

Edgar Filing: Energy Transfer Partners, L.P. - Form 10-Q

Energy Transfer Partners, L.P.  
Form 10-Q  
November 08, 2012  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

For the quarterly period ended September 30, 2012  
or

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT  
OF 1934

Commission file number 1-11727

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ENERGY TRANSFER PARTNERS, L.P.  
(Exact name of registrant as specified in its charter)

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Delaware	73-1493906
(state or other jurisdiction of	(I.R.S. Employer
incorporation or organization)	Identification No.)
3738 Oak Lawn Avenue, Dallas, Texas 75219	
(Address of principal executive offices) (zip code)	
(214) 981-0700	
(Registrant's telephone number, including area code)	

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
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Non-accelerated filer	<input type="checkbox"/>	(Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>
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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

At October 31, 2012, the registrant had units outstanding as follows:

Energy Transfer Partners, L.P.	300,547,400	Common Units
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### Forward-Looking Statements

Certain matters discussed in this report, excluding historical information, as well as some statements by Energy Transfer Partners, L.P. ("Energy Transfer Partners," the "Partnership," or "ETP") in periodic press releases and some oral statements of the Partnership's officials during presentations about the Partnership, include forward-looking statements. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. Statements using words such as "anticipate," "believe," "intend," "project," "plan," "expect," "continue," "estimate," "goal," "forecast," "may," "will" or similar expressions help identify forward-looking statements. Although the Partnership and its General Partner believe such forward-looking statements are based on reasonable assumptions and current expectations and projections about future events, no assurance can be given that such assumptions, expectations, or projections will prove to be correct. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, the Partnership's actual results may vary materially from those anticipated, projected or expected, forecasted, estimated or expressed in forward-looking statements since many of the factors that determine these results are subject to uncertainties and risks that are difficult to predict and beyond management's control. For additional discussion of risks, uncertainties and assumptions, see "Part II — Other Information – Item 1A. Risk Factors" in this Quarterly Report on Form 10-Q and our Quarterly Report on Form 10-Q for the quarters ended March 31, 2012 and June 30, 2012, as well as "Part I — Item 1A. Risk Factors" in the Partnership's Report on Form 10-K for the year ended December 31, 2011 filed with the Securities and Exchange Commission on February 22, 2012.

### Definitions

The following is a list of certain acronyms and terms generally used throughout this document:

/d	per day
AmeriGas	AmeriGas Partners, L.P.
AOCI	accumulated other comprehensive income (loss)
Bbls	barrels
Bcf	billion cubic feet
Btu	British thermal unit, an energy measurement used by gas companies to convert the volume of gas used to its heat equivalent, and thus calculate the actual energy used
CAA	Clean Air Act
Capacity	capacity of a pipeline, processing plant or storage facility refers to the maximum capacity under normal operating conditions and, with respect to pipeline transportation capacity, is subject to multiple factors (including natural gas injections and withdrawals at various delivery points along the pipeline and the utilization of compression) which may reduce the throughput capacity from specified capacity levels
DOT	U.S. Department of Transportation
El Paso	El Paso Corporation
Enterprise	Enterprise Products Partners L.P., together with its subsidiaries
ETC Compression	ETC Compression, LLC

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ETC FEP	ETC Fayetteville Express Pipeline, LLC
ETC OLP	La Grange Acquisition, L.P., which conducts business under the assumed name of Energy Transfer Company
ETC Tiger	ETC Tiger Pipeline, LLC
ETE	Energy Transfer Equity, L.P., a publicly traded partnership and the owner of ETP LLC
ET Interstate	Energy Transfer Interstate Holdings, LLC
ETP GP	Energy Transfer Partners GP, L.P., the general partner of ETP
ETP LLC	Energy Transfer Partners, L.L.C., the general partner of ETP GP
EPA	U.S. Environmental Protection Agency

