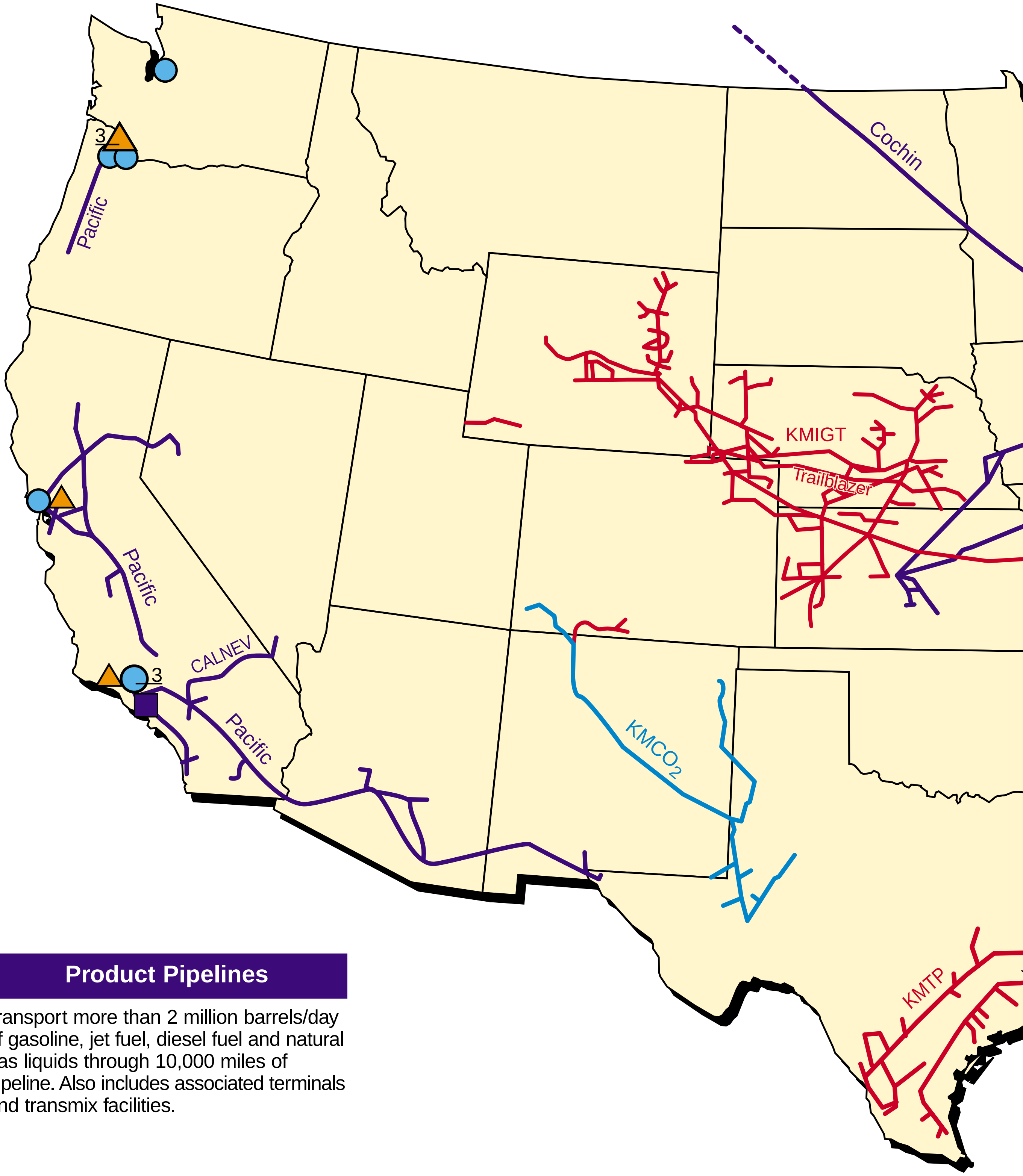
KINDER MORGAN
ENERGY PARTNERS, L.P.

2000 Annual Report



Product Pipelines

Transport more than 2 million barrels/day of gasoline, jet fuel, diesel fuel and natural gas liquids through 10,000 miles of pipeline. Also includes associated terminals and transmix facilities.

Natural Gas Pipelines

Transport capacity of 4.3 billion cubic feet/day and gathering capability of 1.1 billion cubic feet/day. Also treat, process and store natural gas on this 12,000-mile pipeline system.

