Regency Energy Partners LP
Form 10-Q
November 09, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010

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: 000-51757

REGENCY ENERGY PARTNERS LP

(Exact name of registrant as specified in its charter)

DELAWARE	**16-1731691**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification No.)**
2001 BRYAN STREET, SUITE 3700	
DALLAS, TX	**75201**
(Address of principal executive offices)	**(Zip Code)**

(214) 750-1771

(Registrant s telephone number, including area code)

NONE

(Former name, former address and former fiscal year, if changed since last report.)

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. x Yes ¨ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes ¨ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and small reporting company in Rule 12b-2 of the Exchange Act.

x Large accelerated filer	¨ Accelerated filer
¨ Non-accelerated filer (Do not check if a smaller reporting company)	¨ Smaller reporting company

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

The issuer had 137,217,801 common units outstanding as of November 1, 2010.

Introductory Statement

References in this report to the Partnership, we, our, us and similar terms, when used in an historical context, refer to Regency Energy Partners LP, and to Regency Gas Services LLC, all the outstanding member interests of which were contributed to the Partnership on February 3, 2006, and its subsidiaries. When used in the present tense or prospectively, these terms refer to the Partnership and its subsidiaries. We use the following definitions in this quarterly report on Form 10-Q:

Name	Definition or Description
Bcf/d	One billion cubic feet per day
BTU	A unit of energy needed to raise the temperature of one pound of water by one degree Fahrenheit
CDM	CDM Resource Management LLC, a 100 percent owned subsidiary of the Partnership
EFS Haynesville	EFS Haynesville, LLC, a 100 percent owned subsidiary of GECC
Enterprise GP	Enterprise GP Holdings, LP
ETC II	ETC Midcontinent Express Pipeline II L.L.C., a 100 percent owned subsidiary of ETE
ETC III	ETC Midcontinent Express Pipeline III L.L.C., a 100 percent owned subsidiary of ETE
ETE	Energy Transfer Equity, L.P.
ETE GP	ETE GP Acquirer LLC
ETP	Energy Transfer Partners, L.P., a 100 percent owned subsidiary of ETE
FASB	Financial Accounting Standards Board
FERC	Federal Energy Regulatory Commission
Finance Corp.	Regency Energy Finance Corp., a 100 percent owned subsidiary of the Partnership
GAAP	Accounting principles generally accepted in the United States
GE	General Electric Company
GECC	General Electric Capital Corporation, an indirect wholly owned subsidiary of GE
GE EFS	General Electric Energy Financial Services, a unit of GECC, together with Regency GP Acquirer LP and Regency LP Acquirer LP
General Partner	Regency GP LP, the general partner of the Partnership, or Regency GP LLC, the general partner of Regency GP LP, which effectively manages the business and affairs of the Partnership through Regency Employees Management LLC
GP Seller	Regency GP Acquirer, L.P.
HPC	RIGS Haynesville Partnership Co., a general partnership that owns 100 percent of RIG
IDRs	Incentive Distribution Rights
LIBOR	London Interbank Offered Rate
LTIP	Long-Term Incentive Plan
MEP	Midcontinent Express Pipeline LLC
MMbtu/d	One million BTUs per day
MMcf	One million cubic feet
MMcf/d	One million cubic feet per day
NGLs	Natural gas liquids, including ethane, propane, normal butane, iso butane and natural gasoline
NGPA	Natural Gas Policy Act of 1978
NYMEX	New York Mercantile Exchange
Partnership	Regency Energy Partners LP
Regency Midcon	Regency Midcontenent Express LLC, a 100 percent owned subsidiary of the Partnership
RFS	Regency Field Services LLC, a wholly-owned subsidiary of the Partnership
RGS	Regency Gas Services LP, a wholly-owned subsidiary of the Partnership
RIG	Regency Intrastate Gas LP, a wholly-owned subsidiary of HPC, which was converted from Regency Intrastate Gas LLC upon HPC formation
RIGS	Regency Intrastate Gas System
SEC	Securities and Exchange Commission
WTI	West Texas Intermediate Crude
Zephyr	Zephyr Gas Services, LP, acquired by the Partnership on September 1, 2010 and became Regency Zephyr LLC

Cautionary Statement about Forward-Looking Statements

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

volatility in the price of oil, natural gas, and natural gas liquids;

declines in the credit markets and the availability of credit for us as well as for producers connected to our pipelines and our gathering and processing facilities, and for customers of our contract serviced business;

the level of creditworthiness of, and performance by, our counterparties and customers;

our ability to access capital to fund organic growth projects and acquisitions, including our ability to obtain debt or equity financing on satisfactory terms;

our use of derivative financial instruments to hedge commodity and interest rate risks;

the amount of collateral required to be posted from time-to-time in our transactions;

changes in commodity prices, interest rates and demand for our services;

changes in laws and regulations impacting the midstream sector of the natural gas industry, including those that relate to climate change and environmental protection;

weather and other natural phenomena;

industry changes including the impact of consolidations and changes in competition;

regulation of transportation rates on our natural gas pipelines;

our ability to obtain required approvals for construction or modernization of our facilities and the timing of production from such facilities; and

- the effect of accounting pronouncements issued periodically by accounting standard setting boards.

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

Other factors that could cause our actual results to differ from our projected results are discussed in Item 1A of our December 31, 2009 Annual Report on Form 10-K.

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

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

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

Regency Energy Partners LP

Condensed Consolidated Balance Sheets

(in thousands except unit data)

	Successor September 30, 2010	Predecessor December 31, 2009
	(unaudited)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 4,035	$ 9,827
Restricted cash		1,511
Trade accounts receivable, net of allowance of $575 and $1,130	35,702	30,433
Accrued revenues	67,377	95,240
Related party receivables	24,273	6,222
Derivative assets	10,528	24,987
Other current assets	10,499	10,556
Total current assets	152,414	178,776
Property, Plant and Equipment:		
Gathering and transmission systems	516,751	465,959
Compression equipment	771,893	823,060
Gas plants and buildings	186,785	159,596
Other property, plant and equipment	104,016	162,433
Construction-in-progress	85,760	95,547
Total property, plant and equipment	1,665,205	1,706,595
Less accumulated depreciation	(33,193)	(250,160)
Property, plant and equipment, net	1,632,012	1,456,435
Other Assets:		
Investment in unconsolidated subsidiaries	1,316,565	453,120
Long-term derivative assets	443	207
Other, net of accumulated amortization of debt issuance costs of $2,255 and $10,743	32,579	19,468
Total other assets	1,349,587	472,795
Intangible Assets and Goodwill:		
Intangible assets, net of accumulated amortization of $8,229 and $33,929	768,920	197,294
Goodwill	789,789	228,114
Total intangible assets and goodwill	1,558,709	425,408
TOTAL ASSETS	$ 4,692,722	$ 2,533,414

