

WASHINGTON REAL ESTATE INVESTMENT TRUST
Form SC 13G/A
January 23, 2018

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13G

Under the Securities Exchange Act of 1934

(Amendment No: 8)

WASHINGTON REAL ESTATE INVESTMENT TRUST

(Name of Issuer)

Common Stock

(Title of Class of Securities)

939653101

(CUSIP Number)

December 31, 2017

(Date of Event Which Requires Filing of this Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- Rule 13d-1(b)
- Rule 13d-1(c)
- Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 939653101

(1) Names of reporting persons. BlackRock, Inc.

(2) Check the appropriate box if a member of a group

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- (a) []
- (b) [X]

(3) SEC use only

(4) Citizenship or place of organization

Delaware

Number of shares beneficially owned by each reporting person with:

(5) Sole voting power

7274711

(6) Shared voting power

0

(7) Sole dispositive power

7501045

(8) Shared dispositive power

0

(9) Aggregate amount beneficially owned by each reporting person

7501045

(10) Check if the aggregate amount in Row (9) excludes certain shares

(11) Percent of class represented by amount in Row 9

9.6%

(12) Type of reporting person

HC

Item 1.

Item 1(a) Name of issuer:

WASHINGTON REAL ESTATE INVESTMENT TRUST

Item 1(b) Address of issuer's principal executive offices:

1775 EYE STREET, NW SUITE 1000
WASHINGTON DC 20006

Item 2.

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2(a) Name of person filing:

BlackRock, Inc.

2(b) Address or principal business office or, if none, residence:

BlackRock Inc.
55 East 52nd Street
New York, NY 10055

2(c) Citizenship:

See Item 4 of Cover Page

2(d) Title of class of securities:

Common Stock

2(e) CUSIP No.:

See Cover Page

Item 3.

If this statement is filed pursuant to Rules 13d-1(b), or 13d-2(b) or (c), check whether the person filing is a:

- Broker or dealer registered under Section 15 of the Act;
- Bank as defined in Section 3(a)(6) of the Act;
- Insurance company as defined in Section 3(a)(19) of the Act;
- Investment company registered under Section 8 of the Investment Company Act of 1940;
- An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E);
- An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);
- A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G);
- A savings associations as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940;
- A non-U.S. institution in accordance with Rule 240.13d-1(b)(1)(ii)(J);
- Group, in accordance with Rule 240.13d-1(b)(1)(ii)(K). If filing as a non-U.S. institution in accordance with Rule 240.13d-1(b)(1)(ii)(J), please specify the type of institution:

Item 4. Ownership

Provide the following information regarding the aggregate number and percentage of the class of securities of the issuer identified in Item 1.

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Amount beneficially owned:

7501045

Percent of class

9.6%

Number of shares as to which such person has:

Sole power to vote or to direct the vote

7274711

Shared power to vote or to direct the vote

0

Sole power to dispose or to direct the disposition of

7501045

Shared power to dispose or to direct the disposition of

0

Item 5.

Ownership of 5 Percent or Less of a Class. If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than 5 percent of the class of securities, check the following [].

Item 6. Ownership of More than 5 Percent on Behalf of Another Person

If any other person is known to have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, such securities, a statement to that effect should be included in response to this item and, if such interest relates to more than 5 percent of the class, such person should be identified. A listing of the shareholders of an investment company registered under the Investment Company Act of 1940 or the beneficiaries of employee benefit plan, pension fund or endowment fund is not required.

Various persons have the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of the common stock of

WASHINGTON REAL ESTATE INVESTMENT TRUST.

No one person's interest in the common stock of

WASHINGTON REAL ESTATE INVESTMENT TRUST

is more than five percent of the total outstanding common shares.

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Item 7. Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on by the Parent Holding Company or Control Person.

See Exhibit A

Item 8. Identification and Classification of Members of the Group

If a group has filed this schedule pursuant to Rule 13d-1(b) (ii) (J), so indicate under Item 3(j) and attach an exhibit stating the identity and Item 3 classification of each member of the group. If a group has filed this schedule pursuant to Rule 13d-1(c) or Rule 13d-1(d), attach an exhibit stating the identity of each member of the group.

Item 9. Notice of Dissolution of Group

Notice of dissolution of a group may be furnished as an exhibit stating the date of the dissolution and that all further filings with respect to transactions in the security reported on will be filed, if required, by members of the group, in their individual capacity.

See Item 5.

Item 10. Certifications

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

Signature.

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: January 23, 2018
BlackRock, Inc.

Signature: Spencer Fleming

Name/Title Attorney-In-Fact

The original statement shall be signed by each person on whose behalf the statement is filed or his authorized representative. If the statement is signed on behalf of a person by his authorized representative other than an executive officer or general partner of the filing person, evidence of the representative's authority to

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sign on behalf of such person shall be filed with the statement, provided, however, that a power of attorney for this purpose which is already on file with the Commission may be incorporated by reference. The name and any title of each person who signs the statement shall be typed or printed beneath his signature.

Attention: Intentional misstatements or omissions of fact constitute Federal criminal violations (see 18 U.S.C. 1001).

Exhibit A

Subsidiary

BlackRock Life Limited
BlackRock International Limited
BlackRock Advisors, LLC
BlackRock (Netherlands) B.V.
BlackRock Institutional Trust Company, National Association
BlackRock Asset Management Ireland Limited
BlackRock Financial Management, Inc.
BlackRock Japan Co., Ltd.
BlackRock Asset Management Schweiz AG
BlackRock Investment Management, LLC
BlackRock Investment Management (UK) Limited
BlackRock Asset Management Canada Limited
BlackRock Investment Management (Australia) Limited
BlackRock Fund Advisors
BlackRock Asset Management North Asia Limited
BlackRock Fund Managers Ltd

*Entity beneficially owns 5% or greater of the outstanding shares of the security class being reported on this Schedule 13G.
Exhibit B

POWER OF ATTORNEY

The undersigned, BLACKROCK, INC., a corporation duly organized under the laws of the State of Delaware, United States (the "Company"), does hereby make, constitute and appoint each of Matthew Mallow, Chris Meade, Howard Surloff, Dan Waltcher, Georgina Fogo, Charles Park, Enda McMahon, Carsten Otto, Con Tzatzakis, Karen Clark, Andrew Crain, Herm Howerton, David Maryles, Daniel Ronnen, John Stelley, John Ardley, Maureen Gleeson and Spencer Fleming acting severally, as its true and lawful attorneys-in-fact, for the purpose of, from time to time, executing in its name and on its behalf, whether the Company is acting individually or as representative of others, any and all documents, certificates, instruments, statements, other filings and amendments to the foregoing (collectively, "documents") determined by such person to be necessary or appropriate to comply with ownership or control-person reporting requirements imposed by any United States or non-United States governmental

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or regulatory authority, including without limitation Forms 3, 4, 5, 13D, 13F, 13G and 13H and any amendments to any of the foregoing as may be required to be filed with the Securities and Exchange Commission, and delivering, furnishing or filing any such documents with the appropriate governmental, regulatory authority or other person, and giving and granting to each such attorney-in-fact power and authority to act in the premises as fully and to all intents and purposes as the Company might or could do if personally present by one of its authorized signatories, hereby ratifying and confirming all that said attorney-in-fact shall lawfully do or cause to be done by virtue hereof. Any such determination by an attorney-in-fact named herein shall be conclusively evidenced by such person's execution, delivery, furnishing or filing of the applicable document.

This power of attorney shall expressly revoke the power of attorney dated 1st day of October, 2015 in respect of the subject matter hereof, shall be valid from the date hereof and shall remain in full force and effect until either revoked in writing by the Company, or, in respect of any attorney-in-fact named herein, until such person ceases to be an employee of the Company or one of its affiliates.

IN WITNESS WHEREOF, the undersigned has caused this power of attorney to be executed as of this 8th day of December, 2015.

BLACKROCK, INC.

By: /s/ Chris Jones
Name: Chris Jones
Title: Chief Investment Officer

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—

LIMITED PARTNERS' INTEREST IN NET INCOME (LOSS)

\$
(98
)

\$
1,108

\$
236

INCOME (LOSS) FROM CONTINUING OPERATIONS PER LIMITED PARTNER UNIT:

Basic

\$
(0.23
)

\$
4.93

\$
1.12

Diluted

\$
(0.23
)

\$
4.91

\$
1.12

NET INCOME (LOSS) PER LIMITED PARTNER UNIT:

Basic

\$
(0.18
)

\$
4.43

\$
1.10

Diluted

\$
(0.18
)

\$
4.42

\$
1.10

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

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Dollars in millions)

	Years Ended December 31,		
	2013	2012	2011
Net income	\$768	\$1,648	\$697
Other comprehensive income (loss), net of tax:			
Reclassification to earnings of gains and losses on derivative instruments accounted for as cash flow hedges	(4	) (14	) (38
Change in value of derivative instruments accounted for as cash flow hedges	(1	) 8	19
Change in value of available-for-sale securities	2	—	(1
Actuarial gain (loss) relating to pension and other postretirement benefits	66	(10) —
Foreign currency translation adjustment	(1) —	—
Change in other comprehensive income from equity investments	17	(9) —
	79	(25	) (20
Comprehensive income	847	1,623	677
Less: Comprehensive income attributable to noncontrolling interest	312	74	28
Comprehensive income attributable to partners	\$535	\$1,549	\$649

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 STATEMENTS OF EQUITY
(Dollars in millions)

	Limited Partners			Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
	General Partner	Common Unitholders	Class H Units			
Balance, December 31, 2010	\$ 175	\$ 4,542	\$—	\$ 26	\$ —	\$ 4,743
Distributions to partners	(426)	(733)	—	—	—	(1,159)
Distributions to noncontrolling interest	—	—	—	—	(44)	(44)
Units issued for cash	—	1,467	—	—	—	1,467
Capital contributions from noncontrolling interest	—	—	—	—	645	645
Issuance of units in acquisitions	—	3	—	—	—	3
Other comprehensive loss, net of tax	—	—	—	(20)	—	(20)
Other, net	—	18	—	—	—	18
Net income	433	236	—	—	28	697
Balance, December 31, 2011	182	5,533	—	6	629	6,350
Distributions to partners	(454)	(889)	—	—	—	(1,343)
Distributions to noncontrolling interest	—	—	—	—	(233)	(233)
Units issued for cash	—	791	—	—	—	791
Capital contributions from noncontrolling interest	—	—	—	—	343	343
Sunoco Merger (see Note 3)	—	2,288	—	—	3,580	5,868
Holdco Transaction (see Note 3)	—	165	—	—	3,748	3,913
Issuance of units in other acquisitions (excluding Sunoco)	—	7	—	—	—	7
Other comprehensive loss net of tax	—	—	—	(19)	(6)	(25)
Other, net	(1)	23	—	—	(9)	13
Net income	461	1,108	—	—	79	1,648
Balance, December 31, 2012	188	9,026	—	(13)	8,131	17,332
Distributions to partners	(523)	(1,228)	(51)	—	—	(1,802)
Distributions to noncontrolling interest	—	—	—	—	(382)	(382)
Units issued for cash	—	1,611	—	—	—	1,611
Issuance of Class H Units (see Note 7)	—	(1,514)	1,514	—	—	—
Capital contributions from noncontrolling interest	—	—	—	—	137	137
Holdco Acquisition and SUGS Contribution (see Note 3)	—	2,013	—	(5)	(3,448)	(1,440)
Other comprehensive income, net of tax	—	—	—	79	—	79

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Other, net	—	(13) —	—	(2) (15)
Net income (loss)	506	(98) 48	—	312	768	
Balance, December 31, 2013	\$171	\$9,797	\$1,511	\$ 61	\$ 4,748	\$16,288	

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 STATEMENTS OF CASH FLOWS
(Dollars in millions)

	Years Ended December 31,			
	2013	2012	2011	
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net income	\$768	\$1,648	\$697	
Reconciliation of net income to net cash provided by operating activities:				
Depreciation and amortization	1,032	656	405	
Deferred income taxes	48	62	4	
Gain on curtailment of other postretirement benefits	—	(15) —	
Amortization included in interest expense	(80	) (35	) 10
Loss on extinguishment of debt	—	115	—	
LIFO valuation adjustments	(3	) 75	—
Non-cash compensation expense	47	42	38	
Gain on deconsolidation of Propane Business	—	(1,057) —	
Gain on sale of AmeriGas common units	(87) —	—	
Goodwill impairment	689	—	—	
Write-down of assets included in loss from discontinued operations	—	132	—	
Distributions on unvested awards	(12) (8) (8)
Equity in earnings of unconsolidated affiliates	(172) (142) (26)
Distributions from unconsolidated affiliates	247	132	29	
Other non-cash	42	68	29	
Net change in operating assets and liabilities, net of effects of acquisitions and deconsolidations (see Note 2)	(146	) (475	) 166
Net cash provided by operating activities	2,373	1,198	1,344	
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash paid for Citrus Merger	—	(1,895) —	
Cash proceeds from contribution and sale of propane operations	—	1,443	—	
Cash proceeds from SUGS Contribution (See Note 3)	504	—	—	
Cash paid for Holdco Acquisition (See Note 3)	(1,332) —	—	
Cash proceeds from the sale of the MGE and NEG assets (See Note 3)	1,008	—	—	
Cash proceeds from the sale of AmeriGas common units	346	—	—	
Cash (paid) received from all other acquisitions	(405) 531	(1,972)
Capital expenditures (excluding allowance for equity funds used during construction)	(2,575) (2,840) (1,416)
Contributions in aid of construction costs	52	35	25	
Contributions to unconsolidated affiliates	(1) (30) (222)
Distributions from unconsolidated affiliates in excess of cumulative earnings	217	130	22	
Proceeds from sale of disposal group	—	207	—	
Proceeds from the sale of assets	53	18	9	
Restricted cash	(348	) 5	—
Other	21	111	1	
Net cash used in investing activities	(2,460) (2,285) (3,553)

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

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Table of Contents**CASH FLOWS FROM FINANCING ACTIVITIES:**

Proceeds from borrowings	8,001	8,208	6,594	
Repayments of long-term debt	(7,016	) (6,598	) (5,217)
Proceeds from borrowings from affiliates	—	221	—	
Repayments of borrowings from affiliates	(166	) (55) —	
Net proceeds from issuance of Limited Partner units	1,611	791	1,467	
Capital contributions received from noncontrolling interest	147	320	645	
Distributions to partners	(1,802	) (1,343	) (1,159)
Distributions to noncontrolling interest	(382	) (233	) (44)
Debt issuance costs	(32	) (20	) (20)
Other	(36) —	—	
Net cash provided by financing activities	325	1,291	2,266	
INCREASE IN CASH AND CASH EQUIVALENTS	238	204	57	
CASH AND CASH EQUIVALENTS, beginning of period	311	107	50	
CASH AND CASH EQUIVALENTS, end of period	\$549	\$311	\$107	

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

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. OPERATIONS AND ORGANIZATION:

The consolidated financial statements and notes thereto of Energy Transfer Partners, L.P., and its subsidiaries (the “Partnership,” “we” or “ETP”) presented herein for the years ended December 31, 2013, 2012 and 2011, have been prepared in accordance with GAAP and pursuant to the rules and regulations of the SEC. We consolidate all majority-owned subsidiaries and subsidiaries we control, even if we do not have a majority ownership. All significant intercompany transactions and accounts are eliminated in consolidation. Management has evaluated subsequent events through the date the financial statements were issued.

We also own varying undivided interests in certain pipelines. Ownership of these pipelines has been structured as an ownership of an undivided interest in assets, not as an ownership interest in a partnership, limited liability company, joint venture or other forms of entities. Each owner controls marketing and invoices separately, and each owner is responsible for any loss, damage or injury that may occur to their own customers. As a result, we apply proportionate consolidation for our interests in these assets.

Certain prior period amounts have been reclassified to conform to the 2013 presentation. These reclassifications had no impact on net income or total equity. In October 2012, we sold Canyon and the results of continuing operations of Canyon have been reclassified to income (loss) from discontinued operations and the prior year amounts have been restated to present Canyon’s operations as discontinued operations. Canyon was previously included in our midstream segment. In 2013, Southern Union sold its distribution operations. The results of operations of the distribution operations have been reported as income (loss) from discontinued operations. The assets and liabilities of the disposal group have been reported as assets and liabilities held for sale as of December 31, 2012.

In accordance with GAAP, we have accounted for the Holdco Transaction (described in Note 3), whereby ETP obtained control of Southern Union, as a reorganization of entities under common control. Accordingly, ETP’s consolidated financial statements have been retrospectively adjusted to reflect consolidation of Southern Union into ETP beginning March 26, 2012 (the date ETE acquired Southern Union). This change only impacted interim periods in 2012, and no prior annual amounts have been adjusted.

We are managed by our general partner, ETP GP, which is in turn managed by its general partner, ETP LLC. ETE, a publicly traded master limited partnership, owns ETP LLC, the general partner of our General Partner. The consolidated financial statements of the Partnership presented herein include our operating subsidiaries described below.

Business Operations

Our activities are primarily conducted through our operating subsidiaries (collectively, the “Operating Companies”) as follows:

ETC OLP, a Texas limited partnership primarily 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 and West Virginia. ETC OLP’s intrastate transportation and storage operations primarily focus on transporting natural gas in Texas through our Oasis pipeline, ET Fuel System, East Texas pipeline and HPL System. ETC OLP’s midstream operations focus on the gathering, compression, treating, conditioning and processing of natural gas, primarily on or through our Southeast Texas System, Eagle Ford System, North Texas System and Northern Louisiana assets. ETC OLP also owns a 70% interest in Lone Star and also owns a convenience store operator with approximately 300 company-owned and dealer locations.

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, a Delaware limited liability company engaged in interstate transportation of natural gas. Transwestern’s revenues consist primarily of fees earned from natural gas transportation services and operational gas sales.

ETC FEP, a Delaware limited liability company that directly owns a 50% interest in FEP, which owns 100% of the Fayetteville Express interstate natural gas pipeline.

ETC Tiger, a Delaware limited liability company engaged in interstate transportation of natural gas.

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CrossCountry, a Delaware limited liability company that indirectly owns a 50% interest in Citrus Corp., which owns 100% of the FGT interstate natural gas pipeline.

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

Sunoco Logistics, a publicly traded Delaware limited partnership that owns and operates a logistics business, consisting of refined products and crude oil pipelines, terminalling and storage assets, and refined products and crude oil acquisition and marketing assets.

Holdco, a Delaware limited liability company that indirectly owns Panhandle and Sunoco. As discussed in Note 3, ETP acquired ETE's 60% interest in Holdco on April 30, 2013. Panhandle and Sunoco operations are described as follows:

Panhandle owns and operates assets in the regulated and unregulated natural gas industry and is primarily engaged in the transportation, storage and distribution of natural gas in the United States. As discussed in Note 3, on April 30, 2013, Southern Union completed its contribution to Regency of all of the issued and outstanding membership interests in Southern Union Gathering Company, LLC, and its subsidiaries, including SUGS. Also, as discussed in Note 3, Southern Union completed its sale of the assets of MGE and NEG in 2013. Additionally, as discussed in Note 3, in January 2014, Panhandle consummated a merger with Southern Union, the indirect parent of Panhandle, and PEPL Holdings, the sole limited partner of Panhandle, pursuant to which each of Southern Union and PEPL Holdings were merged with and into Panhandle, with Panhandle surviving the merger.

Sunoco owns and operates retail marketing assets, which sell gasoline and middle distillates at retail and operates convenience stores in 24 states, primarily on the east coast and in the midwest region of the United States.

Our financial statements reflect the following reportable business segments:

intra-state transportation and storage;

inter-state transportation and storage;

midstream;

NGL transportation and services;

investment in Sunoco Logistics;

retail marketing; and

all other.

2. ESTIMATES, SIGNIFICANT ACCOUNTING POLICIES AND BALANCE SHEET DETAIL:

Use of 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, NGL and intra-state 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, 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, assets and liabilities resulting from the regulated ratemaking process, contingency reserves and environmental reserves. Actual results could differ from those estimates.

Revenue Recognition

Revenues for sales of natural gas and NGLs are recognized at the later of the time of delivery of the product to the customer or the time of sale or installation. Revenues from service labor, transportation, treating, compression and gas processing are recognized upon completion of the service. Transportation capacity payments are recognized when

earned in the period the capacity is made available.

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Our intrastate transportation and storage and interstate transportation and storage segments' results are determined primarily by the amount of capacity our customers reserve as well as the actual volume of natural gas that flows through the transportation pipelines. Under transportation contracts, our customers are charged (i) a demand fee, which is a fixed fee for the reservation of an agreed amount of capacity on the transportation pipeline for a specified period of time and which obligates the customer to pay even if the customer does not transport natural gas on the respective pipeline, (ii) a transportation fee, which is based on the actual throughput of natural gas by the customer, (iii) fuel retention based on a percentage of gas transported on the pipeline, or (iv) a combination of the three, generally payable monthly. Fuel retained for a fee is typically valued at market prices.

Our intrastate transportation and storage segment also generates revenues and margin from the sale of natural gas to electric utilities, independent power plants, local distribution companies, industrial end-users and other marketing companies on the HPL System. Generally, we purchase natural gas from the market, including purchases from our marketing operations, and from producers at the wellhead.

In addition, our intrastate transportation and storage segment generates revenues and margin from fees charged for storing customers' working natural gas in our storage facilities. We also engage in natural gas storage transactions in which we seek to find and profit from pricing differences that occur over time utilizing the Bammel storage reservoir. We purchase physical natural gas and then sell financial contracts at a price sufficient to cover our carrying costs and provide for a gross profit margin. We expect margins from natural gas storage transactions to be higher during the periods from November to March of each year and lower during the period from April through October of each year due to the increased demand for natural gas during colder weather. However, we cannot assure that management's expectations will be fully realized in the future and in what time period, due to various factors including weather, availability of natural gas in regions in which we operate, competitive factors in the energy industry, and other issues. Results from the midstream segment are determined primarily by the volumes of natural gas gathered, compressed, treated, processed, purchased and sold through our pipeline and gathering systems and the level of natural gas and NGL prices. We generate midstream revenues and gross margins principally under fee-based or other arrangements in which we receive a fee for natural gas gathering, compressing, treating or processing services. The revenue earned from these arrangements is directly related to the volume of natural gas that flows through our systems and is not directly dependent on commodity prices.

