

Eastern Gas Transmission and Storage, Inc.

Consolidated Financial Statements

Three- and Nine- Month Periods Ended September 30, 2021 and 2020

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DEFINITION OF ABBREVIATIONS AND INDUSTRY TERMS

The following abbreviations or acronyms used in this document are defined below:

Abbreviation or Acronym	Definition
AFUDC	Allowance for funds used during construction
AOI	Accumulated other comprehensive income (loss)
Atlantic Coast Pipeline	Atlantic Coast Pipeline, LLC
BHE	Berkshire Hathaway Energy Company
Customer Revenue	Revenue from contracts with customers
DEI	Dominion Energy, Inc.
DES	Dominion Energy Services, Inc.
Eastern Energy Gas	The legal entity, Eastern Energy Gas Holdings, LLC, one or more of its consolidated subsidiaries (other than EGTS) or operating segment, or the entirety of Eastern Energy Gas Holdings, LLC and its consolidated subsidiaries
EGTS	The legal entity, Eastern Gas Transmission and Storage, Inc., one or more of its consolidated subsidiaries or operating segment, or the entirety of Eastern Gas Transmission and Storage, Inc. and its consolidated subsidiaries
FERC	Federal Energy Regulatory Commission
GAAP	Accounting principles generally accepted in the United States of America
GT&S Transaction	The acquisition of substantially all of the natural gas transmission and storage business of DEI, including EGTS, by BHE on November 1, 2020
Hope	Hope Gas, Inc.
LIBOR	London Interbank Offered Rate
MidAmerican Energy	MidAmerican Energy Company
Supply Header Project	Project previously intended for EGTS to provide approximately 1,500,000 decatherms of firm transportation service to various customers in connection with the Atlantic Coast Pipeline project
VIE	Variable interest entity

EASTERN GAS TRANSMISSION AND STORAGE, INC.
CONSOLIDATED BALANCE SHEETS (Unaudited)
(Amounts in millions)

	As of	
	September 30, 2021	December 31, 2020
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 7	\$ 10
Restricted cash and cash equivalents	16	13
Trade receivables, net	61	95
Other receivables	7	45
Receivables from affiliates	54	3
Inventories	54	48
Prepayments	37	35
Natural gas imbalances	67	25
Other current assets	10	3
Total current assets	313	277
Property, plant and equipment, net	4,420	4,309
Deferred income taxes	225	354
Investments	13	—
Other assets	116	134
Total assets	\$ 5,087	\$ 5,074

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

EASTERN GAS TRANSMISSION AND STORAGE, INC.
CONSOLIDATED BALANCE SHEETS (Unaudited) (continued)
(Amounts in millions, except share data)

	As of	
	September 30, 2021	December 31, 2020
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	\$ 51	\$ 47
Accounts payable to affiliates	3	2
Accrued interest	23	—
Accrued property, income and other taxes	64	65
Accrued employee expenses	24	18
Notes payable	3	81
Asset retirement obligations	34	36
Other current liabilities	81	51
Total current liabilities	283	300
Long-term debt	1,581	1,895
Regulatory liabilities	517	525
Other long-term liabilities	156	175
Total liabilities	2,537	2,895
Commitments and contingencies (Note 9)		
Shareholder's equity:		
Common stock - \$10,000 par value, 75,000 shares authorized and 60,101 issued and outstanding	609	609
Additional paid-in capital	1,241	929
Retained earnings	732	641
Accumulated other comprehensive loss, net	(32)	—
Total shareholder's equity	2,550	2,179
Total liabilities and shareholder's equity	\$ 5,087	\$ 5,074

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

EASTERN GAS TRANSMISSION AND STORAGE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(Amounts in millions)

