Energy Transfer Partners, L.P.
Form 10-Q
May 09, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q
(Mark One)

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

For the quarterly period ended March 31, 2013
or

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

Commission file number 1-11727
ENERGY TRANSFER PARTNERS, L.P.
(Exact name of registrant as specified in its charter)

Delaware (state or other jurisdiction of incorporation or organization)	73-1493906 (I.R.S. Employer Identification No.)

3738 Oak Lawn Avenue, Dallas, Texas 75219
(Address of principal executive offices) (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 ý 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 ý 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	ý	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 ý

At May 1, 2013, the registrant had units outstanding as follows:
Energy Transfer Partners, L.P. 369,501,191 Common Units

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

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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," the "Partnership," or "ETP") in periodic press releases and some oral statements of the Partnership's officials during presentations about the Partnership, include forward-looking statements. These 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," "plan," "expect," "continue," "esti "goal," "forecast," "may," "will" or similar expressions help identify forward-looking statements. Although the Partnership and its General Partner believe such forward-looking statements are based on reasonable assumptions and current expectations and projections about future events, no assurance can be given that such assumptions, expectations, or projections will prove to be correct. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, the Partnership's actual results may vary materially from those anticipated, projected or expected, forecasted, estimated or expressed in forward-looking statements since many of the factors that determine these results are subject to uncertainties and risks that are difficult to predict and beyond management's control. For additional discussion of risks, uncertainties and assumptions, see "Part I — Item 1A. Risk Factors" in the Partnership's Report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission on March 1, 2013.

Definitions

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

/d	per day
AmeriGas	AmeriGas Partners, L.P.
AOCI	accumulated other comprehensive income (loss)
AROs	asset retirement obligations
Bbls	barrels
Bcf	billion cubic feet
Btu	British thermal unit, an energy measurement used by gas companies to convert the volume of gas used to its heat equivalent, and thus calculate the actual energy used
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
Citrus	Citrus Corp.
CrossCountry	CrossCountry Energy, LLC
DOT	U.S. Department of Transportation
ETC Compression	ETC Compression, LLC
ETC FEP	ETC Fayetteville Express Pipeline, LLC

ETC OLP	La Grange Acquisition, L.P., which conducts business under the assumed name of Energy Transfer Company
ETC Tiger	ETC Tiger Pipeline, LLC
ETE	Energy Transfer Equity, L.P., a publicly traded partnership and the owner of ETP LLC
ET Interstate	Energy Transfer Interstate Holdings, LLC
ETP GP	Energy Transfer Partners GP, L.P., the general partner of ETP
ETP LLC	Energy Transfer Partners, L.L.C., the general partner of ETP GP
EPA	U.S. Environmental Protection Agency

Exchange Act	Securities Exchange Act of 1934
FEP	Fayetteville Express Pipeline LLC
FERC	Federal Energy Regulatory Commission
FGT	Florida Gas Transmission Company, LLC
GAAP	accounting principles generally accepted in the United States of America
Holdco	ETP Holdco Corporation
IDRs	incentive distribution rights
LDH	LDH Energy Asset Holdings LLC
LIBOR	London Interbank Offered Rate
Lone Star	Lone Star NGL LLC
MMBtu	million British thermal units
MTBE	methyl tertiary butyl ether
NGL	natural gas liquid, such as propane, butane and natural gasoline
NYMEX	New York Mercantile Exchange
OTC	over-the-counter
OSHA	federal Occupational Safety and Health Act
Panhandle	Panhandle Eastern Pipe Line Company, LP
PCBs	polychlorinated biphenyls
PES	Philadelphia Energy Solutions
PHMSA	Pipeline Hazardous Materials Safety Administration
Regency	Regency Energy Partners LP, a subsidiary of ETE
Sea Robin	Sea Robin Pipeline Company, LLC
SEC	Securities and Exchange Commission
Southern Union	Southern Union Company
SUGS	Southern Union Gas Services