CO_2 Pipelines

Transport and market more than 1 billion cubic feet/day of carbon dioxide (CO_2) through 900 miles of pipeline for use in enhanced oil recovery projects.

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Bulk Terminals

Transload more than 40 million tons annually of coal, petroleum coke, soda ash, cement and other dry bulk materials at 28 terminals.

Liquids Terminals

Store up to 35.6 million barrels of gasoline, jet fuel, diesel fuel and chemicals at 12 terminals. (West Coast terminals will be reported in the Product Pipelines segment in 2001.)

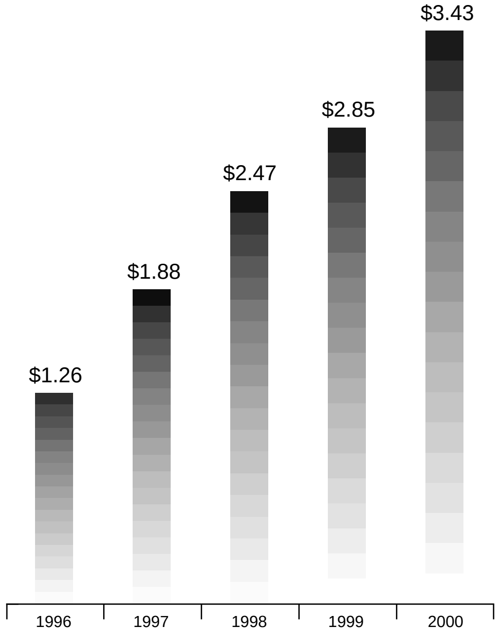
Richard D. Kinder
Chairman and
Chief Executive Officer

William V. Morgan
Vice Chairman and
President

Letter to Unitholders

Welcome to our annual report for 2000, another year in which Kinder Morgan Energy Partners (KMP) produced outstanding results. KMP's success in 2000 was propelled by solid internal growth and strategic, accretive acquisitions. Our strong financial performance enabled us to increase the per unit distribution to an annualized rate of $3.80 at year-end, which significantly exceeded our target. The distribution was 31 percent higher than the $2.90 annualized distribution at year-end 1999. Since our formation in February of 1997, we have more than tripled the per unit distribution. For the year 2000, KMP declared cash distributions of $3.43 per common unit compared to $2.85 in 1999, an increase of over 20 percent. Taking both the distribution and unit price (which climbed to $56.31 from $41.43) into account, our total return to unitholders in 2000 was approximately 45 percent.

Declared Distribution
($ Per Unit)



As the largest pipeline master limited partnership (MLP) in America, we have built a quality portfolio of stable assets that provide strong potential for future growth. In fact, we have become the independent industry leader in the U.S. for most of our businesses. For example, we are the largest independent owner/operator of product pipelines; the leading transporter and marketer of carbon dioxide (CO_2); the largest independent operator of bulk terminals; the leading independent processor of transmix; the second largest independent terminal storage operator of petroleum products and chemicals; and a major player in the natural gas industry.

Being an industry leader and accumulating critical mass help us to better serve our customers and enhance our position to make future acquisitions. Moving forward, we will continue to execute our proven game-plan to:

- Focus on fee-based midstream assets that are core to the energy infrastructure of growing markets
- Increase utilization of assets while controlling costs
- Leverage economies of scale from incremental acquisitions
- Maximize the benefits of the unique financial structure of the MLP

By combining this strategy with our commitment to provide quality customer service, we have produced a game winning formula that delivers customer satisfaction and superb value to unitholders.

Stellar Performance in 2000

KMP reported net income of $278.3 million, or $2.67 per unit, compared to $174.8 million in 1999, or $2.42 per unit, excluding a net, non-recurring $7.5 million gain in 1999. We experienced cash flow growth in each of our business segments during 2000.

Earnings in the **Product Pipelines** segment were up 6.5 percent before depreciation, depletion and amortization (DD&A) to $268.4 million. Pacific operations – which transports more than one million barrels per day of gasoline, jet and diesel fuel through its 3,300-mile refined products pipeline system on the West Coast – is the principal earnings generator in this segment and realized an increase in volumes of nearly 4 percent. Throughput increased by 5.5 percent at Plantation Pipe Line Company, a 3,100-mile refined petroleum products pipeline system that serves rapidly growing markets in the Southeast. Volumes also increased on the North System, a 1,600-mile natural gas liquids and refined products pipeline system with significant storage that transports products between Kansas and Chicago. In addition, our transmix business contributed to this segment. Transmix is created by the mixing of different specification products during pipeline transportation. Our processing plants split the transmix back into specification products, such as unleaded gasoline and diesel fuel.

