TENNESSEE GAS PIPELINE COMPANY, L.L.C.

CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditor's Reports

For the Years Ended December 31, 2014 and 2013

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Independent Auditor's Report

To the Member and Management of Tennessee Gas Pipeline, L.L.C.

We have audited the accompanying consolidated financial statements of Tennessee Gas Pipeline, L.L.C. (the "Company"), which comprise the consolidated balance sheets as of December 31, 2014 and 2013, 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 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.

Auditor's 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, L.L.C. at December 31, 2014 and 2013, 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.

Emphasis of Matter

As discussed in Note 6 to the consolidated financial statements, the Company has significant transactions and relationships with affiliated entities. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

Houston, Texas
April 30, 2015

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

	Year Ended December 31, 2014	2013
Revenues	$ 1,193	$ 1,058
Operating Costs and Expenses		
Operations and maintenance	232	227
Depreciation and amortization	178	167
General and administrative	63	71
Taxes, other than income taxes	61	55
Loss (gain) on sale of fixed assets	4	(36)
Total Operating Costs and Expenses	538	484
Operating Income	655	574
Other Income (Expense)		
Earnings from equity investment	12	12
Interest expense, net	(138)	(134)
Other, net	13	14
Total Other Income (Expense)	(113)	(108)
Income Before Income Taxes	542	466
Income Tax Expense	(1)	(1)
Net Income	541	465
Other Comprehensive (Loss) Income		
Adjustments to postretirement benefit plan	(1)	3
Comprehensive Income	$ 540	$ 468

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

TENNESSEE GAS PIPELINE COMPANY, L.L.C. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Millions)

	December 31, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	$ —	$ —
Accounts receivable, net	124	123
Note receivable from affiliate	—	40
Inventories	46	47
Regulatory assets	20	17
Natural gas imbalance receivable	82	53
Other current assets	—	1
Total current assets	272	281
Property, plant and equipment, net	4,428	4,291
Goodwill	3,252	3,253
Investment	61	60
Regulatory assets	254	258
Deferred charges and other assets	374	419
Total Assets	$ 8,641	$ 8,562
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	$ 178	$ 204
Accrued interest	32	32
Accrued taxes, other than income	28	27
Regulatory liabilities	30	5
Customer deposits	16	22
Asset retirement obligations	—	18
Natural gas imbalance payable	19	8
Other current liabilities	9	13
Total current liabilities	312	329
Long-term liabilities and deferred credits		
Long-term debt	1,790	1,790
Debt fair value adjustments	330	366
Notes payable to affiliates	1	63
Other long-term liabilities and deferred credits	45	44
Total Liabilities	2,478	2,592
Commitments and contingencies (Notes 2 and 7)		
Member's Equity	6,158	5,964
Accumulated other comprehensive income	5	6
Total Member’s Equity	6,163	5,970
Total Liabilities and Member’s Equity	$ 8,641	$ 8,562

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

TENNESSEE GAS PIPELINE COMPANY, L.L.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Millions)

	Year Ended December 31, 2014	Year Ended December 31, 2013
Cash Flows From Operating Activities		
Net Income	$ 541	$ 465
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	178	167
Earnings from equity investment	(12)	(12)
Distributions from equity investment	11	10
Loss (gain) on sale of fixed assets	4	(36)
Other	—	(6)
Changes in components of working capital:		
Accounts receivable	(1)	(21)
Accounts payable	15	33
Accrued taxes, other than income	1	(2)
Regulatory liabilities	25	3
Other current assets and liabilities	(27)	(27)
Other long-term assets and liabilities	(16)	32
Net Cash Provided by Operating Activities	719	606
Cash Flows From Investing Activities		
Capital expenditures	(314)	(560)
Net change in note receivable from affiliate	—	114
Sale or disposal of property, plant and equipment, net of salvage	(33)	(7)
Other	(3)	3
Net Cash Used in Investing Activities	(350)	(450)
Cash Flows From Financing Activities		
Contributions from Member	290	325
Distributions to Member	(637)	(510)
Net change in note payable to affiliates	(22)	23
Net Cash Used in Financing Activities	(369)	(162)
Net Change in Cash and Cash Equivalents	—	(6)
Cash and Cash Equivalents, beginning of period	—	6
Cash and Cash Equivalents, end of period	$ —	$ —
Non-cash Investing Activities		
(Decrease) increase in property, plant and equipment accruals and contractor retainage	$ (20)	$ 59
Supplemental Cash Flow Information		
Cash paid during the period for interest (net of capitalized interest)	$ 135	$ 129

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

TENNESSEE GAS PIPELINE COMPANY, L.L.C. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY
(In Millions)

	Member's Equity	Accumulated Other Comprehensive Income	Total Member's Equity
Balance at December 31, 2012	$ 5,684	$ 3	$ 5,687
Net income	465		465
Contributions from Member	325		325
Distributions to Member	(510)		(510)
Other comprehensive income		3	3
Balance at December 31, 2013	5,964	6	5,970
Net income	541		541
Contributions from Member	290		290
Distributions to Member	(637)		(637)
Other comprehensive loss		(1)	(1)
Balance at December 31, 2014	$ 6,158	$ 5	$ 6,163

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

TENNESSEE GAS PIPELINE COMPANY, L.L.C. AND SUBSIDIARIES
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,” “ours,” “the Company,” or “TGP,” we are describing Tennessee Gas Pipeline Company, L.L.C. and its consolidated subsidiaries. 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 11,900 miles of pipeline with a design capacity of approximately 9.0 billion cubic feet per day for natural gas. 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.-Mexico border and the U.S.-Canada border) that provide customers with access to diverse sources of supply and various natural gas markets. Our system is also connected 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 97 billion cubic feet of underground working natural gas storage capacity through partially owned facilities or long-term contracts. Of this total storage capacity, 29.6 billion cubic feet 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 facility has 59.2 billion cubic feet of working natural gas storage capacity that is committed equally to SNG and us.

