TRUNKLINE LNG COMPANY, LLC

Index of STATEMENT L

TRUNKLINE LNG COMPANY, LLC
Comparative Balance Sheet
(Unaudited)

Line No.	Description	March 31 2008 (a)	March 31 2009 (b)
	Assets and Other Debits		
	Utility Plant:		
1	Utility Plant	$ 740,808,068	$ 742,014,199
2	Construction Work in Progress	240,041,546	428,317,321
3	Total Utility Plant	980,849,614	1,170,331,520
4	(Less) Accum Provision for Depreciation & Amort	357,065,684	377,813,743
5	Net Utility Plant	623,783,930	792,517,777
6	Nuclear Fuel	-	-
7	(Less) Accum Provision for Amort.,of Nuclear. Fuel Assem.	-	-
8	Nuclear Fuel	-	-
9	Net Utility Plant	623,783,930	792,517,777
10	Utility Plant Adjustments	-	-
11	Gas Stored - Base Gas	2,985,210	2,985,210
12	System Balancing Gas	18,954	709,582
13	Gas Stored in Reservoirs and Pipelines-Noncurrent	-	-
14	Gas Owned to System Gas	-	-
	Other Property and Investments:		
15	Nonutility Property	-	-
16	(Less) Accum Provision for Depreciation & Amort	-	-
17	Investments in Associated Companies		
18	Investments in Subsidiary Companies	-	-
19	(For Cost of Account 123.1 See Footnote Page 224)	-	-
20	Noncurrent Portion of Allowances	-	-
21	Other Investments	-	-
22	Sinking Funds	-	-
23	Depreciation Fund	-	-
24	Amortization Fund - Federal	-	-
25	Other Special Funds	-	-
26	Long-Term Portion of Deriative Assets	-	-
27	Long-term Portion of Deriative Assets - Hedges	-	-
28	Total Other Property and Investments	-	-
	Current and Accrued Assets:		
29	Cash	91,838	-
30	Special Deposits	-	-
31	Working Funds	-	-
32	Temporary Cash Investments	-	-
33	Notes Receivable	-	-
34	Customer Accounts Receivable	10,523,043	11,383,043
35	Other Accounts Receivable	140,000	-
36	(Less) Accum Provision for Uncollectible Accounts	-	-
37	Notes Receivable from Associated Companies	-	-
38	Accounts Receivable from Associated Companies	19,968	43,278
39	Fuel Stock	-	-
40	Fuel Stock Expenses Undistributed	-	-
41	Residuals (Elec) and Extracted Products (Gas)	-	-
42	Plant Materials and Operating Supplies	4,481,108	5,279,796
43	Merchandise	-	-
44	Other Materials and Supplies	-	-
45	Nuclear Materials Held for Sale	-	-
46	Allowances	-	-
47	(Less) Noncurrent Portion of Allowances	-	-
48	Stores Expense Undistributed	-	-
49	Gas Stored Underground - Current	-	-
50	Liquefied Natural Gas Stored and held for Processing	-	-
51	Prepayments	250,716	201,102
52	Advances for Gas	-	-
53	Interest and Dividends Receivable	-	-
54	Rents Receivable	-	-
55	Accrued Utility Revenues	-	-
56	Miscellaneous Current and Accrued Assets	2,445,842	-
57	Derivatives Instrument Assets	-	-
58	(Less) Long-Term Portion of Derivative Instrument Assets	-	-
59	Derivatives Instrument Assets-Hedges	-	-
60	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges	-	-
61	Total Current and Accrued Assets	17,952,515	16,907,219
	Deferred Debits:		
62	Unamortized Debt Expense	-	-
63	Extraordinary Property Losses	-	-
64	Unrecovered Plant and Regulatory Study Costs	-	-
65	Other Regulatory Assets	35,228,593	54,525,684
66	Preliminary Survey and Investigation Charges (Electric)	-	-
67	Preliminary Survey and Investigation Charges (Gas)	-	-
68	Clearing Accounts	341	350
69	Temporary Facilities	-	-
70	Miscellaneous Deferred Debits	142,727	227,458
71	Dfrd Losses from Disposition of Utility Plant	-	-
72	Research, Development & Demonstration Exp	-	-
73	Unamortized Loss on Reacquired Debt	-	-
74	Accumulated Deferred Income Taxes	46,524,485	42,037,595
75	Unrecovered Purchased Gas Costs	-	-
76	Total Deferred Debits	81,896,146	96,791,087
77	Total Assets and Other Debits	$ 726,636,755	$ 909,910,875

(See Notes to Financial Statements)

TRUNKLINE LNG COMPANY, LLC
Comparative Balance Sheet
(Unaudited)

