

*CONSOLIDATED FINANCIAL STATEMENTS*  
*With Report of Independent Auditors*

*TENNESSEE GAS PIPELINE COMPANY, L.L.C.*

*As of December 31, 2020 and 2019 and*  
*For the Years Ended December 31, 2020 and 2019*

**TENNESSEE GAS PIPELINE COMPANY, L.L.C. AND SUBSIDIARY**  
**TABLE OF CONTENTS**

|                                                            | <b>Page<br/>Number</b> |
|------------------------------------------------------------|------------------------|
| Report of Independent Auditors                             | 1                      |
| Consolidated Financial Statements                          |                        |
| Consolidated Statements of Income and Comprehensive Income | 2                      |
| Consolidated Balance Sheets                                | 3                      |
| Consolidated Statements of Cash Flows                      | 4                      |
| Consolidated Statements of Member's Equity                 | 5                      |
| Notes to Consolidated Financial Statements                 | 6                      |



## **Report of Independent Auditors**

To the Management of Tennessee Gas Pipeline Company, L.L.C.

We have audited the accompanying consolidated financial statements of Tennessee Gas Pipeline Company, L.L.C. and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2020 and 2019, and the related consolidated statements of income and comprehensive income, of member's equity and of cash flows for the years then ended.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tennessee Gas Pipeline Company, L.L.C. and its subsidiary as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers LLP*

Houston, Texas  
April 15, 2021

**TENNESSEE GAS PIPELINE COMPANY, L.L.C. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
(In millions)

|                                            | <b>Year Ended December 31,</b> |             |
|--------------------------------------------|--------------------------------|-------------|
|                                            | <b>2020</b>                    | <b>2019</b> |
| Revenues                                   | \$ 1,660                       | \$ 1,683    |
| Operating Costs and Expenses               |                                |             |
| Operations and maintenance                 | 316                            | 317         |
| Depreciation and amortization              | 230                            | 227         |
| General and administrative                 | 76                             | 69          |
| Taxes, other than income taxes             | 104                            | 99          |
| Other expense (income)                     | 3                              | (10)        |
| Total Operating Costs and Expenses         | 729                            | 702         |
| Operating Income                           | 931                            | 981         |
| Other Income (Expense)                     |                                |             |
| Earnings from equity investment            | 8                              | 8           |
| Interest, net                              | (118)                          | (108)       |
| Other, net                                 | 5                              | 6           |
| Total Other Expense                        | (105)                          | (94)        |
| Income Before Income Taxes                 | 826                            | 887         |
| Income Tax (Expense) Benefit               | (1)                            | 1           |
| Net Income                                 | 825                            | 888         |
| Other Comprehensive Income                 |                                |             |
| Adjustments to postretirement benefit plan | 5                              | 6           |
| Comprehensive Income                       | \$ 830                         | \$ 894      |

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

**TENNESSEE GAS PIPELINE COMPANY, L.L.C. AND SUBSIDIARY**  
**CONSOLIDATED BALANCE SHEETS**  
(In millions)

|                                                  | December 31, |          |
|--------------------------------------------------|--------------|----------|
|                                                  | 2020         | 2019     |
| <b>ASSETS</b>                                    |              |          |
| Current assets                                   |              |          |
| Cash and cash equivalents                        | \$ —         | \$ —     |
| Accounts receivable                              | 161          | 180      |
| Inventories                                      | 54           | 55       |
| Regulatory assets                                | 14           | 45       |
| Natural gas imbalance receivable                 | 12           | 6        |
| Other current assets                             | 2            | 1        |
| Total current assets                             | 243          | 287      |
| Property, plant and equipment, net               | 5,649        | 5,713    |
| Goodwill                                         | 3,250        | 3,250    |
| Note receivable from affiliate                   | 325          | 3        |
| Investment                                       | 68           | 66       |
| Regulatory assets                                | 175          | 157      |
| Deferred charges and other assets                | 263          | 274      |
| Total Assets                                     | \$ 9,973     | \$ 9,750 |
| <b>LIABILITIES AND MEMBER'S EQUITY</b>           |              |          |
| Current liabilities                              |              |          |
| Accounts payable                                 | \$ 45        | \$ 51    |
| Accrued interest                                 | 28           | 87       |
| Accrued taxes, other than income taxes           | 63           | 61       |
| Contractual deposits                             | 17           | 17       |
| Regulatory liabilities                           | 10           | 12       |
| Natural gas imbalance payable                    | 8            | 9        |
| Other current liabilities                        | 8            | 34       |
| Total current liabilities                        | 179          | 271      |
| Long-term liabilities and deferred credits       |              |          |
| Long-term debt                                   | 2,240        | 1,240    |
| Debt fair value adjustments                      | 196          | 220      |
| Notes payable to affiliate                       | —            | 550      |
| Other long-term liabilities and deferred credits | 96           | 106      |
| Total long-term liabilities and deferred credits | 2,532        | 2,116    |
| Total Liabilities                                | 2,711        | 2,387    |
| Commitments and contingencies (Note 9)           |              |          |
| Member's Equity                                  |              |          |
| Member's equity                                  | 7,258        | 7,364    |
| Accumulated other comprehensive income (loss)    | 4            | (1)      |
| Total Member's Equity                            | 7,262        | 7,363    |
| Total Liabilities and Member's Equity            | \$ 9,973     | \$ 9,750 |