On November 26, 2014, KMI completed its acquisition of all of the outstanding common units of Kinder Morgan Energy Partners, L.P. (KMP), El Paso Pipeline Partners, L.P. (EPB) and shares of Kinder Morgan Management, LLC that KMI and its subsidiaries did not already own. The transactions, valued at approximately $77 billion, are referred to collectively as the “Merger Transactions.” Upon completion of the Merger Transactions, KMI, KMP and EPB and substantially all of their wholly owned subsidiaries have entered into cross guarantees with respect to the existing debt of KMI, KMP, EPB and such subsidiaries, so that KMI and those subsidiaries, including us, are liable for the debt of KMI, KMP, EPB and such subsidiaries.

Management has evaluated subsequent events through April 30, 2015, the date the financial statements were available to be issued.

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 (FASB) Accounting Standards Codification, the single source of Generally Accepted Accounting Principles in the U. S. and referred to in this report as the Codification. Under such rules and regulations, all significant intercompany items have been eliminated in consolidation. Additionally, certain amounts from prior years have been reclassified to conform to the current presentation.

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.

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 disclosure of 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.

In addition, we believe that certain accounting policies are of more significance in our financial statement preparation process than others. Below are the principal accounting policies we apply in the preparation of our consolidated financial statements.

Cash Equivalents

We consider short-term investments with an original maturity of less than three months to be cash equivalents.

Accounts Receivable, net

We establish provisions for losses on accounts receivable due from shippers and operators if we determine that we will not collect all or part of the outstanding balance. We regularly review collectability and establish or adjust our allowance as necessary using the specific identification method. The allowance for doubtful accounts as of December 31, 2014 and 2013 and the bad debt expense for the years ended December 31, 2014 and 2013 were not significant.

Inventories

Our inventories, which consist of materials and supplies, are valued at the lower of average cost or market.

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 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 the applicable FERC tariff. Imbalances due from customers and affiliates are reported on our Consolidated Balance Sheets as “Natural gas imbalance receivable.” Imbalances owed to customers and affiliates are reported in our Consolidated Balance Sheets as “Natural gas imbalance payable.” We classify all imbalances as current as we expect to settle them within a year.

Property, Plant and Equipment

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 of departments associated with supporting construction activities. The indirect capitalized labor and related costs are based upon estimates of time spent supporting construction projects.

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. We re-evaluate depreciation rates each time we file with the FERC for an increase or decrease in our 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 or retire land or an entire operating unit, (as approved by the FERC). We generally include gains or losses on dispositions of land and operating units in “Operations and maintenance” on our Consolidated Statements of Income and Comprehensive Income. 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. See Note 9 for information related to a regulatory asset that we recorded associated with the sale of certain of our 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 in our income statement or defer the loss as a regulatory asset on our 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 to “Interest expense, net” on our 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 Consolidated Statements of Income and Comprehensive Income.

Asset Retirement Obligations

We record liabilities for obligations related to the retirement and removal of long-lived assets used in our businesses. We record, as liabilities, the fair value of asset retirement obligations 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 asset retirement obligation for the substantial majority of our assets because these assets have indeterminate lives. We continue to evaluate our asset retirement obligations, and future developments could impact the amounts we record. See Note 3 for a further discussion of our asset retirement obligations.

Asset and Investment Impairments

We evaluate our assets and investments for impairment when events or circumstances indicate that their 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 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 values 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 cash flows. There were no impairments as of December 31, 2014 and 2013.

Equity Method of Accounting

We account for investments, 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 investments are carried originally at our acquisition costs, 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 represents the excess of the cost of an acquisition price over the fair value of acquired net assets, and such amounts are reported separately as "Goodwill" on our Consolidated Balance Sheets. Our total goodwill, which resulted from the application of "push-down" accounting associated with KMI's acquisition of El Paso Corporation (El Paso) on May 25, 2012, was $3,252 million and $3,253 million as of December 31, 2014 and 2013, respectively. Goodwill is not amortized, but instead is tested for impairment annually or on an interim basis if events or circumstances indicate that the fair value of the asset has decreased below its carrying value.

We perform our goodwill impairment test on May 31 of each year. There were no impairment charges resulting from our May 31, 2014 impairment testing and no event indicating an impairment has occurred subsequent to May 31, 2014.

