

**El Paso Natural Gas Company, L.L.C.**

**CONSOLIDATED FINANCIAL STATEMENTS**  
(excluding footnotes)

For the Three Months Ended March 31, 2015 and 2014  
Unaudited

**EL PASO NATURAL GAS COMPANY, L.L.C. AND SUBSIDIARIES**  
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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	
	March 31,	
	2015	2014
Revenues .....	\$ 157	\$ 142
Operating Costs and Expenses		
Operations and maintenance.....	35	32
Depreciation and amortization .....	23	23
General and administrative.....	10	16
Taxes, other than income taxes.....	6	6
Total Operating Costs and Expenses.....	74	77
Operating Income.....	83	65
Other Income (Expense)		
Interest expense, net .....	(23)	(23)
Other, net .....	2	—
Total Other Income (Expense).....	(21)	(23)
Income Before Income Taxes.....	62	42
Income Tax Expense .....	—	(1)
Net Income .....	62	41
Other Comprehensive Loss		
Adjustments to postretirement benefit plan.....	(1)	(1)
Comprehensive Income.....	\$ 61	\$ 40

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

	<b>March 31, 2015</b>	<b>December 31, 2014</b>
<b>ASSETS</b>	<b>(Unaudited)</b>	
<b>Current assets</b>		
Cash and cash equivalents .....	\$ —	\$ —
Accounts receivable .....	61	62
Inventories .....	43	45
Prepaid expenses .....	13	19
Regulatory assets .....	10	17
Other current assets .....	14	13
Total current assets .....	141	156
Property, plant and equipment, net .....	2,200	2,219
Goodwill .....	565	565
Note receivable from affiliate .....	128	86
Regulatory assets .....	50	51
Deferred charges and other assets .....	304	308
Total Assets .....	\$ 3,388	\$ 3,385
<b>LIABILITIES AND MEMBER'S EQUITY</b>		
<b>Current liabilities</b>		
Accounts payable .....	\$ 45	\$ 48
Accrued interest .....	38	27
Accrued taxes, other than income .....	8	4
Regulatory liabilities .....	12	14
Customer deposits .....	7	12
Rate liabilities .....	152	141
Other current liabilities .....	13	11
Total current liabilities .....	275	257
<b>Long-term liabilities and deferred credits</b>		
Long-term debt .....	1,115	1,115
Debt fair value adjustments .....	192	197
Other long-term liabilities and deferred credits .....	85	86
Total Liabilities .....	1,667	1,655
Member's Equity .....	1,683	1,691
Accumulated other comprehensive income .....	38	39
Total Member's Equity .....	1,721	1,730
Total Liabilities and Member's Equity .....	\$ 3,388	\$ 3,385

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

	Three Months Ended	
	March 31,	
	2015	2014
<b>Cash Flows From Operating Activities</b>		
Net Income.....	\$ 62	\$ 41
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	23	23
Other .....	(1)	1
Changes in components of working capital:		
Accounts receivable.....	1	1
Accounts payable.....	(2)	—
Accrued interest.....	11	9
Accrued taxes, other than income.....	4	5
Other current assets and liabilities.....	26	(7)
Other long-term assets and liabilities.....	(1)	(4)
Net Cash Provided by Operating Activities.....	<u>123</u>	<u>69</u>
<b>Cash Flows From Investing Activities</b>		
Capital expenditures.....	(11)	(6)
Net change in note receivable from affiliates.....	(42)	(16)
Sale or disposal of property, plant and equipment, net of salvage.....	4	(2)
Other.....	(4)	—
Net Cash Used in Investing Activities.....	<u>(53)</u>	<u>(24)</u>
<b>Cash Flows From Financing Activities</b>		
Distributions to Member.....	(71)	(53)
Contributions from Member.....	1	8
Net Cash Used in Financing Activities.....	<u>(70)</u>	<u>(45)</u>
Net Change in Cash and Cash Equivalents.....	—	—
Cash and Cash Equivalents, beginning of period.....	—	—
Cash and Cash Equivalents, end of period.....	<u>\$ —</u>	<u>\$ —</u>
<b>Non-cash Investing Activities</b>		
Decrease in property, plant and equipment accruals and contractor retainage.....	\$ (1)	\$ (3)

**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	Total Member's Equity
Balance at December 31, 2013 .....	\$ 1,734	\$ 41	\$ 1,775
Net income.....	41		41
Contributions from Member.....	8		8
Distributions to Member.....	(53)		(53)
Other comprehensive loss.....		(1)	(1)
Balance at March 31, 2014 .....	<u>\$ 1,730</u>	<u>\$ 40</u>	<u>\$ 1,770</u>
Balance at December 31, 2014 .....	\$ 1,691	\$ 39	\$ 1,730
Net income.....	62		62
Contributions from Member.....	1		1
Distributions to Member.....	(71)		(71)
Other comprehensive loss.....		(1)	(1)
Balance at March 31, 2015 .....	<u>\$ 1,683</u>	<u>\$ 38</u>	<u>\$ 1,721</u>