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

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**Form 10-Q**

(Mark One)

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 31, 2003**

**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 1-4874**

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**Colorado Interstate Gas Company**

(Exact Name of Registrant as Specified in its Charter)

**Delaware**

(State or Other Jurisdiction  
of Incorporation or Organization)

**84-0173305**

(I.R.S. Employer  
Identification No.)

**El Paso Building  
1001 Louisiana Street**

**Houston, Texas**

(Address of Principal Executive Offices)

**77002**

(Zip Code)

Telephone Number: **(713) 420-2600**

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 \$1 per share. Shares outstanding on May 15, 2003: 1,000

**COLORADO INTERSTATE GAS COMPANY MEETS THE CONDITIONS OF GENERAL  
INSTRUCTION H(1)(a) AND (b) OF FORM 10-Q AND IS THEREFORE FILING THIS REPORT  
WITH A REDUCED DISCLOSURE FORMAT AS PERMITTED BY SUCH INSTRUCTION.**

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## PART I — FINANCIAL INFORMATION

### Item 1. Financial Statements

#### COLORADO INTERSTATE GAS COMPANY

#### CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(In millions)

(Unaudited)

	Quarter Ended March 31,	
	2003	2002
Operating revenues .....	\$80	\$67
Operating expenses		
Operation and maintenance .....	16	20
Depreciation, depletion and amortization .....	6	5
Taxes, other than income taxes .....	4	4
	<u>26</u>	<u>29</u>
Operating income .....	54	38
Interest and debt expense .....	(6)	(6)
Affiliated interest income (expense), net .....	2	(1)
Income before income taxes .....	50	31
Income taxes .....	<u>19</u>	<u>12</u>
Income from continuing operations .....	31	19
Discontinued operations, net of income taxes .....	<u>1</u>	<u>7</u>
Net income .....	<u>\$32</u>	<u>\$26</u>
Other comprehensive loss .....	<u>—</u>	<u>(1)</u>
Comprehensive income .....	<u>\$32</u>	<u>\$25</u>

See accompanying notes.

**COLORADO INTERSTATE GAS COMPANY**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In millions, except share amounts)  
(Unaudited)

	March 31, 2003	December 31, 2002
Current assets		
Cash and cash equivalents	\$ 32	\$ 11
Accounts and notes receivable		
Customer, net of allowance of \$1 for 2003 and 2002	32	31
Affiliates	55	42
Other	1	1
Materials and supplies	5	5
Assets of discontinued operations	65	78
Deferred income taxes	11	12
Other	4	4
Total current assets	<u>205</u>	<u>184</u>
Property, plant and equipment, at cost	1,182	1,175
Less accumulated depreciation, depletion and amortization	421	419
Total property, plant and equipment, net	<u>761</u>	<u>756</u>
Other assets		
Note receivable from affiliate	442	444
Assets of discontinued operations	—	30
Other	5	3
Total other assets	<u>447</u>	<u>477</u>
Total assets	<u><u>\$1,413</u></u>	<u><u>\$1,417</u></u>
Current liabilities		
Accounts payable		
Trade	\$ 7	\$ 7
Affiliates	10	11
Other	13	15
Taxes payable	74	67
Accrued liabilities	14	18
Liabilities of discontinued operations	61	40
Contractual deposits	9	8
Other	8	5
Total current liabilities	<u>196</u>	<u>171</u>
Long-term debt	<u>280</u>	<u>280</u>
Other liabilities		
Deferred income taxes	146	136
Liabilities of discontinued operations	—	9
Other	10	31
Total other liabilities	<u>156</u>	<u>176</u>
Commitments and contingencies		
Stockholder's equity		
Common stock, par value \$1 per share; 1,000 shares authorized, issued and outstanding	—	—
Additional paid-in capital	48	48
Retained earnings	733	742
Total stockholder's equity	<u>781</u>	<u>790</u>
Total liabilities and stockholder's equity	<u><u>\$1,413</u></u>	<u><u>\$1,417</u></u>

See accompanying notes.

