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

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 June 30, 2005

or

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

For the transition period from to

Commission file number 1-7320

ANR Pipeline Company
(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction
of Incorporation or Organization)

38-1281775
(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 August 5, 2005: 1,000

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

ANR PIPELINE COMPANY

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* We have not included a response to this item in this document since no response is required pursuant to the reduced disclosure format permitted by General Instruction H to Form 10-Q.

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

/d	= per day	MMcf	= million cubic feet
BBtu	= billion British thermal units		

When we refer to cubic feet measurements, all measurements are at a pressure of 14.73 pounds per square inch.

When we refer to “us”, “we”, “our”, or “ours”, we are describing ANR Pipeline Company and/or our subsidiaries.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

ANR PIPELINE COMPANY CONDENSED CONSOLIDATED STATEMENTS OF INCOME (In millions) (Unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
Operating revenues	\$119	\$103	\$303	\$241
Operating expenses				
Operation and maintenance	58	57	122	115
Depreciation, depletion and amortization	9	9	20	18
Taxes, other than income taxes	5	6	12	13
	<u>72</u>	<u>72</u>	<u>154</u>	<u>146</u>
Operating income	47	31	149	95
Earnings from unconsolidated affiliate	14	16	31	36
Other income, net	2	—	2	—
Interest and debt expense	(17)	(17)	(35)	(35)
Affiliated interest income, net	<u>5</u>	<u>2</u>	<u>8</u>	<u>4</u>
Income before income taxes	51	32	155	100
Income taxes	<u>19</u>	<u>12</u>	<u>57</u>	<u>37</u>
Net income	<u>\$ 32</u>	<u>\$ 20</u>	<u>\$ 98</u>	<u>\$ 63</u>

See accompanying notes.

ANR PIPELINE COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share amounts)
(Unaudited)

	June 30, 2005	December 31, 2004
ASSETS		
Current assets		
Cash and cash equivalents	\$ —	\$ —
Accounts and notes receivable		
Customer, net of allowance of \$2 in 2005 and \$3 in 2004	47	63
Affiliates	12	3
Other	1	2
Materials and supplies	20	21
Deferred income taxes	13	16
Other	6	8
Total current assets	<u>99</u>	<u>113</u>
Property, plant and equipment, at cost	3,708	3,715
Less accumulated depreciation, depletion and amortization	<u>2,142</u>	<u>2,149</u>
Total property, plant and equipment, net	<u>1,566</u>	<u>1,566</u>
Other assets		
Note receivable from affiliate	529	467
Investment in unconsolidated affiliate	308	316
Other	10	10
	<u>847</u>	<u>793</u>
Total assets	<u><u>\$2,512</u></u>	<u><u>\$2,472</u></u>
LIABILITIES AND STOCKHOLDER'S EQUITY		
Current liabilities		
Accounts payable		
Trade	\$ 26	\$ 38
Affiliates	15	25
Other	21	22
Current maturities of long-term debt	—	75
Taxes payable	86	52
Accrued interest	17	17
Contractual deposits	13	18
Other	28	25
Total current liabilities	<u>206</u>	<u>272</u>
Long-term debt, less current maturities	<u>740</u>	<u>733</u>
Other liabilities		
Deferred income taxes	365	353
Payable to affiliates	176	180
Other	27	34
	<u>568</u>	<u>567</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	597	597
Retained earnings	401	303
Total stockholder's equity	<u>998</u>	<u>900</u>
Total liabilities and stockholder's equity	<u><u>\$2,512</u></u>	<u><u>\$2,472</u></u>

See accompanying notes.

ANR PIPELINE COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Six Months Ended June 30,	
	2005	2004
Cash flows from operating activities		
Net income	\$ 98	\$ 63
Adjustments to reconcile net income to net cash from operating activities		
Depreciation, depletion and amortization	20	18
Deferred income taxes	15	17
Earnings from unconsolidated affiliate, adjusted for cash distributions	9	1
Other non-cash income items	1	1
Asset and liability changes	15	34
Net cash provided by operating activities	<u>158</u>	<u>134</u>
Cash flows from investing activities		
Additions to property, plant and equipment	(28)	(39)
Net change in affiliate advances	<u>(62)</u>	<u>(114)</u>
Net cash used in investing activities	<u>(90)</u>	<u>(153)</u>
Cash flows from financing activities		
Payment to retire long-term debt	<u>(68)</u>	<u>—</u>
Net cash used in financing activities	<u>(68)</u>	<u>—</u>
Net change in cash and cash equivalents	—	(19)
Cash and cash equivalents		
Beginning of period	<u>—</u>	<u>25</u>
End of period	<u>\$ —</u>	<u>\$ 6</u>

See accompanying notes.

