

Gulfstream Natural Gas System, L.L.C.

Financial Statements

For the Years Ended December 31, 2012, 2011 and 2010


**GULFSTREAM NATURAL GAS SYSTEM, L.L.C.
OFFICER'S CERTIFICATE**

I, David A. Shammo, certify that I am an Authorized Officer of Gulfstream Natural Gas System, L.L.C. (the "Company") and that a review of the activities of the Company during the preceding fiscal year has been made under my supervision with a view to determining whether the Company has kept, observed, performed and fulfilled, in all material respects, its obligations under the Indenture dated as October 26, 2005 between the Company and JPMorgan Chase Bank, N.A., as trustee (the "Indenture"), and that to my Knowledge the Company has kept, observed, performed and fulfilled, in all material respects, its covenants contained in the Indenture and is not in default in any material respect in the performance or observance of any of the terms, provisions and conditions of the Indenture.

Capitalized terms used in this Officer's Certificate without definition shall have the meanings set forth in the Indenture.

GULFSTREAM NATURAL GAS SYSTEM, L.L.C.

Dated: April 2, 2013

By: 
Name: David A. Shammo
Title: Authorized Officer

**FINANCIAL STATEMENTS OF
GULFSTREAM NATURAL GAS SYSTEM, L.L.C.
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INDEPENDENT AUDITORS' REPORT

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To the Members of Gulfstream Natural Gas System, L.L.C.

We have audited the accompanying financial statements of Gulfstream Natural Gas System, L.L.C. (the "Company"), which comprise the balance sheets as of December 31, 2012 and 2011, and the related statements of operations, comprehensive income, members' equity and cash flows for each of the three years in the period ended December 31, 2012, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the 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 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 financial statements referred to above present fairly, in all material respects, the financial position of Gulfstream Natural Gas System, L.L.C. as of December 31, 2012 and 2011, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2012, in accordance with accounting principles generally accepted in the United States of America.

Houston, Texas
February 25, 2013

GULFSTREAM NATURAL GAS SYSTEM, L.L.C.
STATEMENTS OF OPERATIONS

	Years Ended December 31,		
	2012	2011	2010
	(In millions)		
Operating Revenues	\$ 275.3	\$ 273.4	\$ 273.6
Operating Expenses			
Operating, maintenance and other	4.4	4.7	5.5
Operating, maintenance and other — affiliates	20.0	17.7	15.1
Depreciation and amortization	35.6	35.4	35.0
Property and other taxes	15.8	13.7	17.5
Total operating expenses	75.8	71.5	73.1
Operating Income	199.5	201.9	200.5
Other Income and Expenses, net	—	—	0.9
Interest Expense	70.2	69.9	69.8
Net Income	<u>\$ 129.3</u>	<u>\$ 132.0</u>	<u>\$ 131.6</u>

See Notes to Financial Statements.

GULFSTREAM NATURAL GAS SYSTEM, L.L.C.
STATEMENTS OF COMPREHENSIVE INCOME

	Year Ended December 31,		
	2012	2011	2010
		(In millions)	
Net Income	\$ 129.3	\$ 132.0	\$ 131.6
Other comprehensive income:			
Reclassification of cash flow hedges into earnings	(1.3)	(1.3)	(1.3)
Comprehensive Income	\$ 128.0	\$ 130.7	\$ 130.3

See Notes to Financial Statements.