We also utilize other types of arrangements in our midstream segment, including (i) discount-to-index price arrangements, which involve purchases of natural gas at either (1) a percentage discount to a specified index price, (2) a specified index price less a fixed amount or (3) a percentage discount to a specified index price less an additional fixed amount, (ii) percentage-of-proceeds arrangements under which we gather and process natural gas on behalf of producers, sell the resulting residue gas and NGL volumes at market prices and remit to producers an agreed upon percentage of the proceeds based on an index price, (iii) keep-whole arrangements where we gather natural gas from the producer, process the natural gas and sell the resulting NGLs to third parties at market prices, (iv) purchasing all or a specified percentage of natural gas and/or NGL delivered from producers and treating or processing our plant facilities, and (v) making other direct purchases of natural gas and/or NGL at specified delivery points to meet operational or marketing obligations. In many cases, we provide services under contracts that contain a combination of more than one of the arrangements described above. The terms of our contracts vary based on gas quality conditions, the competitive environment at the time the contracts are signed and customer requirements. Our contract mix may change as a result of changes in producer preferences, expansion in regions where some types of contracts are more common and other market factors.

NGL storage and pipeline transportation revenues are recognized when services are performed or products are delivered, respectively. Fractionation and processing revenues are recognized when product is either loaded into a truck or injected into a third party pipeline, which is when title and risk of loss pass to the customer.

In our natural gas compression business, revenue is recognized for compressor packages and technical service jobs using the completed contract method which recognizes revenue upon completion of the job. Costs incurred on a job are deducted at the time revenue is recognized.

We conduct marketing activities in which we market the natural gas that flows through our assets, referred to as on-system gas. We also attract other customers by marketing volumes of natural gas that do not move through our

assets, referred to as off-system gas. For both on-system and off-system gas, we purchase natural gas from natural gas producers and other supply points and sell that natural gas to utilities, industrial consumers, other marketers and pipeline companies, thereby generating gross margins based upon the difference between the purchase and resale prices.

Terminalling and storage revenues are recognized at the time the services are provided. Pipeline revenues are recognized upon delivery of the barrels to the location designated by the shipper. Crude oil acquisition and marketing revenues, as well as refined product marketing revenues, are recognized when title to the product is transferred to the customer. Revenues are

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not recognized for crude oil exchange transactions, which are entered into primarily to acquire crude oil of a desired quality or to reduce transportation costs by taking delivery closer to end markets. Any net differential for exchange transactions is recorded as an adjustment of inventory costs in the purchases component of cost of products sold and operating expenses in the statements of operations.

Our retail marketing segment sells gasoline and diesel in addition to a broad mix of merchandise such as groceries, fast foods and beverages at its convenience stores. In addition, some of Sunoco's retail outlets provide a variety of car care services. Revenues related to the sale of products are recognized when title passes, while service revenues are recognized when services are provided. Title passage generally occurs when products are shipped or delivered in accordance with the terms of the respective sales agreements. In addition, revenues are not recognized until sales prices are fixed or determinable and collectability is reasonably assured.

Regulatory Accounting – Regulatory Assets and Liabilities

Our interstate transportation and storage segment is subject to regulation by certain state and federal authorities, and certain subsidiaries in that segment have accounting policies that conform to the accounting requirements and ratemaking practices of the regulatory authorities. The application of these accounting policies allows certain of our regulated entities to defer expenses and revenues on the balance sheet as regulatory assets and liabilities when it is probable that those expenses and revenues will be allowed in the ratemaking process in a period different from the period in which they would have been reflected in the consolidated statement of operations by an unregulated company. These deferred assets and liabilities will be reported in results of operations in the period in which the same amounts are included in rates and recovered from or refunded to customers. Management's assessment of the probability of recovery or pass through of regulatory assets and liabilities will require judgment and interpretation of laws and regulatory commission orders. If, for any reason, we cease to meet the criteria for application of regulatory accounting treatment for these entities, the regulatory assets and liabilities related to those portions ceasing to meet such criteria would be eliminated from the consolidated balance sheet for the period in which the discontinuance of regulatory accounting treatment occurs.

Southern Union recorded regulatory assets with respect to its distribution segment operations. At December 31, 2012, we had \$123 million of regulatory assets included in the consolidated balance sheet as non-current assets held for sale. Southern Union's distribution operations were sold in 2013.

Although Panhandle's natural gas transmission systems and storage operations are subject to the jurisdiction of FERC in accordance with the Natural Gas Act of 1938 and Natural Gas Policy Act of 1978, it does not currently apply regulatory accounting policies in accounting for its operations. In 1999, prior to its acquisition by Southern Union, Panhandle discontinued the application of regulatory accounting policies primarily due to the level of discounting from tariff rates and its inability to recover specific costs.

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.

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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The net change in operating assets and liabilities (net of acquisitions) included in cash flows from operating activities is comprised as follows:

	Years Ended December 31,		
	2013	2012	2011
Accounts receivable	\$ (458)	) \$ 300	\$ 3
Accounts receivable from related companies	(17	) (50	) (28
Inventories	(256	) (253	) 68
Exchanges receivable	(24	) 11	3
Other current assets	(56	) 571	(62
Other non-current assets, net	(22	) (53	) 7
Accounts payable	525	(979	) 31
Accounts payable to related companies	(122	) 100	6
Exchanges payable	131	—	3
Accrued and other current liabilities	152	(151	) 60
Other non-current liabilities	151	25	—
Price risk management assets and liabilities, net	(150	) 4	75
Net change in operating assets and liabilities, net of effects of acquisitions and deconsolidations	\$ (146	) \$ (475	) \$ 166

Non-cash investing and financing activities and supplemental cash flow information are as follows:

	Years Ended December 31,		
	2013	2012	2011
NON-CASH INVESTING ACTIVITIES:			
Accrued capital expenditures	\$ 167	\$ 359	\$ 202
AmeriGas limited partner interest received in exchange for contribution of Propane Business	\$ —	\$ 1,123	\$ —
Regency common and Class F units received in exchange for contribution of SUGS	\$ 961	\$ —	\$ —
NON-CASH FINANCING ACTIVITIES:			
Long-term debt assumed and non-compete agreement notes payable issued in acquisitions	\$ —	\$ 6,658	\$ 4
Issuance of Common Units in connection with acquisitions	\$ —	\$ 2,295	\$ 3
Issuance of Common Units in connection with the Holdco Acquisition	\$ 2,464	\$ —	\$ —
Issuance of Class H Units	\$ 1,514	\$ —	\$ —
Contributions receivable related to noncontrolling interest	\$ 13	\$ 23	\$ —
SUPPLEMENTAL CASH FLOW INFORMATION:			
Cash paid for interest, net of interest capitalized	\$ 903	\$ 678	\$ 476
Cash paid for income taxes	\$ 57	\$ 22	\$ 24

Accounts Receivable

Our midstream, NGL and intrastate transportation and storage operations deal with counterparties that are typically either investment grade or are otherwise secured with a letter of credit or other form of security (corporate guaranty prepayment or master setoff agreement). Management reviews midstream and intrastate transportation and storage accounts receivable balances bi-weekly. Credit limits are assigned and monitored for all counterparties of the midstream and intrastate transportation and storage operations. Bad debt expense related to these receivables is recognized at the time an account is deemed uncollectible.

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Our investment in Sunoco Logistics segment extends credit terms to certain customers after review of various credit indicators, including the customer's credit rating. Outstanding customer receivable balances are regularly reviewed for possible non-payment indicators and reserves are recorded for doubtful accounts based upon management's estimate of collectability at the time of review. Actual balances are charged against the reserve when all collection efforts have been exhausted.

Our interstate transportation and storage operations have a concentration of customers in the electric and gas utility industries as well as natural gas producers. This concentration of customers may impact our overall exposure to credit risk, either positively or negatively, in that the customers may be similarly affected by changes in economic or other conditions. From time to time, specifically identified customers having perceived credit risk are required to provide prepayments or other forms of collateral. Management believes that the portfolio of receivables, which includes regulated electric utilities, regulated local distribution companies and municipalities, is subject to minimal credit risk. Our interstate transportation and storage operations establish an allowance for doubtful accounts on trade receivables based on the expected ultimate recovery of these receivables and consider many factors including historical customer collection experience, general and specific economic trends and known specific issues related to individual customers, sectors and transactions that might impact collectability.

Our retail marketing segment extends credit to customers after a review of credit rating and other credit indicators. Management records reserves for bad debt by computing a proportion of average write-off activity over the past five years in comparison to the outstanding balance in accounts receivable. This proportion is then applied to the accounts receivable balance at the end of the reporting period to calculate a current estimate of what is uncollectible. The credit department and business line managers make the decision to write off an account, based on understanding of the potential collectability.

We enter into netting arrangements with counterparties of derivative contracts to mitigate credit risk. Transactions are confirmed with the counterparty and the net amount is settled when due. Amounts outstanding under these netting arrangements are presented on a net basis in the consolidated balance sheets.

Inventories

Inventories consist principally of natural gas held in storage, crude oil, petroleum and chemical products. Natural gas held in storage is valued at the lower of cost or market utilizing the weighted-average cost method. The cost of crude oil and petroleum and chemical products is determined using the last-in, first out method. The cost of appliances, parts and fittings is determined by the first-in, first-out method.

Inventories consisted of the following:

	December 31,	
	2013	2012
Natural gas and NGLs	\$519	\$334
Crude oil	488	418
Refined products	597	572
Appliances, parts and fittings, and other	161	171
Total inventories	\$1,765	\$1,495

We utilize commodity derivatives to manage price volatility associated with our natural gas inventory. Changes in fair value of designated hedged inventory are recorded in inventory on our consolidated balance sheets and cost of products sold in our consolidated statements of operations.

Exchanges

Exchanges consist of natural gas and NGL delivery imbalances (over and under deliveries) with others. These amounts, which are valued at market prices or weighted average market prices pursuant to contractual imbalance agreements, turn over monthly and are recorded as exchanges receivable or exchanges payable on our consolidated balance sheets. These imbalances are generally settled by deliveries of natural gas or NGLs, but may be settled in cash, depending on contractual terms.

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Other Current Assets

Other current assets consisted of the following:

	December 31,	
	2013	2012
Deposits paid to vendors	\$49	\$41
Prepaid and other	261	293
Total other current assets	\$310	\$334

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful or FERC mandated lives of the assets, if applicable. Expenditures for maintenance and repairs that do not add capacity or extend the useful life are expensed as incurred. Expenditures to refurbish assets that either extend the useful lives of the asset or prevent environmental contamination are capitalized and depreciated over the remaining useful life of the asset. Additionally, we capitalize certain costs directly related to the construction of assets including internal labor costs, interest and engineering costs. Upon disposition or retirement of pipeline components or natural gas plant components, any gain or loss is recorded to accumulated depreciation. When entire pipeline systems, gas plants or other property and equipment are retired or sold, any gain or loss is included in our consolidated statements of operations.

We review property, plant and equipment 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 long-lived assets is not recoverable, we reduce the carrying amount of such assets to fair value. A write down of the carrying amounts of the Canyon assets to their fair values was recorded for approximately \$128 million during the year ended December 31, 2012.

Capitalized interest is included for pipeline construction projects, except for certain interstate projects for which an allowance for funds used during construction ("AFUDC") is accrued. Interest is capitalized based on the current borrowing rate of our revolving credit facility when the related costs are incurred. AFUDC is calculated under guidelines prescribed by the FERC and capitalized as part of the cost of utility plant for interstate projects. It represents the cost of servicing the capital invested in construction work-in-process. AFUDC is segregated into two component parts – borrowed funds and equity funds.

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Components and useful lives of property, plant and equipment were as follows:

	December 31,	
	2013	2012
Land and improvements	\$878	\$551
Buildings and improvements (5 to 45 years)	900	673
Pipelines and equipment (5 to 83 years)	16,966	17,031
Natural gas and NGL storage facilities (5 to 46 years)	1,083	1,057
Bulk storage, equipment and facilities (2 to 83 years)	1,933	1,745
Tanks and other equipment (5 to 40 years)	1,685	1,187
Retail equipment (3 to 99 years)	450	258
Vehicles (1 to 25 years)	124	135
Right of way (20 to 83 years)	1,901	2,042
Furniture and fixtures (2 to 25 years)	48	65
Linepack	116	116
Pad gas	52	58
Other (1 to 48 years)	626	806
Construction work-in-process	1,668	1,688
	28,430	27,412
Less – Accumulated depreciation	(2,483	) (1,639
Property, plant and equipment, net	\$25,947	\$25,773

We recognized the following amounts of depreciation expense for the periods presented:

	Years Ended December 31,		
	2013	2012	2011
Depreciation expense ⁽¹⁾	\$944	\$615	\$380
Capitalized interest, excluding AFUDC	\$43	\$99	\$11

(1) Depreciation expense amounts have been adjusted by \$26 million for the year ended December 31, 2011 to present Canyon's operations as discontinued operations.

Advances to and Investments in Unconsolidated Affiliates

We own interests in a number of related businesses that are accounted for by the equity method. In general, we use the equity method of accounting for an investment for which we exercise significant influence over, but do not control, the investee's operating and financial policies.

Goodwill

Goodwill is tested for impairment annually or more frequently if circumstances indicate that goodwill might be impaired. Our annual impairment test is performed as of August 31 for subsidiaries in our intrastate transportation and storage and midstream segments and during the fourth quarter for subsidiaries in our interstate transportation and storage, NGL transportation and services, and retail marketing segments and all others. We recorded goodwill impairments for the periods presented in these consolidated financial statements.

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Changes in the carrying amount of goodwill were as follows:

	Intrastate Transportation and Storage	Interstate Transportation and Storage	Midstream	NGL Transportation and Services	Investment in Sunoco Logistics	Retail Marketing	All Other	Total
Balance, December 31, 2011	\$ 10	\$99	\$37	\$ 432	\$—	\$—	\$642	\$1,220
Goodwill acquired—	—	1,785	338	—	1,368	1,272	375	5,138
Goodwill sold in deconsolidation of Propane Business	—	—	—	—	—	—	(619)	(619)
Goodwill allocated to the disposal group	—	—	—	—	—	—	(133)	(133)
Balance, December 31, 2012	10	1,884	375	432	1,368	1,272	265	5,606
Goodwill acquired—	—	—	—	—	—	156	—	156
Goodwill disposed	—	—	(337)	—	—	—	—	(337)
Goodwill impairment	—	(689)	—	—	—	—	—	(689)
Other	—	—	(2)	—	(22)	17	—	(7)
Balance, December 31, 2013	\$ 10	\$1,195	\$36	\$ 432	\$1,346	\$1,445	\$265	\$4,729

Goodwill is recorded at the acquisition date based on a preliminary purchase price allocation and generally may be adjusted when the purchase price allocation is finalized. We recorded a net decrease in goodwill of \$877 million during the year ended December 31, 2013 primarily due to Trunkline LNG's goodwill impairment of \$689 million (see below) and a decrease of \$337 million as a result of the SUGS Contribution (see Note 3). These decreases were offset by additional goodwill of \$156 million from acquisitions in 2013. This additional goodwill is not expected to be deductible for tax purposes.

During the fourth quarter of 2013, we performed a goodwill impairment test on our Trunkline LNG reporting unit. In accordance with GAAP, we performed step one of the goodwill impairment test and determined that the estimated fair value of the Trunkline LNG reporting unit was less than its carrying amount primarily due to changes related to (i) the structure and capitalization of the planned LNG export project at Trunkline LNG's Lake Charles facility, (ii) an analysis of current macroeconomic factors, including global natural gas prices and relative spreads, as of the date of our assessment, (iii) judgments regarding the prospect of obtaining regulatory approval for a proposed LNG export project and the uncertainty associated with the timing of such approvals, and (iv) changes in assumptions related to potential future revenues from the import facility and the proposed export facility. An assessment of these factors in the fourth quarter of 2013 led to a conclusion that the estimated fair value of the Trunkline LNG reporting unit was less than its carrying amount. We then applied the second step in the goodwill impairment test, allocating the estimated fair value of the reporting unit among all of the assets and liabilities of the reporting unit in a hypothetical purchase price allocation. The assets and liabilities of the reporting unit had recently been measured at fair value in 2012 as a result of the acquisition of Southern Union, and those estimated fair values had been recorded at the reporting unit through the application of "push-down" accounting. For purposes of the hypothetical purchase price allocation used in the goodwill impairment test, we estimated the fair value of the assets and liabilities of the reporting unit in a manner similar to the original purchase price allocation. In allocating value to the property, plant and equipment, we used current replacement costs adjusted for assumed depreciation. We also included the estimated fair

value of working capital and identifiable intangible assets in the reporting unit. We adjusted deferred income taxes based on these estimated fair values. Based on this hypothetical purchase price allocation, estimated goodwill was \$184 million, which was less than the balance of \$873 million that had originally been recorded by the reporting unit through “push-down” accounting in 2012. As a result, we recorded a goodwill impairment of \$689 million during the fourth quarter of 2013.

No other goodwill impairments were identified or recorded for our reporting units.

Intangible Assets

Intangible assets are stated at cost, net of amortization computed on the straight-line method. We eliminate from our balance sheet the gross carrying amount and the related accumulated amortization for any fully amortized intangibles in the year they are fully amortized.

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Components and useful lives of intangible assets were as follows:

	December 31, 2013		December 31, 2012	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets:				
Customer relationships, contracts and agreements (3 to 46 years)	\$1,393	\$(164)	\$1,290	\$(80)
Patents (9 years)	48	(6)	48	(1)
Other (10 to 15 years)	4	(1)	4	(1)
Total amortizable intangible assets	\$1,445	\$(171)	\$1,342	\$(82)
Non-amortizable intangible assets:				
Trademarks	294	—	301	—
Total intangible assets	\$1,739	\$(171)	\$1,643	\$(82)

Aggregate amortization expense of intangible assets was as follows:

	Years Ended December 31,		
	2013	2012	2011
Reported in depreciation and amortization	\$88	\$36	\$24

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

Years Ending December 31:

2014	\$93
2015	93
2016	93
2017	93
2018	92

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 non-amortizable intangible assets for impairment annually, or more frequently if circumstances dictate.

Other Non-Current Assets, net

Other non-current assets, net are stated at cost less accumulated amortization. Other non-current assets, net consisted of the following:

	December 31,	
	2013	2012
Unamortized financing costs (3 to 30 years)	\$70	\$54
Regulatory assets	86	87
Deferred charges	144	140
Restricted funds	378	—
Other	88	76
Total other non-current assets, net	\$766	\$357

Restricted funds primarily consisted of restricted cash held in our wholly-owned captive insurance companies.

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Asset Retirement Obligation

We have determined that we are obligated by contractual or regulatory requirements to remove facilities or perform other remediation upon retirement of certain assets. The fair value of any ARO is determined based on estimates and assumptions related to retirement costs, which the Partnership bases on historical retirement costs, future inflation rates and credit-adjusted risk-free interest rates. These fair value assessments are considered to be level 3 measurements, as they are based on both observable and unobservable inputs. Changes in the liability are recorded for the passage of time (accretion) or for revisions to cash flows originally estimated to settle the ARO.

An ARO is required to be recorded when a legal obligation to retire an asset exists and such obligation can be reasonably estimated. We will record an asset retirement obligation in the periods in which management can reasonably estimate the settlement dates.

Except for the AROs of Southern Union, Sunoco Logistics and Sunoco discussed below, management was not able to reasonably measure the fair value of asset retirement obligations as of December 31, 2013 and 2012 because the settlement dates were indeterminable. Although a number of other onshore assets in Southern Union's system are subject to agreements or regulations that give rise to an ARO upon Southern Union's discontinued use of these assets, AROs were not recorded because these assets have an indeterminate removal or abandonment date given the expected continued use of the assets with proper maintenance or replacement. Sunoco has legal asset retirement obligations for several other assets at its refineries, pipelines and terminals, for which it is not possible to estimate when the obligations will be settled. Consequently, the retirement obligations for these assets cannot be measured at this time. At the end of the useful life of these underlying assets, Sunoco is legally or contractually required to abandon in place or remove the asset. Sunoco Logistics believes it may have additional asset retirement obligations related to its pipeline assets and storage tanks, for which it is not possible to estimate whether or when the retirement obligations will be settled. Consequently, these retirement obligations cannot be measured at this time.

Below is a schedule of AROs by entity recorded as other non-current liabilities in ETP's consolidated balance sheet:

	December 31,	
	2013	2012
Southern Union	\$55	\$46
Sunoco	84	53
Sunoco Logistics	41	41
	\$180	\$140

Individual component assets have been and will continue to be replaced, but the pipeline and the natural gas gathering and processing systems will continue in operation as long as supply and demand for natural gas exists. Based on the widespread use of natural gas in industrial and power generation activities, management expects supply and demand to exist for the foreseeable future. We have in place a rigorous repair and maintenance program that keeps the pipelines and the natural gas gathering and processing systems in good working order. Therefore, although some of the individual assets may be replaced, the pipelines and the natural gas gathering and processing systems themselves will remain intact indefinitely.

As of December 31, 2013, there were no legally restricted funds for the purpose of settling AROs.

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Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following:

	December 31,	
	2013	2012
Interest payable	\$294	\$256
Customer advances and deposits	126	44
Accrued capital expenditures	166	356
Accrued wages and benefits	155	236
Taxes payable other than income taxes	214	203
Income taxes payable	3	40
Deferred income taxes	119	130
Other	351	297
Total accrued and other current liabilities	\$1,428	\$1,562

Deposits or advances are received from our customers as prepayments for natural gas deliveries in the following month. Prepayments and security deposits may also be required when customers exceed their credit limits or do not qualify for open credit.

Environmental Remediation

We accrue environmental remediation costs for work at identified sites where an assessment has indicated that cleanup costs are probable and reasonably estimable. Such accruals are undiscounted and are based on currently available information, estimated timing of remedial actions and related inflation assumptions, existing technology and presently enacted laws and regulations. If a range of probable environmental cleanup costs exists for an identified site, the minimum of the range is accrued unless some other point in the range is more likely in which case the most likely amount in the range is accrued.

Fair Value of Financial Instruments

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 loans with similar terms and average maturities, the aggregate fair value and carrying amount of our debt obligations as of December 31, 2013 was \$17.69 billion and \$17.09 billion, respectively. As of December 31, 2012, the aggregate fair value and carrying amount of our debt obligations was \$17.84 billion and \$16.22 billion, respectively. The fair value of our consolidated debt obligations is a Level 2 valuation based on the observable inputs used for similar liabilities.

We have commodity derivatives and interest rate derivatives that are accounted for as assets and liabilities at fair value in our 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 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 as the primary input, the LIBOR curve, is based on quotes from an active exchange of Eurodollar futures for the same period as the future interest swap settlements. Level 3 inputs are unobservable. During the period ended December 31, 2013, no transfers were made between any levels within the fair value hierarchy.