**COLORADO INTERSTATE GAS COMPANY**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In millions)  
(Unaudited)

	Quarter Ended March 31,	
	<u>2003</u>	<u>2002</u>
Cash flows from operating activities		
Net income .....	\$ 32	\$ 26
Less income from discontinued operations, net of income taxes .....	<u>1</u>	<u>7</u>
Net income from continuing operations .....	31	19
Adjustments to reconcile net income from continuing operations to net cash from operating activities		
Depreciation, depletion and amortization .....	6	5
Deferred income tax expense .....	13	2
Other non-cash income items .....	—	(2)
Working capital changes .....	—	43
Non-working capital changes .....	<u>(24)</u>	<u>—</u>
Cash provided by continuing operations .....	26	67
Cash provided by discontinued operations .....	<u>22</u>	<u>4</u>
Net cash provided by operating activities .....	<u>48</u>	<u>71</u>
Cash flows from investing activities		
Additions to property, plant and equipment .....	(8)	(10)
Net proceeds from the sale of assets .....	33	2
Net change in affiliated advances receivable .....	<u>(11)</u>	<u>(62)</u>
Net cash provided by (used in) investing activities .....	<u>14</u>	<u>(70)</u>
Cash flows from financing activities		
Dividends paid .....	(41)	—
Contributions from discontinued operations .....	<u>22</u>	<u>4</u>
Cash provided by (used in) continuing operations .....	(19)	4
Cash used in discontinued operations .....	<u>(22)</u>	<u>(4)</u>
Net cash used in financing activities .....	<u>(41)</u>	<u>—</u>
Increase in cash and cash equivalents from continuing operations .....	21	1
Cash and cash equivalents		
Beginning of period .....	<u>11</u>	<u>1</u>
End of period .....	<u>\$ 32</u>	<u>\$ 2</u>

See accompanying notes.

**COLORADO INTERSTATE GAS COMPANY**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(Unaudited)**

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

We prepared this Quarterly Report on Form 10-Q under the rules and regulations of the United States Securities and Exchange Commission (SEC). 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 in the United States. You should read it along with our 2002 Annual Report on Form 10-K, which includes a summary of our significant accounting policies and other disclosures. The financial statements as of March 31, 2003, and for the quarters ended March 31, 2003 and 2002, are unaudited. We derived the balance sheet as of December 31, 2002, from the audited balance sheet filed in our 2002 Form 10-K. In our opinion, we have made all adjustments, all of which are of a normal, recurring nature (except for the items discussed in Note 2 below), to fairly present our interim period results. Due to the seasonal nature of our businesses, information for interim periods may not indicate the results of operations for the entire year. In addition, prior period information presented in these financial statements includes reclassifications which were made to conform to the current period presentation. These reclassifications have no effect on our previously reported net income or stockholder's equity.

Our accounting policies are consistent with those discussed in our Form 10-K, except as discussed below:

*Accounting for Costs Associated with Exit or Disposal Activities.* As of January 1, 2003, we adopted Statement of Financial Accounting Standards (SFAS) No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 requires that we recognize costs associated with exit or disposal activities when they are incurred rather than when we commit to an exit or disposal plan. There was no initial financial statement impact of adopting this standard.

*Accounting for Guarantees.* On January 1, 2003, we adopted Financial Accounting Standards Board Interpretation (FIN) No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. FIN No. 45 requires that we record a liability for all guarantees, including financial performance and fair value guarantees, issued after December 31, 2002, at fair value when they are issued. There was no initial financial statement impact of adopting this standard.

*Accounting for Regulated Operations.* We continue to evaluate the application of SFAS No. 71, *Accounting for the Effects of Certain Types of Regulation*, for changes in the competitive environment and our operating cost structures. See a further discussion of our accounting for regulated operations in our 2002 Form 10-K.

**2. Discontinued Operations and Divestitures**

In March 2003, we received approval to sell our Field Services assets in the Mid-Continent region. These assets primarily include our Greenwood, Hugoton, Keyes and Mocane natural gas gathering systems, our Sturgis processing plant and our processing arrangements at three additional processing plants. The Mid-Continent assets have historically been included in our Field Services segment. In January 2003, we completed the sale of our Wyoming gathering systems to Western Gas Resources, Inc. Net proceeds from this sale were \$14 million, and we recognized a gain of approximately \$1 million. Upon the announcement of our plan to sell our mid-continent assets along with the completion in the first quarter of 2003 of our sale of Wyoming gathering systems, we had sold or announced the sale of substantially all of the assets in our Field Services segment. As a result, we have classified our Field Services segment as discontinued operations in our financial statements for all periods presented. We classified Field Services' assets and liabilities at March 31, 2003 as other current assets and liabilities since we anticipate selling them within the next twelve months.

