CONSOLIDATED FINANCIAL STATEMENTS
With Report of Independent Auditors

TENNESSEE GAS PIPELINE COMPANY, L.L.C.

As of December 31, 2021 and 2020 and
For the Years Ended December 31, 2021 and 2020

TENNESSEE GAS PIPELINE COMPANY, L.L.C. AND SUBSIDIARY
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Report of Independent Auditors

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

Opinion

We have audited the accompanying consolidated financial statements of Tennessee Gas Pipeline Company, L.L.C. and its subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of income and comprehensive income, of member's equity and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

PricewaterhouseCoopers LLP

Houston, Texas
April 14, 2022

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

	Year Ended December 31,	
	2021	**2020**
Revenues	$ 1,697	$ 1,660
Operating Costs and Expenses		
Operations and maintenance	324	316
Depreciation and amortization	232	230
General and administrative	80	76
Taxes, other than income taxes	109	104
Other (income) expense	(2)	3
Total Operating Costs and Expenses	743	729
Operating Income	954	931
Other Income (Expense)		
Earnings from equity investment	8	8
Interest, net	(119)	(118)
Other, net	4	5
Total Other Expense	(107)	(105)
Income Before Income Taxes	847	826
Income Tax Expense	(1)	(1)
Net Income	846	825
Other Comprehensive Income		
Adjustments to postretirement benefit plan	4	5
Comprehensive Income	$ 850	$ 830

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, 2021	December 31, 2020
ASSETS		
Current assets		
Cash and cash equivalents	$ —	$ —
Accounts receivable	172	161
Inventories	50	54
Regulatory assets	38	14
Natural gas imbalance receivable	16	12
Other current assets	12	2
Total current assets	288	243
Property, plant and equipment, net	5,610	5,649
Goodwill	3,250	3,250
Note receivable from affiliate	286	325
Investment	70	68
Regulatory assets	164	175
Deferred charges and other assets	251	263
Total Assets	$ 9,919	$ 9,973
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	$ 69	$ 45
Accrued interest	28	28
Accrued taxes, other than income taxes	66	63
Contractual deposits	18	17
Regulatory liabilities	5	10
Natural gas imbalance payable	18	8
Other current liabilities	6	8
Total current liabilities	210	179
Long-term liabilities and deferred credits		
Long-term debt	2,240	2,240
Debt fair value adjustments	180	196
Other long-term liabilities and deferred credits	103	96
Total long-term liabilities and deferred credits	2,523	2,532
Total Liabilities	2,733	2,711
Commitments and contingencies (Note 9)		
Member's Equity		
Member's equity	7,178	7,258
Accumulated other comprehensive income	8	4
Total Member's Equity	7,186	7,262
Total Liabilities and Member's Equity	$ 9,919	$ 9,973

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)

	Year Ended December 31,	
	2021	**2020**
Cash Flows From Operating Activities		
Net income	$ 846	$ 825
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	232	230
Earnings from equity investment	(8)	(8)
Other non-cash items	(6)	(13)
Distributions from equity investment earnings	6	6
Changes in components of working capital:		
Accounts receivable	(11)	19
Accounts payable	13	(2)
Accrued interest	—	(59)
Other current assets and liabilities	(26)	(36)
Other long-term assets and liabilities	35	9
Net Cash Provided by Operating Activities	1,081	971
Cash Flows From Investing Activities		
Capital expenditures	(170)	(144)
Net change in note receivable from affiliate	39	(322)
Asset disposal costs, net of salvage	(23)	(16)
Other, net	(1)	1
Net Cash Used in Investing Activities	(155)	(481)
Cash Flows From Financing Activities		
Issuances of debt	—	998
Payments of promissory notes with affiliate	—	(550)
Debt issue costs	—	(7)
Contributions from Member	—	9
Distributions to Member	(926)	(940)
Net Cash Used in Financing Activities	(926)	(490)
Net Change in Cash and Cash Equivalents	—	—
Cash and Cash Equivalents, beginning of period	—	—
Cash and Cash Equivalents, end of period	$ —	$ —
Non-cash Investing and Financing Activities		
Increase in property, plant and equipment accruals and contractor retainage	$ 11	
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest (net of capitalized interest)	121	$ 179

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)

	Year Ended December 31,	
	2021	**2020**
Beginning Balance	$ 7,262	$ 7,363
Net income	846	825
Contributions	—	9
Distributions	(926)	(940)
Other comprehensive income	4	5
Ending Balance	$ 7,186	$ 7,262

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 12.2 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 76 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.

Management has evaluated subsequent events through April 14, 2022, the date the financial statements were available to be issued.

