

Targa Resources Corp.
Form 10-Q
May 02, 2014

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

FORM 10-Q

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

For the quarterly period ended March 31, 2014

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: 001-34991

TARGA RESOURCES CORP.
(Exact name of registrant as specified in its charter)

Delaware 20-3701075
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1000 Louisiana St, Suite 4300, Houston, Texas 77002
(Address of principal executive offices) (Zip Code)

(713) 584-1000
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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(Do not check if a 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 .

As of April 18, 2014, there were 42,158,848 shares of the registrant's common stock, \$0.001 par value, outstanding.

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CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

Targa Resources Corp.'s (together with its subsidiaries, other than Targa Resources Partners LP ("the Partnership"), collectively "we," "us," "Targa," "TRC," or the "Company") reports, filings and other public announcements may from time to time contain statements that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements." You can typically identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, by the use of forward-looking statements, such as "may," "could," "project," "believe," "anticipate," "expect," "estimate," "potential," "plan," "forecast" and other similar words.

All statements that are not statements of historical facts, including statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements.

These forward-looking statements reflect our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside our control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Known risks and uncertainties include, but are not limited to, the risks set forth in "Part II – Other Information, Item 1A. Risk Factors." of this Quarterly Report on Form 10-Q ("Quarterly Report") as well as the following risks and uncertainties:

- the Partnership's and our ability to access the debt and equity markets, which will depend on general market conditions and the credit ratings for our debt obligations;
- the amount of collateral required to be posted from time to time in the Partnership's transactions;
- the Partnership's success in risk management activities, including the use of derivative instruments to hedge commodity risks;
- the level of creditworthiness of counterparties to various transactions with the Partnership;
- changes in laws and regulations, particularly with regard to taxes, safety and protection of the environment;
- the timing and extent of changes in natural gas, natural gas liquids ("NGL"), crude oil and other commodity prices, interest rates and demand for the Partnership's services;
- weather and other natural phenomena;
- industry changes, including the impact of consolidations and changes in competition;
- the Partnership's ability to obtain necessary licenses, permits and other approvals;
- the level and success of crude oil and natural gas drilling around the Partnership's assets, its success in connecting natural gas supplies to its gathering and processing systems, oil supplies to its gathering systems and NGL supplies to its logistics and marketing facilities and the Partnership's success in connecting its facilities to transportation and markets;
- the Partnership's and our ability to grow through acquisitions or internal growth projects and the successful integration and future performance of such assets;

· general economic, market and business conditions; and

the risks described elsewhere in “Part II – Other Information, Item 1A. Risk Factors.” in this Quarterly Report, our Annual Report on Form 10-K for the year ended December 31, 2013 (“Annual Report”) and our reports and registration statements filed from time to time with the United States Securities and Exchange Commission (“SEC”).

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Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could be inaccurate, and, therefore, we cannot assure you that the forward-looking statements included in this Quarterly Report will prove to be accurate. Some of these and other risks and uncertainties that could cause actual results to differ materially from such forward-looking statements are more fully described in “Part II – Other Information, Item 1A. Risk Factors.” in this Quarterly Report and in our Annual Report. Except as may be required by applicable law, we undertake no obligation to publicly update or advise of any change in any forward-looking statement, whether as a result of new information, future events or otherwise.

As generally used in the energy industry and in this Quarterly Report, the identified terms have the following meanings:

Bbl	Barrels (equal to 42 U.S. gallons)
Bcf	Billion cubic feet
Btu	British thermal units, a measure of heating value
BBtu	Billion British thermal units
/d	Per day
/hr	Per hour
gal	U.S. gallons
GPM	Liquid volume equivalent expressed as gallons per 1000 cu. ft. of natural gas
LPG	Liquefied petroleum gas
MBbl	Thousand barrels
MMBbl	Million barrels
MMBtu	Million British thermal units
MMcf	Million cubic feet
NGL(s)	Natural gas liquid(s)
NYMEX	New York Mercantile Exchange
GAAP	Accounting principles generally accepted in the United States of America
LIBOR	London Interbank Offer Rate
NYSE	New York Stock Exchange

Price Index Definitions

IF-NGPL MC	Inside FERC Gas Market Report, Natural Gas Pipeline, Mid-Continent
IF-PB	Inside FERC Gas Market Report, Permian Basin
IF-WAHA	Inside FERC Gas Market Report, West Texas WAHA
NY-WTI	NYMEX, West Texas Intermediate Crude Oil
OPIS-MB	Oil Price Information Service, Mont Belvieu, Texas

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

TARGA RESOURCES CORP.
CONSOLIDATED BALANCE SHEETS

	March 31, 2014 (Unaudited) (In millions)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$94.9	\$66.7
Trade receivables, net of allowances of \$1.1 million and \$1.1 million	610.4	658.8
Inventories	88.5	150.7
Deferred income taxes	4.3	0.1
Assets from risk management activities	1.6	2.0
Other current assets	10.2	18.9
Total current assets	809.9	897.2
Property, plant and equipment	5,936.9	5,758.4
Accumulated depreciation	(1,472.6)	(1,408.5)
Property, plant and equipment, net	4,464.3	4,349.9
Intangible assets, net	638.1	653.4
Long-term assets from risk management activities	2.9	3.1
Investment in unconsolidated affiliate	53.7	55.9
Other long-term assets	86.3	89.1
Total assets	\$6,055.2	\$6,048.6
LIABILITIES AND OWNERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$745.5	\$761.8
Deferred income taxes	-	0.6
Liabilities from risk management activities	12.9	8.0
Total current liabilities	758.4	770.4
Long-term debt	2,891.7	2,989.3
Long-term liabilities from risk management activities	1.2	1.4
Deferred income taxes	138.8	135.5
Other long-term liabilities	66.1	60.7
Commitments and contingencies (see Note 16)		
Owners' equity:		
Targa Resources Corp. stockholders' equity:		
Common stock (\$0.001 par value, 300,000,000 shares authorized, 42,533,883 shares issued and 42,158,848 shares outstanding as of March 31, 2014, and 42,529,068 shares issued and 42,162,178 shares outstanding as of December 31, 2013)	-	-
Preferred stock (\$0.001 par value, 100,000,000 shares authorized, no shares issued and outstanding as of March 31, 2014 and December 31, 2013)	-	-

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Additional paid-in capital	149.2	151.6
Retained earnings	19.6	20.5
Accumulated other comprehensive loss	(0.8)	(0.5)
Treasury stock, at cost (375,035 shares as of March 31, 2014 and 366,890 as of December 31, 2013)	(23.6)	(22.8)
Total Targa Resources Corp. stockholders' equity	144.4	148.8
Noncontrolling interests in subsidiaries	2,054.6	1,942.5
Total owners' equity	2,199.0	2,091.3
Total liabilities and owners' equity	\$6,055.2	\$6,048.6

See notes to consolidated financial statements.

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TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

Three Months
 Ended March 31,
 2014 2013

(Unaudited)
 (In millions, except
 per share amounts)

Revenues	\$2,352.9	\$1,397.8
Costs and expenses:		
Product purchases	1,973.3	1,137.5
Operating expenses	104.3	86.1
Depreciation and amortization expenses	79.6	64.0
General and administrative expenses	38.0	36.3
Other operating income	(0.7)	-
Income from operations	158.4	73.9
Other income (expense):		
Interest expense, net	(33.9)	(32.1)
Equity earnings	4.9	1.6
Other	-	(0.2)
Income before income taxes	129.4	43.2
Income tax (expense) benefit:		
Current	(23.9)	(9.2)
Deferred	1.4	(0.2)
	(22.5)	(9.4)
Net income	106.9	33.8
Less: Net income attributable to noncontrolling interests	87.3	20.4
Net income available to common shareholders	\$19.6	\$13.4
Net income available per common share - basic	\$0.47	\$0.32
Net income available per common share - diluted	\$0.47	\$0.32
Weighted average shares outstanding - basic	42.0	41.6
Weighted average shares outstanding - diluted	42.1	42.0

See notes to consolidated financial statements.

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TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended March 31,					
	2014			2013		
	Pre-Tax	Related Income Tax	After Tax	Pre-Tax	Related Income Tax	After Tax
	(Unaudited) (In millions)					
Net income attributable to Targa Resources Corp.			\$ 19.6			\$ 13.4
Other comprehensive income (loss) attributable to Targa Resources Corp.						
Commodity hedging contracts:						
Change in fair value	\$(1.5)	\$ 0.6	(0.9)	\$(1.2)	\$ 0.5	(0.7)
Settlements reclassified to revenues	0.8	(0.3)	0.5	(0.9)	0.4	(0.5)
Interest rate swaps:						
Settlements reclassified to interest expense, net	0.2	(0.1)	0.1	0.2	(0.1)	0.1
Other comprehensive income (loss) attributable to Targa Resources Corp.	\$(0.5)	\$ 0.2	(0.3)	\$(1.9)	\$ 0.8	(1.1)
Comprehensive income attributable to Targa Resources Corp.			\$ 19.3			\$ 12.3
Net income attributable to noncontrolling interests			\$ 87.3			\$ 20.4
Other comprehensive loss attributable to noncontrolling interests						
Commodity hedging contracts:						
Change in fair value	\$(10.3)	\$ -	(10.3)	\$(6.4)	\$ -	(6.4)
Settlements reclassified to revenues	5.5	-	5.5	(5.7)	-	(5.7)
Interest rate swaps:						
Settlements reclassified to interest expense, net	1.1	-	1.1	1.5	-	1.5
Other comprehensive loss attributable to noncontrolling interests	\$(3.7)	\$ -	(3.7)	\$(10.6)	\$ -	(10.6)
Comprehensive income attributable to noncontrolling interests			83.6			9.8
Total comprehensive income			\$ 102.9			\$ 22.1

See notes to consolidated financial statements.

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TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN OWNERS' EQUITY

	Common Stock	Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Noncontrolling		Total	
	Shares	Amount			Shares	Amount	Interests		
(Unaudited)									
(In millions, except shares in thousands)									
Balance, December 31, 2013	42,162	\$ -	\$ 151.6	\$ 20.5	\$ (0.5)	367	\$(22.8)	\$ 1,942.5	\$ 2,091.3
Compensation on equity grants	5	-	1.6	-	-	-	-	2.6	4.2
Accrual of distribution equivalent rights	-	-	-	-	-	-	-	(0.6)	(0.6)
Repurchase of common stock	(8)	-	-	-	-	8	(0.8)	-	(0.8)
Sale of Partnership limited partner interests	-	-	-	-	-	-	-	115.3	115.3
Receivables from unit offerings	-	-	(5.9)	-	-	-	-	-	(5.9)
Impact of Partnership equity transactions	-	-	7.1	-	-	-	-	(7.1)	-
Dividends	-	-	(5.2)	(20.5)	-	-	-	-	(25.7)
Distributions	-	-	-	-	-	-	-	(81.7)	(81.7)
Other comprehensive loss	-	-	-	-	(0.3)	-	-	(3.7)	(4.0)
Net income	-	-	-	19.6	-	-	-	87.3	106.9
Balance, March 31, 2014	42,159	\$ -	\$ 149.2	\$ 19.6	\$ (0.8)	375	\$(23.6)	\$ 2,054.6	\$ 2,199.0
Balance, December 31, 2012	42,295	\$ -	\$ 184.4	\$ (32.0)	\$ 1.2	198	\$(9.5)	\$ 1,609.3	\$ 1,753.4
Compensation on equity grants	35	-	2.1	-	-	-	-	1.7	3.8
Accrual of distribution equivalent rights	-	-	-	-	-	-	-	(0.3)	(0.3)
Sale of Partnership limited partner interests	-	-	-	-	-	-	-	105.3	105.3
Impact of Partnership equity transactions	-	-	6.3	-	-	-	-	(6.3)	-
Dividends	-	-	(19.4)	-	-	-	-	-	(19.4)
Distributions	-	-	-	-	-	-	-	(61.7)	(61.7)
Other comprehensive loss	-	-	-	-	(1.1)	-	-	(10.6)	(11.7)
Net income	-	-	-	13.4	-	-	-	20.4	33.8
Balance, March 31, 2013	42,330	\$ -	\$ 173.4	\$ (18.6)	\$ 0.1	198	\$(9.5)	\$ 1,657.8	\$ 1,803.2

See notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended March 31,	
	2014	2013
	(Unaudited)	
	(In millions)	
Cash flows from operating activities		
Net income	\$106.9	\$33.8
Amortization in interest expense	3.6	4.1
Compensation on equity grants	4.2	3.8
Depreciation and amortization expense	79.6	64.0
Accretion of asset retirement obligations	1.2	1.1
Deferred income tax expense	(1.4)	0.2
Equity earnings, net of distributions	-	(1.6)
Risk management activities	(0.3)	(0.2)
Gain on sale or disposition of assets	(0.8)	(0.1)
Changes in operating assets and liabilities:		
Receivables and other assets	57.3	95.1
Inventory	60.6	33.7
Accounts payable and other liabilities	7.8	(41.0)
Net cash provided by operating activities	318.7	192.9
Cash flows from investing activities		
Outlays for property, plant and equipment	(197.7)	(221.8)
Purchase of materials and supplies	0.1	-
Return of capital from unconsolidated affiliate	2.2	-
Other, net	1.7	(4.6)
Net cash used in investing activities	(193.7)	(226.4)
Cash flows from financing activities		
Partnership loan facilities:		
Proceeds	460.0	325.0
Repayments	(500.0)	(380.0)
Partnership accounts receivable securitization facility:		
Borrowings	29.5	171.4
Repayments	(75.7)	(60.0)
Non-Partnership loan facilities:		
Proceeds	4.0	5.0
Repayments	(16.0)	(15.0)
Costs incurred in connection with financing arrangements	(1.2)	(3.2)
Distributions to owners	(81.7)	(61.7)
Proceeds from sale of common units of the Partnership	110.6	107.4
Dividends to common and common equivalent shareholders	(25.5)	(19.0)
Repurchase of common stock	(0.8)	-
Net cash provided by (used in) financing activities	(96.8)	69.9
Net change in cash and cash equivalents	28.2	36.4
Cash and cash equivalents, beginning of period	66.7	76.3
Cash and cash equivalents, end of period	\$94.9	\$112.7

See notes to consolidated financial statements.

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TARGA RESOURCES CORP.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. Except as noted within the context of each footnote disclosure, the dollar amounts presented in the tabular data within these footnote disclosures are stated in millions of dollars.

Note 1 — Organization

Targa Resources Corp. (“TRC”) is a Delaware corporation formed in October 2005. Our common stock is listed on the New York Stock Exchange under the symbol “TRGP.” In this Quarterly Report, unless the context requires otherwise, references to “we,” “us,” “our,” “the Company” or “Targa” are intended to mean our consolidated business and operations.