In February 2003, we completed the sale of a natural gas gathering system located in the Panhandle field of Texas. Net proceeds on this transaction of approximately \$19 million were advanced to us by the purchaser

in July 2002. These assets were historically reported in our Pipeline segment and were reclassified as discontinued operations for the quarter ended March 31, 2002 and at December 31, 2002.

In July 2002, we completed the sale of our interest in natural gas and oil properties and related contracts located in Texas, Kansas and Oklahoma. The operating results of these assets are classified as discontinued operations for the quarter ended March 31, 2002.

The summarized financial results of discontinued operations are as follows:

	Quarter Ended March 31,	
	2003	2002
	(In millions)	
Operating Results:		
Revenues .....	\$ 47	\$ 49
Operating expenses .....	(45)	(38)
Operating income .....	2	11
Income taxes .....	(1)	(4)
Income from discontinued operations, net of income taxes .....	<u>\$ 1</u>	<u>\$ 7</u>
	March 31, 2003	December 31, 2002
	(In millions)	
Financial Position Data:		
Assets of discontinued operations		
Accounts receivable .....	\$33	\$ 43
Other current assets .....	2	14
Property, plant and equipment, net .....	30	49
Other .....	—	2
Total assets .....	<u>\$65</u>	<u>\$108</u>
Liabilities of discontinued operations		
Accounts payable and other current liabilities .....	\$53	\$ 40
Deferred income taxes .....	8	9
Total liabilities .....	<u>\$61</u>	<u>\$ 49</u>

### 3. Debt and Credit Facilities

In April 2003, El Paso entered into a new \$3 billion revolving credit facility, with a \$1.5 billion letter of credit sub-limit, which matures in June 2005. This facility replaces the previous \$3 billion, 364-day revolving credit facility. El Paso's existing \$1 billion revolving credit facility, which matures in August 2003, and approximately \$1 billion of other financing arrangements (including leases, letters of credit and other facilities) were also amended to conform El Paso's obligations to the new \$3 billion revolving credit facility. Under the terms of the \$3 billion revolving credit facility, upon the retirement of the Clydesdale financing transaction (as discussed below), we will become a pipeline company borrower under this facility.

El Paso's \$3 billion revolving credit facility and the other financing arrangements are secured by El Paso's equity in several of its subsidiaries. These bank facilities are also collateralized by El Paso's equity in the companies that collateralize the Clydesdale transaction including its equity in us.

The revolving credit facilities have a borrowing cost of LIBOR plus 350 basis points and letter of credit fees of 350 basis points. A key financial covenant of the facilities is the requirement for El Paso to maintain debt to total capitalization, as those terms are defined in the revolving credit facilities, not to exceed 75 percent. In addition, the pipeline company borrowers cannot incur incremental debt if the incurrence of debt would cause our debt to EBITDA ratio, as those terms are defined in the revolving credit facilities, to exceed 5 to 1. The proceeds from the issuance of debt by the pipeline company borrowers can be used only for maintenance and expansion capital expenditures or investments in other FERC-regulated assets, and to refinance existing debt. As of March 31, 2003, \$1.5 billion was outstanding under the \$3 billion facility, none of which was our obligation.

In April of 2003, El Paso restructured the remaining \$750 million outstanding under its Clydesdale financing agreement as a term loan. The term loan will amortize in equal quarterly payments of \$100 million over the next two years. The same assets that supported the Clydesdale financing arrangement, including a production payment from El Paso, various natural gas and oil properties and El Paso's equity in us, and now, in addition, a guarantee by El Paso, collateralize the term loan. Upon Clydesdale meeting its quarterly amortization requirements, the term loan removes restrictions on our ability to invest or dividend cash. In May 2003, El Paso paid the first quarterly installment on the loan.