LIABILITIES & PARTNERS CAPITAL AND NONCONTROLLING INTEREST

Current Liabilities:		
Drafts payable	$ 8,848	$
Trade accounts payable	57,794	44,912
Accrued cost of gas and liquids	69,745	76,657
Related party payables	3,208	2,312
Deferred revenues, including related party amounts of $0 and $338	17,529	11,292
Derivative liabilities	5,839	12,256
Escrow payable		1,511
Other current liabilities	30,334	12,368
Total current liabilities	193,297	161,308
Long-term derivative liabilities	47,305	48,903
Other long-term liabilities	8,617	14,183
Long-term debt, net	995,322	1,014,299
Commitments and contingencies		
Series A convertible redeemable preferred units, redemption amount of $83,891 and $83,891	70,896	51,711
Partners Capital and Noncontrolling Interest:		
Common units (138,219,061 and 94,243,886 units authorized; 137,161,078 and 93,188,353 units issued and outstanding at September 30, 2010 and December 31, 2009)	3,011,448	1,211,605
General partner interest	334,300	19,249
Accumulated other comprehensive loss		(1,994)
Noncontrolling interest	31,537	14,150
Total partners capital and noncontrolling interest	3,377,285	1,243,010
TOTAL LIABILITIES AND PARTNERS CAPITAL AND NONCONTROLLING INTEREST	$ 4,692,722	$ 2,533,414

See accompanying notes to condensed consolidated financial statements

Regency Energy Partners LP

Condensed Consolidated Statements of Operations

Unaudited

(in thousands except unit data and per unit data)

	Successor Three Months Ended September 30, 2010	Predecessor Three Months Ended September 30, 2009
REVENUES		
Gas sales, including related party amounts of $1,680 and $0	132,130	$ 96,384
NGL sales, including related party amounts of $51,062 and $0	91,489	60,447
Gathering, transportation and other fees, including related party amounts of $5,680 and $3,823	72,184	65,402
Net realized and unrealized (loss) gain from derivatives	(6,218)	11,372
Other, including related party amounts of $1,111 and $0	7,303	5,335
Total revenues	296,888	238,940
OPERATING COSTS AND EXPENSES		
Cost of sales, including related party amounts of $4,768 and $4,575	213,032	149,444
Operation and maintenance	34,306	28,720
General and administrative, including related party amounts of $2,500 and $0	18,072	14,126
Loss (gain) on asset sales, net	200	(109)
Depreciation and amortization	32,205	24,549
Total operating costs and expenses	297,815	216,730
OPERATING (LOSS) INCOME	(927)	22,210
Income from unconsolidated subsidiaries	21,754	3,532
Interest expense, net	(20,379)	(22,090)
Other income and deductions, net	7,524	(13,929)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	7,972	(10,277)
Income tax expense (benefit)	450	(196)
INCOME (LOSS) FROM CONTINUING OPERATIONS	$ 7,522	$ (10,081)
DISCONTINUED OPERATIONS		
Net income (loss) from operations of east Texas assets, including gain on disposal of $20 in 2010	324	(462)
NET INCOME (LOSS)	$ 7,846	$ (10,543)
Net (income) loss attributable to noncontrolling interest	(58)	39
NET INCOME (LOSS) ATTRIBUTABLE TO REGENCY ENERGY PARTNERS LP	$ 7,788	$ (10,504)
Amounts attributable to Series A convertible redeemable preferred units	1,991	1,996
General partner s interest, including IDRs	1,166	372
Amount allocated to non-vested common units		(134)

Limited partners interest in net income (loss)	$	4,631	$	(12,738)
Basic and diluted income (loss) from continuing operations per unit:				
Amount allocated to common units	$	4,314	$	(12,288)
Weighted average number of common units outstanding		128,387,929		80,637,783
Basic and diluted income (loss) from continuing operations per common unit	$	0.03	$	(0.15)
Distributions paid per unit	$	0.445	$	0.445
Basic and diluted income (loss) on discontinued operations per unit:	$	0.00	$	(0.01)
Basic and diluted net income (loss) per unit:				
Amount allocated to common units	$	4,631	$	(12,738)
Basic and diluted net income (loss) per common unit	$	0.04	$	(0.16)

See accompanying notes to condensed consolidated financial statements

Regency Energy Partners LP

Condensed Consolidated Statements of Operations

Unaudited

(in thousands except unit data and per unit data)

	Successor Period from Acquisition (May 26, 2010) to September 30, 2010	Predecessor Period from January 1, 2010 to May 25, 2010	Nine Months Ended September 30, 2009
REVENUES			
Gas sales, including related party amounts of $2,127, $0, and $0	$ 179,371	$ 228,097	$ 348,237
NGL sales, including related party amounts of $69,116, $0, and $0	117,529	152,803	158,054
Gathering, transportation and other fees, including related party amounts of $7,766, $12,200, and $8,300	94,755	114,526	205,532
Net realized and unrealized (loss) gain from derivatives	(6,348)	(716)	35,976
Other, including related party amounts of $1,111, $0, and $0	8,561	10,340	13,128
Total revenues	393,868	505,050	760,927
OPERATING COSTS AND EXPENSES			
Cost of sales, including related party amounts of $7,049, $6,564, and $6,275	283,206	357,778	478,092
Operation and maintenance	44,708	47,842	90,271
General and administrative, including related party amounts of $3,333, $0, and $0	25,176	37,212	43,331
Loss (gain) on asset sales, net	210	303	(133,388)
Depreciation and amortization	42,750	41,784	73,924
Total operating costs and expenses	396,050	484,919	552,230
OPERATING (LOSS) INCOME	(2,182)	20,131	208,697
Income from unconsolidated subsidiaries	29,875	15,872	5,455
Interest expense, net	(28,460)	(36,321)	(55,720)
Other income and deductions, net	4,003	(3,897)	(13,673)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	3,236	(4,215)	144,759
Income tax expense (benefit)	695	404	(611)
INCOME (LOSS) FROM CONTINUING OPERATIONS	$ 2,541	$ (4,619)	$ 145,370
DISCONTINUED OPERATIONS			
Net income (loss) from operations of east Texas assets, including gain on disposal of $20 in 2010	410	(327)	(1,534)
NET INCOME (LOSS)	$ 2,951	$ (4,946)	$ 143,836
Net income attributable to noncontrolling interest	(87)	(406)	(61)
NET INCOME (LOSS) ATTRIBUTABLE TO REGENCY ENERGY PARTNERS LP	$ 2,864	$ (5,352)	$ 143,775

