

Eastern Gas Transmission and Storage, Inc.

Consolidated Financial Statements (Unaudited)

Three-Month Periods Ended March 31, 2022 and 2021

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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
BHE	Berkshire Hathaway Energy Company
Customer Revenue	Revenue from contracts with customers
EGTS	Eastern Gas Transmission and Storage, Inc. and its subsidiaries
FERC	Federal Energy Regulatory Commission
GAAP	Accounting principles generally accepted in the United States of America
MidAmerican Energy	MidAmerican Energy Company

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

	As of	
	March 31, 2022	December 31, 2021
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 13	\$ 11
Restricted cash and cash equivalents	17	15
Trade receivables, net	70	98
Receivables from affiliates	18	9
Other receivables	2	7
Inventories	49	48
Income taxes receivable	14	19
Prepayments	35	35
Natural gas imbalances	104	94
Other current assets	2	3
Total current assets	324	339
Property, plant and equipment, net	4,440	4,440
Deferred income taxes	186	199
Affiliated notes receivable	2	3
Other assets	123	120
Total assets	\$ 5,075	\$ 5,101

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	
	March 31, 2022	December 31, 2021
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current liabilities:		
Accounts payable	\$ 26	\$ 54
Accounts payable to affiliates	5	13
Accrued interest	23	7
Accrued property, income and other taxes	53	71
Accrued employee expenses	18	12
Notes payable	—	68
Asset retirement obligations	32	33
Regulatory liabilities	24	25
Other current liabilities	61	45
Total current liabilities	242	328
Long-term debt	1,581	1,581
Regulatory liabilities	516	507
Other long-term liabilities	140	145
Total liabilities	2,479	2,561
Commitments and contingencies (Note 8)		
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	1,241
Retained earnings	776	721
Accumulated other comprehensive loss, net	(30)	(31)
Total shareholder's equity	2,596	2,540
Total liabilities and shareholder's equity	\$ 5,075	\$ 5,101

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	
	Ended March 31,	
	2022	2021
Operating revenue	\$ 223	\$ 241
Operating expenses:		
Excess gas	(3)	(1)
Operations and maintenance	84	92
Depreciation and amortization	43	40
Property and other taxes	9	16
Total operating expenses	133	147
Operating income	90	94
Other income (expense):		
Interest expense	(17)	(22)
Allowance for equity funds	1	1
Other, net	—	1
Total other income (expense)	(16)	(20)
Income before income tax expense	74	74
Income tax expense	19	18
Net income	\$ 55	\$ 56

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	
	Ended March 31,	
	2022	2021
Net income	\$ 55	\$ 56
Other comprehensive income, net of tax:		
Unrealized gains on cash flow hedges, net of tax of \$—and \$—	1	—
Total other comprehensive income, net of tax	1	—
Comprehensive income	\$ 56	\$ 56

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, December 31, 2020	60,101	\$ 609	\$ 929	\$ 641	\$ —	\$ 2,179
Net income	—	—	—	56	—	56
Contributions	—	—	11	—	—	11
Dividends	—	—	—	(18)	—	(18)
Balance, March 31, 2021	<u>60,101</u>	<u>\$ 609</u>	<u>\$ 940</u>	<u>\$ 679</u>	<u>\$ —</u>	<u>\$ 2,228</u>
Balance, December 31, 2021	60,101	\$ 609	\$ 1,241	\$ 721	\$ (31)	\$ 2,540
Net income	—	—	—	55	—	55
Other comprehensive income	—	—	—	—	1	1
Balance, March 31, 2022	<u>60,101</u>	<u>\$ 609</u>	<u>\$ 1,241</u>	<u>\$ 776</u>	<u>\$ (30)</u>	<u>\$ 2,596</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)

	Three-Month Periods	
	Ended March 31,	
	2022	2021
Cash flows from operating activities:		
Net income	\$ 55	\$ 56
Adjustments to reconcile net income to net cash flows from operating activities:		
Depreciation and amortization	43	40
Allowance for equity funds	(1)	(1)
Changes in regulatory assets and liabilities	(6)	2
Deferred income taxes	13	20
Other, net	3	(4)
Changes in other operating assets and liabilities:		
Trade receivables and other assets	22	33
Pension and other postretirement benefit plans	—	(12)
Accrued property, income and other taxes	(18)	(14)
Accounts payable and other liabilities	17	2
Net cash flows from operating activities	<u>128</u>	<u>122</u>
Cash flows from investing activities:		
Capital expenditures	(53)	(37)
Other, net	(3)	—
Net cash flows from investing activities	<u>(56)</u>	<u>(37)</u>
Cash flows from financing activities:		
Repayment of notes payable, net	(68)	(60)
Dividends paid	—	(18)
Net cash flows from financing activities	<u>(68)</u>	<u>(78)</u>
Net change in cash and cash equivalents and restricted cash and cash equivalents	4	7
Cash and cash equivalents and restricted cash and cash equivalents at beginning of period	26	23
Cash and cash equivalents and restricted cash and cash equivalents at end of period	<u>\$ 30</u>	<u>\$ 30</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 Holdings, LLC, which is 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 March 31, 2022 and for the three-month periods ended March 31, 2022 and 2021. The results of operations for the three-month period ended March 31, 2022 are not necessarily indicative of the results to be expected for the full year. EGTS has evaluated subsequent events through May 26, 2022, 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, 2021 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 three-month period ended March 31, 2022.