Revenue Recognition

We are subject to FERC regulations, therefore fees and rates established under our tariff are a function of our cost of providing services to our customers, including a reasonable return on our invested capital. Our revenues are primarily generated from natural gas transportation and storage services and include estimates of amounts earned but unbilled. We estimate these unbilled revenues based on contract data, regulatory information, and preliminary throughput and allocation measurements, among other items. Revenues for all services are based on the thermal quantity of gas delivered or subscribed at a price specified in the contract. For our transportation services and storage services, we recognize reservation revenues on firm contracted capacity ratably over the contract period regardless of the amount of natural gas that is transported or stored. For interruptible or volumetric-based services, we record revenues when physical deliveries of natural gas are made at the agreed upon delivery point or when gas is injected or withdrawn from the storage facility. For contracts with step-up or step-down rate provisions that are not related to changes in levels of service, we recognize reservation revenues ratably over the contract life. The revenues we collect may be subject to refund in a rate proceeding. We had no reserves for potential rate refunds as of December 31, 2014 and 2013.

Environmental Matters

We capitalize or expense, as appropriate, environmental expenditures. We capitalize certain environmental expenditures required in obtaining rights-of-way, regulatory approvals or permitting as part of the construction. We expense environmental expenditures 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 recording of these accruals coincides with 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. 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. For more information on our environmental disclosures, see Note 7.

Legal

We are subject to litigation and regulatory proceedings as the result of our business operations and transactions. We utilize both internal and external counsel in evaluating our potential exposure to adverse outcomes from orders, judgments or settlements. When we determine a loss is probable of occurring and is reasonably estimable, we accrue an undiscounted liability for such litigation based on our best estimate using information available at that time. If the estimated loss is range of potential outcomes and there is no better estimate within the range, we accrue the amount at the low end of the range. To the extent that actual outcomes differ from our estimates, or additional facts and circumstances cause us to revise our estimates, our earnings will be affected. For more information on our legal disclosures, see Note 7.

Other Contingencies

We recognize liabilities for other contingencies when we have an exposure that indicates it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Where the most likely outcome of a contingency can be reasonably estimated, we accrue an undiscounted liability for that amount. Where the most likely outcome cannot be estimated, a range of potential losses is established and if no one amount in that range is more likely than any other, the low end of the range is accrued. For more information on our other contingency disclosures, see Note 7.

Postretirement Benefits

We maintain a 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 out to plan participants. The net benefit cost of the plan is recorded on our Consolidated Statements of Income and Comprehensive Income and is a function of many factors including benefits earned during the year by plan participants (which is a function of factors such as the level of benefits provided under the plan, actuarial assumptions and the passage of time), expected returns on plan assets and amortization of certain deferred gains and losses. For a further discussion of our policies with respect to our postretirement benefit plans, see Note 5.

In accounting for our postretirement benefit plan, we record an asset or liability based on 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 either a regulatory asset or liability or recorded as “Other comprehensive (loss) income” until those gains or losses are recognized on our Consolidated Statements of Income and Comprehensive Income.

Income Taxes

We are a limited liability company and are not subject to either federal income taxes or generally state income taxes. Our member is responsible for income taxes on its 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 represented as “Income Tax Expense” on our Consolidated Statements of Income and Comprehensive Income.

Regulated Operations

Our natural gas pipeline and storage operations is subject to the jurisdiction of the FERC and are accounted for in accordance with Accounting Standards Codification (ASC) Topic 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 or credits that are expected to be recovered from or refunded to customers through the rate making process. Items to which we apply regulatory accounting requirements include certain postretirement employee benefit plan costs in periods prior to 2011 when our rate case was settled, losses on reacquired debt, losses on sale of certain long-lived assets, taxes related to an equity return component on regulated capital projects in periods prior to August 1, 2012, when we became a non-taxable entity, and certain cost differences between gas retained and gas consumed in operations and other costs included in, or expected to be included in, future rates. See Note 9 for further discussion regarding our regulatory operations.

3. Property, Plant and Equipment

Classes of Assets and Depreciation Rates

As of December 31, 2014 and 2013, our property, plant and equipment consisted of the following (in millions, except for %):

	Annual Depreciation Rates	December 31,	
	(%)	2014	2013
Transmission and storage facilities	1.2 - 6.67	$ 4,283	$ 4,144
General plant	3.1 - 24.0	160	170
Intangible plant	3.1 - 14.0	99	102
Other		29	21
Accumulated depreciation and amortization(a)		(314)	(235)
		4,257	4,202
Land		11	10
Construction work in progress		160	79
Property, plant and equipment, net		$ 4,428	$ 4,291

(a) The composite weighted average depreciation rates for the years ended December 31, 2014 and 2013 were approximately 3.8% and 4.2%, respectively.

Capitalized Costs During Construction

	Year Ended December 31,	
	2014	2013
AFUDC - debt	$ 2	$ 5
AFUDC - equity	4	12

Asset Retirement Obligations

We have legal obligations associated with the retirement of our natural gas pipeline, transmission facilities and storage wells. We have obligations to plug storage wells when we no longer plan to use them and when we abandon them. Our legal obligations associated with our natural gas transmission facilities primarily involve purging, sealing and possibly removing the facilities if they are abandoned. We also have obligations to remove hazardous materials associated with our natural gas transmission facilities if they are ever demolished or replaced.

Where we can reasonably estimate the asset retirement obligation, we accrue a liability based on an estimate of the timing and amount of settlement. Current obligations are measured at the expected cost to complete the asset retirements. We record changes in these estimates based on changes in the expected amount and timing of payments to settle our obligations.