Amounts attributable to Series A convertible redeemable preferred units		2,659		3,336		1,996
General partner s interest, including IDRs		1,969		662		4,646
Amount allocated to non-vested common units				(79)		1,083
Beneficial conversion feature for Class D common units						820
Limited partners interest in net (loss) income	$	(1,764)	$	(9,271)	$	135,230
Basic and diluted (loss) income from continuing operations per unit:						
Amount allocated to common units	$	(2,165)	$	(8,966)	$	136,721
Weighted average number of common units outstanding		125,916,507		92,788,319		79,498,936
Basic (loss) income from continuing operations per common unit	$	(0.02)	$	(0.10)	$	1.72
Diluted (loss) income from continuing operations per common unit	$	(0.02)	$	(0.10)	$	1.71
Distributions paid per unit	$	0.445	$	0.89	$	1.335
Basic and diluted income (loss) on discontinued operations per unit:	$	0.00	$	(0.00)	$	(0.02)
Basic and diluted net income (loss) per unit:						
Amount allocated to common units	$	(1,764)	$	(9,271)	$	135,230
Basic net (loss) income per common unit	$	(0.01)	$	(0.10)	$	1.70
Diluted net (loss) income per common unit	$	(0.01)	$	(0.10)	$	1.69
Amount allocated to Class D common units	$		$		$	820
Total number of Class D common units outstanding						7,276,506
Income per Class D common unit due to beneficial conversion feature	$		$		$	0.11
Distributions paid per unit	$		$		$	

See accompanying notes to condensed consolidated financial statements

Regency Energy Partners LP

Condensed Consolidated Statements of Comprehensive Income (Loss)

Unaudited

(in thousands)

	Three Months Ended September 30, 2010 and 2009	
	Successor	Predecessor
	Three Months Ended September 30, 2010	Three Months Ended September 30, 2009
Net income (loss)	$ 7,846	$ (10,543)
Net hedging amounts reclassified to earnings		(11,470)
Net change in fair value of cash flow hedges		(2,144)
Comprehensive income (loss)	$ 7,846	$ (24,157)
Comprehensive income (loss) attributable to noncontrolling interest	58	(39)
Comprehensive income (loss) attributable to Regency Energy Partners LP	$ 7,788	$ (24,118)

	Nine Months Ended September 30, 2010		
	Successor	Predecessor	
	Period from Acquisition (May 26, 2010) to September 30, 2010	Period from January 1, 2010 to May 25, 2010	Nine Months Ended September 30, 2009
Net income (loss)	$ 2,951	$ (4,946)	$ 143,836
Net hedging amounts reclassified to earnings		2,145	(39,364)
Net change in fair value of cash flow hedges		18,486	(11,385)
Comprehensive income	$ 2,951	$ 15,685	$ 93,087
Comprehensive income attributable to noncontrolling interest	87	406	61
Comprehensive income attributable to Regency Energy Partners LP	$ 2,864	$ 15,279	$ 93,026

See accompanying notes to condensed consolidated financial statements

Regency Energy Partners LP

Condensed Consolidated Statements of Cash Flows

Unaudited

(in thousands)

	Successor	Predecessor	
	Period from Acquisition (May 26, 2010) to September 30, 2010	Period from January 1, 2010 to May 25, 2010	Nine Months Ended September 30, 2009
OPERATING ACTIVITIES			
Net income (loss)	$ 2,951	$ (4,946)	$ 143,836
Adjustments to reconcile net income to net cash flows provided by operating activities:			
Depreciation and amortization, including debt issuance cost amortization and bond premium amortization	44,767	49,363	85,666
Write-off of debt issuance costs		1,780	
Income from unconsolidated subsidiaries	(29,875)	(15,872)	(5,455)
Derivative valuation changes	14,837	12,004	3,040
Loss (gain) on asset sales, net	190	303	(133,389)
Unit-based compensation expenses	440	12,070	4,361
Cash flow changes in current assets and liabilities:			
Trade accounts receivable, accrued revenues, and related party receivables	13,307	(11,272)	32,121
Other current assets	903	2,516	14,478
Trade accounts payable, accrued cost of gas and liquids, related party payables and deferred revenues	(30,026)	8,649	(48,629)
Other current liabilities	(8,186)	22,614	5,628
Distributions received from unconsolidated subsidiaries	29,875	12,446	5,187
Other assets and liabilities	(701)	(234)	269
Net cash flows provided by operating activities	38,482	89,421	107,113
INVESTING ACTIVITIES			
Capital expenditures	(88,202)	(63,787)	(163,889)
Capital contribution to unconsolidated subsidiaries	(38,922)	(20,210)	
Distribution in excess of earnings of unconsolidated subsidiaries	50,262		
Acquisition of investment in unconsolidated subsidiary, net of cash received	12,848	(75,114)	(63,000)
Acquisition of Zephyr, net of $1,983 cash	(191,313)		
Proceeds from asset sales	70,302	10,661	100,103
Net cash flows used in investing activities	(185,025)	(148,450)	(126,786)
FINANCING ACTIVITIES			
Net (repayments) borrowings under revolving credit facility	(243,651)	199,008	(160,627)
Proceeds from issuance of senior notes, net of discount			236,240
Debt issuance costs	(148)	(15,728)	(12,121)
Drafts payable	8,848		
Partner contributions	19,724		
Partner distributions	(55,251)	(86,078)	(109,118)

