Energy Transfer Partners, L.P.
Form 10-Q
November 10, 2008
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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 September 30, 2008

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.)**

3738 Oak Lawn Avenue

Dallas, Texas 75219

(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 x 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 (check one).

Large accelerated filer x	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 x

At November 7, 2008, the registrant had units outstanding as follows:

Energy Transfer Partners, L.P. 152,022,145 Common Units

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FORM 10-Q

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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 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 Part II Other Information Item 1A, Risk Factors in this Quarterly Report on Form 10-Q as well as the Partnership s Report on Form 10-K as of August 31, 2007 filed with the Securities and Exchange Commission (SEC) on October 30, 2007.

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
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.
Dth	Million British thermal units (dekatherm). 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
Tcf	trillion cubic feet
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.

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	September 30, 2008	December 31, 2007
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 526,074	$ 56,467
Marketable securities	11,038	3,002
Accounts receivable, net of allowance for doubtful accounts	598,812	822,027
Accounts receivable from related companies	27,808	24,438
Inventories	306,901	361,954
Deposits paid to vendors	80,601	42,273
Prepaid expenses and other current assets	130,765	99,798
Total current assets	1,681,999	1,409,959
PROPERTY, PLANT AND EQUIPMENT, net	7,903,927	6,433,788
ADVANCES TO AND INVESTMENT IN AFFILIATES	1,590	86,167
GOODWILL	746,607	728,109
INTANGIBLES AND OTHER LONG-TERM ASSETS, net	387,185	350,138
Total assets	$ 10,721,308	$ 9,008,161

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

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(unaudited)

	September 30, 2008	December 31, 2007
LIABILITIES AND PARTNERS CAPITAL		
CURRENT LIABILITIES:		
Accounts payable	$ 549,813	$ 672,388
Accounts payable to related companies	37,535	48,483
Customer advances and deposits	139,656	75,831
Accrued and other current liabilities	246,630	220,847
Accrued capital expenditures	195,350	87,622
Interest payable	70,992	63,254
Current maturities of long-term debt	45,660	47,036
Total current liabilities	1,285,636	1,215,461
LONG-TERM DEBT, less current maturities	5,509,484	4,297,264
DEFERRED INCOME TAXES	101,700	102,762
OTHER LONG-TERM LIABILITIES	14,381	13,483
COMMITMENTS AND CONTINGENCIES (Note 12)		
	6,911,201	5,628,970
PARTNERS CAPITAL:		
General Partner	159,044	160,193
Limited Partners:		
Common Unitholders (151,799,685 and 142,069,957 units authorized, issued and outstanding at September 30, 2008 and December 31, 2007, respectively)	3,641,184	3,192,092
Class E Unitholders (8,853,832 units authorized, issued and outstanding held by subsidiary and reported as treasury units)		
Accumulated other comprehensive income	9,879	26,906
Total partners capital	3,810,107	3,379,191
Total liabilities and partners capital	$ 10,721,308	$ 9,008,161

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

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollars in thousands, except per unit data)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2008	August 31, 2007	September 30, 2008	August 31, 2007
REVENUES:				
Natural gas operations	$ 1,938,586	$ 1,424,012	$ 6,322,070	$ 4,323,448
Retail propane	238,830	161,147	1,086,417	912,983
Other	28,799	41,167	90,575	167,161
Total revenues	2,206,215	1,626,326	7,499,062	5,403,592
COSTS AND EXPENSES:				
Cost of products sold - natural gas operations	1,435,308	1,089,968	4,965,145	3,323,717
Cost of products sold - retail propane	187,799	103,784	744,316	566,585
Cost of products sold - other	10,347	23,908	27,783	100,561
Operating expenses	197,493	144,507	573,606	427,219
Depreciation and amortization	70,508	52,591	191,757	145,353
Selling, general and administrative	44,252	39,428	136,632	118,347
Total costs and expenses	1,945,707	1,454,186	6,639,239	4,681,782
OPERATING INCOME	260,508	172,140	859,823	721,810
OTHER INCOME (EXPENSE):				
Interest expense, net of interest capitalized	(67,792)	(47,180)	(191,757)	(134,101)
Equity in earnings (losses) of affiliates	(654)	(51)	(749)	274
Gain (loss) on disposal of assets	2,520	(2,525)	1,584	(8,254)
Other, net	19,316	17,154	54,910	36,328
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	213,898	139,538	723,811	616,057
Income tax expense (benefit)	(7,150)	3,202	8,754	10,062
INCOME BEFORE MINORITY INTERESTS	221,048	136,336	715,057	605,995
Minority interests		191		(888)
NET INCOME	221,048	136,527	715,057	605,107
GENERAL PARTNER S INTEREST IN NET INCOME	80,252	62,046	233,599	182,575
LIMITED PARTNERS INTEREST IN NET INCOME	$ 140,796	$ 74,481	$ 481,458	$ 422,532
BASIC NET INCOME PER LIMITED PARTNER UNIT	$ 0.93	$ 0.54	$ 3.06	$ 2.79
BASIC AVERAGE NUMBER OF UNITS OUTSTANDING	149,839,499	136,980,931	145,160,079	136,978,832

DILUTED NET INCOME PER LIMITED PARTNER UNIT	$ 0.93	$ 0.54	$ 3.05	$ 2.79
DILUTED AVERAGE NUMBER OF UNITS OUTSTANDING	150,248,194	137,235,809	145,615,088	137,231,656

