

Targa Resources Corp.
Form 10-Q
August 01, 2014

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 June 30, 2014

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 20-3701075
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

1000 Louisiana St, Suite 4300, Houston, Texas 77002
(Address of principal executive offices) (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 R 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 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 R Accelerated filer £ Non-accelerated filer £ Smaller reporting company £

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(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 July 21, 2014, there were 42,158,448 shares of the registrant's common stock, \$0.001 par value, outstanding.

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CAUTIONARY STATEMENT ABOUT FORWARD-LOOKING STATEMENTS

Targa Resources Corp.'s (together with its subsidiaries, other than Targa Resources Partners LP ("the Partnership"), 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 statements, such as "may," "could," "project," "believe," "anticipate," "expect," "estimate," "potential," "plan," "forecast" and 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." in this Quarterly Report on Form 10-Q ("Quarterly Report") as well as the following risks and uncertainties:

- the Partnership's 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 instruments to hedge commodity risks;
- the level of creditworthiness of counterparties to various transactions with the Partnership;
- 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"), crude oil 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 crude oil and natural gas drilling around the Partnership's assets, its success in connecting natural gas supplies to its gathering and processing systems, oil supplies to its gathering systems and NGL supplies to its logistics and marketing facilities and the Partnership's success in connecting its facilities to transportation and markets;
- 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.” in this Quarterly Report, our Annual Report on Form 10-K for the year ended December 31, 2013 (“Annual Report”) and our reports and registration statements filed from time to time with the United States Securities and Exchange Commission (“SEC”).

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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.

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

Bbl	Barrels (equal to 42 U.S. gallons)
Bcf	Billion cubic feet
Btu	British thermal units, a measure of heating value
BBtu	Billion British thermal units
/d	Per day
/hr	Per hour
gal	U.S. gallons
GPM	Liquid volume equivalent expressed as gallons per 1000 cu. ft. of natural gas
LPG	Liquefied petroleum gas
MBbl	Thousand barrels
MMBbl	Million barrels
MMBtu	Million British thermal units
MMcf	Million cubic feet
NGL(s)	Natural gas liquid(s)
NYMEX	New York Mercantile Exchange
GAAP	Accounting principles generally accepted in the United States of America
LIBOR	London Interbank Offer Rate
NYSE	New York Stock Exchange

Price Index Definitions

IF-NGPL MC	Inside FERC Gas Market Report, Natural Gas Pipeline, 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

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements.

TARGA RESOURCES CORP.
CONSOLIDATED BALANCE SHEETS

	June 30, 2014 (Unaudited) (In millions)	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$75.9	\$66.7
Trade receivables, net of allowances of \$1.1 million and \$1.1 million	682.6	658.8
Inventories	151.7	150.7
Deferred income taxes	4.0	0.1
Assets from risk management activities	2.0	2.0
Other current assets	23.0	18.9
Total current assets	939.2	897.2
Property, plant and equipment	6,165.6	5,758.4
Accumulated depreciation	(1,541.8)	(1,408.5)
Property, plant and equipment, net	4,623.8	4,349.9
Intangible assets, net	622.7	653.4
Long-term assets from risk management activities	1.6	3.1
Investment in unconsolidated affiliate	52.3	55.9
Other long-term assets	88.8	89.1
Total assets	\$6,328.4	\$6,048.6
LIABILITIES AND OWNERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$806.4	\$761.8
Deferred income taxes	-	0.6
Liabilities from risk management activities	12.5	8.0
Total current liabilities	818.9	770.4
Long-term debt	3,048.2	2,989.3
Long-term liabilities from risk management activities	2.5	1.4
Deferred income taxes	142.7	135.5
Other long-term liabilities	73.1	60.7
Commitments and contingencies (see Note 15)		
Owners' equity:		
Targa Resources Corp. stockholders' equity:		
Common stock (\$0.001 par value, 300,000,000 shares authorized, 42,533,483 shares issued and 42,158,448 shares outstanding as of June 30, 2014, and 42,529,068 shares issued and 42,162,178 shares outstanding as of December 31, 2013)	-	-
Preferred stock (\$0.001 par value, 100,000,000 shares authorized, no shares issued and outstanding as of June 30, 2014 and December 31, 2013)	-	-

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Additional paid-in capital	149.8	151.6
Retained earnings	26.5	20.5
Accumulated other comprehensive income (loss)	(0.9)	(0.5)
Treasury stock, at cost (375,035 shares as of June 30, 2014 and 366,890 as of December 31, 2013)	(23.6)	(22.8)
Total Targa Resources Corp. stockholders' equity	151.8	148.8
Noncontrolling interests in subsidiaries	2,091.2	1,942.5
Total owners' equity	2,243.0	2,091.3
Total liabilities and owners' equity	\$6,328.4	\$6,048.6

See notes to consolidated financial statements.

