

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

**CONSOLIDATED FINANCIAL STATEMENTS**  
For the Three and Six Months Ended June 30, 2013 and 2012  
Unaudited

**EL PASO NATURAL GAS COMPANY, L.L.C.**  
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**EL PASO NATURAL GAS COMPANY, L.L.C.**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)**  
(In Millions)  
(Unaudited)

|                                                              | <u>Successor</u>                            |                                                                      | <u>Predecessor</u>                                       |
|--------------------------------------------------------------|---------------------------------------------|----------------------------------------------------------------------|----------------------------------------------------------|
|                                                              | <u>Three Months Ended<br/>June 30, 2013</u> | <u>Period from Acquisition<br/>May 25, 2012<br/>to June 30, 2012</u> | <u>Period from<br/>April 1, 2012<br/>to May 24, 2012</u> |
| Revenues.....                                                | \$ 128                                      | \$ 48                                                                | \$ 59                                                    |
| Operating Costs and Expenses                                 |                                             |                                                                      |                                                          |
| Operation and maintenance .....                              | 43                                          | 41                                                                   | 27                                                       |
| Depreciation and amortization .....                          | 23                                          | 9                                                                    | 10                                                       |
| Taxes, other than income taxes.....                          | 6                                           | 4                                                                    | 5                                                        |
| Total Operating Costs and Expenses .....                     | 72                                          | 54                                                                   | 42                                                       |
| Operating Income (Loss) .....                                | 56                                          | (6)                                                                  | 17                                                       |
| Other Income (Expense)                                       |                                             |                                                                      |                                                          |
| Interest expense, net .....                                  | (22)                                        | (9)                                                                  | (13)                                                     |
| Affiliated interest income, net .....                        | —                                           | 2                                                                    | 4                                                        |
| Other income, net .....                                      | 2                                           | —                                                                    | —                                                        |
| Total Other Income (Expense) .....                           | (20)                                        | (7)                                                                  | (9)                                                      |
| Income (Loss) Before Income Taxes.....                       | 36                                          | (13)                                                                 | 8                                                        |
| Income Tax Benefit (Expense) .....                           | —                                           | 5                                                                    | (3)                                                      |
| Net Income (Loss) .....                                      | 36                                          | (8)                                                                  | 5                                                        |
| Other Comprehensive Income                                   |                                             |                                                                      |                                                          |
| Adjustments to postretirement benefit plan liabilities ..... | —                                           | 1                                                                    | —                                                        |
| Comprehensive Income (Loss) .....                            | \$ 36                                       | \$ (7)                                                               | \$ 5                                                     |

**EL PASO NATURAL GAS COMPANY, L.L.C.**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME (LOSS)**  
(In Millions)  
(Unaudited)

|                                                              | <u>Successor</u>        |                                      | <u>Predecessor</u>                     |
|--------------------------------------------------------------|-------------------------|--------------------------------------|----------------------------------------|
|                                                              | <u>Six Months Ended</u> | <u>Period from Acquisition</u>       | <u>Period from</u>                     |
|                                                              | <u>June 30, 2013</u>    | <u>May 25, 2012 to June 30, 2012</u> | <u>January 1, 2012 to May 24, 2012</u> |
| Revenues.....                                                | \$ 258                  | \$ 48                                | \$ 190                                 |
| Operating Costs, Expenses                                    |                         |                                      |                                        |
| Operation and maintenance .....                              | 79                      | 41                                   | 80                                     |
| Depreciation and amortization .....                          | 45                      | 9                                    | 33                                     |
| Taxes, other than income taxes.....                          | 13                      | 4                                    | 13                                     |
| Total Operating Costs, Expenses .....                        | 137                     | 54                                   | 126                                    |
| Operating Income (Loss) .....                                | 121                     | (6)                                  | 64                                     |
| Other Income (Expense)                                       |                         |                                      |                                        |
| Interest expense, net .....                                  | (45)                    | (9)                                  | (35)                                   |
| Affiliated interest income, net .....                        | —                       | 2                                    | 9                                      |
| Other income, net .....                                      | 1                       | —                                    | 1                                      |
| Total Other Income (Expense).....                            | (44)                    | (7)                                  | (25)                                   |
| Income (Loss) Before Income Taxes.....                       | 77                      | (13)                                 | 39                                     |
| Income Tax Benefit (Expense) .....                           | —                       | 5                                    | (15)                                   |
| Net Income (Loss) .....                                      | 77                      | (8)                                  | 24                                     |
| Other Comprehensive Income                                   |                         |                                      |                                        |
| Adjustments to postretirement benefit plan liabilities ..... | 1                       | 1                                    | —                                      |
| Comprehensive Income (Loss) .....                            | \$ 78                   | \$ (7)                               | \$ 24                                  |

