# NGPL PipeCo LLC

## OFFER TO PURCHASE

For Cash, Any and All Outstanding
7.119% Senior Notes due 2017
(CUSIP Nos. 62912XAB0 / U6536EAB2) (ISINs US62912XAB01 / USU6536EAB21)

The Offer will expire at 8:00 a.m., Eastern Time, on August 1, 2017, unless extended or earlier terminated by the Company in its sole discretion (such time, as the same may be extended or earlier terminated, the "Expiration Time"). ***Tendered Notes may be withdrawn at any time at or prior to the Expiration Time.***

NGPL PipeCo LLC, a Delaware limited liability company (the "Company"), hereby offers to purchase for cash any and all of its outstanding 7.119% Senior Notes due 2017 (the "Notes"), from holders thereof (each, a "Holder" and collectively, the "Holders"), at the price set forth below, upon the terms and subject to the conditions set forth in this Offer to Purchase (as it may be amended or supplemented from time to time, this "Offer to Purchase") and in the related Letter of Transmittal (as it may be amended or supplemented from time to time, the "Letter of Transmittal") and the Notice of Guaranteed Delivery (as it may be amended or supplemented from time to time, the "Notice of Guaranteed Delivery").

The consummation of the offer made hereby (the "Offer") and the Company's obligation to accept for purchase, and to pay for, Notes validly tendered (and not validly withdrawn) pursuant to the Offer are also subject to the satisfaction of or waiver of certain conditions. See "Terms of the Offer—Conditions to the Offer."

The total consideration (the "Total Consideration") for each $1,000 principal number of Notes validly tendered and accepted for purchase pursuant to the Offer is the sum of the amount set forth in the table below under the heading "Total Consideration" plus a cash amount equal to accrued and unpaid interest, if any, thereon from the last interest payment date up to, but not including, the Settlement Date (as defined below).

Subject to the terms and conditions to the Offer, the Company expects to accept for purchase all of the Notes validly tendered and not validly withdrawn prior to the Expiration Time. The Company expects that the time of such acceptance (the "Acceptance Time") will be promptly following the Expiration Time and that the Acceptance Time will be the same business day as the Expiration Time. With respect to Notes delivered at or prior to the Expiration Time and accepted for purchase, the Holders thereof will receive payment of the Total Consideration for such accepted Notes on or promptly after the Acceptance Time. The date on which the Company deposits with DTC the aggregate Total Consideration for such Notes is referred to herein as the "Settlement Date." With respect to accepted Notes delivered pursuant to the guaranteed delivery procedures described below, the Holders thereof will receive payment of the Total Consideration for such Notes one business day after the Notice of Guaranteed Delivery Date (as defined below), such date being referred to as the "Guaranteed Delivery Settlement Date." Interest will cease to accrue on the Settlement Date for all Notes accepted in the Offer.

| Notes | CUSIP Numbers / ISINs | Principal Amount Outstanding as of July 25, 2017 | Total Consideration(1) |
|---|---|---|---|
| 7.119% Senior Notes due 2017 | CUSIP Nos. 62912XAB0 / U6536EAB2<br>ISINs US62912XAB01 / USU6536EAB21 | $1,250,000,000 | $1,020.64 |

(1) Per $1,000 principal amount of Notes. In addition to the amount set forth in the table above, the Total Consideration will include a cash amount equal to accrued and unpaid interest, if any, thereon from the last interest payment date up to, but not including, the Settlement Date.

If the Company makes a material change in the terms of the Offer or the information concerning the Offer or waives a material condition of the Offer, the Company will disseminate additional Offer materials and extend the Offer to the extent required by law. In the case of a material change to the terms of the Offer, the Offer will remain open at least three business days from the day the Company first gives notice of such change to Holders, by public announcement via a press release through a widely disseminated news or wire service (or otherwise to the extent permitted by applicable law) prior to 10:00 a.m., Eastern Time, on such day. If the consideration to be paid in the Offer with respect to the Notes is increased or decreased, the Offer will remain open at least five business days from the day the Company first gives such notice to Holders.

***This Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery should be read carefully before a decision is made with respect to the Offer. None of such documents has been filed with or reviewed by any regulatory authority, nor has any such authority passed upon the accuracy or adequacy thereof. Any representation to the contrary is unlawful and may be a criminal offense.***

*The Dealer Manager for the Offer is:*

**RBC Capital Markets**

July 25, 2017

**Notwithstanding any other provision of the Offer, the consummation of the Offer and the Company's obligation to accept for purchase, and to pay for, Notes validly tendered (and not validly withdrawn) pursuant to the Offer is subject to, and conditioned upon, the satisfaction of or, where applicable, its waiver of certain conditions, including (a) the Company's completion of one or more capital markets transactions, including potential debt securities offerings, in an amount sufficient to (i) fund the purchase of validly tendered Notes accepted for purchase in the Offer and (ii) pay all fees and expenses associated with the foregoing financing and the Offer, all on terms acceptable to the Company in its sole discretion, and (b) satisfaction of the other conditions set forth in "Terms of the Offer—Conditions to the Offer." The Company reserves the right to amend or waive any of the conditions of the Offer, in whole or in part, at any time or from time to time, in its sole discretion.**

**In the event that the Offer with respect to the Notes is withdrawn, terminated or otherwise not completed, the Total Consideration will not be paid or become payable to Holders of Notes who have validly tendered their Notes in connection with the Offer. In any such event, Notes previously tendered pursuant to the Offer will be promptly returned to the tendering Holder.**

Subject to the terms and conditions set forth herein, the Company expects to accept for purchase at the Acceptance Time all of the Notes that are validly tendered prior to the Expiration Time. With respect to Notes delivered at or prior to the Expiration Time and accepted for purchase, the Holders thereof will receive payment of the Total Consideration for such accepted Notes on the Settlement Date, which the Company expects will be on or promptly following the Acceptance Time. With respect to accepted Notes delivered pursuant to the guaranteed delivery procedures described below, the Holders thereof will receive payment of the Total Consideration for such Notes on the Guaranteed Delivery Settlement Date. Under no circumstances will any interest on the Total Consideration be payable because of any delay resulting from the guaranteed delivery procedures described below or in the transmission of funds to Holders by the Tender Agent (as defined below) or DTC.

Notes may be tendered and accepted for payment only in principal amounts equal to minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof. No alternative, conditional or contingent tenders will be accepted. All references in this Offer to Purchase to "$" are to U.S. dollars.

**Subject to applicable laws and the terms set forth in the Offer, the Company reserves the right, with respect to the Notes, to (i) waive or modify in whole or in part any and all conditions to the Offer, (ii) extend the Expiration Time, (iii) modify or terminate the Offer, (iv) decrease the principal amount of Notes subject to the Offer, or (v) otherwise amend the Offer in any respect.**

Global Bondholder Services Corporation is acting as the Tender Agent (in such capacity, the "Tender Agent") and as the Information Agent (in such capacity, the "Information Agent") for the Offer. The Trustee for the Notes is U.S. Bank National Association. RBC Capital Markets, LLC is acting as the Dealer Manager for the Offer (the "Dealer Manager").

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The Company expects to apply a portion of the net proceeds from the completion of one or more capital markets transactions to the redemption of Notes that are not purchased in the Offer and remain outstanding after settlement of the Offer. Accordingly, subject to the receipt of sufficient net proceeds from such capital markets transaction or transactions, the Company expects all issued and outstanding Notes to be either purchased pursuant to the Offer or redeemed pursuant to the provisions of the Notes and the indenture governing the Notes. In the event that the Company does not exercise its right to redeem the Notes, the Company reserves the absolute right, in its sole discretion, from time to time to purchase any Notes that remain outstanding after the Expiration Time, through open market or privately negotiated transactions, one or more additional tender offers or otherwise, upon such terms and at such prices as it may determine, which may be more or less than the prices to be paid pursuant to the Offer or in a redemption, and could be for cash or other consideration. The Company has the right but not the obligation to redeem any Notes that remain outstanding after the Offer, and the selection of any particular redemption date is in the Company's discretion.

Unless the context otherwise requires, the terms "Company," "we," "us" and "our" refer to the Company and its consolidated subsidiaries.

## IMPORTANT DATES

Holders of Notes should note the following times relating to the Offer:

| Date | Calendar Date | Event |
|---|---|---|
| Launch Date.......................... | July 25, 2017. | Commencement of the Offer. |
| Expiration Time.................... | 8:00 a.m., Eastern Time, on August 1, 2017, unless extended or earlier terminated by the Company in its sole discretion. | The last date and time for Holders to tender Notes to qualify for the payment of the Total Consideration. |
| Acceptance Time.................. | The Company expects that the Acceptance Time will be promptly following the Expiration Time and that the Acceptance Time will be the same business day as the Expiration Time. | Acceptance of all Notes validly tendered prior to the Expiration Time. |
| Settlement Date .................. | In respect of Notes that are accepted for purchase at the Acceptance Time and delivered at or prior to the Expiration Time, the Company expects the Settlement Date to occur on or promptly following the Acceptance Time. | The date on which the Company deposits with DTC the aggregate Total Consideration for Notes tendered and accepted for purchase at the Acceptance Time. Interest will cease to accrue on the Settlement Date for all Notes accepted in the Offer. |
| Guaranteed Delivery Settlement Date .................... | In respect of accepted Notes that are delivered pursuant to the guaranteed delivery procedures described below, the Company expects the Guaranteed Delivery Settlement Date to occur one business day after the Notice of Guaranteed Delivery Date. | The date on which the Company deposits with DTC the aggregate Total Consideration for accepted Notes tendered and delivered through the guaranteed delivery procedures described below. Interest will cease to accrue on the Settlement Date for all Notes accepted in the Offer. |

**The Company reserves the right to extend the Offer with respect to the Notes, if necessary, so that the Acceptance Time, occurs upon or shortly after the satisfaction or waiver of the conditions to the Offer.**

## IMPORTANT INFORMATION

A beneficial owner of Notes that are held of record by a broker, dealer, custodian bank, depository, trust company or other nominee must instruct such nominee to tender the Notes on the beneficial owner's behalf. See "Terms of the Offer—Procedure for Tendering Notes."

DTC has authorized DTC participants that hold Notes on behalf of beneficial owners of Notes through DTC to tender their Notes as if they were Holders. To effect a tender, DTC participants may, in lieu of physically completing and signing the Letter of Transmittal, transmit their acceptance to DTC through the DTC Automated Tender Offer Program ("ATOP"). To effect such a tender, participants should transmit their acceptance through ATOP and follow the procedure for book-entry transfer set forth under "Terms of the Offer—Procedure for Tendering Notes." Neither Holders nor beneficial owners of tendered Notes will be obligated to pay brokerage fees or commissions to the Dealer Manager, the Tender Agent, the Information Agent, the Trustee or the Company. If you desire to tender your Notes and (i) your Notes certificates are not immediately available or cannot be delivered to the Tender Agent, (ii) you cannot comply with the procedure for book-entry transfer or (iii) you cannot deliver the other required documents to the Tender Agent by the Expiration Time, you must tender your Notes according to the guaranteed delivery procedures described below.

Questions and requests for assistance may be directed to the Dealer Manager or the Information Agent at their addresses and telephone numbers set forth on the back cover of this Offer to Purchase. Additional copies of this Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery and other related materials may be obtained from the Information Agent at its address and telephone numbers set forth on the back cover of this Offer to Purchase. Beneficial owners may also contact their brokers, dealers, custodian banks, depositories, trust companies or other nominees through which they hold the Notes with questions and requests for assistance.

Neither this Offer to Purchase nor the Offer constitute a notice of redemption under the optional redemption provisions of the indenture governing the Notes.

**The statements made in this Offer to Purchase are made as of the date on the cover page. The delivery of this Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery shall not under any circumstances create any implication that the information contained herein is correct as of a later date or that there has been no change in such information or in the affairs of the Company or any of its subsidiaries or affiliates since such dates.**

**This Offer to Purchase does not constitute an offer to purchase any Notes in any jurisdiction in which, or to or from any person to or from whom, it is unlawful to make such offer under applicable securities or "blue sky" or other laws. Nothing in this Offer to Purchase, the Letter of Transmittal or the Notice of Guaranteed Delivery constitutes an offer to sell any securities.**

**No dealer, salesperson or other person has been authorized to give any information or to make any representation not contained in this Offer to Purchase and, if given or made, such information or representation may not be relied upon as having been authorized by the Company or the Dealer Manager.**

**None of the Company, its board of directors, the Trustee, the Information Agent, the Tender Agent, the Dealer Manager or any of their respective affiliates makes any recommendation as to whether Holders should tender, or refrain from tendering, all or any portion of the principal amount of their Notes pursuant to the Offer.**

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## SUMMARY

*This Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery contain important information that should be read carefully before any decision is made with respect to the Offer. Unless the context otherwise requires, references in this Offer to Purchase to "NGPL PipeCo," "the Company," "we," "our," "us" or like terms refer to NGPL PipeCo LLC and its consolidated subsidiaries.*

*The following summary is provided solely for the convenience of Holders. This summary is not intended to be complete and is qualified in its entirety by reference to the full text and more specific details contained elsewhere in this Offer to Purchase (including the information regarding the Company set forth in Annex A hereto (the "Company Information")), the Letter of Transmittal, the Notice of Guaranteed Delivery and any amendments or supplements hereto or thereto. Holders are urged to read this Offer to Purchase (including the Company Information), the Letter of Transmittal and the Notice of Guaranteed Delivery in their entirety. Each of the capitalized terms used but not defined in this summary has the meaning set forth elsewhere in this Offer to Purchase. If you have questions, please call the Information Agent or the Dealer Manager at their respective telephone numbers on the back cover of this Offer to Purchase.*

### The Company

NGPL PipeCo LLC is a Delaware limited liability company engaged in interstate natural gas transportation and storage through its wholly owned subsidiaries, Natural Gas Pipeline Company of America LLC ("NGPL") and Kinder Morgan Illinois Pipeline LLC ("KMIP"). We are indirectly owned 50% by Kinder Morgan, Inc. ("Kinder Morgan" or "KMI") and 50% by Brookfield Infrastructure Partners L.P. ("Brookfield" or "BIP" and together with Kinder Morgan, the "Sponsors"). A subsidiary of Kinder Morgan is the operator of NGPL.

### The Tender Offer

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|---|---|
| The Company .................... | NGPL PipeCo LLC |
| The Notes........................... | 7.119% Senior Notes due 2017 (CUSIP Nos. 62912XAB0 / U6536EAB2; ISINs US62912XAB01 / USU6536EAB21). |
| Principal Amount Outstanding........................ | $1,250,000,000 (as of July 25, 2017). |
| The Offer ........................... | The Company is offering to purchase for cash, upon the terms and subject to the conditions set forth in this Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery, any and all of its outstanding Notes validly tendered and accepted for purchase by the Company. See "Terms of the Offer—General." |
| Total Consideration ........... | The Total Consideration for the Notes is $1,020.64 per $1,000.00 principal amount plus a cash amount equal to accrued and unpaid interest, if any, thereon from the last interest payment date up to, but not including, the Settlement Date. |
| Expiration Time................. | 8:00 a.m., Eastern Time, on August 1, 2017, unless extended or the Offer is earlier terminated by the Company, in each case, in its sole discretion. |
| Acceptance Time ............... | Subject to the terms and conditions to the Offer, the Company expects to accept for purchase all of the Notes validly tendered and not validly withdrawn prior to the Expiration Time. The Company expects that the time of such acceptance will be promptly following the Expiration Time and that such date will be the same business day as the Expiration Time. |

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|---|---|
| Settlement Date ................. | In respect of Notes that are accepted for purchase at the Acceptance Time, the Company expects that the Settlement Date will be on or promptly following the Acceptance Time. In respect of accepted Notes that are delivered pursuant to the guaranteed delivery procedures described below, the Company expects that the Guaranteed Delivery Settlement Date will be one business day after the Notice of Guaranteed Delivery Date. Interest will cease to accrue on the Settlement Date for all Notes accepted in the Offer. |
| Withdrawal Rights............. | Notes tendered pursuant to the Offer at or prior to the Expiration Time may be withdrawn or revoked at any time at or prior to the Expiration Time (which is 8:00 a.m., Eastern Time, on August 1, 2017 (unless extended)), in accordance with the procedures described herein and as otherwise set forth herein. |
| How to Tender Notes......... | Any beneficial owner desiring to tender Notes pursuant to the Offer should request such beneficial owner's custodian or nominee to effect the transaction for such beneficial owner or according to the guaranteed delivery procedures described below. Participants in DTC may electronically transmit their acceptance of the Offer by causing DTC to transfer Notes to the Tender Agent in accordance with DTC's ATOP procedures for transfers. See "Terms of the Offer—Procedure for Tendering Notes." For further information, call the Information Agent or the Dealer Manager at their respective telephone numbers set forth on the back cover of this Offer to Purchase or consult your broker, dealer, custodian bank, depository, trust company or other nominee for assistance. |
| Purpose of the Offer .......... | The purpose of the Offer is to refinance the Notes using the net proceeds from one or more capital markets transactions, including potential debt securities offerings. See "Purpose of the Offer." |
| Conditions to the Offer...... | Notwithstanding any other provision of the Offer, the consummation of the Offer and the Company's obligation to accept for purchase, and to pay for, Notes validly tendered (and not validly withdrawn) pursuant to the Offer are subject to the satisfaction of or waiver of certain conditions, including (a) the Company's completion of one or more capital markets transactions, including potential debt securities offerings, in an amount sufficient to (i) fund the purchase of validly tendered Notes accepted for purchase in the Offer and (ii) pay all fees and expenses associated with the foregoing financing and the Offer, all on terms acceptable to the Company in its sole discretion, and (b) satisfaction of the other conditions set forth in "Terms of the Offer—Conditions to the Offer." The Company reserves the right to amend or waive any of the conditions to the Offer, in whole or in part, at any time or from time to time, in its sole discretion. |
| Acceptance for Payment and Payment for Notes............................ | On the terms of the Offer and upon satisfaction or waiver of the conditions to the Offer specified herein under "Terms of the Offer—Conditions to the Offer," the Company will (a) accept for purchase Notes validly tendered (or defectively tendered if, in its sole discretion, the Company waives such defect) and not validly withdrawn, (b) promptly pay to DTC, on the Settlement Date, the Total Consideration for Notes that are tendered in the Offer and accepted for purchase and (c) pay on the Guaranteed Delivery Settlement Date, the Total Consideration for such accepted Notes delivered pursuant to the guaranteed delivery procedures set forth below. Interest will cease to accrue on the Settlement Date for all Notes accepted in the Offer.<br><br>The Company reserves the right, subject to applicable law, to (a) accept for purchase and pay for all of the Notes validly tendered at or prior to the Expiration Time with respect to the Offer and to keep the Offer open or extend the Expiration Time to a later date and time and (b) waive any and all conditions to the Offer with respect to the |

| | |
|---|---|
| | Notes tendered at or prior to the Expiration Time. |
| Certain Significant Consequences .................... | For a summary of certain significant consequences of the Offer, see “Certain Significant Consequences.” |
| Material United States Federal Income Tax Consequences .................... | For a summary of material United States federal income tax consequences of the Offer, see “Material United States Federal Income Tax Consequences.” |
| Brokerage Commissions.... | No brokerage commissions are payable by Holders to the Dealer Manager, the Information Agent, the Company, the Trustee or the Tender Agent. |
| Dealer Manager ................. | RBC Capital Markets, LLC |
| Information Agent ............. | Global Bondholder Services Corporation |
| Tender Agent..................... | Global Bondholder Services Corporation |
| Further Information ........... | Questions may be directed to the Dealer Manager or the Information Agent, and additional copies of this Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery may be obtained by contacting the Information Agent, at their respective telephone numbers and addresses set forth on the back cover of this Offer to Purchase. |

## SELECTED CONSOLIDATED HISTORICAL FINANCIAL DATA

The following table sets forth our historical consolidated financial information as of and for the periods ended on the dates indicated below. The summary consolidated financial information for each of the years ended December 31, 2015 and 2016 and as of December 31, 2015 and 2016 has been derived from our audited consolidated financial statements, which are included elsewhere in this offering memorandum. The summary consolidated financial information for and as of the year ended December 31, 2014 has been derived from our audited consolidated financial statements, which are not included in this offering memorandum. The summary consolidated financial information for and as of the three months ended March 31, 2016 and 2017 has been derived from our unaudited consolidated financial statements which are included elsewhere in this offering memorandum. Our summary consolidated financial information for the twelve months ended March 31, 2017 has been derived from our audited consolidated financial statements for the year ended December 31, 2016 and our unaudited consolidated financial information for the three month periods ended March 31, 2016 and March 31, 2017. Interim results are not necessarily indicative of the results to be expected for an entire fiscal year.

This information is only a summary and should be read in conjunction with the more detailed information contained in "Capitalization," "Selected Consolidated Historical Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and related notes included elsewhere in this offering memorandum.

| | Year Ended December 31, | | | Three Months Ended March 31, | | Twelve Months Ended March 31, |
|---|---|---|---|---|---|---|
| | **2014** | **2015** | **2016** | **2016** | **2017** | **2017** |
| (*dollars in thousands*) | | (*audited*) | | (*unaudited*) | | (*unaudited*) |
| **Statement of Operations Data:** | | | | | | |
| Operating revenues | $ 652,740 | $ 578,189 | $ 615,375 | $ 146,125 | $ 169,408 | $ 638,658 |
| Operating costs and expenses | 964,449 | 623,798 | 389,436 | 76,499 | 86,594 | 399,531 |
| Operating income (loss) | (311,709) | (45,609) | 225,939 | 69,626 | 82,814 | 239,127 |
| Other income and (expenses) | (223,646) | (224,279) | (191,027) | (54,813) | (44,831) | (181,045) |
| Income (loss) before income taxes | (535,355) | (269,888) | 34,912 | 14,813 | 37,983 | 58,082 |
| Income tax expense (benefit) | (18,225) | (26,223) | 15,223 | 5,756 | 14,801 | 24,268 |
| Net income (loss) | $ (517,130) | $ (243,665) | $ 19,689 | $ 9,057 | $ 23,182 | $ 33,814 |
| **Balance Sheet Data (at period end):** | | | | | | |
| Cash and cash equivalents | $ 563 | $ 11,329 | $ 6,207 | $ 46,805 | $ 48,760 | $ 48,760 |
| Total assets | $ 3,894,494 | $ 3,688,699 | $ 3,727,518 | $ 3,730,269 | $ 3,761,255 | $ 3,761,255 |
| Long-term debt | $ 2,910,805(1) | $ 2,905,499(1) | $2,290,436(1) | $ 2,898,691(1) | $ 2,250,888(1) | $ 2,250,888(1) |
| **Other Data:** | | | | | | |
| Adjusted EBITDA(2) | $ 298,006 | $ 285,549 | $ 324,344 | $ 93,107 | $ 106,710 | $ 337,947 |
| Gross profit(3) | $ 499,280 | $ 509,614 | $ 545,246 | $ 138,110 | $ 157,124 | $ 564,260 |
| Net cash flows provided by operating activities | $ 54,316 | $ 54,846 | $ 128,007 | $ 62,645 | $ 103,963 | $ 169,325 |
| Capital expenditures | $ (72,853) | $ (116,313) | $ (125,399) | $ (17,403) | $ (23,369) | $ (131,365) |
| Adjusted EBITDA to cash interest expense | 1.33 | 1.29 | 1.70 | 1.96 | 3.40 | 1.94 |

(1) Includes drawings under our revolving credit facility, current maturities of long term debt, including $1,250 million in aggregate principal amount of our 2017 Notes reclassified as short term debt, and $549 million in aggregate principal amount of 2019 Notes that were redeemed on June 1, 2017.

(2) Adjusted EBITDA is a supplemental measure of our financial performance that is not required by, or presented in accordance with, U.S. GAAP. This metric is not a measurement of our financial performance under U.S. GAAP and should not be considered as an alternative to net income, operating income or any other performance measure derived in accordance with U.S. GAAP. We define Adjusted EBITDA as net income before net interest expense, income taxes, depreciation and amortization, and other non-cash or non-recurring items such as goodwill or other impairments, and price adjustments on inventory. See "—Non-GAAP Financial Measures."

Set forth below is a reconciliation of Adjusted EBITDA to net income (loss), the most directly comparable financial measure calculated and presented in accordance with U.S. GAAP:

| (*dollars in thousands*) | Year Ended December 31 2014 | 2015[c] (*audited*) | 2016 | Three Months Ended March 31, 2016 (*unaudited*) | 2017 | Twelve Months Ended March 31, 2017 (*unaudited*) |
|---|---|---|---|---|---|---|
| **Net income (loss)** | $ (517,130) | $ (243,665) | $ 19,689 | $ 9,057 | $ 23,182 | $ 33,814 |
| Income tax expense (benefit) | (18,225) | (26,223) | 15,223 | 5,756 | 14,801 | 24,268 |
| Interest expense, net | 230,987 | 231,316 | 202,419 | 57,308 | 45,291 | 190,402 |
| Depreciation and amortization expense | 88,787 | 89,254 | 92,948 | 22,752 | 23,401 | 93,597 |
| Goodwill impairment[a] | 500,000 | 211,024 | — | — | — | — |
| Other items[b] | 13,587 | 23,843 | (5,935) | (1,766) | 35 | (4,134) |
| **Adjusted EBITDA** | $ 298,006 | $ 285,549 | $ 324,344 | $ 93,107 | $ 106,710 | $ 337,947 |

(a) We recorded a goodwill impairment in 2014 of $500 million as a result of a general deterioration in market conditions for the natural gas transportation market in which we operate. We recorded a goodwill impairment in 2015 of approximately $211 million as a result of the valuation of our business implied by the 2015 Reorganization. The impairment charges were driven by lower market valuations in the natural gas pipeline sector. There was no such change in value or resulting goodwill impairment in 2016 or the three months ended March 31, 2017.

(b) Includes non-cash related and/or non-recurring income items including: a loss of $13.9 million in inventory carrying value adjustments in the year ended December 31, 2014; carrying value adjustments on inventory of $11.6 million and a loss on the reclassification of assets as held for sale of $13.9 million in the year ended December 31, 2015; a gain on debt extinguishment of $6.8 million in the year ended December 31, 2016; and a gain on debt extinguishment of $2.1 million in the quarter ended March 31, 2016; as well as regulatory income activity and allowance for funds used during construction (equity) in each period.

(c) During 2015, a $22.1 million equity contribution was designated as a specified equity cure per the terms of a term loan outstanding at that time, resulting in Adjusted EBITDA reported to holders of that term loan of $307.7 million for 2015.

(3) We define gross profit as operating revenues less purchases and other costs of sales.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Offer to Purchase includes forward-looking statements. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. They use words such as "anticipate," "believe," "intend," "plan," "projection," "forecast," "strategy," "position," "continue," "estimate," "expect," "may," or the negative of those terms or other variations of them or comparable terminology. In particular, statements, express or implied, concerning future actions, conditions or events, future operating results or the ability to generate sales, income or cash flow or to pay principal, interest and premium (if any) on our debt or pay distributions are forward-looking statements. Forward-looking statements are not guarantees of performance. They involve risks, uncertainties and assumptions. Future actions, conditions or events and future results of operations may differ materially from those expressed in these forward-looking statements. Many of the factors that will determine these results are beyond our ability to control or predict. Specific factors that could cause actual results to differ from those in the forward-looking statements include:

- the extent of volatility in prices and resulting changes in demand for natural gas in the United States;
- economic activity, weather, development of new supply sources, alternative energy sources, conservation and technological advances that may affect price trends and demand for services;
- changes in our tariff rates implemented by the Federal Energy Regulatory Commission ("FERC") or another regulatory agency, including our recovery of fuel in-kind from shippers on our pipeline systems;
- competition from other interstate and intrastate pipeline companies as well as others;
- our ability to acquire new businesses and assets and integrate those operations into our existing operations, and make cost-saving changes in operations, as well as the ability to expand our facilities;
- our ability to safely operate and maintain our existing assets and to access or construct new pipeline and gas storage capacity;
- our ability to attract and retain key management and operations personnel;
- changes in natural gas production from exploration and production areas that we serve;
- changes in laws or regulations, third-party relations and approvals, and decisions of courts, regulators and governmental bodies, that may increase our compliance costs, restrict our ability to provide or reduce demand for our services or otherwise adversely affect our business or our ability to compete;
- our dependence on our operator, Kinder Morgan;
- costs to maintain, repair and replace our pipeline systems;
- our indebtedness, which could make us vulnerable to general adverse economic and industry conditions, limit our ability to borrow additional funds and/or place us at competitive disadvantages compared to our competitors that have less debt or have other adverse consequences;
- our potential liability for the tax obligations of the consolidated group of which we are a member;
- interruptions of electric power supply to our facilities due to natural disasters, power shortages, strikes, riots, terrorism (including cyber-attacks), war or other causes;
- the uncertainty inherent in estimating future natural gas production or reserves that we may experience;
- regulatory, environmental, political, legal, operational and geological uncertainties that could affect our ability to complete expansion projects on time and on budget;
- our ability to obtain permits required for new construction projects and permit renewals for current operations in a timely manner;
- the timing and success of our business development efforts, including our ability to renew long-term customer contracts;

- changes in accounting pronouncements that impact the measurement of our results of operations, the timing of when such measurements are to be made and recorded, and the disclosures surrounding these activities;
- our ability to obtain insurance coverage without a significant level of self-retention of risk;
- acts of nature, sabotage, terrorism (including cyber-attacks) or other similar acts or accidents causing damage greater than our insurance coverage limits;
- conditions in the capital and credit markets, inflation and fluctuations in interest rates;
- political and economic stability of the oil and gas producing nations of the world;
- national, international, regional and local economic, competitive and regulatory conditions and developments;
- our ability to achieve cost savings and revenue growth;
- unfavorable results of litigation and the fruition of contingencies referred to in the notes to the audited financial statements included in this offering memorandum; and
- those other factors discussed in the section of this offering memorandum entitled "Risk Factors."