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

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)

(unaudited)

	Three Months Ended		Nine Months Ended	
	September 30, 2008	**August 31, 2007**	**September 30, 2008**	**August 31, 2007**
Net income	$ 221,048	$ 136,527	$ 715,057	$ 605,107
Other comprehensive income (loss), net of tax:				
Reclassification to earnings of gains and losses on derivative instruments accounted for as cash flow hedges	(533)	(20,027)	(13,742)	(159,969)
Change in value of derivative instruments accounted for as cash flow hedges	6,969	47,686	(525)	122,514
Change in value of available-for-sale securities	(5,703)	(472)	(2,760)	499
	733	27,187	(17,027)	(36,956)
Comprehensive income	$ 221,781	$ 163,714	$ 698,030	$ 568,151

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

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENT OF PARTNERS CAPITAL

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2008

(Dollars in thousands)

(unaudited)

	General Partner	Limited Partner Common Unitholders	Accumulated Other Comprehensive Income (Loss)	Total
Balance, December 31, 2007	$ 160,193	$ 3,192,092	$ 26,906	$ 3,379,191
Distributions to partners	(242,735)	(420,425)		(663,160)
Net proceeds from issuance of Limited Partner Units		375,357		375,357
Capital contribution from General Partner	7,969			7,969
Tax effect of remedial income allocation from tax amortization of goodwill		(2,555)		(2,555)
Non-cash executive compensation	19	918		937
Non-cash unit-based compensation expense		14,338		14,338
Other comprehensive loss, net of tax			(17,027)	(17,027)
Net income	233,598	481,459		715,057
Balance, September 30, 2008	$ 159,044	$ 3,641,184	$ 9,879	$ 3,810,107

The accompanying notes are an integral part of this condensed consolidated financial statement.

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(unaudited)

	Nine Months Ended	
	September 30, 2008	August 31, 2007
NET CASH PROVIDED BY OPERATING ACTIVITIES	$ 1,022,585	$ 938,280
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash paid for acquisitions, net of cash acquired	(62,002)	(57,856)
Capital expenditures, net of contributions in aid of construction costs	(1,489,176)	(859,551)
(Advances to) repayments from affiliates, net	63,534	(41,041)
Proceeds from the sale of assets	20,232	15,616
Net cash used in investing activities	(1,467,412)	(942,832)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from borrowings	4,744,414	3,166,657
Principal payments on debt	(3,526,971)	(2,629,111)
Net proceeds from issuance of Limited Partner Units	373,079	
Distributions to partners	(663,160)	(496,774)
Capital contribution from General Partner	7,969	
Debt issuance costs	(20,897)	(2,261)
Net cash provided by financing activities	914,434	38,511
INCREASE IN CASH AND CASH EQUIVALENTS	469,607	33,959
CASH AND CASH EQUIVALENTS, beginning of period	56,467	34,746
CASH AND CASH EQUIVALENTS, end of period	$ 526,074	$ 68,705

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

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ENERGY TRANSFER PARTNERS, L.P. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Tabular dollar amounts, except per unit data, are in thousands)

(unaudited)

1. OPERATIONS AND ORGANIZATION:

The accompanying condensed consolidated balance sheet as of December 31, 2007, which has been derived from audited financial statements, and the unaudited interim financial statements and notes thereto of Energy Transfer Partners, L.P., and subsidiaries (collectively, we or the Partnership) as of September 30, 2008 and for the three-month and nine-month periods ended September 30, 2008 and August 31, 2007, have been prepared in accordance with accounting principles generally accepted in the United States of America (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 commodity prices and differentials on certain derivative financial instruments that are accounted for using mark-to-market accounting.

In the opinion of management, all adjustments (all of which are normal and recurring) have been made that are necessary to fairly state the Partnership s consolidated financial position as of September 30, 2008, and its results of operations and cash flows for the three-month and nine-month periods ended September 30, 2008 and August 31, 2007. The unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto presented in the Partnership s Annual Report on Form 10-K for the fiscal year ended August 31, 2007, as filed with the SEC on October 30, 2007, and the Partnership s Report on Form 8-K as of December 31, 2007 and for the four-month transition period then ended, filed with the SEC on March 19, 2008.

In November 2007, we filed a Form 8-K indicating that our Limited Partnership Agreement had been amended to change our fiscal year end to the calendar year. Thus, our current fiscal year began on January 1, 2008. The Partnership completed a four-month transition period that began September 1, 2007 and ended December 31, 2007 and filed a transition report on Form 10-Q for that period in February 2008. The financial statements contained herein cover the three-month and nine-month periods ended September 30, 2008 and the three-month and nine-month periods ended August 31, 2007 (the three and nine-month periods of the previous fiscal year most nearly comparable to the three and nine-month periods ended September 30, 2008).

We did not recast the financial data for the prior fiscal period because the financial reporting processes in place at that time included certain procedures that were completed only on a fiscal quarterly basis. Consequently, to recast those periods would have been impractical and would not have been cost-justified. Furthermore, we believe the information and data of the three and nine-month periods ended August 31, 2007 is comparable to what would have been reported for the three and nine-month periods ended September 30, 2007 if we had recast the prior period information. Such comparability is impacted primarily by weather, fluctuations in commodity prices, volumes of natural gas sold and transported, our hedging strategies and the use of financial instruments, trading activities, basis differences between market hubs and interest rates. We believe that the trends indicated by comparison of the results for the three and nine-month periods ended August 31, 2007 to the periods ended September 30, 2008 are substantially similar to what would have been reflected had we recast the information for the periods ended September 30, 2007.

