

EL PASO CORP/DE
Form 11-K
June 29, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 11-K

**ANNUAL REPORT
PURSUANT TO SECTION 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

(Mark One):

- ANNUAL REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 (NO FEE REQUIRED, EFFECTIVE OCTOBER 7,
1996)

For the fiscal year ended: December 31, 2004

OR

- TRANSITION REPORT PURSUANT TO SECTION 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934 (NO FEE REQUIRED)

For the transition period from _____ to _____

Commission file number: 1-14365

A. Full title of the plan and the address of the plan, if different from that of the issuer
named below:

**EL PASO CORPORATION
RETIREMENT SAVINGS PLAN
(Full title of the Plan)
(herein referred to as the "Plan")**

B. Name of issuer of the securities held pursuant to the plan and the address of its
principal executive office:

EL PASO CORPORATION
(Name of the issuer of the securities held pursuant to the Plan)
(herein referred to as the "Company")
1001 Louisiana Street
Houston, Texas 77002

**EL PASO CORPORATION
RETIREMENT SAVINGS PLAN**

**FINANCIAL STATEMENTS AND
SUPPLEMENTAL SCHEDULE WITH
REPORT OF INDEPENDENT REGISTERED
PUBLIC ACCOUNTING FIRM**

December 31, 2004 and 2003

**EL PASO CORPORATION
RETIREMENT SAVINGS PLAN**

**FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES
WITH REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
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Report of Independent Registered Public Accounting Firm

To the Participants and Administrator of
The El Paso Corporation Retirement Savings Plan:

In our opinion, the accompanying statement of net assets available for plan benefits and the related statement of changes in net assets available for benefits present fairly, in all material respects, the net assets available for benefits of the El Paso Corporation Retirement Savings Plan (the "Plan") at December 31, 2004 and 2003, and the changes in net assets available for benefits for the year ended December 31, 2004 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule listed in the index on page 1 is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is supplementary information required by the Department of Labor's Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Houston, Texas
June 27, 2005

**EL PASO CORPORATION
RETIREMENT SAVINGS PLAN**

**STATEMENT OF NET ASSETS AVAILABLE FOR PLAN BENEFITS
(In thousands)**

December 31,
2004 2003

ASSETS

| | | |
|---------------------------|------------|------------|
| Investments (See Note 3) | \$ 682,128 | \$ 671,622 |
| Receivables | | |
| Interest | 51 | 61 |
| Dividends | 573 | 776 |
| Participant contributions | 1,201 | 1,611 |
| Employer contributions | 12,790 | 583 |
| Total receivables | 14,615 | 3,031 |
| Total assets | 696,743 | 674,653 |

LIABILITIES

| | | |
|-----------------------|-------|-------|
| Accrued expenses | 438 | 581 |
| Amounts due to others | 2,281 | 912 |
| Total liabilities | 2,719 | 1,493 |

NET ASSETS AVAILABLE FOR PLAN BENEFITS \$ 694,024 \$ 673,160

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

**ELPASO CORPORATION
RETIREMENT SAVINGS PLAN**

**STATEMENT OF CHANGES IN NET ASSETS
AVAILABLE FOR PLAN BENEFITS
(In thousands)**

**For the
year ended
December 31, 2004**

ADDITIONS

| | | |
|-----------|----|-------|
| Dividends | \$ | 7,134 |
|-----------|----|-------|

| | |
|---|------------|
| Interest | 10,180 |
| Net appreciation in fair value of investments | 56,254 |
| Net investment income | 73,568 |
| Contributions | |
| Employer | 28,315 |
| Participants | 40,972 |
| Total contributions | 69,287 |
| Total additions | 142,855 |
| DEDUCTIONS | |
| Benefits paid to participants | 120,629 |
| Administrative fees | 1,362 |
| Total deductions | 121,991 |
| Net increase | 20,864 |
| Net assets available for Plan benefits | |
| Beginning of period | 673,160 |
| End of period | \$ 694,024 |

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

**EL PASO CORPORATION
RETIREMENT SAVINGS PLAN**

NOTES TO FINANCIAL STATEMENTS

1. DESCRIPTION OF PLAN

The following description of the El Paso Corporation Retirement Savings Plan (the "Plan") provides general information about the Plan's provisions in effect for the plan year ended December 31, 2004. Participants should refer to the Plan documents and summary plan description for a more complete description of the Plan's provisions.

