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

Form 10-Q/A

(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, 2002

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 1-7176

El Paso CGP Company

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

74-1734212

(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 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, 2002: 1,000

**EL PASO CGP 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.**

Basis for Amended Form 10-Q

We are filing this amended Form 10-Q for the quarterly period ended March 31, 2002, to provide a more comprehensive discussion of a power restructuring transaction that was completed during the first quarter of 2002, and the impact of that transaction on our first quarter 2002 operating results. This amendment relates solely to the matters discussed above and does not change in any way the financial results reported in our original Form 10-Q filed on May 15, 2002. In addition, this amended Form 10-Q does not update all information included in that original Form 10-Q and you should refer to our Current Reports on Form 8-K dated after May 15, 2002, for additional events that have occurred since that date.

You can request a copy of this amended filing at no charge. Requests should be directed to El Paso Corporation 1001 Louisiana, Houston, Texas 77002, attention: Bruce Connery, Vice President, Investor Relations; telephone 713-420-5855. You may also access this amended filing on the SEC website at www.sec.gov, where all of our SEC filings may be found.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

EL PASO CGP COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(In millions)
(Unaudited)

	Quarter Ended March 31,	
	2002	2001
Operating revenues	\$4,952	\$7,797
Operating expenses		
Cost of products and services	3,652	6,716
Operation and maintenance	362	382
Merger-related costs	—	767
Ceiling test charge	10	—
Depreciation, depletion and amortization	207	164
Taxes, other than income taxes	42	68
	4,273	8,097
Operating income (loss)	679	(300)
Other income (expense)		
Earnings from unconsolidated affiliates	51	61
Other, net	(25)	12
	26	73
Income (loss) before interest, income taxes and other charges	705	(227)
Non-affiliated interest and debt expense	107	124
Affiliated interest expense, net	3	4
Minority interest	10	14
Income taxes	191	(32)
	311	110
Income (loss) before extraordinary items	394	(337)
Extraordinary items, net of income taxes	—	(10)
Net income (loss)	\$ 394	\$ (347)

See accompanying notes.

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

	<u>March 31,</u> <u>2002</u>	<u>December 31,</u> <u>2001</u>
ASSETS		
Current assets		
Cash and cash equivalents	\$ 199	\$ 131
Accounts and notes receivable, net		
Customer	1,636	1,821
Affiliates	323	546
Other	194	211
Inventory	861	693
Assets from price risk management activities	505	425
Other	<u>287</u>	<u>357</u>
Total current assets	<u>4,005</u>	<u>4,184</u>
Property, plant and equipment, at cost		
Natural gas and oil properties, at full cost	7,602	7,765
Pipelines	6,595	6,558
Refining, crude oil and chemical facilities	2,442	2,425
Power facilities	472	271
Gathering and processing systems	433	428
Other	<u>507</u>	<u>516</u>
	18,051	17,963
Less accumulated depreciation, depletion and amortization	<u>6,361</u>	<u>5,945</u>
Total property, plant and equipment, net	<u>11,690</u>	<u>12,018</u>
Other assets		
Investments in unconsolidated affiliates	1,730	1,883
Assets from price risk management activities	1,305	267
Other	<u>701</u>	<u>714</u>
	3,736	2,864
Total assets	<u>\$19,431</u>	<u>\$19,066</u>

See accompanying notes.

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

	<u>March 31,</u> <u>2002</u>	<u>December 31,</u> <u>2001</u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts and notes payable		
Trade	\$ 1,756	\$ 1,858
Affiliates	1,206	1,360
Other	427	360
Short-term borrowings (including current maturities of long-term debt and other financing obligations)	1,012	1,410
Liabilities from price risk management activities	402	213
Income taxes payable	450	198
Other	356	402
Total current liabilities	<u>5,609</u>	<u>5,801</u>
Long-term debt and other financing obligations, less current maturities	<u>5,258</u>	<u>5,107</u>
Other liabilities		
Liabilities from price risk management activities	242	1
Deferred income taxes	1,639	1,740
Other	455	553
	<u>2,336</u>	<u>2,294</u>
Commitments and contingencies		
Securities of subsidiaries		
Company-obligated preferred securities of consolidated trusts	300	300
Minority interests	766	594
	<u>1,066</u>	<u>894</u>
Stockholder's equity		
Common stock, par value \$1 per share; authorized and issued 1,000 shares	—	—
Additional paid-in capital	1,305	1,305
Retained earnings	3,779	3,385
Accumulated other comprehensive income	78	280
Total stockholder's equity	<u>5,162</u>	<u>4,970</u>
Total liabilities and stockholder's equity	<u>\$19,431</u>	<u>\$19,066</u>

See accompanying notes.

