

SUNOCO LOGISTICS PARTNERS L.P.

Form 10-Q

November 05, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark one)

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

For the quarterly period ended September 30, 2015

OR

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

For the transition period from _____ to _____

Commission file number 1-31219

SUNOCO LOGISTICS PARTNERS L.P.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

23-3096839

(I.R.S. Employer
Identification No.)

3807 West Chester Pike,
Newtown Square, PA

(Address of principal executive offices)

19073

(Zip Code)

Registrant's telephone number, including area code: (866) 248-4344

Former name, former address and former fiscal year, if changed since last report: Not Applicable

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 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 definition of "large accelerated filer," "accelerated filer," "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Edgar Filing: SUNOCO LOGISTICS PARTNERS L.P. - Form 10-Q

At November 1, 2015, the number of the registrant's Common and Class B Units outstanding were 260,443,414 and 9,416,196, respectively.

SUNOCO LOGISTICS PARTNERS L.P.
INDEX

	Page Number
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Condensed Consolidated Statements of Comprehensive Income for the Three and Nine Months Ended September 30, 2015 and 2014 (unaudited)	<u>2</u>
Condensed Consolidated Balance Sheets at September 30, 2015 (unaudited) and December 31, 2014	<u>3</u>
Condensed Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2015 and 2014 (unaudited)	<u>4</u>
Condensed Consolidated Statements of Equity for the Nine Months Ended September 30, 2015 and 2014 (unaudited)	<u>5</u>
Notes to Condensed Consolidated Financial Statements (unaudited)	<u>6</u>
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	<u>27</u>
Item 3. Quantitative and Qualitative Disclosures About Market Risk	<u>36</u>
Item 4. Controls and Procedures	<u>38</u>
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	<u>39</u>
Item 1A. Risk Factors	<u>39</u>
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	<u>39</u>
Item 3. Defaults Upon Senior Securities	<u>39</u>
Item 4. Mine Safety Disclosures	<u>39</u>
Item 5. Other Information	<u>39</u>
Item 6. Exhibits	<u>40</u>
SIGNATURE	<u>41</u>

PART I.

FINANCIAL INFORMATION

Item 1. Financial Statements

SUNOCO LOGISTICS PARTNERS L.P.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions, except per unit amounts, unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
Revenues				
Sales and other operating revenue:				
Unaffiliated customers	\$2,317	\$4,616	\$7,766	\$13,199
Affiliates (Note 4)	90	299	415	1,014
Total Revenues	2,407	4,915	8,181	14,213
Costs and Expenses				
Cost of products sold	2,024	4,581	7,154	13,308
Operating expenses	58	55	162	124
Selling, general and administrative expenses	26	30	76	82
Depreciation and amortization expense	102	77	278	220
Impairment charge and other matters (Notes 6 and 16)	103	—	44	—
Total Costs and Expenses	2,313	4,743	7,714	13,734
Operating Income	94	172	467	479
Interest cost and debt expense, net	(49	) (38	) (151	) (101
Capitalized interest	12	24	54	50
Other income	7	7	19	18
Income Before Provision for Income Taxes	64	165	389	446
Provision for income taxes (Note 8)	(7	) (8	) (18	) (21
Net Income	57	157	371	425
Net income attributable to noncontrolling interests	(1	) (2	) (2	) (7
Net income attributable to redeemable noncontrolling interests	—	—	(1) —
Net Income Attributable to Sunoco Logistics Partners L.P.	56	155	368	418
Less: General Partner's interest	(74	) (49	) (205	) (131
Limited Partners' interest	\$(18	) \$106	\$163	\$287
Net Income (Loss) Attributable to Sunoco Logistics Partners L.P. per Limited Partner unit (Note 5):				
Basic	\$(0.07	) \$0.50	\$0.67	\$1.37
Diluted	\$(0.07	) \$0.50	\$0.66	\$1.36
Weighted average Limited Partners' units outstanding (Note 5):				
Basic	255.0	212.5	244.3	209.6
Diluted	255.0	213.8	245.2	210.8
Net Income	\$57	\$157	\$371	\$425
Adjustment to affiliate's pension funded status	—	—	(1	) 1

Edgar Filing: SUNOCO LOGISTICS PARTNERS L.P. - Form 10-Q

Other Comprehensive Loss	—	—	(1	) 1
Comprehensive Income	57	157	370	426
Less: Comprehensive income attributable to noncontrolling interests	(1	) (2	) (2	) (7
Less: Comprehensive income attributable to redeemable noncontrolling interests	—	—	(1) —
Comprehensive Income Attributable to Sunoco Logistics Partners L.P.	\$56	\$155	\$367	\$419
(See Accompanying Notes)				

2

SUNOCO LOGISTICS PARTNERS L.P.
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (in millions, unaudited)

	September 30, 2015	December 31, 2014
Assets		
Cash and cash equivalents	\$45	\$101
Accounts receivable, affiliated companies (Note 4)	48	9
Accounts receivable, net	1,373	1,766
Inventories (Note 6)	647	470
Other current assets	7	3
Total Current Assets	2,120	2,349
Properties, plants and equipment	10,826	9,358
Less accumulated depreciation and amortization	(748)	(509)
Properties, plants and equipment, net	10,078	8,849
Investment in affiliates	277	226
Goodwill	1,358	1,358
Intangible assets, net (Note 7)	731	770
Other assets	98	92
Total Assets	\$14,662	\$13,644
Liabilities and Equity		
Accounts payable	\$1,334	\$1,934
Accounts payable, affiliated companies (Note 4)	51	21
Accrued liabilities	181	304
Accrued taxes payable (Note 8)	44	52
Total Current Liabilities	1,610	2,311
Long-term debt (Note 9)	4,944	4,260
Other deferred credits and liabilities	81	71
Deferred income taxes (Note 8)	244	249
Total Liabilities	6,879	6,891
Commitments and contingent liabilities (Note 10)		
Redeemable noncontrolling interests	15	15
Total Equity	7,768	6,738
Total Liabilities and Equity	\$14,662	\$13,644
(See Accompanying Notes)		

SUNOCO LOGISTICS PARTNERS L.P.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (in millions, unaudited)

	Nine Months Ended September 30,	
	2015	2014
Cash Flows from Operating Activities:		
Net Income	\$371	\$425
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	278	220
Impairment charge and other matters	44	—
Deferred income tax benefit	(5	) (4
Amortization of bond premium	(10	) (11
Non-cash compensation expense	12	12
Equity in earnings of unconsolidated affiliates	(21	) (18
Distributions from unconsolidated affiliates	14	9
Changes in working capital pertaining to operating activities:		
Accounts receivable, affiliated companies	(39	) 14
Accounts receivable, net	400	(642
Inventories	(221	) 18
Accounts payable, affiliated companies	30	(2
Accounts payable and accrued liabilities	(558	) 326
Accrued taxes payable	(8	) 1
Unrealized (gains) losses on commodity risk management activities	(9	) (14
Other	19	(8
Net cash provided by operating activities	297	326
Cash Flows from Investing Activities:		
Capital expenditures	(1,678	) (1,826
Investment in joint venture interests	—	(42
Acquisitions, net of cash received	(131	) (65
Change in long-term note receivable	(14	) (11
Net cash used in investing activities	(1,823	) (1,944
Cash Flows from Financing Activities:		
Distributions paid to limited and general partners	(491	) (335
Distributions paid to noncontrolling interests	(1	) (4
Contributions from general partner	—	2
Net proceeds from issuance of limited partner units	1,274	593
Payments of statutory withholding on net issuance of limited partner units under LTIP	(10	) (6
Repayments under credit facilities	(1,760	) (1,770
Borrowings under credit facilities	2,454	2,095
Repayments of senior notes	—	(175
Net proceeds from issuance of long-term debt	—	989
Advances to affiliated companies, net	—	239
Contributions attributable to acquisition from affiliate	8	9
Other	(4) —
Net cash provided by financing activities	1,470	1,637
Net change in cash and cash equivalents	(56	) 19

Edgar Filing: SUNOCO LOGISTICS PARTNERS L.P. - Form 10-Q

Cash and cash equivalents at beginning of period	101	39
Cash and cash equivalents at end of period	\$45	\$58

(See Accompanying Notes)

4

SUNOCO LOGISTICS PARTNERS L.P.
CONDENSED CONSOLIDATED STATEMENTS OF EQUITY
(in millions, unaudited)

	Limited Partners	General Partner	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total	
Balance at January 1, 2014	\$5,292	\$912	\$—	\$121	\$6,325	
Net Income	287	131	—	7	425	
Adjustment to affiliate's pension funded status	—	—	1	—	1	
Total comprehensive income	287	131	1	7	426	
Issuance of limited partner units to the public	593	2	—	—	595	
Non-cash compensation expense	12	—	—	—	12	
Distribution equivalent rights	(3) —	—	—	(3)
Payments of statutory withholding on issuance under LTIP	(6) —	—	—	(6)
Distributions	(218) (117) —	(4) (339)
Contributions attributable to acquisition from affiliate	9	—	—	—	9	
Other	(1) —	—	—	(1)
Balance at September 30, 2014	\$5,965	\$928	\$1	\$124	\$7,018	
Balance at January 1, 2015	\$5,752	\$925	\$1	\$60	\$6,738	
Net Income	163	205	—	2	370	
Adjustment to affiliate's pension funded status	—	—	(1) —	(1)
Total comprehensive income (loss)	163	205	(1	) 2	369
Issuance of limited partner units to the public	1,274	—	—	—	1,274	
Non-cash compensation expense	12	—	—	—	12	
Distribution equivalent rights	(1) —	—	—	(1)
Payments of statutory withholding on issuance under LTIP	(10) —	—	—	(10)
Distributions	(306) (185) —	(1) (492)
Contributions attributable to acquisition from affiliate	8	—	—	—	8	
Acquisition of a noncontrolling interest in a consolidated subsidiary	(103) (2) —	(26) (131)
Other	2	(1	) —	—	1
Balance at September 30, 2015	\$6,791	\$942	\$—	\$35	\$7,768	

(See Accompanying Notes)

SUNOCO LOGISTICS PARTNERS L.P.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. Organization and Basis of Presentation

Sunoco Logistics Partners L.P. (the "Partnership") is a publicly traded Delaware limited partnership that owns and operates a logistics business, consisting of crude oil, refined products and natural gas liquids ("NGL") pipelines, terminalling and storage assets, and crude oil, refined products and NGL acquisition and marketing assets. The Partnership conducts its business activities in 35 states located throughout the United States.

The consolidated financial statements reflect the results of the Partnership and its wholly-owned subsidiaries, including Sunoco Logistics Partners Operations L.P. (the "Operating Partnership"), the proportionate shares of the Partnership's undivided interests in assets, and the accounts of entities in which the Partnership has a controlling financial interest. A controlling financial interest is evidenced by either a voting interest greater than 50 percent or a risk and rewards model that identifies the Partnership or one of its subsidiaries as the primary beneficiary of a variable interest entity. At September 30, 2015, the Partnership held a controlling financial interest in Inland Corporation ("Inland"), Mid-Valley Pipeline Company ("Mid-Valley"), and Price River Terminal, LLC ("PRT"), and as such, these entities are reflected as consolidated subsidiaries of the Partnership. In January 2015, the Partnership acquired the outstanding noncontrolling interest in the West Texas Gulf Pipe Line Company ("West Texas Gulf"), which resulted in West Texas Gulf becoming a wholly-owned subsidiary of the Partnership. The Partnership is not the primary beneficiary of any variable interest entities ("VIEs"). All significant intercompany accounts and transactions are eliminated in consolidation, and noncontrolling interests in net income and equity are shown separately in the condensed consolidated statements of comprehensive income and equity. Equity ownership interests in corporate joint ventures in which the Partnership does not have a controlling financial interest, but over which the Partnership can exercise significant influence, are accounted for under the equity method of accounting.

In May 2014, the Financial Accounting Standards Board ("FASB") codified guidance related to the recognition of revenue from contracts with customers. The new guidance outlines the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The guidance is effective for annual reporting periods beginning after December 15, 2017, including interim periods within those reporting periods, with early adoption permitted. The Partnership is currently assessing the impact, if any, that adoption of new guidance will have on its consolidated financial position and results of operations.

