

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

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

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, 2012
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
(state or other jurisdiction of incorporation or organization)
3738 Oak Lawn Avenue, Dallas, Texas 75219
(Address of principal executive offices) (zip code)
(214) 981-0700
(Registrant's telephone number, including area code)

73-1493906
(I.R.S. Employer Identification No.)

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 (Do not check if a smaller reporting company) 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 October 31, 2012, the registrant had units outstanding as follows:

Energy Transfer Partners, L.P. 300,547,400 Common Units

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Forward-Looking Statements

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

Definitions

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

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

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

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

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

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

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PART I — FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

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

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

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Table of ContentsENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

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

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

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CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per unit data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
REVENUES:				
Natural gas sales	\$603,449	\$679,889	\$1,480,729	\$1,963,135
NGL sales	326,841	333,078	1,011,735	756,740
Gathering, transportation and other fees	399,494	392,080	1,162,386	1,094,762
Retail propane sales	—	213,496	87,082	962,258
Other	90,690	82,920	198,830	217,085
Total revenues	1,420,474	1,701,463	3,940,762	4,993,980
COSTS AND EXPENSES:				
Cost of products sold	886,888	1,070,076	2,319,318	3,067,316
Operating expenses	99,602	193,364	349,465	563,917
Depreciation and amortization	94,812	106,419	282,485	294,356
Selling, general and administrative	47,295	57,745	151,310	158,000
Total costs and expenses	1,128,597	1,427,604	3,102,578	4,083,589
OPERATING INCOME	291,877	273,859	838,184	910,391
OTHER INCOME (EXPENSE):				
Interest expense, net of interest capitalized	(112,141) (124,000) (383,271) (347,706
Equity in earnings of unconsolidated affiliates	7,920	6,713	63,011	