

Energy Transfer Partners, L.P.
Form 10-Q
January 10, 2005

Table of Contents

**FORM 10-Q
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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

For the Quarterly Period Ended November 30, 2004

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

73-1493906

(state or other jurisdiction or
incorporation or organization)

(I.R.S. Employer
Identification No.)

**2838 Woodside Street
Dallas, Texas 75204**

(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 an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐ No ☐

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

At January 9, 2005, the registrant had units outstanding as follows:

Energy Transfer Partners, L.P.	44,640,806	Common Units
--------------------------------	------------	--------------

Table of Contents

FORM 10-Q

INDEX TO FINANCIAL STATEMENTS

Energy Transfer Partners, L.P. and Subsidiaries
(Formerly Energy Transfer Company and surviving legal entity in the Energy Transfer Transactions)

	Page
<u>PART I FINANCIAL INFORMATION</u>	
<u>ITEM 1. Financial Statements (Unaudited)</u>	
<u>Consolidated Balance Sheets November 30, 2004 and August 31, 2004</u>	1
<u>Consolidated Statements of Operations Three Months Ended November 30, 2004 and 2003</u>	3
<u>Consolidated Statements of Comprehensive Income (Loss) Three Months Ended November 30, 2004 and 2003</u>	4
<u>Consolidated Statements of Partners Capital Three Months Ended November 30, 2004</u>	5
<u>Consolidated Statements of Cash Flows Three Months Ended November 30, 2004 and 2003</u>	6
<u>Notes to Consolidated Financial Statements</u>	8
<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>	38
<u>ITEM 4. CONTROLS AND PROCEDURES</u>	40
<u>PART II OTHER INFORMATION</u>	
<u>ITEM 6. EXHIBITS</u>	40
<u>SIGNATURES</u>	46
<u>Certification of CEO Pursuant to Section 302</u>	
<u>Certification of CEO Pursuant to Section 302</u>	
<u>Certification of CEO Pursuant to Section 906</u>	
<u>Certification of CEO Pursuant to Section 906</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, 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, 2004 filed with the Securities and Exchange Commission on November 15, 2004.

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
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

Table of Contents

PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES
(FORMERLY ENERGY TRANSFER COMPANY)

CONSOLIDATED BALANCE SHEETS

(in thousands, except unit data)

(unaudited)

	November 30, 2004	August 31, 2004
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 59,245	\$ 81,745
Marketable securities	1,873	2,464
Accounts receivable, net of allowance for doubtful accounts	340,334	275,424
Accounts receivable from related companies	166	34
Exchanges receivable	8,274	8,852
Inventories	74,922	53,324
Deposits paid to vendors	11,179	3,023
Price risk management assets	20,941	4,615
Prepaid expenses and other	13,763	7,401
Total current assets	530,697	436,882
PROPERTY, PLANT AND EQUIPMENT, net	1,557,053	1,467,649
INVESTMENT IN AFFILIATES	8,013	8,010
GOODWILL	309,645	313,720
INTANGIBLES AND OTHER ASSETS, net	109,586	100,844
Total assets	\$ 2,514,994	\$ 2,327,105

Table of Contents

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES
(FORMERLY ENERGY TRANSFER COMPANY)

CONSOLIDATED BALANCE SHEETS

(in thousands, except unit data)

(unaudited)