The net asset retirement obligation reported on our balance sheets under current and other long-term liabilities, and the changes in the net liability for each of the periods presented below were as follows (in millions):

	Year Ended December 31, 2014	Year Ended December 31, 2013
Net asset retirement obligation at beginning of period	$ 19	$ 22
Liabilities settled	(8)	(26)
Liabilities incurred	—	8
Changes in estimate	(10)	15
Net asset retirement obligation at end of period(a)	$ 1	$ 19

(a) As of December 31, 2014, there was no current portion of asset retirement obligation and as of December 31, 2013, approximately $18 million was reflected as current "Asset retirement obligations" on our Consolidated Balance Sheets.

4. 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 Consolidated Statements of Income and Comprehensive Income. The following table summarizes the net carrying value of our outstanding debt, excluding debt fair value adjustments, as of December 31 (in millions):

	2014	2013
8.0% Notes due February 2016	$ 250	$ 250
7.5% Debentures due April 2017	300	300
7.0% Debentures due March 2027	300	300
7.0% Debentures due October 2028	400	400
8.375% Notes due June 2032	240	240
7.625% Debentures due April 2037	300	300
Total long-term debt	$ 1,790	$ 1,790

Under our various financing documents, we are subject to a number of 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, 2014 and 2013, we were in compliance with our debt-related covenants.

After the consummation of the Merger Transactions, KMI, KMP and EPB and substantially all of their respective wholly owned subsidiaries entered into a cross guarantee agreement with respect to the existing debt of KMI, KMP, EPB and such subsidiaries, so that KMI and those subsidiaries, including us, are liable for the debt of KMI, KMP, EPB and such subsidiaries.

5. Retirement Benefits

Pension and Retirement Savings Plans

KMI maintains a pension plan and a retirement savings plan covering substantially all of its U.S. employees, including certain of our former employees. The benefits under the pension plan are determined under a cash balance formula. Under its retirement savings plan, KMI contributes an amount equal to 5% of participants' eligible compensation per year. KMI is responsible for benefits accrued under its plans and allocates the related costs based on a benefit allocation rate to its affiliates.

Postretirement Benefits Plan

We provide postretirement medical benefits for a closed group of retirees. These benefits may be subject to deductibles, co-payment provisions, and other limitations and dollar caps on the amount of employer costs and are subject to further benefit changes by KMI, the plan sponsor. Effective January 1, 2014, the plan was amended to provide a fixed subsidy to post-age 65 Medicare eligible participants to purchase coverage through a retiree Medicare exchange. In addition, certain former employees continue to receive limited postretirement life insurance benefits. 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. We do not expect to make any contributions to our postretirement benefit plan in 2015 and there were no contributions made in 2014 and 2013. KMI's retirement and post-retirement plans have been merged. We are permitted to use combined plan assets under the structure of the plans of our affiliated entities to fund participant benefits, including participants of affiliated entities.

Accumulated Postretirement Benefit Obligation, Plan Assets and Funded Status

Our postretirement benefit obligations and net benefit costs are primarily based on actuarial calculations. We use various assumptions in performing these calculations, including those related to the return that we expect to earn on our plan assets, the estimated cost of health care when benefits are provided under our plan and other factors. A significant assumption we utilize is the discount rates used in calculating the benefit obligations. We select our discount rate by matching the timing and amount of our expected future benefit payments for our postretirement benefit obligation to the average yields of various high-quality bonds with corresponding maturities.

In accounting for our postretirement benefit plan, we record an asset or liability based on the overfunded or underfunded status. Any deferred amounts related to unrecognized gains and losses or changes in actuarial assumptions are recorded in "Accumulated other comprehensive income" a component of "Member's equity" until those gains and losses are recognized on our Consolidated Statements of Income and Comprehensive Income.

The table below provides information about our postretirement benefit plan (in millions):

	December 31,	
	2014	2013
Change in accumulated postretirement benefit obligation:		
Accumulated postretirement benefit obligation - beginning of period	$ 15	$ 16
Interest cost	1	—
Participant contributions	—	1
Plan amendments	—	2
Benefits paid(a)	(1)	(2)
Actuarial (gain) loss	(1)	(2)
Accumulated postretirement benefit obligation - end of period	$ 14	$ 15
Change in plan assets:		
Fair value of plan assets - beginning of period	$ 52	$ 48
Actual return on plan assets	2	5
Employer contributions/Transfers	1	—
Participant contributions	—	1
Benefits paid	(1)	(2)
Fair value of plan assets - end of period	$ 54	$ 52
Reconciliation of funded status:		
Fair value of plan assets	$ 54	$ 52
Less: accumulated postretirement benefit obligation	14	15
Net asset at December 31(b)	$ 40	$ 37

(a) Amounts shown are net of a subsidy of less than $1 million for each of the years ended December 31, 2014 and 2013 related to the Medicare Prescription Drug, Improvement, and Modernization Act of 2003.

(b) Net asset amounts are included in "Deferred charges and other assets" on our Consolidated Balance Sheets.

Components of Accumulated Other Comprehensive Income

The amount recognized in “Accumulated other comprehensive income” as of December 31, 2014 and 2013 of $5 million and $6 million, respectively, is primarily related to unrecognized gains. We anticipate that less than $1 million of “Accumulated other comprehensive income” will be recognized as part of our net periodic benefit income in 2015.

