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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2020

or

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

Commission file number 1-32740

ENERGY TRANSFER LP

(Exact name of registrant as specified in its charter)

Delaware	**30-0108820**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8111 Westchester Drive, Suite 600, Dallas, Texas 75225
(Address of principal executive offices) (zip code)

(214) 981-0700
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Units	**ET**	**New York Stock Exchange**

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

At October 30, 2020, the registrant had 2,697,716,489 Common Units outstanding.

FORM 10-Q

ENERGY TRANSFER LP AND SUBSIDIARIES

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Definitions

References to the "Partnership" or "ET" refer to Energy Transfer LP. In addition, the following is a list of certain acronyms and terms used throughout this document:

/d	per day
AOCI	accumulated other comprehensive income (loss)
BBtu	billion British thermal units
Btu	British thermal unit, an energy measurement used by gas companies to convert the volume of gas used to its heat equivalent, and thus calculate the actual energy content
Citrus	Citrus, LLC
DOJ	U.S. Department of Justice
EPA	U.S. Environmental Protection Agency
ETO	Energy Transfer Operating, L.P..
ETO Series A Preferred Units	ETO's 6.250% Series A Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units
ETO Series B Preferred Units	ETO's 6.625% Series B Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units
ETO Series C Preferred Units	ETO's 7.375% Series C Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units
ETO Series D Preferred Units	ETO's 7.625% Series D Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units
ETO Series E Preferred Units	ETO's 7.600% Series E Fixed-to-Floating Rate Cumulative Redeemable Perpetual Preferred Units
ETO Series F Preferred Units	ETO's 6.750% Series F Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Units
ETO Series G Preferred Units	ETO's 7.125% Series G Fixed-Rate Reset Cumulative Redeemable Perpetual Preferred Units
ETP GP	Energy Transfer Partners GP, L.P., the general partner of ETO
Exchange Act	Securities Exchange Act of 1934
FEP	Fayetteville Express Pipeline LLC
FERC	Federal Energy Regulatory Commission
FGT	Florida Gas Transmission Company, LLC, a wholly-owned subsidiary of Citrus
GAAP	accounting principles generally accepted in the United States of America
HFOTCO	Houston Fuel Oil Terminal Company, a wholly-owned subsidiary of ETO, which owns the Houston Terminal
Lake Charles LNG	Lake Charles LNG Company, LLC, a wholly-owned subsidiary of ETO
LE GP	LE GP, LLC, the general partner of ET
LIBOR	London Interbank Offered Rate
MBbls	thousand barrels
MEP	Midcontinent Express Pipeline LLC
MTBE	methyl tertiary butyl ether
NGL	natural gas liquid, such as propane, butane and natural gasoline
NYMEX	New York Mercantile Exchange

OSHA	Federal Occupational Safety and Health Act
OTC	over-the-counter
Panhandle	Panhandle Eastern Pipe Line Company, LP and its subsidiaries, wholly-owned by ETO
PES	Philadelphia Energy Solutions Refining and Marketing LLC
Regency	Regency Energy Partners LP
Rover	Rover Pipeline LLC
SEC	Securities and Exchange Commission
SemCAMS	SemCAMS Midstream ULC, a less than wholly-owned subsidiary of ETO
SemGroup	SemGroup, LLC (formerly SemGroup Corporation)
Series A Convertible Preferred Units	ET Series A convertible preferred units
Sunoco Logistics Operations	Sunoco Logistics Partners Operations L.P, a wholly-owned subsidiary of ETO
Sunoco R&M	Sunoco (R&M), LLC (formerly Sunoco, Inc. (R&M))
Transwestern	Transwestern Pipeline Company, LLC, a wholly-owned subsidiary of ETO
Trunkline	Trunkline Gas Company, LLC, a wholly-owned subsidiary of Panhandle
USAC	USA Compression Partners, LP, a subsidiary of ETO
USAC Preferred Units	USAC Series A Preferred Units
White Cliffs	White Cliffs Pipeline, L.L.C.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENERGY TRANSFER LP AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in millions)
(unaudited)

	September 30, 2020	December 31, 2019*
ASSETS		
Current assets:		
Cash and cash equivalents	$ 275	$ 291
Accounts receivable, net	3,731	5,038
Accounts receivable from related companies	90	159
Inventories	1,723	1,532
Income taxes receivable	77	146
Derivative assets	19	23
Other current assets	235	275
Total current assets	6,150	7,464
Property, plant and equipment	93,239	89,790
Accumulated depreciation and depletion	(18,111)	(15,597)
	75,128	74,193
Advances to and investments in unconsolidated affiliates	3,068	3,460
Lease right-of-use assets, net	934	964
Other non-current assets, net	1,582	1,571
Intangible assets, net	5,915	6,154
Goodwill	2,418	5,167
Total assets	$ 95,195	$ 98,973

*As adjusted. See Note 1.

The accompanying notes are an integral part of these consolidated financial statements.

ENERGY TRANSFER LP AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in million)
(unaudited)

LIABILITIES AND EQUITY	September 30, 2020	December 31, 2019*
Current liabilities:		
Accounts payable	$ 2,765	$ 4,118
Accounts payable to related companies	30	31
Derivative liabilities	264	147
Operating lease current liabilities	54	60
Accrued and other current liabilities	2,913	3,342
Current maturities of long-term debt	21	26
Total current liabilities	6,047	7,724
Long-term debt, less current maturities	51,424	51,028
Non-current derivative liabilities	275	273
Non-current operating lease liabilities	901	901
Deferred income taxes	3,349	3,208
Other non-current liabilities	1,152	1,162
Commitments and contingencies		
Redeemable noncontrolling interests	756	739
Equity:		
Limited Partners:		
Common Unitholders	18,296	21,935
General Partner	(8)	(4)
Accumulated other comprehensive loss	(4)	(11)
Total partners’ capital	18,284	21,920
Noncontrolling interests	13,007	12,018
Total equity	31,291	33,938
Total liabilities and equity	$ 95,195	$ 98,973

*As adjusted. See Note 1.

The accompanying notes are an integral part of these consolidated financial statements.

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ENERGY TRANSFER LP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Dollars in millions, except per unit data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019*	2020	2019*
REVENUES:				
Refined product sales	$ 2,720	$ 4,311	$ 7,952	$ 12,514
Crude sales	2,298	3,971	7,170	11,842
NGL sales	1,808	1,723	4,751	6,121
Gathering, transportation and other fees	2,283	2,466	6,805	6,768
Natural gas sales	681	822	1,783	2,549
Other	165	202	459	699
Total revenues	9,955	13,495	28,920	40,493
COSTS AND EXPENSES:				
Cost of products sold	6,376	9,864	18,784	29,642
Operating expenses	773	806	2,422	2,406
Depreciation, depletion and amortization	912	784	2,715	2,343
Selling, general and administrative	176	173	555	499
Impairment losses	1,474	12	2,803	62
Total costs and expenses	9,711	11,639	27,279	34,952
OPERATING INCOME	244	1,856	1,641	5,541
OTHER INCOME (EXPENSE):				
Interest expense, net of interest capitalized	(569)	(579)	(1,750)	(1,747)
Equity in earnings (losses) of unconsolidated affiliates	(32)	82	46	224
Impairment of investment in an unconsolidated affiliate	(129)	—	(129)	—
Losses on extinguishments of debt	—	—	(62)	(18)
Gains (losses) on interest rate derivatives	55	(175)	(277)	(371)
Other, net	71	57	6	99
INCOME (LOSS) BEFORE INCOME TAX EXPENSE	(360)	1,241	(525)	3,728
Income tax expense	41	54	168	214
NET INCOME (LOSS)	(401)	1,187	(693)	3,514
Less: Net income attributable to noncontrolling interests	369	317	554	931
Less: Net income attributable to redeemable noncontrolling interests	12	12	37	38
NET INCOME (LOSS) ATTRIBUTABLE TO PARTNERS	(782)	858	(1,284)	2,545
General Partner’s interest in net income (loss)	—	1	(1)	3
Limited Partners’ interest in net income (loss)	$ (782)	$ 857	$ (1,283)	$ 2,542
NET INCOME (LOSS) PER LIMITED PARTNER UNIT:				
Basic	$ (0.29)	$ 0.33	$ (0.48)	$ 0.97
Diluted	$ (0.29)	$ 0.33	$ (0.48)	$ 0.97

*As adjusted. See Note 1.

The accompanying notes are an integral part of these consolidated financial statements.

ENERGY TRANSFER LP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Dollars in millions)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019*	2020	2019*
Net income (loss)	$ (401)	$ 1,187	$ (693)	$ 3,514
Other comprehensive income (loss), net of tax:				
Change in value of available-for-sale securities	3	—	3	8
Actuarial gain (loss) related to pension and other postretirement benefit plans	4	(3)	15	7
Foreign currency translation adjustments	18	—	(16)	—
Change in other comprehensive income (loss) from unconsolidated affiliates	1	(4)	(15)	(13)
	26	(7)	(13)	2
Comprehensive income (loss)	(375)	1,180	(706)	3,516
Less: Comprehensive income attributable to noncontrolling interests	369	317	554	931
Less: Comprehensive income attributable to redeemable noncontrolling interests	12	12	37	38
Comprehensive income (loss) attributable to partners	$ (756)	$ 851	$ (1,297)	$ 2,547

*As adjusted. See Note 1.

The accompanying notes are an integral part of these consolidated financial statements.

ENERGY TRANSFER LP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EQUITY
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Dollars in millions)
(unaudited)

	Common Unitholders	General Partner	AOCI	Noncontrolling Interests	Total
Balance, December 31, 2019*	$ 21,935	$ (4)	$ (11)	$ 12,018	$ 33,938
Distributions to partners	(1,591)	(1)	—	—	(1,592)
Distributions to noncontrolling interests	—	—	—	(444)	(444)
Subsidiary units issued	—	—	—	1,580	1,580
Capital contributions from noncontrolling interests	—	—	—	95	95
Other comprehensive loss, net of tax	—	—	(48)	(38)	(86)
Other, net	22	—	—	(7)	15
Net loss, excluding amounts attributable to redeemable noncontrolling interests	(854)	(1)	—	(121)	(976)
Balance, March 31, 2020	19,512	(6)	(59)	13,083	32,530
Distributions to partners	9	(1)	—	—	8
Distributions to noncontrolling interests	—	—	—	(408)	(408)
Units issued	—	—	—	—	—
Capital contributions from noncontrolling interests	—	—	—	83	83
Other comprehensive income, net of tax	—	—	38	9	47
Other, net	(31)	—	—	4	(27)
Net income, excluding amounts attributable to redeemable noncontrolling interests	353	—	—	306	659
Balance, June 30, 2020	19,843	(7)	(21)	13,077	32,892
Distributions to partners	(812)	(1)	—	—	(813)
Distributions to noncontrolling interests	—	—	—	(430)	(430)
Capital contributions from noncontrolling interests	—	—	—	25	25
Other comprehensive loss, net of tax	—	—	17	9	26
Other, net	47	—	—	(43)	4
Net income (loss), excluding amounts attributable to redeemable noncontrolling interests	(782)	—	—	369	(413)
Balance, September 30, 2020	$ 18,296	$ (8)	$ (4)	$ 13,007	$ 31,291

*As adjusted. See Note 1.

The accompanying notes are an integral part of these consolidated financial statements.

	Common Unitholders	General Partner	AOCI	Noncontrolling Interests	Total
Balance, December 31, 2018*	$ 20,773	$ (5)	$ (42)	$ 10,291	$ 31,017
Distributions to partners	(799)	(1)	—	—	(800)
Distributions to noncontrolling interests	—	—	—	(425)	(425)
Capital contributions from noncontrolling interests	—	—	—	140	140
Sale of noncontrolling interest in subsidiary	—	—	—	93	93
Other comprehensive income, net of tax	—	—	8	—	8
Other, net	17	—	—	12	29
Net income, excluding amounts attributable to redeemable noncontrolling interests	807	1	—	297	1,105
Balance, March 31, 2019*	20,798	(5)	(34)	10,408	31,167
Distributions to partners	(748)	(1)	—	—	(749)
Distributions to noncontrolling interests	—	—	—	(388)	(388)
Subsidiary units issued	—	—	—	780	780
Capital contributions from noncontrolling interests	—	—	—	66	66
Other comprehensive income, net of tax	—	—	1	—	1
Other, net	50	—	—	—	50
Net income, excluding amounts attributable to redeemable noncontrolling interests	878	1	—	317	1,196
Balance, June 30, 2019*	20,978	(5)	(33)	11,183	32,123
Distributions to partners	(800)	—	—	—	(800)
Distributions to noncontrolling interests	—	—	—	(457)	(457)
Units issued	49	—	—	—	49
Capital contributions from noncontrolling interests	—	—	—	72	72
Other comprehensive loss, net of tax	—	—	(7)	—	(7)
Other, net	10	—	—	9	19
Net income, excluding amounts attributable to redeemable noncontrolling interests	857	1	—	317	1,175
Balance, September 30, 2019*	$ 21,094	$ (4)	$ (40)	$ 11,124	$ 32,174

*As adjusted. See Note 1.

The accompanying notes are an integral part of these consolidated financial statements.

ENERGY TRANSFER LP AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in millions)
(unaudited)

	Nine Months Ended September 30,	
	2020	2019*
OPERATING ACTIVITIES:		
Net income (loss)	$ (693)	$ 3,514
Reconciliation of net income (loss) to net cash provided by operating activities:		
Depreciation, depletion and amortization	2,715	2,343
Deferred income taxes	159	191
Inventory valuation adjustments	126	(71)
Non-cash compensation expense	93	85
Impairment losses	2,803	62
Impairment of investment in an unconsolidated affiliate	129	—
Losses on extinguishments of debt	62	18
Distributions on unvested awards	(33)	(27)
Equity in earnings of unconsolidated affiliates	(46)	(224)
Distributions from unconsolidated affiliates	176	254
Other non-cash	(130)	33
Net change in operating assets and liabilities, net of effects of acquisitions	94	(212)
Net cash provided by operating activities	5,455	5,966
INVESTING ACTIVITIES:		
Cash proceeds from sale of noncontrolling interest in subsidiary	—	93
Cash paid for all other acquisitions, net of cash received	—	(7)
Capital expenditures, excluding allowance for equity funds used during construction	(4,030)	(4,181)
Contributions in aid of construction costs	61	63
Contributions to unconsolidated affiliates	(37)	(481)
Distributions from unconsolidated affiliates in excess of cumulative earnings	144	40
Proceeds from the sale of other assets	10	55
Other	(9)	(5)
Net cash used in investing activities	(3,861)	(4,423)
FINANCING ACTIVITIES:		
Proceeds from borrowings	20,651	18,125
Repayments of debt	(20,293)	(17,247)
Subsidiary units issued for cash	1,580	780
Capital contributions from noncontrolling interests	203	278
Distributions to partners	(2,397)	(2,300)
Distributions to noncontrolling interests	(1,282)	(1,270)
Distributions to redeemable noncontrolling interest	(37)	—
Debt issuance costs	(53)	(114)
Other, net	18	(3)
Net cash used in financing activities	(1,610)	(1,751)
Decrease in cash and cash equivalents	(16)	(208)
Cash and cash equivalents, beginning of period	291	419
Cash and cash equivalents, end of period	$ 275	$ 211

*As adjusted. See Note 1.

The accompanying notes are an integral part of these consolidated financial statements.

ENERGY TRANSFER LP AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular dollar and unit amounts, except per unit data, are in millions)
(unaudited)

1. ORGANIZATION AND BASIS OF PRESENTATION

Organization

The consolidated financial statements presented herein contain the results of Energy Transfer LP and its subsidiaries (the "Partnership," "we," "us," "our" or "ET"). References to the "Parent Company" mean Energy Transfer LP on a stand-alone basis.

In December 2019, we completed the acquisition of SemGroup. In connection with the transaction, a wholly-owned subsidiary of ET merged with and into SemGroup, with SemGroup surviving the merger. During the first and second quarters of 2020, ET contributed SemGroup and its former subsidiaries to ETO through sale and contribution transactions (together, the "SemGroup Transaction").

Substantially all of the Partnership's cash flows are derived from distributions related to its investment in ETO, which derives its cash flows from its subsidiaries, including ETO's investments in Sunoco LP and USAC. The Parent Company's primary cash requirements are for general and administrative expenses, debt service requirements and distributions to its partners. Parent Company-only assets are not available to satisfy the debts and other obligations of ET's subsidiaries.

Our financial statements reflect the following reportable segments:

- intrastate transportation and storage;
- interstate transportation and storage;
- midstream;
- NGL and refined products transportation and services;
- crude oil transportation and services;
- investment in Sunoco LP;
- investment in USAC; and
- corporate and other, including the following:
  - activities of the Parent Company; and
  - certain operations and investments that are not separately reflected as reportable segments.

Basis of Presentation

The unaudited financial information included in this Form 10-Q has been prepared on the same basis as the audited consolidated financial statements included in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2019, filed with the SEC on February 21, 2020. In the opinion of the Partnership's management, such financial information reflects all adjustments necessary for a fair presentation of the financial position and the results of operations for such interim periods in accordance with GAAP. All intercompany items and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally included in annual consolidated financial statements prepared in accordance with GAAP have been omitted pursuant to the rules and regulations of the SEC.

The consolidated financial statements of ET presented herein include the results of operations of:

- the Parent Company;
- our controlled subsidiary, ETO; and
- ETP GP, the general partner of ETO, and Energy Transfer Partners, L.L.C., the general partner of ETP GP.

Our subsidiaries also own varying undivided interests in certain pipelines. Ownership of these pipelines has been structured as an ownership of an undivided interest in assets, not as an ownership interest in a partnership, limited liability company, joint venture or other forms of entities. Each owner controls marketing and invoices separately, and each owner is

responsible for any loss, damage or injury that may occur to their own customers. As a result, we apply proportionate consolidation for our interests in these entities.

Certain prior period amounts have also been reclassified to conform to the current period presentation. These reclassifications had no impact on net income or total equity.

Change in Accounting Policy

Effective January 1, 2020, the Partnership elected to change its accounting policy related to certain barrels of crude oil that were previously accounted for as inventory. Under the revised accounting policy, certain amounts of crude oil that are not available for sale have been reclassified from inventory to non-current assets. These crude oil barrels, which are owned by the Partnership's crude oil acquisition and marketing business, include pipeline linefill and tank bottoms and are not considered to be available for sale because the volumes must be maintained in order to continue normal operation of the related pipelines or tanks and because there is no expectation of liquidation or sale of these volumes in the near term.

Under the previous accounting policy, all crude oil barrels were recorded as inventory under the weighted average cost method. Under the revised accounting policy, barrels related to pipeline linefill and tank bottoms are accounted for as long-lived assets and reflected as non-current assets on the consolidated balance sheet. These crude oil barrels will be tested for impairment consistent with the Partnership's existing accounting policy for impairments of long-lived assets. The Partnership's management believes that the change in accounting policy is preferable as it more closely aligns the accounting policies across the consolidated entity, given that similar assets in the Partnership's natural gas, NGLs and refined products businesses are accounted for as non-current assets. In addition, management believes that reflecting these crude oil barrels as non-current assets better represents the economic results of the Partnership's crude oil acquisition and marketing business by reducing volatility resulting from market price adjustments to crude oil barrels that are not expected to be sold or liquidated in the near term.

The impact of this accounting policy change on the Partnership's net income for the nine months ended September 30, 2020 was $265 million, or $0.10 per limited partner unit. As a result of this change in accounting policy, the Partnership's consolidated balance sheets for prior periods have been retrospectively adjusted as follows:

	December 31, 2019			December 31, 2018		
	As Originally Reported	Effect of Change	As Adjusted	As Originally Reported	Effect of Change	As Adjusted
Inventories	$ 1,935	$ (403)	$ 1,532	$ 1,677	$ (305)	$ 1,372
Total current assets	7,867	(403)	7,464	6,750	(305)	6,445
Other non-current assets, net	1,075	496	1,571	1,006	472	1,478
Total assets	98,880	93	98,973	88,246	167	88,413
Total partners' capital	21,827	93	21,920	20,559	167	20,726

In addition, the Partnership's consolidated statements of operations, comprehensive income and cash flows for prior periods have been retrospectively adjusted as follows:

	Year Ended December 31,		Three Months Ended September 30,	Nine Months Ended September 30,
	2019	2018	2019	2019
As originally reported:				
Consolidated Statements of Operations and Comprehensive Income				
Cost of products sold	$ 39,727	$ 41,658	$ 9,890	$ 29,607
Operating income	7,277	5,348	1,830	5,576
Income from continuing operations before income tax expense (benefit)	5,094	3,634	1,215	3,763
Net income	4,899	3,365	1,161	3,549
Net income per limited partner unit	1.37	1.16	0.32	0.98
Comprehensive income	4,930	3,322	1,154	3,551
Comprehensive income attributable to partners	3,623	1,651	825	2,582
Consolidated Statements of Cash Flows				
Net income	4,899	3,365	1,161	3,549
Net change in operating assets and liabilities	(518)	289	27	(247)
Effect of change:				
Consolidated Statements of Operations and Comprehensive Income				
Cost of products sold	74	(55)	(26)	35
Operating income	(74)	55	26	(35)
Income from continuing operations before income tax expense (benefit)	(74)	55	26	(35)
Net income	(74)	55	26	(35)
Net income per limited partner unit	(0.03)	0.04	0.01	(0.01)
Comprehensive income	(74)	55	26	(35)
Comprehensive income attributable to partners	(74)	55	26	(35)
Consolidated Statements of Cash Flows				
Net income	(74)	55	26	(35)
Net change in operating assets and liabilities	74	(55)	(26)	35
As adjusted:				
Consolidated Statements of Operations and Comprehensive Income				
Cost of products sold	39,801	41,603	9,864	29,642
Operating income	7,203	5,403	1,856	5,541
Income from continuing operations before income tax expense (benefit)	5,020	3,689	1,241	3,728
Net income	4,825	3,420	1,187	3,514
Net income per limited partner unit	1.34	1.20	0.33	0.97
Comprehensive income	4,856	3,377	1,180	3,516
Comprehensive income attributable to partners	3,549	1,706	851	2,547
Consolidated Statements of Cash Flows				
Net income	4,825	3,420	1,187	3,514
Net change in operating assets and liabilities	(444)	234	1	(212)

Use of Estimates

The unaudited consolidated financial statements have been prepared in conformity with GAAP, which includes the use of estimates and assumptions made by management that affect the reported amounts of assets, liabilities, revenues, expenses and disclosure of contingent assets and liabilities that exist at the date of the consolidated financial statements. Although these estimates are based on management's available knowledge of current and expected future events, actual results could be different from those estimates.

Recent Accounting Pronouncements

Effective January 1, 2020, the Partnership adopted Accounting Standards Update ("ASU") 2016-13 "Financial Instruments - Credit Losses (Topic 326) Measurement of Credit Losses on Financial Instruments." ASU 2016-13 requires an entity to utilize a new impairment model known as the current expected credit loss ("CECL") model to estimate its lifetime "expected credit loss" and record an allowance that, when deducted from the amortized cost basis of the financial asset, presents the net amount expected to be collected on the financial asset. The CECL model is expected to result in more timely recognition of credit losses. The impact of adoption was immaterial to the Partnership. However, due in large part to the global economic impacts of COVID-19, the Partnership and its subsidiaries recorded an aggregate $16 million of current expected credit losses for the nine months ended September 30, 2020.

Goodwill

During the first quarter of 2020, due to the impacts of the COVID-19 pandemic, the decline in commodity prices and the decreases in the Partnership's market capitalization, we determined that interim impairment testing should be performed on certain reporting units. We performed the interim impairment tests consistent with our approach for annual impairment testing, including using similar models, inputs and assumptions. As a result of the interim impairment test, the Partnership recognized a goodwill impairment of $483 million related to our Arklatex and South Texas operations within the midstream segment, a goodwill impairment of $183 million related to our Lake Charles LNG regasification operations within the interstate transportation and storage segment due to contractually scheduled reductions in payments for the remainder of the contract term, and a goodwill impairment of $40 million related to our all other operations primarily due to decreases in projected future revenues and cash flows as a result of the overall market demand decline. In addition, USAC recognized a goodwill impairment of $619 million during the three months ended March 31, 2020, which is included in the Partnership's consolidated results of operations.