#### **4. Commitments and Contingencies**

##### *Legal Proceedings*

*Grynberg.* In 1997, we and a number of our affiliates were named defendants in actions brought by Jack Grynberg on behalf of the U.S. Government under the False Claims Act. Generally, these complaints allege an industry-wide conspiracy to underreport the heating value as well as the volumes of the natural gas produced from federal and Native American lands, which deprived the U.S. Government of royalties. The plaintiff in this case seeks royalties that he contends the government should have received had the volume and heating value of natural gas produced from royalty properties been differently measured, analyzed, calculated and reported, together with interest, treble damages, civil penalties, expenses and future injunctive relief to require the defendants to adopt allegedly appropriate gas measurement practices. No monetary relief has been specified in this case. These matters have been consolidated for pretrial purposes (In re: Natural Gas Royalties *Qui Tam* Litigation, U.S. District Court for the District of Wyoming, filed June 1997). In May 2001, the court denied the defendants' motion to dismiss. Discovery is proceeding. Our costs and legal exposure related to these lawsuits and claims are not currently determinable.

*Will Price (formerly Quinque).* We and a number of our affiliates were named defendants in *Quinque Operating Company, et al v. Gas Pipelines and Their Predecessors, et al*, filed in 1999 in the District Court of Stevens County, Kansas. Quinque has been dropped as a plaintiff and Will Price has been added. This class action complaint alleges that the defendants mismeasured natural gas volumes and heating content of natural gas on non-federal and non-Native American lands. The plaintiff in this case seeks certification of a nationwide class of natural gas working interest owners and natural gas royalty owners to recover royalties that the plaintiff contends these owners should have received had the volume and heating value of natural gas produced from their properties been differently measured, analyzed, calculated and reported, together with prejudgment and postjudgment interest, punitive damages, treble damages, attorney's fees, costs and expenses, and future injunctive relief to require the defendants to adopt allegedly appropriate gas measurement practices. No monetary relief has been specified in this case. Plaintiff's motion for class certification was denied on April 10, 2003. Our costs and legal exposure related to this lawsuit and claims are not currently determinable.

*Cimarron County.* In January of 2003, our subsidiary, CIG Field Services Company, was named a defendant in a suit titled *Patty Hiner, As Duly Elected County Assessor, The Board of County Commissioners for Cimarron County, Oklahoma vs. CIG Field Services Company* in Cimarron County District Court, alleging that in 1999 our agents falsely represented the value of our property to the Cimarron County Property Tax Assessor. The plaintiffs seek compensatory and punitive damages. The case has been removed to the United States District Court for the Western District of Oklahoma. Plaintiff's motion to remand was denied. CIG Field Services has filed a Motion to Dismiss.

In addition to the above matters, we and our subsidiaries and affiliates are named defendants in numerous lawsuits and governmental proceedings that arise in the ordinary course of our business.

For each of our outstanding legal matters, we evaluate the merits of the case, our exposure to the matter, possible legal or settlement strategies and the likelihood of an unfavorable outcome. If we determine that an unfavorable outcome is probable and can be estimated, we establish the necessary accruals. As of March 31, 2003, we had approximately \$2 million accrued for all outstanding legal matters.

### *Environmental Matters*

We are subject to federal, state and local laws and regulations governing environmental quality and pollution control. These laws and regulations require us to remove or remedy the effect on the environment of the disposal or release of specified substances at current and former operating sites. As of March 31, 2003, we had accrued approximately \$13 million for expected remediation costs and associated onsite, offsite and groundwater technical studies, which we anticipate incurring through 2027. The high and low end of our reserve estimates were not materially different.

In addition, we expect to make capital expenditures for environmental matters of approximately \$1 million in the aggregate for the years 2003 through 2008. These expenditures primarily relate to compliance with clean air regulations.

It is possible that new information or future developments could require us to reassess our potential exposure related to environmental matters. We may incur significant costs and liabilities in order to comply with existing environmental laws and regulations. It is also possible that other developments, such as increasingly strict environmental laws and regulations and claims for damages to property, employees, other persons and the environment resulting from our current or past operations, could result in substantial costs and liabilities in the future. As this information becomes available, or other relevant developments occur, we will adjust our accrual amounts accordingly. While there are still uncertainties relating to the ultimate costs we may incur, based upon our evaluation and experience to date, we believe the reserves are adequate.

