

Targa Resources Corp.  
Form 10-Q  
November 07, 2011

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2011

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: 001-34991

TARGA RESOURCES CORP.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of incorporation or  
organization)

20-3701075  
(I.R.S. Employer Identification No.)

1000 Louisiana St, Suite 4300, Houston, Texas  
(Address of principal executive offices)

77002  
(Zip Code)

(713) 584-1000  
(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 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

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(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes R No £.

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

Large accelerated filer Accelerated filer £ Non-accelerated filer Smaller reporting company  
£ R £

(Do not check if a 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 R.

As of November 1, 2011, there were 42,400,818 shares of the registrant’s common stock, \$0.001 par value, outstanding.

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PART I—FINANCIAL INFORMATION

<u>Item 1. Financial Statements.</u>	
<u>Consolidated Balance Sheets as of September 30, 2011 and December 31, 2010</u>	4
<u>Consolidated Statements of Operations for the three and nine months ended September 30, 2011 and 2010</u>	5
<u>Consolidated Statements of Comprehensive Income for the three and nine months ended September 30, 2011 and 2010</u>	6
<u>Consolidated Statement of Changes in Owners' Equity for the nine months ended September 30, 2011</u>	7
<u>Consolidated Statements of Cash Flows for the nine months ended September 30, 2011 and 2010</u>	8
<u>Notes to Consolidated Financial Statements</u>	9
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	25
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk.</u>	50
<u>Item 4. Controls and Procedures.</u>	52
PART II—OTHER INFORMATION	53
<u>Item 1. Legal Proceedings.</u>	53
<u>Item 1A. Risk Factors.</u>	53
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.</u>	53
<u>Item 3. Defaults Upon Senior Securities.</u>	53
<u>Item 4. (Removed and Reserved.)</u>	53
<u>Item 5. Other Information.</u>	53
<u>Item 6. Exhibits.</u>	54

Table of Contents

CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

Targa Resources Corp.'s (together with its subsidiaries, other than Targa Resources Partners LP, collectively "we," "us," "Targa," "TRC," or the "Company") reports, filings and other public announcements may from time to time contain statements that do not directly or exclusively relate to historical facts. Such statements are "forward-looking statements." You can typically identify forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, by the use of forward-looking words, such as "may," "could," "project," "believe," "anticipate," "expect," "estimate," "potential," "plan," "other similar words.

All statements that are not statements of historical facts, including statements regarding our future financial position, business strategy, budgets, projected costs and plans and objectives of management for future operations, are forward-looking statements.

These forward-looking statements reflect our intentions, plans, expectations, assumptions and beliefs about future events and are subject to risks, uncertainties and other factors, many of which are outside our control. Important factors that could cause actual results to differ materially from the expectations expressed or implied in the forward-looking statements include known and unknown risks. Known risks and uncertainties include, but are not limited to, the risks set forth in "Part II-Other Information, Item 1A. Risk Factors" of this Quarterly Report on Form 10-Q ("Quarterly Report") as well as the following risks and uncertainties:

- Targa Resources Partners LP's (the "Partnership") and our ability to access the debt and equity markets, which will depend on general market conditions and the credit ratings for our debt obligations;
  - the amount of collateral required to be posted from time to time in the Partnership's transactions;
- the Partnership's success in risk management activities, including the use of derivative financial instruments to hedge commodity risks;
  - the level of creditworthiness of counterparties to transactions;
- changes in laws and regulations, particularly with regard to taxes, safety and protection of the environment;
- the timing and extent of changes in natural gas, natural gas liquids ("NGL") and other commodity prices, interest rates and demand for the Partnership's services;
  - weather and other natural phenomena;
- industry changes, including the impact of consolidations and changes in competition;
  - the Partnership's ability to obtain necessary licenses, permits and other approvals;
- the level and success of oil and natural gas drilling around the Partnership's assets and its success in connecting natural gas supplies to its gathering and processing systems and NGL supplies to its logistics and marketing facilities;
- the Partnership's and our ability to grow through acquisitions or internal growth projects and the successful integration and future performance of such assets;

- general economic, market and business conditions; and
- the risks described elsewhere in “Part II–Other Information, Item 1A. Risk Factors” of this Quarterly Report, our Annual Report on Form 10-K for the year ended December 31, 2010 (“Annual Report”) and our reports and registration statements filed from time to time with the Securities and Exchange Commission.

Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could be inaccurate, and, therefore, we cannot assure you that the forward-looking statements included in this Quarterly Report will prove to be accurate. Some of these and other risks and uncertainties that could cause actual results to differ materially from such forward-looking statements are more fully described in “Part II–Other Information, Item 1A. Risk Factors” in this Quarterly Report and in our Annual Report. Except as may be required by applicable law, we undertake no obligation to publicly update or advise of any change in any forward-looking statement, whether as a result of new information, future events or otherwise.

Table of Contents

As generally used in the energy industry and in this Quarterly Report, the identified terms have the following meanings:

Bbl	Barrels (equal to 42 gallons)
Btu	British thermal units, a measure of heating value
BBtu	Billion British thermal units
/d	Per day
/hr	Per hour
gal	Gallons
LPG	Liquefied petroleum gas
MBbl	Thousand barrels
MMBtu	Million British thermal units
MMcf	Million cubic feet
NGL(s)	Natural gas liquid(s)
NYMEX	New York Mercantile Exchange
Price Index	
Definitions	
	Inside FERC Gas Market Report, Natural Gas Pipeline,
IF-NGPL MC	Mid-Continent
IF-PB	Inside FERC Gas Market Report, Permian Basin
IF-WAHA	Inside FERC Gas Market Report, West Texas WAHA
NY-WTI	NYMEX, West Texas Intermediate Crude Oil
OPIS-MB	Oil Price Information Service, Mont Belvieu, Texas

Table of Contents

## PART I – FINANCIAL INFORMATION

## Item 1. Financial Statements.

TARGA RESOURCES CORP.  
CONSOLIDATED BALANCE SHEETS

	September 30, 2011	December 31, 2010
	(Unaudited)	
	(In millions)	
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 154.1	\$ 188.4
Trade receivables, net of allowances of \$2.2 million and \$7.9 million	544.5	466.6
Inventory	139.4	50.4
Deferred income taxes	-	3.6
Assets from risk management activities	35.2	25.2
Other current assets	17.5	16.3
Total current assets	890.7	750.5
Property, plant and equipment, at cost	3,572.2	3,331.4
Accumulated depreciation	(955.4 )	(822.4 )
Property, plant and equipment, net	2,616.8	2,509.0
Long-term assets from risk management activities	20.8	18.9
Other long-term assets	262.1	115.4
Total assets	\$ 3,790.4	\$ 3,393.8
<b>LIABILITIES AND OWNERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 298.9	\$ 254.2
Accrued liabilities	339.7	335.8
Deferred income taxes	0.2	-
Liabilities from risk management activities	34.7	34.2
Total current liabilities	673.5	624.2
Long-term debt	1,603.4	1,534.7
Long-term liabilities from risk management activities	10.7	32.8
Deferred income taxes	117.6	111.6
Other long-term liabilities	52.7	54.4
Commitments and contingencies (see Note 13)		
Owners' equity:		
Targa Resources Corp. stockholders' equity:		
Common stock (\$0.001 par value, 300,000,000 shares authorized, 42,400,818 and 42,292,348 shares issued and outstanding as of September 30, 2011 and December 31, 2010)	-	-
	-	-

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Preferred stock (\$0.001 par value, 100,000,000 shares authorized, no shares issued and outstanding as of September 30, 2011 and December 31, 2010)

Additional paid-in capital	243.9	244.5
Accumulated deficit	(78.6 )	(100.8 )
Accumulated other comprehensive income	0.4	0.6
Total Targa Resources Corp. stockholders' equity	165.7	144.3
Noncontrolling interests in subsidiaries	1,166.8	891.8
Total owners' equity	1,332.5	1,036.1
Total liabilities and owners' equity	\$ 3,790.4	\$ 3,393.8

See notes to consolidated financial statements



Table of Contents

TARGA RESOURCES CORP.  
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	(Unaudited)			
	(In millions, except per share amounts)			
Revenues	\$1,713.6	\$1,220.0	\$5,060.5	\$3,948.3
Costs and expenses:				
Product purchases	1,485.5	1,033.7	4,364.5	3,393.9
Operating expenses	76.5	66.2	214.1	190.4
Depreciation and amortization expenses	45.7	50.2	134.3	136.9
General and administrative expenses	35.4	27.0	105.1	81.0
Other	(0.3 )	(0.4 )	(0.3 )	(0.4 )
	1,642.8	1,176.7	4,817.7	3,801.8
Income from operations	70.8	43.3	242.8	146.5
Other income (expense):				
Interest expense, net	(26.8 )	(30.0 )	(83.3 )	(83.9 )
Equity in earnings of unconsolidated investment	2.2	1.1	5.2	3.8
Loss on debt repurchases (see Note 6)	-	-	-	(17.4 )
Gain (loss) on early debt extinguishment, net (see Note 6)	-	(10.6 )	-	8.1
Loss on mark-to-market derivative instruments	(1.8 )	(0.1 )	(5.0 )	(0.4 )
Other income (expense), net	(0.5 )	0.6	(0.6 )	0.8
Income before income taxes	43.9	4.3	159.1	57.5
Income tax benefit (expense):				
Current	2.5	0.8	(7.6 )	(0.9 )
Deferred	(9.9 )	(9.4 )	(10.9 )	(17.6 )
	(7.4 )	(8.6 )	(18.5 )	(18.5 )
Net income (loss)	36.5	(4.3 )	140.6	39.0
Less: Net income attributable to noncontrolling interests	31.6	13.2	118.4	46.2
Net income (loss) attributable to Targa Resources Corp.	4.9	(17.5 )	22.2	(7.2 )
Dividends on Series B preferred stock	-	(1.4 )	-	(8.4 )
Dividends on common equivalents	-	-	-	(177.8 )
Net income (loss) available to common shareholders	\$4.9	\$(18.9 )	\$22.2	\$(193.4 )
Net income (loss) available per common share - basic	\$0.12	\$(3.77 )	\$0.54	\$(45.00 )
Net income (loss) available per common share - diluted	\$0.12	\$(3.77 )	\$0.54	\$(45.00 )
Weighted average shares outstanding - basic	41.0	5.0	41.0	4.3
Weighted average shares outstanding - diluted	41.5	5.0	41.4	4.3

See notes to consolidated financial statements

Table of Contents

TARGA RESOURCES CORP.  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
	(Unaudited)			
	(In millions)			
Net income (loss) attributable to Targa Resources Corp.	\$4.9	\$(17.5 )	\$22.2	\$(7.2 )
Other comprehensive income (loss) attributable to Targa Resources Corp.				
Commodity hedging contracts:				
Change in fair value	7.3	(0.8 )	(1.3 )	44.3
Settlements reclassified to revenues	0.8	(1.7 )	0.4	(1.8 )
Interest rate swaps:				
Change in fair value	(0.4 )	(1.2 )	(0.4 )	(3.1 )
Settlements reclassified to interest expense, net	0.2	0.6	0.9	1.7
Related income taxes	(3.1 )	(1.7 )	0.2	(19.8 )
Other comprehensive income (loss) attributable to Targa Resources Corp.	4.8	(4.8 )	(0.2 )	21.3
Comprehensive income (loss) attributable to Targa Resources Corp.	9.7	(22.3 )	22.0	14.1
Net income attributable to noncontrolling interests	31.6	13.2	118.4	46.2
Other comprehensive income (loss) attributable to noncontrolling interests				
Commodity hedging contracts:				
Change in fair value	39.7	(0.9 )	(8.5 )	44.0
Settlements reclassified to revenues	8.7	(5.9 )	22.6	(6.2 )
Interest rate swaps:				
Change in fair value	(1.9 )	(5.5 )	(3.9 )	(20.6 )
Settlements reclassified to interest expense, net	0.8	2.9	4.8	6.8
Other comprehensive income (loss) attributable to noncontrolling interests	47.3	(9.4 )	15.0	24.0
Comprehensive income attributable to noncontrolling interests	78.9	3.8	133.4	70.2
Total comprehensive income (loss)	\$88.6	\$(18.5 )	\$155.4	\$84.3