The accompanying condensed consolidated financial statements are presented in accordance with the requirements of Form 10-Q and accounting principles generally accepted in the United States for interim financial reporting. They do not include all disclosures normally made in annual financial statements contained in Form 10-K. The accompanying condensed consolidated balance sheet at December 31, 2014 has been derived from the Partnership's audited financial statements for the year ended December 31, 2014. In management's opinion, all adjustments necessary for a fair presentation of the results of operations, financial position and cash flows for the periods shown have been made. All such adjustments are of a normal, recurring nature. The Partnership expects the interim increase in the quantity of its refined product and NGL inventory to decline by year end and therefore has adjusted its interim LIFO calculation to produce a reasonable matching of the most recently incurred costs with current revenues. Results for the nine months ended September 30, 2015 are not necessarily indicative of results for the full year 2015.

Certain amounts in the prior year condensed consolidated financial statements have been reclassified to conform to the current-year presentation.

2. Changes in Business and Other Matters

In October 2015, the Partnership finalized its participation in the Bakken Pipeline project with Energy Transfer Partners, L.P. ("ETP") and Phillips 66. The Partnership obtained a 30 percent economic interest in the project which, combined with ETP's 45 percent interest, will be a consolidated subsidiary of ETP. The project consists of existing and newly constructed pipelines that are expected to provide aggregate takeaway capacity of approximately 450,000 barrels per day of crude oil from the Bakken/Three Forks production area in North Dakota to key refinery and

terminalling hubs in the Midwest and Gulf Coast, including the Partnership's Nederland terminal. The ultimate takeaway capacity target for the project is 570,000 barrels per day. The pipeline system is supported by long-term fee-based contracts and is expected to begin commercial operations in the fourth quarter of 2016.

In exchange for its 30 percent economic interest in the project, the Partnership issued 9.4 million Class B units to ETP, representing limited partner interests in the Partnership, and paid \$382 million in cash to cover the Partnership's proportionate share of contributions at the time of closing. Since the interest in the project was acquired from a related party, the Partnership's investment will be recorded at ETP's historical carrying value. Subsequent contributions will be made by the joint partners in proportion to their respective economic ownership interests. The Partnership expects to reach agreement to become the operator of the pipeline system, and will account for its investment in the project as an equity method investment within its Crude Oil Pipelines segment. See Note 11 for additional information on the issuance of the Class B units.

In July 2015, the Partnership entered into an agreement with ETP and Phillips 66 to participate in the Bayou Bridge Pipeline project. The Partnership obtained a 30 percent economic interest in the project which, combined with ETP's 30 percent interest, will be a consolidated subsidiary of ETP. The project currently consists of newly constructed pipeline that will deliver crude oil from Nederland, Texas to Lake Charles, Louisiana. Commercial operations are expected to begin in the first quarter 2016.

The Partnership will be the operator of the pipeline and will fund its proportionate share of the cost of the project, which will be accounted for as an equity method investment within the Partnership's Crude Oil Pipelines segment. In the second quarter 2014, the Partnership entered into a joint agreement for a 49 percent economic and voting interest in Bayview Refining Company, LLC ("Bayview"). Bayview constructed and will operate the facility to process crude oil into intermediate petroleum products. The entity is a variable interest entity for which the Partnership is not the primary beneficiary. Through September 30, 2015, the owners made contributions totaling \$54 million. Construction was completed in the third quarter 2015. The Partnership's investment in Bayview is reflected as an equity method investment within the Crude Oil Acquisition and Marketing segment.

In connection with the formation of Bayview, the joint owners agreed to guarantee the obligations of the entity with respect to certain third-party operating agreements over a ten-year term. The fair value of the liability recognized in connection with the guarantee was not material in relation to the Partnership's financial position at September 30, 2015. The Partnership's note receivable from the joint owner of Bayview is reflected in other assets in the condensed consolidated balance sheet.

In the first quarter 2014, the Partnership exercised its rights to acquire an additional ownership interest in Explorer Pipeline Company ("Explorer") from Chevron Pipe Line Company for \$42 million, increasing the Partnership's ownership interest from 9.4 to 13.3 percent. Explorer owns approximately 1,850 miles of refined products pipelines running from the Gulf Coast of the United States to the Chicago, Illinois area. The fair value of the investment was estimated based on the fair value of the consideration transferred. The investment continues to be accounted for as an equity method investment within the Partnership's Products Pipelines segment, with the equity income recorded based on the Partnership's ownership percentage for each period presented.

No pro forma information has been presented, as the impact of these investments was not material to the Partnership's consolidated financial position or results of operations.

3. Acquisitions

In December 2014, the Partnership acquired an additional 28.3 percent ownership interest in West Texas Gulf from Chevron Pipe Line Company, increasing its controlling financial interest to 88.6 percent. As this transaction represented the acquisition of ownership interest in a consolidated subsidiary, the \$325 million purchase price resulted in the reduction of noncontrolling interest and partners' equity of \$66 and \$259 million, respectively, in accordance with applicable accounting guidance. In January 2015, the Partnership acquired the remaining noncontrolling interest in West Texas Gulf from the Southwest Pipeline Holding Company for \$131 million. The acquisition of the remaining ownership interest reduced noncontrolling interest and partners' equity by \$26 and \$105 million, respectively, in the first quarter 2015.

In the second quarter 2014, the Partnership acquired a crude oil purchasing and marketing business from EDF Trading North America, LLC ("EDF"). The purchase consisted of a crude oil acquisition and marketing business and related assets for approximately 20 thousand barrels per day. The acquisition also included a promissory note that was convertible to an equity interest in a rail facility (see below). The acquisition is included in the Crude Oil Acquisition

and Marketing segment.

Also in the second quarter 2014, the Partnership acquired a 55 percent economic and voting interest in Price River Terminal, LLC ("PRT"), a rail facility in Wellington, Utah. As the Partnership acquired a controlling financial interest in PRT, the entity is reflected as a consolidated subsidiary of the Partnership from the acquisition date within the Crude Oil Acquisition and Marketing segment. The terms of the acquisition provide PRT's noncontrolling interest holders the option to sell their interests to the Partnership at a price defined in the agreement. As a result, the noncontrolling interests attributable to PRT are

7

excluded from total equity and are instead reflected as a redeemable interests in the Partnership's condensed consolidated balance sheet.

The \$65 million purchase price for these acquisitions (net of cash received) consisted primarily of net working capital largely attributable to inventory (\$22 million), properties, plants and equipment (\$14 million), and intangible assets (\$28 million). These fair value allocations also resulted in an increase to goodwill (\$13 million) and redeemable noncontrolling interests (\$15 million).

No pro forma information has been presented, as the impact of these acquisitions was not material in relation to the Partnership's consolidated financial position or results of operations.

4. Related Party Transactions

The Partnership is a consolidated subsidiary of ETP. ETP and one of its affiliates own Sunoco Partners LLC, the Partnership's general partner, and a 28.3 percent limited partner interest in the Partnership, including the issuance of Class B units in October 2015. The Partnership has various operating and administrative agreements with ETP and its affiliates, which include the agreements described below.

Administrative Services

The Partnership has no employees. The operations of the Partnership are carried out by employees of the general partner. The Partnership reimburses the general partner and its affiliates for certain costs and direct expenses incurred on the Partnership's behalf. These costs may be increased if the acquisition or construction of new businesses or assets requires an increase in the level of services received by the Partnership.

The Partnership pays ETP and its affiliates an annual administrative fee for expenses incurred by ETP and its affiliates to perform certain centralized corporate functions, such as legal, accounting, information technology, insurance, office rent, and other corporate services, including the administration of employee benefit plans. This fee does not include the salaries or wages of employees of the general partner, or the cost of employee benefits.

The Partnership's share of allocated ETP employee benefit plan expenses, including non-contributory defined benefit retirement plans, defined contribution 401(k) plans, employee and retiree medical, dental and life insurance plans, incentive compensation plans and other such benefits are reflected in operating expenses and selling, general and administrative expenses in the condensed consolidated statements of comprehensive income.

Affiliated Revenues and Accounts Receivable, Affiliated Companies

The Partnership is party to various agreements with ETP and its affiliates to supply crude oil, refined products and NGLs, as well as to provide pipeline and terminalling services. The revenues associated with these activities are reflected as affiliated revenues in the condensed consolidated statements of comprehensive income.

Acquisitions

See Notes 2 and 11 for additional information related to the Partnership's participation in the Bayou Bridge and Bakken pipeline projects.

Capital Contributions

Contributions were previously required for the general partner to maintain its two percent general partner interest. In July 2014, the Partnership agreement was amended to remove the obligation of the general partner to make capital contributions upon the issuance of limited partner units to retain a two percent interest. No capital contributions have been made by the general partner subsequent to the Partnership agreement modification.

In connection with the acquisition of the Marcus Hook Facility in the second quarter 2013, the Partnership will be reimbursed \$40 million by an affiliate of ETP for certain operating expenses of the facility through March 31, 2017. The reimbursement proceeds are reflected as contributions to equity within the condensed consolidated statements of equity.

5. Net Income Attributable to Sunoco Logistics Partners L.P. per Limited Partner Unit

The general partner's interest in net income attributable to SXL consists of its approximate two percent general partner interest and "incentive distributions," which are increasing percentages of up to 50 percent of quarterly distributions in excess of \$0.0833 per common unit (Note 12). The general partner was allocated net income attributable to SXL of \$74 and \$49 million (representing 132 and 32 percent of total net income attributable to SXL) for the three months ended September 30, 2015 and 2014, respectively. The general partner was allocated net income attributable to SXL of \$205 and \$131 million (representing 56 and 31 percent of total net income attributable to SXL) for the nine months ended September 30, 2015 and 2014, respectively. Diluted net income attributable to SXL per limited partner unit is calculated by dividing the limited partners' interest in net income attributable to SXL by the sum of the weighted average number of common units outstanding and the dilutive effect of unvested incentive unit awards (Note 13). The following table sets forth the reconciliation of the weighted average number of limited partner units used to compute basic net income attributable to SXL per limited partner unit to those used to compute diluted net income attributable to SXL per limited partner unit for the three and nine months ended September 30, 2015 and 2014:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)		(in millions)	
Weighted average number of units outstanding, basic	255.0	212.5	244.3	209.6
Add effect of dilutive incentive awards ⁽¹⁾	—	1.3	0.9	1.2
Weighted average number of units, diluted	255.0	213.8	245.2	210.8

Unvested incentive unit awards are not included within the calculation of the dilutive weighted average number of ⁽¹⁾ units for the three months ended September 30, 2015 since the effect on the net loss attributable to SXL per limited partner unit would have been antidilutive.

6. Inventories

The components of inventories are as follows:

	September 30, 2015	December 31, 2014
	(in millions)	
Crude oil	\$461	\$364
Refined products and NGLs	168	90
Refined products additives	3	4
Materials, supplies and other	15	12
Total Inventories	\$647	\$470

In the fourth quarter 2014, the Partnership established lower of cost or market ("LCM") reserves of \$231 and \$27 million, respectively, on its crude oil and products inventories as a result of declining commodity prices. At September 30, 2015, the LCM reserve amounted to \$302 million, related entirely to its crude oil inventory.

7. Goodwill and Intangible Assets

Intangible Assets

The components of intangible assets are as follows:

	Weighted Average Amortization Period (in years)	September 30, 2015 (in millions)	December 31, 2014
Gross			
Customer relationships	18	\$836	\$836
Technology	10	47	47
Total gross		883	883
Accumulated amortization			
Customer relationships		(138	) (102
Technology		(14	) (11
Total accumulated amortization		(152	) (113
Total Net		\$731	\$770

In connection with the EDF acquisition in the second quarter 2014, the Partnership recognized intangible assets related to customer relationships. The customer relationship intangible assets represent the estimated economic value associated with certain relationships acquired in connection with the business combination whereby (i) the Partnership acquired information about or access to customers, (ii) the customers now have the ability to transact business with the Partnership and (iii) the Partnership is uniquely positioned to provide products or services to the customers. The customer relationship intangible assets are amortized on a straight-line basis over their respective economic lives. Amortization expense was \$13 and \$14 million for the three months ended September 30, 2015 and 2014, respectively, and \$39 million for the nine months ended September 30, 2015 and 2014. The Partnership forecasts annual amortization expense of \$52 million in 2015 and approximately \$51 million of annual amortization expense for each year thereafter, through 2019, for these intangible assets.

Intangible assets associated with rights of way are included in properties, plants and equipment in the Partnership's condensed consolidated balance sheets.