	Three-Month Periods		Nine-Month Periods	
	Ended September 30,		Ended September 30,	
	2021	2020	2021	2020
Operating revenue	<u>\$ 209</u>	<u>\$ 225</u>	<u>\$ 642</u>	<u>\$ 682</u>
Operating expenses:				
(Excess) cost of gas	(3)	13	(13)	20
Operations and maintenance	86	79	274	289
Depreciation and amortization	42	41	123	122
Property and other taxes	17	17	50	44
Disallowance and abandonment of utility plant	—	(19)	(11)	463
Total operating expenses	<u>142</u>	<u>131</u>	<u>423</u>	<u>938</u>
Operating income (loss)	<u>67</u>	<u>94</u>	<u>219</u>	<u>(256)</u>
Other income (expense):				
Interest expense	(17)	(23)	(61)	(67)
Allowance for borrowed funds	1	—	1	5
Allowance for equity funds	2	1	5	10
Other, net	2	16	3	46
Total other income (expense)	<u>(12)</u>	<u>(6)</u>	<u>(52)</u>	<u>(6)</u>
Income (loss) before income tax expense (benefit)	<u>55</u>	<u>88</u>	<u>167</u>	<u>(262)</u>
Income tax expense (benefit)	<u>13</u>	<u>25</u>	<u>43</u>	<u>(71)</u>
Net income (loss)	<u>\$ 42</u>	<u>\$ 63</u>	<u>\$ 124</u>	<u>\$ (191)</u>

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

EASTERN GAS TRANSMISSION AND STORAGE, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)
(Amounts in millions)

	Three-Month Periods		Nine-Month Periods	
	Ended September 30,		Ended September 30,	
	2021	2020	2021	2020
Net income (loss)	\$ 42	\$ 63	\$ 124	\$ (191)
Other comprehensive loss, net of tax:				
Unrealized losses on cash flow hedges, net of tax of \$—, \$—, \$(12) and \$—	—	—	(32)	—
Unrecognized amounts on retirement benefits, net of tax of \$—, \$(2), \$— and \$(1)	—	(4)	—	(2)
Total other comprehensive loss, net of tax	—	(4)	(32)	(2)
Comprehensive income (loss)	\$ 42	\$ 59	\$ 92	\$ (193)

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

EASTERN GAS TRANSMISSION AND STORAGE, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)
(Amounts in millions, except shares)

	Common Stock		Additional	Retained	Accumulated	Total
	Shares	Amount	Paid-in	Earnings	Other	Equity
			Capital		Comprehensive	
					Loss, Net	
Balance, June 30, 2020	60,101	\$ 609	\$ 889	\$ 568	\$ (75)	\$ 1,991
Net income	—	—	—	63	—	63
Other comprehensive loss	—	—	—	—	(4)	(4)
Balance, September 30, 2020	<u>60,101</u>	<u>\$ 609</u>	<u>\$ 889</u>	<u>\$ 631</u>	<u>\$ (79)</u>	<u>\$ 2,050</u>
Balance, December 31, 2019	60,101	\$ 609	\$ 889	\$ 947	\$ (77)	\$ 2,368
Net loss	—	—	—	(191)	—	(191)
Other comprehensive loss	—	—	—	—	(2)	(2)
Dividends	—	—	—	(125)	—	(125)
Balance, September 30, 2020	<u>60,101</u>	<u>\$ 609</u>	<u>\$ 889</u>	<u>\$ 631</u>	<u>\$ (79)</u>	<u>\$ 2,050</u>
Balance, June 30, 2021	60,101	\$ 609	\$ 1,215	\$ 705	\$ (32)	\$ 2,497
Net income	—	—	—	42	—	42
Contributions	—	—	26	—	—	26
Dividends	—	—	—	(15)	—	(15)
Balance, September 30, 2021	<u>60,101</u>	<u>\$ 609</u>	<u>\$ 1,241</u>	<u>\$ 732</u>	<u>\$ (32)</u>	<u>\$ 2,550</u>
Balance, December 31, 2020	60,101	\$ 609	\$ 929	\$ 641	\$ —	\$ 2,179
Net income	—	—	—	124	—	124
Other comprehensive loss	—	—	—	—	(32)	(32)
Contributions	—	—	312	—	—	312
Dividends	—	—	—	(33)	—	(33)
Balance, September 30, 2021	<u>60,101</u>	<u>\$ 609</u>	<u>\$ 1,241</u>	<u>\$ 732</u>	<u>\$ (32)</u>	<u>\$ 2,550</u>

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

EASTERN GAS TRANSMISSION AND STORAGE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(Amounts in millions)