Certain prior period amounts have been reclassified to conform to the fiscal 2008 presentation. These reclassifications had no impact on net income or total partners capital for the periods presented.

Business Operations

In order to simplify the obligations of Energy Transfer Partners, L.P. under the laws of several jurisdictions in which we conduct business, our activities are primarily conducted through five subsidiary operating partnerships (collectively the Operating Partnerships), as follows:

La Grange Acquisition, L.P., dba Energy Transfer Company (ETC OLP), a Texas limited partnership engaged in midstream and intrastate transportation and storage natural gas operations;

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Energy Transfer Interstate Holdings, LLC (ET Interstate), the parent company of Transwestern Pipeline Company, LLC (Transwestern) and ETC Midcontinent Express Pipeline, L.L.C. (ETC MEP), all of which are Delaware limited liability companies engaged in interstate transportation of natural gas;

ETC Fayetteville Express Pipeline, L.L.C. (ETC FEP), a Delaware limited liability company engaged in interstate transportation of natural gas;

Heritage Operating, L.P. (HOLP), a Delaware limited partnership primarily engaged in retail propane operations; and

Titan Energy Partners, L.P. (Titan), a Delaware limited partnership engaged in retail propane operations.

The Partnership, the Operating Partnerships, and their subsidiaries are collectively referred to in this report as we , us , ETP , Energy Transfer or the Partnership.

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 natural gas liquids (NGLs) in the states of Texas, Louisiana, New Mexico, Utah and Colorado.

Our interstate transportation operations principally consist of the natural gas transportation activities of the Transwestern Pipeline and also include the joint venture activities of ETC MEP and ETC FEP.

Our retail propane operations sell propane and propane-related products and services to residential, commercial, industrial and agricultural customers.

2. ESTIMATES, SIGNIFICANT ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS:

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 the midstream and transportation and storage segments 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 operating results estimated for the three and nine months ended September 30, 2008 and August 31, 2007 represent the actual results in all material respects.

Some of the other more significant estimates made by management include, but are not limited to, the timing of certain forecasted transactions that are hedged, allowances for doubtful accounts, the fair value of derivative instruments, useful lives for depreciation and amortization, purchase accounting allocations and subsequent realizability of intangible assets, estimates related to our unit-based compensation plans, deferred taxes, assets and liabilities resulting from the regulated ratemaking process, contingency reserves and environmental reserves. Actual results could differ from those estimates.

Significant Accounting Policies

Financial Assets and Liabilities at Fair Value

We adopted Statement of Financial Accounting Standards No. 157, *Fair Value Measurements*, (SFAS 157) effective January 1, 2008. SFAS 157 provides a definition of fair value, establishes a fair value framework and hierarchy under GAAP and provides for expanded disclosures of fair value measurements. SFAS 157 does not require any new fair value measurements other than those established by other GAAP requirements. As noted below, under New Accounting Standards , the effective date of SFAS 157 has been deferred with respect to certain non-financial assets and liabilities.

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We have marketable securities, commodity derivatives and interest rate derivatives that are accounted for as assets and liabilities at fair value in our condensed consolidated balance sheets. In accordance with SFAS 157, we determine the fair value of our assets and liabilities subject to fair value measurement by using the highest possible Level as defined in SFAS 157. 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 over-the-counter (OTC) commodity derivatives entered into directly with third parties Level 2 valuation since the values of these derivatives are quoted on an exchange for similar transactions. We consider the valuation of our interest rate derivatives as Level 2 since we use a LIBOR curve 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 our credit risk. Level 3 utilizes significant unobservable inputs. We currently do not have any fair value measurements within the scope of SFAS 157 that require the use of significant unobservable inputs and therefore do not have any assets or liabilities considered as Level 3 valuations as defined by SFAS 157.

The following table summarizes the fair value of our financial assets and liabilities as of September 30, 2008 based on inputs used to derive their fair values in accordance with SFAS 157:

		Fair Value Measurements at Reporting Date Using	
Description	**Fair Value Total**	**Quoted Prices in Active Markets for Identical Assets and Liabilities (Level 1)**	**Significant Other Observable Inputs (Level 2)**
Assets			
Marketable Securities	$ 11,038	$ 11,038	$
Commodity Derivatives	53,981	50,830	3,151
Liabilities			
Commodity Derivatives	(23,856)	(4,751)	(19,105)
Interest Rate Derivatives	(945)		(945)
	$ 40,218	$ 57,117	$ (16,899)

Contributions in Aid of Construction Costs

On certain of our capital projects, third parties are obligated to reimburse us for all or a portion of project expenditures. The majority of such arrangements are associated pipeline construction and production well tie-ins. Contributions in aid of construction costs (CIAC) are netted against our project costs as they are received, and the excess of any CIAC which exceeds our total projects costs is recognized as other income in the period in which it was realized. During the three and nine months ended September 30, 2008, $3.7 million and $46.3 million, respectively, of CIAC was received and netted against our project costs. During the three and nine months ended August 31, 2007, $1.8 million and $5.8 million, respectively, of CIAC was received and netted against our project costs. In March 2008, we received a reimbursement of $40.0 million related to an extension on our Southeast Bossier pipeline resulting in an excess over total project costs of $7.1 million which is recorded in other income on our condensed consolidated statement of operations for the nine months ended September 30, 2008. The total CIAC recorded to other income for the three-month periods ended September 30, 2008 and August 31, 2007 was $0.3 million and $0.2 million, respectively. For the nine months ended September 30, 2008 and August 31, 2007, the total CIAC recorded to other income was $8.2 million and $0.4 million, respectively.