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

	<u>Quarter Ended</u> <u>March 31,</u>	
	<u>2002</u>	<u>2001</u>
Cash flows from operating activities		
Net income (loss)	\$ 394	\$(347)
Adjustments to reconcile net income (loss) to net cash from operating activities		
Non-cash gains from power and trading activities	(394)	—
Non-cash portion of merger-related costs	—	666
Depreciation, depletion and amortization	207	164
Ceiling test charge	10	—
Undistributed earnings of unconsolidated affiliates	(12)	(45)
Net (gain) loss on the sale of assets	(11)	5
Deferred income tax benefit	(58)	(17)
Extraordinary items	—	11
Other non-cash income items	29	(3)
Working capital changes	339	(128)
Non-working capital changes and other	<u>(110)</u>	<u>126</u>
Net cash provided by operating activities	<u>394</u>	<u>432</u>
Cash flows from investing activities		
Additions to property, plant and equipment	(301)	(410)
Net proceeds from the sale of assets	524	147
Additions to investments	(76)	(76)
Proceeds from investments	2	2
Repayment of notes receivable from unconsolidated affiliates	54	77
Other	<u>47</u>	<u>—</u>
Net cash provided by (used in) investing activities	<u>250</u>	<u>(260)</u>
Cash flows from financing activities		
Net repayments under commercial paper and short-term credit facilities	(30)	(798)
Repayments of notes payable	(7)	—
Issuances of common stock	—	2
Net proceeds from the issuance of long-term debt and other financing obligations	—	152
Payments to retire long-term debt and other financing obligations	(431)	(429)
Dividends paid	—	(13)
Net change in affiliated advances payable	<u>(108)</u>	<u>1,104</u>
Net cash provided by (used in) financing activities	<u>(576)</u>	<u>18</u>
Increase in cash and cash equivalents	68	190
Cash and cash equivalents		
Beginning of period	<u>131</u>	<u>53</u>
End of period	<u>\$ 199</u>	<u>\$ 243</u>

See accompanying notes.

EL PASO CGP COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Quarter Ended March 31,	
	2002	2001
Net income (loss)	\$ 394	\$(347)
Foreign currency translation adjustments	—	(6)
Unrealized net gains (losses) from cash flow hedging activity		
Cumulative-effect transition adjustment (net of tax of \$248 million)	—	(459)
Unrealized mark-to-market gains (losses) arising during period (net of tax of \$70 in 2002 and \$62 in 2001)	(118)	110
Reclassification adjustments for changes in initial value to settlement date (net of tax of \$47 in 2002 and \$97 in 2001)	(84)	180
Other comprehensive loss	(202)	(175)
Comprehensive income (loss)	\$ 192	\$(522)

See accompanying notes.

EL PASO CGP COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation

Our 2001 Annual Report on Form 10-K includes a summary of our significant accounting policies and other disclosures. You should read it in conjunction with this Quarterly Report on Form 10-Q/A. The financial statements as of March 31, 2002, and for the quarters ended March 31, 2002 and 2001, are unaudited. The balance sheet as of December 31, 2001, is derived from the audited balance sheet filed in our Form 10-K. These financial statements have been prepared pursuant to the rules and regulations of the U.S. Securities and Exchange Commission and do not include all disclosures required by accounting principles generally accepted in the United States. In our opinion, we have made all adjustments, all of which are of a normal, recurring nature (except for merger-related costs and a ceiling test charge, all discussed below), to fairly present our interim period results. Information for interim periods may not necessarily indicate the results of operations for the entire year due to the seasonal nature of our businesses. The prior period information also includes reclassifications which were made to conform to the current period presentation. These reclassifications have no effect on our reported net income or stockholder's equity.

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

Goodwill and Other Intangible Assets

Our intangible assets consist primarily of goodwill recognized from acquisitions. On January 1, 2002, we adopted Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations*, and SFAS No. 142, *Goodwill and Other Intangible Assets*. These standards require that we recognize goodwill separately from other intangible assets. In addition, goodwill and indefinite-lived intangibles are no longer amortized. Rather, goodwill is tested periodically for impairment, at least on an annual basis, or whenever events or circumstances indicate that an impairment may have occurred. Prior to adoption of these standards, we amortized goodwill and other intangibles using the straight-line method over periods ranging from 5 to 40 years. Our initial periodic tests for impairment were completed during the first quarter of 2002, and did not indicate any impairment of our goodwill. In addition, we stopped amortizing goodwill that would have impacted our income statement by approximately \$3 million, net of income taxes, for the quarter ended March 31, 2002. In addition, had we adopted SFAS No. 141 and 142 on January 1, 2001, for the quarter ended March 31, 2001, we would have reported a loss before extraordinary items of \$334 million, and a net loss of \$344 million.

Asset Impairments

On January 1, 2002, we adopted SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*. The provisions of this statement supersede SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of*. There was no initial financial statement impact of adopting the standard.

Price Risk Management Activities

Accounting for Power Restructuring Activities. Our Merchant Energy segment conducts power contract restructuring activities that involve amending or terminating a power plant's existing power purchase contract to eliminate the requirement that the plant provide its own generation to the regulated utility and replacing that requirement with the ability to provide power to the utility from the wholesale power market. Prior to a restructuring, the power plant and its related power purchase contract are accounted for at their historical cost, which is either the cost of construction or, if acquired, the acquisition cost. Revenues and expenses prior to restructuring are accounted for on an accrual basis as power is generated and sold to the utility. Following a restructuring, the accounting treatment for the power purchase agreement changes because the restructured contract must be marked to its fair value under SFAS No. 133 *Accounting for Derivatives and Hedging*

Activities. In the period the restructuring is completed, the book value of the restructured contract is adjusted to its fair value, with any change reflected in income. Since the power plant no longer has the exclusive right to provide power under the original, dedicated power purchase contract, it operates as a peaking merchant plant, operating only when it is economical to do so. Because of this significant change in its use, in most cases the book value of the plant is reduced to its fair value through a charge to earnings. These changes require us to terminate or amend any related fuel supply and steam agreements associated with the operations of the facility.

We present the restructured power contracts in our balance sheet as assets from price risk management activities, and in our income statement, we present, as revenues, the original adjustment that occurs when the contract is marked to its fair value as a derivative, as well as subsequent changes in the value of the contract. Costs associated with the restructuring activity, including adjustments to the underlying power plant's book value and any related intangible assets, contract termination fees and closing costs, are recorded in our income statement as costs of products and services. During the first quarter of 2002, we recognized revenues from power restructuring activities of \$978 million and corresponding costs of products and services of \$621 million related to our Eagle Point Cogeneration restructuring transaction.