	Nine-Month Periods Ended September 30,	
	2021	2020
Cash flows from operating activities:		
Net income (loss)	\$ 124	\$ (191)
Adjustments to reconcile net income (loss) to net cash flows from operating activities:		
(Gains) losses on other items, net	(11)	419
Depreciation and amortization	123	122
Allowance for equity funds	(5)	(10)
Changes in regulatory assets and liabilities	1	30
Deferred income taxes	61	(109)
Other, net	(4)	11
Changes in other operating assets and liabilities:		
Trade receivables and other assets	(13)	55
Pension and other postretirement benefit plans	3	(47)
Accrued property, income and other taxes	(16)	(8)
Accounts payable and other liabilities	38	41
Net cash flows from operating activities	<u>301</u>	<u>313</u>
Cash flows from investing activities:		
Capital expenditures	(233)	(179)
Other, net	3	(8)
Net cash flows from investing activities	<u>(230)</u>	<u>(187)</u>
Cash flows from financing activities:		
(Repayment) issuance of notes payable, net	(78)	1
Proceeds from equity contributions	20	—
Dividends paid	(18)	(125)
Other, net	5	—
Net cash flows from financing activities	<u>(71)</u>	<u>(124)</u>
Net change in cash and cash equivalents and restricted cash and cash equivalents	—	2
Cash and cash equivalents and restricted cash and cash equivalents at beginning of period	23	12
Cash and cash equivalents and restricted cash and cash equivalents at end of period	<u>\$ 23</u>	<u>\$ 14</u>

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

EASTERN GAS TRANSMISSION AND STORAGE, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) General

EGTS conducts business activities consisting of FERC-regulated interstate natural gas transmission pipeline and underground storage. EGTS' operations include transmission pipelines in Maryland, New York, Ohio, Pennsylvania, Virginia and West Virginia. EGTS also operates one of the nation's largest underground natural gas storage systems located in New York, Pennsylvania and West Virginia. EGTS is a wholly owned subsidiary of Eastern Energy Gas. Prior to the GT&S Transaction, Eastern Energy Gas was an indirect wholly owned subsidiary of DEI. On November 1, 2020, BHE completed its acquisition of substantially all of the natural gas transmission and storage business of DEI. As a result of the GT&S Transaction, Eastern Energy Gas became an indirect wholly owned subsidiary of BHE. BHE is a holding company based in Des Moines, Iowa that owns subsidiaries principally engaged in the energy industry. BHE is a consolidated subsidiary of Berkshire Hathaway Inc.

The unaudited Consolidated Financial Statements have been prepared in accordance with GAAP for interim financial information. Accordingly, they do not include all of the disclosures required by GAAP for annual financial statements. Management believes the unaudited Consolidated Financial Statements contain all adjustments (consisting only of normal recurring adjustments) considered necessary for the fair presentation of the unaudited Consolidated Financial Statements as of September 30, 2021 and for the three- and nine-month periods ended September 30, 2021 and 2020. The results of operations for the three- and nine-month periods ended September 30, 2021 are not necessarily indicative of the results to be expected for the full year. EGTS has evaluated subsequent events through November 18, 2021, which is the date the unaudited Consolidated Financial Statements were available to be issued.

The preparation of the unaudited Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the unaudited Consolidated Financial Statements and the reported amounts of revenue and expenses during the period. Actual results may differ from the estimates used in preparing the unaudited Consolidated Financial Statements. Note 2 of Notes to Consolidated Financial Statements included in EGTS' audited Consolidated Financial Statements for the year ended December 31, 2020 describes the most significant accounting policies used in the preparation of the unaudited Consolidated Financial Statements. There have been no significant changes in EGTS' assumptions regarding significant accounting estimates and policies during the nine-month period ended September 30, 2021.

(2) Property, Plant and Equipment, Net

Property, plant and equipment, net consists of the following (in millions):

	Depreciable Life	As of	
		September 30, 2021	December 31, 2020
Interstate natural gas pipeline and storage assets	29 - 41 years	\$ 6,409	\$ 6,247
Intangible plant	5 - 40 years	74	77
Plant in service		6,483	6,324
Accumulated depreciation and amortization		(2,305)	(2,208)
Plant in service, net		4,178	4,116
Construction work-in-progress		242	193
Property, plant and equipment, net		<u>\$ 4,420</u>	<u>\$ 4,309</u>

(3) Investments and Restricted Cash and Cash Equivalents

Investments and restricted cash and cash equivalents consists of the following (in millions):