ANR PIPELINE COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Basis of Presentation and Significant Accounting Policies

Basis of Presentation

We are an indirect wholly owned subsidiary of El Paso Corporation (El Paso). 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. You should read it along with our 2004 Annual Report on Form 10-K, which includes a summary of our significant accounting policies and other disclosures. The financial statements as of June 30, 2005, and for the quarters and six months ended June 30, 2005 and 2004, are unaudited. We derived the balance sheet as of December 31, 2004, from the audited balance sheet filed in our 2004 Annual Report on Form 10-K. In our opinion, we have made all adjustments which are of a normal, recurring nature to fairly present our interim period results. Due to the seasonal nature of our business, information for interim periods may not be indicative of our results of operations for the entire year.

Significant Accounting Policies

Our significant accounting policies are consistent with those discussed in our 2004 Annual Report on Form 10-K.

New Accounting Pronouncements Issued But Not Yet Adopted

As of June 30, 2005, there were several accounting standards and interpretations that had not yet been adopted by us. Below is a discussion of significant standards that may impact us.

Accounting for Asset Retirement Obligations. In March 2005, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) No. 47, *Accounting for Conditional Asset Retirement Obligations*. FIN No. 47 requires companies to record a liability for those asset retirement obligations in which the timing and/or amount of settlement of the obligation are uncertain. These conditional obligations were not addressed by Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*, which we adopted on January 1, 2003. FIN No. 47 will require us to accrue a liability when a range of scenarios indicate that the potential timing and/or settlement amounts of our conditional asset retirement obligations can be determined. We will adopt the provisions of this standard in the fourth quarter of 2005 and have not yet determined the impact, if any, that this pronouncement will have on our financial statements.

Accounting for Pipeline Integrity Costs. In June 2005, the Federal Energy Regulatory Commission (FERC) issued an accounting release that will impact certain costs we incur related to our pipeline integrity programs. This release will require us to expense certain pipeline integrity costs incurred after January 1, 2006 instead of capitalizing them as part of our property, plant and equipment. Although we continue to evaluate the impact that this accounting release will have on our consolidated financial statements, we currently estimate that we would be required to expense an additional amount of pipeline integrity costs under the release in the range of approximately \$3 million to \$8 million annually.

2. Debt and Credit Facilities

Debt

On June 1, 2005, holders of approximately \$68 million of our \$75 million, 7.00% debentures due 2025, exercised their option to redeem their debentures. The remaining \$7 million of the debentures were not redeemed and have been classified as long-term debt as the holder's option to redeem the debentures has expired.

Credit Facilities

We are an eligible borrower under El Paso's \$3 billion credit agreement. At June 30, 2005, El Paso had \$1.2 billion outstanding under the term loan and \$1.4 billion of letters of credit issued under the credit agreement, none of which was borrowed by or issued on behalf of us. For a further discussion of El Paso's \$3 billion credit agreement and our restrictive covenants, see our 2004 Annual Report on Form 10-K.

3. 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 due to the alleged mismeasurement. The plaintiff in this case seeks royalties, along with interest, expenses, and punitive damages. The plaintiff also seeks injunctive relief with regard to future 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). Motions to dismiss were argued before a representative appointed by the court. In May 2005, the representative issued its recommendation, which if adopted by the district court judge, will result in the dismissal on jurisdictional grounds of the suit against us. If the district court judge adopts the representative's recommendation, an appeal by the plaintiff of the district court's order is likely. 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 are named defendants in *Will Price, et al. v. Gas Pipelines and Their Predecessors, et al.*, filed in 1999 in the District Court of Stevens County, Kansas. Plaintiffs allege that the defendants mismeasured natural gas volumes and heating content of natural gas on non-federal and non-Native American lands and seek to recover royalties that they contend they 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, attorneys' 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. Plaintiffs' motion for class certification of a nationwide class of natural gas working interest owners and natural gas royalty owners was denied in April 2003. Plaintiffs were granted leave to file a Fourth Amended Petition, which narrows the proposed class to royalty owners in wells in Kansas, Wyoming and Colorado and removes claims as to heating content. A second class action petition has since been filed as to the heating content claim. Motions for class certification have been briefed and argued in both proceedings, and the parties are awaiting the court's ruling. Our costs and legal exposure related to these lawsuits and claims are not currently determinable.

