

Regency Energy Partners LP
Form 10-Q
November 07, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

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

For the quarterly period ended September 30, 2011
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: 001-35262
REGENCY ENERGY PARTNERS LP
(Exact name of registrant as specified in its charter)

DELAWARE
(State or other jurisdiction of incorporation or organization)

16-1731691
(I.R.S. Employer Identification No.)

2001 BRYAN STREET, SUITE 3700
DALLAS, TX
(Address of principal executive offices)
(214) 750-1771
(Registrant’s telephone number, including area code)

75201
(Zip 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 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 small reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) 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

The issuer had 157,343,942 common units outstanding as of October 25, 2011.

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Introductory Statement

References in this report to the “Partnership,” “we,” “our,” “us” and similar terms, when used in an historical context, refer to Regency Energy Partners LP and its subsidiaries. When used in the present tense or prospectively, these terms refer to the Partnership and its subsidiaries. We use the following definitions in this quarterly report on Form 10-Q:

| Name | Definition or Description |
|--------------------------|--|
| /d | Per day |
| AOCI | Accumulated Other Comprehensive Income |
| Bbls | Barrels |
| BTU | A unit of energy needed to raise the temperature of one pound of water by one degree Fahrenheit |
| EPD | Enterprise Products Partners L.P. |
| ETC | Energy Transfer Company, the name assumed by La Grange Acquisition, L.P. for conducting business and shared services, a wholly owned subsidiary of ETP |
| ETE | Energy Transfer Equity, L.P. |
| ETE GP | ETE GP Acquirer LLC |
| ETP | Energy Transfer Partners, L.P. |
| FASB | Financial Accounting Standards Board |
| Finance Corp. | Regency Energy Finance Corp., a wholly-owned subsidiary of the Partnership |
| GAAP | Accounting principles generally accepted in the United States of America |
| GE EFS | General Electric Energy Financial Services, combined with Regency GP Acquirer, L.P. and Regency LP Acquirer, L.P. |
| General Partner | Regency GP LP, the general partner of the Partnership, or Regency GP LLC, the general partner of Regency GP LP, which effectively manages the business and affairs of the partnerships |
| GPM | Gallons per minute |
| GP Seller | Regency GP Acquirer, L.P. |
| HPC | RIGS Haynesville Partnership Co., a general partnership in which the Partnership owns a 49.99% interest and its 100% owned subsidiary, Regency Intrastate Gas LP |
| IDRs | Incentive Distribution Rights |
| IRS | Internal Revenue Service |
| LDH | LDH Energy Asset Holdings LLC |
| LIBOR | London Interbank Offered Rate |
| Lone Star | Lone Star NGL LLC, a joint venture that is 30% owned by the Partnership and 70% owned by ETP |
| LTIP | Long-Term Incentive Plan |
| MEP | Midcontinent Express Pipeline LLC, a joint venture in which the Partnership currently owns a 50% interest |
| MMBtu | One million BTUs |
| NGLs | Natural gas liquids, including ethane, propane, normal butane, iso butane and natural gasoline |
| NYMEX | New York Mercantile Exchange |
| Partnership | Regency Energy Partners LP |
| RGS | Regency Gas Services LP, a wholly-owned subsidiary of the Partnership |
| RIGS | Regency Intrastate Gas System |
| SEC | Securities and Exchange Commission |
| Series A Preferred Units | Series A convertible redeemable preferred units |

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Services Co.
WTI
Zephyr

ETE Services Company, LLC, a wholly owned subsidiary of ETE
West Texas Intermediate Crude
Zephyr Gas Services LLC, a wholly owned subsidiary of the Partnership

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Cautionary Statement about Forward-Looking Statements

Certain matters discussed in this report include “forward-looking” statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). 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,” “will,” “plan,” “expect,” “continue,” “estimate,” “goal,” “forecast,” “may” or similar expressions help identify forward-looking statements. Although we believe our forward-looking statements are based on reasonable assumptions and current expectations and projections about future events, we cannot give assurances that such expectations will prove to be correct. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions including without limitation the following:

- volatility in the price of oil, natural gas, and NGLs;
- declines in the credit markets and the availability of credit for us as well as for producers connected to our pipelines and our gathering and processing facilities, and for our customers of contract compression and contract treating businesses;
- the level of creditworthiness of, and performance by, our counterparties and customers;
- our access to capital to fund organic growth projects and acquisitions, and our ability to obtain debt or equity financing on satisfactory terms;
- our use of derivative financial instruments to hedge commodity and interest rate risks;
- the amount of collateral required to be posted from time-to-time in our transactions;
- changes in commodity prices, interest rates and demand for our services;
- changes in laws and regulations impacting the midstream sector of the natural gas industry, including those that relate to climate change and environmental protection and safety;
- weather and other natural phenomena;
- industry changes including the impact of consolidations and changes in competition;
- regulation of transportation rates on our natural gas pipelines;
- our ability to obtain indemnification related to cleanup liabilities and to clean up any hazardous materials release on satisfactory terms;
- our ability to obtain required approvals for construction or modernization of our facilities and the timing of production from such facilities; and
- the effect of accounting pronouncements issued periodically by accounting standard setting boards.

If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may differ materially from those anticipated, estimated, projected or expected.

Other factors that could cause our actual results to differ from our projected results are discussed in Item 1A of our December 31, 2010 Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q for the quarters ended March 31, 2011 and June 30, 2011 and "Part II – Other Information - Item 1A. Risk Factors" in this Quarterly Report on Form 10-Q.

Each forward-looking statement speaks only as of the date of the particular statement and we undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

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PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

As disclosed in Note 1, on May 26, 2010, GP Seller sold all of the outstanding membership interests of the Partnership's General Partner to ETE, effecting a change in control of the Partnership. In connection with this transaction, the Partnership's assets and liabilities were adjusted to fair value at the acquisition date by application of "push-down" accounting. As a result, the Partnership's unaudited condensed consolidated financial statements and certain footnote disclosures are presented in two distinct periods to indicate the application of two different bases of accounting between the periods presented: (1) the period prior to the acquisition date (May 26, 2010), identified as "Predecessor" and (2) the period from May 26, 2010 forward, identified as "Successor."

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Regency Energy Partners LP
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

| | September 30, 2011 | December 31, 2010 |
|--|-----------------------|----------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$5,231 | \$9,400 |
| Trade accounts receivable, net of allowance of \$546 and \$297 | 37,444 | 35,212 |
| Accrued revenues | 86,682 | 74,017 |
| Related party receivables | 34,750 | 32,342 |
| Derivative assets | 4,504 | 2,650 |
| Other current assets | 25,222 | 7,384 |
| Total current assets | 193,833 | 161,005 |
| Property, Plant and Equipment: | | |
| Gathering and transmission systems | 610,562 | 543,286 |
| Compression equipment | 839,606 | 812,428 |
| Gas plants and buildings | 189,251 | 185,741 |
| Other property, plant and equipment | 115,411 | 81,295 |
| Construction-in-progress | 227,527 | 97,439 |
| Total property, plant and equipment | 1,982,357 | 1,720,189 |
| Less accumulated depreciation | (157,767 |) (59,971 |
| Property, plant and equipment, net | 1,824,590 | 1,660,218 |
| Other Assets: | | |
| Investment in unconsolidated affiliates | 1,924,183 | 1,351,256 |
| Long-term derivative assets | 3,696 | 23 |