MAGELLAN MIDSTREAM PARTNERS LP
Form 10-Q
October 31, 2014

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, 2014

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 No.: 1-16335

Magellan Midstream Partners, L.P.
(Exact name of registrant as specified in its charter)

Delaware	73-1599053
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

One Williams Center, P.O. Box 22186, Tulsa, Oklahoma 74121-2186
(Address of principal executive offices and zip code)
(918) 574-7000
(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 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 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.

Large accelerated filer x Accelerated filer £ Non-accelerated filer £ 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

As of October 30, 2014, there were 227,068,257 outstanding limited partner units of Magellan Midstream Partners, L.P. that trade on the New York Stock Exchange under the ticker symbol "MMP."

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FINANCIAL INFORMATION

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PART I
FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

MAGELLAN MIDSTREAM PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF INCOME
(In thousands, except per unit amounts)
(Unaudited)

	Three Months Ended September 30,				Nine Months Ended September 30,		
	2013		2014		2013		2014
Transportation and terminals revenue	$295,326		$360,517		$805,059		$1,031,722
Product sales revenue	144,852		155,865		504,485		589,585
Affiliate management fee revenue	3,657		5,219		10,624		15,346
Total revenue	443,835		521,601		1,320,168		1,636,653
Costs and expenses:							
Operating	103,262		132,387		245,858		330,758
Cost of product sales	120,299		91,591		396,025		398,734
Depreciation and amortization	35,270		38,054		105,788		122,462
General and administrative	32,755		35,377		96,073		109,621
Total costs and expenses	291,586		297,409		843,744		961,575
Earnings of non-controlled entities	2,375		1,645		5,162		4,066
Operating profit	154,624		225,837		481,586		679,144
Interest expense	31,852		34,993		95,295		108,674
Interest income	(215)		(374)		(250)		(1,171)
Interest capitalized	(3,780)		(9,205)		(10,474)		(21,358)
Debt placement fee amortization expense	540		566		1,620		1,767
Income before provision for income taxes	126,227		199,857		395,395		591,232
Provision for income taxes	604		1,237		3,165		3,798
Net income	$125,623		$198,620		$392,230		$587,434
Basic net income per limited partner unit	$0.55		$0.87		$1.73		$2.59
Diluted net income per limited partner unit	$0.55	0.85	$0.87	2.57	$1.73	0.85	$2.58
Weighted average number of limited partner units outstanding used for basic net income per unit calculation	226,866		227,294		226,812		227,242
Weighted average number of limited partner units outstanding used for diluted net income per unit calculation	226,866	227,826	227,830	227,421	226,812	227,826	227,422

See notes to consolidated financial statements.

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MAGELLAN MIDSTREAM PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited, in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2014	2013	2014
Net income	$125,623	$198,620	$392,230	$587,434
Other comprehensive income:				
Derivative activity:				
Net loss on cash flow hedges(1)	(36)	(1,830)	(4,596)	(5,443)
Reclassification of net loss (gain) on cash flow hedges to income(1)	(41)	119	4,285	(60)
Changes in employee benefit plan assets and benefit obligations recognized in other comprehensive income:				
Net actuarial loss	(367)	—	(367)	—
Amortization of prior service credit(2)	(852)	(928)	(2,554)	(2,751)
Amortization of actuarial loss(2)	1,343	985	4,027	3,001
Settlement cost(2)	—	30	—	1,599
Total other comprehensive income (loss)	47	(1,624)	795	(3,654)
Comprehensive income	$125,670	$196,996	$393,025	$583,780

(1) See Note 9–Derivative Financial Instruments for details of the amount of gain/loss recognized in accumulated other comprehensive loss ("AOCL") on derivatives and the amount of gain/loss reclassified from AOCL into income.
(2) These AOCL components are included in the computation of net periodic pension cost (see Note 7–Employee Benefit Plans).

See notes to consolidated financial statements.

