

PNG COMPANIES LLC
Consolidated Balance Sheets
As of September 30, 2016
(Unaudited)

Current Assets:

Cash and cash equivalents	\$ 3,232,934
Accounts receivable:	
Customer accounts, net	55,839,626
Other	2,785,812
Affiliates	1,137,482
Inventories:	
Materials and supplies	3,301,736
Gas stored - current portion	25,869,335
Regulatory assets:	
Unrecovered gas costs	-
Other	3,550,829
Prepaid income taxes	5,938,240
Deferred income taxes	15,184,556
Other	8,556,801
Total Current Assets	125,397,351

Investments:

Other	3,146,634
Total Investments	3,146,634

Property, Plant and Equipment:

Property, plant and equipment	2,314,861,245
Accumulated depreciation and amortization	(834,778,476)
Total Property, Plant and Equipment, net	1,480,082,769

Deferred Charges and Other Assets:

Goodwill	284,894,602
Other intangible assets, net	65,638,189
Regulatory assets	144,873,601
Debt issuance costs	4,815,131
Other	358,114
Total Deferred Charges and Other Assets	500,579,637

Total Assets	\$ <u>2,109,206,391</u>
---------------------	--------------------------------

PNG COMPANIES LLC
Consolidated Balance Sheets
As of September 30, 2016
(Unaudited)

Current Liabilities:

Accounts payable:	
Trade	\$ 70,003,895
Affiliates	773,701
Accrued income taxes	-
Accrued interest, payroll and other taxes	34,295,349
Regulatory liabilities:	
Amounts payable to customers	1,574,103
Other	682,323
Provision for gas inventory replacement	-
Other	17,378,703
Total Current Liabilities	124,708,074

Long Term Debt:

Notes payable	825,000,000
Revolver debt payable	35,000,000
Total Long Term Debt	860,000,000

Deferred Credits and Other Liabilities:

Deferred income taxes	188,879,202
Asset retirement obligations	38,033,120
Pension and OPEB liabilities	33,767,318
Capital lease obligation	18,522,664
Voluntary retirement program	6,118,142
Derivative liabilities	230,286
Other	9,688,508
Total Deferred Credits and Other Liabilities	295,239,240

Total Liabilities **1,279,947,314**

Member's Equity:

Member's equity	829,883,744
Accumulated other comprehensive income/(loss)	(624,667)
Total Member's Equity	829,259,077

Total Liabilities and Member's Equity **\$ 2,109,206,391**

PNG COMPANIES LLC
Consolidated Statements of Income
For the Nine Months Ended September 30, 2016
(Unaudited)

Operating Revenues	\$ 423,723,544
Operating Expenses:	
Purchased gas	128,275,108
Other operations & maintenance	135,773,559
Depreciation and amortization	47,117,234
Other taxes	7,239,790
Total Operating Expenses	318,405,690
Income From Operations	105,317,855
Other Income (Expense), Net	(3,248,696)
Interest Expenses	29,731,308
Income Before Income Taxes	72,337,851
Provision For Income Taxes	29,101,187
Net Income	<u>\$ 43,236,664</u>

PNG COMPANIES LLC
Consolidated Statements of Cash Flows
For the Nine Months Ended September 30, 2016
(Unaudited)

Operating Activities:

Net income	\$ 43,236,664
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	47,117,234
Amortization of debt issuance costs	1,536,556
Deferred provision for income taxes	24,147,635
Changes in:	
Accounts receivable, net	42,973,556
Prepaid income taxes	4,953,552
Other	2,178,179
Gas imbalances	(374,729)
Inventories	(6,676,885)
Regulatory assets & liabilities, net:	
Unrecovered gas costs	(22,574,185)
Other	509,304
Accounts payable	(9,524,878)
Payable to affiliates	(331,633)
Accrued income taxes	-
Accrued interest, payroll and other taxes	(6,183,542)
Provision for gas inventory replacement	-
Other	(2,723,849)
<i>Net cash provided by operating activities</i>	118,262,979

Investing Activities:

Plant construction and other property additions	(72,386,749)
<i>Net cash used in investing activities</i>	(72,386,749)

Financing Activities:

Borrowings (repayments) under revolving credit agreement-net	8,000,000
Payments of debt issuance costs	-
Dividends paid to member	(58,900,000)
<i>Net cash used in financing activities</i>	(50,900,000)

<i>Increase (decrease) in cash and cash equivalents</i>	(5,023,770)
Cash and cash equivalents at beginning of year	8,256,704
<i>Cash and cash equivalents at end of period</i>	\$ 3,232,934

PNG COMPANIES LLC
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2016
Unaudited
(In thousands)