See notes to consolidated financial statements

Table of Contents

TARGA RESOURCES CORP.  
CONSOLIDATED STATEMENT OF CHANGES IN OWNERS' EQUITY

	Common Stock		Additional Paid in Capital	Accumulated Deficit (Unaudited)	Accumulated Other Comprehensive Income (Loss)	Non Controlling Interests	Total
	Shares	Amount					
(In millions, except shares in thousands)							
Balance, December 31, 2010	42,292	\$ -	\$ 244.5	\$ (100.8 )	\$ 0.6	\$ 891.8	\$ 1,036.1
Compensation on equity grants	109	-	10.7	-	-	0.7	11.4
Sale of Partnership limited partner interests	-	-	-	-	-	298.0	298.0
Impact of Partnership equity transactions	-	-	15.1	-	-	(15.1 )	-
Dividends	-	-	(26.4 )	-	-	-	(26.4 )
Distributions to noncontrolling interests	-	-	-	-	-	(142.0 )	(142.0 )
Other comprehensive income (loss)	-	-	-	-	(0.2 )	15.0	14.8
Net income	-	-	-	22.2	-	118.4	140.6
Balance, September 30, 2011	42,401	\$ -	\$ 243.9	\$ (78.6 )	\$ 0.4	\$ 1,166.8	\$ 1,332.5

See notes to consolidated financial statements

Table of Contents

TARGA RESOURCES CORP.  
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended September 30,	
	2011	2010
	(Unaudited)	
	(In millions)	
Cash flows from operating activities		
Net income	\$140.6	\$39.0
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization in interest expense	7.2	6.2
Paid-in-kind interest expense	-	9.0
Compensation on equity grants	11.4	0.5
Depreciation and amortization expense	134.3	136.9
Accretion of asset retirement obligations	2.7	2.4
Deferred income tax expense	10.9	17.6
Equity in earnings of unconsolidated investment, net of distributions	(1.4 )	-
Risk management activities	(18.8 )	(16.5 )
Gain on sale of assets	(0.4 )	(0.4 )
Loss on debt repurchases	-	17.4
Gain on early debt extinguishment	-	(8.1 )
Changes in operating assets and liabilities:		
Receivables and other assets	(75.3 )	(7.7 )
Inventory	(86.9 )	(16.0 )
Accounts payable and other liabilities	40.3	(54.3 )
Net cash provided by operating activities	164.6	126.0
Cash flows from investing activities		
Outlays for property, plant and equipment	(214.3 )	(84.2 )
Business acquisitions	(164.2 )	-
Investment in unconsolidated affiliate	(11.9 )	-
Unconsolidated affiliate distributions in excess of accumulated earnings	-	1.1
Other	0.3	2.4
Net cash used in investing activities	(390.1 )	(80.7 )
Cash flows from financing activities		
Partnership loan facilities:		
Borrowings	1,426.0	1,178.1
Repayments	(1,656.3 )	(904.0 )
Proceeds from issuance of senior notes	325.0	250.0
Cash paid on note exchange	(27.7 )	-
Non-Partnership loan facilities:		
Borrowings	-	495.0
Repayments	-	(949.5 )
Costs incurred in connection with financing arrangements	(6.2 )	(39.5 )
Distributions to noncontrolling interests	(142.0 )	(101.2 )
Proceeds from sale of Partnership interests	-	224.7
Partnership equity transactions	298.0	317.8
Repurchases of common stock	-	(0.1 )
Stock options exercised	-	0.9
Dividends to common and common equivalent shareholders	(25.6 )	(200.0 )

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Dividends to preferred shareholders	-	(219.9 )
Net cash provided by financing activities	191.2	52.3
Net change in cash and cash equivalents	(34.3 )	97.6
Cash and cash equivalents, beginning of period	188.4	252.4
Cash and cash equivalents, end of period	\$ 154.1	\$ 350.0

See notes to consolidated financial statements

Table of Contents

TARGA RESOURCES CORP.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(Unaudited)

The year-end condensed balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. Except where otherwise noted, the dollar amounts presented in the tabular data within these footnote disclosures are stated in millions of dollars.

Note 1 — Organization

Targa Resources Corp. (“TRC”) is a Delaware corporation formed in October 2005. Our common stock is listed on the New York Stock Exchange under the symbol “TRGP.” In this Quarterly Report, unless the context requires otherwise, references to “we,” “us,” “our,” “the Company” or “Targa” are intended to mean our consolidated business and operations including our wholly-owned subsidiary TRI Resources Inc. (“TRI”).

Note 2 — Basis of Presentation

We have prepared these unaudited consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. While we derived the year-end balance sheet data from audited financial statements, this interim report does not include all disclosures required by GAAP for annual periods. Certain amounts in prior periods have been reclassified to conform to the current year presentation. The unaudited consolidated financial statements for the three and nine months ended September 30, 2011 and 2010 include all adjustments which we believe are necessary for a fair presentation of the results for interim periods. All significant intercompany balances and transactions have been eliminated in consolidation.

Our financial results for the three and nine months ended September 30, 2011 are not necessarily indicative of the results that may be expected for the full year ending December 31, 2011. These unaudited consolidated financial statements and other information included in this Quarterly Report should be read in conjunction with our consolidated financial statements and notes thereto included in our Annual Report for the year ended December 31, 2010.

Targa Resources GP LLC (the “General Partner”), an indirect wholly owned subsidiary of ours, is the general partner of Targa Resources Partners LP (the “Partnership”). Because we control the General Partner of the Partnership, under GAAP, we must reflect our ownership interest in the Partnership on a consolidated basis. Accordingly, our financial results are combined with the Partnership’s financial results in our consolidated financial statements, even though the distribution or transfer of Partnership assets are limited by the terms of the partnership agreement, as well as restrictive covenants in the Partnership’s lending agreements. The limited partner interests in the Partnership not owned by our controlled affiliates are reflected in our results of operations as net income attributable to non-controlling interests and in our balance sheet equity section as noncontrolling interests in subsidiaries. Throughout these footnotes, we make a distinction where relevant between financial results of the Partnership versus those of a standalone parent and its non-partnership subsidiaries.

As of September 30, 2011, our interests in the Partnership consist of the following:

- a 2% general partner interest, which we hold through our 100% ownership interest in the general partner of the Partnership;

- all Incentive Distribution Rights; and
- 11,645,659 common units of the Partnership, representing a 13.7% limited partnership interest.

The Partnership is engaged in the business of gathering, compressing, treating, processing and selling natural gas; storing, fractionating, treating, transporting and selling NGLs and NGL products; and storing and terminaling refined petroleum products and crude oil. See Note 15 for an analysis of our and the Partnership's operations by segment.

Table of Contents

Note 3 — Significant Accounting Policies

Accounting Policy Updates/Revisions

The accounting policies followed by the Company are set forth in Note 4 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2010. There have been no significant changes to these policies during the nine months ended September 30, 2011.

2011 Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs. The amendment, which becomes effective during interim and annual periods beginning after December 15, 2011, requires additional disclosures with regard to fair value measurements categorized within Level 3 of the fair value hierarchy. Early adoption is not permitted.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. The amendment, which becomes effective during interim and annual periods beginning after December 15, 2011, stipulates the financial statement presentation requirements for other comprehensive income. Our financial statement presentation complies with this standards update.

In September 2011, the FASB issued Accounting Standards Update No. 2011-08, Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment. The amendment, which becomes effective during interim and annual periods beginning after December 15, 2011, allows entities to first assess qualitative factors when testing goodwill for impairment. Early adoption is permitted. Adoption of this amendment has no impact on our current financial presentation.

Note 4 – Partnership Business Acquisitions

On March 15, 2011, the Partnership acquired a refined petroleum products and crude oil storage and terminaling facility in Channelview, Texas on Carpenter's Bayou along the Houston Ship Channel (the "Channelview Terminal") for \$29.0 million. The Channelview Terminal, with storage capacity of 544,000 barrels, can handle multiple grades of blend stocks, petroleum products and crude and has potential for expansion, as well as integration with the Partnership's other logistics operations.

On September 30, 2011 the Partnership acquired two refined petroleum products and crude oil storage and terminaling facilities. The facility on the Hylebos Waterway in the Port of Tacoma, Washington has 758,000 barrels of capacity and handles refined petroleum products, LPGs and biofuels, including ethanol and biodiesel. The facility on the Patapsco River in Baltimore, Maryland has approximately 505,000 barrels of storage capacity. Both terminals contain blending and heating capabilities, and have tanker truck and barge loading and unloading infrastructure. Total consideration for both facilities was \$127.7 million plus an additional \$7.5 million for estimated working capital and has been included in the Partnership's other long-term assets in the Partnership's September 30, 2011 balance sheet pending finalization of fair value accounting under ASC 805.



Table of Contents

## Note 5 — Property, Plant and Equipment

	September 30, 2011			December 31, 2010			Estimated Useful Lives (In Years)
	Targa Resources Partners LP	TRC Non-Partnership	Targa Resources Corp. Consolidated	Targa Resources Partners LP	TRC Non-Partnership	Targa Resources Corp. Consolidated	
Natural gas gathering systems	\$1,710.9	\$-	\$ 1,710.9	\$1,630.9	\$-	\$ 1,630.9	5 to 20
Processing and fractionation facilities	1,058.4	6.6	1,065.0	961.9	6.6	968.5	5 to 25
Terminaling and storage facilities	272.7	-	272.7	244.7	-	244.7	5 to 25
Transportation assets	275.5	-	275.5	275.6	-	275.6	10 to 25
Other property, plant and equipment	51.2	22.6	73.8	46.8	22.6	69.4	3 to 25
Land	53.2	-	53.2	51.2	-	51.2	-
Construction in progress	116.6	4.5	121.1	88.4	2.7	91.1	-
	\$3,538.5	\$33.7	\$ 3,572.2	\$3,299.5	\$31.9	\$ 3,331.4	

## Note 6 — Debt Obligations

	September 30, 2011	December 31, 2010
Long-term debt:		
Non-Partnership obligations:		
TRC Holdco loan facility, variable rate, due February 2015	\$ 89.3	\$ 89.3
TRI Senior secured revolving credit facility, variable rate, due July 2014 (1)	-	-
Obligations of the Partnership: (2)		
Senior secured revolving credit facility, variable rate, due July 2015 (3)	535.0	765.3
Senior unsecured notes, 8¼% fixed rate, due July 2016	209.1	209.1
Senior unsecured notes, 11¼% fixed rate, due July 2017	72.7	231.3
Unamortized discount	(3.0 )	(10.3 )
Senior unsecured notes, 7 % fixed rate, due October 2018	250.0	250.0
Senior unsecured notes, 6 % fixed rate, due February 2021	483.6	-
Unamortized discount	(33.3 )	-
Total long-term debt	\$ 1,603.4	\$ 1,534.7
Irrevocable standby letters of credit:		
Letters of credit outstanding under TRI Senior secured credit facility (1)	\$ -	\$ -
Letters of credit outstanding under the Partnership Senior secured revolving credit facility (3)	88.3	101.3
	\$ 88.3	\$ 101.3

(1) As of September 30, 2011, the entire amount of TRI's \$75.0 million credit facility was available for letters of credit and available capacity under this facility was \$75.0 million.

- (2) While we consolidate the debt of the Partnership in our financial statements, we do not have the obligation to make interest payments or debt payments with respect to the debt of the Partnership.
- (3) As of September 30, 2011, availability under the Partnership's \$1.1 billion senior secured revolving credit facility was \$476.7 million.

Table of Contents

The following table shows the range of interest rates paid and weighted average interest rate paid on our and the Partnership's variable-rate debt obligations during the nine months ended September 30, 2011:

	Range of Interest Rates Paid	Weighted Average Interest Rate Paid
TRC Holdco loan facility	3.2% - 3.3%	3.3%
TRI Senior secured term loan facility, due 2014	N/A	N/A
Partnership Senior secured revolving credit facility	2.4% - 4.8%	2.7%

## Compliance with Debt Covenants

As of September 30, 2011, both we and the Partnership were in compliance with the covenants contained in our various debt agreements.

## Holdco Credit Agreement

During the nine months ended September 30, 2010, we completed transactions that have been recognized in our consolidated financial statements as a debt extinguishment, and recognized a pretax gain of \$32.8 million. The transactions included payments of \$131.4 million to acquire \$164.2 million of outstanding borrowings under our Holdco credit agreement and write offs of associated debt issue costs totaling \$1.2 million.

