UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

F O R M 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2009
or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____________to_____________

Commission file number 1-06446

KINDER MORGAN, INC.
(Exact name of registrant as specified in its charter)

Kansas (State or other jurisdiction of incorporation or organization)	48-0290000 (I.R.S. Employer Identification No.)

500 Dallas Street, Suite 1000, Houston, Texas 77002
(Address of principal executive offices) (zip code)
Registrant’s telephone number, including area code: 713-369-9000

Knight Inc.
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [ ] No [X]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [ ] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Securities Exchange Act of 1934. Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer [X] Smaller reporting company [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

Number of outstanding shares of Common stock, $0.01 par value, as of July 31, 2009 was 100 shares.

KINDER MORGAN, INC. AND SUBSIDIARIES
TABLE OF CONTENTS

PART I. - FINANCIAL INFORMATION

Item 1. Financial Statements.

KINDER MORGAN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(In Millions)
(Unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Revenues				
Natural gas sales	$ 716.9	$ 2,464.7	$ 1,605.6	$ 4,186.5
Services	652.1	678.7	1,313.5	1,486.6
Product sales and other	324.3	417.1	603.1	782.4
Total Revenues	1,693.3	3,560.5	3,522.2	6,455.5
Operating Costs, Expenses and Other				
Gas purchases and other costs of sales	709.5	2,494.1	1,575.1	4,254.7
Operations and maintenance	273.0	314.8	529.4	616.6
Depreciation, depletion and amortization	256.8	215.7	521.6	433.8
General and administrative	84.1	91.8	177.0	178.1
Taxes, other than income taxes	23.4	51.1	62.4	103.6
Other expense (income)	(0.2)	(2.2)	0.1	(2.7)
Goodwill impairment	-	4,033.3	-	4,033.3
Total Operating Costs, Expenses and Other	1,346.6	7,198.6	2,865.6	9,617.4
Operating Income (Loss)	346.7	(3,638.1)	656.6	(3,161.9)
Other Income (Expense)				
Earnings from equity investments	47.7	55.3	94.9	99.0
Interest, net	(138.7)	(141.6)	(280.2)	(352.3)
Interest income (expense) – deferrable interest debentures	(0.6)	(0.6)	(1.1)	6.1
Other, net	20.3	10.5	30.9	13.7
Total Other Income (Expense)	(71.3)	(76.4)	(155.5)	(233.5)
Income (Loss) from Continuing Operations Before Income Taxes	275.4	(3,714.5)	501.1	(3,395.4)
Income Taxes	67.0	19.4	147.6	106.5
Income (Loss) from Continuing Operations	208.4	(3,733.9)	353.5	(3,501.9)
Income (Loss) from Discontinued Operations, Net of Tax	0.7	(0.3)	0.5	(0.4)
Net Income (Loss)	209.1	(3,734.2)	354.0	(3,502.3)
	(79.3)	(126.4)	(108.9)	(252.6)

Net Income attributable to Noncontrolling Interests				
Net Income (Loss) attributable to Kinder Morgan, Inc.	$ 129.8	$ (3,860.6)	$ 245.1	$ (3,754.9)

The accompanying notes are an integral part of these consolidated financial statements.

3

KINDER MORGAN, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Millions)
(Unaudited)

	June 30, 2009	December 31, 2008
ASSETS		
Current Assets		
Cash and cash equivalents	$ 167.0	$ 118.6
Restricted deposits	21.8	-
Accounts, notes and interest receivable, net	751.2	992.5
Inventories	55.6	44.2
Gas imbalances	12.5	14.1
Gas in underground storage	50.0	-
Fair value of derivative contracts	44.8	115.2
Other	93.2	32.6
Total Current Assets	1,196.1	1,317.2
Property, plant and equipment, net	16,424.5	16,109.8
Investments	2,596.6	1,827.4
Notes receivable	181.5	178.1
Goodwill	4,719.0	4,698.7
Other intangibles, net	246.0	251.5
Fair value of derivative contracts	351.2	828.0
Deferred charges and other assets	211.9	234.2
Total Assets	$ 25,926.8	$ 25,444.9
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Current portion of debt	$ 175.4	$ 302.5
Cash book overdrafts	22.8	45.2
Accounts payable	489.3	849.8
Accrued interest	263.1	241.9
Accrued taxes	57.5	152.1
Deferred revenues	50.8	41.2
Gas imbalances	25.0	12.4
Fair value of derivative contracts	228.6	129.5
Other	186.0	240.1
Total Current Liabilities	1,498.5	2,014.7
Long-term Liabilities and Deferred Credits		
Long-term debt		
Outstanding notes and debentures	12,004.1	11,020.1
Deferrable interest debentures issued to subsidiary trusts	35.7	35.7
Preferred interest in general partner of Kinder Morgan Energy Partners	100.0	100.0
Value of interest rate swaps	487.8	971.0
Total Long-term Debt	12,627.6	12,126.8

Deferred income taxes	2,022.9	2,081.3
Asset retirement obligation	83.0	74.0
Fair value of derivative contracts	396.1	92.2
Other long-term liabilities and deferred credits	525.0	579.0
Total Long-term Liabilities and Deferred Credits	15,654.6	14,953.3
Total Liabilities	17,153.1	16,968.0
Commitments and Contingencies (Notes 4 and 11)		
Stockholders' Equity		
Common stock – authorized and outstanding – 100 shares, par value $0.01 per share	-	-
Additional paid-in capital	7,829.5	7,810.0
Retained deficit	(3,257.1)	(3,352.3)
Accumulated other comprehensive loss	(174.4)	(53.4)
Total Kinder Morgan, Inc. Stockholder's Equity	4,398.0	4,404.3
Noncontrolling interests	4,375.7	4,072.6
Total Stockholders' Equity	8,773.7	8,476.9
Total Liabilities and Stockholders' Equity	$ 25,926.8	$ 25,444.9

The accompanying notes are an integral part of these consolidated financial statements.

KINDER MORGAN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Increase/(Decrease) in Cash and Cash Equivalents in Millions)
(Unaudited)

	Six Months Ended June 30, 2009	2008
Cash Flows from Operating Activities		
Net Income (Loss)	$ 354.0	$ (3,502.3)
Adjustments to reconcile net income to net cash flows from operating activities		
Loss from goodwill impairment	-	4,033.3
Loss on early extinguishment of debt	-	23.6
Depreciation, depletion and amortization	521.6	433.8
Amortization of excess cost of equity investments	2.9	2.9
Deferred income taxes	15.8	33.6
Income from the allowance for equity funds used during construction	(20.3)	-
Net losses (gains) on sales of assets	0.1	(2.8)
Earnings from equity investments	(97.8)	(101.9)
Mark-to-market interest rate swap gain	-	(19.8)
Distributions from equity investments	122.7	83.7
Proceeds from (payment for) termination of interest rate swap agreements	144.4	(2.5)
Pension contributions in excess of expense	(13.7)	-
Changes in components of working capital		
Accounts receivable	175.2	(463.7)
Other current assets	(73.3)	(62.2)
Inventories	(11.2)	(5.3)
Accounts payable	(277.2)	364.1
Accrued interest	21.2	(22.1)
Accrued liabilities	(78.7)	(9.7)
Accrued taxes	(137.3)	(371.1)
Rate reparations, refunds and litigation reserve adjustments	(15.5)	(23.3)
Other, net	(52.4)	(7.1)
Net Cash Flows Provided by Continuing Operations	580.5	381.2
Net Cash Flows Provided by (Used in) Discontinued Operations	0.3	(0.5)
Net Cash Flows Provided by Operating Activities	580.8	380.7
Cash Flows from Investing Activities		
Proceeds from sale of 80% interest in NGPL PipeCo LLC, net of $1.1 cash sold	-	2,899.3
Proceeds from NGPL PipeCo LLC restricted cash	-	3,106.4
Acquisitions of assets	(18.5)	(4.2)
Repayments from customers	109.6	-
Capital expenditures	(794.1)	(1,269.2)
	(4.0)	113.0

Sale of property, plant and equipment, and other net assets net of removal costs		
Investments in margin deposits	(24.9)	(207.1)
Contributions to investments	(803.6)	(339.4)
Distributions from equity investments	6.5	89.1
Natural gas stored underground and natural gas liquids line-fill	-	(2.7)
Net Cash Flows (Used in) Provided by Investing Activities	$ (1,529.0)	$ 4,385.2

5

KINDER MORGAN, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Increase/(Decrease) in Cash and Cash Equivalents in Millions)
(Unaudited)

	Six Months Ended June 30,	
	2009	2008
Cash Flows from Financing Activities		
Issuance of debt	$ 3,857.0	$ 5,942.0
Payment of debt	(2,996.5)	(10,826.5)
Discount on early extinguishment of debt	-	69.2
Repayments from (to) related party	2.5	(11.5)
Debt issue costs	(7.4)	(12.1)
Cash book overdrafts	(22.3)	18.5
Cash dividends	(150.0)	-
Contributions from noncontrolling interests	669.5	384.8
Distributions to noncontrolling interests	(358.6)	(300.9)
Other, net	(0.1)	3.9
Net Cash Flows Provided by (Used in) Financing Activities	994.1	(4,732.6)
Effect of exchange rate changes on cash	2.5	(1.0)
Net Increase in Cash and Cash Equivalents	48.4	32.3
Cash and Cash Equivalents at Beginning of Period	118.6	148.6
Cash and Cash Equivalents at End of Period	$ 167.0	$ 180.9
Noncash Investing and Financing Activities		
Assets acquired by the assumption or incurrence of liabilities	$ 3.7	$ 2.3
Assets acquired by contributions from noncontrolling interests	$ 5.0	$ -
Supplemental Disclosures of Cash Flow Information		
Cash paid during the period for interest (net of capitalized interest)	$ 294.0	$ 358.0
Cash paid during the period for income taxes	$ 277.6	$ 399.6

The accompanying notes are an integral part of these consolidated financial statements.

KINDER MORGAN, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. General

Organization

We are a large energy transportation and storage company, operating or owning an interest in approximately 37,000 miles of pipelines and approximately 170 terminals. We have both regulated and nonregulated operations. We also own all the common equity of the general partner of, and a significant limited partner interest in, Kinder Morgan Energy Partners, L.P., a publicly traded pipeline limited partnership. We are a wholly owned subsidiary of Kinder Morgan Holdco LLC, a private company (formerly Knight Holdco LLC). Our executive offices are located at 500 Dallas Street, Suite 1000, Houston, Texas 77002 and our telephone number is (713) 369-9000. Unless the context requires otherwise, references to "we," "us," "our," or the "Company" are intended to mean Kinder Morgan, Inc. and its consolidated subsidiaries. Unless the context requires otherwise, references to "Kinder Morgan Energy Partners" and "KMP" are intended to mean Kinder Morgan Energy Partners, L.P. and its consolidated subsidiaries.

