# CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (excluding footnotes)

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

As of September 30, 2016 and December 31, 2015 and For the Three and Nine Months Ended September 30, 2016 and 2015

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

	Three Months Ended September 30,		Nine Months Ended September 30,		
	2	016	2015	2016	2015
Revenues	\$	153	\$ 170	\$ 464	\$ 472
Operating Costs and Expenses					
Operations and maintenance		40	45	112	121
Depreciation and amortization		23	28	70	73
General and administrative		10	10	30	30
Taxes, other than income taxes		8	8	22	20
Other income, net		_	_	_	(3)
Total Operating Costs and Expenses		81	91	234	241
Operating Income		72	79	230	231
Other Income (Expense)					
Interest, net		(23)	(23)	(69)	(69)
Other, net		_	(3)	_	(3)
Total Other Income (Expense)		(23)	(26)	(69)	(72)
Income Before Income Taxes		49	53	161	159
Income Tax Expense			(1)		(1)
Net Income		49	52	161	158
Other Comprehensive Loss					
Adjustments to postretirement benefit plan		(1)	(1)	(2)	(3)
Comprehensive Income	\$	48	\$ 51	\$ 159	\$ 155

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

Cash and cash equivalents         \$ — \$         —           Accounts receivable, net         57         66           Inventories         41         44           Prepayments         3         16           Other current assets         8         8           Total current assets         109         127           Property, plant and equipment, net         2,124         2,166           Goodwill         565         566           Notes receivable from affiliates         120         66           Regulatory assets         45         45           Deferred charges and other assets         263         27           Total Assets         \$ 3,226         \$ 3,238           LIABILITIES AND MEMBER'S EQUITY           Current portion of debt         \$ 355         \$ —           Accounts payable         38         50           Account payable         38         50           Account payable         38         50           Account payable         38         34           Other current liabilities         168         14           Other current liabilities         38         34           Total current liabilities and deferred credits         <		September 30 2016		December 31, 2015		
Cash and cash equivalents         \$ — \$         —           Accounts receivable, net         57         66           Inventories         41         44           Prepayments         3         16           Other current assets         8         8           Total current assets         109         127           Property, plant and equipment, net         2,124         2,166           Goodwill         565         566           Notes receivable from affiliates         120         66           Regulatory assets         45         45           Deferred charges and other assets         263         27           Total Assets         \$ 3,226         \$ 3,238           LIABILITIES AND MEMBER'S EQUITY           Current portion of debt         \$ 355         \$ —           Accounts payable         38         50           Account payable         38         50           Account payable         38         50           Account payable         38         34           Other current liabilities         168         14           Other current liabilities         38         34           Total current liabilities and deferred credits         <	ASSETS	(Unaudited)				
Accounts receivable, net         57         60           Inventories         41         42           Prepayments         3         16           Other current assets         8         8           Total current assets         109         127           Property, plant and equipment, net         2,124         2,166           Goodwill         565         565           Notes receivable from affiliates         120         66           Regulatory assets         263         274           Total Assets         263         274           Total Assets         33,226         \$ 3,328           LIABILITIES AND MEMBER'S EQUITY           Current portion of debt         \$ 355         \$ -           Accounts payable         38         5           Accrued interest         42         25           Accrued interest         42         25           Accrued taxes, other than income taxes         22         4           Rate liabilities         38         3           Total current liabilities and deferred credits         48         3           Long-term liabilities and deferred credits         84         8           Total long-term liabilities and deferred credi	Current assets					
Inventories	Cash and cash equivalents	\$	_	\$	_	
Prepayments         3         10           Other current assets         8         8           Total current assets         109         127           Property, plant and equipment, net         2,124         2,166           Goodwill         565         565           Notes receivable from affiliates         120         6           Regulatory assets         120         6           Preferred charges and other assets         263         27*           Total Assets         263         27*           Total Assets         33,226         3,238           LIABILITIES AND MEMBER'S EQUITY           Current liabilities           Accounts payable         38         50           Accounts payable         38         50           Accrued interest         42         29           Accrued taxes, other than income taxes         22         4           Rate liabilities         168         144           Other current liabilities         38         32           Total current liabilities and deferred credits         48         32           Long-term liabilities and deferred credits         760         1,115           Other long-term liabilities and deferred credits <td>Accounts receivable, net</td> <td></td> <td>57</td> <td></td> <td>60</td>	Accounts receivable, net		57		60	
