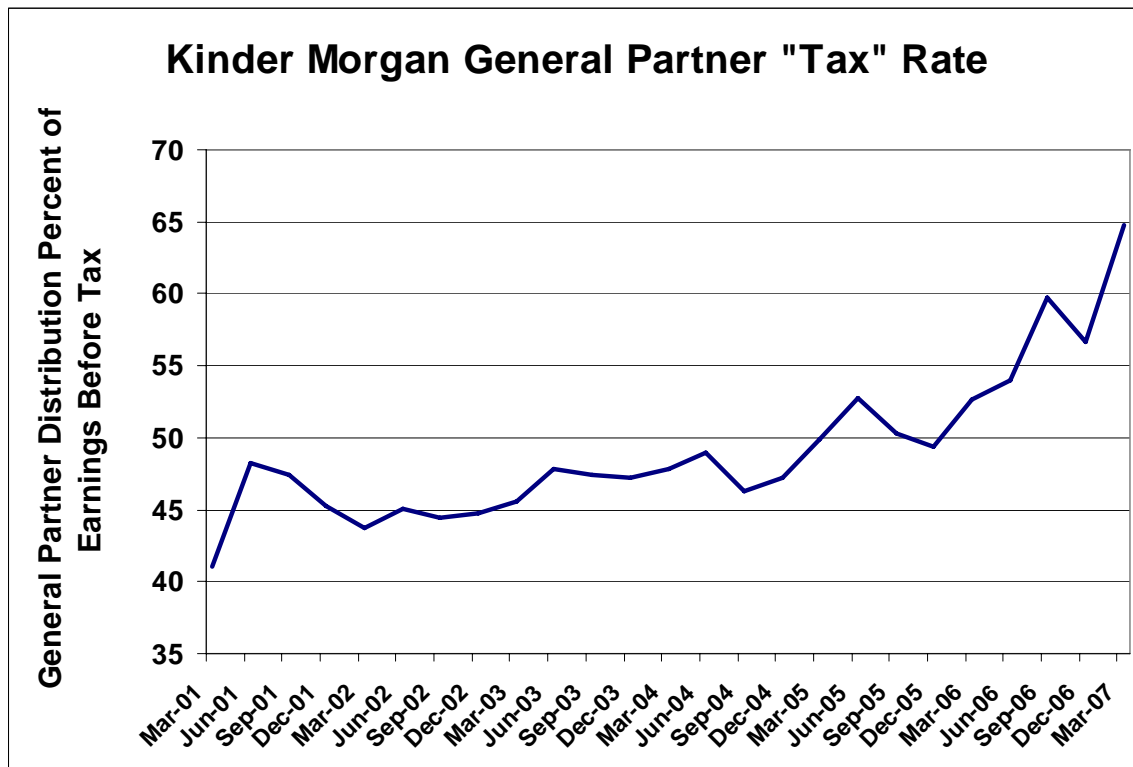
A delay in the leveraged buyout of the general partner raises the risks in sell-recommendations **Kinder Morgan Inc. (KMI)**, **Kinder Morgan Energy Partners (KMP)** and **Kinder Morgan Management LLC (KMR)**. The transaction did not occur during the first quarter as contemplated largely because of outstanding issues before the

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California Public Utilities Commission (CPUC) and the U.S. Court of Appeals for the D.C. Circuit. Among the issues is whether it is in the public interest that a general partner should be able to recover in regulated transportation rates a “tax” in lieu of and in excess of income taxes at rates that exceed 50% (see chart). The potential damages are so high that the users of Kinder Morgan’s West Coast oil pipeline implore the CPUC to withhold approval of the buyout of the general partner for fear that the general partner would declare bankruptcy to avoid paying a court judgment. The proposed buyout would pile debt on top of debt, giving weight to the bankruptcy risk. Meanwhile the partnership’s accounting statements that continue to mask dilution cause analysts and journalists to overstate cash flow valuation and understate risk, we believe.

As KMP and KMR report first quarter 2007 financial results on April 18 after the close, the general partner announces its intention to transfer a Canadian pipeline to the limited partnership. We think the deal smells because the limited partners pay the general partner, KMI, full price for the non-arms-length transaction while the general partner retains the cash flow associated with the 65% “GP tax” without fully reporting the negative accounting impact.