Acquisition of assets between entities under common control in excess of historical cost		(16,973)	
Distributions to noncontrolling interest		(1,135)	
Proceeds from option exercises	221	120	
Proceeds from equity issuances, net of issuance costs	399,872	(89)	76,800
Distributions to redeemable convertible preferred units	(1,945)	(1,945)	
Tax withholding on unit-based vesting	(76)	(4,994)	
Net cash flows provided by financing activities	127,594	72,186	31,174
Net change in cash and cash equivalents	(18,949)	13,157	11,501
Cash and cash equivalents at beginning of period	22,984	9,827	599
Cash and cash equivalents at end of period	$ 4,035	$ 22,984	$ 12,100
Supplemental cash flow information:			
Non-cash capital expenditures	$ 28,821	$ 18,051	$ 3,342
Issuance of common units for an acquisition	584,436		
Deemed contribution from acquisition of assets between entities under common control	17,152		
Release of escrow payable from restricted cash	1,011	500	
Interest paid, net of amounts capitalized	32,425	5,410	35,258
Income taxes paid	634	378	85
Contribution of RIGS to HPC			261,019

See accompanying notes to condensed consolidated financial statements

Regency Energy Partners LP

Condensed Consolidated Statements of Partners Capital and Noncontrolling Interest

Unaudited

(in thousands except unit data)

	Units	Regency Energy Partners LP				
	Common	**Common Unitholders**	**General Partner Interest**	**Accumulated Other Comprehensive Income (Loss)**	**Noncontrolling Interest**	**Total**
Predecessor						
Balance - December 31, 2009	93,188,353	$ 1,211,605	$ 19,249	$ (1,994)	$ 14,150	$ 1,243,010
Issuance of common units under LTIP, net of forfeitures and tax withholding	152,075	(4,994)				(4,994)
Issuance of common units, net of costs		(89)				(89)
Exercise of common unit options		120				120
Unit-based compensation expenses		12,070				12,070
Accrued distributions to phantom units		(473)				(473)
Acquisition of assets between entities under common control in excess of historical cost			(16,973)			(16,973)
Partner distributions		(84,504)	(1,574)			(86,078)
Distributions to noncontrolling interest					(1,135)	(1,135)
Net (loss) income		(6,014)	662		406	(4,946)
Distributions to Series A convertible redeemable preferred units		(1,906)	(39)			(1,945)
Accretion of Series A convertible redeemable preferred units		(55)				(55)
Net cash flow hedge amounts reclassified to earnings				2,145		2,145
Net change in fair value of cash flow hedges				18,486		18,486
Balance - May 25, 2010	93,340,428	$ 1,125,760	$ 1,325	$ 18,637	$ 13,421	$ 1,159,143
Successor						
Balance - May 26, 2010	93,340,428	$ 2,073,532	$ 304,950	$	$ 31,450	$ 2,409,932
Private placement of common units, net of costs	26,266,791	584,436				584,436
Public sale of common units, net of costs	17,537,500	399,872				399,872
Issuance of common units under LTIP, net of forfeitures and tax withholding	5,559	(76)				(76)
Exercise of common unit options	10,800	221				221
Unit-based compensation expenses		440				440
Acquisition of assets between entities under common control below historical cost			17,152			17,152
Partner distributions		(53,231)	(2,020)			(55,251)
Partner contributions		7,436	12,288			19,724
Accrued distributions to phantom units		(68)				(68)
Net income		895	1,969		87	2,951
		(1,906)	(39)			(1,945)

Distributions to Series A convertible redeemable preferred units						
Accretion of Series A convertible redeemable preferred units		(103)				(103)
Balance - September 30, 2010	137,161,078	$ 3,011,448	$ 334,300	$	$ 31,537	$ 3,377,285

See accompanying notes to condensed consolidated financial statements

Regency Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements

1. Organization and Summary of Significant Accounting Policies

Organization. The unaudited condensed consolidated financial statements presented herein contain the results of Regency Energy Partners LP (the Partnership) and its subsidiaries. The Partnership and its subsidiaries are engaged in the business of gathering, treating, processing, compressing and transporting of natural gas and NGLs.

Basis of Presentation. On May 26, 2010, GP Seller completed the sale of all of the outstanding membership interests of the General Partner pursuant to a Purchase Agreement (the Purchase Agreement) among itself, ETE and ETE GP (the ETE Acquisition). Prior to the closing of the Purchase Agreement, GP Seller, an affiliate of GE EFS, owned all of the outstanding limited partner interests in the General Partner, which is the sole general partner of the Partnership, and all of the member interests in the general partner of the General Partner and, as a result of that position, controlled the Partnership. As a result of this transaction, the outstanding voting interests of the General Partner and control of the Partnership were transferred from GE EFS to ETE. Consequently, control of the General Partner and the Partnership changed. In connection with this change in control, the Partnership s assets and liabilities were adjusted to fair value on the closing date (May 26, 2010) by application of push-down accounting (the Push-down Adjustments).

The Partnership applied the guidance in FASB ASC 820, *Fair Value Measurements and Disclosures*, in determining the fair value of partners capital, which is comprised of the following items:

	At May 26, 2010 (in thousands)
Fair value of limited partners interest, based on the number of outstanding Partnership common units and the trading price on May 26, 2010	$ 2,073,532
Fair value of consideration paid for general partner interest	304,950
Noncontrolling interest	31,450
	$ 2,409,932

The Partnership then developed the fair value of its assets and liabilities, with the assistance of third-party valuation experts, using the guidance in FASB ASC 820, *Fair Value Measurement and Disclosures*. Subsequent to June 30, 2010, the Partnership revised the fair value of its assets and liabilities during the measurement period as follows. The Partnership has evaluated the impact, as a result of the revision of the fair value, to the financial statements as of June 30, 2010 and for the period from May 26, 2010 to June 30, 2010, and concluded that the impact was insignificant.

	($ in thousands)
Working capital	$ (3,286)
Gathering and transmission systems	471,169
Compression equipment	745,838
Gas plants and buildings	116,967
Other property, plant and equipment	100,264
Construction-in-progress	114,146
Other long-term assets	37,694
Investment in unconsolidated subsidiary	739,164
Intangible assets	666,360
Goodwill	789,789
	$ 3,778,105
Less:	

Series A convertible redeemable preferred units		70,793
Fair value of long-term debt		1,239,863
Other long-term liabilities		57,517
Total fair value of partners capital	$	2,409,932

Regency Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

Due to the Push-down Adjustments, the Partnership s unaudited condensed consolidated financial statements and certain footnote disclosures are presented in two distinct periods to indicate the application of two different bases of accounting between the periods presented: (1) the period prior to the acquisition date (May 26, 2010), identified as Predecessor and (2) the period from May 26, 2010 forward, identified as Successor .