	As of	
	September 30, 2021	December 31, 2020
Investments:		
Investment funds	\$ 13	\$ —
Total investments	13	—
Restricted cash and cash equivalents:		
Customer deposits	16	13
Total restricted cash and cash equivalents	16	13
Total investments and restricted cash and cash equivalents	<u>\$ 29</u>	<u>\$ 13</u>
Reflected as:		
Current assets	\$ 16	\$ 13
Noncurrent assets	13	—
Total investments and restricted cash and cash equivalents	<u>\$ 29</u>	<u>\$ 13</u>

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

Cash equivalents consist of funds invested in money market mutual funds, United States Treasury Bills and other investments with a maturity of three months or less when purchased. Cash and cash equivalents exclude amounts where availability is restricted by legal requirements, loan agreements or other contractual provisions. Restricted cash and cash equivalents as of September 30, 2021 and December 31, 2020 consist of customer deposits as allowed under the FERC gas tariff. A reconciliation of cash and cash equivalents and restricted cash and cash equivalents as of September 30, 2021 and December 31, 2020, as presented in the Consolidated Statements of Cash Flows is outlined below and disaggregated by the line items in which they appear on the Consolidated Balance Sheets (in millions):

	As of	
	September 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 7	\$ 10
Restricted cash and cash equivalents	16	13
Total cash and cash equivalents and restricted cash and cash equivalents	<u>\$ 23</u>	<u>\$ 23</u>

(4) Regulatory Matters

In September 2021, EGTS filed a general rate case for its FERC-jurisdictional services, with proposed rates to be effective November 1, 2021. EGTS' previous general rate case was settled in 1998. EGTS proposed an annual cost-of-service of approximately \$1.1 billion, and requested increases in various rates, including general system storage rates by 85% and general system transportation rates by 60%. In October 2021, the FERC issued an order that accepted the November 1, 2021 effective date for certain changes in rates, while suspending the other changes for five months following the proposed effective date, until April 1, 2022 subject to refund and the outcome of hearing procedures. This matter is pending.

In July 2017, the FERC audit staff communicated to EGTS that it had substantially completed an audit of EGTS' compliance with the accounting and reporting requirements of the FERC's Uniform System of Accounts and provided a description of matters and preliminary recommendations. In November 2017, the FERC audit staff issued its audit report. In December 2017, EGTS provided its response to the audit report. EGTS requested FERC review of the contested findings and submitted its plan for compliance with the uncontested portions of the report. EGTS reached resolution of certain matters with the FERC in the fourth quarter of 2018. EGTS recognized a charge of \$129 million (\$94 million after-tax) for the year ended December 31, 2018 for a disallowance of plant, originally established beginning in 2012, for the resolution of one matter with the FERC. In December 2020, the FERC issued a final ruling on the remaining matter, which resulted in a \$43 million (\$31 million after-tax) estimated charge for disallowance of capitalized AFUDC. As a condition of the December 2020 ruling, EGTS filed its proposed accounting entries and supporting documentation with the FERC during the second quarter of 2021. During the finalization of these entries, EGTS refined the estimated charge for disallowance of capitalized AFUDC, which resulted in a reduction to the estimated charge of \$11 million (\$8 million after-tax) that was recorded in disallowance and abandonment of utility plant in its Consolidated Statements of Operations in the second quarter of 2021. In September 2021, the FERC approved EGTS' accounting entries and supporting documentation.

In December 2014, EGTS entered into a precedent agreement with Atlantic Coast Pipeline for the Supply Header Project. As a result of the cancellation of the Atlantic Coast Pipeline project, EGTS recorded a charge of \$482 million (\$359 million after-tax) in disallowance and abandonment of utility plant in its Consolidated Statements of Operations in the second quarter of 2020 associated with the probable abandonment of a significant portion of the project as well as the establishment of a \$75 million asset retirement obligation. In the third quarter of 2020, EGTS recorded an additional charge of \$10 million (\$7 million after-tax) associated with the probable abandonment of a significant portion of the project and a \$29 million (\$20 million after-tax) benefit from a revision to the previously established asset retirement obligation, both of which were recorded in disallowance and abandonment of utility plant in its Consolidated Statements of Operations. As EGTS evaluates its future use, approximately \$40 million remains within property, plant and equipment for a potential modified project.

