TABLE OF CONTENTS

Item 7.   Financial Statements and Exhibits.
SIGNATURES
EXHIBIT INDEX
Consent of Deloitte & Touche LLP
Balance Sheets & Statements of Income
Unaudited Pro Forma Combined Balance Sheets

Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT

**Pursuant to Section 13 or 15(d) of
the Securities Exchange Act of 1934**

Date of Report: June 23, 2004

Date of Earliest Event Reported: June 2, 2004

ENERGY TRANSFER PARTNERS, L.P.

(Exact name of registrant as specified in its charter)

Delaware	**1-11727**	**73-1493906**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

2838 Woodside Street
Dallas, Texas 75204
(Address of principal executive offices) (Zip Code)

(918) 492-7272
(Registrant's telephone number, including area code)

This Current Report on Form 8-K/A amends the Current Report on Form 8-K of Energy Transfer Partners, L.P. filed with the Securities and Exchange Commission on June 14, 2004, which reported under Item 2 the acquisition of pipeline and storage facility assets of TXU Fuel Company. This amendment is filed to provide the financial statements and the pro forma financial information required by Item 7.

Table of Contents

Item 7. Financial Statements and Exhibits.

(a) Financial Statements of Business Acquired.

The balance sheets and the statements of income and comprehensive income, shareholder's equity, and cash flows of TXU Fuel Company for the years ended December 31, 2002 and 2003 and the related notes, together with the report of the independent auditor; and the balance sheet for the three months ended March 31, 2004 (unaudited), the statements of income and cash flows for the three months ended March 31, 2004 and 2003 (unaudited) and the related notes are filed as Exhibit 99.2 to this Current Report.

(b) Pro Forma Financial Information.

The unaudited pro forma (i) combined balance sheet as of February 29, 2004, combined statement of operations for the year ended August 31, 2003 and the six months ended February 29, 2004 for Energy Transfer Partners, L.P., (ii) combined statement of operations for the year ended August 31, 2003 and the six months ended February 29, 2004, and (iii) combined statement of operations for the 11 months ended August 31, 2003 for Energy Transfer Company and the related notes are filed as Exhibit 99.3 to this Current Report.

(c) Exhibits.

The following exhibits are filed herewith:

Exhibit 10.34.1	—	First Amendment, effective June 1, 2004, to Second Amended and Restated Credit Agreement among La Grange Acquisition, L.P. and Banks dated January 20, 2004 (previously filed as a part of this Current Report on Form 8-K filed on June 14, 2004).
Exhibit 10.34.2	—	Second Amendment, effective June 1, 2004, to Second Amended and Restated Credit Agreement among La Grange Acquisition, L.P. and Banks dated January 20, 2004 (previously filed as a part of this Current Report on Form 8-K filed on June 14, 2004).
Exhibit 10.35	—	Purchase and Sale Agreement between TXU Fuel Company and Energy Transfer Partners, L.P. dated April 25, 2004 (previously filed as a part of this Current Report on Form 8-K filed on June 14, 2004).
Exhibit 10.35.1	—	First Amendment to Purchase and Sale Agreement and Closing Agreement between TXU Fuel Company and Energy Transfer Partners, L.P. dated June 1, 2004 (previously filed as a part of this Current Report on Form 8-K filed on June 14, 2004).
Exhibit 23.1	—	Consent of Deloitte & Touche LLP.
Exhibit 99.1	—	Press Release of the Registrant dated June 2, 2004 (previously filed as a part of this Current Report on Form 8-K filed on June 14, 2004).

Table of Contents

Exhibit 99.2	—	Balance sheets and the statements of income and comprehensive income, shareholder's equity, and cash flows of TXU Fuel Company for the years ended December 31, 2002 and 2003 and the related notes; and the balance sheet for the three months ended March 31, 2004 (unaudited), the statements of income and cash flows for the three months ended March 31, 2004 and 2003 (unaudited) and the related notes are filed as Exhibit 99.2 to this Current Report.
Exhibit 99.3	—	Unaudited pro forma (i) combined balance sheet as of February 29, 2004, combined statement of operations for the year ended August 31, 2003 and the six months ended February 29, 2004 for Energy Transfer Partners, L.P., (ii) combined statement of operations for the year ended August 31, 2003 and the six months ended February 29, 2004, and (iii) combined statement of operations for the 11 months ended August 31, 2003 for Energy Transfer Company and the related notes.

[Table of Contents](#)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Energy Transfer Partners, L.P.

By: U.S. Propane L.P., General Partner
By: U.S. Propane L.L.C., General Partner

Date: June 23, 2004

By: /s/ Ray C. Davis
Ray C. Davis
Co-Chief Executive Officer and officer duly authorized to sign on behalf of the registrant

By: /s/ Kelcy L. Warren
Kelcy L. Warren
Co-Chief Executive Officer and officer duly authorized to sign on behalf of the registrant

EXHIBIT INDEX

Exhibit No.		Description
Exhibit 10.34.1	—	First Amendment, effective June 1, 2004, to Second Amended and Restated Credit Agreement among La Grange Acquisition, L.P. and Banks dated January 20, 2004 (previously filed as a part of this Current Report on Form 8-K filed on June 14, 2004).
Exhibit 10.34.2	—	Second Amendment, effective June 1, 2004, to Second Amended and Restated Credit Agreement among La Grange Acquisition, L.P. and Banks dated January 20, 2004 (previously filed as a part of this Current Report on Form 8-K filed on June 14, 2004).
Exhibit 10.35	—	Purchase and Sale Agreement between TXU Fuel Company and Energy Transfer Partners, L.P. dated April 25, 2004 (previously filed as a part of this Current Report on Form 8-K filed on June 14, 2004).
Exhibit 10.35.1	—	First Amendment to Purchase and Sale Agreement and Closing Agreement between TXU Fuel Company and Energy Transfer Partners, L.P. dated June 1, 2004 (previously filed as a part of this Current Report on Form 8-K filed on June 14, 2004).
Exhibit 23.1	—	Consent of Deloitte & Touche LLP.
Exhibit 99.1	—	Press Release of the Registrant dated June 2, 2004 (previously filed as a part of this Current Report on Form 8-K filed on June 14, 2004).
Exhibit 99.2	—	Balance sheets and the statements of income and comprehensive income, shareholder's equity, and cash flows of TXU Fuel Company for the years ended December 31, 2002 and 2003 and the related notes; and the balance sheet for the three months ended March 31, 2004 (unaudited), the statements of income and cash flows for the three months ended March 31, 2004 and 2003 (unaudited) and the related notes are filed as Exhibit 99.2 to this Current Report.
Exhibit 99.3	—	Unaudited pro forma (i) combined balance sheet as of February 29, 2004, combined statement of operations for the year ended August 31, 2003 and the six months ended February 29, 2004 for Energy Transfer Partners, L.P., (ii) combined statement of operations for the year ended August 31, 2003 and the six months ended February 29, 2004, and (iii) combined statement of operations for the 11 months ended August 31, 2003 for Energy Transfer Company and the related notes.

EXHIBIT 23.1

INDEPENDENT AUDITORS' CONSENT

We consent to the incorporation by reference in Registration Statement No. 333-107324 of Energy Transfer Partners, L.P. on Form S-3 of our report dated June 11, 2004, relating to the financial statements of TXU Fuel Company for the years ended December 31, 2003 and 2002 (which report expresses an unqualified opinion and includes an explanatory paragraph relating to the adoption of Statement of Financial Accounting Standards No. 143), appearing in this Current Report on Form 8-K of Energy Transfer Partners, L.P.

/s/ DELOITTE & TOUCHE LLP

Dallas, Texas
June 23, 2004

Deloitte

Deloitte & Touche LLP
JPMorgan Chase Tower
2200 Ross Avenue, Suite 1600
Dallas, TX 75201-6778
USA

Tel: +1 214 840 7000
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Board of Directors and Stockholder

TXU Fuel Company

We have audited the accompanying balance sheets of TXU Fuel Company (the "Company") as of December 31, 2003 and 2002 and the related statements of operations and comprehensive income, shareholder's equity and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the such financial statements referred to above present fairly, in all material respects, the financial position of TXU Fuel Company as of December 31, 2003 and 2002 and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the financial statements, the Company changed its method of accounting for asset retirement obligations in 2003 in connection with the adoption of Statement of Financial Accounting Standards No. 143 "Accounting for Asset Retirement Obligations."

Deloitte & Touche LLP

June 11, 2004

TXU FUEL COMPANY

BALANCE SHEETS

DECEMBER 31, 2003 AND 2002

	2003	2002
	(Dollars in thousands)	
ASSETS		
CURRENT ASSETS:		
Cash	$ 358	$ 110
Accounts receivable	4,967	3,158
Exchange gas receivable	11,542	6,802
Material and supplies	873	606
Accumulated deferred income taxes	599	566
Other current assets	262	320
Total current assets	18,601	11,562
PROPERTY, PLANT AND EQUIPMENT:		
Gas pipelines	288,637	288,487
Less accumulated depreciation	186,443	187,614
Net of accumulated depreciation	102,194	100,873
Construction work in progress	2,086	2,718
Net property, plant and equipment	104,280	103,591
INVESTMENTS	875	653
OTHER NONCURRENT ASSETS	169	471
TOTAL	$123,925	$116,277
LIABILITIES AND SHAREHOLDER’S EQUITY		
CURRENT LIABILITIES:		
Advances from affiliates	$ 43,819	$ 59,202
Accounts payable:		
Affiliates	1,199	6,660
Other	3,514	4,184
Exchange gas payable	2,595	1,824
Accrued taxes	2,723	2,754
Other current liabilities	758	716
Total current liabilities	54,608	75,340
ACCUMULATED DEFERRED INCOME TAXES	12,739	11,800
INVESTMENT TAX CREDITS	1,134	1,277
PENSIONS AND OTHER POSTRETIREMENT BENEFITS	3,271	3,447
OTHER NONCURRENT LIABILITIES AND DEFERRED CREDITS	1,172	1,293
Total liabilities	72,924	93,157
COMMITMENTS AND CONTINGENCIES (Note 6)		
SHAREHOLDER’S EQUITY:		
Common stock without par value — 500,000 authorized shares; 100,000 outstanding shares	2,016	2,016
Retained earnings	49,045	21,308
Accumulated other comprehensive loss, net of tax effects	(60)	(204)
Total shareholder’s equity	51,001	23,120
TOTAL	$123,925	$116,277

See notes to financial statements.

TXU FUEL COMPANY

STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

Years Ended December 31, 2003 AND 2002

	2003	2002
	(Dollars in thousands)	
OPERATING REVENUES:		
Affiliates	$44,448	$54,427
Non-affiliates	18,902	10,285
Total operating revenues	63,350	64,712
COSTS AND EXPENSES:		
Cost of delivery and operating costs	10,213	15,556
Depreciation	4,753	4,756
Selling, general and administrative expenses	4,764	5,548
Franchise and revenue-based taxes	392	370
Other deductions	—	3
Interest income	(93)	(8)
Interest expense and related charges:		
Interest on advances from affiliates	1,519	2,186
Other interest	—	20
Total costs and expenses	21,548	28,431
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES	41,802	36,281
INCOME TAX EXPENSE	15,329	14,973
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES	26,473	21,308
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE —		
Net of tax effect	1,264	—
NET INCOME	27,737	21,308
OTHER COMPREHENSIVE INCOME:		
Minimum pension liability adjustment, net of tax expense of $78 and benefit of $110	144	(204)
COMPREHENSIVE INCOME	$27,881	$21,104

See notes to financial statements.