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Exchange Act	Securities Exchange Act of 1934
FEP	Fayetteville Express Pipeline LLC
FERC	Federal Energy Regulatory Commission
FGT	Florida Gas Transmission Company, LLC
GAAP	accounting principles generally accepted in the United States of America
Holdco	ETP Holdco Corporation
HOLP	Heritage Operating, L.P.
ICA	Interstate Commerce Act
IDRs	incentive distribution rights
LDH	LDH Energy Asset Holdings LLC
LIBOR	London Interbank Offered Rate
Lone Star	Lone Star NGL LLC
MMBtu	million British thermal units
NGA	Natural Gas Act
NGL	natural gas liquid, such as propane, butane and natural gasoline
NYMEX	New York Mercantile Exchange
OTC	over-the-counter
OSHA	federal Occupational Safety and Health Act
PCBs	polychlorinated biphenyls
PHMSA	Pipeline Hazardous Materials Safety Administration
Regency	Regency Energy Partners LP, a subsidiary of ETE
Reservoir	a porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is separate from other reservoirs
SEC	Securities and Exchange Commission

Southern Union	Southern Union Company, a subsidiary of ETE
Sunoco	Sunoco, Inc.
Sunoco Logistics	Sunoco Logistics Partners L.P.
Tcf	trillion cubic feet
Titan	Titan Energy Partners, L.P.
Transwestern	Transwestern Pipeline Company, LLC

Adjusted EBITDA is a term used throughout this document, which we define as earnings before interest, taxes, depreciation, amortization and other non-cash items, such as non-cash compensation expense, gains and losses on disposals of assets, the allowance for equity funds used during construction, unrealized gains and losses on commodity risk management activities, non-cash impairment charges, loss on extinguishment of debt, gain on deconsolidation and other non-operating income or expense items. Unrealized gains and losses on commodity risk management activities includes unrealized gains and losses on commodity derivatives and inventory fair value adjustments (excluding lower of cost or market adjustments). Adjusted EBITDA reflects amounts for less than wholly owned subsidiaries and unconsolidated affiliates based on proportionate ownership.



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## PART I — FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	September 30, 2012	December 31, 2011
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 110,354	\$ 106,816
Accounts receivable, net of allowance for doubtful accounts of \$538 and \$7,651 as of September 30, 2012 and December 31, 2011, respectively	541,345	568,579
Accounts receivable from related companies	45,165	81,753
Inventories	234,203	306,740
Exchanges receivable	18,837	18,808
Price risk management assets	18,007	11,429
Current assets held for sale	7,482	—
Other current assets	114,324	181,369
Total current assets	1,089,717	1,275,494
 <b>PROPERTY, PLANT AND EQUIPMENT</b>	 14,238,264	 13,983,888
<b>ACCUMULATED DEPRECIATION</b>	(1,379,944)	(1,677,522)
	12,858,320	12,306,366
 <b>NON-CURRENT ASSETS HELD FOR SALE</b>	 190,996	 —
<b>ADVANCES TO AND INVESTMENTS IN UNCONSOLIDATED AFFILIATES</b>	3,197,520	200,612
<b>NON-CURRENT PRICE RISK MANAGEMENT ASSETS</b>	41,879	25,537
<b>GOODWILL</b>	600,152	1,219,597
<b>INTANGIBLE ASSETS, net</b>	161,847	331,409
<b>OTHER NON-CURRENT ASSETS, net</b>	157,129	159,601
Total assets	\$ 18,297,560	\$ 15,518,616

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

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## ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	September 30, 2012	December 31, 2011
<b>LIABILITIES AND EQUITY</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$381,338	\$401,053
Accounts payable to related companies	7,977	33,373
Exchanges payable	13,822	17,906
Price risk management liabilities	88,770	79,518
Accrued and other current liabilities	723,135	629,202
Current maturities of long-term debt	350,000	424,117
Current liabilities held for sale	5,439	—
Total current liabilities	1,570,481	1,585,169
LONG-TERM DEBT, less current maturities	8,690,740	7,388,170
NON-CURRENT PRICE RISK MANAGEMENT LIABILITIES	72,660	42,303
OTHER NON-CURRENT LIABILITIES	174,351	152,550
<b>COMMITMENTS AND CONTINGENCIES (Note 14)</b>		
<b>EQUITY:</b>		
General Partner	190,237	181,646
Limited Partners:		
Common Unitholders	6,733,310	5,533,492
Accumulated other comprehensive income (loss)	(10,351)	) 6,569
Total partners' capital	6,913,196	5,721,707
Noncontrolling interest	876,132	628,717
Total equity	7,789,328	6,350,424
Total liabilities and equity	\$18,297,560	\$15,518,616

