

TENNESSEE GAS PIPELINE COMPANY, L.L.C.

CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Six Months Ended June 30, 2013 and 2012
Unaudited

TENNESSEE GAS PIPELINE COMPANY, L.L.C.
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TENNESSEE GAS PIPELINE COMPANY, L.L.C.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)
(In Millions)
(Unaudited)

	<u>Successor</u>		<u>Predecessor</u>
	<u>Three Months Ended June 30, 2013</u>	<u>Period from Acquisition May 25, 2012 to June 30, 2012</u>	<u>Period from April 1, 2012 to May 24, 2012</u>
Revenues.....	\$ 251	\$ 99	\$ 146
Operating Costs and Expenses			
Operation and maintenance.....	76	69	78
Loss on long-lived assets.....	—	—	125
Depreciation and amortization.....	42	17	31
Taxes, other than income taxes.....	13	7	8
Total Operating Costs and Expenses.....	<u>131</u>	<u>93</u>	<u>242</u>
Operating Income.....	120	6	(96)
Other Income (Expense)			
Earnings from equity investment.....	3	1	2
Other income, net.....	4	1	1
Interest expense, net.....	(34)	(14)	(20)
Affiliated interest income, net.....	—	1	2
Total Other Income (Expense).....	<u>(27)</u>	<u>(11)</u>	<u>(15)</u>
Income (Loss) Before Income Taxes.....	93	(5)	(111)
Income Tax (Expense) Benefit.....	<u>(1)</u>	<u>2</u>	<u>42</u>
Net Income (Loss).....	92	(3)	(69)
Other Comprehensive Income			
Adjustments to postretirement benefit plan liabilities.....	—	1	—
Comprehensive Income (Loss).....	<u>\$ 92</u>	<u>\$ (2)</u>	<u>\$ (69)</u>

TENNESSEE GAS PIPELINE COMPANY, L.L.C.
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)
(In Millions)
(Unaudited)

	<u>Successor</u>		<u>Predecessor</u>
	<u>Six Months Ended June 30, 2013</u>	<u>Period from Acquisition May 25, 2012 to June 30, 2012</u>	<u>Period from January 1, 2012 to May 24, 2012</u>
Revenues.....	\$ 516	\$ 99	\$ 414
Operating Costs and Expenses			
Operation and maintenance.....	130	69	154
Loss on long-lived assets.....	—	—	125
Depreciation and amortization.....	83	17	83
Taxes, other than income taxes.....	28	7	24
Total Operating Costs and Expenses.....	<u>241</u>	<u>93</u>	<u>386</u>
Operating Income.....	275	6	28
Other Income (Expense)			
Earnings from equity investment.....	6	1	5
Other income, net.....	6	1	3
Interest expense, net.....	(68)	(14)	(55)
Affiliated interest income, net.....	—	1	5
Total Other Income (Expense).....	<u>(56)</u>	<u>(11)</u>	<u>(42)</u>
Income (Loss) Before Income Taxes.....	219	(5)	(14)
Income Tax Benefit.....	<u>—</u>	<u>2</u>	<u>5</u>
Net Income (Loss).....	219	(3)	(9)
Other Comprehensive Income			
Adjustments to postretirement benefit plan liabilities.....	<u>—</u>	<u>1</u>	<u>—</u>
Comprehensive Income (Loss).....	<u>\$ 219</u>	<u>\$ (2)</u>	<u>\$ (9)</u>

TENNESSEE GAS PIPELINE COMPANY, L.L.C.
CONSOLIDATED BALANCE SHEETS
(In Millions)

