

Energy Transfer Partners, L.P.
Form 10-Q
April 09, 2007
Table of Contents

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 February 28, 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)

2838 Woodside Street Dallas, Texas 75204

(Address of principal executive offices and zip code)

73-1493906
(I.R.S. Employer

Identification No.)

Edgar Filing: Energy Transfer Partners, L.P. - Form 10-Q

(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 April 9, 2007, the registrant had units outstanding as follows:

Energy Transfer Partners, L.P. 110,890,596 Common Units
26,086,957 Class G Units

Table of Contents

FORM 10-Q

INDEX TO FINANCIAL STATEMENTS

Energy Transfer Partners, L.P. and Subsidiaries

	Page
<u>PART I</u>	
<u>FINANCIAL INFORMATION</u>	
ITEM 1. <u>FINANCIAL STATEMENTS (Unaudited)</u>	
<u>Condensed Consolidated Balance Sheets February 28, 2007 and August 31, 2006</u>	1
<u>Condensed Consolidated Statements of Operations Three and Six Months Ended February 28, 2007 and 2006</u>	3
<u>Consolidated Statements of Comprehensive Income Three and Six Months Ended February 28, 2007 and 2006</u>	4
<u>Consolidated Statement of Partners Capital Six Months Ended February 28, 2007</u>	5
<u>Condensed Consolidated Statements of Cash Flows Six Months Ended February 28, 2007 and 2006</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
ITEM 2. <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	49
ITEM 3. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	65
ITEM 4. <u>CONTROLS AND PROCEDURES</u>	67
<u>PART II</u>	
<u>OTHER INFORMATION</u>	
ITEM 1. <u>LEGAL PROCEEDINGS</u>	68
ITEM 1A. <u>RISK FACTORS</u>	68
ITEM 2. <u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	70
ITEM 3. <u>DEFAULTS UPON SENIOR SECURITIES</u>	70
ITEM 4. <u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	70
ITEM 5. <u>OTHER INFORMATION</u>	70
ITEM 6. <u>EXHIBITS</u>	70
<u>SIGNATURES</u>	

Table of Contents

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 the Partnership's Annual Report on Form 10-K for the fiscal year ended August 31, 2006 filed with the Securities and Exchange Commission on November 13, 2006.

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
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
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)

	February 28, 2007	August 31, 2006
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 76,074	\$ 26,041
Marketable securities	4,026	2,817
Accounts receivable, net of allowance for doubtful accounts	717,957	675,545
Inventories	194,690	387,140
Deposits paid to vendors	32,970	87,806
Exchanges receivable	38,185	23,221
Price risk management assets	14,810	56,139
Prepaid expenses and other	38,244	43,095
Total current assets	1,116,956	1,301,804
PROPERTY, PLANT AND EQUIPMENT, net	5,097,496	3,313,649
GOODWILL	722,403	604,409
INTANGIBLES AND OTHER LONG-TERM ASSETS, net	359,460	235,151
Total assets	\$ 7,296,315	\$ 5,455,013

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)

	February 28, 2007	August 31, 2006
<u>LIABILITIES AND PARTNERS' CAPITAL</u>		
CURRENT LIABILITIES:		
Accounts payable	\$ 533,493	\$ 603,140
Exchanges payable	38,526	24,722
Customer advances and deposits	47,101	108,836
Accrued and other current liabilities	229,773	202,296
Price risk management liabilities	19,505	36,918
Current maturities of long-term debt	40,558	40,578
Total current liabilities	908,956	1,016,490
LONG-TERM DEBT, less current maturities	3,187,894	2,589,124
DEFERRED INCOME TAXES	104,489	106,842
OTHER NON-CURRENT LIABILITIES	23,235	5,695
COMMITMENTS AND CONTINGENCIES		
	4,224,574	3,718,151
PARTNERS' CAPITAL:		
General Partner	123,048	82,450
Limited Partners:		
Common Unitholders (110,890,596 and 110,726,999 units authorized, issued and outstanding at February 28, 2007 and August 31, 2006, respectively)	1,704,289	1,647,345
Class E Unitholders (8,853,832 units authorized, issued and outstanding held by subsidiary and reported as treasury units)		
Class G Unitholders (26,086,957 and 0 units authorized, issued and outstanding at February 28, 2007 and August 31, 2006, respectively)	1,228,938	
	3,056,275	1,729,795
Accumulated other comprehensive income, per accompanying statements	15,466	7,067
Total partners' capital	3,071,741	1,736,862
Total liabilities and partners' capital	\$ 7,296,315	\$ 5,455,013