Kinder Morgan Management, LLC, referred to in this report as "Kinder Morgan Management" or "KMR," is a publicly traded Delaware limited liability company. Kinder Morgan G.P., Inc., the general partner of Kinder Morgan Energy Partners and a wholly owned subsidiary of ours, owns all of Kinder Morgan Management's voting shares. Kinder Morgan Management, pursuant to a delegation of control agreement, has been delegated, to the fullest extent permitted under Delaware law, all of Kinder Morgan G.P., Inc.'s power and authority to manage and control the business and affairs of Kinder Morgan Energy Partners, subject to Kinder Morgan G.P., Inc.'s right to approve certain transactions.

As further disclosed in Note 1 of Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2008 ("2008 Form 10-K"), on May 30, 2007, Kinder Morgan, Inc. merged with a wholly owned subsidiary of Kinder Morgan Holdco LLC, with Kinder Morgan, Inc. continuing as the surviving legal entity and subsequently renamed Knight Inc. until July 15, 2009 when the Company's name was changed back to Kinder Morgan, Inc. This transaction is referred to in this report as "the Going Private transaction." Effective with the closing of the Going Private transaction, all of our assets and liabilities were recorded at their estimated fair market values based on an allocation of the aggregate purchase price paid in the Going Private transaction.

Basis of Presentation

We have prepared our accompanying unaudited interim consolidated financial statements under the rules and regulations of the Securities and Exchange Commission ("SEC"). Under such SEC rules and regulations, we have condensed or omitted certain information and notes normally included in financial statements prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP"). We believe, however, that our disclosures are adequate to make the information presented not misleading. Our consolidated financial statements reflect normal adjustments, and also recurring adjustments that are, in the opinion of management, necessary for a fair presentation of our financial results for the interim periods. You should read these interim consolidated financial statements in conjunction with our consolidated financial statements and related notes included in our 2008 Form 10-K.

Our consolidated financial statements include the accounts of Kinder Morgan, Inc. and our majority-owned subsidiaries, as well as those of Kinder Morgan Energy Partners, Kinder Morgan Management and Triton Power Company LLC. Investments in jointly owned operations in which we hold a 50% or less interest (other than Kinder

Morgan Energy Partners, Kinder Morgan Management and Triton Power Company LLC, because we have the ability to exercise significant influence over their operating and financial policies) are accounted for under the equity method. All significant intercompany transactions and balances have been eliminated. Certain prior period amounts have been reclassified to conform to the current presentation. Canadian dollars are designated as C$. We evaluated subsequent events, which are events or transactions that occurred after June 30, 2009 but before our accompanying financial statements were issued, through August 11, 2009, the date we issued the accompanying interim Consolidated Financial Statements.

Notwithstanding the consolidation of Kinder Morgan Energy Partners and its subsidiaries into our financial statements, we are not liable for, and our assets are not available to satisfy, the obligations of Kinder Morgan Energy Partners and/or its subsidiaries and vice versa, except as discussed in the following paragraph. Responsibility for payments of obligations reflected in our or Kinder Morgan Energy Partners' financial statements is a legal determination based on the entity that incurs the liability.

In conjunction with Kinder Morgan Energy Partners' acquisition of certain natural gas pipelines from us, we agreed to indemnify Kinder Morgan Energy Partners with respect to approximately $733.5 million of its debt. We would be obligated to perform under this indemnity only if Kinder Morgan Energy Partners' assets were unable to satisfy its obligations.

Noncontrolling Interests in Consolidated Subsidiaries

In January 2009, we adopted Statement of Financial Accounting Standards ("SFAS") No. 160, Noncontrolling Interests in Consolidated Financial Statements. SFAS No. 160 establishes accounting and reporting standards for noncontrolling ownership interests in subsidiaries (previously referred to as minority interests) and is applied prospectively with the exception of the presentation and disclosure requirements, which must be applied retrospectively for all periods presented. Noncontrolling ownership interests in consolidated subsidiaries are now presented in the accompanying interim Consolidated Balance Sheets within equity as a separate component. Net income in the accompanying interim Consolidated Statements of Operations now includes earnings attributable to both Kinder Morgan, Inc.'s stockholder, and the noncontrolling interests. See Note 5 for further information regarding changes in stockholders' equity.

2. Acquisitions, Joint Ventures and Divestitures

Acquisitions

Effective April 23, 2009, Kinder Morgan Energy Partners acquired certain assets from Megafleet Towing Co., Inc. for an aggregate consideration of approximately $21.7 million. The consideration included $18.0 million in cash and an obligation to pay additional cash consideration on April 23, 2014 (five years from the acquisition date) contingent upon the purchased assets providing Kinder Morgan Energy Partners an agreed-upon amount of earnings during the five-year period. The contingent consideration had a fair value of $3.7 million as of the acquisition date, and there has been no change in the fair value during the post-acquisition period ended June 30, 2009.

The acquired assets primarily consist of nine marine vessels that provide towing and harbor boat services along the Gulf coast, the intracoastal waterway and the Houston Ship Channel. The acquisition complements and expands existing Gulf Coast and Texas petroleum coke terminal operations, and all of the acquired assets are included in the Terminals-KMP reportable segment. Kinder Morgan Energy Partners allocated $7.1 million of the combined purchase price to "Property, plant and equipment, net," $4.0 million to "Other intangibles net," and the remaining $10.6 million to "Goodwill" in the accompanying interim Consolidated Balance Sheet as of June 30, 2009. Kinder Morgan Energy Partners believes the primary item that generated the goodwill is the value of the synergies created between the acquired assets and the pre-existing terminal assets (resulting from the increase in services now offered by the Texas petroleum coke operations), and we expect that approximately $5.0 million of goodwill will be deductible for tax purposes.

Joint Ventures

In the second quarter of 2009, Kinder Morgan Energy Partners made capital contributions of $222 million to Midcontinent Express Pipeline LLC and $382.5 million to West2East Pipeline LLC (the sole owner of Rockies Express Pipeline LLC) to partially fund construction costs for the Midcontinent Express and the Rockies Express natural gas pipeline systems, respectively. Kinder Morgan Energy Partners also contributed $22.2 million to Fayetteville Express Pipeline LLC in the second quarter of 2009 to partially fund certain pre-construction pipeline costs for the Fayetteville Express Pipeline. Kinder Morgan Energy Partners owns a 50% equity interest in Midcontinent Express Pipeline LLC, a 51% equity interest in West2East Pipeline LLC (and Rockies Express Pipeline

LLC), and a 50% equity interest in Fayetteville Express Pipeline LLC.

For the first six months of 2009, Kinder Morgan Energy Partners contributed $333 million, $433.5 million, and $31.2 million, respectively, to the Midcontinent Express, Rockies Express, and Fayetteville Express joint venture pipeline projects. We included all of these cash contributions as increases to “Investments” in the accompanying interim Consolidated Balance Sheet as of June 30, 2009, and as “Contributions to investments” in the accompanying interim Consolidated Statement of Cash Flows for the six months ended June 30, 2009.

Divestures

On February 15, 2008, we sold an 80% ownership interest in NGPL PipeCo LLC (formerly MidCon Corp.), which owns Natural Gas Pipeline of America and certain affiliates, collectively referred to as “NGPL PipeCo LLC,” to Myria Acquisition Inc. (“Myria”) for approximately $2.9 billion. We also received $3.0 billion of cash previously held in escrow related to a notes offering by NGPL PipeCo LLC in December 2007, the net proceeds of which were distributed to us principally as repayment of intercompany indebtedness and partially as a dividend, immediately prior to the closing of the sale to Myria.

Pursuant to the purchase agreement, Myria acquired all 800 Class B shares and we retained all 200 Class A shares of NGPL PipeCo LLC. We continue to operate NGPL PipeCo LLC's assets pursuant to a 15-year operating agreement; see Note 9 for more information regarding this operating agreement. The total proceeds from this sale of $5.9 billion were used to pay off the entire outstanding balances of our senior secured credit facility's Tranche A and Tranche B term loans, to repurchase $1.67 billion of our outstanding debt securities and to reduce balances outstanding under our $1.0 billion revolving credit facility.

On January 25, 2008, we sold our interests in three natural gas-fired power plants in Colorado to Bear Stearns. We received net proceeds of $63.1 million.

Pro Forma Information

Pro forma consolidated statement of operations information that gives effect to all of the acquisitions that have been made and all of the joint ventures that have been entered into since January 1, 2008 as if they had occurred as of January 1, 2008 is not presented because it would not be materially different from the information presented in the accompanying interim Consolidated Statements of Operations.

3. Intangibles

Goodwill

Changes in the carrying amount of our goodwill for the six months ended June 30, 2009 are summarized as follows:

	Products Pipelines–KMP	Natural Gas Pipelines–KMP	CO2–KMP	Terminals–KMP	Kinder Morgan Canada–KMP	Total
Balance as of December 31, 2008	$ 850.0	$ 1,349.2	$ 1,521.7	$ 774.2	$ 203.6	$ 4,698.7
Acquisitions and purchase price adjustments				10.6		10.6
Currency translation adjustments					9.7	9.7
Balance as of June 30, 2009	$ 850.0	$ 1,349.2	$ 1,521.7	$ 784.8	$ 213.3	$ 4,719.0

In conjunction with our annual impairment test of the carrying value of this goodwill, performed as of May 31, 2009, we determined that the fair value of the reporting units that are part of our investment in Kinder Morgan Energy Partners exceeded the carrying values and no goodwill impairment charges were needed. The fair value of each Kinder Morgan Energy Partners reportable segment was determined from the present value of the expected future cash flows from the applicable reporting unit (inclusive of a terminal value calculated using market multiples between six and ten times cash flows) discounted at a rate of 9.00%. The fair value of each reportable segment was determined on a stand-alone basis from the perspective of a market participant and represented the price that would be received to sell the reportable segment as a whole, in an orderly transaction between market participants at the measurement date.