Note 2 — Basis of Presentation

We have prepared these unaudited consolidated financial statements in accordance with GAAP for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. While we derived the year-end balance sheet data from audited financial statements, this interim report does not include all disclosures required by GAAP for annual periods. These unaudited consolidated financial statements and other information included in this Quarterly Report should be read in conjunction with our consolidated financial statements and notes thereto included in our Annual Report.

The unaudited consolidated financial statements for the three months ended March 31, 2014 and 2013 include all adjustments, which we believe are necessary, for a fair presentation of the results for interim periods. All significant intercompany balances and transactions have been eliminated in consolidation. Certain amounts in prior periods may have been reclassified to conform to the current year presentation.

Our financial results for the three months ended March 31, 2014 are not necessarily indicative of the results that may be expected for the full year.

Reclassifications Affecting Statement of Cash Flows

In conjunction with the ongoing integration of Badlands into its financial reporting environment during 2013, the Partnership obtained further information about acquisition date balance sheet, including the nature of the items comprising assumed Accounts payable and accrued liabilities. The Partnership determined that certain assumed liabilities related to purchases that, under its accounting policies, the Partnership considered capital in nature. Consequently, the Partnership made certain refinements to better reflect Badlands cash flow activity on a basis similar to that used its other operations. As a result of these refinements, certain Badlands cash flow activity was presented in its 2013 Form 10-K on a basis different than that utilized for previous quarterly reporting during 2013. In preparing this quarterly report the Partnership has made certain measurement period reclassifications to the comparative Statement of Cash Flows for the three months ended March 31, 2013 to conform to the presentation of its Form 10-K, reclassifying \$18.9 million related to capital expenditures previously included in Accounts payable and other liabilities of operating activities to Outlays for property, plant and equipment in investing activities, as shown below.

Three Months Ended March 31,
2013

As

Revised line items Consolidated Statement of Cash Flows Reported Reclassification Revised

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Cash Flows from operating activities			
Changes in operating assets and liabilities:			
Accounts payable and other liabilities	\$ (59.9)	\$ 18.9	\$ (41.0)
Net cash provided by operating activities	174.0	18.9	192.9
Cash flows from investing activities:			
Changes in investing assets and liabilities:			
Outlays for property, plant and equipment	(202.9)	(18.9)	(221.8)
Net cash used in investing activities	(207.5)	(18.9)	(226.4)

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One of our indirect subsidiaries is the sole general partner of Targa Resources Partners LP (“the Partnership”). Because we control the general partner of the Partnership, under GAAP, we must reflect our ownership interests in the Partnership on a consolidated basis. Accordingly, the Partnership’s financial results are included in our consolidated financial statements even though the distribution or transfer of Partnership assets is limited by the terms of the Partnership’s partnership agreement, as well as restrictive covenants in the Partnership’s lending agreements. The limited partner interests in the Partnership not owned by us are reflected in our results of operations as net income attributable to noncontrolling interests and in our balance sheet equity section as noncontrolling interests in subsidiaries. Throughout these footnotes, we make a distinction where relevant between financial results of the Partnership versus those of a standalone parent and its non-partnership subsidiaries.

As of March 31, 2014, our interests in the Partnership consist of the following:

- a 2% general partner interest, which we hold through our 100% ownership interest in the general partner of the Partnership;
- all Incentive Distribution Rights (“IDRs”); and
- 12,945,659 common units of the Partnership, representing an 11.4% limited partnership interest.

The Partnership is engaged in the business of gathering, compressing, treating, processing and selling natural gas; storing, fractionating, treating, transporting and selling NGLs and NGL products; gathering, storing and terminaling crude oil; and storing, terminaling and selling refined petroleum products. See Note 18 for an analysis of our and the Partnership’s operations by business segment.

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Note 3 — Significant Accounting Policies

Accounting Policy Updates/Revisions

The accounting policies that we follow are set forth in Note 3 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2013. There were no significant updates or revisions to these policies during the three months ended March 31, 2014.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The amendment, required to be applied prospectively for reporting periods beginning after December 15, 2014, limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have, or will have, a major effect on operations and financial results. The amendment requires expanded disclosures for discontinued operations and also requires additional disclosures regarding disposals of individually significant components that do not qualify as discontinued operations. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. This amendment has no impact on our current disclosures, but will in the future if we dispose of any individually significant components.

Note 4 — Inventories

The components of inventories consisted of the following:

	March 31, 2014	December 31, 2013
Commodities	\$74.7	\$ 136.4
Materials and supplies	13.8	14.3
	\$88.5	\$ 150.7

Note 5 — Property, Plant and Equipment and Intangible Assets

	March 31, 2014			December 31, 2013			Estimated Useful Lives (In Years)
	Targa Resources Partners LP	TRC Non- Partnership	Targa Resources Corp. Consolidated	Targa Resources Partners LP	TRC Non- Partnership	Targa Resources Corp. Consolidated	
Gathering systems	\$2,293.6	\$ -	\$ 2,293.6	\$2,230.1	\$ -	\$ 2,230.1	5 to 20
Processing and fractionation facilities	1,600.7	6.6	1,607.3	1,598.0	6.6	1,604.6	5 to 25
Terminaling and storage facilities	735.4	-	735.4	715.2	-	715.2	5 to 25
Transportation assets	334.7	-	334.7	294.7	-	294.7	10 to 25
Other property, plant and equipment	124.8	0.2	125.0	121.3	0.2	121.5	3 to 25
Land	89.7	-	89.7	89.5	-	89.5	-
Construction in progress	751.2	-	751.2	702.8	-	702.8	-
Property, plant and equipment	5,930.1	6.8	5,936.9	5,751.6	6.8	5,758.4	

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Accumulated depreciation	(1,470.3)	(2.3)	(1,472.6)	(1,406.2)	(2.3)	(1,408.5)	
Property, plant and equipment, net	\$4,459.8	\$ 4.5	\$ 4,464.3	\$4,345.4	\$ 4.5	\$ 4,349.9	
Intangible assets	\$681.8	\$ -	\$ 681.8	\$681.8	\$ -	\$ 681.8	20
Accumulated amortization	(43.7)	-	(43.7)	(28.4)	-	(28.4)	
Intangible assets, net	\$638.1	\$ -	\$ 638.1	\$653.4	\$ -	\$ 653.4	

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Note 6 — Asset Retirement Obligations

Our asset retirement obligations primarily relate to certain gas gathering pipelines and processing facilities, and are included in our consolidated balance sheets as a component of other long-term liabilities. The changes in our aggregate asset retirement obligations are as follows:

	Three Months Ended March 31, 2014
Beginning of period	\$ 50.9
Change in cash flow estimate	2.1
Accretion expense	1.2
End of period	\$ 54.2

Note 7 – Investment in Unconsolidated Affiliate

At March 31, 2014, the Partnership's unconsolidated investment consisted of a 38.8% ownership interest in Gulf Coast Fractionators LP ("GCF").

The following table shows the activity related to the Partnership's investment in GCF:

	Three Months Ended March 31, 2014
Beginning of period	\$ 55.9
Equity earnings	4.9
Cash distributions (1)	(7.1)
End of period	\$ 53.7

(1) Includes distributions in excess of cumulative earnings of \$2.2 million that are considered a return of capital and disclosed in cash flows from investing activities in the Consolidated Statements of Cash Flows.

Note 8 — Accounts Payable and Accrued Liabilities

The components of accounts payable and accrued liabilities consisted of the following:

	March 31, 2014	December 31, 2013
Commodities	\$528.1	\$ 520.8
Other goods and services	109.7	146.8
Interest	42.4	35.9
Compensation and benefits	23.5	40.3

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Income and other taxes	32.8	10.2
Other	9.0	7.8
	\$745.5	\$ 761.8

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Note 9 — Debt Obligations

	March 31, 2014	December 31, 2013
Long-term debt:		
Non-Partnership obligations:		
TRC Senior secured revolving credit facility, variable rate, due October 2017 (1)	\$72.0	\$ 84.0
Obligations of the Partnership: (2)		
Senior secured revolving credit facility, variable rate, due October 2017 (3)	355.0	395.0
Senior unsecured notes, 7 % fixed rate, due October 2018	250.0	250.0
Senior unsecured notes, 6 % fixed rate, due February 2021	483.6	483.6
Unamortized discount	(27.4)	(28.0)
Senior unsecured notes, 6 % fixed rate, due August 2022	300.0	300.0
Senior unsecured notes, 5¼% fixed rate, due May 2023	600.0	600.0
Senior unsecured notes, 4¼% fixed rate, due November 2023	625.0	625.0
Accounts receivable securitization facility, due December 2014 (4)	233.5	279.7
Total long-term debt	\$2,891.7	\$ 2,989.3
Irrevocable standby letters of credit:		
Letters of credit outstanding under TRC Senior secured credit facility (1)	\$-	\$ -
Letters of credit outstanding under the Partnership senior secured revolving credit facility (3)	97.2	86.8
	\$97.2	\$ 86.8

(1) As of March 31, 2014, availability under TRC's \$150 million senior secured revolving credit facility was \$78.0 million.

(2) While we consolidate the debt of the Partnership in our financial statements, we do not have the obligation to make interest payments or debt payments with respect to the debt of the Partnership.

(3) As of March 31, 2014, availability under the Partnership's \$1.2 billion senior secured revolving credit facility was \$747.8 million.

(4) All amounts outstanding under the Partnership's Securitization Facility are reflected as long-term debt in our balance sheet because the Partnership has the ability and intent to fund the Securitization Facility's borrowings on a long-term basis.

The following table shows the range of interest rates and weighted average interest rate incurred on our and the Partnership's variable-rate debt obligations during the three months ended March 31, 2014:

	Range of Interest Rates Incurred	Weighted Average Interest Rate Incurred
TRC senior secured revolving credit facility	2.9%	2.9%
Partnership's senior secured revolving credit facility	2.2% - 4.5%	2.3%
Partnership's accounts receivable securitization facility	0.9%	0.9%

Compliance with Debt Covenants

As of March 31, 2014, both we and the Partnership were in compliance with the covenants contained in our various debt agreements.

Note 10 — Partnership Units and Related Matters

Public Offerings of Common Units

In the first quarter of 2014, the Partnership issued 2,222,271 common units under an equity distribution agreement entered into in August 2013 (the “August 2013 EDA”), receiving net proceeds of \$115.3 million, of which \$5.9 million was received in April. We contributed \$2.4 million to the Partnership to maintain our 2% general partner interest, of which \$1.2 million was received in April.

Subsequent Event

In April 2014, the Partnership issued 802,630 common units under the August 2013 EDA, receiving net proceeds of \$47.7 million. We contributed \$1.0 million to the Partnership to maintain our 2% general partner interest. As of April 18, 2014, approximately \$7.4 million of the aggregate offering amount remained available for sale pursuant to the August 2013 EDA.

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Distributions

In accordance with the Partnership Agreement, the Partnership must distribute all of its available cash, as determined by the general partner, to unitholders of record within 45 days after the end of each quarter. The following table details the distributions declared and/or paid by the Partnership for the three months ended March 31, 2014.

Three Months Ended (In millions, except per unit amounts)	Date Paid or to be Paid	Distributions			Total	Distributions to Targa Resources Corp.	Distributions per limited partner unit
		Limited Partners	General Partner	Incentive2%			
March 31, 2014	May 15, 2014	\$87.2	\$31.7	\$2.4	\$121.3	\$ 44.0	\$ 0.7625
December 31, 2013	February 14, 2014	84.0	29.5	2.3	115.8	41.5	0.7475

Note 11 — Common Stock and Related Matters

The following table details the dividends declared and/or paid by us for the three months ended March 31, 2014:

Three Months Ended	Date Paid or To Be Paid	Total Dividend Declared	Amount of Dividend Paid	Accrued Dividends (1)	Dividend Declared
					per Share of Common Stock
March 31, 2014	May 16, 2014	\$ 27.4	\$ 27.2	\$ 0.2	\$0.64750
December 31, 2013	February 18, 2014	25.6	25.5	0.1	0.60750

(In millions, except per share amounts)

(1) Represents accrued dividends on restricted stock and restricted stock units that are payable upon vesting.

Note 12 — Earnings per Common Share

The following table sets forth a reconciliation of net income and weighted average shares outstanding used in computing basic and diluted net income per common share:

	Three Months Ended March 31,	
	2014	2013
Net income	\$106.9	\$33.8
Less: Net income attributable to noncontrolling interests	87.3	20.4
Net income attributable to common shareholders	\$19.6	\$13.4
Weighted average shares outstanding - basic	42.0	41.6

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Net income available per common share - basic	\$0.47	\$0.32
Weighted average shares outstanding	42.0	41.6
Dilutive effect of unvested stock awards	0.1	0.4
Weighted average shares outstanding - diluted	42.1	42.0
Net income available per common share - diluted	\$0.47	\$0.32

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Note 13 — Derivative Instruments and Hedging Activities

Partnership Commodity Hedges

The primary purpose of the Partnership’s commodity risk management activities is to manage its exposure to commodity price risk and reduce volatility in its operating cash flow due to fluctuations in commodity prices. The Partnership has hedged the commodity prices associated with a portion of its expected (i) natural gas equity volumes in Field Gathering and Processing segment and (ii) NGL and condensate equity volumes predominately in the Field Gathering and Processing segment and the LOU business unit in the Coastal Gathering and Processing segment that result from its percent-of-proceeds processing arrangements. These hedge positions will move favorably in periods of falling commodity prices and unfavorably in periods of rising commodity prices. The Partnership has designated these derivative contracts as cash flow hedges for accounting purposes.

The hedges generally match the NGL product composition and the NGL and natural gas delivery points to those of the Partnership’s physical equity volumes. The NGL hedges may be transacted as specific NGL hedges or as baskets of ethane, propane, normal butane, isobutane and natural gasoline based upon the Partnership’s expected equity NGL composition. We believe this approach avoids uncorrelated risks resulting from employing hedges on crude oil or other petroleum products as “proxy” hedges of NGL prices. The Partnership’s natural gas and NGL hedges are settled using published index prices for delivery at various locations, which closely approximate the Partnership’s actual natural gas and NGL delivery points.

The Partnership hedges a portion of its condensate equity volumes using crude oil hedges that are based on the New York Mercantile Exchange (“NYMEX”) futures contracts for West Texas Intermediate light, sweet crude, which approximates the prices received for condensate. This necessarily exposes the Partnership to a market differential risk if the NYMEX futures do not move in exact parity with the sales price of its underlying condensate equity volumes.

