

El Paso Pipeline Group
Pipeline Construction and Maintenance Contracting Process

El Paso is committed to selecting quality contractors that provide facilities that yield highly reliable service for our customers; contractors that insure safety for facilities, employees and the public through compliance with safety and environmental regulations and contractors that provide cost effective facilities. Because construction and maintenance contractors directly impact these issues, all contractors will be carefully qualified prior to bidding, bids will be thoroughly evaluated and the performance of contractors will be closely monitored throughout all pipeline bid projects. Among other business reasons, significant issues of noncompliance with El Paso's safety requirements or appropriate laws, including but not limited to DOT, FERC and environmental regulations and appropriately pursuing the project to required completion dates will result in the removal of a contractor from a project, as well as the removal of the contractor from El Paso's Qualified Bidders List. El Paso will communicate this Process to all contractors and will enforce compliance therewith.

Qualifying Contractors to Bid

The names of contractors that potentially should be considered for qualification will be solicited from Operations, Engineering, Materials and Contract Management, other pipeline companies, and the Pipeline Contractors Association (PLCA), to ensure their contractors have equal opportunity to perform bid pipeline work. A contractor will only be selected to bid on a particular project after meeting the following criteria and, all

currently qualified contractors will be reviewed annually to insure compliance with the following criteria.

1. Each contractor bidding construction and maintenance pipeline projects must have demonstrated to have the required skills, experience and qualified personnel to construct a given project. In particular, the training of personnel (including craft training), demonstrated skills of the supervisory staff and past performance on projects will be evaluated. This will be determined through direct knowledge El Paso personnel have of the contractor or through interviewing the contractor and his personnel and obtaining recommendations from recent customers. Engineering will assess this area of qualification.
2. Each contractor bidding construction and maintenance pipeline projects must demonstrate the financial strength to complete the specific project. Materials and Contract management (MCM) will conduct an evaluation of a contractor's financial strength and will consult with Engineering and the financial analyst concerning the result.
3. Each contractor bidding construction and maintenance pipeline projects must have a written safety policy acceptable to El Paso and a demonstrated commitment to safety. Each contractor must provide validated safety records concerning their safety record on recent projects. The Safety Department, MCM, and Engineering will evaluate the policy and records. El Paso requires the prompt reporting of accidents, injuries and unsafe

practices or conditions. Multiple incidents regarding a specific contractor will be fully investigated and appropriate actions taken.

4. Each contractor bidding construction and maintenance pipeline projects must act in a socially responsible manner, demonstrating their commitment to the protection, development and enhancement of the cities, towns and communities affected by the project. El Paso will request from and will review the benefit plans of the contractors.
5. Each contractor bidding construction and maintenance pipeline projects must have a drug free work force with an acceptable drug policy to include testing and monitoring of personnel and otherwise meets El Paso's requirements. MCM, in conjunction with the Compliance Group (CG) within the Pipeline Services Department, will evaluate the contractor's policy and monitor their adherence to the policy.
6. Each contractor bidding construction and maintenance pipeline projects must demonstrate knowledge and compliance with the DOT Operator Qualification requirements. MCM and CG will evaluate their ability to comply with this DOT requirement.
7. Each contractor bidding construction and maintenance pipeline project must meet El Paso's insurance requirements. MCM's contracting policy sets forth the insurance requirements which MCM will verify compliance.
8. Each contractor bidding construction and maintenance pipeline project must be able to post a performance bond applicable to the particular project. MCM will validate this capability.

9. Contractors must have a business license to operate in the states involved in the particular project. MCM will verify that each contractor meets this requirement.
10. Each contractor bidding construction and maintenance pipeline projects must provide information concerning any litigation involving them in the last three years. MCM and Legal will review any litigation issues.
11. Biennially, each contractor bidding construction and maintenance pipeline projects will provide a certification of compliance with all employment laws, particularly the Immigration Reform and Control Act and provide the results of audits in the last two years. El Paso will investigate all incidents relating to the failure of a contractor to comply with these laws. Material violations of these laws and this Process will result in a contractor's removal from a project, as well as removal from El Paso's Qualified Bidders List.
12. Every contractor bidding construction and maintenance pipeline project must review and comply with all applicable provisions of the El Paso Code of Business Conduct.