Natural Gas Pipelines, overwhelmingly composed in 2000 of assets that KMP acquired from Kinder Morgan, Inc. (NYSE: KMI) on Dec. 31, 1999, continued to perform well, with segment income before DD&A of $134.8 million. Volumes in this segment increased by 6 percent for the year. Natural gas assets included Kinder Morgan Interstate Gas Transmission, a 6,700-mile pipeline in Wyoming, Colorado, Kansas and Nebraska with a delivery capacity of 979 million cubic feet (MMcf)/day; a 67 percent interest in Trailblazer Pipeline Company, a 436-mile pipeline system in Colorado, Wyoming and Nebraska with a design capacity of 492 MMcf/day; and a 49 percent interest in Red Cedar Gathering Company in southwestern Colorado, which includes significant gathering and treating facilities capable of gathering 600 MMcf/day.

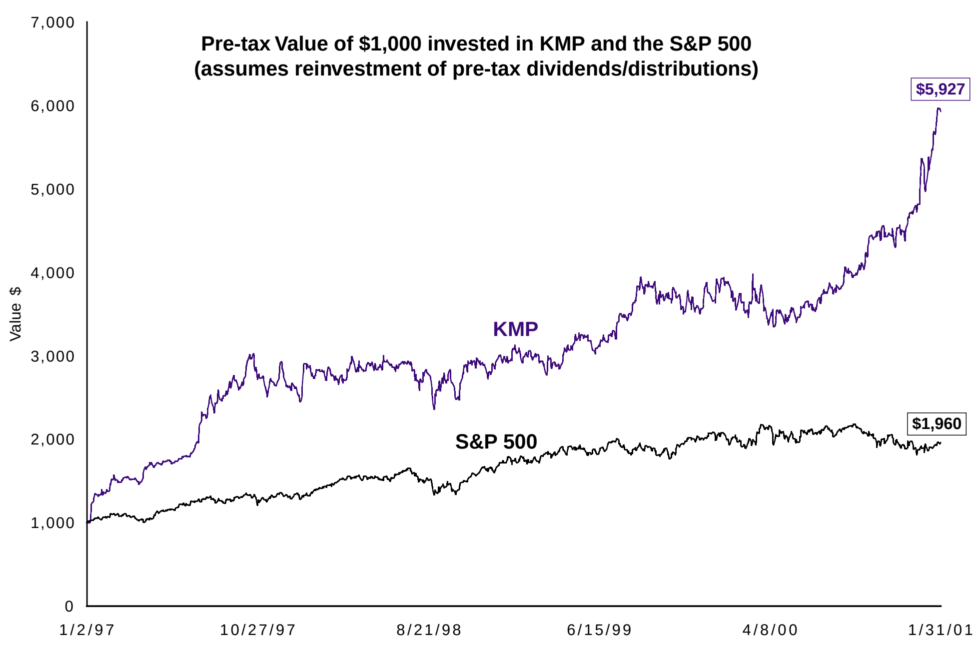
The **CO_2 Pipelines** segment, which generated significant earnings as a result of increased volumes, higher tariffs and three acquisitions, continued to exceed expectations. Kinder Morgan CO_2 Company reported segment earnings before DD&A of $80.0 million compared to $15.2 million in 1999. CO_2 flooding is a proven technology for increasing production from mature oil reserves. CO_2 flooding projects typically last 10 to15 years, allowing us to secure long-term contracts in this niche business.

Income in the **Bulk Terminals** segment before DD&A increased by 11 percent to $47.3 million, and volumes increased 6 percent for the year. We added four more bulk terminals to our portfolio last year, including one in the busy, strategic location of the Port of New Orleans.

Strategic, Accretive Acquisitions

KMP made 10 acquisitions totaling more than $2 billion in 2000, including the following:

