

KINDER MORGAN ENERGY PARTNERS, L.P.
(the "Partnership")
CHARTER OF THE
COMPENSATION COMMITTEE OF THE
BOARD OF DIRECTORS
OF
KINDER MORGAN MANAGEMENT, LLC
(the "Company")
AS THE DELEGATE OF
THE GENERAL PARTNER OF THE PARTNERSHIP
ACTING AS THE COMPENSATION COMMITTEE OF THE
BOARD OF DIRECTORS
OF THE PARTNERSHIP

I. Introduction

The Partnership is a Delaware limited partnership whose common units are registered under Section 12 of the Securities Exchange Act of 1934 and are listed on the New York Stock Exchange. The limited partnership agreement of the Partnership provides for a general partner of the Partnership rather than a board of directors. Pursuant to a Delegation of Control Agreement among the Partnership, Kinder Morgan G.P., Inc., the general partner of the Partnership ("KMGP"), the Company and others, the Company manages and controls the business and affairs of the Partnership. Through the operation of the Partnership's limited partnership agreement and the Delegation of Control Agreement, the board of directors of the Company, rather than the board of directors of KMGP, performs the functions of and is the equivalent of a board of directors of the Partnership. Similarly, the standing committees of the Board function as committees of the board of directors of the Partnership. The listed shares of the Company are also registered under Section 12 of the Securities Exchange Act and listed on the New York Stock Exchange. This Charter is the Charter of the Compensation Committee of the Board of Directors of the Company (the "Board") as the Delegate of the General Partner of the Partnership, acting as the Compensation Committee of the Board of the Partnership. The Board has also adopted for the Company a charter for the Compensation Committee of the Company that is substantially identical to and consistent with this Charter.

In a similar manner, there are no officers, as such, of the Partnership, and the officers of the Company also generally perform for the Partnership the functions of the officers of KMGP. Pursuant to the Partnership's limited partnership agreement, the Partnership generally reimburses KMGP for all costs related to KMGP's officers and other expenses it incurs. Pursuant to the Partnership's limited partnership agreement, the Delegation of Control Agreement and the Company's limited liability company agreement, the Partnership also generally reimburses the Company for all costs related to the Company's officers and other expenses it incurs. At the time this charter was adopted, many of the officers of the Company were also officers of the general partner and vice versa. Many officers of KMGP and the Company are also officers of Kinder Morgan, Inc. ("KMI"). Certain directors of KMGP and the Company are also officers and directors of KMI. Neither KMGP, the Partnership nor the Company have employees. Certain

employees of KMI's wholly owned subsidiary, Kinder Morgan Kansas, Inc. ("KM Kansas"), perform services for the Partnership, KMGP, the Company and their respective subsidiaries (the "Group"). Officers of KMGP and the Company and other personnel that provide management or services to both KMI and the Group are employed by KM Kansas. These employees' expenses historically have been allocated without a profit component between KM Kansas and the appropriate members of the Group.

KMGP Services Company, Inc., a subsidiary of KMGP, provides employees and Kinder Morgan Services LLC, a subsidiary of the Company, provides centralized payroll and employee benefits services to members of the Group. Employees of KMGP Services Company, Inc. are assigned to work for one or more members of the Group. The direct costs of all compensation, benefits expenses, employer taxes and other employer expenses for these employees historically have been allocated and charged by Kinder Morgan Services LLC to the appropriate members of the Group, and the members of the Group reimburse their allocated shares of these direct costs. There is no profit or margin charged by Kinder Morgan Services LLC to the members of the Group. The administrative support necessary to implement these payroll and benefits services is provided by the human resources department of KM Kansas, and the related administrative costs historically have been allocated to members of the Group in accordance with existing expense allocation procedures. The effect of these arrangements is that each member of the Group historically has borne the direct compensation and employee benefits costs of its assigned or partially assigned employees, as the case may be, while also bearing its allocable share of administrative costs.