We caution that the foregoing list of assumptions, risks and uncertainties is not exhaustive. Forward-looking statements are based on our expectations and beliefs concerning future events affecting us, and are subject to uncertainties and factors relating to our operations and business environment, all of which are difficult to predict and many of which are beyond our control. Although we believe that the expectations reflected in our forward-looking statements are reasonable, we do not know whether our expectations will prove correct. Any or all of the forward-looking statements in this Offer to Purchase may turn out to be wrong. They can be affected by inaccurate assumptions or by known or unknown risks and uncertainties. Many factors mentioned in this Offer to Purchase will be important in determining future results. Actual future results may vary materially. There is no assurance that any of the actions, events or results of the forward-looking statements will occur, or if any of them do, when they will occur or what impact they will have on our results of operations or financial condition. Because of these uncertainties, you should not put undue reliance on any forward-looking statements. The forward-looking statements contained in this Offer to Purchase are expressly qualified by this cautionary statement, including under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Annex A hereto. Accordingly, readers should not place undue reliance on forward-looking statements. These statements speak only as of the date of this Offer to Purchase. None of the Company, its board of directors, the Trustee, the Information Agent, the Tender Agent, the Dealer Manager or any of their respective affiliates undertakes any obligation to publicly update or revise any forward-looking statements except as expressly required by applicable securities laws.

## CERTAIN SIGNIFICANT CONSEQUENCES

In deciding whether to participate in the Offer, each Holder should consider carefully, in addition to the other information contained in this Offer to Purchase, the following:

### Limited Trading Market

To the extent that only a portion of the Notes are tendered and accepted in the Offer, the trading market for Notes that remain outstanding will become more limited. A bid for a debt security with a smaller outstanding principal amount available for trading (a smaller “float”) may be lower than a bid for a comparable debt security with a greater float. Therefore, the market price of any untendered or otherwise unpurchased Notes may be affected adversely to the extent that the Notes tendered and purchased pursuant to the Offer reduce the float. The reduced float may also tend to make the trading price more volatile. Holders of untendered or unpurchased Notes may attempt to obtain quotations for such Notes from their brokers; however, there can be no assurance that an active trading market will exist for the Notes following the Offer. The extent of the public market for the Notes following consummation of the Offer would depend upon the number of Holders holding Notes remaining at such time, and the interest in maintaining a market in the Notes on the part of securities firms and other factors.

### Subsequent Repurchases of Notes; Redemption

The Company expects to apply a portion of the net proceeds from the completion of one or more capital markets transactions to the redemption of Notes that are not purchased in the Offer and remain outstanding after settlement of the Offer. Accordingly, subject to the receipt of sufficient net proceeds from such capital markets transaction or transactions, the Company expects all issued and outstanding Notes to be either purchased pursuant to the Offer or redeemed pursuant to the provisions of the Notes and the indenture governing the Notes. In the event that the Company does not exercise its right to redeem the Notes, the Company reserves the absolute right, in its sole discretion, from time to time to purchase any Notes that remain outstanding after the Expiration Time, through open market or privately negotiated transactions, one or more additional tender offers or otherwise, upon such terms and at such prices as it may determine, which may be more or less than the prices to be paid pursuant to the Offer or in a redemption, and could be for cash or other consideration. The Company has the right but not the obligation to redeem any Notes that remain outstanding after the Offer, and the selection of any particular redemption date is in the Company’s discretion.

## PURPOSE OF THE OFFER

The purpose of the Offer is to refinance the Notes using the net proceeds from one or more capital markets transactions, including potential debt securities offerings.

## SOURCE OF FUNDS

The Company expects to use the net cash proceeds from one or more capital markets transactions, including potential debt securities offerings to provide the total amount of funds required to purchase the Notes sought pursuant to the Offer, repay outstanding borrowings under the Company's revolving credit facility and pay all fees and expenses associated with the foregoing financing and the Offer, all on terms acceptable to the Company in its sole discretion. If the Offer is fully subscribed and all the outstanding Notes are validly tendered and accepted for payment, the Company will require $1,275,800,000 (excluding the cash amount equal to any accrued and unpaid interest on the Notes from the last interest payment date up to, but not including, the Settlement Date) to consummate the Offer.

## TERMS OF THE OFFER

### General

Upon the terms and subject to the conditions set forth in this Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery and any supplements or amendments hereto or thereto, the Company hereby offers to purchase for cash any and all of its outstanding Notes for the Total Consideration payable on the Settlement Date.

Subject to the terms and conditions to the Offer or the waiver thereof by the Company in its sole discretion, Holders that validly tender and do not validly withdraw their Notes and validly deliver before the Expiration Time will be eligible to receive the Total Consideration.

Only Notes that are validly tendered in accordance with the procedures set forth herein before the Expiration Time will, upon the terms and subject to the conditions hereof, be eligible for acceptance by the Company. If so accepted, payment will be made therefor on the Settlement Date or in the case of accepted Notes delivered pursuant to the guaranteed delivery program, payment will made on the Guaranteed Delivery Settlement Date. No such payments will be made with respect to the Notes if the Offer is terminated. All conditions to the Offer, if any Notes are to be accepted for purchase promptly after the Expiration Time, will be either satisfied or waived by the Company prior to or concurrently with the expiration of the Offer at the Expiration Time.

In the event of any dispute or controversy regarding the Total Consideration for Notes tendered pursuant to the Offer, the Company's determination shall be conclusive and binding, absent manifest error.

In the event of a termination of the Offer with respect to the Notes, all Notes tendered pursuant to the Offer will be promptly returned to the tendering Holders.

The Company's obligation to accept and pay for Notes validly tendered pursuant to the Offer is conditioned upon satisfaction or waiver of certain conditions as set forth under "Terms of the Offer—Conditions to the Offer." **Subject to applicable securities laws and the terms set forth in the Offer, the Company reserves the right, with respect to the Notes, to (i) waive or modify in whole or in part any and all conditions to the Offer, (ii) extend the Expiration Time, (iii) modify or terminate the Offer, (iv) decrease the principal amount of Notes subject to the Offer or (v) otherwise amend the Offer in any respect.** The rights reserved by the Company in this paragraph are in addition to the Company's rights to terminate the Offer described in "Terms of the Offer—Conditions to the Offer."

Any amendment to the Offer with respect to the Notes will apply to all Notes tendered in the Offer. Any extension or amendment of the Expiration Time with respect to the Notes will be followed as promptly as practicable by public announcement thereof, the announcement in the case of an extension of the Expiration Time to be issued no later than 9:00 a.m., Eastern Time, on the next business day after the previously scheduled Expiration Time. Without limiting the manner in which any public announcement may be made, the Company shall have no obligation to publish, advertise or otherwise communicate any such public announcement other than by issuing a press release to *Business Wire*.

If the Company makes a material change in the terms of the Offer or the information concerning the Offer or waives a material condition of the Offer, the Company will disseminate additional Offer materials and extend the

Offer to the extent required by law, provided that in the case of a material change to the terms of the Offer, the Offer will remain open at least three business days from the date the Company first gives notice to Holders, by public announcement via a press release through a widely disseminated news or wire service (or otherwise to the extent permitted by applicable law) prior to 10:00 a.m., Eastern Time, on such day, of such material change. If the consideration to be paid in the Offer with respect to the Notes is increased or decreased, the Offer will remain open at least five business days from the date the Company first gives notice to Holders, by public announcement via a press release through a widely disseminated news or wire service (or otherwise to the extent permitted by applicable law) prior to 10:00 a.m., Eastern Time, on such day, of such increase or decrease. Any Notes that are tendered may be withdrawn at any time prior to the Expiration Time. See "Terms of the Offer—Withdrawal of Tenders."

**No Recommendation**

None of the Company, its board of directors, the Trustee, the Information Agent, the Tender Agent, the Dealer Manager or any of their respective affiliates makes any recommendation as to whether Holders should tender, or refrain from tendering,` all or any portion of the principal amount of their Notes pursuant to the Offer. Holders must make their own decisions with regard to tendering Notes and no one has been authorized by any of them to make such a recommendation. Holders must make their own decisions as to whether to tender Notes, and, if so, the principal amount of Notes to tender.

**Settlement of Notes**

Subject to the terms and conditions set forth herein, the Company expects to accept for purchase at the Acceptance Time all of the Notes that are validly tendered prior to the Expiration Time. With respect to Notes accepted for purchase at the Acceptance Time and delivered at or prior to the Expiration Time, if any, the Holders thereof will receive payment of the Total Consideration for such accepted Notes on the Settlement Date, which the Company expects will be at or promptly following the Acceptance Time. With respect to accepted Notes delivered pursuant to the guaranteed delivery procedures described below, the Holders thereof will receive payment of the Total Consideration for such Notes on the Guaranteed Delivery Settlement Date. Interest will cease to accrue on the Settlement Date for all Notes accepted in the Offer.

Notes may be tendered and accepted for payment only in principal amounts equal to minimum denominations of $1,000 and integral multiples of $1,000 in excess thereof. No alternative, conditional or contingent tenders will be accepted. All references in this Offer to Purchase to "$" are to U.S. dollars.

**Conditions to the Offer**

Notwithstanding any other provision of the Offer and in addition to (and not in limitation of) the Company's rights to terminate, extend and/or amend the Offer with respect to the Notes, in its sole discretion, the Company shall not be required to accept for payment, purchase or pay for, and may delay the acceptance for payment of, any Notes validly tendered (and not validly withdrawn), in each event subject to Rule 14e-l(c) under the Exchange Act, and may terminate any or all of the Offer, if any of the following has occurred:

- the Company has not completed one or more capital markets transactions, including potential debt securities offerings, in an amount sufficient to (a) fund the purchase of validly tendered Notes accepted for purchase in the Offer and (b) pay all fees and expenses associated with the foregoing financing and the Offer, all on terms acceptable to the Company in its sole discretion;

- there shall have been instituted, threatened or be pending any action, proceeding or investigation, whether formal or informal (or there shall have been any material adverse development to any action or proceeding currently instituted, threatened or pending), before or by any court, governmental, regulatory or administrative agency or instrumentality, or by any other person, in connection with the Offer that, in the sole judgment of the Company, either (a) is, or is reasonably likely to be, materially adverse to the business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects of the Company and its subsidiaries, (b) would or might prohibit, prevent, restrict or delay consummation of the Offer, or (c) would materially impair the contemplated benefits of the Offer to the Company or be material to Holders in deciding whether to accept the Offer;

- an order, statute, rule, regulation, executive order, stay, decree, judgment or injunction shall have been proposed, enacted, entered, issued, promulgated, enforced or deemed applicable by any court or governmental, regulatory or administrative agency or instrumentality that, in the sole judgment of the Company, either (a) would or might prohibit, prevent, restrict or delay consummation of the Offer or (b) is, or is reasonably likely to be, materially adverse to the business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects of the Company and its subsidiaries;

- there shall have occurred or be likely to occur any event affecting the business or financial affairs of the Company and its subsidiaries that, in the sole judgment of the Company, would or might result in any of the consequences referred to in the second bullet above;

- the Trustee shall have objected in any respect to or taken action that could, in the sole judgment of the Company, adversely affect the consummation of the Offer or shall have taken any action that challenges the validity or effectiveness of the procedures used by the Company in the making of the Offer or the acceptance of, or payment for, the Notes; or

- there has occurred (a) any general suspension of, or limitation on prices for, trading in securities in the United States securities or financial markets, (b) any significant adverse change in the price of the Notes in the United States or other major securities or financial markets, (c) a material impairment in the trading market for debt securities, (d) a declaration of a banking moratorium or any suspension of payments with respect to banks in the United States or other major financial markets, (e) any limitation (regardless of whether mandatory) by any government or governmental, administrative or regulatory authority or agency, domestic or foreign, or other event that, in the reasonable judgment of the Company, might affect the extension of credit by banks or other lending institutions, (f) a commencement of a war, armed hostilities, terrorist acts or other national or international calamity directly or indirectly involving the United States, (g) in the case of any of the foregoing existing on the date hereof, a material acceleration or worsening thereof, or (h) any event that has resulted, or may in the sole judgment of the Company result, in a material adverse change in the business, operations, properties, condition (financial or otherwise), assets, liabilities or prospects of the Company and its subsidiaries.

The foregoing conditions are for the sole benefit of the Company and may be asserted by the Company regardless of the circumstances giving rise to any such condition (including any action or inaction by the Company) and may be waived by the Company with respect to the Notes, in whole or in part, at any time and from time to time, in its sole discretion. All conditions to the Offer will, if any Notes are to be accepted for purchase promptly after the Expiration Time, be either satisfied or waived by the Company concurrently with or before such time. If any of the conditions are not satisfied at the Expiration Time, the Company may, in its sole discretion and without giving any notice, terminate the Offer, or extend the Offer, and continue to accept tenders. The failure by the Company at any time to exercise any of the foregoing rights will not be deemed a waiver of any other right and each right will be deemed an ongoing right that may be asserted at any time and from time to time.

**Acceptance for Payment and Payment for Notes**

On the terms of the Offer and upon satisfaction or waiver of the conditions to the Offer specified herein under "Terms of the Offer—Conditions to the Offer," the Company will (a) accept for purchase Notes validly tendered (or defectively tendered, if in its sole discretion the Company waives such defect) and not validly withdrawn, (b) promptly pay to DTC, on the Settlement Date, the Total Consideration for Notes that are tendered in the Offer and accepted for purchase and (c) pay on the Guaranteed Delivery Settlement Date, the Total Consideration for such accepted Notes delivered pursuant to the guaranteed delivery procedures set forth below.

The Company reserves the right, subject to applicable laws, to (a) accept for purchase and pay for all of the Notes validly tendered at or prior to the Expiration Time with respect to the Offer and to keep the Offer open or extend the Expiration Time to a later date and time and (b) waive all conditions to the Offer for Notes tendered at or prior to the Expiration Time. Notes will be accepted for purchase in base denominations of $1,000 and in integral multiples of $1,000 in excess thereof.

For purposes of the Offer, tendered Notes will be deemed to have been accepted for purchase, if, as and when the Company gives oral or written notice thereof to the Tender Agent. Payment for Notes accepted for purchase shall be made on the Settlement Date by the deposit of the aggregate Total Consideration in immediately available funds with DTC. Under no circumstances will additional interest on the Total Consideration be paid by the Company after the Settlement Date by reason of any delay on the part of the guaranteed delivery procedures or the Tender Agent or DTC in making payment to Holders.

The Company expressly reserves the right, in its sole discretion and subject to Rule 14e-1(c) under the Exchange Act, to delay acceptance for purchase of or payment for Notes in order to comply, in whole or in part, with any applicable law or for any other reason. See “Terms of the Offer—Conditions to the Offer.” In all cases, payment by the Tender Agent or DTC to Holders or beneficial owners of the Total Consideration for Notes purchased pursuant to the Offer will be made only after receipt by the Tender Agent of (a) a certificate representing the Notes or timely confirmation of a book-entry transfer of such Notes into the Tender Agent’s account at DTC pursuant to the procedures set forth under “Terms of the Offer—Procedure for Tendering Notes,” (b) a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) or a properly transmitted Agent’s Message (as defined below) through ATOP and (c) any other documents required by the Letter of Transmittal.

Tendering Holders will not be obligated to pay brokerage fees or commissions to the Dealer Manager, the Information Agent, the Tender Agent, the Trustee or the Company. The Company will pay or cause to be paid all transfer taxes with respect to the purchase of any Notes unless the box titled “Special Payment Instructions” or the box titled “Special Delivery Instructions” on the Letter of Transmittal has been completed, as described in the instructions thereto. If payment is to be made to, or if Notes not tendered or purchased are to be registered in the name of or delivered to, any persons other than the registered owners, or if tendered Notes are registered in the name of any persons other than the persons signing the Letter of Transmittal, the amount of any transfer taxes (whether imposed on the registered Holder or such other person) payable on account of the transfer to such other person will be deducted from the payment unless satisfactory evidence of the payment of such taxes or exemption therefrom is submitted.

The Company reserves the right to transfer or assign, in whole at any time or in part from time to time, to one or more affiliates, the right to purchase Notes tendered pursuant to the Offer, but any such transfer or assignment will not relieve the Company of its obligations under the Offer or prejudice the rights of tendering Holders to receive payment of the Total Consideration, for Notes validly tendered pursuant to the Offer and accepted for purchase by the Company.

**Procedure for Tendering Notes**

The tender of Notes that are not validly withdrawn pursuant to the Offer and in accordance with the procedures described below will constitute a valid tender of Notes. Subject to the guaranteed delivery procedures described below, Holders will not be eligible to receive the Total Consideration, unless they validly tender their Notes (and do not validly withdraw their Notes) pursuant to the Offer at or prior to the Expiration Time.

The method of delivery of Notes, the Letter of Transmittal and the guaranteed delivery procedures, any required signature guarantees and all other required documents, including delivery through DTC and any acceptance of an Agent’s Message transmitted through ATOP, is at the election and risk of the Holder tendering Notes and delivering the Letter of Transmittal, the Notice of Guaranteed Delivery or transmitting an Agent’s Message and, except as otherwise provided in the Letter of Transmittal or the Notice of Guaranteed Delivery, delivery will be deemed made only when actually received by the Tender Agent. If delivery is by mail, it is suggested that the Holder use properly insured, registered mail with return receipt requested, and that the mailing be made sufficiently in advance of the Expiration Time to permit delivery to the Tender Agent at or prior to such time. Manually signed facsimile copies of the Letter of Transmittal or the Notice of Guaranteed Delivery, properly completed and duly executed, will be accepted. **In no event shall the Holder send any Notes to the Dealer Manager, the Information Agent, the Trustee or the Company.**

*Tender of Notes Held Through DTC.* For a tender of Notes held of record by DTC to be valid and for a Holder to be eligible to receive payment for Notes that are tendered, the Notes must be delivered to the Tender Agent pursuant to the book-entry delivery procedures described below, and either:

- the Tender Agent must receive from the DTC participant in whose account the Notes are held at DTC, at the address of the Tender Agent set forth on the back cover of this Offer to Purchase, a properly completed and duly executed Letter of Transmittal (or a manually signed facsimile thereof); or

- an acceptance of the Offer must be transmitted to the Tender Agent in accordance with DTC's ATOP procedures,

in each case, at or prior to the Expiration Time or in accordance with the guaranteed delivery procedures described below.

A beneficial owner of Notes held through a custodian or nominee that is a direct or indirect DTC participant, such as a bank, broker, trust company or other financial intermediary, must instruct the custodian or nominee to tender the beneficial owner's Notes on behalf of the beneficial owner.

The Tender Agent and DTC have confirmed that the Offer is eligible for ATOP. Accordingly, DTC participants may electronically transmit their acceptance of the Offer by causing DTC to transfer Notes to the Tender Agent in accordance with DTC's ATOP procedures for transfer. DTC will then send an Agent's Message to the Tender Agent. Holders using ATOP must allow sufficient time for completion of the ATOP procedures during normal business hours of DTC at or prior to the Expiration Time. If the ATOP procedures are used, the DTC participant in whose account the Notes are held at DTC need not complete and physically deliver the Letter of Transmittal to the Tender Agent. Holders whose Notes are held through Clearstream or Euroclear must transmit their acceptance in accordance with the requirements of Clearstream and Euroclear in sufficient time for such tenders to be timely made prior to the Expiration Time. Holders should note that such clearing systems may require that action be taken a day or more prior to the Expiration Time.

The term "Agent's Message" means a message transmitted by DTC, received by the Tender Agent and forming part of the Book-Entry Confirmation (as defined below), which states that DTC has received an express acknowledgment from the DTC participant tendering Notes that are the subject of such Book-Entry Confirmation that such DTC participant has received and agrees to be bound by the terms of this Offer to Purchase and the Letter of Transmittal and that the Company may enforce such agreement against such DTC participant.

*Tender of Notes Held in Physical Form*. For a Holder to validly tender Notes held in physical form pursuant to the Offer, a properly completed and validly executed Letter of Transmittal (or a manually signed facsimile thereof), together with any signature guarantees and any other documents required by the instructions to the Letter of Transmittal, must be received by the Tender Agent at its address set forth on the back cover of this Offer to Purchase and either certificates for tendered Notes must be received by the Tender Agent at such address or such Notes must be transferred pursuant to the procedures for book-entry transfer described above and a confirmation of such book-entry transfer must be received by the Tender Agent, in either case, prior to the Expiration Time.

*Guaranteed Delivery*. If a Holder desires to tender Notes into the Offer and the Holder's Notes are not immediately available or the Holder cannot deliver the Notes to the Tender Agent before the Expiration Time, or the Holder cannot complete the procedure for book-entry transfer on a timely basis, or if time will not permit all required documents to reach the Tender Agent before the Expiration Time, the Holder may nevertheless tender the Notes, provided that the Holder satisfies all of the following conditions:

- the Holder makes the tender by or through an eligible guarantor institution;

- the amount tendered is in denominations of principal amount of $1,000 or any integral multiple thereof;

- the Tender Agent receives by mail, overnight courier or facsimile transmission, before the Expiration Time, a properly completed and duly executed notice of guaranteed delivery in the form provided by the Company (the "Notice of Guaranteed Delivery"), including (where required) a signature guarantee by an eligible guarantor institution in the form set forth in such Notice of Guaranteed Delivery; and

- the Tender Agent receives the Notes, in proper form for transfer, or confirmation of book-entry transfer of the Notes into the Tender Agent's account at the book-entry transfer facility, together with a properly completed and duly executed Letter of Transmittal, or a manually signed facsimile thereof, and including any required signature guarantees, or an Agent's Message, and any other documents required by the Letter of Transmittal, within two business days after the Expiration Date.

The Notes, or confirmation of book-entry transfer of the Notes, and the other documents referred to in the last bullet point above will be required to be provided by no later than 5:00 p.m., Eastern Time, on August 3, 2017 (the "Notice of Guaranteed Delivery Date"), which is two business days after the Expiration Time. The Company expects the Guaranteed Delivery Settlement Date will take place on August 4, 2017.

**THE DELIVERY OF SUCH NOTES TENDERED BY GUARANTEED DELIVERY PROCEDURES WILL BE MADE NO LATER THAN 5:00 P.M., EASTERN TIME, ON THE SECOND BUSINESS DAY AFTER THE EXPIRATION TIME; PROVIDED, THAT INTEREST WILL CEASE TO ACCRUE ON THE SETTLEMENT DATE FOR ALL NOTES ACCEPTED IN THE OFFER, INCLUDING THOSE TENDERED BY THE GUARANTEED DELIVERY PROCEDURES SET FORTH ABOVE, AND UNDER NO CIRCUMSTANCES WILL ADDITIONAL INTEREST ON THE TOTAL CONSIDERATION BE PAID BY THE COMPANY AFTER THE SETTLEMENT DATE BY REASON OF ANY DELAY ON THE PART OF THE GUARANTEED DELIVERY PROCEDURES.**

**THE LETTER OF TRANSMITTAL, THE NOTES AND THE NOTICE OF GUARANTEED DELIVERY SHOULD BE SENT ONLY TO THE TENDER AGENT, AND NOT TO THE COMPANY, THE DEALER MANAGER, THE INFORMATION AGENT, THE TRUSTEE OR TO ANY BOOK-ENTRY TRANSFER FACILITY.**

**THE METHOD OF DELIVERY OF NOTES, THE LETTER OF TRANSMITTAL, THE NOTICE OF GUARANTEED DELIVERY AND ALL OTHER REQUIRED DOCUMENTS TO THE TENDER AGENT IS AT THE ELECTION AND RISK OF THE HOLDER TENDERING NOTES. DELIVERY OF SUCH DOCUMENTS WILL BE DEEMED MADE ONLY WHEN ACTUALLY RECEIVED BY THE TENDER AGENT. IF SUCH DELIVERY IS BY MAIL, IT IS SUGGESTED THAT THE HOLDER USE PROPERLY INSURED, REGISTERED MAIL WITH RETURN RECEIPT REQUESTED, AND THAT THE MAILING BE MADE SUFFICIENTLY IN ADVANCE OF THE EXPIRATION TIME TO PERMIT DELIVERY TO THE TENDER AGENT PRIOR TO SUCH DATE. NO ALTERNATIVE, CONDITIONAL OR CONTINGENT TENDERS OF NOTES WILL BE ACCEPTED.**

*Signature Guarantees*. Signatures on the Letter of Transmittal must be guaranteed by a firm that is a participant in the Security Transfer Agents Medallion Program, the New York Stock Exchange Medallion Signature Program or the Stock Exchange Medallion Program (a "Medallion Signature Guarantor") (generally a member of a registered national securities exchange, a member of the Financial Industry Regulatory Authority, or a commercial bank or trust company having an office in the United States) (an "Eligible Institution"), unless (a) the Letter of Transmittal is signed by the registered Holder of the Notes tendered therewith (or by a participant in DTC whose name appears on a security position listing it as the owner of such Notes) and payment of the Total Consideration is to be made, or if any Notes for principal amounts not tendered or not accepted for purchase are to be issued, directly to such Holder (or, if tendered by a participant in DTC, any Notes for principal amounts not tendered or not accepted for purchase are to be credited to such participant's account at DTC) and neither the "Special Payment Instructions" box nor the "Special Delivery Instructions" box on the Letter of Transmittal has been completed, or (b) such Notes are tendered for the account of an Eligible Institution.

*Book-Entry Transfer*. The Tender Agent will establish a new account or utilize an existing account with respect to the Notes at DTC (DTC being a Book-Entry Transfer Facility) for purposes of the Offer promptly after the date of this Offer to Purchase (to the extent such arrangements have not been made previously by the Tender Agent), and any financial institution that is a participant in DTC and whose name appears on a security position listing as the owner of the Notes may make book-entry delivery of Notes by causing DTC to transfer such Notes into the Tender Agent's account in accordance with DTC's procedures for such transfer. Delivery of documents to DTC in accordance with such Book-Entry Transfer Facility's procedures does not constitute delivery to the Tender Agent. The confirmation of a book-entry transfer of Notes into the Tender Agent's account at a Book-Entry Transfer Facility as described above is referred to herein as a "Book-Entry Confirmation."

*Other Matters.* Notwithstanding any other provision hereof, payment for Notes accepted for purchase pursuant to the Offer will in all cases be made only after timely receipt by the Tender Agent of (a) a certificate representing the Notes or timely confirmation of a book-entry transfer of such Notes into the Tender Agent's account at DTC pursuant to the procedures set forth under "Terms of the Offer—Procedure for Tendering Notes," (b) a properly completed and duly executed Letter of Transmittal (or manually signed facsimile thereof) or a properly transmitted Agent's Message (as defined below) through ATOP, and (c) any other documents required by the Letter of Transmittal.

Tenders of Notes pursuant to any of the procedures described above, and acceptance thereof by the Company for purchase, will constitute a binding agreement between the Company and the tendering Holder of the Notes, upon the terms and subject to the conditions to the Offer.

By executing a Letter of Transmittal or delivering an Agent's Message, and subject to and effective upon acceptance for purchase of, and payment for, the Notes tendered therewith, a tendering Holder irrevocably sells, assigns and transfers to or upon the order of the Company all right, title and interests in and to all the Notes tendered thereby, waives any and all other rights with respect to the Notes and releases and discharges the Company from any and all claims such Holder may have now, or may have in the future, arising out of, or related to, the Notes, including, without limitation, any claims that such Holder is entitled to receive additional principal or interest payments with respect to the Notes or to participate in any redemption of the Notes.

All questions as to the form of all documents and the validity (including time of receipt) and acceptance of all tenders of Notes will be determined by the Company, in its sole discretion, the determination of which shall be conclusive and binding. Alternative, conditional or contingent tenders of Notes will not be considered valid. The Company reserves the right to reject any or all tenders of Notes that are not in proper form or the acceptance of which, in the Company's opinion, would be unlawful. The Company also reserves the right to waive any defects, irregularities or conditions of tender as to particular Notes. A waiver of any defect or irregularity with respect to the tender of one Note shall not constitute a waiver of the same or any other defect or irregularity with respect to the tender of any other Note.

Any defect or irregularity in connection with tenders of Notes must be cured within such time as the Company determines, unless waived by the Company. Tenders of Notes shall not be deemed to have occurred until all defects and irregularities have been waived by the Company or cured. None of the Company, the Dealer Manager, the Tender Agent, the Information Agent, the Trustee or any other person will be under any duty to give notice of any defects or irregularities in tenders of Notes or will incur any liability to Holders for failure to give such notice.

**Withdrawal of Tenders**

Notes tendered may be withdrawn at any time at or prior to the Expiration Time, but not thereafter. In addition, tendered Notes may be withdrawn at any time after the 60th business day after the commencement of the Offer if for any reason the Offer has not been consummated within 60 business days after commencement. In the event of a termination of the Offer with respect to the Notes, such Notes will be credited to the account maintained at DTC from which such Notes were delivered or certificates for such Notes will be returned to such tendering Holders. In addition, the Company may, if it deems appropriate, extend the Expiration Time for any other reason. If the Company makes a material change in the terms of the Offer or the information concerning the Offer or waives a material condition of the Offer, the Company will disseminate additional Offer materials and extend the Offer to the extent required by law, provided that in the case of a material change to the terms of the Offer, the Offer will remain open at least three business days from the date the Company first gives notice to Holders, by public announcement via a press release through a widely disseminated news or wire service (or otherwise to the extent permitted by applicable law) prior to 10:00 a.m., Eastern Time, on such day, of such material change. If the consideration to be paid in the Offer with respect to the Notes is increased or decreased, the Offer will remain open at least five business days from the date the Company first gives notice to Holders, by public announcement via a press release through a widely disseminated news or wire service (or otherwise to the extent permitted by applicable law) prior to 10:00 a.m., Eastern Time, on such day, of such increase or decrease. In addition, the Company may, if it deems appropriate, extend the Offer for any other reason.

For a withdrawal of Notes tendered at or prior to the Expiration Time to be effective, a properly transmitted "Request Message" through ATOP or a notice of withdrawal must be delivered at or prior to the Expiration Time.

