

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

In Reply Refer To:
OED/DRA
Docket No. FA02-36-000
and IN02-6-000
February 26, 2003

El Paso Corporation
Attention: Mr. Dwight Scott
Executive Vice President
& Chief Financial Officer
1001 Louisiana Street
Houston, TX 77002

Your press release of February 25, 2003 states that El Paso Corporation (El Paso) plans to sell natural gas assets to Chesapeake Energy, obtain new financing to retire its Trinity River preferred interest and sell its European trading hook. Additionally, its FERC-jurisdictional subsidiaries, Southern Natural Gas (SNG) and ANR Pipeline (ANR) would commence issuing \$700 million in notes within a week.

In light of recent events in the industry and the Enron bankruptcy, the Commission became concerned over the financial control exerted by parent companies over the assets of their FERC-jurisdictional subsidiary companies, and the effect this could have on the rates paid by customers. The Chief Accountant initiated a review of transactions between parent companies and their FERC-jurisdictional subsidiaries. The review revealed that certain companies had significant cash transactions between affiliated companies and limited controls. The Commission is concerned about how these transactions affect FERC-jurisdictional entities, and especially what their impact could be on customers.

The Commission is interested in learning details of the transactions mentioned in the first paragraph of this letter. Specifically, what natural gas assets are being sold to Chesapeake Energy, how will El Paso use the proceeds from SNG and ANR's issuance of \$700 million in notes, and will these notes be included in SNG and ANR's capital structure for rate-setting purposes. The Commission requests that El Paso provide details of the transactions.

Your response is requested by March 12, 2003. If there are any questions, please contact Mr. Dwight Siddell at (202) 502-8977.

Sincerely,

John M. Delaware
Deputy Executive Director
and Chief Accountant
Office of the Executive Director