Sunoco	Sunoco, Inc.
Sunoco Logistics	Sunoco Logistics Partners L.P.
Transwestern	Transwestern Pipeline Company, LLC
Trunkline	Trunkline Gas Company, LLC

Adjusted EBITDA is a term used throughout this document, which we define as earnings before interest, taxes, depreciation, amortization and other non-cash items, such as non-cash compensation expense, gains and losses on disposals of assets, the allowance for equity funds used during construction, unrealized gains and losses on commodity risk management activities, non-cash impairment charges, loss on extinguishment of debt, gain on deconsolidation and other non-operating income or expense items. Unrealized gains and losses on commodity risk management activities includes unrealized gains and losses on commodity derivatives and inventory fair value adjustments (excluding lower of cost or market adjustments). Adjusted EBITDA reflects amounts for less than wholly owned subsidiaries based on 100% of the subsidiaries' results of operations and for unconsolidated affiliates based on the Partnership's proportionate ownership.

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PART I — FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in millions)
(unaudited)

	March 31, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$528	$311
Accounts receivable, net	3,527	2,910
Accounts receivable from related companies	142	94
Inventories	1,631	1,495
Exchanges receivable	44	55
Price risk management assets	27	21
Current assets held for sale	136	184
Other current assets	324	334
Total current assets	6,359	5,404
PROPERTY, PLANT AND EQUIPMENT	27,888	27,412
ACCUMULATED DEPRECIATION	(1,881)	(1,639)
	26,007	25,773
NON-CURRENT ASSETS HELD FOR SALE	992	985
ADVANCES TO AND INVESTMENTS IN UNCONSOLIDATED AFFILIATES	3,489	3,502
NON-CURRENT PRICE RISK MANAGEMENT ASSETS	35	42
GOODWILL	5,586	5,606
INTANGIBLE ASSETS, net	1,544	1,561
OTHER NON-CURRENT ASSETS, net	356	357
Total assets	$44,368	$43,230

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

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in millions)
(unaudited)

	March 31, 2013	December 31, 2012
LIABILITIES AND EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$3,468	$3,002
Accounts payable to related companies	27	24
Exchanges payable	170	156
Price risk management liabilities	99	110
Accrued and other current liabilities	1,333	1,562
Current maturities of long-term debt	606	609
Current liabilities held for sale	80	85
Total current liabilities	5,783	5,548
NON-CURRENT LIABILITIES HELD FOR SALE	142	142
LONG-TERM DEBT, less current maturities	16,135	15,442
LONG-TERM NOTES PAYABLE — RELATED PARTY	166	166
NON-CURRENT PRICE RISK MANAGEMENT LIABILITIES	124	129
DEFERRED INCOME TAXES	3,541	3,476
OTHER NON-CURRENT LIABILITIES	1,008	995
COMMITMENTS AND CONTINGENCIES (Note 12)		
EQUITY:		
General Partner	194	188
Limited Partners:		
Common Unitholders	9,151	9,026
Accumulated other comprehensive loss	(5)	(13)
Total partners' capital	9,340	9,201
Noncontrolling interest	8,129	8,131
Total equity	17,469	17,332
Total liabilities and equity	$44,368	$43,230

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

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in millions, except per unit data)
(unaudited)