GULFSTREAM NATURAL GAS SYSTEM, L.L.C.
BALANCE SHEETS

	December 31,	
	2012	2011
	(In millions)	
ASSETS		
Current Assets		
Cash and cash equivalents.....	\$ 56.4	\$ 54.4
Receivables (allowance for doubtful accounts of zero at December 31, 2012 and 2011).....	23.0	22.8
Inventory	8.8	7.5
Other	2.7	2.4
Total current assets	90.9	87.1
Property, Plant and Equipment		
Cost	2,073.1	2,065.6
Less accumulated depreciation and amortization.....	319.1	281.8
Net property, plant and equipment	1,754.0	1,783.8
Regulatory Assets and Deferred Debits		
Regulatory tax asset	23.2	23.6
Unamortized debt expense	5.2	6.2
Total regulatory assets and deferred debits.....	28.4	29.8
Total Assets	\$ 1,873.3	\$ 1,900.7
LIABILITIES AND MEMBERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 0.8	\$ 0.4
Accounts payable — affiliates	1.2	1.9
Taxes accrued.....	1.6	0.4
Interest accrued	10.0	10.0
Accrued liabilities	—	1.6
Fuel tracker liabilities.....	5.1	1.9
Other	0.7	0.7
Total current liabilities.....	19.4	16.9
Long-term Debt	1,149.3	1,149.1
Commitments and Contingencies		
Members' Equity		
Members' equity	696.9	725.7
Accumulated other comprehensive income	7.7	9.0
Total members' equity.....	704.6	734.7
Total Liabilities and Members' Equity	\$ 1,873.3	\$ 1,900.7

See Notes to Financial Statements.

GULFSTREAM NATURAL GAS SYSTEM, L.L.C.
STATEMENTS OF CASH FLOWS

	Years Ended December 31,		
	2012	2011	2010
	(In millions)		
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$ 129.3	\$ 132.0	\$ 131.6
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	36.8	36.6	36.2
Allowance for funds used during construction — equity	—	(0.2)	(0.4)
Reclassification adjustments from accumulated other comprehensive income into net income	(1.3)	(1.3)	(1.3)
Decrease (increase) in:			
Receivables	(0.2)	0.7	(3.2)
Other current assets	(0.7)	—	0.4
Increase (decrease) in:			
Accounts payable	(1.0)	(0.4)	(1.1)
Taxes accrued	1.2	(3.1)	1.4
Accrued liabilities	(1.6)	0.4	(1.0)
Fuel tracker liabilities	0.1	(0.1)	0.1
Other current liabilities	3.2	0.5	(0.2)
Other, assets	(0.1)	1.4	0.6
Other, liabilities	—	(0.5)	0.4
Net cash provided by operating activities	<u>165.7</u>	<u>166.0</u>	<u>163.5</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditures	(7.8)	(14.6)	(21.6)
Other	1.7	—	—
Net cash used in investing activities	<u>(6.1)</u>	<u>(14.6)</u>	<u>(21.6)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital contributions from members	—	7.7	20.0
Distributions to members	(157.6)	(168.4)	(161.2)
Net cash used in financing activities	<u>(157.6)</u>	<u>(160.7)</u>	<u>(141.2)</u>
Net increase (decrease) in cash and cash equivalents	2.0	(9.3)	0.7
Cash and cash equivalents at beginning of period	54.4	63.7	63.0
Cash and cash equivalents at end of period	<u>\$ 56.4</u>	<u>\$ 54.4</u>	<u>\$ 63.7</u>
Supplemental Disclosures			
Cash paid for interest, net of amount capitalized	\$ 70.3	\$ 70.0	\$ 70.3
Significant non-cash transaction:			
Property, plant and equipment accruals	\$ 0.8	\$ 0.1	\$ 3.3

See Notes to Financial Statements.

GULFSTREAM NATURAL GAS SYSTEM, L.L.C.

