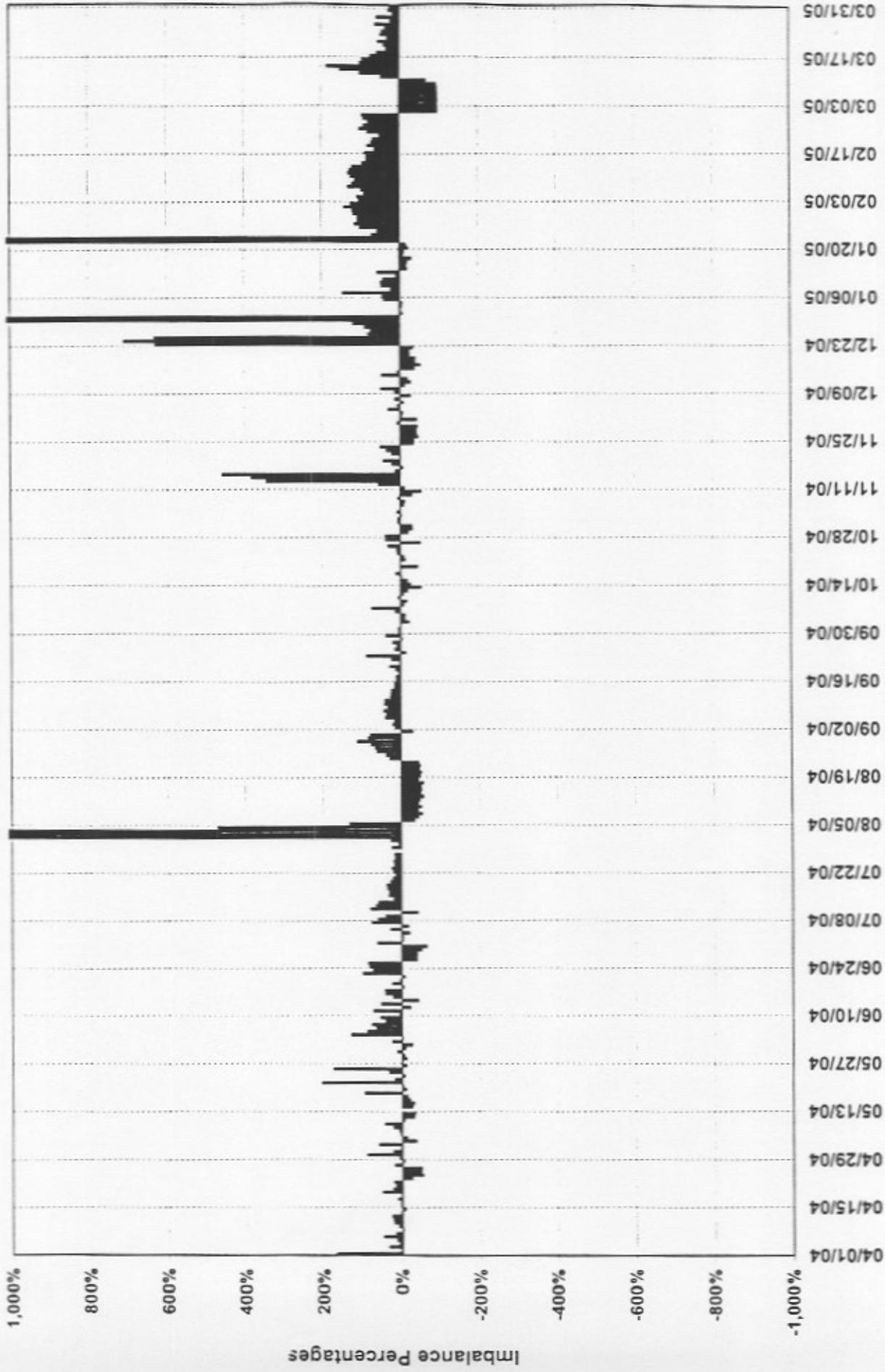
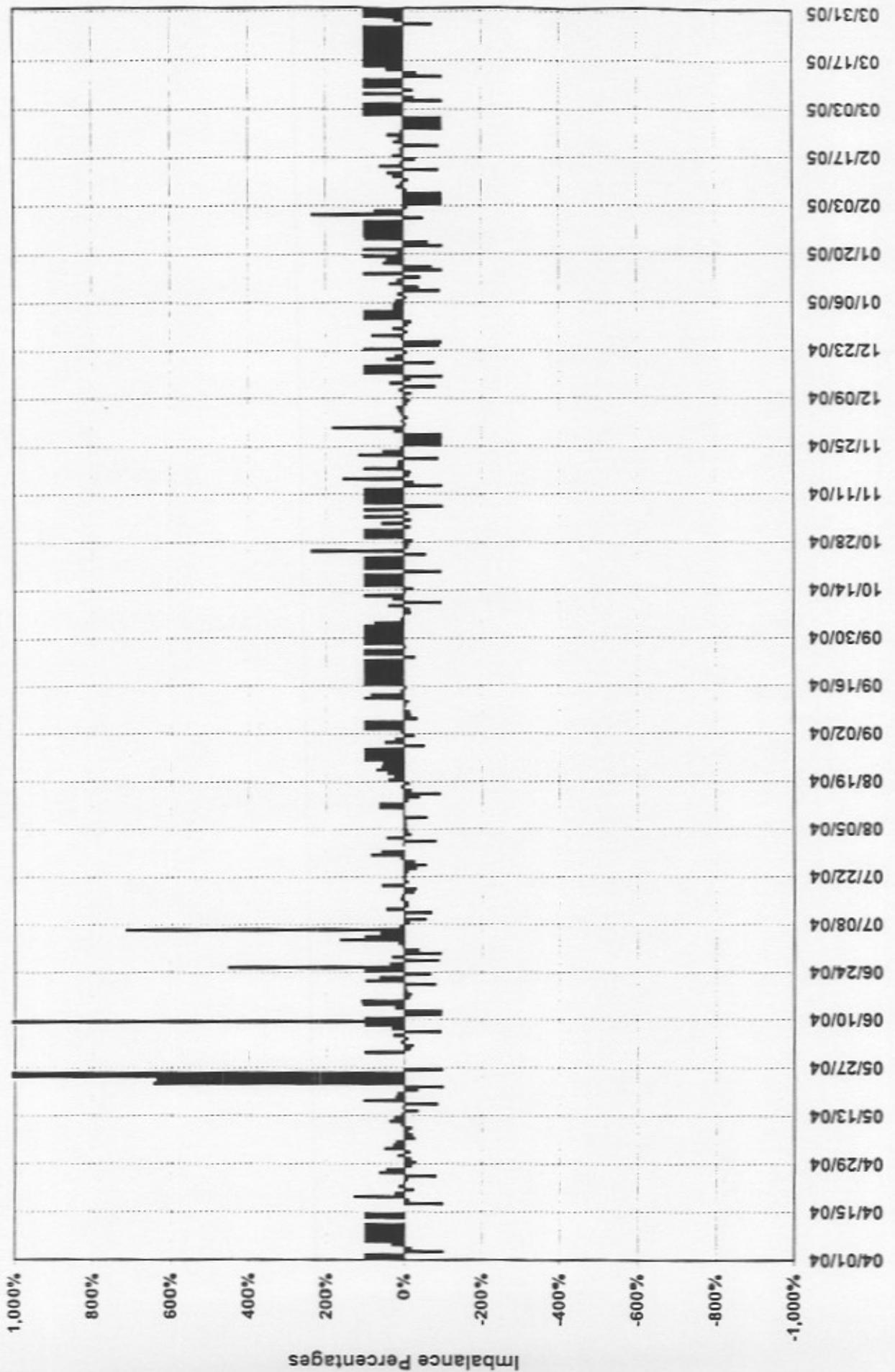