2. Divestitures

In February 2002, we sold CIG Trailblazer Gas Company, L.L.C., a company which owned pipeline expansion rights, to a third party. Proceeds from the sale were \$12 million, and we recorded a gain on the sale of approximately \$7 million, net of \$4 million of income taxes.

In March 2002, we sold natural gas and oil properties to El Paso Corporation (El Paso), our parent, and to third parties. Total proceeds from these sales were approximately \$512 million. We did not recognize a gain or loss on the properties sold.

In April 2002, we announced the sales of an additional \$425 million of assets, including natural gas and oil production properties and related contracts and a natural gas gathering system.

3. Merger-Related Costs

In January 2001, we merged with El Paso in a merger that was accounted for as a pooling of interests. During the quarter ended March 31, 2001, we incurred costs related to this merger consisting of the following (in millions):

Employee severance, retention and transition costs	\$578
Transaction costs	7
Business and operational integration	14
Merger-related asset impairments	134
Other	<u>34</u>
	<u>\$767</u>

Employee severance, retention and transition costs include direct payments to, and benefit costs for, severed employees and early retirees that occurred as a result of our merger-related workforce reduction and consolidation. Following the merger, El Paso completed an employee restructuring across all of our operating segments, resulting in the reduction of approximately 3,200 full-time positions through a combination of early retirements and terminations. Employee severance costs include actual severance payments and costs for pension and post-retirement benefits settled and curtailed under existing benefit plans as a result of this restructuring. Retention charges include payments to employees who were retained following the merger and payments to employees to satisfy contractual obligations. Transition costs relate to costs to relocate employees and costs for severed and retired employees arising after their severance date to transition their jobs into the ongoing workforce. The pension and post-retirement benefits were accrued on the merger date and will be paid over the applicable benefit periods of the terminated and retired employees. The remainder of the charges were expensed as incurred and have been paid.

Also included in employee severance, retention and transition costs for the quarter ended March 31, 2001, was a charge of \$278 million resulting from the issuance of approximately 4 million shares of El Paso common stock incurred on the merger date in exchange for the fair value of our employees' and directors' stock options.

Transaction costs include investment banking, legal, accounting, consulting and other advisory fees incurred to obtain federal and state regulatory approvals and take other actions necessary to complete our merger. All of these items were expensed as incurred.

Business and operational integration costs include charges to consolidate facilities and operations of our business segments, such as lease termination and abandonment charges and incremental fees under software and seismic license agreements. These charges were accrued at the time we completed our relocations and closed the related offices. The amounts accrued will be paid over the term of the applicable non-cancelable lease agreements. All other costs were expensed as incurred.

Merger-related asset impairments relate to write-offs or write-downs of capitalized costs for duplicate systems, redundant facilities and assets whose value was impaired as a result of decisions on the strategic direction of our combined operations following the merger. These charges occurred in our Merchant Energy and Production segments, and all of these assets have either had their operations suspended or continue to be held for use. The charges taken were based on a comparison of the cost of the assets to their estimated fair value to the ongoing operations based on the change in operating strategy.

Other costs include payments made in satisfaction of obligations arising from the Federal Trade Commission (FTC) approval of our merger with El Paso and other miscellaneous charges. These items were expensed as incurred.

4. Ceiling Test Charge

Under the full cost method of accounting for natural gas and oil properties, we perform quarterly ceiling tests to evaluate whether the carrying value of natural gas and oil properties exceeds the present value of future net revenues, discounted at 10 percent, plus the lower of cost or fair market value of unproved properties. At March 31, 2002, capitalized costs exceeded this ceiling limit by \$10 million for our Brazilian full cost pool.

5. Extraordinary Items

Under an FTC order, as a result of our merger with El Paso, we sold our Gulfstream pipeline project, our 50 percent interest in the Stingray pipeline system and our investment in the Empire pipeline system during the first quarter of 2001. Net proceeds from these sales were approximately \$144 million, and we recognized an extraordinary net loss of approximately \$10 million, net of tax benefits of approximately \$1 million.

6. Financial Instruments and Price Risk Management Activities

The following table summarizes the carrying value of our trading and non-trading price risk management assets and liabilities as of March 31, 2002 and December 31, 2001:

	<u>March 31,</u> <u>2002</u>	<u>December 31,</u> <u>2001</u>
	(In millions)	
Net assets (liabilities)		
Trading price risk management activities ⁽¹⁾	\$ (8)	\$(23)
Non-trading price risk management activities ⁽²⁾		
Derivatives designated as hedges	177	501
Other derivatives	<u>997</u>	<u>—</u>
	<u>\$1,166</u>	<u>\$478</u>

⁽¹⁾ Trading activities represent those that qualify for accounting under Emerging Issues Task Force Issue No. 98-10, *Accounting for Contracts Involved in Energy Trading and Risk Management Activities*.

⁽²⁾ Non-trading activities include hedges related to our oil and natural gas producing activities and derivatives from our power contract restructuring activities.

Other derivatives as of March 31, 2002, include derivative contracts related to the power restructuring activities at our Eagle Point Cogeneration power plant and at our Capital District Energy Center Cogeneration Associates power plant.