	<u>June 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
	<u>(Unaudited)</u>	
ASSETS		
Current assets		
Cash and cash equivalents.....	\$ 3	\$ 6
Accounts receivable, net	147	162
Inventories.....	47	48
Assets held for sale	32	32
Regulatory assets	17	14
Other current assets	<u>11</u>	<u>13</u>
Total current assets.....	257	275
Property, plant and equipment, net	3,978	3,865
Goodwill.....	3,253	3,249
Note receivable from affiliate	43	79
Investment	58	58
Regulatory assets	162	188
Deferred charges and other assets.....	<u>452</u>	<u>433</u>
Total Assets.....	<u>\$ 8,203</u>	<u>\$ 8,147</u>
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	\$ 163	\$ 113
Accrued taxes, other than income	35	24
Contractual deposits	20	17
Asset retirement obligations.....	14	21
Accrued interest	32	32
Accrued other current liabilities.....	<u>12</u>	<u>15</u>
Total current liabilities.....	276	222
Long-term liabilities and deferred credits		
Long-term debt.....	1,790	1,790
Debt fair value adjustments.....	384	401
Other long-term liabilities and deferred credits	<u>41</u>	<u>47</u>
Total long-term liabilities and deferred credits.....	2,215	2,238
Total Liabilities	<u>2,491</u>	<u>2,460</u>
Member's equity.....	5,709	5,684
Accumulated other comprehensive income	<u>3</u>	<u>3</u>
Total Member's Equity	<u>5,712</u>	<u>5,687</u>
Total Liabilities and Member's Equity	<u>\$ 8,203</u>	<u>\$ 8,147</u>

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

	<u>Successor</u>		<u>Predecessor</u>
	<u>Six Months Ended June 30, 2013</u>	<u>Period from Acquisition May 25, 2012 to June 30, 2012</u>	<u>Period from January 1, 2012 to May 24, 2012</u>
Cash Flows From Operating Activities			
Net income (loss)	\$ 219	\$ (3)	\$ (9)
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization.....	83	17	83
Deferred income tax expense.....	—	(4)	(5)
Earnings from equity investment.....	(6)	(1)	(5)
Distributions from equity investment	6	—	6
Loss on long-lived assets.....	—	—	125
Other	(1)	(1)	(1)
Change in components of working capital:			
Accounts receivable.....	12	(152)	49
Accounts payable.....	14	(3)	(66)
Accrued taxes	7	(15)	(3)
Regulatory liabilities.....	1	(1)	(40)
Other current assets and liabilities	(6)	(2)	(48)
Other long-term assets and liabilities	(10)	120	1
Net Cash Provided by (used in) Operating Activities.....	<u>319</u>	<u>(45)</u>	<u>87</u>
Cash Flows From Investing Activities			
Capital expenditures.....	(164)	(18)	(97)
Net change in note receivable from affiliate	39	44	11
Other	(3)	16	2
Net Cash (Used in) Provided by Investing Activities.....	<u>(128)</u>	<u>42</u>	<u>(84)</u>
Cash Flows From Financing Activities			
Distributions to Member	(194)	—	—
Net Cash Used in Financing Activities.....	<u>(194)</u>	<u>—</u>	<u>—</u>
Change in Cash and Cash Equivalents	(3)	(3)	3
Cash and Cash Equivalents, beginning of period	6	3	—
Cash and Cash Equivalents, end of period.....	<u>\$ 3</u>	<u>\$ —</u>	<u>\$ 3</u>

TENNESSEE GAS PIPELINE COMPANY, L.L.C.
CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY
(In Millions)
(Unaudited)

	<u>Member's Equity</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Total Member's Equity</u>
<i>Predecessor</i>			
Balance at December 31, 2011	\$ 3,179	\$ 4	\$ 3,183
Net loss	(9)	—	(9)
Balance at May 24, 2012	<u>\$ 3,170</u>	<u>\$ 4</u>	<u>\$ 3,174</u>
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<i>Successor</i>			
Balance at May 25, 2012	\$ 5,258	\$ —	\$ 5,258
Net loss	(3)	—	(3)
Other comprehensive income	—	1	1
Balance at June 30, 2012	<u>\$ 5,255</u>	<u>\$ 1</u>	<u>\$ 5,256</u>
Balance at December 31, 2012	\$ 5,684	\$ 3	\$ 5,687
Net income	219	—	219
Distributions	(194)	—	(194)
Balance at June 30, 2013	<u>\$ 5,709</u>	<u>\$ 3</u>	<u>\$ 5,712</u>