Other current assets         8         8           Total current assets         109         127           Property, plant and equipment, net         2,124         2,166           Goodwill         565         566           Notes receivable from affiliates         120         66           Regulatory assets         45         44           Deferred charges and other assets         263         274           Total Assets         3,226         3,238           LIABILITIES AND MEMBER'S EQUITY           Current portion of debt         \$ 355         \$ -           Accounts payable         38         50           Accrued interest         42         22           Accrued taxes, other than income taxes         22         4           Rate liabilities         168         144           Other current liabilities         38         33           Total current liabilities         760         1,115           Debt fair value adjustments         160         1,76           Other long-term liabilities and deferred credits         8         8           Total Liabilities         1,004         1,373           Total Liabilities and deferred credits         1,004         1,373<	Inventories		41		43	
Total current assets         109         127           Property, plant and equipment, net         2,124         2,166           Goodwill         565         565           Notes receivable from affiliates         120         66           Regulatory assets         45         45           Deferred charges and other assets         263         27           Total Assets         \$3,226         \$3,238           LIABILITIES AND MEMBER'S EQUITY           Current portion of debt         \$355         \$-           Accounts payable         38         50           Accrued interest         42         25           Accrued taxes, other than income taxes         22         4           Rate liabilities         168         146           Other current liabilities         38         3           Total current liabilities and deferred credits         663         261           Long-term liabilities and deferred credits         84         84           Total long-term liabilities and deferred credits         1,04         1,37           Total Liabilities         1,667         1,63           Member's Equity         1,535         1,576           Member's Equity         1,535	Prepayments		3		16	
Property, plant and equipment, net         2,124         2,160           Goodwill         565         565           Notes receivable from affiliates         120         663           Regulatory assets         45         45           Deferred charges and other assets         263         274           Total Assets         \$ 3,226         \$ 3,238           LIABILITIES AND MEMBER'S EQUITY           Current liabilities           Current portion of debt         \$ 355         \$ —           Accounts payable         38         50           Accrued interest         42         25           Accrued taxes, other than income taxes         22         4           Rate liabilities         38         32           Total current liabilities         38         32           Total current liabilities         38         32           Long-term liabilities and deferred credits         663         261           Long-term liabilities and deferred credits         84         88           Total long-term liabilities and deferred credits         1,004         1,375           Total Liabilities         1,667         1,630           Member's Equity           Member's Equity <td>Other current assets</td> <td></td> <td>8</td> <td></td> <td>8</td>	Other current assets		8		8	
Goodwill         565         565           Notes receivable from affiliates         120         63           Regulatory assets         45         44           Deferred charges and other assets         263         274           Total Assets         \$ 3,226         \$ 3,238           LIABILITIES AND MEMBER'S EQUITY           Current liabilities           Current portion of debt         \$ 355         \$ —           Accounts payable         38         50           Accrued interest         42         22           Accrued interest         42         22           Rate liabilities         168         144           Other current liabilities         38         32           Total current liabilities and deferred credits         42         26           Long-term debt         760         1,112           Other long-term liabilities and deferred credits         84         84           Total long-term liabilities and deferred credits         1,004         1,373           Total Liabilities         1,667         1,634           Member's Equity           Member's Equity         1,535         1,576           Accumulated other comprehensive income         2	Total current assets		109		127	
Notes receivable from affiliates         120         65           Regulatory assets         45         45           Deferred charges and other assets         263         274           Total Assets         \$ 3,226         \$ 3,238           LIABILITIES AND MEMBER'S EQUITY           Current liabilities           Current portion of debt         \$ 355         \$ —           Accounts payable         38         50           Accrued interest         42         22           Accrued taxes, other than income taxes         22         4           Rate liabilities         168         144           Other current liabilities         38         32           Total current liabilities and deferred credits         663         261           Long-term liabilities and deferred credits         760         1,115           Debt fair value adjustments         160         170           Other long-term liabilities and deferred credits         84         84           Total long-term liabilities and deferred credits         1,004         1,375           Total Liabilities         1,507         1,535         1,576           Accumulated other comprehensive income         24         20           Member's Eq	Property, plant and equipment, net		2,124		2,160	
Regulatory assets         45         49           Deferred charges and other assets         263         274           Total Assets         \$ 3,226         \$ 3,238           LIABILITIES AND MEMBER'S EQUITY           Current liabilities           Current portion of debt         \$ 355         \$ —           Accounts payable         38         5           Accrued interest         42         29           Accrued taxes, other than income taxes         22         4           Rate liabilities         168         146           Other current liabilities         38         3           Total current liabilities and deferred credits         46         26           Long-term liabilities and deferred credits         5         160         176           Other long-term liabilities and deferred credits         84         84           Total long-term liabilities and deferred credits         1,004         1,37           Total Liabilities         1,667         1,63           Member's Equity         1,535         1,576           Accumulated other comprehensive income         24         26           Total Member's Equity         1,559         1,602	Goodwill		565		565	