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

**TENNESSEE GAS PIPELINE COMPANY, L.L.C. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)

|                                                                                   | <b>Year Ended December 31,</b> |              |
|-----------------------------------------------------------------------------------|--------------------------------|--------------|
|                                                                                   | <b>2020</b>                    | <b>2019</b>  |
| <b>Cash Flows From Operating Activities</b>                                       |                                |              |
| Net income                                                                        | \$ 825                         | \$ 888       |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                |              |
| Depreciation and amortization                                                     | 230                            | 227          |
| Earnings from equity investment                                                   | (8)                            | (8)          |
| Other non-cash items                                                              | (13)                           | (15)         |
| Distributions from equity investment earnings                                     | 6                              | 7            |
| Changes in components of working capital:                                         |                                |              |
| Accounts receivable                                                               | 19                             | 10           |
| Accounts payable                                                                  | (2)                            | (9)          |
| Accrued interest                                                                  | (59)                           | 18           |
| Other current assets and liabilities                                              | (36)                           | (16)         |
| Other long-term assets and liabilities                                            | 9                              | 20           |
| <b>Net Cash Provided by Operating Activities</b>                                  | <b>971</b>                     | <b>1,122</b> |
| <b>Cash Flows From Investing Activities</b>                                       |                                |              |
| Capital expenditures                                                              | (144)                          | (221)        |
| Net change in note receivable from affiliate                                      | (322)                          | —            |
| Asset disposal costs, net of sale proceeds                                        | (16)                           | (19)         |
| Other, net                                                                        | 1                              | (1)          |
| <b>Net Cash Used in Investing Activities</b>                                      | <b>(481)</b>                   | <b>(241)</b> |
| <b>Cash Flows From Financing Activities</b>                                       |                                |              |
| Issuances of debt                                                                 | 998                            | —            |
| Payments of promissory notes with affiliate                                       | (550)                          | —            |
| Debt issue costs                                                                  | (7)                            | —            |
| Contributions from Member                                                         | 9                              | 97           |
| Distributions to Member                                                           | (940)                          | (978)        |
| <b>Net Cash Used in Financing Activities</b>                                      | <b>(490)</b>                   | <b>(881)</b> |
| <b>Net Change in Cash and Cash Equivalents</b>                                    | <b>—</b>                       | <b>—</b>     |
| Cash and Cash Equivalents, beginning of period                                    | —                              | —            |
| <b>Cash and Cash Equivalents, end of period</b>                                   | <b>\$ —</b>                    | <b>\$ —</b>  |
| <b>Non-cash Investing and Financing Activities</b>                                |                                |              |
| Right-of-use assets and operating lease obligations recognized                    | \$ —                           | \$ 3         |
| <b>Supplemental Disclosure of Cash Flow Information</b>                           |                                |              |
| Cash paid during the period for interest (net of capitalized interest)            | 179                            | 91           |

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

**TENNESSEE GAS PIPELINE COMPANY, L.L.C. AND SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY**  
(In millions)

|                            | <b>Year Ended December 31,</b> |             |
|----------------------------|--------------------------------|-------------|
|                            | <b>2020</b>                    | <b>2019</b> |
| Beginning Balance          | \$ 7,363                       | \$ 7,350    |
| Net income                 | 825                            | 888         |
| Contributions              | 9                              | 97          |
| Distributions              | (940)                          | (978)       |
| Other comprehensive income | 5                              | 6           |
| Ending Balance             | \$ 7,262                       | \$ 7,363    |

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

**TENNESSEE GAS PIPELINE COMPANY, L.L.C. AND SUBSIDIARY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. General**

We are a Delaware limited liability company, originally formed in 1947 as a corporation. When we refer to “us,” “we,” “our,” “the Company,” or “TGP,” we are describing Tennessee Gas Pipeline Company, L.L.C. and its consolidated subsidiary. We are an indirect wholly owned subsidiary of Kinder Morgan, Inc. (KMI).

Our operations are regulated by the Federal Energy Regulatory Commission (FERC) under the Natural Gas Act of 1938, the Natural Gas Policy Act of 1978 and the Energy Policy Act of 2005. The FERC approves tariffs that establish rates, cost recovery mechanisms and other terms and conditions of service to our customers.

Our primary business consists of the interstate transportation and storage of natural gas. Our natural gas pipeline system consists of approximately 11,800 miles of pipeline with a design capacity of approximately 12.1 billion cubic feet (Bcf) per day. This multiple-line system begins in the natural gas producing regions of Louisiana, the Gulf of Mexico and south Texas and extends to the northeast region of the United States (U.S.), including the metropolitan areas of New York City and Boston. Our system connects with multiple pipelines (including interconnects at the U.S. and Mexico border and the U.S. and Canada border) and connects to four major shale formations, providing customers with access to diverse resources of supply and various natural gas markets. Along our pipeline system, we have approximately 80 Bcf of underground working natural gas storage capacity through partially owned facilities or long-term contracts. Of this total storage capacity, approximately 29.6 Bcf is contracted from Bear Creek Storage Company, L.L.C. (Bear Creek), located in Bienville Parish, Louisiana. Bear Creek is a joint venture equally owned by us and Southern Natural Gas Company, L.L.C. (SNG), an affiliate. The Bear Creek facility has approximately 59.2 Bcf of working natural gas storage capacity that is committed equally to SNG and us.

**2. Summary of Significant Accounting Policies**

***Basis of Presentation***

We have prepared our accompanying consolidated financial statements in accordance with the accounting principles contained in the Financial Accounting Standards Board’s Accounting Standards Codification (ASC), the single source of U.S. Generally Accepted Accounting Principles and referred to in this report as the Codification. Additionally, certain amounts from the prior year have been reclassified to conform to the current presentation.

Management has evaluated subsequent events through April 15, 2021, the date the financial statements were available to be issued.

***Coronavirus Diseases 2019 (COVID-19)***

The COVID-19 pandemic-related reduction in energy demand and the dramatic decline in commodity prices that began in the first quarter of 2020 has continued to cause disruptions and volatility. Sharp declines in the supply of and demand for energy related commodities due to the economic shutdown in the wake of the pandemic also affected the energy industry during 2020, and continues to do so. Further, significant uncertainty remains regarding the duration and extent of the impact of the pandemic (including the timing and distribution of vaccines) on the energy industry, including demand and prices for hydrocarbons.

***Principles of Consolidation***

We consolidate entities when we have the ability to control or direct the operating and financial decisions of the entity or when we have a significant interest in the entity that gives us the ability to direct the activities that are significant to that entity. The determination of our ability to control, direct or exert significant influence over an entity involves the use of judgment. All significant intercompany items have been eliminated in consolidation.

***Use of Estimates***

Certain amounts included in or affecting our financial statements and related disclosures must be estimated, requiring us to make certain assumptions with respect to values or conditions which cannot be known with certainty at the time our financial statements are prepared. These estimates and assumptions affect the amounts we report for assets and liabilities, our revenues

and expenses during the reporting period, and our disclosures, including as it relates to contingent assets and liabilities at the date of our financial statements. We evaluate these estimates on an ongoing basis, utilizing historical experience, consultation with experts and other methods we consider reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates. Any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

Certain accounting policies are of more significance in our financial statement preparation process than others, and set out below are the principal accounting policies we apply in the preparation of our consolidated financial statements.