At March 31, 2014, the notional volumes of the Partnership’s commodity hedges for equity volumes were:

Commodity Instrument	Unit	2014	2015	2016
Natural Gas Swaps	MMBtu/d	54,050	40,551	25,500
NGL Swaps	Bbl/d	1,125	-	-
Condensate Swaps	Bbl/d	2,450	-	-

The Partnership also enters into derivative instruments to help manage other short-term commodity-related business risks. The Partnership has not designated these derivatives as hedges, and records changes in fair value and cash settlements to revenues.

The Partnership’s derivative contracts are subject to netting arrangements that allow net cash settlement of offsetting asset and liability positions with the same counterparty. We record derivative assets and liabilities on our Consolidated Balance Sheets on a gross basis, without considering the effect of master netting arrangements. The following schedules reflect the fair values of our derivative instruments and their location in our Consolidated Balance Sheets as well as pro forma reporting assuming that we reported derivatives subject to master netting agreements on a net basis:

Balance Sheet Location	Derivative Assets	Derivative Liabilities	Fair Value as of	
			March 31, 2014	December 31, 2013
	Derivative Assets	Derivative Liabilities	Derivative Assets	Derivative Liabilities
Derivatives designated as hedging instruments				

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Commodity contracts	Current	\$1.6	\$ (12.8)	\$2.0	\$ (7.7)
	Long-term	2.9	(1.2)	3.1	(1.4)
Total derivatives designated as hedging instruments		\$4.5	\$ (14.0)	\$5.1	\$ (9.1)
Derivatives not designated as hedging instruments					
Commodity contracts	Current	\$-	\$ (0.1)	\$-	\$ (0.3)
Total derivatives not designated as hedging instruments		\$-	\$ (0.1)	\$-	\$ (0.3)
Total current position		\$1.6	\$ (12.9)	\$2.0	\$ (8.0)
Total long-term position		2.9	(1.2)	3.1	(1.4)
Total derivatives		\$4.5	\$ (14.1)	\$5.1	\$ (9.4)

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The pro forma impact of reporting derivatives in the Consolidated Balance Sheets is as follows:

	Gross Presentation		Pro forma Net Presentation	
	Asset Position	Liability Position	Asset Position	Liability Position
March 31, 2014				
Current position				
Counterparties with offsetting position	\$1.6	\$(3.4)	\$-	\$(1.8)
Counterparties without offsetting position - assets	-	-	-	-
Counterparties without offsetting position - liabilities	-	(9.5)	-	(9.5)
	1.6	(12.9)	-	(11.3)
Long-term position				
Counterparties with offsetting position	1.0	(0.3)	0.7	-
Counterparties without offsetting position - assets	1.9	-	1.9	-
Counterparties without offsetting position - liabilities	-	(0.9)	-	(0.9)
	2.9	(1.2)	2.6	(0.9)
Total derivatives				
Counterparties with offsetting position	2.6	(3.7)	0.7	(1.8)
Counterparties without offsetting position - assets	1.9	-	1.9	-
Counterparties without offsetting position - liabilities	-	(10.4)	-	(10.4)
	\$4.5	\$(14.1)	\$2.6	\$(12.2)
December 31, 2013				
Current position				
Counterparties with offsetting position	\$1.9	\$(4.4)	\$-	\$(2.5)
Counterparties without offsetting position - assets	0.1	-	0.1	-
Counterparties without offsetting position - liabilities	-	(3.6)	-	(3.6)
	2.0	(8.0)	0.1	(6.1)
Long-term position				
Counterparties with offsetting position	0.7	(1.2)	-	(0.5)
Counterparties without offsetting position - assets	2.4	-	2.4	-
Counterparties without offsetting position - liabilities	-	(0.2)	-	(0.2)
	3.1	(1.4)	2.4	(0.7)
Total derivatives				
Counterparties with offsetting position	2.6	(5.6)	-	(3.0)
Counterparties without offsetting position - assets	2.5	-	2.5	-
Counterparties without offsetting position - liabilities	-	(3.8)	-	(3.8)
	\$5.1	\$(9.4)	\$2.5	\$(6.8)

The fair value of the Partnership's derivative instruments, depending on the type of instrument, was determined by the use of present value methods or standard option valuation models with assumptions about commodity prices based on those observed in underlying markets.

The estimated fair value of the Partnership's derivative instruments was a net liability of \$9.6 million as of March 31, 2014. The estimated fair value is net of an adjustment for credit risk based on the default probabilities by year as indicated by market quotes for the counterparties' credit default swap rates. The credit risk adjustment was immaterial for all periods presented.

The Partnership's payment obligations in connection with substantially all of these hedging transactions are secured by a first priority lien in the collateral securing its senior secured indebtedness that ranks equal in right of payment with

liens granted in favor of its senior secured lenders.

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The following tables reflect amounts recorded in OCI and amounts reclassified from OCI to revenue and expense for the periods indicated:

	Gain (Loss) Recognized in OCI on Derivatives (Effective Portion) Three Months Ended March	
Derivatives in Cash Flow Hedging Relationships	31, 2014	2013
Commodity contracts	\$(11.9)	\$(7.6)

	Gain (Loss) Reclassified from OCI into Income (Effective Portion) Three Months Ended March	
Location of Gain (Loss)	31, 2014	2013
Interest expense, net	\$(1.3)	\$(1.7)
Revenues	(6.3)	6.6
	\$(7.6)	\$4.9

Hedge ineffectiveness was immaterial for all periods presented.

Our consolidated earnings are also affected by the Partnership's use of the mark-to-market method of accounting for derivative instruments that do not qualify for hedge accounting or that have not been designated as hedges. The changes in fair value of these instruments are recorded on the balance sheet and through earnings (i.e., using the "mark-to-market" method) rather than being deferred until the anticipated transaction settles. The use of mark-to-market accounting for financial instruments can cause non-cash earnings volatility due to changes in the underlying commodity price indices. Gain (loss) recognized on commodity derivatives not designated as hedging instruments was immaterial for all periods presented.

The following table shows the deferred gains (losses) included in accumulated OCI that will be reclassified into earnings through the end of 2016:

	March 31, 2014	December 31, 2013
Commodity hedges, before tax	\$(1.2)	\$(0.5)
Commodity hedges, after tax	(0.8)	(0.3)
Interest rate hedges, before tax	(0.1)	(0.3)
Interest rate hedges, after tax	(0.1)	(0.2)

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As of March 31, 2014, net losses of \$11.0 million on commodity hedges and net losses of \$1.1 million on terminated interest rate swaps recorded in OCI are expected to be reclassified to revenue and interest expense during the next twelve months.

See Note 14 for additional disclosures related to derivative instruments and hedging activities.

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Note 14 — Fair Value Measurements

Under GAAP, our Consolidated Balance Sheets reflect a mixture of measurement methods for financial assets and liabilities (“financial instruments”). Derivative financial instruments are reported at fair value in our Consolidated Balance Sheets. Other financial instruments are reported at historical cost or amortized cost in our Consolidated Balance Sheets, with fair value measurements for these instruments provided as supplemental information.

The following are additional qualitative and quantitative disclosures regarding fair value measurements of financial instruments.

Fair Value of Derivative Financial Instruments

The Partnership’s derivative instruments consist of financially settled commodity swaps and option contracts and fixed-price commodity contracts with certain counterparties. The Partnership determines the fair value of its derivative contracts using a discounted cash flow model for swaps and a standard option pricing-model for options, based on inputs that are readily available in public markets. The Partnership has consistently applied these valuation techniques in all periods presented and we believe the Partnership has obtained the most accurate information available for the types of derivative contracts the Partnership holds.

The fair values of the Partnership’s derivative instruments are sensitive to changes in forward pricing on natural gas, NGLs and crude oil. This financial position reflects the present value, adjusted for counterparty credit risk, of the amount the Partnership expects to receive or pay in the future on its derivative contracts. If forward pricing on natural gas, NGLs and crude oil were to increase by 10%, the result would be a fair value reflecting a net liability of \$33.1 million, ignoring an adjustment for counterparty credit risk. If forward pricing on natural gas, NGLs and crude oil were to decrease by 10%, the result would be a fair value reflecting a net asset of \$13.8 million, ignoring an adjustment for counterparty credit risk.

Fair Value of Other Financial Instruments

The contingent consideration obligation related to the Partnership’s Badlands acquisition is reported at fair value. Due to their cash or near-cash nature, the carrying value of other financial instruments included in working capital (i.e., cash and cash equivalents, accounts receivable, accounts payable) approximates their fair value. As such, long-term debt is primarily the other financial instrument for which our carrying value could vary significantly from fair value. We determined the supplemental fair value disclosures for our long-term debt as follows:

• Senior secured revolving credit facilities and the Partnership’s Accounts Receivable Securitization Facility are based on carrying value, which approximates fair value as their interest rates are based on prevailing market rates; and

• Senior unsecured notes are based on quoted market prices derived from trades of the debt.

Fair Value Hierarchy

We categorize the inputs to the fair value measurements of financial assets and liabilities using a three-tier fair value hierarchy that prioritizes the significant inputs used in measuring fair value:

• Level 1 – observable inputs such as quoted prices in active markets;

• Level 2 – inputs other than quoted prices in active markets that we can directly or indirectly observe to the extent that the markets are liquid for the relevant settlement periods; and

Level 3 – unobservable inputs in which little or no market data exists, therefore we must develop our own assumptions.

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The following table shows a breakdown by fair value hierarchy category for (1) financial instruments measurements included in our Consolidated Balance Sheets at fair value and (2) supplemental fair value disclosures for other financial instruments:

	March 31, 2014				
	Carrying Value	Fair Value Total	Level 1	Level 2	Level 3
Financial Instruments Recorded on Our Consolidated Balance Sheets at Fair Value:					
Assets from commodity derivative contracts (1)	\$3.9	\$3.9	\$ -	\$2.6	\$ 1.3
Liabilities from commodity derivative contracts (1)	13.5	13.5	-	12.0	1.5
Badlands contingent consideration liability	-	-	-	-	-
Financial Instruments Recorded on Our Consolidated Balance Sheets at Carrying Value:					
Cash and cash equivalents	94.9	94.9	-	-	-
TRC Senior secured revolving credit facility	72.0	72.0	-	72.0	-
Partnership's Senior secured revolving credit facility	355.0	355.0	-	355.0	-
Partnership's Senior unsecured notes	2,231.2	2,284.0	-	2,284.0	-
Partnership's accounts receivable securitization facility	233.5	233.5	-	233.5	-

The fair value of the derivative contracts in this table is presented on a different basis than the balance sheet presentation as disclosed in Note 13. The above fair values reflect the total value of each derivative contract taken (1) as a whole, whereas the balance sheet presentation is based on the individual maturity dates of estimated future settlements. As such, an individual contract could have both an asset and liability position when segregated into its current and long-term portions for balance sheet classification purposes.

Additional Information Regarding Level 3 Fair Value Measurements Included in Our Consolidated Balance Sheets

As of March 31, 2014, we reported certain of the Partnership's natural gas basis swaps at fair value using Level 3 inputs due to such derivatives not having observable market prices for substantially the full term of the derivative asset or liability. For valuations that include both observable and unobservable inputs, if the unobservable input is determined to be significant to the overall inputs, the entire valuation is categorized in Level 3. This includes derivatives valued using indicative price quotations whose contract length extends into unobservable periods.

The fair value of these natural gas basis swaps is determined using a discounted cash flow valuation technique based on a forward commodity basis curve. For these derivatives, the primary input to the valuation model is the forward commodity basis curve, which is based on observable or public data sources and extrapolated when observable prices are not available.

As of March 31, 2014, the Partnership had fourteen natural gas basis swaps categorized as Level 3. The significant unobservable inputs used in the fair value measurements of the Partnership's Level 3 derivatives are the forward natural gas basis curves, for which a significant portion of the derivative's term is beyond available forward pricing. The change in the fair value of Level 3 derivatives associated with a 10% change in the forward basis curve where prices are not observable is immaterial.

The following table summarizes the changes in fair value of our financial instruments classified as Level 3 in the fair value hierarchy:

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	Commodity Derivative Contracts Asset/ (Liability)
Balance, December 31, 2013	\$ 0.7
Settlements included in Revenue	(0.9)
Balance, March 31, 2014	\$ (0.2)

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There has been no material transfer of assets or liabilities among the three levels of the fair value hierarchy during the three months ended March 31, 2014.

Note 15 — Related Party Transactions

Relationship with Targa Resources Partners LP

The Partnership does not have any employees. We provide operational, general and administrative and other services to the Partnership, associated with the Partnership's existing assets and assets acquired from third parties. We perform centralized corporate functions for the Partnership, such as legal, accounting, treasury, insurance, risk management, health, safety and environmental, information technology, human resources, credit, payroll, internal audit, taxes, engineering and marketing.

The Partnership Agreement between the Partnership and us, as general partner of the Partnership, governs the reimbursement of costs incurred on the behalf of the Partnership. We charge the Partnership for all the direct costs of the employees assigned to its operations, as well as all general and administrative support costs other than (1) costs attributable to our status as a separate reporting company and (2) our costs of providing management and support services to certain unaffiliated spun-off entities. The Partnership generally reimburses us monthly for cost allocations to the extent that we have made a cash outlay.

Note 16 — Commitments and Contingencies

Legal Proceedings

We are a party to various legal proceedings and/or regulatory proceedings and certain claims, suits and complaints arising in the ordinary course of business that have been filed or are pending against us. We believe all such matters are without merit or involve amounts which, if resolved unfavorably, would not have a material effect on our financial position, results of operations, or cash flows.

Note 17 - Supplemental Cash Flow Information

	Three Months Ended March 31, 2014 2013	
Cash:		
Interest paid, net of capitalized interest (1)	\$23.7	\$32.1
Income taxes paid, net of refunds	0.1	0.3
Non-cash:		
Deadstock inventory transferred to property, plant and equipment	1.1	4.5
Accrued dividends on unvested equity awards	0.2	0.4
Change in receivables from unit offerings	5.9	-
Change in capital accruals	22.7	14.9
Transfers from materials and supplies inventory to property, plant and equipment	0.4	-
Change in ARO cash flow estimate	2.1	0.2

(1) Interest capitalized on major projects was \$6.9 million and \$6.1 million for the three months ended March 31, 2014 and 2013.

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Note 18 — Segment Information

The Partnership reports its operations in two divisions: (i) Gathering and Processing, consisting of two reportable segments – (a) Field Gathering and Processing and (b) Coastal Gathering and Processing; and (ii) Logistics and Marketing consisting of two reportable segments – (a) Logistics Assets and (b) Marketing and Distribution. The financial results of its hedging activities are reported in Other.

The Partnership's Gathering and Processing division includes assets used in the gathering of natural gas produced from oil and gas wells and processing this raw natural gas into merchantable natural gas by extracting NGLs and removing impurities; and assets used for crude oil gathering and terminaling. The Field Gathering and Processing segment's assets are located in North Texas, the Permian Basin of West Texas, New Mexico and in North Dakota. The Coastal Gathering and Processing segment's assets are located in the onshore and near offshore regions of the Louisiana Gulf Coast and the Gulf of Mexico.