Deferred charges and other assets         263         274           Total Assets         \$ 3,226         \$ 3,238           LIABILITIES AND MEMBER'S EQUITY           Current liabilities           Current portion of debt         \$ 355         \$ —           Accounts payable         38         50           Accrued interest         42         22           Accrued taxes, other than income taxes         22         4           Rate liabilities         168         144           Other current liabilities         38         3           Total current liabilities and deferred credits         38         3           Long-term debt         760         1,115           Debt fair value adjustments         160         176           Other long-term liabilities and deferred credits         84         84           Total long-term liabilities and deferred credits         1,004         1,375           Total Liabilities         1,667         1,636           Member's Equity         1,535         1,576           Accumulated other comprehensive income         24         26           Total Member's Equity         1,559         1,602	Notes receivable from affiliates		120		63	
LIABILITIES AND MEMBER'S EQUITY           Current liabilities           Current portion of debt         \$ 355         \$ —           Accounts payable         38         50           Accrued interest         42         29           Accrued taxes, other than income taxes         22         4           Rate liabilities         168         144           Other current liabilities         38         3           Total current liabilities         663         261           Long-term liabilities and deferred credits         663         261           Long-term liabilities and deferred credits         84         84           Total long-term liabilities and deferred credits         84         84           Total Liabilities         1,004         1,37           Total Liabilities         1,667         1,630           Member's Equity         1,535         1,576           Accumulated other comprehensive income         24         26           Total Member's Equity         1,559         1,602	Regulatory assets		45		49	
LIABILITIES AND MEMBER'S EQUITY           Current liabilities         355 \$ —           Current portion of debt         \$ 355 \$ \$ —           Accounts payable         38 \$ 50           Accrued interest         42 22           Accrued taxes, other than income taxes         22 4           Rate liabilities         168 144           Other current liabilities         38 32           Total current liabilities and deferred credits         663 261           Long-term liabilities and deferred credits         160 176           Other long-term liabilities and deferred credits         84 84           Total long-term liabilities and deferred credits         1,004 1,375           Total Liabilities         1,667 1,636           Member's Equity         1,535 1,576           Accumulated other comprehensive income         24 26           Total Member's Equity         1,559 1,602	Deferred charges and other assets		263		274	
Current portion of debt         \$ 355         —           Accounts payable         38         50           Accrued interest         42         29           Accrued taxes, other than income taxes         22         4           Rate liabilities         168         146           Other current liabilities         38         32           Total current liabilities         663         261           Long-term liabilities and deferred credits         760         1,115           Debt fair value adjustments         160         176           Other long-term liabilities and deferred credits         84         82           Total long-term liabilities and deferred credits         1,004         1,375           Total Liabilities         1,667         1,636           Member's Equity         1,535         1,576           Accumulated other comprehensive income         24         26           Total Member's Equity         1,559         1,602	Total Assets	\$	3,226	\$	3,238	
Current portion of debt         \$ 355         —           Accounts payable         38         50           Accrued interest         42         29           Accrued taxes, other than income taxes         22         4           Rate liabilities         168         146           Other current liabilities         38         32           Total current liabilities         663         261           Long-term liabilities and deferred credits         760         1,115           Debt fair value adjustments         160         176           Other long-term liabilities and deferred credits         84         82           Total long-term liabilities and deferred credits         1,004         1,375           Total Liabilities         1,667         1,636           Member's Equity         1,535         1,576           Accumulated other comprehensive income         24         26           Total Member's Equity         1,559         1,602	LIABILITIES AND MEMBER'S EQUITY					
Current portion of debt         \$ 355 \$         —           Accounts payable         38         50           Accrued interest         42         25           Accrued taxes, other than income taxes         22         4           Rate liabilities         168         140           Other current liabilities         38         32           Total current liabilities         663         261           Long-term liabilities and deferred credits         50         1,115           Debt fair value adjustments         160         176           Other long-term liabilities and deferred credits         84         84           Total long-term liabilities and deferred credits         1,004         1,375           Total Liabilities         1,667         1,636           Member's Equity         1,535         1,576           Accumulated other comprehensive income         24         26           Total Member's Equity         1,559         1,602	Current liabilities					