TXU FUEL COMPANY

STATEMENTS OF SHAREHOLDER'S EQUITY

Years Ended December 31, 2003 AND 2002

	Common Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount			
			(Dollars in thousands)		
BALANCE — January 1, 2002	100,000	$2,016	$ —	$ —	$ 2,016
Net income				21,308	21,308
Adjustment for minimum pension liability — net of taxes	—	—	(204)	—	(204)
BALANCE — December 31,2002	100,000	2,016	(204)	21,308	23,120
Net income				27,737	27,737
Adjustment for minimum pension liability — net of taxes	—	—	144	—	144
BALANCE — December 31, 2003	100,000	$2,016	$ (60)	$49,045	$51,001

See notes to financial statements.

TXU FUEL COMPANY

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2003 AND 2002

	2003	2002
	(Dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before cumulative effect of change in accounting principles:	$ 26,473	$ 21,308
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	4,753	4,756
Deferred income taxes and investment tax credits — net	1	1,955
Changes in operating assets and liabilities:		
Accounts receivable:		
Affiliates receivable/payable — net	(5,461)	46,208
Other	(1,809)	(1,499)
Materials and supplies	(267)	29,320
Accounts payable other	(670)	(33,649)
Other assets	(4,380)	(2,439)
Other liabilities	710	(737)
Net cash provided by operating activities	19,350	65,223
CASH FLOWS FROM FINANCING ACTIVITIES —		
Net repayments to parent and affiliates	(15,383)	(58,932)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(3,429)	(6,214)
Other	(290)	32
Net cash used in investing activities	(3,719)	(6,182)
NET CHANGE IN CASH	248	109
CASH — Beginning of year	110	1
CASH — End of year	$ 358	$ 110
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Cash paid for interest	$ (1,543)	$ (2,334)
Cash paid for income taxes	$(17,640)	$ (4,522)

See notes to financial statements.

TXU FUEL COMPANY

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2003 AND 2002

1. Significant Accounting Policies

General — TXU Fuel Company (the "Company") is a wholly-owned subsidiary of TXU Energy Company LLC, which is a wholly-owned subsidiary of TXU Corp.

The Company owns a natural gas pipeline system, and stores and delivers fuel gas for the benefit of TXU US Holdings Company ("US Holdings"), formerly TXU Electric Company, a wholly-owned subsidiary of TXU Corp and third-parties. The Company may not engage in other substantial activities without the consent of US Holdings.

The Company has adopted the National Association of Regulatory Utility Commissioners Uniform System of Accounts as prescribed by the Railroad Commission of Texas. Since the Company provides services to US Holdings, its books and records are subject to review by various regulators.

Basis of Presentation — The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the US. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the results of operations and financial position have been included therein. All dollar amounts in the financial statements and tables in the notes are stated in thousands of US Dollars unless otherwise indicated.

Use of Estimates — Preparation of the Company's financial statements requires management to make estimates and assumptions about future events that affect the reporting and disclosure of assets and liabilities at the balance sheet dates and the reported amounts of revenue and expense during the periods. In the event estimates and/or assumptions prove to be different from actual amounts, adjustments are made in subsequent periods to reflect more current information. No material adjustments were made to previous estimates or assumptions during the current year.

Revenue Recognition — Gas pipeline transportation revenues are recognized as services are provided to customers based on estimated volumes subsequently confirmed by measurement reports. Unbilled revenues totaled $1.9 million and $.9 million at December 31, 2003 and 2002, respectively. The Company retains negotiated percentages of fuel transported for customers as an allowance for fuel used in the transportation of gas and other unaccounted for quantities of gas. The Company classifies fuel retained from customers as a credit to cost of delivery and operating costs in the statement of income and values such amounts based on current market prices at the time of the retention.

Investments — Assets related to employee benefit plans are held to satisfy deferred compensation liabilities and are recorded at market value.

Gas Pipelines — Gas pipeline is stated at original cost less accumulated depreciation. The cost of property additions includes labor and materials, applicable overhead and payroll-related costs. The Company does not capitalize an allowance for funds used during construction.

Depreciation of Property, Plant and Equipment — Depreciation of the Company's property, plant and equipment is calculated on a straight-line basis over the estimated service lives of the properties. Depreciation as a percent of average depreciable property approximated 1.8% for 2003 and 2002.

Impairment of Long-lived Assets — The Company evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review. The carrying value of long-lived assets would be considered impaired when the projected undiscounted cash flows are less than carrying value. In that event, a loss would be recognized based on the amount by which the carrying value exceeds the fair market value. Fair value is determined primarily by available market valuations or, if applicable, discounted cash flows. (See Changes in Accounting Standards below.)

Income Taxes — Investment tax credits are amortized to income over the estimated service lives of the properties. Deferred income taxes are provided for temporary differences between the book and tax basis of assets and liabilities. Current receivables and/or payables to affiliates include amounts for income taxes due from or to TXU Corp.

Defined Benefit Pension Plans and Other Postretirement Benefit Plans — The Company is a participating employer in the defined benefit pension plan sponsored by TXU Corp. The Company also participates with TXU Corp. and other affiliated subsidiaries of TXU Corp. to offer health care and life insurance benefits to eligible employees and their eligible dependents upon the retirement of such employees from the Company. See Note 5 for information regarding retirement plans and other postretirement benefits.

Franchise and Revenue-Based Taxes — Franchise and revenue-based taxes such as gross receipts taxes are not a "pass through" item such as sales and excise taxes. Gross receipts taxes are assessed to the Company by state and local governmental bodies, based on revenues, as a cost of doing business. The Company records gross receipts tax as an expense. Rates charged to customers by the Company are intended to recover the taxes, but the Company is not acting as an agent to collect the taxes from customers.

Exchange Gas Receivable and Payable — Represents over-deliveries and under-deliveries of gas with counterparties and is revalued at current market prices.

Changes in Accounting Standards — Statement of Financial Accounting Standards ("SFAS") No. 143, *Accounting for Asset Retirement Obligations,* became effective on January 1, 2003. SFAS No. 143 requires entities to record the fair value of a legal liability for an asset retirement obligation in the period in which it is incurred. As a result of the implementation of SFAS No. 143 the Company recorded a cumulative effect of changes in accounting principles as of January 1, 2003 of $1.3 million (net tax of $.7 million). (See Note 2 for a discussion of the impact of this accounting standard.)

SFAS No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* became effective on January 1, 2002. SFAS No. 144 establishes a single accounting model, based on the framework established in SFAS No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of,* for long-lived assets to be disposed of by sale and resolves significant implementation issues related to SFAS No. 121. The adoption of SFAS No. 144 did not impact the financial statements for 2002.

SFAS No. 145, *Rescission of FA SB Statements No. 4, 44 and 64, Amendment of FA SB Statement No. 13, and Technical Corrections*, was issued in April 2002 and became effective on January 1, 2003. One of the provisions of this statement was the rescission of SFAS No. 4, *Reporting Gains and Losses from Extinguishment of Debt.* Any gain or loss on the early extinguishment of debt that was classified as an extraordinary item in prior periods in accordance with SFAS No. 4 would be reclassified if it did not meet the criteria of an extraordinary item as defined by Accounting Principles Board Opinion 30, *Reporting the Results of Operations — Reporting the Effects of Disposal of a Segment of a Business, and Extraordinary, Unusual and Infrequently Occurring Events and Transactions.* The adoption of SFAS No. 145 did not impact the financial statements.

SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities,* became effective on January 1, 2003. SFAS No. 146 requires that a liability for costs associated with an exit or disposal activity be recognized only when the liability is incurred and measured initially at fair value. The adoption of SFAS No. 146 did not impact the financial statements.

Financial Accounting Standards Board Interpretation ("FIN") No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others — an*

Interpretation of FASB Statements No. 5, 57, and 107 and Rescission of FASB Interpretation No. 34, was issued in November 2002 and requires recording of the fair value of guarantees upon issuance or modification after December 31, 2002. The interpretation also requires expanded disclosures of guarantees. The adoption of FIN 45 did impact the financial statements.

FIN No. 46, *Consolidation of Variable Interest Entities,* was issued in January 2003. FIN No. 46 provides guidance related to identifying variable interest entities and determining whether such entities should be consolidated. On October 8, 2003, the FASB decided to defer implementation of FIN No. 46 until the fourth quarter of 2003. This deferral only applies to variable interest entities that existed prior to February 1, 2003. FIN 46R was issued in December 2003 and replaced FIN 46. FIN 46R expands and clarifies the guidance originally contained in FIN 46, regarding consolidation of variable interest entities. The implementation of FIN No. 46R did not impact the financials statements.

SFAS 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities,* was issued in April 2003 and became effective for contracts entered into or modified after June 30, 2003. SFAS 149 clarifies what contracts may be eligible for the normal purchase and sale exception, the definition of a derivative and the treatment in the statement of cash flows when a derivative contains a financing component. Also, Emerging Issues Task Force (“EITF”) 03-11 was issued in July 2003 and became effective October 1, 2003 and, among other things, discussed the nature of certain power contracts. The implementation of SFAS 149 and EITF 03-11 did not impact the financial statements.

SFAS 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*, was issued in May 2003 and became effective June 1, 2003 for new financial instruments and July 1, 2003 for existing financial instruments. SFAS 150 requires that mandatory redeemable preferred securities be classified as liabilities beginning July 1, 2003. The implementation of SFAS 150 did not impact the financial statements.

EITF 01-8 was issued in May 2003 and is effective prospectively for arrangements that are new, modified or committed to beginning July 1, 2003. This guidance requires that certain types of arrangements be accounted for as leases, including tolling and power supply contracts, take-or-pay contracts and service contracts involving the use of specific property and equipment. The adoption of this change did not impact the financial statements.

The Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Medicare Act) was enacted in December 2003. FASB Staff Position 106-1, issued in January 2004, allowed for, but did not require, deferral of the accounting for the effects of the Medicare Act. TXU Corp. elected not to defer accounting for the federal subsidy under the Medicare Act and recognized a $1.9 million net reduction in postretirement benefit expense its the 2003 financial statements. For the year ended December 31, 2003, the effect of adoption of the Medicare Act was a reduction of approximately $6 thousand in the Company’s allocated postretirement benefit costs.

For accounting standards not yet adopted, the Company is evaluating the potential impact on its financial position and results of operations.

2. Cumulative Effect of Change in Accounting Principles

The adoption of SFAS No. 143 resulted in a credit of $1.3 million, net of $.7 million tax effect to earnings for the cumulative effect of the new accounting principle.