(5) Recent Financing Transactions

On June 30, 2021, as part of an intercompany transaction between Eastern Energy Gas and EGTS, Eastern Energy Gas exchanged a total of \$1.6 billion of its issued and outstanding third party notes for new notes, making EGTS the primary obligor of the new notes. The terms of the new notes are substantially similar to the terms of the original Eastern Energy Gas notes. The intercompany debt exchange was a common control transaction accounted for as a debt modification. As such, no gain or loss was recognized in the Consolidated Statements of Operations and approximately \$17 million of unamortized discounts and debt issuance costs and \$32 million of deferred losses on previously settled interest rate swaps remaining in AOCI were contributed to EGTS by Eastern Energy Gas in connection with the transaction. In addition, new fees of \$2 million paid directly to note holders in connection with the exchange were deferred as additional debt issuance costs that will be amortized over the lives of the respective notes. As a result of the transaction, EGTS' \$1.9 billion of long-term indebtedness to Eastern Energy Gas was cancelled in full and the remaining balance was satisfied through a capital contribution. EGTS' long-term debt consists of the following, including unamortized discounts and debt issuance costs, as of September 30, 2021 (dollars in millions):

	<u>Par Value</u>	<u>Carrying Amount</u>
3.6% Senior Notes, due 2024	\$ 111	\$ 110
3.0% Senior Notes, due 2029	426	421
4.8% Senior Notes, due 2043	346	342
4.6% Senior Notes, due 2044	444	437
3.9% Senior Notes, due 2049	273	271
Total long-term debt	<u>\$ 1,600</u>	<u>\$ 1,581</u>
Reflected as:		
Long-term debt		<u>\$ 1,581</u>

Annual Payment on Long-Term Debt

The annual repayments of long-term debt are as follows (in millions):

2021	\$ —
2022	—
2023	—
2024	111
2025	—
2026 and thereafter	1,489
Total	<u>1,600</u>
Unamortized discounts and debt issuance costs	(19)
Total	<u>\$ 1,581</u>

(6) Income Taxes

A reconciliation of the federal statutory income tax rate to the effective income tax rate applicable to income (loss) before income tax expense (benefit) is as follows:

	Three-Month Periods		Nine-Month Periods	
	Ended September 30,		Ended September 30,	
	2021	2020	2021	2020
Federal statutory income tax rate	21 %	21 %	21 %	21 %
State income tax, net of federal income tax benefit	6	7	7	8
Effects of ratemaking	(4)	(1)	(3)	1
Debt exchange	—	—	2	—
Write-off of regulatory assets	—	9	—	(3)
AFUDC-equity	—	(9)	(1)	1
Other, net	1	1	—	(1)
Effective income tax rate	<u>24 %</u>	<u>28 %</u>	<u>26 %</u>	<u>27 %</u>

Through October 31, 2020, EGTS was included in DEI's consolidated federal income tax return and, where applicable, combined state income tax returns. All affiliate payables or receivables were settled with DEI prior to the closing date of the GT&S Transaction. Subsequent to the GT&S Transaction, EGTS, as a subsidiary of BHE, is included in Berkshire Hathaway Inc.'s United States federal income tax return. Consistent with established regulatory practice, EGTS' provisions for income tax have been computed on a stand-alone basis, and substantially all of its currently payable or receivable income tax is remitted to or received from BHE. EGTS received net cash payments for income tax from BHE totaling \$13 million for the nine-month period ended September 30, 2021.

(7) Employee Benefit Plans

Prior to the GT&S Transaction, EGTS employees not represented by collective bargaining units were covered by the Dominion Energy Pension Plan, a defined benefit pension plan sponsored by DEI that provides benefits to multiple DEI subsidiaries. As participating employers, EGTS was subject to DEI's funding policy, which was to contribute annually an amount that is in accordance with the Employee Retirement Income Security Act of 1974. Also prior to the GT&S Transaction, pension benefits for EGTS employees represented by collective bargaining units were provided by a separate plan that provides benefits to employees of both EGTS and Hope. Subsequent to the GT&S Transaction, EGTS employees are covered by the MidAmerican Energy Pension Plan, similar to the DEI plan.

Prior to the GT&S Transaction, certain retiree healthcare and life insurance benefits for EGTS employees not represented by collective bargaining units were covered by the Dominion Energy Retiree Health and Welfare Plan, a plan sponsored by DEI that provides certain retiree healthcare and life insurance benefits to multiple DEI subsidiaries. Also prior to the GT&S Transaction, retiree health and life insurance benefits for EGTS employees represented by collective bargaining units were covered by a separate other postretirement benefit plan that provides benefits to employees of both EGTS and Hope. Subsequent to the GT&S Transaction, EGTS employees are covered by the MidAmerican Energy Retiree Health and Welfare plan, similar to the DEI plan.