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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 December 31, 2013 and 2012 based on inputs used to derive their fair values:

	Fair Value Total	Fair Value Measurements at December 31, 2013	
		Level 1	Level 2
Assets:			
Interest rate derivatives	\$47	\$—	\$47
Commodity derivatives:			
Natural Gas:			
Basis Swaps IFERC/NYMEX	5	5	—
Swing Swaps IFERC	8	1	7
Fixed Swaps/Futures	201	201	—
Power:			
Forwards	3	—	3
Natural Gas Liquids – Forwards/Swaps	5	5	—
Refined Products – Futures	5	5	—
Total commodity derivatives	227	217	10
Total assets	\$274	\$217	\$57
Liabilities:			
Interest rate derivatives	\$(95)	) \$—	\$(95)
Commodity derivatives:			
Natural Gas:			
Basis Swaps IFERC/NYMEX	(4)	) (4)) —
Swing Swaps IFERC	(6)	) —	) (6)
Fixed Swaps/Futures	(201)	) (201)) —
Forward Physical Swaps	(1)	) —	) (1)
Power:			
Forwards	(1)	) —	) (1)
Natural Gas Liquids – Forwards/Swaps	(5)	) (5)) —
Refined Products – Futures	(5)) (5)) —
Total commodity derivatives	(223)) (215)) (8)
Total liabilities	\$(318)) \$(215)) \$(103)

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	Fair Value Total	Fair Value Measurements at December 31, 2012		
		Level 1	Level 2	
Assets:				
Interest rate derivatives	\$55	\$—	\$55	
Commodity derivatives:				
Natural Gas:				
Basis Swaps IFERC/NYMEX	11	11	—	
Swing Swaps IFERC	3	—	3	
Fixed Swaps/Futures	96	94	2	
Options – Puts	1	—	1	
Options – Calls	3	—	3	
Forward Physical Swaps	1	—	1	
Power:				
Forwards	27	—	27	
Futures	1	1	—	
Options – Calls	2	—	2	
Natural Gas Liquids – Swaps	1	1	—	
Refined Products – Futures	5	1	4	
Total commodity derivatives	151	108	43	
Total assets	\$206	\$108	\$98	
Liabilities:				
Interest rate derivatives	\$(223) \$—	\$(223)
Commodity derivatives:				
Natural Gas:				
Basis Swaps IFERC/NYMEX	(18	) (18) —	
Swing Swaps IFERC	(2) —	(2)
Fixed Swaps/Futures	(103) (94) (9)
Options – Puts	(1) —	(1)
Options – Calls	(3) —	(3)
Power:				
Forwards	(27) —	(27)
Futures	(2	) (2) —	
Natural Gas Liquids – Swaps	(3	) (3) —	
Refined Products – Futures	(8) (1) (7)
Total commodity derivatives	(167) (118) (49)
Total liabilities	\$(390) \$(118) \$(272)

At December 31, 2013, the fair value of the Trunkline LNG reporting unit was classified as Level 3 of the fair value hierarchy due to the significance of unobservable inputs developed using company-specific information. We used the income approach to measure the fair value of the Trunkline LNG reporting unit. Under the income approach, we calculated the fair value based on the present value of the estimated future cash flows. The discount rate used, which was an unobservable input, was based on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the business's ability to execute on the projected cash flows.

Contributions in Aid of Construction Costs

On certain of our capital projects, third parties are obligated to reimburse us for all or a portion of project expenditures. The majority of such arrangements are associated with pipeline construction and production well tie-ins. Contributions in aid of

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construction costs (“CIAC”) are netted against our project costs as they are received, and any CIAC which exceeds our total project costs, is recognized as other income in the period in which it is realized.

Shipping and Handling Costs

Shipping and handling costs related to fuel sold are included in cost of products sold. Shipping and handling costs related to fuel consumed for compression and treating are included in operating expenses and are as follows:

	Years Ended December 31,		
	2013	2012	2011
Shipping and handling costs – recorded in operating expenses	\$28	\$25	\$40

Costs and Expenses

Costs of products sold include actual cost of fuel sold, adjusted for the effects of our hedging and other commodity derivative activities, and the cost of appliances, parts and fittings. Operating expenses include all costs incurred to provide products to customers, including compensation for operations personnel, insurance costs, vehicle maintenance, advertising costs, purchasing costs and plant operations. Selling, general and administrative expenses include all partnership related expenses and compensation for executive, partnership, and administrative personnel. We record the collection of taxes to be remitted to government authorities on a net basis except for our retail marketing segment in which consumer excise taxes on sales of refined products and merchandise are included in both revenues and costs and expenses in the consolidated statements of operations, with no effect on net income (loss). Excise taxes collected by our retail marketing segment were \$2.22 billion and \$573 million for the years ended December 31, 2013 and 2012, respectively.

Income Taxes

ETP is a publicly traded limited partnership and is not taxable for federal and most state income tax purposes. As a result, our earnings or losses, to the extent not included in a taxable subsidiary, for federal and most state purposes are included in the tax returns of the individual partners. Net earnings for financial statement purposes may differ significantly from taxable income reportable to Unitholders as a result of differences between the tax basis and financial basis of assets and liabilities, differences between the tax accounting and financial accounting treatment of certain items, and due to allocation requirements related to taxable income under our Second Amended and Restated Agreement of Limited Partnership (the “Partnership Agreement”).

As a publicly traded limited partnership, we are subject to a statutory requirement that our “qualifying income” (as defined by the Internal Revenue Code, related Treasury Regulations, and IRS pronouncements) exceed 90% of our total gross income, determined on a calendar year basis. If our qualifying income does not meet this statutory requirement, ETP would be taxed as a corporation for federal and state income tax purposes. For the years ended December 31, 2013, 2012 and 2011, our qualifying income met the statutory requirement.

The Partnership conducts certain activities through corporate subsidiaries which are subject to federal, state and local income taxes. Holdco, which owns Sunoco and Southern Union, is a corporate subsidiary. The Partnership and its corporate subsidiaries account for income taxes under the asset and liability method.

Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rate is recognized in earnings in the period that includes the enactment date. Valuation allowances are established when necessary to reduce deferred tax assets to the amounts more likely than not to be realized.

The determination of the provision for income taxes requires significant judgment, use of estimates, and the interpretation and application of complex tax laws. Significant judgment is required in assessing the timing and amounts of deductible and taxable items and the probability of sustaining uncertain tax positions. The benefits of uncertain tax positions are recorded in our financial statements only after determining a more-likely-than-not probability that the uncertain tax positions will withstand challenge, if any, from taxing authorities. When facts and circumstances change, we reassess these probabilities and record any changes through the provision for income taxes.

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Accounting for Derivative Instruments and Hedging Activities

For qualifying hedges, we formally document, designate and assess the effectiveness of transactions that receive hedge accounting treatment and the gains and losses offset related results on the hedged item in the statement of operations. The market prices used to value our financial derivatives and related transactions have been determined using independent third party prices, readily available market information, broker quotes and appropriate valuation techniques.

At inception of a hedge, we formally document the relationship between the hedging instrument and the hedged item, the risk management objectives, and the methods used for assessing and testing effectiveness and how any ineffectiveness will be measured and recorded. We also assess, both at the inception of the hedge and on a quarterly basis, whether the derivatives that are used in our hedging transactions are highly effective in offsetting changes in cash flows. If we determine that a derivative is no longer highly effective as a hedge, we discontinue hedge accounting prospectively by including changes in the fair value of the derivative in net income for the period.

If we designate a commodity hedging relationship as a fair value hedge, we record the changes in fair value of the hedged asset or liability in cost of products sold in our consolidated statements of operations. This amount is offset by the changes in fair value of the related hedging instrument. Any ineffective portion or amount excluded from the assessment of hedge ineffectiveness is also included in the cost of products sold in the consolidated statements of operations.

Cash flows from derivatives accounted for as cash flow hedges are reported as cash flows from operating activities, in the same category as the cash flows from the items being hedged.

If we designate a derivative financial instrument as a cash flow hedge and it qualifies for hedge accounting, the change in the fair value is deferred in AOCI until the underlying hedged transaction occurs. Any ineffective portion of a cash flow hedge's change in fair value is recognized each period in earnings. Gains and losses deferred in AOCI related to cash flow hedges remain in AOCI until the underlying physical transaction occurs, unless it is probable that the forecasted transaction will not occur by the end of the originally specified time period or within an additional two-month period of time thereafter. For financial derivative instruments that do not qualify for hedge accounting, the change in fair value is recorded in cost of products sold in the consolidated statements of operations.

We manage a portion of our interest rate exposures by utilizing interest rate swaps and similar instruments. Certain of our interest rate derivatives are accounted for as either cash flow hedges or fair value hedges. For interest rate derivatives accounted for as either cash flow or fair value hedges, we report realized gains and losses and ineffectiveness portions of those hedges in interest expense. For interest rate derivatives not designated as hedges for accounting purposes, we report realized and unrealized gains and losses on those derivatives in "Gains (losses) on interest rate derivatives" in the consolidated statements of operations.

Pensions and Other Postretirement Benefit Plans

Employers are required to recognize in their balance sheets the overfunded or underfunded status of defined benefit pension and other postretirement plans, measured as the difference between the fair value of the plan assets and the benefit obligation (the projected benefit obligation for pension plans and the accumulated postretirement benefit obligation for other postretirement plans). Each overfunded plan is recognized as an asset and each underfunded plan is recognized as a liability. Employers must recognize the change in the funded status of the plan in the year in which the change occurs through AOCI in equity or are reflected as a regulatory asset or regulatory liability for regulated subsidiaries.

Allocation of Income

For purposes of maintaining partner capital accounts, the Partnership Agreement specifies that items of income and loss shall generally be allocated among the partners in accordance with their percentage interests. The capital account provisions of our Partnership Agreement incorporate principles established for U.S. Federal income tax purposes and are not comparable to the partners' capital balances reflected under GAAP in our consolidated financial statements. Our net income 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 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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3. ACQUISITIONS, DIVESTITURES AND RELATED TRANSACTIONS:

2014 Transactions

Panhandle Merger

On January 10, 2014, Panhandle consummated a merger with Southern Union, the indirect parent of Panhandle, and PEPL Holdings, the sole limited partner of Panhandle, pursuant to which each of Southern Union and PEPL Holdings were merged with and into Panhandle (the “Panhandle Merger”), with Panhandle surviving the Panhandle Merger. In connection with the Panhandle Merger, Panhandle assumed Southern Union’s obligations under its 7.6% Senior Notes due 2024, 8.25% Senior Notes due 2029 and the Junior Subordinated Notes due 2066. At the time of the Panhandle Merger, Southern Union did not have operations of its own, other than its ownership of Panhandle and noncontrolling interest in PEI Power II, LLC, Regency (31.4 million common units and 6.3 million Class F Units), and ETP (2.2 million Common Units). In connection with the Panhandle Merger, Panhandle also assumed PEPL Holdings’ guarantee of \$600 million of Regency senior notes.

Trunkline LNG Transaction

On February 19, 2014, ETE and ETP completed the transfer to ETE of Trunkline LNG, the entity that owns a LNG regasification facility in Lake Charles, Louisiana, from ETP in exchange for the redemption by ETP of 18.7 million ETP Common Units held by ETE. This transaction was effective as of January 1, 2014. The results of Trunkline LNG’s operations have not been presented as discontinued operations and Trunkline LNG’s assets and liabilities have not been presented as held for sale in the Partnership’s consolidated financial statements due to the expected continuing involvement among the entities.

In connection with ETE’s acquisition of Trunkline LNG, ETP agreed to continue to provide management services for ETE through 2015 in relation to both Trunkline LNG’s regasification facility and the development of a liquefaction project at Trunkline LNG’s facility, for which ETE has agreed to pay incremental management fees to ETP of \$75 million per year for the years ending December 31, 2014 and 2015. ETE also agreed to provide additional subsidies to ETP through the relinquishment of future incentive distributions, as discussed further in Note 7.

2013 Transactions

Sale of Southern Union’s Distribution Operations

In December 2012, Southern Union entered into a purchase and sale agreement with The Laclede Group, Inc., pursuant to which Laclede Missouri agreed to acquire the assets of Southern Union’s MGE division and Laclede Massachusetts agreed to acquire the assets of Southern Union’s NEG division (together, the “LDC Disposal Group”). Laclede Gas Company, a subsidiary of The Laclede Group, Inc., subsequently assumed all of Laclede Missouri’s rights and obligations under the purchase and sale agreement. In February 2013, The Laclede Group, Inc. entered into an agreement with Algonquin Power & Utilities Corp (“APUC”) that allowed a subsidiary of APUC to assume the rights of The Laclede Group, Inc. to purchase the assets of Southern Union’s NEG division.

In September 2013, Southern Union completed its sale of the assets of MGE for an aggregate purchase price of \$975 million, subject to customary post-closing adjustments. In December 2013, Southern Union completed its sale of the assets of NEG for cash proceeds of \$40 million, subject to customary post-closing adjustments, and the assumption of \$20 million of debt.

The LDC Disposal Group’s operations have been classified as discontinued operations for all periods in the consolidated statements of operations. The assets and liabilities of the LDC Disposal Group were classified as assets and liabilities held for sale at December 31, 2012.

The following table summarizes selected financial information related to Southern Union’s distribution operations in 2013 through MGE and NEG’s sale dates in September 2013 and December 2013, respectively, and for the period from March 26, 2012 to December 31, 2012:

	Years Ended December 31,	
	2013	2012
Revenue from discontinued operations	\$415	\$324
Net income of discontinued operations, excluding effect of taxes and overhead allocations	65	43

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SUGS Contribution

On April 30, 2013, Southern Union completed its contribution to Regency of all of the issued and outstanding membership interest in Southern Union Gathering Company, LLC, and its subsidiaries, including SUGS (the “SUGS Contribution”). The general partner and IDRs of Regency are owned by ETE. The consideration paid by Regency in connection with this transaction consisted of (i) the issuance of approximately 31.4 million Regency common units to Southern Union, (ii) the issuance of approximately 6.3 million Regency Class F units to Southern Union, (iii) the distribution of \$463 million in cash to Southern Union, net of closing adjustments, and (iv) the payment of \$30 million in cash to a subsidiary of ETP. This transaction was between commonly controlled entities; therefore, the amounts recorded in the consolidated balance sheet for the investment in Regency and the related deferred tax liabilities were based on the historical book value of SUGS. In addition, PEPL Holdings, a wholly-owned subsidiary of Southern Union, provided a guarantee of collection with respect to the payment of the principal amounts of Regency’s debt related to the SUGS Contribution. The Regency Class F units have the same rights, terms and conditions as the Regency common units, except that Southern Union will not receive distributions on the Regency Class F units for the first eight consecutive quarters following the closing, and the Regency Class F units will thereafter automatically convert into Regency common units on a one-for-one basis. The Partnership has not presented SUGS as discontinued operations due to the expected continuing involvement with SUGS through affiliate relationships, as well as the direct investment in Regency common and Class F units received, which has been accounted for using the equity method.

Acquisition of ETE’s Holdco Interest

On April 30, 2013, ETP acquired ETE’s 60% interest in Holdco for approximately 49.5 million of newly issued ETP Common Units and \$1.40 billion in cash, less \$68 million of closing adjustments (the “Holdco Acquisition”). As a result, ETP now owns 100% of Holdco. ETE, which owns the general partner and IDRs of ETP, agreed to forego incentive distributions on the newly issued ETP units for each of the first eight consecutive quarters beginning with the quarter in which the closing of the transaction occurred and 50% of incentive distributions on the newly issued ETP units for the following eight consecutive quarters. ETP controlled Holdco prior to this acquisition; therefore, the transaction did not constitute a change of control.

2012 Transactions

Southern Union Merger

On March 26, 2012, ETE completed its acquisition of Southern Union. Southern Union was the surviving entity in the merger and operated as a wholly-owned subsidiary of ETE. See below for discussion of Holdco Transaction and ETE’s contribution of Southern Union to Holdco.

Under the terms of the merger agreement, Southern Union stockholders received a total of 57 million ETE Common Units and a total of approximately \$3.01 billion in cash. Effective with the closing of the transaction, Southern Union’s common stock was no longer publicly traded.

Citrus Acquisition

In connection with the Southern Union Merger on March 26, 2012, we completed our acquisition of CrossCountry, a subsidiary of Southern Union which owned an indirect 50% interest in Citrus, the owner of FGT. The total merger consideration was approximately \$2.0 billion, consisting of approximately \$1.9 billion in cash and approximately 2.2 million ETP Common Units. See Note 4 for more information regarding our equity method investment in Citrus.

Sunoco Merger

On October 5, 2012, ETP completed its merger with Sunoco. Under the terms of the merger agreement, Sunoco shareholders received 55 million ETP Common Units and a total of approximately \$2.6 billion in cash.

Sunoco generates cash flow from a portfolio of retail outlets for the sale of gasoline and middle distillates in the east coast, midwest and southeast areas of the United States. Prior to October 5, 2012, Sunoco also owned a 2% general partner interest, 100% of the IDRs, and 32% of the outstanding common units of Sunoco Logistics. As discussed below, on October 5, 2012, Sunoco’s interests in Sunoco Logistics were transferred to the Partnership.

Prior to the Sunoco Merger, on September 8, 2012, Sunoco completed the exit from its Northeast refining operations by contributing the refining assets at its Philadelphia refinery and various commercial contracts to PES, a joint venture with The Carlyle Group. Sunoco also permanently idled the main refining processing units at its Marcus Hook refinery in June 2012. The Marcus Hook facility continued to support operations at the Philadelphia refinery prior to

commencement of the PES joint venture. Under the terms of the joint venture agreement, The Carlyle Group contributed cash in exchange for a 67% controlling interest in PES. In exchange for contributing its Philadelphia refinery assets and various commercial contracts to

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the joint venture, Sunoco retained an approximate 33% non-operating noncontrolling interest. The fair value of Sunoco's retained interest in PES, which was \$75 million on the date on which the joint venture was formed, was determined based on the equity contributions of The Carlyle Group. Sunoco has indemnified PES for environmental liabilities related to the Philadelphia refinery that arose from the operation of such assets prior the formation of the joint venture. The Carlyle Group will oversee day-to-day operations of PES and the refinery. JPMorgan Chase will provide working capital financing to PES in the form of an asset-backed loan, supply crude oil and other feedstocks to the refinery at the time of processing and purchase certain blendstocks and all finished refined products as they are processed. Sunoco entered into a supply contract for gasoline and diesel produced at the refinery for its retail marketing business.

ETP incurred merger related costs related to the Sunoco Merger of \$28 million during the year ended December 31, 2012. Sunoco's revenue included in our consolidated statement of operations was approximately \$5.93 billion during October through December 2012. Sunoco's net loss included in our consolidated statement of operations was approximately \$14 million during October through December 2012. Sunoco Logistics' revenue included in our consolidated statement of operations was approximately \$3.11 billion during October through December 2012. Sunoco Logistics' net income included in our consolidated statement of operations was approximately \$145 million during October through December 2012.

Holdco Transaction

Immediately following the closing of the Sunoco Merger in 2012, ETE contributed its interest in Southern Union into Holdco, an ETP-controlled entity, in exchange for a 60% equity interest in Holdco. In conjunction with ETE's contribution, ETP contributed its interest in Sunoco to Holdco and retained a 40% equity interest in Holdco. Prior to the contribution of Sunoco to Holdco, Sunoco contributed \$2.0 billion of cash and its interests in Sunoco Logistics to ETP in exchange for 90.7 million Class F Units representing limited partner interests in ETP ("Class F Units"). The Class F Units were exchanged for Class G Units in 2013 as discussed in Note 7. Pursuant to a stockholders agreement between ETE and ETP, ETP controlled Holdco (prior to ETP's acquisition of ETE's 60% equity interest in Holdco in 2013) and therefore, ETP consolidated Holdco (including Sunoco and Southern Union) in its financial statements subsequent to consummation of the Holdco Transaction.

Under the terms of the Holdco transaction agreement, ETE agreed to relinquish its right to \$210 million of incentive distributions from ETP that ETE would otherwise be entitled to receive over 12 consecutive quarters beginning with the distribution paid on November 14, 2012.

In accordance with GAAP, we have accounted for the Holdco Transaction, whereby ETP obtained control of Southern Union, as a reorganization of entities under common control. Accordingly, ETP's consolidated financial statements have been retrospectively adjusted to reflect consolidation of Southern Union into ETP beginning March 26, 2012 (the date ETE acquired Southern Union). This change only impacted interim periods in 2012, and no prior annual amounts have been adjusted.

Summary of Assets Acquired and Liabilities Assumed

We accounted for the Sunoco Merger using the acquisition method of accounting, which requires, among other things, that assets acquired and liabilities assumed be recognized on the balance sheet at their fair values as of the acquisition date. Upon consummation of the Holdco Transaction, we applied the accounting guidance for transactions between entities under common control. In doing so, we recorded the values of assets and liabilities that had been recorded by ETE as reflected below.

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The following table summarizes the assets acquired and liabilities assumed as of the respective acquisition dates:

	Sunoco ⁽¹⁾	Southern Union ⁽²⁾
Current assets	\$7,312	\$556
Property, plant and equipment	6,686	6,242
Goodwill	2,641	2,497
Intangible assets	1,361	55
Investments in unconsolidated affiliates	240	2,023
Note receivable	821	—
Other assets	128	163
	19,189	11,536
Current liabilities	4,424	1,348
Long-term debt obligations, less current maturities	2,879	3,120
Deferred income taxes	1,762	1,419
Other non-current liabilities	769	284
Noncontrolling interest	3,580	—
	13,414	6,171
Total consideration	5,775	5,365
Cash received	2,714	37
Total consideration, net of cash received	\$3,061	\$5,328

⁽¹⁾ Includes amounts recorded with respect to Sunoco Logistics.

⁽²⁾ Includes ETP's acquisition of Citrus.

As a result of the Holdco Transaction, we recognized \$38 million of merger-related costs during the year ended December 31, 2012 related to Southern Union. Southern Union's revenue included in our consolidated statement of operations was approximately \$1.26 billion since the acquisition date to December 31, 2012. Southern Union's net income included in our consolidated statement of operations was approximately \$39 million since the acquisition date to December 31, 2012.

Propane Operations

On January 12, 2012, we contributed our propane operations, consisting of HOLP and Titan (collectively, the "Propane Business") to AmeriGas. We received approximately \$1.46 billion in cash and approximately 30 million AmeriGas common units. AmeriGas assumed approximately \$71 million of existing HOLP debt. In connection with the closing of this transaction, we entered into a support agreement with AmeriGas pursuant to which we are obligated to provide contingent, residual support of \$1.50 billion of intercompany indebtedness owed by AmeriGas to a finance subsidiary that in turn supports the repayment of \$1.50 billion of senior notes issued by this AmeriGas finance subsidiary to finance the cash portion of the purchase price.

