

**EL PASO NATURAL GAS COMPANY, L.L.C.**

**CONSOLIDATED FINANCIAL STATEMENTS**

For the Three Months Ended March 31, 2013 and 2012  
Unaudited

**EL PASO NATURAL GAS COMPANY, L.L.C.**  
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**EL PASO NATURAL GAS COMPANY, L.L.C.**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
(In Millions)  
(Unaudited)

	<u>Successor</u>	<u>Predecessor</u>
	<u>Three Months Ended March 31,</u>	
	<u>2013</u>	<u>2012</u>
Revenues.....	\$ 130	\$ 131
Operating Costs and Expenses		
Operation and maintenance .....	36	53
Depreciation and amortization .....	22	23
Taxes, other than income taxes.....	7	8
Total Operating Costs and Expenses .....	<u>65</u>	<u>84</u>
Operating Income .....	<u>65</u>	<u>47</u>
Other Income (Expense)		
Other (expense) income.....	(1)	1
Interest expense, net .....	(23)	(22)
Affiliated interest income, net .....	—	5
Total Other Expense .....	<u>(24)</u>	<u>(16)</u>
Income Before Income Taxes .....	41	31
Income Tax Expense .....	<u>—</u>	<u>12</u>
Net Income .....	41	19
Other Comprehensive Income		
Adjustments to postretirement benefit plan liabilities .....	1	—
Comprehensive Income .....	<u>\$ 42</u>	<u>\$ 19</u>

**EL PASO NATURAL GAS COMPANY, L.L.C.**  
**CONSOLIDATED BALANCE SHEETS**  
(In Millions)

	<b>March 31, 2013</b>	<b>December 31, 2012</b>
	<b>(Unaudited)</b>	
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents.....	\$ —	\$ 9
Accounts receivable, net .....	64	44
Inventories.....	45	45
Prepays.....	11	16
Regulatory assets.....	10	6
Other current assets .....	5	4
Total current assets.....	135	124
Property, plant and equipment, net.....	2,307	2,325
Goodwill .....	564	564
Note receivable from affiliate .....	54	—
Regulatory assets.....	63	63
Deferred charges and other assets .....	279	283
Total Assets.....	\$ 3,402	\$ 3,359
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Current liabilities		
Accounts payable.....	\$ 40	\$ 27
Accrued taxes, other than income .....	12	5
Accrued interest .....	31	21
Regulatory liabilities .....	2	9
Contractual deposits .....	7	11
Rate liabilities .....	104	10
Accrued other current liabilities .....	13	10
Total current liabilities .....	209	93
Long-term liabilities and deferred credits		
Long-term debt.....	1,115	1,115
Debt fair value adjustments.....	232	237
Other long-term liabilities and deferred credits.....	85	171
Total long-term liabilities and deferred credits .....	1,432	1,523
Total Liabilities .....	1,641	1,616
Members' equity		
Members' equity .....	1,751	1,734
Accumulated other comprehensive income .....	10	9
Total Members' Equity .....	1,761	1,743
Total Liabilities and Members' Equity.....	\$ 3,402	\$ 3,359

**EL PASO NATURAL GAS COMPANY, L.L.C.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Millions)  
(Unaudited)

	<u>Successor</u> <u>Three Months</u> <u>Ended March 31,</u> <u>2013</u>	<u>Predecessor</u> <u>Three Month</u> <u>Ended March 31,</u> <u>2012</u>
Cash Flows From Operating Activities		
Net income.....	\$ 41	\$ 19
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization .....	22	23
Deferred income tax expense .....	—	10
Other.....	2	(2)
Changes in components of working capital:		
Accounts receivable .....	(20)	4
Accounts payable .....	11	3
Accrued interest.....	10	10
Accrued taxes .....	7	3
Other, net.....	(1)	(17)
Other long-term assets and liabilities .....	4	30
Net Cash Provided by Operating Activities .....	<u>76</u>	<u>83</u>
Cash Flows From Investing Activities		
Capital expenditures .....	(3)	(12)
Net change in note receivable from affiliate.....	(54)	(5)
Other .....	(4)	—
Net Cash Used in Investing Activities .....	<u>(61)</u>	<u>(17)</u>
Cash Flows From Financing Activities		
Distributions to members.....	(24)	(60)
Net Cash Used in Financing Activities .....	<u>(24)</u>	<u>(60)</u>
Change in Cash and Cash Equivalents .....	(9)	6
Cash and Cash Equivalents, beginning of period.....	9	—
Cash and Cash Equivalents, end of period.....	<u>\$ —</u>	<u>\$ 6</u>

**EL PASO NATURAL GAS COMPANY, L.L.C.**  
**CONSOLIDATED STATEMENTS OF MEMBERS' EQUITY**  
(In Millions, except share amounts)  
(Unaudited)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Stockholder's Equity</u>	<u>Members' Equity</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Members' Equity</u>
	<u>Shares</u>	<u>Amount</u>							
<i>Predecessor</i>									
Balance at December 31, 2011....	1,000	\$ —	\$ 1,268	\$ 432	\$ 3	\$ 1,703	\$ —	\$ —	\$ —
Net Income .....				19		19	—	—	—
Distributions to El Paso Corporation.....				(60)		(60)	—	—	—
Balance at March 31, 2012.....	<u>1,000</u>	<u>\$ —</u>	<u>\$ 1,268</u>	<u>\$ 391</u>	<u>\$ 3</u>	<u>\$ 1,662</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
<i>Successor</i>									
Balance at December 31, 2012....	—	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 1,734	\$ 9	\$ 1,743
Net Income .....							41	—	41
Other comprehensive income ..							—	1	1
Distributions to members .....							(24)	—	(24)
Balance at March 31, 2013.....	<u>—</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 1,751</u>	<u>\$ 10</u>	<u>\$ 1,761</u>