

Edgar Filing: EL PASO CORP/DE - Form 11-K

EL PASO CORP/DE
Form 11-K
March 28, 2003

=====

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 11-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2002

or

TRANSITION REPORT PURSUANT TO SECTION 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission File No. 33-42696

COASTAL ARUBA REFINING COMPANY N.V.
THRIFT PLAN
(Full title of the plan)

El Paso Corporation
El Paso Building
1001 Louisiana Street
Houston, Texas 77002

(Name of issuer of the securities held pursuant to the plan
and address of its principal executive office)

=====

COASTAL ARUBA REFINING COMPANY N.V. THRIFT PLAN

FINANCIAL STATEMENTS AND FINANCIAL SCHEDULES
WITH REPORT OF INDEPENDENT ACCOUNTANTS

INDEX

	Page
Report of Independent Accountants - PricewaterhouseCoopers LLP.....	2
Independent Auditors' Report - Deloitte & Touche LLP.....	3
Financial Statements:	
Statements of Net Assets Available for Plan Benefits as of December 31, 2002 and 2001.....	4
Statements of Changes in Net Assets Available for Plan Benefits for the years ended December 31, 2002, 2001 and 2000.....	5

Edgar Filing: EL PASO CORP/DE - Form 11-K

Notes to Financial Statements..... 6

Financial Schedules:

Schedule I - Schedule of Assets Held for Investment
Purposes as of December 31, 2002..... 12

Schedule II - Allocation of Plan Assets and
Liabilities to Investment
Programs as of December 31, 2002 and 2001..... 13

Schedule III - Allocation of Plan Income and Changes in
Plan Equity to Investment Programs for the years
ended December 31, 2002, 2001 and 2000..... 14

Exhibits:

Consent of Independent Accountants -
PricewaterhouseCoopers LLP..... 16

Independent Auditors' Consent - Deloitte & Touche LLP.. 17

Report of Independent Accountants

To the Administrator of
Coastal Aruba Refining Company N.V. Thrift Plan

In our opinion, the accompanying statements of net assets available for plan benefits and the related statements of changes in net assets available for plan benefits present fairly, in all material respects, the net assets available for plan benefits of Coastal Aruba Refining Company N.V. Thrift Plan (the "Plan") at December 31, 2002 and 2001, and the changes in net assets available for plan benefits for the two years in the period ended December 31, 2002 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial schedules present fairly, in all material respects, the information set forth therein when read in conjunction with the related financial statements. These financial statements and schedules are the responsibility of the Plan's management; our responsibility is to express an opinion on these financial statements and schedules based on our audits. We conducted our audits of these statements and schedules in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and schedules, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement and schedule presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
March 25, 2003

Edgar Filing: EL PASO CORP/DE - Form 11-K

INDEPENDENT AUDITORS' REPORT

To The Administrator of
Coastal Aruba Refining Company N.V. Thrift Plan

We have audited the statements of changes in net assets available for Plan benefits of Coastal Aruba Refining Company N.V. Thrift Plan (the "Plan") for the year ended December 31, 2000. Our audit also included the financial statement schedule on page 15. This financial statement and financial statement schedule are the responsibility of the Plan's management. Our responsibility is to express an opinion on this financial statement and financial statement schedule based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statement presents fairly, in all material respects, the changes in net assets available for Plan benefits for the year ended December 31, 2000 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic financial statement taken as a whole, presents fairly in all material respects the information set forth therein.