### *Rates and Regulatory Matters*

*Rate Case.* In March 2001, we filed a rate case with the FERC proposing increased rates of \$9 million annually and new and enhanced services for our customers. In April 2001, we received an order from the FERC, which suspended the rates, subject to refund, and subject to the outcome of a hearing. On September 26, 2001, the FERC approved certain of our new or enhanced services but rejected two firm services proposed in our rate filing and required us to reallocate the costs allocated to those two services to existing services. We complied with this order and arranged with the affected customers to provide service under existing rate schedules. We and our customers entered into a settlement agreement in May 2002 settling all issues in the case. The settlement, which contained a small rate increase, was approved by the FERC, and became final in September 2002. The settlement obligates us to file a new rate case to be effective no later than October 1, 2006. We paid approximately \$8 million, including interest, in customer refunds in November 2002. These refunds were included in accrued liabilities, and did not have an adverse effect on our financial position or results of operations. On March 13, 2003, the FERC issued an order approving our refund report.

*Marketing Affiliate NOPR.* In September 2001, the FERC issued a Notice of Proposed Rulemaking (NOPR). The NOPR proposes to apply the standards of conduct governing the relationship between interstate pipelines and marketing affiliates to all energy affiliates. The proposed regulations, if adopted by the FERC, would dictate how we conduct business and interact with our energy affiliates. In December 2001, we filed comments with the FERC addressing our concerns with the proposed rules. A public hearing was held on May 21, 2002, providing an opportunity to comment further on the NOPR. Following the conference, additional comments were filed by El Paso's pipelines and others. At this time, we cannot predict the outcome of the NOPR, but adoption of the regulations in their proposed form would, at a minimum, place additional administrative and operational burdens on us.

*Negotiated Rate NOI.* In July 2002, the FERC issued a Notice of Inquiry (NOI) that seeks comments regarding its 1996 policy of permitting pipelines to enter into negotiated rate transactions. We have entered into these transactions over the years, and the FERC is now reviewing whether negotiated rates should be capped, whether or not the "recourse rate" (a cost-of-service based rate) continues to safeguard against a pipeline exercising market power and other issues related to negotiated rate programs. On September 25, 2002, El Paso's pipelines and others filed comments. Reply comments were filed on October 25, 2002. At this time, we cannot predict the outcome of this NOI.

*Cash Management NOPR.* On August 1, 2002, the FERC issued a NOPR requiring that all cash management or money pool arrangements between a FERC regulated subsidiary (like us) and a non-FERC regulated parent must be in writing, and set forth the duties and responsibilities of cash management participants and administrators; the methods of calculating interest and for allocating interest income and expenses, and the restrictions on deposits or borrowings by money pool members. The NOPR also requires specified documentation for all deposits into, borrowings from, interest income from, and interest expenses related to, these arrangements. Finally, the NOPR proposed that as a condition of participating in a cash management or money pool arrangement, the FERC regulated entity maintain a minimum proprietary capital balance of 30 percent, and the FERC regulated entity and its parent maintain investment grade credit ratings. On August 28, 2002, comments were filed. The FERC held a public conference on September 25, 2002 to discuss the issues raised in the comments. Representatives of companies from the gas and electric industries participated on a panel and uniformly agreed that the proposed regulations should be revised substantially and that the proposed capital balance and investment grade credit rating requirements would be excessive. At this time, we cannot predict the outcome of this NOPR.

Also on August 1, 2002, the FERC's Chief Accountant issued an Accounting Release, which was effective immediately. The Accounting Release provides guidance on how companies should account for money pool arrangements and the types of documentation that should be maintained for these arrangements. However, it did not address the proposed requirements that the FERC regulated entity maintain a minimum proprietary capital balance of 30 percent and that the entity and its parent have investment grade credit ratings. Requests for rehearing were filed on August 30, 2002. The FERC has not yet acted on the rehearing requests.

*Emergency Reconstruction of Interstate Natural Gas Facilities NOPR.* On January 17, 2003, FERC issued a NOPR proposing, in emergency situations, to (1) expand the scope of construction activities authorized under a pipeline's blanket certificate to allow replacement of mainline facilities; (2) authorize a pipeline to commence reconstruction of the affected system without a waiting period; and (3) authorize automatic approval of construction that would be above the normal cost ceiling. Comments on the NOPR were filed on February 27, 2003. At this time, we cannot predict the outcome of this rulemaking.

