

Energy Transfer Partners, L.P.

Form 10-Q

July 10, 2007

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended May 31, 2007

OR

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

For the Transition Period from _____ to _____

Commission file number 1-11727

ENERGY TRANSFER PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

Delaware
(state or other jurisdiction or
incorporation or organization)

2838 Woodside Street

Dallas, Texas 75204

73-1493906
(I.R.S. Employer

Identification No.)

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(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At July 9, 2007, the registrant had units outstanding as follows:

Energy Transfer Partners, L.P.

136,981,221 Common Units

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Forward-Looking Statements

Certain matters discussed in this report, excluding historical information, as well as some statements by Energy Transfer Partners, L.P. ("Energy Transfer Partners" 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 within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Statements using words such as anticipate, believe, intend, project, plan, continue, estimate, forecast, may, will, or similar expressions help identify forward-looking statements. Although the 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 every objective will be reached.

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, difficult to predict, and beyond management's control. For additional discussion of risks, uncertainties and assumptions, see the Partnership's Annual Report on Form 10-K for the fiscal year ended August 31, 2006 filed with the Securities and Exchange Commission on November 13, 2006.

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
Dekatherm	million British thermal units. 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.
Mcf	thousand cubic feet
MMBtu	million British thermal unit
MMcf	million cubic feet
Bcf	billion cubic feet
NGL	natural gas liquid, such as propane, butane and natural gasoline
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)

	May 31, 2007	August 31, 2006
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 95,610	\$ 26,041
Marketable securities	3,575	2,817
Accounts receivable, net of allowance for doubtful accounts	625,339	675,545
Inventories	297,876	387,140
Deposits paid to vendors	46,579	87,806
Exchanges receivable	40,545	23,221
Price risk management assets	25,944	56,139
Prepaid expenses and other	40,002	43,095
Total current assets	1,175,470	1,301,804
PROPERTY, PLANT AND EQUIPMENT, net	5,278,109	3,313,649
GOODWILL	716,443	604,409
INTANGIBLES AND OTHER LONG-TERM ASSETS, net	399,330	235,151
Total assets	\$ 7,569,352	\$ 5,455,013

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)

	May 31, 2007	August 31, 2006
<u>LIABILITIES AND PARTNERS' CAPITAL</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 584,436	\$ 603,140
Exchanges payable	48,188	24,722
Customer advances and deposits	40,554	108,836
Accrued and other current liabilities	261,697	202,296
Price risk management liabilities	1,866	36,918
Current maturities of long-term debt	39,768	40,578
Total current liabilities	976,509	1,016,490
LONG-TERM DEBT, less current maturities	3,426,608	2,589,124
DEFERRED INCOME TAXES	100,481	106,842
OTHER NON-CURRENT LIABILITIES	16,819	5,695
COMMITMENTS AND CONTINGENCIES		
	4,520,417	3,718,151
PARTNERS' CAPITAL:		
General Partner	125,290	82,450
Limited Partners:		
Common Unitholders (136,979,887 and 110,726,999 units authorized, issued and outstanding at May 31, 2007 and August 31, 2006, respectively)	2,928,185	1,647,345
Class E Unitholders (8,853,832 units authorized, issued and outstanding-held by subsidiary and reported as treasury units)		
	3,053,475	1,729,795
Accumulated other comprehensive income (loss), per accompanying statements	(4,540)	7,067
Total partners' capital	3,048,935	1,736,862
Total liabilities and partners' capital	\$ 7,569,352	\$ 5,455,013

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		Nine Months Ended	
	2007	May 31, 2006	2007	May 31, 2006
REVENUES:				
Midstream and transportation and storage	\$ 1,406,598	\$ 1,211,549	\$ 3,961,880	\$ 5,503,385
Propane and other	308,188	208,786	1,203,831	783,386
Total revenues	1,714,786	1,420,335	5,165,711	6,286,771
COSTS AND EXPENSES:				
Cost of products sold, midstream and transportation and storage	1,095,040	1,020,692	3,117,732	4,765,113
Cost of products sold, propane and other	192,347	126,675	742,814	481,712
Operating expenses	148,903	102,969	415,093	305,336
Depreciation and amortization	47,402	28,149	126,571	84,076
Selling, general and administrative	39,786	23,732	105,989	79,986
Total costs and expenses	1,523,478	1,302,217	4,508,199	5,716,223
OPERATING INCOME	191,308	118,118	657,512	570,548
OTHER INCOME (EXPENSE):				
Interest expense, net of interest capitalized	(46,149)	(13,674)	(128,383)	(70,609)
Equity in earnings (losses) of affiliates	839	(150)	5,212	(318)
Gain (loss) on disposal of assets	(2,500)	22	(3,785)	556
Interest and other income, net	17,751	9,672	20,845	12,933
INCOME BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS	161,249	113,988	551,401	513,110
Income tax expense	3,560	1,981	10,456	28,406
INCOME BEFORE MINORITY INTERESTS	157,689	112,007	540,945	484,704
Minority interests	(223)	(95)	(1,333)	(2,199)
NET INCOME	157,466	111,912	539,612	482,505
GENERAL PARTNER'S INTEREST IN NET INCOME	59,962	30,109	173,830	78,287
LIMITED PARTNERS' INTEREST IN NET INCOME	\$ 97,504	\$ 81,803	\$ 365,782	\$ 404,218
BASIC NET INCOME PER LIMITED PARTNER UNIT	\$ 0.71	\$ 0.67	\$ 2.67	\$ 2.79
BASIC AVERAGE NUMBER OF UNITS OUTSTANDING	136,978,390	110,658,305	131,147,779	108,466,616

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DILUTED NET INCOME PER LIMITED PARTNER UNIT	\$	0.71	\$	0.67	\$	2.66	\$	2.78
DILUTED AVERAGE NUMBER OF UNITS OUTSTANDING		137,368,358		110,921,227		131,520,530		108,718,490

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

Table of Contents**ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

(Dollars in thousands)

(unaudited)

	Three Months Ended		Nine Months Ended	
	May 31,		May 31,	
	2007	2006	2007	2006
Net income	\$ 157,466	\$ 111,912	\$ 539,612	\$ 482,505
Other comprehensive income, net of tax:				
Reclassification adjustment for gains and losses on derivative instruments accounted for as cash flow hedges included in net income	(18,432)	(2,821)	(140,393)	(44,971)
Change in value of derivative instruments accounted for as cash flow hedges	(1,124)	25,126	128,034	189,769
Change in value of available-for-sale securities	(450)	929	752	1,052
Comprehensive income	\$ 137,460	\$ 135,146	\$ 528,005	\$ 628,355
Reconciliation of Accumulated Other Comprehensive Income (Loss)				
Balance, beginning of period	\$ 15,466	\$ 37,299	\$ 7,067	\$ (85,317)
Current period reclassification to earnings	(18,432)	(2,821)	(140,393)	(44,971)
Current period change in value	(1,574)	26,055	128,786	