Line No.	Description	March 31 2008 (a)	March 31 2009 (b)
	Liabilities and Other Credits		
	Proprietary Capital:		
78	Common Stock Issued	$ -	$ -
79	Preferred Stock Issued	-	-
80	Capital Stock Subscribed	-	-
81	Stock Liability for Conversion	-	-
82	Premium of Capital Stock	-	-
83	Other Paid-In Capital	549,021,449	630,802,919
84	Installments Received on Capital Stock	-	-
85	(Less) Discount on Capital Stock	-	-
86	(Less) Capital Stock Expense	-	-
87	Retained Earnings	-	
88	Unappropriated Undistributed Sub Earnings	-	-
89	(Less) Reacquired Capital Stock	-	-
90	Accumulated Other Comprehensive Income	373,155	(55,797)
91	Total Proprietary Capital	549,394,604	630,747,122
	Long-Term Debt:		
92	Bonds	-	-
93	(Less) Reacquired Bonds	-	-
94	Advances From Associated Companies	75,369,523	154,545,638
95	Other Long-Term Debt	-	-
96	Unamortized Premium on Long-Term Debt	-	-
97	(Less) Unamortized Discount on Long-Term Debt	-	-
98	(Less) Current Portion of Long-Term Debt	-	-
99	Total Long-Term Debt	75,369,523	154,545,638
	Other Noncurrent Liabilities:		
100	Obligations Under Capital Leases	-	-
101	Accumulated Provision for Property Insurance	-	-
102	Accum Provision for Injuries and Damages	-	-
103	Accum Provision for Pensions and Benefits	670,567	1,379,218
104	Accum Miscellaneous Operating Provisions	-	-
105	Accumulated Provision for Rate Refunds	-	-
106	Long-Term Portion of Derivative Instrument Liabilities	-	-
107	Long-Term Portion of Derivative Instrument Liabilities - Hedges	-	-
108	Asset Retirement Obligations		
109	Total Other Noncurrent Liabilities	670,567	1,379,218
	Current and Accrued Liabilities:		
110	Current Portion of Long-Term Debt	-	-
111	Notes Payable	-	-
112	Accounts Payable	7,398,045	3,540,395
113	Notes Payable to Associated Companies	-	-
114	Accounts Payable to Associated Companies	990,532	1,060,092
115	Customer Deposits	-	-
116	Taxes Accrued	1,108,365	388,350
117	Interest Accrued	-	-
118	Dividends Declared	-	-
119	Matured Long-Term Debt	-	-
120	Matured Interest	-	-
121	Tax Collections Payable	-	-
122	Miscellaneous Current and Accrued Liabilities	27,009,105	25,278,856
123	Obligations Under Capital Leases	-	-
124	Derivatives Instruments Liabilities	-	-
125	(Less) Long-Term Portion of Derivative Instrument Liabilities	-	-
126	Derivatives Instruments Liabilities - Hedges	-	-
127	(Less) Long-Term Portion of Derivative Instrument Liabilities - Hedges	-	-
128	Total Current and Accrued Liabilities	36,506,047	30,267,693
	Deferred Credits:		
129	Customer Advances for Construction	-	288
130	Accumulated Deferred Investment Tax Credits	-	-
131	Dfrd Gains from Disposition of Utility Plant	-	-
132	Other Deferred Credits	1,227,112	1,668,959
133	Other Regulatory Liabilities	-	-
134	Unamortized Gain on Reacquired Debt	-	-
135	Accumulated Deferred Income Taxes - Accelerated Amortization	-	-
136	Accumulated Deferred Income Taxes - Other Property	56,761,525	34,349,988
137	Accumulated Deferred Income Taxes - Other	6,707,377	56,951,969
		-	
138	Total Deferred Credits	64,696,014	92,971,204
139	Total Liabilities and Other Credits	$ 726,636,755	$ 909,910,875

(See Notes to Financial Statements)

Trunkline LNG Company, LLC
Condensed Notes to Financial Statements
March 31, 2008 and 2009
(Unaudited)

Financial Statements

The accompanying unaudited reports of Trunkline LNG Company, LLC (*TLNG*), compiled from separate company ledgers and reports, are intended for rate filing purposes only. Certain information and notes which are normally included in financial statements have been condensed or omitted, although TLNG believes the disclosures are adequate to prevent the interim information presented from being misleading.

1. Corporate Structure

TLNG, a single member limited liability company, whose direct parent is Trunkline LNG Holdings, LLC (LNG Holdings), which is an indirect wholly-owned subsidiary of Panhandle Eastern Pipe Line Company, LP (*PEPL*). On June 11, 2003, Southern Union Company (SU) acquired PEPL and all of its subsidiaries (collectively, *Panhandle*), including TLNG (*the Panhandle Acquisition*), from CMS Gas Transmission Company (*CMS Gas Transmission*), a subsidiary of CMS Energy Corporation (together with CMS Gas Transmission, *CMS*).