ASARCO Incorporated  
Daily Delivery Imbalance Analysis  
April 2004 through March 2005



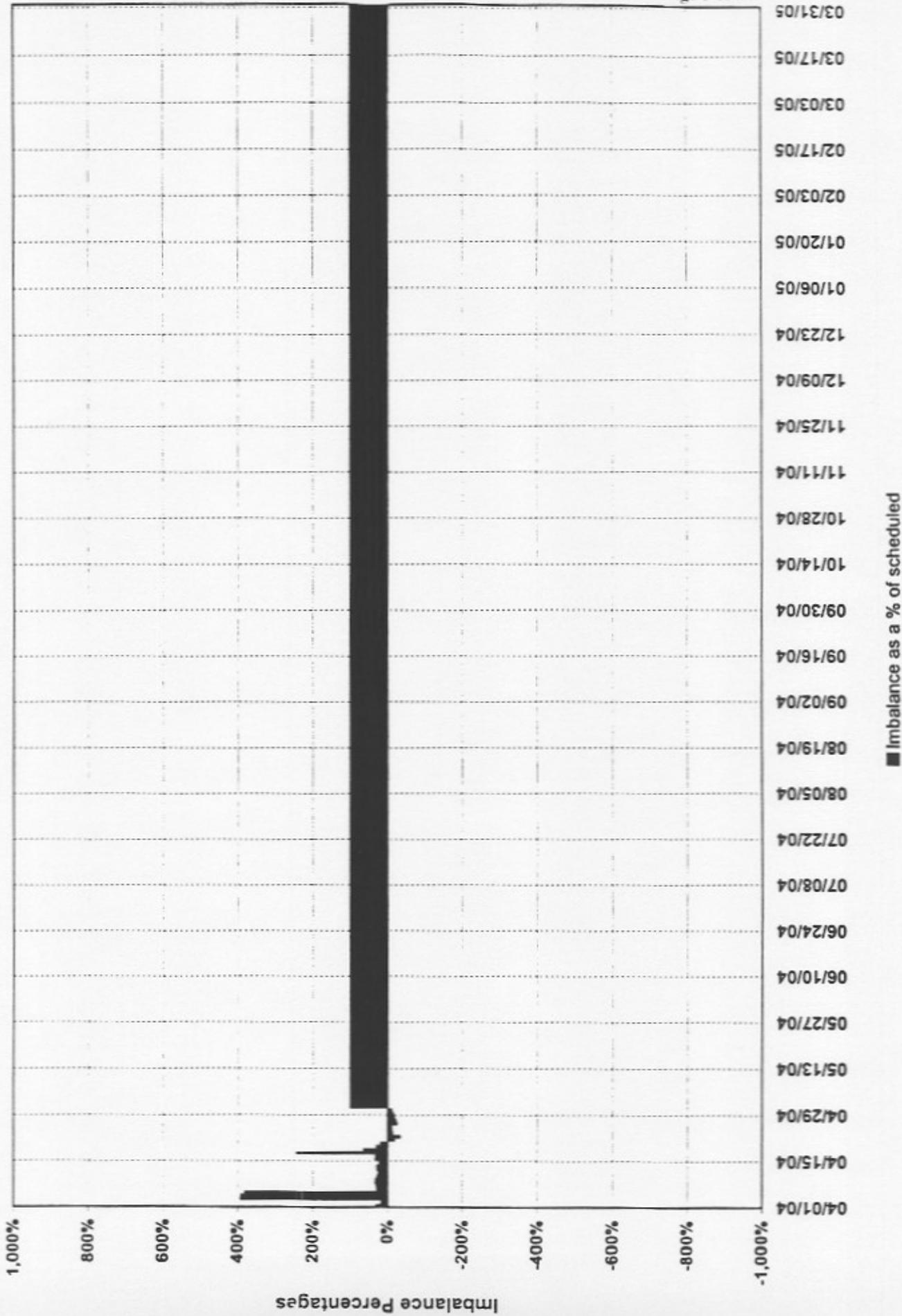
Duke Energy Arlington Valley, L.L.C.  
Daily Delivery Imbalance Analysis  
April 2004 through March 2005