Deloitte & Touche
Houston, Texas
March 28, 2001

COASTAL ARUBA REFINING COMPANY N.V. THRIFT PLAN
STATEMENTS OF NET ASSETS AVAILABLE FOR PLAN BENEFITS

	December 31,	
	2002	2001
ASSETS		
Investments, at market		
Securities of El Paso Corporation Common Stock (cost: 2002- \$4,448,457; 2001-\$3,524,316)	\$1,909,629	\$ 7,732,923
Short-term investments, at cost	551,302	207,851

Edgar Filing: EL PASO CORP/DE - Form 11-K

Total Investments	2,460,931	7,940,774
Receivables		
Dividends	34,480	25,785
Contributions		
Employer	107,837	94,528
Employee	125,038	115,869
Total Receivables	267,355	236,182
TOTAL ASSETS	2,728,286	8,176,956
LIABILITIES		
Payable to employer	664,033	-
TOTAL LIABILITIES	664,033	-
NET ASSETS AVAILABLE FOR PLAN BENEFITS	\$2,064,253	\$ 8,176,956

The accompanying notes are an integral part of these financial statements.

COASTAL ARUBA REFINING COMPANY N.V. THRIFT PLAN

STATEMENTS OF CHANGES IN NET ASSETS AVAILABLE FOR PLAN BENEFITS

	for the years ended December 31,		
	2002	2001	2000
Net (depreciation)/appreciation in fair value of investments	\$ (6,979,763)	\$ (4,680,455)	\$ 7,101,280
Investment income			
Dividends, net of withholding tax	115,884	102,654	23,525
Interest	7,568	9,446	9,573
Net investment (loss)/income	(6,856,311)	(4,568,355)	7,134,378
Contributions			
Employer	653,786	595,848	514,301
Participants	759,773	724,938	601,717
Total contributions	1,413,559	1,320,786	1,116,018
Net (reduction)/addition	(5,442,752)	(3,247,569)	8,250,396
Less: Benefits paid to participants	669,951	1,029,373	480,921
Net (decrease)/increase in net assets available for Plan benefits	(6,112,703)	(4,276,942)	7,769,475
Beginning of period	8,176,956	12,453,898	4,684,423
End of period	\$2,064,253	\$8,176,956	\$12,453,898

=====

The accompanying notes are an integral part of these financial statements.

COASTAL ARUBA REFINING COMPANY N.V. THRIFT PLAN

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. DESCRIPTION OF PLAN

The following description of the Coastal Aruba Refining Company N.V. Thrift Plan (the "Plan") provides general information about the Plan's provisions in effect for the year ended December 31, 2002. Participants should refer to the Plan documents and summary plan description for a more complete description of the Plan's provisions.

General

On January 29, 2001, Coastal Aruba Refining Company N.V. (the "Company") became an indirect, wholly owned subsidiary of El Paso Corporation ("El Paso"), the Plan Sponsor, through the merger of a wholly owned El Paso subsidiary with The Coastal Corporation ("Coastal"). In the merger, each share of Coastal common stock and Class A common stock was converted on a tax-free basis into 1.23 shares of El Paso common stock. The shares of Coastal stock previously held in this Plan were exchanged for El Paso stock on the merger date.

The Plan is an employee retirement savings plan, registered under the Securities Act of 1933, as amended, covering eligible employees of the Company. The Management Board of the Coastal Aruba Thrift Foundation (the "Foundation") administers the Plan.

Contributions

Upon enrollment, a participant may elect to contribute to the Plan, by means of regular payroll deductions, from two percent to eight percent, in increments of one percent, of the participant's basic compensation. Basic compensation means fixed salaries or wages per hour, excluding compensation for bonuses, overtime, commissions and incentive compensation.

The Company makes matching contributions at an amount equal to the employee's contributions up to a maximum of two percent of the employee's basic compensation during the first and second year of active participation in the Plan. Thereafter, the matching contributions are increased to not more than four percent during the third and fourth years of active participation, six percent during the fifth and sixth years of active participation and eight percent after six years of active participation in the Plan.

Participant Accounts

Each participant's account is credited with the participant's contributions, the Company's matching contribution, and the participant's share of net earnings or losses of his or her respective investment funds elected under the Plan. Net investment gains and losses in a particular investment fund are allocated in proportion to the respective participant's account balances in that fund.

