

NuStar Energy L.P.
Form 10-Q
November 09, 2007
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2007

OR

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

For the transition period from _____ to _____

Commission File Number 1-16417

NUSTAR ENERGY L.P.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

2330 North Loop 1604 West

San Antonio, Texas

74-2956831
(I.R.S. Employer

Identification No.)

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(Address of principal executive offices)

78248

(Zip Code)

Telephone number: (210) 918-2000

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. The definition of accelerated filer and large accelerated filer is in Rule 12b-2 of the Securities Exchange Act. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

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The number of common units outstanding as of November 1, 2007 was 46,809,749.

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NUSTAR ENERGY L.P. AND SUBSIDIARIES

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****NUSTAR ENERGY L.P. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(Thousands of Dollars, Except Unit Data)

	September 30, 2007 (Unaudited)	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	\$ 76,371	\$ 68,838
Accounts receivable, net of allowance for doubtful accounts of \$462 and \$1,220 as of September 30, 2007 and December 31, 2006, respectively	124,118	105,976
Receivable from related party	1,126	
Inventories	33,214	16,979
Other current assets	33,062	21,205
Total current assets	267,891	212,998
Property and equipment, at cost	2,866,120	2,694,358
Accumulated depreciation and amortization	(426,151)	(349,223)
Property and equipment, net	2,439,969	2,345,135
Intangible assets, net	49,442	53,532
Goodwill	786,221	774,441
Investment in joint ventures	78,503	74,077
Deferred income tax asset	11,503	11,342
Deferred charges and other assets, net	19,076	22,683
Total assets	\$ 3,652,605	\$ 3,494,208
Liabilities and Partners Equity		
Current liabilities:		
Current portion of long-term debt	\$ 614	\$ 647
Payable to related party		2,315
Notes payable	1,247	
Accounts payable	89,559	86,307
Accrued interest payable	11,278	17,528
Accrued liabilities	39,018	37,651
Taxes other than income taxes	12,856	10,219
Income taxes payable	3,717	2,068
Total current liabilities	158,289	156,735
Long-term debt, less current portion	1,513,497	1,353,720
Long-term payable to related party	5,700	5,749
Deferred income tax liability	36,330	32,926
Other long-term liabilities	65,621	69,397

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Commitments and contingencies (Note 5)

Partners' equity:

Limited partners (46,809,749 common units outstanding as of September 30, 2007 and December 31, 2006)	1,806,535	1,830,047
General partner	39,091	38,815
Accumulated other comprehensive income	27,542	6,819
Total partners' equity	1,873,168	1,875,681
Total liabilities and partners' equity	\$ 3,652,605	\$ 3,494,208

See Condensed Notes to Consolidated Financial Statements.

Table of Contents**NUSTAR ENERGY L.P. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****(Unaudited, Thousands of Dollars, Except Unit and Per Unit Data)**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2007	2006	2007	2006
Revenues:				
Services revenues:				
Third parties	\$ 185,979	\$ 92,679	\$ 503,321	\$ 267,613
Related party		69,209		194,298
Total services revenues	185,979	161,888	503,321	461,911
Product sales	208,563	129,135	508,551	383,084
Total revenues	394,542	291,023	1,011,872	844,995
Costs and expenses:				
Cost of product sales	199,023	117,759	475,011	350,260
Operating expenses:				
Third parties	68,823	57,753	191,762	164,168
Related party	23,158	24,749	66,875	68,559
Total operating expenses	91,981	82,502	258,637	232,727
General and administrative expenses:				
Third parties	7,819	3,425	21,287	9,556
Related party	8,299	7,963	27,320	20,767
Total general and administrative expenses	16,118	11,388	48,607	30,323
Depreciation and amortization expense	29,534	24,994	84,736	74,022
Total costs and expenses	336,656	236,643	866,991	687,332
Operating income	57,886	54,380	144,881	157,663
Equity earnings from joint ventures	1,613	1,464	4,970	4,514
Interest expense, net	(19,381)	(16,606)	(57,687)	(48,906)
Other income, net	14,666	1,317	38,915	1,276
Income from continuing operations before income tax expense (benefit)	54,784	40,555	131,079	114,547
Income tax expense (benefit)	3,571	(614)	9,046	1,997
Income from continuing operations	51,213	41,169	122,033	112,550
Loss from discontinued operations, net of income tax				(377)
Net income	51,213	41,169	122,033	112,173
Less net income applicable to general partner	(5,842)	(4,310)	(15,414)	(12,550)
Net income applicable to limited partners	\$ 45,371	\$ 36,859	\$ 106,619	\$ 99,623
Weighted average number of basic units outstanding	46,809,749	46,809,749	46,809,749	46,809,749

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Income (loss) per unit applicable to limited partners:

Continuing operations	\$	0.97	\$	0.79	\$	2.28	\$	2.14
Discontinued operations								(0.01)
Net income	\$	0.97	\$	0.79	\$	2.28	\$	2.13
Cash distributions per unit applicable to limited partners	\$	0.985	\$	0.915	\$	2.850	\$	2.685

See Condensed Notes to Consolidated Financial Statements.

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NUSTAR ENERGY L.P. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, Thousands of Dollars)

	Nine Months Ended September 30,	
	2007	2006
Cash Flows from Operating Activities:		
Net income	\$ 122,033	\$ 112,173
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	84,736	74,022
Equity earnings from joint ventures	(4,970)	(4,601)
Distributions from joint ventures	544	4,052
Changes in current assets and current liabilities (Note 9)	(43,096)	3,517
Other, net	(12,405)	(7,184)
Net cash provided by operating activities	146,842	181,979
Cash Flows from Investing Activities:		
Reliability capital expenditures	(23,554)	(21,334)
Strategic and other capital expenditures	(146,876)	(48,981)
Acquisition		(12,827)
Investment in other noncurrent assets	(62)	(9,404)
Proceeds from sale of assets	4,784	70,192
Proceeds from sale of net profit interest in coal mine	7,250	
Proceeds from insurance settlement	250	3,661
Distributions in excess of equity earnings from joint ventures		