SFAS No. 143 became effective on January 1, 2003. SFAS No. 143 requires entities to record the fair value of a legal liability for an asset retirement obligation in the period of its inception. For the Company such liabilities would relate to gas pipelines. The Company has determined that no such costs meet the liability recognition criteria of SFAS No. 143. The Company previously included estimated asset retirement costs in its depreciation rates. As the new accounting rule required retrospective application to the inception of the liability, if applicable, the effects of the adoption reflect the reversal of previously recorded depreciation expense for the estimated asset retirement costs previously reflected in accumulated depreciation at the date of adoption.

The following table summarizes the impact as of January 1, 2003 of adopting SFAS No. 143:

Increase in property, plant and equipment — net	$1,944
Increase in accumulated deferred income taxes	(680)
Cumulative effect of change in accounting principles	$1,264

On a pro forma basis, assuming SFAS 143 had been adopted at the beginning of the period, earnings for the year ended December 31, 2002 would have increased by approximately $400 thousand after-tax.

3. Affiliate Transactions

The advances from/to affiliates are in the form of demand notes payable/receivable, which bear interest at a rate equal to the weighted average cost of all outstanding short-term indebtedness of TXU Corp. or a published rate for similar borrowings when TXU Corp. has no outstanding short-term borrowings. The weighted average interest rates on such borrowings were 2.79% and 2.34% on December 31, 2003 and 2002, respectively.

TXU Business Services Company, a subsidiary of TXU Corp., billed the Company $1.4 million and $2.4 million in 2003 and 2002, respectively, for financial, accounting, information technology, personnel, procurement and other administrative services at cost. Accounts receivable from and payable to affiliates are settled in the normal course of business. Accounts receivable from affiliates were $3.7 million and $2.0 million at December 31, 2003 and 2002, respectively. Accounts payable to affiliates were $4.9 million and $8.6 million at December 31, 2003 and 2002, respectively.

4. Income Taxes

The components of the provision for income taxes are as follows:

	2003	2002
Current:		
Federal	$13,983	$11,503
State	1,345	1,515
Total	15,328	13,018
Deferred:		
Federal	157	61
State — other	(13)	2,037
Total	144	2,098
Investment tax credits	(143)	(143)
Total	$15,329	$14,973

Investment tax credit amortization is the primary difference between the expected income tax expense at the federal statutory rate of 35% and actual income tax expense.

The components of deferred tax assets and deferred tax liabilities are as follows:

	2003	2002
Current deferred tax assets — other	$ 599	$ 566
Noncurrent:		
Deferred tax assets:		
Alternative minimum tax	5,163	5,197
Employee benefit plans	1,550	1,578
Capitalized construction costs	1,413	1,211
Unamortized investment tax credits	397	447
Other	1,210	831
Total noncurrent deferred tax assets	9,733	9,264
Deferred tax liabilities:		
Depreciation differences	19,446	18,502
State	2,270	2,292
Other	756	270
Total noncurrent deferred tax liabilities	22,472	21,064
Net noncurrent deferred tax liability	$(12,739)	$(11,800)

At December 31, 2003, the Company had approximately $5.2 million of alternative minimum tax credit carryforwards available to offset future tax payments.

A reconciliation between the expected tax computed using the US federal statutory income tax rate and the provision (benefit) for income taxes is as follows:

	2003	2002
Statutory federal income tax	$14,631	$12,698
State and local income taxes — net of federal income tax effect	866	2,309
Amortization of investment tax credits	(143)	(143)
Prior year adjustments	(81)	36
Other	56	73
Total	$15,329	$14,973

5. Retirement Plans and Other Postretirement Benefits

The Company is a participating employer in the TXU Retirement Plan (Retirement Plan), a defined benefit pension plan sponsored by TXU Corp. The Retirement Plan is a qualified pension plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (“Code”), and is subject to the provisions of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”). Employees are eligible to participate in the Retirement Plan upon their completion of one year of service and the attainment of age 21. All benefits are funded by the participating employers. The Retirement Plan provides benefits to participants under one of two formulas: (i) a cash balance formula under which participants earn monthly contribution credits based on their compensation and a combination of their age and years of service, plus monthly interest credits, or (ii) a traditional defined benefit formula based on years of service and the average earnings of the three years of highest earnings.

All eligible employees hired after January 1, 2002 will participate under the cash balance formula. Certain employees who, prior to January 1, 2002, participated under the traditional defined benefit formula, continue their participation under that formula. Under the cash balance formula, future increases in earnings will not apply to prior service costs. It is TXU Corp.’s policy to fund the plans on a current basis to the extent deductible under existing federal tax regulations. Such contributions, when made, are intended to provide not only for benefits attributed to service to date, but also those expected to be earned in the future.

The net periodic pension cost applicable to the Company was $67 thousand for 2003 and $28 thousand for 2002. There were no Company contributions paid to the plan in 2003 and 2002.

In addition, Company employees are eligible to participate in a qualified savings plan, the TXU Thrift Plan (“Thrift Plan”). This plan is a participant-directed defined contribution profit sharing plan qualified under Section 401(a) of the Code, and is subject to the provisions of ERISA. The Thrift Plan includes an employee stock ownership component. Under the terms of the Thrift Plan, as amended effective January 1, 2002, employees who do not earn more than the IRS threshold compensation limit used to determine highly compensated employees may contribute, through pre-tax salary deferrals and/or after-tax payroll deductions, the maximum amount of their regular salary or wages permitted under law. Employees who earn more than such threshold may contribute from 1% to 16% of their regular salary or wages. Employer matching contributions are also made in an amount equal to 100% of the first 6% of employee contributions for employees who are covered under the cash balance formula of the Retirement Plan, and 75% of the first 6% of employee contributions for employees who are covered under the traditional defined benefit formula of the Retirement Plan. Employer matching contributions are invested in TXU Corp. common stock. The Company’s contributions to the Thrift Plan aggregated $46 thousand in 2003 and $35 thousand in 2002.

In addition to the Retirement Plan and the Thrift Plan, the Company participates with TXU Corp. and certain other affiliated subsidiaries of TXU Corp. to offer certain health care and life insurance benefits to eligible employees and their eligible dependents upon the at retirement of such employees. For employees retiring on or after January 1, 2002, the retiree contributions required for such coverage vary based on a formula depending on the retiree’s age and years of service. The estimated net periodic postretirement benefits cost other than pensions applicable to the Company was $223 thousand for 2003 and $199 thousand for 2002. Contributions paid by the Company to fund postretirement benefits other than pensions were $305 thousand in 2003 and $260 thousand for 2002.

6. Commitments and Contingencies

Gas Purchase Contracts — At December 31, 2003, the Company had commitments for pipeline transportation and storage reservation fees as shown in the table below:

	Year Ending December 31,
2004	$24,417
2005	7,026
2006	5,665
2007	4,240
2008	457
Thereafter	5,926
Total	$47,731

Litigation — The Company is a party, in the ordinary course of business, to certain claims and litigation. The settlement of such matters is not expected to have a material adverse impact on its consolidated financial position, results of operations or cash flows of the Company.

7. Fair Value of Financial Instruments

The fair value of all financial instruments, principally cash and accounts receivable is not materially different than their related carrying amounts.

8. Sale of the Company

On June 2, 2004, the Company's parent completed the sale of the assets of the Company to an outside party. As part of the transaction the parent will enter into an eight year transportation agreement with the new owner to transport gas to the parent's generating assets.

TXU FUEL COMPANY

BALANCE SHEET

March 31, 2004 (Unaudited)

	(Dollars in thousands)
ASSETS	
CURRENT ASSETS:	
Cash	$ 48
Accounts receivable	3,641
Exchange gas receivable	15,818
Material and supplies — at average cost	843
Other current assets	517
Total current assets	20,867
PROPERTY, PLANT AND EQUIPMENT:	
Gas plant	287,292
Less accumulated depreciation	187,218
Net of accumulated depreciation	100,074
Construction work in progress	2,125
Net property, plant and equipment	102,199
INVESTMENTS	871
OTHER NONCURRENT ASSETS	28
TOTAL	$123,965
LIABILITIES AND SHAREHOLDER’S EQUITY	
CURRENT LIABILITIES:	
Advances from affiliates	$ 33,511
Accounts payable:	
Affiliates	4,645
Other	1,106
Exchange gas payable	6,489
Accrued taxes	2,340
Other current liabilities	827
Total current liabilities	48,918
ACCUMULATED DEFERRED INCOME TAXES	12,995
INVESTMENT TAX CREDITS	1,098
PENSIONS AND OTHER POSTRETIREMENT BENEFITS	3,237
OTHER NONCURRENT LIABILITIES AND DEFERRED CREDITS	1,898
Total liabilities	68,146
COMMITMENTS AND CONTINGENCIES (Note 5)	
SHAREHOLDER’S EQUITY:	
Common stock without par value — 500,000 authorized shares; 100,000 outstanding shares	2,016
Retained earnings	53,863
Accumulated other comprehensive loss, net of tax effects	(60)
Total shareholder’s equity	55,819
TOTAL	$123,965

See notes to financial statements.

TXU FUEL COMPANY

STATEMENTS OF INCOME

Three Months Ended March 31, 2004 and 2003 (Unaudited)

	2004	2003
	(Dollars in thousands)	
OPERATING REVENUES:		
Affiliates	$ 4,451	$ 8,091
Non-affiliates	7,288	4,005
Total operating revenues	11,739	12,096
COSTS AND EXPENSES:		
Cost of delivery and operating costs	1,596	5,248
Depreciation	1,465	1,196
Selling, general and administrative expenses	604	1,440
Franchise and revenue-based taxes	95	43
Interest expense and related charges:		
Interest on advances from affiliates	289	359
Other interest	25	1
Total costs and expenses	4,074	8,287
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES	7,665	3,809
INCOME TAX EXPENSE	2,847	1,498
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES	4,818	2,311
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLES:		
Net of tax effect	—	1,264
NET INCOME	$ 4,818	$ 3,575

See notes to financial statements.

TXU FUEL COMPANY

STATEMENTS OF CASH FLOWS

Three Months Ended March 31, 2004 and 2003 (Unaudited)

	2004	2003
	(Dollars in thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Income before cumulative effect of change in accounting principles:	$ 4,818	$ 2,311
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	1,465	1,196
Deferred income taxes and investment tax credits — net	818	641
Changes in operating assets and liabilities:		
Accounts receivable:		
Affiliates	0	(760)
Other	1,326	(210)
Inventories:	30	(39)
Accounts payable		
Affiliates	3,446	(6,660)
Other	(2,408)	(1,630)
Other assets	(4,390)	(2,946)
Other liabilities	4,273	4,170
Cash provided by (used in) operating activities	9,378	(3,927)
CASH FLOWS FROM FINANCING ACTIVITIES —		
Net (payments to) advances from parent and affiliates	(10,308)	4,672
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	674	(755)
Investments	(54)	35
Cash provided by (used in) investing activities	620	(720)
NET CHANGE IN CASH	(310)	25
CASH — Beginning balance	358	110
CASH — Ending balance	$ 48	$ 135

See notes to financial statements.