	November 30, 2004	August 31, 2004
LIABILITIES AND PARTNERS CAPITAL		
CURRENT LIABILITIES:		
Working capital facility	\$ 33,096	\$ 14,550
Accounts payable	378,238	274,122
Accounts payable to related companies	3,737	4,276
Exchanges payable	6,464	2,846
Customer deposits	13,952	11,378
Accrued and other current liabilities	67,094	55,394
Price risk management liabilities	5,660	1,262
Income taxes payable	2,004	2,252
Current maturities of long-term debt	33,220	30,957
 Total current liabilities	 543,465	 397,037
 LONG-TERM DEBT, less current maturities	 1,122,370	 1,070,871
DEFERRED TAXES	108,385	109,896
OTHER NONCURRENT LIABILITIES	835	846
MINORITY INTERESTS	1,936	1,475
	1,776,991	1,580,125
 COMMITMENTS AND CONTINGENCIES		
 PARTNERS CAPITAL:		
Common Unitholders (44,639,306 and 44,559,031 units authorized, issued and outstanding at November 30, 2004 and August 31, 2004, respectively)	710,610	720,187
Class C Unitholders (1,000,000 units authorized, issued and outstanding at November 30, 2004 and August 31, 2004 , respectively)		
Class E Unitholders (4,426,916 authorized, issued and outstanding at November 30, 2004 and August 31, 2004, respectively held by subsidiary and reported as treasury units)		
General Partner	28,686	26,761
Accumulated other comprehensive income (loss)	(1,293)	32
 Total partners capital	 738,003	 746,980

Total liabilities and partners' capital	\$ 2,514,994	\$ 2,327,105
---	--------------	--------------

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

Table of Contents

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES
(FORMERLY ENERGY TRANSFER COMPANY)

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per unit and unit data)
(unaudited)

	2004	Three Months Ended November 30, 2003 (Energy Transfer Company)	2003 (Heritage)
REVENUES:			
Midstream and transportation	\$ 737,150	\$ 419,097	\$
Propane	151,233		104,730
Other	19,279		18,996
Total revenues	907,662	419,097	123,726
COSTS AND EXPENSES:			
Cost of products sold	765,570	381,681	66,370
Operating expenses	61,461	7,386	38,042
Depreciation and amortization	20,269	4,147	9,415
Selling, general and administrative	11,310	4,879	3,190
Total costs and expenses	858,610	398,093	117,017
OPERATING INCOME	49,052	21,004	6,709
OTHER INCOME (EXPENSE):			
Interest expense	(17,331)	(3,834)	(8,166)
Equity in earnings of affiliates	36	147	219
Gain (loss) on disposal of assets	(91)		173
Interest income and other	134	86	(46)
INCOME (LOSS) BEFORE MINORITY INTERESTS AND INCOME TAXES	31,800	17,403	(1,111)
Minority interests	(158)		(135)
INCOME (LOSS) BEFORE INCOME TAXES	31,642	17,403	(1,246)

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

Income tax expense	1,032	1,709	50
NET INCOME (LOSS)	30,610	15,694	(1,296)
GENERAL PARTNER'S INTEREST IN NET INCOME (LOSS)	6,089	314	311
LIMITED PARTNERS' INTEREST IN NET INCOME (LOSS)	\$ 24,521	\$ 15,380	\$ (1,607)
BASIC NET INCOME (LOSS) PER LIMITED PARTNER UNIT	\$ 0.55	\$ 2.32	\$ (0.09)
BASIC AVERAGE NUMBER OF UNITS OUTSTANDING	44,621,955	6,621,737	18,020,137
DILUTED NET INCOME (LOSS) PER LIMITED PARTNER UNIT	\$ 0.55	\$ 2.32	\$ (0.09)
DILUTED AVERAGE NUMBER OF UNITS OUTSTANDING	44,695,921	6,621,737	18,020,137

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

Table of Contents

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES
(FORMERLY ENERGY TRANSFER COMPANY)

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(in thousands)
(unaudited)

	Three Months Ended November 30,		
	2004	2003	2003
		(Energy Transfer Company)	(Heritage)
Net income (loss)	\$ 30,610	\$ 15,694	\$ (1,296)
Other comprehensive income (loss)			
Reclassification adjustment for losses on derivative instruments included in net income accounted for as hedges	14,787	481	
Change in value of derivative instruments accounted for as hedges	(15,522)	(999)	
Change in value of available-for-sale securities	(590)		131
Comprehensive income (loss)	\$ 29,285	\$ 15,176	\$ (1,165)
Reconciliation of Accumulated Other Comprehensive Income (Loss)			
Balance, beginning of period	\$ 32	\$	\$ (349)
Current period reclassification to earnings	14,787	481	
Current period change	(16,112)	(999)	131
Balance, end of period	\$ (1,293)	\$ (518)	\$ (218)