COASTAL ARUBA REFINING COMPANY N.V. THRIFT PLAN

NOTES TO FINANCIAL STATEMENTS
(Continued)

1. DESCRIPTION OF PLAN (Continued)

Vesting

A participant's interest in the balance credited to his or her account is fully vested at all times.

Investment Options

The Plan maintains three investment funds in which current employer and employee contributions are invested:

1) Stock Fund - invested in common stock of El Paso Corporation (NYSE:EP). Prior to the merger date, these funds were invested in common stock of The Coastal Corporation (NYSE: CGP). As with investments in any single stock, this fund may be more volatile (that is, subject to larger swings in value, both up and down) than a fund that is diversified among the stocks of many companies. Participants who invest in the Stock Fund may instruct the trustee regarding the voting of the common stock allocated to the participant's account. Cash dividends thereon are reinvested in El Paso common stock. Prior to November 1, 2001, employer-matched contributions were invested in the Stock Fund only. Effective November 1, 2001, the Plan was amended to allow participants to direct their employer-matched contributions among all investment options. JPMorgan Chase is the custodian of the Stock Fund. Contributions attributable to the Stock Fund are temporarily held in an interest-bearing account at JPMorgan Chase pending investment in the Stock Fund. The fair value is based on quoted market prices.

During 2002, as participants requested withdrawals from the stock fund, the Company funded these withdrawals from general assets. Therefore, at December 31, 2002, the Plan has reflected its liability of \$664,000 to the Company.

2) Interest Income Fund - a fund invested in interest-bearing investments such as bonds, notes, debentures,

Edgar Filing: EL PASO CORP/DE - Form 11-K

savings accounts, savings certificates, commercial paper, deposit accounts maintained by one or more legal reserve life insurance companies that provide for the payment of fixed or variable rates of interest for specified periods of time, and other similar types of investments. A portion of the Interest Income Fund may be retained in cash or invested temporarily in commercial paper, certificates of deposit or savings accounts.

3) Diversified Fund - a fund invested in capital stocks of issuers (other than El Paso common stock), notes, bonds, debentures, and other similar types of investments. A portion of the Diversified Fund may be retained in cash or invested temporarily in commercial paper, certificates of deposit or savings accounts.

The contributions attributable to the Interest Income Fund and the Diversified Fund are temporarily held in a foreign currency, Aruban Florin, in interest-bearing accounts at the Caribbean Mercantile Bank N.V., which are translated into U.S. dollars using the conversion rate at December 31, 2002 and 2001. See Schedule I - Schedule of Assets Held for Investment Purposes. Contributions will remain in the interest-bearing accounts pending a determination by the investment manager that sufficient funds have accumulated to warrant one of the investments described above for each fund. The fair value of the Interest Income Fund and the Diversified Fund approximates cost.

COASTAL ARUBA REFINING COMPANY N.V. THRIFT PLAN

NOTES TO FINANCIAL STATEMENTS (Continued)

1. DESCRIPTION OF PLAN (Continued)

The following numbers of participants were invested in the various funds at December 31:

Fund	Number of Participants	
	2002	2001
Stock Fund	443	430
Interest Income Fund	44	34
Diversified Fund	38	29

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting Basis

The financial statements of the Plan are prepared on the accrual basis of accounting.

Use of Estimates

Edgar Filing: EL PASO CORP/DE - Form 11-K

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets available for benefits at the date of the financial statements, and the reported changes in net assets available for benefits during the reporting period. Actual results could differ from those estimates.

Marketable Securities

Securities valuations are based on the last recorded sales price at December 31, 2002 and 2001, as reported by the principal securities exchange on which the security is traded, or the average of the bid and the ask price if sold over the counter. Realized gains and losses reported herein on the sale or withdrawal of securities are based on the difference between market values of the securities sold and/or issued at the effective dates and the market value at the beginning of the year and cost of securities purchased during the year.