Net periodic benefit credit for the pension and other postretirement benefit plans included the following components (in millions):

	Three-Month Periods Ended September 30,		Nine-Month Periods Ended September 30,	
	2021	2020	2021	2020
Pension:				
Service cost	\$ —	\$ 2	\$ —	\$ 5
Interest cost	—	3	—	8
Expected return on plan assets	—	(14)	—	(42)
Net amortization	—	1	—	3
Net periodic benefit credit	<u>\$ —</u>	<u>\$ (8)</u>	<u>\$ —</u>	<u>\$ (26)</u>
Other Postretirement:				
Service cost	\$ —	\$ —	\$ —	\$ 1
Interest cost	—	1	—	3
Expected return on plan assets	—	(4)	—	(14)
Net amortization	—	(1)	—	(2)
Net periodic benefit credit	<u>\$ —</u>	<u>\$ (4)</u>	<u>\$ —</u>	<u>\$ (12)</u>

(8) Fair Value Measurements

The carrying value of EGTS' cash, certain cash equivalents, receivables, payables, accrued liabilities and short-term borrowings approximates fair value because of the short-term maturity of these instruments. EGTS has various financial assets and liabilities that are measured at fair value on the Consolidated Financial Statements using inputs from the three levels of the fair value hierarchy. A financial asset or liability classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels are as follows:

- Level 1 - Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that EGTS has the ability to access at the measurement date.
- Level 2 - Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

- Level 3 - Unobservable inputs reflect EGTS' judgments about the assumptions market participants would use in pricing the asset or liability since limited market data exists. EGTS develops these inputs based on the best information available, including its own data.

The following table presents EGTS' financial assets and liabilities recognized on the Consolidated Balance Sheets and measured at fair value on a recurring basis (in millions):

	Input Levels for Fair Value Measurements			
	Level 1	Level 2	Level 3	Total
<u>As of September 30, 2021</u>				
Assets:				
Commodity derivatives	\$ —	\$ —	\$ —	\$ —
Money market mutual funds ⁽¹⁾	\$ —	\$ —	\$ —	\$ —
Investment funds	\$ 13	\$ —	\$ —	\$ 13
	<u>\$ 13</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 13</u>
Liabilities:				
Commodity derivatives	\$ —	\$ (1)	\$ —	\$ (1)
Foreign currency exchange rate derivatives	\$ —	\$ —	\$ —	\$ —
Interest rate derivatives	—	—	—	—
	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ (1)</u>
<u>As of December 31, 2020</u>				
Assets:				
Commodity derivatives	\$ —	\$ —	\$ —	\$ —
Foreign currency exchange rate derivatives	\$ —	\$ —	\$ —	\$ —
Long-term incentive plan funds	—	—	—	—
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Liabilities:				
Commodity derivatives	\$ —	\$ (1)	\$ —	\$ (1)
Foreign currency exchange rate derivatives	—	—	—	—
Interest rate derivatives	—	—	—	—
	<u>\$ —</u>	<u>\$ (1)</u>	<u>\$ —</u>	<u>\$ (1)</u>

Derivative contracts are recorded on the Consolidated Balance Sheets as either assets or liabilities and are stated at estimated fair value unless they are designated as normal purchase or normal sales and qualify for the exception afforded by GAAP. When available, the fair value of derivative contracts is estimated using unadjusted quoted prices for identical contracts in the market in which EGTS transacts. When quoted prices for identical contracts are not available, EGTS uses forward price curves. Forward price curves represent EGTS' estimates of the prices at which a buyer or seller could contract today for delivery or settlement at future dates. EGTS bases its forward price curves upon market price quotations, when available, or internally developed and commercial models, with internal and external fundamental data inputs. Market price quotations are obtained from independent brokers, exchanges, direct communication with market participants and actual transactions executed by EGTS. Market price quotations are generally readily obtainable for the applicable term of EGTS' outstanding derivative contracts; therefore, EGTS' forward price curves reflect observable market quotes. Market price quotations for certain natural gas trading hubs are not as readily obtainable due to the length of the contracts. Given that limited market data exists for these contracts, as well as for those contracts that are not actively traded, EGTS uses forward price curves derived from internal models based on perceived pricing relationships to major trading hubs that are based on unobservable inputs. The estimated fair value of these derivative contracts is a function of underlying forward commodity prices, related volatility, counterparty creditworthiness and duration of contracts.