Located on Louisiana's Gulf Coast near Lake Charles, Louisiana, TLNG operates a large liquefied natural gas (*LNG*) import terminal in North America and has approximately 9.0 billion cubic feet (B*cf*) of above ground LNG storage capacity and re-gasification facilities. TLNG is engaged in interstate commerce and is subject to the rules, regulations and accounting requirements of the Federal Energy Regulatory Commission (*FERC*).

Effective June 1, 1998, TLNG began providing open-access firm and interruptible terminalling service under various rate schedules on a non-discriminatory basis pursuant to FERC authorization received in Docket No. CP97-26-000. On May 16, 2001, TLNG entered into an agreement with BG LNG Services, Inc., (*BG LNG Services*), effective January 2002 that provides for a 22-year contract for all the uncommitted existing capacity at the facility, as well as additional capacity provided by a planned expansion. In 2006, TLNG and BG LNG Services agreed to extend the existing terminal and pipeline services agreement.

2. Summary of Significant Accounting Policies and Other Matters

Basis of Presentation. The financial statements presented herein are prepared in accordance with the accounting requirements of the FERC, as set forth in the applicable Uniform System of Accounts and published accounting releases, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America (*GAAP*). The most significant differences between GAAP and the financial statements presented herein are: (1) the classification of certain accounts on the balance sheet, and the statement of income, (2) purchase accounting related impacts from the acquisition by SU on June 11, 2003, including purchase cost allocations which are not reflected in the financial statements presented herein, (3) accounting for start up costs, (4) inter-company accounts which do not bear a specified due date but which have been carried for more than twelve months are recorded in Investment in Associated Companies, Account 123, as advances receivable, and in Advances from Associated Companies, Account 223, as advances payable, whereas under GAAP these amounts would be reported as non-current receivables from associated companies or in equity, as applicable, and (5) non-applicability of Statement of Financial Accounting Standards *(SFAS)* No. 71 for Panhandle and its subsidiaries for its GAAP financials, which results in differences versus these financial statements for items such as regulatory asset amortization, depreciation, and allowance for funds used during construction *(AFUDC).*

Use of Estimates. The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents. All liquid investments with maturities of three months or less at the date of purchase are considered cash equivalents. The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of these investments.

Plant Materials and Operating Supplies. Plant materials and operating supplies are carried at the weighted-average cost.

Gas Imbalances. Gas imbalances occur as a result of differences in volumes of gas received and delivered. Gas imbalance in-kind receivables and payables are valued at weighted-average cost. Imbalances are generally settled in-kind with no impact on revenues.

Fuel Tracker and Electric Power Cost Tracker. In the fourth quarter of 2008, TLNG entered into a settlement with its customer which provides for monthly reimbursement of actual fuel and actual electric power usage costs, resulting in TLNG no longer having a fuel or electric power tracker.

Utility Plant. Utility plant is stated at original cost. TLNG capitalizes all construction-related direct labor and material costs, as well as indirect construction costs. The cost of renewals and betterments that extend the useful life of utility plant is also capitalized. The cost of repairs and replacements of minor items of utility plant is charged to expense as incurred.

When utility plant is retired, the original cost plus cost of removal less salvage value is charged to accumulated depreciation and amortization. When entire regulated operating units of utility plant are retired or sold or non-regulated properties are retired or sold, the property and related accumulated depreciation and amortization accounts are reduced, and any gain or loss is recorded in income.

Depreciation of Utility Plant included in Net Utility Operating Income is generally computed using the straight-line method based on FERC-approved depreciation rates.

Computer software, which is included within Intangibles, is a component of utility plant, is stated at cost and is generally amortized on a straight-line basis over its useful life on a product-by-product basis. To the extent that related parties share computer software, the costs of the capitalized software may be allocated amongst those related parties benefiting.

Asset Impairment. TLNG applies the provisions of Financial Accounting Standards Board (*FASB*) Statement No. 144, "*Accounting for the Impairment or Disposal of Long-Lived Assets*", (*Statement No.144*) to account for impairments on long-lived assets. Impairment losses are recognized for long-lived assets used in operations when indicators of impairment are present and the undiscounted cash flows are not sufficient to recover the assets group's carrying value. The amount of impairment, if any, is measured by comparing the fair value of the asset group to its carrying amount. If an impairment was determined to exist, TLNG would request guidance from FERC as to the recording of any such impairment.