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

Table of Contents

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES
 (FORMERLY ENERGY TRANSFER COMPANY)

CONSOLIDATED STATEMENTS OF PARTNERS' CAPITAL

(in thousands, except unit data)

(unaudited)

	Number of Common		Class C	Class E	General Partner	Accumulated Other Comprehensive Income (Loss)	Total
Balance, August 31, 2004	Units 44,559,031	Common \$ 720,187	\$	\$	\$ 26,761	\$ 32	\$ 746,980
Unit distribution		(36,809)			(4,215)		(41,024)
General Partner capital contribution					51		51
Issuance of Common Units in connection with certain acquisitions	60,275	2,500					2,500
Issuance of restricted Common Units	20,000						
Net change in accumulated other comprehensive income per accompanying statement						(1,325)	(1,325)
Other		211					211
Net income		24,521			6,089		30,610
Balance, November 30, 2004	44,639,306	\$ 710,610	\$	\$	\$ 28,686	\$ (1,293)	\$ 738,003

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

Table of Contents

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES
(FORMERLY ENERGY TRANSFER COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)
(unaudited)

	Three Months Ended November 30, 2004	2003 (Energy Transfer Company)	2003 (Heritage)
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ 30,610	\$ 15,694	\$ (1,296)
Reconciliation of net income to net cash provided by (used in) operating activities:			
Depreciation and amortization	20,269	4,147	9,415
Amortization of deferred finance costs charged to interest expense	664	884	
Provision for loss on accounts receivable	168		298
(Gain) loss on disposal of assets	91		(173)
Deferred compensation on restricted units and long-term incentive plan	402		90
Undistributed earnings of affiliates	(3)	(147)	(193)
Deferred income taxes	(1,511)	385	
Minority interests	461		(5)
Other, net		37	
Changes in assets and liabilities, net of effect of acquisitions:			
Accounts receivable	(65,457)	(35,621)	(16,571)
Accounts receivable from related companies	(133)		
Inventories	(21,451)	(955)	(11,889)
Deposits paid to vendors	(8,156)	(1,045)	
Exchanges receivable	579	227	
Prepaid expenses and other	(6,208)	(937)	(2,904)
Intangibles and other assets	(77)		(457)
Accounts payable	103,476	15,908	11,958
Accounts payable to related companies	(538)	(947)	574
Exchanges payable	3,618	699	
Deposits from customers	2,574	(8,520)	
Accrued and other current liabilities	10,198	(85)	1,525
Other long-term liabilities	(10)	6	
Income taxes payable	(248)	(1,135)	
Price risk management assets and liabilities, net	(12,663)	1,569	
Net cash provided by (used in) operating activities	56,655	(9,836)	(9,628)

CASH FLOWS FROM INVESTING ACTIVITIES:

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

Cash paid for acquisitions, net of cash acquired	(67,267)		(6,799)
Capital expenditures	(43,382)	(11,830)	(12,240)
Proceeds from the sale of assets	1,275	4	592
Net cash used in investing activities	(109,374)	(11,826)	(18,447)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from borrowings	91,214		73,298
Principal payments on debt	(19,831)	(7,500)	(32,371)
Other	(191)		
Capital contribution from General Partner	51		
Unit distributions	(41,024)		(12,149)
Net cash provided by (used in) financing activities	30,219	(7,500)	28,778
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(22,500)	(29,162)	703
CASH AND CASH EQUIVALENTS, beginning of period	81,745	53,122	7,117
CASH AND CASH EQUIVALENTS, end of period	\$ 59,245	\$ 23,960	\$ 7,820

Table of Contents

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES
 (FORMERLY ENERGY TRANSFER COMPANY)

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended November 30,		
	2004	2003	2003
		(Energy Transfer Company)	(Heritage)
NONCASH FINANCING ACTIVITIES:			
Notes payable incurred on noncompete agreements and other long term debt	\$ 925	\$	\$ 455