

Energy Transfer Partners, L.P.
Form 10-Q
November 09, 2010
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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 September 30, 2010

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
Commission file number 1-11727

ENERGY TRANSFER PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

Delaware **73-1493906**
(state or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)
3738 Oak Lawn Avenue, Dallas, Texas 75219

(Address of principal executive offices and zip code)

(214) 981-0700

(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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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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

(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

At November 3, 2010, the registrant had units outstanding as follows:

Energy Transfer Partners, L.P. 191,599,549 Common Units

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Energy Transfer Partners, L.P. and Subsidiaries

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Forward-Looking Statements

Certain matters discussed in this report, excluding historical information, as well as some statements by Energy Transfer Partners, L.P. ("Energy Transfer Partners" or the Partnership) in periodic press releases and some oral statements of Energy Transfer Partners, officials during presentations about the Partnership, include certain forward-looking statements. Statements using words such as anticipate, believe, intend, project, plan, expect, continue, estimate, forecast, may, will or similar expressions help identify forward-looking statements. Partnership believes such forward-looking statements are based on reasonable assumptions and current expectations and projections about future events, no assurance can be given that such expectations will prove to be correct.

Actual results may differ materially from any results projected, forecasted, estimated or expressed in forward-looking statements since many of the factors that determine these results are subject to uncertainties and risks that are difficult to predict and beyond management's control. For additional discussion of risks, uncertainties and assumptions, see Part II Other Information Item 1A. Risk Factors in this Quarterly Report on Form 10-Q and our Quarterly Reports on Form 10-Q for the quarters ended March 31 and June 30, 2010, as well as Part I Item 1A. Risk Factors in the Partnership's Report on Form 10-K for the year ended December 31, 2009 filed with the Securities and Exchange Commission ("SEC") on February 24, 2010.

Definitions

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

/d	per day
Bbls	barrels
Btu	British thermal unit, an energy measurement. A therm factor is used by gas companies to convert the volume of gas used to its heat equivalent, and thus calculate the actual energy used
Capacity	capacity of a pipeline, processing plant or storage facility refers to the maximum capacity under normal operating conditions and, with respect to pipeline transportation capacity, is subject to multiple factors (including natural gas injections and withdrawals at various delivery points along the pipeline and the utilization of compression) which may reduce the throughput capacity from specified capacity levels
Dth	million British thermal units (dekatherm)
Mcf	thousand cubic feet
MMBtu	million British thermal units
MMcf	million cubic feet
Bcf	billion cubic feet
NGL	natural gas liquid, such as propane, butane and natural gasoline
Tcf	trillion cubic feet
LIBOR	London Interbank Offered Rate
NYMEX	New York Mercantile Exchange
Reservoir	a porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is separate from other reservoirs

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands)

(unaudited)

	September 30, 2010	December 31, 2009
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 77,700	\$ 68,183
Marketable securities	2,270	6,055
Accounts receivable, net of allowance for doubtful accounts of \$6,382 and \$6,338 as of September 30, 2010 and December 31, 2009, respectively	400,665	566,522
Accounts receivable from related companies	45,774	57,369
Inventories	277,073	389,954
Exchanges receivable	18,473	23,136
Price risk management assets	5,740	12,371
Other current assets	121,605	148,373
Total current assets	949,300	1,271,963
PROPERTY, PLANT AND EQUIPMENT	10,763,239	9,649,405
ACCUMULATED DEPRECIATION	(1,203,104)	(979,158)
	9,560,135	8,670,247
ADVANCES TO AND INVESTMENTS IN AFFILIATES	7,863	663,298
LONG-TERM PRICE RISK MANAGEMENT ASSETS	201	
GOODWILL	772,825	745,505
INTANGIBLES AND OTHER ASSETS, net	424,007	383,959
Total assets	\$ 11,714,331	\$ 11,734,972

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

Table of Contents**ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands)

(unaudited)