STATEMENTS OF MEMBERS' EQUITY

	Spectra Energy Corp	Spectra Energy Partners, LP	The Williams Companies, Inc.	Williams Partners, L.P.	Total
	(In millions)				
Balance December 31, 2009	\$ 198.0	\$ 190.2	\$ 388.1	\$ —	\$ 776.3
Net income	30.3	35.5	37.8	28.0	131.6
Reclassification of cash flow hedges into earnings	(0.3)	(0.3)	(0.4)	(0.3)	(1.3)
Ownership change (See Footnote 2)	(183.1)	183.1	(184.5)	184.5	—
Capital contributions from members	4.0	6.0	5.6	4.4	20.0
Distributions to members	(41.1)	(39.5)	(51.4)	(29.2)	(161.2)
Attributed deferred tax expense	(0.1)	—	(0.1)	—	(0.2)
Balance December 31, 2010	<u>7.7</u>	<u>375.0</u>	<u>195.1</u>	<u>187.4</u>	<u>765.2</u>
Net income	1.3	64.7	12.9	53.1	132.0
Reclassification of cash flow hedges into earnings	—	(0.6)	(0.1)	(0.6)	(1.3)
Ownership change	—	—	(178.2)	178.2	—
Capital contributions from members	0.1	3.7	2.0	1.9	7.7
Distributions to members	(8.2)	(76.0)	(24.3)	(59.9)	(168.4)
Attributed deferred tax expense	—	(0.3)	(0.1)	(0.1)	(0.5)
Balance December 31, 2011	<u>0.9</u>	<u>366.5</u>	<u>7.3</u>	<u>360.0</u>	<u>734.7</u>
Net income	1.3	63.3	0.5	64.2	129.3
Reclassification of cash flow hedges into earnings	(0.1)	(0.6)	—	(0.6)	(1.3)
Ownership change	—	—	(7.0)	7.0	—
Capital contributions from members	—	—	—	—	—
Distributions to members	(1.6)	(77.2)	(0.8)	(78.0)	(157.6)
Attributed deferred tax expense	—	(0.2)	—	(0.3)	(0.5)
Balance December 31, 2012	<u>\$ 0.5</u>	<u>\$ 351.8</u>	<u>\$ —</u>	<u>\$ 352.3</u>	<u>\$ 704.6</u>

See Notes to Financial Statements.

GULFSTREAM NATURAL GAS SYSTEM, L.L.C.

Notes to Financial Statements

1. Summary of Operations and Significant Accounting Policies

Nature of Operations. Gulfstream Natural Gas System, L.L.C. (collectively, “we”, “our”, “us” and “company”) owns an interstate natural gas pipeline system and is owned 1% by a subsidiary of Spectra Energy Corp (Spectra Energy), 49% by Spectra Energy Partners, LP (Spectra Energy Partners), and 50% by affiliates of The Williams Companies, Inc (Williams). We are operated under joint management by Spectra Energy, which provides the business functions, and Williams, which provides the technical functions. We transport natural gas that we receive from various onshore and offshore supply sources in the Mississippi and Alabama area, across the Gulf of Mexico, and deliver that natural gas to markets in central and southern Florida. Our interstate natural gas transmission operations are subject to the rules and regulations of the Federal Energy Regulatory Commission (FERC). We were formed on May 17, 1999 as a Delaware limited liability company.

Basis of Presentation. The financial statements reflect the results of operations, financial position and cash flows of our company. The financial statements do not include any of the assets, liabilities, revenues or expenses of the members.

Use of Estimates. To conform with generally accepted accounting principles (GAAP) in the United States, we make estimates and assumptions that affect the amounts reported in the Financial Statements and Notes to Financial Statements. Although these estimates are based on our best available knowledge at the time, actual results could differ.

Fair Value Measurements. We measure the fair value of financial assets and liabilities by maximizing the use of observable inputs and minimizing the use of unobservable inputs. Fair value is the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

Cost-Based Regulation. The economic effects of regulation can result in a regulated company recording assets for costs that have been or are expected to be approved for recovery from customers or recording liabilities for amounts that are expected to be returned to customers or for instances where the regulator provides current rates that are intended to recover costs that are expected to be incurred in the future. Accordingly, we record assets and liabilities that result from the regulated ratemaking process that may not be recorded under GAAP for non-regulated entities. We continually assess whether regulatory assets are probable of future recovery by considering factors such as applicable regulatory changes and recent rate orders to other regulated entities. Based on this assessment, we believe our existing regulatory assets are probable of recovery. These regulatory assets and liabilities are classified in the Balance Sheets as Regulatory Assets and Deferred Debits and Current Liabilities. We evaluate our regulated assets, and consider factors such as regulatory changes and the effect of competition. If cost-based regulation ends or competition increases, we may have to reduce our asset balances to reflect a market basis less than cost and write-off the associated regulatory assets and liabilities. See Note 4 for further discussion.

Revenue Recognition. Revenues from the transportation of natural gas are recognized when the service is provided. Revenues related to these services provided but not yet billed are estimated each month. These estimates are generally based on contract data, regulatory information and preliminary throughput and allocation measurements. Final bills for the current month are billed and collected in the following month. Differences between actual and estimated unbilled revenues are immaterial.