The fair value of the derivatives related to our power restructuring activities is determined based on the expected cash receipts and payments under the contracts using future power prices compared to the contractual prices under these contracts. We discount these cash flows at an interest rate commensurate with the term of each contract and the credit risk of each contract's counterparty. We also adjust our valuations for factors such as market liquidity, market price correlation and model risk, as needed. Future power prices are based on the forward pricing curve of the appropriate power delivery and receipt points in the applicable power market. This forward pricing curve is derived from a combination of actual prices observed in the applicable market, price quotes from brokers and extrapolation models that rely on actively quoted prices and historical information. The timing of cash receipts and payments are based on the expected timing of power delivered under these contracts. The fair value of our derivatives is updated each period based on changes in actual and projected market prices, fluctuations in the credit ratings of our counterparties, significant changes in interest rates, and changes to the assumed timing of deliveries.

7. Inventory

Our inventory consisted of the following:

	<u>March 31,</u> <u>2002</u>	<u>December 31,</u> <u>2001</u>
	(In millions)	
Refined products, crude oil and chemicals	\$737	\$576
Coal, materials and supplies and other	<u>124</u>	<u>117</u>
	<u>\$861</u>	<u>\$693</u>

8. Debt and Other Credit Facilities

At December 31, 2001, our weighted average interest rate on our short-term credit facilities was 2.4%, and there were no amounts outstanding under these facilities at March 31, 2002. We had the following short-term borrowings and other financing obligations:

	<u>March 31,</u> <u>2002</u>	<u>December 31,</u> <u>2001</u>
	(In millions)	
Short-term credit facilities	\$ —	\$ 30
Notes payable to unconsolidated affiliates	57	67
Current maturities of long-term debt and other financing obligations . .	913	1,310
Notes payable	39	—
Other	<u>3</u>	<u>3</u>
	<u>\$1,012</u>	<u>\$1,410</u>

Our significant borrowing and repayment activities during 2002 are presented below. These activities do not include repayments on our short-term financing instruments with an original maturity of three months or less, including our short-term credit facilities.

<u>Date</u>	<u>Company</u>	<u>Type</u>	<u>Interest Rate</u>	<u>Principal</u>	<u>Net Proceeds</u>	<u>Due Date</u>
				(In millions)		
<i>Issuances</i>						
2002						
April	Mohawk River Funding IV	Senior secured notes	7.75%	\$ 92	\$ 90	2008
<i>Retirements</i>						
2002						
March	El Paso CGP	Long-term debt	Variable	\$400		2002
Jan.-Mar.	Coastal Oil & Gas	Natural gas production payment	LIBOR + 0.372%	24		2002
Jan.-Mar.	Various	Long-term debt	Various	7		2002

9. Commitments and Contingencies

Legal Proceedings

In 1997, a number of our subsidiaries 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 under report 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. 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' motions to dismiss.

A number of our subsidiaries 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. 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 Quinque complaint was transferred to the same court handling the Grynberg complaint and has now been sent back to Kansas State Court for further proceedings. A motion to dismiss this case is pending.

In compliance with the 1990 amendments to the Clean Air Act, we use the gasoline additive, methyl tertiary-butyl ether (MTBE), in some of our gasoline. We also produce, buy, sell and distribute MTBE. A number of lawsuits have been filed throughout the U.S. regarding MTBE's potential impact on water supplies. We are currently one of several defendants in five such lawsuits in New York. Our costs and legal exposure, if any, related to these lawsuits and claims are not currently determinable.

While the outcome of the matters discussed above cannot be predicted with certainty, based on information known to date and our existing accruals, we do not expect the ultimate resolution of these matters will have a material adverse effect on our ongoing financial position, operating results or cash flows.

In addition, 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 these matters, we evaluate the merits of the case, our exposure to the matter and 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 make the necessary accruals. As new information becomes available, our estimates may change. The impact of these changes may have a material effect on our results of operations. As of March 31, 2002, we had reserves of approximately \$81 million for all outstanding legal matters.

Environmental Matters

We are subject to extensive 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, 2002, we had a reserve of approximately \$273 million for expected remediation costs. In addition, we expect to make capital expenditures for environmental matters of approximately \$199 million in the aggregate for the years 2002 through 2007. These expenditures primarily relate to compliance with clean air regulations.

From May 1999 to March 2001, our Eagle Point Oil Company received several Administrative Orders and Notices of Civil Administrative Penalty Assessment from the New Jersey Department of Environmental Protection. All of the assessments are related to alleged noncompliances with the New Jersey Air Pollution Control Act pertaining to excess emissions from the first quarter 1998 through the fourth quarter 2000 reported by our Eagle Point refinery in Westville, New Jersey. The New Jersey Department of Environmental Protection has assessed penalties totaling approximately \$1.1 million for these alleged violations. Our Eagle Point refinery has been granted an administrative hearing on issues raised by the assessments and, currently, is in negotiations to settle these assessments.

We have been designated and have received notice that we could be designated, or have been asked for information to determine whether we could be designated, as a Potentially Responsible Party (PRP) with respect to 17 active sites under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA) or state equivalents. We have sought to resolve our liability as a PRP at these CERCLA sites, as appropriate, through indemnification by third parties and settlements which provide for payment of our allocable share of remediation costs. As of March 31, 2002, we have estimated our share of the remediation costs at these sites to be between \$5 million and \$8 million and have provided reserves that we believe are adequate for such costs. Since the clean-up costs are estimates and are subject to revision as more information becomes available about the extent of remediation required, and because in some cases we have asserted a defense to any liability, our estimates could change. Moreover, liability under the federal CERCLA statute is joint and several, meaning that we could be required to pay in excess of our pro rata share of remediation costs. Our understanding of the financial strength of other PRPs has been considered, where appropriate, in the determination of our estimated liabilities. We presently believe that based on our existing reserves, and information known to date, the impact of the costs associated with these CERCLA sites will not have a material adverse effect on our financial position, operating results or cash flows.

