PIPELINE COST / 2026 RECOVERY REPORT

Natural Gas Supply Association

19

MAJOR PIPELINES 2021-2025

Based on FERC Form No. 2 Data

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Interstate Natural Gas Pipeline Cost Recovery Analysis

This report is the Natural Gas Supply Association's (NGSA) 26th annual evaluation of earnings by major interstate natural gas pipelines. Each year, NGSA analyzes a selection of major interstate natural gas pipelines to assess the rate of return on equity (ROE) earned by these pipelines over the most recent five-year period. Our pipeline study this year includes the same 19 pipelines we used last year.

Summary of Results for 2025

- Overall earnings for 2025 were higher than 2024, with 12 of the 19 pipelines showing 5-year average earned ROEs above the 12% benchmark. The average earned ROE for 2025 was 15.2%, up from 14.1% in 2024. In addition, 13 pipelines had higher results this year compared to last year.
- The highest earning pipeline in our study for the five-year period continues to be Natural Gas Pipeline Company of America (NGPL). NGPL reached a recent high of 41.1% earned ROE in 2025, increasing its five-year average earned ROE to 37.8%.
- The net cost over-recovery for the 19 pipelines in the study was nearly $1.3 billion in 2025. This total is net of the cost under recovery by pipelines in the group earning less than 12% ROE. For the eight pipelines that over-recovered cost of service in 2025, the total over-recovery was $1.9 billion.

Major Developments and Policy Change Impacts

There have not been any immediately apparent policy changes or industry developments that have significantly impacted overall cost recovery and earned ROEs for 2025. By and large, the pipelines covered in this report have either avoided filing Section 4 rate cases or have been successful in negotiating settlements that have provided substantial rate increases. 2025 earnings increased for all but six pipelines over 2024 levels. Pipelines owned by Kinder Morgan Inc. continue to be among the highest earning pipelines in our study.

We expect that those pipelines with no comeback requirement are unlikely to file new rate cases unless they find it necessary to invest significant levels of capital in pipeline modernization and integrity projects that do not provide incremental volumes and revenues. It is not clear why some of the lower earning pipelines do not come in with a new Section 4 filing to increase rates. It is possible that the continued increase in negotiated rate filings with the FERC accounts for at least part of the reason there are not as many Section 4 filings as there have been in the past.

We have excluded Trailblazer Pipeline again from this year's study because its anomalous return would disproportionately lower the overall average earned returns. Trailblazer's 2025 earned ROE was -106%. This appears to be due to the conversion of 392 miles of its pipeline to carbon dioxide transportation. As a result, revenues are not sufficient to cover the $63 million in annual lease payments to Trailblazer's affiliate Rockies Express Pipeline (REX). Trailblazer filed a Section 4 rate case on 12/31/25, proposing a fourfold increase in recourse rates. Although most of its capacity is subscribed under long-term negotiated rate agreements, we expect the resolution of this rate case to significantly improve the cost under-recovery situation for Trailblazer.

NGSA supports healthy returns for interstate pipelines to ensure that there is an adequate incentive to make necessary investments in infrastructure. However, NGSA, like other pipeline shipper groups, has an interest in ensuring that the Federal Energy Regulatory Commission (FERC) takes action to review pipeline rates when there is evidence that a pipeline has substantially exceeded a reasonable level of earned ROE over a sustained period or when there are major policy, regulatory or commercial changes that necessitate revised rates.

Methodology

NGSA conducts its cost recovery analysis by comparing annual revenues for each pipeline to an estimate of its regulated cost of service for the same year, using the methodology that would be applied by the FERC in a traditional NGA Section 4 rate proceeding. Most of the cost and revenue data used in our model is taken from each pipeline's FERC Form No. 2 for the year. In those instances where interpretation of Form 2 amounts is required, NGSA uses a conservative approach to determine what to include. The resulting over or under-recovery of costs calculated by this method is then translated into an earned ROE.

In 2022 we implemented a change to our methodology which does not impact the earned ROE calculation but does impact the dollar cost over-recovery calculation. Prior to 2022, our dollar cost recovery calculation was based on the ROE reported in each pipeline's Form 2. Because these rates vary widely from pipeline to pipeline, we are now using the benchmark ROE (12.0%) for the cost over-recovery calculation. This change removes any distortion caused by individual pipelines reporting higher or lower ROEs in their Form 2 data and produces a cost over-recovery amount that is measured against the benchmark 12% ROE.