Other Intangibles

Our intangible assets other than goodwill include customer relationships, contracts and agreements, technology-based assets, lease values and other long-term assets. These intangible assets have definite lives, are being amortized on a straight-line basis over their estimated useful lives, and are reported separately as “Other intangibles, net” in the accompanying interim Consolidated Balance Sheets. Following is information related to our intangible assets subject to amortization:

	June 30, 2009	December 31, 2008
	(In millions)	
Customer relationships, contracts and agreements		
Gross carrying amount	$ 272.5	$ 270.9
Accumulated amortization	(39.6)	(30.3)
Net carrying amount	232.9	240.6
Technology-based assets, lease values and other		
Gross carrying amount	14.1	11.7
Accumulated amortization	(1.0)	(0.8)
Net carrying amount	13.1	10.9
Total other intangibles, net	$ 246.0	$ 251.5

For three months ended June 30, 2009 and 2008, the amortization expense on our intangibles totaled $4.8 million and $4.5 million, respectively. For six months ended June 30, 2009 and 2008, the amortization expense on our intangibles totaled $9.5 million and $9.7 million, respectively. These expense amounts primarily consisted of amortization of our customer relationships, contracts and agreements. As of June 30, 2009, the weighted average amortization period for our intangible assets was approximately 16.1 years. Our estimated amortization expense for these assets for each of the next five fiscal years (2010 – 2014) is approximately $17.3 million, $17.2 million, $16.9 million, $16.9 million and $16.6 million, respectively.

4. Debt

We classify our debt based on the contractual maturity dates of the underlying debt instruments or as of the earliest put date available to our debt holders. As of June 30, 2009, our outstanding short-term debt was $175.4 million, and our outstanding long-term debt (excluding the value of interest rate swap agreements, the preferred interest in the G.P. of Kinder Morgan Energy Partners, and the deferrable interest debentures issued to subsidiary trusts) was $12.0 billion.

Our outstanding short-term debt balance consisted of (i) $25.0 million in outstanding borrowings under our senior secured credit facility as of June 30, 2009; (ii) a $5.0 million current portion of our 6.50% series Debentures, Due 2013 (iii) $100 million in outstanding borrowings under Kinder Morgan Energy Partners' bank credit facility as of June 30, 2009 (discussed below); (iv) $23.7 million in principal amount of tax-exempt bonds that mature on April 1, 2024, but are due on demand pursuant to certain standby purchase agreement provisions contained in the bond indenture (Kinder Morgan Energy Partners' subsidiary Kinder Morgan Operating L.P. "B" is the obligor on the bonds); (v) a $9.7 million portion of a 5.40% long-term note payable (Kinder Morgan Energy Partners' subsidiaries Kinder Morgan Operating L.P. "A" and Kinder Morgan Canada Company are the obligors on the note); (vi) a $6.7 million portion of 5.23% senior notes (Kinder Morgan Energy Partners' subsidiary Kinder Morgan Texas Pipeline, L.P. is the obligor on the notes); and (vii) $5.3 million in principal amount of adjustable rate industrial development revenue bonds that mature on January 1, 2010 (the bonds were issued by the Illinois Development Finance Authority and Kinder Morgan Energy Partners' subsidiary Arrow Terminals L.P. is the obligor on the bonds).

Credit Facilities

	June 30, 2009		
	Short-term Notes Payable	Commercial Paper Outstanding (In millions)	Weighted-Average Interest Rate
Kinder Morgan, Inc. – Secured debt(a)	$ 25.0	$ -	1.45%
Kinder Morgan Energy Partners – Unsecured debt(b)	$ 100.0	$ -	0.67%

(a) The average short-term debt outstanding (and related weighted-average interest rate) was $61.3 million (2.27%) and $91.1 million (2.28%) during the three and six months ended June 30, 2009.

(b) The average short-term debt outstanding (and related weighted-average interest rate) was $492.4 million (1.60%) and $379.9 million (1.81%) during the three and six months ended June 30, 2009.

Kinder Morgan, Inc.'s $1.0 billion six-year senior secured credit facility matures on May 30, 2013 and includes a sublimit of $300 million for the issuance of letters of credit and a sublimit of $50 million for swingline loans. Kinder

Morgan, Inc. does not have a commercial paper program. Kinder Morgan, Inc. had $8.8 million outstanding under its credit facility at December 31, 2008.

Kinder Morgan Energy Partners' $1.85 billion unsecured bank credit facility is with a syndicate of financial institutions, and Wachovia Bank, National Association is the administrative agent. The credit facility permits Kinder Morgan Energy Partners to obtain bids for fixed rate loans from members of the lending syndicate. Interest on Kinder Morgan Energy Partners' credit facility accrues at its option at a floating rate equal to either (i) the administrative agent's base rate (but not less than the Federal Funds Rate, plus 0.5%); or (ii) LIBOR, plus a margin, which varies depending upon the credit rating of its long-term senior unsecured debt. During the first quarter of 2009, following Lehman Brothers Holdings Inc.'s filing for bankruptcy protection in September 2008, Kinder Morgan Energy Partners amended the credit facility to remove Lehman Brothers Commercial Bank as a lender, thus reducing the facility by $63.3 million. The commitments of the other banks remain unchanged, and the facility is not defaulted.

Kinder Morgan Energy Partners' credit facility matures August 18, 2010 and can be amended to allow for borrowings of up to $2.0 billion. Borrowings under Kinder Morgan Energy Partners' credit facility can be used for partnership purposes and as a backup for its commercial paper program.

Additionally, as of June 30, 2009, the amount available for borrowing under Kinder Morgan Energy Partners' credit facility was reduced by an aggregate amount of $308.7 million, consisting of (i) a $100 million letter of credit that supports certain proceedings with the California Public Utilities Commission involving refined products tariff charges on the intrastate common carrier operations of Kinder Morgan Energy Partners' Pacific operations' pipelines in the state of California, (ii) a combined $90.8 million in three letters of credit that support tax-exempt bonds, (iii) a combined $80.0 million in two letters of credit that support Kinder Morgan Energy Partners' hedging of commodity price risks associated with the sale of natural gas, natural gas liquids and crude oil, (iv) a $21.4 million letter of credit that supports Kinder Morgan Energy Partners' indemnification obligations on the Series D note borrowings of Cortez Capital Corporation and (v) a combined $16.5 million in other letters of credit supporting other obligations of Kinder Morgan Energy Partners and its subsidiaries.

Commercial Paper Program

On October 13, 2008, Standard & Poor's Rating Services lowered Kinder Morgan Energy Partners' short-term credit rating to A-3 from A-2. Additionally, on May 6, 2009, Moody's Investors Service downgraded Kinder Morgan Energy Partners' commercial paper rating to Prime-3 from Prime-2 and assigned a negative outlook to its long-term credit rating. Because of these revisions and current commercial paper market conditions, Kinder Morgan Energy Partners is currently unable to access commercial paper borrowings, and as of both June 30, 2009 and December 31, 2008, it had no commercial paper borrowings. However, Kinder Morgan Energy Partners expects that its financing and liquidity needs will continue to be met through borrowings made under its bank credit facility described above.

Senior Notes

On February 1, 2009, Kinder Morgan Energy Partners paid $250 million to retire the principal amount of its 6.30% senior notes that matured on that date. Kinder Morgan Energy Partners borrowed the necessary funds under its bank credit facility.

On May 14, 2009, Kinder Morgan Energy Partners completed an additional public offering of senior notes. It issued a total of $1 billion in principal amount of senior notes in two separate series, consisting of $300 million of 5.625% notes due February 15, 2015, and $700 million of 6.85% notes due February 15, 2020. Kinder Morgan Energy Partners received proceeds from the issuance of the notes, after underwriting discounts and commissions, of $993.3 million, and it used the proceeds to reduce the borrowings under its bank credit facility.

Kinder Morgan Operating L.P. "A" and Kinder Morgan Canada Company

Effective January 1, 2007, Kinder Morgan Energy Partners acquired the remaining approximately 50.2% interest in the Cochin pipeline system that it did not already own. As part of Kinder Morgan Energy Partners' purchase price consideration, two of its subsidiaries issued a long-term note payable to the seller having a fair value of $42.3 million. It valued the debt equal to the present value of amounts to be paid, determined using an annual interest rate of 5.40%. Kinder Morgan Energy Partners' subsidiaries Kinder Morgan Operating L.P. "A" and Kinder Morgan Canada Company are the obligors on the note, and the principal amount of the note, along with interest, is due in five annual installments of $10.0 million beginning March 31, 2008. The final payment is due March 31, 2012. As of December 31, 2008, the measured present value (representing the outstanding balance on Kinder Morgan Energy Partners' balance sheet) of the note was $36.6 million. Kinder Morgan Energy Partners paid the second installment on March

31, 2009, and as of June 30, 2009, the measured present value of the note was $27.4 million.

Interest Rate Swaps

Information on our interest rate swaps is contained in Note 6.

Contingent Debt

Cortez Pipeline Company Debt. Pursuant to a certain Throughput and Deficiency Agreement, the partners of Cortez Pipeline Company (Kinder Morgan CO2 Company, L.P. – 50% partner; a subsidiary of Exxon Mobil Corporation – 37% partner; and Cortez Vickers Pipeline Company – 13% partner) are required, on a several, proportional percentage ownership basis, to contribute capital to Cortez Pipeline Company in the event of a cash deficiency. Furthermore, due to Kinder Morgan Energy Partners' indirect ownership of Cortez Pipeline Company through Kinder Morgan CO2 Company, L.P., Kinder Morgan Energy Partners severally guarantees 50% of the debt of Cortez Capital Corporation, a wholly owned subsidiary of Cortez Pipeline Company.

As of June 30, 2009, the debt facilities of Cortez Capital Corporation consisted of (i) $42.9 million of Series D notes due May 15, 2013; (ii) a $125 million short-term commercial paper program; and (iii) a $125 million committed revolving credit facility due December 22, 2009 (to support the above-mentioned $125 million commercial paper program). In October 2008, Standard & Poor’s Rating Services lowered Cortez Capital Corporation’s short-term credit rating to A-3 from A-2. As a result of this revision and current commercial paper market conditions, Cortez is unable to access commercial paper borrowings; however, it expects that its financing and liquidity needs will continue to be met through borrowings made under its bank credit facility.

As of June 30, 2009, in addition to the $42.9 million of outstanding Series D notes, Cortez Capital Corporation had outstanding borrowings of $120 million under its credit facility. Accordingly, as of June 30, 2009, Kinder Morgan Energy Partners’ contingent share of Cortez Capital Corporation’s debt was $81.5 million (50% of total guaranteed borrowings).