Related Party Transactions. TLNG has related party activities with PEPL and other related parties including SU for operational and administrative services performed on behalf of TLNG. Expenses are generally allocated based on relevant criteria, including time spent, miles of pipe, total assets, labor allocations, or other appropriate methods. Management and royalty fees charged to TLNG from SU are based on a percentage applied to TLNG's gross revenues. TLNG also has rental revenues from affiliates for leased space in its office building located in Lake Charles, Louisiana.
TLNG is not treated as a separate taxpayer for federal and certain state income tax purposes. TLNG's income is taxable to SU. TLNG pays its share of taxes pursuant to tax sharing agreements with PEPL and SU based on its taxable income, which will generally equal the liability that TLNG would have incurred as a separate taxpayer.

Environmental Expenditures. Environmental expenditures that relate to an existing condition caused by past operations that do not contribute to current or future revenue generation are expensed. Environmental expenditures relating to current or future revenues are expensed or capitalized as appropriate. Liabilities are recorded when environmental assessments and/or clean-ups are probable and the costs can be reasonably estimated. Remediation obligations are not discounted because the timing of future cash flow streams is not predictable.

Revenues. Revenues from storage and re-gasification of natural gas are based on capacity reservation charges and commodity usage charges. Reservation revenues are based on contracted rates and capacity reserved by the customers and are recognized monthly. Revenues from commodity usage charges are also recognized monthly, based on the volumes received from or delivered to the customer with any differences in received and delivered volumes resulting in an imbalance. Volume imbalances generally are settled in-kind with no impact on revenues.

Accounts Receivable and Allowance for Doubtful Accounts. TLNG manages trade credit risks to minimize exposure to uncollectible trade receivables. Prospective and existing customers are reviewed for creditworthiness based upon pre-established standards. Customers that do not meet minimum standards are required to provide additional credit support.

Allowance for Funds Used During Construction (AFUDC). TLNG capitalizes the cost of funds used on major projects during construction. The rates used by TLNG are calculated pursuant to FERC rules, which include an allowance for equity funds.

Retirement Benefits. Effective December 31, 2006, TLNG adopted the recognition and disclosure provisions of Statement No. 158, "*Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)" (Statement No. 158*) and FERC's related guidance in Docket No. AI07-1-000. Statement No. 158 does not amend the expense recognition processes of Statement No. 106, "*Employers' Accounting for Postretirement Benefits Other Than Pensions" (Statement No. 106),* but requires employers to recognize in their balance sheets the overfunded or underfunded status of defined benefit postretirement plans, measured as the difference between the fair value of the plan assets and the benefit obligation. Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability. Employers must recognize the change in the funded status of the plan in the year in which the change occurs through *Accumulated other comprehensive income*, Account 219.

TLNG accounted for the measurement of its defined benefit postretirement plans under Statement No. 106, prior to the adoption of the recognition and disclosure provisions of Statement No. 158. Under

Statement No. 106, changes in the funded status were not immediately recognized; rather they were deferred and recognized ratably over future periods. Upon adoption of the recognition provisions of Statement No. 158, TLNG recognized the amounts of these prior changes in the funded status of its postretirement benefit plans through *Accumulated other comprehensive income*.

Fair Value Measurement. Issued by the FASB in September 2006, FASB Statement No. 157 "*Fair Value Measurement" (Statement No. 157)* defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. Where applicable, this Statement simplifies and codifies related guidance within GAAP. This Statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. In February 2008, the FASB released a FASB Staff Position, FSP FAS 157-2, "*Effective Date of FASB Statement No. 157" (FSP FAS 157-2),* which delays the effective date of this Statement for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually), to fiscal years beginning after November 15, 2008. In October 2008, the FASB issued FASB Staff Position FSP FAS 157-3, "*Determining the Fair Value of a Financial Asset When the Market for that Asset is Not Active" (FSP FAS 157-3)*. FSP FAS 157-3 provides clarifying guidance with respect to the application of Statement No. 157 in determining the fair value of a financial asset when the market for that asset is not active. FSP FAS 157-3 was effective upon its issuance. The Statement and related Staff Positions did not have an impact on TLNG's financial statements because it has no financial assets or financial liabilities measured at fair value on a recurring basis at December 31, 2008.

Issued by the FASB in February 2007, FASB Statement No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement No. 115", permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. The Statement does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. The Statement is effective for financial statements for fiscal years beginning after November 15, 2007. As of January 1, 2008, TLNG did not elect the fair value option under the Statement and, therefore, there was no impact to TLNG's financial statements.