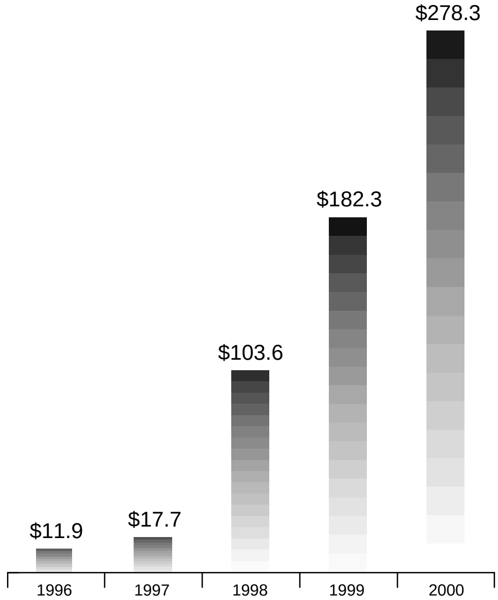
- A definitive agreement to purchase from GATX its U.S. pipeline and terminal businesses for $1.15 billion. This is a terrific acquisition of premier, fee-based businesses that have significant cost synergies with our existing operations and outstanding growth prospects. Primary assets include the CALNEV Pipe Line Company and the Central Florida Pipeline Company (CFPL), which transport petroleum products to high-growth markets in Nevada and Florida. CALNEV is a 550-mile pipeline system that originates in Colton, Calif. and extends to Las Vegas, Nev. It interconnects with our Pacific operations. CFPL is a 195-mile pipeline that runs from Tampa to Orlando, Fla. Twelve terminals were also included in the transaction, which have a storage capacity of 35.6 million barrels for both petroleum products and chemicals. The terminals are ideally situated across the United States and are essential to the distribution of petroleum products and chemicals. The majority of this transaction closed on March 1, 2001, and we expect



the CALNEV portion to close in the first or second quarter of 2001.

- A $300 million contribution of additional natural gas assets from KMI to KMP at the end of 2000. The principal asset included in the transaction is Kinder Morgan Texas Pipeline (KMTP), a 2,600-mile natural gas pipeline system that extends from south Texas to Houston along the Texas Gulf Coast, primarily serving utility and industrial customers. Natural gas gathering and treating facilities in Colorado and Wyoming comprised the other assets. The facilities complement existing KMP assets, have long-term contracts in place and offer significant growth opportunities.
- Three acquisitions totaling more than $300 million in value in our CO_2 business segment. This included increasing our ownership to 100 percent from 20 percent in the former Shell CO_2 Company and renaming the business Kinder Morgan CO_2 Company; the purchase of Canyon Reef Carriers CO_2 Pipeline, a working interest in the SACROC Unit and a minority interest in other properties from Devon Energy; and the formation of a joint venture with Marathon Oil Company, which enabled us to diversify our holdings in the Permian Basin.
- A $118 million purchase of a 32.5 percent interest in the Cochin Pipeline System, which gave us entry into the Canadian natural gas and gas liquids market. This is a large, stable system with a solid track record that fits into our core pipeline business. The 1,900-mile pipeline operates from Fort Saskatchewan, Alberta to Sarnia, Ontario and transverses through seven states in the U.S.

Net Income
($ Millions)



2001 Outlook

We are optimistic about 2001 for many reasons, and we expect significant growth in our per unit distributions to continue. We will benefit from a number of acquisitions that closed in December 2000 and early 2001 and began contributing immediately to cash flow. Additionally, we became the sole operator of Plantation Pipe Line Company, which was previously operated as a stand-alone business. Plantation is owned by KMP (51%) and ExxonMobil (49%). This operating agreement will allow for improvements in operating and cost efficiencies, which will result in significant annual savings beginning in 2001.

We also expect continued strong internal growth in all of our business segments. We project solid volume growth in our product pipelines segment, as we transport gasoline, jet fuel and diesel fuel into rapidly growing markets like San Diego, Phoenix, Las Vegas and Orlando. We also expect growth in our natural gas pipelines segment, and we have announced a $58.5 million expansion project on the Trailblazer Pipeline, which should significantly increase throughput beginning in the summer of 2002. In addition, we have undertaken an expansion of our CO_2 project in the SACROC Unit, and we expect to benefit from our joint venture with Marathon Oil Company. We also plan to further increase efficiencies and volumes in our bulk terminal business.

In the last four years, we have completed 20 acquisitions totaling approximately $4.7 billion, and we believe there are still excellent opportunities for future growth through additional acquisitions. Major oil companies are continuing to divest midstream assets as they rationalize their portfolios due to mergers and internal restructuring initiatives. With our low-cost structure, strong currency and tax advantages, KMP is often an ideal buyer of these assets. In addition, there will be more opportunities to consolidate bulk terminal businesses and to capitalize on restructuring in the natural gas industry. As always, acquisitions must meet our MLP criteria and be immediately accretive to cash available for distribution to unitholders.

We would like to thank our employees for making 2000 a successful year and express our gratitude to our unitholders for your continued support and confidence in us. We believe the best is yet to come!

Richard D. Kinder
Chairman and
Chief Executive Officer

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