*CONSOLIDATED FINANCIAL STATEMENTS*
*(Unaudited)*

# *COLORADO INTERSTATE GAS COMPANY, L.L.C.*

*As of June 30, 2016 and December 31, 2015 and*
*For the Three and Six Months Ended June 30, 2016 and 2015*

**COLORADO INTERSTATE GAS COMPANY, L.L.C. AND SUBSIDIARY**
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## COLORADO INTERSTATE GAS COMPANY, L.L.C. AND SUBSIDIARY
## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
**(In Millions)**
**(Unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Revenues | $ 84 | $ 92 | $ 186 | $ 197 |
| Operating Costs and Expenses | | | | |
| Operation and maintenance | 15 | 16 | 30 | 32 |
| Depreciation and amortization | 11 | 11 | 22 | 22 |
| General and administrative | 5 | 5 | 10 | 10 |
| Taxes, other than income taxes | 5 | 5 | 10 | 10 |
| Total Operating Costs and Expenses | 36 | 37 | 72 | 74 |
| Operating Income | 48 | 55 | 114 | 123 |
| Other Income (Expense) | | | | |
| Interest, net | (16) | (16) | (32) | (32) |
| Other, net | (1) | — | — | 1 |
| Total Other Income (Expense) | (17) | (16) | (32) | (31) |
| Net Income | 31 | 39 | 82 | 92 |
| Other Comprehensive Loss | | | | |
| Adjustments to postretirement benefit plan | — | (1) | — | (1) |
| Comprehensive Income | $ 31 | $ 38 | $ 82 | $ 91 |

The accompanying notes are an integral part of these consolidated financial statements.

**COLORADO INTERSTATE GAS COMPANY, L.L.C. AND SUBSIDIARY**
**CONSOLIDATED BALANCE SHEETS**
**(In Millions)**

| | June 30, 2016 (Unaudited) | December 31, 2015 |
|---|---|---|
| **ASSETS** | | |
| Current assets | | |
| Cash and cash equivalents | $ — | $ — |
| Accounts receivable | 27 | 37 |
| Inventories | 7 | 7 |
| Regulatory assets | 5 | 17 |
| Other current assets | 3 | 2 |
| Total current assets | 42 | 63 |
| | | |
| Property, plant and equipment, net | 1,285 | 1,301 |
| Note receivable from affiliate | 31 | — |
| Regulatory assets | 9 | 9 |
| Deferred charges and other assets | 29 | 28 |
| Total Assets | $ 1,396 | $ 1,401 |
| | | |
| **LIABILITIES AND MEMBER'S EQUITY** | | |
| Current liabilities | | |
| Current portion of debt | $ 6 | $ 6 |
| Accounts payable | 16 | 18 |
| Accrued interest | 13 | 3 |
| Accrued taxes, other than income taxes | 11 | 17 |
| Regulatory liabilities | 2 | 3 |
| Customer deposits | 12 | 1 |
| Other current liabilities | 6 | 4 |
| Total current liabilities | 66 | 52 |
| | | |
| Long-term liabilities and deferred credits | | |
| Long-term debt, net of debt issuance costs | 259 | 262 |
| Note payable to affiliate | 375 | 375 |
| Regulatory liabilities | 11 | 10 |
| Other long-term liabilities and deferred credits | 1 | 2 |
| Total long-term liabilities and deferred credits | 646 | 649 |
| Total Liabilities | 712 | 701 |
| | | |
| Commitments and contingencies (Note 6) | | |
| Member's Equity | | |
| Member's equity | 680 | 696 |
| Accumulated other comprehensive income | 4 | 4 |
| Total Member's Equity | 684 | 700 |
| Total Liabilities and Member's Equity | $ 1,396 | $ 1,401 |

The accompanying notes are an integral part of these consolidated financial statements.

**COLORADO INTERSTATE GAS COMPANY, L.L.C. AND SUBSIDIARY**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In Millions)**
**(Unaudited)**

| | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|---|---|
| Cash Flows From Operating Activities | | |
| Net income | $ 82 | $ 92 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 22 | 22 |
| Other non-cash items | — | 1 |
| Changes in components of working capital: | | |
| Accounts receivable | 10 | 10 |
| Regulatory assets | 12 | 1 |
| Accounts payable | (2) | (2) |
| Accrued interest | 10 | (1) |
| Accrued taxes, other than income taxes | (6) | (5) |
| Other current assets and liabilities | 11 | 3 |
| Other long-term assets and liabilities | (2) | (9) |
| Net Cash Provided by Operating Activities | 137 | 112 |
| | | |
| Cash Flows From Investing Activities | | |
| Capital expenditures | (4) | (3) |
| Net change in note receivable from affiliate | (31) | — |
| Other, net | (1) | (1) |
| Net Cash Used in Investing Activities | (36) | (4) |
| | | |
| Cash Flows From Financing Activities | | |
| Payments of debt | (3) | (38) |
| Contributions from Member | — | 1 |
| Distributions to Member | (98) | (121) |
| Net change in note payable to affiliate | — | 49 |
| Advances from joint venture partner | — | 1 |
| Net Cash Used in Financing Activities | (101) | (108) |
| | | |
| Net Change in Cash and Cash Equivalents | — | — |
| Cash and Cash Equivalents, beginning of period | — | — |
| Cash and Cash Equivalents, end of period | $ — | $ — |