Asset Retirement Obligations. TLNG follows the provisions of FASB Statement No. 143, "*Accounting for Asset Retirement Obligations" (Statement No. 143)* and FASB Interpretation No. 47, "*Accounting for Conditional Asset Retirement Obligations"* (*FIN No. 47*) to account for its asset retirement obligations (*AROs*). In June 2001, the FASB issued Statement No. 143 and FERC issued related accounting guidance in Order 631 in April 2003. The standard requires legal obligations associated with the retirement of long-lived assets to be recognized at their fair value at the time that the obligations were incurred. Upon initial recognition of a liability, the cost should be capitalized as part of the related long-lived asset and allocated to expense over the useful life of the asset.

Statement No. 143 requires an ARO to be recorded when a legal obligation to retire the asset exists. FIN No. 47 clarifies that an ARO should be recorded for all assets with legal retirement obligations, even if the enforcement of the obligation is contingent upon the occurrence of events beyond the company's control (*Conditional ARO*). The fair values of the AROs were calculated using present value techniques. These techniques reflect assumptions such as removal and remediation costs, inflation and profit margins that third parties would demand to settle the amount of the future obligation. The adoptions of Statement No. 143 and FIN No. 47 had no impact on TLNG.

Income Taxes. Income taxes are accounted for under the asset and liability method in accordance with the provisions of FASB Statement No. 109, "*Accounting for Income Taxes"*. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts more likely than not to be realized.

The determination of TLNG's provision for income taxes requires significant judgment, use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items. Reserves are established when, despite management's belief that TLNG's tax return positions are fully supportable, management believes that certain positions may be successfully challenged. When facts and circumstances change, these reserves are adjusted through the provision for income taxes. Effective January, 1 2007, with the adoption of FIN 48, "*Accounting for Uncertainty in Income Tax*es" (*FIN No.48*), TLNG began evaluating its tax reserves under the recognition, measurement and derecognition thresholds as prescribed by FIN No.48.

The Panhandle Acquisition was treated as an asset acquisition for tax purposes pursuant to a Section 338(h)(10) election of the Internal Revenue Code of 1986, as amended, which gave rise to a new tax basis in TLNG's net assets equal to their purchase price.

For federal and certain state income tax purposes, TLNG is not treated as a separate taxpayer; instead, its income is directly taxable to SU. Pursuant to tax sharing agreements with PEPL and SU, TLNG will pay its share of taxes based on its taxable income, which will generally equal the liability that TLNG would have incurred as a separate taxpayer.

3. New Accounting Principles

Accounting Principles Recently Adopted.

FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133". Issued by the FASB in March 2008, this Statement amends and expands the disclosure requirements of Statement No. 133, "*Accounting for Derivative Instruments and Hedging Activities*," (*Statement No. 133*) to provide users of financial statements with an enhanced understanding of how and why an entity uses derivative instruments, how derivative instruments and related hedged items are accounted for under Statement No.133 and its related interpretations and how derivative instruments and related hedged items affect an entity's financial position, financial performance and cash flows. The Statement is effective for fiscal years and interim periods beginning after November 15, 2008, with early adoption permitted. The application of FASB Statement No. 161 had no impact on TLNG's financial statements.

FSP No. FAS 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" (FSP FAS 157- 4). Issued by the FASB in April 2009, FSP FAS 157-4 provides additional guidance for estimating fair value in accordance with FASB Statement No. 157, "*Fair Value Measurements*", when the volume and level of activity for the asset or liability have significantly decreased. This FSP also includes guidance on identifying circumstances that indicate a transaction is not orderly. The provisions of FSP FAS 157-4 are applied prospectively and are effective for interim and annual reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. TLNG early adopted FSP FAS 157-4 in the first quarter of 2009. The application of FSP FAS 157-4 had no impact on TLNG's financial statements.

FSP No. FAS 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" (FSP FAS 107-1 and APB 28-1). Issued by the FASB in April 2009, FSP FAS 107-1 and APB 28-1 amends FASB Statement No. 107, "*Disclosures about Fair Value of Financial Instruments*", to require disclosures about fair value of financial instruments for interim reporting periods of publicly traded companies as well as in annual financial statements. This FSP also amends APB Opinion No. 28, "*Interim Financial Reporting*", to require those disclosures in summarized financial information at interim reporting periods. The provisions of FSP FAS 107-1 and APB 28-1 are effective for interim reporting periods ending after June 15, 2009, with early adoption permitted for periods ending after March 15, 2009. TLNG early adopted FSP FAS 107-1 and APB 28-1 in the first quarter of 2009. The application of FSP FAS 107-1 and APB 28-1 had no impact on TLNG's financial statements.

Accounting Principles Not Yet Adopted.

FSP No. FAS 132(R)-1, "Employers' Disclosures about Postretirement Benefit Plan Assets (FSP FAS 132(R)-1)". Issued by the FASB in December 2008, FSP FAS 132(R)-1 provides guidance on an employer's disclosure about assets of a defined benefit pension or other postretirement plan. The disclosure provisions of FSP FAS 132(R)-1 are effective for fiscal years ending after December 15, 2009. TLNG is currently evaluating the impact of this Statement of position on the disclosures included in its financial statements.