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TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
	(Unaudited)			
	(In millions, except per share amounts)			
Revenues	\$2,061.9	\$1,441.6	\$4,414.8	\$2,839.4
Costs and expenses:				
Product purchases	1,677.9	1,176.4	3,651.2	2,313.9
Operating expenses	106.6	96.1	210.9	182.2
Depreciation and amortization expenses	85.9	65.7	165.4	129.7
General and administrative expenses	41.6	38.4	79.5	74.6
Other operating (income) expense	(0.4)	4.1	(1.0)	4.2
Income from operations	150.3	60.9	308.8	134.8
Other income (expense):				
Interest expense, net	(35.7)	(32.4)	(69.6)	(64.5)
Equity earnings	4.2	2.9	9.1	4.5
Gain (loss) on debt redemptions and amendments	-	(7.4)	-	(7.4)
Other	(0.1)	6.5	-	6.3
Income before income taxes	118.7	30.5	248.3	73.7
Income tax (expense) benefit:				
Current	(16.6)	(7.6)	(40.5)	(16.8)
Deferred	1.1	(0.4)	2.4	(0.7)
	(15.5)	(8.0)	(38.1)	(17.5)
Net income	103.2	22.5	210.2	56.2
Less: Net income attributable to noncontrolling interests	76.8	7.5	164.2	27.9
Net income available to common shareholders	\$26.4	\$15.0	\$46.0	\$28.3
Net income available per common share - basic	\$0.63	\$0.36	\$1.10	\$0.68
Net income available per common share - diluted	\$0.63	\$0.36	\$1.09	\$0.67
Weighted average shares outstanding - basic	42.0	41.6	42.0	41.6
Weighted average shares outstanding - diluted	42.1	42.1	42.1	42.0

See notes to consolidated financial statements.

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TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Three Months Ended June 30,					
	2014			2013		
	Related			Related		
	Income	After		Income	After	
	Pre-Tax	Tax	Tax	Pre-Tax	Tax	Tax
	(Unaudited)					
	(In millions)					
Net income attributable to Targa Resources Corp.			\$26.4			\$15.0
Other comprehensive income (loss) attributable to Targa Resources Corp.						
Commodity hedging contracts:						
Change in fair value	\$(0.8)	\$ 0.3	(0.5)	\$3.0	\$ (1.1)	1.9
Settlements reclassified to revenues	0.5	(0.2)	0.3	(0.8)	0.3	(0.5)
Interest rate swaps:						
Settlements reclassified to interest expense, net	0.1	(0.1)	-	0.3	(0.1)	0.2
Other comprehensive income (loss) attributable to Targa Resources Corp.	\$(0.2)	\$ -	(0.2)	\$2.5	\$ (0.9)	1.6
Comprehensive income attributable to Targa Resources Corp.			\$26.2			\$16.6
Net income attributable to noncontrolling interests			\$76.8			\$7.5
Other comprehensive income (loss) attributable to noncontrolling interests						
Commodity hedging contracts:						
Change in fair value	\$(6.0)	\$ -	(6.0)	\$18.2	\$ -	18.2
Settlements reclassified to revenues	4.0	-	4.0	(5.1)	-	(5.1)
Interest rate swaps:						
Settlements reclassified to interest expense, net	1.0	-	1.0	1.3	-	1.3
Other comprehensive income (loss) attributable to noncontrolling interests	\$(1.0)	\$ -	(1.0)	\$14.4	\$ -	14.4
Comprehensive income attributable to noncontrolling interests			75.8			21.9
Total comprehensive income			\$102.0			\$38.5

See notes to consolidated financial statements.