## TRI Senior Secured Credit Agreement

During the nine months ended September 30, 2010, we incurred a loss on debt repurchases of \$17.4 million comprising \$10.9 million of premiums paid and \$6.5 million from the write-off of debt issue costs related to the repurchase of our 8½% senior notes. The premiums paid were included as a cash outflow from a financing activity in the Statement of Cash Flows.

During the nine months ended September 30, 2010, we also incurred a loss on debt extinguishments of \$12.9 million from the write-off of debt issue costs related to the repayments of our term loan and terminations of our synthetic letter of credit and revolving credit facilities.

Table of Contents

## Partnership 6 % Senior Notes

On February 2, 2011, the Partnership closed a private placement of \$325.0 million in aggregate principal amount of 6 % Senior Notes due 2021 (the “6 % Notes”). The net proceeds of this offering were \$318.8 million after deducting expenses of the offering. The Partnership used the net proceeds from the offering to reduce borrowings under its senior secured credit facility and for general partnership purposes.

On February 4, 2011, the Partnership exchanged an additional \$158.6 million principal amount of its 6 % Notes plus payments of \$28.6 million including \$0.9 million of accrued interest for \$158.6 million aggregate principal amount of its 11¼% Senior Notes due 2017 (the “11¼% Notes”). The holders of the exchanged Notes are subject to the provisions of the 6 % Notes described below. The debt covenants related to the remaining \$72.7 million of face value of the 11¼% Notes were removed. This exchange was accounted for as a debt modification whereby the financial effects of the exchange will be recognized over the term of the new debt issue.

The 6 % Notes are unsecured senior obligations that rank pari passu in right of payment with existing and future senior indebtedness, including indebtedness under the Partnership’s credit facility. They are senior in right of payment to any of the Partnership’s future subordinated indebtedness and are unconditionally guaranteed by certain of the Partnership’s subsidiaries. These notes are effectively subordinated to all secured indebtedness under the Partnership’s credit agreement, which is secured by substantially all of the Partnership’s assets, to the extent of the value of the collateral securing that indebtedness.

Interest on the 6 % Notes accrues at the rate of 6 % per annum and is payable semi-annually in arrears on February 1 and August 1, commencing on August 1, 2011.

The Partnership may redeem 35% of the aggregate principal amount of the 6 % Notes at any time prior to February 1, 2014, with the net cash proceeds of one or more equity offerings. The Partnership must pay a redemption price of 106.875% of the principal amount, plus accrued and unpaid interest and liquidated damages, if any, to the redemption date provided that:

- 1) at least 65% of the aggregate principal amount of the 6 % Notes (excluding 6 % Notes held by the Partnership) remains outstanding immediately after the occurrence of such redemption; and
- 2) the redemption occurs within 90 days of the date of the closing of such equity offering.

The Partnership may also redeem all or part of the 6 % Notes on or after August 1, 2016 at the prices set forth below plus accrued and unpaid interest and liquidated damages, if any. Redemption periods begin on August 1 of each year indicated below:

Year	Percentage
2016	103.44%
2017	102.29%
2018	101.15%
2019 and thereafter	100.00%

Table of Contents

## Note 7 — Partnership Units and Related Matters

## Partnership Equity

On January 24, 2011, the Partnership completed a public offering of 8,000,000 common units representing limited partner interests in the Partnership (“common units”) under an existing shelf registration statement on Form S-3 at a price of \$33.67 per common unit (\$32.41 per common unit, net of underwriting discounts), providing net proceeds of \$259.2 million. Pursuant to the exercise of the underwriters’ overallotment option, on February 3, 2011, the Partnership issued an additional 1,200,000 common units, providing net proceeds of \$38.8 million. In addition, we contributed \$6.3 million to the Partnership for 187,755 general partner units to maintain our 2% interest in the Partnership.

## Distributions

Distributions for the nine months ended September 30, 2011 and 2010 were as follows:

Date Paid	For the Three Months Ended	Distributions				Total	Distributions	
		Limited Partners Common	General Partner Incentive	2%	to Targa Resources Corp.		Distributions per limited partner unit	
(In millions, except per unit amounts)								
August 12, 2011	June 30, 2011	\$ 48.3	\$ 7.8	\$ 1.2	\$ 57.3	\$ 15.6	\$ 0.5700	
May 13, 2011	March 31, 2011	47.3	6.8	1.1	55.2	14.4	0.5575	
February 14, 2011	December 31, 2010	46.4	6.0	1.1	53.5	13.5	0.5475	
November 12, 2010	September 30, 2010	40.6	4.6	0.9	46.1	11.8	0.5375	
August 13, 2010	June 30, 2010	35.9	3.5	0.8	40.2	10.4	0.5275	
May 14, 2010	March 31, 2010	35.2	2.8	0.8	38.8	9.6	0.5175	
February 12, 2010	December 31, 2009	35.2	2.8	0.8	38.8	14.0	0.5175	

Subsequent Event. On October 11, 2011, the Partnership announced a cash distribution of \$0.5825 per common unit on its outstanding common units for the three months ended September 30, 2011, to be paid on November 14, 2011. The distribution to be paid is \$42.6 million to the Partnership’s third-party limited partners, and \$6.8 million, \$8.8 million and \$1.2 million to Targa for its ownership of common units, incentive distribution rights and its 2% general partner interest in the Partnership.

## Note 8 — Common Stock and Related Matters

## Secondary Offering

On April 26, 2011, certain of our stockholders sold, in a secondary public offering, 5,650,000 shares of our common stock under a registration statement on Form S-1 at a price of \$31.73 per share of common stock (\$30.65 per share,

net of underwriting discounts), providing additional net proceeds of \$173.2 million to selling stockholders. We received no proceeds from the sale of shares by the selling stockholders. Pursuant to the exercise of the underwriters' overallotment option, selling stockholders also sold an additional 847,500 shares of our common stock, providing net proceeds of \$26.0 million. We incurred approximately \$0.6 million of expenses in connection with the offering, including all expenses of the selling stockholders which we have paid.

Table of Contents

## Dividends

Dividends since our initial public offering on December 10, 2010 through September 30, 2011 were as follows:

Date Paid	For the Three Months Ended	Total Dividend Declared	Amount of Dividend Paid	Accrued Dividends (1)	Dividend Declared per Share of Common Stock
(In millions, except per share amounts)					
August 16, 2011	June 30, 2011	\$ 12.3	\$ 11.9	\$ 0.4	\$ 0.2900
May 13, 2011	March 31, 2011	11.5	11.2	0.3	0.2725
February 14, 2011	December 31, 2010	2.6	2.5	0.1	0.0616 (2)

(1) Represents accrued dividends on the restricted shares that are payable upon vesting.

(2) Represents a prorated dividend for the portion of the fourth quarter of 2010 that the Company was public.

Subsequent Event. On October 11, 2011, we announced a quarterly dividend of \$0.3075 per share of our common stock on our outstanding common stock for the three months ended September 30, 2011, to be paid on November 15, 2011.

## Note 9 — Earnings per Common Share

The following table sets forth a reconciliation of net income and weighted average shares outstanding used in computing basic and diluted net income per common share:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net income	\$ 36.5	\$ (4.3 )	\$ 140.6	\$ 39.0
Less: Net income attributable to noncontrolling interest	31.6	13.2	118.4	46.2
Net income attributable to Targa Resources Corp.	4.9	(17.5 )	22.2	(7.2 )
Dividends on Series B preferred stock	-	(1.4 )	-	(8.4 )
Dividends to common equivalents	-	-	-	(177.8 )
Net income attributable to common shareholders	\$ 4.9	\$ (18.9 )	\$ 22.2	\$ (193.4 )
Weighted average shares outstanding - basic	41.0	5.0	41.0	4.3
Net income (loss) available per common share - basic	\$ 0.12	\$ (3.77 )	\$ 0.54	\$ (45.00 )
Weighted average shares outstanding	41.0	5.0	41.0	4.3
Dilutive effect of unvested stock awards	0.5	-	0.4	-
Weighted average shares outstanding - diluted	41.5	5.0	41.4	4.3
Net income (loss) available per common share - diluted	\$ 0.12	\$ (3.77 )	\$ 0.54	\$ (45.00 )





Table of Contents

## Note 10 — Derivative Instruments and Hedging Activities

## Commodity Hedges

The primary purpose of the Partnership's commodity risk management activities is to hedge the exposure to commodity price risk and reduce fluctuations in the Partnership's operating cash flow despite fluctuations in commodity prices. In an effort to reduce the variability of cash flows, the Partnership has hedged the commodity price associated with a portion of its expected natural gas and NGL equity volumes through 2013 and condensate equity volumes through 2014 by entering into derivative financial instruments including swaps and purchased puts (floors).

The hedges generally match the NGL product composition and the NGL and natural gas delivery points to those of the Partnership's physical equity volumes. The NGL hedges cover baskets of ethane, propane, normal butane, isobutane and natural gasoline based upon the Partnership's expected equity NGL composition, as well as specific NGL hedges of ethane and propane. We believe this strategy avoids uncorrelated risks resulting from employing hedges on crude oil or other petroleum products as "proxy" hedges of NGL prices. Additionally, the NGL hedges are based on published index prices for delivery at Mont Belvieu and the natural gas hedges are based on published index prices for delivery at Permian Basin, Mid-Continent and WAHA, which closely approximate the Partnership's actual NGL and natural gas delivery points.

The Partnership hedges a portion of its condensate sales using crude oil hedges that are based on the NYMEX futures contracts for West Texas Intermediate light, sweet crude, which approximates the prices received for condensate. This necessarily exposes the Partnership to a market differential risk if the NYMEX futures do not move in exact parity with the sales price of its underlying West Texas condensate equity volumes.

At September 30, 2011, the notional volumes of the Partnership's commodity hedges were:

Commodity	Instrument	Unit	2011	2012	2013	2014
Natural Gas	Swaps	MMBtu/d	38,470	31,790	17,089	-
NGL	Swaps	Bbl/d	10,118	9,361	4,150	-
NGL	Floors	Bbl/d	253	294	-	-
Condensate	Swaps	Bbl/d	1,730	1,660	1,795	700

The Partnership frequently enters into derivative instruments to manage location basis differentials with short-term fractionation arrangements. Based on the current application of the basis derivatives, the Partnership does not account for these derivatives as hedges and records changes in fair value and cash settlements to revenues.

## Interest Rate Swaps

On September 6, 2011, the Partnership paid \$24.2 million, including \$1.2 million in accrued interest, to terminate all of its interest rate swaps. The interest rate swaps were originally entered into to mitigate interest rate risk on the Partnership's senior secured revolving credit facility. A total of \$19.6 million in losses are deferred in other comprehensive income ("OCI"). As long as the Partnership maintains variable rate debt through its senior secured revolving credit facility, this deferred loss will be amortized into interest expense over the original terms of the swap contracts, which extend to April 2014.

The following schedules reflect the fair values of the Partnership's derivative instruments in our financial statements:

Balance	Derivative Assets	Balance	Derivative Liabilities
	Fair Value as of		Fair Value as of

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	Sheet Location	September 30, 2011	December 31, 2010	Sheet Location	September 30, 2011	December 31, 2010
Designated as hedging instruments						
Commodity contracts	Current assets	\$ 34.7	\$ 24.8	Current liabilities	\$ 34.6	\$ 25.5
	Long-term assets	20.8	18.9	Long-term liabilities	10.7	20.5
Interest rate contracts	Current assets	-	-	Current liabilities	-	7.8
	Long-term assets	-	-	Long-term liabilities	-	12.3
Total designated as hedging instruments		\$ 55.5	\$ 43.7		\$ 45.3	\$ 66.1
Not designated as hedging instruments						
Commodity contracts	Current assets	\$ 0.5	\$ 0.4	Current liabilities	\$ 0.1	\$ 0.9
	Long-term assets	-	-	Long-term liabilities	-	-
Total not designated as hedging instruments		\$ 0.5	\$ 0.4		\$ 0.1	\$ 0.9
Total derivatives		\$ 56.0	\$ 44.1		\$ 45.4	\$ 67.0

The fair value of the Partnership's derivative instruments, depending on the type of instrument, was determined by the use of present value methods or standard option valuation models with assumptions about commodity prices based on those observed in underlying markets.