TXU FUEL COMPANY

NOTES TO FINANCIAL STATEMENTS

Three Months Ended March 31, 2004 and 2003 (Unaudited)

1. Significant Accounting Policies and Business

General — TXU Fuel Company (the "Company") is a wholly-owned subsidiary of TXU Energy Company LLC, which is a wholly-owned subsidiary of TXU Corp.

The Company owns a natural gas pipeline system, and stores and delivers fuel gas for the benefit of TXU US Holdings Company ("US Holdings"), formerly TXU Electric Company, a wholly-owned subsidiary of TXU Corp., and for third parties. The Company may not engage in other substantial activities without the consent of US Holdings.

The Company has adopted the National Association of Regulatory Utility Commissioners Uniform System of Accounts as prescribed by the Railroad Commission of Texas. Since the Company provides services to US Holdings, its books and records are subject to review by various regulators.

Basis of Presentation — The interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the US ("US GAAP") and on the same basis as the audited financial statements for the year ended December 31, 2003. In the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation of the results of operations and financial position have been included therein. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with US GAAP have been omitted pursuant to the rules and regulations of the SEC. Because the interim financial statements do not include all of the information and footnotes required by US GAAP, they should be read in conjunction with the audited financial statements and related notes for the year ended December 31, 2003. The results of operations for an interim period may not give a true indication of results for a full year. All dollar amounts in the financial statements and tables in the notes are stated in thousands of US Dollars unless otherwise indicated. There were no other components of comprehensive income other than net income.

Use of Estimates — Preparation of the Company's financial statements requires management to make estimates and assumptions about future events that affect the reporting and disclosure of assets and liabilities at the balance sheet dates and the reported amounts of revenue and expense during the periods. In the event estimates and/or assumptions prove to be different from actual amounts, adjustments are made in subsequent periods to reflect more current information. No material adjustments were made to previous estimates or assumptions during the current year.

Revenue Recognition — Gas pipeline transportation revenues are recognized as services are provided to customers based on estimated volumes subsequently confirmed by measurement reports.

Investments — Assets related to employee benefit plans are held to satisfy deferred compensation liabilities and are recorded at market value.

Gas Pipelines — Gas pipeline is stated at original cost. The cost of property additions includes labor and materials, applicable overhead and payroll-related costs. The Company does not capitalize an allowance for funds used during construction.

Impairment of Long-lived Assets — The Company evaluates the carrying value of long-lived assets to be held and used when events and circumstances warrant such a review. The carrying value of long-lived assets would be considered impaired when the projected undiscounted cash flows are less than carrying value. In that event, a loss would be recognized based on the amount by which the carrying value exceeds the fair market value. Fair value is determined primarily by available market valuations or, if applicable, discounted cash flows. (See *Changes in Accounting Standards* below.)

Income Taxes — Investment tax credits are amortized to income over the estimated service lives of the properties. Deferred income taxes are provided for temporary differences between the book and tax basis of assets and liabilities. Current receivables and/or payables to affiliates include amounts for income taxes due from or to TXU Corp.

2. Cumulative Effect of Changes in Accounting Principles

The adoption of Statement of Financial Accounting Standards ("SFAS") No. 143 resulted in a credit of $1.3 million, net of $.7 million tax effect to earnings for the cumulative effect of the new accounting principle for the three months ended March 31, 2003.

SFAS 143 became effective on January 1, 2003. SFAS No. 143 requires entities to record the fair value of a legal liability for an asset retirement obligation in the period of its inception. For the Company such liabilities would relate to gas pipelines. The Company has determined that no such costs meet the liability recognition criteria of SFAS No. 143. The Company previously included estimated asset retirement costs in its depreciation rates. As the new accounting rule required retrospective application to the inception of the liability, if applicable, the effects of the adoption reflect the reversal of previously recorded depreciation expense for the estimated asset retirement costs previously reflected in accumulated depreciation at the date of adoption.

The following table summarizes the impact as of January 1, 2003 of adopting SFAS 143:

Increase in property, plant and equipment — net	$1,944
Increase in accumulated deferred income taxes	(680)
Cumulative effect of change in accounting principles	$1,264

3. Affiliate Transactions

The advances from/to affiliates are in the form of demand notes payable/receivable, which bear interest at a rate equal to the weighted average cost of all outstanding short-term indebtedness of TXU Corp. or a published rate for similar borrowings when TXU Corp. has no outstanding short-term borrowings. The average interest rate on such borrowings was 2.86% and 2.33% for the first three months of 2004 and 2003, respectively.

TXU Business Services Company, an affiliate of the Company, billed the Company $22,000 and $405,000 in 2004 and 2003, respectively, for financial, accounting, information technology, personnel, procurement and other administrative services at cost. Accounts receivable from and payable to affiliates are settled in the normal course of business.

4. Retirement Plan and Other Postretirement Benefits

The Company is a participating employer in the TXU Retirement Plan, a defined benefit pension plan sponsored by TXU Corp. The Company also participates with TXU Corp. and other affiliated subsidiaries of TXU Corp. to offer health care and life insurance benefits to eligible employees and their eligible dependents upon the retirement of such employees. The allocated net periodic pension cost and net periodic postretirement benefits cost other than pensions applicable to the Company were $51,000 and $95,000 for the three months ended March 31, 2004 and 2003, respectively.

At March 31, 2004, the Company estimates that its total contributions to the pension plan and other postretirement benefit plans for the remainder of 2004 will not be materially different than previously disclosed in the 2003 financial statements.

5. Contingencies

The Company is a party, in the ordinary course of business, to certain claims and litigation. The settlement of such matters is not expected to have a material adverse impact on the financial position, results of operations or cash flows of the Company.

6. Sale of the Company

During June 2004, the Company’s parent completed the sale of the assets of the Company to an outside party. As part of the transaction, the parent will have an eight-year transportation agreement with the new owner to transport gas to the parent’s generation plants.

* * * * *

EXHIBIT 99.3

ENERGY TRANSFER PARTNERS, L.P.

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

INTRODUCTION

The pro forma financial statements are based upon the combined historical financial position and results of operations of Energy Transfer Partners, L.P. (“Energy Transfer”) and TXU Fuel Company (“TUFCO”). The pro forma financial statements give effect to the following transactions:

- On June 1, 2004, Energy Transfer acquired all of the midstream natural gas assets of TUFCO for approximately $500 million in an all cash transaction. The transactions described in this paragraph and the related financings are referred to as the “TUFCO System Transactions.”

- On January 20, 2004, Heritage Propane Partners, L.P. (“Heritage”) and La Grange Energy, L.P. (“La Grange Energy”) closed a transaction pursuant to which La Grange Energy contributed its subsidiary, La Grange Acquisition, L.P. (the entity that conducted its operations under the name Energy Transfer Company) to Heritage in exchange for cash, the assumption of debt and accounts payable and other specified liabilities, common units, class D units and special units of Heritage. Energy Transfer Company distributed its cash and accounts receivable to La Grange Energy and an affiliate of La Grange Energy contributed an office building to Energy Transfer, in each case prior to the contribution of ETC to Heritage. Simultaneously with this acquisition, La Grange Energy obtained control of Heritage by acquiring all of the interest in U.S. Propane, L.P., the general partner of Heritage, and U.S. Propane, L.L.C., the general partner of U.S. Propane, L.P., from subsidiaries of AGL Resources, Inc., Atmos Energy Corporation, TECO Energy, Inc. and Piedmont Natural Gas Company, Inc. (collectively, the “Utilities”). Heritage also acquired all of the common stock of Heritage Holdings, Inc. (“Heritage Holdings”) from the Utilities. The transactions described in this paragraph and the related financings are collectively referred to as the “Energy Transfer Transactions.” The Energy Transfer Transactions were accounted for as a reverse acquisition with Energy Transfer Company being the accounting acquiror. Subsequent to the Energy Transfer Transactions, the combined entity was renamed Energy Transfer Partners, L.P.

- Energy Transfer Company was formed on October 1, 2002, and was owned by its limited partner, La Grange Energy, and its general partner, LA GP, LLC. La Grange Acquisition, L.P. (“La Grange Acquisition”) is the limited partner of ETC Gas Company, Ltd., ETC Texas Pipeline, Ltd., ETC Processing, Ltd., ETC Marketing, Ltd., ETC Oasis Pipe Line, L.P. and ET Company I, Ltd. (collectively, the “Operating Partnerships”). La Grange Acquisition and the Operating Partnerships collectively form Energy Transfer Company. In October 2002, Energy Transfer Company acquired the Texas and Oklahoma natural gas gathering and gas processing assets of Aquila Gas Pipeline Corporation, a subsidiary of Aquila, Inc., including 50% of the capital stock of Oasis Pipe Line Company (“Oasis Pipe Line”), and a 20% ownership interest in the Nustar Joint Venture. On December 27, 2002, Oasis Pipe Line redeemed the remaining 50% of its capital stock and cancelled the stock, resulting in Energy Transfer Company owning 100% of Oasis Pipe Line. Energy Transfer Company contributed the assets acquired from Aquila Gas Pipeline to the Operating Partnerships in return for its limited partner interests in the Operating Partnerships. These transactions are collectively referred to as the “La Grange Transaction.”

The following pro forma combined financial statements include the following:

- the unaudited pro forma balance sheet of Energy Transfer, which gives pro forma effect to the TUFCO System Transactions as if such transactions occurred on February 29, 2004;

- the unaudited pro forma statement of operations of Energy Transfer for the year ended August 31, 2003, which adjusts the pro forma statement of operations of Heritage, Heritage Holdings and Energy Transfer Company described below to give pro forma effect to the TUFCO System Transactions as if such transactions occurred on September 1, 2002;

- the unaudited pro forma statement of operations of Energy Transfer for the six-months ended February 29, 2004, which adjusts the pro forma statement of operations of Heritage, Heritage Holdings and Energy Transfer Company described below to give pro forma effect to the TUFCO System Transactions as if such transactions occurred on September 1, 2003;

- the unaudited pro forma statement of operations of Energy Transfer for the year ended August 31, 2003, which gives pro forma effect to the Energy Transfer Transactions as if such transactions occurred on September 1, 2002;

- the unaudited pro forma statement of operations of Energy Transfer for the six-months ended February 29, 2004, which gives pro forma effect to the Energy Transfer Transactions as if such transactions occurred on September 1, 2003; and

- the unaudited pro forma statement of operations of Energy Transfer for the year ended August 31, 2003, which gives pro forma effect to the La Grange Transaction as if such transaction occurred on September 1, 2002.

SUMMARY OF TUFCO SYSTEM TRANSACTIONS AND RELATED PRO FORMA FINANCIAL STATEMENTS

The following unaudited pro forma combined financial statements present (i) unaudited pro forma balance sheet data at February 29, 2004, giving effect to the TUFCO System Transactions as if the TUFCO System Transactions had been consummated on that date; (ii) unaudited pro forma operating data for the year ended August 31, 2003, giving effect to the TUFCO System Transactions, the Energy Transfer Transactions and the La Grange Transaction as if such transactions had been consummated on September 1, 2002; and (iii) unaudited pro forma operating data for the six-months ended February 29, 2004, giving effect to the TUFCO System Transactions and the Energy Transfer Transactions as if such transactions had been consummated on September 1, 2003.

