

NuStar Energy L.P.  
Form 10-Q  
November 12, 2013

Table of Contents

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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(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, 2013

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

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NUSTAR ENERGY L.P.  
(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of incorporation or organization)

74-2956831  
(I.R.S. Employer Identification No.)

19003 IH-10 West  
San Antonio, Texas  
(Address of principal executive offices)

78257  
(Zip Code)

Registrant's telephone number, including area code (210) 918-2000

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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 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  No

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) Smaller reporting company

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

The number of common units outstanding as of October 31, 2013 was 77,886,078.

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Table of Contents

NUSTAR ENERGY L.P. AND SUBSIDIARIES  
FORM 10-Q  
TABLE OF CONTENTS

PART I – FINANCIAL INFORMATION

Item 1.	<u>Financial Statements:</u>	
	<u>Consolidated Balance Sheets as of September 30, 2013 and December 31, 2012</u>	<u>3</u>
	<u>Condensed Consolidated Statements of Comprehensive Income (Loss) for the Three and Nine Months Ended September 30, 2013 and 2012</u>	<u>4</u>
	<u>Consolidated Statements of Cash Flows for the Nine Months Ended September 30, 2013 and 2012</u>	<u>5</u>
	<u>Condensed Notes to Consolidated Financial Statements</u>	<u>6</u>
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>30</u>
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>49</u>
Item 4.	<u>Controls and Procedures</u>	<u>52</u>
<u>PART II – OTHER INFORMATION</u>		
Item 1.	<u>Legal Proceedings</u>	<u>53</u>
Item 1A.	<u>Risk Factors</u>	<u>53</u>
Item 5.	<u>Other Information</u>	<u>53</u>
Item 6.	<u>Exhibits</u>	<u>54</u>
	<u>SIGNATURES</u>	<u>55</u>

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, 2013 (Unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$24,519	\$83,602
Accounts receivable, net of allowance for doubtful accounts of \$959 and \$808 as of September 30, 2013 and December 31, 2012, respectively	242,203	387,943
Receivable from related parties	26,529	109,833
Inventories	122,998	173,228
Income tax receivable	25	1,265
Other current assets	41,188	65,238
Assets held for sale	2,847	118,334
Total current assets	460,309	939,443
Property, plant and equipment, at cost	4,528,950	4,287,859
Accumulated depreciation and amortization	(1,167,100)	(1,049,399)
Property, plant and equipment, net	3,361,850	3,238,460
Intangible assets, net	81,710	92,435
Goodwill	950,963	951,024
Investment in joint ventures	70,812	102,945
Deferred income tax asset	5,088	3,108
Note receivable from related party	146,472	95,711
Other long-term assets, net	165,456	189,963
Total assets	\$5,242,660	\$5,613,089
Liabilities and Partners' Equity		
Current liabilities:		
Current portion of long-term debt	\$33,982	\$286,422
Accounts payable	222,360	397,633
Payable to related party	19,589	1,408
Accrued interest payable	26,384	23,741
Accrued liabilities	37,444	124,203
Taxes other than income tax	13,066	9,893
Income tax payable	3,878	2,671
Total current liabilities	356,703	845,971
Long-term debt, less current portion	2,439,696	2,124,582
Long-term payable to related party	29,637	18,071
Deferred income tax liability	29,455	32,114
Other long-term liabilities	6,190	7,356
Commitments and contingencies (Note 5)		
Partners' equity:		
Limited partners (77,886,078 common units outstanding as of September 30, 2013 and December 31, 2012)	2,374,962	2,573,263

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General partner	53,277	57,986
Accumulated other comprehensive loss	(57,665	) (58,865
Total NuStar Energy L.P. partners' equity	2,370,574	2,572,384
Noncontrolling interest	10,405	12,611
Total partners' equity	2,380,979	2,584,995
Total liabilities and partners' equity	\$5,242,660	\$5,613,089

See Condensed Notes to Consolidated Financial Statements.

