CONSOLIDATED FINANCIAL STATEMENTS
With Independent Auditor's Report

COLORADO INTERSTATE GAS COMPANY, L.L.C.

As of December 31, 2015 and 2014 and
For the Years Ended December 31, 2015 and 2014

COLORADO INTERSTATE GAS COMPANY, L.L.C. AND SUBSIDIARY
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Independent Auditor's Report

To the Management of Colorado Interstate Gas Company, L.L.C.:

We have audited the accompanying consolidated financial statements of Colorado Interstate Gas Company, L.L.C and its subsidiary (the "Company"), which comprise the consolidated balance sheets as of December 31, 2015 and 2014, and the related statements of income and comprehensive income, of member's equity, and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

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 Colorado Interstate Gas Company, L.L.C. and its subsidiary at December 31, 2015 and 2014, and the results of their 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 extensive operations and relationships with affiliated entities. Our opinion is not modified with respect to this matter.

PricewaterhouseCoopers LLP

Houston, Texas
April 15, 2016

COLORADO INTERSTATE GAS COMPANY, L.L.C. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(In Millions)

	Year Ended December 31,	
	2015	**2014**
Revenues	$ 397	$ 404
Operating Costs and Expenses		
Operation and maintenance	70	80
Depreciation and amortization	44	44
General and administrative	19	20
Taxes, other than income taxes	20	20
Total Operating Costs and Expenses	153	164
Operating Income	244	240
Other Income (Expense)		
Interest, net	(65)	(63)
Other, net	2	1
Total Other Income (Expense)	(63)	(62)
Income Before Income Taxes	181	178
Income Tax Expense	—	(1)
Net Income	181	177
Other Comprehensive Loss		
Adjustments to postretirement benefit plan	(5)	(1)
Comprehensive Income	$ 176	$ 176

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

COLORADO INTERSTATE GAS COMPANY, L.L.C. AND SUBSIDIARY
CONSOLIDATED BALANCE SHEETS
(In Millions)

	December 31, 2015	December 31, 2014
ASSETS		
Current assets		
Cash and cash equivalents	$ —	$ —
Accounts receivable	37	40
Inventories	7	7
Regulatory assets	17	12
Natural gas imbalance receivable	2	5
Total current assets	63	64
Property, plant and equipment, net	1,301	1,330
Note receivable from affiliate	—	36
Deferred charges and other assets	37	41
Total Assets	$ 1,401	$ 1,471
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Current portion of debt	$ 6	$ 381
Accounts payable	18	20
Accrued interest	3	4
Accrued taxes, other than income taxes	17	17
Regulatory liabilities	3	5
Natural gas imbalance payable	4	4
Other current liabilities	1	4
Total current liabilities	52	435
Long-term liabilities and deferred credits		
Long-term debt, net of debt issuance costs	262	266
Note payable to affiliate	375	—
Other long-term liabilities and deferred credits	12	12
Total long-term liabilities and deferred credits	649	278
Total Liabilities	701	713
Commitments and contingencies (Notes 2 and 9)		
Member's Equity		
Member's equity	696	749
Accumulated other comprehensive income	4	9
Total Member's Equity	700	758
Total Liabilities and Member's Equity	$ 1,401	$ 1,471

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

COLORADO INTERSTATE GAS COMPANY, L.L.C. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Millions)