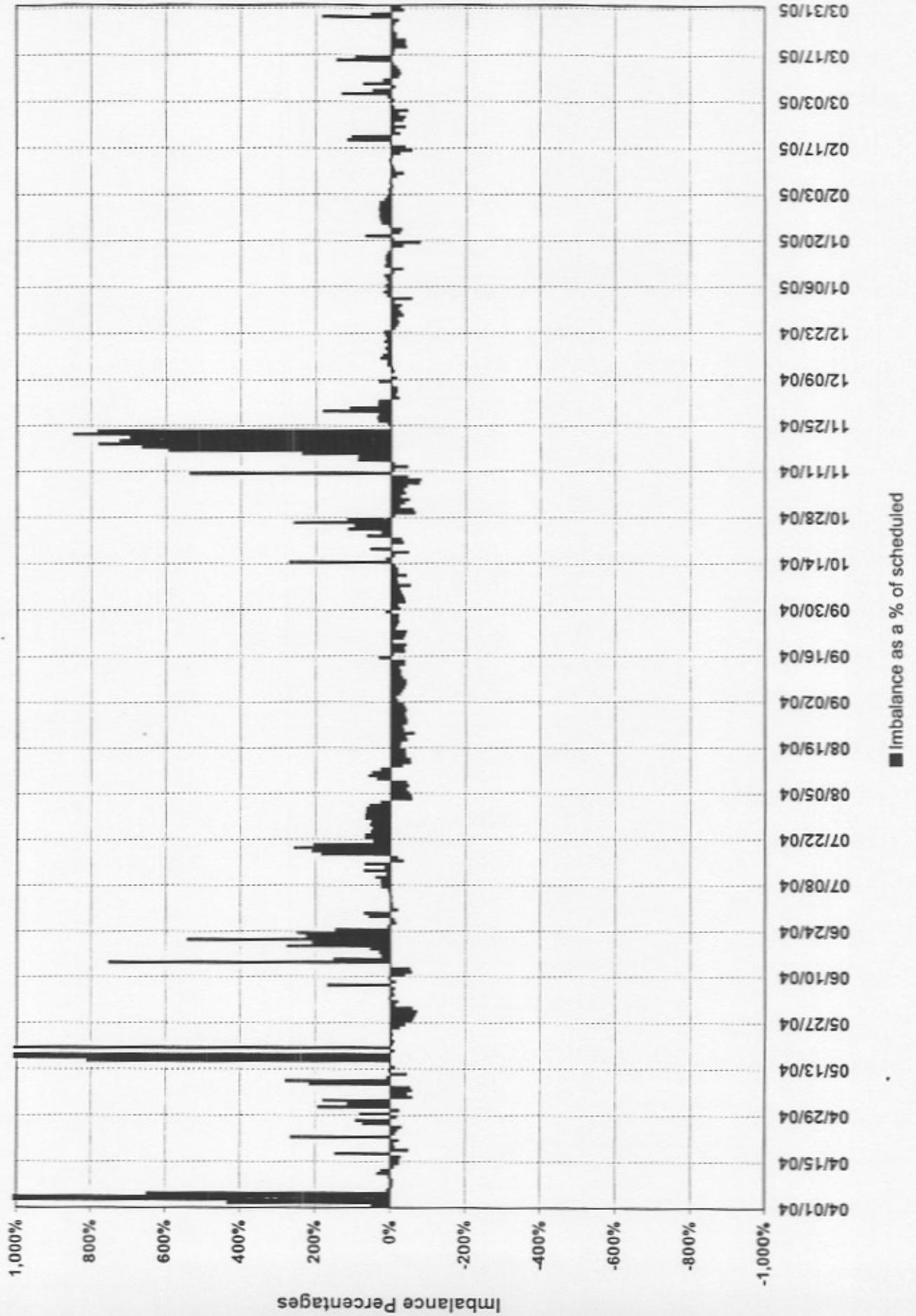
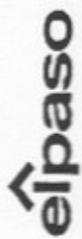
■ Imbalance as a % of scheduled



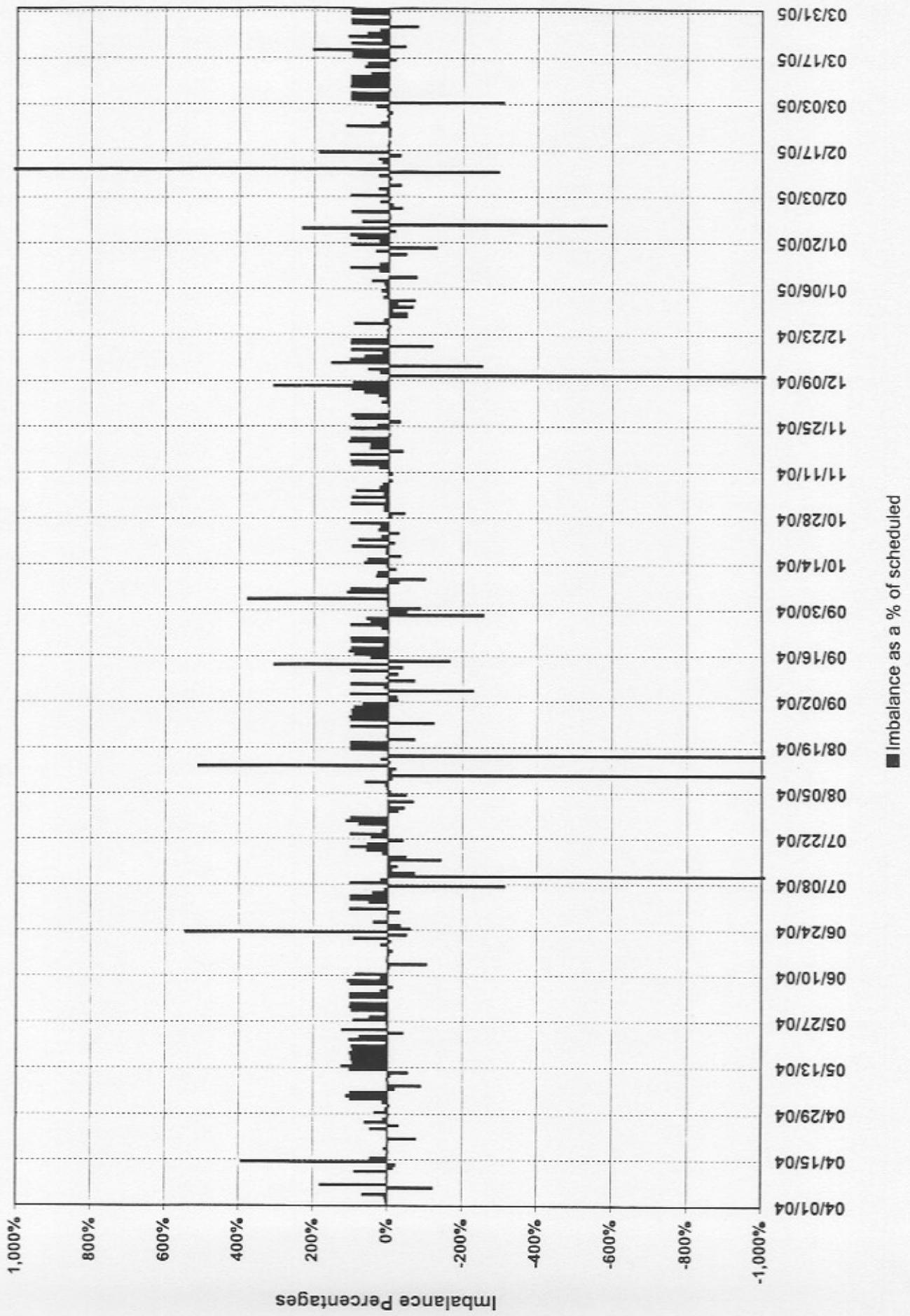
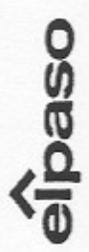
Phelps Dodge Corporation  
Daily Delivery Imbalance Analysis  
April 2004 through March 2005

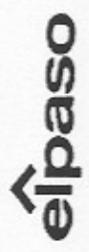


Phelps Dodge Refining Corporation  
Daily Delivery Imbalance Analysis  
April 2004 through March 2005