	Three Months Ended March 31,	
	2013	2012
REVENUES:		
Natural gas sales	$874	$423
NGL sales	589	369
Crude sales	3,201	—
Gathering, transportation and other fees	637	393
Refined product sales	4,662	—
Other	891	138
Total revenues	10,854	1,323
COSTS AND EXPENSES:		
Cost of products sold	9,594	781
Operating expenses	304	130
Depreciation and amortization	260	99
Selling, general and administrative	162	104
Total costs and expenses	10,320	1,114
OPERATING INCOME	534	209
OTHER INCOME (EXPENSE):		
Interest expense, net of interest capitalized	(211)	(141)
Equity in earnings of unconsolidated affiliates	72	55
Gain on deconsolidation of Propane Business	—	1,056
Loss on extinguishment of debt	—	(115)
Gains on interest rate derivatives	7	28
Other, net	3	(1)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE	405	1,091
Income tax expense from continuing operations	3	2
INCOME FROM CONTINUING OPERATIONS	402	1,089
Income (loss) from discontinued operations	22	(1)
NET INCOME	424	1,088
LESS: NET INCOME (LOSS) ATTRIBUTABLE TO NONCONTROLLING INTEREST	102	(27)
NET INCOME ATTRIBUTABLE TO PARTNERS	322	1,115
GENERAL PARTNER’S INTEREST IN NET INCOME	128	117
LIMITED PARTNERS’ INTEREST IN NET INCOME	$194	$998
INCOME FROM CONTINUING OPERATIONS PER LIMITED PARTNER UNIT:		
Basic	$0.60	$4.37
Diluted	$0.60	$4.36
NET INCOME PER LIMITED PARTNER UNIT:		
Basic	$0.63	$4.36
Diluted	$0.63	$4.35

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

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars in millions)
(unaudited)

	Three Months Ended March 31,	
	2013	2012
Net income	$424	$1,088
Other comprehensive income (loss), net of tax:		
Reclassification to earnings of gains and losses on derivative instruments accounted for as cash flow hedges	(1)	(3)
Change in value of derivative instruments accounted for as cash flow hedges	2	20
Change in value of available-for-sale securities	1	—
Actuarial loss relating to pension and other postretirement benefits	(1)	—
Foreign currency translation adjustment	(1)	—
Change in other comprehensive income from equity investments	7	—
	7	17
Comprehensive income	431	1,105
Less: Comprehensive income attributable to noncontrolling interest	101	11
Comprehensive income attributable to partners	$330	$1,094

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

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2013
(Dollars in millions)
(unaudited)

	General Partner	Limited Partner Common Unitholders	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total
Balance, December 31, 2012	$188	$9,026	$(13)	$8,131	$17,332
Distributions to partners	(122)	(269)	—	—	(391)
Distributions to noncontrolling interest	—	—	—	(132)	(132)
Units issued for cash	—	192	—	—	192
Capital contributions from noncontrolling interest	—	—	—	27	27
Non-cash compensation expense, net of units tendered by employees for tax withholdings	—	10	—	3	13
Other comprehensive income (loss), net of tax	—	—	8	(1)	7
Other, net	—	(2)	—	(1)	(3)
Net income	128	194	—	102	424
Balance, March 31, 2013	$194	$9,151	$(5)	$8,129	$17,469

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

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in millions)
(unaudited)

	Three Months Ended March 31, 2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$424	$1,088
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	260	99
Deferred income taxes	8	(2)
Gain on curtailment of other postretirement benefits	—	(15)
Amortization of finance costs charged to interest	(23)	3
Loss on extinguishment of debt	—	115
LIFO valuation adjustment	(38)	—
Non-cash compensation expense	14	11
Gain on deconsolidation of Propane Business	—	(1,056)
Distributions on unvested awards	(3)	(2)
Equity in earnings of unconsolidated affiliates	(72)	(55)
Distributions from unconsolidated affiliates	80	37
Other non-cash	6	4
Net change in operating assets and liabilities, net of effects of acquisitions and deconsolidation (see Note 4)	(303)	(167)
Net cash provided by operating activities	353	60
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for Citrus Acquisition	—	(1,895)
Cash proceeds from contribution and sale of propane operations	—	1,384
Cash received from all other acquisitions	—	472
Capital expenditures (excluding allowance for equity funds used during construction)	(595)	(521)
Contributions in aid of construction costs	8	6
Contributions to unconsolidated affiliates	(1)	(2)
Distributions from unconsolidated affiliates in excess of cumulative earnings	15	5
Proceeds from the sale of assets	10	13
Other	4	—
Net cash used in investing activities	(559)	(538)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	2,563	2,779
Repayments of long-term debt	(1,835)	(2,048)
Net proceeds from issuance of Limited Partner units	192	87
Capital contributions received from noncontrolling interest	42	67
Distributions to partners	(391)	(318)
Distributions to noncontrolling interest	(132)	(7)
Debt issuance costs	(16)	(20)
Net cash provided by financing activities	423	540
INCREASE IN CASH AND CASH EQUIVALENTS	217	62
CASH AND CASH EQUIVALENTS, beginning of period	311	107
CASH AND CASH EQUIVALENTS, end of period	$528	$169