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MAGELLAN MIDSTREAM PARTNERS, L.P.
CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 31, 2013	September 30, 2014 (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$25,235	$14,853
Trade accounts receivable	116,295	106,495
Other accounts receivable	6,462	11,160
Inventory	187,224	202,475
Energy commodity derivatives contracts, net	—	27,757
Energy commodity derivatives deposits	14,782	133
Other current assets	46,735	39,107
Total current assets	396,733	401,980
Property, plant and equipment	4,986,750	5,174,107
Less: Accumulated depreciation	1,070,492	1,182,361
Net property, plant and equipment	3,916,258	3,991,746
Investments in non-controlled entities	360,852	736,172
Long-term receivables	2,730	29,815
Goodwill	53,260	53,260
Other intangibles (less accumulated amortization of $8,809 and $10,847 at December 31, 2013 and September 30, 2014, respectively)	7,290	5,252
Debt placement costs (less accumulated amortization of $9,113 and $8,386 at December 31, 2013 and September 30, 2014, respectively)	17,505	18,650
Tank bottom inventory	61,915	64,221
Other noncurrent assets	4,269	10,300
Total assets	$4,820,812	$5,311,396
LIABILITIES AND PARTNERS' CAPITAL		
Current liabilities:		
Accounts payable	$76,326	$84,636
Accrued payroll and benefits	42,243	41,574
Accrued interest payable	44,935	44,361
Accrued taxes other than income	38,574	45,170
Environmental liabilities	12,147	12,209
Deferred revenue	63,164	70,648
Accrued product purchases	63,033	54,449
Energy commodity derivatives contracts, net	6,737	—
Current portion of long-term debt	249,971	—
Other current liabilities	41,146	40,606
Total current liabilities	638,276	393,653
Long-term debt	2,435,316	3,003,707
Long-term pension and benefits	51,637	41,133
Other noncurrent liabilities	21,802	29,443
Environmental liabilities	26,339	25,105
Commitments and contingencies		
Partners' capital:		

Limited partner unitholders (226,679 units and 227,068 units outstanding at December 31, 2013 and September 30, 2014, respectively)	1,666,946	1,841,513
Accumulated other comprehensive loss	(19,504)	(23,158)
Total partners’ capital	1,647,442	1,818,355
Total liabilities and partners' capital	$4,820,812	$5,311,396

See notes to consolidated financial statements.

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MAGELLAN MIDSTREAM PARTNERS, L.P.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Nine Months Ended September 30, 2013	2014
Operating Activities:		
Net income	$392,230	$587,434
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	105,788	122,462
Debt placement fee amortization expense	1,620	1,767
Loss on sale and retirement of assets	4,269	4,830
Earnings of non-controlled entities	(5,162)	(4,066)
Distributions from investments in non-controlled entities	1,907	2,398
Equity-based incentive compensation expense	14,499	17,731
Changes in employee benefit plan assets and benefit obligations	1,473	1,849
Changes in operating assets and liabilities:		
Trade accounts receivable and other accounts receivable	(11,094)	10,929
Inventory	13,403	(15,251)
Energy commodity derivatives contracts, net of derivatives deposits	(8,887)	(17,540)
Accounts payable	956	6,483
Accrued payroll and benefits	5,782	(669)
Accrued interest payable	(4,885)	(574)
Accrued taxes other than income	5,306	6,596
Accrued product purchases	(2,347)	(8,584)
Deferred revenue	21,511	7,484
Current and noncurrent environmental liabilities	(10,767)	(1,172)
Other current and noncurrent assets and liabilities	590	(8,792)
Net cash provided by operating activities	526,192	713,315
Investing Activities:		
Property, plant and equipment:		
Additions to property, plant and equipment	(289,669)	(237,240)
Proceeds from sale and disposition of assets	2,414	264
Increase (decrease) in accounts payable related to capital expenditures	(29,768)	2,477
Acquisition of business	(57,000)	—
Acquisition of assets	(22,500)	—
Investments in non-controlled entities	(181,377)	(378,220)
Distributions in excess of earnings of non-controlled entities	604	3,918
Net cash used by investing activities	(577,296)	(608,801)
Financing Activities:		
Distributions paid	(349,087)	(417,238)
Net commercial paper borrowings	—	315,967
Net borrowings under revolver	98,400	—
Borrowings under long-term notes	—	257,713
Payments on notes	—	(250,000)
Debt placement costs	—	(2,912)
Net payment on financial derivatives	—	(3,613)

Settlement of tax withholdings on long-term incentive compensation	(12,259)	(14,813)
Net cash used by financing activities	(262,946)	(114,896)
Change in cash and cash equivalents	(314,050)	(10,382)
Cash and cash equivalents at beginning of period	328,278	25,235
Cash and cash equivalents at end of period	$14,228	$14,853
Supplemental non-cash investing and financing activities:		
Issuance of limited partner units in settlement of equity-based incentive plan awards	$6,404	$7,315

See notes to consolidated financial statements.