Plan Assets

The primary investment objective of our plan is to ensure that, over the long-term life of the plan, an adequate pool of sufficiently liquid assets exists to meet the benefit obligations to retirees and beneficiaries. Investment objectives are long-term in nature covering typical market cycles. Any shortfall of investment performance compared to investment objectives is generally the result of economic and capital market conditions. Although actual allocations vary from time to time from our targeted allocations, the target allocations of our postretirement plan’s assets are 70% equity and 30% fixed income securities.

We use various methods to determine the fair values of the assets in our postretirement benefit plan, which is impacted by a number of factors, including the availability of observable market data over the contractual term of the underlying assets. We separate these assets into three levels (Level 1, 2 and 3) based on our assessment of the availability of this market data and the significance of non-observable data used to determine the fair value of these assets. As of December 31, 2014, assets were comprised of domestic equity securities with a fair value of $5 million, a fixed income trust fund with a fair value of $15 million and limited partnership funds with equity strategies with a fair value of $34 million. The domestic equity securities and $15 million of the limited partnership funds are exchange traded, the fair value (which is considered a Level 1 measurement) is determined based on the price quoted for the investment in actively traded markets. The fixed income trust fund and approximately $19 million of the limited partnership funds are non-exchange-traded, and fair value (which is considered a Level 2 measurement) is determined primarily based on the net asset value reported by the issuer, which is based on similar assets in active markets. As of December 31, 2013, assets were comprised of domestic equity securities with a fair value of $2 million, a fixed income trust fund with a fair value of $15 million and limited partnership funds with equity strategies with a fair value of $35 million. For the domestic equity securities and $18 million of the limited partnership funds, the fair value (which is considered a Level 1 measurement) is determined based on the price quoted for the investment in actively traded markets. For the fixed income trust fund and approximately $17 million of the limited partnership funds are non-exchange-traded, and the fair value (which is considered a Level 2 measurement) is determined primarily based on the net asset value reported by the issuer, which is based on similar assets in active markets. We do not have any assets that are considered Level 3 measurements. The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future fair values, and there have been no changes in the methodologies used as of December 31, 2014 and 2013.

Expected Payment of Future Benefits

As of December 31, 2014, we expect the following benefit payments under our plan (in millions):

Year	Expected Payments
2015	$ 1
2016	1
2017	1
2018	1
2019	1
2020 - 2024	4

Actuarial Assumptions and Sensitivity Analysis

Accumulated postretirement benefit obligations and net benefit costs are based on actuarial estimates and assumptions. The following table details the weighted average actuarial assumptions used in determining our postretirement plan obligations and net benefit costs.

	2014	2013
	(%)	
Assumptions related to benefit obligations at December 31:		
Discount rate	3.45	4.05
Assumptions related to benefit costs for the year ended December 31:		
Discount rate(a)	4.05	3.40
Expected return on plan assets(b)	7.60	7.50

(a) We select our discount rate by matching the timing and amount of our expected future benefit payments for our postretirement benefit obligation to the average yields of various high-quality bonds with corresponding maturities.

(b) The expected return on plan assets listed in the table above is a pre-tax rate of return based on our portfolio of investments. We utilize an after-tax expected return on plan assets to determine our benefit costs, which is based on unrelated business income taxes with a weighted average rate of 21% and 24% for 2014 and 2013.

Actuarial estimates for our postretirement benefit plan assumed a weighted average annual rate of increase in the per capita costs of covered health care benefits of 7%, gradually decreasing to 4.5% by the year 2031. A one-percentage point change would not have had a significant effect on the accumulated postretirement benefit obligation or interest costs for the years ended December 31, 2014 and 2013.

Components of Net Benefit Income

For each of the years ended December 31, the components of net benefit income are as follows (in millions):

	2014	2013
Interest cost	$ 1	$ —
Expected return on plan assets	(3)	(3)
Amortization of prior service credit	(1)	—
Net benefit income	$ (3)	$ (3)

6. Related Party Transactions

Cash Distribution and Contribution

In January 2015, we made a cash distribution to our Member of $160 million. In addition, we received a capital contribution from our Member of $92 million.

Cash Management Program

We participate in the cash management program with KMI and its affiliates, including KMP, which matches short-term cash surpluses and needs of participating affiliates, thus minimizing total borrowings from outside sources. KMI and its affiliates use the cash management program to settle intercompany transactions between participating affiliates. As of December 31, 2014 and 2013, we had a note payable to KMI of $1 million and a note payable to KMP of $23 million, respectively. The interest rate on these notes were variable and were 1.5% and 0.3% as of December 31, 2014 and 2013, respectively.

Other Affiliate Balances

We enter into transactions with our affiliates within the ordinary course of our business and the services are based on the same terms as non-affiliates. In addition, we store natural gas in an affiliated storage facility and utilize the pipeline system of an affiliate to transport some of our natural gas.

We do not have employees. Employees of KMI and its affiliates provide services to us. We are managed and operated by KMI and its affiliates. Under policies with KMI and its affiliates, we reimburse KMI and its affiliates without a profit component for the provision of various general and administrative services for our benefit and for direct expenses incurred by KMI or its affiliates on our behalf. KMI bills us directly for certain general and administrative costs and allocates a portion of its general and administrative costs to us at cost.