	Year Ended December 31,	
	2015	**2014**
Cash Flows From Operating Activities		
Net income	$ 181	$ 177
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	44	44
Other non-cash items	2	1
Changes in components of working capital:		
Accounts receivable	3	—
Regulatory assets	(5)	(3)
Accounts payable	(1)	5
Other current assets and liabilities	—	3
Other long-term assets and liabilities	(6)	1
Net Cash Provided by Operating Activities	218	228
Cash Flows From Investing Activities		
Capital expenditures	(12)	(11)
Net change in note receivable from affiliates	36	(4)
Other, net	(3)	(1)
Net Cash Provided by (Used in) Investing Activities	21	(16)
Cash Flows From Financing Activities		
Proceeds from note payable to affiliate	375	—
Payments of debt	(381)	(6)
Contributions from Member	1	—
Distributions to Member	(235)	(208)
Advances from joint venture partner	1	2
Net Cash Used in Financing Activities	(239)	(212)
Net Change in Cash and Cash Equivalents	—	—
Cash and Cash Equivalents, beginning of period	—	—
Cash and Cash Equivalents, end of period	$ —	$ —
Supplemental Disclosure of Cash Flow Information		
Cash paid during the period for interest (net of capitalized interest)	$ 63	$ 60

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

COLORADO INTERSTATE GAS COMPANY, L.L.C. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY
(In Millions)

	Year Ended December 31,	
	2015	2014
Beginning Balance	$ 758	$ 790
Net income	181	177
Contributions	1	—
Distributions	(235)	(208)
Other comprehensive loss	(5)	(1)
Ending Balance	$ 700	$ 758

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

COLORADO INTERSTATE GAS COMPANY, L.L.C. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. General

We are a Delaware limited liability company, originally formed in 1927 as a corporation. When we refer to "us," "we," "our," "ours," "the Company," or "CIG" we are describing Colorado Interstate Gas Company, L.L.C. and its consolidated subsidiary.

Prior to January 1, 2015, we were wholly owned by El Paso Pipeline Partners Operating Company, L.L.C. (EPPOC), a wholly owned subsidiary of El Paso Pipeline Partners, L.P. (EPB), a master limited partnership indirectly controlled by Kinder Morgan, Inc. (KMI). On January 1, 2015, EPB and its subsidiary, EPPOC, merged with and into Kinder Morgan Energy Partners, L.P. (KMP), with KMP surviving the merger. As a result of such merger, we became a direct, wholly owned subsidiary of KMP, which is a subsidiary of 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.

We own a pipeline system which consists of approximately 4,300 miles of pipeline with a design capacity of 5,150 million cubic feet per day (MMcf/d). We deliver natural gas from production areas in the Rocky Mountains and the Anadarko Basin directly to customers in Colorado and Wyoming and indirectly to the Midwest, Southwest, California and the Pacific Northwest. Along our pipeline system, we own interests in five storage facilities in Colorado and Kansas with 37 billion cubic feet (Bcf) of underground working natural gas storage capacity, which includes 7 Bcf of storage capacity from the Totem storage facility (Totem).

Totem is owned by WYCO Development LLC (WYCO), a joint venture in which we have a 50% ownership interest in. WYCO also owns High Plains pipeline (High Plains). Totem and High Plains are both located in northeast Colorado. Under a long-term agreement with WYCO, we operate Totem and High Plains as permitted under our certificate with the FERC. Totem has 7 Bcf of working natural gas storage capacity with a maximum withdrawal rate of 200 MMcf/d and a maximum injection rate of 150 MMcf/d. High Plains extends from the Cheyenne Hub in northeast Colorado to PSCo's Fort St. Vrain electric generation plant and other points of interconnection with PSCo's system and with other producers/operators in the area. High Plains represents approximately 1,150 MMcf/d of overall transportation capacity of our system. Totem services and interconnects with High Plains. WYCO also owns a state regulated intrastate gas pipeline that extends from the Cheyenne Hub in northeast Colorado to PSCo's Fort St. Vrain's electric generation plant, which we do not operate, and a compressor station in Wyoming operated by our affiliate, Wyoming Interstate Company, L.L.C. (WIC).

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 United States Generally Accepted Accounting Principles (GAAP) and referred to in this report as the Codification. Additionally, certain amounts from the prior year have been reclassified to conform to the current presentation.

Management has evaluated subsequent events through April 15, 2016, the date the financial statements were available to be issued.