	September 30, 2010	December 31, 2009
<u>LIABILITIES AND PARTNERS' CAPITAL</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 275,406	\$ 358,997
Accounts payable to related companies	11,777	38,842
Exchanges payable	11,200	19,203
Price risk management liabilities	25	442
Accrued and other current liabilities	491,067	365,168
Current maturities of long-term debt	35,182	40,887
Total current liabilities	824,657	823,539
LONG-TERM DEBT, less current maturities	6,004,646	6,176,918
LONG-TERM PRICE MANAGEMENT LIABILITIES	13,164	
OTHER NON-CURRENT LIABILITIES	138,727	134,807
COMMITMENTS AND CONTINGENCIES (Note 13)		
PARTNERS' CAPITAL:		
General Partner	174,497	174,884
Limited Partners:		
Common Unitholders (191,578,586 and 179,274,747 units authorized, issued and outstanding at September 30, 2010 and December 31, 2009, respectively)	4,514,214	4,418,017
Class E Unitholders (8,853,832 units authorized, issued and outstanding held by subsidiary and reported as treasury units)		
Accumulated other comprehensive income	44,426	6,807
Total partners' capital	4,733,137	4,599,708
Total liabilities and partners' capital	\$ 11,714,331	\$ 11,734,972

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

Table of Contents**ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Dollars in thousands, except per unit data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
REVENUES:				
Natural gas operations	\$ 1,082,866	\$ 943,975	\$ 3,435,521	\$ 3,004,163
Retail propane	183,786	162,224	914,372	829,901
Other	23,992	23,397	80,438	77,449
Total revenues	1,290,644	1,129,596	4,430,331	3,911,513
COSTS AND EXPENSES:				
Cost of products sold natural gas operations	666,022	591,797	2,232,867	1,865,914
Cost of products sold retail propane	104,533	80,232	519,796	378,524
Cost of products sold other	6,856	6,119	20,470	18,842
Operating expenses	174,740	158,883	515,021	517,337
Depreciation and amortization	85,612	81,684	252,765	230,461
Selling, general and administrative	44,734	33,534	137,743	143,015
Total costs and expenses	1,082,497	952,249	3,678,662	3,154,093
OPERATING INCOME	208,147	177,347	751,669	757,420
OTHER INCOME (EXPENSE):				
Interest expense, net of interest capitalized	(101,241)	(101,503)	(309,217)	(284,228)
Equity in earnings of affiliates	595	9,581	10,848	11,751
Gains (losses) on disposal of assets	281	(1,088)	(198)	(1,333)
Gains (losses) on non-hedged interest rate derivatives	(11,963)	(18,241)	(11,963)	32,327
Allowance for equity funds used during construction	12,432	30	18,039	18,618
Impairment of investment in affiliate			(52,620)	
Other, net	1,129	3,433	(3,731)	4,400
INCOME BEFORE INCOME TAX EXPENSE (BENEFIT)	109,380	69,559	402,827	538,955
Income tax expense (benefit)	1,993	(2,897)	12,486	8,594
NET INCOME	107,387	72,456	390,341	530,361
GENERAL PARTNER'S INTEREST IN NET INCOME	97,046	88,927	287,644	266,396
LIMITED PARTNERS' INTEREST IN NET INCOME (LOSS)	\$ 10,341	\$ (16,471)	\$ 102,697	\$ 263,965

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BASIC NET INCOME (LOSS) PER LIMITED PARTNER UNIT	\$	0.05	\$	(0.10)	\$	0.54	\$	1.60
BASIC AVERAGE NUMBER OF UNITS OUTSTANDING		185,247,021		168,815,563		186,761,917		164,183,538
DILUTED NET INCOME (LOSS) PER LIMITED PARTNER UNIT	\$	0.05	\$	(0.10)	\$	0.53	\$	1.59
DILUTED AVERAGE NUMBER OF UNITS OUTSTANDING		186,214,685		168,815,563		187,708,683		164,886,492

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

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income	\$ 107,387	\$ 72,456	\$ 390,341	\$ 530,361
Other comprehensive income (loss), net of tax:				
Reclassification to earnings of gains and losses on derivative instruments accounted for as cash flow hedges	(5,388)	871	(18,006)	(8,822)
Change in value of derivative instruments accounted for as cash flow hedges	34,776	(15,150)	59,410	(15,200)
Change in value of available-for-sale securities	(732)	3,049	(3,785)	6,757
	28,656	(11,230)	37,619	(17,265)
Comprehensive income	\$ 136,043	\$ 61,226	\$ 427,960	\$ 513,096

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

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITAL
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010

(Dollars in thousands)

(unaudited)