Taxes

The Plan is not a qualified plan for purposes of the laws of the United States pursuant to Section 401(a) of the Internal Revenue Code of 1986, as amended, nor is it subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended.

The Plan was reviewed in 1991 by the Centrale Bank van Aruba, which concluded that the Plan was not subject to the prudential supervision of the Centrale Bank because it is designed in accordance with United States customs and does not conform to the requirements for a savings plan in Aruba. No subsequent reviews have been conducted to assert otherwise.

COASTAL ARUBA REFINING COMPANY N.V. THRIFT PLAN

NOTES TO FINANCIAL STATEMENTS
(Continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Under present United States tax laws, the purchase and sale of El Paso common stock by the Foundation is not subject to income or withholding tax. However, dividends paid on the common stock are subject to a 30 percent withholding tax, paid by the participants.

Expenses

Generally, reasonable expenses of administering the Plan are paid by the Company, although it is not obligated to do so. All taxes that may be levied or assessed under future laws upon the assets or the income of the Plan will be paid by the Plan.

Change In Recordkeeper

Edgar Filing: EL PASO CORP/DE - Form 11-K

 Prior to the merger with El Paso, administrative recordkeeping of the Plan was performed in-house by Coastal. Effective July 1, 2001, El Paso out-sourced the administrative recordkeeping function of the Plan to Hewitt Associates.

3. NET UNREALIZED (DEPRECIATION)/APPRECIATION OF INVESTMENTS

During 2002, 2001 and 2000, the fair value of investments (including investments bought and sold, as well as held during the year) (depreciated)/appreciated as follows:

	Total	Unrealized (depreciation)/ appreciation	Realized appreciation
	-----	-----	-----
Balance at January 1, 2000	\$4,685,662		
Appreciation during 2000	7,850,387	\$ 7,101,280	\$ 749,107

Balance at December 31, 2000	12,536,049		
(Depreciation)/appreciation during 2001	(4,595,275)	(4,680,455)	85,180

Balance at December 31, 2001	7,940,774		
(Depreciation)/appreciation during 2002	(5,479,843)	(6,876,031)	1,396,188

Balance at December 31, 2002	2,460,931		
	=====		

4. PLAN TERMINATION AND AMENDMENTS

Although the Company has not expressed any intent to do so, it reserves the right to discontinue contributions at any time and to terminate the Plan. Upon termination, Plan assets would be distributed to the participants, as directed by the Management Board of the Foundation upon the Company's recommendation, on the basis of their account balances existing at the date of termination, as adjusted for investment gains and losses.

The Management Board of the Foundation, upon the Company's recommendation, may amend the Plan at any time.

COASTAL ARUBA REFINING COMPANY N.V. THRIFT PLAN

 NOTES TO FINANCIAL STATEMENTS
 (Continued)

5. FINAL DISTRIBUTIONS AND BENEFITS PAID

Final distributions and participant withdrawals that have been processed and approved but not paid by the Plan are

Edgar Filing: EL PASO CORP/DE - Form 11-K

not considered Plan obligations until paid under generally accepted accounting principles, and therefore, are not presented as liabilities or benefits paid in the accompanying financial statements. Final distributions and participant withdrawals that were processed and approved, but not paid, amounted to \$7,430 and \$32,889 as of December 31, 2002 and 2001, respectively.

6. RISKS AND UNCERTAINTIES

The Plan provides for various investment options in any combination of stocks, bonds, fixed income securities, mutual funds, and other investment securities. Investment securities are exposed to various risks, such as interest rate risk, market risk and credit risk. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the statement of net assets available for plan benefits due to the securities of El Paso common stock representing 70% of total assets at December 31, 2002.

Since November 2002, El Paso has undergone a series of downgrades of its credit ratings. El Paso's senior unsecured debt is rated a "B" by Standard and Poor's Rating Services as of February 7, 2003 and "Caa1" by Moody's Investor Service as of February 11, 2003. We do not believe these downgrades will impact El Paso's ability to perform its obligations as Plan Sponsor.