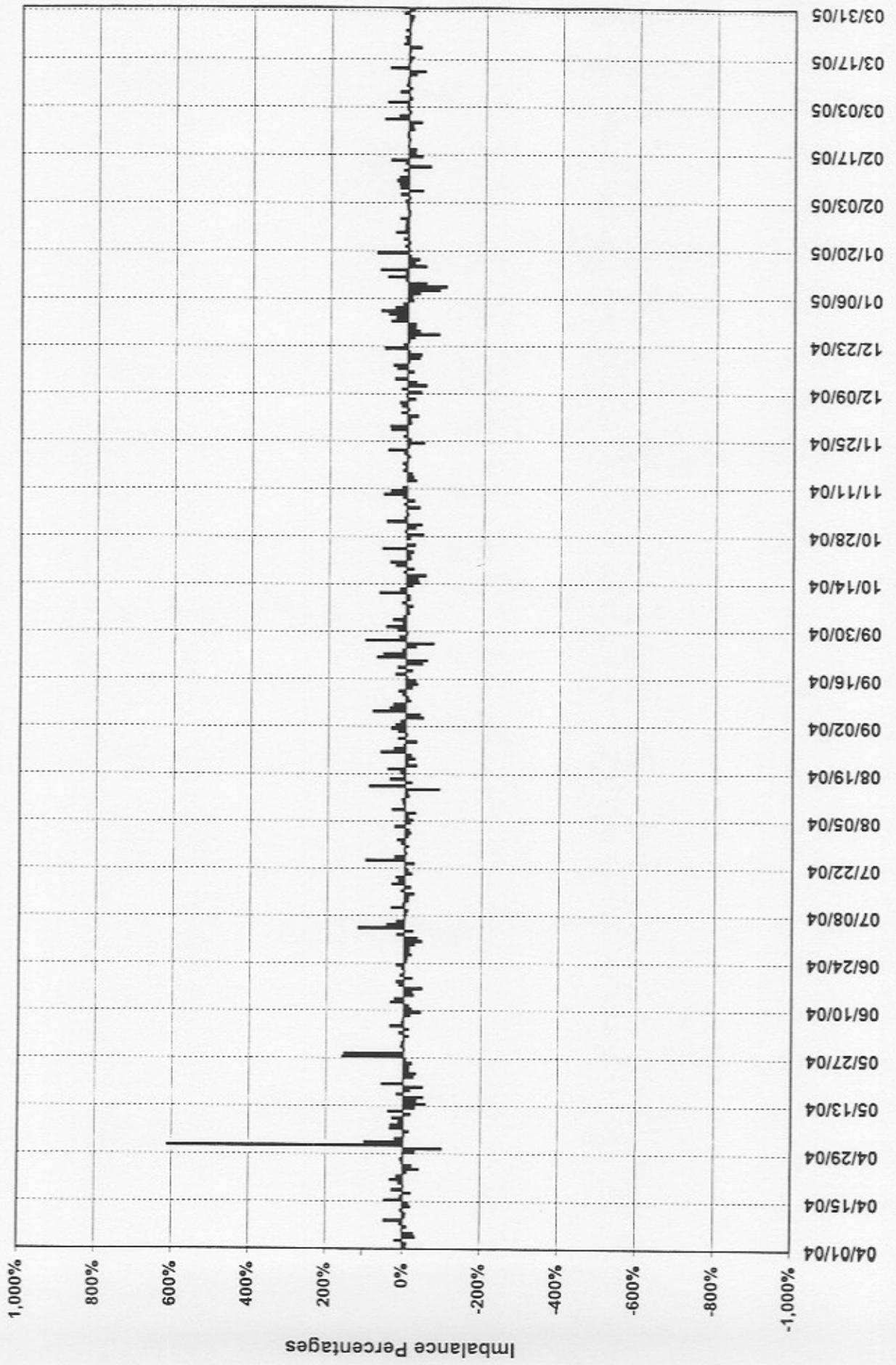


Unocal Keystone Gas Storage, LLC  
Daily Receipt Imbalance Analysis  
April 2004 through March 2005



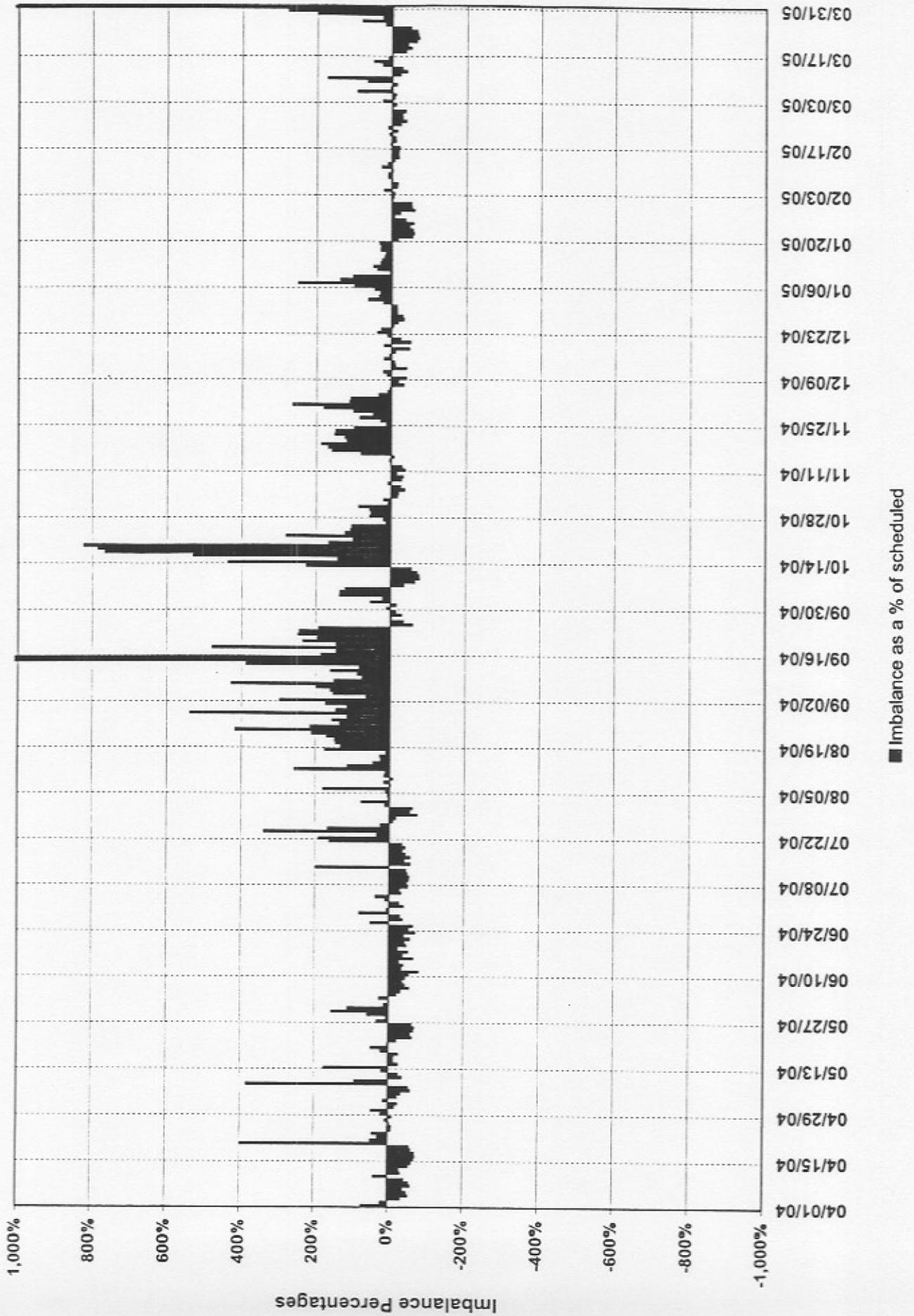


Salt River Project Agricultural  
Daily Delivery Imbalance Analysis  
April 2004 through March 2005