4. Regulatory Matters

TLNG commenced construction of an enhancement at its LNG terminal in February 2007. This infrastructure enhancement project (IEP), which is expected to be placed in operation in the third quarter of 2009, will increase send out flexibility at the terminal and lower fuel costs. Cost projections continue to indicate the construction costs will be approximately $430 million, plus AFUDC with approximately $100 million, to be incurred in 2009, plus AFUDC. Approximately $426.7 million and $239.7 million of costs are included in the line item *Construction Work in Progress* at March 31, 2009 and 2008, respectively.

5. Commitments and Contingencies

Guarantees. On March 15, 2007, LNG Holdings, as borrower, and PEPL and TLNG, as guarantors, entered into a $455 million unsecured term loan facility due March 13, 2012 (*2012 Term Loan*). The interest rate under the 2012 Term Loan is a floating rate tied to a LIBOR rate or prime rate, at the LNG Holdings' option, in addition to a margin tied to the rating of PEPL's senior unsecured debt. The proceeds of the 2012 Term Loan were used to repay approximately $455 million in existing indebtedness that matured in March 2007, including PEPL'S $200 million 2.75% Senior Notes and the LNG Holdings $255.6 million Term Loan. LNG Holdings has entered into interest rate swap agreements that effectively fixed the interest rate applicable to the 2012 Term Loan at 4.98 percent plus a credit spread of 0.625, based upon PEPL's credit rating for its senior unsecured debt. PEPL and TLNG absolutely, unconditionally and irrevocably guarantees the payment when due, whether at scheduled maturity or by acceleration, demand or otherwise. The balance of the 2012 Term Loan was $455 million at March 31, 2009 and 2008, respectively.

Litigation. TLNG is involved in legal, tax and regulatory proceedings before various courts, regulatory commissions and governmental agencies regarding matters arising in the ordinary course of business, some of which involve substantial amounts. Where appropriate, TLNG has made accruals in accordance with FASB Statement No. 5, "*Accounting for Contingencies*", in order to provide for such matters. TLNG believes the final disposition of these proceedings will not have a material adverse effect on its financial position, results of operations or cash flows.

Environmental Matters. TLNG's operations are subject to federal, state and local laws and regulations regarding water quality, hazardous and solid waste management, air quality control and other environmental matters. These laws and regulations require TLNG to conduct its operations in a specified manner and to obtain and comply with a wide variety of environmental registrations, licenses, permits, inspections and other approvals. Failure to comply with environmental requirements may expose TLNG to significant fines, penalties and/or interruptions in operations. TLNG's environmental policies and procedures are designed to achieve compliance with such laws and regulations. These evolving laws and regulations and claims for damages to property, employees, other persons and the environment resulting from current or past operations may result in significant expenditures and liabilities in the future. TLNG engages in a process of updating and revising its procedures for the ongoing evaluation of its operations to identify potential environmental exposures and enhance compliance with regulatory requirements. TLNG follows the provisions of American Institute of Certified Public Accountants Statement of Position 96-1, "*Environmental Remediation Liabilities*", for recognition, measurement, display and disclosure of environmental remediation liabilities.

Spill Prevention, Control and Countermeasure Rules (SPCC). In October 2007, the United States Environmental Protection Agency (EPA) proposed amendments to the SPCC rules with the stated intention of providing greater clarity, tailoring requirements, and streamlining requirements. In December 2008, the EPA again extended the SPCC rule compliance dates until November 20, 2009, permitting owners and operators of facilities to prepare or amend and implement SPCC Plans in accordance with previously enacted modifications to the regulations. TLNG is currently reviewing the impact of the modified regulations on its operations and may incur costs for tank integrity testing, alarms and other associated corrective actions as well as potential upgrades to containment structures. Costs associated with such activities cannot be estimated with certainty at this time, but TLNG believes such costs will not have a material adverse effect on its financial position, results of operations or cash flows.

Other Commitments and Contingencies

Controlled Group Pension Liabilities. SU (including certain of its divisions) sponsors a number of defined benefit pension plans for employees. Under applicable pension and tax laws, upon being acquired by SU, TLNG became a member of SU's "controlled group" with respect to those plans, and, along with SU and any other members of that group, is jointly and severally liable for any failure by SU (along with any other persons that may be or become a sponsor of any such plan) to fund any of these pension plans or to pay any unfunded liabilities that these plans may have if they are ever terminated. In addition, if any of the obligations of any of these pension plans is not paid when due, a lien in favor of that plan or the Pension Benefit Guaranty Corporation may be created against the assets of each member of SU's controlled group, including TLNG. Based on the latest actuarial information available as of December 31, 2008, aggregate amount of the projected benefit obligations of these pension plans was approximately $172 million and the estimated fair value of all of the assets of these plans was approximately $102 million. TLNG has not reflected any liabilities for SU's funding shortfall as TLNG believes the likelihood of SU not being able to fund their defined benefit pension plans is remote.