II. Purpose

The Compensation Committee (the "Committee") is appointed by the Board to assist the Board in fulfilling its oversight responsibilities. The Board desires to provide a compensatory program for officers and key management personnel pursuant to which they are effectively compensated in terms of salaries, supplemental compensation and other benefits on a basis that is internally equitable and externally competitive. Therefore, the Committee's primary purposes include to:

- review and recommend to the Board, or determine, as the case may be, the annual salary, bonus, Partnership common unit options and other benefits, direct and indirect, to be received by the Chief Executive Officer and other elected members of senior management;
- review new executive compensation programs;
- assess and monitor the Partnership's director compensation programs;
- review on a periodic basis the operation of the Partnership's director and executive compensation programs to determine whether they are properly coordinated and achieving their intended purpose;
- take steps to modify any executive compensation program that yields payments and benefits that are not reasonably related to executive and institutional performance or are not competitive in the aggregate to programs of peer businesses;

- produce an annual report on executive compensation for inclusion in the Partnership's proxy statement or annual report on Form 10-K, if required by the applicable rules and regulations of the Securities and Exchange Commission; and
- periodically review and assess the Partnership's compensation and benefits plans of broad application.

III. Membership

The Committee will consist of at least three members, each of whom must meet the independence criteria set forth in the Partnership's Governance Guidelines ("Guidelines"). The Board believes that each director who meets those independence criteria will also satisfy, during his or her tenure on the Committee, (i) the definition of "Non-Employee Director" contained in Rule 16b-3 under the Securities Exchange Act of 1934, as amended and (ii) the definition of "outside director" under Section 162(m) of the Internal Revenue Code. Any member of the Committee who does not meet all the criteria of an "outside director" shall refrain from considering or acting upon any matter subject to Section 162(m) of the Internal Revenue Code. The members of the Committee will be appointed by the Board, generally at or prior to the regularly scheduled first quarter meeting of the Board, to serve for an annual term and until their successors shall be duly appointed. The Board may at the same time recommend a Chair of the Committee. The members of the Committee shall designate a Chair by majority vote of the Committee membership. Any member of the Committee may resign or be removed by the Board from membership on the Committee.

IV. Meetings

The Committee will meet at least two times annually, or more frequently as circumstances dictate. The Committee may request any officer or employee of the Partnership or of any affiliate performing services for the Partnership or the Partnership's counsel or other advisors or consultants to attend a meeting of the Committee, or to meet with any member of or advisor to the Committee. References in this Charter to employees of the Partnership include all employees of affiliates performing services for the Partnership.

In preparing the agenda for each Committee meeting, the Chair of the Committee shall solicit input on the agenda items for the meeting from the other directors and from representatives of senior management designated by the Chief Executive Officer.

V. Responsibilities

1. The Committee will assist the Board in implementing a total executive compensation philosophy that supports the Partnership's overall strategy and objectives; attracts and retains key executives; links total compensation to financial performance and the attainment of short and long term strategic, operational, and financial objectives; and provides competitive total compensation opportunities at a reasonable cost, while enhancing the ability to fulfill the Partnership's objectives.

2. The Committee will review and approve annually Partnership goals and objectives relevant to Chief Executive Officer compensation. Generally, following the regularly

