



ACC Winter Preparedness Meeting

El Paso Natural Gas Company

September 29, 2008



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ACC Winter Preparedness Meeting

^ Agenda

- Opening Remarks and Introductions
 - Catherine (“Cass”) Palazzari, Vice President of Rates, Regulatory Affairs and Strategy
- Winter Operations
 - Bud Wilcox, Director of Gas Control
- Storage Projects and EPNG Rate Case
 - Cass Palazzari



Bud Wilcox
Director, Gas Control
El Paso Western Pipelines

Agenda

⤴ System Review

- Reliability due to structure and supply diversity
- Throughput trends

⤴ Safety and Reliability Commitment

- Emergency Response
- Pipeline Integrity Program

⤴ Maintenance Planning

⤴ EPNG/Transwestern Dual Customer Connections

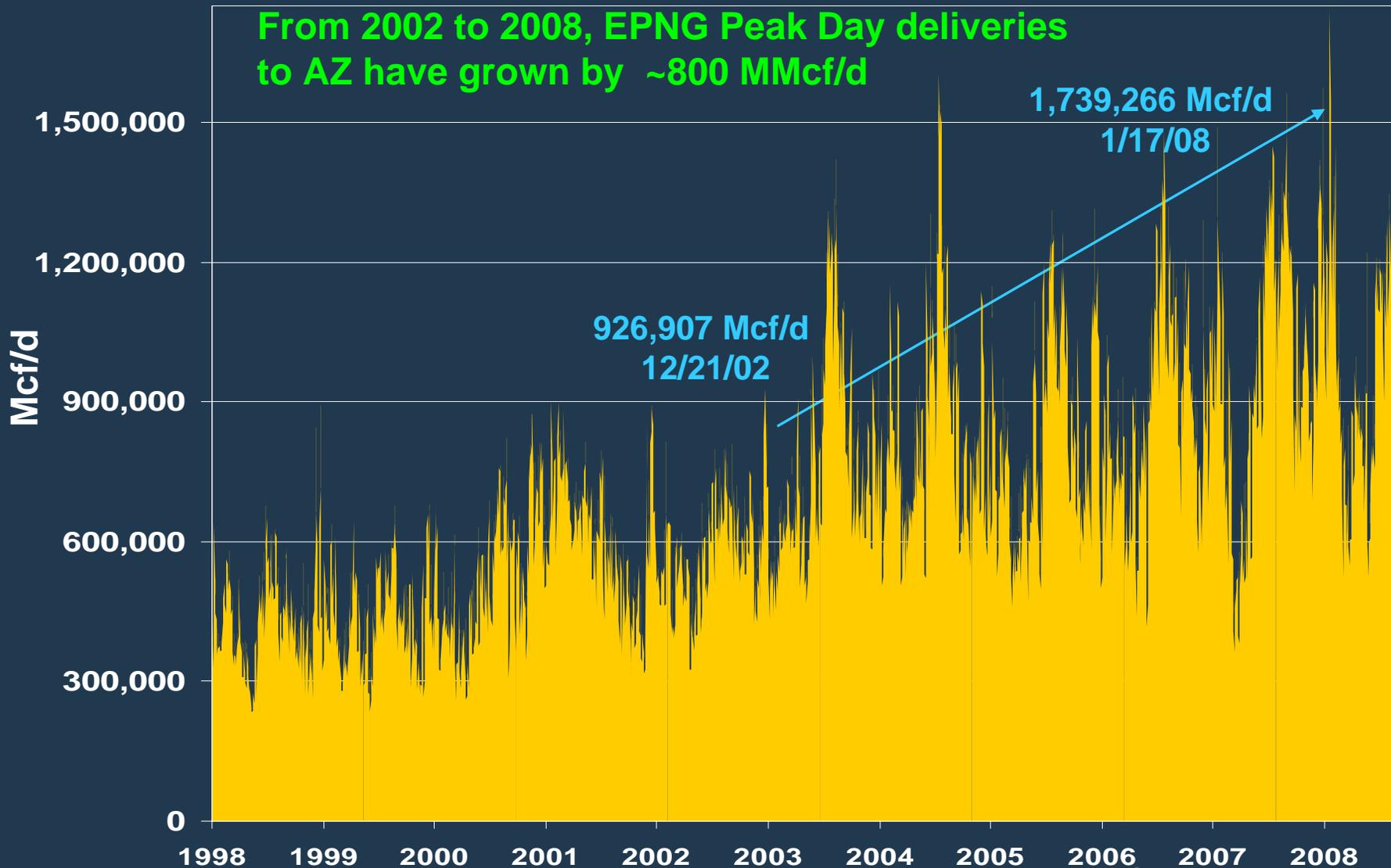
⤴ Information enhancements

Multiple Feeds to Arizona



EPNG Daily Deliveries to AZ

From 2002 to 2008, EPNG Peak Day deliveries to AZ have grown by ~800 MMcf/d



Throughput Trend

Pipeline Segments and Locations



Commitment to Safety & Reliability

- ⤴ Monitor our assets 24/7
- ⤴ Monthly flyovers
- ⤴ Local employees
- ⤴ Ongoing system maintenance
 - Routine maintenance
 - Pipeline Integrity Program

Emergency Response

- ▲ EPNG operates under the Incident Command System (ICS)
 - Model tool adopted by government agencies
 - Flexible System designed to handle all types of Emergencies
 - Establishes procedures with Public Emergency Responders
 - We work closely with local, county and state responders as well as informing public officials
- ▲ Unplanned outages are often due to third-party damage
- ▲ EPNG takes steps to speed up response time
 - Pre-tested pipe in stock
 - Access to repair crews on short notice

Safety and Reliability

System Improvements

▲ Encroachments

- \$7 to \$10 MM for class location changes each year
- Blue Stake calls
 - 3400 +/- Albuquerque Division
 - 50,000 +/- Tucson Division

▲ Pipeline Integrity Program

- By 2010
 - All Lines 6" and larger will be piggable with initial inspections completed
- On-going inspections, maintenance, and renovation work

PIP & Renovation

▲ PIP (Pipeline Integrity Program) Status

→ Total system miles in the program

- Approximately 6600 miles

→ 2007

- 24 segments; approximately 598 miles
- 70% of total system miles inspected

→ 2008 (Projected)

- 27 segments; approximately 677 miles
- 78% of total system miles to be inspected by year end

Maintenance Planning

^ Maintenance

- Coordinated with customers
- Scheduled to avoid peak use periods and to minimize impacts on available capacity
 - Winter LDC loads
 - Summer power plant loads