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

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular dollar amounts, except per unit data, are in millions)
(unaudited)

1. OPERATIONS AND ORGANIZATION:

Energy Transfer Partners, L.P. and its subsidiaries (“Energy Transfer Partners,” the “Partnership,” “we” or “ETP”) are managed by ETP’s general partner, ETP GP, which is in turn managed by its general partner, ETP LLC. ETE, a publicly traded master limited partnership, owns ETP LLC, the general partner of our General Partner. The consolidated financial statements of the Partnership presented herein include our operating subsidiaries described below.

In accordance with GAAP, we have accounted for the Holdco Transaction, whereby ETP obtained control of Southern Union, as a reorganization of entities under common control. Accordingly, ETP's consolidated financial statements have been retrospectively adjusted to reflect consolidation of Southern Union into ETP beginning March 26, 2012 (the date ETE acquired Southern Union).

Business Operations

Our activities are primarily conducted through our operating subsidiaries (collectively, the “Operating Companies”) as follows:

- ETC OLP, a Texas limited partnership engaged in midstream and intrastate transportation and storage natural gas operations. ETC OLP owns and operates, through its wholly and majority-owned subsidiaries, natural gas gathering systems, intrastate natural gas pipeline systems and gas processing plants and is engaged in the business of purchasing, gathering, transporting, processing, and marketing natural gas and NGLs in the states of Texas, Louisiana, New Mexico and West Virginia. Our intrastate transportation and storage operations primarily focus on transporting natural gas in Texas through our Oasis pipeline, ET Fuel System, East Texas pipeline and HPL System. Our midstream operations focus on the gathering, compression, treating, conditioning and processing of natural gas, primarily on or through our Southeast Texas System, Eagle Ford System, North Texas System and Northern Louisiana assets. ETC OLP also owns a 70% interest in Lone Star.
- ET Interstate, a Delaware limited liability company with revenues consisting primarily of fees earned from natural gas transportation services and operational gas sales. ET Interstate is the parent company of:
- Transwestern, a Delaware limited liability company engaged in interstate transportation of natural gas. Transwestern’s revenues consist primarily of fees earned from natural gas transportation services and operational gas sales.
- ETC FEP, a Delaware limited liability company that directly owns a 50% interest in FEP, which owns 100% of the Fayetteville Express interstate natural gas pipeline.
- ETC Tiger, a Delaware limited liability company engaged in interstate transportation of natural gas.
- CrossCountry, a Delaware limited liability company that indirectly owns a 50% interest in Citrus, which owns 100% of the FGT interstate natural gas pipeline.
- ETC Compression, a Delaware limited liability company engaged in natural gas compression services and related equipment sales.
- Sunoco Logistics, a publicly traded Delaware limited partnership that owns and operates a logistics business, consisting of refined products and crude oil pipelines, terminalling and storage assets, and refined products and crude oil acquisition and marketing assets.
- Holdco, a Delaware limited liability company that directly owns Southern Union and Sunoco. As discussed in Note 3, ETP acquired ETE’s 60% interest in Holdco on April 30, 2013. Sunoco and Southern Union operations are described as follows:
- Southern Union owns and operates assets in the regulated and unregulated natural gas industry and is primarily engaged in the gathering, processing, transportation, storage and distribution of natural gas in the United States. As discussed in Note 3, on April 30, 2013, Southern Union completed its contribution to Regency of all of the issued and outstanding membership interest in Southern Union Gathering Company, LLC, and its subsidiaries, including SUGS.
- Sunoco owns and operates retail marketing assets, which sell gasoline and middle distillates at retail and operates convenience stores primarily on the east coast and in the midwest region of the United States.