### ***Cash Equivalents***

We define cash equivalents as all highly liquid short-term investments with original maturities of three months or less.

### ***Allowance for Credit Losses***

Effective with our adoption of Accounting Standards Update (ASU) No. 2016-13, “*Financial Instruments—Credit Losses*” on January 1, 2020, we evaluate our financial assets measured at amortized cost and off-balance sheet credit exposures for expected credit losses over the contractual term of the asset or exposure. We consider available information relevant to assessing the collectability of cash flows including the expected risk of credit loss even if that risk is remote. We measure expected credit losses on a collective (pool) basis when similar risk characteristics exist and we reflect the expected credit losses on the amortized cost basis of the financial asset as of the reporting date.

Our financial instruments primarily consist of our accounts receivable from customers and a note receivable from affiliate. We utilized historical analysis of credit losses experienced over the previous five years along with current conditions and reasonable and supportable forecasts of future conditions in our evaluation of collectability of our financial assets.

Prior to the adoption of ASU No. 2016-13, generally our evaluation of appropriate reserves for our accounts receivable was based on a historical analysis of uncollected amounts and we recorded adjustments for changed circumstances and customer-specific information.

We had insignificant allowance for credit losses recorded as of December 31, 2020 and 2019.

### ***Inventories***

Our inventories, which consist of materials and supplies, are valued at weighted-average cost, and we periodically review for physical deterioration and obsolescence.

We recorded approximately \$5 million of reduction in the carrying value of our materials and supplies inventories during the year ended December 31, 2020, which is included in “Other expense (income)” on our accompanying Consolidated Statements of Income and Comprehensive Income.

### ***Natural Gas Imbalances***

Natural gas imbalances occur when the amount of natural gas delivered from or received by a pipeline system or storage facility differs from the scheduled amount of gas to be delivered or received. We value these imbalances due to or from shippers and operators at current index prices. Imbalances are settled in cash or made up in-kind, subject to the terms of our FERC tariff. Imbalances due from others are reported on our accompanying Consolidated Balance Sheets in “Natural gas imbalance receivable.” Imbalances owed to others are reported on our accompanying Consolidated Balance Sheets in “Natural gas imbalance payable.” We classify all imbalances due from or owed to others as current as we expect to settle them within a year.

### ***Property, Plant and Equipment, net***

Our property, plant and equipment is recorded at its original cost of construction or, upon acquisition, at either the fair value of the assets acquired or the cost to the entity that first placed the asset in utility service. For constructed assets, we capitalize all construction-related direct labor and material costs, as well as indirect construction costs. Our indirect construction costs primarily include an interest and equity return component (as more fully described below) and labor and related costs associated with supporting construction activities. The indirect capitalized labor and related costs are based upon estimates of time spent supporting construction projects. We expense costs for routine maintenance and repairs in the period incurred.

We use the composite method to depreciate property, plant and equipment. Under this method, assets with similar economic characteristics are grouped and depreciated as one asset. The FERC-accepted depreciation rate is applied to the total cost of the group until the net book value equals the salvage value. For certain general plant, the asset is depreciated to zero. As part of periodic filings with the FERC, we also re-evaluate and receive approval for our depreciation rates. When property, plant and equipment is retired, accumulated depreciation and amortization is charged for the original cost of the assets in addition to the cost to remove, sell or dispose of the assets, less salvage value. We do not recognize gains or losses unless we sell land or an entire operating unit (as approved by the FERC). In those instances where we receive recovery in rates related to losses on dispositions of operating units, we record a regulatory asset for the estimated recoverable amount. For additional information on our regulatory asset that we recorded associated with the sale of certain of our assets, refer to Note 8, “Unamortized loss on sale of assets.”

Included in our property balances are base gas and working gas at our storage facilities. We periodically evaluate natural gas volumes at our storage facilities for gas losses. When events or circumstances indicate a loss has occurred, we recognize a loss on our accompanying Consolidated Statements of Income and Comprehensive Income or defer the loss as a regulatory asset on our accompanying Consolidated Balance Sheets if deemed probable of recovery through future rates charged to customers.

We capitalize a carrying cost (an allowance for funds used during construction or AFUDC) on debt and equity funds related to the construction of long-lived assets. This carrying cost consists of a return on the investment financed by debt and a return on the investment financed by equity. The debt portion is calculated based on our average cost of debt. Interest costs capitalized are included as a reduction in “Interest, net” on our accompanying Consolidated Statements of Income and Comprehensive Income. The equity portion is calculated based on our most recent FERC approved rate of return. Equity amounts capitalized are included in “Other, net” on our accompanying Consolidated Statements of Income and Comprehensive Income. The amount of capitalized AFUDC for the years ended December 31, 2020 and 2019 was approximately \$6 million and \$5 million, respectively.

#### ***Asset Retirement Obligations (ARO)***

We record liabilities for obligations related to the retirement and removal of long-lived assets used in our business. We record, as liabilities, the fair value of ARO on a discounted basis when they are incurred and can be reasonably estimated, which is typically at the time the assets are installed or acquired. Amounts recorded for the related assets are increased by the amount of these obligations. Over time, the liabilities increase due to the change in their present value, and the initial capitalized costs are depreciated over the useful lives of the related assets. The liabilities are eventually extinguished when the asset is taken out of service.

We are required to operate and maintain our natural gas pipelines and storage systems, and intend to do so as long as supply and demand for natural gas exists, which we expect for the foreseeable future. Therefore, we believe that we cannot reasonably estimate the ARO for the substantial majority of our assets because these assets have indeterminate lives. We continue to evaluate our ARO and future developments could impact the amounts we record. We had no ARO recorded as of December 31, 2020 and 2019.

#### ***Long-lived Asset and Investment Impairments***

We evaluate our long-lived assets and investments for impairment when events or changes in circumstances indicate that the carrying values may not be recovered. These events include market declines that are believed to be other than temporary, changes in the manner in which we intend to use a long-lived asset, decisions to sell an asset or investment and adverse changes in market conditions or in the legal or business environment such as adverse actions by regulators. If an event occurs, which is a determination that involves judgment, we evaluate the recoverability of our carrying value based on either (i) the long-lived asset’s ability to generate future cash flows on an undiscounted basis or (ii) the fair value of the investment in an unconsolidated affiliate. If an impairment is indicated, or if we decide to sell a long-lived asset or group of assets, we adjust the carrying value of the asset downward, if necessary, to its estimated fair value.