Coronavirus Diseases 2019 (COVID-19)

The COVID-19 pandemic resulted in reductions in energy demand and the dramatic decline in commodity prices in 2020. 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. The sustainability of the economic recovery observed in 2021 remains unclear as efforts to combat the virus have been complicated by new variants. Further, significant uncertainty remains regarding the duration and extent of the impact of the pandemic (including the pace and efficacy of vaccination efforts) on the energy industry, including demand and prices for hydrocarbons, and our ability to reasonably predict the potential impact of COVID-19 on our business and operations.

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 those related 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

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.

We had insignificant allowance for credit losses recorded as of December 31, 2021 and 2020.

Inventories

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

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 "*Accounting for Regulatory Activities—Regulatory Assets and Liabilities—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 was approximately $6 million for each of the years ended December 31, 2021 and 2020.

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, 2021 and 2020.

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 recoverable. These events include 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 long-lived asset based on the long-lived asset's ability to generate future cash flows and impairment, if any, using a two-step approach. 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.

To determine if a long-lived asset is recoverable, we compare the asset's estimated undiscounted cash flows to its carrying value (step 1). If the carrying value of a long-lived asset or asset group is in excess of estimated undiscounted cash flows, we typically use discounted cash flow analyses to calculate the fair value of the long-lived asset to determine if an impairment is required (step 2).

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, 2021 and 2020.

Equity Method of Accounting

We use the equity method of accounting for investment, which we do not control, but for which we have the ability to exercise significant influence. 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.

We determine the fair value of our reporting unit based on a market approach utilizing enterprise value to estimated earnings before interest, income 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. The results of our May 31, 2021 annual impairment tests indicated that the reporting unit fair value exceeded the carrying value.

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" 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" 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 Depreciation Rates	December 31,	
		2021	2020
	%	(In millions)	
Transmission and storage facilities	1.2 - 10.0	$ 6,736	$ 6,567
General plant	3.1 - 24.0	154	157
Intangible plant	3.1 - 14.0	78	80
Other		28	53
Accumulated depreciation and amortization(a)		(1,472)	(1,291)
		5,524	5,566
Land		12	12
Construction work in progress		74	71
Property, plant and equipment, net		$ 5,610	$ 5,649

(a) The composite weighted average depreciation rates for each of the years ended December 31, 2021 and 2020 was approximately 3.3%.

4. Debt

The following table summarizes the net carrying value of our outstanding debt, excluding debt fair value adjustments, which include purchase accounting adjustments:

	December 31,	
	2021	2020
	(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	1,000
8.375% Notes due June 2032	240	240
7.625% Debentures due April 2037	300	300
Total long-term debt	$ 2,240	$ 2,240

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 both December 31, 2021, and 2020, the "Debt fair value adjustments" on our accompanying Consolidated Balance Sheets includes unamortized debt issue costs of approximately $6 million.

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, 2021 and 2020, 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 2021 and 2020, and we do not expect to make any contributions to our postretirement benefit plan in 2022.

As of December 31, 2021 and 2020 our postretirement benefit plan net assets were $55 million and $51 million, respectively, included in "Deferred charges and other assets" on our accompanying Consolidated Balance Sheets, which is net of our postretirement benefit obligation of $9 million and $10 million, respectively. Our postretirement benefit plan net benefit income for each of the years ended December 31, 2021 and 2020 was approximately $2 million.

The amounts included in "Accumulated other comprehensive income" as of December 31, 2021 and 2020 of $8 million and $4 million, respectively, are primarily related to unrecognized gains.

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

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, 2021, and 2020, we had a note receivable from KMI of $286 million and $325 million, respectively. The interest rate on this note is variable and was 1.4% as of both December 31, 2021 and 2020.

Other Affiliate Balances and Activities

The following table summarizes our balance sheet affiliate balances:

	December 31,	
	2021	2020
	(In millions)	
Accounts receivable	$ 1	$ 1
Natural gas imbalance receivable	2	—
Accounts payable	5	4
Natural gas imbalance payable	1	—

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 other costs" and "Capitalized costs" lines in the table below.

The following table shows revenues and costs from our affiliates:

	Year Ended December 31,	
	2021	2020
	(In millions)	
Revenues	$ 1	$ 1
Operations and maintenance(a)	102	102
General and administrative and other costs	75	66
Capitalized costs	30	23

(a) Includes expenses associated with transportation and storage agreements. Refer to Note 9 for further information.

Subsequent Event

Subsequent to December 31, 2021 and through the issuance of this report, we made a distribution to our Member of $247 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:

	The Year Ended December 31,	
	2021	2020
	(In millions)	
Revenue from contracts with customers		
Services		
Firm services(a)	$ 1,532	$ 1,520
Fee-based services	148	121
Total services revenues	1,680	1,641
Natural gas sales	14	3
Total revenue from contracts with customers	1,694	1,644
Other revenue(b)	3	16
Total revenues	$ 1,697	$ 1,660

(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, 2021 and 2020, our contract asset balances were approximately $13 million and $4 million, respectively. Of the contract asset balance at December 31, 2020, less than $1 million was transferred to accounts receivable during the year ended December 31, 2021. As of December 31, 2021 and 2020, our contract liability balances were approximately $21 million and $15 million, respectively. Of the contract liability balance at December 31, 2020, approximately $4 million was recognized as revenue during the year ended December 31, 2021.