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

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CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per unit data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
REVENUES:				
Natural gas sales	\$603,449	\$679,889	\$1,480,729	\$1,963,135
NGL sales	326,841	333,078	1,011,735	756,740
Gathering, transportation and other fees	399,494	392,080	1,162,386	1,094,762
Retail propane sales	—	213,496	87,082	962,258
Other	90,690	82,920	198,830	217,085
Total revenues	1,420,474	1,701,463	3,940,762	4,993,980
COSTS AND EXPENSES:				
Cost of products sold	886,888	1,070,076	2,319,318	3,067,316
Operating expenses	99,602	193,364	349,465	563,917
Depreciation and amortization	94,812	106,419	282,485	294,356
Selling, general and administrative	47,295	57,745	151,310	158,000
Total costs and expenses	1,128,597	1,427,604	3,102,578	4,083,589
OPERATING INCOME	291,877	273,859	838,184	910,391
OTHER INCOME (EXPENSE):				
Interest expense, net of interest capitalized	(112,141)	) (124,000	) (383,271	) (347,706 )
Equity in earnings of unconsolidated affiliates	7,920	6,713	63,011	13,386
Gain on deconsolidation of Propane Business	—	—	1,056,709	—
Loss on extinguishment of debt	—	—	(115,023	) —
Losses on non-hedged interest rate derivatives	(65	) (68,595	) (8,087	) (64,705 )
Other, net	6,548	(6,345	) 9,547	(6,559 )
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE	194,139	81,632	1,461,070	504,807
Income tax expense	768	4,039	14,915	20,417
INCOME FROM CONTINUING OPERATIONS	193,371	77,593	1,446,155	484,390
Loss from discontinued operations	(147,162	) (1,543	) (150,062	) (4,522 )
NET INCOME	46,209	76,050	1,296,093	479,868
LESS: NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTEREST	9,184	9,285	32,914	17,673
NET INCOME ATTRIBUTABLE TO PARTNERS	37,025	66,765	1,263,179	462,195
GENERAL PARTNER'S INTEREST IN NET INCOME	16,583	104,810	341,925	318,241
LIMITED PARTNERS' INTEREST IN NET INCOME (LOSS)	\$(79,558	) \$(38,045	) \$921,254	\$143,954
INCOME (LOSS) FROM CONTINUING OPERATIONS PER LIMITED PARTNER UNIT:				
Basic	\$0.26	\$(0.18	) \$4.54	\$0.70
Diluted	\$0.26	\$(0.18	) \$4.52	\$0.70
NET INCOME (LOSS) PER LIMITED PARTNER UNIT:				
Basic	\$(0.33	) \$(0.19	) \$3.91	\$0.68
Diluted	\$(0.33	) \$(0.19	) \$3.89	\$0.68

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

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	\$46,209	\$76,050	\$1,296,093	\$479,868
Other comprehensive income (loss), net of tax:				
Reclassification to earnings of gains and losses on derivative instruments accounted for as cash flow hedges	(3,539)	) (4,994	) (13,636	) (27,405 )
Change in value of derivative instruments accounted for as cash flow hedges	(3,363	) 6,126	10,508	14,583
Change in value of available-for-sale securities	—	(900	) (114	) (935 )
Change in other comprehensive income (loss) from equity investments	8,728	—	(13,678	) —
	1,826	232	(16,920	) (13,757 )
Comprehensive income	48,035	76,282	1,279,173	466,111
Less: Comprehensive income attributable to noncontrolling interest	9,184	9,285	32,914	17,673
Comprehensive income attributable to partners	\$38,851	\$66,997	\$1,246,259	\$448,438

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

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES  
CONSOLIDATED STATEMENT OF EQUITY  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2012

(Dollars in thousands)

(unaudited)

	General Partner	Limited Partner Common Unitholders	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
Balance, December 31, 2011	\$ 181,646	\$ 5,533,492	\$ 6,569	\$ 628,717	\$ 6,350,424
Distributions to partners	(333,053 )	(626,545 )	—	—	(959,598 )
Distributions to noncontrolling interest	—	—	—	(38,794 )	(38,794 )
Units issued for cash	—	771,813	—	—	771,813
Capital contributions from noncontrolling interest	—	—	—	253,295	253,295
Units issued in connection with acquisitions	—	112,000	—	—	112,000
Non-cash compensation expense, net of units tendered by employees for tax withholdings	19	30,266	—	—	30,285
Other comprehensive loss, net of tax	—	—	(16,920 )	—	(16,920 )
Other, net	(300 )				