During the three months ended September 30, 2020, the Partnership performed interim impairment testing on certain reporting units within its midstream, interstate, crude, NGL and all other operations. As a result, the Partnership recognized a goodwill impairment of $1.28 billion related to our crude operations, a goodwill impairment of $132 million related to our SemCAMS operations within the all other segment and a goodwill impairment of $43 million related to our interstate operations primarily due to decreases in projected future cash flow as a result of the overall market demand decline. No other impairments of the Partnership's goodwill were identified.

In connection with aforementioned impairments, the Partnership determined the fair value of our reporting units using the income approach. The income approach is based on the present value of future cash flows, which are derived from our long-term financial forecasts, and requires significant assumptions including, among others, revenue growth rates, operating margins, weighted average costs of capital and future market conditions. The Partnership believes the estimates and assumptions used in our impairment assessments are reasonable and based on available market information, but variations in any of the assumptions could result in materially different calculations of fair value and determinations of whether or not an impairment is indicated. Cash flow projections are derived from one-year budgeted amounts and three-year operating forecasts plus an estimate of later period cash flows, all of which are evaluated by management. Subsequent period cash flows are developed for each reporting unit using growth rates that management believes are reasonably likely to occur.

Changes in the carrying amount of goodwill were as follows:

	Intrastate Transportation and Storage	Interstate Transportation and Storage	Midstream	NGL and Refined Products Transportation and Services	Crude Oil Transportation and Services	Investment in Sunoco LP	Investment in USAC	All Other	Total
Balance, December 31, 2019	$ 10	$ 226	$ 483	$ 693	$ 1,397	$ 1,555	$ 619	$ 184	$ 5,167
Impaired	—	(183)	(483)	—	—	—	(619)	(40)	(1,325)
Other	—	—	—	—	—	—	—	(7)	(7)
Balance, March 31, 2020	10	43	—	693	1,397	1,555	—	137	3,835
Other	—	—	—	—	—	—	—	33	33
Balance, June 30, 2020	10	43	—	693	1,397	1,555	—	170	3,868
Impaired	—	(43)	—	—	(1,279)	—	—	(132)	(1,454)
Other	—	—	—	—	(66)	—	—	70	4
Balance, September 30, 2020	$ 10	$ —	$ —	$ 693	$ 52	$ 1,555	$ —	$ 108	$ 2,418

2. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include all cash on hand, demand deposits, and investments with original maturities of three months or less. We consider cash equivalents to include short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. The Partnership's consolidated balance sheets did not include any material amounts of restricted cash as of September 30, 2020 or December 31, 2019.

We place our cash deposits and temporary cash investments with high credit quality financial institutions. At times, our cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation insurance limit.

The net change in operating assets and liabilities (net of effects of acquisitions) included in cash flows from operating activities is comprised as follows:

	Nine Months Ended September 30,	
	2020	2019
Accounts receivable	$ 1,307	$ (353)
Accounts receivable from related companies	(258)	(36)
Inventories	(298)	(7)
Other current assets	108	14
Other non-current assets, net	(26)	(151)
Accounts payable	(1,354)	25
Accounts payable to related companies	370	(37)
Accrued and other current liabilities	127	129
Other non-current liabilities	(5)	(103)
Derivative assets and liabilities, net	123	307
Net change in operating assets and liabilities, net of effects of acquisitions	$ 94	$ (212)

Non-cash activities were as follows:

	Nine Months Ended September 30,	
	2020	2019
NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Accrued capital expenditures	$ 684	$ 1,202
Lease assets obtained in exchange for new lease liabilities	130	73
Distribution reinvestment	72	100

3. INVENTORIES

As further discussed in Note 1, the Partnership elected to change its accounting policy related to certain barrels of crude oil that were previously accounted for as inventory. As a result of this change in accounting policy, the Partnership's inventory balance for the prior period has been retrospectively adjusted.

Inventories consisted of the following:

	September 30, 2020	December 31, 2019
Natural gas, NGLs and refined products	$ 914	$ 833
Crude oil	352	251
Spare parts and other	457	448
Total inventories	$ 1,723	$ 1,532

We utilize commodity derivatives to manage price volatility associated with our natural gas inventory. Changes in fair value of designated hedged inventory are recorded in inventory on our consolidated balance sheets and cost of products sold in our consolidated statements of operations.

Sunoco LP's fuel inventories are stated at the lower of cost or market using the last-in, first-out ("LIFO") method. As of September 30, 2020 and December 31, 2019, the carrying value of Sunoco LP's fuel inventory included lower of cost or market reserves of $360 million and $229 million, respectively, and the inventory carrying value equaled or exceeded its replacement cost. For the three and nine months ended September 30, 2020 and 2019, the Partnership's consolidated income statements did not include any material amounts of income from the liquidation of LIFO fuel inventory.

4. FAIR VALUE MEASURES

We have commodity derivatives and interest rate derivatives that are accounted for as assets and liabilities at fair value in our consolidated balance sheets. We determine the fair value of our assets and liabilities subject to fair value measurement by using the highest possible "level" of inputs. Level 1 inputs are observable quotes in an active market for identical assets and liabilities. We consider the valuation of marketable securities and commodity derivatives transacted through a clearing broker with a published price from the appropriate exchange as a Level 1 valuation. Level 2 inputs are inputs observable for similar assets and liabilities. We consider OTC commodity derivatives entered into directly with third parties as a Level 2 valuation since the values of these derivatives are quoted on an exchange for similar transactions. Additionally, we consider our options transacted through our clearing broker as having Level 2 inputs due to the level of activity of these contracts on the exchange in which they trade. We consider the valuation of our interest rate derivatives as Level 2 as the primary input, the LIBOR curve, is based on quotes from an active exchange of Eurodollar futures for the same period as the future interest swap settlements. Level 3 inputs are unobservable. During the nine months ended September 30, 2020, no transfers were made between any levels within the fair value hierarchy.

The following tables summarize the gross fair value of our financial assets and liabilities measured and recorded at fair value on a recurring basis as of September 30, 2020 and December 31, 2019 based on inputs used to derive their fair values:

		Fair Value Measurements at September 30, 2020	
	Fair Value Total	Level 1	Level 2
Assets:			
Commodity derivatives:			
Natural Gas:			
Basis Swaps IFERC/NYMEX	$ 13	$ 13	$ —
Swing Swaps IFERC	2	—	2
Fixed Swaps/Futures	5	5	—
Forward Physical Contracts	6	—	6
Power:			
Forwards	8	—	8
Futures	2	2	—
Options – Puts	—	—	—
Options – Calls	1	1	—
NGLs – Forwards/Swaps	103	103	—
Refined Products – Futures	5	5	—
Crude – Forwards/Swaps	2	2	—
Total commodity derivatives	147	131	16
Other non-current assets	31	20	11
Total assets	$ 178	$ 151	$ 27
Liabilities:			
Interest rate derivatives	$ (522)	$ —	$ (522)
Commodity derivatives:			
Natural Gas:			
Basis Swaps IFERC/NYMEX	(9)	(9)	—
Swing Swaps IFERC	(4)	(1)	(3)
Fixed Swaps/Futures	(29)	(29)	—
Power:			
Forwards	(3)	—	(3)
Futures	(2)	(2)	—
NGLs – Forwards/Swaps	(153)	(153)	—
Refined Products – Futures	(4)	(4)	—
Total commodity derivatives	(204)	(198)	(6)
Total liabilities	$ (726)	$ (198)	$ (528)

	Fair Value Total	Fair Value Measurements at December 31, 2019	
		Level 1	Level 2
Assets:			
Commodity derivatives:			
Natural Gas:			
Basis Swaps IFERC/NYMEX	$ 17	$ 17	$ —
Swing Swaps IFERC	1	—	1
Fixed Swaps/Futures	65	65	—
Forward Physical Contracts	3	—	3
Power:			
Forwards	11	—	11
Futures	4	4	—
Options – Puts	1	1	—
Options – Calls	1	1	—
NGLs – Forwards/Swaps	260	260	—
Refined Products – Futures	8	8	—
Crude – Forwards/Swaps	13	13	—
Total commodity derivatives	384	369	15
Other non-current assets	31	20	11
Total assets	$ 415	$ 389	$ 26
Liabilities:			
Interest rate derivatives	$ (399)	$ —	$ (399)
Commodity derivatives:			
Natural Gas:			
Basis Swaps IFERC/NYMEX	(49)	(49)	—
Swing Swaps IFERC	(1)	—	(1)
Fixed Swaps/Futures	(43)	(43)	—
Power:			
Forwards	(5)	—	(5)
Futures	(3)	(3)	—
NGLs – Forwards/Swaps	(278)	(278)	—
Refined Products – Futures	(10)	(10)	—
Total commodity derivatives	(389)	(383)	(6)
Total liabilities	$ (788)	$ (383)	$ (405)

Based on the estimated borrowing rates currently available to us and our subsidiaries for loans with similar terms and average maturities, the aggregate fair value and carrying amount of our consolidated debt obligations as of September 30, 2020 were $52.28 billion and $51.45 billion, respectively. As of December 31, 2019, the aggregate fair value and carrying amount of our consolidated debt obligations were $54.79 billion and $51.05 billion, respectively. The fair value of our consolidated debt obligations is a Level 2 valuation based on the respective debt obligations' observable inputs used for similar liabilities.

5. NET INCOME (LOSS) PER LIMITED PARTNER UNIT

A reconciliation of income and weighted average units used in computing basic and diluted income (loss) per unit is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019*	2020	2019*
Net income (loss)	$ (401)	$ 1,187	$ (693)	$ 3,514
Less: Net income attributable to noncontrolling interests	369	317	554	931
Less: Net income attributable to redeemable noncontrolling interests	12	12	37	38
Net income (loss), net of noncontrolling interests	(782)	858	(1,284)	2,545
Less: General Partner's interest in income (loss)	—	1	(1)	3
Income (loss) available to Limited Partners	$ (782)	$ 857	$ (1,283)	$ 2,542
Basic Income (Loss) per Limited Partner Unit:				
Weighted average limited partner units	2,696.6	2,624.9	2,694.4	2,621.9
Basic income (loss) per Limited Partner unit	$ (0.29)	$ 0.33	$ (0.48)	$ 0.97
Diluted Income (Loss) per Limited Partner Unit:				
Income (loss) available to Limited Partners	$ (782)	$ 857	$ (1,283)	$ 2,542
Dilutive effect of equity-based compensation of subsidiaries [(1)]	—	—	—	—
Diluted income (loss) available to Limited Partners	$ (782)	$ 857	$ (1,283)	$ 2,542
Weighted average limited partner units	2,696.6	2,624.9	2,694.4	2,621.9
Dilutive effect of unvested unit awards [(1)]	—	10.6	—	11.0
Weighted average limited partner units, assuming dilutive effect of unvested unit awards	2,696.6	2,635.5	2,694.4	2,632.9
Diluted income (loss) from per Limited Partner unit	$ (0.29)	$ 0.33	$ (0.48)	$ 0.97

*As adjusted. See Note 1.

[(1)] Dilutive effects are excluded from the calculation for periods where the impact would have been antidilutive.

6. DEBT OBLIGATIONS

Parent Company Indebtedness

ET Term Loan Facility

On January 15, 2019, ET paid in full all outstanding borrowings under its senior secured term loan agreement and thereafter terminated the term loan agreement. In connection with the termination of the term loan agreement, the collateral securing certain series of the Partnership's outstanding senior notes was released in accordance with the terms of the applicable indentures governing such senior notes.

Subsidiary Indebtedness

ETO January 2020 Senior Notes Offering and Redemption

On January 22, 2020, ETO completed a registered offering (the "January 2020 Senior Notes Offering") of $1.00 billion aggregate principal amount of ETO's 2.900% Senior Notes due 2025, $1.50 billion aggregate principal amount of the Partnership's 3.750% Senior Notes due 2030 and $2.00 billion aggregate principal amount of ETO's 5.000% Senior Notes due 2050 (collectively, the "Notes"). The Notes are fully and unconditionally guaranteed by ETO's wholly-owned subsidiary, Sunoco Logistics Operations, on a senior unsecured basis.

Using proceeds from the January 2020 Senior Notes Offering, ETO redeemed its $400 million aggregate principal amount of 5.75% Senior Notes due September 1, 2020, its $1.05 billion aggregate principal amount of 4.15% Senior Notes due October 1, 2020, its $1.14 billion aggregate principal amount of 7.50% Senior Notes due October 15, 2020, its $250

million aggregate principal amount of 5.50% Senior Notes due February 15, 2020, ET's $52 million aggregate principal amount of 7.50% Senior Notes due October 15, 2020 and Transwestern's $175 million aggregate principal amount of 5.36% Senior Notes due December 9, 2020.

HFOTCO Long-Term Debt

In connection with the contribution transactions discussed in Note 1, HFOTCO became a wholly-owned subsidiary of ETO in February 2020. As of September 30, 2020, HFOTCO had $225 million outstanding principal amount of tax exempt notes due 2050 (the "Ike Bonds"). The Ike Bonds are fully and unconditionally guaranteed by ETO, on a senior unsecured basis. The indentures under which the Ike Bonds were issued are subject to customary representations and warranties and affirmative and negative covenants, the majority of which are substantially similar to those found in ETO's revolving credit facility, as further discussed below.

Credit Facilities and Commercial Paper

ETO Term Loan

ETO's term loan credit agreement provides for a $2 billion three-year term loan credit facility (the "ETO Term Loan"). Borrowings under the term loan agreement mature on October 17, 2022 and are available for working capital purposes and for general partnership purposes. The ETO Term Loan is unsecured and is guaranteed by ETO's subsidiary, Sunoco Logistics Operations.

As of September 30, 2020, the ETO Term Loan had $2 billion outstanding and was fully drawn. The weighted average interest rate on the total amount outstanding as of September 30, 2020 was 1.15%.

ETO Five-Year Credit Facility

ETO's revolving credit facility (the "ETO Five-Year Credit Facility") allows for unsecured borrowings up to $5.00 billion and matures on December 1, 2023. The ETO Five-Year Credit Facility contains an accordion feature, under which the total aggregate commitment may be increased up to $6.00 billion under certain conditions.

As of September 30, 2020, the ETO Five-Year Credit Facility had $3.23 billion of outstanding borrowings, $1.63 billion of which was commercial paper. The amount available for future borrowings was $1.65 billion, after taking into account letters of credit of $117 million. The weighted average interest rate on the total amount outstanding as of September 30, 2020 was 1.16%.

ETO 364-Day Facility

ETO's 364-day revolving credit facility (the "ETO 364-Day Facility") allows for unsecured borrowings up to $1.00 billion and matures on November 27, 2020. As of September 30, 2020, the ETO 364-Day Facility had no outstanding borrowings.

Sunoco LP Credit Facility

Sunoco LP maintains a $1.50 billion senior secured revolving credit facility (the "Sunoco LP Credit Facility"), which matures in July 2023. As of September 30, 2020, the Sunoco LP Credit Facility had $87 million of outstanding borrowings and $8 million in standby letters of credit. As of September 30, 2020, Sunoco LP had $1.41 billion of availability under the Sunoco LP Credit Facility. The weighted average interest rate on the total amount outstanding as of September 30, 2020 was 2.15%.

USAC Credit Facility

USAC maintains a $1.60 billion senior secured revolving credit facility (the "USAC Credit Facility"), with a further potential increase of $400 million, which matures in April 2023. As of September 30, 2020, the USAC Credit Facility had $497 million of outstanding borrowings and no outstanding letters of credit. As of September 30, 2020, USAC had $1.10 billion of borrowing base availability and, subject to compliance with the applicable financial covenants, available borrowing capacity of $412 million under the USAC Credit Facility. The weighted average interest rate on the total amount outstanding as of September 30, 2020 was 3.03%.

SemCAMS Credit Facilities

SemCAMS is party to a credit agreement providing for a C$350 million (US$262 million at the September 30, 2020 exchange rate) senior secured term loan facility, a C$525 million (US$394 million at the September 30, 2020 exchange rate) senior secured revolving credit facility, and a C$300 million (US$225 million at the September 30, 2020 exchange

rate) senior secured construction loan facility (the “KAPS Facility”). The term loan facility and the revolving credit facility mature on February 25, 2024. The KAPS Facility matures on June 13, 2024. SemCAMS may incur additional term loans and revolving commitments in an aggregate amount not to exceed C$250 million (US$187 million at the September 30, 2020 exchange rate), subject to receiving commitments for such additional term loans or revolving commitments from either new lenders or increased commitments from existing lenders. As of September 30, 2020, the SemCAMS senior secured term loan facility and senior secured revolving credit facility had $253 million and $74 million, respectively, of outstanding borrowings. As of September 30, 2020, the KAPS Facility had no outstanding borrowings.

Compliance with Our Covenants

We and our subsidiaries were in compliance with all requirements, tests, limitations, and covenants related to our debt agreements as of September 30, 2020. For the quarter ended September 30, 2020, our leverage ratio, as calculated pursuant to the covenant related to our revolving credit facility, was 4.24x. On October 26, 2020, we announced a cash distribution for the third quarter of $0.1525 per unit ($0.61annualized) on ET common units. This distribution represents a 50% decrease as compared to the distribution for the prior quarter. The Partnership intends to use the excess cash flow resulting from this distribution decrease to reduce its level of indebtedness.

7. REDEEMABLE NONCONTROLLING INTERESTS

Certain redeemable noncontrolling interests in the Partnership’s subsidiaries are reflected as mezzanine equity on the consolidated balance sheets. Redeemable noncontrolling interests as of September 30, 2020 included a balance of $477 million related to the USAC Preferred Units described below, a balance of $15 million related to noncontrolling interest holders in one of the Partnership’s consolidated subsidiaries that have the option to sell their interests to the Partnership, and a balance of $264 million related to the SemCAMS preferred stock described below.

USAC Preferred Units

As of September 30, 2020, USAC had 500,000 USAC Preferred Units issued and outstanding. The holders of these units are entitled to receive cumulative quarterly distributions equal to $24.375 per USAC Preferred Unit, subject to increase in certain limited circumstances. The USAC Preferred Units will have a perpetual term, unless converted or redeemed. Certain portions of the USAC Preferred Units will be convertible into USAC common units at the election of the holders beginning in 2021. To the extent the holders of the USAC Preferred Units have not elected to convert their preferred units by April 2, 2023, USAC will have the option to redeem all or any portion of the USAC Preferred Units for cash. In addition, at any time on or after April 2, 2028, the holders of the USAC Preferred Units will have the right to require USAC to redeem all or any portion of the USAC Preferred Units, and the Partnership may elect to pay up to 50% of such redemption amount in USAC common units.

SemCAMS Redeemable Preferred Stock

As of September 30, 2020, SemCAMS had 337,046 shares of cumulative preferred stock issued and outstanding. The preferred stock is redeemable at SemCAMS’s option subsequent to January 3, 2021 at a redemption price of C$1,100 (US$825 at the September 30, 2020 exchange rate) per share. The preferred stock is redeemable by the holder contingent upon a change of control or liquidation of SemCAMS. The preferred stock is convertible to SemCAMS common shares in the event of an initial public offering by SemCAMS. Dividends on the preferred stock may be paid in-kind through June 30, 2021.

8. EQUITY

The change in ET Common Units during the nine months ended September 30, 2020 was as follows:

	Nine Months Ended September 30, 2020
Number of Common Units, beginning of period	2,689.6
Common Units issued in connection with the distribution reinvestment plan	6.9
Common Units vested under equity incentive plans and other	1.2
Number of Common Units, end of period	2,697.7

ET Repurchase Program

During the nine months ended September 30, 2020, ET did not repurchase any ET common units under its current buyback program. As of September 30, 2020, $911 million remained available to repurchase under the current program.

ET Distribution Reinvestment Program

During the nine months ended September 30, 2020, distributions of $72 million were reinvested under the distribution reinvestment program. As of September 30, 2020, a total of 22 million ET common units remain available to be issued under the existing registration statement in connection with the distribution reinvestment program.

Subsidiary Equity

ETO Preferred Units

As of September 30, 2020 and December 31, 2019, ETO's outstanding preferred units included 950,000 ETO Series A Preferred Units, 550,000 ETO Series B Preferred Units, 18,000,000 ETO Series C Preferred Units, 17,800,000 ETO Series D Preferred Units and 32,000,000 ETO Series E Preferred Units. As of September 30, 2020, ETO's outstanding preferred units also included 500,000 ETO Series F Preferred Units and 1,100,000 ETO Series G Preferred Units.

Sunoco LP Equity Distribution Program

For the nine months ended September 30, 2020, Sunoco LP issued no additional units under its at-the-market equity distribution program. As of September 30, 2020, $295 million of Sunoco LP common units remained available to be issued under the currently effective equity distribution agreement.

USAC Distribution Reinvestment Program

During the nine months ended September 30, 2020, distributions of $1.4 million were reinvested under the USAC distribution reinvestment program resulting in the issuance of approximately 140,318 USAC common units.

Parent Company Cash Distributions

Distributions declared and/or paid subsequent to December 31, 2019 were as follows:

Quarter Ended	Record Date	Payment Date	Rate
December 31, 2019	February 7, 2020	February 19, 2020	$ 0.3050
March 31, 2020	May 7, 2020	May 19, 2020	0.3050
June 30, 2020	August 7, 2020	August 19, 2020	0.3050
September 30, 2020	November 6, 2020	November 19, 2020	0.1525

The Parent Company's distribution on its common units with respect to the quarter ended March 31, 2020 was declared on March 31, 2020 and accrued as of that date. For the three months ended March 31, 2020, the consolidated statement of equity reflects distributions to common unitholders for two quarters. For the three months ended June 30, 2020, the amount reflected for distributions to common unitholders in the consolidated statements of equity reflects only the reinvestment of distributions paid in May 2020.

ETO Cash Distributions

Distributions declared and/or paid by ETO to its preferred unitholders subsequent to December 31, 2019 were as follows:

Period Ended	Record Date	Payment Date	Series A [(1)]	Series B [(1)]	Series C	Series D	Series E	Series F [(2)]	Series G [(2)]
December 31, 2019	February 3, 2020	February 18, 2020	$ 31.25	$ 33.125	$ 0.4609	$ 0.4766	$ 0.4750	$ —	$ —
March 31, 2020	May 1, 2020	May 15, 2020	—	—	0.4609	0.4766	0.4750	21.19	22.36
June 30, 2020	August 3, 2020	August 17, 2020	31.25	33.125	0.4609	0.4766	0.4750	—	—
September 30, 2020	November 2, 2020	November 16, 2020	—	—	0.4609	0.4766	0.4750	33.75	35.625

(1) ETO Series A Preferred Unit and ETO Series B Preferred Unit distributions are paid on a semi-annual basis.

(2) ETO Series F and G Preferred Unit distributions related to the period ended March 31, 2020 represent a prorated initial distribution. Distributions are paid on a semi-annual basis.

Sunoco LP Cash Distributions

Distributions declared and/or paid by Sunoco LP to its common unitholders subsequent to December 31, 2019 were as follows:

Quarter Ended	Record Date	Payment Date	Rate
December 31, 2019	February 7, 2020	February 19, 2020	$ 0.8255
March 31, 2020	May 7, 2020	May 19, 2020	0.8255
June 30, 2020	August 7, 2020	August 19, 2020	0.8255
September 30, 2020	November 6, 2020	November 19, 2020	0.8255

USAC Cash Distributions

Distributions declared and/or paid by USAC to its common unitholders subsequent to December 31, 2019 were as follows:

Quarter Ended	Record Date	Payment Date	Rate
December 31, 2019	January 27, 2020	February 7, 2020	$ 0.5250
March 31, 2020	April 27, 2020	May 8, 2020	0.5250
June 30, 2020	July 31, 2020	August 10, 2020	0.5250
September 30, 2020	October 26, 2020	November 6, 2020	0.5250

Accumulated Other Comprehensive Income (Loss)

The following table presents the components of AOCI, net of tax:

	September 30, 2020	December 31, 2019
Available-for-sale securities	$ 16	$ 13
Foreign currency translation adjustment	(14)	2
Actuarial loss related to pensions and other postretirement benefits	(10)	(25)
Investments in unconsolidated affiliates, net	(16)	(1)
Total AOCI, net of tax	(24)	(11)
Amounts attributable to noncontrolling interest	20	—
Total AOCI included in partners' capital, net of tax	$ (4)	$ (11)

9. INCOME TAXES

The Partnership's effective tax rate differs from the statutory rate primarily due to partnership earnings that are not subject to United States federal and most state income taxes at the partnership level.