	General Partner	Limited Partner Common Unitholders	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2009	\$ 174,884	\$ 4,418,017	\$ 6,807	\$ 4,599,708
Redemption of units in connection with MEP Transaction (See Note 8)	(3,700)	(608,340)		(612,040)
Distributions to partners	(293,282)	(501,506)		(794,788)
Units issued for cash		1,086,991		1,086,991
Capital contribution from General Partner (payment of contributions receivable)	8,932			8,932
Distributions on unvested unit awards		(3,398)		(3,398)
Tax effect of remedial income allocation from tax amortization of goodwill		(2,552)		(2,552)
Non-cash unit-based compensation expense, net of units tendered by employees for tax withholdings		21,386		21,386
Non-cash executive compensation	19	919		938
Other comprehensive income			37,619	37,619
Net income	287,644	102,697		390,341
Balance, September 30, 2010	\$ 174,497	\$ 4,514,214	\$ 44,426	\$ 4,733,137

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

Table of Contents**ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in thousands)

(unaudited)

	Nine Months Ended September 30,	
	2010	2009
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ 1,102,896	\$ 796,017
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for acquisitions, net of cash acquired	(156,388)	(6,244)
Capital expenditures (excluding allowance for equity funds used during construction)	(1,036,903)	(703,461)
Contributions in aid of construction costs	12,048	5,251
Advances to affiliates, net of repayments	(6,046)	(534,500)
Proceeds from the sale of assets	13,742	13,235
Net cash used in investing activities	(1,173,547)	(1,225,719)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	809,949	2,287,035
Principal payments on debt	(1,007,617)	(1,768,079)
Net proceeds from issuance of Limited Partner units	1,086,991	578,924
Capital contribution from General Partner	8,932	3,354
Distributions to partners	(794,788)	(705,736)
Redemption of units	(23,299)	
Debt issuance costs		(7,639)
Net cash provided by financing activities	80,168	387,859
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	9,517	(41,843)
CASH AND CASH EQUIVALENTS, beginning of period	68,183	91,902
CASH AND CASH EQUIVALENTS, end of period	\$ 77,700	\$ 50,059

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

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollar amounts, except per unit data, are in thousands)

(unaudited)

1. OPERATIONS AND ORGANIZATION:

The accompanying condensed consolidated balance sheet as of December 31, 2009, which has been derived from audited financial statements, and the unaudited interim financial statements and notes thereto of Energy Transfer Partners, L.P., and its subsidiaries (Energy Transfer Partners, the Partnership, we or ETP) as of September 30, 2010 and for the three and nine months ended September 30, 2010 and 2009, have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim consolidated financial information and pursuant to the rules and regulations of the SEC. Accordingly, they do not include all the information and footnotes required by GAAP for complete consolidated financial statements. However, management believes that the disclosures made are adequate to make the information not misleading. The results of operations for interim periods are not necessarily indicative of the results to be expected for a full year due to the seasonal nature of the Partnership s operations, maintenance activities and the impact of forward natural gas prices and differentials on certain derivative financial instruments that are accounted for using mark-to-market accounting. Management has evaluated subsequent events through the date the financial statements were issued.

In the opinion of management, all adjustments (all of which are normal and recurring) have been made that are necessary to fairly state the consolidated financial position of Energy Transfer Partners, and its subsidiaries as of September 30, 2010, and the Partnership s results of operations and cash flows for the three and nine months ended September 30, 2010 and 2009. The unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto of Energy Transfer Partners presented in the Partnership s Annual Report on Form 10-K for the year ended December 31, 2009, as filed with the SEC on February 24, 2010.

Certain prior period amounts have been reclassified to conform to the 2010 presentation. These reclassifications had no impact on net income or total partners capital.

We are managed by our general partner, Energy Transfer Partners GP, L.P. (our General Partner or ETP GP), which is in turn managed by its general partner, Energy Transfer Partners, L.L.C. (ETP LLC). Energy Transfer Equity, L.P., a publicly traded master limited partnership (ETE), owns ETP LLC, the general partner of our General Partner. The condensed consolidated financial statements of the Partnership presented herein include our operating subsidiaries described below.

Business Operations

In order to simplify the obligations of Energy Transfer Partners, under the laws of several jurisdictions in which we conduct business, our activities are primarily conducted through our operating subsidiaries (collectively the Operating Companies) as follows:

La Grange Acquisition, L.P., which conducts business under the assumed name of Energy Transfer Company (ETC OLP), a Texas limited partnership engaged in midstream and intrastate transportation and storage natural gas operations. ETC OLP owns and operates, through its wholly and majority-owned subsidiaries, natural gas gathering systems, intrastate natural gas pipeline systems and gas processing plants and is engaged in the business of purchasing, gathering, transporting, processing, and marketing natural gas and NGLs in the states of Texas, Louisiana, New Mexico, Utah and Colorado. Our intrastate transportation and storage operations primarily focus on transporting natural gas through our Oasis pipeline, ET Fuel System, East Texas pipeline and HPL System. Our midstream operations focus on the gathering, compression, treating, conditioning and processing of natural gas, primarily on or through our Southeast Texas System and North Texas System, and marketing activities. We also own and operate natural gas gathering pipelines and conditioning facilities in the Piceance-Uinta Basin of Colorado and Utah.