General

The Plan is a defined contribution plan covering eligible employees of El Paso Corporation (the "Company") and its participating employers, except leased employees, certain nonresident aliens, certain foreign nationals, and members

of any unit covered by a collective bargaining agreement. The Committee for the Retirement Savings Plan (the "Committee") is responsible for the general administration of the Plan as described in the Plan document. Until September 1, 2003, Deutsche Bank Trust Company Americas ("Deutsche Bank") was the trustee for the Plan. Effective September 1, 2003, State Street Bank and Trust Company ("State Street") became the trustee of the Plan. Hewitt Associates is the recordkeeper for the Plan. The Plan is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended ("ERISA").

Contributions

Prior to May 1, 2003, a participant could elect to make basic contributions from 2 percent to 15 percent on a before or after tax basis. Effective May 1, 2003, a participant may elect to make basic contributions from 2 percent to 25 percent on a before tax basis and 2 percent to 15 percent on an after tax basis of his or her eligible compensation. The Company will make matching contributions in the same manner as that of participant contributions. Until July 1, 2004, the matching contribution was equal to 50 percent of a participant's basic contribution up to a maximum level of 6 percent of eligible compensation. Effective July 1, 2004, the matching contribution was increased to 75 percent of a participant's basic contribution up to a maximum level of 6 percent of eligible compensation.

In addition, if a participant has elected the maximum basic contribution eligible for a matching contribution, he or she may make after-tax supplemental contributions to the Plan from 1 percent to 5 percent of his or her eligible compensation. A participant may also elect to have the amount of available cash under the Company's FlexPlan transferred to the Plan as a flex contribution or may make an approved rollover contribution of a distribution received or direct transfer from another qualified retirement plan. There are certain legal limitations, as provided by the Plan, applicable to contributions to the Plan. Federal income taxes on before-tax contributions, company matching contributions, and the earnings from the investments in the Plan are deferred until amounts are withdrawn from the Plan by participants.

Effective June 25, 2004, the Plan temporarily suspended future investments in the Company Stock Fund until the Company became current on its SEC filings. The temporary suspension was lifted December 22, 2004.

EL PASO CORPORATION RETIREMENT SAVINGS PLAN

NOTES TO FINANCIAL STATEMENTS (Continued)

1. DESCRIPTION OF PLAN (Continued)

Participant Accounts

Each participant's account is credited with the participant's contributions, the Company's matching contributions, the participant's share of net earnings or losses of his or her respective elected investment funds under the Plan and charged with an allocation of administrative expenses. Net investment gains and losses in a particular investment fund and administrative expenses are allocated in proportion to the respective participant account balances in that fund.

Vesting

A participant's interest in the balance credited to his or her account is fully vested at all times.

Payment of Benefits

Upon separation from service with the Company, a participant whose account balance exceeds \$5,000 may elect to receive either a lump-sum or installment distribution equal to the value of his or her account or to defer the distribution. A deferred distribution may take the form of either a lump-sum distribution payable within, or installments payable over, a period that ends on or before April 1 of the year following the calendar year in which the participant attains age 70-1/2. A participant whose account balance does not exceed \$5,000 will receive an immediate lump-sum distribution of the amount equal to his or her account balance. Certain in-service withdrawals may also be available, as provided by the Plan.

Participant Loans

To obtain a loan, the participant must have a total account balance of at least \$2,000 excluding any amounts held in an "IRA Rollover Account" under the Plan. Loan amounts may be from \$1,000 to \$50,000 but may not be more than 50 percent of the total balance in the participant's account, excluding any IRA Rollover Account balance. The 50 percent limit is reduced by the participant's highest outstanding loan balance(s) during the prior 12-month period. Each loan is made from, and repaid to, the borrowing participant's account so as not to affect the accounts of other participants. Loan transactions are treated as a transfer from the participant's account to the Loan Fund. A participant may not obtain more than one loan during any 12-month period and may not have more than two loans outstanding. The interest rate on a loan is 1 percent above the prime rate, which is determined on the last business day of the month preceding the quarter in which the loan is taken. The interest rate is fixed for the term of the loan. Interest rates on participants' loans ranged from 5% to 10.5% in 2004 and 2003. The repayment period may be from 1 to 5 years. When a participant terminates employment with the Company, the unpaid balance of the participant's loan(s) will be deducted from any distributions to the participant. If the participant elects to defer the distributions, the loan must be repaid within 60 days after separation from service. If the loan is not repaid, it will be automatically treated as a distribution to the participant.

