

Energy Transfer Partners, L.P.

Form 10-Q

November 10, 2008

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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, 2008

OR

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

For the Transition Period from _____ to _____

Commission file number 1-11727

ENERGY TRANSFER PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

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Delaware
(state or other jurisdiction or
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)

(214) 981-0700

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, 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 (check one).

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 7, 2008, the registrant had units outstanding as follows:

Energy Transfer Partners, L.P. 152,022,145 Common Units

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Forward-Looking Statements

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

Actual results may differ materially from any results projected, forecasted, estimated or expressed in forward-looking statements since many of the factors that determine these results are subject to uncertainties and risks, difficult to predict, and beyond management's control. For additional discussion of risks, uncertainties and assumptions, see Part II Other Information Item 1A, Risk Factors in this Quarterly Report on Form 10-Q as well as the Partnership's Report on Form 10-K as of August 31, 2007 filed with the Securities and Exchange Commission ("SEC") on October 30, 2007.

Definitions

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

/d	per day
Bbls	barrels
Btu	British thermal unit, an energy measurement
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, 2008	December 31, 2007
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 526,074	\$ 56,467
Marketable securities	11,038	3,002
Accounts receivable, net of allowance for doubtful accounts	598,812	822,027
Accounts receivable from related companies	27,808	24,438
Inventories	306,901	361,954
Deposits paid to vendors	80,601	42,273
Prepaid expenses and other current assets	130,765	99,798
Total current assets	1,681,999	1,409,959
PROPERTY, PLANT AND EQUIPMENT, net	7,903,927	6,433,788
ADVANCES TO AND INVESTMENT IN AFFILIATES	1,590	86,167
GOODWILL	746,607	728,109
INTANGIBLES AND OTHER LONG-TERM ASSETS, net	387,185	350,138
Total assets	\$ 10,721,308	\$ 9,008,161

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, 2008	December 31, 2007
<u>LIABILITIES AND PARTNERS' CAPITAL</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 549,813	\$ 672,388
Accounts payable to related companies	37,535	48,483
Customer advances and deposits	139,656	75,831
Accrued and other current liabilities	246,630	220,847
Accrued capital expenditures	195,350	87,622
Interest payable	70,992	63,254
Current maturities of long-term debt	45,660	47,036
Total current liabilities	1,285,636	1,215,461
LONG-TERM DEBT, less current maturities	5,509,484	4,297,264
DEFERRED INCOME TAXES	101,700	102,762
OTHER LONG-TERM LIABILITIES	14,381	13,483
COMMITMENTS AND CONTINGENCIES (Note 12)		
	6,911,201	5,628,970
PARTNERS' CAPITAL:		
General Partner	159,044	160,193
Limited Partners:		
Common Unitholders (151,799,685 and 142,069,957 units authorized, issued and outstanding at September 30, 2008 and December 31, 2007, respectively)	3,641,184	3,192,092
Class E Unitholders (8,853,832 units authorized, issued and outstanding held by subsidiary and reported as treasury units)		
Accumulated other comprehensive income	9,879	26,906
Total partners' capital	3,810,107	3,379,191
Total liabilities and partners' capital	\$ 10,721,308	\$ 9,008,161

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		Nine Months Ended	
	September 30, 2008	August 31, 2007	September 30, 2008	August 31, 2007
REVENUES:				
Natural gas operations	\$ 1,938,586	\$ 1,424,012	\$ 6,322,070	\$ 4,323,448
Retail propane	238,830	161,147	1,086,417	912,983
Other	28,799	41,167	90,575	167,161
Total revenues	2,206,215	1,626,326	7,499,062	5,403,592
COSTS AND EXPENSES:				
Cost of products sold - natural gas operations	1,435,308	1,089,968	4,965,145	3,323,717
Cost of products sold - retail propane	187,799	103,784	744,316	566,585
Cost of products sold - other	10,347	23,908	27,783	100,561
Operating expenses	197,493	144,507	573,606	427,219
Depreciation and amortization	70,508	52,591	191,757	145,353
Selling, general and administrative	44,252	39,428	136,632	118,347
Total costs and expenses	1,945,707	1,454,186	6,639,239	4,681,782
OPERATING INCOME	260,508	172,140	859,823	721,810
OTHER INCOME (EXPENSE):				
Interest expense, net of interest capitalized	(67,792)	(47,180)	(191,757)	(134,101)
Equity in earnings (losses) of affiliates	(654)	(51)	(749)	274
Gain (loss) on disposal of assets	2,520	(2,525)	1,584	(8,254)
Other, net	19,316	17,154	54,910	36,328
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	213,898	139,538	723,811	616,057
Income tax expense (benefit)	(7,150)	3,202	8,754	10,062
INCOME BEFORE MINORITY INTERESTS	221,048	136,336	715,057	605,995
Minority interests		191		(888)
NET INCOME	221,048	136,527	715,057	605,107
GENERAL PARTNER S INTEREST IN NET INCOME	80,252	62,046	233,599	182,575
LIMITED PARTNERS INTEREST IN NET INCOME	\$ 140,796	\$ 74,481	\$ 481,458	\$ 422,532
BASIC NET INCOME PER LIMITED PARTNER UNIT	\$ 0.93	\$ 0.54	\$ 3.06	\$ 2.79
BASIC AVERAGE NUMBER OF UNITS OUTSTANDING	149,839,499	136,980,931	145,160,079	136,978,832

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DILUTED NET INCOME PER LIMITED PARTNER UNIT	\$	0.93	\$	0.54	\$	3.05	\$	2.79
DILUTED AVERAGE NUMBER OF UNITS OUTSTANDING		150,248,194		137,235,809		145,615,088		137,231,656

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		Nine Months Ended	
	September 30,	August 31,	September 30,	August 31,
	2008	2007	2008	2007
Net income	\$ 221,048	\$ 136,527	\$ 715,057	\$ 605,107
Other comprehensive income (loss), net of tax:				
Reclassification to earnings of gains and losses on derivative instruments accounted for as cash flow hedges	(533)	(20,027)	(13,742)	(159,969)
Change in value of derivative instruments accounted for as cash flow hedges	6,969	47,686	(525)	122,514
Change in value of available-for-sale securities	(5,703)	(472)	(2,760)	499
	733	27,187	(17,027)	(36,956)
Comprehensive income	\$ 221,781	\$ 163,714	\$ 698,030	\$ 568,151