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 recorded reserves are adequate. For a further discussion of specific environmental matters, see *Legal Proceedings* above.

Rates and Regulatory Matters

In March 2001, Colorado Interstate Gas Company (CIG) filed a rate case with the Federal Energy Regulatory Commission (FERC) proposing increased rates of \$9 million annually and new and enhanced services for its customers. This filing was required under the settlement of its 1996 general rate case. CIG received an order from the FERC in late April 2001, which suspended the rates until October 1, 2001, subject to refund, and subject to the outcome of an evidentiary hearing. On September 26, 2001, the FERC issued an order rejecting two firm services CIG had proposed in its rate filing and required it to reallocate the costs allocated to those two services to existing services. CIG has complied with this order and has arranged with the affected customers to provide service under existing rate schedules. The evidentiary hearing was suspended pending ongoing attempts to settle the case.

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 all our energy affiliates conduct business and interact with our interstate pipelines. In December 2001, we filed comments with the FERC addressing our concerns with the proposed rules. In April 2002, the FERC Staff issued a notice of a public conference to be held on May 21, 2002, at which interested parties will be given an opportunity to comment further on the NOPR. We cannot predict the outcome of the NOPR, but adoption of the regulations in substantially the form proposed would, at a minimum, place additional administrative and operational burdens on us.

While we cannot predict with certainty the final outcome or the timing of the resolution of all of our rates and regulatory matters discussed above, we believe the ultimate resolution of these issues, based on information known to date, will not have a material adverse effect on our financial position, results of operations or cash flows.

10. Segment Information

We segregate our business activities into four distinct operating segments: Pipelines, Merchant Energy, Production and Field Services. These segments are strategic business units that provide a variety of energy products and services. They are managed separately as each business unit requires different technology and marketing strategies. We measure segment performance using earnings before interest expense and income taxes (EBIT). The following are our segment results as of and for the quarters ended March 31, 2002 and 2001:

	2002					
	Pipelines	Merchant Energy	Production	Field Services	Other ⁽¹⁾	Total
	(In millions)					
Revenues from external customers	\$ 256	\$4,239	\$ 367	\$ 90	\$ —	\$ 4,952
Intersegment revenues	7	1	22	11	(41)	—
Ceiling test charge	—	—	10	—	—	10
Operating income (loss)	132	397	158	5	(13)	679
EBIT	178	374	160	5	(12)	705
Segment assets	5,309	7,281	5,670	554	617	19,431

⁽¹⁾ Includes Corporate and eliminations. In 2001, we also included our retail businesses.

	2001					
	Pipelines	Merchant Energy	Production	Field Services	Other ⁽¹⁾	Total
	(In millions)					
Revenues from external customers	\$ 311	\$6,616	\$ 441	\$252	\$ 177	\$ 7,797
Intersegment revenue	13	187	(12)	31	(219)	—
Merger-related costs	79	136	61	1	490	767
Operating income (loss)	61	(21)	149	24	(513)	(300)
EBIT	90	27	147	24	(515)	(227)

⁽¹⁾ Includes Corporate and eliminations. In 2001, we also included our retail businesses.

The reconciliations of EBIT to income (loss) before extraordinary items are presented below for the quarters ended March 31:

	<u>2002</u>	<u>2001</u>
	(In millions)	
Total EBIT	\$705	\$(227)
Non-affiliated interest and debt expense	107	124
Affiliated interest expense, net	3	4
Minority interest	10	14
Income taxes	<u>191</u>	<u>(32)</u>
Income (loss) before extraordinary items	<u>\$394</u>	<u>\$(337)</u>

11. Investments in Unconsolidated Affiliates and Related Party Transactions

We hold investments in various affiliates which we account for using the equity method of accounting. Summarized financial information for our proportionate share of these unconsolidated affiliates is presented below.

	<u>2002</u>	<u>2001</u>
	(In millions)	
Operating results data		
Revenues and other income	\$257	\$243
Costs and expenses	\$204	\$169
Income from continuing operations	\$ 52	\$ 60
Net income	\$ 52	\$ 60

Consolidation of Investments

As of December 31, 2001, we had investments in the Eagle Point Cogeneration Partnership, in Capital District Energy Center Cogeneration Associates and in Mohawk River Funding IV. During 2002, we obtained additional rights from our partners in these investments and acquired an additional one percent ownership interest in Capital District Energy Cogeneration Associates and Mohawk River Funding IV. As a result of these actions, we began consolidating these investments effective January 1, 2002.

Related Party Transactions

In March 2002, we acquired assets with a net book value, net of deferred taxes, of approximately \$8 million from El Paso.

Additionally, we sold natural gas and oil properties to El Paso. Net proceeds from these sales were \$404 million, and we did not recognize a gain or loss on the properties sold.

We participate in El Paso's cash management program which matches short-term cash surpluses and needs of its participating affiliates, thus minimizing total borrowing from outside sources. We had net borrowings of \$804 million at March 31, 2002, at a market rate of interest which was 1.9% and \$932 million at December 31, 2001, at a market interest rate of 2.1%. In addition, we had a demand note receivable with El Paso of \$121 million at March 31, 2002, with an interest rate of 2.4% and \$120 million at December 31, 2001, with an interest rate of 4.2%.

At March 31, 2002, we had current accounts and notes receivable from related parties of \$202 million and \$426 million at December 31, 2001. In addition, we had a non-current note receivable from a related party of \$27 million included in other non-current assets at March 31, 2002 and at December 31, 2001.

At March 31, 2002, we had accounts and notes payable to related parties of \$402 million and \$428 million at December 31, 2001. In addition, included in short-term borrowings was a current note payable to related parties of \$57 million and \$67 million at March 31, 2002 and December 31, 2001.

