

TENNESSEE GAS PIPELINE COMPANY, L.L.C.
CONSOLIDATED FINANCIAL STATEMENTS
For the Six Months Ended June 30, 2012 and 2011
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
(In Millions)
(Unaudited)

	<u>Successor</u>	<u>Predecessor</u>	
	Period from Acquisition May 25, 2012 to June 30, 2012	Period from April 1, 2012 to May 24, 2012	Three Months Ended June 30, 2011
Revenues.....	\$ 99	\$ 146	\$ 216
Operating Costs, Expenses and Other			
Operation and maintenance	69	78	83
Depreciation and amortization	17	156	49
Taxes, other than income taxes.....	7	8	19
Total Operating Costs, Expenses and Other	<u>93</u>	<u>242</u>	<u>151</u>
Operating Income (Loss)	6	(96)	65
Other Income (Expense)			
Earnings from unconsolidated affiliate	1	2	3
Other income, net	1	1	9
Interest and debt expense	(14)	(20)	(35)
Affiliated interest income, net	1	2	4
Total Other Income (Expense).....	<u>(11)</u>	<u>(15)</u>	<u>(19)</u>
Income (Loss) Before Income Taxes.....	(5)	(111)	46
Income Tax Benefit (Expense)	<u>2</u>	<u>42</u>	<u>(16)</u>
Net Income (Loss)	(3)	(69)	30
Other Comprehensive Income			
Adjustments to postretirement benefit plan liabilities (net of income taxes of \$(1), \$0 and \$0, respectively).....	1	—	—
Comprehensive Income (Loss)	<u>\$ (2)</u>	<u>\$ (69)</u>	<u>\$ 30</u>

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

	<u>Successor</u>	<u>Predecessor</u>	
	Period from Acquisition May 25, 2012 to June 30, 2012	Period from January 1, 2012 to May 24, 2012	Six Months Ended June 30, 2011
Revenues.....	\$ 99	\$ 414	\$ 450
Operating Costs, Expenses and Other			
Operation and maintenance	69	154	158
Depreciation and amortization	17	208	97
Taxes, other than income taxes.....	7	24	35
Total Operating Costs, Expenses and Other	<u>93</u>	<u>386</u>	<u>290</u>
Operating Income (Loss)	6	28	160
Other Income (Expense)			
Earnings from unconsolidated affiliate	1	5	7
Other income, net	1	3	17
Interest and debt expense	(14)	(55)	(72)
Affiliated interest income, net	1	5	7
Total Other Income (Expense).....	<u>(11)</u>	<u>(42)</u>	<u>(41)</u>
Income (Loss) Before Income Taxes.....	(5)	(14)	119
Income Tax Benefit (Expense)	<u>2</u>	<u>5</u>	<u>(44)</u>
Net Income (Loss)	(3)	(9)	75
Other Comprehensive Income			
Adjustments to postretirement benefit plan liabilities (net of income taxes of \$(1), \$0 and \$0, respectively).....	1	—	—
Comprehensive Income (Loss)	<u>\$ (2)</u>	<u>\$ (9)</u>	<u>\$ 75</u>

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

	Successor	Predecessor
	June 30,	December 31,
	2012	2011
	(Unaudited)	
ASSETS		
Current assets		
Cash and cash equivalents.....	\$ —	\$ —
Accounts receivable, net	204	104
Materials and supplies.....	48	57
Deferred income taxes	15	52
Assets held for sale	32	—
Other current assets	<u>12</u>	<u>10</u>
Total current assets	311	223
Property, plant and equipment, net	3,904	4,156
Goodwill	3,241	1,883
Note receivable from affiliate	464	519
Investment in unconsolidated affiliate	57	57
Regulatory assets and other	<u>638</u>	<u>84</u>
Total Assets	<u>\$ 8,615</u>	<u>\$ 6,922</u>
LIABILITIES AND MEMBER'S EQUITY		
Current liabilities		
Accounts payable	\$ 112	\$ 189
Accrued taxes	31	23
Contractual deposits	33	29
Asset retirement obligations.....	30	22
Accrued interest	32	32
Regulatory liabilities	3	40
Accrued other current liabilities	<u>12</u>	<u>81</u>
Total current liabilities	<u>253</u>	<u>416</u>
Long-term liabilities and deferred credits		
Long-term debt.....	2,205	1,768
Deferred income taxes	843	1,514
Other long-term liabilities and deferred credits	<u>58</u>	<u>41</u>
Total long-term liabilities and deferred credits.....	<u>3,106</u>	<u>3,323</u>
Total Liabilities	<u>3,359</u>	<u>3,739</u>
Member's equity		
Member's equity	5,255	3,179
Accumulated other comprehensive income	<u>1</u>	<u>4</u>
Total Member's Equity	<u>5,256</u>	<u>3,183</u>
Total Liabilities and Member's Equity	<u>\$ 8,615</u>	<u>\$ 6,922</u>

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

	<u>Successor</u>	<u>Predecessor</u>	
	<u>Period from Acquisition May 25, 2012 to June 30, 2012</u>	<u>Period from January 1, 2012 to May 24, 2012</u>	<u>Six Months Ended June 30, 2011</u>
Cash Flows From Operating Activities			
Net income (loss)	\$ (3)	\$ (9)	\$ 75
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	17	83	97
Deferred income tax expense	(4)	(26)	19
Earnings from unconsolidated affiliate, adjusted for cash distributions ..	(1)	1	(2)
Loss on long-lived assets	—	125	—
Other non-cash income items	(1)	(1)	(13)
Change in components of working capital:			
Accounts receivable	(152)	48	36
Accounts payable	(12)	(57)	(18)
Accrued taxes	(15)	18	15
Regulatory liabilities	(1)	(39)	(32)
Other, net	7	(55)	(18)
Other long-term assets and liabilities	120	(1)	(18)
Net Cash Provided by (Used in) Operating Activities	<u>(45)</u>	<u>87</u>	<u>141</u>
Cash Flows From Investing Activities			
Capital expenditures	(18)	(97)	(245)
Net change in note receivable from affiliate	44	11	102
Other	16	2	2
Net Cash Provided by (Used in) Investing Activities	<u>42</u>	<u>(84)</u>	<u>(141)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(3)	3	—
Cash and Cash Equivalents, beginning of period	3	—	—
Cash and Cash Equivalents, end of period	<u>\$ —</u>	<u>\$ 3</u>	<u>\$ —</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)
Other comprehensive income.....	—	—	—
Balance at May 24, 2012	<u>\$ 3,170</u>	<u>\$ 4</u>	<u>\$ 3,174</u>
<hr/>			
<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>

Explanation of Change of Accounting Basis

The merger of Kinder Morgan, Inc. (KMI) and El Paso Corporation became effective May 25, 2012. The merger was accounted for by KMI using business combination accounting. Under this method, the purchase price paid by the acquirer is allocated to the assets acquired and liabilities assumed as of the acquisition date based on their fair value. By the application of “push-down” accounting, our assets, liabilities and equity were accordingly adjusted to fair value on May 25, 2012. Determining the fair value of certain assets and liabilities assumed is judgmental in nature and often involves the use of significant estimates and assumptions.

Due to the application of “push-down” accounting, our financial statements are presented in two distinct periods to indicate the application of two different bases of accounting. Periods prior to May 25, 2012 are identified herein as “Predecessor,” while periods subsequent to the KMI merger are identified as “Successor.” As a result of the change in the basis of accounting from historical cost to reflect KMI’s purchase cost, the financial statements for Predecessor periods are not comparable to those of Successor periods.