If Notes have been delivered under the procedures for book-entry transfer, any notice of withdrawal must specify the name and number of the account of the appropriate book-entry transfer facility to be credited with the withdrawn Notes and must otherwise comply with that book-entry transfer facility's procedures.

Any permitted withdrawal of Notes may not be rescinded, and any Notes validly withdrawn will thereafter be deemed not validly tendered for purposes of the Offer; provided, however, that validly withdrawn Notes may be re-tendered by again following one of the appropriate procedures described herein at any time at or prior to the Expiration Time.

If the Company extends the Offer or is delayed in its acceptance for purchase of Notes or is unable to purchase Notes pursuant to the Offer for any reason, then, without prejudice to the Company's rights hereunder, tendered Notes may be retained by the Tender Agent on behalf of the Company and may not be withdrawn (subject to Rule 14e-l(c) under the Exchange Act, which requires that a company pay the consideration offered or return the securities deposited by or on behalf of the investor promptly after the termination or withdrawal of a tender offer), except as otherwise provided herein. All questions as to the validity, form and eligibility (including receipt) of notices of withdrawal of Notes will be determined by the Company, in its sole discretion (whose determination shall be final and binding). None of the Company, the Tender Agent, the Dealer Manager, the Information Agent, the Trustee or any other person will be under any duty to give notification of any defects or irregularities in any notice of withdrawal, or incur any liability for failure to give any such notification.

**Changes in Ratings**

The Company may from time to time approach the rating agencies in an effort to obtain more favorable ratings, including more favorable ratings for the Notes. While no assurance can be given that more favorable ratings will be obtained, if that does occur, it could have a favorable impact on the market price at which the Notes trade, including increasing the market price for the Notes above the Total Consideration. Should that occur, the Company will have no obligation to make any additional payments in respect of any such increase to Holders who tender their Notes and receive payment for Notes that are accepted, all in accordance with the Offer terms.

## MATERIAL UNITED STATES FEDERAL INCOME TAX CONSEQUENCES

The following is a summary of material United States federal income tax consequences to Holders of Notes in connection with the Offer. This discussion is a general summary only and does not address all of the tax consequences that may be relevant to specific Holders of Notes in light of their particular circumstances. This discussion addresses only U.S. federal income tax consequences applicable to Holders of Notes who are beneficial owners of Notes and who hold such Notes as "capital assets" within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"), and does not address consequences applicable to Holders of Notes who tender Notes pursuant to the Offer and also purchase notes pursuant to the Company's concurrent debt securities offering or to special classes of Holders of Notes, such as banks, financial institutions or "financial services entities," insurance companies, tax-exempt entities, regulated investment companies, real estate investment trusts, retirement plans, individual retirement or other tax-deferred accounts, dealers in securities or currencies, brokers, traders that mark-to-market their securities, expatriates and former long-term residents of the United States, controlled foreign corporations, passive foreign investment companies, partnerships, S corporations or other pass-through entities for U.S. federal income tax purposes, investors in partnerships, S corporations or other pass-through entities that hold the Notes, persons who hold their Notes as part of a straddle, hedge, conversion transaction or other integrated investment, U.S. Holders (as defined below) whose functional currency is not the U.S. dollar and persons subject to the alternative minimum tax. This discussion does not address any state, local or non-U.S. tax consequences, non-income tax consequences (such as U.S. federal estate and gift tax consequences) or the 3.8% net investment income tax. This discussion is based upon the provisions of the Internal Revenue Code, Treasury regulations promulgated thereunder and administrative and judicial interpretations thereof, all as in effect on the date hereof and all of which are subject to change, possibly with retroactive effect, or different interpretations. The Company has not sought any ruling from the Internal Revenue Service (the "IRS") with respect to the statements made and conclusions reached in this discussion, and there can be no assurance that the IRS will agree with such statements and conclusions.

For purposes of the following discussion, a "U.S. Holder" is a beneficial owner of a Note that is, for U.S. federal income tax purposes: (i) an individual who is a U.S. citizen or resident alien, (ii) a corporation or other entity taxable as a corporation that is created or organized in or under the laws of the United States, any state thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax regardless of its source, or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or that has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person. The term "Non-U.S. Holder" means a beneficial owner of a Note that is an individual, corporation, estate or trust and is not a U.S. Holder.

If an entity that is treated as a partnership for U.S. federal income tax purposes holds a Note, the U.S. federal income tax treatment of a partner in the partnership generally will depend upon the status of the partner and the activities of the partnership. Any partners of a partnership holding the Notes are urged to consult their own tax advisors regarding the tax consequences of the Offer.

***Holders of Notes are urged to consult their own tax advisors as to the particular tax consequences applicable to them of the Offer, including the applicability of U.S. federal, state or local tax laws or non-U.S. or non-income tax laws, any changes in applicable tax laws and any pending or proposed legislation or regulations.***

### Tax Considerations for U.S. Holders

*Tenders of Notes Pursuant to the Offer.* In general, a U.S. Holder that receives cash in exchange for Notes pursuant to the Offer will recognize gain or loss for U.S. federal income tax purposes in an amount equal to the difference between (i) the amount of cash received in exchange for such Notes, excluding cash attributable to any accrued and unpaid interest (which will be taxable as ordinary income to the extent not previously reported as income), and (ii) such U.S. Holder's adjusted tax basis in such Notes at the time of the disposition.

Generally, a U.S. Holder's adjusted tax basis for a Note will be equal to the cost of the Note to such U.S. Holder increased by any market discount (as defined below) previously included in income by such U.S. Holder pursuant to an election to include market discount in gross income currently as it accrues, and reduced by any amortizable bond premium which the U.S. Holder has previously deducted.

Subject to the market discount rules discussed below, any gain or loss so recognized generally will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder has held the Notes for more than one year at the time of disposition. A reduced tax rate on long-term capital gain may apply to individual and other non-corporate U.S. Holders. The deductibility of capital losses is subject to limitations.

An exception to the capital gain treatment described above may apply to a U.S. Holder that purchased a Note at a "market discount." Subject to a statutory *de minimis* exception, market discount generally is the excess of the "stated redemption price" at maturity of such Note (generally, the principal amount of the Note) over the U.S. Holder's tax basis in such Note immediately after its acquisition by such U.S. Holder. In general, unless the U.S. Holder has elected to include market discount in income currently as it accrues, any gain realized by a U.S. Holder on the sale or other disposition of a Note that has market discount in excess of a de minimis amount will be treated as ordinary income to the extent of the market discount that has accrued (on a straight line basis or, at the election of the U.S. Holder, on a constant yield basis) while such Note was held by the U.S. Holder.

*Non-Tendering U.S. Holders*. A U.S. Holder that does not tender its Notes in the Offer will not recognize any gain or loss as a result of the Offer.

*Backup Withholding and Information Reporting.* In general, backup withholding and information reporting will apply to all payments made to a U.S. Holder pursuant to the Offer. U.S. federal income tax laws require that a U.S. Holder whose tendered Notes are accepted for purchase provide the withholding agent with such U.S. Holder's correct taxpayer identification number ("TIN"), which, in the case of a U.S. Holder who is an individual, is generally his or her social security number, and certain other information and certifications, or otherwise establish a basis for exemption from backup withholding. Exempt U.S. Holders (including, among others, all C corporations) are not subject to these backup withholding and information reporting requirements. A U.S. Holder who does not provide the withholding agent with its correct TIN may be subject to penalties imposed by the IRS. If the withholding agent is not provided with the correct TIN or the required certifications and information, or an adequate basis for exemption, the U.S. Holder may be subject to a backup withholding tax imposed on the proceeds from the Offer at a current rate of 28%. If withholding results in an overpayment of taxes, the U.S. Holder generally may obtain a refund or credit if the required information is timely provided to the IRS.

**Tax Considerations for Non-U.S. Holders**

Tenders of Notes Pursuant to the Offer. Subject to the discussion with respect to Accrued Interest and the discussion of backup withholding and information reporting below, a Non-U.S. Holder generally will not be subject to U.S. federal income or withholding tax on any gain realized upon the receipt of cash in exchange for Notes pursuant to the Offer, unless:

- the Non-U.S. Holder is an individual present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are satisfied or

- such gain is effectively connected with such Non-U.S. Holder's conduct of a trade or business within the United States (and, if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by such Non-U.S. Holder in the United States).

A Non-U.S. Holder described in the first bullet point generally will be subject to U.S. federal income tax at a rate of 30% (or at a reduced rate under an applicable income tax treaty) on the amount by which such Non-U.S. Holder's capital gains allocable to U.S. sources exceed certain capital losses allocable to U.S. sources during the taxable year of the disposition of the Notes. Gain described in the second bullet point generally will be subject to U.S. federal income tax in the same manner as a U.S. Holder, except as otherwise provided by an applicable tax treaty. A Non-U.S. Holder that is treated as a corporation for U.S. federal income tax purposes also may be subject to a branch profits tax with respect to its effectively connected earnings and profits attributable to such gain at a rate of 30% (or at a reduced rate under an applicable income tax treaty).

*Accrued Interest.* Payments to a Non-U.S. Holder that are attributable to Accrued Interest generally will not be subject to U.S. federal income or withholding tax under the "portfolio interest rule," provided that the withholding agent has received or receives, prior to payment, appropriate documentation (generally, an IRS Form W-8BEN, W-8BEN-E or successor form) establishing that the Non-U.S. Holder is not a U.S. person, unless:

- the Non-U.S. Holder actually or constructively owns 10% or more of the equity interests of the Company that are entitled to vote,
- the Non-U.S. Holder is a "controlled foreign corporation" that is a "related person" through equity ownership with respect to the Company (each, within the meaning of the Internal Revenue Code),
- the Non-U.S. Holder is not a bank whose receipt of interest on the Notes is described in Section 881(c)(3)(A) of the Internal Revenue Code, or
- such interest is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States.

A Non-U.S. Holder that does not qualify for exemption from withholding tax under the preceding paragraph generally will be subject to withholding of U.S. federal income tax at a 30% rate (or at a reduced rate under an applicable income tax treaty) on payments that are attributable to Accrued Interest that is not effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States.

To claim the benefits of a treaty, a Non-U.S. Holder generally must provide a properly executed IRS Form W-8BEN or W-8BEN-E (or successor form) prior to the payment.

Payments of any Accrued Interest that is effectively connected with the conduct by the Non-U.S. Holder of a trade or business within the United States generally will not be subject to withholding tax if a proper certification is provided to us or our paying agent (generally, an IRS Form W-8ECI) and generally will be subject to U.S. federal income tax in the same manner as in the case of a U.S. Holder, unless otherwise provided in an applicable income tax treaty. Moreover, a Non-U.S. Holder that is treated as a corporation for U.S. federal income tax purposes also may be subject to a branch profits tax on any effectively connected earnings and profits attributable to such payments of interest at a rate of 30% (or at a reduced rate under an applicable income tax treaty).

*Non-Tendering Non-U.S. Holders*. A Non-U.S. Holder that does not tender its Notes in the offer will not recognize any gain or loss as a result of the Offer.

*Backup Withholding and Information Reporting*. Subject to the discussion below, in general, backup withholding and related information reporting will not apply to payments made to a Non-U.S. Holder pursuant to the Offer if, among other conditions, such Non-U.S. Holder certifies as to its non-U.S. status under penalties of perjury or otherwise establishes an exemption, provided that neither the Company nor its withholding agent has actual knowledge, or reason to know, that the Non-U.S. Holder is a U.S. person or that the conditions of any other exemption are not, in fact, satisfied. A Non-U.S. Holder generally may establish such an exemption by providing a properly executed IRS Form W-8BEN, W-8BEN-E or W-8ECI (or successor form) to the withholding agent.

Any amounts withheld under the backup withholding rules from a payment to a Non-U.S. Holder generally will be allowed as a refund or a credit against such Non-U.S. Holder's U.S. federal income tax liability if the Non-U.S. Holder timely follows the required procedures.

In addition to the foregoing, the amount of interest paid on or with respect to the Notes in connection with the Offer and the amount of tax, if any, withheld from such payments must be reported to such Non-U.S. Holder and the IRS. Copies of the information returns reporting such amounts and withholding also may be made available by the IRS to the tax authorities in the country in which a Non-U.S. Holder is a resident under the provision of an applicable income tax treaty or other agreement.

**This summary is of a general nature only and is not intended to be, and should not be interpreted as, legal or tax advice to any particular Holder of Notes. If you are considering a tender of Notes pursuant to the Offer, you are urged to consult with your own tax advisor concerning the U.S. federal income tax consequences in connection with the Offer in light of your particular circumstances and any consequences arising under other federal tax laws and the laws of any state, local or foreign taxing jurisdiction.**

## DEALER MANAGER, INFORMATION AGENT AND TENDER AGENT

In connection with the Offer, the Company has retained RBC Capital Markets, LLC to act on its behalf as Dealer Manager. Further, the Company has retained Global Bondholder Services Corporation to act as Information Agent and Tender Agent, which will receive customary fees for its services. The Company has agreed to reimburse each of the Dealer Manager, the Information Agent and the Tender Agent for its respective out-of-pocket expenses and to indemnify it against certain liabilities, including in certain cases liabilities under federal securities laws. In connection with the Offer, the Company will also pay brokerage houses and other custodians, nominees and fiduciaries the reasonable out-of-pocket expenses incurred by them in forwarding copies of the Offer and related documents to the beneficial owners of the Notes and in handling or forwarding tenders of Notes by their customers.

Any Holder that has questions concerning the terms of the Offer may contact the Dealer Manager at its address and telephone numbers set forth on the back cover of this Offer to Purchase. Questions and requests for assistance or additional copies of this Offer to Purchase, the Letter of Transmittal or the Notice of Guaranteed Delivery may be directed to the Information Agent at its addresses and telephone numbers set forth on the back cover of this Offer to Purchase. Beneficial owners may also contact their brokers, dealers, custodian banks, depositories, trust companies or other nominee for assistance concerning the Offer.

Letters of Transmittal and all correspondence in connection with the Offer should be sent or delivered to the Tender Agent at its address or to the facsimile number set forth on the back cover of this Offer to Purchase. Any Holder or beneficial owner that has questions concerning tender procedures should contact the Tender Agent at its address and telephone number set forth on the back cover of this Offer to Purchase.

The Dealer Manager may contact Holders of Notes regarding the Offer and may request brokers, dealers, custodian banks, depositories, trust companies and other nominees to forward this Offer to Purchase and related materials to beneficial owners of Notes.

The Dealer Manager and its affiliates have from time to time provided certain commercial banking, financial advisory and investment banking services to the Company and its affiliates for which they have received customary fees. Affiliates of the Dealer Manager are lenders under the Company's revolving credit facility. In the ordinary course of its business, the Dealer Manager and its affiliates may at any time hold long or short positions, and may trade for their own account or the accounts of customers, in the debt or equity securities of the Company, including any of the Notes and, to the extent that the Dealer Manager and their affiliates own Notes during the Offer, they may tender such Notes pursuant to the terms of the Offer. The Dealer Manager may also act as initial purchaser in connection with the potential debt securities offerings. The Dealer Manager and its affiliates may from time to time in the future engage in transactions with the Company and its affiliates and provide services to the Company and its affiliates in the ordinary course of their respective businesses.

None of the Dealer Manager, the Information Agent or the Tender Agent assumes any responsibility for the accuracy or completeness of the information concerning the Company contained or incorporated by reference in this Offer to Purchase or for any failure by the Company to disclose events that may have occurred and may affect the significance or accuracy of such information.

## MISCELLANEOUS

No person has been authorized to give any information or make any representations other than those contained herein, in the Letter of Transmittal or in the Notice of Guaranteed Delivery and other materials, and, if given or made, such information or representations must not be relied upon as having been authorized by the Company, the Trustee, the Dealer Manager, the Information Agent, the Tender Agent or any other person. The statements made in this Offer to Purchase are made as of the date on the cover page of this Offer to Purchase. The delivery of this Offer to Purchase, the Letter of Transmittal and the Notice of Guaranteed Delivery shall not, under any circumstances, create any implication that the information contained herein or therein is correct as of a later date.

Recipients of this Offer to Purchase, the Letter of Transmittal or the Notice of Guaranteed Delivery should not construe the contents hereof or thereof as legal, business or tax advice. Each recipient should consult its own attorney, business advisor and tax advisor as to legal, business, tax and related matters concerning the Offer.

Company Information

**(Begins on following page)**

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*You should read the following discussion and analysis in conjunction with our consolidated financial statements and the accompanying notes to those statements appearing elsewhere in this offering memorandum. The statements in this discussion regarding industry outlook, our expectations regarding our future performance, liquidity and capital resources and other non-historical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described in the "Risk Factors" and "Information Regarding Forward-Looking Statements" sections of this offering memorandum. Our actual results may differ materially from those contained in or implied by any forward-looking statements.*

## General

Our business model, through our ownership and operation of energy related assets; is built to support the principal objective of helping customers by providing safe and reliable natural gas transportation, storage and balancing services. To achieve this objective, we focus on providing fee-based services to customers from a business portfolio consisting of natural gas pipelines and related storage facilities.

### *Our Business*

We are wholly owned by Midco LLC (our "Member"), which is wholly owned by NGPL Intermediate Holdings LLC, formerly known as NGPL HoldCo LLC, which is wholly owned by NGPL Holdings LLC, which is owned 50% by Prime US Investments Pty Ltd., a subsidiary of Brookfield Infrastructure Partners L.P. and 50% by Kinder Morgan NGPL Holdings LLC, a subsidiary of Kinder Morgan, Inc. Kinder Morgan operates our assets pursuant to a 15-year Operations and Reimbursement Agreement for Natural Gas Pipeline Company of America LLC dated as of February 15, 2008, which was amended and restated on December 10, 2015 and the term extended for another 15-year term.

Our principal wholly owned subsidiary is NGPL, which owns and operates a major interstate natural gas pipeline transmission and storage system. The system consists primarily of two major interconnected transmission pipelines terminating in the Chicago, Illinois metropolitan area. NGPL's Amarillo Line originates in the West Texas and New Mexico producing areas and the Gulf Coast Line originates in the Gulf Coast areas of Texas and Louisiana. These two main pipelines are connected at points in Texas and Oklahoma by the Amarillo/Gulf Coast cross haul pipeline ("A/G line"). We also wholly own the Kinder Morgan Illinois Pipeline ("KMIP"), an approximate 3-mile natural gas pipeline in northern Illinois. NGPL owns a 50% investment in Horizon Pipeline Company, L.L.C. ("Horizon"), which is accounted for under the equity method.

### *How We Generate Revenue*

Through our subsidiaries, we generate revenue primarily by providing natural gas transportation, storage and balancing services. These services include firm and interruptible gas transportation, firm and no-notice gas storage services and gas balancing services, which include short term gas park and loan services. Our primary customers for these services are third-party natural gas distribution utilities, marketers, producers, industrial end users, power plants and other shippers. Our revenue also includes operational gas sales, which are primarily the result of the collection of fuel in-kind pursuant to our transportation tariffs. These collections are made to offset fuel expenses we incur at our natural gas compression stations.

*Transportation services.* Under NGPL's tariffs, firm transportation customers pay reservation charges each month plus a commodity charge based on actual volumes transported and a fuel charge collected in-kind. Interruptible transportation customers pay a commodity charge based upon actual volumes transported, and a fuel charge collected in-kind. Reservation and commodity charges are both based upon geographical location and time of year. Under firm no-notice service, customers pay a reservation charge for the right to have up to a specified volume of natural gas delivered but, unlike with firm transportation service, are able to meet their peaking and all their swing requirements without making specific nominations. NGPL has the authority to discount its rates and to negotiate rates which could exceed tariff rates with customers if it has first offered service to those customers under its reservation and commodity charge tariff rate structure.

*Storage and gas balancing services.* NGPL offers two storage services: (1) delivered firm storage service ("DSS"), and (2) nominated storage service ("NSS"). NGPL also offers gas balancing services, which include short-term balancing and park and loan services. The majority of our storage and balancing revenues are derived from DSS and NSS. DSS provides a firm no-notice service, with customers who pay a reservation charge for the right to have up to a specified volume of natural gas delivered being able to meet their peaking and all their swing requirements without making specific nominations. This service is integral to the swing management and peak day delivery requirements of our key LDC customer base, who generally have a high percentage of residential, weather sensitive loads. NSS provides a flexible, firm, storage-only service, and also provides arbitrage opportunities for our marketer customer base and the larger inventories are used to help in commodity price management by the LDCs and other end users. This service has the same rate structure as DSS, with a demand component independent of actual usage. Short-term gas balancing and park and loan services offer customers the ability to manage seasonal demand and pricing spreads. Revenues from short-term gas balancing and park and loan services is variable and is dependent on pipeline operating conditions and variations in New York Mercantile Exchange and basis pricing over time.

We anticipate that the demand for these services will continue at levels comparable to their historical levels and at rates similar to current and recent historical levels.

***Factors Influencing Our Profitability***

Our pipeline operations are FERC-regulated and accordingly we generate profit based on our ability to earn a return in excess of our costs through the rates we charge our customers. We believe our long-term profitability will be primarily influenced by the following factors:

- recontracting pipeline capacity with our customers;
- maintaining or obtaining approval by the FERC of acceptable rates, terms of service, and expansion projects;
- ensuring the safety of our pipeline systems and assets;
- improving operating efficiency;

- executing successfully on our expansion projects and developing growth projects in our market and supply areas;
- continuing to provide our customers with superior optionality, flexibility and access to supply and markets; and
- volumes and pricing of operational gas sales, which could be affected by tariff rates and gas used as fuel in gas-fired compressor stations.

Our principal exposure to market variability is related to the variation in natural gas basis differentials. Basis differential is a term that refers to the difference in natural gas prices between two locations or two points in time. These price differences can be affected by, among other things, natural gas supply and demand, available transportation capacity, storage inventories and deliverability, prices of alternative fuels and weather conditions. In general, a large basis differential will reflect a high current demand for a particular transport path or storage service. Where and when advantageous, we attempt to reduce our exposure to basis differential variability by pursuing long-term, fixed-rate type contract agreements to utilize the capacity on our system.

Demand for natural gas is seasonal and weather conditions throughout North America can significantly impact regional natural gas supply and demand. During the winter months, demand for energy increases and NGPL generally collects higher transportation commodity revenue, higher rates on certain contracts and may sell additional winter-only capacity. With the increased reliance on natural gas-fired electricity generation, extremely warm weather can also cause the demand for natural gas to increase during the summer months. Conversely, moderate weather patterns during the winter or summer months can cause short term natural gas prices to decrease, which may increase demand for, and therefore revenue from, storage and balancing services.

The other significant impact of seasonality on our business is the scheduling of maintenance activities, which are generally undertaken in the second and third quarters when the utilization of our transportation services is lower, allowing us to take sections of our pipeline out of service temporarily to perform maintenance activities without interrupting firm transportation commitments. We therefore generally incur higher maintenance expenses during these quarters.

***Outlook***

*Industry Trends.* During 2017 we expect to see a resumption of growth in the U.S. natural gas supply as prices stabilize. Nevertheless, as a result of the recent success in discovery and development of new natural gas supply from shale formations, we believe that, natural gas prices will remain low compared to long-term historical prices. In addition, recent expansions in transportation infrastructure have led to continued compressed basis differentials as producers in regions of growing production now have additional options to deliver natural gas to markets.

We believe there are significant opportunities for growth in natural gas demand in geographic regions served by us. In particular, we expect demand to increase due to the continued development of LNG export facilities in the U.S., industrial facilities development, particularly along the U.S. Gulf Coast, increasing demand for U.S. natural gas exports to Mexico, and increased demand for natural gas for power generation as coal-fired power plants continue to convert to, or are replaced by, natural gas-fired plants.

We are responding to the changing dynamics of supply and demand summarized above by pursuing several capital expansion projects which enhance our ability to receive natural gas in the U.S. Midwest and deliver gas to the Gulf Coast and other delivery points at the south end of our system, as well as enhancing delivery service to our traditional customers in the Chicago LDC market.

*Contract Renewals.* While we do have a number of our transportation and storage contracts due for renewal during 2017, the vast majority of our capacity is contracted by our customers throughout the next two years. For more information on contract renewals, see "Risk Factors — Risks Related to Our Business — The firm transportation and gas storage contracts with many of our largest transportation and storage customers are scheduled to expire at various dates through 2020 and 2026. We cannot assure you that we will be able to negotiate replacement contracts with these customers on terms comparable to or more favorable than the existing contracts."

The most significant parts of our customer base are end users, which include LDCs located in the upper Midwest, and industrial end users, including natural gas liquefaction plants and power plants. These end users comprise approximately 60% of our annual revenues. Our extensive physical interconnections and ability to meet peak day delivery requirements with the LDC customers have resulted in consistent service levels and revenue stability in this customer base. We have long-term relationships with the majority of our significant end use customers and historically have had success in renewing these contracts, as this segment tends to be primarily focused on quality of service. While there can be no assurance that our customers will choose to renew existing contracts, we believe our end user and LDC customer base values a continuity of relationship and we believe we will be able to renew existing contracts and secure additional contracts with our end user and LDC customer base for volumes comparable to currently contracted volumes.

Our second largest customer base is marketers, including natural gas producer-affiliated entities, which comprise approximately 40% of our annual revenues. Historically, we have maintained relatively stable aggregate levels of service to this customer base. However, revenues from this customer base are much more variable, adjusting with near-term market conditions. Changes in the level of or volatility of natural gas prices and basis differentials can affect the amount of revenue we are able to obtain through contracts with customers in this segment.

*Our Growth Projects.* Our efforts to grow our contractual transportation base have been focused on advancing two large growth projects.

- The Chicago Market Expansion Project (the "CMEP") and ancillary facilities was placed into service on November 1, 2016 at a total cost of approximately $70 million. The scope of the project included adding a new greenfield compressor station and related facilities located in Livingston County, Illinois. This project added 30,000 horsepower (hp) of new compression to NGPL's Gulf Coast Mainline System to support an additional 238,000 dekatherms per day of firm transportation service to the Chicago market area under binding agreements with key producers and LDC customers, which are expected to provide approximately $18 million in annual revenue and have an average term of approximately 11 years. Further economic expansion opportunities are available as the Chicago area markets demand additional deliverability.

- The Gulf Coast Expansion Project includes a proposal to (i) construct and operate a new 15,900 hp gas-fired greenfield compressor unit in Cass County, Texas; (ii) construct and operate a 4,000 foot, 30-inch lateral connecting the new compressor station to the A/G line; and (iii) retire two compressor units representing 5,600 hp at existing compressor station No. 301 in Wharton County, Texas. Installation of these facilities will enable us to transport a total of 460,000 dekatherms per day southbound on our Gulf Coast Mainline System utilizing a combination of existing and expansion capacity. We filed a certificate application with the FERC requesting a FERC order by September 30, 2017 to allow for an October 1, 2018 in-service date. The certificate application is pending before the FERC. Total capital budgeted for this project is approximately $212 million. We have a firm transportation agreement with Cheniere Corpus Christi that will be the foundation for Phase 1 of the southbound expansion. This agreement is for a 20 year term, provides for the transportation of 385,000 dekatherms per day and is expected to generate $48 million in annual revenue. Additional incremental capacity expansion opportunities are available on the southern end of the NGPL system.

*Pipeline Integrity Management and Testing.* We believe we are in compliance with all regulations applicable to pipeline integrity and safety. As these regulations change, the cost to comply may change accordingly, as well as environmental rules and regulations. These have been and are anticipated to continue as a significant operating expense for us.

*Our Ownership and Capital Management.* Our Sponsors have made equity contributions of over $1.1 billion in order to improve our liquidity and reduce leverage, to enable us to invest in our operations and address changes in market dynamics. For example, in 2016, we repaid all borrowings under the Old Senior Secured Credit Agreement. This has resulted in significant debt reduction and enhanced liquidity and financial flexibility.

*2017 FERC Order and Proposed Settlement.* On January 19, 2017, the FERC issued an order instituting an investigation into the justness and reasonableness of NGPL's transportation and storage rates, pursuant to Section 5 of the Natural Gas Act (the "NGA"). We have reached a settlement with our customers that would resolve the issues in the proceeding. This proposed settlement includes a maximum tariff rate decrease of 4.5% effective the earlier of November 1, 2017 or the first day of the month following a final FERC order approving the settlement, with an additional 2% reduction effective November 1, 2018. In addition, the proposed settlement includes a moratorium on rate proceedings prior to July 1, 2022, where NGPL has agreed not to file a general Section 4 rate case to increase its rates, and our customers have agreed not to file a Section 5 complaint regarding NGPL's rates. The proposed settlement also includes integrity testing and enhancement spending commitment of $400 million over five years (with a minimum of $65 million in each individual year), which is consistent with our view of the appropriate annual spending to most efficiently manage overall integrity management and comply with existing regulations. This proposed settlement agreement was filed for approval at the FERC on July 25, 2017, and we expect it to be approved by the FERC by September 30, 2017. The tariff rate decreases affect only firm tariff rate contracts, which represented $114 million, or 23%, of the total firm service revenue for the year ended December 31, 2016, as compared to our negotiated rate contracts and discounted rate contracts, which represented 39% and 38%, respectively, of our total firm revenue for the year ended December 31, 2016. We do not believe that the resolution of this proceeding will have a material adverse impact on our results of operations or cash flows from operations. For more information regarding the 2017 FERC Investigation, see "Risk Factors — Risks Related to Our Business — The agencies that regulate our pipelines, pipeline subsidiaries and their customers could affect our profitability."

**Summary of Critical Accounting Policies and Estimates**

Our discussion and analysis of financial condition and results of operations are based on our consolidated financial statements, prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

*Use of Estimates.* Refer to Note 2 of the accompanying notes to the annual combined financial statements for information regarding estimates.

*Goodwill and Intangibles.* Refer to Note 2 of the accompanying notes to the annual combined financial statements for information regarding goodwill and intangibles.

*Revenue Recognition Polices.* Refer to Note 2 of the accompanying notes to the annual combined financial statements for information regarding revenue recognition policies.

*Contingent Liability.* Refer to Notes 2 and 10 of the accompanying notes to the annual combined financial statements for information regarding contingent liability.