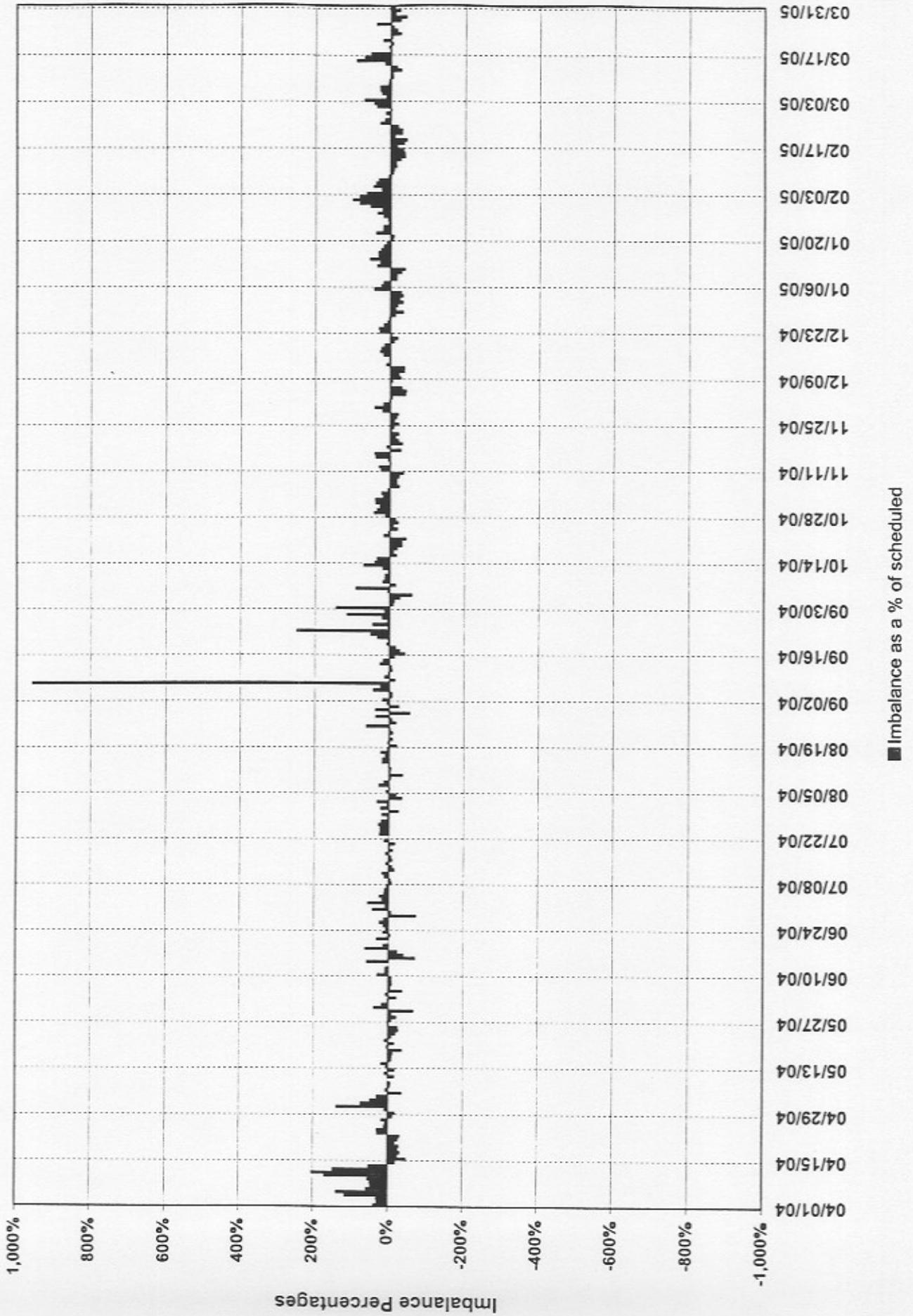
■ Imbalance as a % of scheduled

Navajo Tribal Utility Authority  
Daily Delivery Imbalance Analysis  
April 2004 through March 2005