Table of Contents

The following tables reflect amounts recorded in OCI, amounts reclassified from OCI to revenue and expense and amounts recognized in income on the ineffective portion of the Partnership's hedges:

Derivatives in Cash Flow Hedging Relationships	Gain (Loss) Recognized in OCI on Derivatives (Effective Portion)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	Interest rate contracts	\$(2.3 )	\$(6.7 )	\$(4.3 )
Commodity contracts	47.0	(1.7 )	(9.8 )	88.3
	\$44.7	\$(8.4 )	\$(14.1 )	\$64.6

Location of Gain (Loss)	Gain (Loss) Reclassified from OCI into Income (Effective Portion)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	Interest expense, net	\$(1.0 )	\$(3.5 )	\$(5.7 )
Revenues	(9.5 )	7.6	(23.0 )	8.0
	\$(10.5 )	\$4.1	\$(28.7 )	\$(0.5 )

Location of Gain (Loss)	Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
	Revenues	\$0.2	\$0.4	\$0.2

Table of Contents

Our consolidated earnings are also affected by the use of the mark-to-market method of accounting for derivative financial instruments that do not qualify for hedge accounting or that have not been designated as hedges. The changes in fair value of these instruments are recorded on the balance sheet and through earnings (i.e., using the “mark-to-market” method) rather than being deferred until the anticipated transaction settles. The use of mark-to-market accounting for financial instruments can cause non-cash earnings volatility due to changes in the underlying price indices. During the three and nine months ended September 30, 2011 and 2010, we recorded the following mark-to-market gains (losses):

Derivatives Note	Location of Gain (Loss) Recognized in Income on Derivatives	Gain (Loss) Recognized in Income on Derivatives			
		Three Months Ended September 30,		Nine Months Ended September 30,	
Designated As Hedging Instruments		2011	2010	2011	2010
Commodity contracts	Revenue	\$ 0.4	\$ (0.2 )	\$ 1.4	\$ (0.9 )
Commodity contracts	Other income (expense)	-	(0.1 )	-	(0.4 )
Interest rate swaps	Other income (expense)	(1.8 )	-	(5.0 )	-
		\$ (1.4 )	\$ (0.3 )	\$ (3.6 )	\$ (1.3 )

The following table shows the unrealized gains (losses) included in OCI:

	September 30, 2011	December 31, 2010
Unrealized gain on commodity hedges, before tax	\$3.5	\$4.5
Unrealized gain on commodity hedges, net of tax	2.1	2.7
Unrealized loss on interest rate swaps, before tax	(2.9 )	(3.4 )
Unrealized loss on interest rate swaps, net of tax	(1.7 )	(2.1 )

As of September 30, 2011, deferred net losses of \$7.2 million on commodity hedges and \$8.4 million on terminated interest rate swaps recorded in OCI are expected to be reclassified to revenue and interest expense during the next twelve months.

In July 2008, Targa and the Partnership paid \$9.6 million and \$77.8 million to terminate certain out-of-the-money natural gas and NGL commodity swaps. Targa and the Partnership also entered into new natural gas and NGL commodity swaps at then current market prices that matched the production volumes of the terminated swaps. Prior to the terminations, these swaps were designated as cash flow hedges. During the three and nine months ended September 30, 2011, an immaterial amount of deferred loss related to the terminated swaps was reclassified from OCI as a non-cash reduction to revenue. During the three and nine months ended September 30, 2010, \$7.1 million and \$22.2 million of deferred losses related to the terminated swaps were reclassified from OCI as a non-cash reduction to revenue.

See Note 3 and Note 11 for additional disclosures related to derivative instruments and hedging activities.

Table of Contents

## Note 11 — Fair Value Measurements

We categorize the inputs to the fair value of financial assets and liabilities using a three-tier fair value hierarchy that prioritizes the significant inputs used in measuring fair value:

- Level 1 – observable inputs such as quoted prices in active markets;
- Level 2 – inputs other than quoted prices in active markets that are either directly or indirectly observable to the extent that the markets are liquid for the relevant settlement periods; and
- Level 3 – unobservable inputs in which little or no market data exists, therefore requiring an entity to develop its own assumptions.

The Partnership's derivative instruments consist of financially settled commodity swap and option contracts and fixed price commodity contracts with certain counterparties. The Partnership determines the value of its derivative contracts using a discounted cash flow model for swaps and a standard option pricing model for options, based on inputs that are readily available in public markets. The Partnership has consistently applied these valuation techniques in all periods presented and we believe the Partnership has obtained the most accurate information available for the types of derivative contracts the Partnership holds.

The following tables present the fair value of the Partnership's financial assets and liabilities according to the fair value hierarchy. These financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Partnership's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of the fair value assets and liabilities and their placement within the fair value hierarchy levels.

	Total	September 30, 2011		
		Level 1	Level 2	Level 3
Assets from commodity derivative contracts	\$56.0	\$-	\$56.0	\$-
Total assets	\$56.0	\$-	\$56.0	\$-
Liabilities from commodity derivative contracts	\$45.4	\$-	\$45.4	\$-
Total liabilities	\$45.4	\$-	\$45.4	\$-

	Total	December 31, 2010		
		Level 1	Level 2	Level 3
Assets from commodity derivative contracts	\$44.1	\$-	\$43.9	\$0.2
Total assets	\$44.1	\$-	\$43.9	\$0.2
Liabilities from commodity derivative contracts	\$46.9	\$-	\$35.1	\$11.8
Liabilities from interest rate derivatives	20.1	-	20.1	-
Total liabilities	\$67.0	\$-	\$55.2	\$11.8

The following table sets forth a reconciliation of the changes in the fair value of the Partnership's financial instruments classified as Level 3 in the fair value hierarchy:

Balance, December 31, 2010	Commodity Derivative Contracts	\$(11.6 )
Settlements included in Net Income		3.7

Transfers out of Level 3	7.9
Balance, September 30, 2011	\$-

The Partnership transferred \$7.9 million in derivative liabilities from Level 3 to Level 2 for the nine months ended September 30, 2011. The transfer is attributable to increased transparency and liquidity in the NGL markets, specifically with regard to 2013 prices.

The Partnership designates all Level 3 derivative instruments as cash flow hedges, and, as such, all changes in their fair value are reflected in OCI. Therefore, there are no unrealized gains or losses reflected in revenues or other income (expense) with respect to Level 3 derivative instruments.

Table of Contents

## Note 12 — Fair Value of Financial Instruments

The estimated fair values of assets and liabilities classified as financial instruments have been determined using available market information and the valuation methodologies described below. Considerable judgment is required in interpreting market data to develop the estimates of fair value. The use of different market assumptions or valuation methodologies may have a material effect on the estimated fair value amounts.

The carrying values of items comprising current assets and current liabilities approximate fair values due to the short term maturities of these instruments. Derivative financial instruments included in our financial statements are stated at fair value.

The carrying value of the senior secured revolving credit facilities approximate their fair value, as its interest rate is based on prevailing market rates. The fair value of the Partnership's senior unsecured notes is based on quoted market prices based on trades of such debt as of the dates indicated in the following table:

	September 30, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Holdco loan facility (1)	\$89.3	\$87.5	\$89.3	\$86.8
Senior unsecured notes of the Partnership, 8¼% fixed rate	209.1	218.6	209.1	219.4
Senior unsecured notes of the Partnership, 11¼% fixed rate	69.7	81.8	221.0	253.2
Senior unsecured notes of the Partnership, 7 % fixed rate	250.0	258.4	250.0	259.7
Senior unsecured notes of the Partnership, 6 % fixed rate	450.3	467.6	N/A	N/A

(1) The Holdco loan is not widely held, and we are not able to obtain an indicative quote from external sources. The December 31, 2010 fair value was based on the November 2010 repurchases. The September 30, 2011 fair value is based on management's consideration of changes in settlement value given the trades that took place in November 2010.

## Note 13 — Commitments and Contingencies

## Environmental

For environmental matters, we record liabilities when remedial efforts are probable and the costs can be reasonably estimated. Environmental reserves do not reflect management's assessment of any insurance coverage that may be applicable to the matters at issue. Management has assessed each of the matters based on current information and made a judgment concerning its potential outcome, considering the nature of the claim, the amount and nature of damages sought and the probability of success.

The Partnership's environmental liability at September 30, 2011 and December 31, 2010 was \$1.4 million and \$1.6 million. The Partnership's September 30, 2011 liability was for ground water assessment and remediation.

In May 2007, the New Mexico Environment Department ("NMED") alleged air emissions violations at the Eunice, Monument and Saunders gas processing plants, which are operated by the Partnership and owned by Versado Gas Processors, LLC ("Versado"), a joint venture that owns these plants and in which the Partnership owns a 63% interest, were identified in the course of an inspection of the Eunice plant conducted by the NMED in August 2005.

In January 2010, Versado settled the alleged violations with NMED for a penalty of approximately \$1.5 million. As part of the settlement, Versado agreed to install two acid gas injection wells, additional emission control equipment

and monitoring equipment. We estimate the total cost to complete these projects to be approximately \$33.4 million, of which the Partnership's portion of the cost is projected to be \$21.0 million. As of September 30, 2011, Versado's project expenditures total \$21.1 million, of which the Partnership's share was \$13.3 million. Under the terms of the Versado acquisition purchase and sale agreement between us and the Partnership, we are obligated to reimburse the Partnership for maintenance capital expenditures required pursuant to the NMED settlement agreement.



Table of Contents

## Legal Proceedings

We are a party to various legal proceedings and/or regulatory proceedings and certain claims, suits and complaints arising in the ordinary course of business that have been filed or are pending against us. We believe all such matters are without merit or involve amounts which, if resolved unfavorably, would not have a material effect on our financial position, results of operations, or cash flows.

## Note 14 — Supplemental Cash Flow Information

Supplemental cash flow information was as follows for the periods indicated:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Interest paid	\$35.1	\$32.4	\$83.7	\$80.4
Taxes paid	0.1	54.4	34.2	58.5
Non-cash adjustment to line-fill	-	(0.1 )	(2.1 )	0.4

## Note 15 — Segment Information

With the conveyance of all of our remaining operating assets to the Partnership in September 2010, all operating assets are now owned by the Partnership.

The Partnership reports its operations in two divisions: (i) Natural Gas Gathering and Processing, consisting of two reportable segments – (a) Field Gathering and Processing and (b) Coastal Gathering and Processing; and (ii) Logistics and Marketing consisting of two reportable segments – (a) Logistics Assets and (b) Marketing and Distribution. The financial results of the Partnership's hedging activities are reported in Other.

The Partnership's Natural Gas Gathering and Processing division includes assets used in the gathering of natural gas produced from oil and gas wells and processing this raw natural gas into merchantable natural gas by extracting NGLs and removing impurities. The Field Gathering and Processing segment's assets are located in North Texas and the Permian Basin of West Texas and New Mexico. The Coastal Gathering and Processing segment's assets are located in the onshore and near offshore regions of the Louisiana Gulf Coast and the Gulf of Mexico.

The Partnership's Logistics and Marketing division is also referred to as the Downstream Business. The Downstream Business includes all the activities necessary to convert raw NGLs into NGL products and provides certain value added services such as storing, terminaling, transporting, distributing and marketing of NGLs, crude and refined products. It also includes certain natural gas supply and marketing activities in support of the Partnership's other operations.

The Partnership's Logistics Assets segment is involved in transporting, storing and fractionating mixed NGLs; storing, terminaling and transporting finished NGLs; and storing and terminaling crude and refined petroleum products. These assets are generally connected to, and supplied in part by, the Partnership's Natural Gas Gathering and Processing segments and are predominantly located in Mont Belvieu, Texas and Southwestern Louisiana. This segment includes the activities associated with the Partnership's 2011 acquisitions of refined petroleum products and crude storage and terminaling facilities.

The Partnership's Marketing and Distribution segment covers activities required to distribute and market raw and finished NGLs and all natural gas marketing activities. It includes: (1) marketing the Partnership's NGL production

and purchasing NGL products in selected United States markets; (2) providing liquefied petroleum gas balancing services to refinery customers; (3) transporting, storing and selling propane and providing related propane logistics services to multi-state retailers, independent retailers and other end users; and (4) marketing natural gas available to the Partnership from the Partnership's Natural Gas Gathering and Processing division and the purchase and resale of natural gas in selected United States markets.

Other contains the results of the Partnership's commodity hedging activities. Eliminations of inter-segment transactions are reflected in the corporate and eliminations column.