We have not reflected the Propane Business as discontinued operations as we will have a continuing involvement in this business as a result of the investment in AmeriGas that was transferred as consideration for the transaction. In June 2012, we sold the remainder of our retail propane operations, consisting of our cylinder exchange business, to a third party. In connection with the contribution agreement with AmeriGas, certain excess sales proceeds from the sale of the cylinder exchange business were remitted to AmeriGas, and we received net proceeds of approximately \$43 million.

Sale of Canyon

In October 2012, we sold Canyon for approximately \$207 million. The results of continuing operations of Canyon have been reclassified to loss from discontinued operations and the prior year amounts have been restated to present Canyon's operations as discontinued operations. A write down of the carrying amounts of the Canyon assets to their fair values was recorded for approximately \$132 million during the year ended December 31, 2012. Canyon was previously included in our midstream segment.

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2011 Transaction

LDH Acquisition

On May 2, 2011, ETP-Regency Midstream Holdings, LLC (“ETP-Regency LLC”), a joint venture owned 70% by the Partnership and 30% by Regency, acquired all of the membership interest in LDH, from Louis Dreyfus Highbridge Energy LLC for approximately \$1.98 billion in cash (the “LDH Acquisition”), including working capital adjustments. The Partnership contributed approximately \$1.38 billion to ETP-Regency LLC to fund its 70% share of the purchase price. Subsequent to closing, ETP-Regency LLC was renamed Lone Star.

Lone Star owns and operates a natural gas liquids storage, fractionation and transportation business. Lone Star’s storage assets are primarily located in Mont Belvieu, Texas, and its West Texas Pipeline transports NGLs through an intrastate pipeline system that originates in the Permian Basin in west Texas, passes through the Barnett Shale production area in north Texas and terminates at the Mont Belvieu storage and fractionation complex. Lone Star also owns and operates fractionation and processing assets located in Louisiana. The acquisition of LDH by Lone Star expanded the Partnership’s asset portfolio by adding an NGL platform with storage, transportation and fractionation capabilities.

We accounted for the LDH Acquisition using the acquisition method of accounting. Lone Star’s results of operations are included in our NGL transportation and services segment. Regency’s 30% interest in Lone Star is reflected as noncontrolling interest.

Pro Forma Results of Operations

The following unaudited pro forma consolidated results of operations for the years ended December 31, 2012 and 2011 are presented as if the Sunoco Merger, Holdco Transaction and LDH Acquisition had been completed on January 1, 2011.

	Years Ended December 31,	
	2012	2011
Revenues	\$39,136	\$36,169
Net income	1,133	1,027
Net income attributable to partners	788	745
Basic net income per Limited Partner unit	\$1.33	\$1.24
Diluted net income per Limited Partner unit	\$1.33	\$1.24

The pro forma consolidated results of operations include adjustments to:

- include the results of Lone Star, Southern Union and Sunoco beginning January 1, 2011;
- include the incremental expenses associated with the fair value adjustments recorded as a result of applying the acquisition method of accounting;
- include incremental interest expense related to the financing of ETP’s proportionate share of the purchase price; and
- reflect noncontrolling interest related to ETE’s 60% interest in Holdco during the periods.

The pro forma information is not necessarily indicative of the results of operations that would have occurred had the transactions been made at the beginning of the periods presented or the future results of the combined operations.

4. ADVANCES TO AND INVESTMENTS IN UNCONSOLIDATED AFFILIATES:

Regency

On April 30, 2013, Southern Union completed its contribution to Regency of all of the issued and outstanding membership interest in Southern Union Gathering Company, LLC, and its subsidiaries, including SUGS (see Note 3). The consideration paid by Regency in connection with this transaction included approximately 31.4 million Regency common units, approximately 6.3 million Regency Class F units, the distribution of \$463 million in cash to Southern Union, net of closing adjustments, and the payment of \$30 million in cash to a subsidiary of ETP. This direct investment in Regency common and Class F units received has been accounted for using the equity method. The carrying amount of our investment in Regency was \$1.41 billion as of December 31, 2013 and was reflected in our all other segment.

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Citrus Corp.

On March 26, 2012, ETE consummated the acquisition of Southern Union and, concurrently with the closing of the Southern Union acquisition, CrossCountry, a subsidiary of Southern Union that indirectly owned a 50% interest in Citrus, merged with a subsidiary of ETP and, in connection therewith, ETP paid approximately \$1.9 billion in cash and issued \$105 million of ETP Common Units (the "Citrus Acquisition") to a subsidiary of ETE. As a result of the consummation of the Citrus Acquisition, ETP owns CrossCountry, which in turn owns a 50% interest in Citrus. The other 50% interest in Citrus is owned by a subsidiary of Kinder Morgan, Inc. Citrus owns 100% of FGT, a natural gas pipeline system that originates in Texas and delivers natural gas to the Florida peninsula.

We recorded our investment in Citrus at \$2.0 billion, which exceeded our proportionate share of Citrus' equity by \$1.03 billion, all of which is treated as equity method goodwill due to the application of regulatory accounting. The carrying amount of our investment in Citrus was \$1.89 billion and \$1.98 billion as of December 31, 2013 and 2012, respectively, and was reflected in our interstate transportation and storage segment.

AmeriGas Partners, L.P.

As discussed in Note 3, on January 12, 2012, we received approximately 29.6 million AmeriGas common units in connection with the contribution of our propane operations. On July 12, 2013, we sold 7.5 million AmeriGas common units for net proceeds of \$346 million, and as of December 31, 2013, we owned 22.1 million AmeriGas common units representing an approximate 24% limited partner interest.

The carrying amount of our investment in AmeriGas was \$746 million and \$1.02 billion as of December 31, 2013 and 2012, respectively, and was reflected in our all other segment. As of December 31, 2013, our investment in AmeriGas reflected \$439 million in excess of our proportionate share of AmeriGas' limited partners' capital. Of this excess fair value, \$184 million is being amortized over a weighted average period of 14 years, and \$255 million is being treated as equity method goodwill and non-amortizable intangible assets.

In January 2014, we sold 9.2 million AmeriGas common units for net proceeds of \$381 million. Net proceeds from this sale were used to repay borrowings under the ETP Credit Facility and general partnership purposes.

FEP

We have a 50% interest in FEP, a 50/50 joint venture with KMP. FEP owns the Fayetteville Express pipeline, an approximately 185-mile natural gas pipeline that originates in Conway County, Arkansas, continues eastward through White County, Arkansas and terminates at an interconnect with Trunkline Gas Company in Panola County, Mississippi. The carrying amount of our investment in FEP was \$144 million and \$159 million as of December 31, 2013 and 2012, respectively, and was reflected in our interstate transportation and storage segment.

Summarized Financial Information

The following tables present aggregated selected balance sheet and income statement data for our unconsolidated affiliates, FEP, AmeriGas, Citrus and Regency (on a 100% basis) for all periods presented:

	December 31,	
	2013	2012
Current assets	\$1,372	\$878
Property, plant and equipment, net	12,320	8,063
Other assets	6,478	2,529
Total assets	\$20,170	\$11,470
Current liabilities	\$1,455	\$1,605
Non-current liabilities	10,286	6,143
Equity	8,429	3,722
Total liabilities and equity	\$20,170	\$11,470

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	Years Ended December 31,		
	2013	2012	2011
Revenue	\$6,806	\$4,057	\$3,337
Operating income	1,043	635	681
Net income	574	338	341

In addition to the equity method investments described above we have other equity method investments which are not significant to our consolidated financial statements.

5. NET INCOME PER LIMITED PARTNER UNIT:

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

	Years Ended December 31,		
	2013	2012	2011
Income from continuing operations	\$735	\$1,757	\$700
Less: Income from continuing operations attributable to noncontrolling interest	296	62	28
Income from continuing operations, net of noncontrolling interest	439	1,695	672
General Partner's interest in income from continuing operations	505	463	433
Limited Partners' interest in income (loss) from continuing operations	(66	) 1,232	239
Additional earnings allocated (to) from General Partner	(2	) 1	1
Distributions on employee unit awards, net of allocation to General Partner	(10	) (9	) (8
Income (loss) from continuing operations available to Limited Partners	\$(78	) \$1,224	\$232
Weighted average Limited Partner units – basic	343.4	248.3	207.2
Basic income (loss) from continuing operations per Limited Partner unit	\$(0.23	) \$4.93	\$1.12
Dilutive effect of unvested Unit Awards	—	0.7	0.9
Weighted average Limited Partner units, assuming dilutive effect of unvested Unit Awards	343.4	249.0	208.1
Diluted income (loss) from continuing operations per Limited Partner unit	\$(0.23	) \$4.91	\$1.12
Basic income (loss) from discontinued operations per Limited Partner unit	\$0.05	\$(0.50	) \$(0.02
Diluted income (loss) from discontinued operations per Limited Partner unit	\$0.05	\$(0.50	) \$(0.02

6. DEBT OBLIGATIONS:

Our debt obligations consist of the following:

	December 31,	
	2013	2012
ETP Debt		
6.0% Senior Notes due July 1, 2013	\$—	\$350
8.5% Senior Notes due April 15, 2014	292	292
5.95% Senior Notes due February 1, 2015	750	750
6.125% Senior Notes due February 15, 2017	400	400

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6.7% Senior Notes due July 1, 2018	600	600
9.7% Senior Notes due March 15, 2019	400	400
9.0% Senior Notes due April 15, 2019	450	450
4.15% Senior Notes due October 1, 2020	700	—
4.65% Senior Notes due June 1, 2021	800	800
5.20% Senior Notes due February 1, 2022	1,000	1,000
3.60% Senior Notes due February 1, 2023	800	—
4.9% Senior Notes due February 1, 2024	350	—
7.6% Senior Notes due February 1, 2024	277	—
8.25% Senior Notes due November 15, 2029	267	—
6.625% Senior Notes due October 15, 2036	400	400
7.5% Senior Notes due July 1, 2038	550	550
6.05% Senior Notes due June 1, 2041	700	700
6.50% Senior Notes due February 1, 2042	1,000	1,000
5.15% Senior Notes due February 1, 2043	450	—
5.95% Senior Notes due October 1, 2043	450	—
Floating Rate Junior Subordinated Notes due November 1, 2066	546	—
ETP \$2.5 billion Revolving Credit Facility due October 27, 2017	65	1,395
Unamortized premiums, discounts and fair value adjustments, net	(34	) (14
	11,213	9,073
Transwestern Debt		
5.39% Senior Notes due November 17, 2014	88	88
5.54% Senior Notes due November 17, 2016	125	125
5.64% Senior Notes due May 24, 2017	82	82
5.36% Senior Notes due December 9, 2020	175	175
5.89% Senior Notes due May 24, 2022	150	150
5.66% Senior Notes due December 9, 2024	175	175
6.16% Senior Notes due May 24, 2037	75	75
Unamortized premiums, discounts and fair value adjustments, net	(1	) (1
	869	869
Southern Union Debt ⁽¹⁾		
7.60% Senior Notes due February 1, 2024	82	360
8.25% Senior Notes due November 14, 2029	33	300
Floating Rate Junior Subordinated Notes due November 1, 2066	54	600
Southern Union \$700 million Revolving Credit Facility due May 20, 2016	—	210
Unamortized premiums, discounts and fair value adjustments, net	48	49
	217	1,519
Panhandle Debt		
6.05% Senior Notes due August 15, 2013	—	250
6.20% Senior Notes due November 1, 2017	300	300
7.00% Senior Notes due June 15, 2018	400	400
8.125% Senior Notes due June 1, 2019	150	150
7.00% Senior Notes due July 15, 2029	66	66
Term Loan due February 23, 2015	—	455
Unamortized premiums, discounts and fair value adjustments, net	107	136
	1,023	1,757

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Sunoco Debt		
4.875% Senior Notes due October 15, 2014	250	250
9.625% Senior Notes due April 15, 2015	250	250
5.75% Senior Notes due January 15, 2017	400	400
9.00% Debentures due November 1, 2024	65	65
Unamortized premiums, discounts and fair value adjustments, net	70	104
	1,035	1,069
Sunoco Logistics Debt		
8.75% Senior Notes due February 15, 2014 ⁽²⁾	175	175
6.125% Senior Notes due May 15, 2016	175	175
5.50% Senior Notes due February 15, 2020	250	250
4.65% Senior Notes due February 15, 2022	300	300
3.45% Senior Notes due January 15, 2023	350	—
6.85% Senior Notes due February 15, 2040	250	250
6.10% Senior Notes due February 15, 2042	300	300
4.95% Senior Notes due January 15, 2043	350	—
Sunoco Logistics \$200 million Revolving Credit Facility due August 21, 2014	—	26
Sunoco Logistics \$35 million Revolving Credit Facility due April 30, 2015	35	20
Sunoco Logistics \$350 million Revolving Credit Facility due August 22, 2016	—	93
Sunoco Logistics \$1.50 billion Revolving Credit Facility due November 1, 2018	200	—
Unamortized premiums, discounts and fair value adjustments, net	118	143
	2,503	1,732
Note Payable to ETE	—	166
Other	228	32
	17,088	16,217
Less: current maturities	637	609
	\$16,451	\$15,608

(1) In connection with the Panhandle Merger, Southern Union's debt obligations were assumed by Panhandle.

(2) Sunoco Logistics' 8.75% Senior Notes due February 15, 2014 were classified as long-term debt as Sunoco Logistics repaid these notes in February 2014 with borrowings under its \$1.50 billion credit facility due November 2018.

The following table reflects future maturities of long-term debt for each of the next five years and thereafter. These amounts exclude \$308 million in unamortized net premiums and fair value adjustments:

2014	\$812
2015	1,047
2016	375
2017	1,220
2018	1,205
Thereafter	12,121
Total	\$16,780

ETP as Co-Obligor of Sunoco Debt

In connection with the Sunoco Merger and Holdco Transaction, ETP became a co-obligor on approximately \$965 million of aggregate principal amount of Sunoco's existing senior notes and debentures.

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ETP Senior Notes

The ETP Senior Notes were registered under the Securities Act of 1933 (as amended). The Partnership may redeem some or all of the ETP Senior Notes at any time, or from time to time, pursuant to the terms of the indenture and related indenture supplements related to the ETP Senior Notes. The balance is payable upon maturity. Interest on the ETP Senior Notes is paid semi-annually.

The ETP Senior Notes are unsecured obligations of the Partnership and the obligation of the Partnership to repay the ETP Senior Notes is not guaranteed by any of the Partnership's subsidiaries. As a result, the ETP Senior Notes effectively rank junior to any future indebtedness of ours or our subsidiaries that is both secured and unsubordinated to the extent of the value of the assets securing such indebtedness, and the ETP Senior Notes effectively rank junior to all indebtedness and other liabilities of our existing and future subsidiaries.

Transwestern Senior Notes

The Transwestern notes are payable at any time in whole or pro rata in part, subject to a premium or upon a change of control event or an event of default, as defined. The balance is payable upon maturity. Interest is paid semi-annually.

Note Payable – ETE

On March 26, 2012, Southern Union received \$221 million from ETE to pay certain expenses in connection with the Merger, including (i) payments made to employees related to outstanding awards of stock options, stock appreciation rights and RSUs; and (ii) payments to certain executives under applicable employment or change in control agreements, which provided for compensation when their employment was terminated in connection with a change in control. In connection with the receipt of the \$221 million from ETE, on March 26, 2012, Southern Union entered into an interest-bearing promissory note payable due on or before March 25, 2013. The interest rate under the promissory note was 3.25% and accrued interest was payable monthly in arrears. A payment of \$55 million to ETE was made in May 2012, and the outstanding balance of \$166 million was assumed by Holdco as of December 31, 2012 and the maturity date of the note payable was extended to January 22, 2014. The note payable outstanding was paid in 2013.

Southern Union Junior Subordinated Notes

The interest rate on the remaining portion of Southern Union's \$600 million Junior Subordinated Notes due 2066 is a variable rate based upon the three-month LIBOR rate plus 3.0175%. The balance of the variable rate portion of the Junior Subordinated Notes was \$600 million at an effective interest rate of 3.32% at December 31, 2013.

Panhandle Term Loans

A portion of the proceeds from ETP's September 2013 Senior Notes Offering, as discussed below, was used to repay \$455 million in borrowings outstanding under the LNG Holdings term loan due February 2015.

January 2013 Senior Notes Offerings

In January 2013, ETP issued \$800 million aggregate principal amount of 3.6% Senior Notes due February 2023 and \$450 million aggregate principal amount of 5.15% Senior Notes due February 2043. ETP used the net proceeds of \$1.24 billion from the offering to repay borrowings outstanding under the ETP Credit Facility and for general partnership purposes.

In January 2013, Sunoco Logistics issued \$350 million aggregate principal amount of 3.45% Senior Notes due January 2023 and \$350 million aggregate principal amount of 4.95% Senior Notes due January 2043. Sunoco Logistics' used the net proceeds of \$691 million from the offering to repay borrowings outstanding under the Sunoco Logistics' Credit Facilities and for general partnership purposes.

September 2013 Senior Notes Offering

In September 2013, ETP issued \$700 million aggregate principal amount of 4.15% Senior Notes due October 2020, \$350 million aggregate principal amount of 4.90% Senior Notes due February 2024 and \$450 million aggregate principal amount of 5.95% Senior Notes due October 2043. ETP used the net proceeds of \$1.47 billion from the offering to repay \$455 million in borrowings outstanding under the term loan of Panhandle's wholly-owned subsidiary, Trunkline LNG Holdings, LLC, to repay borrowings outstanding under the ETP Credit Facility and for general partnership purposes.

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Note Exchange

On June 24, 2013, ETP completed the exchange of approximately \$1.09 billion aggregate principal amount of Southern Union's outstanding senior notes, comprising 77% of the principal amount of the 7.6% Senior Notes due 2024, 89% of the principal amount of the 8.25% Senior Notes due 2029 and 91% of the principal amount of the Junior Subordinated Notes due 2066. These notes were exchanged for new notes issued by ETP with the same coupon rates and maturity dates. In conjunction with this transaction, Southern Union entered into intercompany notes payable to ETP, which provide for the reimbursement by Southern Union of ETP's payments under the newly issued notes.

Credit Facilities

ETP Credit Facility

The ETP Credit Facility allows for borrowings of up to \$2.5 billion and expires in October 2017. The indebtedness under the ETP Credit Facility is unsecured and not guaranteed by any of the Partnership's subsidiaries and has equal rights to holders of our current and future unsecured debt. The indebtedness under the ETP Credit Facility has the same priority of payment as our other current and future unsecured debt. We use the ETP Credit Facility to provide temporary financing for our growth projects, as well as for general partnership purposes.

In November 2013, we amended the ETP Credit Facility to, among other things, (i) extend the maturity date for one additional year to October 2017, (ii) remove the restriction prohibiting unrestricted subsidiaries from owning debt or equity interests in ETP or any restricted subsidiaries of ETP, (iii) amend the covenant limiting fundamental changes to remove the restrictions on mergers or other consolidations of restricted subsidiaries of ETP and to permit ETP to merge with another person and not be the surviving entity provided certain requirements are met, and (iv) amend certain other provisions more specifically set forth in the amendment.

As of December 31, 2013, the ETP Credit Facility had \$65 million outstanding, and the amount available for future borrowings was \$2.34 billion after taking into account letters of credit of \$93 million. The weighted average interest rate on the total amount outstanding as of December 31, 2013 was 1.67%.

Southern Union Credit Facility

Proceeds from the SUGS Contribution were used to repay borrowings under the Southern Union Credit Facility and the facility was terminated.

Sunoco Logistics Credit Facilities

In November 2013, Sunoco Logistics replaced its existing \$350 million and \$200 million unsecured credit facilities with a new \$1.50 billion unsecured credit facility (the "\$1.50 billion Credit Facility"). The \$1.50 billion Credit Facility contains an accordion feature, under which the total aggregate commitment may be extended to \$2.25 billion under certain conditions. Outstanding borrowings under the \$350 million and \$200 million credit facilities of \$119 million at December 31, 2012 were repaid during the first quarter of 2013.

The \$1.50 billion Credit Facility, which matures in November 2018, is available to fund Sunoco Logistics' working capital requirements, to finance acquisitions and capital projects, to pay distributions and for general partnership purposes. The \$1.50 billion Credit Facility bears interest at LIBOR or the Base Rate, each plus an applicable margin. The credit facility may be prepaid at any time. Outstanding borrowings under this credit facility were \$200 million at December 31, 2013.

West Texas Gulf Pipe Line Company, a subsidiary of Sunoco Logistics, has a \$35 million revolving credit facility which expires in April 2015. The facility is available to fund West Texas Gulf's general corporate purposes including working capital and capital expenditures. Outstanding borrowings under this credit facility were \$35 million at December 31, 2013.

Covenants Related to Our Credit Agreements

Covenants Related to ETP

The agreements relating to the ETP Senior Notes contain restrictive covenants customary for an issuer with an investment-grade rating from the rating agencies, which covenants include limitations on liens and a restriction on sale-leaseback transactions.

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The credit agreement relating to the ETP Credit Facility contains covenants that limit (subject to certain exceptions) the Partnership's and certain of the Partnership's subsidiaries' ability to, among other things:

- incur indebtedness;
- grant liens;
- enter into mergers;
- dispose of assets;
- make certain investments;
- make Distributions (as defined in such credit agreement) during certain Defaults (as defined in such credit agreement) and during any Event of Default (as defined in such credit agreement);
- engage in business substantially different in nature than the business currently conducted by the Partnership and its subsidiaries;
- engage in transactions with affiliates; and
- enter into restrictive agreements.

The credit agreement relating to the ETP Credit Facility also contains a financial covenant that provides that the Leverage Ratio, as defined in the ETP Credit Facility, shall not exceed 5.0 to 1 as of the end of each quarter, with a permitted increase to 5.5 to 1 during a Specified Acquisition Period, as defined in the ETP Credit Facility.

The agreements relating to the Transwestern senior notes contain certain restrictions that, among other things, limit the incurrence of additional debt, the sale of assets and the payment of dividends and specify a maximum debt to capitalization ratio.

Failure to comply with the various restrictive and affirmative covenants of our revolving credit facilities could require us to pay debt balances prior to scheduled maturity and could negatively impact the Operating Companies' ability to incur additional debt and/or our ability to pay distributions.

Covenants Related to Southern Union

Southern Union is not party to any lending agreement that would accelerate the maturity date of any obligation due to a failure to maintain any specific credit rating, nor would a reduction in any credit rating, by itself, cause an event of default under any of Southern Union's lending agreements. Financial covenants exist in certain of Southern Union's debt agreements that require Southern Union to maintain a certain level of net worth, to meet certain debt to total capitalization ratios and to meet certain ratios of earnings before depreciation, interest and taxes to cash interest expense. A failure by Southern Union to satisfy any such covenant would give rise to an event of default under the associated debt, which could become immediately due and payable if Southern Union did not cure such default within any permitted cure period or if Southern Union did not obtain amendments, consents or waivers from its lenders with respect to such covenants.