Principles of Consolidation

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

Use of Estimates

Certain amounts included in or affecting our financial statements and related disclosures must be estimated, requiring us to make certain assumptions with respect to values or conditions which cannot be known with certainty at the time our financial statements are prepared. These estimates and assumptions affect the amounts we report for assets and liabilities, our revenues and expenses during the reporting period, and our disclosures, including as it relates to contingent assets and liabilities at the date of our financial statements. We evaluate these estimates on an ongoing basis, utilizing historical experience, consultation with experts and other methods we consider reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from 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, 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.

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. We had no allowance for doubtful accounts as of December 31, 2015 and 2014.

Inventories

Our inventories, which consist primarily 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 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 customers and affiliates are reported on our accompanying Consolidated Balance Sheets in "Natural gas imbalance receivable." Imbalances owed to customers and affiliates are reported on our accompanying Consolidated Balance Sheets in "Natural gas imbalance payable" We classify all imbalances 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 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 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 sell or retire an entire operating unit, (as approved by the FERC).

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 the average cost of debt. Interest costs capitalized are included as a reduction to "Interest, net" on our accompanying Consolidated Statements of Income and Comprehensive Income. The equity portion is calculated based on the 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 amounts of capitalized AFUDC were not significant for the years ended December 31, 2015 and 2014.

Asset Retirement Obligations (ARO)

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 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. Our recorded ARO were not significant as of December 31, 2015 and 2014.

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 market conditions or in the legal or business environment such as adverse actions by regulators. If an event occurs, which is a determination that involves judgment, we evaluate the recoverability of our carrying value based on either (i) the long-lived asset's ability to generate future cash flows on an undiscounted basis or (ii) the fair value of the investment in an unconsolidated affiliate. If an impairment is indicated, or if we decide to sell a long-lived asset or group of assets, we adjust the carrying value of the asset downward, if necessary, to its estimated fair value.

Our fair value estimates are generally based on assumptions market participants would use, including market data obtained through the sales process or an analysis of expected discounted future cash flows. There were no impairments for the years ended December 31, 2015 and 2014.

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 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.

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, storage and processing 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. Gas not used in operations is based on the volumes we are allowed to retain relative to the amounts of gas we use for operating purposes. 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, 2015 and 2014.

For the year ended December 31, 2015, revenues from our two largest non-affiliate customers were approximately $169 million and $40 million, respectively, each of which exceeded 10% of our operating revenues. For the year ended December 31, 2014, revenues from our two largest non-affiliate customers were approximately $170 million and $40 million, respectively, each of which exceeded 10% of our operating revenues.

At December 31, 2015, we have transportation and storage agreements with our largest non-affiliate customer for capacity on High Plains through 2029 and Totem through 2040, with annual firm revenues of $39 million.

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 accrue and expense environmental costs that relate to an existing condition caused by past operations. 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.

We are subject to environmental cleanup and actions from time to time. In particular, the Comprehensive Environmental Response, Compensation and Liability Act 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 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, 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. 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.

Although it is not possible to predict the ultimate outcomes, we believe that the resolution of the environmental matters, and other matters to which we and our subsidiary are a party, will not have a material adverse effect on our business, financial position, results of operations or cash flows. As of both December 31, 2015 and 2014, we have accrued a total reserve for environmental liabilities of approximately $1 million.

Legal

We are party to various legal, regulatory and other matters arising from the day-to-day operations of our businesses that may result in claims against the Company. Although no assurance can be given, we believe, based on our experiences to date and taking into account established reserves, that the ultimate resolution of such items will not have a material adverse impact on our business, 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 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.

We had no accruals for any outstanding legal proceeding as of December 31, 2015 and 2014.

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.

Postretirement Benefits

We maintain a postretirement benefit plan covering certain of our former employees that we made contributions to in the past. These contributions are invested until the benefits are paid out to plan participants. The net benefit cost of this plan is recorded in our accompanying 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 more information on our policies with respect to our postretirement benefit plan, see Note 5.

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.