*Income Taxes.* Refer to Notes 2 and 3 of the accompanying notes to the annual combined financial statements for information regarding income taxes.

*Risk Management Activities.* Refer to Notes 2 and 3 of the accompanying notes to the annual combined financial statements for information regarding risk management activities.

## Results of Operations

***Overview***

Our management evaluates our performance primarily using Adjusted EBITDA, as discussed below under "Non-GAAP Financial Measures" to assess our operating results. We believe the Adjusted EBITDA calculation is a useful measure of our operating performance because it measures our operating results before depreciation and amortization and certain non-cash or non-recurring expenses. Adjusted EBITDA may not be comparable to measurements used by other companies.

Under accounting rules prescribed by the FERC, we record revenues for the market value of natural gas retained in-kind from shippers on our pipelines, and an equal corresponding charge to operating expenses. Therefore, both operating revenues and operating expenses rise and fall with fluctuations in the amount and price of net in kind retained fuel. The tables below are presented with these equal and offsetting revenues and charges eliminated in order to make the period-to-period analysis variances more straightforward. As a result of these eliminations, the operating revenues and operating expenses measures presented below are considered to be non-GAAP financial measures.

The discussions that follow provide additional analysis of our historical financial results.

*Three Months Ended March 31, 2017 Compared to Three Months Ended March 31, 2016*

The following table sets forth certain financial information for the three months ended March 31, 2017 compared to financial information for the three months ended March 31, 2016:

| **(dollars in thousands)** | **Three Months Ended March 31, 2017** | **Three Months Ended March 31, 2016** | **Change** |
|---|---|---|---|
| Operating revenues | | | |
| Transportation and storage(a) | $151,398 | $134,818 | $16,580 |
| Other | 401 | 145 | 256 |
| Total operating revenues | 151,799 | 134,963 | 16,836 |
| Operating expenses(a) | (45,584) | (42,585) | (2,999) |
| Depreciation and amortization expense | (23,401) | (22,752) | (649) |
| Operating income | 82,814 | 69,626 | 13,188 |
| Interest expense | (45,291) | (57,308) | 12,017 |
| Other income and (expenses) | 460 | 2,495 | (2,035) |
| Income before income taxes | 37,983 | 14,813 | 23,170 |
| Income tax expense | (14,801) | (5,756) | (9,045) |
| Net Income | 23,182 | 9,057 | 14,125 |

(a) Excludes $17.6 million and $11.2 million of offsetting in-kind fuel retention in revenues and expense in 2017 and 2016, respectively.

Operating revenues for the three months ended March 31, 2017 increased $16.8 million (12.5%) compared to the three months ended March 31, 2016 and is further explained by the following discussion of the significant factors:

- increase of $15.4 million from transportation mainly driven by the completion of new contracts commencing within the last twelve months, including the contracts associated with the CMEP and our contract with the Sabine Pass natural gas liquefaction facility; and
- increase of $1.4 million due to increase in various other operating revenues.

Operating expenses for the three months ended March 31, 2017 increased $3.0 million (7.0%) compared to the three months ended March 31, 2016 and are further explained by the following discussion of the significant factors:

- increase of $2.8 million from various other operations and maintenance activity primarily due to the timing of maintenance projects;
- increase of $2.6 million from higher electric power costs; and
- decrease of $2.4 million primarily from an increase in net fuel collections due to improved efficiencies in transporting gas across our system.

Depreciation and amortization expense has remained relatively stable, increasing marginally between the periods presented, reflecting the long-term nature of our assets and the long-term investments we have made over time.

Interest expense for the three months ended March 31, 2017 decreased by $12.0 million (21.0%) from the three months ended March 31, 2016, resulting principally from an early repayment of bank borrowings.

Other income was negatively impacted in the three months ended March 31, 2017, relative to 2016, primarily as the three months ended March 31, 2016 included a $2.1 million gain on debt we repurchased in the open market at a discount, and subsequently retired.

Income tax expense for the three months ended March 31, 2017 increased by $9.0 million from the three months ended March 31, 2016 due to an increase in pre-tax income.

***Fiscal Year Ended December 31, 2016 Compared to Fiscal Year Ended December 31, 2015***

The following tables set forth certain financial information for the year ended December 31, 2016, compared to financial information for the year ended December 31, 2015:

| | Year Ended December 31, | | |
|---|---|---|---|
| **(dollars in thousands)** | **2016** | **2015** | **Change** |
| Operating revenues | | | |
| Transportation and storage(a) | $ 521,635 | $ 503,678 | $ 17,957 |
| Other | 888 | 881 | 7 |
| Total operating revenues | 522,523 | 504,559 | 17,964 |
| Operating expenses(a) | (203,636) | (235,944) | 32,308 |
| Depreciation and amortization expense | (92,948) | (89,254) | (3,694) |
| Goodwill impairment | — | (211,024) | 211,024 |
| Interest expense | (202,419) | (231,316) | 28,897 |
| Other income and (expenses) | 11,392 | (6,909) | 18,301 |
| Income (loss) before income taxes | 34,912 | (269,888) | 304,800 |
| Income tax (expense) benefit | (15,223) | 26,223 | (41,446) |
| Net Income (loss) | $ 19,689 | $(243,665) | $263,354 |

(a) Excludes $58.5 million and 65.0 million of offsetting in-kind fuel retention revenues and expenses in 2016 and 2015, respectively.

Operating revenues increased $18.0 million (3.6%) for the comparable years ended December 31, 2016 and 2015 and is further explained by the following discussion of the significant factors:

- increase of $12.2 million from transportation mainly driven by deliveries to the Sabine Pass natural gas liquefaction facility under a new contract that was effective as of April 1, 2016 and the first two months of revenues associated with the CMEP; and
- increase of $5.8 million due to higher storage opportunities, which increased in the first half of 2016 when cash prices for natural gas dropped when warmer than normal weather decreased short term demand.

Operating expenses decreased $32.3 million (13.7%) for the comparable years ended December 31, 2016 and 2015 and are further explained by the following discussion of the significant factors:

- decrease of $11.6 million as 2015 included a pre-tax non-cash charge to reduce the carrying value of gas in underground storage and cushion replacement gas which did not recur in 2016;
- decrease of $7.0 million for pipeline system integrity management and testing programs due to a decreased number of these projects in 2016;
- decrease of $6.4 million primarily from an increase in net fuel collections due to improved efficiencies in transporting gas across our system;
- decrease of $7.3 million from various other factors including operations and fewer maintenance and activities primarily due to the timing of maintenance projects.

Depreciation and amortization expense has remained relatively stable, increasing marginally between the periods presented, reflecting the long-term nature of our assets and the long-term investments we have made over time.

We recorded a goodwill impairment in 2015 of $211 million as a result of the valuation of our business implied by our corporate reorganization in December 2015. The impairment charges were driven by lower market valuations in the natural gas pipeline sector. There was no such change in value or resulting goodwill impairment in 2016.

Interest expense for the year ended December 31, 2016 decreased by $28.9 million (12.5%) from the year ended December 31, 2015, resulting principally from retirements and early extinguishment of debt.

Other income was positively impacted in the year ended December 31, 2016, relative to 2015, primarily by a $6.8 million gain on debt we repurchased in the open market at a discount, and subsequently retired in 2016.

Income tax (expense) benefit for the year ended December 31, 2016 increased by $41.4 million from the year ended December 31, 2015 due to an increase in pre-tax income.

***Fiscal Year Ended December 31, 2015 Compared to Fiscal Year Ended December 31, 2014***

The following table sets forth certain financial information for the year ended December 31, 2015, compared to financial information for the year ended December 31, 2014:

| | Year Ended December 31, | | |
|---|---|---|---|
| **(dollars in thousands)** | **2015** | **2014** | **Change** |
| Operating revenues | | | |
| Transportation and storage(a) | 503,678 | 518,428 | (14,750) |
| Other | 881 | 2,166 | (1,285) |
| Total operating revenues | 504,559 | 520,594 | (16,035) |
| Operating expenses(a) | (235,944) | (245,763) | 9,819 |
| Depreciation and amortization expense | (89,254) | (88,787) | (467) |
| Goodwill impairment | (211,024) | (500,000) | 288,976 |
| Interest expense | (231,316) | (230,987) | (329) |
| Other income and (expenses) | (6,909) | 9,588 | (16,497) |
| Income (loss) before income taxes | (269,888) | (535,355) | 265,467 |
| Income tax (expense) benefit | 26,223 | 18,225 | 7,998 |
| Net Income (loss) | (243,665) | (517,130) | 273,465 |

(a) Excludes $65.0 million and $114.9 million of offsetting in-kind fuel retention in revenues and costs of sales in 2015 and 2014, respectively.

Operating revenues for the year ended December 31, 2015 decreased by $16.0 million (3.1%) from the year ended December 31, 2014. The decrease in revenues was driven by greater than usual weather driven demand experienced in the first quarter of 2014.

Operating expenses decreased for the year ended December 31, 2015 by $9.8 million (4.0%) compared to the year ended December 31, 2014. Expenses were lowered, relative to 2014, by the net effects of:

- decrease of $13.9 million primarily from an increase in net fuel collections due to improved efficiencies in transporting gas across our system;
- a reduction of $12.5 million in pre-tax non-cash charges compared to 2014 to reduce the carrying value of system balancing gas, gas in underground storage, and cushion replacement gas, driven by a larger decline in natural gas prices in 2014;
- a $1.3 million decrease in taxes other than income taxes; partially offset by
- a $5.3 million decrease caused by lower gains from sales of cushion gas;
- a $2.2 million increase in power costs associated with electric compression facilities;
- a $1.2 million increase in operations and maintenance expense for pipeline system integrity management and testing programs primarily due to an increase in the number of the number tests conducted; and

- a $9.2 million increase in various other operations and maintenance expenses due to the timing of maintenance projects.

The largest discrete items affecting our operating results for the years ended December 31, 2015 and 2014 were goodwill impairment charges of $211.0 million and $500.0 million, respectively. These charges resulted from a general deterioration in market conditions for the natural gas transportation markets in which we operate. The impairment charge in 2015 was specifically a result of the valuation of our of our business implied by our corporate reorganization in December 2015.

Other income and (expenses) were a net loss of $6.9 million, $16 million lower than 2014 primarily due to the recognition of a non-cash impairment of assets which were reclassified as held for sale during the year.

Interest expense for the year ended December 31, 2015 increased by $0.3 million (0.1%) from the year ended December 31, 2014, resulting principally from additional interest paid on the revolving portion of the Old Credit Facility (as defined below) due to increased borrowings.

Income tax benefit for the year ended December 31, 2015 increased by $8.0 million from the year ended December 31, 2014 due to an increase in our effective tax rate.

***Non-GAAP Financial Measure***

Our non-GAAP performance measure Adjusted EBITDA, described below, should not be considered an alternative to U.S. GAAP net income or other U.S. GAAP measures and has important limitations as an analytical tool. See "Non-GAAP Financial Measure." Our computation of Adjusted EBITDA may differ from similarly titled measures used by others. You should not consider the non-GAAP performance measure of Adjusted EBITDA in isolation or as a substitute for an analysis of our results as reported under U.S. GAAP. Management compensates for the limitations of this non-GAAP performance measure by reviewing our comparable U.S. GAAP measures, understanding the differences between the measures and taking this information into account in its analysis and its decision making processes.

*Adjusted EBITDA*

Adjusted EBITDA is a significant performance measure used by us and by external users of our financial statements to evaluate our performance and to measure and estimate the ability of our assets to generate cash earnings on an ongoing basis. Management uses this performance measure and believes it provides users of our financial statements a useful performance measure reflective of our business's ability to generate cash earnings to supplement the comparable U.S. GAAP measure. We believe the U.S. GAAP measure most directly comparable to Adjusted EBITDA is net income, and a reconciliation of net income to Adjusted EBITDA is provided in the tables below (in thousands).

*Reconciliation of Net Income (Loss) to Adjusted EBITDA for the three months ended March 31, 2016 and 2015.*

| | Three Months Ended March 31, | | |
|---|---|---|---|
| | 2017 | 2016 | Change |
| Net income | $ 23,182 | $ 9,057 | $ 14,125 |
| Add/(Subtract): | | | |
| Depreciation and amortization expense | 23,401 | 22,752 | 649 |
| Interest expense | 45,291 | 57,308 | (12,017) |
| Income tax expense | 14,801 | 5,756 | 9,045 |
| Other items(a) | 35 | (1,766) | 1,801 |
| Adjusted EBITDA | $106,710 | $93,107 | $ 13,603 |

(a) Includes non-cash related and/or non-recurring income items such as: a gain on debt extinguishment of $2.1 million in 2016; as well as regulatory income activity and allowance for funds used during construction equity in each year.

Adjusted EBITDA was $106.7 million for the three months ended March 31, 2017, $13.6 million higher than in the comparative period in 2016 primarily due to a $16.6 million improvement in transportation and storage services revenues, a $2.4 million improvement in net fuel cost, partially offset by the $5.4 million increase in pipeline operations, maintenance and electric power cost expenses.

Included in net income is our 50% proportionate share of the net income of Horizon, which was $0.6 million and $0.5 million for the three months ended March 31, 2017 and 2016, respectively. On a 100% basis, Horizon had revenues of $3.2 million and $2.9 million and Adjusted EBITDA of $2.4 million and $2.1 million for the three months ended March 31, 2017 and 2016, respectively. Horizon's net income for both the three months ended March 31, 2017 and 2016 includes depreciation and amortization of $0.7 million and $0.4 million of interest on its $44.0 million and $47.0 million of long-term debt as of March 31, 2017 and 2016, respectively.

*Reconciliation of Net Income (Loss) to Adjusted EBITDA for the fiscal years ended December 31, 2016 and 2015.*

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2016** | **2015(b)** | **Change** |
| Net income (loss) | $ 19,689 | $(243,665) | $ 263,354 |
| Add/(Subtract): | | | |
| Depreciation and amortization expense | 92,948 | 89,254 | 3,694 |
| Interest expense | 202,419 | 231,316 | (28,897) |
| Income tax expense (benefit) | 15,223 | (26,223) | 41,446 |
| Goodwill impairment | — | 211,024 | (211,024) |
| Other items(a) | (5,935) | 23,843 | (29,778) |
| Adjusted EBITDA | $324,344 | $ 285,549 | $ 38,795 |

(a) Includes non-cash related, non-recurring income items such as: carrying value adjustments of $11.6 million in 2015, a loss on the reclassification of assets as held for sale of $13.9 million in 2015, a gain on debt extinguishment of $6.8 million in 2016, as well as regulatory income activity and allowance for funds used during construction equity in each year.

(b) During 2015, a $22.1 million equity contribution was designated as a specified equity cure per the terms of a term loan outstanding at that time, resulting in Adjusted EBITDA reported to holders of that term loan of $307.7 million.

Adjusted EBITDA was $324.3 million for the year ended December 31, 2016, $38.8 million higher than in the comparative period in 2015 primarily due to the $17.9 million improvement in transportation and storage services revenues, the $6.4 million improvement in net fuel costs, and the $16.4 million improvement in pipeline operations, maintenance and integrity expenses.

Included in net income is our 50% proportionate share of the net income of Horizon, which was $1.8 million and $1.9 million for the years ended December 31, 2016 and 2015, respectively. On a 100% basis, Horizon had revenues of $11.5 million and $11.7 million and Adjusted EBITDA of $8.2 million and $8.4 million for the years ended December 31 2016 and 2015, respectively. Horizon's net income for both years ended December 31, 2016 and 2015 includes depreciation and amortization of $3.0 million and $1.6 million of interest on its $44.0 million of long-term debt.

*Reconciliation of Net Income (Loss) to Adjusted EBITDA for the fiscal years ended December 31, 2015 and 2014.*

| | Year Ended December 31, | | |
|---|---|---|---|
| | **2015(b)** | **2014** | **Change** |
| Net income (loss) | $(243,665) | $(517,130) | 273,465 |
| Add/(Subtract): | | | |
| Depreciation and amortization expense | 89,254 | 88,787 | 467 |
| Interest expense | 231,316 | 230,987 | 329 |
| Income tax expense (benefit) | (26,223) | (18,225) | (7,998) |
| Goodwill impairment | 211,024 | 500,000 | (288,976) |
| Other items(a) | 23,843 | 13,587 | 10,256 |
| Adjusted EBITDA | $ 285,549 | $ 298,006 | (12,457) |

(a) Includes non-cash related, non-recurring income items such as: carrying value adjustments of $11.6 million in 2015, a loss on the reclassification of assets as held for sale of $13.9 million in 2015, a loss of $13.9 million in inventory carrying value adjustments in 2014, as well as regulatory income activity and allowance for funds used during construction equity in each year.

(b) During 2015, a $22.1 million equity contribution was designated as a specified equity cure per the terms of a term loan outstanding at that time, resulting in Adjusted EBITDA reported to holders of that term loan of $307.7 million.

Adjusted EBITDA was $285.6 million for the year ended December 31, 2015, $12.4 million lower than in the comparative period in 2014 primarily due to the $14.8 million decrease in transportation and storage services as weather was much more moderate in 2015 compared to 2014, partially offset by operating expense savings, among other factors.

Included in net income is our 50% proportionate share of the net income of Horizon, which was $1.9 million and $2.1 million for the years ended December 31, 2015 and 2014, respectively. On a 100% basis, Horizon had revenues of $11.7 million and $12.0 million and Adjusted EBITDA of $8.4 million and $8.6 million for the years ended December 31 2015 and 2014, respectively. Horizon's net income for the year ended December 31, 2015 includes depreciation and amortization of $3.0 million and $1.6 million of interest on its $44 million of long-term debt.

Horizon's net income for the year ended December 31, 2014 includes depreciation and amortization of $3.0 million and $1.5 million of interest, on its $50 million of long-term debt.

## Liquidity and Capital Resources

### *Primary Cash Requirements*

Our primary cash requirements, in addition to normal operating, general and administrative expenses, are for debt service, capital expenditures to sustain our current pipeline and storage systems and for system expansions. Our capital expenditures, other than sustaining capital expenditures, are discretionary. Our primary source of liquidity are cash flows from operations, cash and cash equivalents and funds available under our New Credit Facility (as defined below) and capital contributions from our Sponsors. We believe that our projected cash flows generated from operations, cash and cash equivalents on hand and borrowings under our New Credit Facility (as defined below), together with the proceeds of this offering, are sufficient to fund our principal debt payments, our working capital needs and capital expenditure for the next twelve months.

Following an April 2016 capital contribution of $623.0 million and the subsequent reduction in borrowings under our senior secured credit agreement, with Credit Suisse AG, as administrative agent, and the lenders and other financial institutions thereto (the "Old Senior Secured Credit Agreement" (including the associated term loan facility and revolving credit facility (collectively, the "Old Credit Facility"))), our debt service requirements for 2017 include approximately $177.3 million in interest payments.

On November 3, 2016 we extinguished our Old Senior Secured Credit Agreement by repaying all borrowings and accrued interest outstanding under these facilities.

On November 4, 2016 we entered into a new credit agreement with a group of lenders to provide for a $150 million revolving credit facility with interest payable on drawing at variable interest rate spreads which adjust based on the Company's credit rating (the "2016 Senior Secured Credit Agreement"). On April 28, 2017, we entered into the First Amendment to the 2016 Senior Secured Credit Agreement with the Administrative Agent, and the lenders and other financial institutions party thereto (such amendment, together with the 2016 Senior Secured Credit Agreement, the "New Senior Secured Credit Agreement"), increasing the size of the credit facility by $25 million. The New Senior Secured Credit Agreement has a term of three years and consists of a $175 million revolving credit facility, of which $50 million is available in the form of letters of credit (the "New Credit Facility"). As of March 31, 2017, we had no borrowings outstanding under the New Credit Facility.

Our remaining capital expenditure requirements for calendar year 2017 are expected to be primarily for the final implementation of our Gulf Coast Expansion Project. See Notes 9 and 6 of the accompanying notes to the interim and annual combined financial statements, respectively. We expect to fund these expenditures principally with our New Credit Facility and existing cash. We would then use cash flows from operating activities to repay the balance of our New Credit Facility.

On June 1, 2017, we paid an aggregate redemption price of approximately $562 million to redeem all of the $549 million in outstanding principal amount of our 2019 Notes at a redemption price of 102.406% of the principal amount thereof plus accrued and unpaid interest thereon. We funded this redemption, with a combination of (a) $400 million of cash contributed by the Sponsors to NGPL PipeCo (via the existing ownership structure), with $200 million funded by each Sponsor consistent with their current 50/50 indirect ownership percentages, (b) borrowings under our revolving credit facility and (c) cash on hand.

***Cash Flow***

Changes in cash flows from operating activities between periods primarily result from changes in earnings (as discussed in "Results of Operations" above), excluding the impact of non-cash items and changes in operating assets and liabilities. Non-cash items include recurring non-cash expenses, such as depreciation expense, amortization expense and deferred income taxes. Cash flows from operating activities also differ from earnings as a result of non-cash charges that may not be recurring, such as goodwill impairments and inventory price.

Changes in operating assets and liabilities between periods result from factors such as changes in value of natural gas storage inventories, changes in the value of instruments we may use to manage inventory pricing risk, timing of accounts receivable collection, timing of payments on accounts payable, the timing of purchases and sales of natural gas inventories, and the timing of advances and deposits received from customers.

*Net Cash Flows from Operating Activities*

Net cash flows provided by operating activities increased from $62.6 million for the three months ended March 31, 2016 to $103.9 million for the three months ended March 31, 2017, an increase of $41.3 million (66.0%); which is primarily attributed to:

- a $23.2 million increase in net cash flows attributable to net income adjusted for non-cash and non-operating items; and
- a $20.7 million increase in net cash flows attributable to changes in other working capital items; partially offset by
- a $2.6 million decrease in net cash flows attributable to changes in natural gas in underground storage inventories.

Net cash flows provided by operating activities increased from $54.8 million for the year ended December 31, 2015 to $128.0 million for the year ended December 31, 2016, an increase of $73.2 million (133.4%); which is primarily attributed to:

- a $76.0 million increase in net cash flows attributable to net income adjusted for non-cash and non-operating items including the following: (i) goodwill impairments, (ii) depreciation and amortization expenses, (iii) net losses on assets held for sale, and (iv) deferred income taxes; and
- a $21.0 million increase in net cash flows attributable to changes in natural gas in underground storage inventories; partially offset by
- a $23.8 million decrease in net cash flows attributable to changes in other working capital items.

Net cash flows provided by operating activities increased from $54.3 million for the year ended December 31, 2014 to $54.8 million for the year ended December 31, 2015, an increase of $0.5 million (0.9%). The increase in cash flows from operating activities in 2015, relative to 2014, resulted from:

- a $6.4 million increase in net cash flows attributable to changes in other working capital items; partially offset by
- a $4.3 million decrease in net cash attributable to changes in natural gas in underground storage inventories; and
- a $1.6 million decrease in net cash flows attributable to net income adjusted for non-cash and non-operating items.

*Net Cash Flows from Investing Activities*

Cash flows from investing activities primarily consist of capital expenditures, sales of cushion gas, proceeds of sales of assets, net of disposal costs, restricted deposits related to hedging activities, distributions in excess of earnings from our investment in Horizon and payments for reimbursable projects. Changes in capital expenditures between periods result from increases or decreases in our capital expenditures to fund growth projects and also from the timing of our maintenance capital requirements.

Net cash flows used in investing activities increased from $20.5 million for the three months ended March 31, 2016 to $21.4 million for the three months ended March 31, 2017, a greater use of cash of $0.9 million; which is primarily attributed to:

- a $6.0 million increase in capital expenditures; partially offset by
- a $4.7 million increase in net cash flows from restricted deposits related to our natural gas hedging activities; and
- a $0.4 million decrease in net payments for reimbursable projects.

Net cash flows used in investing activities increased from $114.5 million for the year ended December 31, 2015 to $135.5 million for the year ended December 31, 2016, a greater use of cash of $21.0 million; which is primarily attributed to:

- a $9.7 million decrease in proceeds from sales of cushion gas;
- a $9.1 million increase in capital expenditures;
- a $5.1 million decrease in net cash flows from restricted deposits related to our natural gas hedging activities;
- a $3.5 million decrease in cash related to reimbursable projects; partially offset by
- a $6.0 million decrease in asset disposal costs; and
- a $0.4 million increase in cash distributions in excess of earnings from Horizon.

Net cash flows from investing activities for the year ended December 31, 2015 decreased by $45.1 million from the year ended December 31, 2014. The decrease in net cash flows from investing activities in 2015, relative to 2014, resulted from the net effects of:

- a $43.5 million increase in capital expenditures;
- a $1.2 million decrease in cash distributions from Horizon in excess of earnings;
- a $1.6 million decrease in net cash flows from restricted deposits related to our natural gas hedging activities; and
- a $1.0 million increase in prepayments for reimbursable projects; partially offset by
- a $2.2 million net increase in proceeds from sales of assets.

*Net Cash Flows from Financing Activities*

Net cash flows used in financing activities for the three months ended March 31, 2017 increased by $33.3 million from the three months ended March 31, 2016; which is primarily attributed to:

- the 2017 repayments on revolving loans under the Old Credit Facility of $40.0 million; partially offset by
- early extinguishment of long-term debt in 2016 of $6.7 million.

Net cash provided by financing activities for the year ended December 31, 2016 decreased by $68.0 million from the year ended December 31, 2015; which is primarily attributed to:

- early extinguishment of long-term debt in 2016 of $584.7 million;
- the draw in 2016 on revolving loans under the Old Credit Facility of $40.0 million
- the repayment in 2016 of the draw on revolving loans under the Old Credit Facility of $75.0 million in 2015;
- the draw on revolving loans under the Old Credit Facility in 2015 of $35.3 million;
- contributions from Sponsors of $623.0 million and $84.5 million, respectively, in 2016 and 2015;
- the cash principal repayment on our Old Credit Facility in 2015 of $50.0 million; and
- the decrease in payments of debt issue cost of $2.9 million.

Net cash flows from financing activities for the year ended December 31, 2015 increased by $86.2 million from the year ended December 31, 2014. The increase in net cash flows from financing activities was due to:

- contributions from Sponsors of $84.5 million;
- the net draw on revolving loans under the Old Credit Facility of $4.4 million in 2015;
- and the excess cash principal repayment on the Old Credit Facility of $1.1 million in 2014; partially offset by
- payment of fees with regards to outstanding debt of $3.8 million in 2015.

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

**Aggregate Contractual Obligations as of December 31, 2016**

The following table summarizes our contractual cash obligations as of December 31, 2016, and the effect these obligations are expected to have on liquidity and cash flow in future periods:

| | | Payments due by period | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 2 - 3 years | 4 - 5 years | More than 5 years |
| | | | (In millions) | | |
| Contractual obligations: | | | | | |
| Long-term debt(a): | | | | | |
| Principal payments | $2,296 | $1,290 | $549 | $— | $ 457 |
| Interest payments | 967 | 177 | 150 | 72 | 568 |
| Other obligations(b) | 4 | 1 | 2 | 1 | — |
| Operating leases | 1 | 1 | — | — | — |
| Total | $3,268 | $1,469 | $701 | $73 | $1,025 |
| Other commercial commitments: | | | | | |
| Capital expenditures | $ 40 | $ 40 | $ — | $— | $ — |

(a) Does not give effect to this offering and the use of proceeds therefrom.

(b) Includes environmental liabilities related to sites that we own or have a contractual or legal obligation with a regulatory agency or property owner upon which we will perform remediation activities. These liabilities are included within "other long-term liabilities and deferred credits" in our consolidated balance sheets.

**Quantitative and Qualitative Disclosure About Market Risk**

Refer to Note 7 "Risk Management" of our accompanying notes to the annual combined financial statements for quantitative and qualitative disclosures about market risk.

Refer to Note 8 "Fair Value of Financial Instruments" of our accompanying notes to the annual combined financial statements for additional information regarding the fair value of our derivative instruments.

**Recent Accounting Pronouncements**

Refer to Note 11 "Recent Accounting Pronouncements" of our accompanying notes to the annual combined financial statements for information concerning recent accounting pronouncements.

## BUSINESS

Our wholly owned subsidiary, NGPL, owns and operates one of the largest and most geographically extensive FERC-regulated natural gas pipeline systems in North America. NGPL's pipeline operations consist of interstate natural gas pipelines, storage fields, field system lines and related facilities, consisting primarily of two major interconnected natural gas transmission pipelines that connect markets from the West Texas and Gulf Coast regions in the South to the Chicago, Illinois metropolitan market area in the North. NGPL has approximately 9,100 miles of pipeline and 62 compressor stations totaling more than 1 million compression horsepower. NGPL is also one of the largest natural gas storage operators, with approximately 288 Bcf of working gas capacity and over 4.4 Bcf/d of peak deliverability, 12 underground storage reservoirs in eight field locations in four states.

NGPL's Amarillo Line interconnects the Waha area and Chicago market region, including Permian and Midcontinent production zones. The Amarillo line consists of approximately 4,150 miles of pipeline with a capacity of 1.5 Bcf/d. NGPL's Gulf Coast Line interconnects the South Texas area and Chicago market area, including Mexico via NET, Marcellus via REX and the Gulf Coast region. NGPL's Gulf Coast Line consists of approximately 4,200 miles of pipeline with a 1.6 Bcf/d capacity. These two main pipelines are connected at points in Texas and Oklahoma by the Amarillo/Gulf Coast pipeline (the "A/G line"), which includes access to the SCOOP/STACK, and represents approximately 400 miles of pipeline and 0.5 Bcf/d of capacity. NGPL's Louisiana Line interconnects Texas and Louisiana, provides access to industrial, petrochemical and LNG export capacity and represents approximately 360 miles of pipeline and 1.2 Bcf/d of capacity.

As of May 2017, approximately 90% of NGPL's long-haul pipeline capacity is committed under firm transportation contracts. NGPL's overall average remaining contract life for long-term transportation contracts is approximately 6.5 years, including contracts with services that have not yet begun.