The unaudited financial information included in this Form 10-Q has been prepared on the same basis as the audited consolidated financial statements included in the Partnership s Annual Report on Form 10-K for the year ended December 31, 2009. In the opinion of the Partnership s management, such financial information reflects all adjustments necessary for a fair presentation of the financial position and the results of operations for such interim periods in accordance with GAAP. All inter-company items and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with GAAP have been omitted pursuant to the rules and regulations of the SEC.

Use of Estimates. The unaudited condensed consolidated financial statements have been prepared in conformity with GAAP and, of necessity, include the use of estimates and assumptions by management. Actual results could differ from these estimates.

Intangible Assets. Intangible assets, net consist of the following.

Predecessor	**Contracts**	**Customer Relations**	**Trade Names**	**Permits and Licenses**	**Total**
			(in thousands)		
Balance at December 31, 2009	$ 126,332	$ 35,362	$ 30,508	$ 5,092	$ 197,294
Amortization	(3,322)	(817)	(975)	(214)	(5,328)
Balance at May 25, 2010	$ 123,010	$ 34,545	$ 29,533	$ 4,878	$ 191,966

Successor	**Customer Relations**	**Trade Names**	**Total**
		(in thousands)	
Balance at May 26, 2010	$ 600,860	$ 65,500	$ 666,360
Addition	110,789		110,789
Amortization	(7,138)	(1,091)	$ (8,229)
Balance at September 30, 2010	$ 704,511	$ 64,409	$ 768,920

As of September 30, 2010, the amortization periods of customer relations and trade names vary between 20 and 30 years. The expected amortization of the intangible assets for each of the five succeeding years is as follows.

Year ending December 31,	**Total (in thousands)**
2010 (remaining)	$ 7,211
2011	28,843
2012	28,843
2013	28,843
2014	28,843

Recently Issued Accounting Standards. In June 2009, the FASB issued guidance that significantly changed the consolidation model for variable interest entities. The guidance is effective for annual reporting periods that begin after November 15, 2009, and for interim periods within that first annual reporting period. The Partnership determined that this guidance had no impact on its financial position, results of operations or cash flows upon adoption on January 1, 2010.

In January 2010, the FASB issued guidance requiring improved disclosure of transfers in and out of Levels 1 and 2 for an entity s fair value measurements, such requirement becoming effective for interim and annual periods beginning after December 15, 2009. Further, additional disclosure of activities such as purchases, sales, issuances and settlements of items relying on Level 3 inputs will be required, such requirements becoming effective for interim and annual periods beginning after December 15, 2010. The Partnership determined that this guidance with respect to Levels 1, 2 and 3 had no impact on its financial position, results of operations or cash flows upon adoption.

Regency Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

In February 2010, the FASB clarified the type of embedded credit derivative that is exempt from embedded derivative bifurcation requirements. The Partnership evaluated the impact of this update on its accounting for embedded derivatives and determined that it had no impact on its financial position, results of operations or cash flows.

2. Income (Loss) per Limited Partner Unit

On September 2, 2009, the Partnership issued 4,371,586 Series A Convertible Redeemable Preferred Units (Series A Preferred Units). The Series A Preferred Units receive fixed quarterly cash distributions of $0.445 per unit beginning with the quarter ending March 31, 2010. Distributions for the quarters ended September 30, 2009 and December 31, 2009 were accrued, effectively increasing the conversion value of the Series A Preferred Units. Distributions are cumulative, and must be paid before any distributions to the general partner and common unitholders. For the purpose of calculating income per limited partner unit, any form of distributions, whether paid or not, as well as the accretion of the Series A Preferred Units, are treated as a reduction in net income (loss) available to the general partner and limited partner interests.

The following table provides a reconciliation of the numerator and denominator of the basic and diluted income (loss) from continuing operations per common unit computations for the three and nine month periods ended September 30, 2010 and 2009.

	Three Months Ended September 30, 2010 and 2009					
	Successor			Predecessor		
	Three Months Ended September 30, 2010			Three Months Ended September 30, 2009		
	Income (Numerator)	Units (Denominator)	Per-Unit Amount	Income (Numerator)	Units (Denominator)	Per-Unit Amount
	(in thousands except unit and per unit data)					
Basic income (loss) from continuing operations per unit						
Limited Partners interest	$ 4,314	128,387,929	$ 0.03	$ (12,288)	80,637,783	$ (0.15)
Effect of Dilutive Securities						
Restricted (non-vested) common units				(131)		
Common unit options		34,671				
Phantom units		204,960				
Diluted income (loss) from continuing operations per unit	$ 4,314	128,627,560	$ 0.03	$ (12,419)	80,637,783	$ (0.15)

	Nine Months Ended September 30, 2010 and 2009								
	Successor			Predecessor					
	Period from Acquisition (May 26, 2010) to September 30, 2010			Period from January 1, 2010 to Disposition May 25, 2010			Nine Months Ended September 30, 2009		
	Loss (Numerator)	Units (Denominator)	Per-Unit Amount	Loss (Numerator)	Units (Denominator)	Per-Unit Amount	Income (Numerator)	Units (Denominator)	Per-Unit Amount
	(in thousands except unit and per unit data)								

Basic (loss) income from continuing operations per unit									
Limited partners interest	$ (2,165)	125,916,507	$ (0.02)	$ (8,966)	92,788,319	$ (0.10)	$ 136,721	79,498,936	$ 1.72
Effect of Dilutive Securities									
Phantom units								32,692	
Class D common units							820	1,066,155	
Diluted (loss) income from continuing operations	$ (2,165)	125,916,507	$ (0.02)	$ (8,966)	92,788,319	$ (0.10)	$ 137,541	80,597,782	$ 1.71

The following table shows the weighted average outstanding amount of securities that could potentially dilute earnings per unit in the future that were not included in the computation of diluted earnings per unit because to do so would have been antidilutive.

	Successor		Predecessor		
	Three Months Ended September 30, 2010	**Period from Acquisition (May 26, 2010) to September 30, 2010**	**Three Months Ended September 30, 2009**	**Period from January 1, 2010 to Disposition (May 25, 2010)**	**Nine Months Ended September 30, 2009**
Restricted (non-vested) common units				396,918	
Phantom units *		322,602	250,258	369,346	
Common unit options		288,500		298,400	
Convertible redeemable preferred units	4,584,192	4,584,192	1,378,000	4,584,192	464,381

* Amount disclosed assumes maximum conversion rate for market condition awards.