10. REGULATORY MATTERS, COMMITMENTS, CONTINGENCIES AND ENVIRONMENTAL LIABILITIES

FERC Proceedings

By Order issued January 16, 2019, the FERC initiated a review of Panhandle's existing rates pursuant to Section 5 of the Natural Gas Act to determine whether the rates currently charged by Panhandle are just and reasonable and set the matter for hearing. On August 30, 2019, Panhandle filed a general rate proceeding under Section 4 of the Natural Gas Act. The Natural Gas Act Section 5 and Section 4 proceedings were consolidated by the Order dated October 1, 2019. A hearing in the combined proceedings commenced on August 25, 2020 and adjourned on September 15, 2020. An initial decision is expected in early 2021.

Commitments

In the normal course of business, ETO purchases, processes and sells natural gas pursuant to long-term contracts and enters into long-term transportation and storage agreements. Such contracts contain terms that are customary in the industry. ETO believes that the terms of these agreements are commercially reasonable and will not have a material adverse effect on its financial position or results of operations.

ETO's joint venture agreements require that ETO fund its proportionate share of capital contributions to its unconsolidated affiliates. Such contributions will depend upon the unconsolidated affiliates' capital requirements, such as for funding capital projects or repayment of long-term obligations.

We have certain non-cancelable rights-of-way ("ROW") commitments, which require fixed payments and either expire upon our chosen abandonment or at various dates in the future. The table below reflects ROW expense included in operating expenses in the accompanying consolidated statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
ROW expense	$ 13	$ 5	$ 32	$ 17

PES Refinery Fire and Bankruptcy

We previously owned an approximately 7.4% indirect non-operating interest in PES, which owned a former refinery in Philadelphia. In addition, the Partnership previously provided logistics services to PES under commercial contracts and Sunoco LP previously purchased refined products from PES. In June 2019, an explosion and fire occurred at the refinery complex.

On July 21, 2019, PES Holdings, LLC and seven of its subsidiaries (collectively, the "Debtors") filed voluntary petitions in the United States Bankruptcy Court for the District of Delaware seeking relief under the provisions of Chapter 11 of the United States Bankruptcy Code, as a result of the explosion and fire at the Philadelphia refinery complex. The Debtors have also defaulted on a $75 million note payable to a subsidiary of the Partnership. In June 2020, the Partnership received $12 million from PES on the note payable and recorded a reserve for the remaining $63 million note balance.

In addition, the Partnership's subsidiaries retained certain environmental remediation liabilities when the refinery was sold to PES. As of September 30, 2020, the Partnership has funded these environmental remediation liabilities through its wholly-owned captive insurance company, based upon actuarially determined estimates for such costs, and these liabilities are included in the total environmental liabilities discussed below under "Environmental Remediation." It may be necessary for the Partnership to record additional environmental remediation liabilities in the future depending upon the use of such property by the buyer; however, management is not currently able to estimate such additional liabilities.

PES has rejected certain of the Partnership's commercial contracts pursuant to Section 365 of the Bankruptcy Code; however, the impact of the bankruptcy on the Partnership's commercial contracts and related revenue loss (temporary or permanent) is unknown at this time. In addition, Sunoco LP has been successful at acquiring alternative supplies to replace fuel volume lost from PES and does not anticipate any material impact to its business going forward.

Litigation and Contingencies

We may, from time to time, be involved in litigation and claims arising out of our operations in the normal course of business. Natural gas and crude oil are flammable and combustible. Serious personal injury and significant property damage can arise in connection with their transportation, storage or use. In the ordinary course of business, we are sometimes threatened with or named as a defendant in various lawsuits seeking actual and punitive damages for product liability, personal injury and property damage. We maintain liability insurance with insurers in amounts and with coverage and deductibles management believes are reasonable and prudent, and which are generally accepted in the industry. However, there can be no assurance that the levels of insurance protection currently in effect will continue to be available at reasonable prices or that such levels will remain adequate to protect us from material expenses related to product liability, personal injury or property damage in the future.

Dakota Access Pipeline

On July 27, 2016, the Standing Rock Sioux Tribe ("SRST") filed a lawsuit in the United States District Court for the District of Columbia ("District Court") challenging permits issued by the United States Army Corps of Engineers ("USACE") permitting Dakota Access, LLC ("Dakota Access") to cross the Missouri River at Lake Oahe in North Dakota. The case was subsequently amended to challenge an easement issued by the USACE allowing the pipeline to cross land owned by the USACE adjacent to the Missouri River. Dakota Access and the Cheyenne River Sioux Tribe ("CRST") intervened. Separate lawsuits filed by the Oglala Sioux Tribe ("OST") and the Yankton Sioux Tribe ("YST") were consolidated with this action and several individual tribal members intervened (collectively, with SRST and CRST, the "Tribes"). On March 25, 2020, the court remanded the case back to the USACE for preparation of an Environment Impact Statement. On July 6, 2020, the court vacated the easement and ordered Dakota Access to be shut down and emptied of oil by August 5, 2020. Dakota Access and USACE appealed to the United States Court of Appeals for the District of Columbia ("Court of Appeals") which granted an administrative stay of the District Court's July 6 order and ordered further briefing on whether to fully stay the July 6 order. On August 5, 2020, the Court of Appeals granted a stay of the portion of the District Court order that required Dakota Access to shut the pipeline down and empty it of oil. The Court of Appeals also denied a motion to stay the March 25 order pending a decision on the merits by the Court of Appeals as to whether USACE will be required to prepare an Environmental Impact Statement. In addition, the Court of Appeals denied a motion to stay the District Court's order to vacate the easement during this appeal process. The August 5 order also states that the Court of Appeals expects USACE to clarify its position with respect to whether USACE intends to allow the continued operation of the pipeline notwithstanding the vacator of the easement and that the District Court may consider additional relief if necessary.

On August 10, 2020, the District Court ordered USACE to submit a status report by August 31, 2020 clarifying its position with regard to its decision making process with respect to the continued operation of the pipeline. On August 31, 2020, USACE submitted a status report that indicated that it considers the presence of the pipeline at the Lake Oahe crossing without an easement to constitute an encroachment on federal land, and that it was still considering whether to exercise its enforcement discretion regarding this encroachment. Following the filing of this status report, the District Court ordered briefing on whether to enjoin the operation of the pipeline, with briefing scheduled to conclude by December 18, 2020.

Briefing on the merits of the appeal to the Court of Appeals has been completed, and oral argument has been scheduled by the Court of Appeals to occur on November 4, 2020. As a result of the ruling by the Court of Appeals related to the motions to stay and the District Court's briefing schedule related to the injunction issue, it is expected that the pipeline will continue to operate during the pendency of the appeals process with the Court of Appeals.

ET cannot determine when or how these lawsuits will be resolved or the impact they may have on the Dakota Access pipelines; however, ET expects after the law and complete record are fully considered, the issues in this litigation will be resolved in a manner that will allow the pipeline to continue to operate.

Mont Belvieu Incident

On June 26, 2016, a hydrocarbon storage well located on another operator's facility adjacent to Lone Star NGL LLC's ("Lone Star") facilities in Mont Belvieu, Texas experienced an over-pressurization resulting in a subsurface release. The subsurface release caused a fire at Lone Star's South Terminal and damage to Lone Star's storage well operations at its South and North Terminals. Normal operations have resumed at the facilities with the exception of one of Lone Star's storage wells; however, Lone Star is still quantifying the extent of its incurred and ongoing damages and has obtained, and will continue to seek, reimbursement for these losses.

MTBE Litigation

ETC Sunoco Holdings LLC and Sunoco (R&M), LLC (collectively, "Sunoco Defendants") are defendants in lawsuits alleging MTBE contamination of groundwater. The plaintiffs, state-level governmental entities, assert product liability, nuisance, trespass, negligence, violation of environmental laws, and/or deceptive business practices claims. The plaintiffs seek to recover compensatory damages, and in some cases also seek natural resource damages, injunctive relief, punitive damages, and attorneys' fees.

As of September 30, 2020, Sunoco Defendants are defendants in five cases, including one case each initiated by the States of Maryland and Rhode Island, one by the Commonwealth of Pennsylvania and two by the Commonwealth of Puerto Rico. The more recent Puerto Rico action is a companion case alleging damages for additional sites beyond those at issue in the initial Puerto Rico action. The actions brought by the State of Maryland and Commonwealth of Pennsylvania have also named as defendants ETO, ETP Holdco Corporation, and Sunoco Partners Marketing & Terminals L.P. ("SPMT").

It is reasonably possible that a loss may be realized in the remaining cases; however, we are unable to estimate the possible loss or range of loss in excess of amounts accrued. An adverse determination with respect to one or more of the MTBE cases could have a significant impact on results of operations during the period in which any such adverse determination occurs, but such an adverse determination likely would not have a material adverse effect on the Partnership's consolidated financial position.

Regency Merger Litigation

On June 10, 2015, Adrian Dieckman ("Dieckman"), a purported Regency unitholder, filed a class action complaint related to the Regency-ETO merger (the "Regency Merger") in the Court of Chancery of the State of Delaware (the "Regency Merger Litigation"), on behalf of Regency's common unitholders against Regency GP LP, Regency GP LLC, ET, ETO, ETP GP, and the members of Regency's board of directors.

The Regency Merger Litigation alleges that the Regency Merger breached the Regency partnership agreement. On March 29, 2016, the Delaware Court of Chancery granted the defendants' motion to dismiss the lawsuit in its entirety. Plaintiff appealed, and the Delaware Supreme Court reversed the judgment of the Court of Chancery. Plaintiff then filed an Amended Verified Class Action Complaint, which defendants moved to dismiss. The Court of Chancery granted in part and denied in part the motions to dismiss, dismissing the claims against all defendants other than Regency GP LP and Regency GP LLC (the "Regency Defendants"). The Court of Chancery later granted plaintiff's unopposed motion for class certification. Trial was held on December 10-16, 2019, and a post-trial hearing was held on May 6, 2020.

The Regency Defendants cannot predict the outcome of the Regency Merger Litigation or any lawsuits that might be filed subsequent to the date of this filing; nor can the Regency Defendants predict the amount of time and expense that will be required to resolve the Regency Merger Litigation. The Regency Defendants believe the Regency Merger Litigation is without merit and intend to vigorously defend against it.

Litigation Filed By or Against Williams

In April and May 2016, the Williams Companies, Inc. ("Williams") filed two lawsuits (the "Williams Litigation") against ET, LE GP, and, in one of the lawsuits, Energy Transfer Corp LP, ETE Corp GP, LLC, and Energy Transfer Equity GP, LLC (collectively, "Defendants"), alleging that Defendants breached their obligations under the ET-Williams merger agreement (the "Merger Agreement"). In general, Williams alleges that Defendants breached the Merger Agreement by (a) failing to use commercially reasonable efforts to obtain from Latham & Watkins LLP ("Latham") the delivery of a tax opinion concerning Section 721 of the Internal Revenue Code ("721 Opinion"), (b) issuing the Partnership's Series A Convertible Preferred Units (the "Issuance"), and (c) making allegedly untrue representations and warranties in the Merger Agreement.

After a two-day trial on June 20 and 21, 2016, the Court ruled in favor of Defendants and issued a declaratory judgment that ET could terminate the merger after June 28, 2016 because of Latham's inability to provide the required 721 Opinion. The Court did not reach a decision regarding Williams' claims related to the Issuance nor the alleged untrue representations and warranties. On March 23, 2017, the Delaware Supreme Court affirmed the Court's ruling on the June 2016 trial.

In September 2016, the parties filed amended pleadings. Williams filed an amended complaint seeking a $410 million termination fee based on the alleged breaches of the Merger Agreement listed above. Defendants filed amended counterclaims and affirmative defenses, asserting that Williams materially breached the Merger Agreement by, among other things, (a) failing to use its reasonable best efforts to consummate the merger, (b) failing to provide material

information to ET for inclusion in the Form S-4 related to the merger, (c) failing to facilitate the financing of the merger, and (d) breaching the Merger Agreement's forum-selection clause.

In July 2020, the Court denied Defendant's Motion for Summary Judgment and Williams' Motion for Partial Summary Judgment. Trial is set for December 14-18, 2020. Defendants cannot predict the outcome of the Williams Litigation or any lawsuits that might be filed subsequent to the date of this filing; nor can Defendants predict the amount of time and expense that will be required to resolve these lawsuits. Defendants believe that Williams' claims are without merit and intend to defend vigorously against them.

Rover

On November 3, 2017, the State of Ohio and the Ohio Environmental Protection Agency ("Ohio EPA") filed suit against Rover and other defendants seeking to recover civil penalties allegedly owed and certain injunctive relief related to permit compliance. The defendants filed several motions to dismiss, which were granted on all counts. The Ohio EPA appealed, and on December 9, 2019, the Fifth District Court of Appeals entered a unanimous judgment affirming the trial court. The Ohio EPA sought review from the Ohio Supreme Court, which the defendants opposed in briefs filed in February 2020. On April 22, 2020, the Ohio Supreme Court granted the Ohio EPA's request for review. Briefing has concluded. The Ohio Supreme Court has not yet scheduled oral argument.

Revolution

On September 10, 2018, a pipeline release and fire (the "Incident") occurred on the Revolution pipeline, a natural gas gathering line located in Center Township, Beaver County, Pennsylvania. There were no injuries. On February 8, 2019, the Pennsylvania Department of Environmental Protection ("PADEP") issued a Permit Hold on any requests for approvals/permits or permit amendments for any project in Pennsylvania pursuant to the state's water laws. The Partnership filed an appeal of the Permit Hold with the Pennsylvania Environmental Hearing Board. On January 3, 2020, the Partnership entered into a Consent Order and Agreement with the PADEP in which, among other things, the Permit Hold was lifted, the Partnership agreed to pay a $28.6 million civil penalty and fund a $2 million community environmental project, and all related appeals were withdrawn.

The Pennsylvania Office of Attorney General has commenced an investigation regarding the Incident, and the United States Attorney for the Western District of Pennsylvania has issued a federal grand jury subpoena for documents relevant to the Incident. The scope of these investigations is not further known at this time.

Chester County, Pennsylvania Investigation

In December 2018, the former Chester County District Attorney ("DA") sent a letter to the Partnership stating that his office was investigating the Partnership and related entities for "potential crimes" related to the Mariner East pipelines.

Subsequently, the matter was submitted to an Investigating Grand Jury in Chester County, Pennsylvania, which has issued subpoenas seeking documents and testimony. On September 24, 2019, the former DA sent a Notice of Intent to the Partnership of its intent to pursue an abatement action if certain conditions were not remediated. The Partnership responded to the Notice of Intent within the prescribed time period. To date, the Partnership is not aware of any further action with regard to this Notice.

In December 2019, the former DA announced charges against a current employee related to the provision of security services. On June 25, 2020, a preliminary hearing was held on the charges against the employee, and the judge dismissed all charges.

Delaware County, Pennsylvania Investigation

On March 11, 2019, the Delaware County District Attorney's Office ("DA") announced that the DA and the Pennsylvania Attorney General's Office, at the request of the DA, are conducting an investigation of alleged criminal misconduct involving the construction and related activities of the Mariner East pipelines in Delaware County. On March 16, 2020, the Pennsylvania Attorney General Office served a Statewide Investigating Grand Jury subpoena for documents relating to inadvertent returns and water supplies related to the Mariner East pipelines. While the Partnership will cooperate with the subpoena, it intends to vigorously defend itself.

Recently Filed Litigation Involving Energy Transfer LP

Four purported unitholders of ET filed derivative actions against various past and current members of ET's Board of Directors, LE GP, and ET, as a nominal defendant that assert claims for breach of fiduciary duties, unjust enrichment,

waste of corporate assets, breach of ET's limited partnership agreement, tortious interference, abuse of control, and gross mismanagement related primarily to matters involving the construction of pipelines in Pennsylvania. They also seek damages and changes to ET's corporate governance structure. See *Bettiol v. LE GP*, Case No. 3:19-cv-02890-X (N.D. Tex.); *Davidson v. Kelcy L. Warren,* Cause No. DC-20-02322 (44th Judicial District of Dallas County, Texas); *Harris v. Kelcy L. Warren*, Case No. 2:20-cv-00364-GAM (E.D. Pa.); and *King v. LE GP*, Case No. 3:20-cv-00719-X (N.D. Tex.). Another purported unitholder of ET, Allegheny County Employees' Retirement System ("ACERS"), individually and on behalf of all others similarly situated, filed a suit under the federal securities laws purportedly on behalf of a class, against ET and three of ET's directors, Kelcy L. Warren, John W. McReynolds, and Thomas E. Long. See *Allegheny County Emps.' Ret. Sys. v. Energy Transfer LP*, Case No. 2:20-00200-GAM (E.D. Pa.). On June 15, 2020, ACERS filed an amended complaint and added as additional defendants ET directors Marshall McCrea and Matthew Ramsey, as well as Michael J. Hennigan and Joseph McGinn. The amended complaint asserts claims for violations of Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5 promulgated thereunder related primarily to matters involving the construction of pipelines in Pennsylvania. On August 14, 2020, the defendants filed a motion to dismiss ACERS' amended complaint. The Court has not yet ruled on the motion to dismiss. The defendants cannot predict the outcome of these lawsuits or any lawsuits that might be filed subsequent to the date of this filing; nor can the defendants predict the amount of time and expense that will be required to resolve these lawsuits. However, the defendants believe that the claims are without merit and intend to vigorously contest them.

Other Litigation and Contingencies

We or our subsidiaries are a party to various legal proceedings and/or regulatory proceedings incidental to our businesses. For each of these matters, we evaluate the merits of the case, our exposure to the matter, possible legal or settlement strategies, the likelihood of an unfavorable outcome and the availability of insurance coverage. If we determine that an unfavorable outcome of a particular matter is probable and can be estimated, we accrue the contingent obligation, as well as any expected insurance recoverable amounts related to the contingency. As of September 30, 2020 and December 31, 2019, accruals of approximately $86 million and $120 million, respectively, were reflected on our consolidated balance sheets related to these contingent obligations. As new information becomes available, our estimates may change. The impact of these changes may have a significant effect on our results of operations in a single period.

The outcome of these matters cannot be predicted with certainty and there can be no assurance that the outcome of a particular matter will not result in the payment of amounts that have not been accrued for the matter. Furthermore, we may revise accrual amounts prior to resolution of a particular contingency based on changes in facts and circumstances or changes in the expected outcome. Currently, we are not able to estimate possible losses or a range of possible losses in excess of amounts accrued.

In addition, other legal proceedings exist that are considered reasonably possible to result in unfavorable outcomes. For those where possible losses can be estimated, the range of possible losses related to these contingent obligations is estimated to be up to $80 million; however, no accruals have been recorded as of September 30, 2020 or December 31, 2019.

Environmental Matters

Our operations are subject to extensive federal, tribal, state and local environmental and safety laws and regulations that require expenditures to ensure compliance, including related to air emissions and wastewater discharges, at operating facilities and for remediation at current and former facilities as well as waste disposal sites. Historically, our environmental compliance costs have not had a material adverse effect on our results of operations but there can be no assurance that such costs will not be material in the future or that such future compliance with existing, amended or new legal requirements will not have a material adverse effect on our business and operating results. Costs of planning, designing, constructing and operating pipelines, plants and other facilities must incorporate compliance with environmental laws and regulations and safety standards. Failure to comply with these laws and regulations may result in the assessment of administrative, civil and criminal penalties, the imposition of investigatory, remedial and corrective action obligations, natural resource damages, the issuance of injunctions in affected areas and the filing of federally authorized citizen suits. Contingent losses related to all significant known environmental matters have been accrued and/or separately disclosed. However, we may revise accrual amounts prior to resolution of a particular contingency based on changes in facts and circumstances or changes in the expected outcome.

Environmental exposures and liabilities are difficult to assess and estimate due to unknown factors such as the magnitude of possible contamination, the timing and extent of remediation, the determination of our liability in proportion to other parties, improvements in cleanup technologies and the extent to which environmental laws and regulations may change in

the future. Although environmental costs may have a significant impact on our results of operations for any single period, we believe that such costs will not have a material adverse effect on our financial position.

Based on information available at this time and reviews undertaken to identify potential exposure, we believe the amount reserved for environmental matters is adequate to cover the potential exposure for cleanup costs.

In February 2017, we received letters from the DOJ on behalf of EPA and Louisiana Department of Environmental Quality ("LDEQ") notifying SPLP and Mid-Valley Pipeline Company ("Mid-Valley") that enforcement actions were being pursued for three separate crude oil releases: (a) an estimated 550 barrels released from the Colmesneil-to-Chester pipeline in Tyler County, Texas ("Colmesneil") which allegedly occurred in February 2013; (b) an estimated 4,509 barrels released from the Longview-to-Mayersville pipeline in Caddo Parish, Louisiana (a/k/a Milepost 51.5) which allegedly occurred in October 2014; and (c) an estimated 40 barrels released from the Wakita 4-inch gathering line in Oklahoma which allegedly occurred in January 2015. In January 2019, a Consent Decree approved by all parties as well as an accompanying Complaint was filed in the United States District Court for the Western District of Louisiana seeking public comment and final court approval to resolve all penalties with the DOJ and LDEQ for the three releases. Subsequently, the court approved the Consent Decree and the penalty payment of $5.4 million was satisfied. The Consent Decree requires certain injunctive relief to be completed on the Longview-to-Mayersville pipeline within three years but the injunctive relief is not expected to have any material impact on operations. In addition to resolution of the civil penalty and injunctive relief, we continue to discuss natural resource damages with the Louisiana trustees related to the Caddo Parish, Louisiana release.

In October 2018, the Pipeline and Hazardous Materials Safety Administration ("PHMSA") issued a notice of proposed safety order (the "Notice") to SPMT, a wholly-owned subsidiary of ETO. The Notice alleged that conditions exist on certain pipeline facilities owned and operated by SPMT in Nederland, Texas that pose a pipeline integrity risk to public safety, property or the environment. The Notice also made preliminary findings of fact and proposed corrective measures. SPMT responded to the Notice by submitting a timely written response on November 2, 2018, attended an informal consultation held on January 30, 2019 and entered into a consent agreement with PHMSA resolving the issues in the Notice as of March 2019. SPMT is currently awaiting response from PHMSA regarding the approval status of the submitted Remedial Work Plan.

On June 4, 2019, the Oklahoma Corporation Commission's ("OCC") Transportation Division filed a complaint against SPLP seeking a penalty of up to $1 million related to a May 2018 rupture near Edmond, Oklahoma. The release occurred on the Noble to Douglas 8" pipeline in an area of external corrosion and caused the release of approximately fifteen barrels of crude oil. SPLP responded immediately to the release and remediated the surrounding environment and pipeline in cooperation with the OCC. The OCC filed the complaint alleging that SPLP failed to provide adequate cathodic protection to the pipeline causing the failure. SPLP is negotiating a settlement agreement with the OCC for a lesser penalty. The OCC has accepted our counter offer in conjunction with a proposed consent order. The Consent Order will be presented to the OCC at a final hearing, the date of which is to be determined.

Environmental Remediation

Our subsidiaries are responsible for environmental remediation at certain sites, including the following:

- Certain of our interstate pipelines conduct soil and groundwater remediation related to contamination from past uses of polychlorinated biphenyls ("PCBs"). PCB assessments are ongoing and, in some cases, our subsidiaries could be contractually responsible for contamination caused by other parties.
- Certain gathering and processing systems are responsible for soil and groundwater remediation related to releases of hydrocarbons.
- Legacy sites related to Sunoco that are subject to environmental assessments, including formerly owned terminals and other logistics assets, retail sites that Sunoco no longer operates, closed and/or sold refineries and other formerly owned sites.
- Sunoco is potentially subject to joint and several liability for the costs of remediation at sites at which it has been identified as a potentially responsible party ("PRP"). As of September 30, 2020, Sunoco had been named as a PRP at approximately 31 identified or potentially identifiable "Superfund" sites under federal and/or comparable state law. Sunoco is usually one of a number of companies identified as a PRP at a site. Sunoco has reviewed the nature and extent of its involvement at each site and other relevant circumstances and, based upon Sunoco's purported nexus to the sites, believes that its potential liability associated with such sites will not be significant.