Our fair value estimates are generally based on assumptions market participants would use, including market data obtained through the sales process or an analysis of expected discounted future cash flows. There were no impairments for the years ended December 31, 2020 and 2019.

## ***Equity Method of Accounting***

We account for investment, which we do not control but do have the ability to exercise significant influence, by the equity method of accounting. Under this method, our equity investment is carried originally at our acquisition cost, increased by our proportionate share of the investee's net income and by contributions made, and decreased by our proportionate share of the investee's net losses and by distributions received.

## ***Goodwill***

Goodwill is the cost of an acquisition of a business in excess of the fair value of acquired assets and liabilities and is recorded as an asset on our balance sheet. Goodwill is not subject to amortization but must be tested for impairment at least annually and in interim periods if indicators of impairment exist. This test requires us to assign goodwill to an appropriate reporting unit, and an impairment exists and is recorded for the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill.

We evaluate goodwill for impairment on May 31 of each year. For this purpose, we have only one reporting unit. We also evaluate goodwill for impairment to the extent events or conditions change between annual tests that would indicate a risk of possible impairment at the interim period. Generally, the evaluation of goodwill for impairment involves a quantitative test, although under certain circumstance an initial qualitative evaluation may be sufficient to conclude that goodwill is not impaired without conducting the quantitative test.

Prior to our adoption of ASU No. 2017-04, "*Intangibles - Goodwill and Other (Topic) 350: Simplifying the Test for Goodwill Impairment*" effective January 1, 2020, we performed a two-step quantitative test. Step 1 involved the quantitative test still applied under ASU No. 2017-04 described above. If the estimated fair value exceeded the carrying value, the reporting unit's goodwill was not considered impaired. If the carrying value exceeded the estimated fair value, step 2 was performed to determine whether goodwill was impaired and, if so, the amount of the impairment. Step 2 involved calculating an implied fair value of goodwill by performing a hypothetical allocation of the estimated fair value of the reporting unit determined in step 1 to the respective tangible and intangible net assets of the reporting unit. The remaining implied goodwill was then compared to the actual carrying amount of the goodwill for the reporting unit. To the extent the carrying amount of goodwill exceeded the implied goodwill, the difference was the amount of the goodwill impairment.

We determine the fair value of our reporting unit based on a market approach utilizing enterprise value to estimated earnings before interest, taxes, depreciation and amortization multiples of comparable companies. The value of the reporting unit is determined on a standalone basis from the perspective of a market participant representing the price estimated to be received in a sale of the reporting unit in an orderly transaction between market participants at the measurement date. There were no goodwill impairments for the years ended December 31, 2020 and 2019.

The fair value estimate of our reporting unit was based on Level 3 inputs of the fair value hierarchy.

## ***Revenue Recognition***

### ***Revenue from Contracts with Customers***

We review our contracts with customers using the following steps to recognize revenue based on the transfer of goods or services to customers and in amounts that reflect the consideration the company expects to receive for those goods or services. The steps include: (i) identify the contract; (ii) identify the performance obligations of the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and then (v) recognize revenue when (or as) the performance obligation is satisfied. Each of these steps involves management judgment and an analysis of the contract's material terms and conditions.

### ***Natural Gas Transportation and Storage Contracts***

Our revenues are primarily generated from the transportation and storage of natural gas under firm service customer contracts with take-or-pay elements (principally for capacity reservation) where both the price and quantity are fixed. Generally, for these contracts: (i) our promise is to transfer (or stand ready to transfer) a series of distinct integrated services over a period of time, which is a single performance obligation; (ii) the transaction price includes fixed and/or variable consideration, which is determinable at contract inception and/or at each month end based on our right to invoice at month end for the value of services provided to the customer that month; and (iii) the transaction price is recognized as revenue over the

service period specified in the contract as the services are rendered. In these arrangements, the customer is obligated to pay for services associated with its take-or-pay obligation regardless of whether or not the customer chooses to utilize the service in that period. Because we make the service continuously available over the service period, we recognize the take-or-pay amount as revenue ratably over the period based on the passage of time.

The natural gas we receive under our transportation and storage contracts remains under the control of our customers. In many cases, generally described as firm service, the customer generally pays a two-part transaction price that includes (i) a fixed fee reserving the right to transport or store natural gas in our facilities up to contractually specified capacity levels (referred to as “reservation”) and (ii) a fee-based per-unit rate for quantities of natural gas actually transported or injected into/withdrawn from storage. In our firm service contracts we generally promise to provide a single integrated service each day over the life of the contract, which is fundamentally a stand-ready obligation to provide services up to the customer’s reservation capacity prescribed in the contract. Our customers have a take-or-pay payment obligation with respect to the fixed reservation fee component, regardless of the quantities they actually transport or store. In other cases, generally described as interruptible service, there is no fixed fee associated with these transportation and storage services because the customer accepts the possibility that service may be interrupted at our discretion in order to serve customers who have firm service contracts. We do not have an obligation to perform under interruptible customer arrangements until we accept and schedule the customer’s request for periodic service. The customer pays a transaction price based on a fee-based per-unit rate for the quantities actually transported or injected into/withdrawn from storage.

#### *Natural Gas Sales Contracts*

Our customer sales contracts are primarily related to natural gas sales and these revenues are generally accounted for on a gross basis with related cost reported as a part of operations and maintenance expense in our accompanying Consolidated Statements of Income and Comprehensive Income. Generally, for the majority of these contracts: (i) each unit (dekatherm) of natural gas sold is a separate performance obligation; (ii) the transaction price is determinable each month end based on our right to invoice at month end for the value of natural gas sold to the customer that month; and (iii) the transaction price is allocated to each performance obligation based on the standalone selling price of natural gas sold and the amount recognized as revenue upon delivery of the natural gas, which is the point in time when the customer obtains control of the natural gas and our performance obligation is satisfied. These customer contracts generally provide for the customer to nominate a specified quantity of natural gas to be delivered and sold to the customer at specified delivery points. The customer pays a transaction price typically based on a market or index per-unit rate for the quantities sold.