ASSETS

CURRENT ASSETS:

Cash and cash equivalents	\$	3,664
Accounts receivable:		
Customers (less allowance for doubtful accounts of \$12,289)		115,657
Other		4,703
Affiliates		2,710
Inventories:		
Materials and supplies		3,174
Gas stored		18,809
Regulatory assets		16,264
Deferred income taxes		4,560
Other		<u>18,125</u>
Total current assets		<u>187,666</u>

INVESTMENTS

3,147

PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment		2,355,515
Accumulated depreciation and amortization		<u>(844,562)</u>
Total property, plant and equipment—net		<u>1,510,953</u>

DEFERRED CHARGES AND OTHER ASSETS:

Goodwill		284,895
Intangible assets—net		65,361
Regulatory assets		146,470
Other		<u>1,935</u>
Total deferred charges and other assets		<u>498,661</u>

TOTAL

\$ 2,200,427

PNG COMPANIES LLC
CONSOLIDATED BALANCE SHEETS
AS OF DECEMBER 31, 2016
Unaudited
(In thousands)

LIABILITIES AND MEMBER'S EQUITY

CURRENT LIABILITIES:

Accounts payable:

Trade	\$ 98,748
Affiliates	1,254
Current portion of long-term debt	150,000
Accrued interest, payroll and taxes	38,727
Regulatory liabilities	2,505
Capital lease obligation	18,951
Other	<u>17,725</u>

Total current liabilities 327,910

LONG-TERM DEBT 741,699

DEFERRED CREDITS AND OTHER LIABILITIES:

Deferred income taxes	198,412
Asset retirement obligations	37,064
Pension and other postretirement benefit liabilities	28,091
Capital lease obligation	-
Voluntary retirement program	2,516
Other	<u>17,185</u>

Total deferred credits and other liabilities 283,268

Total liabilities 1,352,877

MEMBER'S EQUITY:

Member's equity	847,905
Accumulated other comprehensive loss	<u>(355)</u>

Total member's equity 847,550

TOTAL \$ 2,200,427

PNG COMPANIES LLC
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2016
Unaudited
(In thousands)

OPERATING REVENUE	<u>\$ 605,206</u>
OPERATING EXPENSES:	
Purchased gas	198,487
Other operations and maintenance	168,757
Depreciation and amortization	62,677
Other taxes	<u>10,038</u>
Total operating expenses	<u>439,959</u>
INCOME FROM OPERATIONS	165,247
OTHER EXPENSE—Net	3,701
INTEREST CHARGES	<u>39,406</u>
INCOME BEFORE INCOME TAXES	122,140
PROVISION FOR INCOME TAXES	<u>49,722</u>
NET INCOME	72,418
COMPREHENSIVE GAIN (LOSS)—Changes in net unrecognized pension and other postretirement benefit costs—net of taxes of \$63	(100)
COMPREHENSIVE GAIN (LOSS)—Change in fair value of cash flow hedges—net of taxes of (\$81)	<u>114</u>
COMPREHENSIVE INCOME	<u>\$ 72,432</u>

PNG COMPANIES LLC
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2016
Unaudited
(In thousands)

OPERATING ACTIVITIES:	
Net income	\$ 72,418
Adjustments to reconcile net income to cash provided by operating activities:	
Depreciation and amortization	62,677
Amortization of debt issuance costs	2,050
Deferred provision for income taxes	40,364
Changes in:	
Accounts receivable—net	(20,333)
Inventories	511
Regulatory asset/liability—net	(35,713)
Prepayments	2,915
Accounts payable—net	16,289
Accrued interest, payroll and taxes	(3,539)
Other	<u>782</u>
Net cash provided by operating activities	<u>138,421</u>
INVESTING ACTIVITIES—Plant construction and other property additions	<u>(116,954)</u>
Net cash used in investing activities	<u>(116,954)</u>
FINANCING ACTIVITIES:	
Borrowings (repayments) under revolving credit agreement—net	44,000
Capital lease obligation	-
Payment of debt issuance costs	-
Dividends paid to member	<u>(70,060)</u>
Net cash provided by (used in) financing activities	<u>(26,060)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	(4,593)
CASH AND CASH EQUIVALENTS—Beginning of year	<u>8,257</u>
CASH AND CASH EQUIVALENTS—End of year	<u>\$ 3,664</u>
SUPPLEMENTAL CASH FLOW INFORMATION—Cash paid during the year for:	
Interest and related charges—excluding capitalized amounts	<u>\$ 37,584</u>
Significant noncash investing activity—accrued capital expenditures	<u>\$ 8,126</u>