Table of Contents

Segment information is shown in the following tables. We have segregated the following segment information between Partnership and non-Partnership activities. Partnership activities have been presented on a common control accounting basis which reflects the dropdown transactions between Targa and the Partnership as if they occurred in prior periods similar to a pooling of interests. The non-Partnership results include activities related to certain assets and liabilities contractually excluded from the dropdown transactions and certain historical hedge activities that could not be reflected under GAAP in the Partnership common control results.

	Three Months Ended September 30, 2011							
	Partnership							
	Field Gathering	Coastal Gathering	Logistics Assets	Marketing and Distribution	Other	Corporate and Eliminations	TRC Non- Partnership	Consolidated
<b>Revenues</b>								
Sales of commodities	\$47.9	\$ 75.2	\$-	\$ 1,530.3	\$(10.8 )	\$ 0.1	\$ 1.0	\$ 1,643.7
Fees from midstream services	7.0	3.6	35.5	15.8	-	-	-	61.9
Other	(0.2 )	0.3	0.3	7.7	-	-	(0.1 )	8.0
	54.7	79.1	35.8	1,553.8	(10.8 )	0.1	0.9	1,713.6
<b>Intersegment revenues</b>								
Sales of commodities	385.4	242.9	0.1	186.0	-	(814.4 )	-	-
Fees from midstream services	0.2	-	24.2	1.8	-	(26.2 )	-	-
Other	-	-	-	7.0	-	(7.0 )	-	-
	385.6	242.9	24.3	194.8	-	(847.6 )	-	-
Revenues	\$440.3	\$ 322.0	\$60.1	\$ 1,748.6	\$(10.8 )	\$ (847.5 )	\$ 0.9	\$ 1,713.6
Operating margin	\$71.8	\$ 39.8	\$30.1	\$ 19.7	\$(10.8 )	\$ 0.1	\$ 0.9	\$ 151.6
<b>Other financial information:</b>								
Total assets	\$1,647.3	\$ 425.2	\$713.2	\$ 702.3	\$56.0	\$ 78.0	\$ 168.4	\$ 3,790.4
Capital expenditures (1)	\$40.2	\$ 4.2	\$165.0	\$ 0.6	\$-	\$ 0.8	\$ 0.5	\$ 211.3

(1) Logistics Assets segment capital expenditures includes petroleum logistics acquisitions. See Note 4.

	Three Months Ended September 30, 2010							
	Partnership							
	Field Gathering	Coastal Gathering	Logistics Assets	Marketing and Distribution	Other	Corporate and Eliminations	TRC Non- Partnership	Consolidated
<b>Revenues</b>								
Sale of commodities	\$42.2	\$ 109.1	\$-	\$ 1,013.6	\$7.1	\$ (0.1 )	\$ 0.3	\$ 1,172.2

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Fees from midstream services	6.2	3.4	23.2	9.6	-	-	-	42.4
Other	(0.5 )	0.8	-	3.7	-	0.1	1.3	5.4
	47.9	113.3	23.2	1,026.9	7.1	-	1.6	1,220.0
Intersegment revenues								
Sale of commodities	253.4	163.2	0.2	113.3	-	(530.1 )	-	-
Fees from midstream services	0.3	-	19.7	0.2	-	(20.2 )	-	-
Other	-	-	-	5.0	-	(5.0 )	-	-
	253.7	163.2	19.9	118.5	-	(555.3 )	-	-
Revenues	\$301.6	\$ 276.5	\$43.1	\$ 1,145.4	\$7.1	\$ (555.3 )	\$ 1.6	\$ 1,220.0
Operating margin	\$49.6	\$ 23.5	\$23.6	\$ 15.0	\$7.1	\$ -	\$ 1.3	\$ 120.1
Other financial information:								
Total assets	\$1,627.7	\$ 448.5	\$432.7	\$ 426.4	\$65.4	\$ 62.3	\$ 397.0	\$ 3,460.0
Capital expenditures	\$13.6	\$ 2.0	\$19.3	\$ 1.2	\$-	\$ -	\$ 0.7	\$ 36.8

Table of Contents

Nine Months Ended September 30, 2011								
Partnership								
	Field Gathering	Coastal Gathering	Logistics Assets	Marketing and Distribution	Other	Corporate and Eliminations	TRC Non- Partnership	Consolidated
	and Processing	and Processing						
<b>Revenues</b>								
Sale of commodities	\$ 145.3	\$ 243.9	\$ 0.1	\$ 4,505.5	\$(28.4 )	\$ -	\$ 3.8	\$ 4,870.2
Fees from midstream services	19.4	12.5	91.3	37.3	-	-	-	160.5
Other	0.2	0.9	0.8	24.8	-	0.2	2.9	29.8
	164.9	257.3	92.2	4,567.6	(28.4 )	0.2	6.7	5,060.5
<b>Intersegment revenues</b>								
Sale of commodities	1,051.8	704.9	0.4	465.9	-	(2,223.0 )	-	-
Fees from midstream services	0.7	0.4	67.7	6.0	-	(74.8 )	-	-
Other	-	-	-	19.7	-	(19.7 )	-	-
	1,052.5	705.3	68.1	491.6	-	(2,317.5 )	-	-
Revenues	\$ 1,217.4	\$ 962.6	\$ 160.3	\$ 5,059.2	\$(28.4 )	\$ (2,317.3 )	\$ 6.7	\$ 5,060.5
Operating margin	\$ 213.0	\$ 121.8	\$ 85.9	\$ 82.8	\$(28.4 )	\$ 0.1	\$ 6.7	\$ 481.9
<b>Other financial information:</b>								
Total assets	\$ 1,647.3	\$ 425.2	\$ 713.2	\$ 702.3	\$ 56.0	\$ 78.0	\$ 168.4	\$ 3,790.4
Capital expenditures (1)	\$ 112.0	\$ 9.8	\$ 252.6	\$ 1.5	\$-	\$ 1.4	\$ 1.8	\$ 379.1

(1) Logistics Assets segment capital expenditures includes petroleum logistics acquisitions. See Note 4.

Nine Months Ended September 30, 2010								
Partnership								
	Field Gathering	Coastal Gathering	Logistics Assets	Marketing and Distribution	Other	Corporate and Eliminations	TRC Non- Partnership	Consolidated
	and Processing	and Processing						
<b>Revenues</b>								
Sales of commodities	\$ 144.7	\$ 340.2	\$-	\$ 3,323.1	\$ 7.0	\$ (0.1 )	\$ 0.7	\$ 3,815.6
Fees from midstream services	17.7	9.2	60.1	32.9	-	-	-	119.9
Other	(1.9 )	0.6	(0.4 )	11.5	-	-	3.0	12.8
	160.5	350.0	59.7	3,367.5	7.0	(0.1 )	3.7	3,948.3
<b>Intersegment revenues</b>								
	792.6	565.2	0.5	379.6	-	(1,737.9 )	-	-

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Sales of commodities								
Fees from								
midstream services	0.8	2.0	61.3	0.7	-	(64.8 )	-	-
Other	-	-	-	16.3	-	(16.3 )	-	-
	793.4	567.2	61.8	396.6	-	(1,819.0 )	-	-
Revenues	\$953.9	\$ 917.2	\$ 121.5	\$ 3,764.1	\$7.0	\$ (1,819.1 )	\$ 3.7	\$ 3,948.3
Operating margin	\$176.8	\$ 74.9	\$52.9	\$ 48.8	\$7.0	\$ -	\$ 3.6	\$ 364.0
Other financial information:								
Total assets	\$1,627.7	\$ 448.5	\$432.7	\$ 426.4	\$65.4	\$ 62.3	\$ 397.0	\$ 3,460.0
Capital expenditures	\$41.0	\$ 6.2	\$33.1	\$ 1.8	\$-	\$ -	\$ 1.7	\$ 83.8

Table of Contents

The following table shows our consolidated revenues by product and service for each period presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
<b>Sales of commodities</b>				
Natural gas sales	\$304.6	\$261.7	\$846.2	\$832.8
NGL sales	1,323.4	880.4	3,969.1	2,901.1
Condensate sales	25.7	22.4	80.3	73.6
Derivative activities	(10.0 )	7.7	(25.4 )	8.1
<b>Fees from midstream services</b>				
Fractionating and treating fees	25.7	12.4	60.1	40.7
Storage and terminaling fees	11.7	11.4	38.9	30.2
Transportation fees	16.2	10.3	38.4	25.6
Gas processing fees	8.3	8.3	23.1	23.4
<b>Other</b>				
Business interruption insurance	-	1.3	3.0	3.0
Other	8.0	4.1	26.8	9.8
	\$1,713.6	\$1,220.0	\$5,060.5	\$3,948.3

The following table is a reconciliation of operating margin to net income for each period presented:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
<b>Reconciliation of operating margin to net income</b>				
Operating margin	\$151.6	\$120.1	\$481.9	\$364.0
Depreciation and amortization expense	(45.7 )	(50.2 )	(134.3 )	(136.9 )
General and administrative expense	(35.4 )	(27.0 )	(105.1 )	(81.0 )
Interest expense, net	(26.8 )	(30.0 )	(83.3 )	(83.9 )
Income tax expense	(7.4 )	(8.6 )	(18.5 )	(18.5 )
Other, net	0.2	(8.6 )	(0.1 )	(4.7 )
Net income (loss)	\$36.5	\$(4.3 )	\$140.6	\$39.0

#### Note 16 — Stock and Other Compensation Plans

For a discussion of our stock compensation plans, see Note 24 of the Consolidated Financial Statements included in Part IV of our 2010 Annual Report on Form 10-K.

#### 2010 TRC Stock Incentive Plan

##### Restricted Stock to Executive Management

For the three and nine months ended September 30, 2011, the total compensation expenses associated with the restricted stock awards granted to our executive management and certain employees in December 2010 (1,350,000 shares), February 2011 (33,140 shares) and August 2011 (51,080 shares) were \$3.4 million and \$10.0 million. There were no shares forfeited or vested under this plan during the three and nine months ended September 30, 2011.

##### Director Grants

In February 2011, our Compensation Committee (the “Committee”) also made equity-based awards of 24,250 shares to our non-management directors under this incentive plan. The awards vested upon the grant date. The total compensation expense for the awards was \$0.8 million for the nine months ended September 30, 2011.



Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the year ended December 31, 2010, as well as the unaudited consolidated financial statements and notes hereto included in this Quarterly Report on Form 10-Q.

Overview

Financial Presentation

Targa Resources Corp. is a publicly traded Delaware corporation formed in October 2005. Our common shares are listed on the New York Stock Exchange ("NYSE") under the symbol "TRGP." In this Quarterly Report, unless the context requires otherwise, references to "we," "us," "our," "the Company," or "Targa" are intended to mean our consolidated business and operations, including our wholly-owned subsidiary TRI Resources Inc. ("TRI").

We own general and limited partner interests, including Incentive Distribution Rights ("IDRs"), in Targa Resources Partners LP ("the Partnership"), a publicly traded Delaware limited partnership that is a leading provider of midstream natural gas and natural gas liquid services in the United States. Common units of the Partnership are listed on the NYSE under the symbol "NGLS." The Partnership is engaged in the business of gathering, compressing, treating, processing and selling natural gas, storing, fractionating, treating, transporting and selling natural gas liquids, or NGLs, and NGL products and storing and terminaling refined petroleum products and crude oil.

Our primary business objective is to increase our cash available for dividends to our stockholders by assisting the Partnership in executing its business strategy. We may facilitate the Partnership's growth through various forms of financial support, including, but not limited to, modifying the Partnership's IDRs, exercising the Partnership's IDR reset provision contained in its partnership agreement, making loans, making capital contributions in exchange for yielding or non-yielding equity interests or providing other financial support to the Partnership, if needed, to support its ability to make distributions. We also may enter into other economic transactions intended to increase our ability to make cash available for dividends over time. In addition, we may acquire assets that could be candidates for acquisition by the Partnership, potentially after operational or commercial improvement or further development.