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TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

	Six Months Ended June 30,					
	2014			2013		
	Pre-Tax	Related Income Tax	After Tax	Pre-Tax	Related Income Tax	After Tax
	(Unaudited)					
	(In millions)					
Net income attributable to Targa Resources Corp.			\$46.0			\$28.3
Other comprehensive income (loss) attributable to Targa Resources Corp.						
Commodity hedging contracts:						
Change in fair value	\$(2.4)	\$ 0.9	(1.5)	\$1.9	\$ (0.7)	1.2
Settlements reclassified to revenues	1.4	(0.5)	0.9	(1.7)	0.7	(1.0)
Interest rate swaps:						
Settlements reclassified to interest expense, net	0.3	(0.1)	0.2	0.5	(0.2)	0.3
Other comprehensive income (loss) attributable to Targa Resources Corp.	\$(0.7)	\$ 0.3	(0.4)	\$0.7	\$ (0.2)	0.5
Comprehensive income attributable to Targa Resources Corp.			\$45.6			\$28.8
Net income attributable to noncontrolling interests			\$164.2			\$27.9
Other comprehensive loss attributable to noncontrolling interests						
Commodity hedging contracts:						
Change in fair value	\$(16.2)	\$ -	(16.2)	\$11.8	\$ -	11.8
Settlements reclassified to revenues	9.4	-	9.4	(10.8)	-	(10.8)
Interest rate swaps:						
Settlements reclassified to interest expense, net	2.1	-	2.1	2.8	-	2.8
Other comprehensive income (loss) attributable to noncontrolling interests	\$(4.7)	\$ -	(4.7)	\$3.8	\$ -	3.8
Comprehensive income attributable to noncontrolling interests			159.5			31.7
Total comprehensive income			\$205.1			\$60.5

See notes to consolidated financial statements.

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TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF CHANGES IN OWNERS' EQUITY

	Common Stock	Additional Paid in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Treasury Shares	Noncontrolling		Total	
	Shares (Unaudited)	Amount			Shares	Amount	Interests		
(In millions, except shares in thousands)									
Balance, December 31, 2013	42,162	\$ -	\$ 151.6	\$ 20.5	\$ (0.5)	367	\$ (22.8)	\$ 1,942.5	\$ 2,091.3
Compensation on equity grants	4	-	2.6	-	-	-	-	4.9	7.5
Accrual of distribution equivalent rights	-	-	-	-	-	-	-	(1.4)	(1.4)
Repurchase of common stock	(8)	-	-	-	-	8	(0.8)	-	(0.8)
Sale of Partnership limited partner interests	-	-	-	-	-	-	-	163.0	163.0
Impact of Partnership equity transactions	-	-	8.6	-	-	-	-	(8.6)	-
Dividends	-	-	(13.0)	(40.0)	-	-	-	-	(53.0)
Distributions	-	-	-	-	-	-	-	(168.7)	(168.7)
Other comprehensive income (loss)	-	-	-	-	(0.4)	-	-	(4.7)	(5.1)
Net income	-	-	-	46.0	-	-	-	164.2	210.2
Balance, June 30, 2014	42,158	\$ -	\$ 149.8	\$ 26.5	\$ (0.9)	375	\$ (23.6)	\$ 2,091.2	\$ 2,243.0
Balance, December 31, 2012	42,295	\$ -	\$ 184.4	\$ (32.0)	\$ 1.2	198	\$ (9.5)	\$ 1,609.3	\$ 1,753.4
Compensation on equity grants	36	-	3.8	-	-	-	-	3.0	6.8
Accrual of distribution equivalent rights	-	-	-	-	-	-	-	(0.7)	(0.7)
Sale of Partnership limited partner interests	-	-	-	-	-	-	-	260.3	260.3
Receivables from unit offerings	-	-	(32.8)	-	-	-	-	-	(32.8)
Impact of Partnership equity transactions	-	-	16.5	-	-	-	-	(16.5)	-
Dividends	-	-	(40.3)	-	-	-	-	-	(40.3)
Distributions	-	-	-	-	-	-	-	(125.9)	(125.9)
Other comprehensive income (loss)	-	-	-	-	0.5	-	-	3.8	4.3
Net income	-	-	-	28.3	-	-	-	27.9	56.2
Balance, June 30, 2013	42,331	\$ -	\$ 131.6	\$ (3.7)	\$ 1.7	198	\$ (9.5)	\$ 1,761.2	\$ 1,881.3

See notes to consolidated financial statements.