^ 12 Month Maintenance Schedule posted on the web page

^ Monthly schedules posted by the 20th for next month and updated as needed

Winter Maintenance Schedule

Pipeline Facilities – Major Projects

Line 1204 – Class Location Upgrade

Nov 4 – 5

Impact 460 MMcf/d

Nov 6 – 11

Impact 89 MMcf/d

SAN JUAN

ANADARKO

North Mainlines

Permian – San Juan Crossover

Anomaly Repair
Jan 20 – 30
Impact 95 MMcf/d

Maricopa Line

Picacho Tie In - Line 1600
Nov 11 – 12
Impact 300 MMcf/d

Phoenix

Plains Station

Washington Ranch

Waha

PERMIAN

Topock

Line 1903

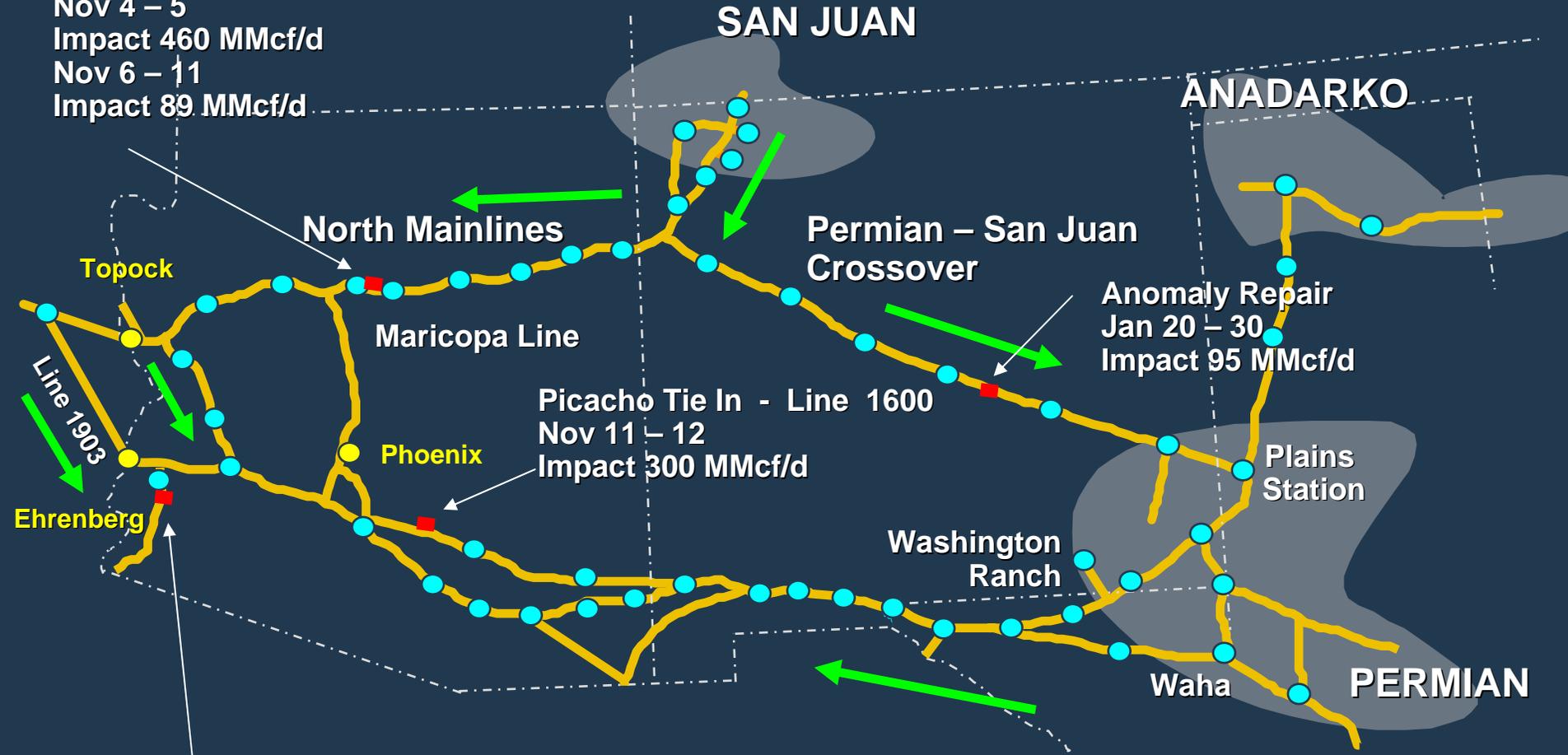
Ehrenberg

Replace valve - Yuma Lateral

Nov 1

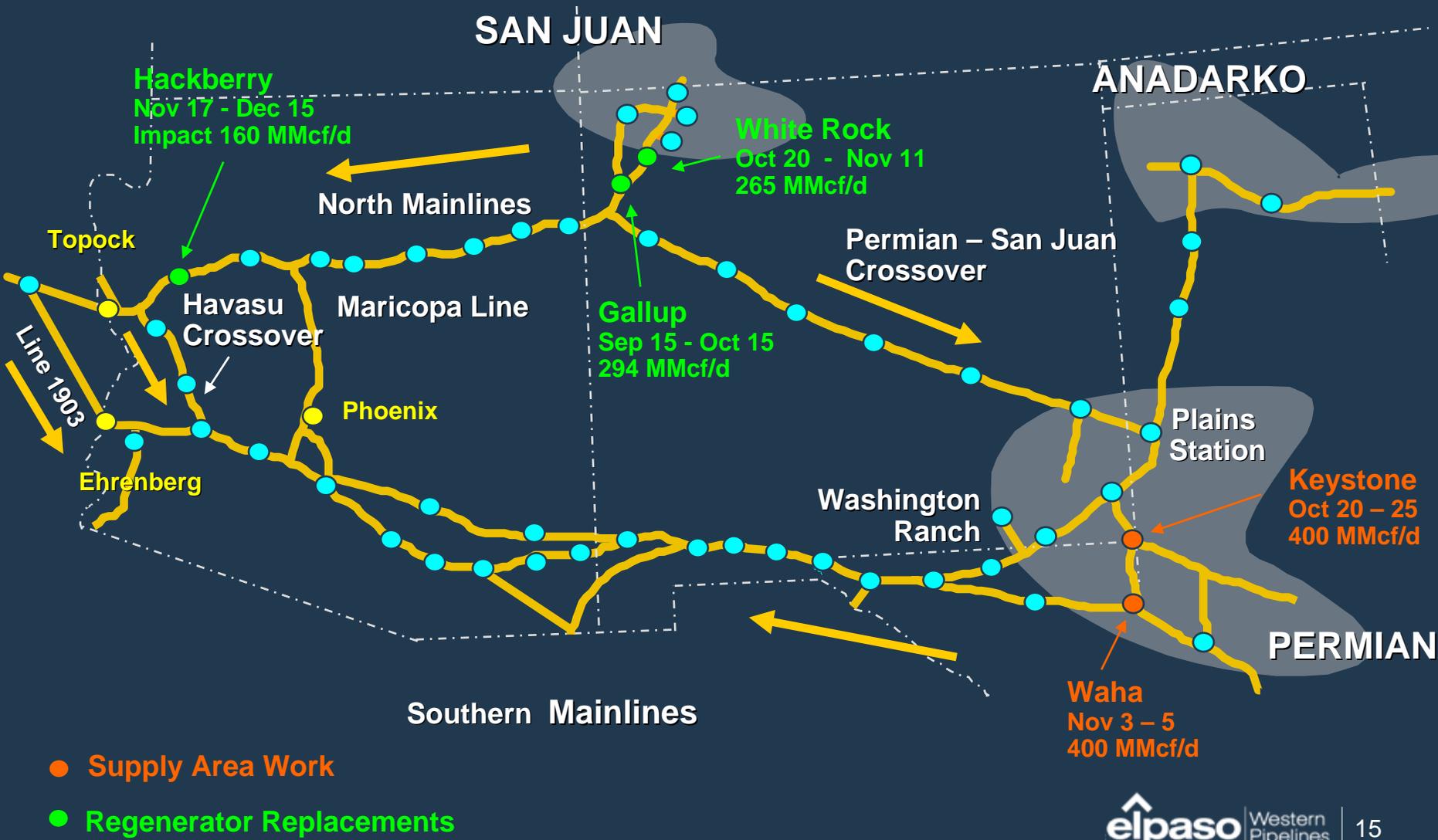
Impact 40 MMcf/d

Southern Mainlines



Winter Maintenance Schedule

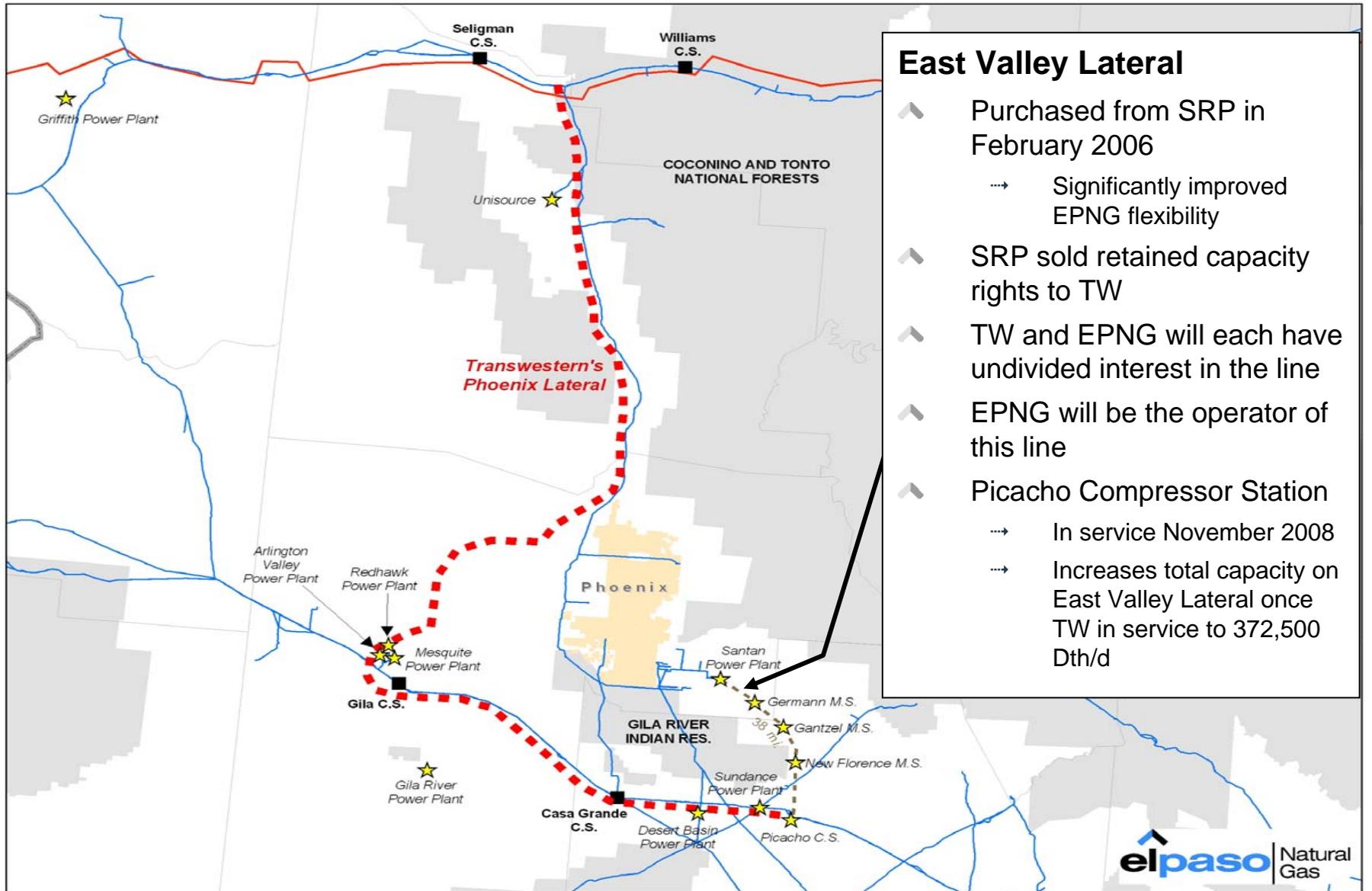
Compression Facilities – Major Projects



EPNG/Transwestern Connections

- ▲ Phoenix Lateral Tie-Ins
- ▲ Delivery method collaboration
 - 3 - Way coordination meetings
 - Delivery point operator preference
 - LDC's and Power Plants
 - ▲ Flow control
 - ▲ Pressure control
 - East Valley Lateral meters are shared between pipelines

EPNG/Transwestern Connections



Information Enhancements

Collaborative Efforts with Customers

- ▲ Customer-prioritized enhancements, e.g.,
 - Improvements to the scheduling process to maximize supply match-ups
 - Streamlined process for nominating flow day diversions
 - Enhanced ability to preserve hourly rights if flowing gas is reduced
 - Quarterly concalls to review progress and set new priorities
- ▲ Improved access to operational information, e.g.,
 - Critical condition probabilities posted and emailed as system conditions change
 - New home page with “info at a glance” (next slide)