Income Taxes

We are a limited liability company and are not subject to either federal income taxes 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.

Regulated Operations

Our interstate natural gas pipeline and storage operations are subject to the jurisdiction of the FERC and are accounted for in accordance with Accounting Standards Codification 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 revenue sharing and surcharge mechanism, certain postretirement benefit plan costs, losses on reacquired debt, taxes related to an equity return component on regulated capital projects prior to our change in legal structure to 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. For more information on our regulated operations, see Note 8.

3. Property, Plant and Equipment, net

Our property plant and equipment, net consisted of the following (in millions, except for %):

	Annual Depreciation Rates %	December 31. 2015	December 31. 2014
Transmission and storage facilities	1.85 - 6.67	$ 1,818	$ 1,811
Products extraction	1.85	29	29
General plant	3 - 25	35	36
Intangible plant	10 - 23	8	11
Other		27	25
Accumulated depreciation and amortization (a)		(625)	(591)
		1,292	1,321
Land		6	6
Construction work in progress		3	3
Property, plant and equipment, net		$ 1,301	$ 1,330

(a) The composite weighted average depreciation rates for the years ended December 31, 2015, and 2014 were approximately 2.21% and 2.24%, respectively.

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 accompanying Consolidated Statements of Income and Comprehensive Income.

The following table summarizes the net carrying value of our outstanding debt (in millions):

	December 31, 2015	December 31, 2014
Senior Notes, 5.95%, due 2015	$ —	$ 35
Senior Notes, 6.80%, due 2015	—	340
Senior Debentures, 6.85%, due 2037	100	100
Other financing obligations	168	173
	268	648
Less: Unamortized discount and debt issuance costs	—	1
Total debt	268	647
Less: Current portion of debt	6	381
Total long-term debt	$ 262	$ 266

KMI and substantially all of its 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.

Other Financing Obligations

In conjunction with the construction of Totem and High Plains, our joint venture partner in WYCO funded 50% of the construction costs. We reflected the payments made by our joint venture partner as other long-term liabilities on our accompanying Consolidated Balance Sheets during construction and, upon project completion, the advances were converted into a financing obligation to WYCO. Upon placing these projects in service, we transferred our title in the projects to WYCO and leased the assets back. Although we transferred the title in these projects to WYCO, the transfer did not qualify for sale leaseback accounting because of our continuing involvement through our equity investment in WYCO. As such, the costs of the facilities remain on our accompanying Balance Sheets and the advanced payments received from our 50% joint venture partner were converted into a financing obligation due to WYCO.

As of December 31, 2015, the principal amounts of the Totem and High Plains financing obligations were $72 million and $96 million, respectively, which will be paid in monthly installments through 2039 based on the initial lease term. At the expiration of the initial lease term, the lease agreement shall be extended automatically for the term of related firm service agreements. The interest rate on these obligations is 15.5%, payable on a monthly basis.

Debt Repayments

We repaid $35 million of our 5.95% senior notes in March 2015 and $340 million of our 6.80% senior notes in November 2015 with funds received from KMI through a promissory note, see Note 6.

Maturities of Debt

The scheduled maturities of the outstanding debt balances, as of December 31, 2015 are summarized as follows (in millions):

Year	Total
2016	$ 6
2017	6
2018	6
2019	6
2020	6
Thereafter	238
Total	$ 268

Debt Covenants

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, 2015 and 2014, we were in compliance with our debt-related covenants.

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 certain costs based on a benefit allocation rate applied on payroll charged to its affiliates.

Postretirement Benefits Plan

We provide postretirement benefits, including medical benefits for a closed group of retirees. Medical benefits for this closed group 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 2016, and there were no contributions made in 2015 and 2014. KMI's postretirement 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.

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. For 2015, we selected 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.