The Partnership's Logistics and Marketing division is also referred to as its Downstream Business. The Partnership's Downstream Business includes all the activities necessary to convert mixed NGLs into NGL products and provides certain value added services such as storing, terminaling, distributing and marketing of NGLs, refined petroleum products and crude oil. It also includes certain natural gas supply and marketing activities in support of the Partnership's other operations, including services to LPG exporters, as well as transporting natural gas and NGLs.

The Partnership's Logistics Assets segment is involved in transporting, storing, and fractionating mixed NGLs; storing, terminaling, and transporting finished NGLs, including services for exported LPGs; and storing and terminaling refined petroleum products. These assets are generally connected to and supplied in part by the Partnership's Gathering and Processing segments and are predominantly located in Mont Belvieu, and Galena Park, Texas and Lake Charles, Louisiana.

The Partnership's Marketing and Distribution segment covers activities required to distribute and market raw and finished NGLs and all natural gas marketing activities. It includes (1) marketing the Partnership's own NGL production and purchasing NGL products for resale in selected United States markets; (2) providing LPG balancing services to refinery customers; (3) transporting, storing and selling propane and providing related propane logistics services to multi-state retailers, independent retailers and other end-users; providing propane, butane and services to LPG exporters; and (4) marketing natural gas available to the Partnership from its Gathering and Processing division and the purchase and resale and other value added activities related to third-party natural gas in selected United States markets.

Other contains the results of the Partnership's commodity hedging activities included in operating margin. Eliminations of inter-segment transactions are reflected in the corporate and eliminations column.

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The following table shows our consolidated revenues by product and service for the periods presented:

	Three Months Ended March 31,	
	2014	2013
Sales of commodities:		
Natural gas	\$392.6	\$255.3
NGL	1,710.6	963.5
Condensate	28.4	27.1
Petroleum products	20.1	31.3
Derivative activities	(6.9)	6.5
	2,144.8	1,283.7
Fees from midstream services:		
Fractionating and treating	46.5	27.2
Storage, terminaling, transportation and export	99.6	60.2
Gathering and processing	42.6	18.5
Other	19.4	8.2
	208.1	114.1
Total revenues	\$2,352.9	\$1,397.8

The following table shows a reconciliation of operating margin to net income for the periods presented:

	Three Months Ended March 31,	
	2014	2013
Reconciliation of operating margin to net income:		
Operating margin	\$275.3	\$174.2
Depreciation and amortization expense	(79.6)	(64.0)
General and administrative expense	(38.0)	(36.3)
Interest expense, net	(33.9)	(32.1)
Other, net	5.6	1.4
Income tax expense	(22.5)	(9.4)
Net income	\$106.9	\$33.8

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2013 ("Annual Report"), as well as the unaudited consolidated financial statements and Notes hereto included in this Quarterly Report on Form 10-Q.

Overview

Targa Resources Corp. is a publicly traded Delaware corporation formed in October 2005. Our common stock is listed on the NYSE under the symbol "TRGP." In this Quarterly Report, unless the context requires otherwise, references to "we," "us," "our," the "Company," or "Targa" are intended to mean our consolidated business and operations.

We own general and limited partner interests, including Incentive Distribution Rights ("IDRs"), in Targa Resources Partners LP (the "Partnership"), a publicly traded Delaware limited partnership that is a leading United States provider of midstream natural gas and NGL services, with a growing presence in crude oil gathering and petroleum terminaling. Common units of the Partnership are listed on the NYSE under the symbol "NGLS."

Our primary business objective is to increase our cash available for dividends to our stockholders by assisting the Partnership in executing its business strategy. We may facilitate the Partnership's growth through various forms of financial support, including, but not limited to, modifying the Partnership's IDRs, exercising the Partnership's IDR reset provision contained in its partnership agreement, making loans, making capital contributions in exchange for yielding or non-yielding equity interests or providing other financial support to the Partnership, if needed, to support its ability to make distributions. We also may enter into other economic transactions intended to increase our ability to make cash available for dividends over time. In addition, we may acquire assets that could be candidates for acquisition by the Partnership, potentially after operational or commercial improvement or further development.

An indirect subsidiary of ours is the general partner of the Partnership. Because we control the general partner, under GAAP we must reflect our ownership interest in the Partnership on a consolidated basis. Accordingly, the Partnership's financial results are included in our consolidated financial statements even though the distribution or transfer of Partnership assets are limited by the terms of the partnership agreement, as well as restrictive covenants in the Partnership's lending agreements. The limited partner interests in the Partnership not owned by us are reflected in our results of operations as net income attributable to noncontrolling interests. Therefore, throughout this discussion, we make a distinction where relevant between financial results of the Partnership versus those of us as a standalone parent including our non-Partnership subsidiaries.

The Partnership files its own separate Quarterly Report. The financial results presented in our consolidated financial statements will differ from the financial statements of the Partnership primarily due to the effects of:

- our separate debt obligations;
- federal income taxes;
- certain retained general and administrative costs applicable to us as a public company;
- certain administrative assets and liabilities incumbent as a provider of operational and support services to the Partnership;
- certain non-operating assets and liabilities that we retained;

Partnership distributions and earnings allocable to third-party common unitholders which are included in non-controlling interest in our statements; and

Partnership distributions applicable to our General Partner interest, Incentive Distribution Rights and investment in Partnership common units. While these are eliminated when preparing our consolidated financial statements, they nonetheless are the primary source of cash flow that supports the payment of dividends to our stockholders.

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Our Operations

Currently, we have no separate, direct operating activities apart from those conducted by the Partnership. As such, our cash inflows will primarily consist of cash distributions from our interests in the Partnership. The Partnership is required to distribute all available cash at the end of each quarter after establishing reserves to provide for the proper conduct of its business or to provide for future distributions.

The Partnership's Operations

The Partnership is a leading provider of midstream natural gas and NGL services, with a growing presence in crude oil gathering and petroleum terminaling in the United States. In connection with these business activities, the Partnership buys and sells natural gas, NGLs and NGL products, crude oil, condensate and refined products.

The Partnership is engaged in the business of:

- gathering, compressing, treating, processing and selling natural gas;
- storing, fractionating, treating, transporting and selling NGLs and NGL products, including services to LPG exporters;
- gathering, storing and terminaling crude oil; and
- storing, terminaling and selling refined petroleum products.

The Partnership reports its operations in two divisions: (i) Gathering and Processing, consisting of two reportable segments – (a) Field Gathering and Processing and (b) Coastal Gathering and Processing; and (ii) Logistics and Marketing, consisting of two reportable segments – (a) Logistics Assets and (b) Marketing and Distribution. The financial results of its hedging activities are reported in Other.

The Partnership's Gathering and Processing division includes assets used in the gathering of natural gas produced from oil and gas wells and processing this raw natural gas into merchantable natural gas by extracting NGLs and removing impurities; and assets used for crude oil gathering and terminaling. The Field Gathering and Processing segment's assets are located in North Texas, the Permian Basin of West Texas and New Mexico and in North Dakota. The Coastal Gathering and Processing segment's assets are located in the onshore and near offshore regions of the Louisiana Gulf Coast and the Gulf of Mexico.

The Partnership's Logistics and Marketing division is also referred to as its Downstream Business. The Partnership's Downstream Business includes all the activities necessary to convert mixed NGLs into NGL products and provides certain value added services such as the storing, terminaling, distributing and marketing of NGLs, the storage and terminaling of refined petroleum products and crude oil and certain natural gas supply and marketing activities in support of our other businesses including services to LPG exporters. It also includes certain natural gas supply and marketing activities in support of the Partnership's other operations, as well as transporting natural gas and NGLs.

The Partnership's Logistics Assets segment is involved in transporting, storing, and fractionating mixed NGLs; storing, terminaling, and transporting finished NGLs, including services for exporting LPGs; and storing and terminaling of refined petroleum products. These assets are generally connected to and supplied in part by the Partnership's Gathering and Processing segments and are predominantly located in Mont Belvieu and Galena Park, Texas and in Lake Charles, Louisiana.

The Partnership's Marketing and Distribution segment covers activities required to distribute and market raw and finished NGLs and all natural gas marketing activities. It includes (1) marketing the Partnership's own NGL production and purchasing NGL products for resale in selected United States markets; (2) providing LPG balancing services to refinery customers; (3) transporting, storing and selling propane and providing related propane logistics services to multi-state retailers, independent retailers and other end-users; (4) providing propane, butane and services to LPG exporters; and (5) marketing natural gas available to the Partnership from its Gathering and Processing division and the purchase and resale and other value added activities related to third-party natural gas in selected United States markets.

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Other contains the results of the Partnership's commodity hedging activities included in operating margin.

2014 Year-to-Date Developments

Financing Activities

During 2014, pursuant to the August 2013 EDA, the Partnership issued a total of 3,024,901 common units representing total net proceeds of \$163.0 million, which were used to reduce borrowings under the TRP Revolver and for general partnership purposes. We contributed \$3.4 million to the Partnership to maintain our 2% general partner interest during this period.

How We Evaluate Our Operations

Our consolidated operations include the operations of the Partnership due to our ownership and control of the general partner. We currently have no direct operating activities separate from those conducted by the Partnership. Our financial results differ from the Partnership's due to the financial effects of: noncontrolling interests in the Partnership, our separate debt obligations, certain non-operating costs associated with assets and liabilities that we retained and were not included in asset conveyances to the Partnership, and certain general and administrative costs applicable to us as a separate public company. Management's primary measure of analyzing our performance is the non-GAAP measure distributable cash flow.

Distributable Cash Flow

We define distributable cash flow as distributions due to us from the Partnership, less our specific general and administrative costs as a separate public reporting entity, the interest carry costs associated with our debt and taxes attributable to our earnings. Distributable cash flow is a significant performance metric used by us and by external users of our financial statements, such as investors, commercial banks, research analysts and others to compare basic cash flows generated by us to the cash dividends we expect to pay our shareholders. Using this metric, management and external users of our financial statements can quickly compute the coverage ratio of estimated cash flows to planned cash dividends. Distributable cash flow is also an important financial measure for our shareholders since it serves as an indicator of our success in providing a cash return on investment. Specifically, this financial measure indicates to investors whether or not we are generating cash flow at a level that can sustain or support an increase in our quarterly dividend rates. Distributable cash flow is also a quantitative standard used throughout the investment community because the share value is generally determined by the share's yield (which in turn is based on the amount of cash dividends the entity pays to a shareholder).

The economic substance behind our use of distributable cash flow is to measure the ability of our assets to generate cash flow sufficient to pay dividends to our investors.

The GAAP measure most directly comparable to distributable cash flow is net income. Distributable cash flow should not be considered as an alternative to GAAP net income. Distributable cash flow is not a presentation made in accordance with GAAP and has important limitations as an analytical tool. Investors should not consider distributable cash flow in isolation or as a substitute for analysis of our results as reported under GAAP. Because distributable cash flow excludes some, but not all, items that affect net income and is defined differently by different companies in our industry, our definition of distributable cash flow may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

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Our Non-GAAP Measures

Management compensates for the limitations of distributable cash flow as an analytical tool by reviewing the comparable GAAP measure, understanding the differences between the measures and incorporating these insights into its decision making process.

	Three Months Ended March 31, 2014 2013 (In millions)	
Reconciliation of Net Income attributable to Targa Resources Corp. to Distributable Cash Flow		
Net income of Targa Resources Corp.	\$106.9	\$33.8
Less: Net income of Targa Resources Partners LP	(131.3)	(45.3)
Net loss for TRC Non-Partnership	(24.4)	(11.5)
TRC Non-Partnership income tax expense	21.4	8.5
Distributions from the Partnership	44.0	33.0
Depreciation - Non-Partnership assets	0.1	0.1
Current cash tax expense (1)	(17.0)	(7.5)
Taxes funded with cash on hand (2)	2.9	2.5
Distributable cash flow	\$27.0	\$25.1

(1) Excludes \$1.2 million of non-cash current tax expense arising from amortization of deferred long-term tax assets from drop down gains realized for tax purposes and paid in 2010 for the three months ended March 31, 2014 and 2013 and includes a \$5.0 million adjustment to account for taxable income timing differences for the three months ended March 31, 2014.

(2) Current period portion of amount established at our IPO to fund taxes on deferred gains related to drop down transactions that were treated as sales for income tax purposes.

	Three Months Ended March 31, 2014 2013 (In millions)	
Targa Resources Corp. Distributable Cash Flow		
Distributions declared by Targa Resources Partners LP associated with:		
General Partner Interests	\$2.4	\$1.9
Incentive Distribution Rights	31.7	22.1
Common Units	9.9	9.0
Total distributions declared by Targa Resources Partners LP	44.0	33.0
Income (expenses) of TRC Non-Partnership		
General and administrative expenses	(2.1)	(2.2)
Interest expense, net	(0.8)	(0.7)
Current cash tax expense (1)	(17.0)	(7.5)
Taxes funded with cash on hand (2)	2.9	2.5
Distributable cash flow	\$27.0	\$25.1

- Excludes \$1.2 million of non-cash current tax expense arising from amortization of deferred long-term tax assets from drop down gains realized for tax purposes and paid in 2010 for three months ended March 31, 2014 and 2013 and includes a \$5.0 million adjustment to account for taxable income timing differences for the three months ended March 31, 2014.
- (1)
- (2) Current period portion of amount established at our IPO to fund taxes on deferred gains related to drop down transactions that were treated as sales for income tax purposes.

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How We Evaluate the Partnership's Operations

The Partnership's profitability is a function of the difference between: (i) the revenues the Partnership receives from its operations, including fee-based revenues from services and revenues from the natural gas, NGLs, crude and condensate the Partnership sells, and (ii) the costs associated with conducting the Partnership's operations, including the costs of wellhead natural gas, crude and mixed NGLs that the Partnership purchases as well as operating, general and administrative costs and the impact of commodity hedging activities. Because commodity price movements tend to impact both revenues and costs, increases or decreases in the Partnership's revenues alone are not necessarily indicative of increases or decreases in its profitability. The Partnership's contract portfolio, the prevailing pricing environment for crude oil, natural gas and NGLs, and the volumes of crude oil, natural gas and NGL throughput on its systems are important factors in determining its profitability. The Partnership's profitability is also affected by the NGL content in gathered wellhead natural gas, supply and demand for its products and services, utilization of its assets and changes in its customer mix.

The Partnership's profitability is also impacted by fee-based revenues. The Partnership's growth strategy, based on expansion of existing facilities as well as third-party acquisitions of businesses and assets, has been increasing the percentage of our revenues that are fee-based. Fixed fees for services such as fractionation, storage, terminaling and crude oil gathering are not directly tied to changes in market prices for commodities.