Southern Union's restrictive covenants include restrictions on debt levels, restrictions on liens securing debt and guarantees, restrictions on mergers and on the sales of assets, capitalization requirements, dividend restrictions, cross default and cross-acceleration and prepayment of debt provisions. A breach of any of these covenants could result in acceleration of Southern Union's debt and other financial obligations and that of its subsidiaries.

In addition, Southern Union and/or its subsidiaries are subject to certain additional restrictions and covenants. These restrictions and covenants include limitations on additional debt at some of its subsidiaries; limitations on the use of proceeds from borrowing at some of its subsidiaries; limitations, in some cases, on transactions with its affiliates; limitations on the incurrence of liens; potential limitations on the abilities of some of its subsidiaries to declare and pay dividends and potential limitations on some of its subsidiaries to participate in Southern Union's cash management program; and limitations on Southern Union's ability to prepay debt.

Covenants Related to Sunoco Logistics

Sunoco Logistics' \$1.50 billion credit facility contains various covenants, including limitations on the creation of indebtedness and liens, and other covenants related to the operation and conduct of the business of Sunoco Logistics and its subsidiaries. The credit facility also limits Sunoco Logistics, on a rolling four-quarter basis, to a maximum total consolidated debt to consolidated Adjusted EBITDA ratio, as defined in the underlying credit agreement, of 5.0 to 1, which can generally be increased to 5.5 to 1 during an acquisition period. Sunoco Logistics' ratio of total consolidated debt, excluding net unamortized

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fair value adjustments, to consolidated Adjusted EBITDA was 2.8 to 1 at December 31, 2013, as calculated in accordance with the credit agreements.

The \$35 million credit facility limits West Texas Gulf, on a rolling four-quarter basis, to a minimum fixed charge coverage ratio, as defined in the underlying credit agreement. The ratio for the fiscal quarter ending December 31, 2013 shall not be less than 1.00 to 1. The minimum ratio fluctuates between 0.80 to 1 and 1.00 to 1 throughout the term of the revolver as specified in the credit agreement. In addition, the credit facility limits West Texas Gulf to a maximum leverage ratio of 2.00 to 1. West Texas Gulf's fixed charge coverage ratio and leverage ratio were 1.12 to 1 and 0.88 to 1, respectively, at December 31, 2013.

We were in compliance with all requirements, tests, limitations, and covenants related to our debt agreements as of December 31, 2013.

7. EQUITY:

Limited Partner interests are represented by Common, Class E Units, Class G Units and Class H Units that entitle the holders thereof to the rights and privileges specified in the Partnership Agreement. As of December 31, 2013, there were issued and outstanding 333.8 million Common Units representing an aggregate 99.3% Limited Partner interest in us. There are also 8.9 million Class E Units and 90.7 million Class G Units outstanding that are reported as treasury units, which units are entitled to receive distributions in accordance with their terms. There are also 50.2 million Class H Units outstanding representing Limited Partner interests owned by ETE Holdings (see "Class H Units" below). No person is entitled to preemptive rights in respect of issuances of equity securities by us, except that ETP GP has the right, in connection with the issuance of any equity security by us, to purchase equity securities on the same terms as equity securities are issued to third parties sufficient to enable ETP GP and its affiliates to maintain the aggregate percentage equity interest in us as ETP GP and its affiliates owned immediately prior to such issuance.

IDRs represent the contractual right to receive an increasing percentage of quarterly distributions of Available Cash (as defined in our Partnership Agreement) from operating surplus after the minimum quarterly distribution has been paid. Please read "Quarterly Distributions of Available Cash" below. ETP GP, a wholly-owned subsidiary of ETE, owns all of the IDRs.

Common Units

The change in Common Units was as follows:

	Years Ended December 31,		
	2013	2012	2011
Number of Common Units, beginning of period	301.5	225.5	193.2
Common Units issued in connection with public offerings	13.8	15.5	29.4
Common Units issued in connection with certain acquisitions	49.5	57.4	0.1
Common Units redeemed for Class H Units	(50.2) —	—
Common Units issued in connection with the Distribution Reinvestment Plan	2.3	1.0	0.4
Common Units issued in connection with Equity Distribution Agreements	16.9	1.6	2.0
Repurchases of Common Units in open-market transactions	(0.4) —	—
Issuance of Common Units under equity incentive plans	0.4	0.5	0.4
Number of Common Units, end of period	333.8	301.5	225.5

Our Common Units are registered under the Securities Exchange Act of 1934 (as amended) and are listed for trading on the NYSE. Each holder of a Common Unit is entitled to one vote per unit on all matters presented to the Limited Partners for a vote. In addition, if at any time any person or group (other than our General Partner and its affiliates) owns beneficially 20% or more of all Common Units, any Common Units owned by that person or group may not be voted on any matter and are not considered to be outstanding when sending notices of a meeting of Unitholders (unless otherwise required by law), calculating required votes, determining the presence of a quorum or for other similar purposes under the Partnership Agreement. The Common Units are entitled to distributions of Available Cash as described below under "Quarterly Distributions of Available Cash."

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Public Offerings

The following table summarizes our public offerings of Common Units, all of which have been registered under the Securities Act of 1933 (as amended):

Date	Number of Common Units	Price per Unit	Net Proceeds
April 2011	14.2	\$50.52	\$695
November 2011	15.2	44.67	660
July 2012	15.5	44.57	671
April 2013	13.8	48.05	657

Proceeds from the offerings listed above were used to repay amounts outstanding under the ETP Credit Facility and/or to fund capital expenditures and capital contributions to joint ventures, and for general partnership purposes.

Equity Distribution Program

From time to time, we have sold Common Units through an equity distribution agreement. Such sales of Common Units are made by means of ordinary brokers' transactions on the NYSE at market prices, in block transactions or as otherwise agreed between us and the sales agent which is the counterparty to the equity distribution agreement. In January 2013 and May 2013, we entered into equity distribution agreements pursuant to which we may sell from time to time Common Units having aggregate offering prices of up to \$200 million and \$800 million, respectively. During the year ended December 31, 2013, we issued approximately 16.9 million units for \$846 million, net of commissions of \$9 million. Approximately \$145 million of our Common Units remained available to be issued under the currently effective equity distribution agreements as of December 31, 2013.

Equity Incentive Plan Activity

As discussed in Note 8, we issue Common Units to employees and directors upon vesting of awards granted under our equity incentive plans. Upon vesting, participants in the equity incentive plans may elect to have a portion of the Common Units to which they are entitled withheld by the Partnership to satisfy tax-withholding obligations.

Distribution Reinvestment Program

In April 2011, we filed a registration statement with the SEC covering our Distribution Reinvestment Plan (the "DRIP"). The DRIP provides Unitholders of record and beneficial owners of our Common Units a voluntary means by which they can increase the number of ETP Common Units they own by reinvesting the quarterly cash distributions they would otherwise receive in the purchase of additional Common Units. The registration statement covers the issuance of up to 5.8 million Common Units under the DRIP.

During the years ended December 31, 2013, 2012 and 2011, aggregate distributions of approximately \$109 million, \$43 million, and \$15 million were reinvested under the DRIP resulting in the issuance in aggregate of approximately 3.7 million Common Units. As of December 31, 2013, a total of 2.1 million Common Units remain available to be issued under the existing registration statement.

Class E Units

There are 8.9 million Class E Units outstanding that are reported as treasury units. These Class E Units are entitled to aggregate cash distributions equal to 11.1% of the total amount of cash distributed to all Unitholders, including the Class E Unitholders, up to \$1.41 per unit per year, with any excess thereof available for distribution to Unitholders other than the holders of Class E Units in proportion to their respective interests. The Class E Units are treated as treasury units for accounting purposes because they are owned by a subsidiary of Holdco, Heritage Holdings, Inc. Although no plans are currently in place, management may evaluate whether to retire some or all of the Class E Units at a future date.

Class G Units

In conjunction with the Sunoco Merger, we amended our partnership agreement to create the Class F Units. The number of Class F Units issued was determined at the closing of the Sunoco Merger and equaled 90.7 million, which included 40 million Class F Units issued in exchange for cash contributed by Sunoco to us immediately prior to or concurrent with the closing of the Sunoco Merger. The Class F Units generally did not have any voting rights. The Class F Units were entitled to aggregate cash distributions equal to 35% of the total amount of cash generated by us and our subsidiaries, other than Holdco, and

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available for distribution, up to a maximum of \$3.75 per Class F Unit per year. In April 2013, all of the outstanding Class F Units were exchanged for Class G Units on a one-for-one basis. The Class G Units have terms that are substantially the same as the Class F Units, with the principal difference between the Class G Units and the Class F Units being that allocations of depreciation and amortization to the Class G Units for tax purposes are based on a predetermined percentage and are not contingent on whether ETP has net income or loss. These units are held by a subsidiary and therefore are reflected as treasury units in the consolidated financial statements.

Class H Units

Pursuant to an Exchange and Redemption Agreement previously entered into between ETP, ETE and ETE Holdings, ETP redeemed and cancelled 50.2 million of its Common Units representing limited partner interests (the “Redeemed Units”) owned by ETE Holdings on October 31, 2013 in exchange for the issuance by ETP to ETE Holdings of a new class of limited partner interest in ETP (the “Class H Units”), which are generally entitled to (i) allocations of profits, losses and other items from ETP corresponding to 50.05% of the profits, losses, and other items allocated to ETP by Sunoco Partners with respect to the IDRs and general partner interest in Sunoco Logistics held by Sunoco Partners, (ii) distributions from available cash at ETP for each quarter equal to 50.05% of the cash distributed to ETP by Sunoco Partners with respect to the IDRs and general partner interest in Sunoco Logistics held by Sunoco Partners for such quarter and, to the extent not previously distributed to holders of the Class H Units, for any previous quarters and (iii) incremental additional cash distributions in the aggregate amount of \$329 million, to be payable by ETP to ETE Holdings over 15 quarters, commencing with the quarter ended September 30, 2013 and ending with the quarter ending March 31, 2017. The incremental cash distributions referred to in clause (iii) of the previous sentence are intended to offset a portion of the IDR subsidies previously granted by ETE to ETP in connection with the Citrus Merger, the Holdco Transaction and the Holdco Acquisition. In connection with the issuance of the Class H Units, ETE and ETP also agreed to certain adjustments to the prior IDR subsidies in order to ensure that the IDR subsidies are fixed amounts for each quarter to which the IDR subsidies are in effect. For a summary of the net IDR subsidy amounts resulting from this transaction, see “Quarterly Distributions of Available Cash” below.

Quarterly Distributions of Available Cash

The Partnership Agreement requires that we distribute all of our Available Cash to our Unitholders and our General Partner within forty-five days following the end of each fiscal quarter, subject to the payment of incentive distributions to the holders of IDRs to the extent that certain target levels of cash distributions are achieved. The term Available Cash generally means, with respect to any of our fiscal quarters, all cash on hand at the end of such quarter, plus working capital borrowings after the end of the quarter, less reserves established by the General Partner in its sole discretion to provide for the proper conduct of our business, to comply with applicable laws or any debt instrument or other agreement, or to provide funds for future distributions to partners with respect to any one or more of the next four quarters. Available Cash is more fully defined in our Partnership Agreement.

Our distributions of Available Cash from operating surplus, excluding incentive distributions, to our General Partner and Limited Partner interests are based on their respective interests as of the distribution record date. Incentive distributions allocated to our General Partner are determined based on the amount by which quarterly distribution to common Unitholders exceed certain specified target levels, as set forth in our Partnership Agreement.

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Distributions declared during the periods presented below are summarized as follows:

Quarter Ended	Record Date	Payment Date	Rate
December 31, 2010	February 7, 2011	February 14, 2011	\$0.89375
March 31, 2011	May 6, 2011	May 16, 2011	0.89375
June 30, 2011	August 5, 2011	August 15, 2011	0.89375
September 30, 2011	November 4, 2011	November 14, 2011	0.89375
December 31, 2011	February 7, 2012	February 14, 2012	0.89375
March 31, 2012	May 4, 2012	May 15, 2012	0.89375
June 30, 2012	August 6, 2012	August 14, 2012	0.89375
September 30, 2012	November 6, 2012	November 14, 2012	0.89375
December 31, 2012	February 7, 2013	February 14, 2013	0.89375
March 31, 2013	May 6, 2013	May 15, 2013	0.89375
June 30, 2013	August 5, 2013	August 14, 2013	0.89375
September 30, 2013	November 4, 2013	November 14, 2013	0.90500
December 31, 2013	February 7, 2014	February 14, 2014	0.92000

Following are incentive distributions ETE has agreed to relinquish:

In conjunction with the Partnership's Citrus Merger, ETE agreed to relinquish its rights to \$220 million of incentive distributions from ETP that ETE would otherwise be entitled to receive over 16 consecutive quarters beginning with the distribution paid on May 15, 2012.

In conjunction with the Holdco Transaction in October 2012, ETE agreed to relinquish its right to \$210 million of incentive distributions from ETP that ETE would otherwise be entitled to receive over 12 consecutive quarters beginning with the distribution paid on November 14, 2012.

As discussed in Note 3, in connection with the Holdco Acquisition on April 30, 2013, ETE also agreed to relinquish incentive distributions on the newly issued Common Units for the first eight consecutive quarters beginning with the distribution paid on August 14, 2013, and 50% of the incentive distributions for the following eight consecutive quarters.

In addition, the incremental distributions on the Class H Units, which are referred to in "Class H Units" above, were intended to offset a portion of the incentive distribution relinquishments previously granted by ETE to the Partnership. In connection with the issuance of the Class H Units, ETE and the Partnership also agreed to certain adjustments to the incremental distributions on the Class H Units in order to ensure that the net impact of the incentive distribution relinquishments (a portion of which is variable) and the incremental distributions on the Class H Units are fixed amounts for each quarter for which the incentive distribution relinquishments and incremental distributions on the Class H Units are in effect.

In addition to the amounts above, in connection with the Partnership's transfer of Trunkline LNG to ETE in February 2014, ETE agreed to provide additional subsidies to ETP through its relinquishment of incentive distributions of \$50 million, \$50 million, \$45 million and \$35 million for the years ending December 31, 2016, 2017, 2018 and 2019, respectively.

Following is a summary of the net amounts by which these incentive distribution relinquishments and incremental distributions on Class H Units would reduce the total distributions that would potentially be made to ETE in future quarters:

	Quarters Ending				Total Year
	March 31	June 30	September 30	December 31	
2014	\$26.5	\$26.5	\$26.5	\$26.5	\$106.0
2015	12.5	12.5	13.0	13.0	51.0
2016	18.0	18.0	18.0	18.0	72.0
2017	12.5	12.5	12.5	12.5	50.0
2018	11.25	11.25	11.25	11.25	45.0
2019	8.75	8.75	8.75	8.75	35.0

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Sunoco Logistics Quarterly Distributions of Available Cash

Distributions declared during the periods presented below are summarized as follows:

Quarter Ended	Record Date	Payment Date	Rate
December 31, 2012	February 8, 2013	February 14, 2013	\$0.54500
March 31, 2013	May 9, 2013	May 15, 2013	0.57250
June 30, 2013	August 8, 2013	August 14, 2013	0.60000
September 30, 2013	November 8, 2013	November 14, 2013	0.63000
December 31, 2013	February 10, 2014	February 14, 2014	0.66250

Accumulated Other Comprehensive Income (Loss)

The following table presents the components of AOCI, net of tax:

	December 31,		
	2013	2012	
Available-for-sale securities	\$2	\$—	
Foreign currency translation adjustment	(1) —	
Net loss on commodity related hedges	(4) —	
Actuarial gain (loss) related to pensions and other postretirement benefits	56	(10)
Equity investments, net	8	(9)
Subtotal	61	(19)
Amounts attributable to noncontrolling interest	—	6	
Total AOCI, net of tax	\$61	\$(13)

The tables below set forth the tax amounts included in the respective components of other comprehensive income (loss) for the periods presented:

	December 31,	
	2013	2012
Net gains on commodity related hedges	\$—	\$1
Actuarial (gain) loss relating to pension and other postretirement benefits	(39	) 5
Total	\$(39	) \$6

8. UNIT-BASED COMPENSATION PLANS:

ETP Unit-Based Compensation Plan

We have issued equity incentive plans for employees, officers and directors, which provide for various types of awards, including options to purchase ETP Common Units, restricted units, phantom units, Common Units, distribution equivalent rights (“DERs”), Common Unit appreciation rights, and other unit-based awards. As of December 31, 2013, an aggregate total of 0.9 million ETP Common Units remain available to be awarded under our equity incentive plans.

Unit Grants

We have granted restricted unit awards to employees that vest over a specified time period, typically a five-year service vesting requirement, with vesting based on continued employment as of each applicable vesting date. Upon vesting, ETP Common Units are issued. These unit awards entitle the recipients of the unit awards to receive, with respect to each Common Unit subject to such award that has not either vested or been forfeited, a cash payment equal to each cash distribution per Common Unit made by us on our Common Units promptly following each such distribution by us to our Unitholders. We refer to these rights as “distribution equivalent rights.” Under our equity incentive plans, our non-employee directors each receive grants with a five-year service vesting requirement.

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Award Activity

The following table shows the activity of the awards granted to employees and non-employee directors:

	Number of Units	Weighted Average Grant-Date Fair Value Per Unit
Unvested awards as of December 31, 2012	1.9	\$46.95
Awards granted	2.1	50.54
Awards vested	(0.6	) 45.62
Awards forfeited	(0.2	) 45.72
Unvested awards as of December 31, 2013	3.2	49.65

During the years ended December 31, 2013, 2012 and 2011, the weighted average grant-date fair value per unit award granted was \$50.54, \$43.93 and \$48.35, respectively. The total fair value of awards vested was \$26 million, \$29 million and \$27 million, respectively, based on the market price of ETP Common Units as of the vesting date. As of December 31, 2013, a total of 3.2 million unit awards remain unvested, for which ETP expects to recognize a total of \$116 million in compensation expense over a weighted average period of 2.1 years.

Sunoco Logistics' Unit-Based Compensation Plan

Sunoco Logistics' general partner has a long-term incentive plan for employees and directors, which permits the grant of restricted units and unit options of Sunoco Logistics covering an additional 0.6 million Sunoco common units. As of December 31, 2013, a total of 0.6 million Sunoco Logistics restricted units were outstanding for which Sunoco Logistics expects to recognize \$21 million of expense over a weighted-average period of 2.8 years.

Related Party Awards

McReynolds Energy Partners, L.P., the general partner of which is owned and controlled by the President of the entity that indirectly owns our General Partner, awarded to certain officers of ETP certain rights related to units of ETE previously issued by ETE to such ETE officer. These rights include the economic benefits of ownership of these ETE units based on a 5 year vesting schedule whereby the officer vested in the ETE units at a rate of 20% per year. As these ETE units conveyed to the recipients of these awards upon vesting from a partnership that is not owned or managed by ETE or ETP, none of the costs related to such awards were paid by ETP or ETE. As these units were outstanding prior to these awards, these awards did not represent an increase in the number of outstanding units of either ETP or ETE and were not dilutive to cash distributions per unit with respect to either ETP or ETE.

We recognized non-cash compensation expense over the vesting period based on the grant-date fair value of the ETE units awarded the ETP employees assuming no forfeitures. For the years ended December 31, 2013, 2012 and 2011, we recognized non-cash compensation expense, net of forfeitures, of less than \$1 million, \$1 million and \$2 million, respectively, as a result of these awards. As of December 31, 2013, no rights related to ETE common units remain outstanding.

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9. INCOME TAXES:

As a partnership, we are not subject to U.S. federal income tax and most state income taxes. However, the partnership conducts certain activities through corporate subsidiaries which are subject to federal and state income taxes. The components of the federal and state income tax expense (benefit) are summarized as follows:

	Years Ended December 31,		
	2013	2012	2011
Current expense (benefit):			
Federal	\$51	\$(3	) \$(1
State	(2	) 4	16
Total	49	1	15
Deferred expense:			
Federal	(6	) 45	4
State	54	17	—
Total	48	62	4
Total income tax expense from continuing operations	\$97	\$63	\$19

Historically, our effective rate differed from the statutory rate primarily due to Partnership earnings that are not subject to U.S. federal and most state income taxes at the Partnership level. The completion of the Southern Union Merger, Sunoco Merger and Holdco Transaction (see Note 3) significantly increased the activities conducted through corporate subsidiaries. A reconciliation of income tax expense (benefit) at the U.S. statutory rate to the income tax expense (benefit) attributable to continuing operations for the years ended December 31, 2013 and 2012 is as follows:

	December 31, 2013			December 31, 2012		
	Corporate Subsidiaries ⁽¹⁾	Partnership ⁽²⁾	Consolidated	Corporate Subsidiaries ⁽¹⁾	Partnership ⁽²⁾	Consolidated
Income tax expense (benefit) at U.S. statutory rate of 35 percent	\$(166	) \$—	\$(166	) \$1	\$—	\$1
Increase (reduction) in income taxes resulting from:						
Nondeductible goodwill	241	—	241	—	—	—
Nondeductible executive compensation	—	—	—	28	—	28
State income taxes (net of federal income tax effects)	31	5	36	9	7	16
Other	(13	) (1	) (14	) 18	—	18
Income tax from continuing operations	\$93	\$4	\$97	\$56	\$7	\$63

Includes Holdco, Oasis Pipeline Company, Inland Corporation, Mid-Valley Pipeline Company and West Texas Gulf Pipeline Company. The latter three entities were acquired in the Sunoco Merger. Holdco, which was formed

(1) via the Sunoco Merger and the Holdco Transaction (see Note 3), includes Sunoco and Southern Union and their subsidiaries. ETE held a 60% interest in Holdco until April 30, 2013. Subsequent to the Holdco Acquisition (see Note 3) on April 30, 2013, ETP owns 100% of Holdco.

(2) Includes ETP and its subsidiaries that are classified as pass-through entities for federal income tax purposes.