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		Six Months Ended	
	February 28, 2007	February 28, 2006	February 28, 2007	February 28, 2006
REVENUES:				
Midstream and transportation and storage	\$ 1,492,838	\$ 2,083,303	\$ 2,555,282	\$ 4,291,837
Propane and other	569,642	366,513	895,643	574,599
Total revenues	2,062,480	2,449,816	3,450,925	4,866,436
COSTS AND EXPENSES:				
Cost of products sold, midstream and transportation and storage	1,138,709	1,785,053	2,022,692	3,744,422
Cost of products sold, propane and other	347,107	223,778	550,467	355,036
Operating expenses	133,809	99,696	266,190	202,367
Depreciation and amortization	45,360	29,014	79,169	55,927
Selling, general and administrative	39,133	31,455	66,203	56,254
Total costs and expenses	1,704,118	2,168,996	2,984,721	4,414,006
OPERATING INCOME	358,362	280,820	466,204	452,430
OTHER INCOME (EXPENSE):				
Interest expense, net of interest capitalized	(40,772)	(28,542)	(82,234)	(56,935)
Equity in earnings (losses) of affiliates	(514)	106	4,373	(168)
Gain (loss) on disposal of assets	(3,229)	662	(1,285)	534
Interest and other income, net	1,423	2,302	3,094	3,261
INCOME BEFORE INCOME TAX EXPENSE AND MINORITY INTERESTS	315,270	255,348	390,152	399,122
Income tax expense	3,300	4,014	6,896	26,425
INCOME BEFORE MINORITY INTERESTS	311,970	251,334	383,256	372,697
Minority interests	(856)	(549)	(1,110)	(2,104)
NET INCOME	311,114	250,785	382,146	370,593
GENERAL PARTNER S INTEREST IN NET INCOME	60,567	27,695	113,868	48,179
LIMITED PARTNERS INTEREST IN NET INCOME	\$ 250,547	\$ 223,090	\$ 268,278	\$ 322,414
BASIC NET INCOME PER LIMITED PARTNER UNIT	\$ 1.33	\$ 1.37	\$ 1.91	\$ 2.13
BASIC AVERAGE NUMBER OF UNITS OUTSTANDING	136,977,139	107,815,792	128,184,154	107,352,608
DILUTED NET INCOME PER LIMITED PARTNER UNIT	\$ 1.33	\$ 1.36	\$ 1.90	\$ 2.12

Edgar Filing: Energy Transfer Partners, L.P. - Form 10-Q

DILUTED AVERAGE NUMBER OF UNITS OUTSTANDING	137,297,706	108,017,060	128,492,920	107,551,712
---	-------------	-------------	-------------	-------------

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

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

(Dollars in thousands)

(unaudited)

	Three Months Ended		Six Months Ended	
	February 28,		February 28,	
	2007	2006	2007	2006
Net income	\$ 311,114	\$ 250,785	\$ 382,146	\$ 370,593
Other comprehensive income, net of tax:				
Reclassification adjustment for gains and losses on derivative instruments accounted for as cash flow hedges included in net income	(121,511)	(142,002)	(121,961)	(42,150)
Change in value of derivative instruments accounted for as cash flow hedges	75,953	138,097	129,158	164,643
Change in value of available-for-sale securities	1,421	254	1,202	123
Comprehensive income	\$ 266,977	\$ 247,134	\$ 390,545	\$ 493,209
Reconciliation of Accumulated Other Comprehensive Income (Loss)				
Balance, beginning of period	\$ 59,603	\$ 40,950	\$ 7,067	\$ (85,317)
Current period reclassification to earnings	(121,511)	(142,002)	(121,961)	(42,150)
Current period change in value	77,374	138,351	130,360	164,766