Accounts payable       38       50         Accrued interest       42       29         Accrued taxes, other than income taxes       22       42         Rate liabilities       168       146         Other current liabilities       38       32         Total current liabilities       663       261         Long-term liabilities and deferred credits       50       1,115         Debt fair value adjustments       160       176         Other long-term liabilities and deferred credits       84       84         Total long-term liabilities and deferred credits       1,004       1,375         Total Liabilities       1,667       1,636         Member's Equity       1,535       1,576         Accumulated other comprehensive income       24       26         Total Member's Equity       1,559       1,602		\$	355	\$	_	
Accrued interest       42       25         Accrued taxes, other than income taxes       22       4         Rate liabilities       168       146         Other current liabilities       38       32         Total current liabilities       663       261         Long-term liabilities and deferred credits       563       261         Long-term debt       760       1,115         Debt fair value adjustments       160       176         Other long-term liabilities and deferred credits       84       84         Total long-term liabilities and deferred credits       1,004       1,375         Total Liabilities       1,667       1,636         Member's Equity       1,535       1,576         Accumulated other comprehensive income       24       26         Total Member's Equity       1,559       1,602	-		38		50	
Rate liabilities         168         144           Other current liabilities         38         32           Total current liabilities         663         261           Long-term liabilities and deferred credits         Total current liabilities and deferred credits         160         176           Debt fair value adjustments         160         176         1,115           Other long-term liabilities and deferred credits         84         84           Total long-term liabilities and deferred credits         1,004         1,375           Total Liabilities         1,667         1,636           Member's Equity         1,535         1,576           Accumulated other comprehensive income         24         26           Total Member's Equity         1,559         1,602	• •		42		29	
Other current liabilities         38         32           Total current liabilities         663         261           Long-term liabilities and deferred credits         760         1,115           Debt fair value adjustments         160         176           Other long-term liabilities and deferred credits         84         84           Total long-term liabilities and deferred credits         1,004         1,375           Total Liabilities         1,667         1,636           Member's Equity         1,535         1,576           Accumulated other comprehensive income         24         26           Total Member's Equity         1,559         1,602	Accrued taxes, other than income taxes		22		4	
Total current liabilities         663         261           Long-term liabilities and deferred credits	Rate liabilities		168		146	
Long-term liabilities and deferred credits  Long-term debt 760 1,115  Debt fair value adjustments 160 176  Other long-term liabilities and deferred credits 84 84  Total long-term liabilities and deferred credits 1,004 1,375  Total Liabilities 1,667 1,636  Member's Equity  Member's equity 1,535 1,576  Accumulated other comprehensive income 24 26  Total Member's Equity 1,559 1,602	Other current liabilities		38		32	
Long-term debt       760       1,115         Debt fair value adjustments       160       176         Other long-term liabilities and deferred credits       84       84         Total long-term liabilities and deferred credits       1,004       1,375         Total Liabilities       1,667       1,636         Member's Equity       1,535       1,576         Accumulated other comprehensive income       24       26         Total Member's Equity       1,559       1,602	Total current liabilities		663		261	
Long-term debt       760       1,115         Debt fair value adjustments       160       176         Other long-term liabilities and deferred credits       84       84         Total long-term liabilities and deferred credits       1,004       1,375         Total Liabilities       1,667       1,636         Member's Equity       1,535       1,576         Accumulated other comprehensive income       24       26         Total Member's Equity       1,559       1,602	Long-term liabilities and deferred credits					
Debt fair value adjustments 160 176 Other long-term liabilities and deferred credits 84 82 Total long-term liabilities and deferred credits 1,004 1,375 Total Liabilities 1,667 1,636  Member's Equity Member's equity 1,535 1,576 Accumulated other comprehensive income 24 26 Total Member's Equity 1,559 1,602	5		760		1,115	
Other long-term liabilities and deferred credits8482Total long-term liabilities and deferred credits1,0041,375Total Liabilities1,6671,636Member's Equity1,5351,576Accumulated other comprehensive income2426Total Member's Equity1,5591,602			160		176	
Total long-term liabilities and deferred credits         1,004         1,375           Total Liabilities         1,667         1,636           Member's Equity         1,535         1,576           Accumulated other comprehensive income         24         26           Total Member's Equity         1,559         1,602			84		84	
Total Liabilities         1,667         1,636           Member's Equity         1,535         1,576           Accumulated other comprehensive income         24         26           Total Member's Equity         1,559         1,602			1,004		1,375	
Member's equity1,5351,576Accumulated other comprehensive income2426Total Member's Equity1,5591,602					1,636	
Member's equity1,5351,576Accumulated other comprehensive income2426Total Member's Equity1,5591,602	Member's Equity					
Accumulated other comprehensive income 24 26 Total Member's Equity 1,559 1,602			1.535		1.576	
Total Member's Equity 1,559 1,602						
		\$		\$	3,238	