**EL PASO CORPORATION
RETIREMENT SAVINGS PLAN**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

1. DESCRIPTION OF PLAN (Continued)

Investment Options

With exceptions as described below, a participant could direct the investment of his or her contributions to the Plan or reallocate the existing balance in his or her account among any one or more of the following investment funds during 2004. The diversification of securities within each investment fund is at the discretion of the fund manager with the

exception of the Company Stock Fund. For a more complete description of the investment objectives, general information and performance history of the funds, participants should refer to the individual mutual fund prospectus and the summary plan description.

1) *Income Fund* - invests primarily in a diversified portfolio of investment contracts offered by major insurance companies, banks and other financial institutions. The objective of the fund is to provide liquidity and safety of principal while providing a higher return over time than offered by money market funds. An investment contract is an agreement whereby the issuing entity promises a specific rate of return for a period of time. The contracts provide that a reduction in principal will not occur due to a change in interest rates. These contracts usually have maturity dates and interest rates that fluctuate to reflect the investment performance and activity of bonds that underlie the contract. However, like all of the Plan's investment funds, there is an element of risk. Some of the contracts are direct obligations of the issuing entity. To reduce the risk of the fund, most of the investment contracts are collateralized by fixed-income securities held in a separate account of an insurance company, or in a trust fund, to protect them from the general creditors of the contract issuer. The fund may also hold cash or other short-term fixed income securities, although these are expected to be a small percentage of the Income Fund. PRIMCO Capital Management, Inc. manages the Income Fund.

2) *Company Stock Fund* - invests primarily in common stock of the Company (NYSE:EP). As with investments in any single stock, this fund may be more volatile (that is, subject to larger swings in value, both up and down) than a fund that is diversified among the stocks of many companies. Participants who invest in the Company Stock Fund may instruct the trustee regarding the voting of the Company's common stock allocated to the participant's account. The fund may also hold cash or other short-term fixed income securities, although these are expected to be a small percentage of the Stock Fund.

3) *Equity Index Fund* - invests in an index fund designed to match the performance of the Standard and Poor's (S&P) Index by investing in stock of most of the 500 largest U.S. companies comprising that Index. This fund currently invests in a commingled fund for institutional investors known as the Daily Equity Index Fund T managed by Barclays Global Investors.

**EL PASO CORPORATION
RETIREMENT SAVINGS PLAN**

**NOTES TO FINANCIAL STATEMENTS
(Continued)**

1. **DESCRIPTION OF PLAN** (Continued)

Investment Options (Continued)

4) *International Equity Fund* - invests in the publicly traded mutual fund known as the Templeton Foreign Fund managed by Templeton Global Advisors Limited. The purpose of this fund is to invest in companies in locations and businesses around the world where economic conditions are favorable for growth. Because of global monetary exchange, economic and political conditions, the risks and returns for this fund can vary significantly from investments in domestic stocks.

5) *Large Capitalization Equity Fund* - invests in the publicly traded mutual fund known as the Fidelity Magellan Fund managed by Fidelity Management & Research Company.

6) *Mid Capitalization Equity Fund* - invests in the publicly traded mutual fund known as the American Funds Growth Fund of America (Class A) managed by Capital Research and Management Company.

7) *Small Capitalization Equity Fund* - invests in the publicly traded mutual fund known as the AIM Small Cap Growth Fund "A" managed by AIM Capital Management.

8) *Asset Allocation Fund* - invests in the publicly traded mutual fund known as the Dodge & Cox Balanced Fund managed by Dodge & Cox.

9) *Large Capitalization Value Fund* - invests in the publicly traded mutual fund known as the Dodge & Cox Large Cap Value Fund managed by Dodge & Cox.

**EL PASO CORPORATION
RETIREMENT SAVINGS PLAN**

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Basis

The financial statements of the Plan are prepared on the accrual basis of accounting.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for plan benefits at the date of the financial statements, the reported changes in net assets available for plan benefits during the reporting period and disclosures related to the Plan. Actual results could differ from those estimates.

Valuation of Investments

For the Plan years ending December 31, 2004 and 2003, the Plan's investment contracts with financial institutions and insurance companies are reported at contract value, as they are benefit responsive investment contracts. The Income Fund includes certain guaranteed investment contracts ("GICs") which are stated at contract value, which approximates fair value, representing the original cost, plus interest (based upon the crediting rates of the underlying contracts) reduced by administration fees, transfers out, and withdrawals. Short-term securities and participant loans are carried at cost which approximates fair value. All other investments are carried at fair value as determined by quoted market

prices. Purchases and sales of securities are reflected on a trade-date basis. The basis of securities sold is determined by average cost.