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Energy Transfer Interstate Holdings, LLC (ET Interstate), a Delaware limited liability company with revenues consisting primarily of fees earned from natural gas transportation services and operational gas sales. ET Interstate is the parent company of:

Transwestern Pipeline Company, LLC (Transwestern), a Delaware limited liability company engaged in interstate transportation of natural gas. Interstate revenues consist primarily of fees earned from natural gas transportation services and operational gas sales.

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ETC Fayetteville Express Pipeline, LLC (ETC FEP), a Delaware limited liability company formed to engage in interstate transportation of natural gas.

ETC Tiger Pipeline, LLC (ETC Tiger), a Delaware limited liability company formed to engage in interstate transportation of natural gas.

ETC Compression, LLC (ETC Compression), a Delaware limited liability company engaged in natural gas compression services and related equipment sales.

Heritage Operating, L.P. (HOLP), a Delaware limited partnership primarily engaged in retail propane operations. Our retail propane operations focus on sales of propane and propane-related products and services. The retail propane customer base includes residential, commercial, industrial and agricultural customers.

Titan Energy Partners, L.P. (Titan), a Delaware limited partnership also engaged in retail propane operations.

2. ESTIMATES:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the accrual for and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The natural gas industry conducts its business by processing actual transactions at the end of the month following the month of delivery. Consequently, the most current month's financial results for the midstream and intrastate transportation and storage operations are estimated using volume estimates and market prices. Any differences between estimated results and actual results are recognized in the following month's financial statements. Management believes that the estimated operating results represent the actual results in all material respects.

Some of the other significant estimates made by management include, but are not limited to, the timing of certain forecasted transactions that are hedged, allowances for doubtful accounts, the fair value of derivative instruments, useful lives for depreciation and amortization, purchase accounting allocations and subsequent realizability of intangible assets, fair value measurements used in the goodwill impairment test, market value of inventory, estimates related to our unit-based compensation plans, deferred taxes, assets and liabilities resulting from the regulated ratemaking process, contingency reserves and environmental reserves. Actual results could differ from those estimates.

3. ACQUISITIONS:

In March 2010, we purchased a natural gas gathering company, which provides dehydration, treating, redelivery and compression services on a 120-mile pipeline system in the Haynesville Shale for approximately \$150.0 million in cash, excluding certain adjustments as defined in the purchase agreement. In connection with this transaction, we recorded customer contracts of \$68.2 million and goodwill of \$27.3 million. See further discussion at Note 6.

4. CASH, CASH EQUIVALENTS AND SUPPLEMENTAL CASH FLOW INFORMATION:

Cash and cash equivalents include all cash on hand, demand deposits, and investments with original maturities of three months or less. We consider cash equivalents to include short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

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We place our cash deposits and temporary cash investments with high credit quality financial institutions. At times, our cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation insurance limit.

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Net cash provided by operating activities is comprised of the following:

	Nine Months Ended September 30,	
	2010	2009
Net income	\$ 390,341	\$ 530,361
Reconciliation of net income to net cash provided by operating activities:		
Impairment of investment in affiliate	52,620	
Proceeds from termination of interest rate derivatives	26,495	
Depreciation and amortization	252,765	230,461
Amortization of finance costs charged to interest	7,216	6,386
Non-cash unit-based compensation expense	21,422	20,942
Non-cash executive compensation expense	938	938
Deferred income taxes	4,492	3,663
Losses on disposal of assets	198	1,333
Allowance for equity funds used during construction	(18,039)	(18,618)
Distributions on unvested awards	(3,398)	(2,072)
Distributions in excess of (less than) equity in earnings of affiliates, net	20,765	(5,696)
Other non-cash	2,427	4,033
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	166,064	235,239
Accounts receivable from related companies	11,596	(17,882)
Inventories	113,568	51,249
Exchanges receivable	4,663	29,775
Other current assets	26,796	(10,573)
Intangibles and other assets	4,560	(1,977)
Accounts payable	(86,291)	(109,479)
Accounts payable to related companies	(7,253)	(27,150)
Exchanges payable	(8,003)	(32,236)
Accrued and other current liabilities	58,925	8,582
Other non-current liabilities	(600)	669
Price risk management assets and liabilities, net	60,629	(101,931)
Net cash provided by operating activities	\$ 1,102,896	\$ 796,017