With respect to Cortez Capital Corporation’s Series D notes, the average interest rate on the notes is 7.14%, and the outstanding $42.9 million principal amount of the notes is due in four equal annual installments of approximately $10.7 million beginning May 2010. Shell Oil Company shares Kinder Morgan Energy Partners’ several guaranty obligations jointly and severally; however, Kinder Morgan Energy Partners is obligated to indemnify Shell for liabilities it incurs in connection with such guaranty. As of June 30, 2009, JP Morgan Chase has issued a letter of credit on Kinder Morgan Energy Partners’ behalf for $21.4 million to secure Kinder Morgan Energy Partners’ indemnification obligations to Shell for 50% of the $42.9 million in principal amount of Series D notes outstanding as of that date.

Nassau County, Florida Ocean Highway and Port Authority Debt. Kinder Morgan Energy Partners has posted a letter of credit as security for borrowings under Adjustable Demand Revenue Bonds issued by the Nassau County, Florida Ocean Highway and Port Authority. The bonds were issued for the purpose of constructing certain port improvements located in Fernandino Beach, Nassau County, Florida. Kinder Morgan Energy Partners’ subsidiary, Nassau Terminals LLC, is the operator of the marine port facilities. The bond indenture is for 30 years and allows the bonds to remain outstanding until December 1, 2020. Principal payments on the bonds are made on December 1st each year and corresponding reductions are made to the letter of credit. As of June 30, 2009, this letter of credit had a face amount of $21.2 million.

Rockies Express Pipeline LLC Debt. Pursuant to certain guaranty agreements, all three member owners of West2East Pipeline LLC (which owns all of the member interests in Rockies Express Pipeline LLC) have agreed to guarantee, severally in the same proportion as their percentage ownership of the member interests in West2East Pipeline LLC, borrowings under Rockies Express’ (i) $2.0 billion five-year, unsecured revolving credit facility due April 28, 2011, (ii) $2.0 billion commercial paper program, and (iii) $600 million in principal amount of floating rate senior notes due August 20, 2009. The three member owners and their respective ownership interests consist of the following: Kinder Morgan Energy Partners’ subsidiary Kinder Morgan W2E Pipeline LLC – 51%, a subsidiary of Sempra Energy – 25%, and a subsidiary of ConocoPhillips – 24%.

Borrowings under the Rockies Express Pipeline LLC commercial paper program are primarily used to finance the construction of the Rockies Express interstate natural gas pipeline and to pay related expenses. The credit facility, which can be amended to allow for borrowings up to $2.5 billion, supports borrowings under the commercial paper program, and borrowings under the commercial paper program reduce the borrowings allowed under the credit facility. Lehman Brothers Commercial Bank was a lending bank with a $41 million commitment under Rockies Express’ $2.0 billion credit facility. During the first quarter of 2009, Rockies Express Pipeline LLC amended its facility to remove Lehman Brothers Commercial Bank as a lender, thus reducing the facility by $41 million. However, the commitments of the other banks remain unchanged and the facility is not defaulted.

In October 2008, Standard & Poor's Rating Services lowered Rockies Express Pipeline LLC's short-term credit rating to A-3 from A-2. As a result of this revision and current commercial paper market conditions, Rockies Express is unable to access commercial paper borrowings; however, it expects that its financing and liquidity needs will continue to be met through both borrowings made under its long-term bank credit facility and contributions by its equity investors.

The $600 million in principal amount of senior notes were issued on September 20, 2007. The notes are unsecured and are not redeemable prior to maturity. Interest on the notes is paid and computed quarterly at an interest rate of three-month LIBOR (London Interbank Offered Rate) with a floor of 4.25% plus a spread of 0.85%. Upon maturity on August 20, 2009, Kinder Morgan Energy Partners expects Rockies Express will repay these senior notes from equity contributions received from its equity investors. In addition, as of June 30, 2009, Rockies Express was party to a floating-to-fixed interest rate swap agreement having a notional amount of $300 million and a maturity date of August 20, 2009. The remaining interest rate swap agreement effectively converts the interest expense associated with $300 million of these senior notes from its stated variable rate to a fixed rate of 5.47%.

As of June 30, 2009, in addition to the $600 million in floating rate senior notes, Rockies Express Pipeline LLC had outstanding borrowings of $1,883.2 million under its credit facility. Accordingly, as of June 30, 2009, Kinder Morgan Energy Partners' contingent share of Rockies Express' debt was $1,266.4 million (51% of total guaranteed borrowings).

Midcontinent Express Pipeline LLC Debt. Pursuant to certain guaranty agreements, each of the two member owners of Midcontinent Express Pipeline LLC have agreed to guarantee, severally in the same proportion as their percentage ownership of the member interests in Midcontinent Express Pipeline LLC, borrowings under Midcontinent Express' $1.4 billion three-year, unsecured revolving credit facility, entered into on February 29, 2008 and due February 28, 2011. The facility is with a syndicate of financial institutions with The Royal Bank of Scotland plc as the administrative agent. Borrowings under the credit agreement are used to finance the construction of the Midcontinent Express Pipeline system and to pay related expenses. Lehman Brothers Commercial Bank was a lending bank with a $100 million commitment to the Midcontinent Express Pipeline LLC $1.4 billion credit facility. Since declaring bankruptcy, Lehman Brothers Commercial Bank has not met its obligations to lend under the credit facility, thus reducing borrowing capacity under this facility by Lehman's commitment amount that has not been funded in previous borrowings. The commitments of the other banks remain unchanged and the facility is not defaulted.

Midcontinent Express Pipeline LLC is an equity method investee of Kinder Morgan Energy Partners, and the two member owners and their respective ownership interests consist of the following: Kinder Morgan Energy Partners' subsidiary Kinder Morgan Operating L.P. "A" – 50%, and Energy Transfer Partners, L.P. – 50%. As of June 30, 2009, Midcontinent Express Pipeline LLC had borrowed $1,190.9 million under its three-year credit facility. Accordingly, as of June 30, 2009, Kinder Morgan Energy Partners' contingent share of Midcontinent Express Pipeline LLC's debt was $595.5 million (50% of total borrowings).

Furthermore, the credit facility can be used for the issuance of letters of credit to support the construction of the Midcontinent Express Pipeline, and as of June 30, 2009, a letter of credit having a face amount of $33.3 million was issued under the credit facility. Accordingly, as of June 30, 2009, Kinder Morgan Energy Partners' contingent responsibility with regard to this outstanding letter of credit was $16.7 million (50% of total face amount).

For additional information regarding our debt facilities and our contingent debt agreements, see Note 14 of Notes to Consolidated Financial Statements included in our 2008 Form 10-K.

Kinder Morgan G.P., Inc. Preferred Shares

On July 15, 2009, Kinder Morgan G.P., Inc.'s board of directors declared a quarterly cash distribution on its Series A Fixed-to-Floating Rate Term Cumulative Preferred Stock of $20.825 per share payable on August 18, 2009 to shareholders of record as of July 31, 2009. On April 15, 2009, Kinder Morgan G.P., Inc.'s board of directors declared a quarterly cash dividend on its Series A Fixed-to-Floating Rate Term Cumulative Preferred Stock of $20.825 per share, which was paid on May 18, 2009 to shareholders on record as of April 30, 2009.

Interest Expense

"Interest, net" as presented in the accompanying interim Consolidated Statements of Operations is interest expense net of the debt component of the allowance for funds used during construction, which was $11.5 million and $21.5 million for the three and six months ended June 30, 2009, respectively and $9.3 and $19.4 for the three and six months ended June 30, 2008. We also record as interest expense gains and losses from (i) the reacquisition of debt, (ii) the termination of interest rate swaps designated as fair value hedges for which the hedged liability has been extinguished and (iii) the termination of interest rate swaps designated as cash flow hedges for which the forecasted interest payments will no longer occur. During the six months ended June 30, 2008, we recorded a $34.4 million loss from the early extinguishment of debt in the caption “Interest, net,” which includes a gain on the debt repurchased in the tender more than offset by a loss from the write-off of debt issuance costs associated with the $5.8 billion secured credit facility. We also recorded $10.8 million in gains from the early extinguishment of debt in the caption “Interest expense – deferred interest debentures,” and $19.8 million of gains from the termination of interest rate swaps designated as fair value hedges, for which the hedged liability was extinguished, in the caption “Interest , net” in the accompanying interim Consolidated Statements of Operations.

5. Stockholders' Equity

Changes in the carrying amounts of our Stockholders' Equity attributable to both us and our noncontrolling interests, including our comprehensive income (loss) are summarized as follows (in millions):

	Three Months Ended June 30,					
	2009			2008		
	Kinder Morgan, Inc.	Noncontrolling interests	Total	Kinder Morgan, Inc.	Noncontrolling interests	Total
Beginning Balance	$ 4,451.3	$ 4,187.4	$ 8,638.7	$ 7,786.4	$ 3,524.9	$11,311.3
Impact from equity transactions of Kinder Morgan Energy Partners	9.3	(14.5)	(5.2)	-	-	-
A-1 and B unit amortization	1.9	-	1.9	1.9	-	1.9
Distributions to noncontrolling interests	-	(183.1)	(183.1)	-	(157.5)	(157.5)
Contributions from noncontrolling interests	-	386.6	386.6	-	0.3	0.3
Kinder Morgan Energy Partners' Express pipeline system acquisition adjustment	-	0.3	0.3	-	-	-
Cash dividends	(100.0)	-	(100.0)	-	-	-
Other	-	(0.7)	(0.7)	-	7.0	7.0
Comprehensive income (loss)						
Net income	129.8	79.3	209.1	(3,860.6)	126.4	(3,734.2)
Other comprehensive income (loss), net of tax						
Change in fair value of derivatives utilized for hedging purposes	(111.3)	(153.8)	(265.1)	(577.3)	(753.4)	(1,330.7)
Reclassification of change in fair value of derivatives to net income	(14.4)	14.4	-	95.9	118.6	214.5
Foreign currency translation adjustments	31.4	59.7	91.1	15.6	5.8	21.4
Adjustments to pension and other postretirement benefit plan liabilities	-	0.1	0.1	(0.5)	(0.1)	(0.6)
Total other comprehensive loss	(94.3)	(79.6)	(173.9)	(466.3)	(629.1)	(1,095.4)
Total comprehensive income (loss)	35.5	(0.3)	35.2	(4,326.9)	(502.7)	(4,829.6)
Ending Balance	$ 4,398.0	$ 4,375.7	$ 8,773.7	$ 3,461.4	$ 2,872.0	$ 6,333.4

