

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

**CONSOLIDATED FINANCIAL STATEMENTS**  
(excluding footnotes)

For the Three Months Ended March 31, 2014 and 2013  
Unaudited

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

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

	<b>Three Months Ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
Revenues.....	\$ 142	\$ 130
Operating Costs and Expenses		
Operations and maintenance.....	48	36
Depreciation and amortization.....	23	22
Taxes, other than income taxes.....	6	7
Total Operating Costs and Expenses.....	<u>77</u>	<u>65</u>
Operating Income .....	<u>65</u>	<u>65</u>
Other Expense		
Interest expense, net.....	(23)	(23)
Other, net .....	<u>—</u>	<u>(1)</u>
Total Other Expense .....	<u>(23)</u>	<u>(24)</u>
Income Before Income Taxes.....	42	41
Income tax expense .....	<u>(1)</u>	<u>—</u>
Net Income .....	41	41
Other Comprehensive Income		
Adjustments to postretirement benefit plan.....	(1)	1
Comprehensive Income .....	<u>\$ 40</u>	<u>\$ 42</u>

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

	March 31, 2014	December 31, 2013
<b>ASSETS</b>	<b>(Unaudited)</b>	
Current assets		
Cash and cash equivalents .....	\$ —	\$ —
Accounts receivable, net .....	50	51
Note receivable from affiliate, net .....	63	53
Inventories .....	43	44
Prepaid expenses .....	13	18
Regulatory assets .....	43	21
Natural gas imbalance receivable .....	12	8
Other current assets .....	—	6
Total current assets .....	224	201
Property, plant and equipment, net .....	2,244	2,260
Goodwill .....	565	565
Note receivable from affiliate .....	42	35
Regulatory assets .....	56	57
Deferred charges and other assets .....	296	300
Total Assets .....	\$ 3,427	\$ 3,418
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
Current liabilities		
Accounts payable .....	\$ 44	\$ 45
Accrued taxes, other than income .....	9	4
Accrued interest .....	33	24
Rate liabilities .....	112	122
Natural gas imbalance payable .....	14	9
Other current liabilities .....	33	21
Total current liabilities .....	245	225
Long-term liabilities and deferred credits		
Long-term debt .....	1,115	1,115
Debt fair value adjustments .....	212	218
Other long-term liabilities and deferred credits .....	85	85
Total Liabilities .....	1,657	1,643
Member's Equity .....	1,730	1,734
Accumulated other comprehensive income .....	40	41
Total Member's Equity .....	1,770	1,775
Total Liabilities and Member's Equity .....	\$ 3,427	\$ 3,418

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

	<b>Three Months ended March 31,</b>	
	<b>2014</b>	<b>2013</b>
<b>Cash Flows From Operating Activities</b>		
Net income.....	\$ 41	\$ 41
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization.....	23	22
Other non-cash items .....	1	2
Changes in components of working capital:		
Accounts receivable.....	1	(6)
Accounts payable.....	—	(10)
Accrued interest.....	9	10
Accrued taxes, other than income.....	5	7
Other current assets and liabilities.....	(7)	(1)
Other long-term assets and liabilities.....	(4)	4
Net Cash Provided by Operating Activities.....	69	69
<b>Cash Flows From Investing Activities</b>		
Capital expenditures .....	(6)	(4)
Net change in note receivable from affiliate.....	(16)	(47)
Other .....	(2)	(3)
Net Cash Used in Investing Activities.....	(24)	(54)
<b>Cash Flows From Financing Activities</b>		
Distributions to Member.....	(53)	(24)
Contribution from Member.....	8	—
Net Cash Used in Financing Activities.....	(45)	(24)
Change in Cash and Cash Equivalents.....	—	(9)
Cash and Cash Equivalents, beginning of period.....	—	9
Cash and Cash Equivalents, end of period.....	\$ —	\$ —
<b>Non-cash Investing Activities</b>		
(Decrease) increase in property, plant and equipment accruals and contractor retainage.....	(3)	2

**EL PASO NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY**  
(In Millions)  
(Unaudited)

	Member's Equity	Accumulated Other Comprehensive Income (Loss)	Total Member's Equity
Balance at December 31, 2012 .....	\$ 1,734	\$ 9	\$ 1,743
Net income.....	41	—	41
Distributions to Member.....	(24)	—	(24)
Other comprehensive income .....	—	1	1
Balance at March 31, 2013 .....	<u>\$ 1,751</u>	<u>\$ 10</u>	<u>\$ 1,761</u>
Balance at December 31, 2013 .....	\$ 1,734	\$ 41	\$ 1,775
Net income.....	41	—	41
Distributions to Member.....	(53)	—	(53)
Contributions from Member.....	8	—	8
Other comprehensive income .....	—	(1)	(1)
Balance at March 31, 2014 .....	<u>\$ 1,730</u>	<u>\$ 40</u>	<u>\$ 1,770</u>