FINANCIAL SCHEDULES

COASTAL ARUBA REFINING COMPANY N.V. THRIFT PLAN SCHEDULE I - SCHEDULE OF ASSETS HELD FOR INVESTMENT PURPOSES as of December 31, 2002

Identity of issuer, borrower, or similar party, and description of investment	Current Value per unit	Number of shares (units) or principal amount of bonds and notes	Cost	Current value
-----	-----	-----	-----	-----
STOCK FUND				
El Paso Corporation common stock	\$6.96	274,372	\$4,448,457	\$1,909,629
Short-term securities				
JPMorgan Chase Securities of Texas Money Market Fund	\$1.00	263,581	263,581	263,581
			-----	-----
Total investments - Stock Fund			4,712,038	2,173,210
			-----	-----
INTEREST INCOME FUND				

Edgar Filing: EL PASO CORP/DE - Form 11-K

Short-term securities				
Caribbean Mercantile Bank N.V.	\$1.00	163,120	163,120	163,120
			-----	-----
Total deposits - Interest Income Fund			163,120	163,120
			-----	-----
DIVERSIFIED FUND				
Short-term securities				
Caribbean Mercantile Bank N.V.	\$1.00	124,601	124,601	124,601
			-----	-----
Total deposits - Diversified Fund			124,601	124,601
			-----	-----
Total Assets Held For Investment Purposes			4,999,759	2,460,931
			=====	=====

COASTAL ARUBA REFINING COMPANY N.V. THRIFT PLAN
SCHEDULE II - ALLOCATION OF PLAN ASSETS
AND LIABILITIES TO INVESTMENT PROGRAMS

	as of December 31, 2002			
	Total Plan	El Paso Common Stock Fund	Interest Income Fund	Diversified Fund
	-----	-----	-----	-----
Investments, at market				
Securities of El Paso Common Stock (Cost \$4,448,457)	\$1,909,629	\$1,909,629	\$ -	\$ -
Other	551,302	263,581	163,120	124,601
	-----	-----	-----	-----
	2,460,931	2,173,210	163,120	124,601
Receivables				
Dividends	34,480	34,480	-	-
Contributions				
Employer	107,837	100,935	4,149	2,753
Employee	125,038	117,159	4,433	3,446
	-----	-----	-----	-----
	267,355	252,574	8,582	6,199
Liabilities				
Payable to employer	664,033	664,033	-	-
	-----	-----	-----	-----
	664,033	664,033	-	-
	-----	-----	-----	-----
Net assets available for plan benefits	\$2,064,253	\$1,761,751	\$ 171,702	\$ 130,800
	=====	=====	=====	=====

	as of December 31, 2001			
	Total Plan	El Paso Common Stock Fund	Interest Income Fund	Diversified Fund
	-----	-----	-----	-----

Edgar Filing: EL PASO CORP/DE - Form 11-K

Investments, at market				
Securities of El Paso Common Stock				
(Cost \$3,524,316)	\$7,732,923	\$7,732,923	\$ -	\$ -
Other	207,851	152	116,375	91,324
	-----	-----	-----	-----
	7,940,774	7,733,075	116,375	91,324
Receivables				
Dividends	25,785	25,785	-	-
Contributions				
Employer	94,528	89,151	3,164	2,213
Employee	115,869	98,240	10,349	7,280
	-----	-----	-----	-----
	236,182	213,176	13,513	9,493
Net assets available for plan benefits	=====	=====	=====	=====
	\$8,176,956	\$7,946,251	\$ 129,888	\$ 100,817