Effective January 1, 2016, we changed our estimate of the service and interest cost components of net periodic benefit cost (credit) for our other postretirement benefit plan. The new estimate utilizes a full yield curve approach in the estimation of these components by applying the specific spot rates along the yield curve used in the determination of the benefit obligation to their underlying projected cash flows. The new estimate provides a more precise measurement of service and interest costs by improving the correlation between projected benefit cash flows and their corresponding spot rates. The change does not affect the measurement of our postretirement benefit obligation and it is accounted for as a change in accounting estimate, which is applied prospectively. The change in the service and interest costs going forward will not be significant.

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

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

	December 31, 2015	December 31, 2014
Change in postretirement benefit obligation:		
Postretirement benefit obligation — beginning of period	$ 2	$ 3
Participant contributions	—	—
Benefits paid(a)	—	(1)
Postretirement benefit obligation — end of period	$ 2	$ 2
Change in plan assets:		
Fair value of plan assets — beginning of period	$ 17	$ 17
Actual return on plan assets	(3)	1
Benefits paid	—	(1)
Fair value of plan assets — end of period	$ 14	$ 17
Reconciliation of funded status:		
Fair value of plan assets	$ 14	$ 17
Less: postretirement benefit obligation	2	2
Net asset at December 31(b)	$ 12	$ 15

(a) Amounts shown net of a subsidy of less than $1 million for each of the years ended December 31, 2015 and 2014 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 accompanying Consolidated Balance Sheets.

Components of Accumulated Other Comprehensive Income

The amount recognized in "Accumulated other comprehensive income" as of December 31, 2015 and 2014 of $4 million and $9 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 net periodic benefit income in 2016.

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 the targeted allocations, the target allocations of our postretirement plan's assets are 30% equity, 30% fixed income securities and 40% master limited partnerships.

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. Generally, we separate these assets into three levels (Level 1, 2 and 3) based on our assessment of the availability of market data and the significance of non-observable data used to determine the fair value of these assets. As of December 31, 2015, assets were comprised of domestic equity securities with a fair value of $1 million and master limited partnerships with a fair value of $3 million. As of December 31, 2014, assets were comprised of domestic equity securities with a fair value of $1 million, and master limited partnerships with a fair value of $5 million. The domestic equity securities and the master limited partnerships are exchange traded, and the fair value (which is considered a Level 1 measurement) is determined based on the price quoted for the investment in actively traded markets. In 2015, we adopted Accounting Standards Update (ASU) No. 2015-07, *"Fair Value Measurement (Topic 820) - Disclosures for Investments in Certain Entities that Calculate Net Asset Value per Share (or Its Equivalent)."* This ASU removes the requirement to include investments in the fair value hierarchy for which the fair value is measured at Net Asset Value (NAV) using the practical expedient under Topic 820. Plan assets with fair values that are based on NAV per share, or its equivalent, as reported by the issuers, are determined based on the fair value of the underlying securities as of the valuation date and include fixed income trusts and limited partnerships which are primarily invested in global equity securities. The fair value of the fixed income trusts as of both December 31, 2015 and 2014 was $5 million. The fair value of the limited partnerships as of December 31, 2015 and 2014 was $5 million and $6 million, respectively. The plan does not have any assets that are considered Level 2 and 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 at December 31, 2015 and 2014.

Expected Payment of Future Benefits

As of December 31, 2015, we expect the future benefit payments under our plan to be less than $1 million for each of the years ending December 31, 2016 through December 31, 2020 and $1 million for years ending December 31, 2021 through December 31, 2025.

Actuarial Assumptions and Sensitivity Analysis

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.

	2015	**2014**
	(%)	
Assumptions related to benefit obligations at December 31:		
Discount rate	3.84	3.44
Assumptions related to benefit costs for the year ended December 31:		
Discount rate	3.44	4.13
Expected return on plan assets(a)	7.25	7.60

(a) 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% for both 2015 and 2014.

