

Energy Transfer Partners, L.P.
Form 10-Q
April 10, 2006
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FORM 10-Q

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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

For the Quarterly Period Ended February 28, 2006

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

(Address of principal executive offices and zip code)

73-1493906
(I.R.S. Employer

Identification No.)

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(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 in Rule 12b-2 of the Exchange Act.

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 April 7, 2006, the registrant had units outstanding as follows:

Energy Transfer Partners, L.P.	108,055,561	Common Units
	2,570,150	Class F 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 as amended on 10-K/A for the fiscal year ended August 31, 2005 filed with the Securities and Exchange Commission on November 14, 2005 and December 12, 2005, respectively.

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
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**

(in thousands, except unit data)

(unaudited)

	February 28,	August 31,
	2006	2005
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 33,843	\$ 24,914
Marketable securities	3,575	3,452
Accounts receivable, net of allowance for doubtful accounts	821,763	847,028
Accounts receivable from related parties	724	4,479
Inventories	238,787	302,893
Exchanges receivable	18,892	35,623
Price risk management assets	65,907	138,961
Prepaid expenses and other assets	79,254	100,670
Total current assets	1,262,745	1,458,020
PROPERTY, PLANT AND EQUIPMENT, net	2,666,479	2,440,565
LONG-TERM PRICE RISK MANAGEMENT ASSETS	9,043	41,687
INVESTMENT IN AFFILIATES	37,135	37,353
GOODWILL	325,093	324,019
INTANGIBLES AND OTHER ASSETS, net	112,933	125,262
Total assets	\$ 4,413,428	\$ 4,426,906

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**

(in thousands, except unit data)

(unaudited)

	February 28,	August 31,
	2006	2005
<u>LIABILITIES AND PARTNERS' CAPITAL</u>		
CURRENT LIABILITIES:		
Working capital facility	\$ 21,198	\$ 17,026
Accounts payable	674,639	818,775
Accounts payable to related parties	410	1,073
Customer deposits	8,464	88,038
Price risk management liabilities	41,374	104,772
Accrued and other current liabilities	147,815	179,778
Income taxes payable	23,590	2,063
Deferred income taxes	2,157	
Current maturities of long-term debt	39,673	39,349
Total current liabilities	959,320	1,250,874
LONG-TERM DEBT, less current maturities	1,517,724	1,675,705
LONG-TERM PRICE RISK MANAGEMENT LIABILITIES	1,021	30,517
LONG-TERM AFFILIATED PAYABLE		2,005
NONCURRENT DEFERRED INCOME TAXES	108,985	111,185
OTHER NONCURRENT LIABILITIES	10,356	13,284
MINORITY INTERESTS	2,074	17,144
	2,599,480	3,100,714
COMMITMENTS AND CONTINGENCIES		
PARTNERS' CAPITAL:		
General Partner	66,185	49,384
Common Unitholders (108,055,561 and 106,889,904 units authorized, issued and outstanding at February 28, 2006 and August 31, 2005, respectively)	1,615,778	1,362,125
Class C Unitholders (1,000,000 units authorized, issued and outstanding at February 28, 2006 and August 31, 2005)		
Class E Unitholders (8,853,832 units authorized, issued and outstanding at February 28, 2006 and August 31, 2005 held by subsidiary and reported as treasury units)		
Class F Unitholders (2,570,150 and 0 units authorized, issued and outstanding at February 28, 2006 and August 31, 2005, respectively)	94,686	
Accumulated other comprehensive income (loss)	37,299	(85,317)
Total partners' capital	1,813,948	1,326,192
Total liabilities and partners' capital	\$ 4,413,428	\$ 4,426,906

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**

(in thousands, except per unit and unit data)

(unaudited)

	Three Months Ended February 28, 2006	Three Months Ended February 28, 2005	Six Months Ended February 28, 2006	Six Months Ended February 28, 2005
REVENUES:				
Midstream and transportation and storage	\$ 2,083,303	\$ 1,130,526	\$ 4,291,837	\$ 1,824,213
Propane and other	366,513	309,318	574,599	479,829
Total revenues	2,449,816	1,439,844	4,866,436	2,304,042
COSTS AND EXPENSES:				
Cost of products sold, midstream and transportation and storage	1,785,053	1,028,558	3,744,422	1,650,473
Cost of products sold, propane and other	223,778	182,617	355,036	288,606
Operating expenses	99,696	73,551	202,367	133,751
Depreciation and amortization	29,014	22,232	55,927	41,893
Selling, general and administrative	31,455	11,913	56,254	22,637
Total costs and expenses	2,168,996	1,318,871	4,414,006	2,137,360
OPERATING INCOME	280,820	120,973	452,430	166,682
OTHER INCOME (EXPENSE):				
Interest expense	(28,542)	(23,024)	(56,935)	(40,355)
Equity in earnings (losses) of affiliates	106	109	(168)	145
Gain (loss) on disposal of assets	662	(436)	534	(527)
Loss on extinguishment of debt		(7,996)		(7,996)
Interest income and other, net	2,302	235	3,261	369
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS	255,348	89,861	399,122	118,318
Income tax expense	4,014	3,127	26,425	4,159
INCOME FROM CONTINUING OPERATIONS BEFORE MINORITY INTERESTS	251,334	86,734	372,697	114,159
Minority interests	(549)	(358)	(2,104)	(516)
INCOME FROM CONTINUING OPERATIONS	250,785	86,376	370,593	113,643
INCOME FROM DISCONTINUED OPERATIONS		1,225		4,568
NET INCOME	250,785	87,601	370,593	118,211

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GENERAL PARTNER S INTEREST IN NET INCOME	27,695	10,456	48,179	16,545
LIMITED PARTNERS INTEREST IN NET INCOME	\$ 223,090	\$ 77,145	\$ 322,414	\$ 101,666
BASIC NET INCOME PER LIMITED PARTNER UNIT				
Limited Partners income from continuing operations	\$ 1.37	\$ 0.67	\$ 2.13	\$ 1.02
Limited Partners income from discontinued operations		0.01		0.04
NET INCOME PER LIMITED PARTNER UNIT (see Note 7)	\$ 1.37	\$ 0.68	\$ 2.13	\$ 1.06
BASIC AVERAGE NUMBER OF UNITS OUTSTANDING	107,815,792	94,177,730	107,352,608	91,697,190
DILUTED NET INCOME PER LIMITED PARTNER UNIT				
Limited Partners income from continuing operations	\$ 1.36	\$ 0.67	\$ 2.12	\$ 1.02
Limited Partners income from discontinued operations		0.01		0.04
NET INCOME PER LIMITED PARTNER UNIT (see Note 7)	\$ 1.36	\$ 0.68	\$ 2.12	\$ 1.06
DILUTED AVERAGE NUMBER OF UNITS OUTSTANDING	108,017,060	94,331,506	107,551,712	91,837,451