Customers accounting for 10% or more of revenues during 2012, 2011 and 2010 are as follows:

Customer	% of Revenues		
	2012	2011	2010
Florida Power & Light Company	53%	53%	53%
Florida Power Corporation d/b/a Progress Energy Florida, Inc (a)	29	28	26

(a) On July 2, 2012 Progress Energy Florida, Inc. completed a merger with Duke Energy.

Allowance for Funds Used During Construction (AFUDC). AFUDC, which represents the estimated debt and equity costs of capital funds necessary to finance the construction and expansion of certain new regulated facilities, consists of two components, an equity component and an interest expense component. The equity component is a non-cash item. AFUDC is capitalized as a component of Property, Plant and Equipment cost, with offsetting credits to the Statements of Operations through Other Income and Expenses, Net for the equity component and Interest Expense for the interest expense component. After construction is completed, we are permitted to recover these costs through inclusion in the rate base and in the depreciation provision. The amount of AFUDC recognized for 2012 was zero. The total amount of AFUDC included in the Statements of Operations was \$0.5 million in 2011 (an equity component of \$0.2 million and an interest expense component of \$0.3 million), and \$0.9 million in 2010 (an equity component of \$0.4 million and an interest expense component of \$0.5 million).

Income Taxes. We are not subject to income tax, but rather our taxable income or loss is reported on the respective income tax returns of our members. Accordingly, there is no federal tax provision in these financial statements. Since we are not responsible for the attributed income taxes, amounts related to the tax gross-up of AFUDC equity are carried in the individual capital accounts of our members.

Cash and Cash Equivalents. Highly liquid investments with original maturities of three months or less at the date of acquisition are considered cash equivalents.

Inventory. Inventory consists mainly of natural gas retained from shippers for fuel and also includes materials and supplies. Natural gas is recorded at the lower of cost or market. Materials and supplies are recorded at cost, using the average cost method.

Natural Gas Imbalances. The Balance Sheets include in-kind balances as a result of differences in gas volumes received and delivered for customers. Since settlement of imbalances is in-kind, changes in these balances do not have an effect on our Statements of Cash Flows. These imbalances are classified within Current Assets — Receivables and Current Liabilities — Other on the Balance Sheets. Natural gas volumes owed to or by us are valued at natural gas market index prices as of the balance sheet dates.

Cash Flow Hedges. In 2005, we entered into derivative transactions that are hedges of the future cash flows of forecasted transactions (cash flow hedges). We are exposed to the impact of market fluctuations in interest rates. To protect from increasing interest rates and the resulting higher cost of the debt that was issued in 2005, we locked in existing interest rates by using financial derivatives (swaps) for hedge strategies. The total amount of the debt in 2005 was \$850.0 million of which \$500.0 million was hedged. The associated interest rate swaps were terminated on October 12, 2005, prior to the issuance of the related debt. These derivatives were initially recorded on the Balance Sheets at their fair value as Accumulated Other Comprehensive Income (AOCI). Deferred gains of \$7.7 million in AOCI as of December 31, 2012 will continue to be amortized to interest expense over the term of the debt issued (November 2015). The total amortization for 2012, 2011 and 2010 was \$1.3 million per year.

Changes in the fair value of a derivative designated and qualified as a cash flow hedge, to the extent effective, are included in Statements of Members' Equity and Comprehensive Income as AOCI until earnings are affected by the hedged transaction. We discontinue hedge accounting prospectively when it is determined that a derivative no longer qualifies as an effective hedge, or when it is no longer probable that the hedged forecasted transaction will occur. When hedge accounting is discontinued because the derivative no longer qualifies as an effective hedge, the derivative is subject to the mark-to-market model of accounting (MTM Model) prospectively. Gains and losses related to discontinued hedges that were previously accumulated in AOCI will remain in AOCI until the underlying contract is reflected in earnings; unless it is probable that the hedged forecasted transaction will not occur at which time associated deferred amounts in AOCI are immediately recognized in current earnings. All derivatives designated and accounted for as hedges are classified in the same category as the item being hedged in the Statements of Cash Flows. In addition, all components of each derivative gain or loss are included in the assessment of hedge effectiveness.

When available, quoted market prices or prices obtained through external sources are used to measure a contract's fair value.