To the extent estimable, expected remediation costs are included in the amounts recorded for environmental matters in our consolidated balance sheets. In some circumstances, future costs cannot be reasonably estimated because remediation

activities are undertaken as claims are made by customers and former customers. To the extent that an environmental remediation obligation is recorded by a subsidiary that applies regulatory accounting policies, amounts that are expected to be recoverable through tariffs or rates are recorded as regulatory assets on our consolidated balance sheets.

The table below reflects the amounts of accrued liabilities recorded in our consolidated balance sheets related to environmental matters that are considered to be probable and reasonably estimable. Currently, we are not able to estimate possible losses or a range of possible losses in excess of amounts accrued. Except for matters discussed above, we do not have any material environmental matters assessed as reasonably possible that require disclosure in our consolidated financial statements.

	September 30, 2020	December 31, 2019
Current	$ 46	$ 46
Non-current	252	274
Total environmental liabilities	$ 298	$ 320

We have established a wholly-owned captive insurance company to bear certain risks associated with environmental obligations related to certain sites that are no longer operating. The premiums paid to the captive insurance company include estimates for environmental claims that have been incurred but not reported, based on an actuarially determined fully developed claims expense estimate. In such cases, we accrue losses attributable to unasserted claims based on the discounted estimates that are used to develop the premiums paid to the captive insurance company.

During the three months ended September 30, 2020 and 2019, the Partnership recorded $7 million and $16 million, respectively, of expenditures related to environmental cleanup programs. During the nine months ended September 30, 2020 and 2019, the Partnership recorded $22 million and $31 million, respectively, of expenditures related to environmental cleanup programs.

Our pipeline operations are subject to regulation by the United States Department of Transportation under PHMSA, pursuant to which PHMSA has established requirements relating to the design, installation, testing, construction, operation, replacement and management of pipeline facilities. Moreover, PHMSA, through the Office of Pipeline Safety, has promulgated a rule requiring pipeline operators to develop integrity management programs to comprehensively evaluate their pipelines, and take measures to protect pipeline segments located in what the rule refers to as “high consequence areas.” Activities under these integrity management programs involve the performance of internal pipeline inspections, pressure testing or other effective means to assess the integrity of these regulated pipeline segments, and the regulations require prompt action to address integrity issues raised by the assessment and analysis. Integrity testing and assessment of all of these assets will continue, and the potential exists that results of such testing and assessment could cause us to incur future capital and operating expenditures for repairs or upgrades deemed necessary to ensure the continued safe and reliable operation of our pipelines; however, no estimate can be made at this time of the likely range of such expenditures.

Our operations are also subject to the requirements of OSHA, and comparable state laws that regulate the protection of the health and safety of employees. In addition, the Occupational Safety and Health Administration’s hazardous communication standard requires that information be maintained about hazardous materials used or produced in our operations and that this information be provided to employees, state and local government authorities and citizens. We believe that our past costs for OSHA required activities, including general industry standards, record keeping requirements, and monitoring of occupational exposure to regulated substances have not had a material adverse effect on our results of operations, but there is no assurance that such costs will not be material in the future.

11. REVENUE

Disaggregation of Revenue

The Partnership’s consolidated financial statements reflect eight reportable segments, which also represent the level at which the Partnership aggregates revenue for disclosure purposes. Note 14 depicts the disaggregation of revenue by segment.

Contract Balances with Customers

The Partnership satisfies its obligations by transferring goods or services in exchange for consideration from customers. The timing of performance may differ from the timing the associated consideration is paid to or received from the customer, thus resulting in the recognition of a contract asset or a contract liability.

The Partnership recognizes a contract asset when making upfront consideration payments to certain customers or when providing services to customers prior to the time at which the Partnership is contractually allowed to bill for such services.

The Partnership recognizes a contract liability if the customer's payment of consideration precedes the Partnership's fulfillment of the performance obligations. Certain contracts contain provisions requiring customers to pay a fixed fee for a right to use our assets, but allow customers to apply such fees against services to be provided at a future point in time. These amounts are reflected as deferred revenue until the customer applies the deficiency fees to services provided or becomes unable to use the fees as payment for future services due to expiration of the contractual period the fees can be applied or physical inability of the customer to utilize the fees due to capacity constraints. Additionally, Sunoco LP maintains some franchise agreements requiring dealers to make one-time upfront payments for long term license agreements. Sunoco LP recognizes a contract liability when the upfront payment is received and recognizes revenue over the term of the license.

The following table summarizes the consolidated activity of our contract liabilities:

	Contract Liabilities
Balance, December 31, 2019	$ 377
Additions	598
Revenue recognized	(614)
Balance, September 30, 2020	$ 361
Balance, December 31, 2018	$ 394
Additions	448
Revenue recognized	(491)
Balance, September 30, 2019	$ 351

The balances of receivables from contracts with customers listed in the table below include both current trade receivables and long-term receivables, net of allowance for expected credit losses. The allowance for expected credit losses represents Sunoco LP's best estimate of the probable losses associated with potential customer defaults. Sunoco LP estimates the expected credit losses based on historical write-off experience by industry and current expectations of future credit losses.

The balances of Sunoco LP's contract assets as of September 30, 2020 and December 31, 2019 were as follows:

	September 30, 2020	December 31, 2019
Contract balances:		
Contract assets	$ 123	$ 117
Accounts receivable from contracts with customers	225	366

Costs to Obtain or Fulfill a Contract

Sunoco LP recognizes an asset from the costs incurred to obtain a contract (e.g., sales commissions) only if it expects to recover those costs. On the other hand, the costs to fulfill a contract are capitalized if the costs are specifically identifiable to a contract, would result in enhancing resources that will be used in satisfying performance obligations in the future, and are expected to be recovered. These capitalized costs are recorded as a part of other current assets and other non-current assets and are amortized on a systematic basis consistent with the pattern of transfer of the goods or services to which such costs relate. The amount of amortization expense that Sunoco LP recognized for the three months ended September 30, 2020 and 2019 was $4 million and $4 million, respectively. The amount of amortization expense that Sunoco LP recognized for the nine months ended September 30, 2020 and 2019 was $14 million and $12 million, respectively. Sunoco LP has also made a policy election of expensing the costs to obtain a contract, as and when they are incurred, in cases where the expected amortization period is one year or less.

Performance Obligations

At contract inception, the Partnership assesses the goods and services promised in its contracts with customers and identifies a performance obligation for each promise to transfer a good or service (or bundle of goods or services) that is

distinct. To identify the performance obligations, the Partnership considers all the goods or services promised in the contract, whether explicitly stated or implied based on customary business practices. For a contract that has more than one performance obligation, the Partnership allocates the total expected contract consideration to each distinct performance obligation based on a standalone-selling price basis. Revenue is recognized when (or as) the performance obligations are satisfied, that is, when the customer obtains control of the good or service. Certain of our contracts contain variable components, which, when combined with the fixed component are considered a single performance obligation. For these types of contacts, only the fixed component of the contracts are included in the table below.

As of September 30, 2020, the aggregate amount of transaction price allocated to unsatisfied (or partially satisfied) performance obligations is $39.50 billion, and the Partnership expects to recognize this amount as revenue within the time bands illustrated below:

	Years Ending December 31,				
	2020 (remainder)	2021	2022	Thereafter	Total
Revenue expected to be recognized on contracts with customers existing as of September 30, 2020	$ 1,633	$ 5,674	$ 5,180	$ 27,016	$ 39,503

12. DERIVATIVE ASSETS AND LIABILITIES

Commodity Price Risk

We are exposed to market risks related to the volatility of commodity prices. To manage the impact of volatility from these prices, we utilize various exchange-traded and OTC commodity financial instrument contracts. These contracts consist primarily of futures, swaps and options and are recorded at fair value in our consolidated balance sheets.

We use futures and basis swaps, designated as fair value hedges, to hedge our natural gas inventory stored in our Bammel storage facility. At hedge inception, we lock in a margin by purchasing gas in the spot market or off peak season and entering into a financial contract. Changes in the spreads between the forward natural gas prices and the physical inventory spot price result in unrealized gains or losses until the underlying physical gas is withdrawn and the related designated derivatives are settled. Once the gas is withdrawn and the designated derivatives are settled, the previously unrealized gains or losses associated with these positions are realized.

We use futures, swaps and options to hedge the sales price of natural gas we retain for fees in our intrastate transportation and storage segment and operational gas sales in our interstate transportation and storage segment. These contracts are not designated as hedges for accounting purposes.

We use NGL and crude derivative swap contracts to hedge forecasted sales of NGL and condensate equity volumes we retain for fees in our midstream segment whereby our subsidiaries generally gather and process natural gas on behalf of producers, sell the resulting residue gas and NGL volumes at market prices and remit to producers an agreed upon percentage of the proceeds based on an index price for the residue gas and NGL. These contracts are not designated as hedges for accounting purposes.

We utilize swaps, futures and other derivative instruments to mitigate the risk associated with market movements in the price of refined products and NGLs to manage our storage facilities and the purchase and sale of purity NGL. These contracts are not designated as hedges for accounting purposes.

We use futures and swaps to achieve ratable pricing of crude oil purchases, to convert certain expected refined product sales to fixed or floating prices, to lock in margins for certain refined products and to lock in the price of a portion of natural gas purchases or sales. These contracts are not designated as hedges for accounting purposes.

We use financial commodity derivatives to take advantage of market opportunities in our trading activities which complement our transportation and storage segment's operations and are netted in cost of products sold in our consolidated statements of operations. We also have trading and marketing activities related to power and natural gas in our all other segment which are also netted in cost of products sold. As a result of our trading activities and the use of derivative financial instruments in our transportation and storage segment, the degree of earnings volatility that can occur may be significant, favorably or unfavorably, from period to period. We attempt to manage this volatility through the use of daily position and profit and loss reports provided to our risk oversight committee, which includes members of senior management, and the limits and authorizations set forth in our commodity risk management policy.

The following table details our outstanding commodity-related derivatives:

	September 30, 2020		December 31, 2019	
	Notional Volume	Maturity	Notional Volume	Maturity
Mark-to-Market Derivatives				
(Trading)				
Natural Gas (BBtu):				
Basis Swaps IFERC/NYMEX [(1)]	(91,365)	2020-2021	(35,208)	2020-2024
Fixed Swaps/Futures	4,965	2020-2022	1,483	2020
Power (Megawatt):				
Forwards	1,714,800	2020-2029	3,213,450	2020-2029
Futures	(35,313)	2020-2022	(353,527)	2020
Options – Puts	(15)	2020-2021	51,615	2020
Options – Calls	(6,323,560)	2020-2022	(2,704,330)	2020-2021
(Non-Trading)				
Natural Gas (BBtu):				
Basis Swaps IFERC/NYMEX	(20,800)	2020-2022	(18,923)	2020-2022
Swing Swaps IFERC	(7,480)	2020-2021	(9,265)	2020
Fixed Swaps/Futures	(43,708)	2020-2022	(3,085)	2020-2021
Forward Physical Contracts	(15,281)	2021	(13,364)	2020-2021
NGLs (MBbls) – Forwards/Swaps	(14,743)	2020-2022	(1,300)	2020-2021
Refined Products (MBbls) – Futures	(3,391)	2020-2022	(2,473)	2020-2021
Crude (MBbls) – Forwards/Swaps	1,929	2020	4,465	2020
Corn (thousand bushels)	—	—	(1,210)	2020
Fair Value Hedging Derivatives				
(Non-Trading)				
Natural Gas (BBtu):				
Basis Swaps IFERC/NYMEX	(38,490)	2020-2021	(31,780)	2020
Fixed Swaps/Futures	(38,490)	2020-2021	(31,780)	2020
Hedged Item – Inventory	38,490	2020-2021	31,780	2020

(1) Includes aggregate amounts for open positions related to Houston Ship Channel, Waha Hub, NGPL TexOk, West Louisiana Zone and Henry Hub locations.

Interest Rate Risk

We are exposed to market risk for changes in interest rates. To maintain a cost effective capital structure, we borrow funds using a mix of fixed rate debt and variable rate debt. We also manage our interest rate exposure by utilizing interest rate swaps to achieve a desired mix of fixed and variable rate debt. We also utilize forward starting interest rate swaps to lock in the rate on a portion of our anticipated debt issuances.

The following table summarizes our interest rate swaps outstanding, none of which were designated as hedges for accounting purposes:

Term	Type[1]	Notional Amount Outstanding September 30, 2020	Notional Amount Outstanding December 31, 2019
July 2020[2][3]	Forward-starting to pay a fixed rate of 3.52% and receive a floating rate	$ —	$ 400
July 2021[2]	Forward-starting to pay a fixed rate of 3.55% and receive a floating rate	400	400
July 2022[2]	Forward-starting to pay a fixed rate of 3.80% and receive a floating rate	400	400

(1) Floating rates are based on 3-month LIBOR.

(2) Represents the effective date. These forward-starting swaps have terms of 30 years with a mandatory termination date the same as the effective date.

(3) The July 2020 interest rate swaps were terminated in January 2020.

Credit Risk

Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a loss to the Partnership. Credit policies have been approved and implemented to govern our portfolio of counterparties with the objective of mitigating credit losses. These policies establish guidelines, controls and limits to manage credit risk within approved tolerances by mandating an appropriate evaluation of the financial condition of existing and potential counterparties, monitoring agency credit ratings, and by implementing credit practices that limit exposure according to the risk profiles of the counterparties. Furthermore, we may at times require collateral under certain circumstances to mitigate credit risk as necessary. We also use industry standard commercial agreements which allow for the netting of positive and negative exposures associated with transactions executed under a single commercial agreement. Additionally, we utilize master netting agreements to offset credit exposure across multiple commercial agreements with a single counterparty or affiliated group of counterparties.

Our counterparties consist of a diverse portfolio of customers across the energy industry, including petrochemical companies, commercial and industrials, oil and gas producers, motor fuel distributors, municipalities, utilities and midstream companies. Our overall exposure may be affected positively or negatively by macroeconomic factors or regulatory changes that could impact its counterparties to one extent or another. Currently, management does not anticipate a material adverse effect in our financial position or results of operations as a consequence of counterparty non-performance.

We have maintenance margin deposits with certain counterparties in the OTC market, primarily independent system operators, and with clearing brokers. Payments on margin deposits are required when the value of a derivative exceeds our pre-established credit limit with the counterparty. Margin deposits are returned to us on or about the settlement date for non-exchange traded derivatives, and we exchange margin calls on a daily basis for exchange traded transactions. Since the margin calls are made daily with the exchange brokers, the fair value of the financial derivative instruments are deemed current and netted in deposits paid to vendors within other current assets in the consolidated balance sheets.

For financial instruments, failure of a counterparty to perform on a contract could result in our inability to realize amounts that have been recorded on our consolidated balance sheets and recognized in net income or other comprehensive income.

Derivative Summary

The following table provides a summary of our derivative assets and liabilities:

	Fair Value of Derivative Instruments			
	Asset Derivatives		Liability Derivatives	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Derivatives designated as hedging instruments:				
Commodity derivatives (margin deposits)	$ 32	$ 24	$ (52)	$ —
Derivatives not designated as hedging instruments:				
Commodity derivatives (margin deposits)	68	319	(107)	(350)
Commodity derivatives	47	41	(45)	(39)
Interest rate derivatives	—	—	(522)	(399)
	115	360	(674)	(788)
Total derivatives	$ 147	$ 384	$ (726)	$ (788)

The following table presents the fair value of our recognized derivative assets and liabilities on a gross basis and amounts offset on the consolidated balance sheets that are subject to enforceable master netting arrangements or similar arrangements:

		Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Derivatives without offsetting agreements	Derivative liabilities	$ —	$ —	$ (522)	$ (399)
Derivatives in offsetting agreements:					
OTC contracts	Derivative assets (liabilities)	47	41	(45)	(39)
Broker cleared derivative contracts	Other current assets (liabilities)	100	343	(159)	(350)
Total gross derivatives		147	384	(726)	(788)
Offsetting agreements:					
Counterparty netting	Derivative assets (liabilities)	(28)	(18)	28	18
Counterparty netting	Other current assets (liabilities)	(34)	(318)	34	318
Total net derivatives		$ 85	$ 48	$ (664)	$ (452)

We disclose the non-exchange traded financial derivative instruments as derivative assets and liabilities on our consolidated balance sheets at fair value with amounts classified as either current or non-current depending on the anticipated settlement date.

The following table summarizes the location and amounts recognized in our consolidated statements of operations with respect to our derivative financial instruments:

	Location	Amount of Gain (Loss) on Derivatives			
		Three Months Ended September 30,		Nine Months Ended September 30,	
		2020	2019	2020	2019
Derivatives not designated as hedging instruments:					
Commodity derivatives – Trading	Cost of products sold	$ 4	$ 3	$ 15	$ 15
Commodity derivatives – Non-trading	Cost of products sold	(44)	21	53	(53)
Interest rate derivatives	Gains (losses) on interest rate derivatives	55	(175)	(277)	(371)
Total		$ 15	$ (151)	$ (209)	$ (409)

13. RELATED PARTY TRANSACTIONS

The Partnership has related party transactions with several of its unconsolidated affiliates. In addition to commercial transactions, these transactions include the provision of certain management services and leases of certain assets.

The following table summarizes the revenues from related companies on our consolidated statements of operations:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues from related companies	$ 100	$ 129	$ 375	$ 374

The following table summarizes the accounts receivable from related companies on our consolidated balance sheets:

	September 30, 2020	December 31, 2019
Accounts receivable from related companies:		
FGT	$ 13	$ 50
Phillips 66	36	36
Various	41	73
Total accounts receivable from related companies	$ 90	$ 159

As of September 30, 2020 and December 31, 2019, accounts payable with unconsolidated affiliates in the Partnership's consolidated balance sheets totaled $30 million and $31 million, respectively.

14. REPORTABLE SEGMENTS

Our reportable segments, which conduct their business primarily in the United States, are as follows:

- intrastate transportation and storage;
- interstate transportation and storage;
- midstream;
- NGL and refined products transportation and services;
- crude oil transportation and services;
- investment in Sunoco LP;
- investment in USAC; and
- all other.

Consolidated revenues and expenses reflect the elimination of all material intercompany transactions.

Revenues from our intrastate transportation and storage segment are primarily reflected in natural gas sales and gathering, transportation and other fees. Revenues from our interstate transportation and storage segment are primarily reflected in gathering, transportation and other fees. Revenues from our midstream segment are primarily reflected in natural gas sales, NGL sales and gathering, transportation and other fees. Revenues from our NGL and refined products transportation and services segment are primarily reflected in NGL sales and gathering, transportation and other fees. Revenues from our crude oil transportation and services segment are primarily reflected in crude sales. Revenues from our investment in Sunoco LP segment are primarily reflected in refined product sales. Revenues from our investment in USAC segment are primarily reflected in gathering, transportation and other fees. Revenues from our all other segment are primarily reflected in natural gas sales and gathering, transportation and other fees.

We report Segment Adjusted EBITDA and consolidated Adjusted EBITDA as measures of segment performance. We define Segment Adjusted EBITDA and consolidated Adjusted EBITDA as total partnership earnings before interest, taxes, depreciation, depletion, amortization and other non-cash items, such as non-cash compensation expense, gains and losses on disposals of assets, the allowance for equity funds used during construction, unrealized gains and losses on commodity risk management activities, inventory valuation adjustments, non-cash impairment charges, losses on extinguishments of debt and other non-operating income or expense items. Inventory adjustments that are excluded from the calculation of Adjusted EBITDA represent only the changes in lower of cost or market reserves on inventory that is carried at last-in, first-out (“LIFO”). These amounts are unrealized valuation adjustments applied to Sunoco LP’s fuel volumes remaining in inventory at the end of the period.

Segment Adjusted EBITDA and consolidated Adjusted EBITDA reflect amounts for unconsolidated affiliates based on the same recognition and measurement methods used to record equity in earnings of unconsolidated affiliates. Adjusted EBITDA related to unconsolidated affiliates excludes the same items with respect to the unconsolidated affiliate as those excluded from the calculation of Segment Adjusted EBITDA and consolidated Adjusted EBITDA, such as interest, taxes, depreciation, depletion, amortization and other non-cash items. Although these amounts are excluded from Adjusted EBITDA related to unconsolidated affiliates, such exclusion should not be understood to imply that we have control over the operations and resulting revenues and expenses of such affiliates. We do not control our unconsolidated affiliates; therefore, we do not control the earnings or cash flows of such affiliates. The use of Segment Adjusted EBITDA or Adjusted EBITDA related to unconsolidated affiliates as an analytical tool should be limited accordingly.

The following tables present financial information by segment:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Revenues:				
Intrastate transportation and storage:				
Revenues from external customers	$ 614	$ 675	$ 1,615	$ 2,115
Intersegment revenues	40	89	148	270
	654	764	1,763	2,385
Interstate transportation and storage:				
Revenues from external customers	466	475	1,365	1,454
Intersegment revenues	5	4	15	16
	471	479	1,380	1,470
Midstream:				
Revenues from external customers	585	704	1,477	1,704
Intersegment revenues	792	876	2,088	2,792
	1,377	1,580	3,565	4,496
NGL and refined products transportation and services:				
Revenues from external customers	2,207	2,271	5,991	7,340
Intersegment revenues	416	607	1,466	1,181
	2,623	2,878	7,457	8,521
Crude oil transportation and services:				
Revenues from external customers	2,849	4,453	8,873	13,685
Intersegment revenues	1	—	4	—
	2,850	4,453	8,877	13,685
Investment in Sunoco LP:				
Revenues from external customers	2,801	4,328	8,104	12,494
Intersegment revenues	4	3	53	4
	2,805	4,331	8,157	12,498
Investment in USAC:				
Revenues from external customers	158	169	500	505
Intersegment revenues	3	6	9	15
	161	175	509	520
All other:				
Revenues from external customers	275	420	995	1,196
Intersegment revenues	92	21	377	80
	367	441	1,372	1,276
Eliminations	(1,353)	(1,606)	(4,160)	(4,358)
Total revenues	$ 9,955	$ 13,495	$ 28,920	$ 40,493

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019*	2020	2019*
Segment Adjusted EBITDA:				
Intrastate transportation and storage	$ 203	$ 235	$ 630	$ 777
Interstate transportation and storage	425	442	1,232	1,358
Midstream	530	411	1,280	1,205
NGL and refined products transportation and services	762	667	2,099	1,923
Crude oil transportation and services	631	726	1,741	2,222
Investment in Sunoco LP	189	192	580	497
Investment in USAC	104	104	315	310
All other	22	35	62	80
Adjusted EBITDA (consolidated)	2,866	2,812	7,939	8,372
Depreciation, depletion and amortization	(912)	(784)	(2,715)	(2,343)
Interest expense, net of interest capitalized	(569)	(579)	(1,750)	(1,747)
Impairment losses	(1,474)	(12)	(2,803)	(62)
Gains (losses) on interest rate derivatives	55	(175)	(277)	(371)
Non-cash compensation expense	(30)	(27)	(93)	(85)
Unrealized gains (losses) on commodity risk management activities	(30)	64	(27)	90
Losses on extinguishments of debt	—	—	(62)	(18)
Inventory valuation adjustments (Sunoco LP)	11	(26)	(126)	71
Adjusted EBITDA related to unconsolidated affiliates	(169)	(161)	(480)	(470)
Equity in earnings (loss) of unconsolidated affiliates	(32)	82	46	224
Impairment of investment in an unconsolidated affiliate	(129)	—	(129)	—
Other, net	53	47	(48)	67
Income (loss) before income tax expense	(360)	1,241	(525)	3,728
Income tax expense	(41)	(54)	(168)	(214)
Net income (loss)	$ (401)	$ 1,187	$ (693)	$ 3,514

*As adjusted. See Note 1.

	September 30, 2020	December 31, 2019*
Segment assets:		
Intrastate transportation and storage	$ 7,215	$ 6,648
Interstate transportation and storage	17,341	18,111
Midstream	19,056	20,332
NGL and refined products transportation and services	20,944	19,145
Crude oil transportation and services	19,882	22,933
Investment in Sunoco LP	4,986	5,438
Investment in USAC	3,011	3,730
All other	2,760	2,636
Total segment assets	$ 95,195	$ 98,973

*As adjusted. See Note 1.

ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(Tabular dollar and unit amounts, except per unit data, are in millions)

The following is a discussion of our historical consolidated financial condition and results of operations, and should be read in conjunction with (i) our historical consolidated financial statements and accompanying notes thereto included elsewhere in this Quarterly Report on Form 10-Q; and (ii) the consolidated financial statements and management’s discussion and analysis of financial condition and results of operations included in the Partnership’s Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC on February 21, 2020. This discussion includes forward-looking statements that are subject to risk and uncertainties. Actual results may differ substantially from the statements we make in this section due to a number of factors that are discussed in “Part I – Item 1A. Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC on February 21, 2020, “Part II - Item 1A. Risk Factors” of our Quarterly Reports on Form 10-Q for the quarter ended March 31, 2020 filed with the SEC on May 11, 2020 and in this Quarterly Report on Form 10-Q. Additional information on forward-looking statements is discussed below in “Forward-Looking Statements.”

Unless the context requires otherwise, references to “we,” “us,” “our,” the “Partnership” and “ET” mean Energy Transfer LP and its consolidated subsidiaries, which include ETO. References to the “Parent Company” mean Energy Transfer LP on a stand-alone basis.

RECENT DEVELOPMENTS

COVID-19

In 2020, the COVID-19 pandemic prompted several states and municipalities in which we operate to take extraordinary and wide-ranging actions to contain and combat the outbreak and spread of the virus, including mandates for many individuals to substantially restrict daily activities and for many businesses to curtail or cease normal operations. To the extent COVID-19 continues or worsens, governments may impose additional similar restrictions. As a provider of critical energy infrastructure, our business has been designated as a “critical infrastructure sector” and our employees as “essential critical infrastructure workers” pursuant to the Department of Homeland Security Guidance on Essential Critical Infrastructure Workforce(s). To date, our field operations have continued uninterrupted, and remote work and other COVID-19 related conditions have not significantly impacted our ability to maintain operations or caused us to incur significant additional expenses; however, we are unable to predict the magnitude or duration of current and potential future COVID-19 mitigation measures. As an essential business providing critical energy infrastructure, the safety of our employees and the continued operation of our assets are our top priorities and we will continue to operate in accordance with federal and state health guidelines and safety protocols. We have implemented several new policies and provided employee training to help maintain the health and safety of our workforce.

ET Contribution of SemGroup Assets to ETO

On December 5, 2019, ET completed the acquisition of SemGroup. During the first and second quarters of 2020, ET contributed former SemGroup assets to ETO through sale and contribution transactions.

ETO Series F and Series G Preferred Units Issuance

On January 22, 2020, ETO issued 500,000 of its Series F Preferred Units at a price of $1,000 per unit and 1,100,000 of its Series G Preferred Units at a price of $1,000 per unit. The net proceeds were used to repay amounts outstanding under ETO's revolving credit facility and for general partnership purposes.

ETO January 2020 Senior Notes Offering and Redemption

On January 22, 2020, ETO completed a registered offering (the “January 2020 Senior Notes Offering”) of $1.00 billion aggregate principal amount of ETO’s 2.900% Senior Notes due 2025, $1.50 billion aggregate principal amount of the Partnership’s 3.750% Senior Notes due 2030 and $2.00 billion aggregate principal amount of ETO’s 5.000% Senior Notes due 2050 (collectively, the “Notes”). The Notes are fully and unconditionally guaranteed by ETO’s wholly-owned subsidiary, Sunoco Logistics Operations, on a senior unsecured basis.

Using proceeds from the January 2020 Senior Notes Offering, ETO redeemed its $400 million aggregate principal amount of 5.75% Senior Notes due September 1, 2020, its $1.05 billion aggregate principal amount of 4.15% Senior Notes due October 1, 2020, its $1.14 billion aggregate principal amount of 7.50% Senior Notes due October 15, 2020, its $250 million aggregate principal amount of 5.50% Senior Notes due February 15, 2020, ET’s $52 million aggregate principal amount of 7.50% Senior Notes due October 15, 2020 and Transwestern’s $175 million aggregate principal amount of 5.36% Senior Notes due December 9, 2020.

Lake Charles LNG

On March 30, 2020, Royal Dutch Shell plc ("Shell") announced that it would not proceed with a proposed equity interest in the Lake Charles LNG liquefaction project due to adverse market factors affecting Shell's business and its desire to preserve cash in light of the current environment. We intend to continue to develop the project, possibly in conjunction with one or more equity partners, and we plan to evaluate a variety of alternatives to advance the project, including the possibility of reducing the size of the project from three trains (16.45 million tonnes per annum of LNG capacity) to two trains (11.0 million tonnes per annum). The project is fully permitted by federal, state and local authorities, has all necessary export licenses and benefits from the infrastructure related to the existing regasification facility at the same site, including four LNG storage tanks, two deep water docks and other assets. In light of the existing brownfield infrastructure and the advanced state of the development of the project, we plan to continue to pursue the project on a disciplined, cost effective basis, and ultimately we will determine whether to make a final investment decision to proceed with the project based on market conditions, capital expenditure considerations and our success in securing equity participation by third parties as well as long-term LNG offtake commitments on satisfactory terms.

Quarterly Cash Distribution

In October 2020, ET announced its quarterly distribution of $0.1525 per unit ($0.61 annualized) on ET common units for the quarter ended September 30, 2020. On October 26, 2020 we announced a cash distribution for the third quarter of $0.1525 per unit ($0.61 annualized) on ET common units. This distribution represents a 50% decrease as compared to the distribution for the prior quarter. The Partnership intends to use the excess cash flow resulting from this distribution decrease to reduce its level of indebtedness. The Partnership will continue to evaluate its cash distribution policy in light of its leverage ratio and its capital expenditure outlook in order to preserve its investment grade credit ratings.

Regulatory Update

Interstate Natural Gas Transportation Regulation

Rate Regulation

Effective January 2018, the 2017 Tax Cuts and Jobs Act (the "Tax Act") changed several provisions of the federal tax code, including a reduction in the maximum corporate tax rate. On March 15, 2018, in a set of related proposals, the FERC addressed treatment of federal income tax allowances in regulated entity rates. The FERC issued a Revised Policy Statement on Treatment of Income Taxes ("Revised Policy Statement") stating that it will no longer permit master limited partnerships to recover an income tax allowance in their cost of service rates. The FERC issued the Revised Policy Statement in response to a remand from the United States Court of Appeals for the District of Columbia Circuit in United Airlines v. FERC, in which the court determined that the FERC had not justified its conclusion that a pipeline organized as a master limited partnership would not "double recover" its taxes under the current policy by both including an income-tax allowance in its cost of service and earning a return on equity calculated using the discounted cash flow methodology. On July 18, 2018, the FERC issued an order denying requests for rehearing and clarification of its Revised Policy Statement. In the rehearing order, the FERC clarified that a pipeline organized as a master limited partnership will not be not be precluded in a future proceeding from arguing and providing evidentiary support that it is entitled to an income tax allowance and demonstrating that its recovery of an income tax allowance does not result in a double-recovery of investors' income tax costs. On July 31, 2020, the United States Court of Appeals for the District of Colombia Circuit issued an opinion upholding the FERC's decision denying a separate master limited partnership recovery of an income tax allowance and its decision not to require the master limited partnership to refund accumulated deferred income tax balances. In light of the rehearing order's clarification regarding individual entities' ability to argue in support of recovery of an income tax allowance, the impacts of the FERC's policy on the treatment of income taxes may have on the rates ETO can charge for the FERC regulated transportation services are unknown at this time.

The FERC also issued a Notice of Inquiry ("2017 Tax Law NOI") on March 15, 2018, requesting comments on the effect of the Tax Act on FERC jurisdictional rates. The 2017 Tax Law NOI states that of particular interest to the FERC is whether, and if so how, the FERC should address changes relating to accumulated deferred income taxes and bonus depreciation. Comments in response to the 2017 Tax Law NOI were due on or before May 21, 2018. On July 18, 2018, the FERC issued a final rule establishing procedures to evaluate rates charged by the FERC-jurisdictional gas pipelines in light of the Tax Act and the FERC's Revised Policy Statement. By order issued January 16, 2019, the FERC initiated a review of Panhandle's existing rates pursuant to Section 5 of the Natural Gas Act ("NGA") to determine whether the rates currently charged by Panhandle are just and reasonable and set the matter for hearing. Panhandle filed a cost and revenue study on April 1, 2019. Panhandle filed a NGA Section 4 rate case on August 30, 2019.

In March 2019, following the decision of the D.C. Circuit in Emera Maine v. Federal Energy Regulatory Commission, the FERC issued a Notice of Inquiry regarding its policy for determining return on equity ("ROE"). The FERC specifically sought

information and stakeholder views to help the FERC explore whether, and if so how, it should modify its policies concerning the determination of ROE to be used in designing jurisdictional rates charged by public utilities. The FERC also expressly sought comment on whether any changes to its policies concerning public utility ROEs should be applied to interstate natural gas and oil pipelines. Initial comments were due in June 2019, and reply comments were due in July 2019. On May 21, 2020, the FERC issued a Policy Statement on Determining Return on Equity for Natural Gas and Oil Pipelines establishing a revised policy for determining ROE, including the use of the Capital Asset Pricing Model in addition to the Discounted Cash Flow Model for determining ROE and clarification regarding the formation of proxy groups for establishing a pipeline's ROE.

Even without application of the FERC's recent policy statements on income tax allowance or ROE or any additional action with respect to the 2017 Tax Law NOI, the FERC or our shippers may challenge the cost of service rates we charge. The FERC's establishment of a just and reasonable rate is based on many components, including ROE and tax related components including the allowance for income taxes and the amount for accumulated deferred income taxes but also other pipeline costs that will continue to affect the FERC's determination of just and reasonable cost of service rates. Although changes in these two tax related components may decrease, other components in the cost of service rate calculation may increase and result in a newly calculated cost of service rate that is the same as or greater than the prior cost of service rate. Moreover, we receive revenues from our pipelines based on a variety of rate structures, including cost of service rates, negotiated rates, discounted rates and market-based rates. Many of our interstate pipelines, such as ETC Tiger Pipeline, LLC, MEP and FEP, have negotiated market rates that were agreed to by customers in connection with long-term contracts entered into to support the construction of the pipelines. Other systems, such as FGT, Transwestern and Panhandle, have a mix of tariff rate, discount rate, and negotiated rate agreements. We do not expect market-based rates, negotiated rates or discounted rates that are not tied to the cost of service rates to be affected by the Revised Policy Statement or other regulations resulting from the March 15, 2018 proposals. The revenues we receive from natural gas transportation services we provide pursuant to cost of service based rates may decrease in the future as a result of the Revised Policy Statement, changes to ROE methodology, or other FERC policies, combined with the reduced corporate federal income tax rate established in the Tax Act. The extent of any revenue reduction related to our cost of service rates, if any, will depend on a detailed review of all of ETO's cost of service components and the outcomes of any challenges to our rates by the FERC or our shippers.

Pipeline Certification

The FERC issued a Notice of Inquiry on April 19, 2018 ("Pipeline Certification NOI"), thereby initiating a review of its policies on certification of natural gas pipelines, including an examination of its long-standing Policy Statement on Certification of New Interstate Natural Gas Pipeline Facilities, issued in 1999, that is used to determine whether to grant certificates for new pipeline projects. We are unable to predict what, if any, changes may be proposed as a result of the Pipeline Certification NOI that will affect our natural gas pipeline business or when such proposals, if any, might become effective. Comments in response to the Pipeline Certification NOI were due on or before July 25, 2018. We do not expect that any change in this policy would affect us in a materially different manner than any other natural gas pipeline company operating in the United States.

Interstate Common Carrier Regulation

The FERC utilizes an indexing rate methodology which, as currently in effect, allows common carriers to change their rates within prescribed ceiling levels that are tied to changes in the Producer Price Index for Finished Goods, or PPI-FG. The indexing methodology is applicable to existing rates, with the exclusion of market-based rates. The FERC's indexing methodology is subject to review every five years. During the five-year period commencing July 1, 2016 and ending June 30, 2021, common carriers charging indexed rates are permitted to adjust their indexed ceilings annually by PPI-FG plus 1.23 percent. Many existing pipelines utilize the FERC liquids index to change transportation rates annually every July 1. With respect to liquids and refined products pipelines subject to FERC jurisdiction, the Revised Policy Statement requires the pipeline to reflect the impacts to its cost of service from the Revised Policy Statement and the Tax Act on Page 700 of the FERC Form No. 6. This information will be used by the FERC in its next five year review of the liquids pipeline index to generate the index level to be effective July 1, 2021, thereby including the effect of the Revised Policy Statement and the Tax Act in the determination of indexed rates prospectively, effective July 1, 2021. On June 18, 2020, the FERC issued a Notice of Inquiry requesting comments on a proposed oil pipeline index for the five-year period commencing July 1, 2021 and ending June 30, 2026, using the PPI-FG plus 0.09% as the index level, and requested comments on whether and how the index should reflect the Revised Policy Statement and the FERC's treatment of accumulated deferred income taxes as well as the FERC's revised ROE methodology. Comments on the indexing rate methodology Notice of Inquiry were due August 17, 2020, with reply comments due September 11, 2020. The FERC's establishment of a just and reasonable rate, including the determination of the appropriate liquids pipeline index, is based on many components, and as noted, the FERC's tax related changes will affect two such components, the allowance for income taxes and the amount for accumulated deferred income taxes, while the FERC's ROE policy and other pipeline costs also will continue to affect the FERC's determination of the appropriate pipeline index. Accordingly, depending on the FERC's application of its indexing rate methodology for the next five year term of index

rates, the Revised Policy Statement and tax effects related to the Tax Act may impact our revenues associated with any transportation services we may provide pursuant to cost of service based rates in the future, including indexed rates.

Trends and Outlook

Recent market disruptions involving the COVID-19 pandemic have negatively impacted our earnings and cash flows from operations and may continue to do so. Reduced demand for natural gas, NGLs, refined products and/or crude oil caused by the COVID-19 pandemic and a continuation of low WTI crude oil prices may result in the continued shut-in of production from U.S. oil and gas wells, which in turn may result in decreased volumes transported on our pipeline systems and decreased overall utilization of our midstream services.

With respect to commodity prices, natural gas prices have strengthened in recent months as a reduction in crude oil production has led to decreased supplies of associated natural gas from these wells. Natural gas fundamentals point to an undersupplied market over the upcoming winter with demand outpacing supply in the near term. Meanwhile, crude oil prices saw a sharp decline as a result of actions by foreign oil-producing nations and a decrease in global demand as result of the COVID-19 pandemic but have subsequently risen and stabilized. We cannot predict the future impacts, or the duration of such impacts, from the COVID-19 pandemic.

The outlook for commodity prices is mixed and could have a varying impact on our business. Reduced demand and increased supply of crude oil has resulted in an increase in worldwide crude oil storage inventories, which is expected to keep crude oil prices depressed for the near term. With respect to natural gas markets, a relatively more moderate decrease in demand, coupled with the previously mentioned decreases in gas production associated with wells drilled to produce crude oil, have more than counterbalanced the reduction in demand. The overall outlook for our midstream services will depend, in part, on the timing and extent of recovery in the commodity markets.

While we anticipate that current and projected commodity prices and the related impact to activity levels in both the upstream and midstream sectors will impact our business, we cannot predict the ultimate magnitude of that impact and expect it to be varied across our operations, depending on the region, customer, type of service, contract term and other factors.

While the vast majority of our counterparties are investment grade rated companies, some of our counterparties may be forced to file for bankruptcy protection, in which case our existing contracts with those counterparties may be rejected by the bankruptcy court, in which case we may pursue legal action to prevent such a rejection. For example, following the request of one of our FERC-regulated natural pipelines, the FERC commenced an investigation into whether the public interest requires abrogation or modification of a firm transportation agreement and an interruptible transportation agreement with one of our shippers. We anticipate FERC will issue a final ruling in the proceeding in mid-November 2020; however, actual determination regarding the contract will depend upon further action by the counterparty and any further bankruptcy-related proceedings. If a counterparty is successful in rejecting an existing contract in bankruptcy, we expect that we would attempt to negotiate replacement contracts with those counterparties and, depending on the availability of alternatives to our services, these contracts may have terms that are less favorable to us than the contracts rejected in bankruptcy court.

Ultimately, the extent to which our business will be impacted by recent market developments depends on the factors described above as well as future developments beyond our control, which are highly uncertain and cannot be predicted. In response to these market events and uncertainties, we have cut our already reduced 2020 growth capital spending budget by a total of $700 million and reduced planned operating expenses by approximately $500 million. While current market volatility makes the near-term unpredictable, we believe that overall the long-term demand for our services will continue given the essential nature of the midstream natural gas, NGLs, refined products and crude oil businesses, although we cannot predict any possible changes in such demand with reasonable certainty.

We currently have ample liquidity to fund our business and we do not anticipate any liquidity concerns in the immediate future (see “Liquidity and Capital Resources” below). In addition, while the trading price of ET common units declined significantly during the first nine months of 2020, thereby making equity capital market transactions less attractive in the near term, we continue to have access to the debt capital markets on generally favorable terms. In the event we seek additional equity or debt capital, our blended cost of capital for equity and debt is expected to be modestly higher in the near term; however, we will continue to evaluate growth projects and acquisitions as such opportunities may be identified in the future in light of this higher cost of capital.

Results of Operations

We report Segment Adjusted EBITDA and consolidated Adjusted EBITDA as measures of segment performance. We define Segment Adjusted EBITDA and consolidated Adjusted EBITDA as total partnership earnings before interest, taxes, depreciation, depletion, amortization and other non-cash items, such as non-cash compensation expense, gains and losses on

disposals of assets, the allowance for equity funds used during construction, unrealized gains and losses on commodity risk management activities, inventory valuation adjustments, non-cash impairment charges, losses on extinguishments of debt and other non-operating income or expense items. Inventory adjustments that are excluded from the calculation of Adjusted EBITDA represent only the changes in lower of cost or market reserves on inventory that is carried at last-in, first-out ("LIFO"). These amounts are unrealized valuation adjustments applied to Sunoco LP's fuel volumes remaining in inventory at the end of the period.

Segment Adjusted EBITDA and consolidated Adjusted EBITDA reflect amounts for unconsolidated affiliates based on the same recognition and measurement methods used to record equity in earnings of unconsolidated affiliates. Adjusted EBITDA related to unconsolidated affiliates excludes the same items with respect to the unconsolidated affiliate as those excluded from the calculation of Segment Adjusted EBITDA and consolidated Adjusted EBITDA, such as interest, taxes, depreciation, depletion, amortization and other non-cash items. Although these amounts are excluded from Adjusted EBITDA related to unconsolidated affiliates, such exclusion should not be understood to imply that we have control over the operations and resulting revenues and expenses of such affiliates. We do not control our unconsolidated affiliates; therefore, we do not control the earnings or cash flows of such affiliates. The use of Segment Adjusted EBITDA or Adjusted EBITDA related to unconsolidated affiliates as an analytical tool should be limited accordingly.

Segment Adjusted EBITDA, as reported for each segment in the table below, is analyzed for each segment in the section titled "Segment Operating Results." Adjusted EBITDA is a non-GAAP measure used by industry analysts, investors, lenders and rating agencies to assess the financial performance and the operating results of the Partnership's fundamental business activities and should not be considered in isolation or as a substitution for net income, income from operations, cash flows from operating activities or other GAAP measures.

As discussed in Note 1 of the Partnership's consolidated financial statements included in "Item 1. Financial Statements," during the first quarter of 2020, the Partnership elected to change its inventory accounting policy related to certain barrels of crude oil that were previously accounted for as inventory. These changes have been applied retrospectively to all prior periods, and the prior period amounts reflected below have been adjusted from those amounts previously reported.

Consolidated Results

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019*	Change	2020	2019*	Change
Segment Adjusted EBITDA:						
Intrastate transportation and storage	$ 203	$ 235	$ (32)	$ 630	$ 777	$ (147)
Interstate transportation and storage	425	442	(17)	1,232	1,358	(126)
Midstream	530	411	119	1,280	1,205	75
NGL and refined products transportation and services	762	667	95	2,099	1,923	176
Crude oil transportation and services	631	726	(95)	1,741	2,222	(481)
Investment in Sunoco LP	189	192	(3)	580	497	83
Investment in USAC	104	104	—	315	310	5
All other	22	35	(13)	62	80	(18)
Adjusted EBITDA (consolidated)	2,866	2,812	54	7,939	8,372	(433)
Depreciation, depletion and amortization	(912)	(784)	(128)	(2,715)	(2,343)	(372)
Interest expense, net of interest capitalized	(569)	(579)	10	(1,750)	(1,747)	(3)
Impairment losses	(1,474)	(12)	(1,462)	(2,803)	(62)	(2,741)
Gains (losses) on interest rate derivatives	55	(175)	230	(277)	(371)	94
Non-cash compensation expense	(30)	(27)	(3)	(93)	(85)	(8)
Unrealized gains (losses) on commodity risk management activities	(30)	64	(94)	(27)	90	(117)
Losses on extinguishments of debt	—	—	—	(62)	(18)	(44)
Inventory valuation adjustments (Sunoco LP)	11	(26)	37	(126)	71	(197)
Adjusted EBITDA related to unconsolidated affiliates	(169)	(161)	(8)	(480)	(470)	(10)
Equity in earnings (loss) of unconsolidated affiliates	(32)	82	(114)	46	224	(178)
Impairment of investment in an unconsolidated affiliate	(129)	—	(129)	(129)	—	(129)
Other, net	53	47	6	(48)	67	(115)
Income (loss) before income tax expense	(360)	1,241	(1,601)	(525)	3,728	(4,253)
Income tax expense	(41)	(54)	13	(168)	(214)	46
Net income (loss)	$ (401)	$ 1,187	$ (1,588)	$ (693)	$ 3,514	$ (4,207)

*As adjusted.

Adjusted EBITDA (consolidated). For the three months ended September 30, 2020 compared to the same period last year, Adjusted EBITDA increased 2% due to the net effects of multiple drivers within several of the Partnership's segments. Among these impacts, the most significant were an increase of $104 million related to the restructuring and assignment of certain gathering and processing contracts in our midstream segment and an increase of $88 million in marketing margin in our NGL and refined products transportation and services segment primarily driven by higher optimization gains from the sale of NGL component products. The increase in Adjusted EBITDA also reflected a net increase of approximately $150 million from recent acquisitions and assets placed in service. These increases in Adjusted EBITDA were partially offset by multiple other changes, the most significant of which were the impacts of lower volumes and market prices among several of our core operating segments resulting primarily from COVID-19 related demand reductions.

For the nine months ended September 30, 2020 compared to the same period last year, Adjusted EBITDA decreased 5%, primarily due to the impacts of lower volumes and market prices among several of our core operating segments resulting primarily from COVID-19 related demand reductions. These decreases were partially offset by an increase of $156 million

from our NGL and refined products transportation and services segment primarily due to higher throughput volumes, an increase of $79 million from our midstream segment primarily due to the contract restructuring discussed above, and an increase of $83 million from our investment in Sunoco LP segment primarily due to increased gross profit per gallon sold. The increase in Adjusted EBITDA also reflected a net increase of approximately $440 million from recent acquisitions and assets placed in service.

Depreciation, Depletion and Amortization. Depreciation, depletion and amortization increased for the three and nine months ended September 30, 2020 compared to the same periods last year due to the acquisition of SemGroup on December 5, 2019, as well as incremental depreciation related to assets recently placed in service.

Interest Expense, Net of Interest Capitalized. Interest expense, net of interest capitalized, decreased for the three months ended September 30, 2020 compared to the same period last year primarily due to the following:

- a decrease of $7 million recognized by the Partnership due to lower borrowing costs on both recently refinanced and floating rate debt, and higher capitalized interest;
- a decrease of $1 million for USAC for the three months ended September 30, 2020 compared to the same period last year was primarily attributable to lower weighted average interest rates under its credit agreement, offset by increased borrowings under its credit agreement; and
- a decrease of $2 million for Sunoco LP for the three months ended September 30, 2020 compared to the same period last year primarily related to a slight decrease in average total long-term debt.

Interest expense, net of interest capitalized increased for the nine months ended September 30, 2020 compared to the same periods last year primarily due to the following:

- interest expenses recognized by the Partnership was unchanged due to lower borrowing costs on both recently refinanced and floating rate debt, and higher capitalized interest offsetting a higher consolidated debt balance;
- an increase of of $2 million for USAC for the nine months ended September 30, 2020 compared to the nine months ended September 30, 2019 was primarily attributable to a full nine months of interest expense incurred in the current period on its senior notes issued March 2019, partially offset by reduced borrowings and lower weighted average interest rates under the credit agreement; and
- an increase of $1 million for Sunoco LP for the nine months ended September 30, 2020 compared to the same period last year primarily related to a slight increase in average total long-term debt.