NGPL is also one of the nation's largest natural gas storage operators, with storage facilities located in major supply areas and near the markets it serves on both the Amarillo Line and the Gulf Coast Line. NGPL has approximately 600 billion cubic feet ("Bcf") of total natural gas storage capacity, including approximately 288 Bcf of working gas capacity and over 4.4 Bcf per day of peak deliverability from its storage facilities. NGPL also owns and operates twelve underground storage reservoirs in eight field locations in four states. These storage assets complement NGPL's pipeline facilities and allow it to enhance its pipeline deliveries and meet peak delivery requirements in its principal markets.

In addition, we own and operate, through our subsidiaries, a 50% equity interest in Horizon Pipeline Company, L.L.C. ("Horizon"), a joint venture with Nicor-Horizon, Inc., which is an indirect subsidiary of The Southern Company. This joint venture owns a natural gas pipeline in northern Illinois with a capacity of 380 MMcf per day. In addition to NGPL, NGPL PipeCo owns KMIP, an interstate natural gas pipeline in northern Illinois, with a capacity of 360 MMcf per day.

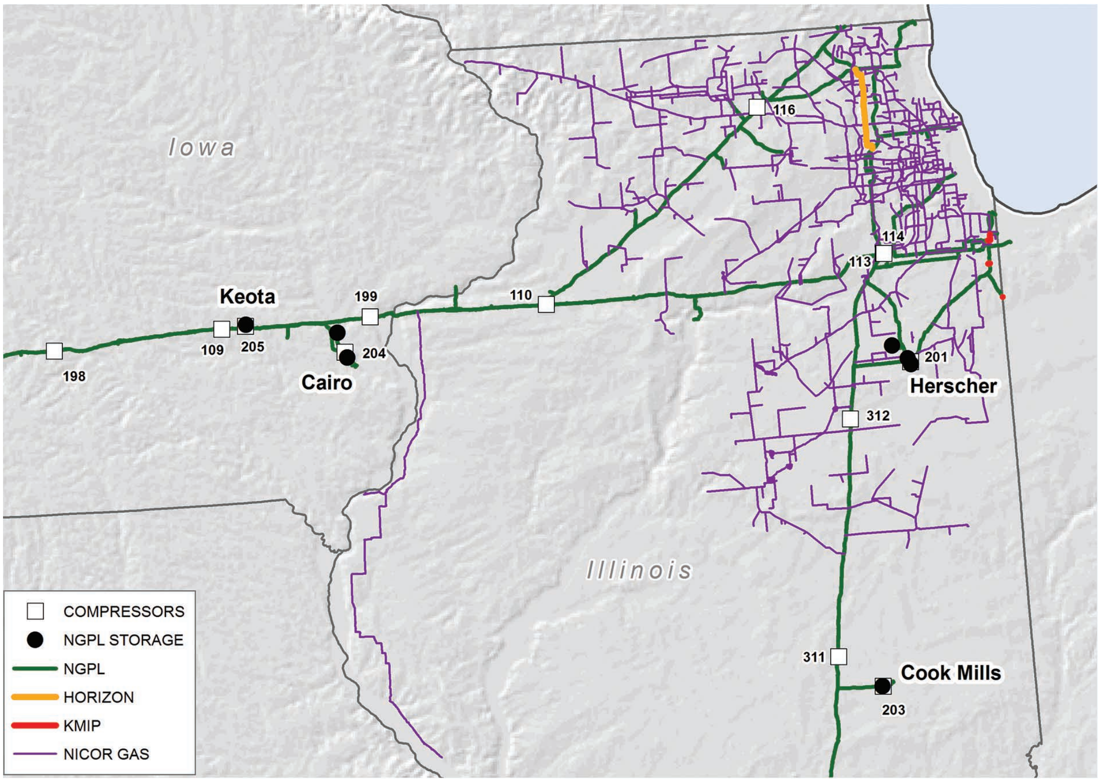
### Markets and Customer Base

NGPL's pipeline system has extensive connectivity to the end-user marketplace, with 215 physical interconnections with 14 major Midwest LDCs, 23 gas-fired power plants and several third-party interstate pipelines. Our end-user markets have a total population of approximately

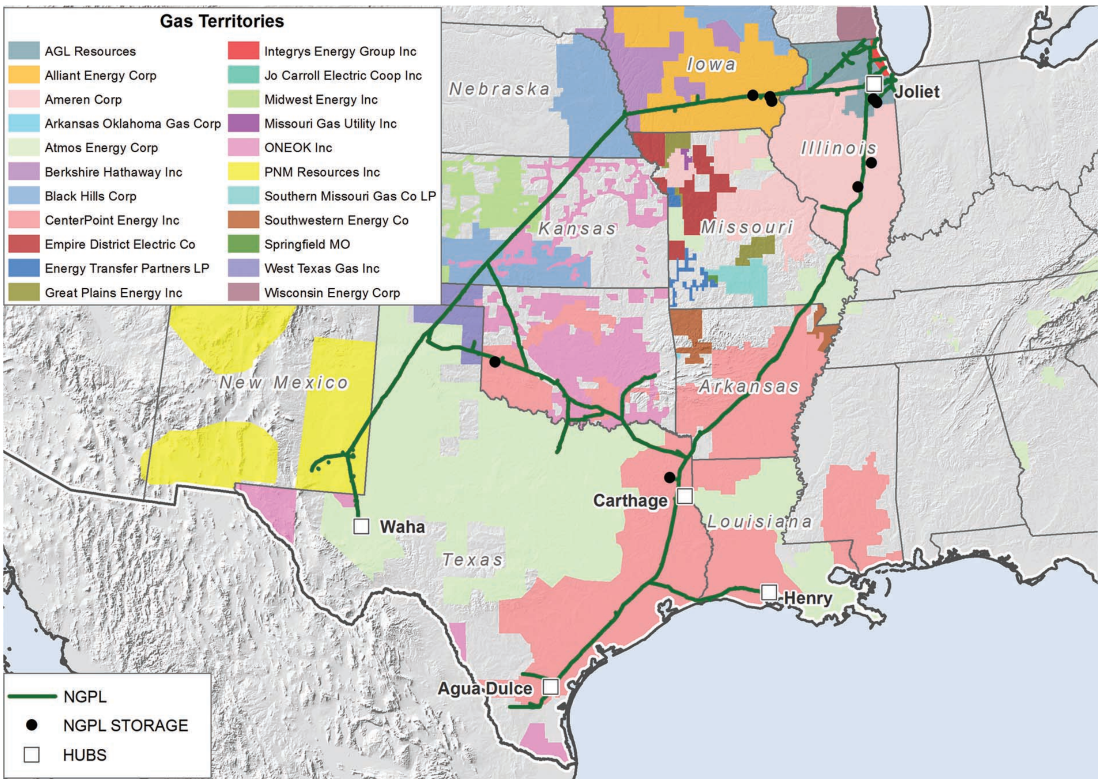
10 million people with few comparable pipeline alternatives. In addition, our extensive overlay of systems with key customers in the greater Chicago market gives us the value-added ability to provide no-notice service (where customers pay a reservation charge for the right to have up to a specified volume of natural gas delivered, including peaking and swing requirements without making specific nominations). NGPL is one of the largest transporters of natural gas to the greater Chicago market, supplying over 60% of the gas received by this market in 2016. The following table sets forth summary information with respect to interconnection on our pipeline with major LDCs in the Midwest region.

| Interconnected with Midwest LDCs | NGPL Total Point Capacity (MMdth/d) | NGPL Total Physical Interconnects |
|---|---|---|
| Nicor | 9,989 | 78 |
| Integrys (Peoples/North Shore) | 5,163 | 11 |
| NIPSCO | 1,431 | 4 |
| Mid American | 1,277 | 34 |
| Ameren/Illinois | 1,261 | 37 |
| Ameren/Missouri (Gas) | 9 | 2 |
| Ameren/Missouri (Electric) | 326 | 3 |
| Wisconsin Electric | 251 | 3 |
| LaClede Gas (via MRT) | 288 | 1 |
| Alliant/Interstate P&L | 373 | 23 |
| Black Hills Utilities | 194 | 7 |
| Liberty Illinois/Missouri | 70 | 11 |
| Jo Carroll Energy | 16 | 1 |
| Totals | 20,648 | 215 |

The following is a representation of NGPL's physical pipeline in the Chicago market area, overlayed with the Nicor distribution system.



The following is a representation of all of the various gas distribution territories NGPL's pipeline crosses or interconnects with.




For the years ended December 31, 2016 and 2015, approximately 88% and 92%, respectively, of our revenues were generated under firm contracts, which are not reliant on commodity prices or throughput, while approximately 7% and 6%, respectively, of our revenues were fee-based. As of March 31, 2017, our long-term transportation contracts had an average weighted remaining term of approximately 6.5 years, including contracts with services that have not yet begun. Additionally, for the years ended December 31, 2016 and 2015, 60% and 58%, respectively, of our revenues were generated by end-users, such as LDCs, utilities, power generators and industrial companies.

The following table lists NGPL's ten largest transportation and storage customers for 2016, contract expiration, customer type, their (or their parent company's) credit ratings (where available) and contracted capacity as a percentage of our overall capacity. These top ten customers accounted for approximately 59% of NGPL's firm transportation reservation revenues and 75% of NGPL's firm storage reservation revenues, as applicable, for the twelve months ended April 30, 2017, and include investment grade-rated companies having an average corporate rating of A−. As of May 2017, long-term firm transportation contracts for NGPL's ten largest transportation customers listed in the table below had an average weighted remaining term of approximately six years. As of May 2017, storage contracts for NGPL's ten largest storage customers listed below had an average weighted remaining term of approximately four years.

## Top 10 Transportation Customers

| Rank | Customer(1) | Expiration Dates | Customer Type | Ratings(2) | Percentage of Reservation Revenue |
|---|---|---|---|---|---|
| 1. | Nicor (Southern)(3) | 2017 - 2026 | LDC (with market affiliate) | (P) Baa2 / A- | 18.1% |
| 2. | PGLC/No Shore/Wisc Elec | 2019 - 2022 | LDC | A3 / A- | 7.0% |
| 3. | EOG Resources | 2017 | Marketer | Baa1 / BBB+ | 5.0% |
| 4. | NIPSCO | 2019 - 2020 | LDC | (P)Ba1 / BBB+ | 5.0% |
| 5. | Sabine Pass Liquefaction | 2026 | End user | Ba2 / NR | 4.6% |
| 6. | Antero Resources | 2022 - 2033 | Producer | Ba2 / BB | 4.3% |
| 7. | La Frontera (formerly FPLE) | 2023 | Power Plant | NR / NR | 4.2% |
| 8. | Centerpoint | 2017 - 2019 | LDC (with market affiliate) | Baa1 / A- | 3.8% |
| 9. | Tenaska Marketing | 2017 - 2020 | Marketer | NR / NR | 3.7% |
| 10. | MidAmerican | 2019 - 2020 | LDC (with market affiliate) | A1 / A | 3.5% |

(1) The top 10 customers listed above are based on reservation revenue for the period from May 2016 through April 2017, excluding any prior period adjustments.

(2) Moody's / S&P senior unsecured or corporate or equivalent ratings. (P) indicates parent ratings. NR indicates not rated.

(3) NGPL recently entered into a 10-year extension for its suite of agreements representing the majority of its services with Nicor (Southern).

## Top 10 Storage Customers

| Rank | Customer(1) | Expiration Dates | Customer Type | Ratings(2) | Percentage of Reservation Revenue |
|---|---|---|---|---|---|
| 1. | Nicor (Southern)(3) | 2018 - 2026 | LDC (with market affiliate) | (P) Baa2 / A- | 24.7% |
| 2. | PGLC/No Shore/Wisc Elec | 2019 - 2020 | LDC | A3 / A- | 15.3% |
| 3. | MidAmerican | 2021 | LDC (with market affiliate) | A1 / A | 7.3% |
| 4. | NIPSCO | 2019 | LDC | (P)Ba1 / BBB+ | 5.5% |
| 5. | Enstor | 2018 - 2019 | Marketer | Baa1 / BBB+ | 5.5% |
| 6. | Centerpoint | 2019 - 2022 | LDC (with market affiliate) | Baa1 / A- | 4.7% |
| 7. | Mercuria | 2018 | Marketer | NR / NR | 3.8% |
| 8. | WGL Midstream | 2018 - 2044 | Marketer | A3 / A+ | 3.2% |
| 9. | NRG Power Marketing | 2018 | Power Plant | Ba3 / BB- | 2.5% |
| 10. | Castleton | 2018 | Marketer | NR / NR | 2.1% |

(1) The top 10 customers listed above are based on reservation revenue for the period from May 2016 through April 2017, excluding any prior period adjustments

(2) Moody's / S&P senior unsecured or corporate or equivalent ratings. (P) indicates parent ratings. NR indicates not rated.

(3) NGPL recently entered into a 10-year extension for its suite of agreements representing the majority of its services with Nicor (Southern).

### Supply Access

The natural gas transported on NGPL's pipeline system is supplied from diverse natural gas producing regions, including the Permian basin, SCOOP/STACK, Canada (via Alliance and Northern Border), the Rockies (via Trailblazer, REX and Cheyenne Plains), Midcontinent, Haynesville Shale and East Texas as well as from the Henry Hub. In addition, NGPL's pipeline system is strategically located to access growing supply regions like the Marcellus/Utica via REX pipeline's East to West capacity which was recently expanded to 2.6 Bcf per day (NGPL 1.8 Bcf per day interconnect). NGPL believes it can further expand its southbound transportation capacity over and above any currently announced expansions by up to 500,000 dekatherms per day on its

Gulf Coast Mainline System at competitive rates. This provides NGPL's customers with a wide diversity of supply sources, which we believe gives NGPL a competitive advantage.

**Services Offered**

NGPL provides firm and interruptible gas transportation, storage and no-notice services, and interruptible park and loan line pack services pursuant to transportation and storage service agreements and its tariff. Firm transportation and storage customers pay a monthly demand charge irrespective of actual volumes transported or stored. Interruptible customers pay a monthly charge based upon actual volumes transported or stored. The following is a chart describing the services provided by NGPL:

| Service | | Description |
|---|---|---|
| FTS | Firm Transportation | Shippers reserve capacity and contract specific receipt-delivery points. Additional service options include system wide access to all NGPL receipt/delivery points ("SW") and no-notice balancing that requires no advance notice by the customer ("NB") when used with NSS. |
| FFTS | Flexible Firm Transportation | Provides for firm service under defined operational parameters. Shippers can also elect SW and NB. |
| ITS | Interruptible Transportation | Allows for gas movement if capacity is available. Covers all receipt-delivery points. |
| DSS | Delivered Firm Storage | No-notice delivered storage service that requires no advance notice by the customer, bundled with firm transportation delivery to contractual delivery points. Delivery to NGPL's maximum contractual obligation. Customer has certain requirements to cycle inventory into and out of its account through the year.. |
| NSS | Nominated Storage | Very flexible, firm, storage-only service with no cycling requirement. Must be nominated and transportation must be contracted for separately. Shippers can obtain no-notice if combined with FTS-NB or FFTS-NB. |
| IBS | Interruptible Balancing | Allows shippers to swing their daily loads either up or down, within confirmed IBS swing levels, without incurring balancing service charges. Serves to balance difference between nominations and physical gas flow. |
| LPS | Line Pack | Another tool for managing overall supply portfolio. Allows shipper to to park gas on NGPL's system with scheduled payback of that gas to shipper at a later date, or to be loaned gas from NGPL with scheduled payback of that gas to NGPL at a later date. Transportation must be contracted separately. |

**Service Lines**

*Transportation*

Amarillo Line

*Capacity of 1.5 Bcf per day*

*4,150 miles of pipe*

The Amarillo Line has interconnections between West Texas, Southeast New Mexico (Permian Basin), the Midcontinent supply area and the Iowa and greater Chicago market areas. The primary revenue driver in the Amarillo product line is transportation from the Midcontinent supply area (Oklahoma/West Texas) to the upper Midwest market. Deliveries to the upper Midwest market in this product line also include supply from Rocky Mountain basins via Rockies Express Pipeline, Cheyenne Plains Pipeline and Trailblazer Pipeline Company, and Canadian supply via Northern Border Pipeline. The rates on these transactions are based on demand in the upper Midwest markets over time and the basis spread from the Midcontinent supply region to Chicago.

Other revenue in the Amarillo line primarily consists of deliveries to the south end of the Amarillo system to the El Paso Pipeline for ultimate redelivery to southwest US markets, including California. The rates on these transactions are primarily based on the basis spread from the Midcontinent supply region to El Paso.

Gulf Coast Line

*Capacity of 1.6 Bcf per day*

*4,200 miles of pipe*

The Gulf Coast Line has interconnections between the Gulf Coast area of Texas, almost at the Mexican border, and the downstate Illinois and greater Chicago market areas. The primary revenue drivers on the Gulf Coast Line vary seasonally. During the winter months the primary driver is transportation from the Marcellus and Utica supply via REX pipeline East and Southeast Texas supply area (including production from the Haynesville and Eagle Ford shale) and Arkansas (from the Fayetteville shale) to the upper Midwest market. Deliveries are also made on this line to South Texas supplying export demand via other interstate pipelines, to the Louisiana Line supplying LNG demand, and to East Texas supplying gas-fired electricity generation demand. Deliveries made to the Cheniere Corpus Christi LNG plant will be made off of this line. These deliveries are less seasonal in nature. The winter transportation rates are based on demand in the upper Midwest markets over time and the basis spread from the East Texas supply region to Chicago. Rates on southbound transactions are based on demand in the LNG and export markets over time and are primarily based on the spread between prices at Midwest supply points to prices at receipt points on the Gulf Coast region.

Louisiana Line

*Capacity of 1.2 Bcf per day*

*360 miles of pipe*

The Louisiana Line has interconnections between NGPL's Gulf Coast line in the West and the Henry Hub in Louisiana in the East. The primary revenue driver in the Louisiana Line is transportation from both the Henry Hub area in the east and Southeast Texas/Oklahoma pool from the West (including production from Haynesville and Eagle Ford shale) to interconnects with LNG facilities, industrial end users, storage facilities, intrastate pipelines, as well as to other interstate pipelines for ultimate redelivery to their markets in the eastern United States. The Louisiana Line currently supplies Cheniere's Sabine Pass LNG facility and is in close proximity to Cameron LNG, which is under construction and three other FERC-approved LNG export projects. The rates on these transactions are primarily based on the basis spread from the East Texas supply region to the Henry Hub reflective of demand in the LNG export market and the Southeast U.S., as well as demand from Louisiana end users.

Crosshaul

*Capacity of 0.5 Bcf per day*

*400 miles of pipe*

The primary revenue driver in the Crosshaul service line is transportation from the traditional Midcontinent supply area (Oklahoma/West Texas) and growing shale plays in Oklahoma through NGPL's Amarillo-Gulf Coast line to power generators and to interconnects in Louisiana and Texas with other interstate and intrastate pipelines for ultimate redelivery to their markets. The rates on these transactions are primarily based on the basis spread from the Midcontinent supply region to the East Texas and to the Henry Hub.

Storage and Balancing

*Total capacity of 600 Bcf, including 288 Bcf of working gas*

*Peak day deliverability of 4.4 Bcf*

*12 reservoirs at 8 different locations in 4 states*

The storage service line consists primarily of DSS and NSS services. DSS customers currently consist entirely of local distribution customers, as this service plays an integral part in their ability to meet their end use demand. DSS provides gas to a citygate delivery point on a no-notice basis, thus matching up to the swing needs of the end market. NSS is utilized by all segments of our customer base, from LDCs to producers and marketers. This service provides flexibility and optionality, and the ability to take advantage of time arbitrage opportunities. This service has historically been contracted at or near capacity and continues to be in high demand.

**Industry**

With the continued growth of North American gas production in the last several years expected to provide a robust, reliable and competitively-priced supply, U.S. demand for natural gas is expected to grow steadily from current levels for many reasons, including the following:

- LNG Net Exports — The most significant increase in demand is expected from LNG exports. The development of plentiful low-cost natural gas supply in North America and growing worldwide demand for natural gas has led numerous parties to propose projects to export LNG from the U.S. Some of these projects are readily accessible to NGPL. NGPL is currently supplying Cheniere's Sabine Pass export facility, and NGPL's Louisiana line and the South Texas portion of the Gulf Coast line lies in close proximity to seven additional proposed export terminal projects, three of which are under construction, including the Cheniere Corpus Christi LNG project, and all of which are expected to come online between 2016 and 2022;

- Mexican Net Exports — Gas demand in Mexico is expected to grow as a result of the underinvestment in Mexico gas production and the build-out of significant natural gas fired generation in Mexico replacing plants that primarily burned fuel oil. U.S. supply cost advantages have led to infrastructure buildouts in the U.S. to the Mexico border and within Mexico to serve this growing demand.

- Power Generation — Overall power demand is expected to grow due to increased pressure to retire older, less environmentally friendly, coal-fired plants, initiated by individual states lower carbon policy goals and in the longer term due to retirements of nuclear plants reaching the end of their useful lives. Electric transmission system organizations, including the operator of the electric system in the Chicago area, have been introducing monetary penalties on system participants for non-performance in the electricity capacity market. These penalties have resulted in higher demand for the firm transportation services we offer to power plants and to counterparties agreeing to longer-term contracts for these services.

- Expanding Shale Gas Production — Due to advances in extraction technology, the United States has significantly increased its natural gas production. The Permian Basin, SCOOP/STACK plays and Marcellus and Utica shale regions contain rich reserves of natural gas. This increased supply of natural gas has created new demand for transportation services from these regions.

We have identified approximately 100 existing coal- and gas-fired power plants in NGPL's footprint that could represent incremental mid-term demand opportunities for NGPL. The incremental demand drivers listed above could increase NGPL's transportation revenues over time on various segments of NGPL's system.

**Competition**

NGPL competes with other transporters of natural gas in virtually all of the markets it serves, including the Chicago area, which is the northern terminus of NGPL's two major pipeline segments and its largest market. Competitors in NGPL's various markets include both interstate and intrastate natural gas pipelines. NGPL also faces competition with respect to the natural gas storage services it provides.

The competition faced by NGPL with respect to its natural gas transportation and storage services is often price-based, although there is also a component related to the variety, flexibility and reliability of services offered by others. While most customers have alternative sources to partially meet their requirements, NGPL's extensive pipeline system, with access to diverse supply basins and significant storage assets in both the supply and market areas, and the flexibility and optionality these provide, make it a strong competitor in all of its markets. While there is some price-based competition faced by NGPL, we believe our connectivity with major customers and the breadth of our footprint allows NGPL to differentiate itself from its competitors. Additionally, NGPL's fixed and variable rates for both transportation and storage services are competitive in the markets we serve.

**Regulatory Matters**

Our assets, operations and business activities are subject to extensive legal requirements and regulations under the jurisdiction of numerous federal, state and local agencies. Many of these agencies are authorized by statute to issue and have issued requirements binding on the pipeline industry, related businesses and individual participants. The failure to comply with such legal requirements and regulations can result in substantial penalties. Moreover, any successful complaint or protest against the rates of the gas pipelines could have an adverse impact on revenues. At any given time there may be proposals, provisional rulings or proceedings in legislation or under governmental agency or court review that could affect our business. The regulatory burden on our assets, operations and activities increases our cost of doing business and, consequently, affects our profitability, but we do not believe that these laws and regulations affect us in a significantly different manner than our competitors. We may at any time also be required to apply significant resources in responding to governmental requests for information. The following is a discussion of certain, but not all, of the laws and regulations affecting our operations.

As an interstate pipeline, our rates, services and operations are subject to regulation by the FERC. The FERC administers, among other things, the NGA and the Natural Gas Policy Act. The FERC has jurisdiction over, among other things, the construction and operation of pipelines and related facilities used in the transportation, storage and sale for resale of natural gas in interstate commerce, including the extension, enlargement and abandonment of such facilities. The FERC also has jurisdiction over the rates and charges for the transportation of natural gas in interstate commerce and the sale for resale of natural gas by a natural gas pipeline company in interstate commerce. Under the NGA, the FERC has authority to ensure that the rates charged by interstate pipelines are just and reasonable and that the pipelines are not unduly discriminating or granting an undue preference as to the rates charged or terms and conditions of service. A failure to comply with any applicable FERC administered statutes, rules, regulations and orders, may result in substantial penalties and fines. FERC has authority under the NGA to impose maximum civil penalties $1.2 million per day for each violation and disgorgement of profits associated with any violation.

On January 19, 2017, the FERC issued an order instituting an investigation into the justness and reasonableness of NGPL's transportation and storage rates, pursuant to Section 5 of the

NGA. We have reached a settlement with our customers that would resolve the issues in the proceeding. This proposed settlement includes a maximum tariff rate decrease of 4.5% effective the earlier of November 1, 2017 or the first day of the month following a final FERC order approving the settlement, with an additional 2% reduction effective November 1, 2018. In addition, the proposed settlement includes a moratorium on rate proceedings prior to July 1, 2022, where NGPL has agreed not to file a general Section 4 rate case to increase its rates, and our customers have agreed not to file a Section 5 complaint regarding NGPL's rates. The proposed settlement also includes integrity testing and enhancement spending commitment of $400 million over five years (with a minimum of $65 million in each individual year), which is consistent with our view of the appropriate annual spending to most efficiently manage overall integrity management and comply with existing regulations. This proposed settlement agreement was filed for approval at the FERC on July 25, 2017, and we expect it to be approved by the FERC by September 30, 2017. The tariff rate decreases affect only firm tariff rate contracts, which represented $114 million, or 23%, of the total firm service revenue for the year ended December 31, 2016, as compared to our negotiated rate contracts and discounted rate contracts, which represented 39% and 38%, respectively, of our total firm revenue for the year ended December 31, 2016. We do not believe that the resolution of this proceeding will have a material adverse impact on our results of operations or cash flows from operations. For more information regarding the 2017 FERC Investigation, see "Risk Factors — Risks Related to Our Business — The agencies that regulate our pipelines, pipeline subsidiaries and their customers could affect our profitability."

Additionally, interstate pipeline companies such as us are subject to regulation by the U.S. DOT pursuant to the Natural Gas Pipeline Safety Act, which authorizes safety requirements in the design, construction, operations and maintenance of interstate natural gas transmission facilities.

The Pipeline Safety Improvement Act of 2002 was signed into law on December 17, 2002, providing guidelines in the areas of testing, education, training and communication. This act requires pipeline companies to perform integrity tests on natural gas transmission pipelines that exist in high population density areas that are designated as "high consequence areas." Pipeline companies are required to perform the integrity tests within ten years of the date of enactment and must perform subsequent integrity tests on a seven year cycle. The risk ratings are based on numerous factors, including the population density in the geographic regions served by a particular pipeline, as well as the age and condition of the pipeline and its protective coating. Testing consists of hydrostatic testing, internal electronic testing, or direct assessment of the pipe. In addition to the pipeline integrity tests, pipeline companies must implement a qualification program to make certain that employees are properly trained. The U.S. DOT has approved our qualification program. We believe that we are in substantial compliance with this law's requirements and have integrated appropriate aspects of this pipeline safety law into our Operator Qualification Program, which is already in place and functioning.

Additionally, in January 2012, the President signed into law the Pipeline Safety, Regulatory Certainty, and Jobs Creation Act of 2011. This law increases the fines for any violation of the pipeline safety regulations and laws, it removes certain exemptions from call-before-you-dig requirements, and it expands the current pipeline integrity rules for high consequence areas to additional portions of the pipe. It is our belief that NGPL is largely in compliance with the new law and will not bear undue additional expense in attempting to comply.

In addition, certain operations are subject to oversight by state regulatory commissions.

Proposals and proceedings that might affect the interstate pipeline industry are considered from time to time by Congress, the FERC, state regulatory bodies and the courts. We cannot predict when or if any new proposals might be implemented or, if so, how we might be affected.

**Environmental Matters**

We are subject to various federal, state and local laws and regulations whose purpose is to conserve or protect wildlife, natural resources, human health and the environment. Moreover, we are subject to federal and state laws and regulations, the purpose of which is to maintain the safety of workers, both generally and within the pipeline and storage industry. Applicable laws include the federal Comprehensive Environmental Response, Compensation and Liability Act, the Resource Conservation and Recovery Act, the Oil Pollution Act of 1990, the CAA, the Clean Water Act and the National Environmental Policy Act. These laws and regulations can restrict or impact our business activities in many ways, such as requiring the installation of pollution-control equipment or otherwise restricting the way we operate. Environmental laws and regulations change frequently, and the implementation of new, or the modification of existing, laws or regulations could harm us. Failure to comply with environmental, health and safety laws or regulations may result in assessment of administrative, civil and criminal penalties, imposition of cleanup and site restoration costs and liens, the suspension or revocation of necessary permits, licenses and authorizations, the requirement that additional pollution controls be installed and the issuance of orders enjoining or limiting our current or future operations. Moreover, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances, hydrocarbons or other waste products into the environment.

The cost of complying with these laws and regulations can be significant, and we expect to incur significant compliance costs in the future. We have established environmental reserves of approximately $4.0 million as of March 31, 2017. In addition, environmental permitting requirements can negatively affect our ability to complete future pipeline expansions on a timely or cost-effective basis. There is an internal program of inspection designed to monitor and enforce compliance with pollution control and pipeline safety requirements.

*CAA.* We are subject to the CAA. New facilities may be required to obtain permits before work can begin, and existing facilities may be required to obtain additional permits and incur capital costs in order to remain in compliance. These laws and regulations may increase the costs of compliance for some facilities we own or operate, and federal and state regulatory agencies can impose administrative, civil and criminal penalties for non-compliance with air permits or other requirements of the CAA and associated state laws and regulations. We believe that we are in substantial compliance with all applicable air emissions regulations and that we hold all necessary and valid construction and operating permits for our operations.