Non-cash investing and financing activities are as follows:

	Nine Months Ended September 30,	
	2010	2009
NON-CASH INVESTING ACTIVITIES:		
Accrued capital expenditures	\$ 55,013	\$ 64,530
Transfer of MEP joint venture interest in exchange for redemption of Common Units	\$ 588,741	\$
NON-CASH FINANCING ACTIVITIES:		

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Capital contributions receivable from general partner	\$		\$ 8,932
Long-term debt assumed and non-compete agreement notes payable issued in acquisitions	\$	618	\$ 17,113

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Inventories consisted of the following:

	September 30, 2010	December 31, 2009
Natural gas and NGLs, excluding propane	\$ 94,514	\$ 157,103
Propane	57,018	66,686
Appliances, parts and fittings and other	125,541	166,165
Total inventories	\$ 277,073	\$ 389,954

We utilize commodity derivatives to manage price volatility associated with our natural gas inventory and designate certain of these derivatives as fair value hedges for accounting purposes. Changes in fair value of the designated hedged inventory have been recorded in inventory on our condensed consolidated balance sheets and cost of products sold in our condensed consolidated statements of operations.

6. GOODWILL, INTANGIBLES AND OTHER ASSETS:

A net increase in goodwill of \$27.3 million was recorded during the nine months ended September 30, 2010, primarily due to the acquisition of the natural gas gathering company referenced in Note 3. This additional goodwill is expected to be deductible for tax purposes. In addition, we recorded customer contracts of \$68.2 million with useful lives of 46 years.

Components and useful lives of intangibles and other assets were as follows:

	September 30, 2010		December 31, 2009	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets:				
Customer relationships, contracts and agreements (3 to 46 years)	\$ 244,808	\$ (70,624)	\$ 176,858	\$ (58,761)
Noncompete agreements (3 to 15 years)	21,592	(11,965)	24,139	(12,415)
Patents (9 years)	750	(97)	750	(35)
Other (10 to 15 years)	1,320	(466)	478	(397)
Total amortizable intangible assets	268,470	(83,152)	202,225	(71,608)
Non-amortizable intangible assets Trademarks	76,086		75,825	
Total intangible assets	344,556	(83,152)	278,050	(71,608)
Other assets:				
Financing costs (3 to 30 years)	67,795	(30,401)	68,597	(24,774)
Regulatory assets	107,233	(13,476)	101,879	(9,501)
Other	31,452		41,316	
Total intangibles and other assets	\$ 551,036	\$ (127,029)	\$ 489,842	\$ (105,883)

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Aggregate amortization expense of intangibles and other assets was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Reported in depreciation and amortization	\$ 5,124	\$ 6,243	\$ 15,418	\$ 15,935
Reported in interest expense	\$ 2,159	\$ 2,125	\$ 6,489	\$ 6,051

Estimated aggregate amortization expense for the next five years is as follows:

Years Ending December 31:	
2011	\$ 26,916
2012	23,330
2013	17,899
2014	16,890
2015	14,566

We review amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If such a review should indicate that the carrying amount of amortizable intangible assets is not recoverable, we reduce the carrying amount of such assets to fair value. We review goodwill and non-amortizable intangible assets for impairment annually, or more frequently if circumstances dictate. Our annual impairment test is performed as of August 31 for reporting units within our intrastate transportation and storage, midstream and retail propane operations. We have not completed our annual impairment tests for 2010 and have not recorded any impairments related to amortizable intangible assets during the nine months ended September 30, 2010.

7. FAIR VALUE MEASUREMENTS:

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate their fair value. Price risk management assets and liabilities are recorded at fair value. Based on the estimated borrowing rates currently available to us and our subsidiaries for long-term loans with similar terms and average maturities, the aggregate fair value and carrying amount of long-term debt at September 30, 2010 was \$6.94 billion and \$6.04 billion, respectively. At December 31, 2009, the aggregate fair value and carrying amount of long-term debt was \$6.75 billion and \$6.22 billion, respectively.