scheduled fourth quarter Board meeting in each year, the Committee shall solicit information from each director regarding the performance of the Chief Executive Officer during that year. The Committee shall complete the information gathering process and compile the information, generally prior to its regularly scheduled first quarter meeting. Annually, generally at its regularly scheduled first quarter meeting, the Committee shall evaluate the Chief Executive Officer's performance in light of the relevant goals and objectives and, subject to the terms of any applicable employment agreement with the Chief Executive Officer, make its recommendation to the other independent directors with respect to the terms of his or her continued employment and compensation for that year. The Committee shall meet with the independent directors and present its evaluation of the Chief Executive Officer's performance and compensation. The Chief Executive Officer's performance and compensation may also be discussed with the board (other than the Chief Executive Officer, if he or she is a director) generally. The independent directors shall make the final determination with respect to the continued employment and compensation of the Chief Executive Officer for the year. Thereafter, the Committee, together with the Lead Director, shall discuss its evaluation and the decision of the independent directors with the Chief Executive Officer. If the Chief Executive Officer is also an officer of KMI, the Company or other members of the Group, the compensation determination (i) may be with respect to the aggregate compensation to be received by the Chief Executive Officer from the Partnership, the Company, other members of the Group, KMI and its subsidiaries that is to be allocated among them in accordance with procedures approved by the Committee, if such aggregate compensation set by the independent directors of the Company and that set by KMI are the same, or alternatively (ii) may be with respect to the compensation to be received by the Chief Executive Officer from the Partnership or from the Company and the Partnership, in which case such compensation shall not be allocated among the Company and the Partnership, on the one hand, and KMI, on the other. Further, if the Chief Executive Officer is also an officer of KMI, the Committee may, to the extent it believes necessary or desirable, exchange information with respect to evaluation and compensation determinations with the compensation committee of the board of KMI. If the Chief Executive Officer requests to receive compensation of a materially lesser amount than the Committee would otherwise recommend, either because the Chief Executive Officer is a significant equityholder in the Partnership or an affiliate of the Partnership or for other reasons, the Committee will give what it deems to be appropriate consideration to the Chief Executive Officer's request.

3. In recommending any long-term incentive component of Chief Executive Officer compensation, the Committee should consider the Partnership's performance and relative equityholder return, the value of similar incentive awards to Chief Executive Officers at comparable companies, the awards given to the Chief Executive Officer in past years, and other factors that the Committee believes are appropriate. The Committee is not precluded from making determinations and taking other actions that may be taken only by a compensation committee under Section 162(m) of the Internal Revenue Code. To the extent that the Chief Executive Officer requests to receive no or only a nominal long-term incentive component of compensation or a materially lesser amount than the Committee would otherwise recommend, either because the Chief Executive Officer is a significant equityholder in the Partnership or an affiliate of the Partnership or for other reasons, the Committee will give what it deems to be appropriate consideration to the Chief Executive Officer's request.

4. The Committee will review and approve annually Partnership goals and objectives relevant to the compensation of the elected officers of the Partnership (other than the Chief Executive Officer). Generally, following the regularly scheduled fourth quarter Board meeting in each year, the Committee shall solicit information from each director, the Chief Executive Officer and other relevant members of senior management regarding the performance of the elected members of senior management other than the Chief Executive Officer during that year. The Chief Executive Officer shall make compensation recommendations to the Committee with respect to elected officers, other than himself or herself. The Committee shall complete the information gathering process and compile the information, generally prior to its regularly scheduled first quarter meeting. Annually, generally at its regularly scheduled first quarter meeting, the Committee shall evaluate the elected members of senior management's performance and make its determination regarding the terms of their continued employment and compensation for that year. If the Committee deems it advisable, it may, rather than determine the terms of continued employment and compensation for elected members of senior management (other than the Chief Executive Officer), make a recommendation with respect thereto to the independent members of the Board. The Committee shall also determine bonuses for the prior year based on the targets set therefor, and shall set targets for the present year for bonus and other relevant purposes. If any of the senior elected officers of the Partnership is also an officer of KMI, the Company or other members of the Group, the compensation determination or recommendation (i) may be with respect to the aggregate compensation to be received by such officer from the Partnership, the Company, other members of the Group, KMI and its subsidiaries that is to be allocated among them in accordance with procedures approved by the Committee, if such aggregate compensation set by the Committee or the Board and that set by KMI are the same, or alternatively (ii) may be with respect to the compensation to be received by such elected members of senior management from the Partnership or from the Company and the Partnership, in which case such compensation shall not be allocated among the Company and the Partnership, on the one hand, and KMI, on the other. Further, if any of such elected members of senior management are also officers of KMI, the Committee may, to the extent it believes necessary or desirable, exchange information with respect to evaluation and compensation recommendations with the compensation committee of the board of KMI. Thereafter, the Committee or the Chief Executive Officer will discuss the Committee's evaluation and the determination as to compensation with the elected members of senior management.