12. New Accounting Pronouncements Not Yet Adopted

Accounting for Asset Retirement Obligations

In August 2001, the Financial Accounting Standards Board (FASB) issued SFAS No. 143, *Accounting for Asset Retirement Obligations*. This Statement requires companies to record a liability relating to the retirement and removal costs of assets used in their business. The liability is discounted to its present value, and the related asset value is increased by the amount of the resulting liability. Over the life of the asset, the liability will be accreted to its future value and eventually extinguished when the asset is taken out of service. Capitalized retirement and removal costs will be depreciated over the useful life of the related asset. The provisions of this Statement are effective for fiscal years beginning after June 15, 2002. We are currently evaluating the effects of this pronouncement.

Derivatives Implementation Group Issue C-16

In September 2001, the Derivatives Implementation Group of the FASB cleared guidance on Issue C-16, *Scope Exceptions: Applying the Normal Purchases and Normal Sales Exception to Contracts that Combine a Forward Contract and a Purchased Option Contract*. This guidance impacts the accounting for fuel supply contracts that require delivery of a contractual minimum quantity of a fuel other than electricity at a fixed price and have an option that permits the holder to take specified additional amounts of fuel at the same fixed price at various times. We use fuel supply contracts such as these in our power producing operations and currently do not reflect them in our balance sheet since they are considered normal purchases that are not classified as derivative instruments under SFAS No. 133. This guidance becomes effective in the second quarter of 2002, and we will be required to account for these contracts as derivative instruments under SFAS No. 133. We are currently evaluating the financial impact of this guidance on our financial statements.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations⁽¹⁾

The information contained in Item 2 updates, and you should read it in conjunction with, information disclosed in our Annual Report on Form 10-K filed March 28, 2002, in addition to the financial statements and notes presented in Item 1, Financial Statements, of this Quarterly Report on Form 10-Q.

Results of Operations

For the quarter ended March 31, 2002, we had net income of \$394 million versus a net loss of \$347 million for the quarter ended March 31, 2001. The 2002 results include a ceiling test charge of \$10 million, or \$7 million after taxes. The 2001 loss was a result of merger-related costs totaling \$767 million, or \$590 million after taxes, related to our merger with El Paso. In addition, we recorded net extraordinary losses totaling \$10 million, net of income taxes, as a result of FTC ordered sales of our Gulfstream pipeline project and our investments in the Stingray and Empire pipeline systems. Net income, excluding the after-tax effects of merger-related costs, the ceiling test charge and extraordinary items, would have been \$401 million in 2002 versus \$253 million in 2001.

Segment Results

Our four segments: Pipelines, Merchant Energy, Production and Field Services are strategic business units that offer a variety of different energy products and services; each requires different technology and marketing strategies. We evaluate our segment performance based on EBIT. Operating revenues and expenses by segment include intersegment revenues and expenses which are eliminated in consolidation. Because changes in energy commodity prices have a similar impact on both our operating revenues and cost of products sold from period to period, we believe that gross margin (revenue less cost of sales) provides a more accurate and meaningful basis for analyzing operating results for the trading and refining portions of Merchant Energy and for the Field Services segment. For a further discussion of our individual segments, see Item 1, Financial Statements, Note 10, as well as our Annual Report on Form 10-K for the year ended December 31, 2001.

The segment EBIT results for the quarters ended March 31 presented below include the charges discussed above:

	<u>2002</u>	<u>2001</u>
	(In millions)	
Pipelines	\$178	\$ 90
Merchant Energy	374	27
Production	160	147
Field Services	<u>5</u>	<u>24</u>
Segment total	717	288
Corporate and other, net	<u>(12)</u>	<u>(515)</u>
Consolidated EBIT	<u>\$705</u>	<u>\$(227)</u>

⁽¹⁾ Below is a list of terms that are common to our industry and used throughout our Management's Discussion and Analysis:

/d = per day	MMBtu = million British thermal units
Bbl = barrel	Mcf = thousand cubic feet
BBtu = billion British thermal units	MMcf = million cubic feet
BBtue = billion British thermal unit equivalents	MTons = million tons
MBbls = thousand barrels	MMWh = thousand megawatt hours

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 is equal to six Mcf of natural gas. Also, when we refer to cubic feet measurements, all measurements are at 14.73 pounds per square inch.

Pipelines

Our Pipelines segment holds our interstate transmission businesses. Results of our Pipelines segment operations were as follows for the quarters ended March 31:

	<u>2002</u>	<u>2001</u>
	(In millions, except volume amounts)	
Operating revenues	\$ 263	\$ 324
Operating expenses	(131)	(263)
Other income	<u>46</u>	<u>29</u>
EBIT	<u>\$ 178</u>	<u>\$ 90</u>
Throughput volumes (BBtu/d) ⁽¹⁾	<u>8,037</u>	<u>7,717</u>

⁽¹⁾ Throughput volumes for 2001 exclude those related to pipeline systems sold in connection with FTC orders related to our merger with El Paso including investments in the Empire State and Iroquois pipelines. Throughput volumes also exclude intrasegment activities.

Operating revenues for the quarter ended March 31, 2002, were \$61 million lower than the same period in 2001. The decrease was primarily due to the impact of lower prices on natural gas and liquids sales, including sales of natural gas produced and resales of natural gas purchased from the Dakota gasification facility. Also contributing to the decrease were lower sales of excess natural gas and lower transportation revenues from capacity sold under short-term contracts due to milder weather in 2002.