We have marketable securities, commodity derivatives and interest rate derivatives that are accounted for as assets and liabilities at fair value in our condensed consolidated balance sheets. We determine the fair value of our assets and liabilities subject to fair value measurement by using the highest possible level of inputs. Level 1 inputs are observable quotes in an active market for identical assets and liabilities. We consider the valuation of marketable securities and commodity derivatives transacted through a clearing broker with a published price from the appropriate exchange as a Level 1 valuation. Level 2 inputs are inputs observable for similar assets and liabilities. We consider over-the-counter (OTC) commodity derivatives entered into directly with third parties as a Level 2 valuation since the values of these derivatives are quoted on an exchange for similar transactions. Additionally, we consider our options transacted through our clearing broker as having Level 2 inputs due to the level of activity of these contracts on the exchange in which they trade. We consider the valuation of our interest rate derivatives as Level 2 since we use a LIBOR curve based on quotes from an active exchange of Eurodollar futures for the same period as the future interest swap settlements and discount the future cash flows accordingly, including the effects of credit risk. Level 3 inputs are unobservable. We currently do not have any recurring fair value measurements that are considered Level 3 valuations.

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The following tables summarize the fair value of our financial assets and liabilities measured and recorded at fair value on a recurring basis as of September 30, 2010 and December 31, 2009 based on inputs used to derive their fair values:

	Fair Value Total	Fair Value Measurements at September 30, 2010 Using Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)	Significant Observable Inputs (Level 2)
Assets:			
Marketable securities	\$ 2,270	\$ 2,270	\$
Interest rate derivatives	201		201
Commodity derivatives:			
Natural Gas:			
Fixed Swaps/Futures	37,047	36,992	55
Options Puts	29,025		29,025
Propane Forwards/Swaps	5,685		5,685
Total commodity derivatives	71,757	36,992	34,765
Total Assets	\$ 74,228	\$ 39,262	\$ 34,966
Liabilities:			
Interest rate derivatives	\$ (13,164)	\$	\$ (13,164)
Commodity derivatives:			
Natural Gas:			
Basic Swaps IFERC/NYMEX	(1,153)	(1,153)	
Swing Swaps IFERC	(938)	(913)	(25)
Options Calls	(1,576)		(1,576)
Total commodity derivatives	(3,667)	(2,066)	(1,601)
Total Liabilities	\$ (16,831)	\$ (2,066)	\$ (14,765)

Fair Value Total	Fair Value Measurements at December 31, 2009 Using Quoted Prices in Active Markets for Identical Assets	Significant Observable Inputs (Level 2)
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		and Liabilities (Level 1)	
Assets:			
Marketable securities	\$ 6,055	\$ 6,055	\$
Commodity derivatives	32,479	20,090	12,389
Liabilities:			
Commodity derivatives	(8,016)	(7,574)	(442)
Total	\$ 30,518	\$ 18,571	\$ 11,947

In conjunction with the MEP Transaction, we adjusted the investment in MEP to fair value based on the present value of the expected future cash flows (Level 3), resulting in a nonrecurring fair value adjustment of \$52.6 million. Substantially all of our investment was transferred to ETE. See Note 8.

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8. INVESTMENTS IN AFFILIATES:

Midcontinent Express Pipeline LLC

On May 26, 2010, we completed the transfer of the membership interests in ETC Midcontinent Express Pipeline III, L.L.C. (ETC MEP III) to ETE pursuant to the Redemption and Exchange Agreement between us and ETE, dated as of May 10, 2010 (the MEP Transaction). ETC MEP III owns a 49.9% membership interest in Midcontinent Express Pipeline LLC (MEP), our joint venture with Kinder Morgan Energy Partners, L.P. (KMP) that owns and operates the Midcontinent Express Pipeline. In exchange for the membership interests in ETC MEP III, we redeemed 12,273,830 ETP common units that were previously owned by ETE. We also paid \$23.3 million to ETE upon closing of the MEP Transaction for adjustments related to capital expenditures and working capital changes of MEP. Subsequent to September 30, 2010, we received a cash closing adjustment of \$8.2 million from ETE. ETE has an option that cannot be exercised until May 27, 2011, to acquire the membership interests in ETC Midcontinent Express Pipeline II, L.L.C. (ETC MEP II). ETC MEP II owns a 0.1% membership interest in MEP. In conjunction with this transfer of our interest in ETC MEP III, we recorded a non-cash charge of approximately \$52.6 million during the three months ended June 30, 2010 to reduce the carrying value of our interest in ETC MEP III to its estimated fair value.