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MAGELLAN MIDSTREAM PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization, Description of Business and Basis of Presentation

Organization

Unless indicated otherwise, the terms “our,” “we,” “us” and similar language refer to Magellan Midstream Partners, L.P. together with its subsidiaries. We are a Delaware limited partnership and our limited partner units are traded on the New York Stock Exchange under the ticker symbol “MMP.” Magellan GP, LLC, a wholly-owned Delaware limited liability company, serves as our general partner.

Description of Business

We are principally engaged in the transportation, storage and distribution of refined petroleum products and crude oil. As of September 30, 2014, our asset portfolio, including the assets of our joint ventures, consisted of:

- our refined products segment, including our 9,500-mile refined products pipeline system with 54 terminals as well as 27 independent terminals not connected to our pipeline system and our 1,100-mile ammonia pipeline system;
- our crude oil segment, comprised of approximately 1,600 miles of crude oil pipelines and storage facilities with an aggregate storage capacity of approximately 20 million barrels, of which 12 million barrels is used for leased storage. BridgeTex Pipeline Company, LLC ("BridgeTex") began commercial service in September 2014 and is now included in the pipeline miles and storage capacity amounts of our crude oil segment; and
- our marine storage segment, consisting of five marine terminals located along coastal waterways with an aggregate storage capacity of approximately 27 million barrels.

Products transported, stored and distributed through our pipelines and terminals include:

- refined products, which are the output from refineries and are primarily used as fuels by consumers. Refined products include gasoline, diesel fuel, aviation fuel, kerosene and heating oil. Collectively, diesel fuel and heating oil are referred to as distillates;
- liquefied petroleum gases, or LPGs, which are produced as by-products of the crude oil refining process and in connection with natural gas production. LPGs include butane and propane;
- blendstocks, which are blended with refined products to change or enhance their characteristics such as increasing a gasoline's octane or oxygen content. Blendstocks include alkylates, oxygenates and natural gasoline;
- heavy oils and feedstocks, which are used as burner fuels or feedstocks for further processing by refineries and petrochemical facilities. Heavy oils and feedstocks include No. 6 fuel oil and vacuum gas oil;
- crude oil and condensate, which are used as feedstocks by refineries and petrochemical facilities;
- biofuels, such as ethanol and biodiesel, which are increasingly required by government mandates; and

- ammonia, which is primarily used as a nitrogen fertilizer.

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MAGELLAN MIDSTREAM PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Except for ammonia, we use the term petroleum products to describe any, or a combination, of the above-noted products.

Basis of Presentation

In the opinion of management, our accompanying consolidated financial statements which are unaudited, except for the consolidated balance sheet as of December 31, 2013 which is derived from our audited financial statements, include all normal and recurring adjustments necessary to present fairly our financial position as of September 30, 2014, the results of operations for the three and nine months ended September 30, 2013 and 2014 and cash flows for the nine months ended September 30, 2013 and 2014. The results of operations for the nine months ended September 30, 2014 are not necessarily indicative of the results to be expected for the full year ending December 31, 2014 as profits from our blending activities are realized mostly during the first and fourth quarters of each year. Additionally, gasoline demand, which drives transportation volumes and revenues on our pipeline systems, generally trends higher during the summer driving months.

Pursuant to the rules and regulations of the Securities and Exchange Commission, the financial statements in this report do not include all of the information and notes normally included with financial statements prepared in accordance with accounting principles generally accepted in the United States. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013.

2. Product Sales Revenue

The amounts reported as product sales revenue on our consolidated statements of income include revenue from the physical sale of petroleum products and from mark-to-market adjustments from New York Mercantile Exchange ("NYMEX") contracts. We use NYMEX contracts to hedge against changes in the price of refined products we expect to sell from our business activities in which we acquire or produce petroleum products. Some of these NYMEX contracts could qualify for hedge accounting treatment, and when the contracts are so designated we account for these as either cash flow or fair value hedges. The effective portion of the fair value changes in contracts designated as cash flow hedges are recognized as adjustments to product sales when the hedged product is physically sold. Ineffectiveness in the contracts designated as cash flow hedges is recognized as an adjustment to product sales in the period the ineffectiveness occurs. We account for NYMEX contracts that do not qualify for hedge accounting treatment as economic hedges, with the period changes in fair value recognized as product sales, except for those agreements that economically hedge the inventories associated with our pipeline system overages (the period changes in the fair value of these agreements are charged to operating expense). See Note 9 – Derivative Financial Instruments for further disclosures regarding our NYMEX contracts.