Property, Plant and Equipment. Property, plant and equipment is stated at historical cost less accumulated depreciation. We capitalize all construction-related direct labor and material costs, as well as indirect construction costs. Indirect costs include general engineering, taxes and the cost of funds used during construction. The costs of renewals and betterments that extend the useful life or increase the expected output of property, plant and equipment are also capitalized. The costs of repairs, replacements and major maintenance projects that do not extend the useful life or increase the expected output of property, plant and equipment are expensed as incurred. Depreciation is generally computed over the asset's estimated useful life using the straight-line method.

When we retire regulated property, plant and equipment, we charge the original cost plus the cost of retirement, less salvage value, to accumulated depreciation and amortization. When we sell entire regulated operating units, or retire or sell non-regulated properties, the cost is removed from the property account and the related accumulated depreciation and amortization accounts are reduced. Any gain or loss is recorded in earnings, unless otherwise required by the FERC.

Preliminary Project Costs. Project development costs, including expenditures for preliminary surveys, plans, investigations, environmental studies, regulatory applications and other costs incurred for the purpose of determining the feasibility of capital expansion projects, are capitalized for rate-regulated enterprises when it is determined that recovery of such costs through regulated revenues of the completed project is probable. Any inception-to-date costs that were initially expensed are reversed and capitalized as Property, Plant and Equipment.

Long-Lived Asset Impairments. We evaluate whether long-lived assets have been impaired when circumstances indicate the carrying value of those assets may not be recoverable. For such long-lived assets, an impairment exists when its carrying value exceeds the sum of estimates of the undiscounted cash flows expected to result from the use and eventual disposition of the asset. When alternative courses of action to recover the carrying amount of a long-lived asset are under consideration, a probability-weighted approach is used in developing estimates of future undiscounted cash flows. If the carrying value of the long-lived asset is not recoverable based on these estimated future undiscounted cash flows, an impairment loss is measured as the excess of the asset's carrying value over its fair value, such that the asset's carrying value is adjusted to its estimated fair value.

We assess the fair value of long-lived assets using commonly accepted techniques, and may use more than one source. Sources to determine fair value include, but are not limited to, recent third-party comparable sales, internally developed discounted cash flow analyses and analyses from outside advisors. Significant changes in market conditions resulting from events such as changes in natural gas available to our systems, the condition of an asset, a change in our intent to utilize the asset or a significant change in contracted revenues or regulatory recoveries would generally require us to reassess the cash flows related to the long-lived assets.

Unamortized Debt Expense. Debt expenses incurred with the issuance of outstanding long-term debt are amortized over the terms of the debt issues. Any call premiums or unamortized expenses associated with refinancing higher-cost debt obligations to finance regulated assets and operations are amortized consistent with regulatory treatment of those items, where appropriate.

New Accounting Pronouncements — 2012, 2011 and 2010. There were no significant accounting pronouncements adopted during 2012, 2011 or 2010 that had a material impact on our results of operations, financial position or cash flows.

2. Corrections of Error in Members' Ownership

During 2011, we identified an error in our previously issued Statements of Members' Equity related to the change in ownership that occurred during 2010. In February 2010, Williams Partners bought a 24.5% interest in us from Williams and in November 2010, Spectra Energy Partners bought a 24.5% interest in us from Spectra Energy. The transfer of equity related to these transactions was not reflected in the Statement of Members' Equity. The other equity related activity, including allocations of Net income, Reclassification of cash flow hedges into earnings, Capital contributions from members, Distributions to members and Attributed deferred tax expense, in 2010 and total equity both on the Statements of Member's Equity and the Balance Sheets are not impacted by this error. In addition, the correct ownership percentages were disclosed in Footnote 1 in the 2010 financial statements.