Impairment Losses. During the three months ended March 31, 2020, the Partnership performed an interim impairment test on certain reporting units within its midstream, interstate, crude, NGL and all other operations. As a result of the interim impairment test, the Partnership recognized a goodwill impairment of $483 million related to our Arklatex and South Texas operations within the midstream segment, a goodwill impairment of $183 million related to our Lake Charles LNG regasification operations with the interstate transportation and storage segment, and a goodwill impairment of $40 million related to our all other operations primarily due to decreases in projected future revenues and cash flows as a result of the overall market demand decline. During the three months ended September 30, 2020, the Partnership performed interim impairment testing on certain reporting units within its midstream, interstate, crude, NGL and all other operations. As a result, the Partnership recognized an impairment of $1.28 billion related to our crude operations, a goodwill impairment of $132 million related to our SemCAMS operations, a goodwill impairment of $43 million and a fixed asset impairment of $19 million related to our interstate operations primarily due to decreases in projected future cash flow as a result of the overall market demand decline. In addition, USAC recognized a goodwill impairment of $619 million, during the three months ended March 31, 2020, which is included in the Partnership's consolidated results of operations. During the three months ended March 31, 2019, USAC recorded a $3 million impairment of compression equipment as a result of its evaluations of the future deployment of USAC's idle fleet under then-current market conditions. USAC recorded $4 million and $2 million impairment of compression equipment during the three months ended June 30, 2020 and September 30, 2020, respectively, as a result of its evaluations of the future deployment of its idle fleet under current market conditions.

Gains (Losses) on Interest Rate Derivatives. Gains and losses on interest rate derivatives during the three and nine months ended September 30, 2020 resulted from changes in forward interest rates, which caused our forward-starting swaps to change in value.

Unrealized Gains (Losses) on Commodity Risk Management Activities. See additional information on the unrealized gains (losses) on commodity risk management activities included in "Segment Operating Results" below.

Losses on Extinguishments of Debt. During the three and nine months ended September 30, 2020, amounts were related to ETO senior notes redemption in January 2020.

Inventory Valuation Adjustments. Inventory valuation adjustments were recorded for the inventory associated with Sunoco LP due to changes in fuel prices between periods.

Adjusted EBITDA Related to Unconsolidated Affiliates and Equity in Earnings of Unconsolidated Affiliates. See additional information in “Supplemental Information on Unconsolidated Affiliates” and “Segment Operating Results” below.

Impairment of Investment in an Unconsolidated Affiliate. During the three months ended September 30, 2020, the Partnership recorded an impairment to its investment in White Cliffs of $129 million due to a decrease in projected future revenues and cash flows as a result of the overall market demand decline that occurred subsequent to the SemGroup acquisition and related purchase price allocation in December 2019.

Other, net. Other, net primarily includes the amortization of regulatory assets and other income and expense amounts.

Income Tax Expense. For the three months ended September 30, 2020 compared to the same period in the prior year, income tax expense decreased due to lower earnings at our corporate subsidiaries in the current period. For the nine months ended September 30, 2020 compared to the same period in the prior year, income tax expense decreased due to the recognition of a taxable gain on the sale of assets and higher earnings at our corporate subsidiaries in the prior period.

Supplemental Information on Unconsolidated Affiliates

The following table presents financial information related to unconsolidated affiliates:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Equity in earnings (losses) of unconsolidated affiliates:						
Citrus	$ 50	$ 44	$ 6	$ 127	$ 115	$ 12
FEP	(106)	15	(121)	(158)	43	(201)
MEP	(1)	1	(2)	(3)	15	(18)
White Cliffs	2	—	2	19	—	19
Other	23	22	1	61	51	10
Total equity in earnings (losses) of unconsolidated affiliates	$ (32)	$ 82	$ (114)	$ 46	$ 224	$ (178)
Adjusted EBITDA related to unconsolidated affiliates[(1)]:						
Citrus	$ 96	$ 92	$ 4	$ 264	$ 260	$ 4
FEP	19	19	—	57	56	1
MEP	8	13	(5)	23	52	(29)
White Cliffs	11	—	11	38	—	38
Other	35	37	(2)	98	102	(4)
Total Adjusted EBITDA related to unconsolidated affiliates	$ 169	$ 161	$ 8	$ 480	$ 470	$ 10
Distributions received from unconsolidated affiliates:						
Citrus	$ 48	$ 54	$ (6)	$ 155	$ 128	$ 27
FEP	20	20	—	55	53	2
MEP	4	7	(3)	22	33	(11)
White Cliffs	2	—	2	25	—	25
Other	24	22	2	63	80	(17)
Total distributions received from unconsolidated affiliates	$ 98	$ 103	$ (5)	$ 320	$ 294	$ 26

(1) These amounts represent our proportionate share of the Adjusted EBITDA of our unconsolidated affiliates and are based on our equity in earnings or losses of our unconsolidated affiliates adjusted for our proportionate share of the unconsolidated affiliates' interest, depreciation, depletion, amortization, non-cash items and taxes.

Segment Operating Results

We evaluate segment performance based on Segment Adjusted EBITDA, which we believe is an important performance measure of the core profitability of our operations. This measure represents the basis of our internal financial reporting and is one of the performance measures used by senior management in deciding how to allocate capital resources among business segments.

The tables below identify the components of Segment Adjusted EBITDA, which is calculated as follows:

- *Segment margin, operating expenses,* and *selling, general and administrative expenses*. These amounts represent the amounts included in our consolidated financial statements that are attributable to each segment.
- *Unrealized gains or losses on commodity risk management activities and inventory valuation adjustments*. These are the unrealized amounts that are included in cost of products sold to calculate segment margin. These amounts are not included

in Segment Adjusted EBITDA; therefore, the unrealized losses are added back and the unrealized gains are subtracted to calculate the segment measure.

- *Non-cash compensation expense*. These amounts represent the total non-cash compensation recorded in operating expenses and selling, general and administrative expenses. This expense is not included in Segment Adjusted EBITDA and therefore is added back to calculate the segment measure.
- *Adjusted EBITDA related to unconsolidated affiliates*. Adjusted EBITDA related to unconsolidated affiliates excludes the same items with respect to the unconsolidated affiliate as those excluded from the calculation of Segment Adjusted EBITDA, such as interest, taxes, depreciation, depletion, amortization and other non-cash items. Although these amounts are excluded from Adjusted EBITDA related to unconsolidated affiliates, such exclusion should not be understood to imply that we have control over the operations and resulting revenues and expenses of such affiliates. We do not control our unconsolidated affiliates; therefore, we do not control the earnings or cash flows of such affiliates.

In the following analysis of segment operating results, a measure of segment margin is reported for segments with sales revenues. Segment margin is a non-GAAP financial measure and is presented herein to assist in the analysis of segment operating results and particularly to facilitate an understanding of the impacts that changes in sales revenues have on the segment performance measure of Segment Adjusted EBITDA. Segment margin is similar to the GAAP measure of gross margin, except that segment margin excludes charges for depreciation, depletion and amortization. Among the GAAP measures reported by the Partnership, the most directly comparable measure to segment margin is Segment Adjusted EBITDA; a reconciliation of segment margin to Segment Adjusted EBITDA is included in the following tables for each segment where segment margin is presented.

In addition, for certain segments, the sections below include information on the components of segment margin by sales type, which components are included in order to provide additional disaggregated information to facilitate the analysis of segment margin and Segment Adjusted EBITDA. For example, these components include transportation margin, storage margin and other margin. These components of segment margin are calculated consistent with the calculation of segment margin; therefore, these components also exclude charges for depreciation, depletion and amortization.

Intrastate Transportation and Storage

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Natural gas transported (BBtu/d)	12,185	12,560	(375)	12,745	12,221	524
Withdrawals from (injections to) storage natural gas inventory (BBtu)	10,315	—	10,315	15,380	—	15,380
Revenues	$ 654	$ 764	$ (110)	$ 1,763	$ 2,385	$ (622)
Cost of products sold	434	501	(67)	985	1,473	(488)
Segment margin	220	263	(43)	778	912	(134)
Unrealized (gains) losses on commodity risk management activities	23	19	4	(16)	3	(19)
Operating expenses, excluding non-cash compensation expense	(42)	(48)	6	(131)	(137)	6
Selling, general and administrative expenses, excluding non-cash compensation expense	(7)	(7)	—	(22)	(20)	(2)
Adjusted EBITDA related to unconsolidated affiliates	7	7	—	19	18	1
Other	2	1	1	2	1	1
Segment Adjusted EBITDA	$ 203	$ 235	$ (32)	$ 630	$ 777	$ (147)

Volumes. For the three months ended September 30, 2020 compared to the same period last year, transported volumes decreased primarily due to the bankruptcy filing of a transportation customer. For the nine months ended September 30, 2020 compared to the same period last year, transported volumes increased primarily due to increased utilization of our Texas pipelines, partially offset by the bankruptcy filing of a transportation customer.

Segment Margin. The components of our intrastate transportation and storage segment margin were as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Transportation fees	$ 151	$ 150	$ 1	$ 460	$ 452	$ 8
Natural gas sales and other (excluding unrealized gains and losses)	75	112	(37)	231	405	(174)
Retained fuel revenues (excluding unrealized gains and losses)	12	14	(2)	31	37	(6)
Storage margin (excluding unrealized gains and losses and fair value inventory adjustments)	5	6	(1)	40	21	19
Unrealized gains (losses) on commodity risk management activities and fair value inventory adjustments	(23)	(19)	(4)	16	(3)	19
Total segment margin	$ 220	$ 263	$ (43)	$ 778	$ 912	$ (134)

Segment Adjusted EBITDA. For the three months ended September 30, 2020 compared to the same period last year, Segment Adjusted EBITDA related to our intrastate transportation segment decreased due to the net impacts of the following:

- a decrease of $37 million in realized natural gas sales and other primarily due to lower realized gains from pipeline optimization activity;
- a decrease of $2 million in retained fuel revenues primarily due to lower gas prices; and
- a decrease of $1 million in realized storage margin due to lower realized gains from financial derivatives used to hedge physical storage gas; partially offset by
- a decrease of $6 million in operating expenses primarily due to $2 million decrease in employee costs, a $2 million decrease in maintenance project costs and a $1 million decrease in outside services.

Segment Adjusted EBITDA. For the nine months ended September 30, 2020 compared to the same period last year, Segment Adjusted EBITDA related to our intrastate transportation segment decreased due to the net impacts of the following:

- a decrease of $174 million in realized natural gas sales and other primarily due to lower realized gains from pipeline optimization activity;
- a decrease of $6 million in retained fuel revenues primarily due to lower gas prices; and
- an increase of $2 million in selling, general and administrative expenses primarily due to higher allocated corporate costs; partially offset by
- an increase of $19 million in realized storage margin primarily due to higher realized gains on financial hedges used to hedge physical storage gas;
- an increase of $8 million in transportation fees primarily due to volume ramp-ups on the Red Bluff Express pipeline and new contracts, partially offset by the expiration of certain contracts on Regency Intrastate Gas System;
- a decrease of $6 million in operating expenses primarily due to a decrease of $4 million in employee costs and a decrease of $4 million in outside services, partially offset by an increase of $1 million in allocated costs and an increase of $1 million in utilities; and
- an increase of $1 million in Adjusted EBITDA related to unconsolidated affiliates primarily due to higher fee revenue on the Trans-Pecos and Comanche Trail pipelines.

Interstate Transportation and Storage

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Natural gas transported (BBtu/d)	10,387	11,407	(1,020)	10,422	11,254	(832)
Natural gas sold (BBtu/d)	15	17	(2)	16	18	(2)
Revenues	$ 471	$ 479	$ (8)	$ 1,380	$ 1,470	$ (90)
Operating expenses, excluding non-cash compensation, amortization and accretion expenses	(147)	(141)	(6)	(429)	(425)	(4)
Selling, general and administrative expenses, excluding non-cash compensation, amortization and accretion expenses	(20)	(17)	(3)	(57)	(49)	(8)
Adjusted EBITDA related to unconsolidated affiliates	122	124	(2)	343	368	(25)
Other	(1)	(3)	2	(5)	(6)	1
Segment Adjusted EBITDA	$ 425	$ 442	$ (17)	$ 1,232	$ 1,358	$ (126)

Volumes. For the three and nine months ended September 30, 2020 compared to the same periods last year, transported volumes decreased primarily due to lower crude production resulting in lower associated gas production and a decrease in demand for LNG export.

Segment Adjusted EBITDA. For the three months ended September 30, 2020 compared to the same period last year, Segment Adjusted EBITDA related to our interstate transportation and storage segment decreased due to the net impacts of the following:

- a decrease of $8 million in revenues primarily due to a decrease of $16 million due to a contractual rate adjustment on commitments at our Lake Charles LNG facility effective January 2020 and a decrease of $9 million due to less capacity sold on our Panhandle and Trunkline systems. These decreases were partially offset by increased margin from short-term firm contracts on our Transwestern and Rover systems due to increased demand and higher parking due to the timing of transactions;
- an increase of $6 million in operating expense primarily due to an increase in bad debt reserves and higher ad valorem taxes, partially offset by the impact of cost cutting initiatives;
- an increase of $3 million in selling, general and administrative expenses primarily resulting from legal and consulting fees related to an ongoing rate case and a shipper bankruptcy; and
- a decrease of $2 million in Adjusted EBITDA related to unconsolidated affiliates primarily due to lower earnings of $6 million from our Midcontinent Express Pipeline primarily as a result of lower rates received following the expiration of certain contracts, partially offset by a $4 million increase from Citrus primarily due to higher margins and lower operating expenses.

Segment Adjusted EBITDA. For the nine months ended September 30, 2020 compared to the same period last year, Segment Adjusted EBITDA related to our interstate transportation and storage segment decreased due to the net impacts of the following:

- a decrease of $90 million in revenues primarily due to a decrease of $48 million due to a contractual rate adjustment on commitments at our Lake Charles LNG facility effective January 2020, a decrease of $30 million due to a shipper bankruptcy in 2019, a decrease of $28 million due to lower demand and lower rates on our Panhandle and Trunkline systems, and a decrease of $5 million from lower interruptible transportation resulting from lower customer demand and lower liquids as a result of multiple weather events and-third party maintenance on our Sea Robin and Trunkline systems. These decreases were partially offset by increased margins from higher reservation revenue on Transwestern, Tiger and Rover resulting from higher contracted capacity and an increase in parking revenue on Panhandle and Trunkline;
- an increase of $4 million in operating expenses primarily due to an increase in bad debt reserves and a decrease in the valuation of inventory on Panhandle in 2020, partially offset by lower employee costs and project expense resulting from cost cutting initiatives and lower ad valorem taxes due in part to appeals made to various taxing authorities;

- an increase of $8 million in selling, general and administrative expenses primarily resulting from higher allocated overhead costs, an increase in insurance premiums and higher legal and consulting fees related to an ongoing rate case and a shipper bankruptcy, partially offset by lower management incentive compensation; and
- a decrease of $25 million in Adjusted EBITDA related to unconsolidated affiliates primarily due to lower earnings from our Midcontinent Express Pipeline primarily as a result of lower rates received following the expiration of certain contracts, partially offset by a $4 million increase from Citrus primarily due to higher margins resulting from new contracts, rate increases on existing contracts and the recognition of a contract exit fee.

Midstream

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Gathered volumes (BBtu/d)	12,904	13,955	(1,051)	13,071	13,278	(207)
NGLs produced (MBbls/d)	635	574	61	616	567	49
Equity NGLs (MBbls/d)	32	30	2	35	32	3
Revenues	$ 1,377	$ 1,580	$ (203)	$ 3,565	$ 4,496	$ (931)
Cost of products sold	668	953	(285)	1,716	2,678	(962)
Segment margin	709	627	82	1,849	1,818	31
Operating expenses, excluding non-cash compensation expense	(169)	(202)	33	(528)	(574)	46
Selling, general and administrative expenses, excluding non-cash compensation expense	(21)	(21)	—	(67)	(63)	(4)
Adjusted EBITDA related to unconsolidated affiliates	9	6	3	23	21	2
Other	2	1	1	3	3	—
Segment Adjusted EBITDA	$ 530	$ 411	$ 119	$ 1,280	$ 1,205	$ 75

Volumes. Gathered volumes decreased during the three months ended September 30, 2020 compared to the same period last year primarily due to decreases in the South Texas and Northeast Texas regions, partially offset by the impact of the SemGroup acquisition in the Mid-Continent/Panhandle region and volume growth in the Permian region. NGL production increased due to the impact of the SemGroup acquisition in the Mid-Continent/Panhandle region and increased ethane recovery in the Permian, South Texas and North Texas regions.

Gathered volumes decreased during the nine months ended September 30, 2020 compared to the same period last year primarily due to decreases in the South Texas region, partially offset by the impact of the SemGroup acquisition in the Mid-Continent/Panhandle region and volume growth in the Permian region. NGL production increased due to the impact of the SemGroup acquisition in the Mid-Continent/Panhandle region and increased ethane recovery in the Permian, South Texas and North Texas regions.

Segment Margin. The table below presents the components of our midstream segment margin. For the prior period included in the table below, the amounts previously reported for fee-based and non-fee-based margin have been adjusted to reflect reclassification of certain contractual minimum fees in order to conform to the current period classification:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Gathering and processing fee-based revenues	$ 642	$ 550	$ 92	$ 1,675	$ 1,584	$ 91
Non-fee-based contracts and processing	67	77	(10)	174	234	(60)
Total segment margin	$ 709	$ 627	$ 82	$ 1,849	$ 1,818	$ 31

Segment Adjusted EBITDA. For the three months ended September 30, 2020 compared to the same period last year, Segment Adjusted EBITDA related to our midstream segment increased due to the net impacts of the following:

- an increase of $92 million in fee-based margin due to the recognition of $103 million related to the restructuring and assignment of certain gathering and processing contracts in the Ark-La-Tex region, which included the recognition of $75 million of deferred revenue received in prior periods;
- a decrease of $33 million in operating expenses due to decreases of $17 million in outside services, $10 million in employee costs and $9 million in materials; and
- an increase of $2 million in non fee-based margin due to unfavorable NGL prices of $5 million and favorable gas prices of $7 million; partially offset by
- a decrease of $12 million in non fee-based margin due to decreased throughput volumes, primarily in the South Texas region.

Segment Adjusted EBITDA. For the nine months ended September 30, 2020 compared to the same period last year, Segment Adjusted EBITDA related to our midstream segment increased due to the net impacts of the following:

- an increase of $91 million in fee-based margin due to volume growth in the Mid-Continent/Panhandle region and the recognition of $103 million related to the restructuring and assignment of certain gathering and processing contracts in the Ark-La-Tex region, which included the recognition of $75 million of deferred revenue received in prior periods; and
- a decrease of $46 million in operating expenses due to decreases of $28 million in outside services, $14 million in employee costs and $12 million in materials, partially offset by an increase of $9 million in maintenance project costs; partially offset by
- a decrease of $59 million in non-fee-based margin due to unfavorable NGL prices of $61 million and favorable gas prices of $2 million;
- a decrease of $1 million in non-fee-based margin due to decreased throughput volumes, primarily in the South Texas region; and
- an increase of $4 million in selling, general and administrative expenses due to an increase of $3 million in insurance and an increase of $1 million in legal fees.

NGL and Refined Products Transportation and Services

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
NGL transportation volumes (MBbls/d)	1,493	1,358	135	1,431	1,280	151
Refined products transportation volumes (MBbls/d)	460	552	(92)	460	599	(139)
NGL and refined products terminal volumes (MBbls/d)	850	872	(22)	813	845	(32)
NGL fractionation volumes (MBbls/d)	877	713	164	839	697	142
Revenues	$ 2,623	$ 2,878	$ (255)	$ 7,457	$ 8,521	$ (1,064)
Cost of products sold	1,712	1,962	(250)	4,916	6,136	(1,220)
Segment margin	911	916	(5)	2,541	2,385	156
Unrealized (gains) losses on commodity risk management activities	11	(81)	92	34	15	19
Operating expenses, excluding non-cash compensation expense	(162)	(167)	5	(475)	(471)	(4)
Selling, general and administrative expenses, excluding non-cash compensation expense	(20)	(22)	2	(64)	(67)	3
Adjusted EBITDA related to unconsolidated affiliates	22	24	(2)	63	63	—
Other	—	(3)	3	—	(2)	2
Segment Adjusted EBITDA	$ 762	$ 667	$ 95	$ 2,099	$ 1,923	$ 176

Volumes. For the three and nine months ended September 30, 2020 compared to the same periods last year, NGL transportation volumes increased due to higher throughput volumes on our Mariner East pipeline system. In addition, throughput barrels on our Texas NGL pipeline system increased due to higher receipt of liquids production from both wholly-owned and third-party gas plants primarily in the Permian and North Texas regions.

Refined products transportation volumes decreased for the three and nine months ended September 30, 2020 compared to the same periods last year due to the closure of a third-party refinery during the third quarter of 2019, which negatively impacted supply to our refined products transportation system, and less domestic demand for jet fuel and other refined products. These decreases in volumes were partially offset by the initiation of service of our JC Nolan diesel fuel pipeline in the third quarter of 2019.

NGL and refined products terminal volumes decreased for the three and nine months ended September 30, 2020 compared to the same periods last year primarily due to the closure of a third-party refinery during the third quarter of 2019, and less domestic demand for jet fuel and other refined products. These decreases were partially offset by higher volumes from our Mariner East system, and the initiation of service on our JC Nolan diesel fuel pipeline and natural gasoline export project, both of which commenced service in the third quarter of 2019.

Average fractionated volumes at our Mont Belvieu, Texas fractionation facility increased for the three and nine months ended September 30, 2020 compared to the same periods last year primarily due to the commissioning of our seventh fractionator in February 2020.

Segment Margin. The components of our NGL and refined products transportation and services segment margin were as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Transportation margin	$ 494	$ 474	$ 20	$ 1,419	$ 1,259	$ 160
Fractionators and refinery services margin	189	171	18	541	491	50
Terminal services margin	130	175	(45)	410	478	(68)
Storage margin	63	57	6	181	166	15
Marketing margin	46	(42)	88	24	6	18
Unrealized gains (losses) on commodity risk management activities	(11)	81	(92)	(34)	(15)	(19)
Total segment margin	$ 911	$ 916	$ (5)	$ 2,541	$ 2,385	$ 156

Segment Adjusted EBITDA. For the three months ended September 30, 2020 compared to the same period last year, Segment Adjusted EBITDA related to our NGL and refined products transportation and services segment increased due to the net impacts of the following:

- an increase of $88 million in marketing margin primarily due to a $66 million increase driven by higher optimization gains from the sale of NGL component products at our Mont Belvieu facility, a $12 million increase from capacity lease fees incurred by our marketing affiliate on our Mariner East pipeline system, and a $10 million increase in gasoline blending and optimization;
- an increase of $20 million in transportation margin primarily due to a $13 million increase from higher throughput volumes on our Mariner East pipeline system, a $9 million increase from higher throughput volumes received from the Permian region on our Texas NGL pipelines, a $4 million increase due to the initiation of service on our JC Nolan diesel fuel pipeline in the third quarter of 2019, and a $3 million increase due to higher throughput volumes from the Barnett region. These increases were partially offset by a $3 million decrease resulting from the recognition of third party deferred revenue on our export pipeline in the third quarter of 2019, a $2 million decrease due to less domestic demand for jet fuel and other refined products, and a $2 million decrease resulting from the closure of a third-party refinery during the third quarter of 2019;
- an increase of $18 million in fractionators and refinery services margin primarily due to the commissioning of our seventh fractionator in February 2020 and higher NGL volumes from the Permian and Barnett regions feeding our Mont Belvieu fractionation facility;

- a decrease of $5 million in operating expenses primarily due to a $9 million decrease in power costs, partially offset by increases totaling $4 million for costs associated with operating additional assets; and
- an increase of $6 million in storage margin primarily due to a $4 million increase primarily from a new intra-segment storage contract effective June 2020 and a $2 million increase in throughput fees generated primarily from exported volumes; partially offset by
- a decrease of $45 million in terminal services margin primarily due to a $40 million decrease resulting from the expiration of a third party contract at our Nederland export facility in the second quarter of 2020, a $6 million decrease due to lower storage fees at our Marcus Hook Industrial Complex due to the closure of a third-party refinery during the third quarter of 2019, a $3 million decrease due to less domestic demand for jet fuel and other refined products, and a $2 million decrease due to the closure of a third-party refinery. These decreases were partially offset by an $11 million increase due to higher throughput on our Mariner East system.