New Home Page




Home Pages ▾
Informational Postings ▾
Customer Information ▾
Contact Us
Log In

Notices

OFO/Underperformance (4)
[Sep 21 SOC Probability Change to Normal Pack Condition \(7262\)](#)
[Sep 20 SOC Probability Change to Moderate Draft Condition \(7261\)](#)
 Page: **[1]** 2

Maintenance (4)
[Sep 22 Updated Notice of September 2008 Maintenance \(7269\)](#)
[Sep 21 Preliminary Notice of October 2008 Maintenance \(72\)](#)
 Page: **[1]** 2

Capacity Constraints/FMJ (0)

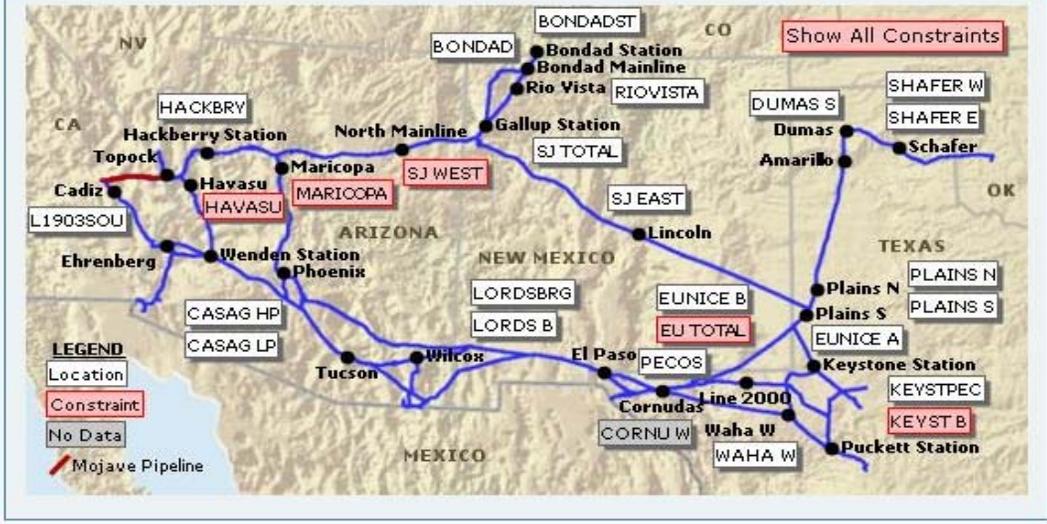
Other (4)
[Sep 23 EPNG Implementing Cutover to New Data System \(7273\)](#)
[Sep 23 Discretionary Action \(7272\)](#)
 Page: **[1]** 2

Open Seasons
 No open seasons

All Notices

System Constraints (mouse over the map hotspots to view data)

Current Gas Day
Tomorrow's Gas Day



LEGEND
Location
Constraint
No Data
/ Mojave Pipeline

On Call Assistance

- ☒ Scheduling Hotline (800) 238-3764
- ☒ Customer Service Hotline (877) 520-3797
- Technical Help Desk (800) 327-8328

Scheduling Cycle Status (view the timeline)

ID 1 - Sep 23	
Timely - Sep 24	
ID 2 - Sep 23	
Evening - Sep 24	
Late 5 - Sep 23	

Weather Forecast (data from weather.gov)

Albuquerque	Sep 23: 86/51 °F	Decreasing Clouds
	Sep 24: 84/51 °F	Partly Cloudy
El Paso	Sep 23: 87/63 °F	Mostly Sunny
	Sep 24: 88/61 °F	Mostly Sunny
Houston	Sep 23: 89/71 °F	Partly Cloudy

Conclusion

^ Reliability

- > Supply diversity
- > Diversity of pipeline assets
- > Prompt response to outages
- > Planned maintenance
- > System enhancements