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Deferred taxes result from the temporary differences between financial reporting carrying amounts and the tax basis of existing assets and liabilities. The table below summarizes the principal components of the deferred tax assets (liabilities) as follows:

	December 31,	
	2013	2012
Deferred income tax assets:		
Net operating losses and alternative minimum tax credit	\$217	\$268
Pension and other postretirement benefits	57	127
Long term debt	108	117
Other	104	288
Total deferred income tax assets	486	800
Valuation allowance	(74	) (90
Net deferred income tax assets	\$412	\$710
Deferred income tax liabilities:		
Properties, plants and equipment	\$(1,522	) \$(1,938
Inventory	(302	) (516
Investment in unconsolidated affiliates	(2,244	) (1,542
Trademarks	(180	) (192
Other	(45	) (128
Total deferred income tax liabilities	(4,293	) (4,316
Net deferred income tax liability	(3,881	) (3,606
Less: current portion of deferred income tax assets (liabilities)	(119	) (130
Accumulated deferred income taxes	\$(3,762	) \$(3,476

The completion of the Southern Union Merger, Sunoco Merger and Holdco Transaction (see Note 3) significantly increased the deferred tax assets (liabilities). The table below provides a rollforward of the net deferred income tax liability as follows:

	December 31,	
	2013	2012
Net deferred income tax liability, beginning of year	\$(3,606	) \$(123
Southern Union acquisition	—	(1,420
Sunoco acquisition	—	(1,989
SUGS Contribution to Regency	(115) —
Tax provision (including discontinued operations)	(111	) (73
Other	(49	) (1
Net deferred income tax liability	\$(3,881	) \$(3,606

Holdco and other corporate subsidiaries have gross federal net operating loss carryforwards of \$216 million, all of which will expire in 2032. Holdco has \$40 million of federal alternative minimum tax credits which do not expire. Holdco and other corporate subsidiaries have state net operating loss carryforward benefits of \$101 million, net of federal tax, which expire between 2013 and 2032. The valuation allowance of \$74 million is applicable to the state net operating loss carryforward benefits applicable to Sunoco pre-acquisition periods.

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The following table sets forth the changes in unrecognized tax benefits:

	Years Ended December 31,		
	2013	2012	2011
Balance at beginning of year	\$27	\$2	\$2
Additions attributable to acquisitions	—	28	—
Additions attributable to tax positions taken in the current year	—	—	1
Additions attributable to tax positions taken in prior years	406	—	—
Settlements	—	—	(1
Lapse of statute	(4	) (3) —
Balance at end of year	\$429	\$27	\$2

As of December 31, 2013, we have \$425 million (\$418 million after federal income tax benefits) related to tax positions which, if recognized, would impact our effective tax rate. We believe it is reasonably possible that its unrecognized tax benefits may be reduced by \$6 million (\$5 million, net of federal tax) within the next twelve months due to settlement of certain positions.

Sunoco has historically included certain government incentive payments as taxable income on its federal and state income tax returns. In connection with Sunoco's 2004 through 2011 open statute years, Sunoco has proposed to the IRS that these government incentive payments be excluded from federal taxable income. If Sunoco is fully successful with its claims, it will receive tax refunds of approximately \$372 million. However, due to the uncertainty surrounding the claims, a reserve of \$372 million was established for the full amount of the claims. Due to the timing of the expected settlement of the claims and the related reserve, the receivable and the reserve for this issue have been netted in the financial statements as of December 31, 2013.

Our policy is to accrue interest expense and penalties on income tax underpayments (overpayments) as a component of income tax expense. During 2013, we recognized interest and penalties of less than \$1 million. At December 31, 2013, we have interest and penalties accrued of \$6 million, net of tax.

In general, ETP and its subsidiaries are no longer subject to examination by the IRS for tax years prior to 2009, except Sunoco and Southern Union which are no longer subject to examination by the IRS for tax years prior to 2007 and 2004, respectively.

Sunoco has been examined by the IRS for the 2007 and 2008 tax years; however, the statutes remain open for both of these tax years due to carryback of net operating losses. Sunoco is currently under examination for the years 2009 through 2011, but due to the aforementioned carryback, such years also impact Sunoco's tax liability for the years 2004 through 2008. With the exception of the claims regarding government incentive payments discussed above, all issues are resolved. Southern Union is under examination for the tax years 2004 through 2009. As of December 31, 2013, the IRS has proposed only one adjustment for the years under examination. For the 2006 tax year, the IRS is challenging \$545 million of the \$690 million of deferred gain associated with a like kind exchange involving certain assets of its distribution operations and its gathering and processing operations. We will vigorously defend and believe Southern Union's tax position will prevail against this challenge by the IRS. Accordingly, no unrecognized tax benefit has been recorded with respect to this tax position.

ETP and its subsidiaries also have various state and local income tax returns in the process of examination or administrative appeal in various jurisdictions. We believe the appropriate accruals or unrecognized tax benefits have been recorded for any potential assessment with respect to these examinations.

10. REGULATORY MATTERS, COMMITMENTS, CONTINGENCIES AND ENVIRONMENTAL LIABILITIES: FERC Audit

The FERC recently completed an audit of PEPL, a subsidiary of Southern Union, for the period from January 1, 2010 through December 31, 2011, to evaluate its compliance with the Uniform System of Accounts as prescribed by the FERC, annual and quarterly financial reporting to the FERC, reservation charge crediting policy and record retention. An audit report was received in August 2013 noting no issues that would have a material impact on the Partnership's historical financial position or results of operations.

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Contingent Matters Potentially Impacting the Partnership from Our Investment in Citrus

Florida Gas Pipeline Relocation Costs. The Florida Department of Transportation, Florida's Turnpike Enterprise ("FDOT/FTE") has various turnpike/State Road 91 widening projects that have impacted or may, over time, impact one or more of FGTs' mainline pipelines located in FDOT/FTE rights-of-way. Certain FDOT/FTE projects have been or are the subject of litigation in Broward County, Florida. On November 16, 2012, FDOT paid to FGT the sum of approximately \$100 million, representing the amount of the judgment, plus interest, in a case tried in 2011.

On April 14, 2011, FGT filed suit against the FDOT/FTE and other defendants in Broward County, Florida seeking an injunction and damages as the result of the construction of a mechanically stabilized earth wall and other encroachments in FGT easements as part of FDOT/FTE's I-595 project. On August 21, 2013, FGT and FDOT/FTE entered into a settlement agreement pursuant to which, among other things, FDOT/FTE paid FGT approximately \$19 million in September, 2013 in settlement of FGT's claims with respect to the I-595 project. The settlement agreement also provided for agreed easement widths for FDOT/FTE right-of-way and for cost sharing between FGT and FDOT/FTE for any future relocations. Also in September 2013, FDOT/FTE paid FGT an additional approximate \$1 million for costs related to the aforementioned turnpike/State Road 91 case tried in 2011.

FGT will continue to seek rate recovery in the future for these types of costs to the extent not reimbursed by the FDOT/FTE. There can be no assurance that FGT will be successful in obtaining complete reimbursement for any such relocation costs from the FDOT/FTE or from its customers or that the timing of such reimbursement will fully compensate FGT for its costs.

Contingent Residual Support Agreement – AmeriGas

In connection with the closing of the contribution of its propane operations in January 2012, ETP agreed to provide contingent, residual support of \$1.55 billion of intercompany borrowings made by AmeriGas and certain of its affiliates with maturities through 2022 from a finance subsidiary of AmeriGas that have maturity dates and repayment terms that mirror those of an equal principal amount of senior notes issued by this finance company subsidiary to third party purchases.

PEPL Holdings Guarantee of Collection

In connection with the SUGS Contribution, Regency issued \$600 million of 4.50% Senior Notes due 2023 (the "Regency Debt"), the proceeds of which were used by Regency to fund the cash portion of the consideration, as adjusted, and pay certain other expenses or disbursements directly related to the closing of the SUGS Contribution. In connection with the closing of the SUGS Contribution on April 30, 2013, Regency entered into an agreement with PEPL Holdings, a subsidiary of Southern Union, pursuant to which PEPL Holdings provided a guarantee of collection (on a nonrecourse basis to Southern Union) to Regency and Regency Energy Finance Corp. with respect to the payment of the principal amount of the Regency Debt through maturity in 2023. In connection with the completion of the Panhandle Merger, in which PEPL Holdings was merged with and into Panhandle, the guarantee of collection for the Regency Debt was assumed by Panhandle.

NGL Pipeline Regulation

We have interests in NGL pipelines located in Texas and New Mexico. We commenced the interstate transportation of NGLs in 2013, which is subject to the jurisdiction of the FERC under the ICA and the Energy Policy Act of 1992. Under the ICA, tariffs must be just and reasonable and not unduly discriminatory or confer any undue preference. The tariff rates established for interstate services were based on a negotiated agreement; however, the FERC's rate-making methodologies may limit our ability to set rates based on our actual costs, may delay or limit the use of rates that reflect increased costs and may subject us to potentially burdensome and expensive operational, reporting and other requirements. Any of the foregoing could adversely affect our business, revenues and cash flow.

Commitments

In the normal course of our business, we purchase, process and sell natural gas pursuant to long-term contracts and we enter into long-term transportation and storage agreements. Such contracts contain terms that are customary in the industry. We believe that the terms of these agreements are commercially reasonable and will not have a material adverse effect on our financial position or results of operations.

We have certain non-cancelable leases for property and equipment, which require fixed monthly rental payments and expire at various dates through 2056. Rental expense under these operating leases has been included in operating

expenses in the accompanying statements of operations and totaled approximately \$140 million, \$57 million and \$26 million for the years ended December 31, 2013, 2012 and 2011, respectively, which include contingent rentals totaling \$22 million and \$6 million in 2013 and 2012, respectively. During the years ended December 31, 2013 and 2012, approximately \$24 million and \$4 million, respectively, of rental expense was recovered through related sublease rental income.

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Future minimum lease commitments for such leases are:

Years Ending December 31:

2014	\$80
2015	78
2016	70
2017	66
2018	53
Thereafter	420
Future minimum lease commitments	767
Less: Sublease rental income	(57)
Net future minimum lease commitments	\$710

Our joint venture agreements require that we fund our proportionate share of capital contributions to our unconsolidated affiliates. Such contributions will depend upon our unconsolidated affiliates' capital requirements, such as for funding capital projects or repayment of long-term obligations.

Litigation and Contingencies

We may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business. Natural gas and crude are flammable and combustible. Serious personal injury and significant property damage can arise in connection with their transportation, storage or use. In the ordinary course of business, we are sometimes threatened with or named as a defendant in various lawsuits seeking actual and punitive damages for product liability, personal injury and property damage. We maintain liability insurance with insurers in amounts and with coverage and deductibles management believes are reasonable and prudent, and which are generally accepted in the industry. However, there can be no assurance that the levels of insurance protection currently in effect will continue to be available at reasonable prices or that such levels will remain adequate to protect us from material expenses related to product liability, personal injury or property damage in the future.

Sunoco Litigation

Following the announcement of the Sunoco Merger on April 30, 2012, eight putative class action and derivative complaints were filed in connection with the Sunoco Merger in the Court of Common Pleas of Philadelphia County, Pennsylvania. Each complaint names as defendants the members of Sunoco's board of directors and alleges that they breached their fiduciary duties by negotiating and executing, through an unfair and conflicted process, a merger agreement that provides inadequate consideration and that contains impermissible terms designed to deter alternative bids. Each complaint also names as defendants Sunoco, ETP, ETP GP, ETP LLC, and Sam Acquisition Corporation, alleging that they aided and abetted the breach of fiduciary duties by Sunoco's directors; some of the complaints also name ETE as a defendant on those aiding and abetting claims. In September 2012, all of these lawsuits were settled with no payment obligation on the part of any of the defendants following the filing of Current Reports on Form 8-K that included additional disclosures that were incorporated by reference into the proxy statement related to the Sunoco Merger. Subsequent to the settlement of these cases, the plaintiffs' attorneys sought compensation from Sunoco for attorneys' fees related to their efforts in obtaining these additional disclosures. In January 2013, Sunoco entered into agreements to compensate the plaintiffs' attorneys in the state court actions in the aggregate amount of not more than \$950,000 and to compensate the plaintiffs' attorneys in the federal court action in the amount of not more than \$250,000. The payment of \$950,000 was made in July 2013.

Litigation Relating to the Southern Union Merger

In June 2011, several putative class action lawsuits were filed in the Judicial District Court of Harris County, Texas naming as defendants the members of the Southern Union Board, as well as Southern Union and ETE. The lawsuits were styled Jaroslawicz v. Southern Union Company, et al., Cause No. 2011-37091, in the 333rd Judicial District Court of Harris County, Texas and Magda v. Southern Union Company, et al., Cause No. 2011-37134, in the 11th Judicial District Court of Harris County, Texas. The lawsuits were consolidated into an action styled In re: Southern Union Company; Cause No. 2011-37091, in the 333rd Judicial District Court of Harris County, Texas. Plaintiffs allege that the Southern Union directors breached their fiduciary duties to Southern Union's stockholders in connection with the Merger and that Southern Union and ETE aided and abetted the alleged breaches of fiduciary duty. The

amended petitions allege that the Merger involves an unfair price and an inadequate sales process, that Southern Union's directors entered into the Merger to benefit themselves personally, including

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through consulting and noncompete agreements, and that defendants have failed to disclose all material information related to the Merger to Southern Union stockholders. The amended petitions seek injunctive relief, including an injunction of the Merger, and an award of attorneys' and other fees and costs, in addition to other relief. On October 21, 2011, the court denied ETE's October 13, 2011, motion to stay the Texas proceeding in favor of cases pending in the Delaware Court of Chancery.

Also in June 2011, several putative class action lawsuits were filed in the Delaware Court of Chancery naming as defendants the members of the Southern Union Board, as well as Southern Union and ETE. Three of the lawsuits also named Merger Sub as a defendant. These lawsuits are styled: Southeastern Pennsylvania Transportation Authority, et al. v. Southern Union Company, et al., C.A. No. 6615-CS; KBC Asset Management NV v. Southern Union Company, et al., C.A. No. 6622-CS; LBBW Asset Management Investment GmbH v. Southern Union Company, et al., C.A. No. 6627-CS; and Memo v. Southern Union Company, et al., C.A. No. 6639-CS. These cases were consolidated with the following style: In re Southern Union Co. Shareholder Litigation, C.A. No. 6615-CS, in the Delaware Court of Chancery. The consolidated complaint asserts similar claims and allegations as the Texas state-court consolidated action. On July 25, 2012, the Delaware plaintiffs filed a notice of voluntary dismissal of all claims without prejudice. In the notice, plaintiffs stated their claims were being dismissed to avoid duplicative litigation and indicated their intent to join the Texas case.

On September 18, 2013, the plaintiff dismissed without prejudice its lawsuit against all defendants.

MTBE Litigation

Sunoco, along with other refiners, manufacturers and sellers of gasoline, is a defendant in lawsuits alleging MTBE contamination of groundwater. The plaintiffs typically include water purveyors and municipalities responsible for supplying drinking water and governmental authorities. The plaintiffs are asserting primarily product liability claims and additional claims including nuisance, trespass, negligence, violation of environmental laws and deceptive business practices. The plaintiffs in all of the cases are seeking to recover compensatory damages, and in some cases also seek natural resource damages, injunctive relief, punitive damages and attorneys' fees.

As of December 31, 2013, Sunoco is a defendant in seven cases, one of which was initiated by the State of New Jersey and two others by the Commonwealth of Puerto Rico with the more recent Puerto Rico action being a companion case alleging damages for additional sites beyond those at issue in the initial Puerto Rico action. Six of these cases are venued in a multidistrict litigation ("MDL") proceeding in a New York federal court. The most recently filed Puerto Rico action is expected to be transferred to the MDL. The New Jersey and Puerto Rico cases assert natural resource damage claims. In addition, Sunoco has received notice from another state that it intends to file an MTBE lawsuit in the near future asserting natural resource damage claims.

Fact discovery has concluded with respect to an initial set of fewer than 20 sites each that will be the subject of the first trial phase in the New Jersey case and the initial Puerto Rico case. Insufficient information has been developed about the plaintiffs' legal theories or the facts with respect to statewide natural resource damage claims to provide an analysis of the ultimate potential liability of Sunoco in these matters; however, it is reasonably possible that a loss may be realized. Management believes that an adverse determination with respect to one or more of the MTBE cases could have a significant impact on results of operations during the period in which any said adverse determination occurs, but does not believe that any such adverse determination would have a material adverse effect on the Partnership's consolidated financial position.

Other Litigation and Contingencies

In November 2011, a derivative lawsuit was filed in the Judicial District Court of Harris County, Texas naming as defendants ETP, ETP GP, ETP LLC, the boards of directors of ETP LLC (collectively with ETP GP and ETP LLC, the "ETP Defendants"), certain members of management for ETP and ETE, ETE, and Southern Union. The lawsuit is styled W. J. Garrett Trust v. Bill W. Byrne, et al., Cause No. 2011-71702, in the 157th Judicial District Court of Harris County, Texas. Plaintiffs assert claims for breaches of fiduciary duty, breaches of contractual duties, and acts of bad faith against each of the ETP Defendants and the individual defendants. Plaintiffs also assert claims for aiding and abetting and tortious interference with contract against Southern Union. On October 5, 2012, certain defendants filed a motion for summary judgment with respect to the primary allegations in this action. On December 13, 2012, Plaintiffs filed their opposition to the motion for summary judgment. Defendants filed a reply on December 19, 2012. On

December 20, 2012, the court conducted an oral hearing on the motion. Plaintiffs filed a post-hearing sur-reply on January 7, 2013. On January 16, 2013, the Court granted defendants' motion for summary judgment. The parties agreed to settle the matter and executed a memorandum of understanding. On October 4, 2013, the Court approved the settlement and ordered the case dismissed with prejudice.

We or our subsidiaries are a party to various legal proceedings and/or regulatory proceedings incidental to our businesses. For each of these matters, we evaluate the merits of the case, our exposure to the matter, possible legal or settlement strategies, the likelihood of an unfavorable outcome and the availability of insurance coverage. If we determine that an unfavorable

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outcome of a particular matter is probable and can be estimated, we accrue the contingent obligation, as well as any expected insurance recoverable amounts related to the contingency. As of December 31, 2013 and 2012, accruals of approximately \$46 million and \$42 million, respectively, were reflected on our consolidated balance sheets related to these contingent obligations. As new information becomes available, our estimates may change. The impact of these changes may have a significant effect on our results of operations in a single period.

The outcome of these matters cannot be predicted with certainty and there can be no assurance that the outcome of a particular matter will not result in the payment of amounts that have not been accrued for the matter. Furthermore, we may revise accrual amounts prior to resolution of a particular contingency based on changes in facts and circumstances or changes in the expected outcome.

No amounts have been recorded in our December 31, 2013 or 2012 consolidated balance sheets for contingencies and current litigation, other than amounts disclosed herein.

Litigation Related to Incident at JJ's Restaurant. On February 19, 2013, there was a natural gas explosion at JJ's Restaurant located at 910 W. 48th Street in Kansas City, Missouri. Effective September 1, 2013, Laclede Gas Company, a subsidiary of The Laclede Group, Inc. ("Laclede"), assumed any and all liability arising from this incident in ETP's sale of the assets of MGE to Laclede.

Attorney General of the Commonwealth of Massachusetts v New England Gas Company. On July 7, 2011, the Massachusetts Attorney General ("AG") filed a regulatory complaint with the MDPU against New England Gas Company with respect to certain environmental cost recoveries. The AG is seeking a refund to New England Gas Company customers for alleged "excessive and imprudently incurred costs" related to legal fees associated with Southern Union's environmental response activities. In the complaint, the AG requests that the MDPU initiate an investigation into the New England Gas Company's collection and reconciliation of recoverable environmental costs including: (i) the prudence of any and all legal fees, totaling approximately \$19 million, that were charged by the Kasowitz, Benson, Torres & Friedman firm and passed through the recovery mechanism since 2005, the year when a partner in the firm, the Southern Union former Vice Chairman, President and Chief Operating Officer, joined Southern Union's management team; (ii) the prudence of any and all legal fees that were charged by the Bishop, London & Dodds firm and passed through the recovery mechanism since 2005, the period during which a member of the firm served as Southern Union's Chief Ethics Officer; and (iii) the propriety and allocation of certain legal fees charged that were passed through the recovery mechanism that the AG contends only qualify for a lesser, 50%, level of recovery. Southern Union has filed its answer denying the allegations and moved to dismiss the complaint, in part on a theory of collateral estoppel. The hearing officer has deferred consideration of Southern Union's motion to dismiss. The AG's motion to be reimbursed expert and consultant costs by Southern Union of up to \$150,000 was granted. By tariff, these costs are recoverable through rates charged to New England Gas Company customers. The hearing officer previously stayed discovery pending resolution of a dispute concerning the applicability of attorney-client privilege to legal billing invoices. The MDPU issued an interlocutory order on June 24, 2013 that lifted the stay, and discovery has resumed. Southern Union believes it has complied with all applicable requirements regarding its filings for cost recovery and has not recorded any accrued liability; however, Southern Union will continue to assess its potential exposure for such cost recoveries as the matter progresses.

Environmental Matters

Our operations are subject to extensive federal, state and local environmental and safety laws and regulations that require expenditures to ensure compliance, including related to air emissions and wastewater discharges, at operating facilities and for remediation at current and former facilities as well as waste disposal sites. Although we believe our operations are in substantial compliance with applicable environmental laws and regulations, risks of additional costs and liabilities are inherent in the business of transporting, storing, gathering, treating, compressing, blending and processing natural gas, natural gas liquids and other products. As a result, there can be no assurance that significant costs and liabilities will not be incurred. Costs of planning, designing, constructing and operating pipelines, plants and other facilities must incorporate compliance with environmental laws and regulations and safety standards. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of remedial obligations, the issuance of injunctions and the filing of federally authorized citizen suits. Contingent losses related to all significant known environmental matters have been accrued and/or separately

disclosed. However, we may revise accrual amounts prior to resolution of a particular contingency based on changes in facts and circumstances or changes in the expected outcome.

Environmental exposures and liabilities are difficult to assess and estimate due to unknown factors such as the magnitude of possible contamination, the timing and extent of remediation, the determination of our liability in proportion to other parties, improvements in cleanup technologies and the extent to which environmental laws and regulations may change in the future.

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Although environmental costs may have a significant impact on the results of operations for any single period, we believe that such costs will not have a material adverse effect on our financial position.

Based on information available at this time and reviews undertaken to identify potential exposure, we believe the amount reserved for environmental matters is adequate to cover the potential exposure for cleanup costs.

Environmental Remediation

Our subsidiaries are responsible for environmental remediation at certain sites, including the following:

Certain of our interstate pipelines conduct soil and groundwater remediation related to contamination from past uses of PCBs. PCB assessments are ongoing and, in some cases, our subsidiaries could potentially be held responsible for contamination caused by other parties.

Certain gathering and processing systems are responsible for soil and groundwater remediation related to releases of hydrocarbons.

Southern Union's distribution operations are responsible for soil and groundwater remediation at certain sites related to manufactured gas plants ("MGPs") and may also be responsible for the removal of old MGP structures.

Currently operating Sunoco retail sites.