#### *Contract Balances*

Contract assets and contract liabilities are the result of timing differences between revenue recognition, billings and cash collections.

Refer to Note 7 for further information.

#### *Environmental Matters*

We capitalize or expense, as appropriate, environmental expenditures. We capitalize certain environmental expenditures required to obtain rights-of-way, regulatory approvals or permitting as part of the construction of facilities we use in our business operations. We accrue and expense environmental costs that relate to an existing condition caused by past operations, which do not contribute to current or future revenue generation. We generally do not discount environmental liabilities to a net present value, and we record environmental liabilities when environmental assessments and/or remedial efforts are probable and we can reasonably estimate the costs. Generally, our accrual of these environmental liabilities coincides with either our completion of a feasibility study or our commitment to a formal plan of action. We recognize receivables for anticipated associated insurance recoveries when such recoveries are deemed to be probable.

We routinely conduct reviews of potential environmental issues and claims that could impact our assets or operations. These reviews assist us in identifying environmental issues and estimating the costs and timing of remediation efforts. We also routinely adjust our environmental liabilities to reflect changes in previous estimates. In making environmental liability estimations, we consider the material effect of environmental compliance, pending legal actions against us, and potential third-party liability claims we may have against others. Often, as the remediation evaluation and effort progresses, additional information is obtained, requiring revisions to estimated costs. These revisions are reflected in our income in the period in which they are reasonably determinable. Refer to Note 9 for further information.

### ***Postretirement Benefits***

We participate in KMI's postretirement benefit plan covering certain of our former employees that we have made contributions to in the past. These contributions are invested until the benefits are paid to plan participants. The net benefit cost of this plan is recorded on our accompanying Consolidated Statements of Income and Comprehensive Income and is a function of many factors including expected returns on plan assets and amortization of certain deferred gains and losses. Refer to Note 5 for further information.

In accounting for our postretirement benefit plan, we record an asset or liability based on the difference between the fair value of the plan's assets and the plan's benefit obligation. Any deferred amounts related to unrecognized gains and losses or changes in actuarial assumptions are recorded on our accompanying Consolidated Balance Sheets in "Accumulated other comprehensive income (loss)" until those gains or losses are recognized on our accompanying Consolidated Statements of Income and Comprehensive Income.

### ***Debt***

We classify our debt based on the contractual maturity dates of the underlying debt instruments. We defer costs associated with debt issuance over the applicable term. These costs are then amortized as interest expense on our accompanying Consolidated Statements of Income and Comprehensive Income.

### ***Income Taxes***

We are a limited liability company and are not subject to federal or state income taxes. Our Member is responsible for income taxes on their allocated share of taxable income which may differ from income for financial statement purposes due to differences in the tax basis and financial reporting basis of assets and liabilities. However, we are subject to Texas margin tax (a revenue based calculation), which is presented as "Income Tax (Expense) Benefit" on our accompanying Consolidated Statements of Income and Comprehensive Income.

### ***Regulatory Assets and Liabilities***

Our interstate natural gas pipeline and storage operations are subject to the jurisdiction of the FERC and are accounted for in accordance with ASC 980, *Regulated Operations*. Under these standards, we record regulatory assets and liabilities that would not be recorded for non-regulated entities. Regulatory assets and liabilities represent probable future revenues or expenses associated with certain charges and credits that are expected to be recovered from or returned to customers through the ratemaking process. Items to which we apply regulatory accounting requirements include certain losses on reacquired debt, losses on sale of certain long-lived assets, taxes related to an equity return component on regulated capital projects prior to our change in legal structure to a non-taxable entity, certain cost differences between gas retained and gas consumed in operations, amounts associated with the Tax Cuts and Jobs Act of 2017 (2017 Tax Reform) and other costs included in, or expected to be included in, future rates. Refer to Note 8 for further information.

### 3. Property, Plant and Equipment, net

Our property, plant and equipment, net consisted of the following:

|                                              | Annual<br>Depreciation<br>Rates % | December 31,  |          |
|----------------------------------------------|-----------------------------------|---------------|----------|
|                                              |                                   | 2020          | 2019     |
|                                              | %                                 | (In millions) |          |
| Transmission and storage facilities          | 1.2 - 10.0                        | \$ 6,567      | \$ 6,484 |
| General plant                                | 3.1 - 24.0                        | 157           | 114      |
| Intangible plant                             | 3.1 - 14.0                        | 80            | 59       |
| Other                                        |                                   | 53            | 55       |
| Accumulated depreciation and amortization(a) |                                   | (1,291)       | (1,099)  |
|                                              |                                   | 5,566         | 5,613    |
| Land                                         |                                   | 12            | 12       |
| Construction work in progress                |                                   | 71            | 88       |
| Property, plant and equipment, net           |                                   | \$ 5,649      | \$ 5,713 |

(a) The composite weighted average depreciation rates for each of the years ended December 31, 2020 and 2019 was approximately 3.3%.

### 4. Debt

The following table summarizes the net carrying value of our outstanding debt, excluding debt fair value adjustments and promissory notes with KMI:

|                                  | December 31,  |          |
|----------------------------------|---------------|----------|
|                                  | 2020          | 2019     |
|                                  | (In millions) |          |
| 7.0% Debentures due March 2027   | \$ 300        | \$ 300   |
| 7.0% Debentures due October 2028 | 400           | 400      |
| 2.9% Senior notes due March 2030 | 1,000         | —        |
| 8.375% Notes due June 2032       | 240           | 240      |
| 7.625% Debentures due April 2037 | 300           | 300      |
| Total long-term debt             | \$ 2,240      | \$ 1,240 |

KMI and substantially all of its wholly owned domestic subsidiaries, including us, are a party to a cross guarantee agreement whereby each party to the agreement unconditionally guarantees, jointly and severally, the payment of specified indebtedness of each other party to the agreement.

#### *Debt Fair Value Adjustments*

As of December 31, 2020, the “Debt fair value adjustments” on our accompanying Consolidated Balance Sheets includes unamortized debt issue costs of approximately \$6 million.

