

Energy Transfer Partners, L.P.
Form 10-Q
November 09, 2009
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended September 30, 2009

OR

.. **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Commission file number 1-11727

ENERGY TRANSFER PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

Delaware (state or other jurisdiction of incorporation or organization) **73-1493906** (I.R.S. Employer Identification No.)
3738 Oak Lawn Avenue, Dallas, Texas 75219

(Address of principal executive offices and zip code)

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At November 5, 2009, the registrant had units outstanding as follows:

Energy Transfer Partners, L.P. 175,773,593 Common Units

Table of Contents

FORM 10-Q

INDEX TO FINANCIAL STATEMENTS

Energy Transfer Partners, L.P. and Subsidiaries

	Page
<u>PART I</u> <u>FINANCIAL INFORMATION</u>	
ITEM 1. <u>FINANCIAL STATEMENTS (Unaudited)</u>	
<u>Condensed Consolidated Balance Sheets</u> <u>September 30, 2009 and December 31, 2008</u>	1
<u>Condensed Consolidated Statements of Operations</u> <u>Three and Nine Months Ended September 30, 2009 and 2008</u>	3
<u>Condensed Consolidated Statements of Comprehensive Income</u> <u>Three and Nine Months Ended September 30, 2009 and 2008</u>	4
<u>Condensed Consolidated Statement of Partners' Capital</u> <u>Nine Months Ended September 30, 2009</u>	5
<u>Condensed Consolidated Statements of Cash Flows</u> <u>Nine Months Ended September 30, 2009 and 2008</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
ITEM 2. <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL</u> <u>CONDITION AND RESULTS OF OPERATIONS</u>	35
ITEM 3. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT</u> <u>MARKET RISK</u>	48
ITEM 4. <u>CONTROLS AND PROCEDURES</u>	51
<u>PART II</u> <u>OTHER INFORMATION</u>	
ITEM 1. <u>LEGAL PROCEEDINGS</u>	52
ITEM 1A. <u>RISK FACTORS</u>	52
ITEM 2. <u>UNREGISTERED SALES OF EQUITY SECURITIES</u> <u>AND USE OF PROCEEDS</u>	52
ITEM 3. <u>DEFAULTS UPON SENIOR SECURITIES</u>	52
ITEM 4. <u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	52
ITEM 5. <u>OTHER INFORMATION</u>	53
ITEM 6. <u>EXHIBITS</u>	53
<u>SIGNATURE</u>	

Table of Contents

Forward-Looking Statements

Certain matters discussed in this report, excluding historical information, as well as some statements by Energy Transfer Partners, L.P. ("Energy Transfer Partners" or the Partnership) in periodic press releases and some oral statements of Energy Transfer Partners officials during presentations about the Partnership, include certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 ("Securities Act") and Section 21E of the Securities Exchange Act of 1934 ("Exchange Act"). Statements using words such as anticipate, believe, intend, project, plan, continue, estimate, forecast, may, will or similar expressions help identify forward-looking statements. Partnership believes such forward-looking statements are based on reasonable assumptions and current expectations and projections about future events, no assurance can be given that every objective will be reached.

Actual results may differ materially from any results projected, forecasted, estimated or expressed in forward-looking statements since many of the factors that determine these results are subject to uncertainties and risks, difficult to predict and beyond management's control. For additional discussion of risks, uncertainties and assumptions, see Part II Other Information Item 1A. Risk Factors in this Quarterly Report on Form 10-Q as well as the Partnership's Report on Form 10-K for the year ended December 31, 2008 filed with the Securities and Exchange Commission ("SEC") on March 2, 2009.

Definitions

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

/d	per day
Btu	British thermal unit, an energy measurement
Capacity	Capacity of a pipeline, processing plant or storage facility refers to the maximum capacity under normal operating conditions and, with respect to pipeline transportation capacity, is subject to multiple factors (including natural gas injections and withdrawals at various delivery points along the pipeline and the utilization of compression) which may reduce the throughput capacity from specified capacity levels.
Dth	Million British thermal units (dekatherm). A therm factor is used by gas companies to convert the volume of gas used to its heat equivalent, and thus calculate the actual energy used.
Mcf	thousand cubic feet
MMBtu	million British thermal unit
MMcf	million cubic feet
Bcf	billion cubic feet
NGL	natural gas liquid, such as propane, butane and natural gasoline
Tcf	trillion cubic feet
LIBOR	London Interbank Offered Rate
NYMEX	New York Mercantile Exchange
Reservoir	A porous and permeable underground formation containing a natural accumulation of producible natural gas and/or oil that is confined by impermeable rock or water barriers and is separate from other reservoirs.

Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands)

(unaudited)

	September 30, 2009	December 31, 2008
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 50,059	\$ 91,902
Marketable securities	12,682	5,915
Accounts receivable, net of allowance for doubtful accounts	352,838	591,257
Accounts receivable from related companies	35,972	17,895
Inventories	221,148	272,348
Deposits paid to vendors	99,317	78,237
Exchanges receivable	15,434	45,209
Price risk management assets	6,841	5,423
Prepaid expenses and other current assets	67,680	75,215
Total current assets	861,971	1,183,401
PROPERTY, PLANT AND EQUIPMENT	9,616,309	8,996,911
ACCUMULATED DEPRECIATION	(905,624)	(700,826)
	8,710,685	8,296,085
ADVANCES TO AND INVESTMENTS IN AFFILIATES	550,950	10,110
GOODWILL	736,347	743,694
INTANGIBLES AND OTHER ASSETS, net	394,767	394,199
Total assets	\$ 11,254,720	\$ 10,627,489

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

Table of Contents**ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands)

(unaudited)

	September 30, 2009	December 31, 2008
<u>LIABILITIES AND PARTNERS' CAPITAL</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 253,892	\$ 381,135
Accounts payable to related companies	7,591	34,547
Exchanges payable	22,400	54,636
Customer advances and deposits	101,258	106,679
Accrued and other current liabilities	247,466	311,988
Price risk management liabilities	18,279	94,978
Interest payable	110,744	106,259
Income taxes payable	5,481	14,538
Deferred income taxes	-	589
Current maturities of long-term debt	46,078	45,198
Total current liabilities	813,189	1,150,547
LONG-TERM DEBT, less current maturities	6,166,083	5,618,549
DEFERRED INCOME TAXES	105,156	100,597
OTHER NON-CURRENT LIABILITIES	21,076	14,727
COMMITMENTS AND CONTINGENCIES (Note 15)		
	7,105,504	6,884,420
PARTNERS' CAPITAL:		
General Partner	169,038	161,159
Limited Partners:		
Common Unitholders (168,834,045 and 152,102,471 units authorized, issued and outstanding at September 30, 2009 and December 31, 2008, respectively)	3,994,530	3,578,997
Class E Unitholders (8,853,832 units authorized, issued and outstanding - held by subsidiary and reported as treasury units)	-	-
Accumulated other comprehensive income (loss)	(14,352)	2,913
Total partners' capital	4,149,216	3,743,069
Total liabilities and partners' capital	\$ 11,254,720	\$ 10,627,489

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

Table of Contents**ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(Dollars in thousands, except per unit data)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
		As Adjusted		As Adjusted
		(Note 2)		(Note 2)
REVENUES:				
Natural gas operations	\$ 943,975	\$ 1,938,586	\$ 3,004,163	\$ 6,322,070
Retail propane	162,224	238,830	829,901	1,086,417
Other	23,397	28,799	77,449	90,575
Total revenues	1,129,596	2,206,215	3,911,513	7,499,062
COSTS AND EXPENSES:				
Cost of products sold - natural gas operations	591,797	1,435,308	1,865,914	4,965,145
Cost of products sold - retail propane	80,232	187,799	378,524	744,316
Cost of products sold - other	6,119	10,347	18,842	27,783
Operating expenses	158,883	197,493	517,337	573,606
Depreciation and amortization	81,684	70,508	230,461	191,757
Selling, general and administrative	33,534	44,252	143,015	136,632
Total costs and expenses	952,249	1,945,707	3,154,093	6,639,239
OPERATING INCOME	177,347	260,508	757,420	859,823
OTHER INCOME (EXPENSE):				
Interest expense, net of interest capitalized	(101,503)	(67,792)	(284,228)	(191,757)
Equity in earnings (losses) of affiliates	9,581	(654)	11,751	(749)
Gains (losses) on disposal of assets	(1,088)	2,520	(1,333)	1,584
Gains (losses) on non-hedged interest rate derivatives	(18,241)	394	32,327	149
Allowance for equity funds used during construction	30	19,727	18,618	45,275
Other, net	3,433	(805)	4,400	9,486
INCOME BEFORE INCOME TAX EXPENSE (BENEFIT)	69,559	213,898	538,955	723,811
Income tax expense (benefit)	(2,897)	(7,150)	8,594	8,754
NET INCOME	72,456	221,048	530,361	715,057
GENERAL PARTNER'S INTEREST IN NET INCOME	88,927	80,252	266,396	233,599
LIMITED PARTNERS' INTEREST IN NET INCOME (LOSS)	\$ (16,471)	\$ 140,796	\$ 263,965	\$ 481,458
BASIC NET INCOME (LOSS) PER LIMITED PARTNER UNIT	\$ (0.10)	\$ 0.94	\$ 1.60	\$ 3.32

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

BASIC AVERAGE NUMBER OF UNITS OUTSTANDING	168,815,563	149,839,499	164,183,538	145,160,079
DILUTED NET INCOME (LOSS) PER LIMITED PARTNER UNIT	\$ (0.10)	\$ 0.94	\$ 1.59	\$ 3.31
DILUTED AVERAGE NUMBER OF UNITS OUTSTANDING	168,815,563	150,248,194	164,886,492	145,615,088

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

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

(Dollars in thousands)

(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Net income	\$ 72,456	\$ 221,048	\$ 530,361	\$ 715,057
Other comprehensive income (loss), net of tax:				
Reclassification to earnings of gains and losses on derivative instruments accounted for as cash flow hedges	871	(533)	(8,822)	(13,742)
Change in value of derivative instruments accounted for as cash flow hedges	(15,150)	6,969	(15,200)	(525)
Change in value of available-for-sale securities	3,049	(5,703)	6,757	(2,760)
		(11,230)		