Management uses a variety of financial measures and operational measurements to analyze the Partnership's performance. These include: (1) throughput volumes, facility efficiencies and fuel consumption, (2) operating expenses, (3) capital expenditures and (4) the following non-GAAP measures: —gross margin, operating margin, adjusted EBITDA and distributable cash flow.

Throughput Volumes, Facility Efficiencies and Fuel Consumption

The Partnership's profitability is impacted by its ability to add new sources of natural gas supply and crude oil supply to offset the natural decline of existing volumes from oil and natural gas wells that are connected to its gathering and processing systems. This is achieved by connecting new wells and adding new volumes in existing areas of production, as well as by capturing crude oil and natural gas supplies currently gathered by third-parties. Similarly, the Partnership's profitability is impacted by its ability to add new sources of mixed NGL supply, typically connected by third-party transportation, to its Downstream Business' fractionation facilities. The Partnership fractionates NGLs generated by its gathering and processing plants, as well as by contracting for mixed NGL supply from third-party facilities.

In addition, the Partnership seeks to increase operating margin by limiting volume losses, reducing fuel consumption and by increasing efficiency. With its gathering systems' extensive use of remote monitoring capabilities, the Partnership monitors the volumes received at the wellhead or central delivery points along its gathering systems, the volume of natural gas received at its processing plant inlets and the volumes of NGLs and residue natural gas recovered by its processing plants. The Partnership also monitors the volumes of NGLs received, stored, fractionated and delivered across its logistics assets. This information is tracked through its processing plants and Downstream Business facilities to determine customer settlements for sales and volume related fees for service and helps the Partnership increase efficiency and reduces fuel consumption.

As part of monitoring the efficiency of its operations, the Partnership measures the difference between the volume of natural gas received at the wellhead or central delivery points on its gathering systems and the volume received at the inlet of its processing plants as an indicator of fuel consumption and line loss. The Partnership also tracks the difference between the volume of natural gas received at the inlet of the processing plant and the NGLs and residue gas produced at the outlet of such plant to monitor the fuel consumption and recoveries of its facilities. Similar tracking is performed for its crude oil gathering and logistics assets. These volume, recovery and fuel consumption

measurements are an important part of the Partnership's operational efficiency analysis and safety programs.

Operating Expenses

Operating expenses are costs associated with the operation of specific assets. Labor, contract services, repair and maintenance, utilities and ad valorem taxes comprise the most significant portion of the Partnership's operating expenses. These expenses, other than fuel and power, generally remain relatively stable and independent of the volumes through its systems but fluctuate depending on the scope of the activities performed during a specific period.

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Capital Expenditures

Capital projects associated with growth and maintenance projects are closely monitored. Return on investment is analyzed before a capital project is approved, spending is closely monitored throughout the development of the project, and the subsequent operational performance is compared to the assumptions used in the economic analysis performed for the capital investment approval. The Partnership has seen a substantial increase in its total capital spent since 2010 and currently has significant internal growth projects that it closely monitors.

Gross Margin

The Partnership defines gross margin as revenues less purchases. It is impacted by volumes and commodity prices as well as by the Partnership's contract mix and commodity hedging program. The Partnership defines Gathering and Processing gross margin as total operating revenues from (1) the sale of natural gas, crude, condensate and NGLs (2) natural gas and crude oil gathering and service fee revenues and (3) settlement gains and losses on commodity hedges, less product purchases, which consist primarily of producer payments and other natural gas and crude purchases. Logistics Assets gross margin consists primarily of service fee revenue. Gross margin for Marketing and Distribution equals total revenue from service fees, NGL and natural gas sales, less cost of sales, which consists primarily of NGL and natural gas purchases, transportation costs and changes in inventory valuation. The gross margin impacts of cash flow hedge settlements are reported in Other.

Operating Margin

The Partnership defines operating margin as gross margin less operating expenses. Operating margin is an important performance measure of the core profitability of the Partnership's operations.

Management reviews business segment gross margin and operating margin monthly as a core internal management process. We believe that investors benefit from having access to the same financial measures that management uses in evaluating the Partnership's operating results. Gross margin and operating margin provide useful information to investors because they are used as supplemental financial measures by management and by external users of the Partnership's financial statements, including investors and commercial banks, to assess:

the financial performance of the Partnership's assets without regard to financing methods, capital structure or historical cost basis;

the Partnership's operating performance and return on capital as compared to other companies in the midstream energy sector, without regard to financing or capital structure; and

the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

Gross margin and operating margin are non-GAAP measures. The GAAP measure most directly comparable to gross margin and operating margin is net income. Gross margin and operating margin are not alternatives to GAAP net income and have important limitations as analytical tools. Investors should not consider gross margin and operating margin in isolation or as a substitute for analysis of the Partnership's results as reported under GAAP. Because gross margin and operating margin exclude some, but not all, items that affect net income and are defined differently by different companies in our industry, the Partnership's definition of gross margin and operating margin may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

Management compensates for the limitations of gross margin and operating margin as analytical tools by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these insights

into its decision-making processes.

Adjusted EBITDA

The Partnership defines Adjusted EBITDA as net income attributable to Targa Resources Partners LP before: interest; income taxes; depreciation and amortization; gains or losses on debt repurchases and redemptions, early debt extinguishments and asset disposals; non-cash risk management activities related to derivative instruments; changes in the fair value of the Badlands acquisition contingent consideration and the non-controlling interest portion of depreciation and amortization expenses. Adjusted EBITDA is used as a supplemental financial measure by the Partnership and by external users of its financial statements such as investors, commercial banks and others. The economic substance behind the Partnership's use of Adjusted EBITDA is to measure the ability of its assets to generate cash sufficient to pay interest costs, support its indebtedness and make distributions to its investors.

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Adjusted EBITDA is a non-GAAP financial measure. The GAAP measures most directly comparable to Adjusted EBITDA are net cash provided by operating activities and net income attributable to Targa Resources Partners LP. Adjusted EBITDA should not be considered as an alternative to GAAP net cash provided by operating activities or GAAP net income. Adjusted EBITDA has important limitations as an analytical tool. Investors should not consider Adjusted EBITDA in isolation or as a substitute for analysis of the Partnership's results as reported under GAAP. Because Adjusted EBITDA excludes some, but not all, items that affect net income and net cash provided by operating activities and is defined differently by different companies in the Partnership's industry, the Partnership's definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

Management compensates for the limitations of Adjusted EBITDA as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these insights into its decision-making processes.

Distributable Cash Flow

The Partnership defines distributable cash flow as net income attributable to Targa Resources Partners LP plus depreciation and amortization, deferred taxes and amortization of debt issue costs included in interest expense, adjusted for non-cash risk management activities related to derivative instruments, debt repurchases and redemptions, early debt extinguishments and asset disposals, less maintenance capital expenditures (net of any reimbursements of project costs) and changes in the fair value of the Badlands acquisition contingent consideration. This measure includes any impact of noncontrolling interests.

Distributable cash flow is a significant performance metric used by the Partnership and by external users of the Partnership's financial statements, such as investors, commercial banks and research analysts, to compare basic cash flows generated by the Partnership (prior to the establishment of any retained cash reserves by the board of directors of its general partner) to the cash distributions the Partnership expects to pay the Partnership's unitholders. Using this metric, the Partnership's management and external users of its financial statements can quickly compute the coverage ratio of estimated cash flows to cash distributions. Distributable cash flow is also an important financial measure for the Partnership's unitholders since it serves as an indicator of the Partnership's success in providing a cash return on investment. Specifically, this financial measure indicates to investors whether or not the Partnership is generating cash flow at a level that can sustain or support an increase in the Partnership's quarterly distribution rates. Distributable cash flow is also a quantitative standard used throughout the investment community with respect to publicly-traded partnerships and limited liability companies because the value of a unit of such an entity is generally determined by the unit's yield (which in turn is based on the amount of cash distributions the entity pays to a unitholder).

Distributable cash flow is a non-GAAP financial measure. The GAAP measure most directly comparable to distributable cash flow is net income attributable to Targa Resources Partners LP. Distributable cash flow should not be considered as an alternative to GAAP net income attributable to Targa Resources Partners LP. It has important limitations as an analytical tool. Investors should not consider distributable cash flow in isolation or as a substitute for analysis of the Partnership's results as reported under GAAP. Because distributable cash flow excludes some, but not all, items that affect net income and is defined differently by different companies in the Partnership's industry, the Partnership's definition of distributable cash flow may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

Management compensates for the limitations of distributable cash flow as an analytical tool by reviewing the comparable GAAP measure, understanding the differences between the measures and incorporating these insights into its decision-making processes.

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Non-GAAP Financial Measures of the Partnership

The following tables reconcile the non-GAAP financial measures of the Partnership used by management to the most directly comparable GAAP measures for the periods indicated:

	Three Months Ended March 31, 2014 2013 (In millions)	
Reconciliation of Targa Resources Partners LP gross margin and operating margin to net income:		
Gross margin	\$379.6	\$260.3
Operating expenses	(104.3)	(86.1)
Operating margin	275.3	174.2
Depreciation and amortization expenses	(79.5)	(63.9)
General and administrative expenses	(35.9)	(34.1)
Interest expense, net	(33.1)	(31.4)
Income tax expense	(1.1)	(0.9)
Gain on sale or disposition of assets	0.8	0.1
Change in contingent consideration	-	(0.3)
Other, net	4.8	1.6
Targa Resources Partners LP net income	\$131.3	\$45.3

	Three Months Ended March 31, 2014 2013 (In millions)	
Reconciliation of net cash provided by Targa Resources Partners LP operating activities to Adjusted EBITDA:		
Net cash provided by operating activities	\$316.4	\$190.6
Net income attributable to noncontrolling interests	(8.9)	(6.4)
Interest expense, net (1)	29.7	27.4
Change in contingent consideration	-	0.3
Current income tax expense	0.7	0.5
Other (2)	(7.2)	(3.8)
Changes in operating assets and liabilities which used (provided) cash:		
Accounts receivable and other assets	(111.2)	(121.5)
Accounts payable and other liabilities	12.1	45.1
Targa Resources Partners LP Adjusted EBITDA	\$231.6	\$132.2

(1) Net of amortization of debt issuance costs, discount and premium included in interest expense of \$3.4 million and \$4.0 million for three months ended March 31, 2014 and 2013.

(2) Includes equity earnings from unconsolidated investments – net of distributions, accretion expense associated with asset retirement obligations, amortization of stock-based compensation and gain on sale or disposal of assets.

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	Three Months Ended March 31, 2014 2013	
	(In millions)	
Reconciliation of Net Income attributable to Targa Resources Partners LP to Adjusted EBITDA:		
Net income attributable to Targa Resources Partners LP	\$122.4	\$38.9
Interest expense, net	33.1	31.4
Income tax expense	1.1	0.9
Depreciation and amortization expenses	79.5	63.9
Gain on sale or disposition of assets	(0.8)	(0.1)
Change in contingent consideration	-	0.3
Risk management activities	(0.2)	(0.2)
Noncontrolling interests adjustment (1)	(3.5)	(2.9)
Targa Resources Partners LP Adjusted EBITDA	\$231.6	\$132.2

(1) Noncontrolling interest portion of depreciation and amortization expenses.

	Three Months Ended March 31, 2014 2013	
	(In millions)	
Reconciliation of Net Income attributable to Targa Resources Partners LP to Distributable Cash flow:		
Net income attributable to Targa Resources Partners LP	\$122.4	\$38.9
Depreciation and amortization expenses	79.5	63.9
Deferred income tax expense	0.4	0.4
Amortization in interest expense	3.4	4.0
Change in contingent consideration	-	0.3
Gain on sale or disposition of assets	(0.8)	(0.1)
Risk management activities	(0.2)	(0.2)
Maintenance capital expenditures	(13.7)	(21.7)
Other (1)	(2.0)	-
Targa Resources Partners LP distributable cash flow	\$189.0	\$85.5

(1) Includes the noncontrolling interest portion of maintenance capital expenditures, depreciation and amortization expenses.

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Financial Information – Partnership versus Non-Partnership

As a supplement to the financial statements included in this Quarterly Report, we present the following tables, which segregate our Consolidated Balance Sheets, results of operations and statement of cash flows between Partnership and Non-Partnership activities. Partnership results are presented on a common control accounting basis – the same basis reported in the Partnership’s Quarterly Report on Form 10-Q. Except when otherwise noted, the remainder of this management’s discussion and analysis refers to these disaggregated results.

Balance Sheets – Partnership versus Non-Partnership

	March 31, 2014			December 31, 2013		
	Targa Resources Corp. Consolidated	Targa Partners LP	TRC - Non-Partnership	Targa Resources Corp. Consolidated	Targa Partners LP	TRC - Non-Partnership
(In millions)						
ASSETS						
Current assets:						
Cash and cash equivalents (1)	\$94.9	\$81.4	\$ 13.5	\$66.7	\$57.5	\$ 9.2
Trade receivables, net	610.4	610.1	0.3	658.8	658.6	0.2
Inventory	88.5	88.5	-	150.7	150.7	-
Deferred income taxes (2)	4.3	-	4.3	0.1	-	0.1
Assets from risk management activities	1.6	1.6	-	2.0	2.0	-
Other current assets (1)	10.2	4.0	6.2	18.9	7.1	11.8
Total current assets	809.9	785.6	24.3	897.2	875.9	21.3
Property, plant and equipment, at cost (1)	5,936.9	5,930.1	6.8	5,758.4	5,751.6	6.8
Accumulated depreciation	(1,472.6)	(1,470.3)	(2.3)	(1,408.5)	(1,406.2)	(2.3)
Property, plant and equipment, net	4,464.3	4,459.8	4.5	4,349.9	4,345.4	4.5
Intangible assets, net	638.1	638.1	-	653.4	653.4	-
Long-term assets from risk management activities	2.9	2.9	-	3.1	3.1	-
Other long-term assets (2)	140.0	89.9	50.1	145.0	93.6	51.4
Total assets	\$6,055.2	\$5,976.3	\$ 78.9	\$6,048.6	\$5,971.4	\$ 77.2
LIABILITIES AND OWNERS' EQUITY						
Current liabilities:						
Accounts payable and accrued liabilities (3)	\$745.5	\$698.8	\$ 46.7	\$761.8	\$721.2	\$ 40.6
Affiliate payable (receivable) (4)	-	41.1	(41.1)	-	52.4	(52.4)
Deferred income taxes (5)	-	-	-	0.6	-	0.6
Liabilities from risk management activities	12.9	12.9	-	8.0	8.0	-
Total current liabilities	758.4	752.8	5.6	770.4	781.6	(11.2)
Long-term debt	2,891.7	2,819.7	72.0	2,989.3	2,905.3	84.0
Long-term liabilities from risk management activities	1.2	1.2	-	1.4	1.4	-
Deferred income taxes (5)	138.8	12.5	126.3	135.5	12.1	123.4
Other long-term liabilities (6)	66.1	55.3	10.8	60.7	52.6	8.1
Total liabilities	3,856.2	3,641.5	214.7	3,957.3	3,753.0	204.3
Total owners' equity	2,199.0	2,334.8	(135.8)	2,091.3	2,218.4	(127.1)
Total liabilities and owners' equity	\$6,055.2	\$5,976.3	\$ 78.9	\$6,048.6	\$5,971.4	\$ 77.2

The major Non-Partnership balance sheet items relate to:

- (1) Corporate assets consisting of cash and prepaid insurance, as applicable.
- (2) Long-term tax assets primarily related to gains on 2010 drop-down transactions recognized as sales of assets for tax purposes.
- (3) Accrued current employee liabilities related to payroll and incentive compensation plans and taxes payable.
- (4) Intercompany receivable with the Partnership.
- (5) Current and long-term deferred income tax balances.
- (6) Long-term liabilities related to incentive compensation plans and deferred rent related to the headquarters office lease.