Below is a summary of the steps used to develop the three elements needed to determine the return on equity for each pipeline.

1. *Rate Base.* Rate base includes gas plant in service, accumulated depreciation, gas stored-noncurrent, ADIT, working capital and regulatory assets and liabilities.
2. *Revenues.* Net revenues are generally calculated as total operating revenues less revenues from sales of gas reported in Account Nos. 480-484.
3. *Cost of Service.* Each pipeline's total cost of service is calculated by adding the annual allowed return on rate base, federal and state income taxes, other taxes, depreciation expense, and operation and maintenance (O&M) costs.
    a. Return on rate base is calculated using the capitalization ratios reported in the Form 2 as long as those ratios are within a range FERC has historically approved. When

outside this range, the study uses a deemed capital structure consistent with current FERC policy (65% equity for pipelines showing higher equity ratios).

b. To calculate the federal income taxes, the total allowed return on rate base is multiplied by the ratio of the weighted return on equity to the total weighted return on rate base and then multiplied by the grossed-up federal income tax factor pursuant to FERC regulations. For pipelines still owned by an MLP (Enable Gas and Transwestern), no income tax allowance is included.

c. State income tax rates are calculated as a percentage of federal income tax rates using information from each pipeline's most recent Section 4 rate case, if available. If not, state income tax rates are estimated using statutory state tax rate information from the pipeline's Form 2.

d. In order to appropriately determine a pipeline’s non-gas cost of service and properly align costs with reported revenues, compressor and other fuel costs are removed from O&M expenses.

Each pipeline’s over- or under-recovery of costs is calculated by subtracting the total cost of service from net revenues. Because the study’s total cost of service calculation already includes a return on rate base, the over or under-recovery of costs is added to the return on equity included in the cost of service to determine the earned ROE for the pipeline. The formula to calculate actual earned rate of return on equity is as follows:

$$ROE = \frac{\left[\left(CR - \left(CR * \left(\frac{FGIT}{(1+FGIT)}\right)\right) - (CR * (SIT * FGIT))\right) + \left(AR * \left(\frac{ER}{TR}\right)\right)\right]}{RB * EC}$$

Where:

ROE	=	Actual Earned Rate on Equity
CR	=	Cost Over- or Under- Recovery
FGIT	=	Federal Grossed-Up Income Tax Rate
SIT	=	State Income Tax Rate as a Percentage of FIT
AR	=	Calculated Return on Rate Base
ER	=	Weighted Equity Rate of Return on Rate Base
TR	=	Weighted Total Rate of Return on Rate Base
RB	=	Total Rate Base
EC	=	Equity Capitalization Ratio

For the one remaining pipeline in our group that does not have a fuel tracking and true-up mechanism in place (NGPL), NGSA uses the revenues reported for sales of gas and sales of excess fuel retained from shippers to calculate total revenue and earned ROE inclusive of profit from retained fuel amounts in excess of what was consumed.

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Foresite Energy Services, LLC
June 2026

