

TENNESSEE GAS PIPELINE COMPANY, L.L.C.
CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Nine Months Ended September 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> |
|---|---|--------------------|
| | <u>Three Months Ended September 30,</u> | |
| | <u>2012</u> | <u>2011</u> |
| Revenues | \$ 248 | \$ 224 |
| Operating Costs, Expenses and Other | | |
| Operation and maintenance | 77 | 84 |
| Depreciation and amortization | 41 | 51 |
| Taxes, other than income taxes | 14 | 6 |
| Total Operating Costs, Expenses and Other | <u>132</u> | <u>141</u> |
| Operating Income | 116 | 83 |
| Other Income (Expense) | | |
| Earnings from unconsolidated affiliate | 3 | 4 |
| Other income, net | 2 | 17 |
| Interest and debt expense | (34) | (26) |
| Affiliated interest income, net | 3 | 5 |
| Total Other Expense | <u>(26)</u> | <u>—</u> |
| Income Before Income Taxes | 90 | 83 |
| Income Tax Expense | <u>—</u> | <u>(33)</u> |
| Net Income and Comprehensive Income | <u>\$ 90</u> | <u>\$ 50</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 September 30, 2012 | Period from January 1, 2012 to May 24, 2012 | Nine Months Ended September 30, 2011 |
| Revenues..... | \$ 347 | \$ 414 | \$ 674 |
| Operating Costs, Expenses and Other | | | |
| Operation and maintenance | 146 | 154 | 242 |
| Loss on long-lived assets..... | — | 125 | — |
| Depreciation and amortization | 58 | 83 | 148 |
| Taxes, other than income taxes..... | 21 | 24 | 41 |
| Total Operating Costs, Expenses and Other | <u>225</u> | <u>386</u> | <u>431</u> |
| Operating Income | 122 | 28 | 243 |
| Other Income (Expense) | | | |
| Earnings from unconsolidated affiliate | 4 | 5 | 11 |
| Other income, net | 3 | 3 | 34 |
| Interest and debt expense | (48) | (55) | (98) |
| Affiliated interest income, net | 4 | 5 | 12 |
| Total Other Expense | <u>(37)</u> | <u>(42)</u> | <u>(41)</u> |
| Income (Loss) Before Income Taxes..... | 85 | (14) | 202 |
| Income Tax Benefit (Expense) | <u>2</u> | <u>5</u> | <u>(77)</u> |
| Net Income (Loss) | 87 | (9) | 125 |
| Other Comprehensive Income | | | |
| Adjustments to postretirement benefit plan liabilities (net of income tax benefit of \$1, \$0 and \$0, respectively)..... | 1 | — | — |
| Comprehensive Income (Loss) | <u>\$ 88</u> | <u>\$ (9)</u> | <u>\$ 125</u> |

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

| | Successor | Predecessor |
|--|----------------------|---------------------|
| | September 30, | December 31, |
| | 2012 | 2011 |
| | (Unaudited) | |
| ASSETS | | |
| Current assets | | |
| Cash and cash equivalents..... | \$ 2 | \$ — |
| Accounts receivable, net | 235 | 104 |
| Materials and supplies..... | 48 | 57 |
| Deferred income taxes | — | 52 |
| Assets held for sale | 32 | — |
| Other current assets..... | 14 | 10 |
| Total current assets..... | 331 | 223 |
| Property, plant and equipment, net | 3,885 | 6,039 |
| Goodwill..... | 3,246 | — |
| Note receivable from affiliate | — | 519 |
| Investment in unconsolidated affiliate..... | 58 | 57 |
| Regulatory assets and other | 630 | 84 |
| Total Assets..... | \$ 8,150 | \$ 6,922 |
| LIABILITIES AND MEMBER'S EQUITY | | |
| Current liabilities | | |
| Accounts payable..... | \$ 149 | \$ 189 |
| Accrued taxes..... | 34 | 23 |
| Contractual deposits..... | 27 | 29 |
| Asset retirement obligations..... | 28 | 22 |
| Accrued interest | 46 | 32 |
| Regulatory liabilities..... | 2 | 40 |
| Accrued other current liabilities..... | 9 | 81 |
| Total current liabilities..... | 295 | 416 |
| Long-term liabilities and deferred credits | | |
| Long-term debt..... | 2,200 | 1,768 |
| Notes payable to affiliate | 19 | — |
| Deferred income taxes | — | 1,514 |
| Other long-term liabilities and deferred credits | 54 | 41 |
| Total long-term liabilities and deferred credits..... | 2,273 | 3,323 |
| Total Liabilities | 2,568 | 3,739 |
| Member's equity | 5,581 | 3,179 |
| Accumulated other comprehensive income | 1 | 4 |
| Total Member's Equity | 5,582 | 3,183 |
| Total Liabilities and Member's Equity | \$ 8,150 | \$ 6,922 |

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 September 30, 2012</u> | <u>Period from January 1, 2012 to May 24, 2012</u> | <u>Nine Months Ended September 30, 2011</u> |
| Cash Flows From Operating Activities | | | |
| Net income (loss) | \$ 87 | \$ (9) | \$ 125 |
| Adjustments to reconcile net income to net cash from operating activities: | | | |
| Depreciation and amortization..... | 58 | 83 | 148 |
| Deferred income tax expense..... | (4) | (26) | 22 |
| Earnings from unconsolidated affiliate, adjusted for cash distributions | (4) | 1 | (2) |
| Loss on long-lived assets | — | 125 | — |
| Other non-cash income items | (3) | (1) | (26) |
| Change in components of working capital: | | | |
| Accounts receivable..... | (144) | 48 | (5) |
| Accounts payable..... | 38 | (57) | (22) |
| Accrued taxes | (21) | 18 | 45 |
| Regulatory liabilities..... | (3) | (39) | (63) |
| Other, net | 24 | (55) | 32 |
| Other long-term assets and liabilities | 48 | (1) | 9 |
| Net Cash Provided by Operating Activities..... | <u>76</u> | <u>87</u> | <u>263</u> |
| Cash Flows From Investing Activities | | | |
| Capital expenditures..... | (94) | (97) | (543) |
| Net change in note receivable from affiliate | (2) | 11 | 274 |
| Other | 19 | 2 | 6 |
| Net Cash Used in Investing Activities..... | <u>(77)</u> | <u>(84)</u> | <u>(263)</u> |
| Net (Decrease) Increase in Cash and Cash Equivalents | (1) | 3 | — |
| Cash and Cash Equivalents, beginning of period | 3 | — | — |
| Cash and Cash Equivalents, end of period..... | <u>\$ 2</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 income | 87 | — | 87 |
| Other comprehensive income..... | — | 1 | 1 |
| Non-cash contribution from parent | 236 | — | 236 |
| Balance at September 30, 2012..... | <u>\$ 5,581</u> | <u>\$ 1</u> | <u>\$ 5,582</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.

Explanation of non-cash contribution from parent

Effective August 1, 2012, Kinder Morgan Energy Partners, L.P., a subsidiary of Kinder Morgan, Inc. (KMI), acquired the full ownership interest in Tennessee Gas Pipeline Company, L.L.C. (TGP). In conjunction with this acquisition, TGP received a non-cash contribution of \$236 million from KMI, representing the settlement of the outstanding note receivable and income tax asset and liability net balances as of July 31, 2012.