MAGELLAN MIDSTREAM PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For the three and nine months ended September 30, 2013 and 2014, product sales revenue included the following (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2014	2013	2014
Physical sale of petroleum products	$146,887	$108,320	$500,347	$555,870
NYMEX contract adjustments:				
Change in value of NYMEX contracts that did not qualify for hedge accounting treatment and the effective portion of gains and losses of matured NYMEX contracts that qualified for hedge accounting treatment associated with our butane blending and fractionation activities(1)	(2,035)	47,546	4,149	33,703
Other	—	(1)	(11)	12
Total NYMEX contract adjustments	(2,035)	47,545	4,138	33,715
Total product sales revenue	$144,852	$155,865	$504,485	$589,585

(1) The associated petroleum products for these activities are, to the extent still owned as of the statement date, or were, to the extent no longer owned as of the statement date, classified as inventory in current assets on our consolidated balance sheets.

3. Segment Disclosures

Our reportable segments are strategic business units that offer different products and services. Our segments are managed separately because each segment requires different marketing strategies and business knowledge. Management evaluates performance based on segment operating margin, which includes revenue from affiliates and external customers, operating expenses, cost of product sales and earnings of non-controlled entities. Transactions between our business segments are conducted and recorded on the same basis as transactions with third-party entities. We believe that investors benefit from having access to the same financial measures used by management. Operating margin, which is presented in the following tables, is an important measure used by management to evaluate the economic performance of our core operations. Operating margin is not a generally accepted accounting principles ("GAAP") measure, but the components of operating margin are computed using amounts that are determined in accordance with GAAP. A reconciliation of operating margin to operating profit, which is its nearest comparable GAAP financial measure, is included in the tables below. Operating profit includes depreciation and amortization expense and general and administrative ("G&A") expenses that management does not consider when evaluating the core profitability of our separate operating segments.

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MAGELLAN MIDSTREAM PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Three Months Ended September 30, 2013 (in thousands)				
	Refined Products	Crude Oil	Marine Storage	Intersegment Eliminations	Total
Transportation and terminals revenue	$205,859	$49,519	$39,948	$—	$295,326
Product sales revenue	143,549	—	1,303	—	144,852
Affiliate management fee revenue	—	3,369	288	—	3,657
Total revenue	349,408	52,888	41,539	—	443,835
Operating expenses	82,174	4,034	17,813	(759)	103,262
Cost of product sales	120,429	—	(130)	—	120,299
Earnings of non-controlled entities	—	(1,770)	(605)	—	(2,375)
Operating margin	146,805	50,624	24,461	759	222,649
Depreciation and amortization expense	21,851	5,538	7,122	759	35,270
G&A expenses	22,741	5,100	4,914	—	32,755
Operating profit	$102,213	$39,986	$12,425	$—	$154,624

	Three Months Ended September 30, 2014 (in thousands)				
	Refined Products	Crude Oil	Marine Storage	Intersegment Eliminations	Total
Transportation and terminals revenue	$237,972	$78,839	$43,706	$—	$360,517
Product sales revenue	155,134	—	731	—	155,865
Affiliate management fee revenue	—	4,902	317	—	5,219
Total revenue	393,106	83,741	44,754	—	521,601
Operating expenses	101,206	14,375	17,691	(885)	132,387
Cost of product sales	91,407	—	184	—	91,591
Earnings of non-controlled entities	—	(959)	(686)	—	(1,645)
Operating margin	200,493	70,325	27,565	885	299,268
Depreciation and amortization expense	23,050	6,918	7,201	885	38,054
G&A expenses	22,600	7,635	5,142	—	35,377
Operating profit	$154,843	$55,772	$15,222	$—	$225,837

