

Rating: Sell  
S&P 500: 1249

## Kinder Morgan Inc. Canada Deal Closed

<i>Symbol</i>	KMI	KMP	KMR	KMx
<i>Rating</i>	Sell	Sell	Sell	
<i>Price (US\$/sh)</i>	90.60	49.84	47.71	
<i>Pricing Date</i>	11/30/05	11/30/05	11/30/05	
<i>Publicly Held Shares (mm)</i>	135	140	43	
<i>Market Capitalization (US\$mm)</i>	12,300	6,990	2,070	21,400
<i>Debt (US\$mm)</i>	11,100	2,590	800	14,500
<i>Enterprise Value (EV) (US\$mm)</i>	23,300	9,580	2,870	35,800
<i>Present Value (PV) (US\$mm)</i>	15,500	4,700	1,450	21,700
<i>Net Present Value (US\$/share)</i>	33	15	15	
<i>Debt/Present Value</i>	0.71	0.55	0.55	0.67
<i>McDep Ratio - EV/PV</i>	1.50	2.04	1.98	1.65
<i>Ebitda Next Twelve Months ending 12/31/06 (US\$mm)</i>	1,840	600	184	2,620
<i>North American Natural Gas/Ebitda (%)</i>	0	0	0	
<i>Natural Gas and Oil Production/Ebitda (%)</i>	7	17	17	
<i>Adjusted Reserves/Production NTM</i>	6.4	6.4	6.4	
<i>EV/Ebitda</i>	12.7	16.2	15.7	13.6
<i>PV/Ebitda</i>	8.5	7.9	7.9	8.3
<i>Undeveloped Reserves (%)</i>	42	42	42	
<i>Natural Gas and Oil Ebitda (US\$/boe)</i>	19.99	19.99	19.99	
<i>Present Value Proven Reserves(US\$/boe)</i>	17.22	17.22	17.17	
<i>Present Value Proven Reserves(US\$/mcfe)</i>	2.87	2.87	2.86	
<i>Earnings Next Twelve Months (US\$/sh)</i>	4.82	2.18	2.18	
<i>Price/Earnings Next Twelve Months</i>	19	23	22	20
<i>Indicated Annual Distribution (US\$/sh)</i>	3.00	3.16	3.16	
<i>Distribution Yield (%/yr)</i>	3.3	6.3	6.6	4.6
<i>Ebitda by Function</i>				
<i>Natural Gas Pipelines</i>	1254	169	52	1475
<i>Oil Products Pipelines</i>	221	162	50	433
<i>CO2 Pipelines</i>	217	159	49	425
<i>Terminals</i>	149	109	33	291

Reported results may vary widely from estimates.

Estimated present value per share revised only infrequently.

### Summary and Recommendation

Sell-recommended **Kinder Morgan Inc. (KMI)**, **Kinder Morgan Energy Partners (KMP)**, and **Kinder Morgan Management LLC (KMR)** have completed the acquisition of \$5.5 billion of Canadian utility assets for \$1.0 billion in stock and \$4.5 billion in debt. Cosmetically, the acquisition is shown to be part of KMI and there are no changes for KMP and KMR. Practically, the entities are all part of the same financial pyramid we call KMx that appears richly valued at

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near 14 times cash flow when stronger energy companies are valued at a third to a half as much. It was a public relations coup for management to persuade Canadian regulators to approve the sale of assets to a buyer that overstates earnings and understates debt by the normal standards we apply. It remains to be seen if Canadians keep the stock exchanged in the deal. We continue to estimate potential stock price depreciation of 50% or more. To mitigate the risk that depreciation is postponed we recommend that investors after selling KM own an amount of a buy-recommended stock about equal in present value.