EGTS' third-party long-term debt is carried at cost, including unamortized discounts and debt issuance costs as applicable, on the Consolidated Balance Sheet. The fair value of EGTS' third-party long-term debt is a Level 2 fair value measurement and has been estimated based upon quoted market prices, where available, or at the present value of future cash flows discounted at rates consistent with comparable maturities with similar credit risks. EGTS had no outstanding third-party long-term debt as of December 31, 2020. The following table presents the carrying value and estimated fair value of EGTS' third-party long-term debt (in millions):

	As of September 30, 2021	
	Carrying Value	Fair Value
Long-term debt	\$ 1,581	\$ 1,831

EGTS' related-party long-term debt was carried at cost on the Consolidated Balance Sheet. The fair value of EGTS' related-party long-term debt could not be determined because of EGTS' affiliation with the party with whom the agreement existed. The carrying amount approximated its fair value as of December 31, 2020. EGTS had no outstanding related-party long-term debt as of September 30, 2021.

(9) Commitments and Contingencies

Legal Matters

EGTS is party to a variety of legal actions arising out of the normal course of business. Plaintiffs occasionally seek punitive or exemplary damages. EGTS does not believe that such normal and routine litigation will have a material impact on its consolidated financial results.

Environmental Laws and Regulations

EGTS is subject to federal, state and local laws and regulations regarding climate change, air and water quality, hazardous and solid waste disposal, protected species and other environmental matters that have the potential to impact its current and future operations. EGTS believes it is in material compliance with all applicable laws and regulations.

(10) Revenue from Contracts with Customers

The following table summarizes EGTS' Customer Revenue by regulated and nonregulated, with further disaggregation of regulated by line of business (in millions):

	Three-Month Periods		Nine-Month Periods	
	Ended September 30,		Ended September 30,	
	2021	2020	2021	2020
Customer Revenue:				
Regulated:				
Gas transportation	\$ 134	\$ 135	\$ 422	\$ 431
Gas storage	47	48	142	144
Wholesale	14	25	31	25
Other	—	—	(2)	—
Total regulated	195	208	593	600
Management service and other revenues	14	17	49	82
Total operating revenue	\$ 209	\$ 225	\$ 642	\$ 682

Remaining Performance Obligations

The following table summarizes EGTS' revenue it expects to recognize in future periods related to significant unsatisfied remaining performance obligations for fixed contracts with expected durations in excess of one year as of September 30, 2021 (in millions):

	Performance obligations expected to be satisfied		Total
	Less than 12 months	More than 12 months	
	<u>\$ 647</u>	<u>\$ 3,212</u>	<u>\$ 3,859</u>

(11) Variable Interest Entities

The primary beneficiary of a VIE is required to consolidate the VIE and to disclose certain information about its significant variable interests in the VIE. The primary beneficiary of a VIE is the entity that has both 1) the power to direct the activities that most significantly impact the entity's economic performance and 2) the obligation to absorb losses or receive benefits from the entity that could potentially be significant to the VIE.

Prior to the GT&S Transaction, EGTS purchased shared services from DES, an affiliated VIE, of \$13 million and \$45 million for the three- and nine-month periods ended September 30, 2020, respectively. EGTS determined that neither it nor any of its consolidated entities was the primary beneficiary of DES as neither it nor any of its consolidated entities had both the power to direct the activities that most significantly impact their economic performance as well as the obligation to absorb losses and benefits which could be significant to them. DES provided accounting, legal, finance and certain administrative and technical services. Neither EGTS nor any of its consolidated entities had any obligation to absorb more than its allocated share of DES costs.

(12) Related Party Transactions

Transactions Prior to the GT&S Transaction

Prior to the GT&S Transaction, EGTS engaged in related party transactions primarily with other DEI subsidiaries (affiliates).

EGTS transacted with affiliates for certain quantities of natural gas and other commodities at market prices in the ordinary course of business. Additionally, EGTS provided transportation and storage services to affiliates. EGTS also entered into certain other contracts with affiliates, and related parties, including construction services, which were presented separately from contracts involving commodities or services. EGTS participated in certain DEI benefit plans as described in Note 7.

DES and other affiliates provided accounting, legal, finance and certain administrative and technical services to EGTS. EGTS provided certain services to related parties, including technical services.