The accompanying notes are an integral part of these consolidated financial statements.

**COLORADO INTERSTATE GAS COMPANY, L.L.C. AND SUBSIDIARY**
**CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY**
**(In Millions)**
**(Unaudited)**

| | Six Months Ended June 30, | |
|---|---|---|
| | **2016** | **2015** |
| Beginning Balance | $ 700 | $ 758 |
| Net income | 82 | 92 |
| Contributions | — | 1 |
| Distributions | (98) | (121) |
| Other comprehensive loss | — | (1) |
| Ending Balance | $ 684 | $ 729 |

The accompanying notes are an integral part of these consolidated financial statements.

## 1. General

***Organization***

We are a Delaware limited liability company, originally formed in 1927 as a corporation. When we refer to “us,” “we,” “our,” “ours,” “the Company,” or “CIG,” we are describing Colorado Interstate Gas Company, L.L.C and its consolidated subsidiary. We are an indirect wholly-owned subsidiary of Kinder Morgan, Inc. (KMI). We are an interstate pipeline system serving the Rocky Mountain Region.

***Basis of Presentation***

We have prepared our accompanying consolidated financial statements in accordance with the accounting principles contained in the Financial Accounting Standards Board's (FASB) Accounting Standards Codification, the single source of United States Generally Accepted Accounting Principles (GAAP) and referred to in this report as the Codification.

The financial statements as of June 30, 2016 and for the three and six months ended June 30, 2016 and 2015 are unaudited. We derived the balance sheet as of December 31, 2015 from our 2015 audited financial statements. In addition, our accompanying consolidated financial statements reflect normal adjustments that are, in the opinion of our management, necessary for a fair presentation of our financial results for the interim periods and certain amounts from prior periods have been reclassified to conform to the current presentation. Interim results are not necessarily indicative of results for a full year; accordingly, you should read these consolidated financial statements in conjunction with our audited financial statements and related notes for the year ended December 31, 2015 (2015 audited financial statements).

Management has evaluated subsequent events through August 10, 2016, the date the financial statements were available to be issued.

## 2. Debt

We classify our debt based on the contractual maturity dates of the underlying debt instruments. We defer costs associated with debt issuance over the applicable term. These costs are then amortized as interest expense on our accompanying Consolidated Statements of Income and Comprehensive Income.

The following table summarizes the net carrying value of our outstanding debt (in millions):

| | June 30, 2016 | December 31, 2015 |
|---|---|---|
| Senior Debentures, 6.85%, due 2037 | $ 100 | $ 100 |
| Other financing obligations | 165 | 168 |
| Total debt | 265 | 268 |
| Less: Current portion of debt | 6 | 6 |
| Total long-term debt | $ 259 | $ 262 |

KMI and substantially all of its domestic subsidiaries, including us, are a party to a cross guarantee agreement whereby each party to the agreement unconditionally guarantees, jointly and severally, the payment of specified indebtedness of each other party to the agreement.

***Debt Repayment***

In March 2015, we repaid $35 million of our then outstanding 5.95% senior notes.

***Debt Covenants***

Under our various financing documents, we are subject to a number of restrictions and covenants. The most restrictive of these include limitations on the incurrence of liens and limitations on sale-leaseback transactions. As of June 30, 2016 and December 31, 2015, we were in compliance with our debt-related covenants.

## 3. Related Party Transactions

***Cash Management Program***

We participate in KMI's cash management program, which matches short-term cash surpluses and needs of participating affiliates, thus minimizing total borrowings from outside sources. KMI uses the cash management program to settle intercompany transactions between participating affiliates. As of June 30, 2016 and December 31, 2015, we had a note receivable from KMI of $31 million and $0, respectively. The interest rate on the note was variable and was 1.8% as of June 30, 2016.

***Affiliate Note Payable***

In November 2015, we entered into a $375 million promissory note agreement, due November 16, 2018, with KMI. Borrowings under this note agreement bear an annual interest rate of 5.25% and may be prepaid in whole or in part at any time, and from time-to-time, without premium or penalty.