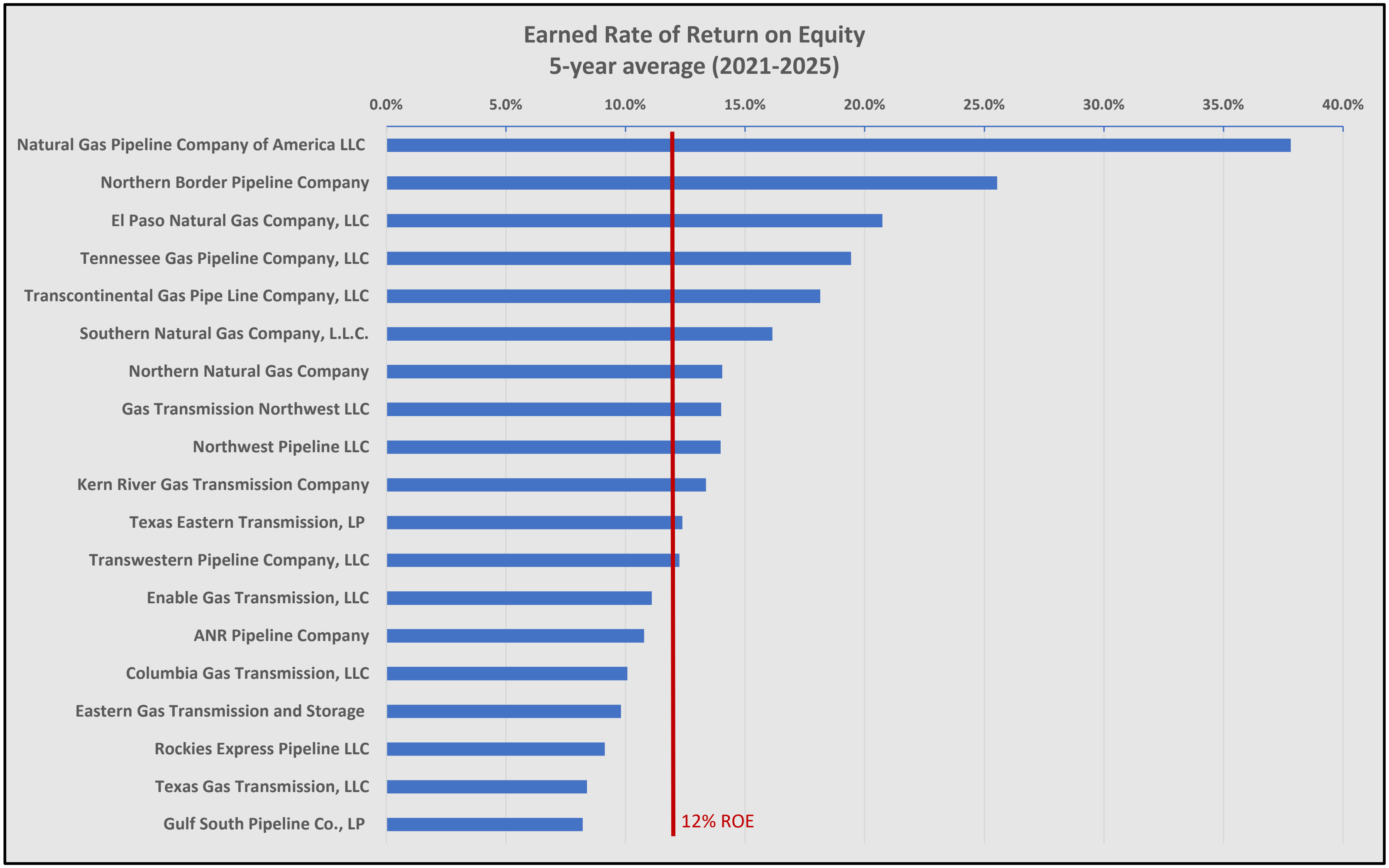
Natural Gas Supply Association
Earned Pipeline Rate of Return on Equity

NGSA Analysis - 19 Pipelines

	Pipeline Name	Notes	Year Ended 2021	Year Ended 2022	Year Ended 2023	Year Ended 2024	Year Ended 2025	Five-year average
●	Natural Gas Pipeline Company of America LLC		33.8%	38.7%	38.7%	36.8%	41.1%	37.8%
	Northern Border Pipeline Company		20.0%	23.9%	27.8%	27.4%	28.6%	25.5%
	El Paso Natural Gas Company, LLC		20.3%	17.1%	24.7%	20.7%	20.9%	20.7%
	Tennessee Gas Pipeline Company, LLC		19.6%	20.0%	18.8%	18.9%	19.9%	19.4%
	Transcontinental Gas Pipe Line Company, LLC		18.1%	19.5%	18.1%	16.4%	18.5%	18.1%
	Southern Natural Gas Company, L.L.C.		16.2%	18.9%	15.9%	15.8%	13.9%	16.1%
	Northern Natural Gas Company		16.6%	13.6%	14.0%	15.1%	10.9%	14.0%
	Gas Transmission Northwest LLC		11.5%	12.9%	14.3%	12.7%	18.6%	14.0%
	Northwest Pipeline LLC		16.7%	15.9%	14.2%	11.9%	11.2%	14.0%
	Kern River Gas Transmission Company		17.3%	16.6%	13.2%	10.4%	9.3%	13.4%
	Texas Eastern Transmission, LP		10.1%	12.9%	13.5%	12.1%	13.3%	12.4%
	Transwestern Pipeline Company, LLC		12.7%	14.5%	12.7%	10.5%	10.9%	12.3%
	Enable Gas Transmission, LLC		13.6%	16.7%	12.3%	3.4%	9.5%	11.1%
	ANR Pipeline Company		11.5%	9.7%	12.3%	11.6%	8.9%	10.8%
	Columbia Gas Transmission, LLC		11.2%	10.8%	9.6%	8.4%	10.5%	10.1%
	Eastern Gas Transmission and Storage		7.0%	10.7%	10.7%	10.6%	10.1%	9.8%
	Rockies Express Pipeline LLC		7.4%	9.9%	8.9%	8.7%	10.8%	9.1%
	Texas Gas Transmission, LLC		7.6%	8.9%	7.4%	8.2%	9.9%	8.4%
	Gulf South Pipeline Co., LP		6.2%	6.5%	8.1%	9.2%	11.0%	8.2%
	Average earned ROE		15.6%	16.0%	15.7%	14.1%	15.2%	15.5%
	Net Cost Over-Recovery (including fuel)		777,408,147	1,280,330,259	1,150,198,048	630,204,078	1,256,969,837	1,019,022,074