Goodwill

Goodwill, which represents the excess of the purchase price in a business combination over the fair value of net assets acquired, is tested for impairment annually in the fourth quarter, or more often if events or changes in circumstances indicate that the carrying value of goodwill may exceed its estimated fair value. The Partnership's goodwill balance was \$1,358 million at September 30, 2015 and December 31, 2014. The Partnership continues to monitor the volatility in the crude oil markets and the impact it could have on the conclusion as to whether goodwill is impaired. It is possible that continued negative volatility within the crude oil markets could change the Partnership's conclusion regarding whether goodwill is impaired.

8. Income Taxes

The Partnership is not a taxable entity for U.S. federal income tax purposes, or for the majority of states that impose income taxes. Rather, income taxes are generally assessed at the partner level. There are some states in which the Partnership operates where it is subject to state and local income taxes. Substantially all of the income tax amounts reflected in the Partnership's condensed consolidated financial statements are related to the operations of Inland, Mid-Valley and West Texas Gulf, all of which are entities subject to income taxes for federal and state purposes at the corporate level. The effective tax rates for these entities approximate the federal statutory rate of 35 percent.

In taxable jurisdictions, the Partnership records deferred income taxes on all significant temporary differences between the book basis and the tax basis of assets and liabilities. The net deferred tax liabilities reflected in the condensed consolidated balance sheets are derived principally from the differences in the book and tax bases of properties, plants and equipment of Inland, Mid-Valley and West Texas Gulf.

9. Debt

The components of the Partnership's debt balance are as follows:

	September 30, 2015	December 31, 2014
Credit Facilities	(in millions)	
\$2.50 billion Credit Facility, due March 2020 ⁽¹⁾	\$879	\$150
\$35 million Credit Facility, matured and repaid April 2015	—	35
Senior Notes		
Senior Notes - 6.125%, due May 2016 ⁽²⁾	175	175
Senior Notes - 5.50%, due February 2020	250	250
Senior Notes - 4.65%, due February 2022	300	300
Senior Notes - 3.45%, due January 2023	350	350
Senior Notes - 4.25% due April 2024	500	500
Senior Notes - 6.85%, due February 2040	250	250
Senior Notes - 6.10%, due February 2042	300	300
Senior Notes - 4.95%, due January 2043	350	350
Senior Notes - 5.30% due April 2044	700	700
Senior Notes - 5.35% due May 2045	800	800
Unamortized fair value adjustments	96	106
Total debt	4,950	4,266
Less:		
Unamortized bond discount	(6	) (6
Long-term debt	\$4,944	\$4,260

⁽¹⁾ Includes \$44 million of commercial paper issued at September 30, 2015.

⁽²⁾ The 6.125 percent Senior Notes were classified as long-term debt at September 30, 2015 as the Partnership has the ability and intent to refinance such borrowings on a long-term basis.

Credit Facilities

In March 2015, the Operating Partnership amended and restated its \$1.50 billion Credit Facility, which was scheduled to mature in November 2018. The amended and restated credit facility is a \$2.50 billion unsecured revolving credit agreement (the "\$2.50 billion Credit Facility"), which matures in March 2020, that will continue to fund the Partnership's working capital requirements, finance acquisitions and capital projects, and be used for general partnership purposes. The \$2.50 billion Credit Facility contains an "accordion" feature, under which the total aggregate commitment may be extended to \$3.25 billion under certain conditions. In June 2015, the \$2.50 billion Credit Facility was amended to create a segregated tranche of borrowings that will be guaranteed by ETP. The amendment did not modify the outstanding borrowings, total capacity or terms of the facility. In September 2015, the Operating Partnership initiated a commercial paper program under the borrowing limits established by its \$2.50 billion Credit Facility. The \$2.50 billion Credit Facility bears interest at LIBOR or the Base Rate (as defined in the facility), each plus an applicable margin. The credit facility may be repaid at any time. Outstanding borrowings under this credit facility were \$879 and \$150 million at September 30, 2015 and December 31, 2014, respectively.

The \$2.50 billion Credit Facility contains various covenants, including limitations on the creation of indebtedness and liens, and related to the operation and conduct of the business of the Partnership and its subsidiaries. The credit facility also limits the Partnership, on a rolling four quarter basis, to a maximum total consolidated debt to consolidated Adjusted EBITDA ratio, as defined in the underlying credit agreement, of 5.0 to 1, which can generally be increased to 5.5 to 1 during an acquisition period. The Partnership's ratio of total consolidated debt, excluding net unamortized fair value adjustments, to consolidated Adjusted EBITDA was 3.4 to 1 at September 30, 2015, as calculated in accordance with the credit agreement.

The West Texas Gulf \$35 million revolving credit facility matured in April 2015 and was repaid with borrowings from the \$2.50 billion Credit Facility.

Senior Notes

In April 2014, the Operating Partnership issued \$300 million of 4.25 percent Senior Notes and \$700 million of 5.30 percent Senior Notes (the "2024 and 2044 Senior Notes"), due April 2024 and April 2044 respectively.

The terms and conditions of the 2024 and 2044 Senior Notes are comparable to those of the Operating Partnership's other outstanding senior notes. The net proceeds from these offerings were used to repay outstanding credit facility borrowings and for general partnership purposes.

10. Commitments and Contingent Liabilities

The Partnership is subject to numerous federal, state and local laws which regulate the discharge of materials into the environment or otherwise relate to the protection of the environment. These laws and regulations can result in liabilities and loss contingencies for remediation at the Partnership's facilities and at third-party or formerly owned sites. At September 30, 2015 and December 31, 2014, there were accrued liabilities for environmental remediation in the condensed consolidated balance sheets of \$8 and \$14 million, respectively. The accrued liabilities for environmental remediation do not include any amounts attributable to unasserted claims, since there are no unasserted claims that are probable of settlement or are reasonably estimable, nor have any recoveries from insurance been assumed. Charges against income for environmental remediation totaled \$2 and \$3 million for the three months ended September 30, 2015 and 2014, respectively, and \$7 and \$11 million for the nine months ended September 30, 2015 and 2014, respectively. The Partnership maintains insurance programs that cover certain of its existing or potential environmental liabilities. Claims for recovery of environmental liabilities and previous expenditures that are probable of realization were not material in relation to the Partnership's consolidated financial position at September 30, 2015. Total future costs for environmental remediation activities will depend upon, among other things, the identification of any additional sites; the determination of the extent of the contamination at each site; the timing and nature of required remedial actions; the technology available and needed to meet the various existing legal requirements; the nature and extent of future environmental laws, inflation rates and the determination of the Partnership's liability at multi-party sites, if any, in light of uncertainties with respect to joint and several liability; and the number, participation levels and financial viability of other parties. Management believes it is reasonably possible that additional environmental remediation losses will be incurred. At September 30, 2015, the aggregate of the estimated maximum additional reasonably possible losses, which relate to numerous individual sites, totaled \$9 million.

The Partnership is a party to certain pending and threatened claims. Although the ultimate outcome of these claims cannot be ascertained at this time, nor can a range of reasonably possible losses be determined, it is reasonably possible that some portion of them could be resolved unfavorably for the Partnership. Management does not believe that any liabilities which may arise from such claims or the environmental matters discussed above would be material in relation to the Partnership's financial position, results of operations or cash flows at September 30, 2015.

Furthermore, management does not believe that the overall costs for such matters will have a material impact, over an extended period of time, on the Partnership's financial position, results of operations or cash flows.

Sunoco, Inc. ("Sunoco") has indemnified the Partnership for 30 years for environmental and toxic tort liabilities related to the assets contributed to the Partnership that arose from the operation of such assets prior to the closing of the February 2002 initial public offering ("IPO"). Sunoco has also indemnified the Partnership for 100 percent of all losses asserted within the first 21 years after the closing of the IPO. Sunoco's share of the liability for claims asserted thereafter will decrease by 10 percent per year. For example, for a claim asserted during the twenty-third year after the closing of the IPO, Sunoco would be required to indemnify the Partnership for 80 percent of its loss. There is no monetary cap on the amount of indemnity coverage provided by Sunoco. The Partnership has agreed to indemnify Sunoco for events and conditions associated with the operation of the Partnership's assets that occur on or after the closing of the IPO and for environmental and toxic tort liabilities to the extent that Sunoco is not required to indemnify the Partnership.

Management of the Partnership does not believe that any liabilities which may arise from claims indemnified by Sunoco would be material in relation to the Partnership's financial position, results of operations or cash flows at September 30, 2015. There are certain other pending legal proceedings related to matters arising after the IPO that are not indemnified by Sunoco. Management believes that any liabilities that may arise from these legal proceedings will

not be material in relation to the Partnership's financial position, results of operations or cash flows at September 30, 2015.

11. Equity

The changes in the number of units outstanding from January 1, 2014 through September 30, 2015 are as follows:

	Common Units (in millions)
Balance at January 1, 2014	207.7
Units issued in public offering	7.7
Units issued under ATM program	10.3
Units issued under incentive plans	0.4
Balance at December 31, 2014	226.1
Units issued in public offering	15.5
Units issued under ATM program	17.2
Units issued under incentive plans	0.4
Balance at September 30, 2015	259.2

On June 12, 2014, the Partnership completed a two-for-one split of its common units. The unit split resulted in the issuance of one additional common unit for every one common unit owned. All unit and per unit information included in this report are presented on a post-split basis.

In 2014, the Partnership established an at-the-market equity offering program ("ATM" program) which allows the Partnership to issue common units directly to the public and raise capital in a timely and efficient manner to finance its growth capital program, while supporting the Partnership's investment grade credit ratings. In the third quarter 2014, the Partnership filed an additional registration statement which increased the total capacity of the ATM program to \$1.25 billion. In 2014, the Partnership issued 10.3 million common units under the ATM program for net proceeds of \$477 million. For the three and nine months ended September 30, 2015, the Partnership issued 7.6 and 17.2 million common units under this program, for net proceeds of \$261 and \$645 million, respectively.

In March 2015, the Partnership completed an overnight public offering of 13.5 million common units for net proceeds of \$547 million. The net proceeds from this offering were used to repay outstanding borrowings under the Partnership's revolving credit facility and for general partnership purposes. In April 2015, an additional 2.0 million common units were issued for net proceeds of \$82 million related to the exercise of an option in connection with the March 2015 offering.

In October 2015, the Partnership issued 9.4 million Class B units to ETP in connection with its investment interest in the Bakken Pipeline project. The Class B units represent a new class of limited partner interests in the Partnership, which are not entitled to receive quarterly distributions that are made on the Partnership's common units, but are otherwise entitled to share in earnings pro-rata with common units. The Class B units will automatically convert to common units on a one-for-one basis during the third quarter 2017. However, the Class B units provide the Partnership with an option to call the units for \$300 million in the first quarter 2017. ETP also has a put right on the Class B units during the third quarter 2017, which is effective prior to the one-for-one conversion date, for the greater of \$313.5 million or the fair market value of the units as defined by the unitholder agreement. As a result of the available put option, the amount attributable to the class B units will be excluded from total equity and instead reflected as redeemable interests in the Partnership's condensed consolidated balance sheet.

12. Cash Distributions

Within 45 days after the end of each quarter, the Partnership distributes all cash on hand at the end of the quarter, less reserves established by the general partner at its discretion. This is defined as "available cash" in the partnership agreement. The general partner has broad discretion to establish cash reserves that it determines are necessary or appropriate to properly conduct the Partnership's business. The Partnership will make quarterly distributions to the extent there is sufficient cash from operations after the establishment of cash reserves and the payment of fees and expenses, including payments to the general partner.

If cash distributions exceed \$0.0833 per unit in a quarter, the general partner will receive increasing percentages, up to 50 percent, of the cash distributed in excess of that amount. These distributions are referred to as "incentive distributions." The percentage interests for the unitholders and the general partner for the minimum quarterly

distribution are also applicable to the quarterly distribution amounts that are less than the minimum quarterly distribution.

The following table shows the target distribution levels and distribution "splits" between the general partner and the holders of the Partnership's common units through September 30, 2015:

	Total Quarterly Distribution Target Amount	Marginal Percentage Interest in Distributions			
		General Partner	Unitholders		
Minimum Quarterly Distribution	\$0.0750	2	%	98	%
First Target Distribution	up to \$0.0833	2	%	98	%
Second Target Distribution	above \$0.0833				
	up to \$0.0958	15	% ⁽¹⁾	85	%
Third Target Distribution	above \$0.0958				
	up to \$0.2638	37	% ⁽¹⁾	63	%
Thereafter	above \$0.2638	50	% ⁽¹⁾	50	%

⁽¹⁾ Includes general partner interest.