5. The Committee will propose the adoption, amendment, and termination by the Board, and shareholders or unitholders, if required, of appropriate stock or unit appreciation rights plans, pension and profit sharing plans, bonus plans, deferred compensation plans, executive perquisites, employment agreements and other employee benefit plans and similar programs of the Partnership (the "Compensation Plans"). To the extent that the Chief Executive Officer or members of senior management are officers or employees of KMI or its affiliates, they may participate in Compensation Plans of KMI which are adopted and administered by the board of KMI if such participation is permitted by those Compensation Plans.

6. The Committee will administer and interpret the Partnership's Compensation Plans, including any Partnership bonus and incentive plans, exercise oversight responsibility over other compensation programs of the Partnership, and review the structure, cost effectiveness, and competitive position of the Partnership's compensation programs.

7. The Committee may grant rights, participation and interests in Compensation Plans to eligible participants and pre-approve all transactions in the Partnership's securities, if any, by and between the Partnership and any director and executive officer of the Partnership, for which exemptive treatment from Section 16(b) of the Exchange Act is sought.

8. The Committee will adopt, administer, approve and ratify awards under the Partnership's Compensation Plans, including amendments to the awards made under any such plans, and review and monitor awards under such plans.

9. The Committee will assess the adequacy and suitability of the Partnership's compensation plan for members of its Board, generally at the time of the regularly scheduled first quarter Board meeting in each year. In carrying out this responsibility, the Committee will consider whether the Partnership's director compensation plan is sufficient to enable the Partnership to attract and retain talented and qualified individuals to serve on the Board and its standing committees. The Committee will prepare, as appropriate, modifications to the current director compensation plan and submit any such modifications to the Board for its consideration.

10. The Committee will review and approve such other compensation matters as the Board or the Chief Executive Officer wishes to have the Committee approve.

11. The Committee will endeavor to design the Partnership's total executive compensation program and practices with appropriate consideration of all tax, accounting, legal and regulatory requirements.

12. The Committee will keep abreast of current trends, developments, and emerging issues in executive compensation outside of the Partnership.

13. The Committee will review and reassess the adequacy of this Charter at least annually and recommend any proposed changes to the Board for approval.

14. The Committee will annually evaluate its own performance.

15. The Committee will perform any other activities consistent with this Charter, the Company's limited liability company agreement, the Guidelines, the Partnership's organizational documents, the Delegation of Control Agreement and governing law as the Committee or the Board deems necessary or appropriate.

16. The Committee will maintain minutes of meetings and periodically report to the Board on significant results of its activities.

17. As it believes to be appropriate, the Committee will obtain advice and assistance from outside legal, compensation or other advisors.

VI. Power to Engage Advisors

As provided in the Guidelines, the Committee has the sole authority, without further authorization from the Board and at the Partnership's expense, to retain (and terminate as necessary) and compensate any compensation consultants, counsel and other firms of experts to

advise it as it determines necessary or appropriate. The Committee will have the sole authority to approve any such firm's fees and other retention terms. The Partnership will at all times make adequate provision for the payment of all fees and other compensation, approved by the Committee, to any such firm employed by the Committee.

The Committee will have the sole authority to determine if any compensation consultant is to be used to assist in the evaluation of director, Chief Executive Officer or senior executive compensation and will have sole authority to retain and terminate any such compensation consultant and to approve the consultant's fees and other retention terms.

VII. Procedures

The Committee shall conduct its operations in accordance with the procedures set forth in the Company's limited liability company agreement applicable to the operations of the Board and its committees, in accordance with this Charter and the relevant portion of the Guidelines, and consistent with the Delegation of Control Agreement and the Partnership's organizational documents. The Committee shall have the authority to adopt such additional procedures for the conduct of its business as are not inconsistent with those referred to in the preceding sentence. When this Charter provides that any particular action take place at or in connection with a particular quarterly meeting, such action may be taken at an earlier or later time, in the discretion of the Committee. The Committee shall have no authority to delegate its responsibilities specified in this Charter to any subcommittee.

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