As part of the MEP Transaction, on May 26, 2010, ETE completed the contribution of the membership interests in ETC MEP III and the assignment of its rights under the option to acquire the membership interests in ETC MEP II to a subsidiary of Regency Energy Partners LP (Regency) in exchange for 26,266,791 Regency common units. In addition, ETE acquired a 100% equity interest in the general partner entities of Regency from an affiliate of GE Energy Financial Services, Inc.

We continue to guarantee 50% of MEP s obligations under MEP s \$175.4 million senior revolving credit facility, with the remaining 50% of MEP s obligations guaranteed by KMP. Regency has agreed to indemnify us for any costs related to the guaranty of payments under this facility. See Note 13.

Fayetteville Express Pipeline LLC

We are party to an agreement with KMP for a 50/50 joint development of the Fayetteville Express pipeline, an approximately 185-mile natural gas pipeline that will originate in Conway County, Arkansas, continue eastward through White County, Arkansas and terminate at an interconnect with Trunkline Gas Company in Panola County, Mississippi. In December 2009, Fayetteville Express Pipeline LLC (FEP), the entity formed to construct, own and operate this pipeline, received Federal Energy Regulatory Commission (FERC) approval of its application for authority to construct and operate this pipeline. In July 2010, FERC granted a rehearing of the December 2009 order and allowed FEP to include in its initial rate proposed allowance for funds used during construction that accrued prior to filing its application. The pipeline began interim service in October 2010 and is expected to be fully operational in December 2010. Upon completion of all facilities, the pipeline is expected to have an initial capacity of 2.0 Bcf/d. As of September 30, 2010, FEP has secured binding commitments for a minimum of 10 years for transportation of approximately 1.85 Bcf/d. The new pipeline will interconnect with Natural Gas Pipeline Company of America (NGPL) in White County, Arkansas, Texas Gas Transmission in Coahoma County, Mississippi and ANR Pipeline Company in Quitman County, Mississippi. NGPL is operated and partially owned by Kinder Morgan, Inc. Kinder Morgan, Inc. owns the general partner of KMP.

9. NET INCOME (LOSS) PER LIMITED PARTNER UNIT:

Our net income (loss) for partners capital and statement of operations presentation purposes is allocated to the General Partner and Limited Partners in accordance with their respective partnership percentages, after giving effect to priority income allocations for incentive distributions, if any, to our General Partner, the holder of the incentive distribution rights (IDRs) pursuant to our partnership agreement, which are declared and paid following the close of each quarter. Earnings in excess of distributions are allocated to the General Partner and Limited Partners based on their respective ownership interests.

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A reconciliation of net income and weighted average units used in computing basic and diluted net income per unit is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income	\$ 107,387	\$ 72,456	\$ 390,341	\$ 530,361
General Partner's interest in net income	97,046	88,927	287,644	266,396
Limited Partners' interest in net income (loss)	10,341	(16,471)	102,697	263,965
Additional earnings allocated from General Partner	161	185	790	185
Distributions on employee unit awards, net of allocation to General Partner	(1,142)	(668)	(3,451)	(2,017)
Net income (loss) available to Limited Partners	\$ 9,360	\$ (16,954)	\$ 100,036	\$ 262,133
Weighted average Limited Partner units - basic	185,247,021	168,815,563	186,761,917	164,183,538
Basic net income (loss) per Limited Partner unit	\$ 0.05	\$ (0.10)	\$ 0.54	\$ 1.60
Weighted average Limited Partner units	185,247,021	168,815,563	186,761,917	164,183,538
Dilutive effect of unvested Unit Awards	967,664		946,766	702,954
Weighted average Limited Partner units, assuming dilutive effect of unvested Unit Awards	186,214,685	168,815,563	187,708,683	164,886,492
Diluted net income (loss) per Limited Partner unit	\$ 0.05	\$ (0.10)	\$ 0.53	\$ 1.59

Based on the declared distribution rate of \$0.89375 per Common Unit, distributions paid for the three months ended September 30, 2009, were \$249.5 million in total, which exceeded net income for the period by \$177.0 million. Accordingly, the distributions paid to the General Partner, including incentive distributions, further exceeded the net income for the three months ended September 30, 2009, and as a result, a net loss was allocated to the Limited Partners for the period.