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Our financial statements reflect the following reportable business segments:

- intrastate natural gas transportation and storage;
- interstate natural gas transportation and storage;
- midstream;
- NGL transportation and services;
- investment in Sunoco Logistics; and
- retail marketing.

Preparation of Interim Financial Statements

The accompanying consolidated balance sheet as of December 31, 2012, which has been derived from audited financial statements, and the unaudited interim consolidated financial statements and notes thereto of the Partnership as of March 31, 2013 and for the three month periods ended March 31, 2013 and 2012, have been prepared in accordance with GAAP for interim consolidated financial information and pursuant to the rules and regulations of the SEC. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. However, management believes that the disclosures made are adequate to make the information not misleading. The results of operations for interim periods are not necessarily indicative of the results to be expected for a full year due to the seasonal nature of the Partnership's operations, maintenance activities and the impact of forward natural gas prices and differentials on certain derivative financial instruments that are accounted for using mark-to-market accounting. Management has evaluated subsequent events through the date the financial statements were issued.

In the opinion of management, all adjustments (all of which are normal and recurring) have been made that are necessary to fairly state the consolidated financial position of the Partnership as of March 31, 2013, and the Partnership's results of operations and cash flows for the three months ended March 31, 2013 and 2012. The unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto of Energy Transfer Partners presented in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the SEC on March 1, 2013.

Certain prior period amounts have been reclassified to conform to the 2013 presentation. These reclassifications had no impact on net income or total equity.

2. ESTIMATES:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the accrual for and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The natural gas industry conducts its business by processing actual transactions at the end of the month following the month of delivery. Consequently, the most current month's financial results for natural gas and NGL related operations are estimated using volume estimates and market prices. Any differences between estimated results and actual results are recognized in the following month's financial statements. Management believes that the estimated operating results represent the actual results in all material respects.

Some of the other significant estimates made by management include, but are not limited to, the timing of certain forecasted transactions that are hedged, the fair value of derivative instruments, useful lives for depreciation and amortization, purchase accounting allocations and subsequent realizability of intangible assets, fair value measurements used in goodwill impairment tests, market value of inventory, assets and liabilities resulting from the regulated ratemaking process, contingency reserves and environmental reserves. Actual values and results could differ from those estimates.

3. ACQUISITIONS, DIVESTITURES AND RELATED TRANSACTIONS:

Sale of Distribution Operations

In December 2012, Southern Union entered into definitive purchase and sale agreements dated December 14, 2012 (collectively, the "Purchase and Sale Agreements") with each of Plaza Missouri Acquisition, Inc. ("Laclede Missouri") and Plaza Massachusetts Acquisition, Inc. ("Laclede Massachusetts"), both of which are subsidiaries of The Laclede Group, Inc., pursuant to which Laclede Missouri has agreed to acquire the assets of Southern Union's Missouri Gas

Energy division, and Laclede Massachusetts has agreed to acquire the assets of Southern Union’s New England Gas Company division. Total consideration for the acquisitions will be $1.04 billion, subject to customary closing adjustments, less the assumption of $19 million of debt. On February 11, 2013, the Laclede Entities announced that it had entered into an agreement with Algonquin Power & Utilities Corp ("APUC") that will allow a subsidiary of APUC to assume the right of the Laclede Entities to purchase the assets of Southern Union's New England Gas Company division, subject to certain approvals. The transactions contemplated by the Purchase and Sale Agreements are expected to close by the end of the third quarter of 2013.

For the three months ended March 31, 2013 and the period from March 26, 2012 to March 31, 2012, the distribution operations have been classified as discontinued operations in the consolidated statements of operations. The assets and liabilities of the disposal group have been classified as assets and liabilities held for sale as of March 31, 2013 and December 31, 2012.

