

Energy Transfer Partners, L.P.
Form 10-Q
May 06, 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 March 31, 2011

or

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

ENERGY TRANSFER PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

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

(Address of principal executive offices) (zip code)

(214) 981-0700

(Registrant's telephone number, including area code)

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

Yes No

Indicate by check mark whether the registrant 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 (§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 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.

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Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(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

At May 2, 2011, the registrant had units outstanding as follows:

Energy Transfer Partners, L.P. 208,470,929 Common Units

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Certain matters discussed in this report, excluding historical information, as well as some statements by Energy Transfer Partners, L.P. ("Energy Transfer Partners" or the Partnership) in periodic press releases and some oral statements of the Partnership's officials during presentations about the Partnership, include forward-looking statements. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. Statements using words such as anticipate, believe, intend, project, plan, expect continue, estimate, forecast, may, will or similar expressions help identify forward-looking statements. Although the Partnership and its general partner believe such forward-looking statements are based on reasonable assumptions and current expectations and projections about future events, no assurance can be given that such assumptions, expectations, or projections will prove to be correct. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, the Partnership's actual results may vary materially from those anticipated, projected, forecasted, estimated or expressed in forward-looking statements since many of the factors that determine these results are subject to uncertainties and risks that are difficult to predict and beyond management's control. For additional discussion of risks, uncertainties and assumptions, see Part II Other Information Item 1A. Risk Factors in this Quarterly Report on Form 10-Q as well as Part I Item 1A. Risk Factors in the Partnership's Report on Form 10-K for the year ended December 31, 2010 filed with the Securities and Exchange Commission ("SEC") on February 28, 2011.

Definitions

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

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

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

(Dollars in thousands)

(unaudited)

	March 31, 2011	December 31, 2010
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 60,138	\$ 49,540
Marketable securities	2,640	2,032
Accounts receivable, net of allowance for doubtful accounts of \$6,461 and \$6,409 as of March 31, 2011 and December 31, 2010, respectively	492,324	503,129
Accounts receivable from related companies	78,552	53,866
Inventories	296,211	362,058
Exchanges receivable	16,493	21,823
Price risk management assets	12,780	13,706
Other current assets	149,844	115,269
Total current assets	1,108,982	1,121,423
PROPERTY, PLANT AND EQUIPMENT	11,285,766	11,087,468
ACCUMULATED DEPRECIATION	(1,373,800)	(1,286,099)
	9,911,966	9,801,369
ADVANCES TO AND INVESTMENTS IN AFFILIATES	19,677	8,723
LONG-TERM PRICE RISK MANAGEMENT ASSETS	16,256	13,948
GOODWILL	781,233	781,233
INTANGIBLES AND OTHER ASSETS, net	413,332	423,296
Total assets	\$ 12,251,446	\$ 12,149,992

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

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

(Dollars in thousands)

(unaudited)

	March 31, 2011	December 31, 2010
<u>LIABILITIES AND PARTNERS' CAPITAL</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 274,598	\$ 301,997
Accounts payable to related companies	21,079	27,177
Exchanges payable	20,297	15,451
Accrued and other current liabilities	396,218	462,560
Current maturities of long-term debt	35,080	35,265
Total current liabilities	747,272	842,450
LONG-TERM DEBT, less current maturities	6,554,271	6,404,916
LONG-TERM PRICE MANAGEMENT LIABILITIES	24,156	18,338
OTHER NON-CURRENT LIABILITIES	155,281	140,851
COMMITMENTS AND CONTINGENCIES (Note 13)		
PARTNERS' CAPITAL:		
General Partner	181,139	174,618
Limited Partners:		
Common Unitholders (194,268,429 and 193,212,590 units authorized, issued and outstanding at March 31, 2011 and December 31, 2010, respectively)	4,573,365	4,542,656
Class E Unitholders (8,853,832 units authorized, issued and outstanding held by subsidiary and reported as treasury units)		
Accumulated other comprehensive income	15,962	26,163
Total partners' capital	4,770,466	4,743,437
Total liabilities and partners' capital	\$ 12,251,446	\$ 12,149,992

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

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

(Dollars in thousands, except per unit data)

(unaudited)

	Three Months Ended March 31,	
	2011	2010
REVENUES:		
Natural gas operations	\$ 1,127,414	\$ 1,306,709
Retail propane	528,466	533,439
Other	31,697	31,833
Total revenues	1,687,577	1,871,981
COSTS AND EXPENSES:		
Cost of products sold natural gas operations	676,800	912,606
Cost of products sold retail propane	310,864	304,981
Cost of products sold other	6,793	7,278
Operating expenses	188,489	170,748
Depreciation and amortization	95,964	83,276
Selling, general and administrative	45,532	48,754
Total costs and expenses	1,324,442	1,527,643
OPERATING INCOME	363,135	344,338
OTHER INCOME (EXPENSE):		
Interest expense, net of interest capitalized	(107,240)	(104,962)
Equity in earnings of affiliates	1,633	6,181
Losses on disposal of assets	(1,726)	(1,864)
Gains on non-hedged interest rate derivatives	1,779	
Other, net	218	2,342
INCOME BEFORE INCOME TAX EXPENSE	257,799	246,035
Income tax expense	10,597	5,924
NET INCOME	247,202	240,111
GENERAL PARTNER S INTEREST IN NET INCOME	107,539	99,999
LIMITED PARTNERS INTEREST IN NET INCOME	\$ 139,663	\$ 140,112
BASIC NET INCOME PER LIMITED PARTNER UNIT	\$ 0.71	\$ 0.74
BASIC AVERAGE NUMBER OF UNITS OUTSTANDING	193,821,128	188,424,574

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DILUTED NET INCOME PER LIMITED PARTNER UNIT	\$	0.71	\$	0.74
DILUTED AVERAGE NUMBER OF UNITS OUTSTANDING		194,526,600		189,127,283

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

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

(unaudited)

	Three Months Ended March 31,	
	2011	2010
Net income	\$ 247,202	\$ 240,111
Other comprehensive income (loss), net of tax:		
Reclassification to earnings of gains and losses on derivative instruments accounted for as cash flow hedges	(16,968)	(6,506)
Change in value of derivative instruments accounted for as cash flow hedges	6,159	34,086
Change in value of available-for-sale securities	608	(2,329)
	(10,201)	25,251
Comprehensive income	\$ 237,001	\$ 265,362

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

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(Dollars in thousands)

(unaudited)

	General Partner	Limited Partner Common Unitholders	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2010	\$ 174,618	\$ 4,542,656	\$ 26,163	\$ 4,743,437
Distributions to partners	(101,024)	(173,184)		(274,208)
Units issued for cash		57,373		57,373
Distributions on unvested unit awards		(1,788)		(1,788)
Non-cash unit-based compensation expense, net of units tendered by employees for tax withholdings		9,806		9,806
Non-cash executive compensation	6	306		