The distributions paid by the Partnership for the periods presented were as follows:

Cash Distribution Payment Date	Cash Distribution per Limited Partner Unit	Total Cash Distribution to the Limited Partners (in millions)	Total Cash Distribution to the General Partner (in millions)
August 14, 2015	\$0.4380	\$111	\$69
May 15, 2015	\$0.4190	\$103	\$62
February 13, 2015	\$0.4000	\$92	\$54
November 14, 2014	\$0.3825	\$84	\$49
August 14, 2014	\$0.3650	\$77	\$43
May 15, 2014	\$0.3475	\$72	\$39
February 14, 2014	\$0.3312	\$69	\$35

On October 20, 2015, the Partnership's general partner announced a cash distribution of \$0.458 per common unit (\$1.83 annualized), representing the distribution for the third quarter 2015. The \$195 million distribution, including \$76 million to the general partner for its interests and incentive distribution rights, will be paid on November 13, 2015 to unitholders of record on November 9, 2015.

13. Management Incentive Plan

The general partner has adopted the LTIP for employees and directors of the general partner who perform services for the Partnership. The LTIP is administered by the independent directors of the Compensation Committee of the general partner's board of directors with respect to employee awards, and by the general partner's board of directors with respect to awards granted to the independent directors. The LTIP currently permits the grant of restricted units and unit options covering an additional 0.7 million common units.

The Partnership issued 0.4 and 0.3 million common units under the LTIP, and recognized share-based compensation expense of \$12 million for the nine months ended September 30, 2015 and 2014, respectively. Each of the outstanding restricted unit grants have tandem distribution equivalent rights which are recognized as a reduction to equity when earned.

Additionally, the general partner granted 0.1 million phantom unit incentive awards during the nine months ended September 30, 2015. The Partnership recognized share-based compensation expense in relation to the phantom units of \$0.5 million for the period. The phantom units will be settled in cash upon vesting, and have been accounted for as a liability within the condensed consolidated balance sheet.

14. Derivatives and Risk Management

The Partnership is exposed to various risks, including volatility in the prices of the products that the Partnership markets, counterparty credit risk and changes in interest rates.

Price Risk Management

The Partnership is exposed to risks associated with changes in the market price of crude oil, refined products and NGLs. These risks are primarily associated with price volatility related to pre-existing or anticipated purchases, sales and storage. Price changes are often caused by shifts in the supply and demand for these commodities, as well as their locations. In order to manage such exposure, the Partnership's policy is (i) to only purchase crude oil, refined products and NGLs for which sales contracts have been executed or for which ready markets exist, (ii) to structure sales contracts so that price fluctuations do not materially impact the margins earned, and (iii) not to acquire and hold physical inventory, futures contracts or other derivative instruments for the purpose of speculating on commodity price changes. Although the Partnership seeks to maintain a balanced inventory position within its commodity inventories, net unbalances may occur for short periods of time due to production, transportation and delivery variances. When physical inventory builds or draws do occur, the Partnership continuously manages the variances to a balanced position over a period of time.

The physical contracts related to the Partnership's crude oil, refined products and NGL businesses that qualify as derivatives are designated as normal purchases and sales and accounted for using accrual accounting under United States generally accepted accounting principles. The Partnership accounts for derivatives that do not qualify as normal purchases and sales at fair value. The Partnership currently does not utilize derivative instruments to manage its exposure to prices related to crude oil purchase and sale activities.

Pursuant to the Partnership's approved risk management policy, derivative contracts such as swaps, futures and other instruments may be used to hedge or reduce exposure to price risk associated with acquired inventory or forecasted physical transactions. The Partnership uses such derivative instruments to mitigate the risk associated with market movements in the price of crude oil, refined products and NGLs. These derivative contracts act as a hedging mechanism against the volatility of prices by allowing the Partnership to transfer this price risk to counterparties who are able and willing to bear it. The Partnership does not designate any of its derivative contracts as hedges for accounting purposes. Therefore, all realized and unrealized gains and losses from these derivative contracts are recognized in the condensed consolidated statement of comprehensive income as they are incurred. All realized gains and losses associated with derivative contracts are recorded in earnings in the same line item associated with the forecasted transaction (either in sales and other operating revenue or cost of products sold).

The Partnership had open derivative positions on approximately 16.7 and 3.6 million barrels of refined products and NGLs at September 30, 2015 and December 31, 2014, respectively. The derivatives outstanding as of September 30, 2015 vary in duration but do not extend beyond one year. The Partnership records its derivatives at fair value based on observable market prices (levels 1 and 2). As of September 30, 2015, the fair value of the Partnership's derivative assets and liabilities were approximately \$35 and \$10 million, respectively, compared to \$29 and \$14 million at December 31, 2014. Derivative asset and liability balances are recorded in accounts receivable and accrued liabilities, respectively, in the condensed consolidated balance sheets.

The following table sets forth the impact of derivatives on the Partnership's results of operations for the three and nine months ended September 30, 2015 and 2014:

Location of Gains (Losses) Recognized in Earnings	Three Months Ended		Nine Months Ended	
	September 30, 2015	2014	September 30, 2015	2014
Commodity contracts not designated as cash flow hedging instruments:	(in millions)		(in millions)	
Sales and other operating revenue	\$47	\$22	\$39	\$13
Cost of products sold	(14	) (3	) (24	) (3
	\$33	\$19	\$15	\$10

Credit Risk Management

The Partnership maintains credit policies with regard to its counterparties that management believes minimize the overall credit risk through credit analysis, credit approvals, credit limits and monitoring procedures. The credit positions of the Partnership's customers are analyzed prior to the extension of credit and periodically after credit has been extended. The Partnership's counterparties consist primarily of financial institutions and major integrated oil companies. This concentration of counterparties may impact the Partnership's overall exposure to credit risk, either positively or negatively, as the counterparties may be similarly affected by changes in economic, regulatory or other conditions.

Interest Rate Risk Management

The Partnership has interest rate risk exposure for changes in interest rates related to its outstanding borrowings. The Partnership manages its exposure to changes in interest rates through the use of a combination of fixed-rate and variable-rate debt. At September 30, 2015, the Partnership had \$879 million of consolidated variable-rate borrowings under its revolving credit facility.

15. Fair Value Measurements

The Partnership applies fair value accounting for all assets and liabilities that are required to be measured at fair value under current accounting rules. The assets and liabilities measured at fair value on a recurring basis are comprised primarily of derivative instruments.

The Partnership determines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Partnership utilizes valuation techniques that maximize the use of observable inputs (levels 1 and 2) and minimize the use of unobservable inputs (level 3) within the fair value hierarchy established by the FASB. The Partnership generally applies a "market approach" to determine fair value. This method uses pricing and other information generated by market transactions for identical or comparable assets and liabilities. Assets and liabilities are classified within the fair value hierarchy based on the lowest level (least observable) input that is significant to the measurement in its entirety.

The estimated fair value of the Partnership's financial instruments has been determined based on management's assessment of available market information and appropriate valuation methodologies. The Partnership's current assets (other than derivatives and inventories) and current liabilities (other than derivatives) are financial instruments and most of these items are recorded at cost in the condensed consolidated balance sheets. The estimated fair value of these financial instruments approximates their carrying value due to their short-term nature. The Partnership's derivatives are measured and recorded at fair value based on observable market prices (Note 14). The estimated fair values of the Partnership's senior notes are determined using observable market prices, as these notes are actively traded (level 1). The estimated aggregate fair value of the senior notes at September 30, 2015 was \$3.49 billion, compared to the carrying amount of \$4.07 billion. The estimated aggregate fair value of the senior notes at December 31, 2014 was \$4.09 billion, compared to the carrying amount of \$4.08 billion.

For further information regarding the Partnership's fair value measurements, see Notes 3 and 14.

16. Business Segment Information

The following tables summarize condensed consolidated statements of comprehensive income information for the Partnership's business segments and reconcile total segment Adjusted EBITDA to net income attributable to the Partnership for the three and nine months ended September 30, 2015 and 2014, respectively:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)		(in millions)	
Sales and other operating revenue ⁽¹⁾				
Crude Oil Pipelines	\$ 180	\$ 144	\$ 450	\$ 413
Crude Oil Acquisition and Marketing	1,860	4,497	6,748	13,023
Terminal Facilities	375	298	1,012	868
Products Pipelines	82	46	222	127
Intersegment eliminations	(90	) (70	) (251	) (218
Total sales and other operating revenue	\$2,407	\$4,915	\$8,181	\$14,213
Depreciation and amortization				
Crude Oil Pipelines	\$ 31	\$ 25	\$ 85	\$ 73
Crude Oil Acquisition and Marketing	12	15	38	41
Terminal Facilities	37	29	106	83
Products Pipelines	22	8	49	23
Total depreciation and amortization	\$ 102	\$ 77	\$ 278	\$ 220
Impairment charge and other matters				
Crude Oil Acquisition and Marketing	\$ 108	\$—	\$ 71	\$—
Terminal Facilities	(5	) —	(27) —
Total impairment charge and other matters	\$ 103	\$—	\$ 44	\$—
Adjusted EBITDA				
Crude Oil Pipelines	\$ 133	\$ 95	\$ 317	\$ 292
Crude Oil Acquisition and Marketing	(1	) 66	71	131
Terminal Facilities	96	61	288	244
Products Pipelines	61	24	160	67
Total Adjusted EBITDA	289	246	836	734
Interest expense, net	(37	) (14	) (97	) (51
Depreciation and amortization expense	(102	) (77	) (278	) (220
Impairment charge and other matters	(103	) —	(44) —
Provision for income taxes	(7	) (8	) (18	) (21
Non-cash compensation expense	(4	) (4	) (12	) (12
Unrealized gains (losses) on commodity risk management activities	32	21	9	14
Amortization of excess equity method investment	(1	) (1	) (2	) (2
Proportionate share of unconsolidated affiliates' interest, depreciation and provision for income taxes	(10	) (6	) (23	) (17
Net Income	57	157	371	425
Less: Net income attributable to noncontrolling interests	(1	) (2	) (2	) (7
	—	—	(1) —

Less: Net income attributable to redeemable
noncontrolling interests

Net Income attributable to Sunoco Logistics Partners L.P.	\$56	\$155	\$368	\$418
--	------	-------	-------	-------

(1) Sales and other operating revenue includes the following amounts from ETP and its affiliates for the three and nine months ended September 30, 2015 and 2014:

17

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions)		(in millions)	
Crude Oil Acquisition and Marketing	\$—	\$231	\$165	\$842
Terminal Facilities	77	64	217	157
Products Pipelines	13	4	33	15
Total sales and other operating revenue	\$90	\$299	\$415	\$1,014

The following table summarizes the identifiable assets for each segment as of September 30, 2015 and December 31, 2014:

	September 30, 2015 (in millions)	December 31, 2014
Crude Oil Pipelines	\$4,202	\$3,765
Crude Oil Acquisition and Marketing	2,947	3,329
Terminal Facilities	4,059	3,534
Products Pipelines	3,240	2,763
Corporate and other assets ⁽¹⁾	214	253
Total identifiable assets	\$14,662	\$13,644

⁽¹⁾ Corporate and other assets consist of cash and cash equivalents, properties, plants and equipment and other assets.

17. Supplemental Condensed Consolidating Financial Information

The Partnership serves as guarantor of the senior notes. These guarantees are full and unconditional. For the purposes of this footnote, Sunoco Logistics Partners L.P. is referred to as "Parent Guarantor" and Sunoco Logistics Partners Operations L.P. is referred to as "Subsidiary Issuer." All other consolidated subsidiaries of the Partnership are collectively referred to as "Non-Guarantor Subsidiaries."

The following supplemental condensed consolidating financial information reflects the Parent Guarantor's separate accounts, the Subsidiary Issuer's separate accounts, the combined accounts of the Non-Guarantor Subsidiaries, the combined consolidating adjustments and eliminations, and the Parent Guarantor's consolidated accounts for the dates and periods indicated. For purposes of the following condensed consolidating information, the Parent Guarantor's investments in its subsidiaries and the Subsidiary Issuer's investments in its subsidiaries are accounted for under the equity method of accounting.