Operating expenses for the quarter ended March 31, 2002, were \$132 million lower than the same period in 2001. The decrease was primarily due to merger-related costs incurred for employee benefits and severance charges in the first quarter of 2001 and cost efficiencies following our merger with El Paso. Also contributing to the decrease were lower fuel costs resulting from lower natural gas prices, lower prices on natural gas purchased from the Dakota gasification facility, lower benefit costs in the first quarter of 2002 and lower amortization due to the implementation of SFAS No. 142 in 2002.

Other income for the quarter ended March 31, 2002, was \$17 million higher than the same period in 2001. The increase was primarily due to a gain on the sale of pipeline expansion rights in February 2002 and higher equity earnings on Great Lakes Gas Transmission in 2002. Partially offsetting the increase was lower equity income due to the sales of our interests in the Empire State and Iroquois pipeline systems in the first and second quarters of 2001.

Merchant Energy

Our Merchant Energy segment conducts our customer originations and trading activities along with our power, refining, chemical and coal businesses and other activities. Below are Merchant Energy's operating results and an analysis of these results for the quarters ended March 31:

	<u>2002</u>	<u>2001</u>
	(In millions, except volume amounts)	
Trading and refining gross margins	\$ 626	\$ 316
Operating and other revenues	93	99
Operating expenses	(322)	(436)
Other income (loss)	<u>(23)</u>	<u>48</u>
EBIT	<u>\$ 374</u>	<u>\$ 27</u>

	<u>2002</u>	<u>2001</u>
	(In millions, except volume amounts)	
Volumes		
Physical		
Natural gas (BBtue/d)	—	3,457
Power (MMWh)	85	109
Crude oil and refined products (MBbls).....	160,539	167,945
Coal (MTons)	2,309	2,663
Financial Settlements (BBtue/d)	65,629	70,065

Trading and refining gross margins consist of revenues from commodity trading activities, less the costs of commodities sold, the impact of power contract restructuring activities and revenues from refineries and chemical plants, less the cost of the feedstocks used in the refining and production processes. For the quarter ended March 31, 2002, these gross margins were \$310 million higher than the same period in 2001. The increase was due to a power plant contract restructuring at our Eagle Point Cogeneration facility in the first quarter of 2002 discussed below. Partially offsetting the increase were lower refining margins resulting from lower spreads between the sales prices of the refined product and the underlying feedstock cost, lower throughput at the Eagle Point and Aruba refineries, the lease of our Corpus Christi refinery and related assets to Valero in June 2001, and lower margins in heavy crude-based refined products.

During the first quarter of 2002, we completed a power restructuring at our Eagle Point Cogeneration power plant. In the Eagle Point Cogeneration restructuring, we amended the existing PURPA power sales contract with Public Service Electric and Gas, eliminating the requirement to deliver power from the Eagle Point Cogeneration power plant and establishing fixed prices (with stated increases) for delivery of power over the term of the amended contract. From an accounting standpoint, these actions required us to mark the contract to its fair value under SFAS No. 133. As a result, we recorded non-cash revenue representing the estimated fair value of the derivative contract of approximately \$978 million in our first quarter results. We also amended or terminated other ancillary agreements associated with the cogeneration facility, such as gas supply and transportation agreements, a steam contract and financing agreements, adjusted the Eagle Point Cogeneration facility to its fair value as a peaking merchant plant and entered into an agreement with El Paso Merchant Energy, L.P., our affiliate, to provide the power we will be required to deliver to the utility under the restructured contract. The total cost to terminate the transportation contract was \$29 million, and we paid \$103 million to the utility to terminate the original PURPA contract. We also recorded a \$98 million non-cash charge to adjust the Eagle Point Cogeneration plant to fair value and a non-cash charge of \$230 million to write-off the book value of the original PURPA contract. We were required to mark the contract with El Paso Merchant Energy to its fair value as a derivative at a total non-cash cost of \$81 million. Based on these amounts, and including closing and other costs, our first quarter results reflect a one-time net benefit from the Eagle Point Cogeneration restructuring transaction of \$357 million.

Operating and other revenues consist of revenues from both international and domestic power generation facilities and coal operations. For the quarter ended March 31, 2002, operating and other revenues were \$6 million lower than the same period in 2001. The decrease resulted from lower power facility revenues resulting from the sale of a power facility to a related party in 2001, as well as lower revenues from our coal operations resulting from decreased volumes which were partially offset by higher realized coal prices in the first quarter of 2002.

Operating expenses for the quarter ended March 31, 2002, were \$114 million lower than the same period in 2001. The decrease was primarily a result of merger-related costs recorded in the first quarter of 2001 associated with combining operations with El Paso, lower fuel costs resulting from reduced gas prices and the lease of our Corpus Christi refinery and related assets to Valero in June 2001. Partially offsetting the decrease was the consolidation of several domestic power-related entities and additional reserves recorded related to our coal operations, both occurring in the first quarter of 2002.

Other income for the quarter ended March 31, 2002, was \$71 million lower than the same period in 2001. The decrease was primarily the result of the minority owners' interest in income recognized on our Eagle Point

power restructuring transaction in the first quarter of 2002, as well as lower equity earnings resulting from the consolidation of several domestic power-related facilities in the first quarter of 2002.