The following table summarizes our other balance sheet affiliate balances (in millions):

	December 31,	
	2014	2013
Accounts receivable	$ 16	$ 4
Accounts payable	62	54

The following table shows revenues and allocated costs from our affiliates for each of the years ended December 31 (in millions):

	2014	2013
Revenues	$ 4	$ 4
Operation, maintenance and capitalized costs	113	134
General and administrative(a)	54	61

(a) Includes severance costs of $2 million and $4 million for the years ended December 31, 2014 and 2013, respectively allocated to us from KMI.

7. Litigation, Environmental and Other Contingencies

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 us. 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, financial position, results of operations or cash flows. We believe we have meritorious defenses to the matters to which we are a party and intend to vigorously defend these matters. 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.

Legal Proceedings

Plains Gas Solutions, LLC v. Tennessee Gas Pipeline Company, L.L.C. et al

On October 16, 2013, Plains Gas Solutions, LLC (Plains) filed a petition in the 151st Judicial District Court for Harris County, Texas (Case No. 62528) against us, Kinetica Partners, LLC and two other Kinetica entities. The suit arises from the sale of the Cameron System in Louisiana to Kinetica Partners, LLC on September 1, 2013. Plains alleges that defendants breached a straddle agreement requiring that gas on the Cameron System be committed to Plains' Grand Chenier gas-processing facility, that requisite daily volume reports were not provided, that we improperly assigned our obligations under the straddle agreement to Kinetica, and that defendants interfered with Plains' contracts with producers. The petition alleges damages of at least $100 million. Under the Amended and Restated Purchase and Sale Agreement with Kinetica, Kinetica is obligated to defend and indemnify us in connection with the gas commitment and reporting claims. After agreeing initially to defend and indemnify us against such claims, Kinetica withdrew its defense and disputed its indemnity obligation. We intend to vigorously defend the suit and pursue Kinetica, if necessary, for indemnity and costs of defense.

General

As of December 31, 2014 and 2013, we had approximately $7 million and $8 million, respectively, accrued for our outstanding legal proceedings.

Environmental Matters

We are subject to environmental cleanup and enforcement actions from time to time. Our operations are 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 law and regulations, risk 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. Our insurance may not cover all environmental risks and costs and/or may not provide sufficient coverage in the event an environmental claim is made against us. Moreover, it is possible that other developments 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, could result in substantial costs and liabilities to us.

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, financial position, results of operations or cash distributions. As of December 31, 2014 and 2013, we had approximately $9 million and $5 million, respectively, accrued for our environmental matters.

For 2015, we estimate that our total remediation expenditures will be approximately $2 million, most of which will be expended under government directed clean-up plans. In addition, we expect to make capital expenditures for environmental matters of approximately $20 million in the aggregate for the years of 2015 through 2019, including capital expenditures associated with air permitting and compliance at the state and federal level.

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 the Comprehensive Environmental Response, Compensation and Liability Act (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. Accruals for these matters are included in the environmental reserve discussed above.

Other Matters

Administrative Order and Notice of Civil Administrative Penalty Assessment (AONOCAPA)

On March 28, 2013, the New Jersey Department of Environmental Protection (NJDEP), Division of Compliance and Enforcement issued an AONOCAPA against us for $175,000 and an action plan to address alleged deficiencies in our reforestation efforts following the 300 Line Project, which we placed into commercial operations on November 1, 2011. We evaluated the AONOCAPA, requested an administrative hearing and submitted a corrective action plan. Following discussions with the NJDEP, we reached an agreement to resolve the AONOCAPA, including a reduced penalty amount and monetary compensation in lieu of reforestation.

Pennsylvania Department of Environmental Protection Notice of Alleged Violations

The Pennsylvania Department of Environmental Protection (PADEP) has notified us of alleged violations of certain conditions to the construction permits issued to us for the construction of our 300 Line Project in 2011. The alleged violations arise from field inspections performed by county conservation districts, as delegates of the PADEP, during construction. The PADEP alleges that we failed to implement and maintain best practices to achieve sufficient erosion and sediment controls, stabilization of the right of way, and prevention of potential discharge of sediment into the waters of the Commonwealth of Pennsylvania during construction, before placing the line into service, and in connection with the occurrence of 100 year storm events. On December 22, 2014, we entered into a consent order and agreement with the PADEP pursuant to which we agreed to pay a civil penalty of $210,000, $50,000 in costs, and $540,000 to fund community environmental programs in Pike, Potter, Susquehanna, and Wayne counties in Pennsylvania to generally improve water quality in such counties and help restore third party dump sites unrelated to our construction or other activities.