Condensed Consolidating Statement of Comprehensive Income (Loss)
 Three Months Ended September 30, 2015
 (in millions, unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue:					
Unaffiliated customers	\$—	\$—	\$ 2,317	\$—	\$2,317
Affiliates	—	—	90	—	90
Total Revenues	—	—	2,407	—	2,407
Costs and Expenses					
Cost of products sold	—	—	2,024	—	2,024
Operating expenses	—	—	58	—	58
Selling, general and administrative expenses	—	1	25	—	26
Depreciation and amortization expense	—	—	102	—	102
Impairment charge and other matters	—	—	103	—	103
Total Costs and Expenses	—	1	2,312	—	2,313
Operating Income	—	(1	) 95	—	94
Interest cost and debt expense, net	—	(49	) —	—	(49
Capitalized interest	—	12	—	—	12
Other income	—	—	7	—	7
Equity in earnings of subsidiaries	56	94	—	(150) —
Income (Loss) Before Provision for Income Taxes	56	56	102	(150	) 64
Provision for income taxes	—	—	(7	) —	(7
Net Income (Loss)	56	56	95	(150	) 57
Less: Net income attributable to noncontrolling interests	—	—	(1	) —	(1
Net Income (Loss) Attributable to Sunoco Logistics Partners L.P.	\$56	\$56	\$ 94	\$(150	) \$56
Comprehensive Income (Loss)	\$56	\$56	—\$ 95	\$(150	) \$57
Less: Comprehensive income attributable to noncontrolling interests	—	—	(1	) —	(1
Comprehensive Income (Loss) Attributable to Sunoco Logistics Partners L.P.	\$56	\$56	\$ 94	\$(150	) \$56

Condensed Consolidating Statement of Comprehensive Income (Loss)
 Three Months Ended September 30, 2014
 (in millions, unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total	
Revenues						
Sales and other operating revenue:						
Unaffiliated customers	\$—	\$—	\$ 4,616	\$—	\$4,616	
Affiliates	—	—	299	—	299	
Total Revenues	—	—	4,915	—	4,915	
Costs and Expenses						
Cost of products sold	—	—	4,581	—	4,581	
Operating expenses	—	—	55	—	55	
Selling, general and administrative expenses	—	—	30	—	30	
Depreciation and amortization expense	—	—	77	—	77	
Total Costs and Expenses	—	—	4,743	—	4,743	
Operating Income	—	—	172	—	172	
Interest cost and debt expense, net	—	(37) (1) —	(38)
Capitalized interest	—	24	—	—	24	
Other income	—	—	7	—	7	
Equity in earnings of subsidiaries	155	168	—	(323) —	
Income (Loss) Before Provision for Income Taxes	155	155	178	(323	) 165
Provision for income taxes	—	—	(8) —	(8)
Net Income (Loss)	155	155	170	(323	) 157
Less: Net income attributable to noncontrolling interests	—	—	(2) —	(2)
Net Income (Loss) Attributable to Sunoco Logistics Partners L.P.	\$155	\$155	\$ 168	\$(323	) \$155
Comprehensive Income (Loss)	\$155	\$155	\$ 170	\$(323	) \$157
Less: Comprehensive income attributable to noncontrolling interests	—	—	(2) —	(2)
Comprehensive Income (Loss) Attributable to Sunoco Logistics Partners L.P.	\$155	\$155	\$ 168	\$(323	) \$155

Condensed Consolidating Statement of Comprehensive Income (Loss)
 Nine Months Ended September 30, 2015
 (in millions, unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Revenues					
Sales and other operating revenue:					
Unaffiliated customers	\$—	\$—	\$ 7,766	\$—	\$7,766
Affiliates	—	—	415	—	415
Total Revenues	—	—	8,181	—	8,181
Costs and Expenses					
Cost of products sold	—	—	7,154	—	7,154
Operating expenses	—	—	162	—	162
Selling, general and administrative expenses	—	1	75	—	76
Depreciation and amortization expense	—	—	278	—	278
Impairment charge and other matters	—	—	44	—	44
Total Costs and Expenses	—	1	7,713	—	7,714
Operating Income	—	(1	) 468	—	467
Interest cost and debt expense, net	—	(149	) (2	) —	(151
Capitalized interest	—	54	—	—	54
Other income	—	—	19	—	19
Equity in earnings of subsidiaries	368	464	—	(832) —
Income (Loss) Before Provision for Income Taxes	368	368	485	(832	) 389
Provision for income taxes	—	—	(18	) —	(18
Net Income (Loss)	368	368	467	(832	) 371
Less: Net income attributable to noncontrolling interests	—	—	(2	) —	(2
Less: Net income attributable to redeemable noncontrolling interests	—	—	(1	) —	(1
Net Income (Loss) Attributable to Sunoco Logistics Partners L.P.	\$ 368	\$ 368	\$ 464	\$(832	) \$ 368
Comprehensive Income (Loss)					
Comprehensive Income (Loss)	\$ 368	\$ 368	\$ 466	\$(832	) \$ 370
Less: Comprehensive income attributable to noncontrolling interests	—	—	(2	) —	(2
Less: Comprehensive income attributable to redeemable noncontrolling interests	—	—	(1	) —	(1
Comprehensive Income (Loss) Attributable to Sunoco Logistics Partners L.P.	\$ 368	\$ 368	\$ 463	\$(832	) \$ 367

Condensed Consolidating Statement of Comprehensive Income (Loss)
 Nine Months Ended September 30, 2014
 (in millions, unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total	
Revenues						
Sales and other operating revenue:						
Unaffiliated customers	\$—	\$—	\$ 13,199	\$—	\$13,199	
Affiliates	—	—	1,014	—	1,014	
Total Revenues	—	—	14,213	—	14,213	
Costs and Expenses						
Cost of products sold	—	—	13,308	—	13,308	
Operating expenses	—	—	124	—	124	
Selling, general and administrative expenses	—	—	82	—	82	
Depreciation and amortization expense	—	—	220	—	220	
Total Costs and Expenses	—	—	13,734	—	13,734	
Operating Income	—	—	479	—	479	
Interest cost and debt expense, net	—	(98) (3) —	(101)
Capitalized interest	—	50	—	—	50	
Other income	—	—	18	—	18	
Equity in earnings of subsidiaries	418	466	—	(884) —	
Income (Loss) Before Provision for Income Taxes	418	418	494	(884	) 446
Provision for income taxes	—	—	(21) —	(21)
Net Income (Loss)	418	418	473	(884	) 425
Less: Net income attributable to noncontrolling interests	—	—	(7) —	(7)
Net Income (Loss) Attributable to Sunoco Logistics Partners L.P.	\$418	\$418	\$ 466	\$(884	) \$418
Comprehensive Income (Loss)	\$418	\$418	\$ 474	\$(884	) \$426
Less: Comprehensive income attributable to noncontrolling interests	—	—	(7) —	(7)
Comprehensive Income (Loss) Attributable to Sunoco Logistics Partners L.P.	\$418	\$418	\$ 467	\$(884	) \$419

Condensed Consolidating Balance Sheet
September 30, 2015
(in millions, unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets					
Cash and cash equivalents	\$—	\$45	\$—	\$—	\$45
Accounts receivable, affiliated companies	—	1	47	—	48
Accounts receivable, net	—	—	1,373	—	1,373
Inventories	—	—	647	—	647
Other current assets	—	—	7	—	7
Total Current Assets	—	46	2,074	—	2,120
Properties, plants and equipment, net	—	—	10,078	—	10,078
Investment in affiliates	6,461	9,605	277	(16,066)	277
Goodwill	—	—	1,358	—	1,358
Intangible assets, net	—	—	731	—	731
Other assets	—	31	67	—	98
Total Assets	\$6,461	\$9,682	\$ 14,585	\$(16,066)	\$14,662
Liabilities and Equity					
Accounts payable	\$—	\$—	\$ 1,334	\$—	\$1,334
Accounts payable, affiliated companies	—	—	51	—	51
Accrued liabilities	—	64	117	—	181
Accrued taxes payable	—	—	44	—	44
Intercompany	(1,272)	(1,787)	3,059	—	—
Total Current Liabilities	(1,272)	(1,723)	4,605	—	1,610
Long-term debt	—	4,944	—	—	4,944
Other deferred credits and liabilities	—	—	81	—	81
Deferred income taxes	—	—	244	—	244
Total Liabilities	(1,272)	3,221	4,930	—	6,879
Redeemable noncontrolling interests	—	—	15	—	15
Total Equity	7,733	6,461	9,640	(16,066)	7,768
Total Liabilities and Equity	\$6,461	\$9,682	\$ 14,585	\$(16,066)	\$14,662

Condensed Consolidating Balance Sheet

December 31, 2014

(in millions)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Assets					
Cash and cash equivalents	\$—	\$101	\$—	\$—	\$101
Accounts receivable, affiliated companies	—	3	6	—	9
Accounts receivable, net	—	—	1,766	—	1,766
Inventories	—	—	470	—	470
Other current assets	—	—	3	—	3
Total Current Assets	—	104	2,245	—	2,349
Properties, plants and equipment, net	—	—	8,849	—	8,849
Investment in affiliates	6,189	9,168	226	(15,357)	226
Goodwill	—	—	1,358	—	1,358
Intangible assets, net	—	—	770	—	770
Other assets	—	28	64	—	92
Total Assets	\$6,189	\$9,300	\$13,512	\$(15,357)	\$13,644
Liabilities and Equity					
Accounts payable	\$—	\$—	\$1,934	\$—	\$1,934
Accounts payable, affiliated companies	—	—	21	—	21
Accrued liabilities	—	58	246	—	304
Accrued taxes payable	—	—	52	—	52
Intercompany	(489)	(1,172)	1,661)	—	—
Total Current Liabilities	(489)	(1,114)	3,914)	—	2,311
Long-term debt	—	4,225	35	—	4,260
Other deferred credits and liabilities	—	—	71	—	71
Deferred income taxes	—	—	249	—	249
Total Liabilities	(489)	3,111)	4,269	—	6,891
Redeemable noncontrolling interests	—	—	15	—	15
Total Equity	6,678	6,189	9,228	(15,357)	6,738
Total Liabilities and Equity	\$6,189	\$9,300	\$13,512	\$(15,357)	\$13,644

Condensed Consolidating Statement of Cash Flows
 Nine Months Ended September 30, 2015
 (in millions, unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net Cash Flows provided by (used in) Operating Activities	\$ 368	\$ 365	\$ 396	\$(832)	\$ 297
Cash Flows provided by (used in) Investing Activities:					
Capital expenditures	—	—	(1,678)	—	(1,678)
Acquisitions, net of cash received	—	—	(131)	—	(131)
Change in long-term note receivable Intercompany	— (1,150)	— (1,111)	(14) 1,429)	— 832	(14) —
Net cash provided by (used in) investing activities	(1,150)	(1,111)	(394)	832	(1,823)
Cash Flows provided by (used in) Financing Activities:					
Distributions paid to limited and general partners	(491)	—	—	—	(491)
Distributions paid to noncontrolling interests	(1)	—	—	—	(1)
Net proceeds from issuance of limited partner units	1,274	—	—	—	1,274
Payments of statutory withholding on net issuance of limited partner units under LTIP	—	—	(10)	—	(10)
Repayments under credit facilities	—	(1,760)	—	—	(1,760)
Borrowings under credit facilities	—	2,454	—	—	2,454
Contributions attributable to acquisition from affiliate	—	—	8	—	8
Other	—	(4)	—	—	(4)
Net cash provided by (used in) financing activities	782	690	(2)	—	1,470
Net change in cash and cash equivalents	—	(56)	—	—	(56)
Cash and cash equivalents at beginning of period	—	101	—	—	101
Cash and cash equivalents at end of period	\$—	\$45	\$—	\$—	\$45

Condensed Consolidating Statement of Cash Flows
 Nine Months Ended September 30, 2014
 (in millions, unaudited)