SUGS Contribution

On April 30, 2013, Southern Union completed its contribution to Regency all of the issued and outstanding membership interest in Southern Union Gathering Company, LLC, and its subsidiaries, including SUGS. The consideration paid by Regency in connection with this transaction consisted of (i) the issuance of approximately 31.4 million Regency common units to Southern Union, (ii) the issuance of approximately 6.3 million Regency Class F units to Southern Union, (iii) the distribution of $570 million in cash to Southern Union, and (iv) the payment of $30 million in cash to a subsidiary of ETP. The total cash consideration was reduced by $107 million of estimated closing adjustments. In addition, PEPL Holdings provided a guarantee of collection with respect to the payment of the principal amounts of Regency's debt related to the Contribution Agreement. The Regency Class F units have the same rights, terms and conditions as the Regency common units, except that Southern Union will not receive distributions on the Regency Class F units for the first eight consecutive quarters following the closing, and the Regency Class F units will thereafter automatically convert into Regency common units on a one-for-one basis. Upon the closing of the transaction, ETE agreed to forego all distributions with respect to its IDRs on the Regency common units issued in the transaction for the first eight consecutive quarters following the closing.

Acquisition of ETE's Holdco Interest

On April 30, 2013, ETP acquired from ETE its interest in Holdco for approximately 49.5 million of newly issued ETP Common Units and $1.40 billion in cash, less $68 million of estimated closing adjustments. ETE, which owns the general partner and IDRs of ETP, has agreed to forego all of the IDR payments on the newly issued ETP units for each of the first eight consecutive quarters beginning with the quarter in which the closing of the transaction occurs, and 50% of the IDR payments on the newly issued ETP units for the following eight consecutive quarters. As a result, ETP now owns 100% of Holdco. As this transaction occurred subsequent to March 31, 2013, the Partnership's consolidated historical results of operations, cash flows and financial position as of and for the quarter ended March 31, 2013 were not affected by this transaction.

Sunoco Merger

On October 5, 2012, Sam Acquisition Corporation, a Pennsylvania corporation and a wholly owned subsidiary of ETP, completed its merger with Sunoco. Under the terms of the merger agreement, Sunoco shareholders received a total of approximately 55 million ETP Common Units and $2.6 billion in cash.

Management is continuing to validate certain assumptions made in connection with the purchase price allocation of Sunoco; therefore, certain assets and/or liabilities may be adjusted in future periods.

4. CASH AND CASH EQUIVALENTS:

Cash and cash equivalents include all cash on hand, demand deposits, and investments with original maturities of three months or less. We consider cash equivalents to include short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value.

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The net change in operating assets and liabilities included in cash flows from operating activities is comprised as follows:

	Three Months Ended March 31,	
	2013	2012
Accounts receivable	$(659)	$(55)
Accounts receivable from related companies	(48)	(58)
Inventories	(48)	22
Exchanges receivable	11	7
Other current assets	36	55
Other non-current assets, net	(6)	(41)
Accounts payable	435	(15)
Accounts payable to related companies	3	76
Exchanges payable	14	(11)
Accrued and other current liabilities	(35)	(179)
Other non-current liabilities	17	(14)
Price risk management assets and liabilities, net	(23)	46
Net change in operating assets and liabilities, net of effects of acquisitions and deconsolidation	$(303)	$(167)

Non-cash investing and financing activities are as follows:

	Three Months Ended March 31,	
	2013	2012
NON-CASH INVESTING ACTIVITIES:		
Accrued capital expenditures	$372	$209
AmeriGas limited partner interests received in exchange for contribution of Propane Business	$—	$1,123
NON-CASH FINANCING ACTIVITIES:		
Contributions receivable related to noncontrolling interest	$8	$—
Issuance of common units in connection with acquisitions	$—	$105

5. INVENTORIES:

Inventories consisted of the following:

	March 31, 2013	December 31, 2012
Natural gas and NGLs	$223	$334
Crude oil	644	418
Refined products	588	572
Appliances, parts and fittings and other	176	171
Total inventories	$1,631	$1,495

We utilize commodity derivatives to manage price volatility associated with our natural gas inventory and designate certain of these derivatives as fair value hedges for accounting purposes. Changes in fair value of the designated hedged inventory is recorded in inventory on our consolidated balance sheets and cost of products sold in our consolidated statements of operations.

