

EL PASO CORP/DE
Form 10-Q/A
July 08, 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 September 30, 2004
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

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 December 16, 2004: 643,194,441

EL PASO CORPORATION
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Certification of CEO pursuant to Sec. 302

Certification of CFO pursuant to Sec. 302

Certification of CEO pursuant to Sec. 906

Certification of CFO pursuant to Sec. 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
TBtu	= trillion British thermal units
MW	= megawatt

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. Oil includes natural gas liquids unless otherwise specified. 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

As disclosed in our 2004 Annual Report on Form-K, as amended, our 2004, 2003 and 2002 financial statements were restated for several matters. Our 2002 financial statements were restated to reflect a correction in the manner in which we adopted Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*. Our 2003 and 2004 financial statements were restated to reflect adjustments resulting from errors in the accounting and reporting for foreign currency translation adjustments (CTA) and related tax adjustments. This Form 10-Q, as amended, is being filed to reflect the effects of those restatements in our historical financial statements interim period ended September 30, 2004. For a further discussion of these restatements, see our 2004 Annual Report on Form 10-K, as amended, and Note 1 of this Form 10-Q, as amended.

The restatements affect 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, Controls and Procedures.

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2004	2003 (Restated)	2004 (Restated)	2003 (Restated)
Operating revenues	\$ 1,429	\$ 1,714	\$ 4,510	\$ 5,111
Operating expenses				
Cost of products and services	390	362	1,215	1,415
Operation and maintenance	507	453	1,281	1,634
Depreciation, depletion and amortization	270	283	808	897
Loss on long-lived assets	550	54	805	463
Taxes, other than income taxes	67	81	197	229
	1,784	1,233	4,306	4,638
Operating income (loss)	(355)	481	204	473
Earnings from unconsolidated affiliates	617	79	802	31
Other income	36	49	146	132
Other expense	(21)		(57)	(129)
Interest and debt expense	(396)	(475)	(1,229)	(1,352)
Distributions on preferred interests of consolidated subsidiaries	(6)	(7)	(18)	(45)
Income (loss) before income taxes	(125)	127	(152)	(890)
Income taxes	77	62	135	(451)
Income (loss) from continuing operations	(202)	65	(287)	(439)
Discontinued operations, net of income taxes	(12)	(41)	(118)	(1,195)
Cumulative effect of accounting changes, net of income taxes				(9)
Net income (loss)	\$ (214)	\$ 24	\$ (405)	\$ (1,643)
Basic and diluted income (loss) per common share				
Income (loss) from continuing operations	\$ (0.31)	\$ 0.11	\$ (0.45)	\$ (0.74)
Discontinued operations, net of income taxes	(0.02)	(0.07)	(0.18)	(2.00)
Cumulative effect of accounting changes, net of income taxes				(0.02)
Net income (loss) per common share	\$ (0.33)	\$ 0.04	\$ (0.63)	\$ (2.76)

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Basic and diluted average common shares outstanding	639	596	639	596
Dividends declared per common share	\$ 0.04	\$ 0.04	\$ 0.12	\$ 0.12

See accompanying notes.

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

	September 30, 2004 (Restated)	December 31, 2003 (Restated)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,329	\$ 1,429
Accounts and notes receivable		
Customers, net of allowance of \$196 in 2004 and \$272 in 2003	1,280	2,039
Affiliates	123	189
Other	231	245
Inventory	154	181
Assets from price risk management activities	325	706
Assets held for sale and from discontinued operations	480	2,538
Restricted cash	234	590
Deferred income taxes	563	593
Other	258	413
Total current assets	5,977	8,923
Property, plant and equipment, at cost		
Pipelines	19,175	18,563
Natural gas and oil properties, at full cost	14,884	14,689
Power facilities	1,544	1,660
Gathering and processing systems	167	334
Other	890	998
	36,660	36,244
Less accumulated depreciation, depletion and amortization	18,035	18,049
Total property, plant and equipment, net	18,625	18,195
Other assets		
Investments in unconsolidated affiliates	2,910	3,409
Assets from price risk management activities	1,555	2,338
Goodwill and other intangible assets, net	424	1,082
Other	2,162	2,996
	7,051	9,825
Total assets	\$ 31,653	\$ 36,943

See accompanying notes.