● NGPL does not have a fuel tracker with a true-up provision, so can earn additional revenues from fuel within a certain band of allowed over- or under-recoveries.

Natural Gas Supply Association Pipeline Cost Recovery Report
Summary of Results



Notes to Summary Chart (Ownership and Tax Status)

1/ **Natural Gas Pipeline Company of America:** NGPL is organized as an LLC but is a disregarded entity for tax purposes. All its income is included in the tax returns of NGPL Holding Co., which is a corporation.

2/ **Northern Border Pipeline Company:** Northern Border is a limited partnership owned 50% by TC Energy and 50% by ONEOK, Inc. In 2018, Northern Border elected to eliminate all ADIT and associated regulatory assets and liabilities from their balance sheet. The partnership also now claims eligibility for an income tax allowance due to the fact that it is 100% owned by two corporations.

3/ **El Paso Natural Gas and Tennessee Gas Pipeline:** Both pipelines are owned by Kinder Morgan Energy Partners, formerly an MLP that is now 100% owned by Kinder Morgan, Inc. (KMI). Their Form 2s state that all "activities" of the pipelines are included in the tax returns of KMI.

4/ **Northwest Pipeline:** Northwest was formerly owned by Williams Partners, an MLP which was acquired in full by Williams Companies, a corporation. Northwest's income is included in Williams' federal tax returns.

5/ **Enable Gas Transmission:** Enable is wholly owned by Energy Transfer LP, which acquired Enable Midstream Partners in December 2021. Enable has eliminated its ADIT balances from its Form 2 report as of 2020. Because Energy Transfer LP is an MLP, we have also continued to exclude an income tax allowance for Enable in its cost of service.

6/ **Kern River Gas Transmission and Eastern Gas Transmission:** Both pipelines are owned by Berkshire Hathaway, Inc. (Dominion was acquired by Berkshire Hathaway in 2020, which changed its name to Eastern Gas Transmission & Storage, Inc. Both pipelines have retained their ADIT and regulatory asset/liability balances and are eligible for an income tax allowance in our analysis.

7/ **ANR Pipeline:** ANR is a wholly-owned indirect subsidiary of TC Energy. Its income is included on the tax returns of TransCanada PipeLine USA Ltd.

8/ **Texas Eastern Transmission:** Texas Eastern is a wholly-owned subsidiary of Enbridge, Inc., which acquired all outstanding units of its former owner, Spectra Energy Partners, in 2018. Enbridge has requested authorization from the Chief Accountant to retain all the ADIT and associated regulatory liabilities of Texas Eastern, even though the pipeline is now indirectly owned by a corporation. Texas Eastern has elected to continue reporting these balances on its Form 2. While we include an income tax allowance given Texas Eastern's ownership by Enbridge, we also include a calculation of earned ROE with all ADIT and associated regulatory liability balances removed from rate base.

9/ **Texas Gas Transmission and Gulf South Pipeline:** Both pipelines are owned by Boardwalk Pipeline Partners, a former MLP now owned by Loews Corporation. Both pipelines have retained their ADIT and regulatory asset and liability balances. Thus, we continue to include an income tax allowance for these pipelines.