PANHANDLE EASTERN PIPE LINE COMPANY, LP
Comparative Balance Sheet
(Unaudited)

Line No.	Description	March 31 2008 (a)	March 31 2009 (b)
	Assets and Other Debits		
	Utility Plant:		
1	Utility Plant	$ 1,777,730,298	$ 1,919,088,089
2	Construction Work in Progress	101,897,471	28,209,684
3	Total Utility Plant	1,879,627,769	1,947,297,773
4	(Less) Accum Provision for Depreciation & Amort	796,786,876	803,749,993
5	Net Utility Plant	1,082,840,893	1,143,547,780
6	Nuclear Fuel	-	-
7	(Less) Accum Provision for Amort.,of Nuclear. Fuel Assem.	-	-
8	Nuclear Fuel	-	-
9	Net Utility Plant	1,082,840,893	1,143,547,780
10	Utility Plant Adjustments	-	-
11	Gas Stored - Base Gas	-	-
12	System Balancing Gas	-	-
13	Gas Stored in Reservoirs and Pipelines-Noncurrent	-	-
14	Gas Owned to System Gas	-	-
	Other Property and Investments:		
15	Nonutility Property	-	-
16	(Less) Accum Provision for Depreciation & Amort	-	-
17	Investments in Associated Companies	-	-
18	Investments in Subsidiary Companies	1,266,403,323	1,420,018,510
19	(For Cost of Account 123.1 See Footnote Page 224)	-	-
20	Noncurrent Portion of Allowances	-	-
21	Other Investments	10,000	10,000
22	Sinking Funds	-	-
23	Depreciation Fund	-	-
24	Amortization Fund - Federal	-	-
25	Other Special Funds	17,500	17,500
26	Long-Term Portion of Deriative Assets	-	-
27	Long-term Portion of Deriative Assets - Hedges	-	-
28	Total Other Property and Investments	1,266,430,823	1,420,046,010
	Current and Accrued Assets:		
29	Cash	198,769	81,372
30	Special Deposits	-	-
31	Working Funds	16,701	14,000
32	Temporary Cash Investments	-	-
33	Notes Receivable	-	-
34	Customer Accounts Receivable	32,304,764	33,985,589
35	Other Accounts Receivable	8,573,687	4,104,239
36	(Less) Accum Provision for Uncollectible Accounts	424,910	424,910
37	Notes Receivable from Associated Companies	111,355,000	171,430,000
38	Accounts Receivable from Associated Companies	1,606,490	2,996,044
39	Fuel Stock	-	-
40	Fuel Stock Expenses Undistributed	-	-
41	Residuals (Elec) and Extracted Products (Gas)	-	-
42	Plant Materials and Operating Supplies	7,862,044	8,439,539
43	Merchandise	-	-
44	Other Materials and Supplies	-	-
45	Nuclear Materials Held for Sale	-	-
46	Allowances	-	-
47	(Less) Noncurrent Portion of Allowances	-	-
48	Stores Expense Undistributed	-	-
49	Gas Stored Underground - Current	41,213,836	118,006,695
50	Liquefied Natural Gas Stored and held for Processing	-	-
51	Prepayments	1,228,923	837,071
52	Advances for Gas	-	-
53	Interest and Dividends Receivable	-	-
54	Rents Receivable	-	-
55	Accrued Utility Revenues	-	-
56	Miscellaneous Current and Accrued Assets	75,811,424	194,857,528
57	Derivatives Instrument Assets	-	-
58	(Less) Long-Term Portion of Derivative Instrument Assets	-	-
59	Derivatives Instrument Assets-Hedges	-	-
60	(Less) Long-Term Portion of Derivative Instrument Assets - Hedges	-	-
61	Total Current and Accrued Assets	279,746,728	534,327,167
	Deferred Debits:		
62	Unamortized Debt Expense	5,105,818	6,970,759
63	Extraordinary Property Losses	-	-
64	Unrecovered Plant and Regulatory Study Costs	-	-
65	Other Regulatory Assets	19,238,288	17,824,886
66	Preliminary Survey and Investigation Charges (Electric)	-	-
67	Preliminary Survey and Investigation Charges (Gas)	606,053	834,388
68	Clearing Accounts	500	181
69	Temporary Facilities	-	-
70	Miscellaneous Deferred Debits	4,116,011	2,216,927
71	Dfrd Losses from Disposition of Utility Plant	-	-
72	Research, Development & Demonstration Exp	-	-
73	Unamortized Loss on Reacquired Debt	11,498,788	8,056,745
74	Accumulated Deferred Income Taxes	5,759,659	-
75	Unrecovered Purchased Gas Costs	-	-
76	Total Deferred Debits	46,325,117	35,903,886
77	Total Assets and Other Debits	$ 2,675,343,561	$ 3,133,824,843