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

	September 30, 2004 (Restated)	December 31, 2003 (Restated)
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Accounts payable		
Trade	\$ 938	\$ 1,552
Affiliates	13	26
Other	385	438
Short-term financing obligations, including current maturities	1,554	1,457
Liabilities from price risk management activities	599	734
Western Energy Settlement	44	633
Liabilities related to assets held for sale and discontinued operations	149	933
Accrued interest	359	391
Other	787	910
Total current liabilities	4,828	7,074
Long-term financing obligations	17,673	20,275
Other		
Liabilities from price risk management activities	1,046	781
Deferred income taxes	1,580	1,558
Western Energy Settlement	342	415
Other	1,910	2,047
	4,878	4,801
Commitments and contingencies		
Securities of subsidiaries	366	447
Stockholders equity		
Common stock, par value \$3 per share; authorized 1,500,000,000 shares; issued 650,956,586 shares in 2004 and 639,299,156 shares in 2003	1,952	1,917
Additional paid-in capital	4,557	4,576
Accumulated deficit	(2,267)	(1,862)
Accumulated other comprehensive income	(84)	(40)
Treasury stock (at cost); 7,522,799 shares in 2004 and 7,097,326 shares in 2003	(224)	(222)
Unamortized compensation	(26)	(23)

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Total stockholders equity	3,908	4,346
Total liabilities and stockholders equity	\$ 31,653	\$ 36,943

See accompanying notes.

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

	Nine Months Ended September 30,	
	2004 (Restated)⁽¹⁾	2003 (Restated)⁽¹⁾
Cash flows from operating activities		
Net loss	\$ (405)	\$ (1,643)
Less loss from discontinued operations, net of income taxes	(118)	(1,195)
Net loss before discontinued operations	(287)	(448)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation, depletion and amortization	808	897
Loss on long-lived assets	805	463
Earnings from unconsolidated affiliates, adjusted for cash distributions	(579)	224
Deferred income tax expense (benefit)	99	(482)
Cumulative effect of accounting changes		9
Other non-cash items	146	412
Asset and liability changes	(384)	633
Cash provided by continuing operations	608	1,708
Cash provided by discontinued operations	191	58
Net cash provided by operating activities	799	1,766
Cash flows from investing activities		
Additions to property, plant and equipment	(1,246)	(1,868)
Purchases of interests in equity investments	(26)	(25)
Net proceeds from the sale of assets and investments	1,758	1,382
Cash paid for acquisitions, net of cash acquired	(47)	(1,078)
Net change in restricted cash	470	(137)
Other	108	(42)
Cash provided by (used in) continuing operations	1,017	(1,768)
Cash provided by discontinued operations	1,140	297
Net cash provided by (used in) investing activities	2,157	(1,471)
Cash flows from financing activities		
Payments to retire long-term debt and other financing obligations	(1,705)	(2,091)

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Net repayments under short-term debt and credit facilities		(250)
Net proceeds from the issuance of long-term debt and other financing obligations	50	3,433
Dividends paid	(75)	(178)
Payments to redeem preferred interests of consolidated subsidiaries		(1,177)
Contributions from discontinued operations	966	355
Issuances of common stock, net	73	
Other	(34)	20
Cash provided by (used in) continuing operations	(725)	112
Cash used in discontinued operations	(1,331)	(355)
Net cash used in financing activities	(2,056)	(243)
Increase in cash and cash equivalents	900	52
Cash and cash equivalents		
Beginning of period	1,429	1,591
End of period	\$ 2,329	\$ 1,643

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

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