Production

Our Production segment conducts our natural gas and oil exploration and production activities. Results of our Production segment operations were as follows for the quarters ended March 31:

	<u>2002</u>	<u>2001</u>
	(In millions, except volumes and prices)	
Natural gas	\$ 347	\$ 368
Oil, condensate and liquids	39	56
Other	<u>3</u>	<u>5</u>
Total operating revenues	389	429
Transportation and net product costs	<u>(13)</u>	<u>(26)</u>
Total operating margin	376	403
Operating expenses	(218)	(254)
Other income (loss)	<u>2</u>	<u>(2)</u>
EBIT	<u>\$ 160</u>	<u>\$ 147</u>
Volumes and prices		
Natural gas		
Volumes (MMcf)	<u>83,266</u>	<u>90,639</u>
Average realized price (\$/Mcf)	<u>\$ 4.05</u>	<u>\$ 4.03</u>
Oil, condensate and liquids		
Volumes (MBbls)	<u>2,694</u>	<u>1,914</u>
Average realized prices (\$/Bbl)	<u>\$ 13.45</u>	<u>\$ 29.21</u>

Operating revenues for the quarter ended March 31, 2002, were \$40 million lower than the same period in 2001. The decrease was due to lower volumes for natural gas and a significant decline in average realized prices for oil, condensate and liquids in 2002 when compared to the same period of 2001.

Transportation and net product costs for the quarter ended March 31, 2002, were \$13 million lower than the same period in 2001 primarily due to costs incurred in 2001 to meet minimum payments on pipeline agreements, partially offset by higher transported volumes in 2002.

Operating expenses for the quarter ended March 31, 2002, were \$36 million lower than the same period in 2001. The decrease was a result of merger-related costs incurred in 2001 due to our merger with El Paso and lower severance and other taxes in 2002, which are generally tied to natural gas and oil volumes and prices. These decreases were partially offset by higher depletion expense in 2002 as a result of additions of assets to the full cost pool, a non-cash full cost ceiling test charge of \$10 million on Brazilian production properties incurred in the current quarter, higher corporate overhead allocations and increased oilfield services costs.

Field Services

Our Field Services segment conducts our midstream activities. Results of our Field Services segment operations were as follows for the quarters ended March 31:

	<u>2002</u>	<u>2001</u>
	(In millions, except volumes and prices)	
Gathering, treating and processing gross margins	\$ 23	\$ 40
Operating expenses	<u>(18)</u>	<u>(16)</u>
EBIT	<u>\$ 5</u>	<u>\$ 24</u>
Volume and prices		
Gathering and treating		
Volumes (BBtu/d)	<u>648</u>	<u>938</u>
Prices (\$/MMBtu)	<u>\$ 0.12</u>	<u>\$ 0.13</u>
Processing		
Volumes (inlet BBtu/d)	<u>1,663</u>	<u>1,946</u>
Prices (\$/MMBtu)	<u>\$ 0.11</u>	<u>\$ 0.14</u>

Total gross margins for the quarter ended March 31, 2002, were \$17 million lower than the same period in 2001. The decrease was primarily due to lower natural gas and natural gas liquids prices in 2002. Also contributing to the decrease was lower gathering and treating volumes in 2002 due to natural declines in production volumes in our operating regions.

Operating expenses for the quarter ended March 31, 2002, were \$2 million higher than the same period in 2001. The increase was primarily due to higher depreciation expense as a result of placing assets in service in mid-2001 and higher corporate overhead allocations, partially offset by merger-related costs in 2001 due to our January 2001 merger with El Paso.

Corporate and Other, net

Corporate and other expenses for the first quarter ended March 31, 2002, were \$503 million lower than the same period in 2001. The decrease was primarily a result of merger-related costs in 2001 in connection with our merger with El Paso.

Non-affiliated Interest and Debt Expense

Non-affiliated interest and debt expense for the quarter ended March 31, 2002, was \$17 million lower than the same period in 2001 primarily due to retirement of short-term borrowings, consisting of commercial paper and short-term bank credit facilities.

Minority Interest

Minority interest expense for the quarter ended March 31, 2002, was \$4 million lower than the same period in 2001 primarily due to lower average interest rates.

Income Taxes

The income tax expense for the quarter ended March 31, 2002, was \$191 million, resulting in an effective tax rate of 33 percent. Our effective tax rate was different than the statutory rate of 35 percent primarily due to the following:

- state income taxes; and
- foreign income taxed at different rates.

The income tax benefit for the quarter ended March 31, 2001, was \$32 million, resulting in an effective tax rate of 9 percent. Of this amount, \$105 million related to tax expense associated with non-deductible merger charges and changes in our estimates of additional tax liabilities. The majority of these estimated additional liabilities were paid in 2001 and are being contested by us. The effective tax rate excluding these charges was 37 percent. Other differences between the effective rate and the statutory rate of 35 percent were primarily due to the following:

- state income taxes; and
- foreign income taxed at different rates.

Commitments and Contingencies

See Item 1, Financial Statements, Note 9, which is incorporated herein by reference.

New Accounting Pronouncements Not Yet Adopted

See Item 1, Financial Statements, Note 12, 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, 2001, 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, 2001.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

See Part I, Item 1, Financial Statements, Note 9, which is incorporated herein by reference.

Item 2. Changes in Securities.

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.

<u>Exhibit Number</u>	<u>Description</u>
99.1	— Certification of Financial Statements
99.2	— Certification of Financial Statements

Undertaking

We hereby undertake, pursuant to Regulation S-K, Item 601(b), paragraph (4)(iii), to furnish to the U.S. 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.

EL PASO CGP COMPANY

Date: August 8, 2002

/s/ H. BRENT AUSTIN

H. Brent Austin
*Executive Vice President and
Chief Financial Officer and Director
(Principal Financial Officer)*

Date: August 8, 2002

/s/ JEFFREY I. BEASON

Jeffrey I. Beason
*Senior Vice President and Controller
(Principal Accounting Officer)*

INDEX TO EXHIBITS

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