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6. FAIR VALUE MEASUREMENTS:

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable approximate their fair value. Price risk management assets and liabilities are recorded at fair value.

We have marketable securities, commodity derivatives and interest rate derivatives that are accounted for as assets and liabilities at fair value in our consolidated balance sheets. We determine the fair value of our assets and liabilities subject to fair value measurement by using the highest possible “level” of inputs. Level 1 inputs are observable quotes in an active market for identical assets and liabilities. We consider the valuation of marketable securities and commodity derivatives transacted through a clearing broker with a published price from the appropriate exchange as a Level 1 valuation. Level 2 inputs are inputs observable for similar assets and liabilities. We consider OTC commodity derivatives entered into directly with third parties as a Level 2 valuation since the values of these derivatives are quoted on an exchange for similar transactions. Additionally, we consider our options transacted through our clearing broker as having Level 2 inputs due to the level of activity of these contracts on the exchange in which they trade. We consider the valuation of our interest rate derivatives as Level 2 as the primary input, the LIBOR curve, is based on quotes from an active exchange of Eurodollar futures for the same period as the future interest swap settlements and discount the future cash flows accordingly, including the effects of credit risk. Level 3 inputs are unobservable. We currently do not have any recurring fair value measurements that are considered Level 3 valuations. During the period ended March 31, 2013, no transfers were made between any levels within the fair value hierarchy.

Based on the estimated borrowing rates currently available to us and our subsidiaries for loans with similar terms and average maturities, the aggregate fair value of our consolidated debt obligations at March 31, 2013 and December 31, 2012 was $18.35 billion and $17.84 billion, respectively. As of March 31, 2013 and December 31, 2012, the aggregate carrying amount of our consolidated debt obligations was $16.91 billion and $16.22 billion, respectively. The fair value of our consolidated debt obligations is a Level 2 valuation based on the observable inputs used for similar liabilities.

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The following tables summarize the fair value of our financial assets and liabilities measured and recorded at fair value on a recurring basis as of March 31, 2013 and December 31, 2012 based on inputs used to derive their fair values:

	Fair Value Total	Fair Value Measurements at March 31, 2013	
		Level 1	Level 2
Assets:			
Interest rate derivatives	$51	$—	$51
Commodity derivatives:			
Natural Gas:			
Basis Swaps IFERC/NYMEX	7	7	—
Swing Swaps IFERC	1	—	1
Fixed Swaps/Futures	108	99	9
Forward Physical Swaps	1	—	1
Power:			
Forwards	3	—	3
Options — Calls	4	—	4
Natural Gas Liquids — Forwards/Swaps	7	7	—
Refined Products — Futures	2	2	—
Total commodity derivatives	133	115	18
Total Assets	$184	$115	$69
Liabilities:			
Interest rate derivatives	$(213)	$—	$(213)
Commodity derivatives:			
Natural Gas:			
Basis Swaps IFERC/NYMEX	(12)	(12)	—
Swing Swaps IFERC	(1)	—	(1)
Fixed Swaps/Futures	(113)	(111)	(2)
Options — Calls	(1)	—	(1)
Power:			
Forwards	(1)	—	(1)
Futures	(1)	(1)	—
Options — Calls	(1)	—	(1)
Natural Gas Liquids — Forwards/Swaps	(4)	(4)	—
Refined Products — Futures	(1)	(1)	—
Crude	(1)	(1)	—
Total commodity derivatives	(136)	(130)	(6)
Total Liabilities	$(349)	$(130)	$(219)