**EL PASO NATURAL GAS COMPANY, L.L.C.**  
**CONSOLIDATED BALANCE SHEETS**  
(In Millions, except share amounts)

|                                                        | <u>Successor</u><br><u>June 30,</u><br><u>2013</u> | <u>Predecessor</u><br><u>December 31,</u><br><u>2012</u> |
|--------------------------------------------------------|----------------------------------------------------|----------------------------------------------------------|
|                                                        | (Unaudited)                                        |                                                          |
| <b>ASSETS</b>                                          |                                                    |                                                          |
| Current assets                                         |                                                    |                                                          |
| Cash and cash equivalents .....                        | \$ 4                                               | \$ 9                                                     |
| Accounts receivable, net .....                         | 80                                                 | 44                                                       |
| Inventories .....                                      | 45                                                 | 45                                                       |
| Prepaid expenses .....                                 | 7                                                  | 16                                                       |
| Regulatory assets .....                                | 16                                                 | 6                                                        |
| Other current assets .....                             | <u>4</u>                                           | <u>4</u>                                                 |
| Total current assets .....                             | 156                                                | 124                                                      |
| Property, plant and equipment, net .....               | 2,291                                              | 2,325                                                    |
| Goodwill .....                                         | 565                                                | 564                                                      |
| Note receivable from affiliate .....                   | 85                                                 | —                                                        |
| Regulatory assets .....                                | 61                                                 | 63                                                       |
| Deferred charges and other assets .....                | <u>276</u>                                         | <u>283</u>                                               |
| Total Assets .....                                     | <u>\$ 3,434</u>                                    | <u>\$ 3,359</u>                                          |
| <b>LIABILITIES AND MEMBER'S EQUITY</b>                 |                                                    |                                                          |
| Current liabilities                                    |                                                    |                                                          |
| Accounts payable .....                                 | \$ 33                                              | \$ 27                                                    |
| Accrued taxes, other than income .....                 | 19                                                 | 5                                                        |
| Accrued interest .....                                 | 22                                                 | 21                                                       |
| Regulatory liabilities .....                           | 3                                                  | 9                                                        |
| Contractual deposits .....                             | 12                                                 | 11                                                       |
| Rate liabilities .....                                 | 106                                                | 10                                                       |
| Accrued other current liabilities .....                | <u>13</u>                                          | <u>10</u>                                                |
| Total current liabilities .....                        | <u>208</u>                                         | <u>93</u>                                                |
| Long-term liabilities and deferred credits             |                                                    |                                                          |
| Long-term debt .....                                   | 1,115                                              | 1,115                                                    |
| Debt fair value adjustments .....                      | 227                                                | 237                                                      |
| Other long-term liabilities and deferred credits ..... | <u>87</u>                                          | <u>171</u>                                               |
| Total long-term liabilities and deferred credits ..... | <u>1,429</u>                                       | <u>1,523</u>                                             |
| Total Liabilities .....                                | <u>1,637</u>                                       | <u>1,616</u>                                             |
| Member's equity                                        |                                                    |                                                          |
| Member's equity .....                                  | 1,787                                              | 1,734                                                    |
| Accumulated other comprehensive income .....           | <u>10</u>                                          | <u>9</u>                                                 |
| Total Member's Equity .....                            | <u>1,797</u>                                       | <u>1,743</u>                                             |
| Total Liabilities and Member's Equity .....            | <u>\$ 3,434</u>                                    | <u>\$ 3,359</u>                                          |

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

|                                                                                   | <b>Successor</b>                              |                                                                              | <b>Predecessor</b>                                                 |
|-----------------------------------------------------------------------------------|-----------------------------------------------|------------------------------------------------------------------------------|--------------------------------------------------------------------|
|                                                                                   | <b>Six Months<br/>Ended<br/>June 30, 2013</b> | <b>Period from<br/>Acquisition<br/>May 25, 2012<br/>to June 30,<br/>2012</b> | <b>Period from<br/>January 1,<br/>2012<br/>to May 24,<br/>2012</b> |
| Cash Flows From Operating Activities                                              |                                               |                                                                              |                                                                    |
| Net income (loss) .....                                                           | \$ 77                                         | \$ (8)                                                                       | \$ 24                                                              |
| Adjustments to reconcile net income to net cash provided by operating activities: |                                               |                                                                              |                                                                    |
| Depreciation and amortization .....                                               | 45                                            | 9                                                                            | 33                                                                 |
| Deferred income tax expense .....                                                 | —                                             | (4)                                                                          | 15                                                                 |
| Other .....                                                                       | 3                                             | 2                                                                            | (3)                                                                |
| Changes in components of working capital:                                         |                                               |                                                                              |                                                                    |
| Accounts receivable .....                                                         | (36)                                          | (66)                                                                         | 10                                                                 |
| Accounts payable .....                                                            | 12                                            | (6)                                                                          | (13)                                                               |
| Accrued taxes .....                                                               | 12                                            | (22)                                                                         | —                                                                  |
| Other current assets and liabilities .....                                        | (2)                                           | 4                                                                            | (12)                                                               |
| Other long-term assets and liabilities .....                                      | 4                                             | 59                                                                           | 50                                                                 |
| Net Cash Provided by (Used in) Operating Activities .....                         | <u>115</u>                                    | <u>(32)</u>                                                                  | <u>104</u>                                                         |
| Cash Flows From Investing Activities                                              |                                               |                                                                              |                                                                    |
| Capital expenditures .....                                                        | (14)                                          | (3)                                                                          | (27)                                                               |
| Net change in note receivable from affiliate .....                                | (85)                                          | 21                                                                           | (3)                                                                |
| Other .....                                                                       | 3                                             | —                                                                            | —                                                                  |
| Net Cash (Used in) Provided by Investing Activities .....                         | <u>(96)</u>                                   | <u>18</u>                                                                    | <u>(30)</u>                                                        |
| Cash Flows From Financing Activities                                              |                                               |                                                                              |                                                                    |
| Distributions to Members .....                                                    | (24)                                          | —                                                                            | (60)                                                               |
| Net Cash Used in Financing Activities .....                                       | <u>(24)</u>                                   | <u>—</u>                                                                     | <u>(60)</u>                                                        |
| Change in Cash and Cash Equivalents .....                                         | (5)                                           | (14)                                                                         | 14                                                                 |
| Cash and Cash Equivalents, beginning of period .....                              | 9                                             | 14                                                                           | —                                                                  |
| Cash and Cash Equivalents, end of period .....                                    | <u>\$ 4</u>                                   | <u>\$ —</u>                                                                  | <u>\$ 14</u>                                                       |