Six Months Ended June 30,

	2009 Kinder Morgan, Inc.	2009 Noncontrolling interests	2009 Total	2008 Kinder Morgan, Inc.	2008 Noncontrolling interests	2008 Total
Beginning Balance	$ 4,404.3	$ 4,072.6	$ 8,476.9	$ 7,821.5	$ 3,314.0	$11,135.5
Impact from equity transactions of Kinder Morgan Energy Partners	15.8	(24.6)	(8.8)	(16.0)	(15.4)	(31.4)
A-1 and B unit amortization	3.8	-	3.8	3.8	-	3.8
Distributions to noncontrolling interests	-	(359.4)	(359.4)	-	(301.9)	(301.9)
Contributions from noncontrolling interests	-	674.5	674.5	-	384.8	384.8
Kinder Morgan Energy Partners' Express pipeline system acquisition adjustment	-	3.1	3.1	-	-	-
Cash dividends	(150.0)	-	(150.0)	-	-	-
Other	-	(0.8)	(0.8)	-	5.0	5.0
Comprehensive income (loss)						
Net income	245.1	108.9	354.0	(3,754.9)	252.6	(3,502.3)
Other comprehensive income (loss), net of tax						
Change in fair value of derivatives utilized for hedging purposes	(95.4)	(136.3)	(231.7)	(797.0)	(943.0)	(1,740.0)
Reclassification of change in fair value of derivatives to net income	(34.9)	6.0	(28.9)	211.4	194.3	405.7
Foreign currency translation adjustments	10.2	33.0	43.2	(8.7)	(19.9)	(28.6)
Adjustments to pension and other postretirement benefit plan liabilities	(0.9)	(1.3)	(2.2)	1.3	1.5	2.8
Total other comprehensive loss	(121.0)	(98.6)	(219.6)	(593.0)	(767.1)	(1,360.1)
Total comprehensive income (loss)	124.1	10.3	134.4	(4,347.9)	(514.5)	(4,862.4)
Ending Balance	$ 4,398.0	$ 4,375.7	$ 8,773.7	$ 3,461.4	$ 2,872.0	$ 6,333.4

Additionally, during the first six months of both 2009 and 2008, there were no material changes in our ownership interests in subsidiaries, in which we retained a controlling financial interest.

On February 17, 2009 and May 18, 2009, we paid cash dividends on our common stock of $50.0 million and $100.0 million, respectively, to our sole stockholder, Kinder Morgan Holdco LLC. Our Board of Directors declared a dividend of $150.0 million on July 15, 2009 that will be paid on August 17, 2009.

Noncontrolling Interests

The caption "Noncontrolling interests" in the accompanying interim Consolidated Balance Sheets consists of interests in the following subsidiaries:

	June 30, 2009	December 31, 2008
	(In millions)	
Kinder Morgan Energy Partners	$ 2,495.8	$ 2,198.2
Kinder Morgan Management	1,828.2	1,826.5
Triton Power Company LLC	41.5	39.0
Other	10.2	8.9
	$ 4,375.7	$ 4,072.6

Kinder Morgan Energy Partners' Common Units

On July 15, 2009, Kinder Morgan Energy Partners declared a cash distribution of $1.05 per common unit for the second quarter of 2009, payable on August 14, 2009 to unitholders of record as of July 31, 2009. On May 15, 2009, Kinder Morgan Energy Partners paid a quarterly distribution of $1.05 per common unit for the first quarter of 2009, of which $181.6 million was paid to the public holders (included in noncontrolling interests) of Kinder Morgan Energy Partners common units.

On January 16, 2009, Kinder Morgan Energy Partners entered into an Equity Distribution Agreement with UBS Securities LLC. According to the provisions of this agreement, Kinder Morgan Energy Partners may offer and sell from time to time common units having an aggregate offering value of up to $300 million through UBS, as sales agent. Sales of the units will be made by means of ordinary brokers' transactions on the New York Stock Exchange at market prices, in block transactions or as otherwise agreed between Kinder Morgan Energy Partners and UBS. Under the terms of this agreement, Kinder Morgan Energy Partners also may sell common units to UBS as principal for its own account at a price agreed upon at the time of the sale. Any sale of common units to UBS as principal would be pursuant to the terms of a separate agreement between Kinder Morgan Energy Partners and UBS.

This Equity Distribution Agreement provides Kinder Morgan Energy Partners the right, but not the obligation, to sell common units in the future, at prices it deems appropriate. Kinder Morgan Energy Partners retains at all times complete control over the amount and the timing of each sale, and will designate the maximum number of common units to be sold through UBS, on a daily basis or otherwise as Kinder Morgan Energy Partners and UBS agree. UBS will then use its reasonable efforts to sell, as Kinder Morgan Energy Partners' sales agent and on its behalf, all of the designated common units. Kinder Morgan Energy Partners may instruct UBS not to sell common units if the sales cannot be effected at or above the price designated by Kinder Morgan Energy Partners in any such instruction. Either Kinder Morgan Energy Partners or UBS may suspend the offering of common units pursuant to the agreement by notifying the other party. During the three and six months ended June 30, 2009, Kinder Morgan Energy Partners issued 1,944,664 and 2,556,747, respectively, of its common units pursuant to this agreement. After commissions of

$1.7 million and $2.3 million, respectively, for the three and six-month periods, Kinder Morgan Energy Partners received net proceeds from the issuance of these common units of approximately $94.7 million and $124.6 million. Kinder Morgan Energy Partners used the proceeds to reduce the borrowings under its bank credit facility.

Kinder Morgan Energy Partners completed two separate underwritten public offerings of its common units in the first half of 2009, and in April 2009, issued 105,752 common units—valued at $5.0 million—as the purchase price for additional ownership interests in certain oil and gas properties. First, in March 2009, Kinder Morgan Energy Partners issued 5,666,000 of its common units at a price of $46.95 per unit, less underwriting commissions and expenses. Kinder Morgan Energy Partners received net proceeds of $258.0 million for the issuance of these common units, and used the proceeds to reduce borrowings under its bank credit facility. Secondly, on June 12, 2009, Kinder Morgan Energy Partners issued 5,750,000 of its common units at a price of $51.50 per unit, less underwriting commissions and expenses. Kinder Morgan Energy Partners received net proceeds of $286.9 million for the issuance of these common units, and used the proceeds to reduce borrowings under its bank credit facility. In addition, the underwriters exercised a 30-day option to purchase an additional 862,500 common units; see Subsequent Event following.

These issuances during the six months ended June 30, 2009, collectively, had the associated effects of increasing our (i) noncontrolling interests associated with Kinder Morgan Energy Partners by $649.9 million (ii) associated accumulated deferred income taxes by $8.9 million and (iii) paid-in capital by $15.7 million.

Kinder Morgan Management, LLC

On May 15, 2009, Kinder Morgan Management made a share distribution of 0.025342 shares per outstanding share (2,025,208 total shares) to shareholders of record as of April 30, 2009, based on the $1.05 per common unit distribution declared by Kinder Morgan Energy Partners. On August 14, 2009, Kinder Morgan Management will make a share distribution of 0.022146 shares per outstanding share (1,814,650 total shares) to shareholders of record as of July 31, 2009, based on the $1.05 per common unit distribution declared by Kinder Morgan Energy Partners, L.P. Kinder Morgan Management's distributions are paid in the form of additional shares or fractions thereof calculated by dividing the Kinder Morgan Energy Partners cash distribution per common unit by the average of the market closing prices of a Kinder Morgan Management share determined for a ten-trading day period ending on the trading day immediately prior to the ex-dividend date for the shares.

Subsequent Event

At the time of its June 12, 2009 public common unit offering, discussed above, Kinder Morgan Energy Partners granted the underwriters a 30-day option to purchase up to an additional 862,500 common units on the same terms and conditions, and pursuant to the exercise of this option, Kinder Morgan Energy Partners issued an additional 862,500 common units on July 6, 2009. After underwriting commissions and expenses, Kinder Morgan Energy Partners received net proceeds of $43.0 million for the issuance of these 862,500 common units, and used the proceeds to reduce borrowings under its bank credit facility.

6. Risk Management

Certain of our business activities expose us to risks associated with unfavorable changes in the market price of natural gas, natural gas liquids and crude oil. We also have exposure to interest rate risk as a result of the issuance of our debt obligations. Pursuant to our management's approved risk management policy, we use derivative contracts to hedge or reduce our exposure to certain of these risks.

Energy Commodity Price Risk Management

We are exposed to risks associated with changes in the market price of natural gas, natural gas liquids and crude oil as a result of the forecasted purchase or sale of these products. Specifically, these risks are associated with unfavorable price volatility related to (i) pre-existing or anticipated physical natural gas, natural gas liquids and crude oil sales; (ii) natural gas purchases; and (iii) natural gas system use and storage. The unfavorable price changes are often caused by shifts in the supply and demand for these commodities, as well as their locations.

Our principal use of energy commodity derivative contracts is to mitigate the risk associated with unfavorable market movements in the price of energy commodities. Our energy commodity derivative contracts act as a hedging (offset) mechanism against the volatility of energy commodity prices by allowing us to transfer this price risk to counterparties who are able and willing to bear it.

For derivative contracts that are designated and qualify as cash flow hedges pursuant to generally accepted accounting principles, the portion of the gain or loss on the derivative contract that is effective in offsetting the variable cash flows associated with the hedged forecasted transaction is reported as a component of other comprehensive income and reclassified into earnings in the same line item associated with the forecasted transaction and in the same period or periods during which the hedged transaction affects earnings (e.g., in “revenues” when the hedged transactions are commodity sales). The remaining gain or loss on the derivative contract in excess of the cumulative change in the present value of future cash flows of the hedged item, if any (i.e., the ineffective portion) is recognized in earnings during the current period. We currently do not exclude any component of the derivative contracts’ gain or loss from the assessment of hedge effectiveness.