^ Safety Commitment

- > Our facilities
- > Communities around us

^ Information Enhancements



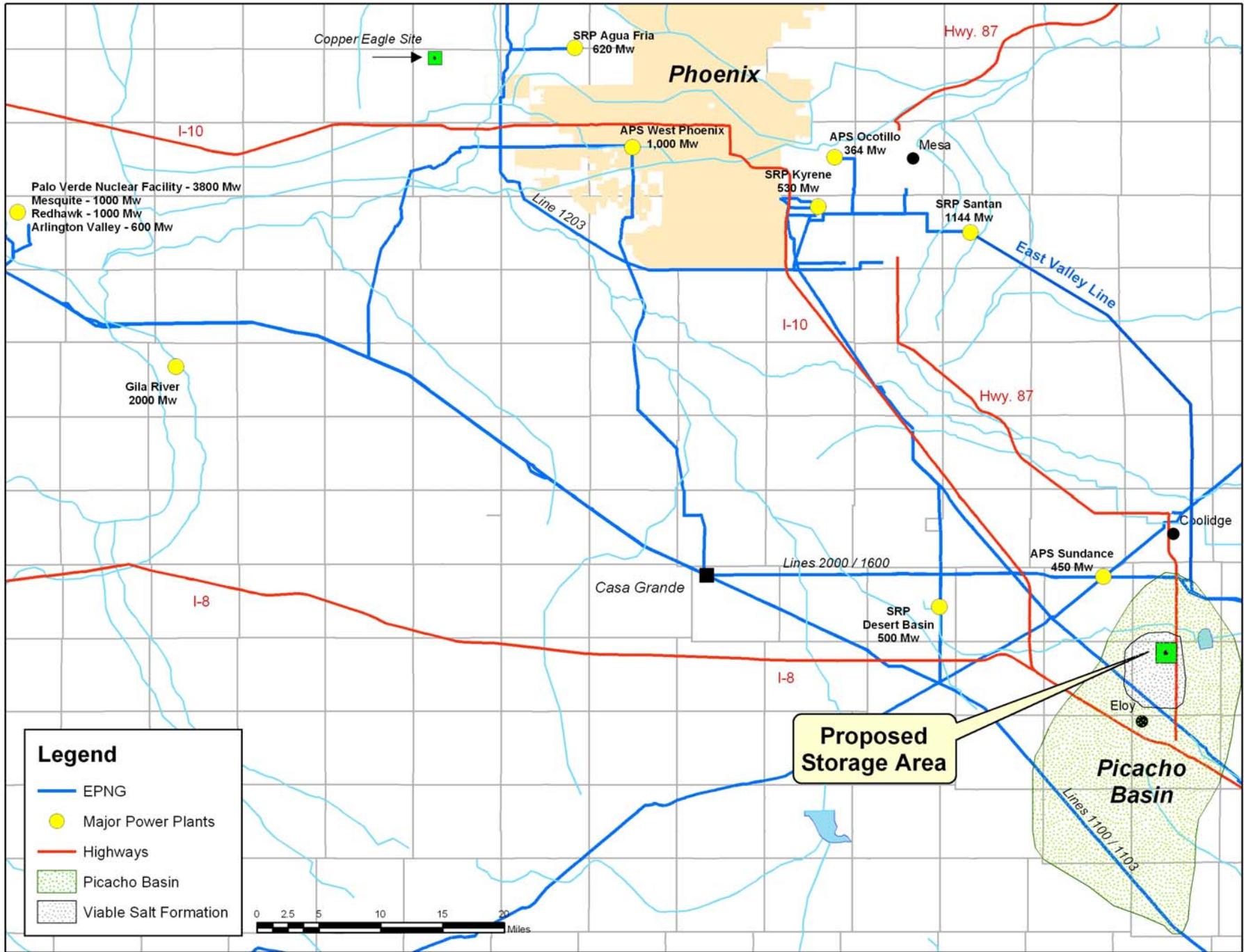
Cass Palazzari
Vice President
El Paso Western Pipelines

Gas Storage Update



Arizona Gas Storage Project Description

- ⤴ Developer: El Paso Natural Gas (EPNG)
- ⤴ Underground natural gas storage facility near Eloy, Arizona
- ⤴ Storage caverns to be created within the Lower Picacho salt bed located from 3,800' to 4,500' below ground surface
- ⤴ Initial four cavern design with a minimum working inventory of 2.0 Bcf
- ⤴ 400 MMcf/d withdrawal deliverability
- ⤴ 200 MMcf/d injection capability
- ⤴ State of the art safety systems
- ⤴ Proposed In Service date: Q2 2012
- ⤴ Staged installation of three 6,000 HP compressors
- ⤴ Approximately 10 miles of 30" to connect to EPNG's existing transmission lines