***Other Affiliate Balances and Activities***

We enter into transactions with our affiliates within the ordinary course of business and the services are based on the same terms as non-affiliates, including natural gas transportation services to and from affiliates under long-term contracts and various operating agreements.

We do not have employees. Employees of KMI provide services to us. We are managed and operated by KMI. Under policies with KMI, we reimburse KMI without a profit component for the provision of various general and administrative services for our benefit and for direct expenses incurred by KMI on our behalf. Additionally, KMI bills us directly for certain general and administrative costs and allocates a portion of its general and administrative costs to us at cost.

The following table summarizes our other balance sheet affiliate balances (in millions):

| | June 30, 2015 | December 31, 2015 |
|---|---|---|
| Accounts receivable | $ 1 | $ 1 |
| Natural gas imbalance receivable (a) | 2 | 1 |
| Accounts payable | 13 | 12 |
| Accrued interest | 12 | 2 |
| Natural gas imbalance payable (b) | 4 | 2 |
| Financing obligations (c) | 165 | 168 |

(a) Included in “Other current assets” on our accompanying Consolidated Balance Sheets.
(b) Included in “Other current liabilities” on our accompanying Consolidated Balance Sheets.
(c) Represents financing obligations payable to WYCO related to Totem and High Plains, of which $6 million is included in “Current portion debt” on our accompanying Consolidated Balance Sheets as of June 30, 2016 and December 31, 2015.

The following table shows revenues and costs from our affiliates (in millions):

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2016 | 2015 | 2016 | 2015 |
| Revenues | $ 1 | $ 1 | $ 1 | $ 1 |
| Operation, maintenance and capitalized costs | 10 | 9 | 19 | 19 |
| General and administrative | 5 | 4 | 10 | 9 |

## 4. Fair Value

The following table reflects the carrying amount and estimated fair value of our outstanding debt balances, excluding total other financing obligations (in millions):

| | June 30, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Carrying Amount | Estimated Fair Value | Carrying Amount | Estimated Fair Value |
| Total debt, excluding total other financing obligations (a) | $ 475 | $ 506 | $ 475 | $ 460 |

(a) Our other financing obligations were $165 million and $168 million as of June 30, 2016 and December 31, 2015, respectively, of which $6 million for each period was reported as “Current portion of debt” on our accompanying Consolidated Balance Sheets for both periods.

We separate the fair values of our financial instruments into levels based on our assessment of the availability of observable market data and the significance of non-observable data used to determine the estimated fair value. We estimate the fair values of our long-term debt primarily based on quoted market prices for the same or similar issues, a Level 2 fair value measurement. Our assessment and classification of an instrument within a level can change over time based on the maturity or liquidity of the instrument and this change would be reflected at the end of the period in which the change occurs. During the six months ended June 30, 2016, there were no changes to the inputs and valuation techniques used to measure fair value, the types of instruments, or the levels in which they were classified.

As of June 30, 2016, the carrying amount of our affiliate note receivable approximates fair value due to the market-based nature of the interest rate on the note.

## 5. Regulatory Matters

*Rate Case*

In August 2011, the Federal Energy Regulatory Commission (FERC) approved an uncontested pre-filing settlement of a rate case required under the terms of a previous settlement. The settlement generally provided for our current tariff rates to continue until our next general rate case, which was to be effective no later than October 1, 2016. On April 22, 2016, FERC approved our Petition to Amend that settlement to extend the date of the next general rate case to be effective no later than January 1, 2017. On June 8, 2016, we filed a Stipulation and Agreement ("S&A") that would resolve all of the issues involving our upcoming filing requirement by establishing tariff rates and other settlement terms to be effective January 1, 2017. FERC approved our S&A on August 1, 2016. The S&A provides for rate reductions, as well as rate certainty for the parties during a three-year and nine-month moratorium on new rates extending through October 1, 2020. We estimate that the lower tariff rates approved by the FERC will reduce revenues in 2017 by approximately $45 million based on the projected service levels for 2017.

## 6. Litigation and Environmental Matters

We are party to various legal, regulatory and other matters arising from the day-to-day operations of our businesses that may result in claims against the Company. Although no assurance can be given, we believe, based on our experiences to date and taking into account established reserves, that the ultimate resolution of such items will not have a material adverse impact on our business, financial position, results of operations or cash flows. We believe we have meritorious defenses to the matters to which we are a party and intend to vigorously defend the Company. When we determine a loss is probable of occurring and is reasonably estimable, we accrue an undiscounted liability for such contingencies based on our best estimate using information available at that time. If the estimated loss is a range of potential outcomes and there is no better estimate within the range, we accrue the amount at the low end of the range. We disclose contingencies where an adverse outcome may be material, or in the judgment of management, we conclude the matter should otherwise be disclosed.