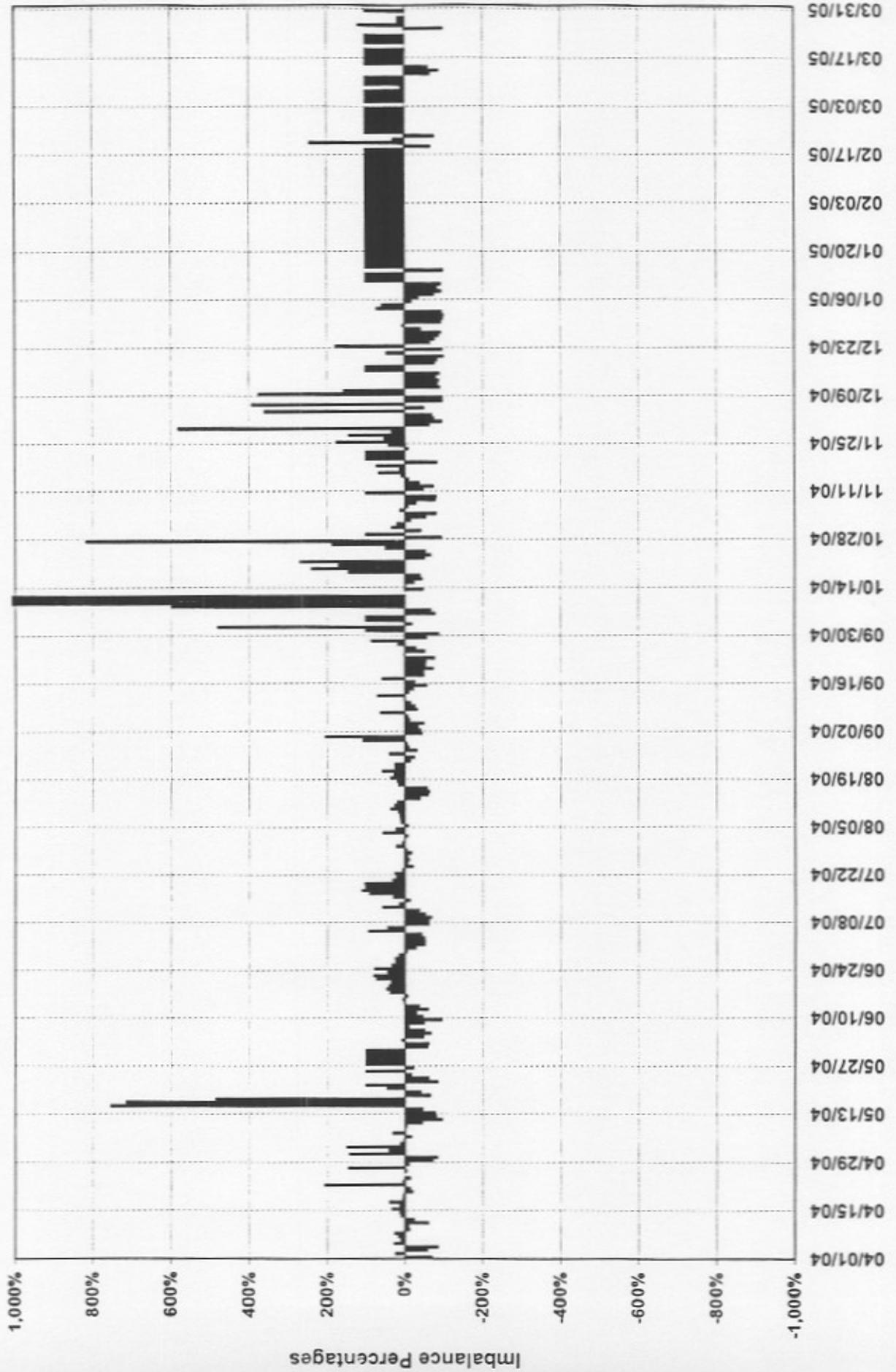


Natural Gas Processing Co.  
Daily Delivery Imbalance Analysis  
April 2004 through March 2005

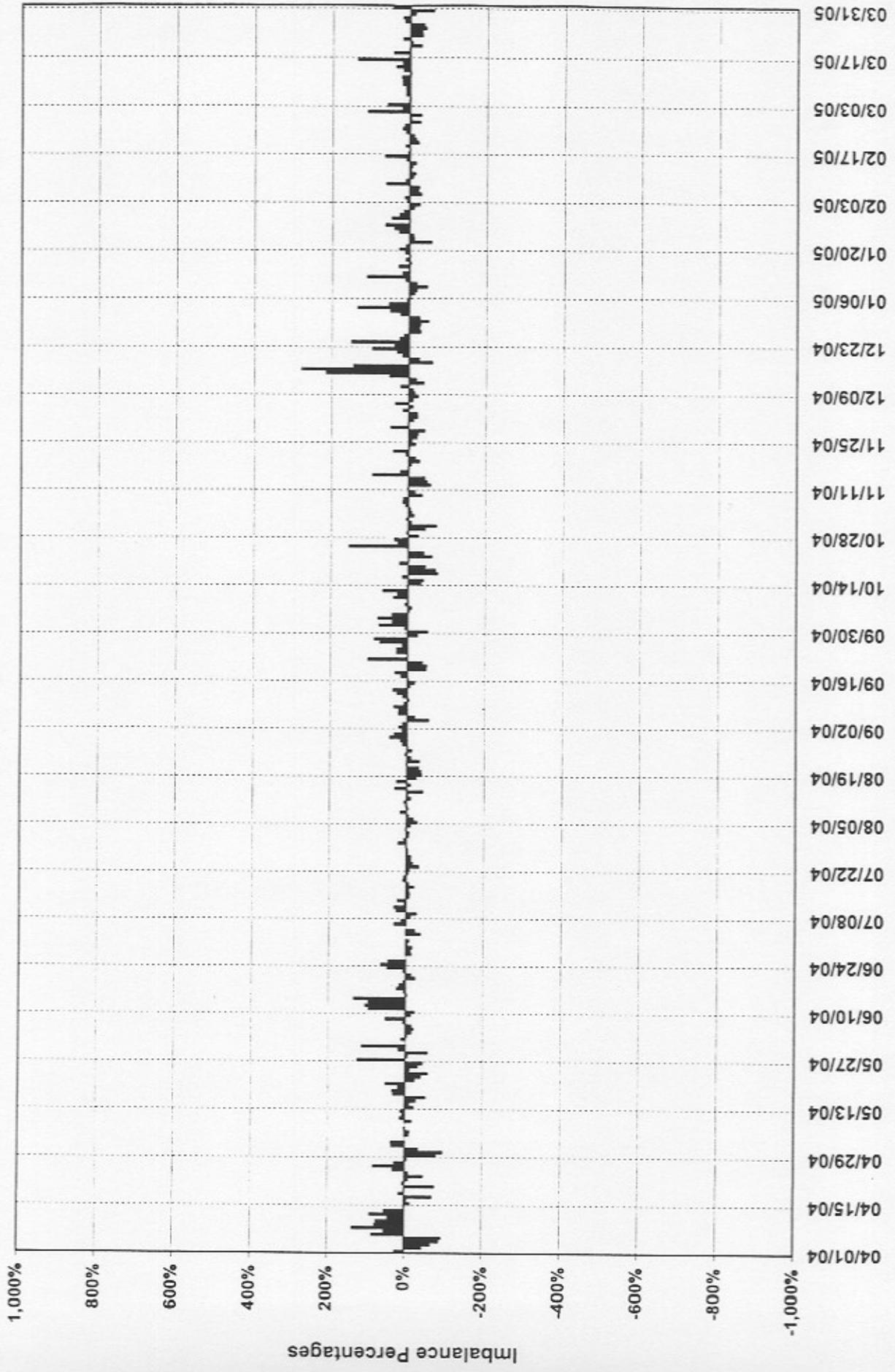
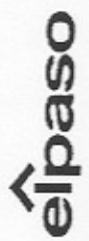




Arizona Electric Power Cooperative, Inc.  
Daily Delivery Imbalance Analysis  
April 2004 through March 2005



Arizona Public Service Company  
Daily Delivery Imbalance Analysis  
April 2004 through March 2005



■ Imbalance as a % of scheduled

Revised: 06-06-97

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

FERC Filing Date:  
06-10-1997

)  
)  
El Paso Natural Gas Company ) Docket Nos. RP95-363-000, -002;  
) CP94-183-002  
) (not consolidated)

STIPULATION AND AGREEMENT  
IN  
SETTLEMENT OF RATE AND RELATED PROCEEDINGS

El Paso Natural Gas Company ("El Paso"), pursuant to Rule 602 of the Rules of Practice and Procedure of the Federal Energy Regulatory Commission ("Commission"), hereby offers this Stipulation and Agreement in Settlement of Rate and Related Proceedings ("Stipulation and Agreement" or "Settlement Agreement") to resolve all matters in Docket Nos. RP95-363-000 and -002, matters relating to a show cause order issued in Docket No. CP94-183-002, and other matters specifically addressed herein.