#### *Debt Issuance*

On February 24, 2020, we issued \$1,000 million of 2.9% Senior Notes, due March 2030. The Senior Notes were issued at a discount rate of 99.801%. Interest is payable semi-annually, commencing on September 1, 2020. We received net proceeds of approximately \$991 million, after discount and \$7 million of issuance costs. A portion of the proceeds were used to repay our \$300 million and \$250 million promissory notes with KMI. The remainder of the proceeds from these senior notes is included in “Note receivable from affiliate” on our accompanying Consolidated Balance Sheets, which we intend to use to finance a portion of capital expansion projects that are currently pending FERC authorization (refer to Note 8). For additional information on our note receivable and promissory notes with KMI, refer to Note 6.

## ***Debt Covenants***

Under our various financing documents, we are subject to certain restrictions and covenants. The most restrictive of these include limitations on the incurrence of liens and limitations on sale-leaseback transactions. For the years ended December 31, 2020 and 2019, we were in compliance with our debt-related covenants.

## **5. Retirement Benefits**

KMI maintains a pension plan and a retirement savings plan covering substantially all of its U.S. employees, including certain of our former employees. KMI is responsible for benefits accrued under its plans and allocates certain costs based on a benefit allocation rate applied on payroll charged to its affiliates.

We also provide postretirement benefits, including medical benefits for a closed group of retirees. Our postretirement benefit plan costs were prefunded and were recoverable under prior rate case settlements. Currently, there is no cost recovery or related funding that is required as part of our current FERC approved rates; however, we can seek to recover any funding shortfall that may be required in the future. There were no contributions made in 2020 and 2019, and we do not expect to make any contributions to our postretirement benefit plan in 2021.

As of December 31, 2020 and 2019 our postretirement benefit plan net assets were \$51 million and \$44 million, respectively, included in “Deferred charges and other assets” on our accompanying Consolidated Balance Sheets, which is net of our postretirement benefit obligation of \$10 million as of each balance sheet date. Our postretirement benefit plan net benefit income for each of the years ended December 31, 2020 and 2019 was approximately \$2 million.

The amounts included in “Accumulated other comprehensive income (loss)” as of December 31, 2020 and 2019 of \$4 million and \$(1) million, respectively, are primarily related to unrecognized gains (losses).

Our plan assets’ fair values are based on the net asset value per share, or its equivalent (NAV), as reported by the issuers. The fair values are determined based on the fair value of the underlying securities as of the valuation date and include common/collective trust funds. Plan assets measured at NAV are not categorized within the fair value hierarchy.

## **6. Related Party Transactions**

### ***Affiliate Notes***

#### ***Cash Management Program***

We participate in KMI’s cash management program, which matches the short-term cash surpluses and needs of participating affiliates, thus minimizing total borrowings from outside sources. KMI uses the cash management program to settle intercompany transactions between participating affiliates. As of December 31, 2020, and 2019, we had a note receivable from KMI of \$325 million and \$3 million, respectively. The interest rate on this note is variable and was 1.4% and 1.9% as of December 31, 2020 and 2019, respectively.

#### ***Promissory Notes***

As of December 31, 2019, we had promissory note agreements with KMI of \$300 million, due April 2020, and \$250 million, due February 2021. These promissory notes bore fixed annual interest rates of 3.00% and 3.55%, respectively, allowing for repayment in whole or in part at any time, and from time-to-time, without premium or penalty. In February 2020, we repaid these promissory notes in full, inclusive of accrued interest of \$71 million.

### ***Other Affiliate Balances and Activities***

The following table summarizes our other balance sheet affiliate balances:

|                     | <b>December 31,</b>  |             |
|---------------------|----------------------|-------------|
|                     | <b>2020</b>          | <b>2019</b> |
|                     | <b>(In millions)</b> |             |
| Accounts receivable | \$ 1                 | \$ —        |
| Accounts payable    | 4                    | 3           |
| Accrued interest    | —                    | 69          |

We do not have employees and are managed and operated by KMI, who provides services to us. Under KMI policies, we reimburse KMI at cost for direct and indirect costs incurred on our behalf and allocated general and administrative costs. These costs are reflected, as appropriate, in the “Operations and maintenance,” “General and administrative” and “Capitalized costs” lines in the table below.

The following table shows revenues and costs from our affiliates:

|                            | <b>Year Ended December 31,</b> |             |
|----------------------------|--------------------------------|-------------|
|                            | <b>2020</b>                    | <b>2019</b> |
|                            | <b>(In millions)</b>           |             |
| Revenues                   | \$ 1                           | \$ 5        |
| Operations and maintenance | 102                            | 95          |
| General and administrative | 66                             | 64          |
| Capitalized costs          | 23                             | 31          |

### ***Subsequent Event***

Subsequent to December 31, 2020 and through the issuance of this report, we made a distribution to our Member of \$259 million.

## **7. Revenue Recognition**

### ***Disaggregation of Revenues***

The following table presents our revenues disaggregated by revenue source and type of revenue for each revenue source:

|                                             | <b>The Year Ended December 31,</b> |             |
|---------------------------------------------|------------------------------------|-------------|
|                                             | <b>2020</b>                        | <b>2019</b> |
|                                             | <b>(In millions)</b>               |             |
| Revenue from contracts with customers       |                                    |             |
| Services                                    |                                    |             |
| Firm services (a)                           | \$ 1,520                           | \$ 1,554    |
| Fee-based services                          | 121                                | 120         |
| Total services revenues                     | 1,641                              | 1,674       |
| Natural gas sales                           | 3                                  | 5           |
| Total revenue from contracts with customers | 1,644                              | 1,679       |
| Other revenue (b)                           | 16                                 | 4           |
| Total revenues                              | \$ 1,660                           | \$ 1,683    |

(a) Represents fixed reservation charges.

(b) Amounts recognized as revenue under guidance prescribed in Topics of the ASC other than Topic 606.

## Contract Balances

As of December 31, 2020 and 2019, our contract asset balances were insignificant. As of December 31, 2020 and 2019, our contract liability balances were approximately \$15 million and \$8 million, respectively. Of the contract liability balance at December 31, 2019, approximately \$2 million was recognized as revenue during the year ended December 31, 2020.