New Accounting Standards

FASB Statement No. 141 (Revised 2007), *Business Combinations* (SFAS 141R). On December 4, 2007, the FASB issued SFAS 141R. SFAS 141R will significantly change the accounting for business combinations. Under SFAS 141R, an acquiring entity will be required to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value with limited exceptions. Statement 141R will change the accounting treatment for certain specific items, including:

Acquisition costs will generally be expensed as incurred;

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Non-controlling interests (currently referred to as minority interests) will be valued at fair value at the acquisition date;

Acquired contingent liabilities will be recorded at fair value at the acquisition date and subsequently measured at either the higher of such amount or the amount determined under existing guidance for non-acquired contingencies;

In-process research and development will be recorded at fair value as an indefinite-lived intangible asset at the acquisition date;

Restructuring costs associated with a business combination will generally be expensed subsequent to the acquisition date; and

Changes in deferred tax asset valuation allowances and income tax uncertainties after the acquisition date generally will affect income tax expense.

SFAS 141R also includes a substantial number of new disclosure requirements. SFAS 141R is to be applied prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Earlier adoption is prohibited. Accordingly, we are required to record and disclose business combinations following existing GAAP until January 1, 2009.

EITF Issue No. 07-4, *Application of the Two Class Method Under FASB Statement No. 128, Earnings Per Share, to Master Limited Partnerships (MLP)* (EITF 07-4). The FASB ratified the final consensus on EITF 07-4 on March 26, 2008. The key elements of the final consensus relate to: (a) the scope of the issue; (b) when Incentive Distribution Rights (IDRs) are considered participating securities under the two-class method for Earnings Per Share (EPS); (c) the calculation provisions; and (d) the transition and effective date. EITF 07-4 addresses how current period earnings of an MLP should be allocated to the general partner, limited partners, and, when applicable, the holder of IDRs when applying the two-class method under Statement 128. EITF 07-4 applies to MLPs that are required to make incentive distributions when certain thresholds have been met regardless of whether the IDR is a separate limited partner interest or embedded in the general partner interest. EITF 07-4 only addresses incentive distributions that are treated as equity distributions and does not address whether the incentive distributions are compensation or equity distributions. Specifically, if IDRs are separate from the general partner interest, then they are considered separate participating securities for purposes of applying the two-class method of determining EPS. Under this situation, the two-class method is used to determine EPS for the general partner interest, limited partner interest and the IDR holders interest. EITF 07-4 provides that when earnings for the period exceed distributions, the excess undistributed earnings are to be allocated to the general partner, limited partners and holders of the IDRs based on the terms of the partnership agreement related to the allocation of income. When distributions for the period exceed earnings, the income is first allocated equal to the actual distributions. The resulting deficit is allocated to the general partner, limited partners and holders of the IDRs based on the terms of the partnership agreement related to the allocation of losses. EITF 07-4 is effective with the first fiscal year beginning after December 15, 2008, including interim periods within those fiscal years, and requires retrospective application of the guidance to all periods presented. Early application is prohibited. Accordingly, we are required to record and disclose EPS information following existing GAAP until January 1, 2009. While the actual impact of EITF 07-4 will depend on each specific period s earnings and distributions, the principles established in such EITF differ significantly from the present method used to compute earnings per unit when earnings exceed distributions. Depending on the actual earnings achieved, the impact of EITF 07-4 on the computation of our earnings per limited partner unit may be significant. Had we applied EITF 07-4 basic earnings per limited partner unit would have been $0.94 and $3.32 for the three and nine months ended September 30, 2008, respectively. Diluted earnings per limited partner unit would have been $0.94 and $3.31 for the three and nine months ended September 30, 2008, respectively.

FASB Staff Position No. EITF 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities* (FSP EITF 03-6-1). FSP EITF 03-6-1 was issued by the FASB on June 16, 2008. FSP EITF 03-6-1 clarifies that unvested share-based payment awards constitute participating securities, if such awards include nonforfeitable rights to dividends or dividend equivalents. Consequently, awards that are deemed to be participating securities must be allocated earnings in the computation of earnings per share under the two-class method. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. We intend to adopt FSP EITF 03-6-1 effective January 1, 2009. Based on unvested unit awards currently outstanding, application of FSP EITF 03-6-1 would not have a material impact on our computation of earnings per unit.

FASB Staff Position (FSP) SFAS 157-2, *Effective Date of FASB Statement No. 157 (FSP 157-2)*. FSP 157-2 defers the effective date of SFAS 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years, for all nonfinancial assets and nonfinancial liabilities, except for items that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). As allowed under FSP 157-2, we have not applied the provisions of SFAS 157 to our nonfinancial assets and liabilities measured at fair value, which include impaired nonfinancial assets and certain assets and liabilities acquired in business combinations. We are currently evaluating the impact of our adoption of FSP 157-2 effective January 1, 2009 on our consolidated financial statements. Although our adoption of FSP 157-2 on January 1, 2009, may require additional disclosure, we do not expect an impact to our financial condition or results of operations.