	Parent Guarantor	Subsidiary Issuer	Non-Guarantor Subsidiaries	Consolidating Adjustments	Total
Net Cash Flows provided by (used in) Operating Activities	\$417	\$379	\$ 414	\$(884)	\$326
Cash Flows provided by (used in) Investing Activities:					
Capital expenditures	—	—	(1,826)	—	(1,826)
Investment in joint venture interests	—	—	(42)	—	(42)
Acquisitions, net of cash received	—	—	(65)	—	(65)
Change in long-term note receivable	—	—	(11)	—	(11)
Intercompany	(890)	(1,551)	1,557	884	—
Net cash provided by (used in) investing activities	(890)	(1,551)	(387)	884	(1,944)
Cash Flows provided by (used in) Financing Activities:					
Distributions paid to limited and general partners	(335)	—	—	—	(335)
Distributions paid to noncontrolling interests	(4)	—	—	—	(4)
Contributions from general partner	2	—	—	—	2
Net proceeds from issuance of limited partner units	593	—	—	—	593
Payments of statutory withholding on net issuance of limited partner units under LTIP	—	—	(6)	—	(6)
Repayments under credit facilities	—	(1,770)	—	—	(1,770)
Borrowings under credit facilities	—	2,095	—	—	2,095
Net proceeds from issuance of long-term debt	—	989	—	—	989
Repayment of senior notes	—	(175)	—	—	(175)
Advances to affiliated companies, net	217	79	(57)	—	239
Contributions attributable to acquisition from affiliate	—	—	9	—	9
Net cash provided by financing activities	473	1,218	(54)	—	1,637
Net change in cash and cash equivalents	—	46	(27)	—	19
Cash and cash equivalents at beginning of period	—	12	27	—	39
Cash and cash equivalents at end of period	\$—	\$58	\$—	\$—	\$58

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

The following table summarizes our consolidated operating results for the periods presented:

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2015	
	2014	2014	2015	2014
	(in millions, except per unit data)		(in millions, except per unit data)	
Revenues				
Sales and other operating revenue:				
Unaffiliated customers	\$2,317	\$4,616	\$7,766	\$13,199
Affiliates	90	299	415	1,014
Total Revenues	2,407	4,915	8,181	14,213
Costs and Expenses				
Cost of products sold	2,024	4,581	7,154	13,308
Operating expenses	58	55	162	124
Selling, general and administrative expenses	26	30	76	82
Depreciation and amortization expense	102	77	278	220
Impairment charge and other matters	103	—	44	—
Total Costs and Expenses	2,313	4,743	7,714	13,734
Operating Income	94	172	467	479
Interest cost and debt expense, net	(49)	(38)	(151)	(101)
Capitalized interest	12	24	54	50
Other income	7	7	19	18
Income Before Provision for Income Taxes	64	165	389	446
Provision for income taxes	(7)	(8)	(18)	(21)
Net Income	57	157	371	425
Less: Net income attributable to noncontrolling interests	(1)	(2)	(2)	(7)
Less: Net income attributable to redeemable noncontrolling interests	—	—	(1)	—
Net Income Attributable to Sunoco Logistics Partners L.P.	\$56	\$155	\$368	\$418
Net Income Attributable to Sunoco Logistics Partners L.P. per Limited Partner unit:				
Basic	\$(0.07)	\$0.50	\$0.67	\$1.37
Diluted	\$(0.07)	\$0.50	\$0.66	\$1.36

Non-GAAP Financial Measures

To supplement our financial information presented in accordance with United States generally accepted accounting principles ("GAAP"), management uses additional measures that are known as "non-GAAP financial measures" in its evaluation of past performance and prospects for the future. The primary measures used by management are earnings before interest, taxes, depreciation and amortization expenses and other non-cash items ("Adjusted EBITDA"), and distributable cash flow ("DCF"). Adjusted EBITDA and DCF do not represent and should not be considered alternatives to net income or cash flows from operating activities as determined under GAAP and may not be comparable to similarly titled measures of other businesses.

Our management believes that Adjusted EBITDA and DCF information enhances an investor's understanding of a business's ability to generate cash for payment of distributions and other purposes. Adjusted EBITDA calculations are also defined and used as a measure in determining our compliance with certain revolving credit facility covenants.

However, despite compliance with our credit facility covenants, there may be contractual, legal, economic or other factors which may prevent us from satisfying principal and interest obligations with respect to indebtedness and may require us to allocate funds for other purposes.

The following table reconciles the differences between net income, as determined under GAAP, and Adjusted EBITDA and DCF.

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
	(in millions)		(in millions)	
Net Income	\$57	\$157	\$371	\$425
Interest expense, net	37	14	97	51
Depreciation and amortization expense	102	77	278	220
Impairment charge and other matters	103	—	44	—
Provision for income taxes	7	8	18	21
Non-cash compensation expense	4	4	12	12
Unrealized (gains) losses on commodity risk management activities	(32	) (21	) (9	) (14
Amortization of excess investment in joint venture interests	1	1	2	2
Proportionate share of unconsolidated affiliates' interest, depreciation and provision for income taxes	10	6	23	17
Adjusted EBITDA	289	246	836	734
Interest expense, net	(37	) (14	) (97	) (51
Provision for current income taxes	(8	) (9	) (22	) (25
Amortization of fair value adjustments on long-term debt	(4	) (3	) (10	) (11
Distributions versus Adjusted EBITDA of unconsolidated affiliates	(14	) (10	) (30	) (26
Maintenance capital expenditures	(18	) (16	) (49	) (47
Distributable cash flow attributable to noncontrolling interests	—	(3	) (2	) (10
Contributions attributable to acquisition from affiliate	2	3	8	9
Distributable Cash Flow	\$210	\$194	\$634	\$573

Analysis of Consolidated Operating Results

Net income attributable to Sunoco Logistics Partners L.P. was \$56 and \$155 million for the three months ended September 30, 2015 and 2014, respectively. Results for the three months ended September 30, 2015 included a \$103 million inventory adjustment, primarily attributable to the decrease in crude oil prices during the quarter. Excluding this non-cash item, net income attributable to SXL increased \$4 million compared to the prior year period. This increase was primarily attributable to higher operating results from our Crude Oil Pipelines, Products Pipelines and Terminal Facilities segments. These positive impacts were partially offset by lower operating results from our Crude Oil Acquisition and Marketing segment, higher depreciation and amortization expense related to expansion capital projects placed into service in 2014 and 2015, and higher net interest expense.

Net income attributable to Sunoco Logistics Partners L.P. was \$368 and \$418 million for the nine months ended September 30, 2015 and 2014, respectively. Results for the nine months ended September 30, 2015 included a \$44 million inventory adjustment attributable to the decrease in commodity prices in 2015. Excluding this non-cash item, net income attributable to SXL decreased \$6 million compared to the prior year period. The decrease was primarily attributable to higher net interest expense, higher depreciation and amortization expense related to expansion capital projects placed into service in 2014 and 2015, and lower operating results from our Crude Oil Acquisition and Marketing segment. These impacts were largely offset by improved operating results from our Products Pipelines, Terminal Facilities and Crude Oil Pipelines segments.

See "Analysis of Operating Segments" and "Liquidity and Capital Resources" below for additional details on operating results.

Analysis of Operating Segments

We manage our operations through four operating segments: Crude Oil Pipelines, Crude Oil Acquisition and Marketing, Terminal Facilities and Products Pipelines.

Crude Oil Pipelines

Our Crude Oil Pipelines segment consists of crude oil trunk and gathering pipelines in the southwest and midwest United States, including those owned by our joint venture interests. Revenues are generated from tariffs and the associated fees paid by shippers utilizing our transportation services to deliver crude oil and other feedstocks to refineries within those regions. Rates for shipments on these pipelines are regulated by the Federal Energy Regulatory Commission ("FERC") and the Railroad Commission of Texas.

The following table summarizes the operating results and key operating measures for our Crude Oil Pipelines segment for the periods presented:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
	(in millions, except for barrel amounts)		(in millions, except for barrel amounts)	
Sales and other operating revenue:				
Unaffiliated customers	\$ 121	\$ 88	\$ 280	\$ 244
Intersegment revenue	59	56	170	169
Total sales and other operating revenue	\$ 180	\$ 144	\$ 450	\$ 413
Depreciation and amortization expense	\$ 31	\$ 25	\$ 85	\$ 73
Adjusted EBITDA	\$ 133	\$ 95	\$ 317	\$ 292
Pipeline throughput (thousands of barrels per day ("bpd")) ⁽¹⁾	2,395	2,204	2,232	2,126
Pipeline revenue per barrel (cents) ⁽¹⁾	81.8	70.8	73.9	71.2

⁽¹⁾ Excludes amounts attributable to equity interests which are not consolidated.

Adjusted EBITDA for the Crude Oil Pipelines segment increased \$38 million to \$133 million for the three months ended September 30, 2015, as compared to \$95 million for the three months ended September 30, 2014. The increase was largely due to increased volumes (\$12 million) and higher average pipeline revenue per barrel (\$25 million) largely related to the Permian Express 2 pipeline that commenced operations in July 2015. Expansion projects placed into service in 2014 also contributed to the increase.

Adjusted EBITDA for the Crude Oil Pipelines segment increased \$25 million to \$317 million for the nine months ended September 30, 2015, as compared to \$292 million for the nine months ended September 30, 2014. The increase was largely due to increased volumes (\$20 million) and higher average pipeline revenue per barrel (\$17 million) largely related to the commencement of operations on Permian Express 2, as well as expansion projects placed into service in 2014. These positive impacts were partially offset by increased operating expenses (\$9 million) which included increased employees costs on growth, higher line testing costs and lower pipeline operating gains, partially offset by decreased environmental costs and lower utility expenses.

Crude Oil Acquisition and Marketing

Our Crude Oil Acquisition and Marketing segment reflects the sale of gathered and bulk purchased crude oil. The crude oil acquisition and marketing operations generate substantial revenue and cost of products sold as a result of the significant volume of crude oil bought and sold. The absolute price levels of crude oil normally do not bear a relationship to gross profit, although the price levels significantly impact revenue and costs of products sold. As a result, period-to-period variations in revenue and cost of products sold are not generally meaningful in analyzing the variation in gross profit for the Crude Oil Acquisition and Marketing segment. The operating results of the Crude Oil Acquisition and Marketing segment are affected by overall levels of supply and demand for crude oil and relative fluctuations in market related indices. To the extent there are periods of sustained crude oil price declines, drilling activity could decline, impacting the volume of crude oil we buy and sell. Generally, we expect a base level of earnings from our Crude Oil Acquisition and Marketing segment that may be optimized and enhanced when there is a high level of market volatility, favorable basis differentials and/or a steep contango or backwardated structure. Our management believes gross profit, which is equal to sales and other operating revenue less cost of products sold and operating expenses, is a key measure of financial performance for the Crude Oil Acquisition and Marketing segment. Although we implement risk management activities to provide general stability in our margins, these margins are not fixed and will vary from period to period.

The following table summarizes the operating results and key operating measures for our Crude Oil Acquisition and Marketing segment for the periods presented:

	Three Months Ended		Nine Months Ended	
	September 30, 2015	2014	September 30, 2015	2014
	(in millions, except for barrel amounts)		(in millions, except for barrel amounts)	
Sales and other operating revenue:				
Unaffiliated customers	\$1,860	\$4,266	\$6,582	\$12,180
Affiliates	—	231	165	842
Intersegment revenue	—	—	1	1
Total sales and other operating revenue	\$1,860	\$4,497	\$6,748	\$13,023
Depreciation and amortization expense	\$12	\$15	\$38	\$41
Impairment charge and other matters ⁽¹⁾	\$108	\$—	\$71	\$—
Adjusted EBITDA	\$(1)	\$66	\$71	\$131
Crude oil purchases (thousands of bpd) ⁽²⁾	811	894	878	863
Gross profit per barrel purchased (cents) ^{(2) (3)}	5.1	89.3	36.2	64.6
Average crude oil price (per barrel)	\$46.44	\$97.21	\$50.98	\$99.60

⁽¹⁾ Represents non-cash inventory adjustments related to changes in commodity prices.

⁽²⁾ Excludes amounts attributable to equity interests which are not consolidated.

⁽³⁾ Represents total segment sales and other operating revenue less cost of products sold and operating expenses, divided by total crude oil purchases.

Adjusted EBITDA for the Crude Oil Acquisition and Marketing segment decreased \$67 million for the three months ended September 30, 2015, as compared to \$66 million for the prior year period. The decrease was primarily attributable to lower gross profit per barrel purchased (\$63 million), which was negatively impacted by narrowing crude oil differentials compared to the prior year period, and approximately \$7 million of prior period expenses. Reduced crude oil volumes (\$7 million) also contributed to the decrease.