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TARGA RESOURCES CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Six Months Ended	
	June 30,	
	2014	2013
	(Unaudited)	
	(In millions)	
Cash flows from operating activities	\$210.2	\$56.2
Net income		
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization in interest expense	6.9	8.1
Compensation on equity grants	7.5	6.8
Depreciation and amortization expense	165.4	129.7
Accretion of asset retirement obligations	2.2	2.0
Deferred income tax expense (benefit)	(2.4)	0.7
Equity earnings, net of distributions	-	(4.5)
Risk management activities	(0.7)	-
(Gain) loss on sale or disposition of assets	(1.2)	3.8
(Gain) loss on debt redemptions and amendments	-	7.4
Changes in operating assets and liabilities:		
Receivables and other assets	(31.7)	77.6
Inventory	(18.1)	(49.7)
Accounts payable and other liabilities	86.4	(56.5)
Net cash provided by operating activities	424.5	181.6
Cash flows from investing activities		
Outlays for property, plant and equipment	(419.6)	(463.4)
Return of capital from unconsolidated affiliate	3.6	-
Other, net	2.3	(10.5)
Net cash used in investing activities	(413.7)	(473.9)
Cash flows from financing activities		
Partnership loan facilities:		
Proceeds	950.0	1,305.0
Repayments	(850.0)	(1,181.4)
Partnership accounts receivable securitization facility:		
Borrowings	67.8	207.7
Repayments	(113.2)	(82.4)
Non-Partnership loan facilities:		
Proceeds	39.0	30.0
Repayments	(36.0)	(34.0)
Costs incurred in connection with financing arrangements	(1.7)	(11.7)
Distributions to owners	(168.7)	(125.9)
Proceeds from sale of common units of the Partnership	164.7	231.2
Dividends to common and common equivalent shareholders	(52.7)	(39.6)
Repurchase of common stock	(0.8)	-
Net cash provided by (used in) financing activities	(1.6)	298.9
Net change in cash and cash equivalents	9.2	6.6
Cash and cash equivalents, beginning of period	66.7	76.3
Cash and cash equivalents, end of period	\$75.9	\$82.9

See notes to consolidated financial statements.

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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 GAAP. Except as noted within the context of each footnote disclosure, 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.

Note 2 — Basis of Presentation

We have prepared these unaudited consolidated financial statements in accordance with 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. 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.

The unaudited consolidated financial statements for the three and six months ended June 30, 2014 and 2013 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. Certain amounts in prior periods may have been reclassified to conform to the current year presentation.

Our financial results for the three and six months ended June 30, 2014 are not necessarily indicative of the results that may be expected for the full year.

One of our indirect subsidiaries is the sole 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 interests in the Partnership on a consolidated basis. Accordingly, the Partnership’s financial results are included in our consolidated financial statements even though the distribution or transfer of Partnership assets is limited by the terms of the Partnership’s 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 noncontrolling 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 June 30, 2014, 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 (“IDRs”); and
- 12,945,659 common units of the Partnership, representing an 11.3% 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; gathering, storing and terminaling crude oil; and storing, terminaling and selling refined petroleum products. See Note 17 for an analysis of our and the Partnership's operations by business segment.

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The Partnership does not have any employees. We provide operational, general and administrative and other services to the Partnership, associated with the Partnership's existing assets and assets acquired from third parties. We perform centralized corporate functions for the Partnership, such as legal, accounting, treasury, insurance, risk management, health, safety and environmental, information technology, human resources, credit, payroll, internal audit, taxes, engineering and marketing.

The Partnership Agreement between the Partnership and us, as general partner of the Partnership, governs the reimbursement of costs incurred on the behalf of the Partnership. We charge the Partnership for all the direct costs of the employees assigned to its operations, as well as all general and administrative support costs other than (1) costs attributable to our status as a separate reporting company and (2) our costs of providing management and support services to certain unaffiliated spun-off entities. The Partnership generally reimburses us monthly for cost allocations to the extent that we have made a cash outlay.

Reclassifications Affecting Statement of Cash Flows

In conjunction with the integration of Badlands into its financial reporting environment during 2013, the Partnership obtained further information about the acquisition date balance sheet, including the nature of the items comprising assumed Accounts payable and accrued liabilities. The Partnership determined that certain assumed liabilities related to purchases that, under its accounting policies, are considered capital in nature. Consequently, the Partnership made certain refinements to better reflect Badlands cash flow activity on a basis similar to that used for its other operations. As a result of these refinements, certain cash flow activity was presented in its 2013 Form 10-K on a basis different than that utilized for previous quarterly reporting during 2013. In preparing this quarterly report the Partnership has made certain measurement period reclassifications to the comparative Statement of Cash Flows for the six months ended June 30, 2013 to conform to the presentation of its Form 10-K, reclassifying \$18.9 million related to capital expenditures previously included in Accounts payable and other liabilities of operating activities to Outlays for property, plant and equipment in investing activities, as shown below.