The corrections of member balance on the Statements of Members' Equity for December 31, 2010 are as follow:

	Spectra Energy Corp	Spectra Energy Partners, LP	The Williams Companies, Inc	Williams Partners, L.P.	Total
			(in millions)		
As previously reported.....	\$ 190.8	\$ 191.9	\$ 379.6	\$ 2.9	\$ 765.2
Less ownership transfer	(183.1)	183.1	(184.5)	184.5	—
As corrected.....	<u>\$ 7.7</u>	<u>\$ 375.0</u>	<u>\$ 195.1</u>	<u>\$ 187.4</u>	<u>\$ 765.2</u>

3. Transactions with Affiliates

Gulfstream Management & Operating Services, L.L.C. (GMOS), owned 50% by an affiliate of Spectra Energy and 50% by an affiliate of Williams, provides management, construction and operating services pursuant to agreements entered into with us and with affiliates of Spectra Energy and Williams. GMOS bills us for services rendered including labor and benefit costs, employee expenses, overhead costs and in some cases, third-party costs. Such amounts are reflected in the Statements of Operations as Operating, Maintenance and Other — Affiliates or in the Balance Sheets as Property, Plant and Equipment, as appropriate.

Transactions with affiliates are summarized in the tables below:

Statements of Operations

	2012	2011	2010
		(in millions)	
Operating, maintenance and other — affiliates.....	\$ 20.0	\$ 17.7	\$ 15.1

Balance Sheets

	December 31,	
	2012	2011
		(in millions)
Property, plant and equipment(a).....	\$ 1.0	\$ 2.6
Current assets — other	1.0	0.6
Accounts payable — affiliates	1.2	1.9

(a) Reflects additions to Property, Plant and Equipment billed from an affiliate in the respective year.

During 2011, Spectra Energy received a disproportionate distribution in relation to their ownership percentage based on an agreement between Spectra Energy and Spectra Energy Partners.

4. Regulatory Matters

Regulatory Assets and Liabilities. We record assets and liabilities that result from the regulated ratemaking process that would not be recorded under GAAP for non-regulated entities. See Note 1 for further discussion.

Regulatory Assets and Liabilities

	December 31,		Recovery/Refund Period Ends
	2012	2011	
	(in millions)		
Regulatory Assets(a)			
Regulatory asset related to income taxes(b)	\$ 23.2	\$ 23.6	(c)
Total Regulatory Assets.....	<u>\$ 23.2</u>	<u>\$ 23.6</u>	
Regulatory Liabilities(a)			
Fuel tracker(d)	\$ 5.1	\$ 1.9	2013
Total Regulatory Liabilities	<u>\$ 5.1</u>	<u>\$ 1.9</u>	

(a) All regulatory assets and liabilities are excluded from rate base.

(b) Relates to tax gross-up of AFUDC equity portion and is included in Regulatory Assets and Deferred Debits.

(c) Amortized over the life of the related property, plant and equipment.

(d) Included in Current Liabilities.

Rate Related Information. We operate under rates approved by the FERC in 2007. In 2007, the FERC issued an order approving our Phase III expansion project. That order also required us to file a Cost and Revenue Study three years after the Phase III facilities went into service. We filed the Cost and Revenue Study and the FERC accepted the filing on August 6, 2012. There were no changes to rates.

5. Property, Plant and Equipment

	Estimated Useful Life (Years)	December 31,	
		2012	2011
		(in millions)	
Plant			
Natural gas transmission	60	\$ 1,893.0	\$ 1,885.3
Rights of way	60	117.7	117.7
Land.....	—	16.3	16.3
Construction in process.....	—	0.9	1.6
Other	5-20	45.2	44.7
Total property, plant and equipment.....		<u>2,073.1</u>	<u>2,065.6</u>
Total accumulated depreciation and amortization		<u>(319.1)</u>	<u>(281.8)</u>
Total net property, plant and equipment		<u>\$ 1,754.0</u>	<u>\$ 1,783.8</u>

All of our property, plant and equipment is regulated with estimated useful lives based on rates approved by the FERC. The composite weighted-average depreciation rates were 1.7% for 2012, 2011, and 2010.

Amortization expense of intangible assets totaled \$2.0 million in 2012 and \$2.2 million in 2011 and 2010. Amortization expense for 2013 through 2017 is estimated to be \$2.0 million each year.

6. Debt

Summary of Debt and Related Terms

Year Due	December 31,	
	2012	2011
	(in millions)	
Unsecured note payable, 5.56%.....	\$ 500.0	\$ 500.0
Unsecured note payable, 6.95%.....	300.0	300.0
Unsecured note payable, 6.19%.....	350.0	350.0
Unamortized debt discount.....	(0.7)	(0.9)
Total long-term debt.....	\$ 1,149.3	\$ 1,149.1

All scheduled debt payments correspond to the year due. The unsecured note payable due 2015 and 2016 are due within the next five years.