In addition to the above matters, we are also 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 further information becomes available, or other relevant developments occur, we adjust our accrual amounts

accordingly. While there are still uncertainties related to the ultimate costs we may incur, based upon our evaluation and experience to date, we believe our current reserves are adequate. At June 30, 2005, we had less than \$1 million accrued for our 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. At June 30, 2005, we had accrued approximately \$25 million for expected remediation costs and associated onsite, offsite and groundwater technical studies and for related environmental legal costs. Our accrual was based on the most likely outcome that can be reasonably estimated. Below is a reconciliation of our accrued liability from January 1, 2005 to June 30, 2005 (in millions):

Balance at January 1, 2005.	\$27
Payments for remediation activities	<u>(2)</u>
Balance at June 30, 2005	<u>\$25</u>

For the remainder of 2005, we estimate that our total remediation expenditures will be approximately \$4 million, which primarily will be expended under government directed clean-up plans. In addition, we expect to make capital expenditures for environmental matters of approximately \$16 million in the aggregate for the years 2005 through 2009. These expenditures primarily relate to compliance with clean air regulations.

CERCLA Matters. We 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 one active site 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 sites through indemnification by third parties and settlements which provide for payment of our allocable share of remediation costs. As of June 30, 2005, we have estimated our share of the remediation costs at these sites to be approximately \$1 million. 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 estimating our liabilities. Accruals for these matters are included in the environmental reserve discussed above.

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 related to the ultimate costs we may incur, based upon our evaluation and experience to date, we believe our reserves are adequate.

Rates and Regulatory Matters

Selective Discounting Notice of Inquiry. In November 2004, the FERC issued a Notice of Inquiry seeking comments on its policy regarding selective discounting by natural gas pipelines. In May 2005, the FERC issued an order reaffirming its prior practice of permitting pipelines to adjust their ratemaking throughput downward in rate cases to reflect discounts given by pipelines for competitive reasons when the discount is given to meet competition from another natural gas pipeline.

While the outcome of our outstanding rates and regulatory matters cannot be predicted with certainty, based on current information, 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, which could have a material effect on our results of operations, our financial position, and our cash flows in the periods these events occur.

4. Investment in Unconsolidated Affiliate and Transactions with Affiliates

Investment in Unconsolidated Affiliate

Our investment in unconsolidated affiliate consists of our equity ownership interest in Great Lakes. Summarized income statement information of our proportionate share of the income of this investment for the periods ended June 30 is as follows:

	Quarters Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(In millions)			
Operating results data:				
Operating revenues	\$31	\$32	\$66	\$68
Operating expenses	13	13	28	26
Income from continuing operations and net income ⁽¹⁾ ..	10	11	21	24

⁽¹⁾ Our proportionate share of Great Lakes' net income includes our share of taxes recorded by Great Lakes. Our earnings from unconsolidated affiliate recognized in our income statements are presented before these taxes.

For the six months ended June 30, 2005 and 2004, we received approximately \$40 million and \$37 million in dividends from Great Lakes.

Transactions with Affiliates

Cash Management Program. We participate in El Paso's cash management program which matches short-term cash surpluses and needs of participating affiliates, thus minimizing total borrowings from outside sources. At June 30, 2005 and December 31, 2004, we had advanced to El Paso \$529 million and \$467 million. The interest rate was 4.3% at June 30, 2005 and 2.0% at December 31, 2004. This receivable is due upon demand; however, at June 30, 2005 and December 31, 2004, we have classified this receivable as non-current because we do not anticipate settlement within the next twelve months.

Taxes. We are a party to a tax accrual policy with El Paso whereby El Paso files U.S. and certain state tax returns on our behalf. In certain states, we file and pay directly to the state taxing authorities. We have income taxes payable of \$73 million at June 30, 2005 and \$36 million at December 31, 2004, which are included in taxes payable on our balance sheets. The majority of these balances will become payable to El Paso.

Other. At June 30, 2005 and December 31, 2004, we had payables to an affiliate of \$184 million and \$188 million, for obligations related to the relocation of our headquarters from Detroit, Michigan to Houston, Texas. At June 30, 2005 and December 31, 2004, \$8 million of these lease payments were classified as other current liabilities. These lease payments are due semi-annually.