Revised line items Consolidated Statement of Cash Flows	Six Months Ended June 30, 2013		
	As Reported	Reclassification	Revised
Cash flows from operating activities:			
Changes in operating assets and liabilities:			
Accounts payable and other liabilities	\$(75.4)	\$ 18.9	\$(56.5)
Net cash provided by operating activities	162.7	18.9	181.6
Cash flows from investing activities:			
Changes in investing assets and liabilities:			
Outlays for property, plant and equipment	(444.5)	(18.9)	(463.4)
Net cash used in investing activities	(455.0)	(18.9)	(473.9)

Note 3 — Significant Accounting Policies

Accounting Policy Updates/Revisions

The accounting policies that we follow are set forth in Note 3 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K for the year ended December 31, 2013. There were no significant updates or revisions to these policies during the three months ended June 30, 2014.

Recent Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. The amendment, required to be applied prospectively for reporting periods beginning after December 15, 2014, limits discontinued operations reporting to disposals of components of an entity that represent strategic shifts that have, or will have, a major effect on operations and financial results. The amendment requires expanded disclosures for discontinued operations and also requires additional disclosures regarding disposals of individually significant components that do not qualify as discontinued operations. Early adoption is permitted, but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issuance. This amendment has no impact on our current disclosures, but will in the future if we dispose of any individually significant components.

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In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Topic 605, Revenue Recognition, and most industry-specific guidance. The update also creates a new Subtopic 340-40, Other Assets and Deferred Costs – Contracts with Customers, which provides guidance for the incremental costs of obtaining a contract with a customer and those costs incurred in fulfilling a contract with a customer that are not in the scope of another topic. The new revenue standard requires that entities should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entities expect to be entitled in exchange for those goods or services. To achieve that core principle, the standard requires a five-step process of identifying the contracts with customers, identifying the performance obligations in the contracts, determining the transaction price, allocating the transaction price to the performance obligations and recognizing revenue when, or as, the performance obligations are satisfied. The amendment also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The revenue recognition standard will be effective for us starting in the first quarter of 2017. Early adoption is not permitted. We must retroactively apply the new revenue recognition standard to transactions in all prior periods presented, but will have a choice between either (1) restating each prior period presented or (2) presenting a cumulative effect adjustment in our first quarter report in 2017. We have commenced our analysis of the new standard and its impact on our revenue recognition practices.

Note 4 — Inventories

The components of inventories consisted of the following:

	June 30, 2014	December 31, 2013
Commodities	\$138.6	\$ 136.4
Materials and supplies	13.1	14.3
	\$151.7	\$ 150.7

Note 5 — Property, Plant and Equipment and Intangible Assets

	June 30, 2014		December 31, 2013		Targa Resources Corp. Consolidated	Estimated Useful Lives (In Years)	
	Targa Resources Partners LP	TRC Non- Partnership	Targa Resources LP	TRC Non- Partnership			
Gathering systems	\$2,332.5	\$ -	\$ 2,332.5	\$2,230.1	\$ -	\$ 2,230.1	5 to 20
Processing and fractionation facilities	1,824.7	6.6	1,831.3	1,598.0	6.6	1,604.6	5 to 25
Terminaling and storage facilities	863.3	-	863.3	715.2	-	715.2	5 to 25 10 to
Transportation assets	339.9	-	339.9	294.7	-	294.7	25
Other property, plant and equipment	130.8	0.2	131.0	121.3	0.2	121.5	3 to 25
Land	89.9	-	89.9	89.5	-	89.5	-
Construction in progress	577.7	-	577.7	702.8	-	702.8	-
Property, plant and equipment	6,158.8	6.8	6,165.6	5,751.6	6.8	5,758.4	

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Accumulated depreciation	(1,539.4)	(2.4)	(1,541.8)	(1,406.2)	(2.3)	(1,408.5)
Property, plant and equipment, net	\$4,619.4	\$	4.4	\$	4,623.8	\$4,345.4	\$	4.5	\$	4,349.9