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	Fair Value Total	Fair Value Measurements at December 31, 2012 Level 1	Level 2
Assets:			
Interest rate derivatives	$55	$—	$55
Commodity derivatives:			
Natural Gas:			
Basis Swaps IFERC/NYMEX	11	11	—
Swing Swaps IFERC	3	—	3
Fixed Swaps/Futures	96	94	2
Options — Puts	1	—	1
Options — Calls	3	—	3
Forward Physical Swaps	1	—	1
Power:			
Forwards	27	—	27
Futures	1	1	—
Options — Calls	2	—	2
Natural Gas Liquids — Swaps	1	1	—
Refined Products	5	1	4
Total commodity derivatives	151	108	43
Total Assets	$206	$108	$98
Liabilities:			
Interest rate derivatives	$(223)	$—	$(223)
Commodity derivatives:			
Natural Gas:			
Basis Swaps IFERC/NYMEX	(18)	(18)	—
Swing Swaps IFERC	(2)	—	(2)
Fixed Swaps/Futures	(103)	(94)	(9)
Options — Puts	(1)	—	(1)
Options — Calls	(3)	—	(3)
Power:			
Forwards	(27)	—	(27)
Futures	(2)	(2)	—
Natural Gas Liquids — Swaps	(3)	(3)	—
Refined Products	(8)	(1)	(7)
Total commodity derivatives	(167)	(118)	(49)
Total Liabilities	$(390)	$(118)	$(272)

7. NET INCOME PER LIMITED PARTNER UNIT:

Our net income for partners' capital and statements of operations presentation purposes is allocated to ETP GP and Limited Partners in accordance with their respective partnership percentages, after giving effect to priority income allocations for incentive distributions, if any, to ETP GP, the holder of the IDRs pursuant to our Partnership Agreement, which are declared and paid following the close of each quarter. Earnings in excess of distributions are allocated to ETP GP and Limited Partners based on their respective ownership interests.

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A reconciliation of income from continuing operations and weighted average units used in computing basic and diluted income from continuing operations per unit is as follows:

	Three Months Ended March 31,	
	2013	2012
Income from continuing operations	$402	$1,089
Less: Income (loss) from continuing operations attributable to noncontrolling interest	89	(27)
Income from continuing operations, net of noncontrolling interest	313	1,116
General Partner's interest in income from continuing operations	128	117
Limited Partners' interest in income from continuing operations	185	999
Distributions on employee unit awards, net of allocation to General Partner	(3)	(10)
Income from continuing operations available to Limited Partners	182	989
Weighted average Limited Partner units — basic	300,831,573	226,549,263
Basic income from continuing operations per Limited Partner unit	$0.60	$4.37
Dilutive effect of unvested Unit Awards	1,001,337	857,221
Weighted average Limited Partner units, assuming dilutive effect of unvested Unit Awards	301,832,910	227,406,484
Diluted income from continuing operations per Limited Partner unit	$0.60	$4.36
Basic income (loss) from discontinued operations per Limited Partner unit	$0.03	$(0.01)
Diluted income (loss) from discontinued operations per Limited Partner unit	$0.03	$(0.01)

8. DEBT OBLIGATIONS:

Senior Notes

In January 2013, ETP issued $800 million of 3.6% Senior Notes due February 2023 and $450 million of 5.15% Senior Notes due February 2043. The net proceeds of $1.24 billion from the offering to repay borrowings outstanding under the ETP Credit Facility and for general partnership purposes.

In January 2013, Sunoco Logistics issued $350 million of 3.45% Senior Notes and $350 million of 4.95% Senior Notes (the "2023 and 2043 Senior Notes"), due January 2023 and January 2043, respectively. The terms and conditions of the 2023 and 2043 Senior Notes are comparable to those under Sunoco Logistics' existing senior notes. The net proceeds of $691 million from the offering were used to pay outstanding borrowings under the Sunoco Logistics' Credit Facilities and for general partnership purposes.

Credit Facilities

ETP Credit Facility

ETP has a $2.5 billion revolving credit facility (the "ETP Credit Facility") that expires in October 2016. Indebtedness under the ETP Credit Facility is unsecured and not guaranteed by any of the Partnership's subsidiaries and has equal rights to holders of our current and future unsecured debt.

As of March 31, 2013, the ETP Credit Facility had $250 million outst