Southeast Louisiana Flood Protection Litigation

On July 24, 2013, the Board of Commissioners of the Southeast Louisiana Flood Protection Authority - East (SLFPA) filed a petition for damages and injunctive relief in state district court for Orleans Parish, Louisiana (Case No. 13-6911) against us and approximately one hundred other energy companies, alleging that defendants' drilling, dredging, pipeline and industrial operations since the 1930's have caused direct land loss and increased erosion and submergence resulting in alleged increased storm surge risk, increased flood protection costs and unspecified damages to the plaintiff. The SLFPA asserts claims for negligence, strict liability, public nuisance, private nuisance, and breach of contract. Among other relief, the petition seeks unspecified monetary damages, attorney fees, interest, and injunctive relief in the form of abatement and restoration of the alleged coastal land loss including but not limited to backfilling and re-vegetation of canals, wetlands and reef creation, land bridge construction, hydrologic restoration, shoreline protection, structural protection, and bank stabilization. On August 13, 2013, the suit was removed to the U.S. District Court for the Eastern District of Louisiana. On February 13, 2015, the Court granted defendants' motion to dismiss the suit for failure to state a claim, and issued an order dismissing the SLFPA's claims with prejudice. The SLFPA filed a notice of appeal on February 20, 2015.

Plaquemines Parish Louisiana Coastal Zone Litigation

On November 8, 2013, the Parish of Plaquemines, Louisiana filed a petition for damages in the state district court for Plaquemines Parish, Louisiana (Docket No. 60-999) against us and 17 other energy companies, alleging that defendants' oil and gas exploration, production and transportation operations in the Bastian Bay, Buras, Empire and Fort Jackson oil and gas fields of Plaquemines Parish caused substantial damage to the coastal waters and nearby lands (Coastal Zone) within the Parish, including the erosion of marshes and the discharge of oil waste and other pollutants which detrimentally affected the quality of state waters and plant and animal life, in violation of the State and Local Coastal Resources Management Act of 1978 (Coastal Zone Management Act). As a result of such alleged violations of the Coastal Zone Management Act, Plaquemines Parish seeks, among other relief, unspecified monetary relief, attorney fees, interest, and payment of costs necessary to restore the allegedly affected Coastal Zone to its original condition, including costs to clear, vegetate and detoxify the Coastal Zone. On December 18, 2013, defendants removed the case to the U.S. District Court for the Eastern District of Louisiana. The plaintiff filed a motion to remand the case to state court, and such motion remains under consideration by the federal court. In connection with this suit, we have made two tenders for defense and indemnity: (1) to Anadarko, as successor to the entity that purchased our oil and gas assets in Bastian Bay, and (2) to Kinetica, which purchased our pipeline assets in Bastian Bay in 2013. Anadarko accepted our tender (limited to oil and gas assets), and Kinetica rejected our tender. We responded to Kinetica's rejection by reasserting our demand for defense and indemnity and reserving our rights.

Other Commitments

Capital Commitments

As of December 31, 2014, we have commitments for purchases of plant, property and equipment of $144 million, which we expect to spend during 2015. We have other planned capital projects that are discretionary in nature, with no substantial contractual capital commitments made in advance of the actual expenditures.

Other Commercial Commitment

We hold cancelable easements or rights-of-way arrangements from landowners permitting the use of land for the construction and operation of our pipeline systems. Our obligations under these easements are not material to our results of operations.

Purchase Obligations

We have entered into unconditional purchase obligations primarily for transportation, storage and other services, totaling $206 million as of December 31, 2014. Our annual obligations under these purchase obligations are $29 million in 2015, $26 million in 2016, $24 million in 2017, $19 million in 2018, $19 million in 2019, and $89 million in total thereafter.

Operating Leases

We lease property, facilities and equipment under various operating leases. Future minimum annual rental commitments under our operating leases as of December 31, 2014, were as follows (in millions):

Year	Commitment
2015	$ 1
2016 and thereafter	1
Total	$ 2

Rental expense on our lease obligations for the years ended December 31, 2014 and 2013 was approximately $1 million for each period, and is reflected in "Operations and maintenance" on our Consolidated Statements of Income and Comprehensive Income.

8. Fair Value

The following table reflects the carrying amount and estimated fair value of our long-term debt (in millions):

	As of December 31,			
	2014		2013	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Long-term debt(a)	$ 2,120	$ 2,169	$ 2,156	$ 2,163

(a) Carrying amounts include $330 million in 2014 and $366 million in 2013 of unamortized excess fair value adjustment resulting from the application of "push-down" accounting associated with KMI's acquisition of El Paso on May 25, 2012.

We separate the fair values of our financial instruments into levels based on our assessment of the availability of observable market data and the significance of non-observable data used to determine the estimated fair value. We estimated the fair values of our long-term debt primarily based on quoted market prices for the same or similar issues, a Level 2 fair value measurement. Our assessment and classification of an instrument within a level can change over time based on the maturity or liquidity of the instrument and this change would be reflected at the end of the period in which the change occurs. During the years ended December 31, 2014 and 2013, there were no changes to the inputs and valuation techniques used to measure fair value, the types of instruments, or the levels in which they are classified.

As of December 31, 2014 and 2013, the carrying amounts of cash and cash equivalents, accounts receivable, net and accounts payable represent fair values based on the short-term nature of these items. The carrying amount of our affiliate note receivable and notes payable approximates fair value due to the notes being due on demand and the market-based nature of the interest rate.