*Climate Change.* Methane, a primary component of natural gas, and carbon dioxide, a byproduct of the burning of natural gas, are examples of greenhouse gases, or "GHGs." Though it currently appears unlikely that comprehensive climate legislation will be passed by either house of the U.S. Congress, almost half of the states have begun to address GHG emissions, primarily through the planned development of emission inventories or regional GHG cap and trade programs. Depending on the particular program, we could be required to control emissions or to purchase and surrender allowances for GHG emissions resulting from our operations.

Independent of the U.S. Congress, the EPA is beginning to adopt regulations controlling GHG emissions under its existing CAA authority. Under EPA rules, we are required to report our emissions from our combustion engines and certain of our facilities under these rules. Several of the EPA's GHG rules are being challenged in court and, depending on the outcome of these proceedings, such rules may be modified or rescinded. On March 28, 2017, President Trump signed an executive order that requires the EPA to review all rules that may impact energy independence, including regulations related to GHGs.

Although it is not currently possible to predict how any proposed or future greenhouse gas legislation or regulation by the U.S. Congress, the states or multi-state regions will impact our business, any legislation or regulation of greenhouse gas emissions that may be imposed in areas in which we conduct business could result in increased compliance costs or additional operating restrictions or reduced demand for our services, and could have a material adverse effect on our business, financial condition, and results of operations.

*PCBs.* We are required to monitor our system for the presence of polychlorinated biphenyls ("PCBs") at concentrations at or above 50 parts per million ("ppm") in our pipeline liquids. When detected at or above this level, we are required to meet certain management and disposal requirements.

In August 2007, the Company and Kinder Morgan received an information request from the Illinois Attorney General's Office regarding the presence of PCBs in natural gas transmission lines. Thereafter, in October 2007, we received information requests regarding the presence of PCBs in our natural gas transmission lines in Missouri from the EPA Region 7 and the Missouri Attorney General's Office. The Company responded to these requests. No proceeding or enforcement actions have been initiated.

*CERCLA.* The Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") imposes liability, without regard to fault or the legality of the original conduct, on certain classes of persons that are considered to be responsible for the release of a "hazardous substance" into the environment. We are involved with and have been identified as a potentially responsible party in several federal and state superfund sites. Environmental reserves will be established for those sites if and when where our contribution is believed to be probable and reasonably estimable.

*National Environmental Policy Act.* The National Environmental Policy Act ("NEPA") requires federal agencies, including FERC, to evaluate major agency actions having the potential to significantly impact the environment. The process involves the preparation of either an environmental assessment or environmental impact statement depending on whether the specific circumstances surrounding the proposed federal action will have a significant impact on the environment. The NEPA process involves public input through comments which can alter the nature of a proposed project either by limiting the scope of the project or requiring resource-specific mitigation. NEPA decisions can be appealed through the court system by process participants. This process may result in delaying the permitting and development of projects and increasing the costs of permitting and developing some facilities.

*Regulation of Hydraulic Fracturing.* A portion of our customers' natural gas production is developed from unconventional sources that require hydraulic fracturing as part of the completion process. Hydraulic fracturing involves the injection of water, sand and chemicals under pressure into the formation to stimulate gas production. Scrutiny of hydraulic fracturing activities continue, particularly at the state and local levels. Several states have proposed or adopted legislative or regulatory restrictions on hydraulic fracturing. We cannot predict whether further legislation will be enacted and if so, what its provisions would be. If additional levels of regulation and permits were required through the adoption of new laws and regulations at the federal or state level, that could lead to delays, increased operating costs and process prohibitions that could reduce the volumes of natural gas that move through our systems, which would materially adversely affect our revenue and results of operations.

After consideration of reserves established, we believe that costs for environmental remediation and ongoing compliance with these laws will not have a material adverse impact on our business, cash flows, financial position or results of operations. However, there can be no assurances that future events, such as changes in existing laws, the promulgation of new laws, or the development of new facts or conditions, will not cause us to incur significant costs.

**Title to Properties**

Substantially all of our pipelines were constructed on rights-of-way granted by the apparent record owners of the property. Several rights-of-way for our pipelines and other real property assets are shared with other pipelines and other assets owned by third parties. We or owners of the other pipelines may not have concluded eminent domain proceedings for some rights-of-way. In some instances, lands over which rights-of-way have been obtained are subject to prior liens which have not been subordinated to the right-of-way grants. We obtain permits from public authorities to cross over or under, or to lay facilities in or along, water courses, county roads, municipal streets and state highways, and in some instances, these permits are revocable at the election of the grantor. We also obtain permits from railroad companies to cross over or under lands or rights-of-way, many of which are also revocable at the grantor's election. In some cases, property for pipeline purposes was purchased in fee. We have the right of eminent domain to acquire rights-of-way and lands necessary for our pipelines.

We believe that we have satisfactory title to all of our assets to operate the pipelines and storage facilities. Although title to these properties is subject to encumbrances in some cases, such as customary interests generally retained in connection with acquisition of real property, liens that can be imposed in some jurisdictions for government-initiated action to clean up environmental contamination, liens for current taxes and other burdens, and easements, restrictions and other encumbrances to which the underlying properties were subject at the time of acquisition by us, we believe that none of these burdens materially detract from the value of our properties or from our interest in them, and none materially interfere with their use in the operation of our business.

**Employees**

Substantially all of the personnel used to operate the pipeline and conduct our business are provided by Kinder Morgan pursuant to the Operations and Reimbursement Agreement described under "Relationships and Related Party Transactions." Most of these personnel may, and do, work on other Kinder Morgan operated pipeline assets.

## Legal Proceedings

For information regarding the FERC's proceeding against NGPL pursuant to Section 5 of the NGA and the subsequent settlement of that proceeding, see "Business — Regulatory Matters."

In addition, from time to time we are a party to litigation and legal proceedings that we consider to be a part of the ordinary course of business. While no assurance can be given, we believe that, taking into account insurance coverage, none of the litigation or legal proceedings in which we are currently involved could reasonably be expected to have a material adverse effect on our business, financial condition or results of operations. We may, however, become involved in material legal proceedings in the future.

## Seasonality

NGPL's revenues have historically been somewhat higher in the first and fourth quarters of the calendar year, reflecting higher system utilization during the colder months. During the winter months, demand for energy increases and NGPL generally collects higher transportation commodity revenue, higher rates on certain contracts and may sell additional winter-only capacity. With the increased reliance on natural gas-fired electricity generation, extremely warm weather can also cause the demand for natural gas to increase during the summer months. Conversely, moderate weather patterns during the winter or summer months can cause short term natural gas prices to decrease, which may increase demand for, and therefore revenue from, storage and balancing services.

The other significant impact of seasonality on our business is the scheduling of maintenance activities, which are generally undertaken in the second and third quarters when the utilization of our transportation services is lower, allowing us to take sections of our pipeline out of service temporarily to perform maintenance activities without interrupting firm transportation commitments. We therefore generally incur higher maintenance expenses during these quarters.

# INDEX TO FINANCIAL STATEMENTS

## NGPL PIPECO LLC AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
### (In thousands)
### (Unaudited)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| Operating Revenues | | |
| Transportation and storage | $169,007 | $145,980 |
| Other | 401 | 145 |
| Total Operating Revenues | 169,408 | 146,125 |
| Operating Costs and Expenses | | |
| Purchases and other costs of sales | 12,284 | 8,015 |
| Operations, maintenance and other expenses | 36,942 | 32,270 |
| Depreciation and amortization | 23,401 | 22,752 |
| General and administrative | 8,774 | 8,560 |
| Taxes, other than income taxes | 5,193 | 4,902 |
| Total Operating Costs and Expenses | 86,594 | 76,499 |
| Operating Income | 82,814 | 69,626 |
| Other Income and (Expenses) | | |
| Equity in earnings of Horizon | 640 | 476 |
| Interest expense | (45,291) | (57,308) |
| Interest income | 136 | 174 |
| Gain on early extinguishment of debt | — | 2,128 |
| Other, net | (316) | (283) |
| Total Other Income and (Expenses) | (44,831) | (54,813) |
| Income Before Income Taxes | 37,983 | 14,813 |
| Income Tax Expense | (14,801) | (5,756) |
| Net Income | 23,182 | 9,057 |
| Other Comprehensive Income, Net of Tax | | |
| Change in fair value of derivatives utilized for hedging purposes (net of tax expense of $1,182 and $715, respectively) | 1,889 | 1,150 |
| Reclassification of change in fair value of derivatives to net income (net of tax expense of $398 and $—, respectively) | 623 | — |
| Total Other Comprehensive Income | 2,512 | 1,150 |
| Comprehensive Income | $ 25,694 | $ 10,207 |

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

# NGPL PIPECO LLC AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEETS
### (In thousands)

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| | (Unaudited) | |
| **ASSETS** | | |
| Current Assets | | |
| Cash and cash equivalents | $ 48,760 | $ 6,207 |
| Restricted deposits | 1,503 | 5,088 |
| Accounts receivable, net | 50,491 | 58,256 |
| Gas in underground storage | 15,320 | 9,536 |
| Materials and supplies | 17,148 | 16,456 |
| Gas imbalance receivables | 8,894 | 8,714 |
| System gas | 9,601 | 15,900 |
| Other current assets | 1,844 | 4,363 |
| Total current assets | 153,561 | 124,520 |
| Property, plant and equipment, net | 1,686,449 | 1,686,287 |
| Investment | 8,724 | 8,085 |
| Goodwill | 1,887,532 | 1,887,532 |
| Deferred charges and other assets | 24,989 | 21,094 |
| Total Assets | $3,761,255 | $3,727,518 |
| **LIABILITIES AND MEMBER'S EQUITY** | | |
| Current Liabilities | | |
| Current maturities of long-term debt | $1,250,000 | $1,250,000 |
| Notes payable | — | 40,000 |
| Accounts payable | 37,823 | 38,124 |
| Accrued interest | 54,282 | 9,958 |
| Accrued taxes | 11,677 | 17,636 |
| Gas imbalance payables | 6,047 | 12,021 |
| Other current liabilities | 18,259 | 18,751 |
| Total current liabilities | 1,378,088 | 1,386,490 |
| Long-term liabilities and deferred credits | | |
| Long-term debt | | |
| Outstanding | 1,006,212 | 1,006,212 |
| Debt issuance costs | (5,324) | (5,776) |
| Total long-term debt | 1,000,888 | 1,000,436 |
| Deferred income taxes | 384,949 | 368,606 |
| Other long-term liabilities and deferred credits | 4,961 | 5,311 |
| Total long-term liabilities and deferred credits | 1,390,798 | 1,374,353 |
| Total Liabilities | 2,768,886 | 2,760,843 |
| Commitments and Contingent Liabilities (Notes 2 and 6) | | |
| Member's Equity | | |
| Member's equity | 992,226 | 969,044 |
| Accumulated other comprehensive income (loss) | 143 | (2,369) |
| Total Member's Equity | 992,369 | 966,675 |
| Total Liabilities and Member's Equity | $3,761,255 | $3,727,518 |

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

## NGPL PIPECO LLC AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF CASH FLOWS
## (In thousands)
## (Unaudited)

| | Three Months Ended March 31, 2017 | Three Months Ended March 31, 2016 |
|---|---|---|
| Cash Flows From Operating Activities | | |
| Net income | $ 23,182 | $ 9,057 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 23,401 | 22,752 |
| Deferred income taxes | 14,763 | 5,731 |
| Gain on early extinguishment of debt | — | (2,128) |
| Park and Loan service revenue deferrals | 625 | 1,714 |
| Equity in earnings of Horizon | (640) | (476) |
| Changes in Components of Working Capital: | | |
| Accounts receivable | 8,787 | (691) |
| Gas in underground storage | (5,784) | (3,276) |
| Materials and supplies | (692) | (534) |
| Other current assets | 9,476 | (461) |
| Accounts payable | (978) | (19,646) |
| Accrued Interest | 44,324 | 44,912 |
| Other current liabilities | (10,999) | 5,680 |
| Other, net | (1,502) | 11 |
| Net Cash Provided by Operating Activities | 103,963 | 62,645 |
| Cash Flows From Investing Activities | | |
| Capital expenditures | (23,369) | (17,403) |
| Asset disposal costs | (512) | (441) |
| Investments in restricted deposits | 3,585 | (1,148) |
| Other, net | (1,114) | (1,518) |
| Net Cash Used in Investing Activities | (21,410) | (20,510) |
| Cash Flows From Financing Activities | | |
| Repayments of notes payables | (40,000) | — |
| Early extinguishment of long-term debt | — | (6,659) |
| Net Cash Used in Financing Activities | (40,000) | (6,659) |
| Net Increase in Cash and Cash Equivalents | 42,553 | 35,476 |
| Cash and Cash Equivalents, beginning of period | 6,207 | 11,329 |
| Cash and Cash Equivalents, end of period | $ 48,760 | $ 46,805 |
| Non-cash Investing Activities | | |
| Net increase in property, plant and equipment accruals | $ 677 | — |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid during the period for interest (net of capitalized interest) | $ 273 | $ 10,391 |
| Cash refunded during the period for taxes | (96) | — |

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

## NGPL PIPECO LLC AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY
### (In thousands)
### (Unaudited)

| | Three Months Ended March 31, | |
|---|---|---|
| | **2017** | **2016** |
| Beginning Balance | $966,675 | $326,355 |
| Net income | 23,182 | 9,057 |
| Other comprehensive income | 2,512 | 1,150 |
| Ending Balance | $992,369 | $336,562 |

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

## NGPL PIPECO LLC AND SUBSIDIARIES
## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
## (Unaudited)

### 1. General

***Organization***

NGPL PipeCo LLC (NGPL PipeCo), through its subsidiaries, engages in interstate natural gas transportation and storage. Unless the context requires otherwise, references to “we,” “us,” “our,” or the “Company” are intended to mean NGPL PipeCo.

We are wholly owned by Midco LLC, which is wholly owned by NGPL Intermediate Holdings LLC, formerly known as NGPL HoldCo LLC, which is wholly owned by NGPL Holdings LLC, which is owned 50% by Prime US Investments Pty Ltd., a subsidiary of Brookfield Infrastructure Partners L.P. (Brookfield) and 50% by Kinder Morgan NGPL Holdings LLC, a subsidiary of Kinder Morgan, Inc. (Kinder Morgan).

Our wholly owned subsidiary, NGPL Finance LLC (NGPL Finance) was created on November 2, 2016 to complete the refinancing of our revolver. After the restructuring, NGPL Finance owns a 35% interest in Natural Gas Pipeline Company of America LLC (Natural) and we directly own the remaining 65% interest in Natural.

Natural had gas transportation throughput volumes of 419.4 million dekatherms and 393.0 million dekatherms during the three months ended March 31, 2017 and 2016, respectively.

Natural owns a 50% investment in Horizon Pipeline Company, L.L.C. (Horizon), which is accounted for under the equity method, reflecting our ability to exercise significant influence over its operating and financial policies.

***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 (ASC), the single source of United States Generally Accepted Accounting Principles (GAAP) and referred to in this report as the Codification. Additionally, certain amounts from prior periods have been reclassified to conform to the current presentation.

The financial statements as of March 31, 2017 and for the three months ended March 31, 2017 and 2016 are unaudited. We derived the balance sheet as of December 31, 2016 from our 2016 audited consolidated 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. All material intercompany transactions and balances have been eliminated. 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 consolidated financial statements and related notes for the year ended December 31, 2016 (2016 audited financial statements).

**1. General (Continued)**

Management has evaluated subsequent events through May 26, 2017, the date these 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 provides detail on the principal amount of our outstanding debt balances. The table amounts exclude all debt fair value adjustments, including debt discounts, premiums and issuance costs (in thousands):

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Revolving credit facility, notes payable | $ — | $ 40,000 |
| 7.119% senior notes due December 15, 2017(a) | 1,250,000 | 1,250,000 |
| 9.625% senior notes due June 1, 2019 | 549,000 | 549,000 |
| 7.768% senior notes due December 15, 2037 | 457,212 | 457,212 |
| Total debt | 2,256,212 | 2,296,212 |
| Less: Current portion of debt(a) | 1,250,000 | 1,290,000 |
| Total long-term debt outstanding | $1,006,212 | $1,006,212 |

(a) As of March 31, 2017, we included $1.25 billion of our 7.119% Notes due December 2017 within the caption "Current portion of debt" on our accompanying Consolidated Balance Sheet. We intend to satisfy this debt through the issuance of bank or bond debt, equity contributions from our Member or a combination of these options. Management believes that the Company's estimated future cash flows supported by long-term customer contracts are sufficient to support obtaining the necessary financing to satisfy the Company's current obligation.

As of March 31, 2017, we had no balance outstanding under our revolving credit facility and we were in compliance with all of our debt covenants.

In March 2016, we purchased on the open market and subsequently retired approximately $7.8 million of our 7.768% Senior Notes due December 15, 2037 and $1.0 million of our 9.625% Senior Notes due June 1, 2019. Our cost to purchase these senior notes was approximately $6.7 million.

**2. Debt (Continued)**

On May 2, 2017 we issued a redemption notice for all of our outstanding 9.625% senior notes due June 1, 2019 (2019 Notes) which will settle on June 1, 2017. The $549 million of outstanding notes will be redeemed at a price of 102.406, pursuant to the trust indenture governing the 2019 Notes.

**3. Related Party Transactions**

***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.

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

| | March 31, 2017 | December 31, 2016 |
|---|---|---|
| Accounts receivable | $ 190 | $ 100 |
| Gas imbalance receivables | 2,288 | 541 |
| Accounts payable | 10,839 | 8,923 |
| Gas imbalance payables | 1,318 | 3,243 |

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2017 | 2016 |
| Transportation and storage revenues | $ 847 | $ 803 |
| Purchases and other costs of sales | 267 | 281 |
| General and administrative | 8,774 | 8,560 |
| Capitalized costs | 2,597 | 1,938 |
| Labor and other reimbursable costs | 13,934 | 13,076 |

**4. Risk Management**

Certain of our business activities expose us to risks associated with unfavorable changes in the market price of natural gas. Pursuant to our management's approved risk management policy, we use derivative contracts to hedge or reduce our exposure to this risk.

## 4. Risk Management (Continued)

***Energy Commodity Price Risk Management***

As of March 31, 2017, we had the following outstanding commodity forward contracts to hedge our forecasted energy commodity sales:

| | Net open position long/(short) |
|---|---|
| **Derivatives designated as hedging contracts** | |
| Natural gas fixed price | (10.3) billion cubic feet |
| Natural gas basis | (10.3) billion cubic feet |

As of March 31, 2017, the maximum length of time over which we have hedged, for accounting purposes, our exposure to the variability in future cash flows associated with energy commodity price risk is through November 2017.

***Fair Value of Derivative Contracts***

The fair values of our current asset and current liability derivative contracts are reported in the balance sheet captions "Current Assets: Other current assets" and "Current Liabilities: Other current liabilities," respectively. The following table summarizes the fair values of our derivative contracts included on the accompanying Consolidated Balance Sheets (in thousands):

| | | Asset derivatives | | Liability derivatives | |
|---|---|---|---|---|---|
| | | March 31, 2017 | December 31, 2016 | March 31, 2017 | December 31, 2016 |
| | Balance sheet location | Fair value | | Fair value | |
| ***Derivatives designated as hedging contracts*** | | | | | |
| Natural gas derivative contracts | Other current assets/ (Other current liabilities) | $892 | $54 | $(660) | $(2,892) |

## 4. Risk Management (Continued)

***Effect of Derivative Contracts on the Consolidated Statements of Income and Comprehensive Income***

The following tables summarize the impact of our derivative contracts, net of income tax, on the accompanying Consolidated Statements of Operations and Comprehensive Income (in thousands):

| Derivatives in cash flow hedging relationships | Gain/(loss) recognized in OCI on derivative (effective portion)(a) Three Months Ended March 31, 2017 | 2016 | Location | Gain/(loss) reclassified from Accumulated OCI into income (effective portion)(b) Three Months Ended March 31, 2017 | 2016 | Location | Gain/(loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing) Three Months Ended March 31, 2017 | 2016 |
|---|---|---|---|---|---|---|---|---|
| Natural gas derivative contracts ..... | $1,889 | $1,150 | Other revenues | $(623) | $— | Other revenues | $— | $— |

(a) We expect to reclassify an approximate $0.1 million gain associated with cash flow hedge price risk management activities included in our accumulated other comprehensive income balances as of March 31, 2017 into earnings during the next twelve months (when the associated forecasted sales are also expected to occur), however, actual amounts reclassified into earnings could vary materially as a result of changes in market prices.

(b) Amounts reclassified were the result of the hedged forecasted transactions actually affecting earnings (i.e., when the forecasted sales actually occurred).

For the three months ended March 31, 2017 and 2016, we recognized no material gain or loss in income from derivatives not designated as hedging contracts.

***Credit Risks***

In conjunction with certain derivative contracts, we are required to provide collateral to our counterparties, which may include posting letters of credit or placing cash in margin accounts. As of March 31, 2017 and December 31, 2016, we had no outstanding letters of credit supporting our commodity risk management program. As of March 31, 2017 and December 31, 2016, we had cash margins of $1.5 million and $5.1 million, respectively, posted by us as collateral, and recorded in our Consolidated Balance Sheet caption “Restricted deposits.” The balance at March 31, 2017 consisted of initial margin requirements of $1.7 million and variation margin requirements of $(0.2) million. We also use industry standard commercial agreements, which allow for the netting of exposures associated with transactions executed under a single commercial agreement. Additionally, we generally utilize master netting agreements to offset credit exposure across multiple commercial agreements with a single counterparty.

## 4. Risk Management (Continued)

We also have agreements with certain counterparties to our derivative contracts that contain provisions requiring the posting of additional collateral upon a decrease in our credit rating. As of March 31, 2017, based on our current mark to market positions and posted collateral, we estimate that if our credit rating were downgraded one or two notches, we would not be required to post additional collateral.

## 5. Fair Value

***Fair Value of Derivative Contracts***

The following two tables summarize the fair value measurements of our energy commodity derivative contracts based on the three levels established by the Codification (in thousands). The tables also identify the impact of derivative contracts which we have elected to present on our accompanying consolidated balance sheets on a gross basis that are eligible for netting under master netting agreements.

| | Balance sheet asset fair value measurements by level | | | | | | |
|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Gross amount | Contracts available for netting | Cash collateral held(b) | Net amount |
| **As of March 31, 2017** | | | | | | | |
| Energy commodity derivative contracts(a) | $317 | $575 | $— | $892 | $(660) | $(232) | $— |
| **As of December 31, 2016** | | | | | | | |
| Energy commodity derivative contracts(a) | $ — | $ 54 | $— | $ 54 | $ (54) | $ — | $— |

| | Balance sheet liability fair value measurements by level | | | | | | |
|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Gross amount | Contracts available for netting | Collateral posted(b) | Net amount |
| **As of March 31, 2017** | | | | | | | |
| Energy commodity derivative contracts(a) | $ (632) | $(28) | $— | $ (660) | $660 | $ — | $ — |
| **As of December 31, 2016** | | | | | | | |
| Energy commodity derivative contracts(a) | $(2,891) | $ (1) | $— | $(2,892) | $ 54 | $5,088 | $2,250 |

(a) Level 1 consists primarily of New York Mercantile Exchange (NYMEX) natural gas futures quoted in active markets. Level 2 consists primarily of natural gas basis swaps.

(b) Cash margin deposits associated with our energy commodity contract positions and Over the Counter (OTC) swap agreements. Any cash collateral paid or received is reflected in this table, but only to the extent that it represents variation margins. Any amount associated with derivative prepayments or initial margins that are not influenced by the derivative asset or liability amounts or those that are determined solely on their volumetric notional amounts are excluded from this table.

## 5. Fair Value (Continued)

### *Fair Value of Financial Instruments*

The following table reflects the carrying amount and estimated fair value of our outstanding debt balances (in thousands):

| | March 31, 2017 | | December 31, 2016 | |
|---|---|---|---|---|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Total Debt | $2,250,888 | $2,370,994 | $2,290,436 | $2,403,800 |

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 estimated the fair value of our outstanding 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 three months ended March 31, 2017 and 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.

## 6. Litigation, Environmental and Other Contingencies

### *Legal Proceedings*

We are a party to various legal, regulatory and other matters arising from the day-to-day operations of our business 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 matters 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 proceedings as of March 31, 2017 and December 31, 2016.

**6. Litigation, Environmental and Other Contingencies (Continued)**

***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 laws 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. 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.

*General*

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 both March 31, 2017 and December 31, 2016, we had approximately $4 million accrued for our environmental matters.

***Regulatory Matters***

On January 19, 2017, the Federal Energy Regulatory Commission (FERC) in Docket No. RP17-303 issued an order pursuant to section 5 of the Natural Gas Act (January 19 Order) instituting an investigation into the just and reasonableness of our currently effective tariff rates. The Order directed us to file a cost and revenue study within 75 days. On January 23, 2017, we filed a motion with the FERC to take notice of a significant error in its calculation of our return on equity in its Order. On February 2, 2017, the FERC issued an errata notice correcting their calculation error and restating the returns to the level reflected in our January 23, 2017 motion. On January 30, 2017, we filed with the FERC a motion to terminate the section 5 investigation. On February 17, 2017, we filed a rehearing request of the January 19 Order, as well as a motion to hold the section 5 proceeding in abeyance until there is a quorum at the FERC to consider the motion to terminate and the rehearing request. On April 4, 2017, we filed a Cost & Revenue Study with the FERC. The motion to terminate, the rehearing request, and the motion to hold the proceeding in abeyance are all still pending before the FERC. We do not believe that the ultimate

**6. Litigation, Environmental and Other Contingencies (Continued)**

resolution of this proceeding will have a material adverse impact on our results of operations or cash flows from operations.

On August 1, 2016, we filed an application with the FERC in Docket No. CP16-488-000 requesting authority to construct the Gulf Coast Expansion Project. Specifically, we requested authority to: (i) construct and operate a new 15,900 horsepower (hp) gas-fired greenfield compressor unit in Cass County, Texas; (ii) construct and operate a 4,000 foot, 30-inch lateral connecting the new compressor station to our A/G line; and (iii) retire two compressor units representing 5,600 hp at existing compressor station No. 301 in Wharton County, Texas. Installation of these facilities will enable us to transport a total of 460,000 dekatherms per day southbound on our Gulf Coast Mainline System utilizing a combination of existing and expansion capacity. We requested a FERC Order by September 30, 2017 to allow for an October 1, 2018 in-service date. The application is pending before the FERC.

## 7. Recent Accounting Pronouncements

### *Topic 606*

On May 28, 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, "*Revenue from Contracts with Customers*" followed by a series of related accounting standard updates (collectively referred to as "Topic 606"). Topic 606 is designed to create greater revenue recognition and disclosure comparability in financial statements. The provisions of Topic 606 include a five-step process by which an entity will determine revenue recognition, depicting the transfer of goods or services to customers in amounts reflecting the payment to which an entity expects to be entitled in exchange for those goods or services. Topic 606 requires certain disclosures about contracts with customers and provides more comprehensive guidance for transactions such as service revenue, contract modifications, and multiple-element arrangements.

We are in the process of comparing our current revenue recognition policies to the requirements of Topic 606 for each of our revenue categories. While we have not identified any material differences in the amount and timing of revenue recognition for the categories we have reviewed to date, our evaluation is not complete and we have not concluded on the overall impacts of adopting Topic 606. Topic 606 will require that our revenue recognition policy disclosure include further detail regarding our performance obligations as to the nature, amount, timing, and estimates of revenue and cash flows generated from our contracts with customers. Topic 606 will also require disclosure of significant changes in contract asset and contract liability balances period to period and the amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period, as applicable. We will adopt Topic 606 effective January 1, 2018. Topic 606 provides for adoption either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. We plan to make a determination as to our method of adoption once

**7. Recent Accounting Pronouncements (Continued)**

we more fully complete our evaluation of the impacts of the standard on our revenue recognition and we are better able to evaluate the cost-benefit of each method.

***ASU No. 2016-02***

On February 25, 2016, the FASB issued ASU No. 2016-02, "*Leases (Topic 842)*." This ASU requires that lessees will be required to recognize assets and liabilities on the balance sheet for the present value of the rights and obligations created by all leases with terms of more than 12 months. The ASU also will require disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. ASU No. 2016-02 will be effective for us as of January 1, 2019. We are currently reviewing the effect of ASU No. 2016-02.

***ASU No. 2016-18***

On November 17, 2016, the FASB issued ASU 2016-18, "*Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force).*" This ASU requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents are to be included with cash and cash equivalents when reconciling the beginning of period and end of period amounts shown on the statement of cash flows. ASU No. 2016-18 will be effective for us as of January 1, 2018. We are currently reviewing the effect of this ASU to our financial statements.

***ASU No. 2017-04***

On January 26, 2017, the FASB issued ASU 2017-04, "*Simplifying the Test for Goodwill Impairment (Topic 350)*" to simplify the accounting for goodwill impairment. The guidance removes Step 2 of the goodwill impairment test, which requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. ASU No. 2017-04 will be effective for us as of January 1, 2020. We are currently reviewing the effect of this ASU to our financial statements.

***ASU No. 2017-05***

On February 22, 2017, the FASB issued ASU No. 2017-05, "*Other Income-Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets*." This ASU clarifies the scope and accounting of a financial asset that meets the definition of an "in-substance nonfinancial asset" and defines the term "in-substance nonfinancial asset." This ASU also adds guidance for partial sales of nonfinancial assets. ASU 2017-05 will be effective at the same time Topic 606, *Revenue from Contracts with Customers*, is effective. We are currently reviewing the effect of this ASU to our financial statements.

## Report of Independent Auditors

To the Board of Directors of NGPL PipeCo LLC :

We have audited the accompanying consolidated financial statements of NGPL PipeCo LLC and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations and comprehensive income (loss), of member's equity, and of cash flows for the years then ended.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of NGPL PipeCo LLC and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 6 to the consolidated financial statements, the Company has extensive operations and relationships with affiliated entities. Our opinion is not modified with respect to this matter.