(2) Property, Plant and Equipment, Net

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

	Depreciable Life	As of	
		March 31, 2022	December 31, 2021
Interstate natural gas pipeline and storage assets	29 - 41 years	\$ 6,603	\$ 6,517
Intangible plant	5 - 40 years	74	74
Plant in-service		6,677	6,591
Accumulated depreciation and amortization		(2,365)	(2,339)
Plant in-service, net		4,312	4,252
Construction work-in-progress		128	188
Property, plant and equipment, net		\$ 4,440	\$ 4,440

(3) 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.

(4) Investments and Restricted Cash and Cash Equivalents

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

	As of	
	March 31, 2022	December 31, 2021
Investments:		
Investment funds	\$ 15	\$ 13
Total investments	15	13
Restricted cash and cash equivalents:		
Customer deposits	17	15
Total restricted cash and cash equivalents	17	15
Total investments and restricted cash and cash equivalents	<u>\$ 32</u>	<u>\$ 28</u>
Reflected as:		
Current assets	\$ 17	\$ 15
Noncurrent assets	15	13
Total investments and restricted cash and cash equivalents	<u>\$ 32</u>	<u>\$ 28</u>

Cash and Cash Equivalents and Restricted Cash and Cash Equivalents

Cash equivalents consist of funds invested in money market mutual funds, U.S. 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 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 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	
	March 31, 2022	December 31, 2021
Cash and cash equivalents	\$ 13	\$ 11
Restricted cash and cash equivalents	17	15
Total cash and cash equivalents and restricted cash and cash equivalents	<u>\$ 30</u>	<u>\$ 26</u>

(5) Income Taxes

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

	Three-Month Periods Ended March 31,	
	2022	2021
Federal statutory income tax rate	21 %	21 %
State income tax, net of federal income tax benefit	5	6
Effects of ratemaking	—	(3)
Effective income tax rate	26 %	24 %

EGTS, as a subsidiary of BHE, is included in Berkshire Hathaway Inc.'s U.S. 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 made no cash payments for income tax to BHE for the three-month periods ended March 31, 2022 and 2021.

(6) Employee Benefit Plans

EGTS is a participant in benefit plans sponsored by MidAmerican Energy, an affiliate. The MidAmerican Energy Company Retirement Plan includes a qualified pension plan that provides pension benefits for eligible employees. The MidAmerican Energy Company Welfare Benefit Plan provides certain postretirement health care and life insurance benefits for eligible retirees on behalf of EGTS. EGTS contributed \$3 million to the MidAmerican Energy Company Retirement Plan and \$1 million to the MidAmerican Energy Company Welfare Benefit Plan for the three-month period ended March 31, 2022. Amounts attributable to EGTS were allocated from MidAmerican Energy in accordance with the intercompany administrative service agreement. Offsetting regulatory assets and liabilities have been recorded related to the amounts not yet recognized as a component of net periodic benefit costs that will be included in regulated rates. As of March 31, 2022 and December 31, 2021, 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 \$76 million.

(7) 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 March 31, 2022</u>				
Assets:				
Equity securities:				
Investment funds	\$ 15	\$ —	\$ —	\$ 15
	<u>\$ 15</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 15</u>
Liabilities:				
Commodity derivatives	\$ —	\$ (2)	\$ —	\$ (2)
	<u>\$ —</u>	<u>\$ (2)</u>	<u>\$ —</u>	<u>\$ (2)</u>
<u>As of December 31, 2021</u>				
Assets:				
Equity securities:				
Investment funds	\$ 13	\$ —	\$ —	\$ 13
	<u>\$ 13</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 13</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' long-term debt is carried at cost, including unamortized premiums, discounts and debt issuance costs as applicable, on the Consolidated Financial Statements. The fair value of EGTS' 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. The following table presents the carrying value and estimated fair value of EGTS' long-term debt (in millions):

	As of March 31, 2022		As of December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Long-term debt	\$ 1,581	\$ 1,599	\$ 1,581	\$ 1,812

(8) 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, emissions performance standards, 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.

(9) Revenue from Contracts with Customers

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

	Three-Month Periods Ended March 31,	
	2022	2021
Customer Revenue:		
Regulated:		
Gas transportation	\$ 165	\$ 159
Gas storage	47	48
Wholesale	—	17
Total regulated	212	224
Management services and other revenues	18	18
Total customer revenue	230	242
Other revenue ⁽¹⁾	(7)	(1)
Total operating revenue	\$ 223	\$ 241

(1) Other revenue consists primarily of revenue recognized in accordance with Accounting Standards Codification 815, "Derivative and Hedging" and includes unrealized gains and losses for derivatives not designated as hedges related to natural gas sales contracts.

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 March 31, 2022 (in millions):

	Performance obligations expected to be satisfied		Total
	Less than 12 months	More than 12 months	
	\$ 888	\$ 4,224	\$ 5,112