The financial statements for the three- and nine-month periods ended September 30, 2020 include costs for certain general, administrative and corporate expenses assigned by DES to EGTS on the basis of direct and allocated methods in accordance with EGTS' services agreements with DES. Where costs incurred cannot be determined by specific identification, the costs were allocated based on the proportional level of effort devoted by DES resources that is attributable to the entity, determined by reference to number of employees, salaries and wages and other similar measures for the relevant DES service. Management believes the assumptions and methodologies underlying the allocation of general corporate overhead expenses are reasonable.

Subsequent to the GT&S Transaction, EGTS' transactions with other DEI subsidiaries are no longer related-party transactions.

Presented below are EGTS' significant transactions with DES and other affiliated and related parties for the three- and nine-month periods ended September 30, 2020 (in millions):

	Three-Month Period Ended September 30, 2020	Nine-Month Period Ended September 30, 2020
Sales of natural gas and transportation and storage services	\$ 20	\$ 65
Purchases of natural gas and transportation and storage services	2	7
Services provided by related parties ⁽¹⁾	17	57
Services provided to related parties ⁽²⁾	17	80

(1) Includes capitalized expenditures of \$4 million and \$12 million for the three- and nine-month periods ended September 30, 2020, respectively.

(2) Includes amounts attributable to Atlantic Coast Pipeline, a related-party VIE prior to the GT&S Transaction.

Borrowings With Eastern Energy Gas

In November 2020, EGTS entered into a \$400 million intercompany revolving credit agreement from its parent, Eastern Energy Gas, expiring in November 2022. The credit agreement, which is for general corporate purposes, has a variable interest rate based on LIBOR plus a fixed spread. Net outstanding borrowings totaled \$3 million and \$81 million as of September 30, 2021 and December 31, 2020, respectively.

In March 2021, Eastern Energy Gas entered into a \$400 million intercompany revolving credit agreement from EGTS expiring in March 2022. The credit agreement, which is for general corporate purposes, has a variable interest rate based on LIBOR plus a fixed spread. There were no amounts outstanding under this credit agreement as of September 30, 2021.

EGTS had also borrowed from Eastern Energy Gas pursuant to a series of long-term notes with fixed interest rates ranging from 3.6% to 5.0%, due 2024 to 2047. Net outstanding borrowings under these notes totaled \$1.9 billion as of December 31, 2020. EGTS incurred interest charges related to these borrowings of \$22 million for the three-month period ended September 30, 2020 and \$44 million and \$66 million for the nine-month periods ended September 30, 2021 and 2020, respectively.

Transactions Subsequent to the GT&S Transaction

EGTS is party to a tax-sharing agreement and is part of the Berkshire Hathaway Inc. consolidated United States federal income tax return. For current federal and state income taxes, EGTS had a payable to BHE of \$1 million as of both September 30, 2021 and December 31, 2020.

Other assets included amounts due from an affiliate of \$4 million and \$7 million as of September 30, 2021 and December 31, 2020, respectively.

Trade receivables, net as of September 30, 2021 and December 31, 2020 included \$1 million and \$2 million, respectively, of accrued unbilled revenue. This revenue is based on estimated amounts of services provided but not yet billed to various affiliates.

As of December 31, 2020, EGTS had \$1 million of natural gas imbalances receivable from affiliates, presented in natural gas imbalances on the Consolidated Balance Sheet. As of September 30, 2021 and December 31, 2020, EGTS had \$6 million and \$1 million, respectively, of natural gas imbalances payable to affiliates, presented in other current liabilities on the Consolidated Balance Sheets.

EGTS participates in certain MidAmerican Energy benefit plans as described in Note 7. As of September 30, 2021 and December 31, 2020, EGTS' net amount due to MidAmerican Energy associated with these plans and primarily reflected in other long-term liabilities on the Consolidated Balance Sheets was \$97 million and \$95 million, respectively.

Presented below are EGTS' significant transactions with related parties for the three- and nine-month periods ended September 30, 2021 (in millions):

	Three-Month Period	Nine-Month Period
	Ended September 30, 2021	Ended September 30, 2021
Sales of natural gas and transportation and storage services	\$ 7	\$ 20
Purchases of natural gas and transportation and storage services	1	3
Services provided by related parties	8	14
Services provided to related parties	11	38