7. Fair Value Measurements

The following table presents, for each of the fair value hierarchy levels, assets that are measured at fair value on a recurring basis:

Description	Balance Sheet Caption	December 31, 2012			
		Total	Level 1	Level 2	Level 3
		(in millions)			
Short-term money market securities	Cash and cash equivalents	\$ 30.9	\$ 30.9	\$ —	\$ —
Total Assets.....		\$ 30.9	\$ 30.9	\$ —	\$ —

Description	Balance Sheet Caption	December 31, 2011			
		Total	Level 1	Level 2	Level 3
		(in millions)			
Short-term money market securities	Cash and cash equivalents	\$ 24.7	\$ 24.7	\$ —	\$ —
Total Assets.....		\$ 24.7	\$ 24.7	\$ —	\$ —

Level 1 valuations represent quoted unadjusted prices for identical instruments in active markets.

Financial Instruments. The fair value of financial instruments that are recorded and carried at book value are summarized in the following table. Judgment is required in interpreting market data to develop the estimates of fair value. These estimates are not necessarily indicative of the amounts we could have realized in current markets. The fair value of long-term debt represents a level 2 valuations which is determined based on market-based prices which may include inputs such as quoted market prices of the exact or similar instruments, broker or dealer quotations, or alternative pricing sources that may include models or matrix pricing tools, with reasonable levels of price transparency.

	December 31,			
	2012		2011	
	Book Value	Approximate Fair Value	Book Value	Approximate Fair Value
	(in millions)			
Long-term debt (a).....	\$ 1,150.0	\$ 1,342.7	\$ 1,150.0	\$ 1,332.1

(a) Excludes unamortized items

The fair value of cash and cash equivalents, accounts receivable, and accounts payable are not materially different from their carrying amounts because of the short-term nature of these instruments or because the stated rates approximate market rates.

During the 2012 and 2011 periods, there were no adjustments to assets measured at fair value on a nonrecurring basis.

8. Credit Risk

Our principal customers for natural gas transportation are utilities located throughout the state of Florida. We have concentrations of receivables from utilities throughout Florida. These concentrations of customers may affect our overall credit risk in

that risk factors can negatively affect the credit quality of the entire sector. Where exposed to credit risk, we analyze the customers' financial condition prior to entering into an agreement, establish credit limits and monitor the appropriateness of those limits on an ongoing basis. We also obtain parental guarantees, cash deposits or letters of credit from customers to provide credit support, where appropriate, based on our financial analysis of the customer and the regulatory or contractual terms and conditions applicable to each contract.

9. Commitments and Contingencies

General Insurance. We carry, either independently or through our owners, insurance consistent with companies engaged in similar commercial operations with similar type properties. Our insurance program includes (1) liability insurance covering our liabilities arising from bodily injury or property damage to third parties resulting from our operations including liabilities arising from the use of owned, non-owned and hired vehicles and (2) property insurance on an all-risk basis covering loss or damage to real and personal property owned or leased by our company. We also carry onshore business interruption insurance. All coverages are subject to certain deductibles, terms and conditions common for companies with similar types of operations. The cost of our general insurance will continue to fluctuate reflecting changing conditions of the insurance market.

Environmental. We are subject to various federal, state and local regulations regarding air and water quality, hazardous and solid waste disposals and other environmental matters. We believe there are no matters outstanding that upon resolution will have a material adverse effect on our results of operations, financial position or cash flows.

Litigation. We are involved in legal, tax and regulatory proceedings in various forums arising in the ordinary course of business, including matters regarding contracts and payment claims, some may involve substantial monetary amounts. We have insurance for certain of these losses should they be incurred. We believe that the final disposition of these proceedings will not have a material adverse effect on our results of operations, financial position or cash flows.

10. Subsequent Event

We have evaluated significant events and transactions that occurred from January 1, 2013 through February 25, 2013 the date the financial statements were issued.

A distribution to members of \$43.4 million was declared and paid on January 24, 2013.