10. DEBT OBLIGATIONS:

Revolving Credit Facilities

ETP Credit Facility

We maintain a revolving credit facility (the "ETP Credit Facility") that provides for \$2.0 billion of revolving credit capacity that is expandable to \$3.0 billion (subject to obtaining the approval of the administrative agent and securing lender commitments for the increased borrowing capacity). The ETP Credit Facility matures on July 20, 2012, unless we elect the option of one-year extensions (subject to the approval of each such extension by the lenders holding a majority of the aggregate lending commitments). Amounts borrowed under the ETP Credit Facility bear interest, at our option, at a Eurodollar rate plus an applicable margin or a base rate. The base rate used to calculate interest on base rate loans will be calculated using the greater of a prime rate or a federal funds effective rate plus 0.50%. The applicable margin for Eurodollar loans ranges from 0.30% to 0.70% based upon ETP's credit rating and is currently 0.55% (0.60% if facility usage exceeds 50%). The commitment fee payable

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on the unused portion of the ETP Credit Facility varies based on our credit rating with a maximum fee of 0.125%. The fee is 0.11% based on our current rating.

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As of September 30, 2010, there were no outstanding borrowings under the ETP Credit Facility. Taking into account letters of credit of approximately \$22.4 million, the amount available for future borrowings was \$1.98 billion.

HOLP Credit Facility

HOLP has a \$75.0 million Senior Revolving Facility (the HOLP Credit Facility) available to HOLP through June 30, 2011, which may be expanded to \$150.0 million. Amounts borrowed under the HOLP Credit Facility bear interest at a rate based on either a Eurodollar rate or a prime rate. The commitment fee payable on the unused portion of the facility varies based on the Leverage Ratio, as defined in the credit agreement for the HOLP Credit Facility, with a maximum fee of 0.50%. The agreement includes provisions that may require contingent prepayments in the event of dispositions, loss of assets, merger or change of control. All receivables, contracts, equipment, inventory, general intangibles, cash concentration accounts of HOLP and the capital stock of HOLP's subsidiaries secure the HOLP Credit Facility. At September 30, 2010, the HOLP credit facility had no outstanding balance in revolving credit loans and outstanding letters of credit of \$0.5 million. The amount available for borrowing as of September 30, 2010 was \$74.5 million.

Covenants Related to Our Credit Agreements

We were in compliance with all requirements, tests, limitations, and covenants related to our debt agreements at September 30, 2010.

11. PARTNERS CAPITAL:**Common Units Issued**

The change in Common Units during the nine months ended September 30, 2010 was as follows:

	Number of Units
Balance, December 31, 2009	179,274,747
Common Units issued in connection with public offerings	20,700,000
Common Units issued in connection with the Equity Distribution Agreement	3,842,283
Issuance of Common Units under equity incentive plans	35,386
Redemption of units in connection with MEP Transaction (See Note 8)	(12,273,830)
Balance, September 30, 2010	191,578,586

In January 2010, we issued 9,775,000 Common Units through a public offering for net proceeds of \$423.6 million. In August 2010, we issued 10,925,000 Common Units through a public offering for net proceeds of \$489.4 million. The proceeds from these offerings were used primarily to repay borrowings under the ETP Credit Facility and to fund capital expenditures related to pipeline projects.

On August 26, 2009, we entered into an Equity Distribution Agreement with UBS Securities LLC (UBS). Pursuant to this agreement, we may offer and sell from time to time through UBS, as our sales agent, Common Units having an aggregate value of up to \$300.0 million. Sales of the units will be made by means of ordinary brokers' transactions on the NYSE at market prices, in block transactions or as otherwise agreed between us and UBS. Under the terms of this agreement, we may also sell Common Units to UBS as principal for its own account at a price agreed upon at the time of sale. Any sale of Common Units to UBS as principal would be pursuant to the terms of a separate agreement between us and UBS. During the nine months ended September 30, 2010, we issued 3,842,283 of our Common Units pursuant to this agreement. The proceeds of approximately \$174.1 million, net of commissions, were used for general partnership purposes. Approximately \$40.6 million of our Common Units remain available to be issued under the agreement based on trades initiated through September 30, 2010.

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Quarterly Distributions of Available Cash

Distributions paid by us are summarized as follows:

Quarter Ended	Record Date	Payment Date	Distributions Per Common Unit
December 31, 2009	February 8, 2010	February 15, 2010	\$ 0.89375
March 31, 2010	May 7, 2010	May 17, 2010	0.89375