Only after the above requirements are satisfactorily met, will a contractor be eligible for selection to bid on a particular pipeline project.

Bidding Process for Pipeline Projects

El Paso will select the most qualified contractors based on the above information and will solicit from these contractors bids for a particular pipeline project. Typically, no less

than four, and no more than ten contractors will be selected to bid on a particular pipeline project. This is dependent on the size and scope of the pipeline project. On all pipeline projects that are bid, at least 50% of the contractors selected for the bid list will be Union contractors, provided there are enough qualified Union contractors for a particular pipeline project. If there are no Union contractors that qualify for a particular pipeline project, then none will be included on that particular project bid list. The following process is utilized.

1. Engineering will prepare the scope of work, schedule and specifications for the particular pipeline project.
2. Materials and Contract Management (MCM) will prepare the contractual, legal and commercial terms of the bid package.
3. Annually, there will be a review of all pipeline projects for the coming year with our qualified pipeline contractors. These qualified contractors will be encouraged to express their desire to be considered for one or more specific projects, large or small. This should be accomplished in writing to MCM within 30 days of the annual meeting.
4. Jointly, Engineering and MCM will select the most qualified contractors to solicit bids.
5. Bid packages will be sent to the selected bidders.
6. Most projects will have a project onsite bid showing to insure that the bidders have a complete understanding of the project scope and schedule. All clarifications to questions resulting from the bid showing will be

communicated by MCM to all the contractors bidding prior to the bid due date.

7. A bid submission time and date will be included and communicated to the contractors as part of the bid package.
8. All bids will be submitted in a sealed package to MCM on or before the submittal time and will be held confidential through the entire process.
9. The sealed bids will only be opened in a closed meeting held by MCM with a minimum of three witnesses. Witnesses can be representatives from Engineering, Operations or other pertinent departments. Bids arriving late will not be considered unless there are special circumstances that warrant such consideration. Each bid opened will be initialed by all witnesses. A bid comparison spreadsheet is prepared to determine the low bidders(s). Bidder(s) may be contacted if there are exceptions or clarifications that need to be resolved to insure accurate and comparable bids are fully evaluated prior to awarding the project. Contractors may be requested to verify that specific skilled individuals and material/equipment are committed to the project.
10. Selection of the successful bidder will normally be the lowest bidder when all exceptions, etc. are included. The lowest bidder may not be selected if it is determined that the lowest bidder cannot fulfill the project requirements (skilled personnel, adequate training of personnel, schedule, material/equipment availability, noncompliance with labor laws, etc.), and therefore will not provide the most cost effective and high quality project.

Selecting a contractor other than the lowest qualifying bidder requires approval of the MCM director and senior executive in the Pipeline Group with the appropriate written justification.

11. All contractor submitted bid information, correspondence and comparisons for a project will remain confidential even after the successful contractor is notified that the bid was awarded to him. The Company will not announce or release any of this confidential information.

Through this process, contractors are afforded fair and equal opportunity to be a successful bidder and the Pipeline Group is able to select the contractor that provides the maximum value to the Company.

Project Execution

As a pipeline bid project is executed, Engineering, Operations and MCM monitor and note contractor performance. This includes, but is not limited to, the following areas:

1. Safety
2. Adherence to schedule
3. Compliance with all labor and employment laws and regulations
4. Compliance with construction requirements and environmental laws and regulations
5. Demonstrated skill capability (both managerial and technical)
6. Landowner interaction

7. Quality of material/equipment utilized
8. Litigation and disputes arising from the project
9. Ability to adhere to the contract bid costs
10. Compliance with all applicable provisions of the El Paso Code of Business Conduct
11. Review of Contractors Training Program including on-the-job training and adherence to Operator Qualification Regulations

This information is utilized in qualifying a contractor as a bidder for a particular future project and to insure the highest quality and cost effective project is achieved for the Pipeline Group. Contractors that fail to abide by the terms of this Process shall be subject to potential termination and removal from the Qualified Contractors List.

Future Projects/Bidding Process Update

Annually, a meeting with our qualified pipeline contractors will be held to outline the pipeline projects planned for the coming year, and to provide any updates to the Pipeline Construction and Maintenance Contracting Process.

Revised: 01/14/05