An indirect subsidiary of ours is the sole member of Targa Resources GP LLC (the "General Partner"), which is the general partner of the Partnership. Because we control the General Partner, under generally accepted accounting principles, we must reflect our ownership interest in the Partnership on a consolidated basis. Accordingly, our financial results are combined with the Partnership's financial results in our consolidated financial statements even though the distribution or transfer of Partnership assets are limited by the terms of the partnership agreement, as well as restrictive covenants in the Partnership's lending agreements. The limited partner interests in the Partnership not owned by us are reflected in our results of operations as net income attributable to non-controlling interests. Therefore, throughout this discussion, we make a distinction where relevant between financial results of the Partnership versus those of us as a standalone parent including our non-Partnership subsidiaries.

Operations

The Partnership is engaged in the business of gathering, compressing, treating, processing and selling natural gas; storing, fractionating, treating, transporting and selling NGLs and NGL products; and storing and terminaling refined petroleum products and crude oil.

The Partnership reports its operations in two divisions: (i) Natural Gas Gathering and Processing, consisting of two reportable segments – (a) Field Gathering and Processing and (b) Coastal Gathering and Processing; and (ii) Logistics and Marketing consisting of two reportable segments – (a) Logistics Assets and (b) Marketing and Distribution. The financial results of the Partnership’s hedging activities are reported in Other.

The Partnership’s Natural Gas Gathering and Processing division includes assets used in the gathering of natural gas produced from oil and gas wells and processing such raw natural gas into merchantable natural gas by extracting natural gas liquids and removing impurities. The Field Gathering and Processing segment’s assets are located in North Texas and the Permian Basin of West Texas and New Mexico. The Coastal Gathering and Processing segment’s assets are located in the onshore and near offshore regions of the Louisiana Gulf Coast and the Gulf of Mexico.

## Table of Contents

The Partnership's Logistics and Marketing division is also referred to as the Downstream Business. The Downstream Business includes all the activities necessary to convert raw NGLs into NGL products and provides certain value added services such as storing, terminaling, transporting, distributing and marketing of NGLs, crude and refined products. It also includes certain natural gas supply and marketing activities in support of the Partnership's other operations.

The Partnership's Logistics Assets segment is involved in transporting, storing and fractionating mixed NGLs; storing, terminaling and transporting finished NGLs; and storing and terminaling crude oil and refined petroleum products. These assets are generally connected to, and supplied in part by, the Partnership's Natural Gas Gathering and Processing segments and are predominantly located in Mont Belvieu, Texas and Southwestern Louisiana. This segment includes the activities associated with the 2011 acquisitions of refined petroleum products and crude oil storage and terminaling facilities. See "2011 Developments".

The Partnership's Marketing and Distribution segment covers activities required to distribute and market raw and finished natural gas liquids and all natural gas marketing activities. It includes: (1) marketing the Partnership's NGL production and purchasing NGL products in selected United States markets; (2) providing liquefied petroleum gas balancing services to refinery customers; (3) transporting, storing and selling propane and providing related propane logistics services to multi-state retailers, independent retailers and other end users; and (4) marketing natural gas available to the Partnership from the Partnership's Natural Gas Gathering and Processing division and the purchase and resale of natural gas in selected United States markets.

Other contains the results of the Partnership's commodity hedging activities.

We have no separate, direct operating activities apart from those conducted by the Partnership. As such, our cash inflows will primarily consist of cash distributions from our interests in the Partnership. The Partnership is required to distribute all available cash at the end of each quarter after establishing reserves to provide for the proper conduct of its business or to provide for future distributions.

The Partnership files its own separate quarterly reports. The results of operations included in our consolidated financial statements will differ from the results of operations of the Partnership primarily due to the financial effects of: non-controlling interests in the Partnership, our separate debt obligations, certain general and administrative costs applicable to us as a separate public company and certain non-operating assets and liabilities that we retained and were not included in the asset conveyances to the Partnership.

## 2011 Developments

On January 24, 2011, the Partnership completed a public offering of 8,000,000 common units representing limited partner interests in the Partnership ("common units") under an existing shelf registration statement on Form S-3 at a price of \$33.67 per common unit (\$32.41 per common unit, net of underwriting discounts), providing net proceeds of \$259.2 million. Pursuant to the exercise of the underwriters' overallotment option, the Partnership issued an additional 1,200,000 common units, providing net proceeds of \$38.8 million. In addition, we contributed \$6.3 million to the Partnership for 187,755 general partner units to maintain our 2% general partner interest in the Partnership. The Partnership used the net proceeds from the offering to reduce borrowings under its senior secured credit facility.

On February 2, 2011, the Partnership closed a private placement of \$325.0 million in aggregate principal amount of 6 % Senior Notes due 2021 (the "6 % Notes"). The net proceeds of this offering were \$318.8 million after deducting expenses of the offering. The Partnership used the net proceeds from the offering to reduce borrowings under its senior secured credit facility.

On February 4, 2011, the Partnership exchanged an additional \$158.6 million principal amount of its 6 % Notes plus payments of \$28.6 million, including \$0.9 million of accrued interest, for \$158.6 million aggregate principal amount of its 11¼% Senior Notes due 2017 (the “11¼% Notes”). The debt covenants related to the remaining \$72.7 million of face value of the 11¼% Notes were removed. This exchange was accounted for as a debt modification whereby the financial effects of the exchange will be recognized over the term of the new debt issue.

## Table of Contents

On March 15, 2011, the Partnership acquired a refined petroleum products and crude oil storage and terminaling facility in Channelview, Texas on Carpenter's Bayou along the Houston Ship Channel (the "Channelview Terminal") for \$29.0 million. The Channelview Terminal, with storage capacity of 544,000 barrels, can handle multiple grades of blend stocks, petroleum products and crude and has potential for expansion, as well as integration with the Partnership's other logistics operations.

On April 26, 2011, certain of our stockholders sold, in a secondary public offering, 5,650,000 shares of our common stock under a registration statement on Form S-1 at a price of \$31.73 per share of common stock (\$30.65 per share, net of underwriting discounts), providing net proceeds of \$173.2 million to selling stockholders. We received no proceeds from the sale of shares by the selling stockholders. Pursuant to the exercise of the underwriters' overallotment option, selling stockholders also sold an additional 847,500 shares of our common stock, providing additional net proceeds of \$26.0 million. We incurred approximately \$0.6 million of expenses in connection with the offering, including all expenses of the selling stockholders which we have paid.

On May 9, 2011, the Partnership announced a 100,000 barrel per day expansion of its majority owned Cedar Bayou Fractionator ("CBF") at Mont Belvieu, Texas. Substantially all of the capacity of this expansion is currently contracted with long-term, use-or-pay, firm capacity fractionating agreements. The 100,000 barrel per day expansion will be fully integrated with the Partnership's existing Gulf Coast NGL storage, terminaling and delivery infrastructure, which includes an extensive network of connections to key petrochemical and industrial customers, as well as the Partnership's LPG export terminal at Galena Park, Texas on the Houston Ship Channel. We estimate that the total capital expenditures for the CBF expansion and the Partnership's related infrastructure enhancements at Mont Belvieu will be approximately \$360 million and construction will be completed in the first quarter of 2013.

On September 19, 2011, the Partnership announced a \$250 million expansion of its Mont Belvieu complex and its existing import/export marine terminal at Galena Park to provide export capability for more than 5,000 barrels per hour (Bbl/hr) of fully refrigerated, low ethane propane. The expansion project, expected to be operational in the third quarter of 2013, will allow the Partnership to load three to four VLGC (very large gas carrier) class ships per month and is in addition to its existing capabilities to handle multiple MGC (medium gas carrier) export cargos of HD-5 grade propane, imports/exports of LPGs and petrochemicals and other spot ship and barge business.

On September 30, 2011 the Partnership acquired two refined petroleum products and crude oil storage and terminaling facilities. The facility on the Hylebos Waterway in the Port of Tacoma, Washington (the "Tacoma Terminal") has 758,000 barrels of capacity and handles refined petroleum products, LPGs and biofuels, including ethanol and biodiesel. The facility on the Patapsco River in Baltimore, Maryland (the "Baltimore Terminal") has approximately 505,000 barrels of storage capacity. Both terminals contain blending and heating capabilities, and have tanker truck and barge loading and unloading infrastructure. Total consideration for both facilities was \$127.7 million plus an additional \$7.5 million for estimated working capital.

On October 19, 2011, the Partnership announced a new 200 MMcf/d cryogenic processing plant for the Partnership's North Texas System to meet increasing production, continued producer activity and expected volumes from significant new acreage dedications in the liquids-rich, oily areas of the Barnett Shale. The new processing plant, which will be located in Wise County, Texas, is expected to be operational in mid-2013, subject to regulatory approvals, and is expected to require a capital investment related to the plant and associated projects that are currently estimated at approximately \$150 million.

## 2011 Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2011-04, Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure

Requirements in U.S. GAAP and IFRSs. The amendment, which becomes effective during interim and annual periods beginning after December 15, 2011, requires additional disclosures with regard to fair value measurements categorized within Level 3 of the fair value hierarchy. Early adoption is not permitted.

In June 2011, the FASB issued Accounting Standards Update No. 2011-05, Comprehensive Income (Topic 220): Presentation of Comprehensive Income. The amendment, which becomes effective during interim and annual periods beginning after December 15, 2011, stipulates the financial statement presentation requirements for other comprehensive income. Our financial statement presentation complies with this standards update.

In September 2011, the FASB issued Accounting Standards Update No. 2011-08, Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment. The amendment, which becomes effective during interim and annual periods beginning after December 15, 2011, allows entities to first assess qualitative factors when testing goodwill for impairment. Early adoption is permitted.

#### How We Evaluate Our Operations

Our consolidated operations include the operations of the Partnership due to our ownership and control of the General Partner. We have no separate, direct operating activities from those conducted by the Partnership. Our financial results differ from the Partnership's due to the financial effects of: non-controlling interests in the Partnership, our separate debt obligations, certain non-operating costs associated with assets and liabilities that we retained and were not included in asset conveyances to the Partnership, and certain general and administrative costs applicable to us as a separate public company.

**Distributable Cash Flow.** We define distributable cash flow as distributions due to us from the Partnership, less our specific general and administrative costs as a separate public reporting entity, the interest carry costs associated with our debt and taxes attributable to our earnings. Distributable cash flow is a significant performance metric used by us and by external users of our financial statements, such as investors, commercial banks, research analysts, and others to compare basic cash flows generated by us to the cash dividends we expect to pay our shareholders. Using this metric, management and external users of our financial statements can quickly compute the coverage ratio of estimated cash flows to planned cash dividends. Distributable cash flow is also an important financial measure for our shareholders since it serves as an indicator of our success in providing a cash return on investment. Specifically, this financial measure indicates to investors whether or not we are generating cash flow at a level that can sustain or support an increase in our quarterly dividend rates. Distributable cash flow is also a quantitative standard used throughout the investment community because the share value is generally determined by the share's yield (which in turn is based on the amount of cash dividends the entity pays to a shareholder).

Table of Contents

The economic substance behind our use of distributable cash flow is to measure the ability of our assets to generate cash flow sufficient to pay dividends to our investors.

The GAAP measure most directly comparable to distributable cash flow is net income. Distributable cash flow should not be considered as an alternative to GAAP net income. Distributable cash flow is not a presentation made in accordance with GAAP and has important limitations as an analytical tool. Investors should not consider distributable cash flow in isolation or as a substitute for analysis of our results as reported under GAAP. Because distributable cash flow excludes some, but not all, items that affect net income and is defined differently by different companies in our industry, our definition of distributable cash flow may not be compatible to similarly titled measures of other companies, thereby diminishing its utility.

Management compensates for the limitations of distributable cash flow as an analytical tool by reviewing the comparable GAAP measure, understanding the differences between the measures and incorporating these insights into its decision making process. On October 11, 2011, the Partnership announced that the board of directors of its General Partner declared a quarterly distribution for the three months ended September 30, 2011 of \$0.5825 per common unit, or an annual rate of \$2.33 per common unit. Based on these distribution rates, we will receive quarterly distributions of \$6.8 million, or \$27.1 million on an annualized basis, in respect of our common units in the Partnership, and based on these distribution rates, we will receive quarterly distributions of \$8.8 million and \$1.2 million, or \$35.3 million and \$4.8 million on an annualized basis, based on our IDRs and 2% general partner interests. See Note 7 – Partnership Units and Related Matters.