Legacy sites related to Sunoco, that are subject to environmental assessments include formerly owned terminals and other logistics assets, retail sites that Sunoco no longer operates, closed and/or sold refineries and other formerly owned sites.

Sunoco is potentially subject to joint and several liability for the costs of remediation at sites at which it has been identified as a potentially responsible party ("PRP"). As of December 31, 2013, Sunoco had been named as a PRP at 40 identified or potentially identifiable as "Superfund" sites under federal and/or comparable state law. Sunoco is usually one of a number of companies identified as a PRP at a site. Sunoco has reviewed the nature and extent of its involvement at each site and other relevant circumstances and, based upon Sunoco's purported nexus to the sites, believes that its potential liability associated with such sites will not be significant.

To the extent estimable, expected remediation costs are included in the amounts recorded for environmental matters in our consolidated balance sheets. In some circumstances, future costs cannot be reasonably estimated because remediation activities are undertaken as claims are made by customers and former customers. To the extent that an environmental remediation obligation is recorded by a subsidiary that applies regulatory accounting policies, amounts that are expected to be recoverable through tariffs or rates are recorded as regulatory assets on our consolidated balance sheets.

The table below reflects the amounts of accrued liabilities recorded in our consolidated balance sheets related to environmental matters that are considered to be probable and reasonably estimable. Except for matters discussed above, we do not have any material environmental matters assessed as reasonably possible that would require disclosure in our consolidated financial statements.

	December 31,	
	2013	2012
Current	\$45	\$46
Non-current	350	165
Total environmental liabilities	\$395	\$211

In 2013, we have established a wholly-owned captive insurance company to bear certain risks associated with environmental obligations related to certain sites that are no longer operating. The premiums paid to the captive insurance company include estimates for environmental claims that have been incurred but not reported, based on an actuarially determined fully developed claims expense estimate. In such cases, we accrue losses attributable to unasserted claims based on the discounted estimates that are used to develop the premiums paid to the captive insurance company.

During the years ended December 31, 2013 and 2012, Sunoco had \$36 million and \$12 million, respectively, of expenditures related to environmental cleanup programs.

The EPA's Spill Prevention, Control and Countermeasures program regulations were recently modified and impose additional requirements on many of our facilities. We expect to expend resources on tank integrity testing and any associated corrective actions as well as potential upgrades to containment structures to comply with the new rules.

Costs associated with tank

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integrity testing and resulting corrective actions cannot be reasonably estimated at this time, but we believe such costs will not have a material adverse effect on our financial position, results of operations or cash flows.

On August 20, 2010, the EPA published new regulations under the federal Clean Air Act (“CAA”) to control emissions of hazardous air pollutants from existing stationary reciprocal internal combustion engines. The rule will require us to undertake certain expenditures and activities, likely including purchasing and installing emissions control equipment. In response to an industry group legal challenge to portions of the rule in the U.S. Court of Appeals for the D.C. Circuit and a Petition for Administrative Reconsideration to the EPA, on March 9, 2011, the EPA issued a new proposed rule and direct final rule effective on May 9, 2011 to clarify compliance requirements related to operation and maintenance procedures for continuous parametric monitoring systems. If no further changes to the standard are made as a result of comments to the proposed rule, we would not expect that the cost to comply with the rule’s requirements will have a material adverse effect on our financial condition or results of operations. Compliance with the final rule was required by October 2013, and the Partnership believes it is in compliance.

On June 29, 2011, the EPA finalized a rule under the CAA that revised the new source performance standards for manufacturers, owners and operators of new, modified and reconstructed stationary internal combustion engines. The rule became effective on August 29, 2011. The rule modifications may require us to undertake significant expenditures, including expenditures for purchasing, installing, monitoring and maintaining emissions control equipment, if we replace equipment or expand existing facilities in the future. At this point, we are not able to predict the cost to comply with the rule’s requirements, because the rule applies only to changes we might make in the future. Our pipeline operations are subject to regulation by the DOT under the PHMSA, pursuant to which the PHMSA has established requirements relating to the design, installation, testing, construction, operation, replacement and management of pipeline facilities. Moreover, the PHMSA, through the Office of Pipeline Safety, has promulgated a rule requiring pipeline operators to develop integrity management programs to comprehensively evaluate their pipelines, and take measures to protect pipeline segments located in what the rule refers to as “high consequence areas.” Activities under these integrity management programs involve the performance of internal pipeline inspections, pressure testing or other effective means to assess the integrity of these regulated pipeline segments, and the regulations require prompt action to address integrity issues raised by the assessment and analysis. Integrity testing and assessment of all of these assets will continue, and the potential exists that results of such testing and assessment could cause us to incur future capital and operating expenditures for repairs or upgrades deemed necessary to ensure the continued safe and reliable operation of our pipelines; however, no estimate can be made at this time of the likely range of such expenditures.

Our operations are also subject to the requirements of the OSHA, and comparable state laws that regulate the protection of the health and safety of employees. In addition, OSHA’s hazardous communication standard requires that information be maintained about hazardous materials used or produced in our operations and that this information be provided to employees, state and local government authorities and citizens. We believe that our operations are in substantial compliance with the OSHA requirements, including general industry standards, record keeping requirements, and monitoring of occupational exposure to regulated substances.

11. PRICE RISK MANAGEMENT ASSETS AND LIABILITIES:

Commodity Price Risk

We are exposed to market risks related to the volatility of commodity prices. To manage the impact of volatility from these prices, we utilize various exchange-traded and OTC commodity financial instrument contracts. These contracts consist primarily of futures, swaps and options and are recorded at fair value in our consolidated balance sheets.

We inject and hold natural gas in our Bammel storage facility to take advantage of contango markets (i.e., when the price of natural gas is higher in the future than the current spot price). We use financial derivatives to hedge the natural gas held in connection with these arbitrage opportunities. At the inception of the hedge, we lock in a margin by purchasing gas in the spot market or off peak season and entering into a financial contract to lock in the sale price. If we designate the related financial contract as a fair value hedge for accounting purposes, we value the hedged natural gas inventory at current spot market prices along with the financial derivative we use to hedge it. Changes in the spread between the forward natural gas prices designated as fair value hedges and the physical inventory spot price result in unrealized gains or losses until the underlying physical gas is withdrawn and the related designated

derivatives are settled. Once the gas is withdrawn and the designated derivatives are settled, the previously unrealized gains or losses associated with these positions are realized. Unrealized margins represent the unrealized gains or losses from our derivative instruments using mark-to-market accounting, with changes in the fair value of our derivatives being recorded directly in earnings. These margins fluctuate based upon changes in the spreads between the physical spot price and forward natural gas prices. If the spread narrows between the physical and financial prices, we will record unrealized gains or lower unrealized losses. If the spread widens, we will record

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unrealized losses or lower unrealized gains. Typically, as we enter the winter months, the spread converges so that we recognize in earnings the original locked-in spread through either mark-to-market adjustments or the physical withdraw of natural gas.

We are also exposed to market risk on natural gas we retain for fees in our intrastate transportation and storage segment and operational gas sales on our interstate transportation and storage segment. We use financial derivatives to hedge the sales price of this gas, including futures, swaps and options. Certain contracts that qualify for hedge accounting are designated as cash flow hedges of the forecasted sale of natural gas. The change in value, to the extent the contracts are effective, remains in AOCI until the forecasted transaction occurs. When the forecasted transaction occurs, any gain or loss associated with the derivative is recorded in cost of products sold in the consolidated statement of operations.

We are also exposed to commodity price risk on NGLs and residue gas we retain for fees in our midstream segment whereby our subsidiaries generally gather and process natural gas on behalf of producers, sell the resulting residue gas and NGL volumes at market prices and remit to producers an agreed upon percentage of the proceeds based on an index price for the residue gas and NGLs. We use NGL and crude derivative swap contracts to hedge forecasted sales of NGL and condensate equity volumes. Certain contracts that qualify for hedge accounting are accounted for as cash flow hedges. The change in value, to the extent the contracts are effective, remains in AOCI until the forecasted transaction occurs. When the forecasted transaction occurs, any gain or loss associated with the derivative is recorded in cost of products sold in the consolidated statement of operations.

We may use derivatives in our NGL transportation and services segment to manage our storage facilities and the purchase and sale of purity NGLs.

Sunoco Logistics utilizes derivatives such as swaps, futures and other derivative instruments to mitigate the risk associated with market movements in the price of refined products and NGLs. These derivative contracts act as a hedging mechanism against the volatility of prices by allowing Sunoco Logistics to transfer this price risk to counterparties who are able and willing to bear it. Since the first quarter 2013, Sunoco Logistics has not designated any of its derivative contracts as hedges for accounting purposes. Therefore, all realized and unrealized gains and losses from these derivative contracts are recognized in the consolidated statements of operations during the current period.

Our trading activities include the use of financial commodity derivatives to take advantage of market opportunities. These trading activities are a complement to our transportation and storage segment's operations and are netted in cost of products sold in our consolidated statements of operations. Additionally, we also have trading activities related to power and natural gas in our all other segment which are also netted in cost of products sold. As a result of our trading activities and the use of derivative financial instruments in our transportation and storage segment, the degree of earnings volatility that can occur may be significant, favorably or unfavorably, from period to period. We attempt to manage this volatility through the use of daily position and profit and loss reports provided to our risk oversight committee, which includes members of senior management, and the limits and authorizations set forth in our commodity risk management policy.

Derivatives are utilized in our all other segment in order to mitigate price volatility and manage fixed price exposure incurred from contractual obligations. We attempt to maintain balanced positions in our marketing activities to protect against volatility in the energy commodities markets; however, net unbalanced positions can exist.

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The following table details our outstanding commodity-related derivatives:

	December 31, 2013		December 31, 2012	
	Notional Volume	Maturity	Notional Volume	Maturity
Mark-to-Market Derivatives				
(Trading)				
Natural Gas (MMBtu):				
Fixed Swaps/Futures	9,457,500	2014-2019	—	—
Basis Swaps IFERC/NYMEX ⁽¹⁾	(487,500	) 2014-2017	(30,980,000	) 2013-2014
Swing Swaps	1,937,500	2014-2016	—	—
Power (Megawatt):				
Forwards	351,050	2014	19,650	2013
Futures	(772,476	) 2014	(1,509,300	) 2013
Options – Puts	(52,800	) 2014	—	—
Options – Calls	103,200	2014	1,656,400	2013
Crude (Bbls) – Futures	103,000	2014	—	—
(Non-Trading)				
Natural Gas (MMBtu):				
Basis Swaps IFERC/NYMEX	570,000	2014	150,000	2013
Swing Swaps IFERC	(9,690,000	) 2014-2016	(83,292,500	) 2013
Fixed Swaps/Futures	(8,195,000	) 2014-2015	27,077,500	2013
Forward Physical Contracts	5,668,559	2014-2015	11,689,855	2013-2014
Natural Gas Liquid (Bbls) – Forwards/Swaps	(280,000	) 2014	(30,000	) 2013
Refined Products (Bbls) – Futures	(1,133,600	) 2014	(666,000	) 2013
Fair Value Hedging Derivatives				
(Non-Trading)				
Natural Gas (MMBtu):				
Basis Swaps IFERC/NYMEX	(7,352,500	) 2014	(18,655,000	) 2013
Fixed Swaps/Futures	(50,530,000	) 2014	(44,272,500	) 2013
Hedged Item – Inventory	50,530,000	2014	44,272,500	2013
Cash Flow Hedging Derivatives				
(Non-Trading)				
Natural Gas (MMBtu):				
Basis Swaps IFERC/NYMEX	(1,825,000	) 2014	—	—
Fixed Swaps/Futures	(12,775,000	) 2014	(8,212,500	) 2013
Natural Gas Liquid (Bbls) – Forwards/Swaps	(780,000	) 2014	(930,000	) 2013
Refined Products (Bbls) – Futures	—	—	(98,000	) 2013
Crude (Bbls) – Futures	(30,000	) 2014	—	—

⁽¹⁾ Includes aggregate amounts for open positions related to Houston Ship Channel, Waha Hub, NGPL TexOk, West Louisiana Zone and Henry Hub locations.

We expect gains of \$4 million related to commodity derivatives to be reclassified into earnings over the next 12 months related to amounts currently reported in AOCI. The amount ultimately realized, however, will differ as commodity prices change and the underlying physical transaction occurs.

Interest Rate Risk

We are exposed to market risk for changes in interest rates. To maintain a cost effective capital structure, we borrow funds using a mix of fixed rate debt and variable rate debt. We also manage our interest rate exposure by utilizing interest rate swaps

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to achieve a desired mix of fixed and variable rate debt. We also utilize forward starting interest rate swaps to lock in the rate on a portion of our anticipated debt issuances.

The following table summarizes our interest rate swaps outstanding, none of which were designated as hedges for accounting purposes:

Entity	Term	Type ⁽¹⁾	Notional Amount Outstanding	
			December 31, 2013	December 31, 2012
ETP	July 2013 ⁽²⁾	Forward-starting to pay a fixed rate of 4.03% and receive a floating rate	\$—	\$400
ETP	July 2014 ⁽²⁾	Forward-starting to pay a fixed rate of 4.25% and receive a floating rate	400	400
ETP	July 2018	Pay a floating rate plus a spread of 4.17% and receive a fixed rate of 6.70%	600	600
ETP	June 2021	Pay a floating rate plus a spread of 2.17% and receive a fixed rate of 4.65%	400	—
ETP	February 2023	Pay a floating rate plus a spread of 1.32% and receive a fixed rate of 3.60%	400	—
Southern Union ⁽³⁾	November 2016	Pay a fixed rate of 2.97% and receive a floating rate	—	75
Southern Union ⁽³⁾	November 2021	Pay a fixed rate of 3.801% and receive a floating rate	275	450

⁽¹⁾ Floating rates are based on 3-month LIBOR.

Represents the effective date. These forward starting swaps have a term of 10 years with a mandatory termination

⁽²⁾ date the same as the effective date. During the year ended December 31, 2013, we settled \$400 million of ETP's forward-starting interest rate swaps that had an effective date of July 2013.

⁽³⁾ In connection with the Panhandle Merger, Southern Union's interest rate swaps outstanding were assumed by Panhandle.

Credit Risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a loss to the Partnership. Credit policies have been approved and implemented to govern the Partnership's portfolio of counterparties with the objective of mitigating credit losses. These policies establish guidelines, controls and limits to manage credit risk within approved tolerances by mandating an appropriate evaluation of the financial condition of existing and potential counterparties, monitoring agency credit ratings, and by implementing credit practices that limit exposure according to the risk profiles of the counterparties. Furthermore, the Partnership may at times require collateral under certain circumstances to mitigate credit risk as necessary. We also implement the use of industry standard commercial agreements which allow for the netting of positive and negative exposures associated with transactions executed under a single commercial agreement. Additionally, we utilize master netting agreements to offset credit exposure across multiple commercial agreements with a single counterparty or affiliated group of counterparties.

The Partnership's counterparties consist of a diverse portfolio of customers across the energy industry, including petrochemical companies, commercial and industrials, oil and gas producers, municipalities, utilities and midstream companies. Our overall exposure may be affected positively or negatively by macroeconomic or regulatory changes that could impact our counterparties to one extent or another. Currently, management does not anticipate a material adverse effect in our financial position or results of operations as a consequence of counterparty non-performance. We have maintenance margin deposits with certain counterparties in the OTC market, primarily independent system operators, and with clearing brokers. Payments on margin deposits are required when the value of a derivative exceeds our pre-established credit limit with the counterparty. Margin deposits are returned to us on or about the settlement date for non-exchange traded derivatives, and we exchange margin calls on a daily basis for exchange traded transactions. Since the margin calls are made daily with the exchange brokers, the fair value of the financial derivative

instruments are deemed current and netted in deposits paid to vendors within other current assets in the consolidated balance sheets.

For financial instruments, failure of a counterparty to perform on a contract could result in our inability to realize amounts that have been recorded on our consolidated balance sheets and recognized in net income or other comprehensive income.

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Derivative Summary

The following table provides a summary of our derivative assets and liabilities:

	Fair Value of Derivative Instruments			
	Asset Derivatives		Liability Derivatives	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
Derivatives designated as hedging instruments:				
Commodity derivatives (margin deposits)	\$3	\$8	\$(18)	\$(10)
	3	8	(18)	(10)
Derivatives not designated as hedging instruments:				
Commodity derivatives (margin deposits)	227	110	(209)	(116)
Commodity derivatives	39	33	(38)	(34)
Current assets held for sale	—	1	—	—
Non-current assets held for sale	—	1	—	—
Current liabilities held for sale	—	—	—	(9)
Interest rate derivatives	47	55	(95)	(223)
	313	200	(342)	(382)
Total derivatives	\$316	\$208	\$(360)	\$(392)

In addition to the above derivatives, \$7 million in option premiums were included in price risk management liabilities as of December 31, 2012.

The following table presents the fair value of our recognized derivative assets and liabilities on a gross basis and amounts offset on the consolidated balance sheets that are subject to enforceable master netting arrangements or similar arrangements:

	Balance Sheet Location	Asset Derivatives		Liability Derivatives	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
		Derivatives in offsetting agreements:			
OTC contracts	Price risk management assets (liabilities)	\$41	\$28	\$(38)	\$(27)
Broker cleared derivative contracts	Other current assets (liabilities)	265	150	(318)	(228)
		306	178	(356)	(255)
Offsetting agreements:					
Collateral paid to OTC counterparties	Other current assets	—	—	—	2
Counterparty netting	Price risk management assets (liabilities)	(36)	(25)	36	25
Payments on margin deposit	Other current assets	(1)	—	55	59
		(37)	(25)	91	86
Net derivatives with offsetting agreements		269	153	(265)	(169)
Derivatives without offsetting agreements		47	55	(95)	(223)
Total derivatives		\$316	\$208	\$(360)	\$(392)

We disclose the non-exchange traded financial derivative instruments as price risk management assets and liabilities on our consolidated balance sheets at fair value with amounts classified as either current or long-term depending on the anticipated settlement date.

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The following tables summarize the amounts recognized with respect to our derivative financial instruments:

		Change in Value Recognized in OCI on Derivatives (Effective Portion) Years Ended December 31,		
		2013	2012	2011
Derivatives in cash flow hedging relationships:				
Commodity derivatives		\$ (1)	\$ 8	\$ 19
Total		\$ (1)	\$ 8	\$ 19
	Location of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion) Years Ended December 31,		
		2013	2012	2011
Derivatives in cash flow hedging relationships:				
Commodity derivatives	Cost of products sold	\$ 4	\$ 14	\$ 38
Total		\$ 4	\$ 14	\$ 38
	Location of Gain/(Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income Representing Hedge Ineffectiveness and Amount Excluded from the Assessment of Effectiveness Years Ended December 31,		
		2013	2012	2011
Derivatives in fair value hedging relationships (including hedged item):				
Commodity derivatives	Cost of products sold	\$ 8	\$ 54	\$ 34
Total		\$ 8	\$ 54	\$ 34
	Location of Gain/(Loss) Recognized in Income on Derivatives	Amount of Gain (Loss) Recognized in Income on Derivatives Years Ended December 31,		
		2013	2012	2011
Derivatives not designated as hedging instruments:				
Commodity derivatives – Trading	Cost of products sold	\$ (11)	\$ (7)	\$ (30)
Commodity derivatives – Non-trading	Cost of products sold	(12)	(15)	9
Commodity contracts – Non-trading	Deferred gas purchases	(3)	(26)	—
Interest rate derivatives	Gains (losses) on interest rate derivatives	44	(4)	(77)
Total		\$ 18	\$ (52)	\$ (98)

12. RETIREMENT BENEFITS:

Savings and Profit Sharing Plans

We and our subsidiaries sponsor defined contribution savings and profit sharing plans, which collectively cover virtually all employees. Employer matching contributions are calculated using a formula based on employee contributions. We and our

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subsidiaries made matching contributions of \$38 million, \$21 million and \$11 million to these 401(k) savings plans for the years ended December 31, 2013, 2012 and 2011, respectively.

Pension and Other Postretirement Benefit Plans

Southern Union

Southern Union has funded non-contributory defined benefit pension plans that cover substantially all employees of Southern Union's distribution operations. Normal retirement age is 65, but certain plan provisions allow for earlier retirement. Pension benefits are calculated under formulas principally based on average earnings and length of service for salaried and non-union employees and average earnings and length of service or negotiated non-wage based formulas for union employees.

The 2012 postretirement benefits expense for Southern Union reflects the impact of curtailment accounting as postretirement benefits for all active participants who did not meet certain criteria were eliminated. Southern Union previously had postretirement health care and life insurance plans that covered substantially of its distribution and transportation and storage operations employees as well as all corporate employees. The health care plans generally provide for cost sharing between Southern Union and its retirees in the form of retiree contributions, deductibles, coinsurance, and a fixed cost cap on the amount Southern Union pays annually to provide future retiree health care coverage under certain of these plans.

Sunoco

Sunoco has both funded and unfunded noncontributory defined benefit pension plans. Sunoco also has plans which provide health care benefits for substantially all of its current retirees ("postretirement benefit plans"). The postretirement benefit plans are unfunded and the costs are shared by Sunoco and its retirees. Prior to the Sunoco Merger on October 5, 2012, pension benefits under Sunoco's defined benefit plans were frozen for most of the participants in these plans at which time Sunoco instituted a discretionary profit-sharing contribution on behalf of these employees in its defined contribution plan. Postretirement medical benefits were also phased down or eliminated for all employees retiring after July 1, 2010. Sunoco has established a trust for its postretirement benefit liabilities by making a tax-deductible contribution of approximately \$200 million and restructuring the retiree medical plan to eliminate Sunoco's liability beyond this funded amount. The retiree medical plan change eliminated substantially all of Sunoco's future exposure to variances between actual results and assumptions used to estimate retiree medical plan obligations.