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Results of Operations – Partnership versus Non-Partnership

	Three Months Ended March 31, 2014			2013		
	Targa Resources Corp. Consolidated (In millions)	Targa Resources Partners LLP	TRC - Non- Partnership	Targa Resources Corp. Consolidated	Targa Resources Partners LLP	TRC - Non- Partnership
Revenues	\$2,352.9	\$ 2,352.9	\$ -	\$1,397.8	\$ 1,397.8	\$ -
Costs and expenses:						
Product purchases	1,973.3	1,973.3	-	1,137.5	1,137.5	-
Operating expenses	104.3	104.3	-	86.1	86.1	-
Depreciation and amortization (1)	79.6	79.5	0.1	64.0	63.9	0.1
General and administrative (2)	38.0	35.9	2.1	36.3	34.1	2.2
Other operating (income) expense	(0.7)	(0.7)	-	-	-	-
Income from operations	158.4	160.6	(2.2)	73.9	76.2	(2.3)
Other income (expense):						
Interest expense, net - third party (3)	(33.9)	(33.1)	(0.8)	(32.1)	(31.4)	(0.7)
Equity earnings	4.9	4.9	-	1.6	1.6	-
Other income (expense)	-	-	-	(0.2)	(0.2)	-
Income (loss) before income taxes	129.4	132.4	(3.0)	43.2	46.2	(3.0)
Income tax expense (4)	(22.5)	(1.1)	(21.4)	(9.4)	(0.9)	(8.5)
Net income (loss)	106.9	131.3	(24.4)	33.8	45.3	(11.5)
Less: Net income attributable to noncontrolling interests (5)	87.3	8.9	78.4	20.4	6.4	14.0
Net income (loss) after noncontrolling interests	\$ 19.6	\$ 122.4	\$ (102.8)	\$ 13.4	\$ 38.9	\$ (25.5)

The major Non-Partnership results of operations relate to:

- (1) Depreciation on assets excluded from drop-down transactions.
- (2) General and administrative expenses retained by TRC related to its status as a public entity.
- (3) Interest expense related to TRC debt obligations.
- (4) Reflects TRC's federal and state income taxes.
- (5) TRC noncontrolling interest in the Partnership.

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Statements of Cash Flows – Partnership versus Non-Partnership

	Three Months Ended March 31,					
	2014			2013		
	Targa Resources Corp. Consolidated	Targa Resources Partners	TRC - Non-Partnership	Targa Resources Corp. Consolidated	Targa Resources Partners	TRC - Non-Partnership
	(In millions)					
Cash flows from operating activities						
Net income (loss)	\$106.9	\$131.3	\$ (24.4)	\$33.8	\$45.3	\$ (11.5)
Adjustments to reconcile net income to net cash provided by operating activities:						
Amortization in interest expense (1)	3.6	3.4	0.2	4.1	4.0	0.1
Compensation on equity grants (2)	4.2	2.6	1.6	3.8	1.7	2.1
Depreciation and amortization expense (3)	79.6	79.5	0.1	64.0	63.9	0.1
Accretion of asset retirement obligations	1.2	1.2	-	1.1	1.1	-
Deferred income tax expense (4)	(1.4)	0.4	(1.8)	0.2	0.4	(0.2)
Equity earnings, net of distributions	-	-	-	(1.6)	(1.6)	-
Risk management activities (5)	(0.3)	(0.3)	-	(0.2)	(0.2)	-
Gain on sale or disposition of assets	(0.8)	(0.8)	-	(0.1)	(0.1)	-
Changes in operating assets and liabilities (6)	125.7	99.1	26.6	87.8	76.1	11.7
Net cash provided by operating activities	318.7	316.4	2.3	192.9	190.6	2.3
Cash flows from investing activities						
Outlays for property, plant and equipment (3)	(197.7)	(197.7)	-	(221.8)	(222.4)	0.6
Purchase of materials and supplies	0.1	0.1	-	-	-	-
Return of capital from unconsolidated affiliate	2.2	2.2	-	-	-	-
Other, net	1.7	1.7	-	(4.6)	(4.6)	-
Net cash used in investing activities	(193.7)	(193.7)	-	(226.4)	(227.0)	0.6
Cash flows from financing activities						
Loan Facilities - Partnership:						
Borrowings	460.0	460.0	-	325.0	325.0	-
Repayments	(500.0)	(500.0)	-	(380.0)	(380.0)	-
Accounts receivable securitization facility - Partnership						
Borrowings	29.5	29.5	-	171.4	171.4	-
Repayments	(75.7)	(75.7)	-	(60.0)	(60.0)	-
Loan Facilities - Non-Partnership:						
Borrowings (1)	4.0	-	4.0	5.0	-	5.0
Repayments (1)	(16.0)	-	(16.0)	(15.0)	-	(15.0)
Costs incurred in connection with financing arrangements	(1.2)	(1.2)	-	(3.2)	(3.1)	(0.1)
Proceeds from sale of common units of the Partnership, net (7)	110.6	111.8	(1.2)	107.4	109.7	(2.3)
Distributions to owners (8)	(81.7)	(123.2)	41.5	(61.7)	(92.5)	30.8
Dividends to common and common equivalent shareholders	(25.5)	-	(25.5)	(19.0)	-	(19.0)
Repurchase of common stock	(0.8)	-	(0.8)	-	-	-
	(96.8)	(98.8)	2.0	69.9	70.5	(0.6)

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Net cash provided by (used in) financing activities

Net change in cash and cash equivalents	28.2	23.9	4.3	36.4	34.1	2.3
Cash and cash equivalents, beginning of period	66.7	57.5	9.2	76.3	68.0	8.3
Cash and cash equivalents, end of period	\$94.9	\$ 81.4	\$ 13.5	\$112.7	\$ 102.1	\$ 10.6

The major Non-Partnership cash flow items relate to:

- (1) Cash and non-cash activity related to TRC debt obligations.
- (2) Compensation on TRC's equity grants.
- (3) Cash and non-cash activity related to assets excluded from drop-down transactions.
- (4) TRC's federal and state income taxes.
- (5) Non-cash OCI hedge realizations related to predecessor operations.
- (6) See Balance Sheet – Partnership versus Non-Partnership for a description of the Non-Partnership operating assets and liabilities.
- (7) Contributions to the Partnership to maintain 2% General Partner ownership.
- (8) Distributions received by TRC from the Partnership for its general partner interest, limited partner interest and IDRs.

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Consolidated Results of Operations

The following table and discussion is a summary of our consolidated results of operations:

	Three Months			
	Ended March 31,		2014 vs. 2013	
	2014	2013		
	(In millions, except operating statistics and price amounts)			
Revenues	\$2,352.9	\$1,397.8	\$955.1	68 %
Product purchases	1,973.3	1,137.5	835.8	73 %
Gross margin (1)	379.6	260.3	119.3	46 %
Operating expenses	104.3	86.1	18.2	21 %
Operating margin (2)	275.3	174.2	101.1	58 %
Depreciation and amortization expenses	79.6	64.0	15.6	24 %
General and administrative expenses	38.0	36.3	1.7	5 %
Other operating income	(0.7)	-	(0.7)	-
Income from operations	158.4	73.9	84.5	114 %
Interest expense, net	(33.9)	(32.1)	(1.8)	6 %
Equity earnings	4.9	1.6	3.3	206 %
Other expenses (income)	-	(0.2)	0.2	(100%)
Income tax expense	(22.5)	(9.4)	(13.1)	139 %
Net income	106.9	33.8	73.1	216 %
Less: Net income attributable to noncontrolling interests	87.3	20.4	66.9	328 %
Net income available to common shareholders	\$19.6	\$13.4	\$6.2	46 %
Operating statistics:				
Crude oil gathered, MBbl/d	74.7	31.5	43.2	137 %
Plant natural gas inlet, MMcf/d (3) (4)	2,048.2	2,079.7	(31.5)	(2 %)
Gross NGL production, MBbl/d	142.8	133.3	9.5	7 %
Export volumes, MBbl/d (5)	115.6	45.8	69.8	152 %
Natural gas sales, BBtu/d (4)	867.2	849.7	17.5	2 %
NGL sales, MBbl/d	401.0	281.3	119.7	43 %
Condensate sales, MBbl/d	3.5	3.4	0.1	2 %

Gross margin is a non-GAAP financial measure and is discussed under “Management’s Discussion and Analysis of (1) Financial Condition and Results of Operations – How We Evaluate the Partnership’s Operations” and “Non-GAAP Financial Measures.”

Operating margin is a non-GAAP financial measure and is discussed under “Management’s Discussion and Analysis of (2) Financial Condition and Results of Operations – How We Evaluate the Partnership’s Operations” and “Non-GAAP Financial Measures.”

(3) Plant natural gas inlet represents the volume of natural gas passing through the meter located at the inlet of a natural gas processing plant, other than in Badlands, where it represents total wellhead gathered volume.

(4) Plant natural gas inlet volumes include producer take-in-kind volumes, while natural gas sales exclude producer take-in-kind volumes.

(5) Export volumes represent the quantity of NGL products delivered to third-party customers at our Galena Park Marine terminal that are destined for international markets.

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Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

Revenues, including the impact of hedging, increased due to the impact of higher commodity sales prices (\$459.8 million), higher commodity volumes (\$401.2 million) and higher fee-based and other revenues (\$94.1 million).

Higher consolidated gross margin in 2014 was primarily driven by increased export activities and higher fractionation fees in our Logistics and Marketing segments and increased throughput volumes associated with system expansions and higher commodity sales prices in our Field Gathering and Processing segment. This significant growth in the Partnership's asset base brought a higher level of operating expenses in 2014. See "—Results of Operations—By Reportable Segment" for additional information regarding changes in the components of gross and operating margin on a disaggregated basis.

The increase in depreciation and amortization expenses was primarily due to increased amortization of the Badlands intangible assets and higher depreciation related to the timing of major organic investments placed in service during the last twelve months, including CBF Train 4, Phase I of the international export expansion project and other system expansions.

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The increase in general and administrative expenses reflected increased compensation related costs to support our expanding business operations.

The increase in interest expense primarily reflects higher borrowings (\$2.3 million) partially offset by increased capitalized interest attributable to the Partnership's major expansion projects (\$0.7 million).

The increase in equity earnings in the Partnership's investment in GCF was due to higher system product gains at the facility in 2014.

The increase in earnings attributable to noncontrolling interests is primarily due to higher Partnership earnings.

Results of Operations—By Reportable Segment

We have segregated the following segment operating margins between Partnership and TRC Non-Partnership activities

	Partnership						Consolidated
	Field Gathering	Coastal	Logistics	Marketing		TRC Non-	Operating
	and Processing	Gathering	Assets	and	Other	Partnership	Margin
		and		Distribution			
		Processing					
(In millions)							
Three Months Ended March 31,							
2014	\$94.1	\$ 26.1	\$ 96.6	\$ 64.6	\$(6.1)	\$ -	\$ 275.3
2013	53.8	23.5	56.3	34.0	6.6	-	174.2

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Results of Operations of the Partnership – By Reportable Segment

Gathering and Processing Segments

Field Gathering and Processing

	Three Months Ended March 31,			
	2014	2013	2014 vs. 2013	
	(\$ in millions, except operating statistics and price amounts)			
Gross margin	\$139.0	\$91.5	\$47.5	52 %
Operating expenses	44.9	37.7	7.2	19 %
Operating margin	\$94.1	\$53.8	\$40.3	75 %
Operating statistics (1):				
Plant natural gas inlet, MMcf/d (2),(3)				
Sand Hills	166.7	152.3	14.4	9 %
SAOU	165.9	139.2	26.7	19 %
North Texas System	331.3	260.8	70.5	27 %
Versado	155.0	160.7	(5.7)	(4 %)
Badlands (4)	34.4	16.5	17.9	108%
	853.3	729.5	123.8	17 %
Gross NGL production, MBbl/d (3)				
Sand Hills	18.2	17.4	0.8	5 %
SAOU	24.1	20.6	3.5	17 %
North Texas System	33.4	29.0	4.4	15 %
Versado	18.9	19.4	(0.5)	(3 %)
Badlands	3.1	1.6	1.5	94 %
	97.7	88.0	9.7	11 %
Crude oil gathered, MBbl/d	74.7	31.5	43.2	137%
Natural gas sales, BBtu/d (3)	426.3	339.2	87.1	26 %
NGL sales, MBbl/d	75.5	70.8	4.7	7 %
Condensate sales, MBbl/d	2.9	2.9	-	0 %
Average realized prices (5):				
Natural gas, \$/MMBtu	4.64	3.12	1.52	49 %
NGL, \$/gal	0.86	0.72	0.14	19 %
Condensate, \$/Bbl	89.30	85.66	3.64	4 %

Segment operating statistics include the effect of intersegment amounts, which have been eliminated from the consolidated presentation. For all volume statistics presented, the numerator is the total volume during the applicable reporting period and the denominator is the number of calendar days during the applicable reporting period.

(1) applicable reporting period and the denominator is the number of calendar days during the applicable reporting period.

(2) Plant natural gas inlet represents the volume of natural gas passing through the meter located at the inlet of a natural gas processing plant.

(3) Plant natural gas inlet volumes and gross NGL production volumes include producer take-in-kind volumes, while natural gas sales exclude producer take-in-kind volumes.

(4) Badlands natural gas inlet represents the total wellhead gathered volume.

(5) Average realized prices exclude the impact of hedging settlements presented in Other.