## 8. Accounting for Regulatory Activities

### Regulatory Assets and Liabilities

As of December 31, 2020, for those regulatory assets that are being recovered in our rates, the recovery period is one year to 26 years. Below are the details of our regulatory assets and liabilities:

|                                                        | December 31, |        |
|--------------------------------------------------------|--------------|--------|
|                                                        | 2020         | 2019   |
|                                                        | In millions  |        |
| Current regulatory assets                              |              |        |
| Unamortized loss on sale of assets                     | \$ 10        | \$ 10  |
| Gas imbalance cash out(a)                              | —            | 31     |
| Other(a)                                               | 4            | 4      |
| Total current regulatory assets                        | 14           | 45     |
| Non-current regulatory assets                          |              |        |
| Taxes on capitalized funds used during construction(b) | 20           | 20     |
| Unamortized loss on reacquired debt(a)                 | 7            | 8      |
| Unamortized loss on sale of assets                     | 117          | 127    |
| Gas imbalance cash out(a)                              | 31           | —      |
| Other                                                  | —            | 2      |
| Total non-current regulatory assets                    | 175          | 157    |
| Total regulatory assets                                | \$ 189       | \$ 202 |
| Current regulatory liabilities                         |              |        |
| Other                                                  | \$ 10        | \$ 12  |
| Non-current regulatory liabilities                     |              |        |
| Environmental                                          | 13           | 10     |
| Property and plant retirements                         | 2            | 4      |
| Income taxes related                                   | 55           | 70     |
| Total non-current regulatory liabilities(b)            | 70           | 84     |
| Total regulatory liabilities                           | \$ 80        | \$ 96  |

(a) Assets recoverable without earning a return.

(b) Included in “Other long-term liabilities and deferred credits” on our accompanying Consolidated Balance Sheets.

Our significant regulatory assets and liabilities include:

### Unamortized loss on sale of assets

Amount represents the deferred and unamortized portion of losses on our sale of assets. We recover this loss through our jurisdictional natural gas transportation rates.

#### *Taxes on capitalized funds used during construction*

Amounts represent the deferred income taxes on AFUDC Equity recognized during the time when we were a taxable entity. These amounts are included in our tariff rates and are recovered over the depreciable lives of the assets to which they apply.

#### *Unamortized loss on reacquired debt*

Amount represents the deferred and unamortized portion of loss on reacquired debt which is recovered in our rates. Amounts are amortized over the original life of the debt issue, or in the case of refinanced debt, over the life of the new debt issue.

#### *Gas imbalance cash out*

Amount reflects the cost or revenue from cash out activity net of the revenue or cost from operational purchases or sales of gas to offset the net cash out activity.

#### *Environmental*

Includes amounts collected, substantially in excess of certain environmental remediation costs incurred to date, through a surcharge to our customers under a settlement approved by the FERC in November of 1995. This environmental liability was not deducted from the rate base on which we are allowed to earn a return.

#### *Property and plant retirements*

Amount represents the deferral of customer-funded amounts for costs of future asset retirements.

#### *Income tax related*

Amounts represent the anticipated return to ratepayers of deferred income taxes as a result of the 2017 Tax Reform, which lowered the U.S. federal corporate income tax rate from 35% to 21% effective January 1, 2018. These amounts are amortized over the remaining depreciable lives of the assets to which they apply.

#### ***Regulatory Matters***

On February 7, 2020, we filed an application with the FERC requesting authority to construct the Evangeline Pass Expansion Project. Specifically, we requested authority to construct and operate: (i) 13.1 miles of 36-inch looping pipelines along our existing 24-inch 529-D100 Yscloskey Toca Lateral located in St. Bernard Parish, Louisiana and 500-2 line in Plaquemines Parish, Louisiana; and (ii) a new 23,470 horsepower (hp) gas-fired Compressor Station (CS) along our existing 500 line system at mainline valve 529 in St. Bernard Parish, Louisiana. Additionally, we will replace certain facilities located in Plaquemines Parish, Louisiana and will acquire 1.1 Bcf per day of leased capacity from SNG, an affiliate. Installation of these facilities and the acquisition of the leased capacity from SNG will enable us to provide up to 1.1 Bcf per day of incremental firm transportation services on the project facilities to a liquefied natural gas (LNG) export terminal to be owned and built by Venture Global Plaquemines LNG, LLC (Venture Global). Transportation services will be provided from a new interconnect with SNG at Rose Hill, located in Clarke County, Mississippi to a new interconnect with the proposed Gator Express Pipeline located in Plaquemines Parish, Louisiana. Venture Global has not yet made its final investment decision (FID) to build the LNG export terminal. The filed cost of the project is approximately \$262 million. Pending a favorable FID, FERC approval and receipt of required permits, construction is planned to begin in 2021 with an anticipated in-service date of June 2023. On February 7, 2020, we filed an application for the project with the FERC and are awaiting regulatory approval. On August 24, 2020, the FERC issued an Environmental Assessment (EA) for the project.

On June 30, 2020 we filed an application with the FERC requesting authority to construct the East 300 Upgrade Project. Specifically, we requested authority for: (i) modifications at existing CS 321 in Susquehanna County, Pennsylvania, including the installation of one 11,107 hp Solar Taurus 70 turbine and auxiliary facilities; (ii) modifications at existing CS 325 in Sussex County, New Jersey, including installation of one 20,500 hp Solar Titan 130 turbine and auxiliary facilities; and (iii) construction of one new electric-driven compressor station, identified as CS 327, along our existing 300 Line in the Township of West Milford in Passaic County, New Jersey, including installation of a new electric motor driven compressor with a rating of 19,000 hp and auxiliary facilities. The project is designed to create 115,000 dekatherms per day of firm transportation

capacity on our 300 Line, which is fully subscribed under a binding precedent agreement with Consolidated Edison Company of New York, Inc. that provides the market support for the project. The filed cost for the project is approximately \$246 million. The anticipated in-service date is November 2022. On June 30, 2020 we filed an application for the project with the FERC and are awaiting regulatory approval, requesting authorization by September 30, 2021. On February 19, 2021, the FERC issued an EA for the project. The 90-day Federal Authorization Decision Deadline is May 9, 2021.