Washington Ranch Storage Project Description

- ⤴ Expansion of current field injection and withdrawal capabilities
 - Additional wells and storage system improvements
 - Additional base gas investment to improve deliverability
- ⤴ Approximately 150 MMcf/d withdrawal deliverability
- ⤴ Approximately 70 (firm) to 140 MMcf/d (as available) injection capability
- ⤴ Approximately 10 Bcf working gas inventory
- ⤴ Proposed in-service date: Approximately mid-2011

Washington Ranch Expansion Project



2009 EPNG General Rate Case



Overview

▲ Balanced Approach

- Adequate Cost Recovery including reflection of investment to assure reliability and flexibility
- Service Options/Enhancements
- Modest & Consistent Penalty Levels
- Pipeline Integrity Assurance

Moderate Rate Increase

- ▲ Primarily Result of Capital Costs
 - Maintenance and PIP (\$132M)
 - Other Flexibility and Reliability Projects (\$81M - Picacho Compressor, East Valley Lateral, Eunice Compressor Replacement)
- ▲ Arizona basic FT-1 rate increasing by 23% with management adjustment (0.4148¢ per day)

Arizona Rate Comparison

	2008 <u>100% LF Rates*</u>	1/1/09 <u>100% LF Rates**</u>
FT-1	\$ 0.3368	\$ 0.4148
FTH-3	\$ 0.3590	\$ 0.4486
FTH-12	\$ 0.3737	\$ 0.4710
FTH-16	\$ 0.3921	\$ 0.4991
FTH-8	\$ 0.5578	\$ 0.7518

* PIP surcharge included

** Proposed rates based on management adjustment

Service Issues



Service Issues

Overview

^ Limited Service Changes

→ Service Enhancements

→ Modest Penalty Levels

→ Clarification of Contracting Practices

Service Issues

^ Service Enhancements

- Additional flexibility to alternate points
- No-notice improvements
- Parking and Lending Services now available to California pools

Service Issues

Modest Penalty Levels

- ⤴ Penalty experience over last three years has not been a major issue
- ⤴ Modest Penalty Rates
 - Neither too low nor too high
 - Harmonize penalty levels
 - Critical Penalty Rate
 - Lowered from 10 times rate to 2 times rate
 - Higher of Daily Spot or Monthly Cashout Price
 - Comparable to other Arizona pipelines
- ⤴ Tiering Structure
 - Penalty is 1.5, 2, or 2.5 times the penalty rate to recognize those closer to being in balance
- ⤴ Trial period to eliminate other non-critical penalties

Service Issues

⤴ Clarification of Contracting Practices

- Removal of transitional RP05-422 Settlement provisions
 - Shoulder-month TCD adjustments
 - Grandfathered sculpted quantities
 - Grandfathered pressure commitments
- No change to rights/obligations of existing contracts

Operations & Pipeline Integrity

▲ Flow Control

- EPNG recognizes this is a concern of Arizona Shippers and we are trying to work through and resolve any concerns
- Removes current flow control provisions allowing EPNG to demand payment from operator
- Replaced with a generally applicable provision
- Puts EPNG on same footing as other Arizona pipelines
- Uses exact language approved for other national pipelines
- All related processes will be clearly detailed on EBB
- EPNG has flow control at almost all interstate pipeline interconnects.

Summary

▲ Moderate Rate Levels and Tariff Proposals

- Rates reflect infrastructure investment
- Increased flexibility with service enhancements
- Modest penalty rates
- Pipeline integrity assurance
- Consistent service rights/obligations
- Responsive to customers and market area conditions

Gas Quality – Winter 2008/2009



Gas Quality

- ⤴ Traditional Supply Sources
- ⤴ No California Receipts Expected
- ⤴ No LNG Expected

Questions?





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