Actuarial estimates for our postretirement benefits plan assumed a weighted average annual rate of increase in the per capita costs of covered health care benefits of 3.0% per year. A one-percentage point change in assumed health care trends would not have had a significant effect on the accumulated postretirement benefit obligation or interest costs as of and for the years ended December 31, 2015 and 2014.

Components of Net Benefit Income

The components of net benefit income are as follows (in millions):

	Year Ended December 31,	
	2015	2014
Expected return on plan assets	$ (1)	$ (2)
Amortization of net actuarial gain	(1)	—
Net benefit income	$ (2)	$ (2)

6. Related Party Transactions

Cash Management Program

We participate in KMI's cash management program, which matches 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. Our note receivable from KMI balances as of December 31, 2015 and 2014 were $0 and $36 million, respectively. The interest rate on this note was variable and was 1.5% as of December 31, 2014.

Affiliate Note Payable

On November 16, 2015, we entered into a $375 million promissory note agreement, due November 16, 2018, with KMI. Borrowings under this note agreement bear an interest rate of 5.25% and may be prepaid in whole or in part at any time, and from time-to-time, without premium or penalty. Proceeds from this note were used to repay our $35 million, 5.95% senior notes and our $340 million, 6.80% senior notes, in 2015.

Other Affiliate Balances and Activities

We enter into transactions with our affiliates within the ordinary course of business and the services are based on the same terms as non-affiliates, including natural gas transportation services to and from affiliates under long-term contracts and various operating agreements.

We do not have employees. Employees of KMI provide services to us. We are managed and operated by KMI. Under policies with KMI, we reimburse KMI without a profit component for the provision of various general and administrative services for our benefit and for direct expenses incurred by KMI on our behalf. Additionally, 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,	
	2015	2014
Accounts receivable	$ 1	$ —
Natural gas imbalance receivable	1	3
Accounts payable	12	15
Accrued interest	2	—
Natural gas imbalance payable	2	—
Financing obligations (a)	168	173

(a) Represents financing obligations payable to WYCO related to Totem and High Plains, of which $6 million is included in "Current portion of debt" on our accompanying Consolidated Balance Sheets as of both December 31, 2015 and 2014. For more information on our obligations, see Note 4.

The following table shows revenues and costs from our affiliates (in millions):

	Year Ended December 31, 2015	2014
Revenues	$ 2	$ 1
Operation, maintenance and capitalized costs	40	39
General and administrative	18	18

Subsequent Event

In March 2016, we made a cash distribution to our Member of $60 million.

7. Fair Value

The following table reflects the carrying amount and estimated fair values of our outstanding debt balances, excluding total other financing obligations (in millions):

	As of December 31, 2015		2014	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Total debt, excluding total other financing obligations (a)	$ 100	$ 85	$ 475	$ 507

(a) Our other financing obligations were $168 million and $173 million as of December 31, 2015 and 2014, of which $6 million for each period was reported as "Current portion of debt" on our accompanying Consolidated Balance Sheets for both periods.

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 above fair values of debt, excluding total other financing obligations, 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, 2015 and 2014, there were no changes to the inputs and valuation techniques used to measure fair value of these instruments or the levels in which they were classified.

As of December 31, 2015 and 2014, the carrying amounts of our affiliate note payable and note receivable approximate their fair value due to the market-based nature of the interest rate.

8. Accounting for Regulatory Activities

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, 2015, the regulatory assets are being recovered as cost of service in our rates over a period of approximately one year to 27 years. Below are the details of our regulatory assets and liabilities (in millions):

	December 31, 2015	December 31, 2014
Current regulatory assets		
Revenue sharing and surcharge mechanism	$ 15	$ 11
Difference between gas retained and gas consumed in operations	1	—
Other	1	1
Total current regulatory assets	17	12
Non-current regulatory assets		
Taxes on capitalized funds used during construction	9	9
Unamortized loss on reacquired debt	—	1
Total non-current regulatory assets(a)	9	10
Total regulatory assets	$ 26	$ 22
Current regulatory liabilities		
Difference between gas retained and gas consumed in operations	$ 1	$ 3
Other	2	2
Total current regulatory liabilities	3	5
Non-current regulatory liabilities		
Property and plant retirements	9	9
Postretirement benefits	1	1
Total non-current regulatory liabilities(b)	10	10
Total regulatory liabilities	$ 13	$ 15

(a) Included in "Deferred charges and other assets" on our accompanying Consolidated Balance Sheets.
(b) Included in "Other long-term liabilities and deferred credits" on our accompanying Consolidated Balance Sheets.