/s/ PricewaterhouseCoopers LLP

Houston, Texas
April 24, 2017

# NGPL PIPECO LLC AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)

### (In thousands)

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Operating Revenues | | |
| Transportation and storage | $ 580,129 | $ 568,654 |
| Natural gas sales | 34,358 | 8,654 |
| Other | 888 | 881 |
| Total Operating Revenues | 615,375 | 578,189 |
| Operating Costs and Expenses | | |
| Purchases and other costs of sales | 70,129 | 68,575 |
| Operations and maintenance | 170,172 | 187,714 |
| Depreciation and amortization | 92,948 | 89,254 |
| General and administrative | 34,239 | 37,142 |
| Taxes, other than income taxes | 19,401 | 19,898 |
| Other expenses | 2,547 | 10,191 |
| Goodwill impairment (Note 2) | — | 211,024 |
| Total Operating Costs and Expenses | 389,436 | 623,798 |
| Operating Income (Loss) | 225,939 | (45,609) |
| Other Income and (Expenses) | | |
| Equity in earnings of Horizon | 1,824 | 1,911 |
| Interest expense | (202,419) | (231,316) |
| Interest income | 655 | 713 |
| Gain on early extinguishment of debt | 6,820 | — |
| Other, net | 2,093 | 4,413 |
| Total Other Income and (Expenses) | (191,027) | (224,279) |
| Income (Loss) Before Income Taxes | 34,912 | (269,888) |
| Income tax (expense) benefit | (15,223) | 26,223 |
| Net Income (Loss) | 19,689 | (243,665) |
| Other Comprehensive (Loss) Income, Net of Tax | | |
| Change in fair value of derivatives utilized for hedging purposes (net of tax benefit (expense) of $2,752 and $(1,230), respectively) | (4,345) | 1,954 |
| Reclassification of change in fair value of derivatives to net income (net of tax (expense) benefit of $(1,262) and $1,230, respectively) | 1,976 | (1,954) |
| Total Other Comprehensive Loss | (2,369) | — |
| Comprehensive Income (Loss) | $ 17,320 | $(243,665) |

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

# NGPL PIPECO LLC AND SUBSIDIARIES
## CONSOLIDATED BALANCE SHEETS
### (In thousands)

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| **ASSETS** | | |
| Current Assets | | |
| Cash and cash equivalents | $ 6,207 | $ 11,329 |
| Restricted deposits | 5,088 | — |
| Accounts receivable, net | 58,256 | 46,549 |
| Gas in underground storage | 9,536 | 21,561 |
| Materials and supplies | 16,456 | 17,441 |
| Natural gas imbalances | 8,714 | 8,650 |
| Assets held for sale | — | 7,300 |
| System gas | 15,900 | 11,200 |
| Other current assets | 4,363 | 3,117 |
| Total current assets | 124,520 | 127,147 |
| Property, plant and equipment, net | 1,686,287 | 1,647,225 |
| Investments | 8,085 | 8,560 |
| Goodwill (Note 2) | 1,887,532 | 1,887,532 |
| Deferred charges and other assets | 21,094 | 18,235 |
| Total Assets | $3,727,518 | $3,688,699 |
| **LIABILITIES AND MEMBER'S EQUITY** | | |
| Current Liabilities | | |
| Current maturities of long-term debt | $1,250,000 | $ 55,000 |
| Notes payable | 40,000 | 74,950 |
| Accounts payable | 38,124 | 52,718 |
| Accrued interest | 9,958 | 10,318 |
| Accrued taxes | 17,636 | 9,420 |
| Natural gas imbalances | 12,021 | 6,302 |
| Other current liabilities | 18,751 | 13,932 |
| Total current liabilities | 1,386,490 | 222,640 |
| Long-term liabilities and deferred credits | | |
| Long-term Debt | | |
| Outstanding | 1,006,212 | 2,793,030 |
| Debt issuance costs | (5,776) | (17,481) |
| Total long-term debt | 1,000,436 | 2,775,549 |
| Deferred income taxes | 368,606 | 353,846 |
| Other long-term liabilities and deferred credits | 5,311 | 10,309 |
| Total long-term liabilities and deferred credits | 1,374,353 | 3,139,704 |
| Total Liabilities | 2,760,843 | 3,362,344 |
| Commitments and Contingent Liabilities (Notes 2 and 10) | | |
| Member's Equity | | |
| Member's equity | 969,044 | 326,355 |
| Accumulated other comprehensive loss | (2,369) | — |
| Total Member's Equity | 966,675 | 326,355 |
| Total Liabilities and Member's Equity | $3,727,518 | $3,688,699 |

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

# NGPL PIPECO LLC AND SUBSIDIARIES
# CONSOLIDATED STATEMENTS OF CASH FLOWS
## (In thousands)

| | Year Ended December 31, | |
|---|---|---|
| | **2016** | **2015** |
| Cash Flows From Operating Activities | | |
| Net income (loss) | $ 19,689 | $(243,665) |
| Adjustments to reconcile net income (loss) to net cash provided by operating activities: | | |
| Depreciation and amortization | 92,948 | 89,254 |
| Deferred income taxes | 16,249 | (26,286) |
| Carrying value adjustments (Note 2) | 1,533 | 11,611 |
| Gain on early extinguishment of debt | (6,820) | — |
| Write-off of unamortized debt issuance costs | 7,175 | — |
| Goodwill impairment (Note 2) | — | 211,024 |
| Loss from sales of assets | 1,014 | 10,191 |
| Park and Loan service revenue deferrals | 2,947 | 439 |
| Equity in earnings of Horizon | (1,824) | (1,911) |
| Distributions of earnings From Horizon | 1,824 | 1,911 |
| Changes in Components of Working Capital: | | |
| Accounts receivable | (12,728) | (543) |
| Gas in underground storage | 12,025 | (8,976) |
| Materials and supplies | (548) | 1,734 |
| Other current assets | (5,956) | 11,113 |
| Accounts payable | (13,366) | 3,751 |
| Other current liabilities | 14,259 | (10,584) |
| Other, net | (414) | 5,783 |
| Net Cash Provided by Operating Activities | 128,007 | 54,846 |
| Cash Flows From Investing Activities | | |
| Capital expenditures | (125,399) | (116,313) |
| Asset disposal costs | (8,230) | (6,926) |
| Proceeds from sales of assets | 7,300 | 68 |
| Proceeds from sales of cushion gas | — | 9,663 |
| Distributions from Horizon in excess of earnings | 476 | 127 |
| Investments in restricted deposits | (5,088) | — |
| Other, net | (4,600) | (1,073) |
| Net Cash Used in Investing Activities | (135,541) | (114,454) |
| Cash Flows From Financing Activities | | |
| Short-term debt issued | 40,000 | 74,950 |
| Repayments of short-term debt | (74,950) | (35,300) |
| Early extinguishment of long-term debt | (584,737) | — |
| Repayments of long-term debt | — | (50,000) |
| Debt issuance cost | (901) | (3,752) |
| Contribution from Member | 623,000 | 84,476 |
| Net Cash Provided by Financing Activities | 2,412 | 70,374 |
| Net (Decrease) Increase in Cash and Cash Equivalents | (5,122) | 10,766 |
| Cash and Cash Equivalents, beginning of period | 11,329 | 563 |
| Cash and Cash Equivalents, end of period | $ 6,207 | $ 11,329 |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid during the period for interest (net of capitalized interest) | $ 190,109 | $ 223,344 |
| Cash paid during the period for taxes (net of refunds) | 197 | — |

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

## NGPL PIPECO LLC AND SUBSIDIARIES
## CONSOLIDATED STATEMENTS OF MEMBER'S EQUITY
## (In thousands)

| | Year Ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| Beginning Balance | $326,355 | $ 485,544 |
| Net income (loss) | 19,689 | (243,665) |
| Contributions from Member | 623,000 | 84,476 |
| Other comprehensive loss | (2,369) | — |
| Ending Balance | $966,675 | $ 326,355 |

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

# NGPL PIPECO LLC AND SUBSIDIARIES
# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## 1. General

NGPL PipeCo LLC (NGPL PipeCo), through its subsidiaries, engages in interstate natural gas transportation and storage. Unless the context requires otherwise, references to “we,” “us,” “our,” or the “Company” are intended to mean NGPL PipeCo.

We are wholly owned by Midco LLC, which is wholly owned by NGPL Intermediate Holdings LLC, formerly known as NGPL HoldCo LLC, which is wholly owned by NGPL Holdings LLC, which is owned 50% by Prime US Investments Pty Ltd., a subsidiary of Brookfield Infrastructure Partners L.P. (Brookfield) and 50% by Kinder Morgan NGPL Holdings LLC, a subsidiary of Kinder Morgan, Inc. (Kinder Morgan). Kinder Morgan operates our assets pursuant to a 15-year Operations and Reimbursement Agreement for Natural Gas Pipeline Company of America LLC (Natural) dated as of February 15, 2008, which was amended and restated on December 10, 2015 and the term extended for another 15-year term (the Operating Agreement).

Our wholly owned subsidiary, NGPL Finance LLC (NGPL Finance) was created on November 2, 2016 to complete the refinancing of our revolver. After the restructuring, NGPL Finance owns a 35% interest in Natural and we directly own the remaining 65% interest in Natural.

Natural owns a major interstate natural gas pipeline transmission and storage system. The system consists primarily of two major interconnected transmission pipelines terminating in the Chicago, Illinois metropolitan area. Natural’s Amarillo Line originates in the West Texas and New Mexico producing areas and the Gulf Coast Line originates in the Gulf Coast areas of Texas and Louisiana. These two main pipelines are connected at points in Texas and Oklahoma by the Amarillo/Gulf Coast cross haul pipeline (A/G line). We also wholly own the Kinder Morgan Illinois Pipeline (KMIP), an approximate 3-mile natural gas pipeline in northern Illinois. Natural had gas transportation throughput volumes of 1,585.0 million dekatherms and 1,490.8 million dekatherms during the years ended December 31, 2016 and 2015, respectively.

Natural owns a 50% investment in Horizon Pipeline Company, L.L.C. (Horizon), which is accounted for under the equity method, reflecting our ability to exercise significant influence over its operating and financial policies.

## 2. Summary of Significant Accounting Policies

### *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 (ASC), the single source of United States Generally Accepted Accounting Principles (GAAP) and referred to in this report as the Codification. Additionally, certain amounts from the prior year have been reclassified to conform to the current presentation.

Management has evaluated subsequent events through April 24, 2016, the date these financial statements were available to be issued.

## 2. Summary of Significant Accounting Policies (Continued)

### *Principles of Consolidation*

We consolidate entities when we have the ability to control or direct the operating and financial decisions of the entity or when we have a significant interest in the entity that gives us the ability to direct the activities that are significant to that entity. The determination of our ability to control, direct or exert significant influence over an entity involves the use of judgment. All significant intercompany items have been eliminated in consolidation.

### *Use of Estimates*

Certain amounts included in or affecting our consolidated financial statements and related disclosures must be estimated, requiring us to make certain assumptions with respect to values or conditions, which cannot be known with certainty at the time our financial statements are prepared. These estimates and assumptions affect the amounts we report for assets and liabilities, our revenues and expenses during the reporting period, and our disclosures, including as it relates to contingent assets and liabilities at the date of our financial statements. We evaluate these estimates on an ongoing basis, utilizing historical experience, consultation with experts and other methods we consider reasonable in the particular circumstances. Nevertheless, actual results may differ significantly from our estimates. Any effects on our business, financial position or results of operations resulting from revisions to these estimates are recorded in the period in which the facts that give rise to the revision become known.

In addition, we believe that certain accounting policies are of more significance in our consolidated financial statement preparation process than others, and set out below are the principal accounting policies we apply in the preparation of our consolidated financial statements.

### *Cash Equivalents*

We define cash equivalents as all highly liquid short-term investments with original maturities of three months or less.

### *Accounts Receivable, net*

We establish provisions for losses on accounts receivable due from shippers and operators if we determine that we will not collect all or part of the outstanding balance. We regularly review collectability and establish or adjust our allowance as necessary using the specific identification method. We had no allowances for doubtful accounts at December 31, 2016 and 2015.

### *Gas in Underground Storage*

In accordance with our transportation tariffs, we collect natural gas in-kind from shippers on our systems. Certain of this gas is used by us as fuel in our operations. Fuel collected in excess of our operational needs typically is either sold by us or injected into storage for sale at a later date. Consequently, in the normal course of business, we both sell natural gas and maintain natural gas

**2. Summary of Significant Accounting Policies (Continued)**

inventories. The fuel gas that we take title to under our transportation tariffs is recorded in the accompanying Consolidated Balance Sheets. We receive fees from our storage service customers but do not reflect the value of their gas stored in our facilities in the accompanying Consolidated Balance Sheets. Our natural gas storage inventories are accounted for using the last-in, first-out inventory method.

We enter into derivative contracts for the purpose of hedging exposures that accompany our operational gas sales and we utilize this risk management activity to formulate a gas sales plan. Natural gas injected into inventory is valued at our Average Monthly Index Price (AMIP). We evaluate our natural gas inventory on a quarterly basis and if the carrying value of our inventory is greater than the latest estimate of our net realizable value, we reduce the carrying value of the natural gas inventory to our estimated net realizable value. We recorded $7.4 million of pre-tax reductions in the carrying value of our natural gas storage inventories during the years ended December 31, 2015 reported in the caption “Purchases and Other Costs of Sales” on our Consolidated Statements of Operations and Comprehensive Income (Loss).

We maintain natural gas in underground storage as part of our inventory, which is recorded in the Consolidated Balance Sheet caption “Current Assets: Gas in Underground Storage.” This component of our inventory represents the portion of gas stored in an underground storage facility generally known as (working gas) and represents an estimate of the portion of gas in these facilities available for routine injection and withdrawal to meet current demand. In addition to this working gas, underground gas storage reservoirs contain injected gas, which is not routinely cycled but, instead, serves the function of maintaining the necessary pressure to allow efficient operation of the facility. This gas, generally known as (cushion gas) is recorded in the Consolidated Balance Sheet caption “Property, Plant and Equipment, net.”

Working gas that is utilized for operational backup of cushion gas is no longer available for sale and has been transferred from “Current Assets: Gas in Underground Storage” to “Property, Plant and Equipment, net.” This cushion replacement gas is recorded as a separate pool (cushion replacement pool) from our other cushion gas volumes. Consistent with our policy for recoverable cushion gas, since the cushion replacement pool is expected to eventually be recovered and sold, it is not depreciated. Historically, we evaluated the carrying value of the cushion replacement pool quarterly against our latest estimate of its net realizable value. If the carrying value exceeded the net realizable value, we reduced the carrying value to the net realizable value. We recorded pre-tax reductions in the carrying value of the cushion replacement pool of $4.2 million during the years ended December 31, 2015 reported in the caption “Purchases and Other Costs of Sales” on our Consolidated Statements of Operations and Comprehensive Income (Loss). In December 2015, we re-designated the cushion replacement gas as permanent cushion gas, which is not subject to carrying value adjustments, but is subject to recoverability as part of the overall pipeline asset group.

**2. Summary of Significant Accounting Policies (Continued)**

During the year ended December 31, 2015, we sold 2 million dekatherms of cushion gas, utilizing excess parked customer gas as backup for operational purposes, recording gains totaling $3.8 million which are included in the Consolidated Statements of Operations and Comprehensive Income (Loss) within "Other Expenses" on our Consolidated Statements of Operations and Comprehensive Income (Loss).

***Materials and Supplies Inventories***

Our materials and supplies inventories are valued at weighted-average cost, and we periodically review for physical deterioration and obsolescence.

We recorded $1.5 million of pre-tax reductions in the carrying value of our materials and supplies inventories during the year ended December 31, 2016 reported in the caption "Other Expenses" on our Consolidated Statements of Operations and Comprehensive Income (Loss).

***Natural Gas Imbalances***

Natural gas imbalances occur when the amount of natural gas delivered from or received by a pipeline system or storage facility differs from the scheduled amount of gas to be delivered or received. Net system balancing and imbalance gas injections are priced at AMIP, and withdrawals are priced at the historical weighted average cost. Gas imbalances are settled in cash (cash-outs) or made up in-kind subject to the terms of the various agreements. Imbalances due from others are reported on our accompanying Consolidated Balance Sheets in "Current assets: Natural gas imbalances." Imbalances owed to others are reported on our accompanying Consolidated Balance Sheets in "Current liabilities: Natural gas imbalances." We classify all imbalances due from or owed to others as current as we expect to settle them within a year.

***Property, Plant and Equipment, net***

Our property, plant and equipment is recorded at its original cost of construction or, upon acquisition, at either the fair value of the assets acquired or the cost to the entity that first put the asset in utility service. For constructed assets, we capitalize all construction-related direct labor and material costs, as well as indirect construction costs. Our indirect construction costs primarily include an interest and equity return component (as more fully described below) and labor and related costs associated with supporting construction activities. The indirect capitalized labor and related costs are based upon estimates of time spent supporting construction projects.

We use the composite method to depreciate property, plant and equipment. Under this method, assets with similar economic characteristics are grouped together and depreciated as one asset. The depreciation rate accepted by the Federal Energy Regulatory Commission (FERC) for Natural and KMIP is applied to the total cost of the group until the net book value equals the salvage value. For certain general plant, the asset is depreciated to zero. As part of periodic filings with the FERC, we also re-evaluates and receives approval for their depreciation rates. When

**2. Summary of Significant Accounting Policies (Continued)**

property, plant and equipment is retired, accumulated depreciation and amortization is charged for the original cost of the assets in addition to the cost to remove, sell or dispose of the asset less salvage value. We do not recognize gains or losses unless we sell land or sell or retire an entire operating unit (as approved by the FERC). In those instances where we receive recovery in rates related to losses on dispositions of operating units, we record a regulatory asset for the estimated recoverable amount.

As discussed above, underground gas storage reservoirs contain cushion gas, which is not routinely cycled but, instead, serves the function of maintaining the necessary pressure to allow efficient operation of the facility. Cushion gas is divided into the categories of recoverable cushion gas and unrecoverable cushion gas, based on an engineering analysis of whether the gas can be economically removed from the storage facility at any point during its life. The portion of cushion gas that is determined to be unrecoverable is considered to be a permanent part of the facility itself and is depreciated over the facility's estimated useful life. The portion of cushion gas that is determined to be recoverable is also considered a component of the facility but is not depreciated because it is expected to ultimately be recovered and sold.

From time to time we have completed storage expansion projects which, with FERC's approval, reduces the amount of cushion gas required to be maintained for operation of certain of its storage facilities. During the year ended December 31, 2016, we did not withdraw or sell any of the company owned cushion gas for expansion projects, and have 8.8 million dekatherms under various park and loan arrangements serving a cushion function.

Natural and KMIP capitalize a carrying cost (an allowance for funds used during construction or AFUDC) on debt and equity funds related to the construction of long-lived assets. This carrying cost consists of a return on the investment financed by debt and a return on the investment financed by equity. The debt portion is calculated based on our average cost of debt. Interest costs capitalized are included as a reduction to "Interest Expense" on our Consolidated Statements of Operations and Comprehensive Income (Loss). The equity portion is calculated based on these entities most recent FERC approved rate of return. Equity amounts capitalized are included in "Other, Net" on our Consolidated Statements of Operations and Comprehensive Income (Loss).

***Asset Retirement Obligations (ARO)***

We record liabilities for obligations related to the retirement and removal of long-lived assets used in our businesses. We record, as liabilities, the fair value of ARO on a discounted basis when they are incurred and can be reasonably estimated, which is typically at the time the assets are installed or acquired. Amounts recorded for the related assets are increased by the amount of these obligations. Over time, the liabilities increase due to the change in their present value, and the initial capitalized costs are depreciated over the useful lives of the related assets. The liabilities are eventually extinguished when the asset is taken out of service.

**2. Summary of Significant Accounting Policies (Continued)**

We are required to operate and maintain our natural gas pipelines and storage systems, and intend to do so as long as supply and demand for natural gas exists, which we expect for the foreseeable future. Therefore, we believe that we cannot reasonably estimate the ARO for the substantial majority of our assets because these assets have indeterminate lives. We continue to evaluate our ARO, and future developments could impact the amounts we record.

***Asset and Investment Impairments***

We evaluate our assets and investments for impairment when events or circumstances indicate that their carrying values may not be recovered. These events include market declines that are believed to be other than temporary, changes in the manner in which we intend to use a long-lived asset, decisions to sell an asset or investment and adverse changes in market conditions or in the legal or business environment such as adverse actions by regulators. If an event occurs, which is a determination that involves judgment, we evaluate the recoverability of our carrying values based on either (i) the long-lived asset's ability to generate future cash flows on an undiscounted basis or (ii) the fair value of the investment in an unconsolidated affiliate. If an impairment is indicated, we adjust the carrying value of the asset downward, if necessary, to its estimated fair value.

Our fair value estimates are generally based on assumptions market participants would use, including market data obtained through the sales process or an analysis of expected discounted future cash flows. There were no impairments for the year ended December 31, 2016 and 2015.

***Equity Method of Accounting***

We account for investments, which we do not control but do have the ability to exercise significant influence, by the equity method of accounting. Under this method, our equity investments are carried originally at our acquisition costs, increased by our proportionate share of the investee's net income and by contributions made, and decreased by our proportionate share of the investee's net losses and by distributions received.

***Goodwill***

We conduct our annual goodwill impairment testing at December 31st, using an internal valuation study to estimate the fair value of Natural to determine whether Natural's carrying value exceeded its fair value and the amount of goodwill impairment to record.

Step 1 involves comparing the estimated fair value of each respective reporting unit to its carrying value, including goodwill. If the estimated fair value exceeds the carrying value, the reporting unit's goodwill is not considered impaired. If the carrying value exceeds the estimated fair value, step 2 must be performed to determine whether goodwill is impaired and, if so, the amount of the impairment. Step 2 involves calculating an implied fair value of goodwill by performing a hypothetical allocation of the estimated fair value of the reporting unit determined in step 1 to the respective tangible and intangible net assets of the reporting unit. The remaining

**2. Summary of Significant Accounting Policies (Continued)**

implied goodwill is then compared to the actual carrying amount of the goodwill for the reporting unit. To the extent the carrying amount of goodwill exceeds the implied goodwill, the difference is the amount of the goodwill impairment.

We determine the fair value within Step 1 based primarily on a market approach utilizing enterprise value to estimated EBITDA multiplies of our market participants. The value of the reporting unit was determined on a stand-alone basis from the perspective of a market participant representing the price estimated to be received in a sale of the reporting unit in an orderly transaction between market participants at the measurement date. The estimated fair value of the reporting unit is based on Level 3 valuation estimates using industry standard methodologies which include assumptions primarily involving management's significant judgments and estimates with respect to general economic conditions as well as future cash flows based on rate and volume assumptions. As of December 2016, our estimated fair value exceeded our carrying value, which resulted in no goodwill impairment charge.

On December 10, 2015 Myria Holdings Inc. (Myria) sold its ownership interest in NGPL Holdco LLC to Kinder Morgan and Brookfield. As a result of this transaction Kinder Morgan and Brookfield increased their indirect interest in NGPL PipeCo. Utilizing the valuation of the December 10, 2015 transaction indicated that the fair value of our reporting unit, Natural, was less than its carrying value, which resulted in a goodwill impairment charge of $211.0 million as of December 31, 2015. The impairment charges were driven by lower market valuations in the natural gas pipeline sector.

A continued period of volatile commodity prices could result in further deterioration of market multiples, comparable sales transactions prices, and our cash flow estimates. A significant unfavorable change to any one or combination of these factors would result in a change to the reporting unit fair value discussed above potentially resulting in additional impairments of long-lived assets and/or goodwill. Such non-cash impairments could have a significant effect on our results of operations.

The following table summarizes the change in our Goodwill balance (in thousands):

| | Historical Goodwill | Accumulated Impairment Losses | Total |
|---|---|---|---|
| Balance at December 31, 2014 | $5,014,465 | $(2,915,909) | $2,098,556 |
| Impairment charges | — | (211,024) | (211,024) |
| Balance at December 31, 2015 | 5,014,465 | (3,126,933) | 1,887,532 |
| Impairment charges | — | — | — |
| Balance at December 31, 2016 | $5,014,465 | $(3,126,933) | $1,887,532 |

**2. Summary of Significant Accounting Policies (Continued)**

***Revenue Recognition Policies***

We are subject to FERC regulations, therefore fees and rates established under our tariff are a function of our cost of providing services to our customers, including a reasonable return on our invested capital. Our revenues are primarily generated from natural gas transportation and storage services and include estimates of amounts earned but unbilled. We estimate these unbilled revenues based on contract data, regulatory information, and preliminary throughput and allocation measurements, among other items. Revenues for all services are based on the thermal quantity of gas delivered or subscribed at a price specified in the contract. For our transportation services and storage services, we recognize reservation revenues on firm contracted capacity ratably over the contract period regardless of the amount of natural gas that is transported or stored. For interruptible or volumetric-based services, we record revenues when physical deliveries of natural gas are made at the agreed upon delivery point or when gas is injected or withdrawn from the storage facility. For contracts with step-up or step-down rate provisions that are not related to changes in levels of service, we recognize reservation revenues ratably over the contract life. The revenues we collect may be subject to refund in a rate proceeding. We had no reserves for potential rate refunds as of December 31, 2016 and 2015.

For the year ended December 31, 2016 and 2015, revenue from our largest non-affiliate customer was approximately $99.4 million and $97.9 million, respectively, which exceeded 10% of our operating revenues.

***Environmental Matters***

We capitalize or expense, as appropriate, environmental expenditures. We capitalize certain environmental expenditures required in obtaining rights-of-way, regulatory approvals or permitting as part of the construction. We accrue and expense environmental costs that relate to an existing condition caused by past operations, which do not contribute to current or future revenue generation. We generally do not discount environmental liabilities to a net present value, and we record environmental liabilities when environmental assessments and/or remedial efforts are probable and we can reasonably estimate the costs. Generally, our recording of these accruals coincides with our completion of a feasibility study or our commitment to a formal plan of action. We recognize receivables for anticipated associated insurance recoveries when such recoveries are deemed to be probable.

We routinely conduct reviews of potential environmental issues and claims that could impact our assets or operations. These reviews assist us in identifying environmental issues and estimating the costs and timing of remediation efforts. We also routinely adjust our environmental liabilities to reflect changes in previous estimates. In making environmental liability estimations, we consider the material effect of environmental compliance, pending legal actions against us, and potential third-party liability claims. Often, as the remediation evaluation and effort progresses, additional information is obtained, requiring revisions to estimated costs. These revisions are reflected in our

**2. Summary of Significant Accounting Policies (Continued)**

income in the period in which they are reasonably determinable. For more information on our environmental matters, see Note 10.

***Other Contingencies***

We recognize liabilities for other contingencies when we have an exposure that indicates it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. Where the most likely outcome of a contingency can be reasonably estimated, we accrue an undiscounted liability for that amount. Where the most likely outcome cannot be estimated, a range of potential losses is established and if no one amount in that range is more likely than any other, the low end of the range is accrued.

***Interest Expense***

"Interest Expense" as presented in the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss) principally consists of interest expense on our Senior Notes outstanding and our Senior Secured Credit Facility, net of amounts capitalized representing the debt component of AFUDC (AFUDC — Interest), as follows (in thousands).

| | Year Ended December 31, | |
|---|---|---|
| | **2016** | **2015** |
| Interest cost, gross | $(204,745) | $(233,700) |
| AFUDC — Interest | 2,326 | 2,384 |
| Interest expense | $(202,419) | $(231,316) |

***Income Taxes***

Deferred income tax assets and liabilities are recognized for temporary differences between the basis of assets and liabilities for financial reporting and tax purposes. Changes in tax legislation are included in the relevant computations in the period in which such changes are effective. If it is more likely than not that the amount of any tax benefit is not expected to be realized, deferred tax assets are reduced by a valuation allowance. Note 3 contains information about our income taxes, including the components of our income tax provision (benefit) and the composition of our deferred income tax assets and liabilities.

***Risk Management Activities***

We utilize energy commodity derivative contracts for the purpose of mitigating our risk resulting from fluctuations in the market price of natural gas. We measure our derivative contracts at fair value and we report them on our Consolidated Balance Sheet as either an asset or liability. For certain physical forward commodity derivative contracts, we apply the normal purchase/normal

**2. Summary of Significant Accounting Policies (Continued)**

sale exception, whereby the revenues and expenses associated with such transactions are recognized during the period when commodities are physically delivered or received.

For qualifying accounting hedges, we formally document the relationship between the hedging instrument and the hedged item, the risk management objectives and the methods used for assessing and testing effectiveness, and how any ineffectiveness will be measured and recorded. If we designate a derivative contract as a cash flow accounting hedge, the effective portion of the change in fair value of the derivative is deferred in accumulated other comprehensive income/(loss) and reclassified into earnings in the period in which the hedged item affects earnings. Any ineffective portion of the derivative's change in fair value or amount excluded from the assessment of hedge effectiveness is recognized currently in earnings.

For derivative instruments that are not designated as accounting hedges, or for which we have not elected the normal purchase/normal sales exception, changes in fair value are recognized currently in earnings.

***Regulatory Assets and Liabilities***

Our interstate natural gas pipeline and storage operations are subject to the jurisdiction of the FERC and are accounted for in accordance with ASC Topic 980, "Regulated Operations." Under these standards, we record regulatory assets and liabilities that would not be recorded for non-regulated entities. Regulatory assets and liabilities represent probable future revenues or expenses associated with certain charges or credits that are expected to be recovered from or refunded to customers through the rate making process. Items to which we apply regulatory accounting requirements include rate regulation and application costs, taxes related to an equity return component on regulated capital projects and deferred revenues. For more information on our regulatory operations, see Note 9.