During the three and six months ended June 30, 2009, we reclassified gains of $14.4 million and $34.9 million, respectively, of “Accumulated other comprehensive loss” into earnings, and for the same comparable periods last year, we reclassified losses of $95.9 million and $211.4 million, respectively, of “Accumulated other comprehensive loss” into earnings. All amounts reclassified into net income during the first six months of both years resulted from the hedged forecasted transactions actually affecting earnings (i.e. when the forecasted sales and purchases actually occurred). No amounts were reclassified into earnings as a result of the discontinuance of cash flow hedges because it was probable that the original forecasted transactions would not occur by the end of the originally specified time period or within an additional two-month period of time thereafter. The proceeds or payments resulting from the settlement of cash flow hedges are reflected in the operating section of our statement of cash flows as changes to net income and working capital.

Our consolidated “Accumulated other comprehensive loss” balance was $174.4 million as of June 30, 2009, and $53.4 million as of December 31, 2008. These consolidated totals included amounts associated with energy commodity price risk management activities of $47.9 million of losses as of June 30, 2009 and $82.4 million of gains as of December 31, 2008. Of the total amount associated with our energy commodity price risk management activities as of June 30, 2009, approximately $1.4 million of loss is expected to be reclassified into earnings during the next twelve months (when the associated forecasted sales and purchases are also expected to occur). As of June 30, 2009, the maximum length of time over which we have hedged our exposure to the variability in future cash flows associated with energy commodity price risk is through April 2013.

As of June 30, 2009, Kinder Morgan Energy Partners had entered into the following outstanding commodity forward contracts to hedge forecasted energy commodity purchases and sales:

Derivatives designated as hedging contracts under SFAS No. 133	Notional Quantity
Crude oil	28.0 million barrels
Natural gas(a)	43.6 billion cubic feet

Derivatives not designated as hedging contracts under SFAS No. 133	Notional Quantity
Crude oil	0.1 million barrels
Natural gas(a)	7.1 billion cubic feet

(a) Notional quantities are shown net of short positions.

For derivative contracts that are not designated as a hedge for accounting purposes, all realized and unrealized gains and losses are recognized in the statement of income during the current period. These types of transactions include basis spreads, basis-only positions and gas daily swap positions. We primarily enter into these positions to economically hedge an exposure through a relationship that does not qualify for hedge accounting. This will result in non-cash gains or losses being reported in our operating results.

Effective at the beginning of the second quarter of 2008, Kinder Morgan Energy Partners determined that the derivative contracts of its Casper and Douglas natural gas processing operations that previously had been designated as cash flow hedges for accounting purposes no longer met the hedge effectiveness assessment as required by accounting principles. Consequently, it discontinued hedge accounting treatment for these relationships (primarily crude oil hedges of heavy natural gas liquids sales) effective March 31, 2008. Since the forecasted sales of natural gas liquids volumes (the hedged item) are still expected to occur, all of the accumulated losses through March 31, 2008 on the related derivative contracts remained in accumulated other comprehensive income, and will not be reclassified into earnings until the physical transactions occurs. Any changes in the value of these derivative contracts subsequent to March 31, 2008 will no longer be deferred in other comprehensive income, but rather will impact current period income.

Interest Rate Risk Management

In order to maintain a cost effective capital structure, it is our policy to borrow funds using a mix of fixed rate debt and variable rate debt. We use interest rate swap agreements to manage the interest rate risk associated with the fair value of our fixed rate borrowings and to effectively convert a portion of the underlying cash flows related to our long-term fixed rate debt securities into variable rate cash flows in order to achieve our desired mix of fixed and variable rate debt.

Since the fair value of fixed rate debt varies inversely with changes in the market rate of interest, we enter into swap agreements to receive a fixed and pay a variable rate of interest in order to convert the interest expense associated with certain of our senior notes from fixed rates to variable rates, resulting in future cash flows that vary with the market rate of interest. These swaps, therefore, hedge against changes in the fair value of our fixed rate debt that result from market interest rate changes. For derivative contracts that are designated and qualify as a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in current earnings.

As of December 31, 2008, we were not party to any interest rate swap agreements and our subsidiary, Kinder Morgan Energy Partners was party to interest rate swap agreements with a total notional principal amount of $2.8 billion. During the first six months of 2009, we entered into two fixed-to-variable interest swap agreements having a combined notional principal amount of $725 million related to our 5.70% senior notes due January 5, 2016. During the first six months of 2009, Kinder Morgan Energy Partners both terminated an existing fixed-to-variable interest rate swap agreement having a notional principal amount of $300 million and a maturity date of March 15, 2031, and entered into twelve separate fixed-to-variable swap agreements having a combined notional principal amount of $2.45 billion. Kinder Morgan Energy Partners received proceeds of $144.4 million from the early termination of the $300 million swap agreement. In addition, an existing fixed-to-variable rate swap agreement having a notional principal amount of $250 million matured on February 1, 2009. This swap agreement corresponded with the maturity of Kinder Morgan Energy Partners $250 million in principal amount of 6.30% senior notes that also matured on that date (discussed in Note 4).

Therefore, as of June 30, 2009, we and our subsidiary Kinder Morgan Energy Partners had notional principal amounts of $725 million and $4.7 billion, respectively, of fixed-to-variable interest rate swap agreements effectively converting the interest expense associated with certain series of its senior notes from fixed rates to variable rates based on an interest rate of LIBOR plus a spread. All of our and Kinder Morgan Energy Partners' swap agreements have termination dates that correspond to the maturity dates of the related series of senior notes and, as of June 30, 2009, the maximum length of time over which we or Kinder Morgan Energy Partners has hedged a portion of our exposure to the variability in the value of this debt due to interest rate risk is through January 15, 2038.

Fair Value of Derivative Contracts

The fair values of our current and non-current asset and liability derivative contracts are each reported separately as "Fair value of derivative contracts" in the accompanying interim Consolidated Balance Sheets. The following table summarizes the fair values of our derivative contracts included in the accompanying interim Consolidated Balance Sheets as of June 30, 2009 and December 31, 2008 (in millions):

Fair Value of Derivative Contracts

	Asset derivatives				Liability derivatives			
	June 30, 2009		December 31, 2008		June 30, 2009		December 31, 2008	
	Balance sheet location	Fair value	Balance sheet location	Fair value	Balance Sheet location	Fair value	Balance sheet location	Fair value
Derivatives designated as hedging contracts under SFAS No. 133								
Energy commodity derivative contracts	Current	$ 42.8	Current	$113.5	Current	$(226.7)	Current	$(129.4)
	Non-current	50.7	Non-current	48.9	Non-current	(234.4)	Non-current	(92.2)
Subtotal		93.5		162.4		(461.1)		(221.6)
Interest rate swap agreements	Non-current	297.1	Non-current	747.1	Non-current	(161.7)	Non-current	-
	Non-current	5.9	Non-current	32.0	Non-current	-	Non-current	-

Cross currency swap agreements								
Total		396.5		941.5		(622.8)		(221.6)
Derivatives not designated as hedging contracts under SFAS No. 133								
Energy commodity derivative contracts	Current	2.0	Current	1.8	Current	(1.9)	Current	(0.1)
Total derivatives		$398.5		$943.3		$(624.7)		$(221.7)

The offsetting entry to adjust the carrying value of the debt securities whose fair value was being hedged is included within "Value of interest rate swaps" in the accompanying interim Consolidated Balance Sheets, which also includes any unamortized portion of proceeds received from the early termination of interest rate swap agreements. As of June 30, 2009 and December 31, 2008, this unamortized premium totaled $348.4 million and $216.8 million, respectively.

Effect of Derivative Contracts on the Statements of Operations

The following four tables summarize the impact of our derivative contracts in the accompanying interim Consolidated Statements of Operations for the three and six months ended June 30, 2009 and 2008 (in millions):

Derivatives in SFAS No. 133 fair value hedging relationships	Location of gain/(loss) recognized in income on Derivative	Amount of gain/(loss) recognized in income on derivative(a)		Hedged items in SFAS No. 133 fair value hedging relationships	Location of gain/(loss) recognized in income on related hedged item	Amount of gain/(loss) recognized in income on related hedged items(a)	
		Three Months Ended June 30,				Three Months Ended June 30,	
		2009	2008			2009	2008
Interest rate swap agreements	Interest, net – income/(expense)	$ (336.9)	$ (128.2)	Fixed rate debt	Interest, net – income/(expense)	$ 336.9	$ 128.2
Total		$ (336.9)	$ (128.2)	Total		$ 336.9	$ 128.2
		Six Months Ended June 30,				Six Months Ended June 30,	
		2009	2008			2009	2008
Interest rate swap agreements	Interest, net – income/(expense)	$ (467.3)	$ (9.1)	Fixed rate debt	Interest, net – income/(expense)	$ 467.3	$ 9.1
Total		$ (467.3)	$ (9.1)	Total		$ 467.3	$ 9.1

(a) Amounts reflect the change in the fair value of interest rate swap agreements and the change in the fair value of the associated fixed rate debt, which exactly offset each other as a result of no hedge ineffectiveness. Amounts do not reflect the impact on interest expense from the interest rate swap agreements under which we pay variable rate interest and receive fixed rate interest.