Our significant regulatory assets and liabilities include:

Revenue sharing and surcharge mechanism

Amounts represent a revenue sharing mechanism with certain of our customers for revenues received above the annual threshold amounts and a revenue surcharge mechanism to charge for shortfalls of revenue less than an annual threshold amount pursuant to the August 2011 FERC approved rate case settlement. During the years ended December 31, 2015 and 2014, we received revenues less than the annual threshold amounts and therefore implemented the required surcharge for certain customers.

Taxes on capitalized funds used during construction

Amounts represent the regulatory asset balance established in periods prior to 2007 when we changed our legal structure to a non-taxable entity, to offset the deferred tax for the equity component of AFUDC. 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.

Unamortized loss on reacquired debt

Amounts represent 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. The balance was fully amortized when the debt was paid off during 2015.

Difference between gas retained and gas consumed in operations

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

Property and plant retirements

Amounts represent the deferral of customer-funded amounts for costs of future asset retirements.

Postretirement benefits

Amounts represent the differences in postretirement benefit amounts expensed and the amounts previously recovered in rates prior to our rate case settlement in August 2011. As part of our rate case settlement, we no longer include these costs in our rates and we reclassified these balances to "Accumulated other comprehensive income."

Regulatory Matter

In August 2011, the FERC approved an uncontested pre-filing settlement of a rate case required under the terms of a previous settlement. The settlement generally provides for our current tariff rates to continue until our next general rate case which will be effective no later than October 1, 2016. With respect to the upcoming expiration of the current settlement, we have reached an agreement in principle with our shippers that would resolve all the issues involving our upcoming filing requirement for a system-wide rate change under section 4 of the Natural Gas Act, to be effective no later than October 1, 2016. On March 24, 2016, we filed a Petition to Amend the current settlement to extend the date of the next general rate case to be effective no later than January 1, 2017. This extension will provide the parties additional time to draft and file a pre-filing settlement and provide the Commission with time to review and approve that settlement prior to the required filing date.

9. Commitments

Capital Commitments

We have planned capital and investment projects that are discretionary in nature, with no substantial contractual capital commitments made in advance of the actual expenditures.

Other Commercial Commitments

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

Transportation and Storage Commitments

We have entered into transportation commitments and storage capacity contracts totaling approximately $89 million at December 31, 2015, of which $65 million is related to storage capacity contracts with our affiliate, Young Gas Storage Company, Ltd. and $24 million is related to transportation commitments with our affiliate, WIC. Our annual commitments under these agreements are $14 million in 2016, $12 million in 2017, $11 million in 2018, $11 million in 2019, $11 million in 2020, and $30 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, 2015, are as follows (in millions):

Year	Total
2016	$ 2
2017	2
2018	2
2019	2
2020	3
Thereafter	34
Total	$ 45

Rental expense on our lease obligations for each of the years ended December 31, 2015 and 2014, was approximately $1 million, and is reflected in "Operation and maintenance" on our accompanying Consolidated Statements of Income and Comprehensive Income. While we hold the contractual obligations for the operating leases, the rent expense, which is considered a shared services cost and allocated to various KMI subsidiaries, is administered and funded by KMI.

10. Recent Accounting Pronouncement

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 us January 1, 2018. Early adoption is permitted for the interim periods within the adoption year. We are currently reviewing the effect of ASU No. 2014-09 on our revenue recognition and assessing the timing of our adoption.