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MAGELLAN MIDSTREAM PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Nine Months Ended September 30, 2013 (in thousands)				
	Refined Products	Crude Oil	Marine Storage	Intersegment Eliminations	Total
Transportation and terminals revenue	$573,615	$113,905	$117,539	$—	$805,059
Product sales revenue	499,285	—	5,200	—	504,485
Affiliate management fee revenue	—	9,767	857	—	10,624
Total revenue	1,072,900	123,672	123,596	—	1,320,168
Operating expenses	194,911	13,168	40,060	(2,281)	245,858
Cost of product sales	393,187	—	2,838	—	396,025
Earnings of non-controlled entities	—	(3,255)	(1,907)	—	(5,162)
Operating margin	484,802	113,759	82,605	2,281	683,447
Depreciation and amortization expense	64,428	18,111	20,968	2,281	105,788
G&A expenses	67,235	14,142	14,696	—	96,073
Operating profit	$353,139	$81,506	$46,941	$—	$481,586

	Nine Months Ended September 30, 2014 (in thousands)				
	Refined Products	Crude Oil	Marine Storage	Intersegment Eliminations	Total
Transportation and terminals revenue	$680,697	$226,298	$124,727	$—	$1,031,722
Product sales revenue	585,178	—	4,407	—	589,585
Affiliate management fee revenue	—	14,399	947	—	15,346
Total revenue	1,265,875	240,697	130,081	—	1,636,653
Operating expenses	249,665	35,300	48,321	(2,528)	330,758
Cost of product sales	397,980	—	754	—	398,734
Earnings of non-controlled entities	—	(1,667)	(2,399)	—	(4,066)
Operating margin	618,230	207,064	83,405	2,528	911,227
Depreciation and amortization expense	78,305	20,106	21,523	2,528	122,462
G&A expenses	70,993	21,326	17,302	—	109,621
Operating profit	$468,932	$165,632	$44,580	$—	$679,144
	As of September 30, 2014				
Segment assets	$2,849,397	$1,732,464	$638,948	$—	$5,220,809
Corporate assets					90,587
Total assets					$5,311,396

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4. Investments in Non-Controlled Entities

We own a 50% interest in Texas Frontera, LLC ("Texas Frontera"), which owns approximately one million barrels of refined products storage at our Galena Park, Texas terminal. The storage capacity owned by this joint venture is leased to an affiliate of Texas Frontera under a long-term lease agreement. We receive management fees from Texas Frontera, which we report as affiliate management fee revenue on our consolidated statements of income.

We own a 50% interest in Osage Pipe Line Company, LLC ("Osage"), which owns a 135-mile crude oil pipeline in Oklahoma and Kansas that we operate. We receive management fees from Osage, which we report as affiliate management fee revenue on our consolidated statements of income.

We own a 50% interest in Double Eagle Pipeline LLC ("Double Eagle"), which transports condensate from the Eagle Ford shale formation in South Texas via a 195-mile pipeline to our terminal in Corpus Christi, Texas. Double Eagle is operated by an affiliate of the other 50% member of Double Eagle. In addition to our equity ownership in Double Eagle, we receive throughput revenue from Double Eagle that is included in our transportation and terminals revenue on our consolidated statements of income. For the three months ended September 30, 2013 and 2014, we received throughput revenue of $0.5 million and $0.7 million, respectively. For the nine months ended September 30, 2013 and 2014, we received throughput revenue of $0.8 million and $2.0 million, respectively. We recognized a $0.2 million and $0.3 million trade accounts receivable from Double Eagle at December 31, 2013 and September 30, 2014, respectively.

We own a 50% interest in BridgeTex, which owns a 450-mile pipeline with related infrastructure to transport crude oil from Colorado City, Texas for delivery to the Houston Gulf Coast area. BridgeTex began commercial service to the Houston Gulf Coast region during September 2014. We receive management fees from BridgeTex, which we report as affiliate management fee revenue on our consolidated statements of income.

We received $4.8 million from BridgeTex in 2013 as a deposit for the purchase of emission reduction credits, which were necessary for the operation of BridgeTex's tanks in East Houston, Texas. In second quarter 2014, we transferred these emission reduction credits to BridgeTex and recorded $2.4 million as a reduction of operating expense. We recorded the remaining $2.4 million as an adjustment to our investment in BridgeTex, which we are amortizing to earnings of non-controlled entities over the weighted average depreciable lives of the BridgeTex assets. Also during 2013, we received $1.4 million from BridgeTex for the purchase of easement rights from us, of which $0.7 million was recorded as a reduction of operating expense and $0.7 million was recorded as an adjustment to our investment in BridgeTex, which we are amortizing to earnings of non-controlled entities over the weighted average depreciable lives of the BridgeTex assets.