Adjusted EBITDA for the Crude Oil Acquisition and Marketing segment decreased \$60 million to \$71 million for the nine months ended September 30, 2015, as compared to \$131 million for the prior year period. The decrease was primarily attributable to lower gross profit per barrel purchased (\$68 million), which was negatively impacted by narrowing crude oil differentials compared to the prior year period. This impact was partially offset by increased crude oil volumes (\$3 million) and lower operating expenses (\$4 million).

Terminal Facilities

Our Terminal Facilities segment consists of crude oil, refined products and natural gas liquids ("NGL") terminals, as well as a products and NGLs acquisition and marketing business. The Terminal Facilities segment earns revenue by providing storage, terminalling, blending and other ancillary services to our customers, as well as through the sale of products and NGLs.

The following table summarizes the operating results and key operating measures for our Terminal Facilities segment for the periods presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(in millions, except for barrel amounts)		(in millions, except for barrel amounts)	
Sales and other operating revenue:				
Unaffiliated customers	\$284	\$221	\$757	\$665
Affiliates	77	64	217	157
Intersegment revenue	14	13	38	46
Total sales and other operating revenue	\$375	\$298	\$1,012	\$868
Depreciation and amortization expense	\$37	\$29	\$106	\$83
Impairment charge and other matters ⁽¹⁾	\$(5	) \$—	\$(27) \$—
Adjusted EBITDA	\$96	\$61	\$288	\$244
Terminal throughput (thousands of bpd):				
Refined products terminals	458	420	435	418
Nederland terminal	1,388	1,262	1,333	1,266
Refinery terminals	324	297	255	290

⁽¹⁾ Represents non-cash inventory adjustments related to changes in commodity prices.

Adjusted EBITDA for the Terminal Facilities segment increased \$35 million to \$96 million for the three months ended September 30, 2015, as compared to \$61 million for the three months ended September 30, 2014. The increase was primarily attributable to higher operating results from our bulk marine terminals (\$28 million), which benefited from NGL contributions at our Nederland terminal and Marcus Hook Industrial Complex and approximately \$5 million on the timing of revenue recognized on committed crude oil throughput volumes under deficiency agreements. Improved contributions from our products and NGLs acquisition and marketing activities (\$2 million) and refined products terminals (\$3 million) also contributed to the increase.

Adjusted EBITDA for the Terminal Facilities segment increased \$44 million to \$288 million for the nine months ended September 30, 2015, as compared to \$244 million for the nine months ended September 30, 2014. The increase was primarily attributable to higher operating results from our bulk marine terminals (\$56 million), which benefited from NGL contributions at our Nederland terminal and Marcus Hook Industrial Complex and approximately \$4 million on the timing of revenue recognized on committed crude oil throughput volumes under deficiency agreements. Improved contributions from our refined products terminals (\$5 million) also contributed to the increase. These positive impacts were partially offset by lower contributions from our products and NGLs acquisition and marketing activities (\$21 million).

Products Pipelines

Our Products Pipelines segment consists of refined products and NGL pipelines, including a two-thirds undivided interest in the Harbor pipeline and joint venture interests in four refined products pipelines in selected areas of the United States. The Products Pipeline System primarily earns revenues by transporting refined products and NGLs from refineries in the northeast, midwest and southwest United States to markets in six states and Canada. Rates for shipments on these pipelines are regulated by the FERC, the Public Utilities Commission of Ohio ("PUCO"), and the Pennsylvania Public Utility Commission ("PA PUC").

The following table summarizes the operating results and key operating measures for our Products Pipelines segment for the periods presented:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2015	2014	2015	2014
	(in millions, except for barrel amounts)		(in millions, except for barrel amounts)	
Sales and other operating revenue:				
Unaffiliated customers	\$52	\$41	\$147	\$110
Affiliates	13	4	33	15
Intersegment revenue	17	1	42	2
Total sales and other operating revenue	\$82	\$46	\$222	\$127
Depreciation and amortization expense	\$22	\$8	\$49	\$23
Adjusted EBITDA	\$61	\$24	\$160	\$67
Pipeline throughput (thousands of bpd) ^{(1) (2)}	666	506	647	487
Pipeline revenue per barrel (cents) ⁽¹⁾	133.1	98.4	125.8	95.7

⁽¹⁾ Excludes amounts attributable to equity interests which are not consolidated.

⁽²⁾ Prior period throughput volumes have been recast to exclude certain pipeline movements which result in revenues that are not material.

Adjusted EBITDA for the Products Pipelines segment increased \$37 million to \$61 million for the three months ended September 30, 2015, as compared to \$24 million for the three months ended September 30, 2014. The increase was due primarily to higher average pipeline revenue per barrel (\$21 million) and increased throughput volumes (\$15 million) primarily related to the Mariner NGL and Allegheny Access pipeline projects. Higher contributions from joint venture interests (\$3 million) also contributed to the increase. These positive impacts were partially offset by higher operating expenses (\$4 million) largely attributable to growth projects.

Adjusted EBITDA for the Products Pipelines segment increased \$93 million to \$160 million for the nine months ended September 30, 2015, as compared to \$67 million for the nine months ended September 30, 2014. The increase was due primarily to higher average pipeline revenue per barrel (\$53 million) and increased throughput volumes (\$42 million) primarily related to the Mariner NGL and Allegheny Access pipeline projects. Higher contributions from joint venture interests (\$7 million) also contributed to the increase. These positive impacts were partially offset by higher operating expenses (\$11 million) largely attributable to growth projects.

Liquidity and Capital Resources

Liquidity

Cash generated from operations and borrowings under our \$2.50 billion Credit Facility are our primary sources of liquidity. At September 30, 2015, we had a net working capital surplus of \$510 million and available borrowing capacity of \$1.6 billion under our revolving credit facility and commercial paper program. We supplement our cash flows from operations with proceeds from our at-the-market equity offering program ("ATM" program) and periodically with debt and equity financing activities.

Credit Facilities

We maintain a \$2.50 billion unsecured revolving credit agreement (the "\$2.50 billion Credit Facility"), which matures in March 2020, to fund our working capital requirements, finance acquisitions and capital projects, and for general partnership purposes. The \$2.50 billion Credit Facility contains an "accordion" feature, under which the total aggregate commitment may be extended to \$3.25 billion under certain conditions. In September 2015, we initiated a commercial paper program under the borrowing limits established by our \$2.50 billion Credit Facility. Outstanding borrowings amounted to \$879 million, including \$44 million of commercial paper, and \$150 million at September 30, 2015 and December 31, 2014, respectively. In June 2015, the \$2.50 billion Credit Facility was amended to create a segregated tranche of borrowings that will be guaranteed by ETP. The amendment did not modify the outstanding borrowings, total capacity or terms of the facility.

The \$2.50 billion Credit Facility contains various covenants including limitations on the creation of indebtedness and liens, and related to the operation and conduct of our business. The credit facility also limits us, on a rolling four quarter basis, to a maximum total consolidated debt to consolidated Adjusted EBITDA ratio, as defined in the underlying credit agreement, of 5.0 to 1, which can generally be increased to 5.5 to 1 during an acquisition period. Our ratio of total consolidated debt, excluding net unamortized fair value adjustments, to consolidated Adjusted EBITDA was 3.4 to 1 at September 30, 2015, as calculated in accordance with the credit agreement.

The West Texas Gulf \$35 million revolving credit facility matured in April 2015 and was repaid with borrowings from the \$2.50 billion Credit Facility.

Senior Notes

In April 2014, we issued \$300 million of 4.25 percent Senior Notes and \$700 million of 5.30 percent Senior Notes (the "2024 and 2044 Senior Notes"), due April 2024 and April 2044, respectively. The terms and conditions of the 2024 and 2044 Senior Notes are comparable to those of our other outstanding senior notes. The net proceeds from these offerings were used to repay outstanding borrowings under the existing Credit Facility and for general partnership purposes.

Equity Offerings

In 2014, we established an ATM program which allows us to issue common units directly to the public and raise capital in a timely and efficient manner to finance our growth capital program, while supporting our investment grade credit ratings. In the third quarter 2014, we filed an additional registration statement which increased the total capacity of the ATM program to \$1.25 billion. For the three and nine months ended September 30, 2015, we issued 7.6 and 17.2 million common units under this program, for net proceeds of \$261 and \$645 million, respectively. For the three and nine months ended September 30, 2014, we issued 2.8 and 5.0 million common units under the program, for net proceeds of \$129 and \$231 million, respectively.

In March 2015, we completed an overnight public offering of 13.5 million common units for net proceeds of \$547 million. The net proceeds from this offering were used to repay outstanding borrowings under the \$2.50 billion Credit Facility and for general partnership purposes. In April 2015, an additional 2.0 million common units were issued for net proceeds of \$82 million related to the exercise of an option in connection with the March 2015 offering.

Cash Flows and Capital Expenditures

Operating Activities

Cash flows from operating activities are primarily driven by earnings, excluding the impact of non-cash items, the timing of cash receipts and disbursements related to accounts receivable and payable, and the timing of inventory transactions and changes in other working capital amounts. Non-cash items include depreciation, amortization, and impairment charges and related matters. See the Analysis of Consolidated Operating Results, above, for more information on changes in our consolidated earnings.

Net cash provided by operating activities for the nine months ended September 30, 2015 of \$297 million was primarily related to net income of \$371 million, adjusted for non-cash charges for depreciation and amortization totaling \$278 million and a \$44 million non-cash inventory adjustment related to changes in commodity prices. These sources of cash were partially offset by a \$405 million increase in working capital largely attributable to a net decrease in payables and an increase in inventories.

Net cash provided by operating activities for the nine months ended September 30, 2014 of \$326 million was primarily related to net income of \$425 million and non-cash charges for depreciation and amortization of \$220 million, partially offset by a \$299 million increase in working capital largely attributable to an increase in net receivables.

Investing Activities

Cash flows used in investing activities relate primarily to our capital expenditures, including maintenance and expansion capital expenditures, acquisitions and investments in joint venture interests. See "Capital Requirements" below for additional details on our investing activities.

In addition to \$1.7 billion of cash used for expansion and maintenance capital expenditures, net cash used in investing activities for the nine months ended September 30, 2015 included the \$131 million acquisition of the remaining noncontrolling interest in West Texas Gulf.

Net cash used in investing activities of \$1.9 billion for the nine months ended September 30, 2014 related to \$1.8 billion of expansion and maintenance capital expenditures, \$65 million of acquisitions completed in the Crude Oil Acquisition and Marketing segment and a \$42 million investment in a joint venture interest.

Financing Activities

Cash flows from financing activities relate primarily to the payment of distributions to partners; proceeds from senior note offerings, as well as overnight equity and ATM offerings; and borrowings and repayments under our credit facilities.

Net cash provided by financing activities for the nine months ended September 30, 2015 of \$1.5 billion resulted primarily from \$1.3 billion of net proceeds from the overnight public equity offering and our ATM program, and the \$694 million of net borrowings under our \$2.50 billion Credit Facility. These sources of cash were partially offset by \$491 million in distributions paid to limited partners and the general partner.

Net cash provided by financing activities in 2014 of \$1.6 billion resulted primarily from \$989 million of net proceeds related to the April 2014 issuance of the 2024 and 2044 Senior Notes; \$593 million of net proceeds from the overnight public offering and our ATM program; \$325 million of net borrowings under our \$1.50 billion Credit Facility; and the \$239 million decrease in advances to affiliates, which represented our cash held by Sunoco in accordance with our participation in Sunoco's cash management program. These sources of cash were partially offset by \$335 million in distributions paid to limited partners and the general partner and the \$175 million repayment of the 8.75 percent Senior Notes which matured in February 2014.

Capital Requirements

Our operations are capital intensive, requiring significant investment to maintain, upgrade and enhance existing assets and to comply with environmental and operational regulations. The capital requirements have consisted, and are expected to continue to consist, primarily of:

- Expansion capital expenditures to acquire and integrate complementary assets to improve operational efficiencies or reduce costs and to expand existing and construct new facilities, such as projects that increase storage or throughput volume,

- Maintenance capital expenditures that extend the usefulness of existing assets, such as those required to maintain equipment reliability, tankage and pipeline integrity and safety, and to address environmental regulations, and

- Acquisitions to acquire and integrate complementary assets to grow the business, to improve operational efficiencies or reduce costs.