**EL PASO NATURAL GAS COMPANY, L.L.C.**  
**CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY**  
(In Millions, except share amounts)  
(Unaudited)

|                                   | <u>Common Stock</u> |               | <u>Additional</u> | <u>Retained</u> | <u>Accumulated</u>   | <u>Total</u>         | <u>Member's</u> | <u>Accumulated</u>   | <u>Total</u>    |
|-----------------------------------|---------------------|---------------|-------------------|-----------------|----------------------|----------------------|-----------------|----------------------|-----------------|
|                                   | <u>Shares</u>       | <u>Amount</u> | <u>Paid-in</u>    | <u>Earnings</u> | <u>Other</u>         | <u>Stockholder's</u> | <u>Equity</u>   | <u>Other</u>         | <u>Member's</u> |
|                                   |                     |               | <u>Capital</u>    |                 | <u>Comprehensive</u> | <u>Equity</u>        |                 | <u>Comprehensive</u> | <u>Equity</u>   |
|                                   |                     |               |                   |                 | <u>Income</u>        |                      |                 | <u>Income</u>        |                 |
| <b><i>Predecessor</i></b>         |                     |               |                   |                 |                      |                      |                 |                      |                 |
| Balance at December 31, 2011..... | 1,000               | —             | 1,268             | 432             | 3                    | 1,703                | —               | —                    | —               |
| Net income.....                   |                     |               |                   | 24              |                      | 24                   |                 |                      |                 |
| Dividend paid to parent .....     |                     |               |                   | (60)            |                      | (60)                 |                 |                      |                 |
| Balance at May 24, 2012.....      | <u>1,000</u>        | <u>\$ —</u>   | <u>\$ 1,268</u>   | <u>\$ 396</u>   | <u>\$ 3</u>          | <u>\$ 1,667</u>      | <u>\$ —</u>     | <u>\$ —</u>          | <u>\$ —</u>     |
| <b><i>Successor</i></b>           |                     |               |                   |                 |                      |                      |                 |                      |                 |
| Balance at May 25, 2012.....      | 1,000               | \$ —          | \$ 2,175          | \$ —            | \$ —                 | \$ 2,175             | \$ —            | \$ —                 | \$ —            |
| Net loss .....                    |                     |               |                   | (8)             |                      | (8)                  |                 |                      |                 |
| Other comprehensive income ..     |                     |               |                   |                 | 1                    | 1                    |                 |                      |                 |
| Balance at June 30, 2012.....     | <u>1,000</u>        | <u>\$ —</u>   | <u>\$ 2,175</u>   | <u>\$ (8)</u>   | <u>\$ 1</u>          | <u>\$ 2,168</u>      | <u>\$ —</u>     | <u>\$ —</u>          | <u>\$ —</u>     |
| Balance at December 31, 2012....  | —                   | \$ —          | \$ —              | \$ —            | \$ —                 | \$ —                 | \$ 1,734        | \$ 9                 | \$ 1,743        |
| Net income .....                  |                     |               |                   |                 |                      |                      | 77              |                      | 77              |
| Other comprehensive income ..     |                     |               |                   |                 |                      |                      |                 | 1                    | 1               |
| Distributions .....               |                     |               |                   |                 |                      |                      | (24)            |                      | (24)            |
| Balance at June 30, 2013.....     | <u>—</u>            | <u>\$ —</u>   | <u>\$ —</u>       | <u>\$ —</u>     | <u>\$ —</u>          | <u>\$ —</u>          | <u>\$ 1,787</u> | <u>\$ 10</u>         | <u>\$ 1,797</u> |