3. SIGNIFICANT ACQUISITIONS AND JOINT VENTURES:

Joint Ventures

Midcontinent Express Pipeline LLC

On December 13, 2006, we entered into an agreement with Kinder Morgan Energy Partners, L.P. (KMP) for a 50/50 joint development of Midcontinent Express Pipeline, an approximately 500-mile interstate natural gas pipeline that will originate near Bennington, Oklahoma, be routed through Perryville, Louisiana, and terminate at an interconnect with Transco s interstate natural gas pipeline in Butler, Alabama, which is currently pending necessary regulatory approvals. On February 14, 2007, Midcontinent Express Pipeline LLC (MEP), the entity formed to own and operate this pipeline, initiated public review of the project pursuant to the Federal Energy Regulatory Commission s (FERC) National Environmental Policy Act (NEPA) pre-filing review process. MEP filed its application with the FERC for a Certificate of Public Convenience and Necessity in October, 2007. In June 2008, the FERC issued an order approving this application. Mobilization for construction of this pipeline commenced in September 2008. The first phase of the pipeline is expected to be in service by the second quarter of 2009 and the second phase of the pipeline is expected to be in service by the third quarter of 2009. Total capital expenditures for the initial capacity of this project are estimated to be approximately $1.7 billion. In July 2008, MEP completed an open season with respect to a capacity expansion of MEP from the original planned capacity of 1.5 Bcf/d to a total capacity of 1.8 Bcf/d for the main segment of the pipeline from north Texas to a planned interconnect location with the Columbia Gas Transmission Pipeline near Waverly, Louisiana. The additional 300 MMcf/d of capacity was fully subscribed as a result of this open season. The planned expansion of capacity would be effectuated through the installation of additional compression on this segment of the pipeline and is expected to cost $0.2 billion. This expansion project is subject to MEP s filing of an application with, and approval from, the FERC.

ETP Enogex Partners LLC

In September 2008, we entered into an agreement with OGE Energy Corp. (OGE) to form a joint venture entity to which OGE would contribute its Enogex midstream business and we would contribute our 100% equity interest in Transwestern Pipeline Company, our 50% equity interest in MEP and 100% of our interests in the Canyon Gathering System. The joint venture entity, ETP Enogex Partners LLC (ETP Enogex Partners), will be jointly owned and managed by us and OGE on a 50/50 basis. The parties are contractually obligated to take various actions to facilitate an initial public offering of ETP Enogex Partners as a master limited partnership following the closing of the transaction, including the creation of a master limited partnership structure pursuant to which we and OGE would each own 50% of the general partner entity that would be entitled to receive incentive distribution payments from ETP Enogex Partners.

The completion of the joint venture transaction is subject to obtaining specified financings on satisfactory terms, customary regulatory approvals and various third-party consents. In this regard, the agreement related to this transaction specifies that it is a condition to the obligations of each of us and OGE to consummate the joint venture transaction that ETP Enogex Partners obtain debt financings consisting of (i) the issuance by ETP Enogex Partners of a minimum of $700.0 million of senior notes having a 10-year maturity, (ii) the issuance by Transwestern Pipeline Company of $800.0 million of senior notes having a 10-year maturity and (iii) the arranging of a minimum of $700.0 million revolving credit facility for ETP Enogex Partners, in each case

satisfying specified financing terms. If these financings are completed, ETP Enogex Partners would use the proceeds to repay Transwestern Pipeline Company s existing senior notes and its outstanding indebtedness to ETP, to repay Enogex s credit facility and its outstanding indebtedness to OGE, and to make a $266.0 million cash distribution to OGE. In such event, we would expect to receive approximately $600.0 million as repayment of the outstanding indebtedness owed to us by Transwestern Pipeline Company, which payment would significantly enhance our capital position.

Enogex operates a pipeline system engaged in natural gas gathering, compression, treating, dehydration, processing, transportation and storage. The Enogex system, located principally in Oklahoma, includes approximately 2,300 miles of natural gas transmission pipe and two storage facilities with total 2007 throughput of 1.52 Bcf/d, connecting to 11 different intrastate and interstate pipelines at 64 interconnection points. The storage fields have working gas capacity of 23 Bcf. Enogex has 175,000 horsepower of transmission compression. The Enogex gathering system has more than 5,534 miles of pipeline with connections to approximately 3,100 wells and 250 central receipt points, plus six active processing plants, with 723 MMcf/d of inlet capacity, and a 50% interest in an additional processing plant with 20 MMcf/d of inlet capacity. Enogex has 225,000 horsepower of owned gathering and processing compression.

Fayetteville Express Pipeline, LLC

In October, 2008, we entered into an agreement with KMP for a 50/50 joint development of Fayetteville Express Pipeline, an approximately 187-mile natural gas pipeline that will originate in Conway County, Arkansas, continue eastward through White County, Arkansas and terminate at an interconnect with Trunkline Gas Company in Quitman County, Mississippi. Fayetteville Express Pipeline, LLC (FEP), the entity formed to own and operate this pipeline, plans to initiate public review of the project pursuant to the FERC s NEPA pre-filing review process in November 2008. The pipeline will have an initial capacity of 2.0 Bcf/d. Pending necessary regulatory approvals, the approximately $1.3 billion pipeline project is expected to be in service by late 2010 or early 2011. FEP has secured binding 10-year commitments for transportation of approximately 1.85 Bcf/d. The new pipeline will interconnect with Natural Gas Pipeline Company of America (NGPL) in White County, Arkansas, Texas Gas Transmission in Coahoma County, Mississippi, and ANR Pipeline Company in Quitman County, Mississippi. NGPL is operated and partially owned by Knight, Inc. Knight owns the general partner of KMP.