	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
	(in millions)	
<b>Targa Resources Corp Distributable Cash Flow</b>		
Distributions declared by Targa Resources Partners LP associated with:		
General Partner Interests	\$1.2	\$3.5
Incentive Distribution Rights	8.8	23.4
Common Units	6.8	19.9
Total distributions declared by Targa Resources Partners LP	16.8	46.8
Income (expenses) of TRC Non-Partnership		
General and administrative expenses	(1.7 )	(6.5 )
Interest expense, net	(1.1 )	(2.9 )
Plus: Current tax benefit for TRC Non-Partnership (1)	6.1	0.6
Taxes funded with cash on hand (2)	-	5.1
Other income	0.1	3.0
Distributable cash flow	\$20.2	\$46.1

(1) Excludes \$1.2 million and \$3.6 million of non-cash current tax expense arising from amortization of deferred long term tax assets from drop down gains realized for tax purposes and paid in 2010 for the three and nine months ended September 30, 2011. Includes a one-time benefit in current tax expense attributable primarily to overpayment of prior year income taxes.

(2) Current period portion of amount established at our IPO to fund taxes related to deferred tax gains.





Table of Contents

	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2011
	(in millions)	
<b>Reconciliation of net income attributable to Targa Resources Corp. to Distributable Cash Flow</b>		
Net income of Targa Resources Corp.	\$36.5	\$140.6
Less: Net income of Targa Resources Partners LP	(44.9 )	(158.6 )
Net loss for TRC Non-Partnership	(8.4 )	(18.0 )
Plus: TRC Non-Partnership income tax expense	5.9	13.3
Plus: Distributions declared by the Partnership	16.8	46.8
Plus: Non-cash gain on hedges	(0.9 )	(3.8 )
Plus: Depreciation - Non-Partnership assets	0.7	2.1
Plus: Current tax benefit for TRC Non-Partnership (1)	6.1	0.6
Plus: Taxes funded with cash on hand (2)	-	5.1
Distributable cash flow	\$20.2	\$46.1

(1) Excludes \$1.2 million and \$3.6 million of non-cash current tax expense arising from amortization of deferred long term tax assets from drop down gains realized for tax purposes and paid in 2010 for the three and nine months ended September 30, 2011. Includes a one-time benefit in current tax expense attributable primarily to overpayment of prior year income taxes.

(2) Current period portion of amount established at our IPO to fund taxes related to deferred tax gains.

#### How We Evaluate the Partnership's Operations

The Partnership's profitability is a function of the difference between the revenues it receives from its operations, including revenues from the natural gas, NGLs and condensate it sells, and the costs associated with conducting its operations, including the costs of wellhead natural gas and mixed NGLs that it purchases as well as operating and general and administrative costs, and the impact of the Partnership's commodity hedging activities. Because commodity price movements tend to impact both revenues and costs, increases or decreases in the Partnership's revenues alone are not necessarily indicative of increases or decreases in its profitability. The Partnership's contract portfolio, the prevailing pricing environment for natural gas and NGLs, and the volumes of natural gas and NGL throughput on its systems are important factors in determining its profitability. The Partnership's profitability is also affected by the NGL content in gathered wellhead natural gas, supply and demand for its products and services and changes in its customer mix.

Management uses a variety of financial measures and operational measurements to analyze the Partnership's performance. These include: (1) throughput volumes, facility efficiencies and fuel consumption, (2) operating expenses and (3) the following non-GAAP measures—gross margin, operating margin, adjusted EBITDA and distributable cash flow.

**Throughput Volumes, Facility Efficiencies and Fuel Consumption.** The Partnership's profitability is impacted by its ability to add new sources of natural gas supply to offset the natural decline of existing volumes from natural gas wells that are connected to its gathering and processing systems. This is achieved by connecting new wells and adding new volumes in existing areas of production, as well as by capturing natural gas supplies currently gathered by third parties. Similarly, the Partnership's profitability is impacted by its ability to add new sources of mixed NGL supply, typically connected by third-party transportation, to its Downstream Business' fractionation facilities. The Partnership

fractionates NGLs generated by its gathering and processing plants, as well as by contracting for mixed NGL supply from third-party gathering or fractionation facilities.

In addition, the Partnership seeks to increase operating margin by limiting volume losses and reducing fuel consumption by increasing compression efficiency. With its gathering systems' extensive use of remote monitoring capabilities, the Partnership monitors the volumes of natural gas received at the wellhead or central delivery points along its gathering systems, the volume of natural gas received at its processing plant inlets and the volumes of NGLs and residue natural gas recovered by its processing plants. The Partnership also monitors the volumes of NGLs received, stored, fractionated and delivered across its logistics assets. This information is tracked through its processing plants and Downstream Business facilities to determine customer settlements for sales and volume-related fees for service and help the Partnership increase efficiency and reduce fuel consumption.

## Table of Contents

As part of monitoring the efficiency of its operations, the Partnership measures the difference between the volume of natural gas received at the wellhead or central delivery points on its gathering systems and the volume received at the inlet of its processing plants as an indicator of fuel consumption and line loss. The Partnership also tracks the difference between the volume of natural gas received at the inlet of the processing plant and the NGLs and residue gas produced at the outlet of such plant to monitor the fuel consumption and recoveries of the facilities. Similar tracking is performed for its logistics assets. These volume, recovery and fuel consumption measurements are an important part of the Partnership's operational efficiency analysis.

**Operating Expenses.** Operating expenses are costs associated with the operation of a specific asset. Labor, contract services, repair and maintenance, utilities and ad valorem taxes comprise the most significant portion of the Partnership's operating expenses. These expenses, other than fuel and power, generally remain relatively stable and independent of the volumes through its systems but fluctuate depending on the scope of the activities performed during a specific period.

**Gross Margin.** We define gross margin as revenues less purchases. It is impacted by volumes and commodity prices as well as the Partnership's contract mix and hedging program. We define Natural Gas Gathering and Processing gross margin as total operating revenues from the sales of natural gas and NGLs plus service fee revenues, less product purchases, which consist primarily of producer payments and other natural gas purchases. Logistics Assets gross margin consists primarily of service fee revenue, less product purchases, which consists primarily of NGL purchases. Gross margin for Marketing and Distribution equals total revenue from service fees and NGL sales, less cost of sales, which consists primarily of NGL purchases, transportation costs and changes in inventory valuation. The gross margin impacts of cash flow hedge settlements are reported in Other.

**Operating Margin.** Operating margin is an important performance measure of the core profitability of the Partnership's operations. We define operating margin as gross margin less operating expenses. Natural gas and NGL sales revenue includes settlement gains and losses on commodity hedges.

Gross margin and operating margin are non-GAAP measures. The GAAP measure most directly comparable to gross margin and operating margin is net income. Gross margin and operating margin are not alternatives to GAAP net income and have important limitations as analytical tools. Investors should not consider gross margin and operating margin in isolation or as a substitute for analysis of our results as reported under GAAP. Because gross margin and operating margin exclude some, but not all, items that affect net income and are defined differently by different companies in our industry, our definition of gross margin and operating margin may not be comparable to similarly titled measures of other companies, thereby diminishing their utility.

Our management reviews business segment gross margin and operating margin monthly as a core internal management process. We believe that investors benefit from having access to the same financial measures that our management uses in evaluating our operating results. Gross margin and operating margin provide useful information to investors because they are used as supplemental financial measures by us and by external users of our financial statements, including investors and commercial banks, to assess:

- the financial performance of the Partnership's assets without regard to financing methods, capital structure or historical cost basis;
- the Partnership's operating performance and return on capital as compared to other companies in the midstream energy sector, without regard to financing or capital structure; and
- the viability of acquisitions and capital expenditure projects and the overall rates of return on alternative investment opportunities.

Management compensates for the limitations of gross margin and operating margin as analytical tools by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these insights into its decision-making processes.

30

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Table of Contents

Adjusted EBITDA. The Partnership defines Adjusted EBITDA as net income before interest, income taxes, depreciation and amortization, gains or losses on debt repurchases and non-cash risk management activities related to derivative instruments. Adjusted EBITDA is used as a supplemental financial measure by the Partnership and by external users of our financial statements such as investors, commercial banks and others.

The economic substance behind the Partnership's use of Adjusted EBITDA is to measure the ability of its assets to generate cash sufficient to pay interest costs, support its indebtedness and make distributions to its investors.

The GAAP measures most directly comparable to Adjusted EBITDA are net cash provided by operating activities and net income. Adjusted EBITDA should not be considered as an alternative to GAAP net cash provided by operating activities or GAAP net income. Adjusted EBITDA is not a presentation made in accordance with GAAP and has important limitations as an analytical tool. Investors should not consider Adjusted EBITDA in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted EBITDA excludes some, but not all, items that affect net income and net cash provided by operating activities and is defined differently by different companies in our industry, our definition of Adjusted EBITDA may not be comparable to similarly titled measures of other companies.

The Partnership compensates for the limitations of Adjusted EBITDA as an analytical tool by reviewing the comparable GAAP measures, understanding the differences between the measures and incorporating these insights into its decision-making processes.

Distributable Cash Flow. The Partnership defines distributable cash flow as net income attributable to Targa Resources Partners LP plus depreciation and amortization, deferred taxes and amortization of debt issue costs included in interest expense, adjusted for non-cash losses (gains) on mark-to-market derivative contracts and debt repurchases, less maintenance capital expenditures (net of any reimbursements of project costs). The impact of noncontrolling interests is included in this measure.

Distributable cash flow is a significant performance metric used by the Partnership and by external users of the Partnership's financial statements, such as investors, commercial banks and research analysts, to compare basic cash flows generated by the Partnership (prior to the establishment of any retained cash reserves by the board of directors of its general partner) to the cash distributions the Partnership expects to pay the Partnership's unitholders. Using this metric, the Partnership's management and external users of its financial statements can quickly compute the coverage ratio of estimated cash flows to planned cash distributions. Distributable cash flow is also an important financial measure for the Partnership's unitholders since it serves as an indicator of the Partnership's success in providing a cash return on investment. Specifically, this financial measure indicates to investors whether or not the Partnership is generating cash flow at a level that can sustain or support an increase in the Partnership's quarterly distribution rates. Distributable cash flow is also a quantitative standard used throughout the investment community with respect to publicly-traded partnerships and limited liability companies because the value of a unit of such an entity is generally determined by the unit's yield (which in turn is based on the amount of cash distributions the entity pays to a unitholder).

The GAAP measure most directly comparable to distributable cash flow is net income attributable to Targa Resources Partners LP. Distributable cash flow should not be considered as an alternative to GAAP net income attributable to Targa Resources Partners LP. Distributable cash flow is not a presentation made in accordance with GAAP and has important limitations as an analytical tool. Investors should not consider distributable cash flow in isolation or as a substitute for analysis of our results as reported under GAAP. Because distributable cash flow excludes some, but not all, items that affect net income and is defined differently by different companies in the Partnership's industry, our definition of distributable cash flow may not be comparable to similarly titled measures of other companies, thereby diminishing its utility.

The Partnership compensates for the limitations of distributable cash flow as an analytical tool by reviewing the comparable GAAP measure, understanding the differences between the measures and incorporating these insights into its decision making processes.

31

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Table of Contents

## Non-GAAP Financial Measures

The following tables reconcile the non-GAAP financial measures of the Partnership used by management to their most directly comparable GAAP measures for the three and nine months ended September 30, 2011 and 2010:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
(In millions)				
Reconciliation of Targa Resources Partners LP gross margin and operating margin to net income:				
Gross margin	\$227.2	\$184.8	\$689.3	\$550.6
Operating expenses	(76.5 )	(66.0 )	(214.1 )	(190.2 )
Operating margin	150.7	118.8	475.2	360.4
Depreciation and amortization expenses	(45.0 )	(43.3 )	(132.2 )	(128.3 )
General and administrative expenses	(33.7 )	(26.7 )	(98.6 )	(80.0 )
Interest expense, net	(25.7 )	(27.9 )	(80.4 )	(86.6 )
Income tax expense	(1.5 )	(1.7 )	(5.2 )	(3.9 )
Gain (loss) on sale of assets	0.3	-	0.4	-
Other, net (1)	(0.2 )	(0.8 )	(0.6 )	29.8
Targa Resources Partners LP Net income	\$44.9	\$18.4	\$158.6	\$91.4

(1) Includes gain on mark-to-market derivatives, equity in earnings of unconsolidated investment, insurance claims, and other income (expense).

