

EL PASO CORP/DE  
Form 10-Q/A  
June 16, 2005

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

**Form 10-Q/A**  
**(Amendment No. 1)**

(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the quarterly period ended March 31, 2005**  
**OR**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)**  
**OF THE SECURITIES EXCHANGE ACT OF 1934**  
**For the transition period from            to**  
**Commission File Number 1-14365**

**El Paso Corporation**  
(Exact Name of Registrant as Specified in its Charter)

**Delaware**  
(State or Other Jurisdiction  
of Incorporation or Organization)

**El Paso Building**  
**1001 Louisiana Street**  
**Houston, Texas**

(Address of Principal Executive Offices)

**76-0568816**  
(I.R.S. Employer  
Identification No.)

**77002**  
(Zip Code)

Telephone Number: **(713) 420-2600**  
Internet Website: [www.elpaso.com](http://www.elpaso.com)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common stock, par value \$3 per share. Shares outstanding on May 6, 2005: 644,556,445

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Certification of CEO pursuant to Section 302

Certification of CFO pursuant to Section 302

Certification of CEO pursuant to Section 906

Certification of CFO pursuant to Section 906

Below is a list of terms that are common to our industry and used throughout this document:

/d	= per day
Bbl	= barrels
BBtu	= billion British thermal units
Bcf	= billion cubic feet
Bcfe	= billion cubic feet of natural gas equivalents
MBbls	= thousand barrels
Mcf	= thousand cubic feet
Mcfe	= thousand cubic feet of natural gas equivalents
MMBtu	= million British thermal units
MMcf	= million cubic feet
MMcfe	= million cubic feet of natural gas equivalents
MW	= megawatt
TBtu	= trillion British thermal units

When we refer to natural gas and oil in equivalents, we are doing so to compare quantities of oil with quantities of natural gas or to express these different commodities in a common unit. In calculating equivalents, we use a generally recognized standard in which one Bbl of oil is equal to six Mcf of natural gas. Also, when we refer to cubic feet measurements, all measurements are at a pressure of 14.73 pounds per square inch.

When we refer to us, we, our, ours, or El Paso, we are describing El Paso Corporation and/or our subsidiaries.

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**EXPLANATORY NOTE**

This Form 10-Q/A (Amendment No. 1) is being filed to reflect adjustments in income from continuing operations and discontinued operations for the quarter ended March 31, 2004, resulting from errors in the accounting and reporting for foreign currency translation adjustments (CTA) and the related tax effects. There were no changes in reported operating cash flows in any period. We identified the accounting and reporting errors during the process of remediating the material weakness in internal control over financial reporting reported in our Form 10-K for the year ended December 31, 2004, as amended.

Following a review of this matter, we determined that balances in CTA contained amounts related to businesses and investments that had previously been sold or abandoned. These balances should have been reclassified to earnings upon the sale or abandonment of these entities. The adjustment of these CTA balances affected losses we recorded on several of these assets and investments including impairment charges. In addition, we determined that upon initially recognizing U.S. deferred income taxes on our investment in certain foreign operations, we did not properly allocate taxes to CTA.

The income statement impact of these adjustments for the first quarter of 2004 was a \$10 million reduction in our net loss. The income effects impacted the results of both continuing and discontinued operations. As of December 31, 2004, the overall effect of the restatement on total stockholders' equity, which includes the adjustments made for the first quarter of 2004 and in subsequent quarters of 2004, was a decrease of \$1 million. The effects of these restatements have been reflected in our March 31, 2005 balance sheet.

The restatement affects disclosures and tabular amounts in Item 1, Financial Statements and Supplementary Data; Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations; and Item 4, Control and Procedures.

**Table of Contents****PART I FINANCIAL INFORMATION****Item 1. Financial Statements**

**EL PASO CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
(In millions, except per common share amounts)  
(Unaudited)

	<b>Quarter Ended March 31,</b>	
	<b>2005</b>	<b>2004 (Restated)</b>
Operating revenues	\$ 1,208	\$ 1,557
Operating expenses		
Cost of products and services	148	390
Operation and maintenance	448	401
Depreciation, depletion and amortization	281	275
Loss on long-lived assets	21	238
Taxes, other than income taxes	72	64
	970	1,368
Operating income	238	189
Earnings from unconsolidated affiliates	190	87
Other income, net	33	44
Interest and debt expense	(350)	(423)
Distributions on preferred interests of consolidated subsidiaries	(6)	(6)
Income (loss) before income taxes	105	(109)
Income taxes	(3)	10
Income (loss) from continuing operations	108	(119)
Discontinued operations, net of income taxes	(2)	(77)
Net income (loss)	\$ 106	\$ (196)
Basic and diluted income (loss) per common share		
Income (loss) from continuing operations	\$ 0.17	\$ (0.19)
Discontinued operations, net of income taxes		(0.12)
Net income (loss) per common share	\$ 0.17	\$ (0.31)
Basic average common shares outstanding	640	638
Diluted average common shares outstanding	642	638
Dividends declared per common share	\$ 0.04	\$ 0.04

See accompanying notes.