## **9. Litigation, Environmental and Commitments**

We are party to various legal, regulatory and other matters arising from the day-to-day operations of our businesses that may result in claims against the Company. Although no assurance can be given, we believe, based on our experiences to date and taking into account established reserves, that the ultimate resolution of such items will not have a material adverse impact on our business. We believe we have meritorious defenses to the matters to which we are a party and intend to vigorously defend the Company. When we determine a loss is probable of occurring and is reasonably estimable, we accrue an undiscounted liability for such contingencies based on our best estimate using information available at that time. If the estimated loss is a range of potential outcomes and there is no better estimate within the range, we accrue the amount at the low end of the range. We disclose contingencies where an adverse outcome may be material, or in the judgment of management, we conclude the matter should otherwise be disclosed.

As of December 31, 2020 and 2019, we had approximately \$3 million and \$33 million, respectively, accrued for our outstanding legal proceedings. In addition, as of December 31, 2019, we recorded a receivable of \$29 million for cost recoveries. In April 2020, the outstanding legal proceeding was settled and related offsetting recovery was received.

### ***Environmental Matters***

We are subject to environmental cleanup and enforcement actions from time to time. In particular, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) generally imposes joint and several liability for cleanup and enforcement costs on current and predecessor owners and operators of a site, among others, without regard to fault or the legality of the original conduct, subject to the right of a liable party to establish a “reasonable basis” for apportionment of costs. Our operations are also subject to federal, state and local laws and regulations relating to protection of the environment. Although we believe our operations are in substantial compliance with applicable environmental laws and regulations, risks of additional costs and liabilities are inherent in our operations, and there can be no assurance that we will not incur significant costs and liabilities. Moreover, it is possible that other developments could result in substantial costs and liabilities to us, such as increasingly stringent environmental laws, regulations and enforcement policies under the terms of authority of those laws, and claims for damages to property or persons resulting from our operations.

### ***Louisiana Governmental Coastal Zone Erosion Litigation***

Beginning in 2013, several parishes in Louisiana and the City of New Orleans filed separate lawsuits in state district courts in Louisiana against a number of oil and gas companies, including us. In these cases, the parishes and New Orleans, as Plaintiffs, allege that certain of the defendants’ oil and gas exploration, production and transportation operations were conducted in violation of the State and Local Coastal Resources Management Act of 1978, as amended (SLCRMA) and that those operations caused substantial damage to the coastal waters of Louisiana and nearby lands. The Plaintiffs seek, among other relief, unspecified money damages, attorneys’ fees, interest, and payment of costs necessary to restore the affected areas. There are more than 40 of these cases pending in Louisiana against oil and gas companies, one of which is against us, as described further below.

On November 8, 2013, the Parish of Plaquemines, Louisiana filed a petition for damages in the state district court for Plaquemines Parish, Louisiana against us and 17 other energy companies, alleging that defendants’ operations in Plaquemines Parish violated SLCRMA and Louisiana law, and that those operations caused substantial damage to the coastal waters and nearby land. Plaquemines Parish seeks, among other relief, unspecified money damages, attorney fees, interest, and payment of costs necessary to restore the allegedly affected areas. In May 2018, the case was removed to the U.S. District Court for the Eastern District of Louisiana. In May 2019, the case was remanded to the state district court for Plaquemines Parish. At the same time, the U.S. District Court certified a federal jurisdiction issue for review by the U.S. Fifth Circuit Court of Appeals. On August 10, 2020, the Fifth Circuit affirmed remand. The defendants filed a motion for rehearing which is pending. The case remains effectively stayed pending a final ruling by the Court of Appeals. Until these and other issues are determined, we are not able to reasonably estimate the extent of our potential liability, if any. We will continue to vigorously defend this case.

### *Louisiana Landowner Coastal Erosion Litigation*

Beginning in January 2015, several private landowners in Louisiana, as Plaintiffs, filed separate lawsuits in state district courts in Louisiana against a number of oil and gas pipeline companies, including three cases against us. In these cases, the Plaintiffs allege that the defendants failed to properly maintain pipeline canals and canal banks on their property, which caused the canals to erode and widen and resulted in substantial land loss, including significant damage to the ecology and hydrology of the affected property, and damage to timber and wildlife. The Plaintiffs allege that the defendants' conduct constitutes a breach of the subject right of way agreements, is inconsistent with prudent operating practices, violates Louisiana law, and that defendants' failure to maintain canals and canal banks constitutes negligence and trespass. The Plaintiffs seek, among other relief, unspecified money damages, attorneys' fees, interest, and payment of costs necessary to return the canals and canal banks to their as-built conditions and restore and remediate the affected property. The Plaintiffs also seek a declaration that the defendants are obligated to take steps to maintain canals and canal banks going forward. In one case filed by Vintage Assets, Inc. and several landowners against us, and SNG, an affiliate, and another defendant, was tried in 2017 to the U.S. District Court for the Eastern District of Louisiana. On May 4, 2018, the U.S. District Court entered a judgment ruling in favor of the Plaintiffs on certain of their contract claims. The Court stayed the judgment pending appeal. The parties each filed a separate appeal to the U.S. Court of Appeals for the Fifth Circuit. In October 2018, the Court of Appeals dismissed the appeals for lack of subject matter jurisdiction. In April 2019 the case was remanded to the state district court for Plaquemines Parish, Louisiana for further proceedings. On October 2, 2020, the case was settled for an amount which is not material to our business. We will continue to vigorously defend the remaining cases.

### *Superfund Matters*

Included in our recorded environmental liabilities are projects where we have received notice that we have been designated or could be designated as a Potentially Responsible Party (PRP) under CERCLA, commonly known as Superfund, or state equivalents for three active sites. Liability under the federal CERCLA statute may be joint and several, meaning that we could be required to pay in excess of our pro rata share of remediation costs. We consider the financial strength of other PRPs in estimating our liabilities.

### *General*

Although it is not possible to predict the ultimate outcomes, we believe that the resolution of the environmental matters set forth in this note, and other matters to which we and our subsidiary are a party, will not have a material adverse effect on our business. As of December 31, 2020 and 2019, we had approximately \$5 million and \$4 million, respectively, accrued for our environmental matters.

### *Commitments*

#### *Purchase Obligations*

We have entered into unconditional purchase obligations primarily for transportation, storage and other services, totaling \$490 million as of December 31, 2020. Our annual obligations under these purchase obligations are \$84 million in 2021, \$74 million in 2022, \$57 million in 2023, \$49 million in 2024, \$49 million in 2025, and \$177 million in total thereafter.