### EL PASO NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Millions) (Unaudited)

	Nine Months Ended September 30,			
	2	016	2	2015
Cash Flows From Operating Activities				
Net income	\$	161	\$	158
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		70		73
Other non-cash items		3		5
Changes in components of working capital:				
Accounts receivable		3		3
Prepayments		13		16
Regulatory assets		(1)		11
Accounts payable		(9)		(8)
Accrued interest		14		10
Accrued taxes, other than income taxes		18		15
Other current assets and liabilities		29		(1)
Other long-term assets and liabilities		(8)		10
Net Cash Provided by Operating Activities		293		292
Cash Flows From Investing Activities				
Capital expenditures		(32)		(43)
Net change in notes receivable from affiliates		(57)		(54)
Sale or disposal of property, plant and equipment, net of salvage		(2)		4
Other		_		(5)
Net Cash Used in Investing Activities		(91)		(98)
Cash Flows From Financing Activities				
Contributions from Member		4		8
Distributions to Member		(206)		(202)
Net Cash Used in Financing Activities		(202)		(194)
Net Change in Cash and Cash Equivalents		_		_
Cash and Cash Equivalents, beginning of period				
Cash and Cash Equivalents, end of period	\$	_	\$	_

### EL PASO NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY

(In Millions) (Unaudited)

	Nine Months Ended September 30,		
	 2016		2015
Beginning Balance	\$ 1,602	\$	1,730
Net income	161		158
Contributions	4		8
Distributions	(206)		(202)
Other comprehensive loss	(2)		(3)
Ending Balance	\$ 1,559	\$	1,691