3. Acquisitions and Dispositions

HPC. On April 30, 2010, the Partnership purchased an additional 6.99 percent general partner interest in HPC from EFS Haynesville, bringing its total general partner interest in HPC to 49.99 percent. The purchase price of $92,087,000 was funded by borrowings under the Partnership s revolving credit facility. Because this transaction occurred between two entities under common control, partners capital was decreased by $16,973,000, which represented a deemed distribution of the excess purchase price over EFS Haynesville s carrying amount of $75,114,000.

Regency Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

MEP. On May 26, 2010, the Partnership purchased a 49.9 percent interest in MEP from ETE. The Partnership issued 26,266,791 common units to ETE, valued at $584,436,000, and received a working capital adjustment of $12,848,000 from ETE that was recorded as an adjustment to investment in unconsolidated subsidiaries. Because this transaction occurred between two entities under common control, partners capital was increased by $17,152,000, which represented a deemed contribution of the excess carrying amount of ETE s investment of $588,740,000 over the purchase price. MEP has approximately 500 miles of natural gas pipelines that extend from the southeast corner of Oklahoma, across northeast Texas, northern Louisiana, central Mississippi and into Alabama. In June 2010, the Partnership made an additional capital contribution of $38,922,000 to MEP.

Disposition of East Texas Assets. On July 15, 2010, the Partnership sold its gathering and processing assets located in east Texas for $70,180,000 in cash. The financial result of these assets has been reclassified to discontinued operations in accordance with applicable accounting pronouncements. Following are revenues and income (loss) from discontinued operations:

	Successor		Predecessor		
	Three Months Ended September 30, 2010	Period from May 26, 2010 through September 30, 2010	Three Months Ended September 30, 2009	Period from January 1, 2010 through May 25, 2010	Nine Months Ended September 30, 2009
	(in thousands)		(in thousands)		
Revenues	$ 3,509	$ 9,510	$ 11,642	$ 24,196	$ 33,175
Net income (loss) from discontinued operations	$ 304	$ 390	$ (462)	$ (327)	$ (1,534)

Zephyr. On September 1, 2010, the Partnership completed the acquisition of Zephyr for $193,296,000 in cash. Zephyr owns and operates a fleet of equipment used to provide treating services to its customers who are generally comprised of natural gas producers and midstream pipeline companies. The primary treating services provided include carbon dioxide removal, hydrogen sulfide removal, natural gas cooling, dehydration and BTU management. The Partnership funded this acquisition through borrowings under its existing revolving credit facility. The total preliminary purchase price of $193,296,000 was allocated as follows:

	As of September 1, 2010 (in thousands)
Current assets	$ 9,406
Gas plant and buildings	88,734
Other property, plant and equipment	303
Intangible assets	110,789
	$ 209,232
Deferred revenue	(6,408)
Other current liabilities	(9,528)
	$ 193,296

The following unaudited pro forma financial information has been prepared as if the transactions involving the purchases of 5 and 6.99 percent general partner interest in HPC, purchase of the 49.9 percent interest in MEP, the Push-down Adjustments described in Note 1, and the acquisition of Zephyr occurred as of January 1, 2009. Such unaudited pro forma financial information does not purport to be indicative of the results of operations that would have been achieved if the transactions to which the Partnership is giving pro forma effect actually occurred on January 1, 2009 or the results of operations that may be expected in the future.

Regency Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

	Successor		Predecessor		
	Three Months Ended September 30, 2010	Period from May 26, 2010 through September 30, 2010	Three Months Ended September 30, 2009	Period from January 1, 2010 through May 25, 2010	Nine Months Ended September 30, 2009
	(in thousands except unit and per unit data)		(in thousands except unit and per unit data)		
Revenue	$ 309,608	$ 409,564	$ 245,830	$ 531,135	$ 763,503
Net income (loss) attributable to Regency Energy Partners LP	9,701	5,225	(12,970)	(8,702)	117,077
Less:					
Amounts attributable to Series A Preferred Units	1,991	2,659	1,996	3,336	1,996
General partner s interest, including IDR	1,204	2,016	322	654	4,112
Amount allocated to non-vested common units			(148)	(81)	684
Beneficial conversion feature for Class D common units					820
Limited partners interest in pro forma net income (loss)	$ 6,506	$ 550	$ (15,140)	$ (12,611)	$ 109,465
Basic and diluted pro forma net income (loss) per unit:					
Amount allocated to common units	$ 6,506	$ 550	$ (15,140)	$ (12,611)	$ 109,465
Weighted average number of common units outstanding	128,387,929	125,916,507	80,637,783	92,788,319	79,498,936
Basic pro forma net income (loss) per common unit	$ 0.05	$ 0.00	$ (0.19)	$ (0.14)	$ 1.38
Diluted pro forma net income (loss) per common unit	$ 0.05	$ 0.00	$ (0.19)	$ (0.14)	$ 1.37
Amount allocated to Class D common units	$	$	$	$	$ 820
Total number of Class D common units outstanding					7,276,506
Income per Class D common unit due to beneficial conversion feature	$	$	$	$	$ 0.11
Distributions paid per unit	$	$	$	$	$

4. Partners Capital

On August 11, 2010, the Partnership sold 17,537,500 common units at $23.80 per unit. After deducting underwriting discounts and commissions of $17,187,000 and offering expenses of $334,000, the Partnership received net proceeds of $399,872,000 from this sale. The proceeds from the equity issuance were used to repay borrowings under the Partnership s existing revolving credit facility.

5. Investment in Unconsolidated Subsidiaries

Investment in HPC. HPC was established in March 2009 and as of September 30, 2010, the Partnership owned a 49.99 percent general partner interest in HPC. The following table summarizes the changes in the Partnership s investment in HPC.