Canyon Acquisition

In October 2007, we acquired the Canyon Gathering System midstream business of Canyon Gas Resources, LLC from Cantera Resources Holdings, LLC (the Canyon acquisition) for $305.2 million in cash, subject to working capital adjustments as defined in the purchase and sale agreement. The Canyon Gathering System has over 400,000 dedicated acres under long-term contracts. The Canyon assets include a gathering system in the Piceance-Uinta Basin which consists of over 1,300 miles of 2-inch to 16-inch pipe with a projected capacity of over 300 MMcf/d, as well as six conditioning plants for NGL extraction and gas treatment with a processing capacity of 90 MMcf/d. Some of the largest U.S. producers are active in the area and are major customers of the system. The results of the Canyon Gathering System are included in our midstream segment since the acquisition date.

The Canyon acquisition was accounted for under the purchase method of accounting in accordance with FASB Statement No. 141, *Business Combinations*, (SFAS 141). The purchase price was initially allocated based on the estimated fair values of the assets acquired and liabilities assumed at the date of the acquisition. We completed the purchase price allocation during the third quarter of 2008. The adjustments to the purchase price allocation were not material. The final allocations of the purchase price are noted below:

Accounts receivable	$ 3,613
Inventory	183
Prepaid and other current assets	1,606
Property, plant, and equipment	284,910
Contract rights and customer lists (6 to 15 year life)	6,351
Goodwill	11,359
Total assets acquired	308,022
Accounts payable	(1,840)
Customer advances and deposits	(1,030)
Total liabilities assumed	(2,870)

Net assets acquired	$ 305,152

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The Canyon acquisition was not material for pro forma disclosure purposes.

Other

In March 2008 we made a purchase price adjustment for a contingent payment associated with a natural gas gathering system in north Texas purchased in September 2006. The purchase and sale agreement had a contingent payment not to exceed $25.0 million which was to be determined eighteen months after the closing date. The contingent payment of $8.7 million was recorded as an adjustment to goodwill in the midstream segment.

4. CASH, CASH EQUIVALENTS AND SUPPLEMENTAL CASH FLOW INFORMATION:

At times, our cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit.

Net cash provided by operating activities is comprised of the following:

	Nine Months Ended September 30, 2008	August 31, 2007
Net income	$ 715,057	$ 605,107
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	191,757	145,353
Amortization in interest expense	4,240	3,222
Provision for loss on accounts receivable	4,734	3,839
Non-cash executive compensation	937	
Non-cash unit-based compensation expense	14,338	7,307
Deferred income taxes	(3,781)	(4,148)
(Gain) loss on disposal of assets	(1,584)	8,254
Distributions in excess of equity in earnings (losses) of affiliates, net	4,723	(274)
Minority interests and other		237
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	214,348	(21,283)
Accounts receivable from related companies	(3,063)	(5,662)
Inventories	58,412	308,638
Deposits paid to vendors	(38,328)	33,737
Prepaid expenses and other	(36,188)	10,890
Intangibles and other long-term assets	(16,074)	(3,263)
Regulatory assets	(15,587)	663
Accounts payable	(149,801)	(77,660)
Accounts payable to related companies	(10,970)	17,472
Customer advances and deposits	63,795	(20,870)
Accrued and other current liabilities	17,891	(18,484)
Other long-term liabilities	1,295	(1,253)
Price risk management liabilities, net	6,434	(53,542)
Net cash provided by operating activities	$ 1,022,585	$ 938,280

Non-cash investing and financing activities and supplemental cash flow information are as follows:

	Nine Months Ended September 30, 2008	Nine Months Ended August 31, 2007
NON-CASH INVESTING ACTIVITIES:		
Transfer of investment in affiliate in purchase of Transwestern	$	$ 956,348
Investment in Calpine Corporation received in exchange for accounts receivable	$ 10,826	$
NON-CASH FINANCING ACTIVITIES:		
Long-term debt assumed and non-compete agreement notes payable issued in acquisitions	$ 4,686	$ 533,625
Issuance of Common Units in connection with certain acquisitions	$ 2,278	$
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid for interest, net of $24,331 and $18,713 capitalized for the nine months ended September 30, 2008 and August 31, 2007, respectively	$ 203,578	$ 162,298
Cash paid for income taxes	$ 10,340	$ 5,546

5. ACCOUNTS RECEIVABLE:

Accounts receivable consisted of the following:

	September 30, 2008	December 31, 2007
Midstream and intrastate transportation and storage	$ 460,831	$ 612,533
Interstate transportation	24,289	31,676
Propane	120,015	183,516
Less - allowance for doubtful accounts	(6,323)	(5,698)
Total, net	$ 598,812	$ 822,027

We exchanged a portion of our outstanding accounts receivable from Calpine Energy Services, L.P. for Calpine Corporation (Calpine) common stock during the first quarter of 2008 pursuant to a settlement reached with Calpine related to their bankruptcy reorganization. The stock is included as marketable securities which are classified as available-for-sale securities and reflected as a current asset on the condensed consolidated balance sheet as of September 30, 2008 at a fair value of $8.6 million.