Derivatives in SFAS No. 133 cash flow hedging relationships	Amount of gain/(loss) recognized in OCI on derivative (effective portion)	Location of gain/(loss) reclassified from accumulated OCI into income (effective portion)	Amount of gain/(loss) reclassified from accumulated OCI into income (effective portion)	Location of gain/(loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain/(loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)
	Three Months Ended June 30,		Three Months Ended June 30,		Three Months Ended June 30,

	2009	2008		2009	2008		2009	2008
Energy commodity derivative contracts	$ (111.3)	$ (577.3)	Revenues-natural gas sales	$ 3.9	$ (5.1)	Revenues	$ -	$ -
			Revenues-product sales and other	9.6	(81.8)			
			Gas purchases and other costs of sales	0.9	(9.0)	Gas purchases and other costs of sales	-	(6.9)
Total	$ (111.3)	$ (577.3)	Total	$ 14.4	$ (95.9)	Total	$ -	$ (6.9)

	Six Months Ended June 30,			Six Months Ended June 30,			Six Months Ended June 30,	
	2009	2008		2009	2008		2009	2008
Energy commodity derivative contracts	$ (95.4)	$ (797.0)	Revenues-natural gas sales	$ 4.4	$ (5.1)	Revenues	$ -	$ -
			Revenues-product sales and other	29.7	(197.1)			
			Gas purchases and other costs of sales	0.8	(9.2)	Gas purchases and other costs of sales	-	(8.5)
Total	$ (95.4)	$ (797.0)	Total	$ 34.9	$ (211.4)	Total	$ -	$ (8.5)

Derivatives in SFAS No. 133 net investment hedging relationships	Amount of gain/(loss) recognized in OCI on derivative (Effective portion)		Location of gain/(loss) reclassified from accumulated OCI into income (Effective portion)	Amount of gain/(loss) reclassified from accumulated OCI into income (Effective portion)		Location of gain/(loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	Amount of gain/(loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing)	
	Three Months Ended June 30,			Three Months Ended June 30,			Three Months Ended June 30,	
	2009	2008		2009	2008		2009	2008
Cross currency swap agreements	$ (20.1)	$ (20.5)	Other, net	$ -	$ -	Revenues	$ -	$ -
Total	$ (20.1)	$ (20.5)	Total	$ -	$ -	Total	$ -	$ -
	Six Months Ended June 30,			Six Months Ended June 30,			Six Months Ended June 30,	
	2009	2008		2009	2008		2009	2008
Cross currency swap agreements	$ (26.1)	$ 1.7	Other, net	$ -	$ -	Revenues	$ -	$ -
Total	$ (26.1)	$ 1.7	Total	$ -	$ -	Total	$ -	$ -

Derivatives not designated as hedging contracts under SFAS No. 133	Location of gain/(loss) recognized in income on derivative	Amount of gain/(loss) recognized in income on derivative	
		Three Months Ended June 30,	
		2009	2008
Energy commodity derivative contracts	Gas purchases and other costs of sales	$ (1.9)	$ (13.1)
Total		$ (1.9)	$ (13.1)
		Six Months Ended June 30,	
		2009	2008
Energy commodity derivative contracts	Gas purchases and other costs of sales	$ (2.3)	$ (13.1)
Total		$ (2.3)	$ (13.1)

Net Investment Hedges

We are exposed to foreign currency risk from our investments in businesses owned and operated outside the United States. To hedge the value of our investment in Canadian operations, we have entered into various cross-currency interest rate swap transactions that have been designated as net investment hedges in accordance with SFAS No. 133. The effective portion of the changes in fair value of these swap transactions is reported as a cumulative translation adjustment included in the caption "Accumulated other comprehensive loss" in the accompanying interim Consolidated Balance Sheets. The combined notional value of our remaining cross currency interest rate swaps at June 30, 2009 was approximately C$125.5 million.

In June 2009, we terminated cross currency interest rate swaps with a notional value of C$29.2 million. In connection with this termination, we received $0.5 million in July 2009. Additionally in July 2009, we received $1.0 million for the termination of another portion of our cross currency interest rate swaps with a notional value of C$29.2 million.

Credit Risks

As discussed in Note 15 of our 2008 Form 10-K, we and Kinder Morgan Energy Partners, our subsidiary, have counterparty credit risk as a result of our use of financial derivative contracts. Our counterparties consist primarily of financial institutions, major energy companies and local distribution companies. This concentration of counterparties may impact our overall exposure to credit risk, either positively or negatively in that the counterparties may be similarly affected by changes in economic, regulatory or other conditions.

We maintain credit policies with regard to our counterparties that we believe minimize our overall credit risk. These policies include (i) an evaluation of potential counterparties' financial condition (including credit ratings), (ii) collateral requirements under certain circumstances, and (iii) the use of standardized agreements, which allow for netting of positive and negative exposure associated with a single counterparty. Based on our policies, exposure, credit and other reserves, our management does not anticipate a material adverse effect on our financial position, results of operations, or cash flows as a result of counterparty performance.

Our over-the-counter swaps and options are entered into with counterparties outside central trading organizations such as a futures, options or stock exchange. These contracts are with a number of parties, all of which have investment grade credit ratings. While we enter into derivative transactions principally with investment grade counterparties and actively monitor their ratings, it is nevertheless possible that from time to time losses will result from counterparty credit risk in the future. The maximum potential exposure to credit losses on derivative contracts as of June 30, 2009 was (in millions):

	Asset position
Interest rate swap agreements	$ 297.1
Energy commodity derivative contracts	95.5
Cross currency swap agreements	5.9
Gross exposure	398.5
Netting agreement impact	(76.3)
Net exposure	$ 322.2

In conjunction with the purchase of exchange-traded derivative contracts or when the market value of our derivative contracts with specific counterparties exceeds established limits, we are required to provide collateral to our counterparties, which may include posting letters of credit or placing cash in margin accounts. As of June 30, 2009 and December 31, 2008, Kinder Morgan Energy Partners had outstanding letters of credit totaling $80.0 million and $40.0 million, respectively, in support of its hedging of commodity price risks associated with the sale of natural gas, natural gas liquids and crude oil. Additionally, as of June 30, 2009, Kinder Morgan Energy Partners had cash margin deposits associated with its commodity contract positions and over-the-counter swap partners totaling $21.8 million, and we reported this amount as "Current Assets: Restricted deposits" in the accompanying interim Consolidated Balance Sheet. As of December 31, 2008, counterparties associated with Kinder Morgan Energy Partners' energy commodity contract positions and over-the-counter swap agreements had margin deposits with it totaling $3.1 million, and we reported this amount within "Current Liabilities: Other" in the accompanying interim Consolidated Balance Sheet.

Kinder Morgan Energy Partners also has agreements with certain counterparties to its derivative contracts that contain provisions requiring it to post additional collateral upon a decrease in its credit rating. Based on contractual provisions as of June 30, 2009, we estimate that if Kinder Morgan Energy Partners' credit rating was downgraded, Kinder Morgan Energy Partners would have the following additional collateral obligations (in millions):

Credit ratings downgraded(a)	Incremental obligations	Cumulative obligations(b)
One level to BBB-/Baa3	$ 76.6	$ 178.4
Two levels to below BBB-/Baa3 (Below investment grade)	$ 79.1	$ 257.5

(a) If there are split ratings among the independent credit rating agencies, most counterparties use the higher credit rating to determine Kinder Morgan Energy Partners' incremental collateral obligations, while the remaining use the lower credit rating. Therefore, a one level downgrade to BBB-/Baa3 by one agency would not trigger the entire $76.6 million incremental obligation.

(b) Includes current posting at current rating.

7. Fair Value

Fair value measurements and disclosures are made in accordance with the provisions of SFAS No. 157, Fair Value Measurements ("SFAS No. 157"). While not requiring material new fair value measurements, SFAS No. 157 established a single definition of fair value in generally accepted accounting principles and expanded disclosures about fair value measurements. The provisions of this Statement apply to other accounting pronouncements that require or permit fair value measurements; the Financial Accounting Standards Board having previously concluded in those accounting pronouncements that fair value is the relevant measurement attribute.

On February 12, 2008, the FASB issued FASB Staff Position No. FAS 157-2, Effective Date of FASB Statement No. 157, ("FAS 157-2"). FAS 157-2 delayed the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually).

Accordingly, we adopted SFAS No. 157 for financial assets and financial liabilities effective January 1, 2008. The adoption did not have a material impact on our balance sheet, statement of income, or statement of cash flows since we already applied its basic concepts in measuring fair values. We adopted SFAS No. 157 for non-financial assets and non-financial liabilities effective January 1, 2009. This includes applying the provisions of SFAS No. 157 to (i) nonfinancial assets and liabilities initially measured at fair value in business combinations; (ii) reporting units or nonfinancial assets and liabilities measured at fair value in conjunction with goodwill impairment testing; (iii) other nonfinancial assets measured at fair value in conjunction with impairment assessments; and (iv) asset retirement obligations initially measured at fair value. The adoption did not have a material impact on our balance sheet, statement of income, or statement of cash flows since we already applied its basic concepts in measuring fair values.

SFAS No. 157 established a hierarchal disclosure framework associated with the level of pricing observability utilized in measuring fair value. This framework defined three levels of inputs to the fair value measurement process, and requires that each fair value measurement be assigned to a level corresponding to the lowest level input that is significant to the fair value measurement in its entirety. The three broad levels of inputs defined by the SFAS No. 157 hierarchy are as follows:

- Level 1 Inputs—quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date;

- Level 2 Inputs—inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability; and

- Level 3 Inputs—unobservable inputs for the asset or liability. These unobservable inputs reflect the entity’s own assumptions about the assumptions that market participants would use in pricing the asset or liability, and are developed based on the best information available in the circumstances (which might include the reporting entity’s own data).

The following tables summarize the fair value measurements of our (i) energy commodity derivative contracts, (ii) interest rate swap agreements and (iii) cross currency interest rate swap agreements as of June 30, 2009 and December 31, 2008, based on the three levels established by SFAS No. 157, and does not include cash margin deposits, which are reported as “Restricted deposits” in the accompanying interim Consolidated Balance Sheets:

		Asset fair value measurements using		
	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
		(In millions)		
As of June 30, 2009				
Energy commodity derivative contracts(a)	$ 95.5	$ 0.1	$ 44.8	$ 50.6
Interest rate swap agreements	297.1	-	297.1	-
Cross currency interest rate swap agreements	5.9	-	5.9	-
As of December 31, 2008				
Energy commodity derivative contracts(b)	$ 164.2	$ 0.1	$ 108.9	$ 55.2
Interest rate swap agreements	747.1	-	747.1	-
Cross currency interest rate swap agreements	32.0	-	32.0	-

	Liability fair value measurements using			
	Total	Quoted prices in active markets for identical liabilities (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In millions)			
As of June 30, 2009				
Energy commodity derivative contracts(c)	$ (463.0)	$ -	$ (436.4)	$ (26.6)
Interest rate swap agreements	(161.7)	-	(161.7)	-
As of December 31, 2008				
Energy commodity derivative contracts(d)	$ (221.7)	$ -	$ (210.6)	$ (11.1)
Interest rate swap agreements	-	-	-	-

____

(a) Level 1 consists primarily of NYMEX natural gas futures. Level 2 consists primarily of OTC West Texas Intermediate hedges and OTC natural gas hedges that are settled on NYMEX. Level 3 consists primarily of natural gas basis swaps and West Texas Intermediate options.

(b) Level 1 consists primarily of NYMEX natural gas futures. Level 2 consists primarily of OTC West Texas Intermediate hedges and

OTC natural gas hedges that are settled on NYMEX. Level 3 consists primarily of West Texas Intermediate options and West Texas Sour hedges.

(c) Level 2 consists primarily of OTC West Texas Intermediate hedges and OTC natural gas hedges that are settled on NYMEX. Level 3 consists primarily of West Texas Sour hedges, natural gas basis swaps and West Texas Intermediate options.