ARTICLE I

Factual and Procedural Background

Rate Proceeding

1.1 On June 30, 1995, El Paso initiated this proceeding by filing, pursuant to Section 4 of the Natural Gas Act ("NGA"), a system-wide change in rates designed to offset El Paso's projected annual revenue shortfall of

## ARTICLE XI

### Requirements Applicable to the Post-Settlement Period

11.1 Applicability. The provisions set forth in this Article XI shall apply to all periods subsequent to the term of this Stipulation and Agreement.

11.2 Firm TSAs In Effect on December 31, 1995, That Remain in Effect Beyond January 1, 2006. This paragraph 11.2 applies to any firm Shipper with a TSA that was in effect on December 31, 1995, and that remains in effect, in its present form or as amended, on January 1, 2006, but only for the period that such Shipper has not terminated such TSA. El Paso agrees with respect to such Shippers that, in all rate proceedings following the term of this Stipulation and Agreement:

(a) Base Settlement Rate Escalated. El Paso will not propose to charge a rate applicable to service under such TSA during the remainder of the term thereof that exceeds the base settlement rate established under paragraph 3.2(a) applicable to such Shipper, as adjusted pursuant to paragraphs 3.2(b) and 3.5 through the term of this Stipulation and Agreement, as escalated annually

thereafter through the remainder of the term of such TSA using the procedure specified by paragraph 3.2(b) unless and until such TSA is terminated by the Shipper.

(b) Unsubscribed Capacity Costs. El Paso agrees that the firm rates applicable to service to any Shipper to which this paragraph 11.2 applies will exclude any cost, charge, surcharge, component, or add-on in any way related to the capacity of its system on December 31, 1995, to deliver gas on a forward haul basis to the Shippers listed on Pro Forma Tariff Sheet Nos. 33-35, that becomes unsubscribed or is subscribed at less than the maximum applicable tariff rate as escalated pursuant to paragraph 3.2(b). El Paso assumes full cost responsibility for any and all existing and future step-downs or terminations and the associated CD/billing determinants related to the capacity described in this subparagraph (b).

(c) Following the term of this Stipulation and Agreement, any Shipper to which this paragraph 11.2 applies may, at the end of the primary or rollover term of its TSA, reduce its billing determinants or CD without losing the protection of this paragraph 11.2. At the request of any Shipper, El Paso will amend the Shipper's TSA to include the provisions of this paragraph 11.2.

(d) Termination by El Paso of the TSA of a Shipper subject to this paragraph 11.2 shall not terminate such Shipper's rights to the protections afforded by this paragraph 11.2.

11.3 Option to Terminate Effective August 31, 2006. Any EOC LDC Shipper having a firm TSA with El Paso in effect on December 31, 1995, that has a primary term ending later than August 31, 2006, shall have the option to terminate such TSA effective August 31, 2006, by providing El Paso one year's prior written notice. El Paso and each Shipper that desires such option shall enter into an amendment to the TSA to add the option hereby provided.

Revised: 06-06-97

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

FERC Filing Date:  
06-10-1997

)  
)  
El Paso Natural Gas Company ) Docket Nos. RP95-363-000, -002;  
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ARTICLE XVII

Effectiveness

17.1 Non-Severability and Conditions Precedent.

It is stipulated and agreed that the various provisions of the instant Stipulation and Agreement are not severable and that neither this Stipulation and Agreement, nor any of the

provisions hereof, shall become effective unless and until each of the following has occurred:

(a) the Commission shall have entered an order no longer subject to rehearing approving the instant Stipulation and Agreement, without condition or modification to any provision; and

(b) such Commission order approving the instant Stipulation and Agreement shall have waived compliance by El Paso with the requirements of the Commission's Rules and Regulations, including, but not limited to, Part 154, as necessary to carry out the provisions of this Stipulation and Agreement.

The first day of the month following the month in which conditions (a) and (b) are satisfied, or the date on which El Paso implements this Stipulation and Agreement pursuant to paragraph 17.2, whichever should apply, shall constitute the effective date of this Stipulation and Agreement.

17.2 Implementation of Stipulation and Agreement.

If the Commission approves the instant Stipulation and Agreement with modifications or conditions, then El Paso will have the right, in its discretion, to implement the Stipulation and Agreement as modified, to seek judicial review, or to withdraw this Stipulation and Agreement. In the event El Paso elects to implement the Stipulation and Agreement as modified, El Paso shall exercise such option by serving written notice upon the Commission, El Paso's

Shippers, all parties to the instant proceedings, and interested state commissions. In the event such modifications or conditions are unacceptable to any consenting or non-opposing party, such party shall be entitled to withdraw its consent or lack of opposition to this Stipulation and Agreement and become a contesting party with full rights to litigate. Further, nothing contained herein shall be construed as abrogating the right of any party to seek rehearing or to seek judicial review in accordance with Section 19 of the NGA of any changes or modifications of this Stipulation and Agreement by the Commission.

17.3 Severance of Contesting Parties. The provisions of this Stipulation and Agreement shall not apply to any party that elects to become a contesting party. A contesting party shall be any party which, on or before the date on which initial comments regarding this Stipulation and Agreement are due to be filed with the Commission, files with the Commission and serves on the parties to this proceeding a written notice stating that such party elects to become a contesting party. Any party which does not explicitly make an election but which comments opposing any part of this Stipulation and Agreement or requests modifications to the Stipulation and Agreement which are not acceptable to El Paso shall be considered a contesting party. Any party which does not explicitly identify itself as a contesting party and does not file comments opposing or

requesting modifications to this Stipulation and Agreement shall be deemed a consenting party. A contesting party shall be entitled to have its rates separately established by the Commission using procedures as specified by the Commission. Pending a final determination of just and reasonable rates by the Commission, the as-filed rates in Docket No. RP95-363-000 or in any subsequent Section 4 rate proceedings shall apply to contesting parties in lieu of the settlement rates provided for in this Stipulation and Agreement. Accordingly, the proceeding at Docket No. RP95-363-000 shall not be terminated as to any contesting party.

17.4 Filing and Effectiveness of Tariff Sheets.

Not later than fifteen (15) days following the effective date of this Stipulation and Agreement, El Paso shall file the tariff sheets required to implement this Stipulation and Agreement with proposed effective dates as provided herein.