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

The increase in gross margin was primarily due to higher commodity sales prices and increased throughput volumes despite the impact of severe cold weather. The increase in plant inlet volumes was driven by system expansions and by increased producer activity which increased available supply across our areas of operation. Operational issues affected Versado volumes. Badlands crude oil and natural gas volumes increased significantly as a result of our continuing investment to expand and improve gathering and processing capabilities.

Higher operating expenses were driven by volume growth and system expansions and included additional labor costs, ad valorem taxes and compression and system maintenance expenses.

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Coastal Gathering and Processing

	Three Months Ended March 31,			
	2014	2013	2014 vs. 2013	
	(\$ in millions, except operating statistics and price amounts)			
Gross margin	\$36.4	\$34.0	\$2.4	7 %
Operating expenses	10.3	10.5	(0.2)	(2 %)
Operating margin	\$26.1	\$23.5	\$2.6	11 %
Operating statistics (1):				
Plant natural gas inlet, MMcf/d (2),(3)				
LOU	325.0	341.6	(16.6)	(5 %)
VESCO	490.5	534.1	(43.6)	(8 %)
Other Coastal Straddles	379.4	474.5	(95.1)	(20%)
	1,194.9	1,350.2	(155.3)	(12%)
Gross NGL production, MBbl/d (3)				
LOU	10.0	9.0	1.0	11 %
VESCO	23.2	22.9	0.3	1 %
Other Coastal Straddles	11.9	13.4	(1.5)	(11%)
	45.1	45.3	(0.2)	0 %
Natural gas sales, BBtu/d (3)	287.7	275.1	12.6	5 %
NGL sales, MBbl/d	40.5	41.4	(0.9)	(2 %)
Condensate sales, MBbl/d	0.5	0.5	-	0 %
Average realized prices:				
Natural gas, \$/MMBtu	5.01	3.45	1.56	45 %
NGL, \$/gal	0.94	0.84	0.10	12 %
Condensate, \$/Bbl	97.95	110.44	(12.49)	(11%)

Segment operating statistics include intersegment amounts, which have been eliminated from the consolidated (1) presentation. For all volume statistics presented, the numerator is the total volume during the applicable reporting period and the denominator is the number of calendar days during the applicable reporting period.

(2) Plant natural gas inlet represents the volume of natural gas passing through the meter located at the inlet of a natural gas processing plant.

(3) Plant natural gas inlet volumes and gross NGL production volumes include producer take-in-kind volumes, while natural gas sales exclude producer take-in-kind volumes.

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

The increase in gross margin was primarily due to higher NGL sales prices and a short-term availability of higher average GPM off-system volumes at LOU. The decrease in plant inlet volumes was largely attributable to the decline in other off-system supply volumes and the impact of severe cold weather. Gross NGL production at VESCO during the first quarter 2013 was impacted by a NGL takeaway pipeline volume constraint.

Operating expenses were relatively flat.

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Logistics and Marketing Segments

Logistics Assets

	Three Months Ended March 31,			
	2014 vs.			
	2014	2013	2013	
	(\$ in millions, except operating statistics)			
Gross margin	\$136.5	\$86.5	\$50.0	58%
Operating expenses	39.9	30.2	9.7	32%
Operating margin	\$96.6	\$56.3	\$40.3	72%
Operating statistics MBbl/d(1):				
Fractionation volumes	312.5	258.0	54.5	21%
LSNG treating volumes	24.5	25.7	(1.2)	(5%)
Benzene treating volumes	24.5	20.9	3.6	17%

(1) For all volume statistics presented, the numerator is the total volume during the applicable reporting period and the denominator is the number of calendar days during the applicable reporting period.

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

Gross margin was significantly higher due to increased LPG export activity and increased fractionation activities, despite the continued impact of third-party ethane rejection. The first quarter of 2014 also included higher reservation fees for both fractionation and LPG export activities. LPG export volumes, which benefit both the Logistics Assets and Marketing and Distribution segments, averaged 115.6 MBbl/d in the first quarter of 2014 compared to 45.8 MBbl/d for the same period last year. This increase was driven by the first phase of our international export expansion project, which was placed into service in September 2013. Higher 2014 fractionation volumes were due to the expansion of fractionation capacity, with CBF Train 4 commencing commercial operations during the third quarter of 2013. Gross margin results also include the impact of higher fuel prices which pass through to operating expenses.

The increase in operating expenses reflects the expansion of our export and fractionation facilities described above and increased power and fuel costs (which have a corresponding impact on higher fractionating and treating fee revenues). These factors were partially offset by higher system product gains.

Marketing and Distribution

	Three Months Ended March 31,			
	2014 vs.			
	2014	2013	2013	
	(In millions, except operating statistics and price amounts)			
Gross margin	\$77.7	\$44.8	\$32.9	73%
Operating expenses	13.1	10.8	2.3	21%
Operating margin	\$64.6	\$34.0	\$30.6	90%

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Operating statistics (1):

NGL sales, MBbl/d 404.4 283.6 120.8 43%

Average realized prices:

NGL realized price, \$/gal 1.14 0.92 0.22 24%

Segment operating statistics include intersegment amounts, which have been eliminated from the consolidated (1) presentation. For all volume statistics presented, the numerator is the total volume sold during the applicable reporting period and the denominator is the number of calendar days during the applicable reporting period.

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2013

Gross margin increased primarily due to higher LPG export activity (which benefits both the Logistics Assets and Marketing and Distribution segments) and higher NGL marketing and wholesale margins related to a more favorable market environment.

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Operating expenses increased primarily due to increased barge and truck maintenance and increased terminal utilization.

Other

	Three Months Ended			2014
	March 31,	vs.		
	2014	2013	2013	
	(\$ in millions)			
Gross margin	\$(6.1)	\$6.6	\$(12.7)	
Operating margin	\$(6.1)	\$6.6	\$(12.7)	

Other contains the financial effects of the Partnership's hedging program on operating margin as it represents the cash settlements on its derivative contracts. The primary purpose of the commodity risk management activities is to mitigate a portion of the impact of commodity prices on the Partnership's operating cash flow. The Partnership has hedged the commodity price associated with a portion of its expected (i) natural gas equity volumes in Field Gathering and Processing Operations and (ii) NGL and condensate equity volumes predominately in Field Gathering and Processing as well as in the LOU portion of the Coastal Gathering and Processing Operations that result from their percent of proceeds or liquids processing arrangements by entering into derivative instruments. Because the Partnership is essentially forward-selling a portion of its plant equity volumes, these hedge positions will move favorably in periods of falling prices and unfavorably in periods of rising prices.

The following table provides a breakdown of the Partnership's hedge revenue by product:

	Three Months Ended			2014
	March 31,	vs.		
	2014	2013	2013	
	(\$ in millions)			
Natural gas	\$(4.1)	\$3.3	\$(7.4)	
NGL	(0.4)	3.5	(3.9)	
Crude oil	(1.6)	(0.2)	(1.4)	
	\$(6.1)	\$6.6	\$(12.7)	

Our Liquidity and Capital Resources

We have no separate, direct operating activities apart from those conducted by the Partnership. As such, our ability to finance our operations, including payment of dividends to our common stockholders, funding capital expenditures and acquisitions, or to meet our indebtedness obligations, will depend on cash inflows from future cash distributions to us from our interests in the Partnership. The Partnership is required to distribute all available cash at the end of each quarter after establishing reserves to provide for the proper conduct of its business or to provide for future distributions. See "Part II – Other Information, Item 1A. Risk Factors." As of March 31, 2014, our interests in the Partnership consisted of the following:

a 2% general partner interest, which we hold through our 100% ownership interest in the general partner of the Partnership;

all of the outstanding IDRs; and

12,945,659 of the 113,494,218 outstanding common units of the Partnership, representing an 11.4% limited partnership interest.

The anticipated cash flows from distributions made to us by the Partnership, should provide sufficient resources to fund our operations, long-term debt obligations, tax obligations and cash dividends to our shareholders for at least the next twelve months. Our future cash flows will consist of distributions to us from our interests in the Partnership, from which we intend to make quarterly cash dividends to our stockholders from available cash. Based on our anticipated levels of distributions that we expect to receive from the Partnership, cash generated from this interest should provide sufficient resources to finance our operations, long-term debt and quarterly cash dividends for at least the next twelve months.

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The impact on us of changes in the Partnership’s distribution levels will vary depending on several factors, including the Partnership’s total outstanding partnership interests on the record date for the distribution, the aggregate cash distributions made by the Partnership and the interests in the Partnership owned by us. If the Partnership increases distributions to its unitholders, including us, we would expect to increase dividends to our stockholders, although the timing and amount of such increased dividends, if any, will not necessarily be comparable to the timing and amount of the increase in distributions made by the Partnership. In addition, the level of distributions we receive and of dividends we pay to our stockholders may be affected by the various risks associated with an investment in us and the underlying business of the Partnership. Please read “Part II – Other Information, Item 1A. Risk Factors” for more information about the risks that may impact your investment in us.

As of March 31, 2014, our liquidity consisted of the following:

	March 31, 2014 (In millions)
Cash on hand	\$ 13.5
Total availability under TRC's credit facility	150.0
Less: Outstanding borrowings under TRC's credit facility	(72.0)
Total liquidity	\$ 91.5

We have sufficient liquidity to satisfy the \$57.6 million tax liability we incurred as a result of our sales of assets to the Partnership over the next 11 years.

Subsequent Event

On April 15, 2014, the Partnership announced that the board of directors of its general partner declared a quarterly distribution for the three months ended March 31, 2014 of \$0.7625 per common unit, or an annual rate of \$3.05 per common unit. This distribution will be paid on May 15, 2014. Based on these current distribution rates, we will receive approximate distributions in future quarters and years of:

- \$9.9 million or \$39.5 million annually based on our common unit ownership in the Partnership;
- \$31.7 million or \$126.7 million annually based on our IDRs; and
- \$2.4 million or \$9.7 million annually based on our 2% general partner interests.

We intend to pay to our stockholders, dividends equal to the cash the Partnership distributes to us based on our ownership of the Partnership, less the expenses of being a public company, other general and administrative expenses, federal income taxes, and reserves, plus any borrowings established by our board of directors.

The following table details the dividends declared and/or paid by us for the three months ended March 31, 2014 and 2013:

Date Paid or To Three Months Ended	Total Dividend Declared	Amount of Dividend Paid	Accrued Dividends (1)	Dividend Declared per Share of Common Stock
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(In millions, except per share amounts)

March 31, 2014	May 16, 2014	\$ 27.4	\$ 27.2	\$ 0.2	\$0.64750
December 31, 2013	February 18, 2014	25.6	25.5	0.1	0.60750

(1) Represents accrued dividends on restricted stock and restricted stock units that are payable upon vesting.

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The Partnership's Liquidity and Capital Resources

The Partnership's ability to finance its operations, including funding capital expenditures and acquisitions, meeting its indebtedness obligations, refinancing its indebtedness and meeting its collateral requirements, will depend on its ability to generate cash in the future. The Partnership's ability to generate cash is subject to a number of factors, some of which are beyond its control. These include weather, commodity prices (particularly for natural gas and NGLs) and ongoing efforts to manage operating costs and maintenance capital expenditures, as well as general economic, financial, competitive, legislative, regulatory and other factors.

The Partnership's main sources of liquidity and capital resources are internally generated cash flow from operations, borrowings under the TRP Revolver, borrowings under the Securitization Facility, the issuance of additional common units and access to debt markets. The capital markets continue to experience volatility. The Partnership's exposure to current credit conditions includes its credit facility, cash investments and counterparty performance risks. The Partnership continually monitors its liquidity and the credit markets, as well as events and circumstances surrounding each of the lenders to the TRP Revolver and Securitization Facility.

As of March 31, 2014, the Partnership's liquidity consisted of the following:

	March 31, 2014 (In millions)
Cash on hand	\$ 81.4
Total availability under the TRP Revolver	1,200.0
Total availability under the Securitization Facility	233.5
	1,514.9
Less: Outstanding borrowings under the TRP Revolver	(355.0)
Outstanding borrowings under the Securitization Facility	(233.5)
Outstanding letters of credit under the TRP Revolver	(97.2)
Total liquidity	\$ 829.2

Other potential capital resources include:

· The Partnership's right to request an additional \$300.0 million in commitment increases under the TRP Revolver.

· Approximately \$7.4 million in remaining capacity as of April 18, 2014 in common units pursuant to the August 2013 EDA.

· The Partnership ability to issue debt or equity securities pursuant to shelf registration statements, including availability under the Partnership's July 2013 Shelf and unlimited amounts under the Partnership's April 2013 Shelf.

A portion of the Partnership's capital resources may be allocated to letters of credit to satisfy certain counterparty credit requirements. While the Partnership's credit ratings have improved over time, these letters of credit reflect its non-investment grade status, as assigned to the Partnership by Moody's Investors Service, Inc. and Standard & Poor's Corporation. They also reflect certain counterparties' views of its financial condition and ability to satisfy its performance obligations, as well as commodity prices and other factors.

Risk Management

The Partnership evaluates counterparty risks related to its commodity derivative contracts and trade credit. The Partnership has all of its commodity derivatives with major financial institutions or major oil companies. Should any of these financial counterparties not perform, the Partnership may not realize the benefit of some of its hedges under lower commodity prices, which could have a material adverse effect on its results of operation. The Partnership sells its natural gas, NGLs and condensate to a variety of purchasers. Non-performance by a trade creditor could result in losses.

Crude oil, NGL and natural gas prices are also volatile. In an effort to reduce the variability of the Partnership's cash flows, the Partnership has entered into derivative instruments to hedge the commodity price associated with a portion of its expected natural gas equity volumes through 2016 and our NGL and condensate equity volumes through 2014. See "Item 3. – Quantitative and Qualitative Disclosures about Market Risk." The current market conditions may also impact the Partnership's ability to enter into future commodity derivative contracts.

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The Partnership's risk management position has moved from a net liability position of \$4.3 million at December 31, 2013 to a net liability position of \$9.6 million at March 31, 2014. Aggregate forward prices for commodities are above the fixed prices the Partnership currently expects to receive on those derivative contracts, creating this net liability position. The Partnership accounts for derivatives that mitigate commodity price risk as cash flow hedges. Changes in fair value are deferred in other comprehensive income ("OCI") until the underlying hedged transactions settle.

Working Capital

Working capital is the amount by which current assets exceed current liabilities. On a consolidated basis at the end of any given month, accounts receivable and payable tied to commodity sales and purchases are relatively balanced with receivables from NGL customers offset by plant settlements payable to producers. The factors that typically cause overall variability in the Partnership's reported total working capital are: (1) the Partnership's cash position; (2) liquids inventory levels and valuation, which the Partnership closely manages; (3) changes in the fair value of the current portion of derivative contracts; and (4) major structural changes in the Partnership's asset base or business operations, such as acquisitions or divestitures and certain organic growth projects.

