

Energy Transfer Partners, L.P.
Form 10-Q
January 09, 2008
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended November 30, 2007

OR

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

For the Transition Period from _____ to _____

Commission file number 1-11727

ENERGY TRANSFER PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

Delaware
(state or other jurisdiction or
incorporation or organization)

3738 Oak Lawn Avenue

Dallas, Texas 75219

73-1493906
(I.R.S. Employer
Identification No.)

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(Address of principal executive offices and zip code)

(214) 981-0700

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

At January 9, 2008, the registrant had units outstanding as follows:

Energy Transfer Partners, L.P. 142,819,957 Common Units

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Forward-Looking Statements

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

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

Definitions

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

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

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

(Dollars in thousands)

(unaudited)

	November 30, 2007	August 31, 2007
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 45,356	\$ 68,705
Marketable securities	2,826	3,099
Accounts receivable, net of allowance for doubtful accounts	651,769	637,676
Accounts receivable from related companies	14,864	6,900
Inventories	367,297	192,276
Deposits paid to vendors	69,813	45,490
Prepaid expenses and other current assets	101,969	86,947
Total current assets	1,253,894	1,041,093
PROPERTY, PLANT AND EQUIPMENT, net	6,317,371	5,548,383
ADVANCES TO AND INVESTMENT IN AFFILIATES	72,829	56,564
GOODWILL	727,493	718,429
INTANGIBLES AND OTHER LONG-TERM ASSETS, net	351,855	343,959
Total assets	\$ 8,723,442	\$ 7,708,428

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)

	November 30,	August 31,
	2007	2007
<u>LIABILITIES AND PARTNERS' CAPITAL</u>		
CURRENT LIABILITIES:		
Short-term debt	\$ 310,000	\$
Accounts payable	556,024	487,148
Accounts payable to related companies	36,817	19,471
Exchanges payable	48,711	34,252
Customer advances and deposits	96,663	81,919
Accrued and other current liabilities	321,984	254,396
Current maturities of long-term debt	47,035	47,031
Total current liabilities	1,417,234	924,217
LONG-TERM DEBT, less current maturities	4,116,270	3,626,977
DEFERRED INCOME TAXES	101,335	100,810
OTHER NON-CURRENT LIABILITIES	14,249	16,591
COMMITMENTS AND CONTINGENCIES (Note 13)		
Total liabilities	5,649,088	4,668,595
PARTNERS' CAPITAL:		
General Partner	131,777	127,046
Limited Partners:		
Common Unitholders (137,067,059 and 136,981,221 units authorized, issued and outstanding at November 30, 2007 and August 31, 2007, respectively)	2,896,204	2,890,140
Class E Unitholders (8,853,832 units authorized, issued and outstanding held by subsidiary and reported as treasury units)		
	3,027,981	3,017,186
Accumulated other comprehensive income, per accompanying statements	46,373	22,647
Total partners' capital	3,074,354	3,039,833
Total liabilities and partners' capital	\$ 8,723,442	\$ 7,708,428

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 November 30,	
	2007	2006
REVENUES:		
Natural gas operations	\$ 1,304,965	\$ 1,062,444
Retail propane	288,966	266,090
Other	34,266	59,911
Total revenues	1,628,197	1,388,445
COSTS AND EXPENSES:		
Cost of products sold - natural gas operations	944,739	883,983
Cost of products sold - retail propane	192,065	167,619
Cost of products sold - other	11,035	35,741
Operating expenses	161,955	132,381
Depreciation and amortization	52,728	33,809
Selling, general and administrative	42,895	27,070
Total costs and expenses	1,405,417	1,280,603
OPERATING INCOME	222,780	107,842
OTHER INCOME (EXPENSE):		
Interest expense, net of interest capitalized	(49,934)	(41,462)
Equity in earnings (losses) of affiliates	(241)	4,887
Gain on disposal of assets	13,124	1,944
Interest and other income, net	42	1,671
INCOME BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS	185,771	74,882
Income tax expense	5,523	3,596
INCOME BEFORE MINORITY INTERESTS	180,248	71,286
Minority interests		(254)
NET INCOME	180,248	71,032
GENERAL PARTNER'S INTEREST IN NET INCOME	67,599	53,301
LIMITED PARTNERS' INTEREST IN NET INCOME	\$ 112,649	\$ 17,731
BASIC NET INCOME PER LIMITED PARTNER UNIT	\$ 0.82	\$ 0.15
BASIC AVERAGE NUMBER OF UNITS OUTSTANDING	137,044,104	119,487,795
DILUTED NET INCOME PER LIMITED PARTNER UNIT	\$ 0.82	\$ 0.15

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DILUTED AVERAGE NUMBER OF UNITS OUTSTANDING

137,287,541

119,779,848

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

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

(Dollars in thousands)

(unaudited)

	Three Months Ended November 30,	
	2007	2006
Net income	\$ 180,248	\$ 71,032
Other comprehensive income (loss), net of tax:		
Reclassification adjustment for gains and losses on derivative instruments accounted for as cash flow hedges included in net income	208	(451)
Change in value of derivative instruments accounted for as cash flow hedges	23,789	53,206
Change in value of available-for-sale securities	(271)	(219)
Comprehensive income	\$ 203,974	\$ 123,568
Reconciliation of Accumulated Other Comprehensive Income (Loss), net of tax		
Balance, beginning of period	\$ 22,647	\$ 7,067
Current period reclassification to earnings	208	(451)
Current period change in value	23,518	52,987
Balance, end of period	\$ 46,373	\$ 59,603
Components of Accumulated Other Comprehensive Income (Loss), net of tax		
Commodity related hedges	\$ 45,045	\$ 63,798
Interest rate hedges	1,018	(4,277)
Available-for-sale securities	310	82
Balance, end of period	\$ 46,373	\$ 59,603

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

Table of ContentsENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIESCONDENSED CONSOLIDATED STATEMENT OF PARTNERS' CAPITALFOR THE THREE MONTHS ENDED NOVEMBER 30, 2007

(Dollars in thousands)

(unaudited)

	General Partner	Limited Partner Common Unitholders
Balance, August 31, 2007	\$ 127,046	\$ 2,890,140
Distributions to partners	(62,897)	(113,080)
Issuance of units from certain acquisitions		1,400
General Partner capital contribution	29	
Tax effect of remedial income allocation from tax amortization of goodwill		(871)
Units returned by employees for tax withholdings		(160)
Non-cash executive compensation		875
Unit-based compensation expense		5,251
Net income	67,599	112,649
Balance, November 30, 2007	\$ 131,777	\$ 2,896,204

The accompanying notes are an integral part of this condensed consolidated financial statement.

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

(Dollars in thousands)

(unaudited)

	Three Months Ended November 30,	
	2007	2006
NET CASH FLOWS PROVIDED BY OPERATING ACTIVITIES	\$ 186,976	\$ 174,452
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for acquisitions, net of cash acquired	(336,731)	(32,839)
Capital expenditures	(501,329)	(237,113)
Advances to and investment in affiliates	(15,404)	(952,825)
Proceeds from the sale of assets	18,255	7,519
Net cash used in investing activities	(835,209)	(1,215,258)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	1,292,062	1,591,315
Principal payments on debt	(491,019)	(1,631,383)
Net proceeds from issuance of Limited Partner Units		1,200,000
Cap		