The unaudited pro forma combined balance sheet data combines the February 29, 2004 balance sheet of Energy Transfer, which is incorporated herein by reference, and the March 31, 2004 balance sheet of TUFCO (which is contained in Exhibit 99.2 of this Current Report on Form 8-K). The unaudited pro forma combined statement of operations for the year ended August 31, 2003, combines the pro forma results of operations for Energy Transfer Company for the 11 months ended August 31, 2003, incorporated herein by reference, the results of operations of Heritage for the 12 months ended August 31, 2003, incorporated herein by reference, the results of operations of Heritage Holdings for the 12 months ended August 31, 2003, and the results of operations before cumulative effect of change in accounting principles of TUFCO for the 12 months ended September 30, 2003, after giving effect to pro forma adjustments. The unaudited pro forma combined statement of operations for the six months ended February 29, 2004, combines the pro forma results of operations for Energy Transfer for the six months ended February 29, 2004, the results of operations of Heritage and Heritage Holdings for the period from September 1, 2003 to the date of the Energy Transfer Transactions, January 20, 2004, and the results of operations of TUFCO for the six months ended March 31, 2004, after giving effect to pro forma adjustments.

The TUFCO System Transactions will be accounted for as an acquisition under the purchase method of accounting in accordance with Statement of Financial Accounting Standards (SFAS) No. 141, *Business Combinations.* The assets and liabilities of TUFCO will be reflected at fair value. A final determination of the purchase accounting adjustments, including the allocation of the purchase price to the assets acquired and liabilities assumed based on their respective fair values, has not been made. Accordingly, the purchase accounting adjustments made in connection with the development of the following summary pro forma combined financial statements are preliminary and have been made solely for purposes of developing such pro forma combined financial statements. However, management does not believe that final adjustments will be materially different from the amounts presented herein.

The Energy Transfer Transactions were accounted for as a reverse acquisition in accordance with SFAS No. 141. Although Heritage was the surviving parent entity for legal purposes, Energy Transfer

Company was the acquiror for accounting purposes. The assets and liabilities of Heritage are reflected at fair value to the extent acquired by Energy Transfer Company in accordance with Emerging Issues Task Force ("EITF") 90-13, *Accounting For Simultaneous Control Mergers.* The assets and liabilities of Energy Transfer Company are reflected at historical cost. A final determination of the purchase accounting adjustments, including the allocation of the purchase price to the assets acquired and liabilities assumed based on their respective fair values, has not been made. Accordingly, the purchase accounting adjustments are preliminary. However, management does not believe that final adjustments will be materially different from the amounts presented herein.

The following unaudited pro forma combined financial statements are provided for informational purposes only and should be read in conjunction with the separate audited financial statements of TUFCO (which are contained in Exhibit 99.2 of this Current Report on Form 8-K), Energy Transfer Company (which are included in Energy Transfer's prospectus dated January 12, 2004, filed with the Securities and Exchange Commission on January 14, 2004 pursuant to Rule 424(b)(2)), and Heritage (which are filed with Energy Transfer's Annual Report filed on Form 10-K with the Securities and Exchange Commission on November 26, 2003 and incorporated herein by reference). The following unaudited pro forma combined financial statements are based on certain assumptions and do not purport to be indicative of the results which actually would have been achieved if the TUFCO System Transactions, the Energy Transfer Transactions and the La Grange Transaction had been consummated on the dates indicated or which may be achieved in the future.

ENERGY TRANSFER PARTNERS, L.P.

UNAUDITED PRO FORMA COMBINED BALANCE SHEET
February 29, 2004

	Energy Transfer	TUFCO	Pro Forma Adjustments	Pro Forma Combined
		(In thousands)		
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	$ 110,601	$ 48	$ 500,465 (a)	$ 112,451
			(498,615)(b)	
			(48)(b)	
			133,560 (c)	
			(2,000)(d)	
			2,846 (e)	
			(134,406)(f)	
Accounts receivable	247,811	3,641	(3,641)(b)	247,811
Inventories and exchanges	39,173	16,661	(16,661)(b)	39,173
Accounts receivable — related companies	3,856	—	—	3,856
Marketable securities and investments	2,126	—	—	2,126
Prepaid expenses and other current assets	11,304	517	(517)(b)	11,304
Total current assets	414,871	20,867	(19,017)	416,721
PROPERTY, PLANT AND EQUIPMENT, net	928,052	102,199	397,801 (b)	1,428,052
INVESTMENT IN AFFILIATES	7,902	871	(871)(b)	7,902
GOODWILL	284,240	—	—	284,240
INTANGIBLES AND OTHER ASSETS, net	96,566	28	4,535 (a)	101,101
			(28)(b)	
Total assets	$1,731,631	$123,965	$ 382,420	$2,238,016
LIABILITIES AND PARTNERS' CAPITAL				
CURRENT LIABILITIES:				
Working capital facility	$ 65,488	$ —	$ —	$ 65,488
Accounts payable	230,219	7,595	(7,595)(b)	230,219
Accrued and other current liabilities	43,901	3,167	(2,532)(b)	44,536
Payable to related companies	15,046	38,156	(38,156)(b)	15,046
Current maturities of long-term debt	29,937	—	—	29,937
Total current liabilities	384,591	48,918	(48,283)	385,226
LONG-TERM DEBT, less current maturities	685,460	—	505,000 (a)	1,056,054
			(134,406)(f)	
MINORITY INTEREST AND OTHER	4,362	6,233	(5,483)(b)	5,112
DEFERRED INCOME TAXES	112,325	12,995	(12,995)(b)	112,325
	1,186,738	68,146	303,833	1,558,717
PARTNERS' CAPITAL:				
General partner's capital	17,703	—	(40)(d)	20,509
			2,846 (e)	
Limited partners' capital, 31,398 issued and outstanding	312,856	—	133,560 (c)	444,456
			(1,960)(d)	
Class C limited partners capital, 1,000 authorized, issued and outstanding	—	—	—	—
Class D limited partners' capital, 7,722 issued and outstanding	211,883	—	—	211,883
Treasury units — class E units, 4,427 issued and outstanding	—	—	—	—
Common stock	—	2,016	(2,016)(b)	—
Retained earnings	—	53,863	(53,863)(b)	—
Other comprehensive income (loss)	2,451	(60)	60 (b)	2,451
Total partners' capital	544,893	55,819	78,587	679,299
Total liabilities and partners' capital	$1,731,631	$123,965	$ 382,420	$2,238,016

See accompanying notes.

ENERGY TRANSFER PARTNERS, L.P.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

Year Ended August 31, 2003

	Energy Transfer Pro Forma Combined	TUFCO	Pro Forma Adjustments	Pro Forma Combined
	(In thousands, except per unit amounts)			
REVENUES	$1,714,440	$61,655	$ —	$1,776,095
COSTS AND EXPENSES:				
Cost of products sold	1,309,497	—	—	1,309,497
Operating expenses	175,301	11,987	—	187,288
Depreciation and amortization	56,309	4,816	3,094(g)	64,219
Selling, general and administrative	31,789	5,176	—	36,965
Total costs and expenses	1,572,896	21,979	3,094	1,597,969
OPERATING INCOME (LOSS)	141,544	39,676	(3,094)	178,126
OTHER INCOME (EXPENSE):				
Interest expense	(50,204)	(1,648)	(14,923)(h)	(66,775)
Equity in earnings of affiliates	1,120	—	—	1,120
Gain on disposal of assets	273	—	—	273
Other	(2,912)	(361)	—	(3,273)
INCOME (LOSS) BEFORE MINORITY INTEREST AND INCOME TAXES	89,821	37,667	(18,017)	109,471
MINORITY INTEREST	(558)	—	—	(558)
INCOME (LOSS) BEFORE INCOME TAXES	89,263	37,667	(18,017)	108,913
INCOME TAXES	10,924	14,370	(14,370)(i)	10,924
NET INCOME (LOSS)	78,339	$23,297	$ (3,647)	97,989
GENERAL PARTNER'S INTEREST	1,567			1,960
LIMITED PARTNERS' INTEREST	$ 76,772			$ 96,029
BASIC AND DILUTED NET INCOME PER LIMITED PARTNER UNIT	$ 2.27			$ 2.58
BASIC WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING	33,746			37,246
DILUTED WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING	33,770			37,270

See accompanying notes.

ENERGY TRANSFER PARTNERS, L.P.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

Six-Months Ended February 29, 2004

	Energy Transfer Pro Forma Combined	TUFCO	Pro Forma Adjustments	Pro Forma Combined
	(In thousands, except per unit amounts)			
REVENUES	$1,315,900	$24,545	$ —	$1,340,445
COSTS AND EXPENSES:				
Cost of products sold	1,055,426	—	—	1,055,426
Operating expenses	95,384	3,903	—	99,287
Depreciation and amortization	29,644	2,657	1,547(g)	33,848
Selling, general and administrative	21,315	1,489	—	22,804
Total costs and expenses	1,201,769	8,049	1,547	1,211,365
OPERATING INCOME (LOSS)	114,131	16,496	(1,547)	129,080
OTHER INCOME (EXPENSE):				
Interest expense	(27,738)	(589)	(7,687)(h)	(36,014)
Equity in earnings of affiliates	823	—	—	823
Gain on disposal of assets	28	—	—	28
Other	168	(82)	—	86
INCOME BEFORE MINORITY INTEREST AND INCOME TAXES	87,412	15,825	(9,234)	94,003
MINORITY INTEREST	(516)	—	—	(516)
INCOME (LOSS) BEFORE INCOME TAXES	86,896	15,825	(9,234)	93,487
INCOME TAXES	4,722	5,476	(5,476)(i)	4,722
NET INCOME (LOSS)	82,174	$10,349	$(3,758)	88,765
GENERAL PARTNER’S INTEREST IN NET INCOME	1,643			1,775
LIMITED PARTNERS’ INTEREST IN NET INCOME	$ 80,531			$ 86,990
BASIC NET INCOME PER LIMITED PARTNER UNIT	$ 2.25			$ 2.22
DILUTED NET INCOME PER LIMITED PARTNER INTEREST	$ 2.25			$ 2.21
BASIC WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING	35,771			39,271
DILUTED WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING	35,796			39,296

See accompanying notes.

ENERGY TRANSFER PARTNERS, L.P.

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

(Dollars in thousands, except per unit amounts)

1. Basis of Presentation and Other Transactions

The unaudited pro forma combined financial statements do not give any effect to any restructuring cost, potential cost savings, or other operating efficiencies that are expected to result from the TUFCO System Transactions. The unaudited pro forma combined financial statements are based on certain assumptions and do not purport to be indicative of the results which actually would have been achieved if the TUFCO System Transactions had been consummated on the dates indicated or which may be achieved in the future. The purchase accounting adjustments made in connection with the development of the unaudited pro forma combined financial statements are preliminary and have been made solely for purposes of presenting such pro forma financial information.