*Pipeline Safety Notice of Proposed Rulemaking.* On January 28, 2003, the U.S. Department of Transportation issued a NOPR proposing to establish a rule requiring pipeline operators to develop integrity management programs to comprehensively evaluate their pipelines, and take measures to protect pipeline segments located in what the notice refers to as "high consequence areas." The proposed rule resulted from the enactment of the Pipeline Safety Improvement Act of 2002, a new bill signed into law in December 2002. Comments on the NOPR were filed on April 30, 2003. At this time, we cannot predict the outcome of this rulemaking.

While the outcome of our outstanding legal matters, environmental matters, and rates and regulatory matters cannot be predicted with certainty, based on current information and our existing accruals, 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. However, it is possible that new information or future developments could require us to reassess our potential exposure related to these matters. It is also possible that these matters could impact our debt rating and the credit rating of our parent. Further, for environmental matters, it is also possible that other developments, such as increasingly strict environmental laws and regulations and claims for damages to property, employees, other persons and the environment resulting from our current or past operations, could result in substantial costs and liabilities in the future. As new information for our outstanding legal matters, environmental matters and rates and regulatory matters becomes available, or relevant developments occur, we will review our accruals and make any appropriate adjustments. The impact of these changes may have a material effect on our results of operations, our financial position, and on our cash flows in the period the event occurs.

## 5. Segment Information

Prior to the sale or announced sale of our remaining Field Services assets, we segregated our business activities into two distinct operating segments: Pipeline and Field Services. These segments were strategic business units that provided a variety of energy products and services. They were managed separately as each business unit requires different technology and marketing strategies. In the first quarter of 2003, we reclassified our Field Services segment to discontinued operations in our financial statements, and all periods were restated to reflect this change. See Note 2 for a further discussion of these operations. As a result of this change, our continuing operations consist solely of our regulated natural gas pipeline business.

## 6. Related Party Transactions

We participate in El Paso's and its affiliates cash management program which matches short-term cash surpluses and needs of its participating affiliates, thus minimizing total borrowing from outside sources. As of March 31, 2003 and December 31, 2002, we had advanced \$480 million and \$469 million. The market rate of interest at March 31, 2003 and December 31, 2002 was 1.3 percent and 1.5 percent. As of March 31, 2003 and December 31, 2002, we have classified \$442 million and \$444 million of these advances as non-current notes receivable from affiliates. These receivables are due upon demand; however, we do not anticipate settlement within the next twelve months.

At March 31, 2003 and December 31, 2002, we had accounts receivable from related parties of \$17 million for both periods. In addition, we had accounts payable to related parties of \$10 million and \$11 million at March 31, 2003 and December 31, 2002. These balances arose in the normal course of our business.

The following table shows revenues and charges from our affiliates including discontinued operations for the quarters ended March 31:

	<u>2003</u>	<u>2002</u>
	<u>(In millions)</u>	
Revenues from affiliates . . . . .	\$49	\$37
Operations and maintenance from affiliates . . . . .	23	19
Reimbursements for operating expenses from affiliates . . . . .	2	3

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The information contained in Item 2 updates, and should be read in conjunction with, the information disclosed in our 2002 Form 10-K, in addition to the financial statements and notes presented in Item 1, Financial Statements, of this Form 10-Q.

### General

In the first quarter of 2003, we announced our intent to sell the remaining assets in our Field Services segment and reclassified the entire Field Services segment as discontinued operations. All periods presented in our financial statements and in our discussion and analysis of financial condition and results of operations have been restated to reflect this reclassification.