The following table summarizes our capital expenditures for the periods presented:

	Nine Months Ended September 30,	
	2015	2014
	(in millions)	
Expansion	\$1,467	\$1,873
Maintenance	49	47
Acquisitions	131	80
Investment in joint venture interests	—	42
Total	\$1,647	\$2,042

Expansion capital expenditures for the nine months ended September 30, 2015 and 2014 included spending to: invest in the announced Mariner and Allegheny Access projects; invest in our crude oil infrastructure by increasing our pipeline capabilities through announced expansion capital projects; expand the service capabilities of our products and NGLs acquisition and marketing business; and upgrade the service capabilities at our bulk marine terminals. We expect total expansion capital spending, excluding acquisitions, to be approximately \$2.5 billion in 2015 and 2016, which includes spending on our previously announced growth projects and to capture more value from existing assets such as the Marcus Hook Industrial Complex, our bulk marine terminals, our pipeline assets and our patented blending technology.

Maintenance capital expenditures for both periods presented primarily included recurring expenditures such as pipeline integrity costs; pipeline relocations; repair and upgrade of field instrumentation, including measurement devices; repair and replacement of tank floors and roofs; upgrades of cathodic protection systems; crude trucks and related equipment; and the upgrade of pump stations. We continue to estimate our maintenance capital spending to be approximately \$70 million in 2015.

Our capital expenditures, including any acquisitions, are expected to be funded from cash provided by operations, borrowings under the credit facilities, and with proceeds from debt and equity offerings, as necessary.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various risks, including volatility in the interest rates associated with our variable-rate debt and in the prices of the products that we market. In order to manage such exposure, debt levels, interest rates, inventory levels and expectations of future commodity prices are monitored when making decisions with respect to risk management.

Interest Rate Risk

We have interest rate risk exposure for changes in interest rates relating to our outstanding borrowings. We manage our exposure to changing interest rates through the use of a combination of fixed-rate and variable-rate debt. At September 30, 2015, we had \$879 million of variable-rate borrowings under our revolving credit facility. Outstanding borrowings bear interest cost at LIBOR plus an applicable margin. An increase in short-term interest rates will have a negative impact on funds borrowed under variable-rate debt arrangements. Our weighted average interest rate on our variable-rate borrowings was approximately 1 percent at September 30, 2015. A one-percent movement in the weighted average rate would have impacted interest expense by approximately \$7 million for the nine months ended September 30, 2015.

At September 30, 2015, we had \$3.98 billion of fixed-rate borrowings which was comprised of our outstanding senior notes. This amount excludes the \$96 million of unamortized fair value adjustments resulting from the application of push-down accounting in connection with the acquisition of our general partner by ETP. The estimated fair value of our senior notes was \$3.49 billion at September 30, 2015. A hypothetical one-percent movement in interest rates would have impacted the fair value of our fixed-rate borrowings by approximately \$363 million.

Commodity Market Risk

We are exposed to volatility in the prices of the products we market. To manage such exposures, inventory levels and expectations regarding future commodity prices are monitored when making decisions with respect to risk management and inventory carried. Our policy is to purchase only commodity products for which we have a market, and to structure our sales contracts so that price fluctuations for those products do not materially affect the margins we receive. We also seek to maintain a position that is substantially balanced within our various commodity purchase and sale activities. We may experience net unbalanced positions for short periods of time as a result of production, transportation and delivery variances, as well as logistical issues associated with inclement weather conditions. When unscheduled physical inventory builds or draws occur, they are monitored and managed to a balanced position over a reasonable period of time.

We do not use futures or other derivative instruments to speculate on crude oil, refined products or natural gas liquids ("NGL") prices, as these activities could expose us to significant losses. We do use derivative contracts as economic hedges against price changes related to our forecasted refined products and NGLs purchase and sale activities. These derivatives are intended to have equal and opposite effects of the related physical purchase and sale activities. At September 30, 2015, the fair market value of our open derivative positions resulted in a net asset of \$25 million on 16.7 million barrels of refined products and NGLs. These derivative positions vary in length but do not extend beyond one year.

For additional information concerning our commodity market risk activities, see Note 14 to the condensed consolidated financial statements.

Forward-Looking Statements

Some of the information in this quarterly report on Form 10-Q discusses our goals, intentions and expectations as to future trends, plans, events, results of operations or financial condition, or states other information relating to us, based on the current beliefs of our management as well as assumptions made by, and information currently available to, our management.

Words such as "may," "anticipates," "believes," "expects," "estimates," "planned," "scheduled" or similar phrases or expressions identify forward-looking statements. Although we believe these forward-looking statements are reasonable, they are based upon a number of assumptions, any or all of which may ultimately prove to be inaccurate. These statements are subject to numerous assumptions, uncertainties and risks that may cause future results to be materially different from the results projected, forecasted, estimated or budgeted, including, but not limited to the following:

- Our ability to successfully consummate announced acquisitions or expansions and integrate them into our existing business operations;
- Delays related to construction of, or work on, new or existing facilities and the issuance of applicable permits;
- Changes in the supply of, or demand for crude oil, refined products and NGLs that impact demand for our pipeline, terminalling and storage services;
- Changes in the short-term and long-term demand for crude oil, refined products and NGLs we buy and sell;
- An increase in the competition encountered by our terminals, pipelines and acquisition and marketing operations;
- Changes in the financial condition or operating results of joint ventures or other holdings in which we have an equity ownership interest;
- Changes in the general economic conditions in the United States;
- Changes in laws and regulations to which we are subject, including federal, state, and local tax, safety, environmental and employment laws;
- Changes in regulations governing the composition of the products that we transport, terminal and store;
- Improvements in energy efficiency and development of technology resulting in reduced demand for refined petroleum products;
- Our ability to manage growth and/or control costs;
- The effect of changes in accounting principles and tax laws, and interpretations of both;
- Global and domestic economic repercussions, including disruptions in the crude oil, refined petroleum products and NGL markets, from terrorist activities, international hostilities and other events, and the government's response thereto;
- Changes in the level of operating expenses and hazards related to operating our facilities (including equipment malfunction, explosions, fires, spills and the effects of severe weather conditions);
- The occurrence of operational hazards or unforeseen interruptions for which we may not be adequately insured;
- The age of, and changes in the reliability and efficiency of our operating facilities;
- Changes in the expected level of capital, operating, or remediation spending related to environmental matters;
- Changes in insurance markets resulting in increased costs and reductions in the level and types of coverage available;
- Risks related to labor relations and workplace safety;
- Non-performance by or disputes with major customers, suppliers or other business partners;
 - Changes in our tariff rates implemented by federal and/or state government regulators;
- The amount of our debt, which could make us vulnerable to adverse general economic and industry conditions, limit our ability to borrow additional funds, place us at competitive disadvantages compared to competitors that have less debt, or have other adverse consequences;
- Restrictive covenants in our credit agreements;
- Changes in our or our general partner's credit ratings, as assigned by ratings agencies;
- The condition of the debt capital markets and equity capital markets in the United States, and our ability to raise capital in a cost-effective way;
- Performance of financial institutions impacting our liquidity, including those supporting our credit facilities;

The effectiveness of our risk management activities, including the use of derivative financial instruments to hedge commodity risks;

Changes in interest rates on our outstanding debt, which could increase the costs of borrowing; and

The costs and effects of legal and administrative claims and proceedings against us or any entity in which we have an ownership interest, and changes in the status of, or the initiation of new litigation, claims or proceedings, to which we, or any entity in which we have an ownership interest, are a party.

These factors are not necessarily all of the important factors that could cause actual results to differ materially from those expressed in any of our forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results. We undertake no obligation to update publicly any forward-looking statement, whether as a result of new information or future events.

Item 4. Controls and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in the Partnership's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified by the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in the Partnership's reports under the Exchange Act is accumulated and communicated to management, including the President and Chief Executive Officer and Chief Financial Officer and Treasurer of Sunoco Partners LLC (the Partnership's general partner), as appropriate, to allow timely decisions regarding required disclosure.

As of September 30, 2015, the Partnership carried out an evaluation, under the supervision and with the participation of the management of the general partner (including the President and Chief Executive Officer and the Chief Financial Officer and Treasurer), of the effectiveness of the design and operation of the Partnership's disclosure controls and procedures pursuant to Exchange Act Rule 13a-15. Based upon that evaluation, the general partner's President and Chief Executive Officer and its Chief Financial Officer and Treasurer concluded that the Partnership's disclosure controls and procedures were effective.

No change in the Partnership's internal control over financial reporting has occurred during the fiscal quarter ended September 30, 2015 that has materially affected, or that is reasonably likely to materially affect, the Partnership's internal control over financial reporting.

PART II.
OTHER INFORMATION

Item 1. Legal Proceedings

There are certain proceedings arising prior to the February 2002 initial public offering ("IPO") pending against our Sunoco, Inc. ("Sunoco") affiliated predecessors and us (as successor to certain liabilities of those predecessors). Although the ultimate outcome of these proceedings cannot be ascertained at this time, it is reasonably possible that some of them may be resolved unfavorably. Sunoco has agreed to indemnify the Partnership for 100 percent of all losses from environmental liabilities related to the transferred assets arising prior to, and asserted within 21 years of February 8, 2002. There is no monetary cap on this indemnification from Sunoco. Sunoco's share of liability for claims asserted thereafter will decrease by 10 percent each year through the thirtieth year following the February 8, 2002 date. Any remediation liabilities not covered by this indemnity will be our responsibility. In addition, Sunoco is obligated to indemnify us under certain other agreements executed after the IPO.

In April 2015, the Pipeline and Hazardous Materials Safety Administration ("PHMSA") issued two separate Notices of Probable Violation ("NOPV") related to the Partnership's West Texas Gulf pipeline in connection with repairs being carried out on the pipeline. The NOPVs propose penalties in excess of \$0.1 million, and the Partnership is currently in discussions with PHMSA to resolve these matters. The timing or outcome of these matters cannot be reasonably determined at this time, however, the Partnership does not expect there to be a material impact to its results of operations, cash flows, or financial position.

There are certain pending legal proceedings related to matters arising after the IPO that are not indemnified by Sunoco. Our management believes that any liabilities that may arise from these legal proceedings will not be material to our results of operations, financial position or cash flows at September 30, 2015.

Item 1A. Risk Factors

There have been no material changes from the risk factors described previously in Part I, Item 1A. of the Partnership's Annual Report on Form 10-K for the year ended December 31, 2014, filed on February 26, 2015.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

Item 5. Other Information

None.

Item 6. Exhibits

3.1 * Amendment to the Certificate of Limited Partnership of Sunoco Logistics Partners L.P. dated as of August 28, 2015 (incorporated by reference to Exhibit 3.1 of Form 8-K, File No. 1-31219, filed September 1, 2015)

3.2 * Amendment No. 5 to Third Amended and Restated Agreement of Limited Partnership of Sunoco Logistics Partners L.P. dated as of August 28, 2015 (incorporated by reference to Exhibit 3.2 of Form 8-K, File No. 1-31219, filed September 1, 2015)

12.1 Statement of Computation of Ratio of Earnings to Fixed Charges

31.1 Chief Executive Officer Certification of Periodic Report Pursuant to Exchange Act Rule 13a-14(a)

31.2 Chief Financial Officer Certification of Periodic Report Pursuant to Exchange Act Rule 13a-14(a)

32.1 Chief Executive Officer Certification of Periodic Report Pursuant to Exchange Act Rule 13a-14(b) and U.S.C. § 1350

32.2 Chief Financial Officer Certification of Periodic Report Pursuant to Exchange Act Rule 13a-14(b) and U.S.C. § 1350

101.1 The following financial information from Sunoco Logistics Partners L.P.'s Quarterly Report on Form 10-Q for the nine months ended September 30, 2015 formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Statements of Comprehensive Income; (ii) the Condensed Consolidated Balance Sheets; (iii) the Condensed Consolidated Statements of Cash Flows; (iv) the Condensed Consolidated Statements of Equity; and (v) the Notes to Condensed Consolidated Financial Statements

* Each such exhibit has heretofore been filed with the Securities and Exchange Commission as part of the filing indicated and is incorporated herein by reference.

We are pleased to furnish this Form 10-Q to unitholders who request it by writing to:

Sunoco Logistics Partners L.P.

Investor Relations

3807 West Chester Pike

Newtown Square, PA 19073

or through our website at www.sunocologistics.com.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Sunoco Logistics Partners L.P.

By: /s/ PETER J. GVAZDAUSKAS
Peter J. Gvazdauskas
Chief Financial Officer and Treasurer
Sunoco Partners LLC

Date: November 5, 2015