Segment Adjusted EBITDA. For the nine months ended September 30, 2020 compared to the same period last year, Segment Adjusted EBITDA related to our NGL and refined products transportation and services segment increased due to the net impacts of the following:

- an increase of $160 million in transportation margin primarily due to a $116 million increase from higher throughput volumes on our Mariner East pipeline system, a $55 million increase resulting from higher throughput volumes received from the Permian region on our Texas NGL pipelines, a $18 million increase due to the initiation of service of our JC Nolan diesel fuel pipeline in the third quarter of 2019, and a $13 million increase due to higher throughput volumes from the Barnett region. These increases were partially offset by a $13 million decrease resulting from the closure of a third-party refinery during the third quarter of 2019, a $13 million decrease due to less domestic demand for jet fuel and other refined products, a $12 million decrease due to the reclassification of certain items, and a $3 million decrease resulting from the recognition of third-party deferred revenue on our export pipeline in the third quarter of 2019;
- an increase of $50 million in fractionators and refinery services margin primarily due to a $47 million increase resulting from the commissioning of our sixth and seventh fractionators in February 2019 and February 2020, respectively, and higher NGL volumes from the Permian and Barnett regions feeding our Mont Belvieu fractionation facility, a $6 million increase due to a reclassification between our transportation and fractionators margins in the third quarter of 2019, and a $5 million increase in truck and rail volumes feeding our refinery services facility. These increases were partially offset by a $5 million decrease due primarily to an expiration of a third-party blending contract during the second quarter of 2020;
- an increase of $18 million in marketing margin primarily due to higher optimization gains from the sale of NGL component products at our Mont Belvieu facility and a $12 million increase in gasoline blending and optimization. These increases were partially offset by a $47 million decrease due to lower margin from our butane blending business, an $18 million decrease in capacity lease fees incurred by our marketing affiliate on our Mariner East pipeline system, a $15 million decrease due to unfavorable hedge adjustments, and an $8 million decrease in NGL export and rack volumes; and
- an increase of $15 million in storage margin primarily due to a $10 million increase in throughput fees generated primarily from exported volumes and a $6 million increase resulting primarily from a new intra-segment storage contract effective June 2020; partially offset by
- a decrease of $68 million in terminal services margin primarily due to a $64 million decrease resulting from an expiration of a third-party contract at our Nederland export facility in the second quarter of 2020, a $26 million decrease due to lower storage fees at our Marcus Hook Industrial Complex and lower refined product transport volumes due to the closure of a third-party refinery during the third quarter of 2019, an $11 million decrease due to lower NGL volumes received into our Marcus Hook Industrial complex from third party pipelines, a $10 million decrease due to less domestic demand for jet fuel and other refined products, and a $7 million decrease due to lower expense reimbursements in 2020. These decreases were partially offset by a $46 million increase due to higher throughput on our Mariner East system and a $4 million increase resulting from initiation of service of our natural gasoline export in the third quarter of 2019.

Crude Oil Transportation and Services

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Crude transportation volumes (MBbls/d)	3,587	4,223	(636)	3,880	4,180	(300)
Crude terminals volumes (MBbls/d)	2,276	2,322	(46)	2,662	2,575	87
Revenues	$ 2,850	$ 4,453	$ (1,603)	$ 8,877	$ 13,685	$ (4,808)
Cost of products sold	2,096	3,594	(1,498)	6,704	10,892	(4,188)
Segment margin	754	859	(105)	2,173	2,793	(620)
Unrealized (gains) losses on commodity risk management activities	(1)	(2)	1	9	(100)	109
Operating expenses, excluding non-cash compensation expense	(112)	(110)	(2)	(401)	(410)	9
Selling, general and administrative expenses, excluding non-cash compensation expense	(28)	(21)	(7)	(82)	(61)	(21)
Adjusted EBITDA related to unconsolidated affiliates	9	1	8	32	—	32
Other	9	(1)	10	10	—	10
Segment Adjusted EBITDA	$ 631	$ 726	$ (95)	$ 1,741	$ 2,222	$ (481)

Volumes. For the three months ended September 30, 2020 compared to the same period last year, crude transportation volumes were lower on our Texas pipeline system and our Bakken pipeline, primarily driven by lower production in these regions and refinery utilization due to COVID-19 related demand decreases, partly offset by contributions from assets acquired in 2019. Crude terminal volumes were lower primarily due to lower pipeline volumes, refinery utilization, and impacts from weather events in the third quarter of 2020, partially offset by contributions from assets acquired in 2019.

For the nine months ended September 30, 2020 compared to the same period last year, crude transportation volumes were lower on our Texas pipeline system and our Bakken pipeline, primarily driven by lower production in these regions and lower refinery utilization due to COVID-19 related demand decreases, partially offset by contributions from assets acquired in 2019. Terminal volumes were higher due to contributions from assets acquired in 2019, partially offset by lower pipeline volumes, refinery utilization, and impacts from weather events in the third quarter of 2020.

Segment Adjusted EBITDA. For the three months ended September 30, 2020 compared to the same period last year, Segment Adjusted EBITDA related to our crude oil transportation and services segment decreased due to the net impacts of the following:

- a decrease of $104 million in segment margin (excluding unrealized gains and losses on commodity risk management activities) primarily due to a $113 million decrease from our Texas crude pipeline system due to lower utilization and lower average tariff rates realized, an $84 million decrease due to lower volumes on our Bakken Pipeline from lower basin production, and a $7 million decrease in throughput at our crude terminals primarily driven by lower Permian and Bakken pipeline volumes, reduced refinery utilization, and weather events in the third quarter of 2020 impacting operations, partially offset by a $78 million increase related to assets acquired in 2019 and a $31 million increase (excluding a net change of $2 million in unrealized gains and losses on commodity risk management activities) from our crude oil acquisition and marketing business primarily due to trading gains realized from contango storage positions, as well as an inventory valuation write-down recognized in the prior period;
- an increase of $2 million in operating expenses primarily due to increased costs related to assets acquired in 2019, partially offset by lower volume-driven pipeline expenses; and
- an increase of $7 million in selling, general and administrative expenses primarily due to a $3 million increase in legal expenses, a $2 million increase in insurance expenses, a $1 million increase in information technology expenses, and a $1 million increase in employee costs; partially offset by
- an increase of $8 million in Adjusted EBITDA related to unconsolidated affiliates due to assets acquired in 2019.

Segment Adjusted EBITDA. For the nine months ended September 30, 2020 compared to the same period last year, Segment Adjusted EBITDA related to our crude oil transportation and services segment decreased due to the net impacts of the following:

- a decrease of $511 million in segment margin (excluding unrealized gains and losses on commodity risk management activities) primarily due to a $324 million decrease from our Texas crude pipeline system due to lower utilization and lower average tariff rates realized, a $237 million decrease (excluding a net change of $109 million in unrealized gains and losses on commodity risk management activities) from our crude oil acquisition and marketing business due primarily to less favorable pricing conditions impacting our Permian to Gulf Coast and Bakken to Gulf Coast trading operations, as well as inventory valuation losses recognized in 2020, partially offset by trading gains realized from storage positions in 2020, a $181 million decrease due to lower volumes on our Bakken Pipeline from lower basin production, and an $18 million decrease in throughput at our crude terminals primarily driven lower Permian and Bakken volumes, lower refinery utilization, and weather events in the third quarter of 2020 impacting Gulf Coast operations, partially offset by a $240 million increase related to assets acquired in 2019 and a $6 million increase due to higher volumes on our Bayou Bridge Pipeline;
- a decrease of $9 million in operating expenses primarily due to lower volume-driven pipeline expenses, partially offset by increased costs related to assets acquired in 2019; and
- an increase of $21 million in selling, general and administrative expenses primarily due to an $8 million increase in legal expenses, a $4 million increase related to assets acquired in 2019, a $4 million increase in insurance expenses, a $3 million increase in allocated overhead costs, and a $1 million increase in information technology expenses; partially offset by
- an increase of $32 million in Adjusted EBITDA related to unconsolidated affiliates due to assets acquired in 2019.

Investment in Sunoco LP

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Revenues	$ 2,805	$ 4,331	$ (1,526)	$ 8,157	$ 12,498	$ (4,341)
Cost of products sold	2,497	4,039	(1,542)	7,383	11,567	(4,184)
Segment margin	308	292	16	774	931	(157)
Unrealized gains on commodity risk management activities	(6)	(1)	(5)	—	(4)	4
Operating expenses, excluding non-cash compensation expense	(84)	(94)	10	(265)	(281)	16
Selling, general and administrative expenses, excluding non-cash compensation expense	(24)	(36)	12	(76)	(91)	15
Adjusted EBITDA related to unconsolidated affiliates	2	1	1	7	1	6
Inventory valuation adjustments	(11)	26	(37)	126	(71)	197
Other	4	4	—	14	12	2
Segment Adjusted EBITDA	$ 189	$ 192	$ (3)	$ 580	$ 497	$ 83

The Investment in Sunoco LP segment reflects the consolidated results of Sunoco LP.

Segment Adjusted EBITDA. For the three months ended September 30, 2020 compared to the same period last year, Segment Adjusted EBITDA related to our investment in Sunoco LP segment decreased due to the net impacts of the following:

- a decrease in the gross profit on motor fuel sales of $23 million, primarily due to a 4% increase in gross profit per gallon sold, offset by a 12% decrease in gallons sold; and
- a decrease of $3 million in non-motor fuel sales and lease gross margin as a result of rent concessions during the three months ended September 30, 2020; partially offset by
- a decrease of $22 million in operating expenses and selling, general and administrative expenses, primarily attributable to lower employee costs, professional fees, credit card processing fees and advertising costs; and

- an increase of $1 million in Adjusted EBITDA related to unconsolidated affiliates which was attributable to the JC Nolan joint venture entered into in 2019.

Segment Adjusted EBITDA. For the nine months ended September 30, 2020 compared to the same period last year, Segment Adjusted EBITDA related to our investment in Sunoco LP segment decreased due to the net impacts of the following:

- an increase in the gross profit on motor fuel sales of $62 million, primarily due to a 27% increase in gross profit per gallon sold and the receipt of a $13 million make-up payment under the fuel supply agreement with 7-Eleven, Inc., partially offset by a 14% decrease in gallons sold;
- a decrease of $31 million in operating expenses and selling, general and administrative expenses, excluding non-cash compensation expense, primarily attributable to lower employee costs, maintenance, advertising, credit card fees and utilities, which was partially offset by a $16 million charge for current expected credit losses on Sunoco LP's accounts receivable in connection with the financial impact from COVID-19; and
- an increase in unconsolidated affiliate Adjusted EBITDA of $6 million, which was attributable to the JC Nolan joint venture entered into in 2019; partially offset by
- a decrease of $17 million in non motor fuel sales and lease gross profit primarily due to reduced credit card transactions related to the COVID-19 pandemic and rent concessions in 2020.

Investment in USAC

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Revenues	$ 161	$ 175	$ (14)	$ 509	$ 520	$ (11)
Cost of products sold	20	23	(3)	62	69	(7)
Segment margin	141	152	(11)	447	451	(4)
Operating expenses, excluding non-cash compensation expense	(29)	(35)	6	(94)	(102)	8
Selling, general and administrative expenses, excluding non-cash compensation expense	(11)	(13)	2	(41)	(39)	(2)
Other	3	—	3	3	—	3
Segment Adjusted EBITDA	$ 104	$ 104	$ —	$ 315	$ 310	$ 5

The Investment in USAC segment reflects the consolidated results of USAC.

Segment Adjusted EBITDA. For the three months ended September 30, 2020 Segment Adjusted EBITDA related to our investment in USAC segment was consistent with the same period last year primarily due to the offsetting impacts of the following:

- a decrease of $11 million in segment margin primarily driven by a decrease in U.S. crude oil and natural gas activity; offset by
- a decrease of $6 million in operating expenses primarily driven by a decrease in average revenue generating horsepower and reduced headcount; and
- a decrease of $2 million in selling, general and administrative expenses primarily due to a decrease in employee expenses.

Segment Adjusted EBITDA. For the nine months ended September 30, 2020 compared to the same period last year, Segment Adjusted EBITDA related to our investment in USAC segment increased due to the net impacts of the following:

- a decrease of $8 million in operating expenses primarily driven by a decrease in average revenue generating horsepower and reduced headcount; partially offset by
- a decrease of $4 million in segment margin primarily driven by a decrease in revenues due to a reduction of ancillary maintenance work and a decrease in average revenue generating horsepower, offset by a decrease in costs of products sold of $7 million.

All Other

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Change	2020	2019	Change
Revenues	$ 367	$ 441	$ (74)	$ 1,372	$ 1,276	$ 96
Cost of products sold	318	393	(75)	1,110	1,138	(28)
Segment margin	49	48	1	262	138	124
Unrealized (gains) losses on commodity risk management activities	3	1	2	—	(4)	4
Operating expenses, excluding non-cash compensation expense	(35)	(39)	4	(100)	(52)	(48)
Selling, general and administrative expenses, excluding non-cash compensation expense	(23)	(11)	(12)	(80)	(45)	(35)
Adjusted EBITDA related to unconsolidated affiliates	1	—	1	1	1	—
Other and eliminations	27	36	(9)	(21)	42	(63)
Segment Adjusted EBITDA	$ 22	$ 35	$ (13)	$ 62	$ 80	$ (18)

Amounts reflected in our all other segment primarily include:

- our natural gas marketing operations;
- our wholly-owned natural gas compression operations;
- our investment in coal handling facilities; and
- our Canadian operations, which were acquired in the SemGroup acquisition in December 2019 and include natural gas gathering and processing assets.

Segment Adjusted EBITDA. For the three months ended September 30, 2020 compared to the same period last year, Segment Adjusted EBITDA related to our all other segment decreased due to the net impacts of the following:

- a decrease of $10 million due to lower compression market demand from our compression equipment business;
- a decrease of $6 million due to power trading activities;
- a decrease of $11 million due to lower demand and operator production, as well as a contract expiration at our natural resources business; and
- an increase of $10 million in merger and acquisition expense; partially offset by
- an increase of $26 million from the acquisition of SemCAMS.

Segment Adjusted EBITDA. For the nine months ended September 30, 2020 compared to the same period last year, Segment Adjusted EBITDA related to our all other segment decreased due to the net impacts of the following:

- a decrease of $15 million from power trading activities;
- a decrease of $6 million due to increased power costs and increased expenses at our compression services business;
- a decrease of $31 million due to lower compression market demand from our compression equipment business;
- a decrease of $34 million due to higher merger and acquisition expense;
- a decrease of $19 million due to lower demand and operator production, as well as a contract expiration at our natural resources business; and
- a decrease of $6 million due to the elimination of Sunoco LP’s interest in our JC Nolan joint venture; partially offset by
- an increase of $77 million from the acquisition of SemCAMS;
- an increase of $16 million from settlement payments received from our ownership of PES; and
- an increase of $4 million from management fee income.

LIQUIDITY AND CAPITAL RESOURCES

Overview

The Parent Company's principal sources of cash flow are derived from distributions related to our investment in ETO, which derives its cash flows from its subsidiaries, including ETO's investments in Sunoco LP and USAC.

The Parent Company's primary cash requirements are for general and administrative expenses, debt service requirements and distributions to its partners. The Parent Company currently expects to fund its short-term needs for such items with cash flows from its direct and indirect investments in ETO. The Parent Company distributes its available cash remaining after satisfaction of the aforementioned cash requirements to its Unitholders on a quarterly basis.

The Parent Company expects ETO and its respective subsidiaries and investments in Sunoco LP and USAC to utilize their resources, along with cash from their operations, to fund their announced growth capital expenditures and working capital needs; however, the Parent Company may issue debt or equity securities from time to time, as it deems prudent to provide liquidity for new capital projects of its subsidiaries or for other partnership purposes.

Our ability to satisfy obligations and pay distributions to unitholders will depend on our future performance, which will be subject to prevailing economic, financial, business and weather conditions, and other factors, many of which are beyond management's control.

We currently expect capital expenditures in 2020 to be within the following ranges (excluding capital expenditures related to our investments in Sunoco LP and USAC):

	Growth		Maintenance	
	Low	High	Low	High
Intrastate transportation and storage	$ 5	$ 15	$ 40	$ 45
Interstate transportation and storage [1]	50	75	115	120
Midstream	405	430	115	120
NGL and refined products transportation and services	2,425	2,525	95	105
Crude oil transportation and services [1]	225	250	105	115
All other (including eliminations)	75	100	50	55
Total capital expenditures	$ 3,185	$ 3,395	$ 520	$ 560

(1) Includes capital expenditures related to our proportionate ownership of the Bakken, Rover and Bayou Bridge pipeline projects.

The assets used in our natural gas and liquids operations, including pipelines, gathering systems and related facilities, are generally long-lived assets and do not require significant maintenance capital expenditures. Accordingly, we do not have any significant financial commitments for maintenance capital expenditures in our businesses. From time to time we experience increases in pipe costs due to a number of factors, including but not limited to, delays from steel mills, limited selection of mills capable of producing large diameter pipe timely, higher steel prices and other factors beyond our control; however, we have included these factors in our anticipated growth capital expenditures for each year.

We generally fund maintenance capital expenditures and distributions with cash flows from operating activities. We generally fund growth capital expenditures with borrowings under credit facilities, long-term debt, the issuance of additional preferred units or a combination thereof.

Sunoco LP currently expects to spend approximately $30 million on growth capital and $75 million on maintenance capital for the full year 2020.

USAC currently plans to spend approximately $25 million on maintenance capital expenditures and currently has budgeted between $90 million and $100 million in expansion capital expenditures for the full year 2020.

Cash Flows

Our cash flows may change in the future due to a number of factors, some of which we cannot control. These factors include regulatory changes, the price of our subsidiaries' products and services, the demand for such products and services, margin requirements resulting from significant changes in commodity prices, operational risks, the successful integration of our acquisitions and other factors.

Operating Activities

Changes in cash flows from operating activities between periods primarily result from changes in earnings (as discussed in "Results of Operations" above), excluding the impacts of non-cash items and changes in operating assets and liabilities (net of effects of acquisitions). Non-cash items include recurring non-cash expenses, such as depreciation, depletion and amortization expense and non-cash compensation expense. The increase in depreciation, depletion and amortization expense during the periods presented primarily resulted from construction and acquisition of assets, while changes in non-cash compensation expense resulted from changes in the number of units granted and changes in the grant date fair value estimated for such grants. Cash flows from operating activities also differ from earnings as a result of non-cash charges that may not be recurring, such as impairment charges and allowance for equity funds used during construction. The allowance for equity funds used during construction increases in periods when ETO has a significant amount of interstate pipeline construction in progress. Changes in operating assets and liabilities between periods result from factors such as the changes in the value of price risk management assets and liabilities, timing of accounts receivable collection, the timing of payments on accounts payable, the timing of purchases and sales of inventories and the timing of advances and deposits received from customers.

Nine months ended September 30, 2020 compared to nine months ended September 30, 2019. Cash provided by operating activities during 2020 was $5.46 billion compared to $5.97 billion for 2019, and net loss was $693 million for 2020 and net income was $3.51 billion for 2019. The difference between net loss and net cash provided by operating activities for the nine months ended September 30, 2020 primarily consisted of net changes in operating assets and liabilities (net of effects of acquisitions) of $94 million and other non-cash items totaling $5.91 billion.

The non-cash activity in 2020 and 2019 consisted primarily of depreciation, depletion and amortization of $2.72 billion and $2.34 billion, respectively, non-cash compensation expense of $93 million and $85 million, respectively, inventory valuation adjustments of $126 million and $71 million, respectively, and deferred income taxes of $159 million and $191 million, respectively. Non-cash activity also included losses on extinguishments of debt in 2020 and 2019 of $62 million and $18 million, respectively, impairment losses of $2.80 billion and $62 million in 2020 and 2019, respectively, and impairment of investment in an unconsolidated affiliate of $129 million in 2020.

Unconsolidated affiliate activity consisted of equity in earnings of $46 million and $224 million in 2020 and 2019, respectively, and cash distributions received of $176 million and $254 million, respectively.

Cash paid for interest, net of interest capitalized, was $1.47 billion and $1.57 billion for the nine months ended September 30, 2020 and 2019, respectively. Interest capitalized was $163 million and $145 million for the nine months ended September 30, 2020 and 2019, respectively.

Investing Activities

Cash flows from investing activities primarily consist of cash amounts paid for acquisitions, capital expenditures, cash contributions to our joint ventures, and cash proceeds from sales or contributions of assets or businesses. In addition, distributions from equity investees are included in cash flows from investing activities if the distributions are deemed to be a return of the Partnership's investment. Changes in capital expenditures between periods primarily result from increases or decreases in our growth capital expenditures to fund our construction and expansion projects.

Nine months ended September 30, 2020 compared to nine months ended September 30, 2019. Cash used in investing activities during 2020 was $3.86 billion compared to $4.42 billion for 2019. Total capital expenditures (excluding the allowance for equity funds used during construction and net of contributions in aid of construction costs) for 2020 were $3.97 billion compared to $4.12 billion for 2019. Additional detail related to our capital expenditures is provided in the table below. During 2019, we received $93 million of cash proceeds from the sale of a noncontrolling interest in a subsidiary and paid $7 million in cash for all other acquisitions.

The following is a summary of capital expenditures (including only our proportionate share of the Bakken, Rover and Bayou Bridge pipeline projects and net of contributions in aid of construction costs) on an accrual basis for the nine months ended September 30, 2020:

	Capital Expenditures Recorded During Period		
	Growth	Maintenance	Total
Intrastate transportation and storage	$ —	$ 42	$ 42
Interstate transportation and storage	36	66	102
Midstream	322	82	404
NGL and refined products transportation and services	1,923	64	1,987
Crude oil transportation and services	164	56	220
Investment in Sunoco LP	65	15	80
Investment in USAC	85	18	103
All other (including eliminations)	81	25	106
Total capital expenditures	$ 2,676	$ 368	$ 3,044

Financing Activities

Changes in cash flows from financing activities between periods primarily result from changes in the levels of borrowings and equity issuances, which are primarily used to fund our acquisitions and growth capital expenditures. Distributions increase between the periods based on increases in the number of common units outstanding or increases in the distribution rate.

Nine months ended September 30, 2020 compared to nine months ended September 30, 2019. Cash used in financing activities during 2020 was $1.61 billion compared to $1.75 billion for 2019. During 2020 and 2019, our subsidiaries received $1.58 billion and $780 million, respectively, in net proceeds from offerings of preferred units. During 2020, we had a net increase in our debt level of $358 million compared to a net increase of $878 million for 2019. In 2020 and 2019, we paid debt issuance costs of $53 million and $114 million, respectively.

In 2020 and 2019, we paid distributions of $2.40 billion and $2.30 billion, respectively, to our partners. In 2020 and 2019, we paid distributions of $1.28 billion and $1.27 billion, respectively, to noncontrolling interests. In addition, we received capital contributions of $203 million in cash from noncontrolling interests in 2020 compared to $278 million in cash from noncontrolling interests in 2019.

Description of Indebtedness

Our outstanding consolidated indebtedness was as follows:

	September 30, 2020	December 31, 2019
Parent Company Indebtedness:		
ET Senior Notes due October 2020	$ —	$ 52
ET Senior Notes due March 2023	5	5
ET Senior Notes due January 2024	23	23
ET Senior Notes due June 2027	44	44
Subsidiary Indebtedness:		
ETO Senior Notes	37,783	36,118
Transwestern Senior Notes	400	575
Panhandle Senior Notes	235	235
Bakken Senior Notes	2,500	2,500
Sunoco LP Senior Notes and lease-related obligations	2,905	2,935
USAC Senior Notes	1,475	1,475
Credit facilities and commercial paper:		
ETO $2.00 billion Term Loan facility due October 2022	2,000	2,000
ETO $5.00 billion Revolving Credit Facility due December 2023 [1]	3,231	4,214
Sunoco LP $1.50 billion Revolving Credit Facility due July 2023	87	162
USAC $1.60 billion Revolving Credit Facility due April 2023	497	403
HFOTCO Tax Exempt Notes due 2050	225	225
SemCAMS Revolver due February 2024	74	92
SemCAMS Revolver Term Loan A due February 2024	253	269
Other long-term debt	3	2
Net unamortized premiums, discounts, and fair value adjustments	(12)	4
Deferred debt issuance costs	(283)	(279)
Total debt	51,445	51,054
Less: current maturities of long-term debt	21	26
Long-term debt, less current maturities	$ 51,424	$ 51,028

[1] Includes $1.63 billion and $1.64 billion of commercial paper outstanding at September 30, 2020 and December 31, 2019, respectively.