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**EL PASO CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In millions, except share amounts)  
(Unaudited)

	<b>March 31, 2005 (Restated)</b>	<b>December 31, 2004 (Restated)</b>
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 1,651	\$ 2,117
Accounts and notes receivable		
Customers, net of allowance of \$199 in 2005 and 2004	1,285	1,388
Affiliates	73	133
Other	193	188
Inventory	137	168
Assets from price risk management activities	740	601
Assets held for sale and from discontinued operations	147	181
Deferred income taxes	670	418
Other	386	438
<b>Total current assets</b>	<b>5,282</b>	<b>5,632</b>
<b>Property, plant and equipment, at cost</b>		
Pipelines	19,405	19,418
Natural gas and oil properties, at full cost	15,485	14,968
Power facilities	1,058	1,550
Gathering and processing systems	168	171
Other	609	882
	36,725	36,989
Less accumulated depreciation, depletion and amortization	17,814	18,177
<b>Total property, plant and equipment, net</b>	<b>18,911</b>	<b>18,812</b>
<b>Other assets</b>		
Investments in unconsolidated affiliates	2,403	2,614
Assets from price risk management activities	1,205	1,584
Goodwill and other intangible assets, net	429	428
Other	2,305	2,313
	6,342	6,939
<b>Total assets</b>	<b>\$ 30,535</b>	<b>\$ 31,383</b>

See accompanying notes.





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**EL PASO CORPORATION**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)**  
(In millions, except share amounts)  
(Unaudited)

	March 31, 2005 (Restated)	December 31, 2004 (Restated)
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities		
Accounts payable		
Trade	\$ 851	\$ 1,052
Affiliates	66	21
Other	472	483
Short-term financing obligations, including current maturities	850	955
Liabilities from price risk management activities	1,196	852
Western Energy Settlement	442	44
Accrued interest	313	333
Other	766	832
Total current liabilities	4,956	4,572
Long-term financing obligations, less current maturities	16,927	18,241
Other		
Liabilities from price risk management activities	1,339	1,026
Deferred income taxes	1,629	1,312
Western Energy Settlement		351
Other	1,997	2,076
	4,965	4,765
Commitments and contingencies		
Securities of subsidiaries	365	367
Stockholders equity		
Common stock, par value \$3 per share; authorized 1,500,000,000 shares; issued 651,097,680 shares in 2005 and 651,064,508 shares in 2004	1,953	1,953
Additional paid-in capital	4,513	4,538
Accumulated deficit	(2,703)	(2,809)
Accumulated other comprehensive income (loss)	(198)	1
Treasury stock (at cost); 8,161,454 shares in 2005 and 7,767,088 shares in 2004	(230)	(225)
Unamortized compensation	(13)	(20)
Total stockholders equity	3,322	3,438

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Total liabilities and stockholders equity	\$	30,535	\$	31,383
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See accompanying notes.

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**EL PASO CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)  
(Unaudited)

	Quarter Ended March 31,	
	2005	2004 (Restated) <sup>(1)</sup>
<b>Cash flows from operating activities</b>		
Net income (loss)	\$ 106	\$ (196)
Less loss from discontinued operations, net of income taxes	(2)	(77)
Net income (loss) before discontinued operations	108	(119)
Adjustments to reconcile net income (loss) to net cash from operating activities		
Depreciation, depletion and amortization	281	275
Loss on long-lived assets	21	238
Earnings from unconsolidated affiliates, adjusted for cash distributions	(107)	3
Deferred income taxes	45	(45)
Other non-cash items	28	17
Asset and liability changes	(312)	118
Cash provided by continuing operations	64	487
Cash provided by (used in) discontinued operations	(13)	142
Net cash provided by operating activities	51	629
<b>Cash flows from investing activities</b>		
Additions to property, plant and equipment	(391)	(372)
Purchases of interests in equity investments	(3)	(11)
Net proceeds from the sale of assets and investments	633	24
Proceeds from settlement of a foreign currency derivative	131	
Cash paid for acquisitions, net of cash acquired	(173)	
Net change in restricted cash	75	(124)
Other	9	43
Cash provided by (used in) continuing operations	281	(440)
Cash provided by discontinued operations	74	1,057
Net cash provided by investing activities	355	617
<b>Cash flows from financing activities</b>		
Payments to retire long-term debt and other financing obligations	(1,039)	(576)
Net repayments under short-term debt and credit facilities	(1)	
	197	50