8. Accounting for Regulatory Activities

Regulatory Assets and Liabilities

As of December 31, 2021, 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,	
	2021	**2020**
	In millions	
Current regulatory assets		
Difference between gas retained and gas consumed in operations(a)	$ 19	$ —
Unamortized loss on sale of assets	10	10
Other(a)	9	4
Total current regulatory assets	38	14
Non-current regulatory assets		
Taxes on capitalized funds used during construction	19	20
Unamortized loss on reacquired debt(a)	6	7
Unamortized loss on sale of assets	107	117
Gas imbalance cash out(a)	32	31
Total non-current regulatory assets	164	175
Total regulatory assets	$ 202	$ 189
Current regulatory liabilities		
Other	$ 5	$ 10
Non-current regulatory liabilities		
Income tax related	53	55
Environmental	14	13
Other	2	2
Total non-current regulatory liabilities(b)	69	70
Total regulatory liabilities	$ 74	$ 80

(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:

Difference between gas retained and gas consumed in operations

Amounts reflect the value of the difference between the gas retained and consumed in our operations. Pursuant to our tariff, these amounts are expected to be recovered from our customers in subsequent periods.

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.

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.

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.

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, the application includes the replacement of certain facilities located in Plaquemines Parish, Louisiana and acquisition of 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 and receipt of required permits, construction is planned to begin in 2022 with a late 2024 projected in-service. On August 24, 2020, the FERC issued an Environmental Assessment (EA) for the project. The FERC issued a notice on June 30, 2021, stating that it will prepare an Environmental Impact Statement (EIS) for the project to assist the FERC in its review of climate change issues and the purpose and need for the project. Per the schedule set forth in the notice, the draft EIS was issued on July 16, 2021, the final EIS was issued on October 8, 2021, and the FERC Order Approving the Project was issued on March 25, 2022.

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 2023. On February 19, 2021, the FERC issued an EA for the project. The FERC issued a notice on May 27, 2021, stating that it will prepare an EIS for the project to assist the FERC in its review of climate change issues and the purpose and need for the project. Per the schedule set forth in the notice, the draft EIS was issued on July 2, 2021, and the final EIS was issued on September 24, 2021, with a 90-day federal authorization deadline of December 23, 2021. We anticipate a certificate order for the project will be issued in the second quarter 2022.

9. Litigation, Environmental and Commitments

Legal Proceedings

We are party to various legal, regulatory and other matters arising from the day-to-day operations of our business 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 each of the years ended December 31, 2021 and 2020, we had approximately $3 million accrued for our outstanding legal proceedings.

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 the defendants' operations in Plaquemines Parish violated SLCRMA and Louisiana law, and caused substantial damage to the coastal waters and nearby lands. 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 U.S. District Court ordered the case to be remanded to the state district court for Plaquemines Parish. The defendants appealed that decision. On August 10, 2020, the Fifth Circuit affirmed remand. The defendants filed a motion for rehearing. On August 5, 2021, the Fifth Circuit remanded the case to the U.S. District Court to determine whether there is federal officer jurisdiction. The case remains effectively stayed pending a ruling by the U.S. District Court on the federal officer issue. 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 five 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 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, attorney 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. We will continue to vigorously defend these 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 are a party, will not have a material adverse effect on our business. As of December 31, 2021 and 2020, we had approximately $3 million and $5 million, respectively, accrued for our environmental matters.

Commitments

Purchase Obligations

We have entered into unconditional purchase obligations for transportation, storage and other services, totaling $486 million as of December 31, 2021, of which $163 million is with our affiliates, primarily Kinder Morgan Texas Pipeline. Our total annual obligations are $87 million in 2022, $75 million in 2023, $67 million in 2024, $63 million in 2025, $59 million in 2026, and $135 million in total thereafter. Annual obligations with our affiliates are $29 million in 2022, $19 million in 2023, $16 million in 2024, 2025, and 2026, and $67 million in total thereafter.

For the years ended December 31, 2021 and 2020, total expenses related to these commitments were $93 million and $81 million, respectively, of which $34 million and $23 million were with our affiliates. These expenses are reflected in "Operations and maintenance" on our accompanying Consolidated Statements of Income and Comprehensive Income.

Capital Commitments

As of December 31, 2021, we have capital commitments of approximately $34 million, which we expect to spend during 2022.