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2011	2010	2011	2010
(In millions)				
Reconciliation of net cash provided by Targa Resources Partners LP operating activities to Adjusted EBITDA:				
Net cash provided by (used in) operating activities	\$(61.3 )	\$60.3	\$191.3	\$238.9
Net income attributable to noncontrolling interests	(9.0 )	(4.6 )	(29.6 )	(18.2 )
Interest expense, net (1)	24.7	22.2	73.7	52.8
Current income tax expense	2.4	1.8	4.6	3.6
Other (2)	18.8	(7.6 )	10.8	(7.3 )
Changes in operating assets and liabilities which used (provided) cash:				
Accounts receivable and other assets	105.4	24.5	169.8	(40.3 )
Accounts payable and other liabilities	26.3	(6.1 )	(76.0 )	52.5
Targa Resources Partners LP Adjusted EBITDA	\$107.3	\$90.5	\$344.6	\$282.0

(1) Net of amortization of debt issuance costs, discount and premium included in interest expense of: \$1.0 million and \$6.7 million for the three and nine months ended September 30, 2011; and \$1.8 million and \$4.4 million for the three and nine months ended September 30, 2010. Excludes affiliate and allocated interest expense.

(2) Includes equity earnings from unconsolidated investments – net of distributions, accretion expense associated with asset retirement obligations, amortization of stock based compensation and gain (loss) on sale of assets.





Table of Contents

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
(In millions)				
Reconciliation of net income attributable to Targa Resources Partners LP to Adjusted EBITDA:				
Net income attributable to Targa Resources Partners LP	\$35.9	\$13.8	\$129.0	\$73.2
Add:				
Interest expense, net (1)	25.7	27.9	80.4	86.6
Income tax expense	1.5	1.7	5.2	3.9
Depreciation and amortization expenses	45.0	43.3	132.2	128.3
Risk management activities	2.0	6.1	6.0	(2.9 )
Noncontrolling interests adjustment	(2.8 )	(2.3 )	(8.2 )	(7.1 )
Targa Resources Partners LP Adjusted EBITDA	\$107.3	\$90.5	\$344.6	\$282.0

(1) Includes affiliate and allocated interest expense.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
(In millions)				
Reconciliation of net income attributable to Targa Resources Partners LP to distributable cash flow:				
Net income attributable to Targa Resources Partners LP	\$35.9	\$13.8	\$129.0	\$73.2
Affiliate and allocated interest expense	-	3.9	-	29.4
Depreciation and amortization expenses	45.0	43.3	132.2	128.3
Deferred income tax expense	(0.9 )	(0.1 )	0.6	0.3
Amortization in interest expense	2.5	2.4	8.1	5.1
Risk management activities	2.0	6.1	6.0	(2.9 )
Maintenance capital expenditures	(24.7 )	(12.7 )	(57.2 )	(29.7 )
Other (1)	5.6	(0.3 )	10.8	(2.9 )
Distributable cash flow	\$65.4	\$56.4	\$229.5	\$200.8

(1) Includes reimbursements of certain environmental maintenance capital expenditures by us and the non-controlling interest portion of maintenance capital expenditures and depreciation expense.

### Critical Accounting Policies and Estimates

Our critical accounting policies and estimates are set forth in Part II, “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report. There have been no material changes to these policies and estimates during the nine months ended September 30, 2011.

### Financial Information – Partnership versus Non-Partnership

As a supplement to the financial statements included in this 10-Q, we present the following tables which segregate our consolidated balance sheet, statement of operations and statement of cash flows between Partnership and Non-Partnership activities. Partnership results are presented on a common control accounting basis – the same basis reported in the Partnership’s Quarterly Report on Form 10-Q (the “Partnership Form 10-Q”). Except when otherwise noted, the remainder of this management’s discussion and analysis refers to these disaggregated results.



Table of Contents

## Results of Operations – Partnership versus Non-Partnership

	Three Months Ended September 30, 2011			Three Months Ended September 30, 2010		
	Targa Resources Corp. Consolidated	Targa Resources Partners LP	TRC - Non-Partnership	Targa Resources Corp. Consolidated	Targa Resources Partners LP	TRC - Non-Partnership
	(In millions)					
Revenues (1)	\$1,713.6	\$1,712.7	\$ 0.9	\$1,220.0	\$1,218.4	\$ 1.6
Costs and Expenses:						
Product purchases	1,485.5	1,485.5	-	1,033.7	1,033.6	0.1
Operating expenses	76.5	76.5	-	66.2	66.0	0.2
Depreciation and amortization (2)	45.7	45.0	0.7	50.2	43.3	6.9
General and administrative (3)	35.4	33.7	1.7	27.0	26.7	0.3
Other	(0.3 )	(0.3 )	-	(0.4 )	-	(0.4 )
	1,642.8	1,640.4	2.4	1,176.7	1,169.6	7.1
Income from operations	70.8	72.3	(1.5 )	43.3	48.8	(5.5 )
Other income (expense):						
Interest expense, net - third party (4)	(26.8 )	(25.7 )	(1.1 )	(30.0 )	(24.0 )	(6.0 )
Interest expense - intercompany (5)	-	-	-	-	(3.9 )	3.9
Equity in earnings of unconsolidated investment	2.2	2.2	-	1.1	1.1	-
Loss on early debt extinguishment (4)	-	-	-	(10.6 )	-	(10.6 )
Gain (loss) on mark-to-market derivative instruments	(1.8 )	(1.8 )	-	(0.1 )	(1.9 )	1.8
Other income (expense)	(0.5 )	(0.6 )	0.1	0.6	-	0.6
Income before income taxes	43.9	46.4	(2.5 )	4.3	20.1	(15.8 )
Income tax expense	(7.4 )	(1.5 )	(5.9 )	(8.6 )	(1.7 )	(6.9 )
Net income (loss)	36.5	44.9	(8.4 )	(4.3 )	18.4	(22.7 )
Less: Net income attributable to noncontrolling interests (6)	31.6	9.0	22.6	13.2	4.6	8.6
Net income (loss) after noncontrolling interests	\$4.9	\$35.9	\$ (31.0 )	\$(17.5 )	\$13.8	\$ (31.3 )

The major Non-Partnership results of operations relate to:

- (1) Business interruption revenue (\$1.3 million in 2010) and amortization of Other Comprehensive Income (“OCI”) related to Versado hedges dropped down to the Partnership, and OCI related to terminated hedges
- (2) Depreciation on assets excluded from drop down transactions and corporate administrative assets
- (3) General and administrative expenses retained by TRC, related to its status as a public entity
- (4) Interest expense and other gains and losses related to TRC and TRI debt obligations
- (5) Interest on pre-drop down intercompany debt obligations
- (6) TRC non-controlling interest in the Partnership



Table of Contents

	Nine Months Ended September 30, 2011			Nine Months Ended September 30, 2010		
	Targa Resources Corp. Consolidated	Targa Resources Partners LP	TRC - Non-Partnership	Targa Resources Corp. Consolidated	Targa Resources Partners LP	TRC - Non-Partnership
	(In millions)					
Revenues (1)	\$5,060.5	\$5,053.8	\$ 6.7	\$3,948.3	\$3,944.6	\$ 3.7
Costs and Expenses:						
Product purchases	4,364.5	4,364.5	-	3,393.9	3,394.0	(0.1 )
Operating expenses	214.1	214.1	-	190.4	190.2	0.2
Depreciation and amortization (2)	134.3	132.2	2.1	136.9	128.3	8.6
General and administrative (3)	105.1	98.6	6.5	81.0	80.0	1.0
Other	(0.3 )	(0.4 )	0.1	(0.4 )	-	(0.4 )
	4,817.7	4,809.0	8.7	3,801.8	3,792.5	9.3
Income from operations	242.8	244.8	(2.0 )	146.5	152.1	(5.6 )
Other income (expense):						
Interest expense, net - third party (4)	(83.3 )	(80.4 )	(2.9 )	(83.9 )	(57.2 )	(26.7 )
Interest expense - intercompany (5)	-	-	-	-	(29.4 )	29.4
Equity in earnings of unconsolidated investment	5.2	5.2	-	3.8	3.8	-
Loss on debt repurchases (4)	-	-	-	(17.4 )	-	(17.4 )
Gain on early debt extinguishment (4)	-	-	-	8.1	-	8.1
Gain (loss) on mark-to-market derivative instruments	(5.0 )	(5.0 )	-	(0.4 )	26.0	(26.4 )
Other income (expense)	(0.6 )	(0.8 )	0.2	0.8	-	0.8
Income before income taxes	159.1	163.8	(4.7 )	57.5	95.3	(37.8 )
Income tax expense	(18.5 )	(5.2 )	(13.3 )	(18.5 )	(3.9 )	(14.6 )
Net income (loss)	140.6	158.6	(18.0 )	39.0	91.4	(52.4 )
Less: Net income attributable to noncontrolling interests (6)	118.4	29.6	88.8	46.2	18.2	28.0
Net income (loss) after noncontrolling interests	\$22.2	\$129.0	\$ (106.8 )	\$(7.2 )	\$73.2	\$ (80.4 )

The major Non-Partnership results of operations relate to:

- (1) Business interruption revenue (\$3.0 million in 2011 and \$3.0 million in 2010) and amortization of OCI related to Versado hedges dropped down to the Partnership, and OCI related to terminated hedges
- (2) Depreciation on assets excluded from drop down transactions and corporate administrative assets
- (3) General and administrative expenses retained by TRC, related to its status as a public entity
- (4) Interest expense and other gains and losses related to TRC and TRI debt obligations
- (5) Interest on pre-drop down intercompany debt obligations
- (6) TRC non-controlling interest in the Partnership



Table of Contents

## Balance Sheets – Partnership versus Non-Partnership

The following table breaks down the consolidated balance sheets as of September 30, 2011 and December 31, 2010 into Partnership and our standalone (“TRC Non-Partnership”) financial results. Partnership results are presented on a common control accounting basis – the same basis reported in the Partnership Form 10-Q.

	September 30, 2011			December 31, 2010		
	Targa Resources Corp. Consolidated	Targa Resources Partners LP	TRC - Non-Partnership	Targa Resources Corp. Consolidated	Targa Resources Partners LP	TRC - Non-Partnership
(In millions)						
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents (1)	\$ 154.1	\$ 68.9	\$ 85.2	\$ 188.4	\$ 76.3	\$ 112.1
Trade receivables, net	544.5	544.5	-	466.6	466.1	0.5
Inventory	139.4	139.3	0.1	50.4	50.3	0.1
Deferred income taxes (2)	-	-	-	3.6	-	3.6
Assets from risk management activities	35.2	35.2	-	25.2	25.2	-
Other current assets (1)	17.5	8.4	9.1	16.3	2.9	13.4
Total current assets	890.7	796.3	94.4	750.5	620.8	129.7
Property, plant and equipment, at cost (1)	3,572.2	3,538.5	33.7	3,331.4	3,299.5	31.9
Accumulated depreciation	(955.4 )	(935.2 )	(20.2 )	(822.4 )	(804.3 )	(18.1 )
Property, plant and equipment, net	2,616.8	2,603.3	13.5	2,509.0	2,495.2	13.8
Long-term assets from risk management activities	20.8	20.8	-	18.9	18.9	-
Other long-term assets (3)	262.1	201.6	60.5	115.4	51.5	63.9
Total assets	\$ 3,790.4	\$ 3,622.0	\$ 168.4	\$ 3,393.8	\$ 3,186.4	\$ 207.4
<b>LIABILITIES AND OWNERS' EQUITY</b>						
Current liabilities:						
Accounts payable and accrued liabilities (4)	\$ 638.6	\$ 594.1	\$ 44.5	\$ 590.0	\$ 524.2	\$ 65.8
Affiliate payable (receivable) (5)	-	60.2	(60.2 )	-	51.4	(51.4 )
Deferred income taxes	0.2	-	0.2	-	-	-
Liabilities from risk management activities	34.7	34.7	-	34.2	34.2	-
Total current liabilities	673.5	689.0	(15.5 )	624.2	609.8	14.4
Long-term debt (6)	1,603.4	1,514.1	89.3	1,534.7	1,445.4	89.3
Long-term liabilities from risk management activities	10.7	10.7	-	32.8	32.8	-
Deferred income taxes (2)	117.6	9.3	108.3	111.6	8.7	102.9
Other long-term liabilities (7)	52.7	43.9	8.8	54.4	40.6	13.8
Total liabilities	2,457.9					