Revised: 06-06-97

UNITED STATES OF AMERICA  
BEFORE THE  
FEDERAL ENERGY REGULATORY COMMISSION

FERC Filing Date:  
06-10-1997

)  
)  
El Paso Natural Gas Company ) Docket Nos. RP95-363-000, -002;  
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3.5 Rate Adjustments to Reflect Cost Changes  
Outside El Paso's Control. El Paso shall be permitted and

in some cases required during the term of this Stipulation and Agreement to file under Section 4 of the NGA changes in its base settlement rates to reflect certain cost increases or decreases outside its control in accordance with the procedures set forth in this paragraph 3.5, subject to notice and protest, including prudence review. If, as a result of any single change in federal, state, local, or tribal laws, regulations, or rules relating to taxes, safety, or the environment occurring on or after January 1, 1996, or in order to comply with a generic rulemaking requirement by the Commission effective on or after such date, El Paso either (i) incurs additional actual costs or makes additional investments and the aggregate cost of service impact of any single change exceeds \$10 million in any twelve-month period, or (ii) experiences a cost reduction or reduction in investment and realizes, for any single change, a cost of service reduction of greater than \$10 million in any twelve-month period, then, in the case of a cost of service increase, El Paso shall be permitted to increase or, in the case of a cost of service decrease, required to decrease the base settlement rates (reservation and usage) provided for herein to reflect such increase or decrease in excess of \$10 million. For purposes of this paragraph 3.5, in the event such increase or decrease results from a change in income taxes, El Paso will be deemed to have incurred such increase or experienced such decrease on the effective date of such change in income

taxes. El Paso is precluded from seeking recovery, by any other rate filing or rate mechanism, of costs that are subject to this paragraph 3.5 which are not recovered due to application of the \$10 million threshold. (An example illustrating the calculation required hereunder is shown under Supporting Materials Sheet 1 of 1, under Tab 5.) El Paso shall take all reasonable steps to oppose changes in laws, regulations, or rules likely to increase its cost of service in excess of such \$10 million amount. The rate change shall be subject to the following requirements:

(a) Satisfaction of Cost Threshold. For purposes of determining whether a rate adjustment may be made hereunder, El Paso shall not consider the cumulative or net impact of separate and unrelated changes in laws, regulations, or rules but shall only be required, in the case of a decrease, or permitted, in the case of an increase, to adjust the base settlement rates to reflect the impact of a single change or group of related changes triggered by the same change in law, regulation, or rule. In the event that a change in El Paso's tax expense caused by a change in law, regulation, or rule, whether an increase or a decrease, constitutes only a timing difference in such expense, and not a permanent difference, and does not cause a tax normalization violation, then, for purposes of determining

whether such change meets the \$10 million threshold and calculating the rate adjustment permitted or required hereunder, El Paso shall only consider the impact on El Paso's return and income tax allowance resulting from the adjustment to El Paso's account(s) for deferred income taxes and associated rate base impact.

(b) Exceptions to Threshold. The \$10 million threshold set forth in this paragraph 3.5 shall not apply in the case of:

(1) a change in rules or regulations adopted by the Commission mandating that fuel charges assessed by interstate pipelines be collected in some manner other than "in kind." In the event of such a requirement, El Paso shall implement the change, subject to Commission approval, in such a way as to preserve and replicate as closely as possible the economic effect on both El Paso and all its Shippers of the provisions of this Stipulation and Agreement as to such fuel charges; or

(2) a Commission change in the funding mechanism of the Gas Research Institute ("GRI") requiring that the costs of funding GRI be included as an element of El Paso's cost of service and, therefore, recovered in

its transportation rates, in which event El Paso shall be permitted to recover such costs as the Commission directs.

(c) Filing Requirements. If El Paso has incurred an increase or experienced a decrease stemming from a change in law, regulation, or rule as set forth in paragraph 3.5(a) that exceeds the threshold, El Paso shall file to adjust its base settlement rates to reflect such increase or decrease, provided that El Paso's Shippers shall be entitled to the full benefit of any such decrease irrespective of any delay on El Paso's part in filing such decrease. Each twelve months following the effective date of each such initial change, El Paso shall make a filing reflecting the then-current twelve-month level of such costs, namely (i) to reflect any increase or decrease in such costs; (ii) to eliminate such rate adjustment if the costs no longer exceed the \$10 million threshold, or (iii) to eliminate such rate adjustment if the amount eligible for recovery has been fully recovered. Rate adjustments authorized or required by this paragraph 3.5(c) shall be implemented by means of a limited rate filing pursuant to the provisions of Section 4 of the NGA and the Commission's Regulations thereunder, which filing shall be

placed into effect, subject to refund, with no more than one day's suspension. Such filing shall set forth in adequate detail the basis for El Paso's belief that it is entitled or required to make the filing, including the actual cost expensed or investment made, the cost of service associated with the actual cost of investment, and the rate impact thereof, and shall not include any other change or adjustment. The rate change considered in such proceeding shall be limited to matters covered by this paragraph 3.5.

(d) Complaint. In the event El Paso has not made a filing to adjust its base settlement rates to reflect a cost decrease that a Shipper or other party believes is required under this paragraph 3.5, such Shipper or party shall be entitled to file a complaint requesting such rate change. If the Commission agrees that such change is required, El Paso shall adjust its base settlement rates appropriately and shall make such refunds as the Commission finds required, with interest computed under 18 C.F.R. § 154.501 of the Regulations, for the period commencing on the date such change should have been made if El Paso had filed such change as soon as reasonably possible after such decrease was known or should have been

known, as determined by the Commission, through  
the date of the rate adjustment.

UNITED STATES DISTRICT COURT  
FOR THE CENTRAL DISTRICT OF CALIFORNIA

THE PEOPLE OF THE STATE OF CALIFORNIA *ex rel.* BILL LOCKYER, ATTORNEY GENERAL OF THE STATE OF CALIFORNIA and THE STATE OF CALIFORNIA, PACIFIC GAS AND ELECTRIC COMPANY, AND SOUTHERN CALIFORNIA EDISON COMPANY,

Plaintiffs,

v.

EL PASO NATURAL GAS COMPANY, EL PASO MERCHANT ENERGY COMPANY, EL PASO MERCHANT ENERGY – GAS, L.P.,

Defendants.

Civil Action No. \_\_\_\_\_

**[PRO FORMA] STIPULATION TO ENTRY OF JUDGMENT<sup>1</sup>**

**STIPULATION**

The parties to these actions, plaintiffs, the People of the State of California, *ex rel.* Bill Lockyer, Attorney General of the State of California and the State of the California (“State of

<sup>1</sup> [Note: Prior to its actual filing, the Stipulated Judgment will be conformed to the filing requirements of the United States District Court for the Central District of California and the Federal Rules of Civil Procedure to ensure that judgment is entered in accordance with the Parties’ agreement. No changes to the substantive commitments of the Parties will be made.]

- **Cost Allocation:** EPNG agrees that, in its next FERC rate case, its proposed rates will be based on a miles of haul approach for all costs, including its Line 2000 Conversion and Power-Up costs, consistent with the position advocated by Edison in the rate hearing at Docket No. RP95-363-002, an approach that is representative of the actual flows EPNG has experienced on its system in the recent past. In EPNG's next rate case, the California Parties shall not be prohibited from objecting to the allocation of costs reasonably incurred by EPNG associated with the construction of the Power-Up Project (Docket No. CP03-1-000) and the Line 2000 Conversion Project (Docket No. CP00-422-000); provided, that in such rate case, the California Parties shall not propose a cost allocation, rate design or other methodology or proposal that would preclude EPNG from recovering its reasonably incurred costs, including those costs associated with the construction of the Power-Up Project (Docket No. CP03-1-000) and the Line 2000 Conversion Project (Docket No. CP00-422-000).