3

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Table of Contents

NUSTAR ENERGY L.P. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)  
(Unaudited, Thousands of Dollars, Except Unit and Per Unit Data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Revenues:				
Service revenues	\$245,577	\$225,068	\$706,493	\$646,444
Product sales	534,433	1,368,688	1,977,423	4,324,465
Total revenues	780,010	1,593,756	2,683,916	4,970,909
Costs and expenses:				
Cost of product sales	527,217	1,329,377	1,928,237	4,211,966
Operating expenses:				
Third parties	88,974	105,165	255,490	293,012
Related party	31,517	36,872	97,647	108,636
Total operating expenses	120,491	142,037	353,137	401,648
General and administrative expenses:				
Third parties	8,336	8,773	24,171	26,566
Related party	10,495	16,180	41,807	48,688
Total general and administrative expenses	18,831	24,953	65,978	75,254
Depreciation and amortization expense	47,597	38,037	137,185	125,538
Asset impairment loss	—	—	—	249,646
Goodwill impairment loss	—	—	—	22,132
Gain on legal settlement	—	—	—	(28,738 )
Total costs and expenses	714,136	1,534,404	2,484,537	5,057,446
Operating income (loss)	65,874	59,352	199,379	(86,537 )
Equity in (loss) earnings of joint ventures	(5,358 )	(951 )	(26,629 )	3,816
Interest expense, net	(31,078 )	(23,894 )	(93,601 )	(68,118 )
Interest income from related party	1,828	—	4,560	—
Other income (expense), net	1,407	(19,943 )	3,978	(21,392 )
Income (loss) from continuing operations before income tax (benefit) expense	32,673	14,564	87,687	(172,231 )
Income tax (benefit) expense	(563 )	599	6,147	20,318
Income (loss) from continuing operations	33,236	13,965	81,540	(192,549 )
(Loss) income from discontinued operations, net of tax	—	(9,623 )	9,069	(23,665 )
Net income (loss)	33,236	4,342	90,609	(216,214 )
Less net loss attributable to noncontrolling interest	(161 )	(47 )	(439 )	(217 )
Net income (loss) attributable to NuStar Energy L.P.	\$33,397	\$4,389	\$91,048	\$(215,997 )
Net income (loss) per unit applicable to limited partners:				
Continuing operations	\$0.28	\$0.04	\$0.61	\$(3.07 )
Discontinued operations	—	(0.13 )	0.12	(0.33 )
Total (Note 10)	\$0.28	\$(0.09 )	\$0.73	\$(3.40 )
Weighted-average limited partner units outstanding	77,886,078	72,383,578	77,886,078	71,302,538
Comprehensive income (loss)	\$38,790	\$(4,018 )	\$90,042	\$(268,791 )
Less comprehensive (loss) income attributable to noncontrolling interest	(729 )	66	(2,206 )	780
Comprehensive income (loss) attributable to	\$39,519	\$(4,084 )	\$92,248	\$(269,571 )

NuStar Energy L.P.

See Condensed Notes to Consolidated Financial Statements.

4

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Table of Contents

NUSTAR ENERGY L.P. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited, Thousands of Dollars)

	Nine Months Ended September 30,	
	2013	2012
Cash Flows from Operating Activities:		
Net income (loss)	\$90,609	\$(216,214 )
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization expense	137,185	129,943
Amortization of debt related items	1,721	(5,718 )
(Gain) loss from sale or disposition of assets	(8,739 )	19,828
Asset and goodwill impairment loss	—	271,778
Gain on legal settlement	—	(28,738 )
Deferred income tax (benefit) expense	(3,815 )	1,403
Equity in loss (earnings) of joint ventures	26,629	(3,816 )
Distributions of equity in earnings of joint ventures	5,787	6,364
Changes in current assets and current liabilities (Note 11)	116,838	108,750
Other, net	12,325	(11,701 )
Net cash provided by operating activities	378,540	271,879
Cash Flows from Investing Activities:		
Capital expenditures	(260,701 )	(320,778 )
Change in accounts payable related to capital expenditures	(2,879 )	—
Investment in other long-term assets	—	(2,364 )
Proceeds from sale or disposition of assets	116,467	471,823
Increase in note receivable from related party	(50,761 )	(170,711 )
Other, net	156	—
Net cash used in investing activities	(197,718 )	(22,030 )
Cash Flows from Financing Activities:		
Proceeds from long-term debt borrowings	1,299,220	