The following table shows other balances with our affiliates:

	June 30, 2005	December 31, 2004
	(In millions)	
Contractual deposits	\$3	\$3
Other current liabilities	8	8

Affiliate Revenues and Expenses. We are allocated a portion of El Paso's general and administrative costs. The allocation is based on the estimated level of effort devoted to our operations and the relative size of our EBIT, gross property and payroll. We are also allocated costs from Tennessee Gas Pipeline Company associated with our shared pipeline services. The following table shows revenues and charges from our affiliates for the periods ended June 30:

	Quarters Ended June 30,		Six Months Ended June 30,	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	(In millions)			
Revenues from affiliates	\$ 1	\$ 3	\$ 2	\$ 6
Operations and maintenance expenses from affiliates	30	28	57	55
Reimbursements of operating expenses charged to affiliates	1	1	2	2

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 2004 Annual Report on Form 10-K, and the financial statements and notes presented in Item 1 of this Quarterly Report on Form 10-Q.

Results of Operations

Our management, as well as El Paso's management, uses earnings before interest expense and income taxes (EBIT) to assess the operating results and effectiveness of our business. We define EBIT as net income adjusted for (i) items that do not impact our income from continuing operations, (ii) income taxes and (iii) interest, which includes interest and debt expense and affiliated interest income. Our business consists of consolidated operations as well as an investment in an unconsolidated affiliate. We exclude interest from this measure so that our management can evaluate our operating results without regard to our financing methods. We believe the discussion of our results of operations based on EBIT is useful to our investors because it allows them to more effectively evaluate the operating performance of both our consolidated business and our unconsolidated investment using the same performance measure analyzed internally by our management. EBIT may not be comparable to measurements used by other companies. Additionally, EBIT should be considered in conjunction with net income and other performance measures such as operating income or operating cash flows.

The following is a reconciliation of EBIT to net income for the periods ended June 30:

	Quarter Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(In millions, except volume amounts)			
Operating revenues	\$ 119	\$ 103	\$ 303	\$ 241
Operating expenses	(72)	(72)	(154)	(146)
Operating income	47	31	149	95
Earnings from unconsolidated affiliate	14	16	31	36
Other income, net	2	—	2	—
Other	16	16	33	36
EBIT	63	47	182	131
Interest and debt expense	(17)	(17)	(35)	(35)
Affiliated interest income, net	5	2	8	4
Income taxes	(19)	(12)	(57)	(37)
Net income	<u>\$ 32</u>	<u>\$ 20</u>	<u>\$ 98</u>	<u>\$ 63</u>
Throughput volumes (BBtu/d) ⁽¹⁾	<u>4,826</u>	<u>4,934</u>	<u>5,494</u>	<u>5,506</u>

⁽¹⁾ Throughput volumes include billable transportation throughput volumes for storage withdrawal and volumes associated with our proportionate share of our 50 percent equity investment in Great Lakes L.P.

The following items contributed to our overall EBIT increase of \$16 million and \$51 million for the quarter and six months ended June 30, 2005 as compared to the same periods in 2004:

	Quarter Ended June 30,				Six Months Ended June 30,			
	Revenue	Expense	Other	EBIT Impact Favorable/(Unfavorable) (In millions)	Revenue	Expense	Other	EBIT Impact
Contract restructuring/settlements	\$12	\$—	\$ 1	\$13	\$41	\$—	\$ 1	\$42
Gas not used in operations and other natural gas sales	—	—	—	—	17	(6)	—	11
Higher benefits and allocation of overhead and shared services costs . .	—	(5)	—	(5)	—	(9)	—	(9)
Earnings from our equity investment in Great Lakes L.P.	—	—	(1)	(1)	—	—	(4)	(4)
Other ⁽¹⁾	4	5	—	9	4	7	—	11
Total impact on EBIT	<u>\$16</u>	<u>\$—</u>	<u>\$—</u>	<u>\$16</u>	<u>\$62</u>	<u>\$(8)</u>	<u>\$(3)</u>	<u>\$51</u>

⁽¹⁾ Consists of individual insignificant items.

The following provides further discussions of some of the significant items listed above as well as events that may affect our operations in the future.

Contract Restructuring/Settlements. In March 2005, we completed the restructuring of our transportation contracts with a shipper on our Southwest and Southeast Legs as well as a related gathering contract. As a result of this restructuring, we recognized \$29 million of revenues in the first quarter of 2005. In the second quarter of 2005, we received a settlement of two transportation agreements previously rejected in the bankruptcy of USGen New England, Inc., which increased our EBIT by approximately \$15 million. Our settlement with USGen will not have an ongoing impact on our future results of operations.