The operating results from Texas Frontera are included in our marine storage segment and the operating results from Osage, Double Eagle and BridgeTex are included in our crude oil segment as earnings of non-controlled entities.

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MAGELLAN MIDSTREAM PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

A summary of our investments in non-controlled entities follows (in thousands):

	BridgeTex	All Others	Consolidated
Investments at December 31, 2013	$246,875	$113,977	$360,852
Additional investment	368,869	9,351	378,220
Other adjustment to investment	—	(650)	(650)
Earnings of non-controlled entities:			
Proportionate share of earnings	9	4,620	4,629
Amortization of excess investment and capitalized interest	—	(563)	(563)
Earnings of non-controlled entities	9	4,057	4,066
Less:			
Distributions of earnings from investments in non-controlled entities	—	2,398	2,398
Distributions in excess of earnings of non-controlled entities	—	3,918	3,918
Investments at September 30, 2014	$615,753	$120,419	$736,172

Summarized financial information of our non-controlled entities as of and for the nine months ended September 30, 2014 follows (in thousands):

	BridgeTex	All Others	Consolidated
Current assets	$67,027	$19,419	$86,446
Noncurrent assets	1,043,761	198,027	1,241,788
Total assets	$1,110,788	$217,446	$1,328,234
Current liabilities	99,808	10,739	110,547
Noncurrent liabilities	—	99	99
Total liabilities	$99,808	$10,838	$110,646
Equity	$1,010,980	$206,608	$1,217,588
Revenue	$428	$27,346	$27,774
Net income	$17	$9,241	$9,258

5. Business Combinations

During 2013, we acquired certain refined petroleum products pipelines and terminals from Plains All American Pipeline, L.P. We have accounted for this acquisition as a business combination under the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") 805, Business Combinations. The acquisition was completed in two parts, as follows:

- New Mexico/Texas System. In July 2013, we acquired approximately 250 miles of common carrier pipeline that transports refined petroleum products from El Paso, Texas north to Albuquerque, New Mexico and

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MAGELLAN MIDSTREAM PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

transports products south to the United States–Mexico border for delivery within Mexico via a third-party pipeline for $57.0 million. We funded this acquisition with cash on hand.

- Rocky Mountain System. In November 2013, we acquired approximately 550 miles of common carrier pipeline that distributes refined petroleum products in Colorado, South Dakota and Wyoming for $135.0 million. The system includes four terminals with nearly 1.7 million barrels of storage. We funded this acquisition primarily with proceeds from our $300.0 million debt offering we completed in October 2013.

We completed our valuation process of this 2013 business combination during the second quarter of 2014, and there were no changes to our preliminary purchase price allocation amounts since December 31, 2013 (as reported in our 2013 annual report on Form 10-K).

6. Inventory

Inventory at December 31, 2013 and September 30, 2014 was as follows (in thousands):

	December 31, 2013	September 30, 2014
Refined products	$77,144	$32,206
Liquefied petroleum gases	23,476	75,600
Transmix	72,156	77,344
Crude oil	7,188	11,718
Additives	7,260	5,607
Total inventory	$187,224	$202,475

7. Employee Benefit Plans

We sponsor two union pension plans for certain union employees and a pension plan primarily for salaried employees, a postretirement benefit plan for selected employees and a defined contribution plan. The following tables present our consolidated net periodic benefit costs related to the pension and postretirement benefit plans for the three and nine months ended September 30, 2013 and 2014 (in thousands):

	Three Months Ended September 30, 2013		Three Months Ended September 30, 2014	
	Pension Benefits	Other Post-Retirement Benefits	Pension Benefits	Other Post-Retirement Benefits
Components of net periodic benefit costs:				
Service cost	$3,476	$72	$3,348	$57
Interest cost	1,342	103	1,332	126

Expected return on plan assets	(1,556)	—	(1,588)	—
Amortization of prior service cost (credit)[1]	76	(928)	—	(928)
Amortization of actuarial loss[1]	1,084	259	756	229
Settlement cost[1]	—	—	30	—
Net periodic benefit cost (credit)	$4,422	$(494)	$3,878	$(516)

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MAGELLAN MIDSTREAM PARTNERS, L.P.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2014