We had no accruals for any outstanding legal proceeding as of June 30, 2016 and December 31, 2015.

***Environmental Matters***

We are subject to environmental cleanup and enforcement actions from time to time. In particular, the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) generally imposes joint and several liability for cleanup and enforcement costs on current and predecessor owners and operators of a site, among others, without regard to fault or the legality of the original conduct, subject to the right of a liable party to establish a “reasonable basis” for apportionment of costs. Our operations are also subject to federal, state and local laws and regulations relating to protection of the environment. Although we believe our operations are in substantial compliance with applicable environmental law and regulations, risks of additional costs and liabilities are inherent in our operations, and there can be no assurance that we will not incur significant costs and liabilities. Our insurance may not cover all environmental risks and costs and/or may not provide sufficient coverage in the event an environmental claim is made against us. Moreover, it is possible that other developments, such as increasingly stringent environmental laws, regulations and enforcement policies under the terms of authority of those laws, and claims for damages to property or persons resulting from our operations, could result in substantial costs and liabilities to us.

Although it is not possible to predict the ultimate outcomes, we believe that the resolution of the environmental matters set forth in this note, and other matters to which we and our subsidiary are a party, will not have a material adverse effect on our business, financial position, results of operations or cash flows. As of June 30, 2016 and December 31, 2015, we had approximately $1 million accrued for our environmental matters.

## 7. Recent Accounting Pronouncements

***Accounting Standards Update (ASU) No. 2014-09***

On May 28, 2014, the FASB issued ASU No. 2014-09, *“Revenue from Contracts with Customers (Topic 606).”* This ASU is designed to create greater comparability for financial statement users across industries and jurisdictions. The provisions of ASU No. 2014-09 include a five-step process by which entities will recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the payment to which an entity expects to be entitled in exchange for those goods or services. The standard also will require enhanced disclosures, provide more comprehensive guidance for transactions such as service revenue and contract modifications, and enhance guidance for multiple-element arrangements. ASU No. 2014-09 will be effective for us January 1, 2018. Early adoption is permitted for the interim periods within the adoption year. We are currently reviewing the effect of this ASU on our revenue recognition and assessing the timing of our adoption.

## General and Basis of Presentation

The following information should be read in conjunction with (i) our June 30, 2016 interim consolidated financial statements and related notes; (ii) our audited December 31, 2015 consolidated financial statements and related notes; and (iii) our management's discussion and analysis of financial condition and results of operations included with our 2015 audited financial statements.

## Regulatory Matters

As discussed in Note 5 to the accompanying interim consolidated financial statements, the FERC approved new tariff rates that will be effective as of January 1, 2017. We estimate that the new tariff rates will reduce our revenues in 2017 by approximately $45 million based on our projected service levels for 2017.

## Results of Operations

### *Overview*

Our management evaluates our performance primarily using the measures of earnings before depreciation and amortization (EBDA). EBDA is a useful measure of our operating performance because it measures our operating results before depreciation and amortization and certain expenses that are generally not controllable by our operating management, such as interest expense and general and administrative expenses. Our general and administrative expenses include such items as employee benefits, insurance, rentals, unallocated litigation and environmental expenses, and shared corporate services including accounting, information technology, human resources and legal services.

### *Earnings Results*

Below are the components of EBDA for the periods presented (in millions):

| | Six Months Ended June 30, | |
|---|---|---|
| | 2016 | 2015 |
| Revenues | $ 186 | $ 197 |
| Operating Expenses | | |
| Operation and maintenance | (30) | (32) |
| Taxes, other than income taxes | (10) | (10) |
| Subtotal | (40) | (42) |
| Other, net | — | 1 |
| EBDA | $ 146 | $ 156 |

Below is a reconciliation of our EBDA to net income, our operation data and an analysis and discussion of our operating result for the periods presented (in millions, except operating statistics):

| | Six Months Ended June 30, | |
|---|---|---|
| | 2016 | 2015 |
| EBDA | $ 146 | $ 156 |
| Depreciation and amortization | (22) | (22) |
| General and administrative | (10) | (10) |
| Interest, net | (32) | (32) |
| Net income | $ 82 | $ 92 |
| Throughput volumes (Billion British thermal units per day) | 2,539 | 2,498 |

Our EBDA decreased $10 million for the six months ended June 30, 2016 as compared to the same period in 2015. The decrease was primarily driven by lower firm revenues of (i) $7 million due to the elimination of our revenue surcharge mechanism in 2016 as a result of our latest rate case settlement and (ii) $3 million due to contract expirations and contract renewals at lower rates.