Gas Not Used in Operations and Other Natural Gas Sales. The financial impact of operational gas, net of gas used in operations, is based on the amount of natural gas we are allowed to recover and dispose of, relative to the amounts of natural gas we use for operating purposes and the price of natural gas. Gas not needed for operations results in revenues to us, which are driven by volumes and prices during a given period and are influenced by factors such as adjustments in fuel rates, system throughput, facility enhancements and the ability to operate the systems in the most efficient and safe manner. In addition, we anticipate that recoveries of gas not used in our operations will be significantly impacted by a FERC directive to implement a fuel tracker with a true-up mechanism that will mitigate our risk for under-recovery of gas needed for operations while limiting our recovery of gas not used in operations.

During the first quarter of 2005, the sales of higher volumes of natural gas made available by our storage realignment project resulted in a favorable impact to our operating results as of June 30, 2005. See our 2004 Annual Report on Form 10-K for a further discussion of our storage realignment project.

Allocated Costs. We are allocated a portion of El Paso's general and administrative costs. The allocation is based on the estimated level of effort devoted to our operations and the relative size of our EBIT, gross property and payroll. We are also allocated costs from Tennessee Gas Pipeline Company associated with our shared pipeline services. During the quarter and six months ended June 30, 2005, we were allocated higher costs than the same periods in 2004, primarily due to an increase in El Paso's benefits accrued under its retirement plan and higher legal, insurance and professional fees. In addition, we were allocated a larger percentage of El Paso's total corporate costs due to the significance of our asset base and earnings to the overall El Paso asset base and earnings.

Expansions. In July 2004, the FERC granted certificate authorization for our proposed EastLeg project. The EastLeg project will add 142 MMcf/d of capacity along our mainline lateral systems in Wisconsin. The anticipated in-service date of the project is November 2005. The expansion is currently expected to increase our revenues by an estimated \$2 million in 2005 and an estimated \$8 million annually thereafter.

In June 2004, the FERC granted certificate authorization for our proposed NorthLeg project. The NorthLeg project will add 110 MMcf/d of capacity and 6,000 horsepower of electric powered compression at our Weyauwega Compressor station in Waupaca County, Wisconsin. The anticipated in-service date of the project is November 2005. This expansion was designed and is being built in order to improve our operational capabilities and we do not expect a material increase in our revenues as a result of this expansion.

Accounting for Pipeline Integrity Costs. In June 2005, the FERC issued an accounting release that will impact certain costs we incur related to our pipeline integrity programs. This release will require us to expense certain pipeline integrity costs incurred after January 1, 2006 instead of capitalizing them as part of our property, plant and equipment. Although we continue to evaluate the impact that this accounting release will have on our consolidated financial statements, we currently estimate that we would be required to expense an additional amount of pipeline integrity costs under the release in the range of approximately \$3 million to \$8 million annually.

Affiliated Interest Income, Net

Second Quarter 2005 Compared to Second Quarter 2004

Affiliated interest income, net for the quarter ended June 30, 2005, was \$3 million higher than the same period in 2004. The average advance balance due from El Paso of \$428 million for the second quarter of 2004 increased to \$553 million in 2005. In addition, the average short-term interest rates for the second quarter increased from 2.3% in 2004 to 4.0% in 2005.

Six Months Ended 2005 Compared to Six Months Ended 2004

Affiliated interest income, net for the six months ended June 30, 2005, was \$4 million higher than the same period in 2004. The average advance balance due from El Paso of \$390 million for the six months of 2004 increased to \$517 million in 2005. In addition, the average short-term interest rates increased from 2.5% in 2004 to 3.5% in 2005.

Income Taxes

	Quarter Ended June 30,		Six Months Ended June 30,	
	2005	2004	2005	2004
	(In millions except for rates)			
Income taxes	\$19	\$12	\$57	\$37
Effective tax rate	37%	38%	37%	37%

Our effective tax rates were different than the statutory rate of 35 percent in all periods, primarily due to the effect of state income taxes.

Liquidity

Our liquidity needs have historically been provided by cash flows from operating activities and the use of El Paso's cash management program. Under El Paso's cash management program, depending on whether we have short-term cash surpluses or requirements, we either provide cash to El Paso or El Paso provides cash to us. We have historically provided cash advances to El Paso, and we reflect these advances as investing activities in our statement of cash flows. At June 30, 2005, we had a cash advance receivable from El Paso of \$529 million as a result of this program. This receivable is due upon demand; however, we do not anticipate settlement within the next twelve months. At June 30, 2005, this receivable was classified as a non-current note receivable from affiliate on our balance sheet. In addition to El Paso's cash management program, we are also eligible to borrow amounts available under El Paso's \$3 billion credit agreement, under which we are pledged as collateral. We believe that cash flows from operating activities and amounts available under El Paso's cash management program, if necessary, will be adequate to meet our short-term capital and debt service requirements for our existing operations.