It has been assumed that for purposes of the unaudited pro forma combined balance sheet, the transactions described below occurred on February 29, 2004, for purposes of the unaudited pro forma combined statement of operations for the year ended August 31, 2003, the transactions described below occurred on September 1, 2002, and for purposes of the unaudited pro forma combined statement of operations for the six-months ended February 29, 2004, the transactions described below occurred on September 1, 2003. The unaudited pro forma combined balance sheet data combines the February 29, 2004 balance sheet of Energy Transfer and the March 31, 2004 balance sheet of TUFCO, after giving effect to pro forma adjustments. The unaudited pro forma combined statement of operations for the year ended August 31, 2003 combines the pro forma results of operations for Energy Transfer Company, Heritage and Heritage Holdings for the year ended August 31, 2003 and the results of operations before cumulative effect of change in accounting principles of TUFCO, for the 12 months ended September 30, 2003, after giving effect to pro forma adjustments. The unaudited pro forma combined statement of operations for the six-months ended February 29, 2004 combines the pro forma results of operations for Energy Transfer for the six months ended February 29, 2004, the results of operations of Heritage and Heritage Holdings for the period from September 1, 2003 to the date of the Energy Transfer Transactions, January 20, 2004, and the results of operations of TUFCO for the six-months ended March 31, 2004, after giving effect to pro forma adjustments.

On June 1, 2004, Energy Transfer acquired all of the midstream natural gas assets of TUFCO for approximately $500 million in an all cash transaction. In connection with the acquisition, Energy Transfer, through a subsidiary, borrowed $505 million under its midstream credit facility. These pro forma financial statements assume that concurrent with the TUFCO System Transactions, and as of the dates indicated, the net proceeds from this offering of 3.5 million common units at an assumed offering price of $39.85 per unit were used to repay a portion of the borrowings used to fund the TUFCO System Transactions.

The TUFCO System Transactions will be accounted for as an acquisition under the purchase method of accounting in accordance with SFAS No. 141. The purchase price is determined as follows:

Cash paid	$498,615
Liabilities assumed	1,385
Total purchase price	$500,000

For purposes of the pro forma balance sheet, the purchase price has been allocated using the acquisition methodology used by Energy Transfer when evaluating potential acquisitions. Following the consummation of the TUFCO System Transactions, an appraisal will be obtained to record the final asset valuations. Management of Energy Transfer plans to engage an appraisal firm to perform the asset appraisal. However management does not anticipate that the final valuation will be materially different than the preliminary allocation. The preliminary allocation used in the pro forma balance sheet is as follows:

Pipelines (65 year life)	$369,025
Compressors (20 year life)	28,050
Storage facilities (65 year life)	54,000
Line pack	48,000
Land	925
	$500,000

For purposes of the pro forma statements of operations, pro forma basic and diluted earnings per limited partner unit is calculated as follows:

	For the Year Ended August 31, 2003
Basic pro forma net income per limited partner unit:	
Limited partners' interest in pro forma net income	$96,029
Energy Transfer pro forma weighted average limited partner units	33,746
Units issued in this offering	3,500
Weighted average limited partner units	37,246
Basic pro forma net income per limited partner unit	$ 2.58
Diluted pro forma net income per limited partner unit:	
Limited partners' interest in pro forma net income	$96,029
Energy Transfer pro forma weighted average limited partner units	33,770
Units issued in this offering	3,500
Diluted weighted average limited partner units	37,270
Diluted pro forma net income per limited partner unit	$ 2.58

	For the Six-Months Ended February 29, 2004
Basic pro forma net income per limited partner unit:	
Limited partners' interest in pro forma net income	$86,990
Energy Transfer pro forma weighted average limited partner units	35,771
Units issued in this offering	3,500
Weighted average limited partner units	39,271
Basic pro forma net income per limited partner unit	$ 2.22

	For the Six-Months Ended February 29, 2004
Diluted pro forma net income per limited partner unit:	
Limited partners' interest in pro forma net income	$86,990
Energy Transfer pro forma weighted average limited partner units, assuming dilutive effect of phantom units	35,796
Units issued in this offering	3,500
Diluted weighted average limited partner units	39,296
Diluted pro forma net income per limited partner unit	$ 2.21

2. Pro Forma Adjustments

(a) Reflects borrowing of $505,000, including loan origination fees of $4,535. The borrowing is assumed to have an average interest rate of 4.14%.

(b) Reflects the purchase of TUFCO's midstream natural gas assets and the elimination of certain TUFCO assets not acquired and liabilities not assumed by Energy Transfer.

(c) Reflects the net proceeds received from this offering of 3.5 million common units of Energy Transfer at an offering price of $39.85 per unit, net of underwriting discount of approximately $5,915.

(d) Reflects cash used to pay offering and other transaction costs of $2,000, allocated to the partners' capital accounts based on their ownership percentages.

(e) Reflects the contribution from U.S. Propane, L.P. to Energy Transfer of cash of $2,846 in connection with this offering in order to maintain its 2% general partner interest in Energy Transfer.

(f) Reflects $134,406 of net proceeds from the offering and general partner contribution used to repay a portion of the borrowing referred to in (a).

(g) Reflects the additional depreciation related to the step-up of net book value of property, plant and equipment.

(h) Allocation of additional annual interest expense of $16,552 related to the $370,594 of net borrowings, following repayment of the $134,406 referred to in (f), at an assumed average interest rate of 4.14%, including annual amortization of loan origination fees of $1,209. This additional expense is offset by the elimination of $1,629 and $589 of interest on borrowings from affiliates of TUFCO for the year ended August 31, 2003 and the six-months ended February 29, 2004, respectively. A 1/8% change in the interest rate on the borrowings would change annual interest expense by approximately $463.

(i) Eliminates income tax expense as the acquired assets will be held by a non-taxable limited partnership.

SUMMARY OF ENERGY TRANSFER TRANSACTIONS AND RELATED PRO FORMA FINANCIAL STATEMENTS

Following is Energy Transfer's unaudited pro forma combined statements of operations for the year ended August 31, 2003 and the six-months ended February 29, 2004.

The unaudited pro forma combined statements of operations gives pro forma effect to the following transactions as if they had occurred on the dates indicated below.

- On January 20, 2004, Heritage and La Grange Energy closed a transaction pursuant to which La Grange Energy contributed its subsidiary, Energy Transfer Company, to Heritage in exchange for cash of $300 million, less the amount of Energy Transfer Company debt in excess of $151,500, which was repaid as part of the transaction, less Energy Transfer Company's accounts payable and other specified liabilities, plus any agreed-upon capital expenditures paid by La Grange Energy relating to Energy Transfer Company prior to the closing, and $433,909 of common units and class D units of Heritage. In connection with the Heritage Transaction, Energy Transfer Company distributed its cash and accounts receivable to La Grange Energy and an affiliate of La Grange Energy contributed an office building to Energy Transfer Company, in each case prior to the contribution of Energy Transfer Company to Heritage. Also in connection with this acquisition, Heritage completed an offering of 9.2 million common units at a price of $38.69, including an over-allotment option exercised by the underwriters of the offering. Simultaneously with this acquisition, La Grange Energy obtained control of Heritage by acquiring all of the interest in U.S. Propane, L.P., the general partner of Heritage, and U.S. Propane, L.L.C., the general partner of U.S. Propane, L.P., from the Utilities. Heritage also acquired all of the common stock of Heritage Holdings from the Utilities. The transactions described in this paragraph are collectively referred to as the "Energy Transfer Transactions." The Energy Transfer Transactions were accounted for as a reverse acquisition with Energy Transfer Company being the accounting acquirer. Subsequent to the Energy Transfer Transactions, the combined entity was renamed Energy Transfer Partners, L.P.

The Energy Transfer Transactions were accounted for as a reverse acquisition in accordance with SFAS No. 141. Although Heritage was the surviving parent entity for legal purposes, Energy Transfer Company was the acquiror for accounting purposes. The assets and liabilities of Heritage are recorded at fair value to the extent acquired by Energy Transfer Company in accordance with EITF 90-13. The assets and liabilities of Energy Transfer Company are recorded at historical cost. A final determination of the purchase accounting adjustments, including the allocation of the purchase price to the assets acquired and liabilities assumed based on their respective fair values, has not been made. Accordingly, the purchase accounting adjustments are preliminary. However, management does not believe that final adjustments will be materially different from the amounts used in the development of these pro forma combined statements of operations.

The unaudited pro forma combined statements of operations were derived by adjusting the historical financial statements of Energy Transfer Company, Heritage and Heritage Holdings. However, management believes that the adjustments provide a reasonable basis for presenting the significant effects of the transactions described above. The unaudited pro forma combined statement of operations does not purport to present the results of operations of Energy Transfer had the transactions above actually been completed as of the dates indicated. Moreover, the unaudited pro forma combined statements of operations do not project the results of operations of Energy Transfer Company for any future date or period.

The unaudited pro forma combined statement of operations for the year ended August 31, 2003 combines the pro forma results of operations for Energy Transfer Company for the 11 months ended August 31, 2003, included herein, and the results of operations of Heritage and Heritage Holdings for the 12 months ended August 31, 2003, after giving effect to pro forma adjustments. These unaudited pro forma amounts are included in the pro forma statements of Energy Transfer, included on herein, which reflect the pro forma effects of the combination of Energy Transfer and TUFCO and the offering and related transactions of the TUFCO Systems Transactions.

The following unaudited pro forma combined financial statements are provided for informational purposes only and should be read in conjunction with the separate audited combined financial statements of Energy Transfer Company (which are filed on Energy Transfer's prospectus dated January 14, 2004, filed with the Securities and Exchange Commission on January 14, 2004, pursuant to Rule 424(b)(2)), and Heritage (which are filed with Energy Transfer's Annual Report filed on Form 10-K with the Securities and Exchange Commission on November 26, 2003 and incorporated herein by reference). The following unaudited pro forma combined financial statements are based on certain assumptions and do not purport to be indicative of the results which actually would have been achieved if the Energy Transfer Transactions and the La Grange Transaction had been consummated on the dates indicated or which may be achieved in the future.