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Kinder Morgan Energy Partners, L.P.
Next Twelve Months Financial Results

	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1</i>	<i>Q2E</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Next Twelve Months</i>
	<i>3/31/06</i>	<i>12/31/06</i>	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007</i>	<i>3/31/08</i>
Oil Volume									
Oil (mmb)	3.3	3.5	14	3.3	3.3	3.4	3.4	13	13
Oil (mbd)	37	38	37	37	37	37	37	37	37
Oil Price (\$/bbl)									
WTI Cushing	63.33	59.99	66.05	58.08	64.29	67.52	68.96	64.71	67.64
Partnership	32.66	33.23	33.82	36.54	37.52	37.99	38.19	37.57	38.00
Oil Revenue (\$mm)	109	115	459	120	125	128	128	501	506
Ebitda									
Products Pipelines	126	129	502	143	130	117	129	519	519
Natural Gas Pipelines	144	140	556	136	131	141	140	548	548
CO2 Pipelines	122	115	489	125	125	127	115	492	492
Terminals	90	107	397	99	102	98	107	406	406
Overhead	(66)	(64)	(259)	(69)	(69)	(69)	(69)	(275)	(271)
Total Ebitda	416	428	1,685	434	419	414	422	1,690	1,694
Deprec., Deplet., & Amort.	93	117	414	128	128	128	128	512	512
Other Non Cash		(20)	(20)					-	
Ebit	323	331	1,291	306	291	286	294	1,178	1,182
Interest	76	85	333	90	90	90	90	360	360
Ebt	247	246	958	216	201	196	204	818	822
General Partner	130	139	533	140	144	145	145	575	581
Net Income (\$mm)	117	107	425	76	57	51	59	243	241
Units (mm)	221	230	225	231	232	233	234	232	233
Net Income Per Unit (\$/un)	0.53	0.46	1.89	0.33	0.25	0.22	0.25	1.05	1.03
Distribution Per L.P. Unit	0.80	0.83	3.25	0.83	0.83	0.83	0.83	3.32	3.32
Distribution (\$mm)	308	334	1,275	336	337	338	339	1,350	1,355
General Partner	131	143	544	144	144	145	145	579	581
Limited Partner	177	191	731	192	192	193	194	771	774
General Partner Share									
Earnings	53%	57%	56%	65%	72%	74%	71%	70%	71%
Distribution	43%	43%	43%	43%	43%	43%	43%	43%	43%

Kinder Morgan, Inc.
Next Twelve Months Financial Results

	<i>Q1</i>	<i>Q4</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3</i>	<i>Q4</i>	<i>Year</i>	<i>Next Twelve Months</i>
	<i>3/31/06</i>	<i>12/31/06</i>	<i>2006</i>	<i>3/31/07</i>	<i>6/30/07</i>	<i>9/30/07</i>	<i>12/31/07</i>	<i>2007</i>	<i>3/31/08</i>
Ebitda									
Natural Gas Pipelines	349	345	1,239	334	272	273	345	1,224	1,224
Kinder Morgan Energy Partner:	209	215	846	218	210	208	212	848	850
Total Ebitda	558	559	2,084	552	482	481	557	2,072	2,074
Deprec., Deplet., & Amort.	156	156	624	156	156	156	156	624	624
Kinder Morgan Energy Partner:	(85)	(101)	(374)	(101)	(101)	(101)	(101)	(404)	(404)
Ebit	486	504	1,834	497	427	426	502	1,852	1,854
Interest	189	203	797	203	203	203	203	812	812
Ebt	297	301	1,037	294	224	223	299	1,040	1,042
Income Tax	104	106	363	103	78	78	105	364	365
Net Income (\$mm)	193	196	674	191	146	145	194	676	677
Shares (millions)	135	133	135	133	133	133	133	133	133
Per Share (\$)	1.43	1.47	5.01	1.43	1.09	1.09	1.46	5.07	5.08
Tax Rate	35%	35%	35%	35%	35%	35%	35%	35%	35%

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