Kurt H. Wulff, CFA

**Kinder Morgan, Inc.**  
**Next Twelve Months Financial Results**

	<i>Q4</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Next Twelve Months</i>
	<i>12/31/04</i>	<i>9/30/05</i>	<i>12/31/05</i>	<i>2005E</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>12/31/06</i>
<b>Ebitda</b>									
Natural Gas Pipelines	201	97	201	<b>534</b>	262	219	220	323	<b>1,024</b>
Kinder Morgan Energy Partners	184	204	203	<b>788</b>	203	203	204	204	<b>813</b>
Total Ebitda	385	301	404	<b>1,322</b>	465	422	423	527	<b>1,837</b>
Deprec., Deplet., & Amort.	30	30	30	<b>119</b>	64	64	64	64	<b>258</b>
Kinder Morgan Energy Partners	31	35	34	<b>139</b>	34	34	34	33	<b>135</b>
<b>Ebit</b>	324	236	340	<b>1,064</b>	366	324	325	429	<b>1,444</b>
Interest	39	45	45	<b>175</b>	110	110	110	110	<b>440</b>
<b>Ebt</b>	285	191	295	<b>889</b>	256	214	215	319	<b>1,004</b>
Income Tax	100	67	103	<b>311</b>	90	75	75	112	<b>351</b>
<b>Net Income (\$mm)</b>	185	124	191	<b>578</b>	167	139	140	207	<b>653</b>
<b>Shares (millions)</b>	125	123	123	<b>123</b>	135	135	135	135	<b>135</b>
Per Share (\$)	1.48	1.01	1.56	<b>4.69</b>	1.23	1.03	1.03	1.53	<b>4.82</b>
Tax Rate	35%	35%	35%	<b>35%</b>	35%	35%	35%	35%	<b>35%</b>

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

	<i>Q4</i>	<i>Q3</i>	<i>Q4E</i>	<i>Year</i>	<i>Q1E</i>	<i>Q2E</i>	<i>Q3E</i>	<i>Q4E</i>	<i>Next Twelve Months</i>
	<i>12/31/04</i>	<i>9/30/05</i>	<i>12/31/05</i>	<i>2005E</i>	<i>3/31/06</i>	<i>6/30/06</i>	<i>9/30/06</i>	<i>12/31/06</i>	<i>12/31/06</i>
<b>Oil Volume</b>									
Oil (mmb)	4.0	3.9	3.9	<b>16</b>	3.8	3.8	3.9	3.9	<b>15</b>
Oil (mbd)	43	42	42	<b>43</b>	42	42	42	42	<b>42</b>
<b>Oil Price (\$/bbl)</b>									
WTI Cushing	48.31	62.52	59.35	<b>56.14</b>	57.92	58.91	59.31	59.44	<b>58.90</b>
Partnership	28.12	28.98	28.62	<b>29.04</b>	28.44	28.57	28.61	28.63	<b>28.56</b>
<b>Oil Revenue (\$mm)</b>	<b>112</b>	<b>112</b>	<b>110</b>	<b>456</b>	<b>107</b>	<b>109</b>	<b>110</b>	<b>110</b>	<b>437</b>
<b>Ebitda</b>									
Products Pipelines	122	127	127	<b>503</b>	127	127	127	127	<b>508</b>
Natural Gas Pipelines	107	122	122	<b>483</b>	122	122	122	122	<b>488</b>
CO2 Pipelines	114	120	119	<b>477</b>	119	119	120	120	<b>478</b>
Terminals	67	82	82	<b>316</b>	82	82	82	82	<b>328</b>
Overhead	(51)	(53)	(53)	<b>(240)</b>	(53)	(53)	(53)	(53)	<b>(213)</b>
Total Ebitda	359	398	397	<b>1,539</b>	397	397	398	398	<b>1,589</b>
Deprec., Deplet., & Amort.	79	85	85	<b>343</b>	85	85	85	85	<b>340</b>
<b>Ebit</b>	<b>280</b>	<b>313</b>	<b>312</b>	<b>1,196</b>	<b>312</b>	<b>312</b>	<b>313</b>	<b>313</b>	<b>1,249</b>
Interest	54	68	68	<b>262</b>	68	68	68	68	<b>272</b>
<b>Ebt</b>	<b>226</b>	<b>245</b>	<b>244</b>	<b>934</b>	<b>244</b>	<b>244</b>	<b>245</b>	<b>245</b>	<b>977</b>
General Partner	107	123	125	<b>477</b>	125	126	126	127	<b>505</b>
<b>Net Income (\$mm)</b>	<b>119</b>	<b>122</b>	<b>119</b>	<b>458</b>	<b>118</b>	<b>118</b>	<b>118</b>	<b>118</b>	<b>472</b>
<b>Units (mm)</b>	<b>203</b>	<b>214</b>	<b>214</b>	<b>211</b>	<b>215</b>	<b>216</b>	<b>217</b>	<b>218</b>	<b>217</b>
Net Income Per Unit (\$/un)	0.59	0.57	0.55	<b>2.16</b>	0.55	0.54	0.54	0.54	<b>2.18</b>
Distribution Per L.P. Unit	0.73	0.78	0.79	<b>3.07</b>	0.79	0.79	0.79	0.79	<b>3.16</b>
<b>Distribution (\$mm)</b>	<b>254</b>	<b>289</b>	<b>294</b>	<b>1,123</b>	<b>296</b>	<b>297</b>	<b>298</b>	<b>299</b>	<b>1,189</b>
General Partner	106	122	125	<b>474</b>	125	126	126	127	<b>505</b>
Limited Partner	148	167	169	<b>649</b>	170	171	172	172	<b>685</b>
<b>General Partner Share</b>									
Earnings	47%	50%	51%	<b>51%</b>	51%	52%	52%	52%	<b>52%</b>
Distribution	42%	42%	42%	<b>42%</b>	42%	42%	42%	42%	<b>42%</b>