ENERGY TRANSFER PARTNERS, L.P.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS —

ENERGY TRANSFER TRANSACTIONS
Year Ended August 31, 2003

	Energy Transfer Company Pro Forma Combined	Heritage Propane	Heritage Holdings	Pro Forma Adjustments	Energy Transfer Pro Forma Combined
		(In thousands, except per unit amounts)			
REVENUES	$1,142,964	$571,476	$ —	$ —	$1,714,440
COSTS AND EXPENSES:					
Cost of products sold	1,012,341	297,156	—	—	1,309,497
Operating expenses	22,735	152,131	435	—	175,301
Depreciation and amortization	15,996	37,959	—	1,381(a)	56,309
				909(b)	
				64(c)	
Selling, general and administrative	17,842	14,037	—	(90)(c)	31,789
Total costs and expenses	1,068,914	501,283	435	2,264	1,572,896
OPERATING INCOME (LOSS)	74,050	70,193	(435)	(2,264)	141,544
OTHER INCOME (EXPENSE):					
Interest expense	(13,770)	(35,740)	(80)	(614)(d)	(50,204)
Equity in earnings (losses) of affiliates	(251)	1,371	8,251	(8,251)(e)	1,120
Gain on disposal of assets	—	430	—	(157)(f)	273
Other	(302)	(3,213)	1,295	(692)(g)	(2,912)
INCOME BEFORE MINORITY INTERESTS AND INCOME TAXES	59,727	33,041	9,031	(11,978)	89,821
MINORITY INTERESTS	—	(876)	—	318(h)	(558)
INCOME BEFORE INCOME TAXES	59,727	32,165	9,031	(11,660)	89,263
INCOME TAXES	6,015	1,023	3,886	—	10,924
NET INCOME	$ 53,712	$ 31,142	$5,145	$(11,660)	78,339
GENERAL PARTNER'S INTEREST IN NET INCOME					1,567
LIMITED PARTNERS' INTEREST IN NET INCOME					$ 76,772
BASIC AND DILUTED NET INCOME PER LIMITED PARTNER UNIT					$ 2.27
BASIC WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING					33,746
DILUTED WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING					33,770

See accompanying notes.

ENERGY TRANSFER PARTNERS, L.P.

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS —

ENERGY TRANSFER TRANSACTIONS
Six-Months Ended February 29, 2004

	Energy Transfer	Heritage Propane	Heritage Holdings	Pro Forma Adjustments	Energy Transfer Pro Forma Combined
			(In thousands, except per unit amounts)		
REVENUES	$1,044,273	$271,627	$ —	$ —	$1,315,900
COSTS AND EXPENSES:					
Cost of products sold	906,860	148,566	—	—	1,055,426
Operating expenses	32,910	62,474	—	—	95,384
Depreciation and amortization	13,619	14,848	—	690(a)	29,644
				455(b)	
				32(c)	
Selling, general and administrative	11,261	10,100	—	(46)(c)	21,315
Total costs and expenses	964,650	235,988	—	1,131	1,201,769
OPERATING INCOME (LOSS)	79,623	35,639	—	(1,131)	114,131
OTHER INCOME (EXPENSE):					
Interest expense	(12,647)	(12,755)	—	(2,336)(d)	(27,738)
Equity in earnings (losses) of affiliates	327	496	5,218	(5,218)(e)	823
Gain (loss) on disposal of assets	28	(240)	—	240(f)	28
Other	233	(65)	346	(346)(g)	168
INCOME BEFORE MINORITY INTEREST AND INCOME TAXES	67,564	23,075	5,564	(8,791)	87,412
MINORITY INTERESTS	(175)	(571)	—	230(h)	(516)
INCOME BEFORE INCOME TAXES	67,389	22,504	5,564	(8,561)	86,896
INCOME TAXES	2,457	20	2,245	—	4,722
NET INCOME	$ 64,932	$ 22,484	$3,319	$(8,561)	82,174
GENERAL PARTNER'S INTEREST IN NET INCOME					1,643
LIMITED PARTNERS' INTEREST IN NET INCOME					$ 80,531
BASIC AND DILUTED NET INCOME PER LIMITED PARTNER UNIT					$ 2.25
BASIC WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING					35,771
DILUTED WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING					35,796

See accompanying notes.

ENERGY TRANSFER PARTNERS, L.P.

NOTES TO UNAUDITED PRO FORMA COMBINED

FINANCIAL STATEMENTS — ENERGY TRANSFER TRANSACTIONS
(Dollars in thousands, except per unit amounts)

1. Basis of Presentation and Other Transactions

The unaudited pro forma combined financial statements do not give any effect to any restructuring cost, potential cost savings, or other operating efficiencies that are expected to result from the Energy Transfer Transactions. The unaudited pro forma combined financial statements are based on certain assumptions and do not purport to be indicative of the results which actually would have been achieved if the Energy Transfer Transactions had been consummated on the dates indicated or which may be achieved in the future. The purchase accounting adjustments made in connection with the development of the unaudited pro forma combined financial statements are preliminary and have been made solely for purposes of presenting such pro forma financial information.

It has been assumed that for purposes of the unaudited pro forma combined statement of operations for the year ended August 31, 2003, the following transactions occurred on September 1, 2002, and for purposes of the unaudited pro forma combined statement of operations for the six-months ended February 29, 2004, the following transactions occurred on September 1, 2003. The unaudited pro forma combined statement of operations for the year ended August 31, 2003, combines the pro forma results of operations for Energy Transfer Company for the 11 months ended August 31, 2003, and the results of operations of Heritage and Heritage Holdings for the 12 months ended August 31, 2003, after giving effect to pro forma adjustments. The unaudited pro forma combined statement of operations for the six-months ended February 29, 2004 combines the pro forma results of operations for Energy Transfer Company for the six months ended February 29, 2004, and the results of operations of Heritage and Heritage Holdings for the period from September 1, 2003 to the date of the Energy Transfer Transactions, January 20, 2004, after giving effect to pro forma adjustments.

On January 20, 2004, Heritage and La Grange Energy closed a transaction pursuant to which La Grange Energy contributed its subsidiary Energy Transfer Company to Heritage in exchange for cash of $300,000, less the amount of Energy Transfer Company debt in excess of $151,500, which was repaid as part of the transaction, and less Energy Transfer Company’s accounts payable and other specified liabilities plus any agreed upon capital expenditures paid by La Grange Energy relating to Energy Transfer Company’s business prior to closing, and $433,909 of common units and class D units of Heritage. For purposes of these unaudited pro forma combined financial statements, agreed upon capital expenditures of $5,000 have been assumed and the units are valued at $35.74, the average closing price of Heritage’s common units on the New York Stock Exchange for the period three days before and three days after the signing of the definitive agreement on November 6, 2003. In conjunction with the Energy Transfer Transactions, Energy Transfer Company distributed its cash and accounts receivable to La Grange Energy and an affiliate of La Grange Energy contributed an office building to Energy Transfer Company, in each case prior to the contribution of Energy Transfer Company to Heritage. La Grange Energy also received 3,742,515 special units as contingent consideration for completing the Bossier pipeline. The special units converted to common units upon the Bossier pipeline becoming commercially operational and such conversion being approved by Energy Transfer’s unitholders. The Bossier pipeline became commercially operational on June 21, 2004 and the unitholders approved such conversion at a special meeting held on June 23, 2004. Because the conversion of the special units into common units was contingent upon events that occurred subsequent to the periods presented in the unaudited pro forma combined financial statements, those units have been excluded from the weighted average units used in computing pro forma net income per limited partner unit. Additionally, those units are not reflected in the pro forma combined balance sheet.

Simultaneously with this acquisition, La Grange Energy obtained control of Heritage by acquiring all of the interest in U.S. Propane, L.P., the general partner of Heritage, and U.S. Propane, L.L.C., the general partner of U.S. Propane L.P., from the Utilities for $30,000. U.S. Propane, L.P. contributed its 1.0101% general partner interest in Heritage Operating, L.P. (“Heritage Operating”) to Heritage in exchange for an additional 1% general partner interest in Heritage. Heritage also bought the outstanding stock of Heritage Holdings for $100,000.

Concurrent with the Energy Transfer Transactions, Energy Transfer Company borrowed $325,000 from financial institutions, and Heritage raised $355,948 of gross proceeds through the sale of 9,200,000 common units at an offering price of $38.69 per unit. The total of the proceeds was used to finance the transaction and for general partnership purposes.

The Energy Transfer Transactions were accounted for as a reverse acquisition in accordance with SFAS No. 141, Business Combinations. Although Heritage was the surviving parent entity for legal purposes, Energy Transfer Company is acquiror for accounting purposes. The assets and liabilities of Heritage are reflected at fair value to the extent acquired by Energy Transfer Company, which is approximately 35.4%, determined in accordance with EITF 90-13. The assets and liabilities of Energy Transfer Company are reflected at historical cost. The acquisition of Heritage Holdings by Heritage is accounted for as a capital transaction as the primary asset held by Heritage Holdings is 4,426,916 common units of Heritage. Following the acquisition of Heritage Holdings by Heritage, these common units were converted to class E units. The class E units are recorded as treasury units.

The Bossier pipeline extension contingency was completed on June 21, 2004 when the Bossier pipeline became commercially operational and the unitholders approved the conversion of the special units at a special meeting on June 23, 2004. As a result, the common units issued upon such conversion were valued at $35.74 per unit for total consideration of approximately $134 million. The issuance of the additional common units upon the conversion of the special units adjusts the percent of Heritage acquired in the Energy Transfer Transactions to approximately 41.5% and will result in an additional step-up in the assets of Heritage of approximately $38 million being recorded in accordance with EITF 90-13.

The results of operations of Heritage are included in the results of Energy Transfer Company after completion of the Energy Transfer Transactions on January 20, 2004.

The excess purchase price over predecessor cost was determined as follows:

Net book value of Heritage at January 20, 2004	$ 238,943
Historical goodwill at January 20, 2004	(170,500)
Equity investment from public offering	355,948
Treasury class E unit purchase	(157,340)
	267,051
Percent of Heritage acquired by La Grange Energy	35.4%
Equity interest acquired	$ 94,536
Fair market value of limited partner units	$ 651,170
Purchase price of general partner interest	30,000
Equity investment from public offering	355,948
Treasury class E unit purchase	(157,340)
	879,778
Percent of Heritage acquired by La Grange Energy	35.4%
Fair value of equity acquired	311,441
Net book value of equity acquired	94,536
Excess purchase price over predecessor cost	$ 216,905

The excess of purchase price over predecessor costs has been allocated using the acquisition methodology used by Heritage when evaluating potential acquisitions. An appraisal will be obtained to record the final asset valuations. Management is in the process of engaging an appraisal firm to perform the asset appraisal; however, management does not anticipate that the final valuation will be materially different than the preliminary allocation. The preliminary allocation used in the pro forma combined financial statements is as follows:

Property, plant and equipment (25 year average life)	$ 34,513
Customer lists (15 year life)	13,641
Trademarks	10,366
Goodwill	158,385
	$216,905

For purposes of the pro forma statements of operations, pro forma basic and diluted earnings per limited partner unit is calculated as follows:

	For the Year Ended August 31, 2003
Basic pro forma net income per limited partner unit:	
Limited partners' interest in pro forma net income	$76,772
Historical weighted average limited partner units	16,636
Conversion of phantom units to common units upon change in control from Energy Transfer Transactions	196
Units issued in the Energy Transfer Transactions offering, including the exercise of the underwriters' overallotment	9,200
Common units and class D units issued in conjunction with the Energy Transfer Transactions	12,141
Common units converted to class E units and recorded as treasury units in conjunction with the Energy Transfer Transactions	(4,427)
Weighted average limited partner units	33,746
Basic pro forma net income per limited partner unit	$ 2.27
Diluted pro forma net income per limited partner unit:	
Limited partners' interest in pro forma net income	$76,772
Historical weighted average limited partner units, assuming dilutive effect of phantom units	16,718
Less weighted average phantom units outstanding	(58)
Conversion of phantom units to common units upon change in control	196
Units issued in the Energy Transfer Transactions offering	9,200
Common units and class D units issued in conjunction with the Energy Transfer Transactions	12,141
Common units converted to class E units and recorded as treasury units	(4,427)
Weighted average limited partner units	33,770
Diluted pro forma net income per limited partner unit	$ 2.27

ENERGY TRANSFER PARTNERS, L.P.