### Results of Operations

We use earnings before interest expense and income taxes (EBIT) to assess the operating results and effectiveness of our business segments. EBIT is operating income adjusted for other miscellaneous non-operating income. Items that are not included in this measure are financing costs, including interest and debt expense, income taxes and discontinued operations. We believe this measurement is useful to our investors because it allows them to evaluate the effectiveness of our businesses and operations and our investments from an operational perspective, exclusive of the costs to finance those activities and exclusive of income taxes. This measurement may not be comparable to measurements used by other companies and should not be used as a substitute for net income or other performance measures such as operating income or operating cash flow. Presented below is a reconciliation of operating results to EBIT and EBIT to income from continuing operations and a discussion of our operating results for the quarter ended March 31:

	<u>2003</u>	<u>2002</u>
	<u>(In millions)</u>	
Operating revenues .....	\$ 80	\$ 67
Operating expenses .....	<u>(26)</u>	<u>(29)</u>
Operating income .....	<u>\$ 54</u>	<u>\$ 38</u>
EBIT .....	\$ 54	\$ 38
Interest and debt expense .....	(6)	(6)
Affiliated interest income (expense), net .....	2	(1)
Income taxes .....	<u>(19)</u>	<u>(12)</u>
Income from continuing operations .....	<u>\$ 31</u>	<u>\$ 19</u>
Throughput volumes (BBtu/d) <sup>(1)</sup> .....	<u>1,770</u>	<u>1,714</u>

<sup>(1)</sup> BBtu/d means billion British thermal units per day. Throughput volumes exclude volumes related to discontinued operations. Prior period volumes have been restated to reflect our current year presentation which includes billable transportation throughput volume for storage withdrawal.

### *First Quarter 2003 Compared to First Quarter 2002*

Operating revenues for the quarter ended March 31, 2003, were \$13 million higher than the same period in 2002. The increase was due to a \$4 million reversal of reserves in 2003 related to the finalization of our rate case settlement and \$3 million from completed system expansions. Also contributing to the increase were higher storage gas sales of \$3 million which commenced in the fourth quarter of 2002 and \$2 million of increased gas processing revenues resulting from higher prices.

Operating expenses for the quarter ended March 31, 2003, were \$3 million lower than the same period in 2002. The decrease was due to lower gas costs for our system supply operating needs during 2003.

**Affiliated Interest Income (Expense), Net**

Affiliated interest income (expense), net for the quarter ended March 31, 2003, was \$3 million higher than the same period in 2002, due to higher average advances to El Paso under our cash management program in 2003 partially offset by lower short-term interest rates.

**Income Taxes**

The income tax expense for the quarters ended March 31, 2003 and 2002, was \$19 million and \$12 million, resulting in effective tax rates of 38 percent and 39 percent. Our effective tax rates were different than the statutory rate of 35 percent primarily due to state income taxes.

**Commitments and Contingencies**

See Item 1, Financial Statements, Note 4, which is incorporated herein by reference.

## CAUTIONARY STATEMENT FOR PURPOSES OF THE “SAFE HARBOR” PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

This report contains or incorporates by reference forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Where any forward-looking statement includes a statement of the assumptions or bases underlying the forward-looking statement, we caution that, while we believe these assumptions or bases to be reasonable and to be made in good faith, assumed facts or bases almost always vary from the actual results, and the differences between assumed facts or bases and actual results can be material, depending upon the circumstances. Where, in any forward-looking statement, we or our management express an expectation or belief as to future results, that expectation or belief is expressed in good faith and is believed to have a reasonable basis. We cannot assure you, however, that the statement of expectation or belief will result or be achieved or accomplished. The words “believe,” “expect,” “estimate,” “anticipate” and similar expressions will generally identify forward-looking statements.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

This information updates, and you should read it in conjunction with, information disclosed in Part II, Item 7A in our Annual Report on Form 10-K for the year ended December 31, 2002, in addition to the information presented in Items 1 and 2 of this Quarterly Report on Form 10-Q.

There are no material changes in our quantitative and qualitative disclosures about market risks from those reported in our Annual Report on Form 10-K for the year ended December 31, 2002.

### Item 4. Controls and Procedures

*Evaluation of Controls and Procedures.* Under the supervision and with the participation of management, including our principal executive officer and principal financial officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (Disclosure Controls) and internal controls (Internal Controls) within 90 days of the filing date of this Quarterly Report pursuant to Rules 13a-15 and 15d-15 under the Securities Exchange Act of 1934 (Exchange Act).

*Definition of Disclosure Controls and Internal Controls.* Disclosure Controls are our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified under the Exchange Act. Disclosure Controls include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file under the Exchange Act is accumulated and communicated to our management, including our principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Internal Controls are procedures which are designed with the objective of providing reasonable assurance that (1) our transactions are properly authorized; (2) our assets are safeguarded against unauthorized or improper use; and (3) our transactions are properly recorded and reported, all to permit the preparation of our financial statements in conformity with generally accepted accounting principles.

