

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

CONSOLIDATED FINANCIAL STATEMENTS
(excluding footnotes)

For the Three and Six Months Ended June 30, 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)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues.....	\$ 137	\$ 128	\$ 279	\$ 258
Operating Costs and Expenses				
Operations and maintenance.....	48	43	96	79
Depreciation and amortization.....	22	23	45	45
Taxes, other than income taxes.....	7	6	13	13
Total Operating Costs and Expenses.....	<u>77</u>	<u>72</u>	<u>154</u>	<u>137</u>
Operating Income	<u>60</u>	<u>56</u>	<u>125</u>	<u>121</u>
Other Income (Expense)				
Interest expense, net.....	(23)	(22)	(46)	(45)
Other, net	2	2	2	1
Total Other Income (Expense).....	<u>(21)</u>	<u>(20)</u>	<u>(44)</u>	<u>(44)</u>
Income Before Income Taxes.....	39	36	81	77
Income tax expense	—	—	(1)	—
Net Income	<u>39</u>	<u>36</u>	<u>80</u>	<u>77</u>
Other Comprehensive (Loss) Income				
Adjustments to postretirement benefit plan liabilities..	(1)	—	(2)	1
Comprehensive Income	<u>\$ 38</u>	<u>\$ 36</u>	<u>\$ 78</u>	<u>\$ 78</u>

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

	June 30, 2014	December 31, 2013
ASSETS	(Unaudited)	
Current assets		
Cash and cash equivalents	\$ —	\$ —
Accounts receivable, net	49	51
Note receivable from affiliate, net	44	53
Inventories	44	44
Prepaid expenses	8	18
Regulatory assets	26	21
Other current assets	8	14
Total current assets	179	201
Property, plant and equipment, net	2,239	2,260
Goodwill	565	565
Note receivable from affiliate	46	35
Regulatory assets	55	57
Deferred charges and other assets	296	300
Total Assets	\$ 3,380	\$ 3,418
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	\$ 33	\$ 45
Accrued taxes, other than income	14	4
Accrued interest	25	24
Rate liabilities	121	122
Other current liabilities	34	30
Total current liabilities	227	225
Long-term liabilities and deferred credits		
Long-term debt	1,115	1,115
Debt fair value adjustments	208	218
Other long-term liabilities and deferred credits	84	85
Total Liabilities	1,634	1,643
Member's Equity	1,707	1,734
Accumulated other comprehensive income	39	41
Total Member's Equity	1,746	1,775
Total Liabilities and Member's Equity	\$ 3,380	\$ 3,418

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

	Six months ended June 30,	
	2014	2013
Cash Flows From Operating Activities		
Net income.....	\$ 80	\$ 77
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization.....	45	45
Other non-cash items	2	3
Changes in components of working capital:		
Accounts receivable.....	2	1
Accounts payable.....	(10)	(15)
Accrued taxes, other than income.....	10	12
Prepaid expenses.....	10	9
Other current assets and liabilities.....	(1)	(6)
Other long-term assets and liabilities.....	(21)	4
Net Cash Provided by Operating Activities.....	<u>117</u>	<u>130</u>
Cash Flows From Investing Activities		
Capital expenditures	(8)	(14)
Net change in note receivable from affiliate.....	(2)	(100)
Other	—	3
Net Cash Used in Investing Activities.....	<u>(10)</u>	<u>(111)</u>
Cash Flows From Financing Activities		
Distributions to Member.....	(116)	(24)
Contribution from Member.....	9	—
Net Cash Used in Financing Activities.....	<u>(107)</u>	<u>(24)</u>
Change in Cash and Cash Equivalents.....	—	(5)
Cash and Cash Equivalents, beginning of period.....	—	9
Cash and Cash Equivalents, end of period.....	<u>\$ —</u>	<u>\$ 4</u>

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.....	77	—	77
Distributions to Member.....	(24)	—	(24)
Other comprehensive income	—	1	1
Balance at June 30, 2013	<u>\$ 1,787</u>	<u>\$ 10</u>	<u>\$ 1,797</u>
Balance at December 31, 2013	\$ 1,734	\$ 41	\$ 1,775
Net income.....	80	—	80
Distributions to Member.....	(116)	—	(116)
Contributions from Member.....	9	—	9
Other comprehensive income	—	(2)	(2)
Balance at June 30, 2014	<u>\$ 1,707</u>	<u>\$ 39</u>	<u>\$ 1,746</u>