	Successor		Predecessor		
	Three Months Ended September 30, 2010	Period from Acquisition (May 26, 2010) to September 30, 2010	Period from January 1, 2010 to Disposition (May 25, 2010)	Three Months Ended September 30, 2009	Period from Inception (March 18, 2009) to September 30, 2009
	(in thousands)		(in thousands)		
Contributions to HPC	$	$	$ 20,210	$ 1,356	$ 401,356

Purchase of additional HPC interest			75,114	52,803	52,803
Distributions received from HPC	32,966	32,966	12,446	3,287	5,187
Return of investment received from HPC	19,995	19,995			
Partnership s share of HPC s net income	15,180	19,639	15,872	3,532	5,455

As discussed in Note 1, the Partnership s investment in HPC was adjusted to its fair value on May 26, 2010 and the excess fair value over net book value was comprised of two components: (1) $154,926,000 was attributed to HPC s long-lived assets and is being amortized as a reduction of income from unconsolidated subsidiaries over the useful lives of the respective assets, which vary from 15 to 30 years, and (2) $32,368,000 could not be attributed to a specific asset and therefore will not be amortized in future periods. For the three months ended September 30, 2010 and for the period from May 26, 2010 to September 30, 2010, the Partnership recorded $1,585,000 and $1,949,000, respectively, as a reduction of income from unconsolidated subsidiaries due to the amortization of the excess fair value of long-lived assets.

The summarized financial information of HPC is disclosed below.

Regency Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

RIGS Haynesville Partnership Co.

Condensed Consolidated Balance Sheets

(in thousands)

	September 30, 2010 (Unaudited)		December 31, 2009	
ASSETS				
Total current assets	$	35,809	$	39,239
Restricted cash, non-current				33,595
Property, plant and equipment, net		879,783		861,570
Total other assets		148,614		149,755
TOTAL ASSETS	$	1,064,206	$	1,084,159
LIABILITIES & PARTNERS CAPITAL				
Total current liabilities	$	14,866	$	30,967
Long-term debt		20,000		
Partners capital		1,029,340		1,053,192
TOTAL LIABILITIES & PARTNERS CAPITAL	$	1,064,206	$	1,084,159

RIGS Haynesville Partnership Co.

Condensed Consolidated Income Statements

(in thousands)

	For the Three Months Ended September 30, 2010	For the Three Months Ended September 30, 2009	For the Nine Months Ended September 30, 2010	From Inception (March 18, 2009) to September 30, 2009
	(Unaudited)		(Unaudited)	
Total revenues	$ 49,409	$ 14,188	$ 128,973	$ 30,095
Total operating costs and expenses	18,902	5,702	54,050	17,160
OPERATING INCOME	30,507	8,486	74,923	12,935
Interest expense	(154)	(65)	(355)	(65)
Other income and deductions, net	13	597	72	1,209
NET INCOME	$ 30,366	$ 9,018	$ 74,640	$ 14,079

Investment in MEP. On May 26, 2010, the Partnership purchased a 49.9 percent interest in MEP from ETE. In June 2010, the Partnership made an additional capital contribution of $38,922,000 to MEP. During the period from May 26, 2010 to September 30, 2010, the Partnership recognized $12,185,000 in income from unconsolidated subsidiaries for its ownership interest and received $27,176,000 in distributions from

MEP.

Regency Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

The summarized financial information of MEP is disclosed below.

Midcontinent Express Pipeline LLC

Condensed Balance Sheet

(in thousands)

	September 30, 2010 (Unaudited)
ASSETS	
Total current assets	$ 27,765
Property, plant and equipment, net	2,227,306
Total other assets	5,461
TOTAL ASSETS	$ 2,260,532
LIABILITIES & PARTNERS CAPITAL	
Total current liabilities	$ 124,405
Long-term debt	798,972
Other long-term liabilities	4,103
Partners capital	1,333,052
TOTAL LIABILITIES & PARTNERS CAPITAL	$ 2,260,532

Midcontinent Express Pipeline LLC

Condensed Income Statement

(in thousands)

	For The Three Months Ended September 30, 2010 (Unaudited)	From May 26, 2010 through September 30, 2010 (Unaudited)
Total revenues	$ 56,997	$ 78,266
Total operating costs and expenses	27,897	37,667
OPERATING INCOME	29,100	40,599
Interest expense, net	(12,749)	(16,180)
NET INCOME	$ 16,351	$ 24,419

6. Derivative Instruments

Policies. The Partnership has established comprehensive risk management policies and procedures to monitor and manage the market risks associated with commodity prices, counterparty credit and interest rates. The General Partner is responsible for delegation of transaction authority levels, and the Risk Management Committee of the General Partner is responsible for the overall management of these risks, including monitoring exposure limits. The Risk Management Committee receives regular briefings on exposures and overall risk management in the context of market activities.

Commodity Price Risk. The Partnership is a net seller of NGLs, condensate and natural gas as a result of its gathering and processing operations. The prices of these commodities are impacted by changes in the supply and demand as well as market focus. Both the Partnership s profitability and cash flow are affected by the inherent volatility of these commodities which could adversely affect its ability to make distributions to its unitholders. The Partnership manages this commodity price exposure through an integrated strategy that includes management of its contract portfolio, matching sales prices of commodities with purchases, optimization of its portfolio by monitoring basis and other price differentials in operating areas, and the use of derivative contracts. In some cases, the Partnership may not be able to match pricing terms or cover its risk to price exposure with financial hedges, and it may be exposed to commodity price risk. Speculative positions with derivative contracts are prohibited under the Partnership s policies.

On May 26, 2010, all of the Partnership s outstanding commodity swaps that were previously accounted for as cash flow hedges were de-designated and were accounted for under the mark-to-market method of accounting. On September 30, 2010, the Partnership s 2011 and 2012 commodity swaps were re-designated as cash flow hedges.

Regency Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

The Partnership executes natural gas, NGLs and WTI trades on a periodic basis to hedge its anticipated equity exposure. The Partnership has executed swap contracts settled against NGLs (ethane, propane, butane and natural gasoline), condensate and natural gas market prices for expected equity exposure in the approximate percentages set forth.

	As of September 30, 2010		
	2010	**2011**	**2012**
NGLs	96%	75%	20%
Condensate	81%	64%	17%
Natural gas	67%	49%	0%

Interest Rate Risk. The Partnership is exposed to variable interest rate risk as a result of borrowings under its revolving credit facility. As of September 30, 2010, the Partnership had $375,000,000 of outstanding borrowings exposed to variable interest rate risk. The Partnership s $300,000,000 interest rate swaps expired in March 2010. In April 2010, the Partnership entered into two-year interest rate swaps related to $250,000,000 of borrowings under its revolving credit facility, effectively locking the base rate, exclusive of applicable margins, for these borrowings at 1.325 percent through April 2012.