The Partnership's working capital decreased \$61.5 million, primarily attributable to lower product inventory due to unusually high propane demand and seasonal product sales, which we supplied in part from the Gulf Coast region, and to an overall decline in NGL prices. Other working capital movement factors were largely offsetting: decreased export-related net receivables attributable to lower quarter-end NGL prices and higher gas plant producer settlement payables due to higher natural gas prices, offset by higher cash balances and lower affiliate payables related to the timing of the Partnership's reimbursements to us.

The non-Partnership working capital decreased \$13.8 million during this quarter, primarily due to higher income taxes payable partially offset by higher affiliate receivables.

Based on the Partnership's anticipated levels of operations and absent any disruptive events, we believe that the Partnership's internally generated cash flow, borrowings available under the TRP Revolver and the Securitization Facility and proceeds from equity offerings and debt offerings should provide sufficient resources to finance its operations, capital expenditures, long-term debt obligations, collateral requirements and minimum quarterly cash distributions for at least the next twelve months.

Cash Flow

The following table and discussion summarize our Consolidated Cash Flows provided by or used in operating activities, investing activities and financing activities for the periods indicated. See "Statement of Cash Flows – Partnership versus Non-Partnership" for a detailed presentation of cash flow activity:

	Targa Resources Corp. Consolidated	Targa Resources Partners	TRC - Non- Partnership
Three Months Ended March 31, 2014			
	(In millions)		
Net cash provided by (used in):			
Operating activities	\$318.7	\$ 316.4	\$ 2.3
Investing activities	(193.7)	(193.7)	-
Financing activities	(96.8)	(98.8)	2.0
Three Months Ended March 31, 2013			
Net cash provided by (used in):			
Operating activities	\$192.9	\$ 190.6	\$ 2.3

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Investing activities	(226.4)	(227.0)	0.6
Financing activities	69.9	70.5	(0.6)

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Cash Flow from Operating Activities

The Consolidated Statement of Cash Flows included in the historical consolidated financial statements employs the traditional indirect method of presenting cash flows from operating activities. Under the indirect method, net cash provided by operating activities is derived by adjusting the net income for non-cash items related to operating activities. An alternative GAAP presentation employs the direct method in which the actual cash receipts and outlays comprising cash flow are presented.

The following table displays the Partnership versus Non-Partnership's operating cash flows using the direct method as a supplement to the presentation in the consolidated financial statements:

	Three Months Ended March 31,					
	2014			2013		
	Targa Resources Corp. Consolidate	Targa Resources Partners LP	TRC-Non Partnership	Targa Resources Corp. Consolidate	Targa Resources Partners LP	TRC-Non Partnership
	(In millions)					
Cash flows from operating activities:						
Cash received from customers	\$2,415.7	\$2,415.7	\$ -	\$1,474.8	\$1,474.7	\$ 0.1
Cash received from (paid to) derivative counterparties	(6.8)	(6.8)	-	6.4	6.4	-
Cash outlays for:						
Product purchases	(1,948.5)	(1,948.5)	-	(1,150.0)	(1,149.8)	(0.2)
Operating expenses	(81.0)	(81.0)	-	(70.2)	(70.1)	(0.1)
General and administrative expenses	(42.0)	(45.1)	3.1	(35.4)	(38.8)	3.4
Cash distributions from equity investment (1)	4.9	4.9	-	-	-	-
Interest paid, net of amounts capitalized (2)	(23.7)	(23.0)	(0.7)	(32.1)	(31.4)	(0.7)
Income taxes paid, net of refunds	(0.1)	0.2	(0.3)	(0.3)	-	(0.3)
Other cash receipts (payments)	0.2	-	0.2	(0.3)	(0.4)	0.1
Net cash provided by operating activities	\$318.7	\$316.4	\$ 2.3	\$192.9	\$190.6	\$ 2.3

(1) Excludes \$2.2 million included in investing activities for three months ended March 31, 2014.

(2) Net of capitalized interest paid of \$6.9 million and \$6.1 million included in investing activities for the three months ended March 31, 2014 and 2013.

Higher natural gas prices, sales and logistics fees related to export activities and higher other volumes contributed to increased cash collections in 2014 compared to 2013, as well as higher cash payments to producers for commodity products. The change in cash received related to derivatives reflects higher aggregate commodity prices paid to counterparties compared to the aggregate fixed price the Partnership received on those derivative contracts.

Cash Flow from Investing Activities - Partnership

The decrease in net cash used in investing activities was primarily due to lower cash outlays for current capital expansion projects of \$23.5 million.

Cash Flow from Financing Activities - Partnership

The decrease in net cash provided by financing activities was primarily due to an increase in net payments under the Securitization Facility (\$157.6 million) and an increase in distributions to owners (\$24.9 million), offset by lower net payments under the TRP Revolver of \$15.0 million and the issuance of common units under the August 2013 EDA program.

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The Partnership's primary financing activities during the three months ended March 31, 2014 and 2013 are summarized in the following tables.

Three Months Ended	Financing Activity	Source (Use)	Use of proceeds
March 31, 2014 (In millions)			
	Net repayments under TRP Revolver	\$(40.0)	
Various	Net repayments under the Securitization Facility	(46.2)	
February	Distributions	(115.8)	
Various	Sale of common units - 2013 EDA	110.6	
Various	General partner contributions to maintain 2% interest	1.2	Reduce outstanding borrowings under the TRP Revolver and for general Partnership purposes

Three Months Ended	Financing Activity	Source (Use)	Use of proceeds
March 31, 2013 (In millions)			
	Net repayments under TRP Revolver	\$(55.0)	
February	Distributions	(90.9)	
Various	Sale of common units - 2012 and 2013 EDAs	107.4	Redeem borrowings under 6 % Notes, reduce outstanding borrowings under TRP Revolver and general Partnership purposes
Various	General partner contributions to maintain 2% interest	2.3	Reduce outstanding borrowings under the TRP Revolver and for general Partnership purposes
Various	Net borrowings under the Securitization Facility	111.4	

Cash Flow Financing Activities - Non-Partnership

Financing activities provided a net source of cash compared to a use in three months ended March 31, 2014 primarily due to an increase in distributions received of \$10.7 million, partially offset by an increase in dividends paid of \$6.5 million and an increase in net payments under the TRC Revolver of \$2.0 million.

Distributions from the Partnership and Dividends of TRC

The following table details the distributions declared and/or paid by the Partnership for three months ended March 31, 2014 with respect to our 2% general partner interest, the associated IDRs and common units that we held during the periods indicated along with dividends declared by us to our shareholders for the same periods:

For the Three	Date Paid	Cash Distributions	Cash Distributions	Dividend	Total
		to Limited Partners	to General IDRs	Declared	Dividend

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Months Ended	or to be Paid	Per Limited Partner Unit	Partner Units	Partner Interest	to Targa Resources Corp. (1)		Per TRC Common Share	Declared to Common Shareholders
(In millions, except per unit amounts)								
March 31, 2014	May 15, 2014	\$0.7625	\$9.9	\$ 2.4	\$31.7	\$ 44.0	\$0.64750	\$ 27.4
December 31, 2013	February 14, 2014	0.7475	9.7	2.3	29.5	41.5	0.60750	25.6

(1) Distributions to us comprise amounts attributable to our (i) limited partner units, (ii) general partner units, and (iii) IDR's.

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Capital Requirements

The Partnership's capital requirements relate to capital expenditures, which are classified as expansion expenditures, maintenance expenditures or business acquisitions. Expansion capital expenditures improve the service capability of the existing assets, extend asset useful lives, increase capacities from existing levels, add capabilities, reduce costs or enhance revenues, and fund acquisitions of businesses or assets. Maintenance capital expenditures are those expenditures that are necessary to maintain the service capability of the Partnership's existing assets, including the replacement of system components and equipment, which are worn, obsolete or completing their useful life, and expenditures to remain in compliance with environmental laws and regulations.

	Three Months Ended March 31,					
	2014			2013		
	Targa Resources Corp. Consolidated	Targa Resources Partners Ltd	TRC - Non-Partnership	Targa Resources Corp. Consolidated	Targa Resources Partners Ltd	TRC - Non-Partnership
	(In millions)					
Capital expenditures:						
Expansion	\$161.7	\$ 161.7	\$ -	\$185.2	\$ 185.2	\$ -
Maintenance	13.7	13.7	-	21.7	21.7	-
Gross additions	175.4	175.4	-	206.9	206.9	-
Transfers from materials and supplies inventory to property, plant and equipment	(0.4)	(0.4)	-	-	-	-
Decrease (Increase) in capital project payables and accruals	22.7	22.7	-	14.9	15.5	(0.6)
Cash outlays for capital projects	\$197.7	\$ 197.7	\$ -	\$221.8	\$ 222.4	\$ (0.6)

The Partnership estimates that its total growth capital expenditures for 2014 will be approximately \$700 million on a gross basis, and maintenance capital expenditures net to its interest will be approximately \$90 million. Given the Partnership's objective of growth through expansions of existing assets, other internal growth projects, and acquisitions, it anticipates that over time that it will invest significant amounts of capital to grow and acquire assets. Future expansion capital expenditures may vary significantly based on investment opportunities. The Partnership expects to fund future capital expenditures with funds generated from its operations, borrowings under the TRP Revolver and the Securitization Facility and proceeds from issuances of additional equity and debt securities.

Critical Accounting Policies and Estimates

The Partnership and our critical accounting policies and estimates are set forth in Part II, "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report.

Off-Balance Sheet Arrangements

We have no material off-balance sheet arrangements as defined by the Securities and Exchange Commission.

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Item 3. Quantitative and Qualitative Disclosures about Market Risk.

There have been no material changes in market risk exposures that would affect the quantitative and qualitative disclosures presented as of December 31, 2013, in Item 7A in our 2013 Annual Report on Form 10-K. The Partnership added 6,000 MMBtu/d of natural gas hedges for 2014 and 2015 during the first quarter of 2014. For more information on risk management activities, see Note 13 “Derivative Instruments and Hedging Activities” to our consolidated financial statements included elsewhere in this Quarterly Report.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Management, under the supervision of and with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the design and effectiveness of our disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as of the end of the period covered by this Quarterly Report. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of March 31, 2014, our disclosure controls and procedures were designed at the reasonable assurance level and, as of the end of the period covered by this Quarterly Report, our disclosure controls and procedures are effective at the reasonable assurance level to provide that information required to be disclosed in our reports filed or submitted under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and (ii) accumulated and communicated to management, including our principal executive officer and principal financial officer, to allow for timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934, as amended) during the three months ended March 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

The information required for this item is provided in Note 16 – Commitments and Contingencies, under the heading “Legal Proceedings” included in the Notes to Consolidated Financial Statements included under Part I, Item 1 of this Quarterly Report, which is incorporated by reference into this item.

Item 1A. Risk Factors.

For an in-depth discussion of our risk factors, see “Item 1A. Risk Factors.” in our Annual Report. All of these risks and uncertainties could adversely affect our business, financial condition and/or results of operations.

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

Not applicable.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

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Item 6. Exhibits.

Number Description

- 3.1 Amended and Restated Certificate of Incorporation of Targa Resources Corp. (incorporated by reference to Exhibit 3.1 to Targa Resources Corp.'s Current Report on Form 8-K filed December 16, 2010 (File No. 001-34991)).
- 3.2 Amended and Restated Bylaws of Targa Resources Corp. (incorporated by reference to Exhibit 3.2 to Targa Resources Corp.'s Current Report on Form 8-K filed December 16, 2010 (File No. 001-34991)).
- 3.3 Certificate of Limited Partnership of Targa Resources Partners LP (incorporated by reference to Exhibit 3.2 to Targa Resources Partners LP's Registration Statement on Form S-1 filed November 16, 2006 (File No. 333-138747)).
- 3.4 Certificate of Formation of Targa Resources GP LLC (incorporated by reference to Exhibit 3.3 to Targa Resources Partners LP's Registration Statement on Form S-1/A filed January 19, 2007 (File No. 333-138747)).
- 3.5 First Amended and Restated Agreement of Limited Partnership of Targa Resources Partners LP (incorporated by reference to Exhibit 3.1 to Targa Resources Partners LP's Current Report on Form 8-K filed February 16, 2007 (File No. 001-33303)).
- 3.6 Amendment No. 1, dated May 13, 2008, to the First Amended and Restated Agreement of Limited Partnership of Targa Resources Partners LP (incorporated by reference to Exhibit 3.5 to Targa Resources Partners LP's Quarterly Report on Form 10-Q filed May 14, 2008 (File No. 001-33303)).
- 3.7 Amendment No. 2, dated May 25, 2012, to the First Amended and Restated Agreement of Limited Partnership of Targa Resources Partners LP (incorporated by reference to Exhibit 3.1 to Targa Resources Partners LP's Current Report on Form 8-K filed May 25, 2012 (File No. 001-33303)).
- 3.8 Limited Liability Company Agreement of Targa Resources GP LLC (incorporated by reference to Exhibit 3.4 to Targa Resources Partners LP's Registration Statement on Form S-1/A filed January 19, 2007 (File No. 333-138747)).
- 3.9 Amended and Restated Certificate of Incorporation of Targa Resources, Inc. (incorporated by reference to Exhibit 3.1 to Targa Resources, Inc.'s Registration Statement on Form S-4 filed October 31, 2007 (File No. 333-147066)).
- 3.10 Amendment to Amended and Restated Certificate of Incorporation of Targa Resources, Inc. (incorporated by reference to Exhibit 3.9 to Targa Resources Corp.'s Annual Report on Form 10-K filed February 28, 2011 (File No. 001-34991)).
- 3.11 Amended and Restated Bylaws of Targa Resources, Inc. (incorporated by reference to Exhibit 3.2 to Targa Resources, Inc.'s Registration Statement on Form S-4 filed October 31, 2007 (File No. 333-147066)).
- 4.1 Specimen Common Stock Certificate (incorporated by reference to Exhibit 4.1 to Targa Resources Corp.'s Registration Statement on Form S-1/A filed November 12, 2010 (File No. 333-169277)).
- 31.1* Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2* Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1** Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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32.2** Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101.INS** XBRL Instance Document

101.SCH** XBRL Taxonomy Extension Schema Document

101.CAL** XBRL Taxonomy Extension Calculation Linkbase Document

101.DEF** XBRL Taxonomy Extension Definition Linkbase Document

101.LAB** XBRL Taxonomy Extension Label Linkbase Document

101.PRE** XBRL Taxonomy Extension Presentation Linkbase Document

*Filed herewith

**Furnished herewith

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Targa Resources Corp.
(Registrant)

Date: May 2, 2014 By: /s/ Matthew J. Meloy
Matthew J. Meloy
Senior Vice President, Chief Financial Officer and Treasurer
(Principal Financial Officer)