

TENNESSEE GAS PIPELINE COMPANY, L.L.C.

CONSOLIDATED FINANCIAL STATEMENTS

(excluding footnotes)

For the Three and Nine Months Ended September 30, 2014 and 2013

Unaudited

TENNESSEE GAS PIPELINE COMPANY, L.L.C. AND SUBSIDIARIES
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TENNESSEE GAS PIPELINE 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,	
	2014	2013	2014	2013
Revenues	\$ 290	\$ 250	\$ 889	\$ 779
Operating Costs and Expenses				
Operations and maintenance	81	77	209	220
Loss (gain) on long-lived assets	4	(36)	4	(36)
Depreciation and amortization	45	41	134	124
Taxes, other than income taxes	16	13	48	41
Total Operating Costs and Expenses.....	146	95	395	349
Operating Income.....	144	155	494	430
Other Income (Expense)				
Earnings from equity investment	2	2	8	8
Interest expense, net	(34)	(32)	(103)	(100)
Other, net.....	3	4	8	10
Total Other Income (Expense).....	(29)	(26)	(87)	(82)
Income Before Income Taxes	115	129	407	348
Income Tax Expense	—	(1)	(1)	(1)
Net Income.....	115	128	406	347
Other Comprehensive (Loss) Income				
Adjustments to postretirement benefit plan	(1)	3	(1)	3
Comprehensive Income	\$ 114	\$ 131	\$ 405	\$ 350

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

	September 30, 2014	December 31, 2013
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents	\$ —	\$ —
Accounts receivable, net	112	123
Note receivable from affiliate, net	67	40
Inventories.....	46	47
Regulatory assets	18	17
Natural gas imbalance receivable	66	53
Other current assets.....	1	1
Total current assets	310	281
Property, plant and equipment, net	4,367	4,291
Goodwill	3,253	3,253
Investment.....	58	60
Regulatory assets	257	258
Deferred charges and other assets.....	392	419
Total Assets.....	\$ 8,637	\$ 8,562
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	\$ 144	\$ 204
Accrued taxes, other than income	38	27
Contractual deposits.....	17	22
Asset retirement obligations	—	18
Accrued interest	46	32
Regulatory liabilities.....	23	5
Natural gas imbalance payable	31	8
Other current liabilities	9	13
Total current liabilities.....	308	329
Long-term liabilities and deferred credits		
Long-term debt.....	1,790	1,790
Debt fair value adjustments	339	366
Note payable to affiliate.....	50	63
Other long-term liabilities and deferred credits	46	44
Total Liabilities.....	2,533	2,592
Member's Equity	6,099	5,964
Accumulated other comprehensive income	5	6
Total Member's Equity.....	6,104	5,970
Total Liabilities and Member's Equity.....	\$ 8,637	\$ 8,562

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

	Nine Months Ended September 30,	
	2014	2013
Cash Flows From Operating Activities		
Net income	\$ 406	\$ 347
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	134	124
Earnings from equity investment.....	(8)	(8)
Distributions from equity investment.....	10	9
Loss (gain) on long-lived assets	4	(36)
Other	(1)	(4)
Changes in components of working capital:		
Accounts receivable.....	12	12
Accounts payable.....	(6)	63
Regulatory liabilities	18	2
Accrued taxes, other than income	11	7
Accrued interest.....	13	13
Other current assets and liabilities.....	5	2
Other long-term assets and liabilities	(39)	(18)
Net Cash Provided by Operating Activities	<u>559</u>	<u>513</u>
Cash Flows From Investing Activities		
Capital expenditures	(219)	(327)
Net change in note receivable from affiliate	(17)	24
Proceeds from sale of assets.....	—	31
Costs from disposal of property, plant and equipment, net of salvage.....	(26)	(26)
Other	(3)	3
Net Cash Used in Investing Activities	<u>(265)</u>	<u>(295)</u>
Cash Flows From Financing Activities		
Contributions from Member.....	227	143
Distributions to Member	(498)	(365)
Net change in note payable to affiliate.....	(23)	—
Net Cash Used in Financing Activities	<u>(294)</u>	<u>(222)</u>
Net Change in Cash and Cash Equivalents	—	(4)
Cash and Cash Equivalents, beginning of period	—	6
Cash and Cash Equivalents, end of period.....	<u>\$ —</u>	<u>\$ 2</u>
Non-cash Investing Activities		
(Decrease) increase in property, plant and equipment accruals and contractor retainage	\$ (54)	\$ 81

TENNESSEE GAS PIPELINE COMPANY, L.L.C. AND SUBSIDIARIES
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>
Balance as of December 31, 2012.....	\$ 5,684	\$ 3	\$ 5,687
Net income	347	—	347
Contributions from Member	143	—	143
Distributions to Member	(365)	—	(365)
Other comprehensive income.....	—	3	3
Balance at September 30, 2013.....	<u>\$ 5,809</u>	<u>\$ 6</u>	<u>\$ 5,815</u>
Balance at December 31, 2013	\$ 5,964	\$ 6	\$ 5,970
Net income	406	—	406
Contributions from Member	227	—	227
Distributions to Member	(498)	—	(498)
Other comprehensive loss	—	(1)	(1)
Balance at September 30, 2014.....	<u>\$ 6,099</u>	<u>\$ 5</u>	<u>\$ 6,104</u>