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Net proceeds from the issuance of long-term debt and other financing obligations			
Dividends paid		(26)	(23)
Contributions from discontinued operations		61	834
Issuances of common stock, net			73
Other		(3)	(16)
Cash provided by (used in) continuing operations		(811)	342
Cash used in discontinued operations		(61)	(1,199)
Net cash used in financing activities		(872)	(857)
Change in cash and cash equivalents		(466)	389
Cash and cash equivalents			
Beginning of period		2,117	1,429
End of period		\$ 1,651	\$ 1,818

(1) Only individual line items in cash flows from operating activities have been restated. Total cash flows from continuing operating activities, investing activities, and financing activities, as well as discontinued operations were unaffected by our restatements.

See accompanying notes.

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**EL PASO CORPORATION**  
**CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In millions)  
(Unaudited)

	Quarter Ended March 31,	
	2005	2004 (Restated)
Net income (loss)	\$ 106	\$ (196)
Foreign currency translation adjustments (net of income taxes of \$1 in 2005 and \$37 in 2004)	11	4
Unrealized net gains (losses) from cash flow hedging activity		
Unrealized mark-to-market losses arising during period (net of income taxes of \$102 in 2005 and \$10 in 2004)	(189)	(19)
Reclassification adjustments for changes in initial value to the settlement date (net of income taxes of \$13 in 2005 and \$8 in 2004)	(21)	15
Other comprehensive income (loss)	(199)	
Comprehensive loss	\$ (93)	\$ (196)

See accompanying notes.

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**EL PASO CORPORATION**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

**1. Basis of Presentation and Significant Accounting Policies**

*Basis of Presentation*

We prepared this Quarterly Report on Form 10-Q under the rules and regulations of the United States Securities and Exchange Commission. Because this is an interim period filing presented using a condensed format, it does not include all of the disclosures required by generally accepted accounting principles. You should read this Quarterly Report on Form 10-Q along with our Annual Report on Form 10-K for the fiscal year ended December 31, 2004, as amended, which includes a summary of our significant accounting policies and other disclosures. The financial statements as of March 31, 2005, and for the quarters ended March 31, 2005 and 2004, are unaudited. We derived the balance sheet as of December 31, 2004, from the audited balance sheet filed in our 2004 Annual Report on Form 10-K, as amended. In our opinion, we have made all adjustments which are of a normal, recurring nature to fairly present our interim period results. Due to the seasonal nature of our businesses, information for interim periods may not be indicative of the results of operations for the entire year. In mid 2004, we discontinued our Canadian and certain other international natural gas and oil production operations. Our results for all periods reflect these operations as discontinued.

*Restatement*

*Cumulative Foreign Currency Translation Adjustments (CTA).* We determined that our CTA balances contained amounts related to businesses that had been previously sold or abandoned. These businesses and investments primarily included our discontinued Canadian exploration and production operations and certain of our discontinued petroleum markets activities, foreign plants in our Power segment, and certain foreign operations in our Marketing and Trading segment, and in our corporate activities. The adjustment of these CTA balances also affected losses we recorded in the first quarter of 2004 on several of these assets and investments, including impairment charges.

In conjunction with the revisions for CTA, we also determined that upon initially recognizing deferred income taxes on certain of our foreign operations, we did not properly allocate taxes to CTA. As a result, we should have recognized an additional income tax expense in the first quarter of 2004 upon the sale of our discontinued Canadian exploration and production operations, additional tax expense in the second quarter of 2004 upon the sale of an Australian investment and an additional tax benefit in the fourth quarter of 2004 on an investment in Korea.

The overall impact of these adjustments for CTA and their related tax impact was a \$10 million reduction in our net loss for the first quarter of 2004. The income effects impacted the results of both continuing and discontinued operations. As of December 31, 2004, the overall effect of the restatement adjustments on total stockholders' equity, which includes the adjustments of our first quarter 2004 and adjustments to other quarters in 2004, was a decrease of \$1 million. The effects of these restatements have been reflected in our March 31, 2005 balance sheet.

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