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Obligations and Funded Status

Pension and other postretirement benefit liabilities are accrued on an actuarial basis during the years an employee provides services. The following table contains information at the dates indicated about the obligations and funded status of pension and other postretirement plans on a combined basis:

	December 31, 2013			December 31, 2012		
	Pension Benefits					
	Funded Plans	Unfunded Plans	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits	
Change in benefit obligation:						
Benefit obligation at beginning of period	\$1,117	\$78	\$296	\$1,257	\$359	
Service cost	3	—	—	3	1	
Interest cost	33	2	6	15	3	
Amendments	—	—	2	—	17	
Benefits paid, net	(99	) (16	) (26	) (71	) (8)
Curtailments	—	—	—	—	(80)
Actuarial (gain) loss and other	(74	) (3	) (14	) (9	) 4	
Settlements	(95) —	—	—	—	
Dispositions	(253	) —	(41) —	—	
Benefit obligation at end of period	632	61	223	1,195	296	
Change in plan assets:						
Fair value of plan assets at beginning of period	906	—	312	941	306	
Return on plan assets and other	43	—	17	22	5	
Employer contributions	—	—	8	14	9	
Benefits paid, net	(99	) —	(26	) (71	) (8)
Settlements	(95) —	—	—	—	
Dispositions	(155	) —	(27) —	—	
Fair value of plan assets at end of period	600	—	284	906	312	
Amount underfunded (overfunded) at end of period	\$32	\$61	\$(61	) \$289	\$(16)
Amounts recognized in the consolidated balance sheets consist of:						
Non-current assets	\$—	\$—	\$86	\$—	\$59	
Current liabilities	—	(9	) (2	) (15	) (2)
Non-current liabilities	(32	) (52	) (23	) (274	) (41)
	\$(32	) \$(61	) \$61	\$(289	) \$16	
Amounts recognized in accumulated other comprehensive loss (pre-tax basis) consist of:						
Net actuarial gain	\$(86) \$(4) \$(25) \$(1) \$(1)
Prior service cost	—	—	18	—	16	

\$(86) \$(4) \$(7) \$(1) \$15

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The following table summarizes information at the dates indicated for plans with an accumulated benefit obligation in excess of plan assets:

	December 31, 2013			December 31, 2012	
	Funded Plans	Unfunded Plans	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits
Projected benefit obligation	\$632	\$61	N/A	\$1,195	N/A
Accumulated benefit obligation	632	61	223	1,179	\$225
Fair value of plan assets	600	—	284	906	185
Components of Net Periodic Benefit Cost					
	December 31, 2013		December 31, 2012		
	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits	
Net periodic benefit cost:					
Service cost	\$3	\$—	\$3	\$1	
Interest cost	35	6	15	3	
Expected return on plan assets	(54	) (9	) (21	) (5)
Prior service cost amortization	—	1	—	—	
Actuarial loss amortization	2	—	—	—	
Special termination benefits charge	—	—	2	—	
Curtailment recognition ⁽¹⁾	—	—	—	(15)
Settlements	(2) —	—	—	
	(16	) (2	) (1	) (16)
Regulatory adjustment ⁽²⁾	5	—	9	2	
Net periodic benefit cost	\$(11	) \$(2	) \$8	\$(14)

Subsequent to the Southern Union Merger, Southern Union amended certain of its other postretirement employee benefit plans, which prospectively restrict participation in the plans for the impacted active employees. The plan amendments resulted in the plans becoming currently over-funded and, accordingly, Southern Union recorded a pre-tax curtailment gain of \$75 million. Such gain was offset by establishment of a non-current refund liability in the amount of \$60 million. As such, the net curtailment gain recognition was \$15 million.

Southern Union has historically recovered certain qualified pension benefit plan and other postretirement benefit plan costs through rates charged to utility customers in its distribution operations. Certain utility commissions require that the recovery of these costs be based on the Employee Retirement Income Security Act of 1974, as

- ⁽²⁾ amended, or other utility commission specific guidelines. The difference between these regulatory-based amounts and the periodic benefit cost calculated pursuant to GAAP is deferred as a regulatory asset or liability and amortized to expense over periods in which this difference will be recovered in rates, as promulgated by the applicable utility commission.

Assumptions

The weighted-average assumptions used in determining benefit obligations at the dates indicated are shown in the table below:

	December 31, 2013		December 31, 2012		
	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits	
Discount rate	4.65	% 2.33	% 3.41	% 2.39	%
Rate of compensation increase	N/A	N/A	3.17	% N/A	

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The weighted-average assumptions used in determining net periodic benefit cost for the periods presented are shown in the table below:

	December 31, 2013		December 31, 2012		
	Pension Benefits	Other Postretirement Benefits	Pension Benefits	Other Postretirement Benefits	
Discount rate	3.50	% 2.68	% 2.37	% 2.43	%
Expected return on assets:					
Tax exempt accounts	7.50	% 6.95	% 7.63	% 7.00	%
Taxable accounts	N/A	4.42	% N/A	4.50	%
Rate of compensation increase	N/A	N/A	3.02	% N/A	

The long-term expected rate of return on plan assets was estimated based on a variety of factors including the historical investment return achieved over a long-term period, the targeted allocation of plan assets and expectations concerning future returns in the marketplace for both equity and fixed income securities. Current market factors such as inflation and interest rates are evaluated before long-term market assumptions are determined. Peer data and historical returns are reviewed to ensure reasonableness and appropriateness.

The assumed health care cost trend rates used to measure the expected cost of benefits covered by Southern Union and Sunoco's other postretirement benefit plans are shown in the table below:

	December 31,		
	2013	2012	
Health care cost trend rate assumed for next year	7.57	% 7.78	%
Rate to which the cost trend is assumed to decline (the ultimate trend rate)	5.42	% 5.32	%
Year that the rate reaches the ultimate trend rate	2018	2018	

Changes in the health care cost trend rate assumptions are not expected to have a significant impact on postretirement benefits.

Plan Assets

For the Southern Union plans, the overall investment strategy is to maintain an appropriate balance of actively managed investments with the objective of optimizing longer-term returns while maintaining a high standard of portfolio quality and achieving proper diversification. To achieve diversity within its pension plan asset portfolio, Southern Union has targeted the following asset allocations: equity of 25% to 70%, fixed income of 15% to 35%, alternative assets of 10% to 35% and cash of 0% to 10%. To achieve diversity within its other postretirement plan asset portfolio, Southern Union has targeted the following asset allocations: equity of 25% to 35%, fixed income of 65% to 75% and cash and cash equivalents of 0% to 10%.

The investment strategy of Sunoco funded defined benefit plans is to achieve consistent positive returns, after adjusting for inflation, and to maximize long-term total return within prudent levels of risk through a combination of income and capital appreciation. The objective of this strategy is to reduce the volatility of investment returns, maintain a sufficient funded status of the plans and limit required contributions. Sunoco has targeted the following asset allocations: equity of 35%, fixed income of 55%, and private equity investments of 10%. Sunoco anticipates future shifts in targeted asset allocation from equity securities to fixed income securities if funding levels improve due to asset performance or Sunoco contributions.

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The fair value of the pension plan assets by asset category at the dates indicated is as follows:

	Fair Value as of December 31, 2013	Fair Value Measurements at December 31, 2013 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Asset category:				
Cash and cash equivalents	\$12	\$12	\$—	\$—
Mutual funds ⁽¹⁾	368	—	281	87
Fixed income securities	220	—	220	—
Total	\$600	\$12	\$501	\$87

(1) Primarily comprised of approximately 66% equities, 10% fixed income securities, and 24% in other investments as of December 31, 2013.

	Fair Value as of December 31, 2012	Fair Value Measurements at December 31, 2012 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Asset category:				
Cash and cash equivalents	\$25	\$25	\$—	\$—
Mutual funds ⁽¹⁾	516	—	433	83
Fixed income securities	354	—	354	—
Multi-strategy hedge funds ⁽²⁾	11	—	11	—
Total	\$906	\$25	\$798	\$83

(1) Primarily comprised of approximately 36% equities, 54% fixed income securities, and 10% in other investments as of December 31, 2012.

(2) Primarily includes hedge funds that invest in multiple strategies, including relative value, opportunistic/macro, long/short equities, merger arbitrage/event driven, credit, and short selling strategies, to generate long-term capital appreciation through a portfolio having a diversified risk profile with relatively low volatility and a low correlation with traditional equity and fixed-income markets. These investments can generally be redeemed effective as of the last day of a calendar quarter at the net asset value per share of the investment with approximately 65 days prior written notice.

The fair value of other postretirement plan assets by asset category at the dates indicated is as follows:

	Fair Value as of December 31, 2013	Fair Value Measurements at December 31, 2013 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Asset category:				
Cash and cash equivalents	\$10	\$10	\$—	\$—
Mutual funds ⁽¹⁾	130	112	18	—
Fixed income securities	144	—	144	—
Total	\$284	\$122	\$162	\$—

(1) Primarily comprised of approximately 41% equities, 48% fixed income securities, 6% cash, and 5% in other investments as of December 31, 2013.

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Asset category:	Fair Value as of December 31, 2012	Fair Value Measurements at December 31, 2012 Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3
Cash and cash equivalents	\$7	\$7	\$—	\$—
Mutual funds ⁽¹⁾	147	126	21	—
Fixed income securities	158	—	158	—
Total	\$312	\$133	\$179	\$—

(1) Primarily comprised of approximately 19% equities, 74% fixed income securities, 4% cash, and 3% in other investments as of December 31, 2012.

The Level 1 plan assets are valued based on active market quotes. The Level 2 plan assets are valued based on the net asset value per share (or its equivalent) of the investments, which was not determinable through publicly published sources but was calculated consistent with authoritative accounting guidelines. See Note 2 for information related to the framework used to measure the fair value of its pension and other postretirement plan assets.

Contributions

We expect to contribute approximately \$23 million to pension plans and approximately \$18 million to other postretirement plans in 2014. The cost of the plans are funded in accordance with federal regulations, not to exceed the amounts deductible for income tax purposes.

Benefit Payments

Southern Union and Sunoco's estimate of expected benefit payments, which reflect expected future service, as appropriate, in each of the next five years and in the aggregate for the five years thereafter are shown in the table below:

Years	Pension Benefits		Other Postretirement Benefits (Gross, Before Medicare Part D)
	Funded Plans	Unfunded Plans	
2014	\$82	\$9	\$31
2015	77	9	29
2016	67	8	28
2017	61	7	26
2018	56	7	24
2019 – 2023	220	23	87

The Medicare Prescription Drug Act provides for a prescription drug benefit under Medicare ("Medicare Part D") as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a prescription drug benefit that is at least actuarially equivalent to Medicare Part D.

Southern Union does not expect to receive any Medicare Part D subsidies in any future periods.

13. RELATED PARTY TRANSACTIONS:

ETE has agreements with subsidiaries to provide or receive various general and administrative services. ETE pays us to provide services on its behalf and on behalf of other subsidiaries of ETE, which includes the reimbursement of various general and administrative services for expenses incurred by us on behalf of Regency.

In the ordinary course of business, we provide Regency with certain natural gas and NGLs sales and transportation services and compression equipment, and Regency provides us with certain contract compression services. These related party transactions are generally based on transactions made at market-related rates.

Sunoco Logistics has an agreement with PES relating to the Fort Mifflin Terminal Complex. Under this agreement, PES will deliver an average of 300,000 Bbls/d of crude oil and refined products per contract year at the Fort Mifflin facility. PES does not have exclusive use of the Fort Mifflin Terminal Complex; however, Sunoco Logistics is obligated to provide the necessary

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tanks, marine docks and pipelines for PES to meet its minimum requirements under the agreement. Sunoco Logistics entered into a ten-year agreement to provide terminalling services to PES in September 2012.

In September 2012, Sunoco assigned its lease for the use of Sunoco Logistics' inter-refinery pipelines between the Philadelphia and Marcus Hook refineries to PES. Under the 20-year lease agreement which expires in February 2022, PES leases the inter-refinery pipelines for an annual fee which escalates at 1.67% each January 1 for the term of the agreement. The lease agreement also requires PES to reimburse Sunoco Logistics for any non-routine maintenance expenditures, as defined, incurred during the term of the agreement. There were no material reimbursements under this agreement during the periods presented.

In connection with the acquisition of the Marcus Hook Facility, Sunoco Logistics assumed an agreement to provide butane storage and terminal services to PES at the facility. The 10 year agreement extends through September 2022. Sunoco Logistics has agreements with PES whereby PES purchases crude oil, at market-based rates, for delivery to Sunoco Logistics' Fort Mifflin and Eagle Point terminal facilities. These agreements contain minimum volume commitments and extend through 2014.

The renegotiated terms of the agreements with PES provide PES with the option to purchase the Fort Mifflin and Belmont terminals if certain triggering events occur, including a sale of substantially all of the assets or operations of the Philadelphia refinery, an initial public offering or a public debt filing of more than \$200 million. The purchase price for each facility would be established based on a fair value amount determined by designated third parties.

The following table summarizes the affiliated revenues on our consolidated statements of operations:

	Years Ended December 31,		
	2013	2012	2011
Affiliated revenues	\$1,550	\$173	\$690

The following table summarizes the related company balances on our consolidated balance sheets:

	December 31,	
	2013	2012
Accounts receivable from related companies:		
ETE	\$18	\$16
Regency	53	10
PES	7	60
FGT	29	2
Eastern Gulf	24	—
Other	34	6
Total accounts receivable from related companies:	\$165	\$94

Accounts payable to related companies:

ETE	\$8	\$7
Regency	24	2
PES	—	13
FGT	8	—
Other	5	2
Total accounts payable to related companies:	\$45	\$24

14. REPORTABLE SEGMENTS:

As a result of the Sunoco Merger and Holdco Transaction, our reportable segments were re-evaluated and changed in 2012. Our financial statements currently reflect the following reportable segments, which conduct their business exclusively in the United States, as follows:

- intrastate transportation and storage;

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- interstate transportation and storage;
- midstream;
- NGL transportation and services;
- investment in Sunoco Logistics;
- retail marketing; and
- all other.

During the fourth quarter 2013, management realigned the composition of our reportable segments, and as a result, our natural gas marketing operations are now aggregated into the “all other” segment. These operations were previously reported in the midstream segment. Based on this change in our segment presentation, we have recast the presentation of our segment results for the prior years to be consistent with the current year presentation.

Intersegment and intrasegment transactions are generally based on transactions made at market-related rates.

Consolidated revenues and expenses reflect the elimination of all material intercompany transactions.

Revenues from our intrastate transportation and storage segment are primarily reflected in natural gas sales and gathering, transportation and other fees. Revenues from our interstate transportation and storage segment are primarily reflected in gathering, transportation and other fees. Revenues from our midstream segment are primarily reflected in natural gas sales, NGL sales and gathering, transportation and other fees. Revenues from our NGL transportation and services segment are primarily reflected in NGL sales and gathering, transportation and other fees. Revenues from our investment in Sunoco Logistics segment are primarily reflected in crude sales. Revenues from our retail marketing segment are primarily reflected in refined product sales.

We report Segment Adjusted EBITDA as a measure of segment performance. We define Segment Adjusted EBITDA 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 include unrealized gains and losses on commodity derivatives and inventory fair value adjustments (excluding lower of cost or market adjustments). Segment Adjusted EBITDA reflects amounts for unconsolidated affiliates based on the Partnership’s proportionate ownership.

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The following tables present the financial information by segment:

	Years Ended December 31,		
	2013	2012	2011
Revenues:			
Intrastate transportation and storage:			
Revenues from external customers	\$2,250	\$2,012	\$2,398
Intersegment revenues	202	179	276
	2,452	2,191	2,674
Interstate transportation and storage:			
Revenues from external customers	1,270	1,109	447
Intersegment revenues	39	—	—
	1,309	1,109	447
Midstream:			
Revenues from external customers	1,307	1,757	1,082
Intersegment revenues	942	196	401
	2,249	1,953	1,483
NGL transportation and services:			
Revenues from external customers	2,063	619	363
Intersegment revenues	64	31	34
	2,127	650	397
Investment in Sunoco Logistics:			
Revenues from external customers	16,480	3,109	—
Intersegment revenues	159	80	—
	16,639	3,189	—
Retail marketing:			
Revenues from external customers	21,004	5,926	—
Intersegment revenues	8	—	—
	21,012	5,926	—
All other:			
Revenues from external customers	1,965	1,170	2,509
Intersegment revenues	402	385	379
	2,367	1,555	2,888
Eliminations	(1,816) (871) (1,090
Total revenues	\$46,339	\$15,702	\$6,799

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	Years Ended December 31,		
	2013	2012	2011
Cost of products sold:			
Intrastate transportation and storage	\$1,737	\$1,394	\$1,774
Midstream	1,579	1,273	988
NGL transportation and services	1,655	361	218
Investment in Sunoco Logistics	15,574	2,885	—
Retail marketing	20,150	5,757	—
All other	2,309	1,496	2,274
Eliminations	(1,800	) (900	) (1,079
Total cost of products sold	\$41,204	\$12,266	\$4,175
	Years Ended December 31,		
	2013	2012	2011
Depreciation and amortization:			
Intrastate transportation and storage	\$122	\$122	\$120
Interstate transportation and storage	244	209	81
Midstream	172	168	85
NGL transportation and services	91	53	32
Investment in Sunoco Logistics	265	63	—
Retail marketing	114	28	—
All other	24	13	87
Total depreciation and amortization	\$1,032	\$656	\$405
	Years Ended December 31,		
	2013	2012	2011
Equity in earnings (losses) of unconsolidated affiliates:			
Intrastate transportation and storage	\$—	\$4	\$2
Interstate transportation and storage	142	120	24
Midstream	—	(9) —
NGL transportation and services	(2	) 2	—
Investment in Sunoco Logistics	18	5	—
Retail marketing	2	1	—
All other	12	19	—
Total equity in earnings of unconsolidated affiliates	\$172	\$142	\$26

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	Years Ended December 31,		
	2013	2012	2011
Segment Adjusted EBITDA:			
Intrastate transportation and storage	\$464	\$601	\$667
Interstate transportation and storage	1,269	1,013	373
Midstream	479	467	421
NGL transportation and services	351	209	127
Investment in Sunoco Logistics	871	219	—
Retail marketing	325	109	—
All other	194	126	193
Total Segment Adjusted EBITDA	3,953	2,744	1,781
Depreciation and amortization	(1,032	) (656	) (405
Interest expense, net of interest capitalized	(849	) (665	) (474
Gain on deconsolidation of Propane Business	—	1,057	—
Gain on sale of AmeriGas common units	87	—	—
Goodwill impairment	(689) —	—
Gains (losses) on interest rate derivatives	44	(4	) (77
Non-cash unit-based compensation expense	(47	) (42	) (38
Unrealized gains (losses) on commodity risk management activities	51	(9	) (11
LIFO valuation adjustments	3	(75) —
Loss on extinguishment of debt	—	(115) —
Non-operating environmental remediation	(168) —	—
Adjusted EBITDA related to discontinued operations	(76	) (99	) (23
Adjusted EBITDA related to unconsolidated affiliates	(629	) (480	) (56
Equity in earnings of unconsolidated affiliates	172	142	26
Other, net	12	22	(4
Income from continuing operations before income tax expense	\$832	\$1,820	\$719
	December 31,		
	2013	2012	2011
Total assets:			
Intrastate transportation and storage	\$4,606	\$4,691	\$4,785
Interstate transportation and storage	10,988	11,794	3,661
Midstream	3,133	4,946	2,513
NGL transportation and services	4,326	3,765	2,360
Investment in Sunoco Logistics	11,650	10,291	—
Retail marketing	3,936	3,926	—
All other	5,063	3,817	2,200
Total	\$43,702	\$43,230	\$15,519

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	Years Ended December 31,		
	2013	2012	2011
Additions to property, plant and equipment excluding acquisitions, net of contributions in aid of construction costs (accrual basis):			
Intrastate transportation and storage	\$47	\$37	\$53
Interstate transportation and storage	152	133	207
Midstream	565	1,317	837
NGL transportation and services	443	1,302	325
Investment in Sunoco Logistics	1,018	139	—
Retail marketing	176	58	—
All other	54	63	62
Total	\$2,455	\$3,049	\$1,484
	December 31,		
	2013	2012	2011
Advances to and investments in unconsolidated affiliates:			
Intrastate transportation and storage	\$1	\$2	\$1
Interstate transportation and storage	2,040	2,142	173
Midstream	—	1	—
NGL transportation and services	29	29	27
Investment in Sunoco Logistics	125	118	—
Retail marketing	22	21	—
All other	2,219	1,189	—
Total	\$4,436	\$3,502	\$201

15. QUARTERLY FINANCIAL DATA (UNAUDITED):

Summarized unaudited quarterly financial data is presented below. The sum of net income per Limited Partner unit by quarter does not equal the net income per limited partner unit for the year due to the computation of income allocation between the General Partner and Limited Partners and variations in the weighted average units outstanding used in computing such amounts. ETC OLP's business is also seasonal due to the operations of ET Fuel System and the HPL System. We expect margin related to the HPL System operations to be higher during the periods from November through March of each year and lower during the periods from April through October of each year due to the increased demand for natural gas during the cold weather. However, we cannot assure that management's expectations will be fully realized in the future and in what time period due to various factors including weather, availability of natural gas in regions in which we operate, competitive factors in the energy industry, and other issues.

	Quarter Ended				Total Year
	March 31	June 30	September 30	December 31	
2013:					
Revenues	\$10,854	\$11,551	\$11,902	\$12,032	\$46,339
Gross profit	1,260	1,322	1,248	1,305	5,135
Operating income (loss)	534	632	526	(151)	) 1,541
Net income (loss)	424	413	404	(473)	) 768
Limited Partners' interest in net income (loss)	194	165	209	(666)	) (98)
Basic net income (loss) per limited partner unit	\$0.63	\$0.53	\$0.55	\$(1.90)) \$(0.18)
Diluted net income (loss) per limited partner unit	\$0.63	\$0.53	\$0.55	\$(1.90)) \$(0.18)

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The three months ended December 31, 2013 was impacted by ETP's recognition of a goodwill impairment of \$689 million. For the three months ended December 31, 2013, distributions paid for the period exceeded net income attributable to partners by \$1.12 billion. Accordingly, the distributions paid to the General Partner, including incentive distributions, further exceeded net income, and as a result, a net loss was allocated to the Limited Partners for the period.

	Quarter Ended				Total Year
	March 31	June 30	September 30	December 31	
2012:					
Revenues	\$1,323	\$1,596	\$1,802	\$10,981	\$15,702
Gross profit	542	797	776	1,321	3,436
Operating income	209	357	365	463	1,394
Net income	1,088	135	64	361	1,648
Limited Partners' interest in net income (loss)	998	2	(80	) 188	1,108
Basic net income (loss) per limited partner unit	\$4.36	\$0.00	\$(0.33	) \$0.62	\$4.43
Diluted net income (loss) per limited partner unit	\$4.35	\$0.00	\$(0.33	) \$0.62	\$4.42

For the three months ended September 30, 2012, distributions paid for the period exceeded net income attributable to partners by \$356 million. Accordingly, the distributions paid to the General Partner, including incentive distributions, further exceeded net income, and as a result, a net loss was allocated to the Limited Partners for the period. In addition, for the three months ended June 30, 2012 distributions paid for the period exceeded net income attributable to partners by \$223 million. The allocation of the distributions in excess of net income is based on the proportionate ownership interests of the Limited Partners and General Partner. Based on this allocation approach, net income per Limited Partner unit (basic and diluted) for the three months ended June 30, 2012 was approximately zero, after taking into account distributions to be paid with respect to incentive distribution rights and employee unit awards.