

Rating: Sell
 S&P 500: 1249

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

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

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

	Symbol/ Rating		Price (\$/sh) 30-Nov 2005	Adjstd Resrvs/ Prod NTM	PV/ Ebitda NTM	EV/ Ebitda NTM	P/E NTM	Divd or Distrib NTM (%)
Producer/Refiners - Large Cap and Mid Cap								
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>
Income								
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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