9. Accounting for Regulatory Activities

Regulatory Assets and Liabilities

Regulatory assets and liabilities represent probable future revenues or expenses associated with certain charges and credits that will be recovered from or refunded to customers through the ratemaking process. As of December 31, 2014, substantially all of our regulatory assets are being recovered as cost of service in our rates over a period of approximately one year to twenty-six years. Below are the details of our regulatory assets and liabilities as of December 31 (in millions):

	2014	2013
Current regulatory assets		
Difference between gas retained and gas consumed in operations	$ —	$ 5
Unamortized loss on sale of assets	10	10
Other	10	2
Total current regulatory assets	20	17
Non-current regulatory assets		
Taxes on capitalized funds used during construction	47	48
Unamortized loss on reacquired debt	15	18
Unamortized loss on sale of assets	184	189
Other	8	3
Total non-current regulatory assets	254	258
Total regulatory assets	$ 274	$ 275
Current regulatory liabilities		
Difference between gas retained and gas consumed in operations	$ 22	$ —
Other	8	5
Total current regulatory liabilities	30	5
Non-current regulatory liabilities		
Environmental	6	8
Property and plant retirements	18	17
Total non-current regulatory liabilities(a)	24	25
Total regulatory liabilities	$ 54	$ 30

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

Our significant regulatory assets and liabilities include:

Difference between gas retained and gas consumed in operations

These amounts reflect the value of volumetric differences between gas retained and consumed in our operations. These amounts are not included in the rate base, but given our tariff, are expected to be recovered from our customers or returned to our customers in subsequent fuel filing periods.

Unamortized loss on sale of assets

Amount represents the deferred and unamortized portion of losses on our sale of assets. We expect to recover this loss through our jurisdictional natural gas transportation rates. In September 2013, FERC approved our request for authority to abandon by sale of certain natural gas facilities located offshore in the Gulf of Mexico and onshore in the state of Louisiana, as well as a related offer of settlement that provided for a rate adjustment to our maximum tariff rates upon the transfer of the assets and established a regulatory asset for a portion of the unrecovered net book value of the facilities to be sold. Upon approval, we sold these assets for an aggregate consideration of $32 million in cash and recognized a $36 million gain from the sale of assets in 2013. We included the cash proceeds from the sale within "Sale or disposal of property, plant and equipment, net of salvage" within the investing section of our accompanying Consolidated Statement of Cash Flows for the year ended December 31, 2013, and we included the gain from the sale within "Loss (gain) on sale of fixed assets" on our accompanying Consolidated Statement of Income and Comprehensive Income for the year ended December 31, 2013.

Taxes on capitalized funds used during construction

These regulatory asset balances were established to offset the deferred tax for the equity component of the AFUDC capitalized in long-lived assets. Taxes on capitalized funds used during construction and the offsetting deferred income taxes are included in the rate base and are recovered over the depreciable lives of the long lived asset to which they relate. These balances were established on our pipeline prior to our conversion to a non-taxable entity.

Unamortized loss on reacquired debt

Amount represents the deferred and unamortized portion of losses on reacquired debt which are recovered through the cost of service over the original life of the debt issue, or in the case of refinanced debt, over the life of the new debt issue.

Environmental

Includes amounts collected, substantially in excess of certain PCB 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.

Regulatory Assets Amortization

Our amortization of the regulatory assets for 2014 and 2013 were $19 million and $17 million, respectively, which primarily consisted of (i)deferred losses on sale of assets included in "Depreciation and amortization" of $10 million and $7 million, respectively and (ii)deferred losses on reacquired debt included in "Interest expense, net" of $3 million and $4 million, respectively on our Consolidated Statements of Income and Comprehensive Income.

Regulatory Matters

Below is a brief description of our ongoing regulatory matters, including any material developments that occurred during the years ended December 31, 2014 and 2013.

Rate Case

In December 2011, the FERC approved our settlement that resolved the outstanding rate issues arising from our general rate case filing. The settlement provides for, among other things, (i) an increase in our base tariff rates effective June 1, 2011, (ii) implementation of cost trackers for fuel and pipeline safety and greenhouse gas, (iii) significant contract extensions to October 2014, (iv) a filing requirement for our next general rate case to be effective no later than November 2015, and (v) a revenue sharing mechanism with certain of our customers for certain revenues above an annual threshold.

Rose Lake Expansion Project (Docket No. CP13-03-000)

In November 2014, we completed the FERC approved $74 million expansion of our pipeline capacity in northern Pennsylvania through the installation and modification of new and existing compression facilities that resulted in increased capacity of approximately 230 thousand dekatherm per day and improved the efficiency and reduced emissions by replacing certain older existing compression facilities.

10. Transactions with Major Customers

For the year ended December 31, 2013, revenue from the largest non-affiliate customer was approximately $112 million.

11. Recent Accounting Pronouncements

Accounting Standards Update (ASU) No. 2014-09

On May 28, 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)." This ASU is designed to create greater comparability for financial statement users across industries and jurisdictions. The provisions of ASU No. 2014-09 include a five-step process by which entities will recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the payment to which an entity expects to be entitled in exchange for those goods or services. The standard also will require enhanced disclosures, provide more comprehensive guidance for transactions such as service revenue and contract modifications, and enhance guidance for multiple-element arrangements. ASU No. 2014-09 will be effective for U.S. public companies for annual reporting periods beginning after December 15, 2016, including interim reporting periods (January 1, 2017 for us). Early adoption is not permitted. We are currently reviewing the effect of ASU No. 2014-09 on our revenue recognition.