Credit Risk. The Partnership s resale of natural gas exposes it to credit risk, as the margin on any sale is generally a very small percentage of the total sales price. Therefore, a credit loss can be very large relative to overall profitability on these transactions. The Partnership attempts to ensure that it issues credit only to credit-worthy counterparties and that in appropriate circumstances extension of credit is backed by adequate collateral, such as a letter of credit or parental guarantee.

The Partnership is exposed to credit risk from its derivative counterparties. The Partnership does not require collateral from these counterparties. The Partnership deals primarily with financial institutions when entering into financial derivatives. The Partnership has entered into Master International Swap Dealers Association (ISDA) Agreements that allow for netting of swap contract receivables and payables in the event of default by either party. If the Partnership s counterparties fail to perform under existing swap contracts, the Partnership s maximum loss would be $11,050,000, which would be reduced by $5,013,000 due to the netting feature. The Partnership has elected to present assets and liabilities under Master ISDA Agreements gross on the condensed consolidated balance sheets.

Embedded Derivatives. The Series A Preferred Units contain embedded derivatives which are required to be bifurcated and accounted for separately, such as the holders conversion option and the Partnership s call option. These embedded derivatives are accounted for using mark-to-market accounting. The Partnership does not expect the embedded derivatives to affect its cash flows.

Regency Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

The Partnership s derivative assets and liabilities, including credit risk adjustment, as of September 30, 2010 and December 31, 2009 are detailed below.

	Assets		Liabilities	
	September 30, 2010 (unaudited)	December 31, 2009	September 30, 2010 (unaudited)	December 31, 2009
	(in thousands)			
Derivatives designated as cash flow hedges				
Current amounts				
Interest rate contracts	$	$	$	$ 1,064
Commodity contracts	3,180	9,521	2,990	11,161
Long-term amounts				
Interest rate contracts				
Commodity contracts	443	207	1,554	931
Total cash flow hedging instruments	3,623	9,728	4,544	13,156
Derivatives not designated as cash flow hedges				
Current amounts				
Commodity contracts	7,348	15,466	539	31
Interest rate contracts			2,310	
Long-term amounts				
Commodity contracts				3,378
Interest rate contracts			833	
Embedded derivatives in Series A Preferred Units			44,918	44,594
Total derivatives not designated as cash flow hedges	7,348	15,466	48,600	48,003
Total derivatives	$ 10,971	$ 25,194	$ 53,144	$ 61,159

Regency Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

The following tables detail the effect of the Partnership s derivative assets and liabilities in the consolidated statement of operations for the periods presented.

For the Three Months Ended September 30, 2010 and 2009

	Successor Three Months Ended September 30, 2010	Predecessor Three Months Ended September 30, 2009
	(in thousands)	
	Change in Value Recognized in OCI on Derivatives (Effective Portion)	
Derivatives in cash flow hedging relationships:		
Commodity derivatives	$	$ (3,005)
Interest rate swap derivatives		(522)
	$	$ (3,527)

	Location of Gain/(Loss) Recognized in Income	Amount of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)	
Derivatives in cash flow hedging relationships:			
Commodity derivatives	Revenue	$	$ 13,514
Interest rate swap derivatives	Interest expense		(1,612)
		$	$ 11,902

	Location of Gain/(Loss) Recognized in Income	Amount of Gain/(Loss) Recognized in Income on Ineffective Portion	
Derivatives in cash flow hedging relationships:			
Commodity derivatives	Revenue	$	$ (1,383)
Interest rate swap derivatives	Interest expense		
		$	$ (1,383)

Amount of Gain/(Loss) from Dedesignation Amortized from AOCI into Income

	Location of Gain/(Loss) Recognized in Income		
Derivatives not designated in a hedging relationship:			
Commodity derivatives	Revenue	$	$ (432)
Interest rate swap derivatives	Interest expense		
		$	$ (432)

	Location of Gain/(Loss) Recognized in Income	Amount of Gain/(Loss) Recognized in Income on Derivatives	
Derivatives not designated in a hedging relationship:			
Commodity derivatives	Revenue	$ (6,218)	$ 143
Interest rate swap derivatives	Interest expense	(1,795)	
Embedded derivative	Other income & deductions	7,321	(13,986)
		$ (692)	$ (13,843)

Regency Energy Partners LP

Notes to Unaudited Condensed Consolidated Financial Statements (Continued)

For the Nine Months Ended September 30, 2010 and 2009

		Successor	Predecessor	
		Period from May 26, 2010 through September 30, 2010	Period from January 1, 2010 through May 25, 2010	Nine Months Ended September 30, 2009
		(in thousands)	(in thousands)	
			Change in Value Recognized in OCI on Derivatives (Effective Portion)	
Derivatives in cash flow hedging relationships:				
Commodity derivatives		$	$ 14,371	$ (8,501)
Interest rate swap derivatives				(2,035)
		$	$ 14,371	$ (10,536)
			Amount of Gain/(Loss) Reclassified from AOCI into Income (Effective Portion)	
	Location of Gain/(Loss) Recognized in Income			
Derivatives in cash flow hedging relationships:				
Commodity derivatives	Revenue	$	$ (5,200)	$ 45,578
Interest rate swap derivatives	Interest expense		(1,060)	(4,597)
		$	$ (6,260)	$ 40,981
			Amount of Gain/(Loss) Recognized in Income on Ineffective Portion	
	Location of Gain/(Loss) Recognized in Income			
Derivatives in cash flow hedging relationships:				
Commodity derivatives	Revenue	$	$ (799)	$ 849
Interest rate swap derivatives	Interest expense			
		$	$ (799)	$ 849
			Amount of Gain/(Loss) from Dedesignation Amortized from AOCI into Income	
	Location of Gain/(Loss)			

	Recognized in Income			
Derivatives not designated in a hedging relationship:				
Commodity derivatives	Revenue	$	$ 4,115	$ (1,617)
Interest rate swap derivatives	Interest expense			
		$	$ 4,115	$ (1,617)

	Location of Gain/(Loss) Recognized in Income	Amount of Gain/(Loss) Recognized in Income on Derivatives		
Derivatives not designated in a hedging relationship:				
Commodity derivatives	Revenue	$ (6,348)	$ 1,168	$ (6,948)
Interest rate swap derivatives				