### 3. Income Taxes

Components of the income tax provision (benefits) applicable for federal and state income taxes are as follows (in thousands):

| | Year Ended December 31, 2016 | Year Ended December 31, 2015 |
|---|---|---|
| Current tax expense (benefit) | | |
| U.S. | | |
| Federal | $ — | $ — |
| State | (1,026) | 63 |
| | (1,026) | 63 |
| Deferred tax expense (benefit) | | |
| U.S. | | |
| Federal | 12,710 | (20,560) |
| State | 3,539 | (5,726) |
| | 16,249 | (26,286) |
| Total income tax expense (benefit) | $15,223 | $(26,223) |

The difference between the statutory federal income tax rate and our effective income tax rate is summarized as follows (in thousands):

| | Year Ended December 31, 2016 | Year Ended December 31, 2015 |
|---|---|---|
| Federal income tax rate | 35.0% | 35.0% |
| Increase (decrease) as a result of: | | |
| Goodwill impairment | 0.0% | (27.4)% |
| State income taxes and other | 8.6% | 2.1% |
| Effective tax rate | 43.6% | 9.7% |

**3. Income Taxes (Continued)**

Income taxes included in the consolidated financial statements were composed of the following (in thousands):

| | Year Ended December 31, | |
|---|---|---|
| | 2016 | 2015 |
| Operations | $15,223 | $(26,223) |
| Equity items | (1,490) | — |
| Total | $13,733 | $(26,223) |

Deferred tax assets and liabilities result from the following (in thousands):

| | December 31, | |
|---|---|---|
| | 2016 | 2015 |
| Deferred tax assets | | |
| Contributions in aid of construction | $ 32,103 | $ 25,520 |
| Net operating loss carryforwards | 44,017 | 45,031 |
| Other | 6,471 | 2,211 |
| Total deferred tax assets | 82,591 | 72,762 |
| Deferred tax liabilities: | | |
| Property, plant and equipment | 431,841 | 408,991 |
| Investments in partnerships | 10,657 | 10,231 |
| Regulatory assets | 5,066 | 5,119 |
| Other | 3,633 | 2,267 |
| Total deferred tax liabilities | 451,197 | 426,608 |
| Net deferred tax liabilities | $368,606 | $353,846 |

***Unrecognized Tax Benefits***

We recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based not only on the technical merits of the tax position based on tax law, but also the past administrative practices and precedents of the taxing authority. The tax benefits recognized in the consolidated financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate resolution.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable

**3. Income Taxes (Continued)**

income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. At December 31, 2016, based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that we will realize the benefits of all deductible temporary differences.

As of December 31, 2016, we had a deferred tax asset associated with the federal Net Operating Loss (NOL) carryforwards of approximately $39.9 million, which expire starting in 2031, and state NOL carryforwards of approximately $4.1 million (Net of Federal Benefit), which expire between 2017 and 2035.

As of December 31, 2016 and 2015, we have no uncertain tax positions.

We recognize interest and/or penalties related to income tax matters in income tax expense. As of December 31, 2016, (i) we had no accrued interest expense and no accrued penalties; and (ii) all unrecognized tax benefits were effectively settled, or had the statute of limitations lapse, with the taxing authorities.

We are subject to taxation, and have tax years open to examination for the periods 2011 - 2015 in the United States and 2009 - 2015 in various states.

**4. Property, Plant and Equipment**

***Classes and Depreciation Rates***

Our property, plant and equipment, net consisted of the following (in thousands):

| | Weighted Average Depreciation Rates | December 31, 2016 | December 31, 2015 |
|---|---|---|---|
| Transmission and storage facilities | 2.18% | $2,227,502 | $2,031,210 |
| General plant | 8.32% | 48,199 | 51,874 |
| Intangible plant | 5.92% | 11,625 | 18,958 |
| Accumulated depreciation and amortization | | (622,767) | (519,958) |
| Land | | 4,023 | 4,026 |
| Construction work in process | | 17,705 | 61,115 |
| Property, plant and equipment, net | | $1,686,287 | $1,647,225 |

**5. 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 Operations and Comprehensive Income (Loss).

The following table provides detail on the principal amount of our outstanding debt balances. The table amounts exclude all debt fair value adjustments, including debt discounts, premiums and issuance costs (in thousands):

| | December 31, | |
|---|---|---|
| | 2016 | 2015 |
| Revolving credit facility, notes payable | $ 40,000 | $ 74,950 |
| Senior secured credit facility | — | 548,030 |
| 7.119% senior notes due December 15, 2017(a) | 1,250,000 | 1,250,000 |
| 9.625% senior notes due June 1, 2019 | 549,000 | 550,000 |
| 7.768% senior notes due December 15, 2037 | 457,212 | 500,000 |
| Total debt | 2,296,212 | 2,922,980 |
| Less: Current portion of debt(a) | 1,290,000 | 129,950 |
| Total long-term debt | $1,006,212 | $2,793,030 |

(a) As of December 31, 2016, we included $1.25 billion of our 7.119% Notes due December 2017 within the caption "Current portion of debt" on our accompanying Consolidated Balance Sheet. We intend to satisfy this debt through the issuance of bank or bond debt, equity contributions from our Members or a combination of these options. Management believes that the Company's estimated future cash flows supported by long-term customer contracts are sufficient to support obtaining the necessary financing to satisfy the Company's current obligation.

On April 12, 2016, we received an additional $623.0 million in equity capital, which was contributed indirectly from Kinder Morgan and Brookfield in proportion to their respective 50% interests. We primarily used the proceeds to reduce borrowings under our former Senior Secured Credit Facility.

On November 3, 2016, we extinguished our Senior Secured Credit Facility (including the associated Revolving Credit Facility) by repaying all borrowings and accrued interest outstanding under these facilities.

On November 4, 2016 we entered into a new credit agreement with a group of lenders to provide a Revolving Credit Facility with a maximum draw of $150 million with interest payable on drawing at variable interest rate spreads which adjust based on the Company's credit rating. The new credit agreement has a term of three years. The new Revolving Credit Facility (Revolver) will

**5. Debt (Continued)**

be secured by a first priority lien on the capital stock of our direct subsidiary, NGPL Finance (the "Collateral Agreement"). However the lien on the Collateral Agreement will automatically be released upon receipt of written notice that all the obligations secured have been paid in full or that all collateral has been released, whichever is sooner. The Revolver also contains financial covenants that require us to maintain certain secured debt and interest to earnings ratios. As of December 31, 2016, we were in compliance with all of our debt covenants. We incurred $0.9 million of issuance costs in connection with the Revolver.

Loans under the Revolver can be either Alternate Base Rate (ABR) loans or (Eurodollar) loans. The interest rate on ABR loans equals the ABR plus an applicable margin. The ABR is equal to the greatest of (i) the prime rate in effect on such day, (ii) the Federal Funds rate in effect on such day plus ½ of 1.00% and (iii) the Adjusted London Interbank Offered Rate (LIBOR) (the greater of (1) 1.25% per annum and (2) the product of (a) the LIBOR in effect for such interest period and (b) statutory reserves) as of such date for a one-month interest period plus 1.00%. The interest rate on Eurodollar loans equals the Adjusted LIBOR for the applicable interest period plus an applicable margin.

As of December 31, 2016, we had approximately $40.0 million outstanding under the Revolver at an interest rate of 2.67%.

As of December 31, 2015, we had approximately $75.0 million of revolving loans outstanding under our former Senior Secured Credit Facility at an interest rate of 6.75%. As of December 31, 2015, we had $548.0 million of Eurodollar term loans outstanding under our former Senior Secured Credit Facility at an interest rate of 6.75%.

Our 7.119% senior notes due December 15, 2017 (2017 Senior Notes) and 7.768% senior notes due December 15, 2037 (2037 Senior Notes), are redeemable in whole or in part, at our option at any time, at a price equal to 100% of the principal amount of the notes plus accrued interest to the redemption date plus a make-whole premium. The indenture for the senior notes includes covenants that, among other things, limit our ability and the ability of our subsidiaries to (i) create liens that secure debt, (ii) enter into sale-leaseback transactions, (iii) incur debt, subject to a leverage test, (iv) enter into business outside our present business and (v) merge or consolidate with, or sell, lease or transfer our assets substantially as an entirety to another entity. In addition, if we experience certain kinds of changes of control coupled with a ratings downgrade such that the notes cease to have an investment grade rating, we must give the holders of the notes the opportunity to sell their senior notes to us at 101% of their principal amount, plus accrued and unpaid interest.

Our 9.625% senior notes, due on June 1, 2019 (2019 Senior Notes), are redeemable in whole or in part at our option at any time, at a price equal to 100% of the principal amount of the notes redeemed plus accrued interest to the redemption date plus a redemption premium per the terms of the offering. If we sell certain of our assets or experience specific kinds of changes of control, we may be required to repurchase all or a portion of the 2019 Senior Notes. The 2019 Senior

**5. Debt (Continued)**

Notes were previously secured through a Shared Collateral agreement. The Shared Collateral agreement was automatically released upon the repayment in full of our former Senior Secured Credit Facility, referenced above.

During 2016, we purchased on the open market and subsequently retired approximately $42.8 million of our 2037 Senior Notes and $1.0 million of our 2019 Senior Notes. Our cost to purchase these senior notes was approximately $37.7 million.

Excluding any potential timing effects related to the subsequent events discussed below, our contractual principal repayments required on our senior notes and our Credit Facility are as follows (in thousands):

| Year | Maturities |
|---|---|
| 2017 | $1,290,000 |
| 2018 | — |
| 2019 | 549,000 |
| 2020 | — |
| 2021 | — |
| Thereafter | 457,212 |
| Total | $2,296,212 |

**6. Related Party Transactions**

***Affiliate Notes***

*Operating Agreement*

An Operating Agreement (see Note 1) provides for Kinder Morgan to be reimbursed, at cost, for pre-approved expenditures. General and administrative expenses (G&A Costs) are determined in accordance with and as required by the terms of the Operating Agreement. G&A Costs totaled $34.2 million and $37.1 million for the years ended December 31, 2016 and 2015, respectively. The amendment of the Operating Agreement on December 10, 2015, reestablished these costs at $34.2 million for 2016, and this cost escalates by the greater of 2.5% or the percentage increase in the U.S. consumer price index during the preceding twelve-month period per year thereafter through 2020. After 2020, the costs can be reevaluated and adjusted through negotiations.

We made no cash distributions to our Members during the years ended December 31, 2016 and 2015. We received equity contribution of $623.0 million and $84.5 million during the years ended December 31, 2016 and 2015, respectively.

## 6. Related Party Transactions (Continued)

### *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.

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

| | December 31, 2016 | December 31, 2015 |
|---|---|---|
| Accounts receivable | $ 100 | $ 24 |
| Accounts payable | (8,923) | (10,268) |
| Gas imbalances receivable | 541 | 1,137 |
| Gas imbalances payable | (3,243) | (2,167) |

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

| | Year Ended December 31, 2016 | Year Ended December 31, 2015 |
|---|---|---|
| Sales, transportation and storage of natural gas and other revenues | $ 3,177 | $ 2,685 |
| Purchases and transportation of natural gas | 587 | 799 |
| General and administrative | 34,239 | 37,142 |
| Capitalized costs | 16,189 | 18,652 |
| Labor and other reimbursable costs | 70,612 | 77,038 |

## 7. Risk Management

Certain of our business activities expose us to risks associated with unfavorable changes in the market price of natural gas. Pursuant to our management's approved risk management policy, we use derivative contracts to hedge or reduce our exposure to this risk.

### *Energy Commodity Price Risk Management*

As of December 31, 2016, we had the following outstanding commodity forward contracts to hedge our forecasted energy commodity sales:

| | Net open position long/(short) |
|---|---|
| **Derivatives designated as hedging contracts** | |
| Natural gas fixed price | (9.1) billion cubic feet |
| Natural gas basis | (9.1) billion cubic feet |

**7. Risk Management (Continued)**

As of December 31, 2016, the maximum length of time over which we have hedged, for accounting purposes, our exposure to the variability in future cash flows associated with energy commodity price risk is through November 2017.

***Fair Value of Derivative Contracts***

The fair values of our current asset and current liability derivative contracts are reported in the balance sheet captions "Current Assets: Other current assets" and "Current Liabilities: Other current liabilities," respectively. The following table summarizes the fair values of our derivative contracts included on the accompanying Consolidated Balance Sheets (in thousands):

| | | Asset derivatives | | Liability derivatives | |
|---|---|---|---|---|---|
| | | December 31, | | December 31, | |
| | | 2016 | 2015 | 2016 | 2015 |
| | Balance sheet location | Fair value | | Fair value | |
| ***Derivatives designated as hedging contracts*** | | | | | |
| Natural gas derivative contracts . . . | Current Assets: Other current assets/(Current Liabilities: Other current liabilities) | $54 | $— | $(2,892) | $— |

***Effect of Derivative Contracts on the Consolidated Statements of Operations and Comprehensive Loss***

The following tables summarize the impact of our derivative contracts, net of income tax, on the accompanying Consolidated Statements of Operations and Comprehensive Income (Loss) (in thousands):

| | Gain/(loss) recognized in OCI on derivative (effective portion)(a) | | | Gain/(loss) reclassified from Accumulated OCI into income (effective portion)(b) | | | Gain/(loss) recognized in income on derivative (ineffective portion and amount excluded from effectiveness testing) | |
|---|---|---|---|---|---|---|---|---|
| | Year Ended December 31, | | | Year Ended December 31, | | | Year Ended December 31, | |
| **Derivatives in cash flow hedging relationships** | **2016** | **2015** | **Location** | **2016** | **2015** | **Location** | **2016** | **2015** |
| Natural gas derivative contracts . . . . . . . . . | $(4,345) | $1,954 | Operating Revenues: Natural gas sales | $(1,976) | $1,954 | Operating Revenues: Natural gas sales | $— | $— |

(a) We expect to reclassify an approximate $2.4 million loss associated with cash flow hedge price risk management activities included in our accumulated other comprehensive loss balances as of December 31, 2016 into earnings

## 7. Risk Management (Continued)

during the next twelve months (when the associated forecasted sales are also expected to occur), however, actual amounts reclassified into earnings could vary materially as a result of changes in market prices.

(b) Amounts reclassified were the result of the hedged forecasted transactions actually affecting earnings (i.e., when the forecasted sales actually occurred).

For the years ended December 31, 2016 and 2015, we recognized no material gain or loss in income from derivatives not designated as hedging contracts.

### *Credit Risks*

In conjunction with certain derivative contracts, we are required to provide collateral to our counterparties, which may include posting letters of credit or placing cash in margin accounts. As of December 31, 2016 and 2015, we had no outstanding letters of credit supporting our commodity risk management program. As of December 31, 2016 and 2015, we had cash margins of $5.1 million and none, respectively, posted by us as collateral, and recorded in our Consolidated Balance Sheet caption "Restricted Deposits." We also use industry standard commercial agreements, which allow for the netting of exposures associated with transactions executed under a single commercial agreement. Additionally, we generally utilize master netting agreements to offset credit exposure across multiple commercial agreements with a single counterparty.

We also have agreements with certain counterparties to our derivative contracts that contain provisions requiring the posting of additional collateral upon a decrease in our credit rating. As of December 31, 2016, based on our current mark to market positions and posted collateral, we estimate that if our credit rating were downgraded one or two notches, we would not be required to post additional collateral.

## 8. Fair Value of Financial Instruments

### *Fair Value of Derivative Contracts*

The following two tables summarize the fair value measurements of our energy commodity derivative contracts based on the three levels established by the Codification (in thousands). The tables also identify the impact of derivative contracts which we have elected to present on our

### 8. Fair Value of Financial Instruments (Continued)

accompanying consolidated balance sheets on a gross basis that are eligible for netting under master netting agreements.

| | Balance sheet asset fair value measurements by level | | | | | | |
|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Gross amount | Contracts available for netting | Cash collateral held(b) | Net amount |
| **As of December 31, 2016** | | | | | | | |
| Energy commodity derivative contracts(a) | $— | $54 | $— | $54 | $(54) | $— | $— |
| **As of December 31, 2015** | | | | | | | |
| Energy commodity derivative contracts(a) | $— | $— | $— | $— | $ — | $— | $— |

| | Balance sheet liability fair value measurements by level | | | | | | |
|---|---|---|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Gross amount | Contracts available for netting | Collateral posted(c) | Net amount |
| **As of December 31, 2016** | | | | | | | |
| Energy commodity derivative contracts(a) | $(2,891) | $(1) | $— | $(2,892) | $54 | $5,088 | $2,250 |
| **As of December 31, 2015** | | | | | | | |
| Energy commodity derivative contracts(a) | $ — | $— | $— | $ — | $— | $ — | $ — |

(a) Level 1 consists primarily of New York Mercantile Exchange (NYMEX) natural gas futures quoted in active markets. Level 2 consists primarily of natural gas basis swaps.

(b) Cash margin deposits held by us associated with our energy commodity contract positions and Over the Counter (OTC) swap agreements and reported within "Other Current Liabilities" in our accompanying Consolidated Balance Sheets.

(c) Cash margin deposits posted by us associated with our energy commodity contract positions and OTC swap agreements and reported within "Restricted Deposits" in our accompanying Consolidated Balance Sheets.

## 8. Fair Value of Financial Instruments (Continued)

### *Fair Value of Debt*

The following table reflects the carrying amount and estimated fair value of our outstanding debt balances (in thousands):

| | December 31, 2016 | | December 31, 2015 | |
|---|---|---|---|---|
| | Carrying Value | Estimated Fair Value | Carrying Value | Estimated Fair Value |
| Total Debt | $2,290,436 | $2,403,800 | $2,905,499 | $2,656,704 |

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 estimated the fair value of our 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 years ended December 31, 2016 and 2015, 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.

## 9. Accounting for Regulatory Activities

### *Regulatory Assets and Liabilities*

As of December 31, 2016, substantially all of our regulatory assets are being recovered as cost of service in our rates over a period of approximately one year to eleven years. Below are the details of our regulatory assets and liabilities (in thousands):

| | December 31, | |
|---|---|---|
| | 2016 | 2015 |
| Current regulatory assets(a) | | |
| Rate regulation and application costs | $ 1,304 | $ 1,050 |
| Non-current regulatory assets(b) | | |
| Taxes on capitalized funds used during construction | 11,818 | 12,293 |
| Total regulatory assets | 13,122 | 13,343 |
| Current regulatory liabilities(c) | | |
| Deferred revenues | 288 | 222 |
| Net regulatory assets | $12,834 | $13,121 |

(a) Recorded in our Consolidated Balance Sheet caption "Current Assets: Other current assets."

**9. Accounting for Regulatory Activities (Continued)**

(b) Recorded in our Consolidated Balance Sheet caption "Deferred charges and other assets."

(c) Recorded in our Consolidated Balance Sheet caption "Current Liabilities: Other current liabilities."

Our significant regulatory assets and liabilities include Taxes on capitalized funds used during construction. These regulatory asset balances were established to offset the deferred tax for the equity component of the AFUDC capitalized in long-lived assets. Taxes on capitalized funds used during construction and the offsetting deferred income taxes are included in the rate base and are recovered other the depreciable lives of the long lived asset to which they relate.

***Regulatory Matters***

On January 19, 2017, the FERC in Docket No. RP17-303 issued an order pursuant to section 5 of the Natural Gas Act (Order) instituting an investigation into the just and reasonableness of Natural's currently effective tariff rates. The Order directed us to file a cost and revenue study within 75 days. On January 23, 2017, we filed a motion with the FERC to take notice of a significant error in its calculation of Natural's return on equity in its Order. On February 2, 2017, the FERC issued an errata notice correcting their calculation error and restating the returns to the level reflected in Natural's January 23, 2017 motion. On January 30, 2017, we filed with the FERC a motion to terminate the section 5 investigation. On February 17, 2017, we filed a rehearing request of the January 19 Order, as well as a motion to hold the section 5 proceeding in abeyance until there is a quorum at the FERC to consider the motion to terminate and the rehearing request. The motion to terminate, the rehearing request, and the motion to hold the proceeding in abeyance are all still pending before the Commission. We do not believe that the ultimate resolution of this proceeding will have a material adverse impact on our results of operations or cash flows from operations.

On August 1, 2016, we filed an application with the FERC in Docket No. CP16-488-000 requesting authority to construct the Gulf Coast Expansion Project. Specifically, we requested authority to: (i) construct and operate a new 15,900 horsepower (hp) gas-fired greenfield compressor unit in Cass County, Texas; (ii) construct and operate a 4,000 foot, 30-inch lateral connecting the new compressor station to our A/G line; and (iii) retire two compressor units representing 5,600 hp at existing compressor station No. 301 in Wharton County, Texas. Installation of these facilities will enable us to transport a total of 460,000 dekatherms per day southbound on our Gulf Coast Mainline System utilizing a combination of existing and expansion capacity. We requested a FERC Order by September 30, 2017 to allow for an October 1, 2018 in-service date. The application is pending before the Commission.

On June 1, 2015, we filed an application with the FERC in Docket No. CP15-505-000 seeking authorization to construct and operate a new greenfield compressor station and related facilities located in Livingston County, Illinois. This project known as the Chicago Market Expansion

**9. Accounting for Regulatory Activities (Continued)**

Project (CMEP) adds 30,000 hp of new compression to our Gulf Coast Mainline system to support an additional 238,000 dekatherms per day of firm transportation service to the Chicago market area. On March 17, 2016, the FERC approved the CMEP, subject to certain conditions. The CMEP was placed in service on November 1, 2016.

On September 11, 2014, we filed an application with the FERC to abandon by sale to Devon Gas Services, L.P. (Devon) a portion of our Oklahoma Extension known as Segment 1 in Docket No. CP14-548-000. Specifically, we filed to abandon (i) approximately 92 miles of 20-inch pipeline; (ii) Compressor Station No. 155; (iii) the Atlanta Lateral comprising 3 miles of 10-inch pipeline; and (iv) three active receipt and three active delivery points. On June 18, 2015, the FERC approved the abandonment of the above facilities, with the condition that we must connect the Love County Lateral with a supply of gas prior to disconnecting such lateral from Segment 1. On July 13, 2016, we acquired from Cumberland Pipeline Company LLC a ten-mile lateral that will provide for the continuation of service to customers served by the Love County Lateral. The abandonment by sale of Segment 1 to Devon was completed on October 3, 2016 and resulted in a loss of approximately $15 million. On March 9, 2017, we filed journal entries effecting the sale and abandonment with FERC's chief accountant's office in Docket No. AC17-55.

On September 20, 2011, we filed an application with the FERC in Docket No. CP11-547-000 requesting authority to construct our 2012 Storage Optimization Project. Specifically, we requested to: (i) construct and operate a new 3,550 hp gas fired compressor unit at our existing Compressor Station No. 205 located near Keota in Washington County, Iowa; (ii) construct and operate a new "greenfield" compressor station consisting of a 22,000 hp electric compressor unit to be located near Altamont in Effingham County, Illinois known as Compressor Station No. 206A; (iii) reduce cushion gas inventory by 5 Bcf at our North Lansing Storage Field located near Longview in Harrison County, Texas; (iv) abandon in place various gas fired compressor units at our Compressor Station Nos. 310 and 311 located respectively near Centralia in Clinton County, Illinois and near Hammond in Piatt County, Illinois; and (v) obtain a pre-determination that rolled-in rate treatment for the costs of the proposed facilities is appropriate. The project was estimated to cost a total of $57.6 million. On May 17, 2012, the FERC approved the project. On November 5, 2014, the new compressor unit located at Compressor Station No. 205 was placed in service. On December 12, 2016 Compressor Station No. 206A was placed in service. We received an extension of time from the FERC to abandon certain compressor units at our Compressor Station Nos. 310 and 311 by June 1, 2017.

We periodically have regulatory proceedings before the FERC and, while the outcome of these matters cannot be predicted with certainty, based upon our evaluation and experience to date, we do not expect the ultimate resolution of these matters to have a material adverse effect on our financial position, operating results or cash flows.

**10. Litigation, Environmental and Commitments**

We are a party to various legal, regulatory and other matters arising from the day-to-day operations of our business 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 matters 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 proceedings as of December 31, 2016 and 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 laws 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. 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.

*General*

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 December 31, 2016 and 2015, we had approximately $4 million and $5 million, respectively, accrued for our environmental matters.

**10. Litigation, Environmental and Commitments (Continued)**

***Commitments***

*Capital Commitments*

As of December 31, 2016, we have commitments for the purchase of property, plant and equipment of approximately $40.2 million, which we expect to spend during 2017.

*Other Commercial Commitment*

We hold cancelable easements or rights-of-way arrangements from landowners permitting the use of land for the construction and operation of our pipeline systems. Our obligations under these easements are not material to our results of operations.

*Operating Leases*

We lease property, facilities and equipment under various operating leases. Our future minimum annual rental commitments under our operating leases as of December 31, 2016 are as follows (in thousands):

| Year | Operating Leases |
|---|---|
| 2017 | $ 475 |
| 2018 | 489 |
| 2019 | 41 |
| 2020 and thereafter | — |
| Total | $1,005 |

Rent expense incurred on our lease obligations for the years ended December 31, 2016 and 2015 was $1.5 million and $1.7 million, respectively, and is reflected in "Operations and maintenance on our accompanying Consolidated Statements of Operations and Comprehensive Income (Loss).

**11. Recent Accounting Pronouncements**

***Topic 606***

On May 28, 2014, the FASB issued Accounting Standards Update (ASU) No. 2014-09, "*Revenue from Contracts with Customers*" followed by a series of related accounting standard updates (collectively referred to as "Topic 606"). Topic 606 is designed to create greater revenue recognition and disclosure comparability in financial statements. The provisions of Topic 606 include a five-step process by which an entity will determine revenue recognition, depicting the transfer of goods or services to customers in amounts reflecting the payment to which an entity expects to be entitled in exchange for those goods or services. Topic 606 requires certain

**11. Recent Accounting Pronouncements (Continued)**

disclosures about contracts with customers and provides more comprehensive guidance for transactions such as service revenue, contract modifications, and multiple-element arrangements.

We are in the process of comparing our current revenue recognition policies to the requirements of Topic 606 for each of our revenue categories. While we have not identified any material differences in the amount and timing of revenue recognition for the categories we have reviewed to date, our evaluation is not complete and we have not concluded on the overall impacts of adopting Topic 606. Topic 606 will require that our revenue recognition policy disclosure include further detail regarding our performance obligations as to the nature, amount, timing, and estimates of revenue and cash flows generated from our contracts with customers. Topic 606 will also require disclosure of significant changes in contract asset and contract liability balances period to period and the amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period, as applicable. We will adopt Topic 606 effective January 1, 2018. Topic 606 provides for adoption either retrospectively to each prior reporting period presented or as a cumulative-effect adjustment as of the date of adoption. We plan to make a determination as to our method of adoption once we more fully complete our evaluation of the impacts of the standard on our revenue recognition and we are better able to evaluate the cost-benefit of each method.

***ASU No. 2014-15***

On August 27, 2014, the FASB issued ASU No. 2014-15, "*Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern.*" This ASU provides guidance about management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures if management concludes that substantial doubt exists or that its plans alleviate substantial doubt that was raised. We adopted ASU 2014-15 for the year ended December 31, 2016 with no impact to our financial statements.

***ASU No. 2016-02***

On February 25, 2016, the FASB issued ASU No. 2016-02, "*Leases (Topic 842)*." This ASU requires that lessees will be required to recognize assets and liabilities on the balance sheet for the present value of the rights and obligations created by all leases with terms of more than 12 months. The ASU also will require disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. ASU No. 2016-02 will be effective for us as of January 1, 2019. We are currently reviewing the effect of ASU No. 2016-02.

***ASU No. 2016-05***

On March 10, 2016, the FASB issued ASU 2016-05, "*Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*." This ASU

**11. Recent Accounting Pronouncements (Continued)**

clarifies that for the purposes of applying the guidance in Topic 815, a change in the counterparty to a derivative instrument that has been designated as the hedging instrument in an existing hedging relationship would not, in and of itself, be considered a termination of the derivative instrument. We adopted ASU 2016-05 in the first quarter of 2016 with no material impact to our financial statements.

***ASU No. 2016-15***

On August 26, 2016, the FASB issued ASU 2016-15, *"Statement of Cash Flows — Classification of Certain Cash Receipts and Cash Payments (Topic 230)."* This ASU is intended to reduce the diversity in practice around how certain transactions are classified within the statement of cash flows. We adopted ASU No. 2016-15 in the third quarter of 2016 with no material impact to our financial statements.

***ASU No. 2016-18***

On November 17, 2016, the FASB issued ASU 2016-18, "*Statement of Cash Flows (Topic 230): Restricted Cash (a consensus of the FASB Emerging Issues Task Force).*" This ASU requires the statement of cash flows to explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents are to be included with cash and cash equivalents when reconciling the beginning of period and end of period amounts shown on the statement of cash flows. ASU No. 2016-18 will be effective for us as of January 1, 2018. We are currently reviewing the effect of this ASU to our financial statements.

*The Tender Agent for the Offer is:*

**Global Bondholder Services Corporation**

*By Regular, Registered or Certified Mail; Hand or Overnight Delivery:*
Global Bondholder Services Corporation
65 Broadway, Suite 404
New York, New York 10006
Attention: Corporate Actions

*By Facsimile Transmission (for Eligible Institutions only):*
**(212) 430-3775**
Attention: Corporate Actions

*For Confirmation by Telephone:*
**(212) 430-3774**

Questions, requests for assistance and requests for additional copies of this Offer to Purchase, the related Letter of Transmittal and the Notice of Guaranteed Delivery may be directed to the Information Agent or the Dealer Manager at their address set forth below.

Copies of this Offer to Purchase, the related Letter of Transmittal and the Notice of Guaranteed Delivery are also available at the following web address: www.gbsc-usa.com/NGPL/

*The Information Agent for the Offer is:*

**Global Bondholder Services Corporation**
65 Broadway, Suite 404
New York, New York 10006
Attention: Corporate Actions
or
**Call Toll-Free (866) 470-4300**
*Banks and Brokers Only:* (212) 430-3774

Email: **contact@gbsc-usa.com**

*The Dealer Manager for the Offer is:*

**RBC Capital Markets, LLC**
Brookfield Place
200 Vesey Street, 8th Floor
New York, New York 10281
Attention: Liability Management
*Banks and Brokers Call Collect: (212) 618-7822*
*Toll Free: (877) 381-2099*