(d) Level 2 consists primarily of OTC West Texas Intermediate hedges. Level 3 consists primarily of natural gas basis swaps, natural gas options and West Texas Intermediate options.

The table below provides a summary of changes in the fair value of our Level 3 energy commodity derivative contracts for each of the six months ended June 30, 2009 and 2008:

Significant unobservable inputs (Level 3)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In millions)			
Derivatives-net asset (liability)				
Beginning of Period	$ 53.4	$ (123.8)	$ 44.1	$ (100.3)
Realized and unrealized net losses	(28.1)	(141.5)	(21.8)	(186.3)
Purchases and settlements	(1.3)	32.3	1.7	53.6
Transfers in (out) of Level 3	-	-	-	-
End of Period	$ 24.0	$ (233.0)	$ 24.0	$ (233.0)
Change in unrealized net losses relating to contracts still held at end of period	$ (29.7)	$ (123.1)	$ (39.5)	$ (160.8)

For a more complete discussion of our fair value measurements, see Note 7 of Notes to our Consolidated Financial Statements included in our 2008 Form 10-K.

Fair Value of Financial Instruments

Fair value as used in SFAS No. 107, "Disclosures About Fair Value of Financial Instruments," represents the amount at which an instrument could be exchanged in a current transaction between willing parties. The estimated fair value of our outstanding debt balance as of June 30, 2009 and December 31, 2008 (both short and long-term, but excluding the value of interest rate swaps), is disclosed below (in millions):

	June 30, 2009		December 31, 2008	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
Total Debt	$ 12,315.2	$ 12,142.2	$ 11,458.3	$ 9,813.9

The estimated fair value of our outstanding publicly-traded debt as of each date is based upon quoted market prices, if available, and for all other debt, fair value is based upon prevailing interest rates currently available to us, and in accordance with the provisions of SFAS No. 157, we adjust (discount) the fair value measurement of our long-term debt for the effect of credit risk. For a more complete discussion of our fair value measurements, see Note 13 of Notes to Consolidated Financial Statements included in our 2008 Form 10-K.

8. Reportable Segments

We divide our operations in seven reportable segments. These segments and their principal source of revenues are as follow:

- Products Pipelines–KMP – the transportation and terminaling of refined petroleum products, including gasoline, diesel fuel, jet fuel and natural gas liquids;

- Natural Gas Pipelines–KMP– the sale, transport, processing, treating, storage and gathering of natural gas;

- CO2–KMP – the production and sale of crude oil from fields in the Permian Basin of West Texas and the transportation and marketing of carbon dioxide used as a flooding medium for recovering crude oil from mature oil fields;

- Terminals–KMP – the transloading and storing of refined petroleum products and dry and liquid bulk products, including coal, petroleum coke, cement, alumina, salt and other bulk chemicals;

- Kinder Morgan Canada–KMP – the transportation of crude oil and refined products;
- NGPL PipeCo LLC—after February 15, 2008, this segment consists of our 20% interest in NGPL PipeCo LLC, a major interstate natural gas pipeline and storage system, which we operate; and
- Power consists of a natural gas-fired electric generation facility.

The accounting policies we apply in the generation of reportable segment earnings are generally the same as those applied to our consolidated operations, except that (i) certain items below the "Operating Income (Loss)" line (such as interest expense) are either not allocated to reportable segments or are not considered by management in its evaluation of reportable segment performance, (ii) equity in earnings of equity method investees are included in segment earnings (these equity method earnings are included in "Other Income (Expense)" in the accompanying interim Consolidated Statements of Operations), (iii) certain items included in operating income (such as general and administrative expenses and depreciation, depletion and amortization ("DD&A")) are not considered by management in its evaluation of reportable segment performance and, thus, are not included in reported performance measures, (iv) gains and losses from incidental sales of assets are included in segment earnings and (v) our reportable segments that are also segments of Kinder Morgan Energy Partners include certain other income and expenses and income taxes in its segment earnings. With adjustment for these items, we currently evaluate reportable segment performance primarily based on segment earnings before DD&A in relation to the level of capital employed.

Reportable Segments Information

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	(In millions)			
Revenues from external customers				
Products Pipelines–KMP	$ 206.7	$ 198.6	$ 394.9	$ 396.9
Natural Gas Pipelines–KMP	860.7	2,644.7	1,912.4	4,557.2
CO2–KMP	282.4	342.6	535.6	662.4
Terminals–KMP	263.7	300.4	531.4	580.4
Kinder Morgan Canada–KMP(a)	56.0	44.2	106.0	88.1
NGPL PipeCo LLC(b)	-	-	-	132.1
Power	12.4	13.2	19.0	20.7
Other	11.4	16.8	22.9	17.7
Total revenues	$ 1,693.3	$ 3,560.5	$ 3,522.2	$ 6,455.5
Intersegment revenues				
Terminals–KMP	$ 0.3	$ 0.3	$ 0.5	$ 0.5
NGPL PipeCo LLC(b)	-	-	-	0.9
Other	-	(0.1)	-	(0.9)
Total intersegment revenues	$ 0.3	$ 0.2	$ 0.5	$ 0.5
Segment earnings (loss) before depreciation, depletion, amortization and amortization of excess cost of equity investments				
Products Pipelines–KMP	$ 154.7	$ (977.1)	$ 300.1	$ (836.9)
Natural Gas Pipelines–KMP	162.0	(2,073.0)	362.0	(1,884.6)
CO2–KMP	226.9	250.6	418.6	483.9

Terminals–KMP	141.0	(536.2)	275.3	(410.4)
Kinder Morgan Canada–KMP(a)	46.7	38.8	66.2	73.4
NGPL PipeCo LLC(b)	10.1	8.7	22.4	104.7
Power	1.3	0.7	2.4	2.8
Total segment earnings (loss) before DD&A(c)	742.7	(3,287.5)	1,447.0	(2,467.1)
Depreciation, depletion and amortization	(256.8)	(215.7)	(521.6)	(433.8)
Amortization of excess cost of equity investments	(1.5)	(1.4)	(2.9)	(2.9)
NGPL PipeCo LLC fixed fee revenue	11.4	16.7	22.9	16.7
General and administrative expense	(84.1)	(91.8)	(177.0)	(178.1)
Unallocable interest and other, net(d)	(139.1)	(137.1)	(289.4)	(341.5)
Add back: income taxes included in segments above(c)	2.8	2.3	22.1	11.3
Income (loss) from continuing operations before income taxes	$ 275.4	$ (3,714.5)	$ 501.1	$ (3,395.4)

	June 30, 2009	December 31, 2008
	(In millions)	
Assets		
Products Pipelines–KMP	$ 5,558.8	$ 5,526.4
Natural Gas Pipelines–KMP	8,504.4	7,748.1
CO2–KMP	4,337.9	4,478.7
Terminals–KMP	4,445.0	4,327.8
Kinder Morgan Canada–KMP(a)	1,632.1	1,583.9
NGPL PipeCo LLC(b)	712.0	717.3
Power	57.8	58.9
Total segment assets	25,248.0	24,441.1
Corporate assets(e)	678.8	1,003.8
Total consolidated assets	$ 25,926.8	$ 25,444.9

(a) On August 28, 2008, we sold our one-third interest in the net assets of the Express pipeline system (“Express”), as well as our full ownership of the net assets of the Jet Fuel pipeline system (“Jet Fuel”), to Kinder Morgan Energy Partners. The results of Express and Jet Fuel are now reported in the segment referred to as Kinder Morgan Canada–KMP for all periods.

(b) Effective February 15, 2008, we sold an 80% ownership interest in NGPL PipeCo LLC to Myria. As a result of the sale, beginning February 15, 2008, we account for our 20% ownership interest in NGPL PipeCo LLC as an equity method investment.

(c) Income taxes of Kinder Morgan Energy Partners of $2.8 million, $2.3 million, $22.1 million and $11.3 million, respectively, for the three- and six-month periods ended June 30, 2009 and 2008 are included in segment earnings (loss) before DD&A.

(d) Includes (i) interest expense and (ii) miscellaneous other income and expenses not allocated to reportable segments.

(e) Includes assets of cash and cash equivalents, margin and restricted deposits, unallocable interest receivable, prepaid assets and deferred charges, risk management assets related to the fair value of interest rate swaps and miscellaneous corporate assets (such as information technology and telecommunications equipment) not allocated to individual segments.

9. Related Party Transactions

Significant Investors

Two of Kinder Morgan Holdco LLC’s investors are considered “related parties” to us as that term is defined in the authoritative accounting literature: (i) American International Group, Inc. and certain of its affiliates (“AIG”) and (ii) Goldman Sachs Capital Partners and certain of its affiliates (“Goldman Sachs”). We enter into transactions with certain AIG affiliates in the ordinary course of their conducting insurance and insurance-related activities, although no individual transaction is, and all such transactions collectively are not, material to our consolidated financial statements. We conduct commodity risk management activities in the ordinary course of implementing our risk management strategies in which the counterparty to certain of our derivative transactions is an affiliate of Goldman Sachs. In conjunction with these activities, we are a party (through one of our subsidiaries engaged in the production of crude oil) to a hedging facility with J. Aron & Company/Goldman Sachs, which requires us to provide certain periodic information but does not require the posting of margin. As a result of changes in the market value of our derivative positions, we have recorded both amounts receivable from and payable to Goldman Sachs affiliates. At

June 30, 2009 and December 31, 2008, the fair values of these derivative contracts associated with commodity price risk management activities with related parties are included in the accompanying interim Consolidated Balance Sheets within the captions indicated in the following table:

	June 30, 2009	December 31, 2008
	(In millions)	
Derivatives - asset (liability)		
Current Assets: Fair value of derivative contracts	$ 0.6	$ 60.4
Assets: Fair value of derivative contracts	$ 14.5	$ 20.1
Current Liabilities: Fair value of derivative contracts	$ (44.5)	$ (13.2)
Long-term Liabilities and Deferred Credits: Fair value of derivative contracts	$ (142.1)	$ (24.1)

Plantation Pipe Line Company Note Receivable

Kinder Morgan Energy Partners has a long-term note receivable bearing interest at the rate of 4.72% per annum from Plantation Pipe Line Company, its 51.17%-owned equity investee. The note provides for semiannual payments of principal and interest on December 31 and June 30 each year, with a final principal payment due July 20, 2011. The outstanding note receivable balance was $86.1 million and $88.5 million as