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6. INVENTORIES:

Inventories consisted of the following:

	September 30, 2008	December 31, 2007
Natural gas and NGLs, excluding propane	$ 189,125	$ 268,148
Propane	95,952	74,309
Appliances, parts and fittings and other	21,824	19,497
Total inventories	$ 306,901	$ 361,954

7. GOODWILL, INTANGIBLES AND OTHER LONG-TERM ASSETS:

Components and useful lives of intangibles and other long-term assets were as follows:

	September 30, 2008		December 31, 2007	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortizable intangible assets:				
Noncompete agreements (5 to 15 years)	$ 39,875	$ (23,144)	$ 34,855	$ (19,438)
Customer lists (3 to 15 years)	143,431	(36,440)	139,097	(26,821)
Contract rights (6 to 15 years)	23,015	(3,270)	23,015	(1,849)
Other (10 years)	2,677	(2,049)	2,677	(1,463)
Total amortizable intangible assets	208,998	(64,903)	199,644	(49,571)
Non-amortizable assets - Trademarks	72,148		70,339	
Total intangible assets	281,146	(64,903)	269,983	(49,571)
Other long-term assets:				
Financing costs (3 to 15 years)	55,165	(15,020)	42,432	(10,578)
Regulatory assets	91,292	(5,081)	73,687	(2,623)
Other	44,586		26,808	
Total intangibles and other long-term assets	$ 472,189	$ (85,004)	$ 412,910	$ (62,772)

Aggregate amortization expense of intangible and other long-term assets was as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2008	August 31, 2007	September 30, 2008	August 31, 2007
Reported in depreciation and amortization	$ 4,391	$ 4,200	$ 13,011	$ 12,589
Reported in interest expense	$ 1,590	$ 1,264	$ 4,442	$ 3,757

Estimated aggregate amortization expense for the next five years is as follows:

Years Ending December 31:	
2008 (remainder)	$ 6,643
2009	25,611
2010	23,692
2011	22,254
2012	20,216

We review amortizable intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. If such a review should indicate that the carrying

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amount of amortizable intangible assets is not recoverable, we reduce the carrying amount of such assets to fair value. We review goodwill and non-amortizable intangible assets for impairment annually, or more frequently if circumstances dictate. Our annual impairment test is performed as of December 31 for our interstate segment and as of August 31 for all others. No impairment was required for the three and nine-month periods ended September 30, 2008 or August 31, 2007.

8. INCOME TAXES:

The components of our federal and state income tax provision are summarized as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2008	August 31, 2007	September 30, 2008	August 31, 2007
Current provision (benefit):				
Federal	$ (7,826)	$ 917	$ (1,192)	$ 4,745
State	5,072	3,515	13,856	9,463
Total	(2,754)	4,432	12,664	14,208
Deferred provision (benefit):				
Federal	(4,915)	(2,026)	(4,091)	(4,667)
State	519	796	181	521
Total	(4,396)	(1,230)	(3,910)	(4,146)
Total tax provision	$ (7,150)	$ 3,202	$ 8,754	$ 10,062
Effective tax rate	(3.34)%	2.29%	1.21%	1.63%

The effective tax rate differs from the statutory rate due primarily to Partnership earnings that are not subject to federal and state income taxes at the Partnership level.

9. INCOME PER LIMITED PARTNER UNIT:

A reconciliation of net income and weighted average units used in computing basic and diluted earnings per unit is as follows:

	Three Months Ended		Nine Months Ended	
	September 30, 2008	August 31, 2007	September 30, 2008	August 31, 2007
Net income	$ 221,048	$ 136,527	$ 715,057	$ 605,107
Adjustments:				
General Partner s equity ownership	(4,421)	(2,731)	(14,301)	(12,102)
General Partner s incentive distributions	(75,831)	(59,315)	(219,298)	(170,473)
Limited Partners interest in net income	140,796	74,481	481,458	422,532
Additional earnings allocation to General Partner	(861)		(37,456)	(40,054)
Net income available to limited partners	$ 139,935	$ 74,481	$ 444,002	$ 382,478

Weighted average limited partner units basic		149,839,499		136,980,931		145,160,079		136,978,832
Basic net income per limited partner unit	$	0.93	$	0.54	$	3.06	$	2.79
Weighted average limited partner units		149,839,499		136,980,931		145,160,079		136,978,832
Dilutive effect of Unit Grants		408,695		254,878		455,009		252,824
Weighted average limited partner units, assuming dilutive effect of Unit Grants		150,248,194		137,235,809		145,615,088		137,231,656
Diluted net income per limited partner unit	$	0.93	$	0.54	$	3.05	$	2.79

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10. DEBT OBLIGATIONS:

Our debt obligations consisted of the following:

	September 30, 2008	December 31, 2007	Payment Terms
ETP Senior Notes:			
6.0% Senior Notes, net of discount of $607	$ 349,393	$	One payment of $350,000 due July 13, 2013. Interest is paid semi-annually.
6.7% Senior Notes, net of discount of $1,703	598,297		One payment of $600,000 due July 2, 2018. Interest is paid semi-annually.
7.5% Senior Notes, net of discount of $5,717	544,283		One payment of $550,000 due July 1, 2038. Interest is paid semi-annually.
6.125% Senior Notes, net of discount of $302 and $322, respectively	399,698	399,678	One payment of $400,000 due February 15, 2017. Interest is paid semi-annually.
6.625% Senior Notes, net of discount of $2,211 and $2,231, respectively	397,789	397,769	One payment of $400,000 due October 15, 2036. Interest is paid semi-annually.
5.95% Senior Notes, net of discount of $1,582 and $1,733, respectively	748,418	748,267	One payment of $750,000 due February 1, 2015. Interest is paid semi-annually.
5.65% Senior Notes, net of discount of $246 and $288, respectively	399,754	399,712	One payment of $400,000 due August 1, 2012. Interest is paid semi-annually.
Transwestern Senior Unsecured Notes:			
5.39% Senior Notes, including premium of $3,644 and $4,077, respectively	91,644	92,077	One payment of $88,000 due November 17, 2014. Interest is paid semi-annually.
5.54% Senior Notes, net of discount of $4,462 and $4,855, respectively	120,538	120,145	One payment of $125,000 due November 17, 2016. Interest is paid semi-annually.
5.64% Senior Notes	82,000	82,000	One payment due May 24, 2017. Interest is paid semi-annually.
5.89% Senior Notes	150,000	150,000	One payment due May 24, 2022. Interest is paid semi-annually.
6.16% Senior Notes	75,000	75,000	One payment due May 24, 2037. Interest is paid semi-annually.
HOLP Senior Secured Notes:			
8.55% Senior Secured Notes	36,000	48,000	Annual payments of $12,000 due each June 30 through 2011. Interest is paid semi-annually.
Medium Term Note Program: 7.17% Series A Senior Secured Notes	4,800	4,800	Annual payments of $2,400 due each November 19 through 2009. Interest is paid semi-annually.
7.26% Series B Senior Secured Notes	10,000	10,000	Annual payments of $2,000 due each November 19 through 2012. Interest is paid semi-annually.
Senior Secured Promissory Notes: 8.55% Series B Senior Secured Notes	9,143	13,714	Annual payments of $4,571 due each August 15 through 2010. Interest is paid quarterly.
8.59% Series C Senior Secured Notes	11,500	15,500	Annual payments of $4,000 due August 15, 2008, and $5,750 due each August 15, 2009 and 2010. Interest is paid quarterly.

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8.67% Series D Senior Secured Notes	45,550	58,000	Annual payments of $12,450 due August 15, 2008 and 2009, $7,700 due August 15, 2010, $12,450 due August 15, 2011, and $12,950 due August 15, 2012. Interest is paid quarterly.
8.75% Series E Senior Secured Notes	7,000	7,000	Annual payments of $1,000 due each August 15, 2009 through 2015. Interest is paid quarterly.
8.87% Series F Senior Secured Notes	40,000	40,000	Annual payments of $3,636 due each August 15, 2010 through 2020. Interest is paid quarterly.
7.21% Series G Senior Secured Notes		3,800	Paid and retired in May 2008.
7.89% Series H Senior Secured Notes	5,818	6,545	Annual payments of $727 due each May 15 through 2016. Interest is paid quarterly.
7.99% Series I Senior Secured Notes	16,000	16,000	One payment of $16,000 due May 15, 2013. Interest is paid quarterly.
Revolving Credit Facilities:			
ETP Revolving Credit Facility (including Swingline loan option)	1,387,785	1,626,948	Available through June 2012. See terms below under ETP Credit Facility .
HOLP Fourth Amended and Restated Senior Revolving Credit Facility	10,000	15,000	Available through June 30, 2011. See terms below under HOLP Credit Facility .
Other Long-Term Debt:			
Notes payable on noncompete agreements with interest imputed at rates averaging 7.775% and 5.51 % for September 30, 2008 and December 31, 2007, respectively	11,863	11,171	Due in installments through 2014.
Other	2,871	3,174	Due in installments through 2024.
	5,555,144	4,344,300	
Current maturities	(45,660)	(47,036)	
	$ 5,509,484	$ 4,297,264	

Future maturities of long-term debt for each of the next five years and thereafter are as follows:

2008 (remainder)	$ 5,380
2009	55,459
2010	40,656
2011	34,336
2012	1,810,555
Thereafter	3,608,758
	$ 5,555,144

ETP 2008 Senior Notes

In March 2008, we issued a total of $1.5 billion aggregate principal amount of Senior Notes comprised of $350.0 million of 6.00% Senior Notes due 2013, $600.0 million of 6.70% Senior Notes due 2018, and $550.0 million of 7.50% Senior Notes due 2038 (collectively, the ETP 2008 Senior Notes). The Partnership may redeem some or all of the ETP 2008 Senior Notes at any time, or from time to time, pursuant to the terms of

the indenture. We used the proceeds of approximately $1.48 billion (net of bond discounts of $8.2 million and other offering costs of $10.8 million) from the issuance of the ETP 2008 Senior Notes to repay other indebtedness.

The ETP 2008 Senior Notes were issued under an indenture containing covenants, which, among other things, restrict our ability to, subject to certain exceptions, incur debt secured by liens, engage in sale and leaseback transactions or merge or consolidate with another entity or sell substantially all of our assets. The ETP 2008 Senior Notes are unsecured obligations of the Partnership and the obligation of the Partnership to repay the ETP Senior Notes is not guaranteed by any of the Partnership s subsidiaries. As a result, the ETP 2008 Senior Notes effectively rank junior to any future indebtedness of ours or our subsidiaries that is both secured and unsubordinated to the extent of the value of the assets securing such indebtedness, and the ETP 2008 Senior Notes effectively rank junior to all indebtedness and other liabilities of our existing and future subsidiaries.