NOTES TO UNAUDITED PRO FORMA COMBINED

FINANCIAL STATEMENTS — ENERGY TRANSFER TRANSACTIONS — (Continued)

	For the Six Months Ended February 29, 2004
Basic pro forma net income per limited partner unit:	
Limited partners' interest in pro forma net income	$80,531
Historical weighted average limited partner units	13,154
Effect of merger with Heritage	9,362
Conversion of phantom units to common units upon change in control from Energy Transfer Transactions	152
Units issued in the Energy Transfer Transactions offering, including the exercise of the underwriters' overallotment	7,127
Common units and class D units issued in conjunction with the Energy Transfer Transactions	9,406
Common units converted to class E units and recorded as treasury units in conjunction with the Energy Transfer Transactions	(3,430)
Weighted average limited partner units	35,771
Basic pro forma net income per limited partner unit	$ 2.25
Diluted pro forma net income per limited partner unit:	
Limited partners' interest in pro forma net income	$80,531
Historical weighted average limited partner units, assuming dilutive effect of phantom units	13,198
Effect of merger with Heritage	9,362
Less weighted average phantom units outstanding	(19)
Conversion of phantom units to common units upon change in control	152
Units issued in the Energy Transfer Transactions offering	7,127
Common units and class D units issued in conjunction with the Energy Transfer Transactions	9,406
Common units converted to class E units and recorded as treasury units	(3,430)
Weighted average limited partner units	35,796
Diluted pro forma net income per limited partner unit	$ 2.25

2. Pro Forma Adjustments

(a) Reflects the additional depreciation related to the step-up of net book value of property, plant and equipment having an estimated average life of 25 years.

(b) Reflects the additional amortization related to the step-up of net book value of customer lists having lives of 15 years.

(c) Reflects the effect on depreciation of the contribution of the Dallas office building from an affiliate of La Grange Energy to Energy Transfer Company and the reversal of rent previously expensed.

(d) Reflects additional interest expense related to the $325,000 of borrowings under the term loan at an average interest rate of 4.1%, and amortization of loan origination fees. This additional expense is offset by the elimination of interest on the repayment of the Energy Transfer Company debt of $218,500. A 1/8% change in the interest rate on the $325,000 of borrowings under the term loan would change annual interest expense by approximately $347.

(e) Reflects elimination of Heritage Holding's equity in earnings of Heritage.

(f) Reflects the elimination of the gain or loss on sale of assets as the assets are recorded at fair market value.

(g) Reflects elimination of interest income from the note receivable of $11,539, which was retained by the Utilities. The note receivable had an interest rate of 6%.

(h) Reflects the elimination of minority interest expense for the 1.0101% general partner's interest in Heritage Operating contributed to Heritage for an additional 1% general partner interest in Heritage.

ENERGY TRANSFER COMPANY

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

SUMMARY OF LA GRANGE TRANSACTION AND RELATED PRO FORMA FINANCIAL STATEMENTS

Following is Energy Transfer Company's unaudited pro forma combined statement of operations for the 11 months ended August 31, 2003.

The unaudited pro forma combined statement of operations gives pro forma effect to the following transactions as if they had occurred on September 1, 2002.

- The October 1, 2002 purchase of the operating assets of Aquila Gas Pipeline Corporation and its subsidiaries ("Aquila Gas Pipeline") by Energy Transfer Company.
- The December 27, 2002 redemption by Oasis Pipe Line Company ("Oasis") of the 50% of its common stock held by Dow Hydrocarbons Resources, Inc., resulting in Energy Transfer Company becoming the 100% owner of Oasis Pipe Line Company.
- The December 27, 2002 contribution of other assets and a marketing operation ("ET Company I") by ETC Holdings L.P. to Energy Transfer Company.

The Energy Transfer Company unaudited pro forma amounts are included in the pro forma statement of operations of Energy Transfer, included herein, which reflect the pro forma effects of the combination of Heritage and Energy Transfer Company and the offering and related transactions of the Energy Transfer Transactions.

These transaction adjustments are presented in the notes to the Energy Transfer Company unaudited pro forma combined statement of operations. The unaudited pro forma combined statement of operations and accompanying notes should be read together with the financial statements and related notes of Energy Transfer Company included in Energy Transfer's prospectus dated January 12, 2004, filed with the Securities and Exchange Commission on January 14, 2004, pursuant to Rule 424(b)(2).

The Energy Transfer Company unaudited pro forma combined statement of operations was derived by adjusting the historical financial statements of Aquila Gas Pipeline, Energy Transfer Company and Oasis Pipe Line Company. However, management believes that the adjustments provide a reasonable basis for presenting the significant effects of the transactions described above. The unaudited pro forma combined statement of operations does not purport to present the results of operations of Energy Transfer Company had the transactions above actually been completed as of the date indicated. Moreover, the unaudited pro forma combined statement of operations does not project the results of operations of Energy Transfer Company for any future date or period.

ENERGY TRANSFER COMPANY

UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

For the Eleven Months Ended August 31, 2003

	Energy Transfer Company Eleven Months Ended August 31, 2003	Aquila Gas Pipeline One Month Ended September 30, 2002	Oasis Pipe Line Four Months Ended December 27, 2002	ET Company I Four Months Ended December 27, 2002	Adjustments	Energy Transfer Company Pro Forma Combined
OPERATING REVENUES	$1,008,723	$66,563	$11,532	$57,409	$(1,263)(a)	$1,142,964
COSTS AND EXPENSES:						
Cost of sales	899,539	59,691	283	55,003	(1,263)(a)	1,013,253
Operating	19,081	1,669	1,424	561	—	22,735
General and administrative	15,965	3	1,215	659	—	17,842
Depreciation and amortization	13,461	2,226	701	—	(1,241)(b)	15,996
					849(c)	
Unrealized gain on derivatives	(912)	—	—	—	—	(912)
Total costs and expenses	947,134	63,589	3,623	56,223	(1,655)	1,068,914
INCOME FROM OPERATIONS	61,589	2,974	7,909	1,186	392	74,050
OTHER INCOME (EXPENSE)	102	4	(408)	—	—	(302)
EQUITY IN NET INCOME (LOSS) OF AFFILIATES	1,423	850	—	(94)	(2,430)(d)	(251)
INTEREST AND DEBT EXPENSES, net	12,057	393	(33)	—	1,353(e)	13,770
INCOME BEFORE INCOME TAXES	51,057	3,435	7,534	1,092	(3,391)	59,727
INCOME TAX EXPENSE	4,432	879	2,639	—	(1,056)(f)	6,015
					(879)(g)	
NET INCOME	$ 46,625	$ 2,556	$ 4,895	$ 1,092	$(1,456)	$ 53,712

See accompanying notes.

ENERGY TRANSFER COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS

1. Basis of Presentation and Other Transactions

The historical financial information is derived from the historical financial statements of a predecessor company, Aquila Gas Pipeline as well as the financial statements of Energy Transfer and Oasis and ET Company I.

The pro forma statement of operations reflects the closing of the following transactions as if they occurred on September 1, 2002:

- The October 1, 2002 purchase of the operating assets of Aquila Gas Pipeline by Energy Transfer Company.
- The December 27, 2002 redemption by Oasis of the 50% of its common stock held by Dow Hydrocarbons Resources, Inc, resulting in Energy Transfer Company being the 100% owner of Oasis.
- The December 27, 2002 contribution of ET Company I, consisting of other assets and a marketing operation, by ETC Holdings, L.P. to Energy Transfer Company.

The following describes where each of the columns on the unaudited pro forma combined statement of operations was derived:

Energy Transfer Company — This column was derived from the audited financial statements of Energy Transfer Company for the eleven months ended August 31, 2003.

Aquila Gas Pipeline — Energy Transfer Company purchased the assets and operations of Aquila Gas Pipeline effective October 1, 2002. After this date, the operations are included in the Energy Transfer Company financial statements. This column was derived from the unaudited financial statements of Aquila Gas Pipeline for the one-month ended September 30, 2002.

Oasis Pipe Line — Prior to December 27, 2002, Energy Transfer and its predecessor, Aquila Gas Pipeline, owned 50% of Oasis and accounted for Oasis under the equity method. On December 27, 2002 the remaining 50% of Oasis was purchased. After this date, the results of Oasis's operations are consolidated into the results of Energy Transfer Company. This column was derived from the unaudited financial statements of Oasis for the four months ended December 27, 2002.

ET Company I — ETC Holdings, L.P. contributed ET Company I to Energy Transfer on December 27, 2002. After this date, ET Company I's results of operations are included in the financial statements of Energy Transfer Company. This column was derived from the unaudited financial statements of ET Company I for the four-month period ended December 27, 2002.

2. Pro Forma Adjustments

(a) Reflects the elimination of transportation revenue of Oasis for services provided to Energy Transfer Company and Aquila Gas Pipeline for the four months ended December 27, 2002.

(b) Reflects the decrease to depreciation expense resulting from the change in carrying value of the basis in property plant and equipment as a result of the acquisition of Aquila Gas Pipeline's assets.

(c) Reflects the increase to depreciation expense resulting from the change in carrying value of Oasis's assets as a result of Oasis's redemption of the equity interest held by Dow Hydrocarbons Resources, Inc. and the contribution of other assets and marketing operations to Energy Transfer Company from ETC Holdings, L.P.

(d) Reflects the elimination of the equity method income derived from Oasis prior to its becoming a wholly owned subsidiary.

ENERGY TRANSFER COMPANY

NOTES TO UNAUDITED PRO FORMA COMBINED STATEMENT

OF OPERATIONS — (Continued)

(e) Reflects the adjustment to interest expense as a result of the assumption of a September 1, 2002 purchase transaction date for the assets of Aquila Gas Pipeline and the redemption of the Oasis equity interests. In addition, this adjustment reflects the change in amortization of the deferred financing costs as though these costs were incurred as of September 1, 2002.

(f) Reflects the reduction in income tax expense at Oasis as a result of an intercompany note between Energy Transfer Company and Oasis. The proceeds from the note were used to redeem the equity interest in Oasis held by Dow Hydrocarbons Resources, Inc. It also reflects the tax effects of the change in depreciation expense related to Oasis as described in (c).

(g) Reflects the elimination of income tax expense of Aquila Gas Pipeline. Aquila Gas Pipeline was taxed as a “C” corporation as opposed to Energy Transfer’s limited partnership structure.

* * * * *