

SOUTHERN NATURAL GAS COMPANY, L.L.C.
CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Nine Months Ended September 30, 2012 and 2011
Unaudited

SOUTHERN NATURAL GAS COMPANY, L.L.C.
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SOUTHERN NATURAL GAS COMPANY, L.L.C.
CONSOLIDATED STATEMENTS OF INCOME
(In Millions)
(Unaudited)

	<u>Three Months Ended</u> <u>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues.....	\$ 146	\$ 139	\$ 432	\$ 417
Operating Costs, Expenses and Other				
Operation and maintenance	32	44	121	116
Depreciation and amortization.....	16	15	48	46
Taxes, other than income taxes.....	<u>10</u>	<u>8</u>	<u>27</u>	<u>23</u>
Total Operating Costs, Expenses and Other	<u>58</u>	<u>67</u>	<u>196</u>	<u>185</u>
Operating Income	88	72	236	232
Other Income (Expense)				
Earnings from unconsolidated affiliate	3	4	10	11
Other income, net	2	3	6	7
Interest expense, net	<u>(20)</u>	<u>(20)</u>	<u>(59)</u>	<u>(52)</u>
Total Other Expense.....	<u>(15)</u>	<u>(13)</u>	<u>(43)</u>	<u>(34)</u>
Net Income	<u>\$ 73</u>	<u>\$ 59</u>	<u>\$ 193</u>	<u>\$ 198</u>

SOUTHERN NATURAL GAS COMPANY, L.L.C.
CONSOLIDATED BALANCE SHEETS
(In Millions)

	September 30, 2012	December 31, 2011
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ —	\$ 3
Accounts and note receivable, net	63	68
Materials and supplies	17	16
Assets held for sale	50	50
Regulatory assets and other	35	16
Total current assets	165	153
Property, plant and equipment, net	2,513	2,533
Investment in unconsolidated affiliate	58	57
Note receivable from affiliate	174	197
Regulatory assets and other	90	105
Total Assets.....	<u>\$ 3,000</u>	<u>\$ 3,045</u>
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable.....	\$ 20	\$ 67
Accrued taxes	24	6
Accrued interest.....	22	19
Contractual deposits	4	7
Asset retirement obligations	4	12
Accrued other current liabilities	2	1
Total current liabilities	<u>76</u>	<u>112</u>
Long-term liabilities and deferred credits		
Long-term debt.....	1,210	1,210
Other long-term liabilities and deferred credits	30	30
Total long-term liabilities and deferred credits	<u>1,240</u>	<u>1,240</u>
Total Liabilities.....	<u>1,316</u>	<u>1,352</u>
Member's Equity	1,684	1,693
Total Liabilities and Member's Equity.....	<u>\$ 3,000</u>	<u>\$ 3,045</u>

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

	Nine Months Ended	
	September 30,	
	2012	2011
Cash Flows From Operating Activities		
Net income.....	\$ 193	\$ 198
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	48	46
Earnings from unconsolidated affiliate, adjusted for cash distributions	(3)	(2)
Other non-cash income items	5	(1)
Changes in components of working capital:		
Accounts receivable.....	(29)	6
Accounts payable.....	(41)	(1)
Regulatory assets	(7)	2
Regulatory liabilities.....	1	1
Accrued interest.....	3	4
Accrued taxes	18	8
Other, net	(5)	1
Other long-term assets and liabilities	13	(7)
Net Cash Provided by Operating Activities.....	<u>196</u>	<u>255</u>
Cash Flows From Investing Activities		
Capital expenditures.....	(52)	(150)
Net change in note receivable from affiliate	57	(262)
Other	(2)	2
Net Cash Provided by (Used in) Investing Activities.....	<u>3</u>	<u>(410)</u>
Cash Flows From Financing Activities		
Net change in note payable to affiliate.....	—	(12)
Issuance of debt.....	—	297
Contributions from partners	—	60
Distributions to member/partners.....	(202)	(189)
Net Cash (Used in) Provided by Financing Activities.....	<u>(202)</u>	<u>156</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3)	1
Cash and Cash Equivalents, beginning of period	3	4
Cash and Cash Equivalents, end of period.....	<u>\$ —</u>	<u>\$ 5</u>