COASTAL ARUBA REFINING COMPANY N.V. THRIFT PLAN
SCHEDULE III - ALLOCATION OF PLAN INCOME AND
CHANGES IN PLAN EQUITY TO INVESTMENT PROGRAMS

for the year ended December 31, 2002

	Total Plan	El Paso Common Stock Fund	Interest Income Fund	Diversified Fund
	-----	-----	-----	-----
Investments income				
Dividends	\$ 115,884	\$ 115,884	\$ -	\$ -
Interest	7,568	1,745	3,320	2,503
	-----	-----	-----	-----
Total investment income	123,452	117,629	3,320	2,503
Net (depreciation) in fair value of investments				
El Paso common stock	(6,979,763)	(6,979,763)	-	-
Contributions				
Employer	653,786	621,984	19,090	12,712
Employee	759,773	715,672	21,293	22,808
	-----	-----	-----	-----
Total contributions	1,413,559	1,337,656	40,383	35,520
Less: Benefits paid to participant	669,951	660,022	1,889	8,040
Net (decrease)/increase in net assets available for plan benefits	-----	-----	-----	-----
	(6,112,703)	(6,184,500)	41,814	29,983
Beginning of period	8,176,956	7,946,251	129,888	100,817
	-----	-----	-----	-----
End of period	\$2,064,253	\$1,761,751	\$ 171,702	\$ 130,800
	=====	=====	=====	=====

Edgar Filing: EL PASO CORP/DE - Form 11-K

for the year ended December 31, 2001				
	Total Plan	El Paso Common Stock Fund	Interest Income Fund	Diversified Fund
Investments income				
Dividends	\$ 102,654	\$ 102,654	\$ -	\$ -
Interest	9,446	1,518	7,276	652
Total investment income	112,100	104,172	7,276	652
Net (depreciation) in fair value of investments				
El Paso/Coastal common stock	(4,680,455)	(4,680,455)	-	-
Contributions				
Employer	595,848	595,848	-	-
Employee	724,938	683,558	23,509	17,871
Total contributions	1,320,786	1,279,406	23,509	17,871
Less: Benefits paid to participant	1,029,373	996,540	18,172	14,661
Net (decrease)/increase in net assets available for plan benefits	(4,276,942)	(4,293,417)	12,613	3,862
Beginning of period	12,453,898	12,239,668	117,275	96,955
End of period	\$8,176,956	\$7,946,251	\$ 129,888	\$ 100,817

COASTAL ARUBA REFINING COMPANY N.V. THRIFT PLAN
SCHEDULE III - ALLOCATION OF PLAN INCOME AND
CHANGES IN PLAN EQUITY TO INVESTMENT PROGRAMS
(continued)

for the year ended December 31, 2000				
	Total Plan	El Paso Common Stock Fund	Interest Income Fund	Diversified Fund
Investments income				
Dividends	\$ 23,525	\$ 23,525	\$ -	\$ -
Interest	9,573	427	5,007	4,139
Total investment income	33,098	23,952	5,007	4,139
Net appreciation in fair value of investments				
Coastal common stock	7,101,280	7,101,280	-	-
Contributions				

Edgar Filing: EL PASO CORP/DE - Form 11-K

Employer	514,301	514,301	-	-
Employee	601,717	565,114	21,581	15,022
	-----	-----	-----	-----
Total contributions	1,116,018	1,079,415	21,581	15,022
Less: Benefits paid to participant	480,921	472,292	7,556	1,073
Net increase in assets available for plan benefits	7,769,475	7,732,355	19,032	18,088
	-----	-----	-----	-----
Beginning of period	4,684,423	4,507,313	98,243	78,867
	-----	-----	-----	-----
End of period	\$12,453,898	\$12,239,668	\$ 117,275	\$ 96,955
	=====	=====	=====	=====

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Management Board of the Coastal Aruba Thrift Foundation, as Administrator, has duly caused this Annual Report to be signed on its behalf by the undersigned hereunto duly authorized.

MANAGEMENT BOARD OF THE COASTAL
ARUBA THRIFT FOUNDATION, AS
ADMINISTRATOR OF COASTAL ARUBA
REFINING COMPANY N.V.

By: /s/ Gary J. Konnie

Gary J. Konnie
Member of Management Board