

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

CONSOLIDATED FINANCIAL STATEMENTS
(excluding footnotes)

For the Three and Nine Months Ended September 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)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues.....	\$ 145	\$ 129	\$ 424	\$ 387
Operating Costs and Expenses				
Operations and maintenance.....	48	43	144	122
Depreciation and amortization.....	23	22	68	67
Taxes, other than income taxes.....	6	5	19	18
Total Operating Costs and Expenses.....	<u>77</u>	<u>70</u>	<u>231</u>	<u>207</u>
Operating Income	<u>68</u>	<u>59</u>	<u>193</u>	<u>180</u>
Other Income (Expense)				
Interest expense, net.....	(23)	(23)	(69)	(68)
Other, net	1	1	3	2
Total Other Income (Expense).....	<u>(22)</u>	<u>(22)</u>	<u>(66)</u>	<u>(66)</u>
Income Before Income Taxes.....	46	37	127	114
Income tax expense	—	—	(1)	—
Net Income	<u>46</u>	<u>37</u>	<u>126</u>	<u>114</u>
Other Comprehensive (Loss) Income				
Adjustments to postretirement benefit plan liabilities..	(1)	27	(3)	28
Comprehensive Income	<u>\$ 45</u>	<u>\$ 64</u>	<u>\$ 123</u>	<u>\$ 142</u>

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

	September 30, 2014	December 31, 2013
ASSETS	(Unaudited)	
Current assets		
Cash and cash equivalents	\$ —	\$ —
Accounts receivable, net	53	51
Note receivable from affiliate, net	79	53
Inventories	45	44
Prepaid expenses	2	18
Regulatory assets	23	21
Other current assets	9	14
Total current assets	211	201
Property, plant and equipment, net	2,225	2,260
Goodwill	565	565
Note receivable from affiliate	21	35
Regulatory assets	53	57
Deferred charges and other assets	313	300
Total Assets	\$ 3,388	\$ 3,418
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	\$ 38	\$ 45
Accrued taxes, other than income	13	4
Accrued interest	35	24
Rate liabilities	130	122
Other current liabilities	38	30
Total current liabilities	254	225
Long-term liabilities and deferred credits		
Long-term debt	1,115	1,115
Debt fair value adjustments	202	218
Other long-term liabilities and deferred credits	86	85
Total Liabilities	1,657	1,643
Member's Equity	1,693	1,734
Accumulated other comprehensive income	38	41
Total Member's Equity	1,731	1,775
Total Liabilities and Member's Equity	\$ 3,388	\$ 3,418

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

	Nine Months Ended September 30,	
	2014	2013
Cash Flows From Operating Activities		
Net income.....	\$ 126	\$ 114
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization.....	68	67
Other non-cash items	(3)	4
Changes in components of working capital:		
Accounts receivable.....	(2)	(2)
Accounts payable.....	(8)	(18)
Accrued interest.....	12	12
Accrued taxes, other than income.....	9	16
Prepaid expenses.....	16	(9)
Other current assets and liabilities.....	13	(3)
Other long-term assets and liabilities.....	(47)	6
Net Cash Provided by Operating Activities.....	<u>184</u>	<u>187</u>
Cash Flows From Investing Activities		
Capital expenditures.....	(16)	(17)
Net change in note receivable from affiliate.....	(12)	(87)
Proceeds from sale of assets.....	6	1
Other.....	5	2
Net Cash Used in Investing Activities.....	<u>(17)</u>	<u>(101)</u>
Cash Flows From Financing Activities		
Distributions to Member.....	(177)	(95)
Contribution from Member.....	10	—
Net Cash Used in Financing Activities.....	<u>(167)</u>	<u>(95)</u>
Change in Cash and Cash Equivalents.....	—	(9)
Cash and Cash Equivalents, beginning of period.....	—	9
Cash and Cash Equivalents, end of period.....	<u>\$ —</u>	<u>\$ —</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.....	114	—	114
Distributions to Member.....	(95)	—	(95)
Other comprehensive income	—	28	28
Balance at September 30, 2013.....	<u>\$ 1,753</u>	<u>\$ 37</u>	<u>\$ 1,790</u>
Balance at December 31, 2013	\$ 1,734	\$ 41	\$ 1,775
Net income.....	126	—	126
Distributions to Member.....	(177)	—	(177)
Contributions from Member.....	10	—	10
Other comprehensive loss.....	—	(3)	(3)
Balance at September 30, 2014.....	<u>\$ 1,693</u>	<u>\$ 38</u>	<u>\$ 1,731</u>