PANHANDLE EASTERN PIPE LINE COMPANY, LP
Comparative Balance Sheet
(Unaudited)

Line No.	Description	March 31 2008 (a)	March 31 2009 (b)
	Liabilities and Other Credits		
	Proprietary Capital:		
78	Common Stock Issued	$ -	$ -
79	Preferred Stock Issued	-	-
80	Capital Stock Subscribed	-	-
81	Stock Liability for Conversion	-	-
82	Premium of Capital Stock	-	-
83	Other Paid-In Capital	1,217,844,813	1,399,084,238
84	Installments Received on Capital Stock	-	-
85	(Less) Discount on Capital Stock	-	-
86	(Less) Capital Stock Expense	-	-
87	Retained Earnings	-	-
88	Unappropriated Undistributed Sub Earnings	-	-
89	(Less) Reacquired Capital Stock	-	-
90	Accumulated Other Comprehensive Income	(24,261,811)	(27,081,536)
91	Total Proprietary Capital	1,193,583,002	1,372,002,702
	Long-Term Debt:		
92	Bonds	-	-
93	(Less) Reacquired Bonds	-	-
94	Advances From Associated Companies	3,724,344	5,053,540
95	Other Long-Term Debt	1,017,428,000	1,117,428,000
96	Unamortized Premium on Long-Term Debt	-	-
97	(Less) Unamortized Discount on Long-Term Debt	2,811,194	3,466,516
98	(Less) Current Portion of Long-Term Debt	300,000,000	60,623,000
99	Total Long-Term Debt	718,341,150	1,058,392,024
	Other Noncurrent Liabilities:		
100	Obligations Under Capital Leases	-	-
101	Accumulated Provision for Property Insurance	-	-
102	Accum Provision for Injuries and Damages	-	-
103	Accum Provision for Pensions and Benefits	6,373,106	8,868,681
104	Accum Miscellaneous Operating Provisions	-	-
105	Accumulated Provision for Rate Refunds	-	-
106	Long-Term Portion of Derivative Instrument Liabilities	-	-
107	Long-Term Portion of Derivative Instrument Liabilities - Hedges	-	-
108	Asset Retirement Obligations	555,056	553,416
109	Total Other Noncurrent Liabilities	6,928,162	9,422,097
	Current and Accrued Liabilities:		
110	Current Portion of Long-Term Debt	300,000,000	60,623,000
111	Notes Payable	-	-
112	Accounts Payable	20,280,457	14,392,484
113	Notes Payable to Associated Companies	-	-
114	Accounts Payable to Associated Companies	86,659,434	89,232,274
115	Customer Deposits	4,804,726	294,891
116	Taxes Accrued	10,602,289	10,586,395
117	Interest Accrued	15,209,134	21,265,801
118	Dividends Declared	-	-
119	Matured Long-Term Debt	-	-
120	Matured Interest	-	-
121	Tax Collections Payable	-	-
122	Miscellaneous Current and Accrued Liabilities	150,637,134	305,036,445
123	Obligations Under Capital Leases	-	-
124	Derivatives Instruments Liabilities	-	-
125	(Less) Long-Term Portion of Derivative Instrument Liabilities	-	-
126	Derivatives Instruments Liabilities - Hedges	13,053,112	-
127	(Less) Long-Term Portion of Derivative Instrument Liabilities - Hedges	-	-
128	Total Current and Accrued Liabilities	601,246,286	501,431,290
	Deferred Credits:		
129	Customer Advances for Construction	-	856,926
130	Accumulated Deferred Investment Tax Credits	-	-
131	Dfrd Gains from Disposition of Utility Plant	-	-
132	Other Deferred Credits	32,387,719	25,900,805
133	Other Regulatory Liabilities	970,610	31,129,585
134	Unamortized Gain on Reacquired Debt	-	-
135	Accumulated Deferred Income Taxes - Accelerated Amortization	-	-
136	Accumulated Deferred Income Taxes - Other Property	118,177,776	126,894,307
137	Accumulated Deferred Income Taxes - Other	3,708,856	7,795,107
138	Total Deferred Credits	155,244,961	192,576,730
139	Total Liabilities and Other Credits	$ 2,675,343,561	$ 3,133,824,843