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**Rank by EV/Ebitda: Enterprise Value to Earnings Before Interest, Tax, Deprec.**

			Price (\$/sh) 30-Nov 2005	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
	Symbol/ Rating							
<b>Producer/Refiners - Large Cap and Mid Cap</b>								
Kinder Morgan, Inc.	KMI	S2	90.60		8.5	12.7	19	3.3
Suncor Energy	SU	B	56.89	17.6	9.6	8.2	17	0.4
Imperial Oil Limited (30%)	IMO	B	91.81	11.5	7.3	7.9	14	0.9
Gazprom (50%)	OGZPF	B	70.60	20.0	11.0	6.6	11	0.6
Petro-Canada	PCZ	B	38.12	5.7	5.3	4.9	9	0.7
Marathon Oil Corporation	MRO	B	59.29	7.4	5.1	4.8	7	2.2
Lukoil Oil Company	LUKOY	B	57.25	19.8	5.0	4.4	7	1.7
PetroChina Company Ltd (10%)	PTR	B	78.70	13.8	6.4	4.2	9	4.8
Norsk Hydro ASA	NHY	B	100.47	8.0	5.3	4.2	9	3.0
ConocoPhillips	COP	B	60.51	11.2	5.9	3.9	6	2.0
	<i>Median</i>			<i>11.5</i>	<i>6.1</i>	<i>4.8</i>	<i>9</i>	<i>1.9</i>
<b>Income</b>								
Kinder Morgan Energy Partners, L.P.	KMP	S3	49.84		7.9	16.2	23	6.3
Kinder Morgan Management, LLC	KMR	S3	47.71		7.9	15.7	22	6.6
Canadian Oil Sands Trust (US\$)	COSWF	B	107.97	20.0	12.3	10.0	12	3.1
San Juan Basin Royalty Trust	SJT		43.67	12.1	7.7	8.4	9	11.0
Pengrowth Energy Trust	PGH		22.84	7.6	5.5	6.2	9	11.1
Enerplus Resources Fund	ERF		45.80	8.6	5.5	5.9	9	9.3
Penn West Energy Trust	PWTFF	B	29.48	8.0	4.9	5.1	8	10.7
	<i>Median</i>			<i>8.6</i>	<i>7.7</i>	<i>8.4</i>	<i>9</i>	<i>9.3</i>

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