*Limitations on the Effectiveness of Controls.* Colorado Interstate Gas Company’s management, including the principal executive officer and principal financial officer, does not expect that our Disclosure Controls and Internal Controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become

inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

*No Significant Changes in Internal Controls.* We have sought to determine whether there were any “significant deficiencies” or “material weaknesses” in Colorado Interstate Gas Company’s Internal Controls, or whether the Company had identified any acts of fraud involving personnel who have a significant role in Colorado Interstate Gas Company’s Internal Controls. This information was important both for the controls evaluation generally and because the principal executive officer and principal financial officer are required to disclose that information to our Board and our independent accountants and to report on related matters in this section of the Quarterly Report. The principal executive officer and principal financial officer note that, from the date of the controls evaluation to the date of this Quarterly Report, there have been no significant changes in Internal Controls or in other factors that could significantly affect Internal Controls, including any corrective actions with regard to significant deficiencies and material weaknesses.

*Effectiveness of Disclosure Controls.* Based on the controls evaluation, our principal executive officer and principal financial officer have concluded that, subject to the limitations discussed above, the Disclosure Controls are effective to ensure that material information relating to Colorado Interstate Gas Company and its consolidated subsidiaries is made known to management, including the principal executive officer and principal financial officer, particularly during the period when our periodic reports are being prepared.

*Officer Certificates.* The certifications from the principal executive officer and principal financial officer required under Sections 302 and 906 of the Sarbanes-Oxley Act of 2002 have been included herein, or as Exhibits to this Quarterly Report, as appropriate.

## PART II — OTHER INFORMATION

### Item 1. Legal Proceedings

See Part I, Item 1, Financial Statements, Note 4, which is incorporated herein by reference.

### Item 2. Changes in Securities and Use of Proceeds

None.

### Item 3. Defaults Upon Senior Securities

None.

### Item 4. Submission of Matters to a Vote of Security-Holders

None.

### Item 5. Other Information

None.

### Item 6. Exhibits and Reports on Form 8-K

#### a. Exhibits

Each exhibit identified below is filed as a part of this report. Exhibits not incorporated by reference to a prior filing are designated by an “\*”; all exhibits not so designated are incorporated herein by reference to a prior filing as indicated.

<u>Exhibit Number</u>	<u>Description</u>
*99.A	Certification of Chief Executive Officer pursuant to 18 U.S.C. § 1350 as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.
*99.B	Certification of Chief Financial Officer pursuant to 18 U.S.C. § 1350 as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.

#### Undertaking

We hereby undertake, pursuant to Regulation S-K, Item 601(b), paragraph (4)(iii), to furnish to the Securities and Exchange Commission, upon request, all constituent instruments defining the rights of holders of our long-term debt not filed herewith for the reason that the total amount of securities authorized under any of such instruments does not exceed 10 percent of our total consolidated assets.

#### b. Reports on Form 8-K

None.

## SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

### COLORADO INTERSTATE GAS COMPANY

Date: May 15, 2003

/s/ JOHN W. SOMERHALDER II

John W. Somerhalder II  
*Chairman of the Board,*  
*Chief Executive Officer and Director*  
*(Principal Executive Officer)*

Date: May 15, 2003

/s/ GREG G. GRUBER

Greg G. Gruber  
*Senior Vice President,*  
*Chief Financial Officer and Treasurer*  
*(Principal Financial and Accounting Officer)*

## CERTIFICATION

I, John W. Somerhalder II, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Colorado Interstate Gas Company;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluations as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ JOHN W. SOMERHALDER II

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John W. Somerhalder II  
*Chairman of the Board and*  
*Chief Executive Officer*  
*(Principal Executive Officer)*  
Colorado Interstate Gas Company

## CERTIFICATION

I, Greg G. Gruber, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Colorado Interstate Gas Company;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluations as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 15, 2003

/s/ GREG G. GRUBER

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Greg G. Gruber  
*Senior Vice President,  
Chief Financial Officer and Treasurer  
(Principal Financial Officer)*  
Colorado Interstate Gas Company