

Energy Transfer Partners, L.P.
Form 10-Q
August 10, 2009
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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 June 30, 2009

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)	73-1493906 (I.R.S. Employer Identification No.)
3738 Oak Lawn Avenue, Dallas, Texas 75219 (Address of principal executive offices and zip code)	

Registrant's telephone number, including area code: (214) 981-0700

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

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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

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 August 6, 2009, the registrant had units outstanding as follows:

Energy Transfer Partners, L.P. 168,822,368 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 ("Securities Act") and Section 21E of the Securities Exchange Act of 1934 ("Exchange Act"). 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 Part II Other Information Item 1A. Risk Factors in this Quarterly Report on Form 10-Q as well as the Partnership's Report on Form 10-K as of December 31, 2008 filed with the Securities and Exchange Commission ("SEC") on March 2, 2009.

Definitions

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

/d	per day
Btu	British thermal unit, an energy measurement
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). 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
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)

	June 30, 2009	December 31, 2008
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 114,229	\$ 91,902
Marketable securities	9,630	5,915
Accounts receivable, net of allowance for doubtful accounts	388,324	591,257
Accounts receivable from related companies	37,330	17,895
Inventories	187,654	272,348
Deposits paid to vendors	51,987	78,237
Exchanges receivable	27,596	45,209
Price risk management assets	4,272	5,423
Prepaid expenses and other current assets	54,306	75,215
Total current assets	875,328	1,183,401
PROPERTY, PLANT AND EQUIPMENT, net	8,613,411	8,296,085
ADVANCES TO AND INVESTMENTS IN AFFILIATES	374,922	10,110
GOODWILL	734,949	743,694
INTANGIBLES AND OTHER ASSETS, net	402,792	394,199
Total assets	\$ 11,001,402	\$ 10,627,489

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)

	June 30, 2009	December 31, 2008
<u>LIABILITIES AND PARTNERS' CAPITAL</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 283,380	\$ 381,135
Accounts payable to related companies	7,419	34,547
Exchanges payable	22,793	54,636
Customer advances and deposits	73,031	106,679
Accrued and other current liabilities	273,053	311,988
Price risk management liabilities	1,727	94,978
Interest payable	150,336	106,259
Income taxes payable	4,120	14,538
Deferred income taxes		589
Current maturities of long-term debt	44,382	45,198
Total current liabilities	860,241	1,150,547
LONG-TERM DEBT, less current maturities	5,692,651	5,618,549
DEFERRED INCOME TAXES	110,762	100,597
OTHER NON-CURRENT LIABILITIES	14,571	14,727
COMMITMENTS AND CONTINGENCIES (Note 15)		
	6,678,225	6,884,420
PARTNERS' CAPITAL:		
General Partner	169,128	161,159
Limited Partners:		
Common Unitholders (168,786,459 and 152,102,471 units authorized, issued and outstanding at June 30, 2009 and December 31, 2008, respectively)	4,157,171	3,578,997
Class E Unitholders (8,853,832 units authorized, issued and outstanding - held by subsidiary and reported as treasury units)		
Accumulated other comprehensive income (loss)	(3,122)	2,913
Total partners' capital	4,323,177	3,743,069
Total liabilities and partners' capital	\$ 11,001,402	\$ 10,627,489

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 June 30, 2009		Six Months Ended June 30, 2009	
		As Adjusted (Note 2)		As Adjusted (Note 2)
REVENUES:				
Natural gas operations	\$ 948,233	\$ 2,375,637	\$ 2,060,188	\$ 4,383,484
Retail propane	179,770	249,449	667,677	847,587
Other	23,814	28,390	54,052	61,776
Total revenues	1,151,817	2,653,476	2,781,917	5,292,847
COSTS AND EXPENSES:				
Cost of products sold - natural gas operations	542,004	1,952,569	1,274,117	3,529,837
Cost of products sold - retail propane	78,070	163,962	298,292	556,517
Cost of products sold - other	5,919	7,541	12,723	17,436
Operating expenses	176,681	197,143	358,454	376,113
Depreciation and amortization	76,174	62,421	148,777	121,249
Selling, general and administrative	53,749	44,011	109,481	92,380
Total costs and expenses	932,597	2,427,647	2,201,844	4,693,532
OPERATING INCOME	219,220	225,829	580,073	599,315
OTHER INCOME (EXPENSE):				
Interest expense, net of interest capitalized	(100,680)	(68,416)	(182,725)	(123,965)
Equity in earnings (losses) of affiliates	1,673	(169)	2,170	(95)
Gains (losses) on disposal of assets	181	515	(245)	(936)
Gains (losses) on non-hedged interest rate derivatives	36,842	355	50,568	(245)
Allowance for equity funds used during construction	(1,839)	15,660	18,588	25,548
Other, net	(100)	1,942	967	10,291
INCOME BEFORE INCOME TAX EXPENSE	155,297	175,716	469,396	509,913
Income tax expense	4,559	10,042	11,491	15,904
NET INCOME	150,738	165,674	457,905	494,009
GENERAL PARTNER S INTEREST IN NET INCOME	87,179	78,983	177,469	153,347
LIMITED PARTNER S INTEREST IN NET INCOME	\$ 63,559	\$ 86,691	\$ 280,436	\$ 340,662

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BASIC NET INCOME PER LIMITED PARTNER UNIT	\$ 0.38	\$ 0.61	\$ 1.72	\$ 2.39
BASIC AVERAGE NUMBER OF UNITS OUTSTANDING	166,596,074	142,827,051	161,829,139	142,794,658
DILUTED NET INCOME PER LIMITED PARTNER UNIT	\$ 0.38	\$ 0.60	\$ 1.72	\$ 2.38
DILUTED AVERAGE NUMBER OF UNITS OUTSTANDING	167,197,121	143,353,304	162,384,831	143,323,778

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 COMPREHENSIVE INCOME**

(Dollars in thousands)

(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net income	\$ 150,738	\$ 165,674	\$ 457,905	\$ 494,009
Other comprehensive income (loss), net of tax:				
Reclassification to earnings of gains and losses on derivative instruments accounted for as cash flow hedges	856	9,482	(9,693)	(13,209)
Change in value of derivative instruments accounted for as cash flow hedges	1,336	(1,273)	(50)	(7,494)
Change in value of available-for-sale securities	3,657	3,110	3,708	2,943