Capital Expenditures

Our capital expenditures for the six months ended June 30, 2005 were approximately \$28 million. We expect to spend \$112 million for the remainder of 2005 for capital expenditures, consisting of \$46 million to expand the capacity on our system and \$66 million for maintenance capital. We expect to fund our maintenance and expansion capital expenditures through internally generated funds and/or by recovering some of the amounts advanced to El Paso under its cash management program, if necessary.

Commitments and Contingencies

See Item 1, Financial Statements, Note 3, which is incorporated herein by reference.

CAUTIONARY STATEMENTS 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.

With this in mind, you should consider the risks discussed elsewhere in this Report and other documents we file with the Securities and Exchange Commission from time to time.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Omitted from this Report pursuant to the reduced disclosure format permitted by General Instruction H to Form 10-Q.

Item 4. Controls and Procedures

Material Weakness Previously Disclosed

As discussed in our 2004 Annual Report on Form 10-K, we did not maintain effective controls as of December 31, 2004, over access to financial application programs and data in certain information technology environments. The remedial actions implemented in 2005 related to this material weakness are described below.

Evaluation of Disclosure Controls and Procedures

As of June 30, 2005, we carried out an evaluation under the supervision and with the participation of our management, including our President and our Chief Financial Officer (CFO), as to the effectiveness, design and operation of our disclosure controls and procedures (pursuant to Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)). As discussed below, we have made various changes in our internal controls which we believe remediate the material weakness previously identified by the company. We are relying on those changes in internal controls as an integral part of our disclosure controls and procedures. Based upon the results of the evaluation of our disclosure controls and procedures and based upon our reliance on these revised internal controls, management, including our President and CFO, concluded that our disclosure controls and procedures were effective as of June 30, 2005.

Changes in Internal Control Over Financial Reporting

During the first quarter of 2005, we implemented the following changes in our internal control over financial reporting:

- Implemented automated and manual controls for our primary financial system to monitor unauthorized password changes; and
- Developed a segregation of duties matrix for our primary financial system that documents existing role assignments.

During the second quarter of 2005, we implemented the following changes in our internal control over financial reporting:

- Performed an in-depth analysis of the company's primary financial accounting system to examine existing functional access to identify any potentially incompatible duties.
- Enhanced the segregation of duties matrix for our primary financial accounting system based on the in-depth analysis of user access.
- Modified the primary financial accounting system to eliminate or modify potentially conflicting functionality.
- Implemented a process to evaluate all new user access requests against segregation of duties matrices to ensure no new conflicts are created for our applications described above.
- Separated security administration rights from system update capabilities for our applications described above.
- Implemented monitoring procedures to monitor activities of security administration roles for our applications described above.

We believe that the changes in our internal controls described above have remediated the material weakness. Our testing and evaluation of the operating effectiveness and sustainability of the changes in internal controls has not been completed at this time. As a result, we may identify additional changes that are required to remediate or improve our internal controls over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

See Part I, Item 1, Financial Statements, Note 3, which is incorporated herein by reference.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Omitted from this Report pursuant to the reduced disclosure format permitted by General Instruction H to Form 10-Q.

Item 3. Defaults Upon Senior Securities

Omitted from this Report pursuant to the reduced disclosure format permitted by General Instruction H to Form 10-Q.

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

Omitted from this Report pursuant to the reduced disclosure format permitted by General Instruction H to Form 10-Q.

Item 5. Other Information

None.

Item 6. 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 “*”. Exhibits designated by “***” are furnished with this filing pursuant to Item 601(b)(32) of Regulation S-K. All exhibits not so designated are incorporated herein by reference to a prior filing as indicated.

<u>Exhibit Number</u>	<u>Description</u>
*31.A	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.B	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
**32.A	Certification of Principal Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**32.B	Certification of Chief Financial Officer pursuant to Section 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 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.

SIGNATURES

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

ANR PIPELINE COMPANY

Date: August 5, 2005

/s/ STEPHEN C. BEASLEY

Stephen C. Beasley
Chairman of the Board and President
(Principal Executive Officer)

Date: August 5, 2005

/s/ GREG G. GRUBER

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