Recent Transactions

ETO January 2020 Senior Notes Offering and Redemption

On January 22, 2020, ETO completed a registered offering (the "January 2020 Senior Notes Offering") of $1.00 billion aggregate principal amount of the Partnership's 2.900% Senior Notes due 2025, $1.50 billion aggregate principal amount of the Partnership's 3.750% Senior Notes due 2030 and $2.00 billion aggregate principal amount of the Partnership's 5.000% Senior Notes due 2050 (collectively, the "Notes"). The Notes are fully and unconditionally guaranteed by the Partnership's wholly-owned subsidiary, Sunoco Logistics Partners Operations L.P., on a senior unsecured basis.

Utilizing proceeds from the January 2020 Senior Notes Offering, ETO redeemed its $400 million aggregate principal amount of 5.75% Senior Notes due September 1, 2020, its $1.05 billion aggregate principal amount of 4.15% Senior Notes due October 1, 2020, its $1.14 billion aggregate principal amount of 7.50% Senior Notes due October 15, 2020, its $250 million aggregate principal amount of 5.50% Senior Notes due February 15, 2020, ET's $52 million aggregate principal amount of 7.50% Senior Notes due October 15, 2020 and Transwestern's $175 million aggregate principal amount of 5.36% Senior Notes due December 9, 2020.

Credit Facilities and Commercial Paper

ETO Term Loan

ETO’s term loan credit agreement provides for a $2 billion three-year term loan credit facility (the “ETO Term Loan”). Borrowings under the term loan agreement mature on October 17, 2022 and are available for working capital purposes and for general partnership purposes. The ETO Term Loan is unsecured and is guaranteed by ETO’s subsidiary, Sunoco Logistics Operations.

As of September 30, 2020, the ETO Term Loan had $2 billion outstanding and was fully drawn. The weighted average interest rate on the total amount outstanding as of September 30, 2020 was 1.15%.

ETO Five-Year Credit Facility

ETO’s revolving credit facility (the “ETO Five-Year Credit Facility”) allows for unsecured borrowings up to $5.00 billion and matures on December 1, 2023. The ETO Five-Year Credit Facility contains an accordion feature, under which the total aggregate commitment may be increased up to $6.00 billion under certain conditions.

As of September 30, 2020, the ETO Five-Year Credit Facility had $3.23 billion of outstanding borrowings, $1.63 billion of which was commercial paper. The amount available for future borrowings was $1.65 billion, after taking into account letters of credit of $117 million. The weighted average interest rate on the total amount outstanding as of September 30, 2020 was 1.16%.

ETO 364-Day Facility

ETO’s 364-day revolving credit facility (the “ETO 364-Day Facility”) allows for unsecured borrowings up to $1.00 billion and matures on November 27, 2020. As of September 30, 2020, the ETO 364-Day Facility had no outstanding borrowings.

Sunoco LP Credit Facility

Sunoco LP maintains a $1.50 billion senior secured revolving credit facility (the “Sunoco LP Credit Facility”), which matures in July 2023. As of September 30, 2020, the Sunoco LP Credit Facility had $87 million of outstanding borrowings and $8 million in standby letters of credit. As of September 30, 2020, Sunoco LP had $1.41 billion of availability under the Sunoco LP Credit Facility. The weighted average interest rate on the total amount outstanding as of September 30, 2020 was 2.15%.

USAC Credit Facility

USAC maintains a $1.60 billion senior secured revolving credit facility (the “USAC Credit Facility”), with a further potential increase of $400 million, which matures in April 2023. As of September 30, 2020, the USAC Credit Facility had $497 million of outstanding borrowings and no outstanding letters of credit. As of September 30, 2020, USAC had $1.10 billion of borrowing base availability and, subject to compliance with the applicable financial covenants, available borrowing capacity of $412 million under the USAC Credit Facility. The weighted average interest rate on the total amount outstanding as of September 30, 2020 was 3.03%.

SemCAMS Credit Facilities

SemCAMS is party to a credit agreement providing for a C$350 million (US$262 million at the September 30, 2020 exchange rate) senior secured term loan facility, a C$525 million (US$394 million at the September 30, 2020 exchange rate) senior secured revolving credit facility, and a C$300 million (US$225 million at the September 30, 2020 exchange rate) senior secured construction loan facility (the “KAPS Facility”). The term loan facility and the revolving credit facility mature on February 25, 2024. The KAPS Facility matures on June 13, 2024. SemCAMS may incur additional term loans and revolving commitments in an aggregate amount not to exceed C$250 million (US$187 million at the September 30, 2020 exchange rate), subject to receiving commitments for such additional term loans or revolving commitments from either new lenders or increased commitments from existing lenders. As of September 30, 2020, the SemCAMS senior secured term loan facility and senior secured revolving credit facility had $253 million and $74 million, respectively, of outstanding borrowings. As of September 30, 2020, the KAPS Facility had no outstanding borrowings.

Covenants Related to Our Credit Agreements

We and our subsidiaries were in compliance with all requirements, tests, limitations, and covenants related to our debt agreements as of September 30, 2020.

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CASH DISTRIBUTIONS

Cash Distributions Paid by the Parent Company

Under the Parent Company partnership agreement, the Parent Company will distribute all of its Available Cash, as defined in the partnership agreement, within 50 days following the end of each fiscal quarter. Available Cash generally means, with respect to any quarter, all cash on hand at the end of such quarter less the amount of cash reserves that are necessary or appropriate in the reasonable discretion of our general partner that is necessary or appropriate to provide for future cash requirements.

Distributions declared and/or paid subsequent to December 31, 2019 were as follows:

Quarter Ended	Record Date	Payment Date	Rate
December 31, 2019	February 7, 2020	February 19, 2020	$ 0.3050
March 31, 2020	May 7, 2020	May 19, 2020	0.3050
June 30, 2020	August 7, 2020	August 19, 2020	0.3050
September 30, 2020	November 6, 2020	November 19, 2020	0.1525

Cash Distributions Paid by Subsidiaries

ETO, Sunoco LP and USAC are required by their respective partnership agreements to distribute all cash on hand at the end of each quarter, less appropriate reserves determined by the board of directors of their respective general partners.

Cash Distributions Paid by ETO

Distributions on ETO preferred units declared and/or paid subsequent to December 31, 2019 were as follows:

Period Ended	Record Date	Payment Date	Series A [(1)]	Series B [(1)]	Series C	Series D	Series E	Series F [(2)]	Series G [(2)]
December 31, 2019	February 3, 2020	February 18, 2020	$ 31.25	$ 33.125	$ 0.4609	$ 0.4766	$ 0.4750	$ —	$ —
March 31, 2020	May 1, 2020	May 15, 2020	—	—	0.4609	0.4766	0.4750	21.19	22.36
June 30, 2020	August 3, 2020	August 17, 2020	31.25	33.125	0.4609	0.4766	0.4750	—	—
September 30, 2020	November 2, 2020	November 16, 2020	—	—	0.4609	0.4766	0.4750	33.75	35.63

(1) ETO Series A Preferred Unit and ETO Series B Preferred Unit distributions are paid on a semi-annual basis.

(2) ETO Series F and G Preferred Unit distributions related to the period ended March 31, 2020 represent a prorated initial distribution. Distributions are paid on a semi-annual basis.

Cash Distributions Paid by Sunoco LP

Distributions declared and/or paid by Sunoco LP to its common unitholders subsequent to December 31, 2019 were as follows:

Quarter Ended	Record Date	Payment Date	Rate
December 31, 2019	February 7, 2020	February 19, 2020	$ 0.8255
March 31, 2020	May 7, 2020	May 19, 2020	0.8255
June 30, 2020	August 7, 2020	August 19, 2020	0.8255
September 30, 2020	November 6, 2020	November 19, 2020	0.8255

Cash Distributions Paid by USAC

Distributions declared and/or paid by USAC to its common unitholders subsequent to December 31, 2019 were as follows:

Quarter Ended	Record Date	Payment Date	Rate	
December 31, 2019	January 27, 2020	February 7, 2020	$	0.5250
March 31, 2020	April 27, 2020	May 8, 2020		0.5250
June 30, 2020	July 31, 2020	August 10, 2020		0.5250
September 30, 2020	October 26, 2020	November 6, 2020		0.5250

ESTIMATES AND CRITICAL ACCOUNTING POLICIES

The selection and application of accounting policies is an important process that has developed as our business activities have evolved and as the accounting rules have developed. Accounting rules generally do not involve a selection among alternatives, but involve an implementation and interpretation of existing rules, and the use of judgment applied to the specific set of circumstances existing in our business. We make every effort to properly comply with all applicable rules, and we believe the proper implementation and consistent application of the accounting rules are critical. We describe our significant accounting policies in Note 2 to our consolidated financial statements in the Partnership's Annual Report on Form 10-K filed with the SEC on February 21, 2020. See Note 1 in "Item 1. Financial Statements" for information regarding recent changes to the Partnership's critical accounting policies related to inventory.

RECENT ACCOUNTING PRONOUNCEMENTS

Currently, there are no accounting pronouncements that have been issued, but not yet adopted, that are expected to have a material impact on the Partnership's financial position or results of operations.

FORWARD-LOOKING STATEMENTS

This quarterly report contains various forward-looking statements and information that are based on our beliefs and those of our General Partner, as well as assumptions made by and information currently available to us. These forward-looking statements are identified as any statement that does not relate strictly to historical or current facts. When used in this annual report, words such as "anticipate," "project," "expect," "plan," "goal," "forecast," "estimate," "intend," "could," "believe," "may," "will" and similar expressions and statements regarding our plans and objectives for future operations, are intended to identify forward-looking statements. Although we and our General Partner believe that the expectations on which such forward-looking statements are based are reasonable, neither we nor our General Partner can give assurances that such expectations will prove to be correct. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions. If one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect, our actual results may vary materially from those anticipated, estimated, projected or expected. Among the key risk factors that may have a direct bearing on our results of operations and financial condition are:

- changes in the long-term supply of and demand for natural gas, NGLs, refined products and/or crude oil, including as a result of uncertainty regarding the length of time it will take for the United States and the rest of the world to slow the spread of the COVID-19 virus to the point where applicable authorities are comfortable easing current restrictions on various commercial and economic activities; such restrictions are designed to protect public health but also have the effect of reducing demand for natural gas, NGLs, refined products and crude oil;
- the severity and duration of world health events, including the recent COVID-19 pandemic, related economic repercussions, actions taken by governmental authorities and other third parties in response to the pandemic and the resulting severe disruption in the oil and gas industry and negative impact on demand for natural gas, NGLs, refined products and crude oil, which may negatively impact our business;
- changes in general economic conditions and changes in economic conditions of the crude oil and natural gas industries specifically, including the current significant surplus in the supply of oil and actions by foreign oil-producing nations with respect to oil production levels and announcements of potential changes in such levels, including the ability of those countries to agree on and comply with supply limitations;
- uncertainty regarding the timing, pace and extent of an economic recovery in the United States and elsewhere, which in turn will likely affect demand for natural gas, NGLs, refined products and crude oil and therefore the demand for midstream services we provide and the commercial opportunities available to us;

- the deterioration of the financial condition of our customers and the potential renegotiation or termination of customer contracts as a result of such deterioration;
- operational challenges relating to the COVID-19 pandemic and efforts to mitigate the spread of the virus, including logistical challenges, protecting the health and well-being of our employees, remote work arrangements, performance of contracts and supply chain disruptions;
- actions taken by federal, state or local governments to require producers of natural gas, NGL, refined products and crude oil to proration or cut their production levels as a way to address any excess market supply situations;
- the ability of our subsidiaries to make cash distributions to us, which is dependent on their results of operations, cash flows and financial condition;
- the actual amount of cash distributions by our subsidiaries to us;
- the volumes transported on our subsidiaries' pipelines and gathering systems;
- the level of throughput in our subsidiaries' processing and treating facilities;
- the fees our subsidiaries charge and the margins they realize for their gathering, treating, processing, storage and transportation services;
- the prices and market demand for, and the relationship between, natural gas and NGLs;
- energy prices generally;
- the prices of natural gas and NGLs compared to the price of alternative and competing fuels;
- the general level of petroleum product demand and the availability and price of NGL supplies;
- the level of domestic natural gas, NGL, refined products and crude oil production;
- the availability of imported natural gas, NGLs, refined products and crude oil;
- actions taken by foreign oil and gas producing nations;
- the political and economic stability of petroleum producing nations;
- the effect of weather conditions on demand for natural gas, NGLs, refined products and crude oil;
- availability of local, intrastate and interstate transportation systems;
- the continued ability to find and contract for new sources of natural gas supply;
- availability and marketing of competitive fuels;
- the impact of energy conservation efforts;
- energy efficiencies and technological trends;
- governmental regulation and taxation;
- changes to, and the application of, regulation of tariff rates and operational requirements related to our subsidiaries' interstate and intrastate pipelines;
- hazards or operating risks incidental to the gathering, treating, processing and transporting of natural gas and NGLs;
- competition from other midstream companies and interstate pipeline companies;
- loss of key personnel;
- loss of key natural gas producers or the providers of fractionation services;
- reductions in the capacity or allocations of third-party pipelines that connect with our subsidiaries pipelines and facilities;
- the effectiveness of risk-management policies and procedures and the ability of our subsidiaries liquids marketing counterparties to satisfy their financial commitments;
- the nonpayment or nonperformance by our subsidiaries' customers;
- regulatory, environmental, political and legal uncertainties that may affect the timing and cost of our subsidiaries' internal growth projects, such as our subsidiaries' construction of additional pipeline systems or our subsidiaries' continuing operations;

- risks associated with the construction of new pipelines and treating and processing facilities or additions to our subsidiaries' existing pipelines and facilities, including difficulties in obtaining permits and rights-of-way or other regulatory approvals and the performance by third-party contractors;
- the availability and cost of capital and our subsidiaries' ability to access certain capital sources;
- a deterioration of the credit and capital markets;
- risks associated with the assets and operations of entities in which our subsidiaries own less than a controlling interests, including risks related to management actions at such entities that our subsidiaries may not be able to control or exert influence;
- the ability to successfully identify and consummate strategic acquisitions at purchase prices that are accretive to our financial results and to successfully integrate acquired businesses;
- changes in laws and regulations to which we are subject, including tax, environmental, transportation and employment regulations or new interpretations by regulatory agencies concerning such laws and regulations; and
- the costs and effects of legal and administrative proceedings.

Many of the foregoing risks and uncertainties are, and will be, heightened by the COVID-19 pandemic and any further worsening of the global business and economic environment. New factors emerge from time to time, and it is not possible for us to predict all such factors. Should one or more of the risks or uncertainties described in this Quarterly Report on Form 10-Q or our Annual Report on Form 10-K occur, or should underlying assumptions prove incorrect, actual results and plans could differ materially from those expressed in any forward-looking statements.

You should not put undue reliance on any forward-looking statements. When considering forward-looking statements, please review the risks described under “Part I - Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2019, “Part II - Item 1A. Risk Factors” in our Quarterly Report on Form 10-Q for the quarter ended March 31, 2020, for the quarter ended June 30, 2020 and in this Quarterly Reports on Form 10-Q. Any forward-looking statement made by us in this Quarterly Report on Form 10-Q is based only on information currently available to us and speaks only as of the date on which it is made. We undertake no obligation to publicly update any forward-looking statement, whether written or oral, that may be made from time to time, whether as a result of new information, future developments or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information contained in Item 3 updates, and should be read in conjunction with, information set forth in Part II, Item 7A in the Partnership’s Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC on February 21, 2020, in addition to the accompanying notes and management’s discussion and analysis of financial condition and results of operations presented in Items 1 and 2 of this Quarterly Report on Form 10-Q. Our quantitative and qualitative disclosures about market risk are consistent with those discussed in our Annual Report on Form 10-K for the year ended December 31, 2019. Since December 31, 2019, there have been no material changes to our primary market risk exposures or how those exposures are managed.

Commodity Price Risk

The table below summarizes our commodity-related financial derivative instruments and fair values, including derivatives related to our consolidated subsidiaries, as well as the effect of an assumed hypothetical 10% change in the underlying price of the commodity. Dollar amounts are presented in millions.

	September 30, 2020			December 31, 2019		
	Notional Volume	Fair Value Asset (Liability)	Effect of Hypothetical 10% Change	Notional Volume	Fair Value Asset (Liability)	Effect of Hypothetical 10% Change
Mark-to-Market Derivatives						
(Trading)						
Natural Gas (BBtu):						
Basis Swaps IFERC/NYMEX [1]	(91,365)	$ 5	$ —	(35,208)	$ 2	$ 5
Fixed Swaps/Futures	4,965	1	1	1,483	—	—
Power (Megawatt):						
Forwards	1,714,800	5	—	3,213,450	6	8
Futures	(35,313)	—	—	(353,527)	1	2
Options – Puts	(15)	—	—	51,615	1	—
Options – Calls	(6,323,560)	1	1	(2,704,330)	1	—
(Non-Trading)						
Natural Gas (BBtu):						
Basis Swaps IFERC/NYMEX	(20,800)	(2)	—	(18,923)	(35)	15
Swing Swaps IFERC	(7,480)	(2)	—	(9,265)	—	4
Fixed Swaps/Futures	(43,708)	(2)	13	(3,085)	(1)	1
Forward Physical Contracts	(15,281)	6	4	(13,364)	3	3
NGLs (MBbls) – Forwards/Swaps	(14,743)	(50)	49	(1,300)	(18)	18
Refined Products (MBbls) – Futures	(3,391)	1	8	(2,473)	(2)	16
Crude (MBbls) – Forwards/Swaps	1,929	2	8	4,465	13	2
Corn (thousand bushels)	—	—	—	(1,210)	—	—
Fair Value Hedging Derivatives						
(Non-Trading)						
Natural Gas (BBtu):						
Basis Swaps IFERC/NYMEX	(38,490)	1	—	(31,780)	1	7
Fixed Swaps/Futures	(38,490)	(23)	11	(31,780)	23	7

[1] Includes aggregate amounts for open positions related to Houston Ship Channel, Waha Hub, NGPL TexOk, West Louisiana Zone and Henry Hub locations.

The fair values of the commodity-related financial positions have been determined using independent third-party prices, readily available market information and appropriate valuation techniques. Non-trading positions offset physical exposures to the cash market; none of these offsetting physical exposures are included in the above tables. Price-risk sensitivities were calculated by assuming a theoretical 10% change (increase or decrease) in price regardless of term or historical relationships between the contractual price of the instruments and the underlying commodity price. Results are presented in absolute terms and represent a potential gain or loss in net income or in other comprehensive income. In the event of an actual 10% change in prompt month natural gas prices, the fair value of our total derivative portfolio may not change by 10% due to factors such as when the financial instrument settles and the location to which the financial instrument is tied (i.e., basis swaps) and the relationship between prompt month and forward months.

Interest Rate Risk

As of September 30, 2020, we and our subsidiaries had $6.97 billion of floating rate debt outstanding. A hypothetical change of 100 basis points would result in a maximum potential change to interest expense of $70 million annually; however, our actual change in interest expense may be less in a given period due to interest rate floors included in our variable rate debt instruments.

We manage a portion of our interest rate exposure by utilizing interest rate swaps, including forward-starting interest rate swaps to lock-in the rate on a portion of anticipated debt issuances.

The following table summarizes our interest rate swaps outstanding (dollars in millions), none of which are designated as hedges for accounting purposes:

		Notional Amount Outstanding	
Term	Type[1]	September 30, 2020	December 31, 2019
July 2020[2][3]	Forward-starting to pay a fixed rate of 3.52% and receive a floating rate	$ —	$ 400
July 2021[2]	Forward-starting to pay a fixed rate of 3.55% and receive a floating rate	400	400
July 2022[2]	Forward-starting to pay a fixed rate of 3.80% and receive a floating rate	400	400

(1) Floating rates are based on 3-month LIBOR.

(2) Represents the effective date. These forward-starting swaps have terms of 30 years with a mandatory termination date the same as the effective date.

(3) The July 2020 interest rate swaps were terminated in January 2020.

A hypothetical change of 100 basis points in interest rates for these interest rate swaps would result in a net change in the fair value of interest rate derivatives and earnings (recognized in gains and losses on interest rate derivatives) of $297 million as of September 30, 2020. For the forward-starting interest rate swaps, a hypothetical change of 100 basis points in interest rates would not affect cash flows until the swaps are settled.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures to ensure that information required to be disclosed by us, including our consolidated entities, in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Under the supervision and with the participation of senior management, including the Chief Executive Officer ("Principal Executive Officer") and the Chief Financial Officer ("Principal Financial Officer") of our General Partner, we evaluated our disclosure controls and procedures, as such term is defined under Rule 13a–15(e) promulgated under the Exchange Act. Based on this evaluation, the Principal Executive Officer and the Principal Financial Officer of our General Partner concluded that our disclosure controls and procedures were effective as of September 30, 2020 to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act (1) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) is accumulated and communicated to management, including the Principal Executive Officer and Principal Financial Officer of our General Partner, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

During the three months ended September 30, 2020, certain of the Partnership's subsidiaries implemented an enterprise resource planning ("ERP") system, in order to update existing technology and to integrate, simplify and standardize processes among the Partnership and its subsidiaries. Accordingly, we have made changes to our internal controls to address systems and/or processes impacted by the ERP implementation. Neither the ERP implementation nor the related control changes were undertaken in response to any deficiencies in the Partnership's internal control over financial reporting.

Other than as discussed above, there have been no changes in our internal control over financial reporting (as defined in Rule 13(a)-15(f) or Rule 15d-15(f) of the Exchange Act) during the three months ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings, see our Annual Report on Form 10-K filed with the SEC on February 21, 2020 and Note 10 – Regulatory Matters, Commitments, Contingencies and Environmental Liabilities of the Notes to Consolidated Financial Statements of Energy Transfer LP and Subsidiaries included in this Quarterly Report on Form 10-Q for the quarter ended September 30, 2020.

Additionally, we have received notices of violations and potential fines under various federal, state and local provisions relating to the discharge of materials into the environment or protection of the environment. While we believe that even if any one or more of the environmental proceedings listed below were decided against us, it would not be material to our financial position, results of operations or cash flows, we are required to report governmental proceedings if we reasonably believe that such proceedings will result in monetary sanctions in excess of $100,000.

Pursuant to the instructions to Form 10-Q, matters disclosed in this Part II - Item 1 include any reportable legal proceeding (i) that has been terminated during the period covered by this report, (ii) that became a reportable event during the period covered by this report, or (iii) for which there has been a material development during the period covered by this report.

For a description of other legal proceedings, see Note 10 to our consolidated financial statements included in “Item 1. Financial Statements.”

ITEM 1A. RISK FACTORS

The following risk factor should be read in conjunction with our risk factors described in “Part I - Item 1A. Risk Factors” in the Partnership's Annual Report on Form 10-K for the year ended December 31, 2019 filed with the SEC on February 21, 2020 and from the risk factors described in “Part II - Item 1A. Risk Factors” in the Partnership's Quarterly Reports on Form 10-Q for the quarter ended March 31, 2020 filed with the SEC on May 11, 2020.

Legal or regulatory actions related to the Dakota Access Pipeline could cause an interruption to current or future operations, which could have an adverse effect on our business and results of operations.

On July 27, 2016, the Standing Rock Sioux Tribe (“SRST”) filed a lawsuit in the United States District Court for the District of Columbia (“District Court”) challenging permits issued by the United States Army Corps of Engineers (“USACE”) permitting Dakota Access, LLC (“Dakota Access”) to cross the Missouri River at Lake Oahe in North Dakota. The case was subsequently amended to challenge an easement issued by the USACE allowing the pipeline to cross land owned by the USACE adjacent to the Missouri River. Dakota Access and the Cheyenne River Sioux Tribe (“CRST”) intervened. Separate lawsuits filed by the Oglala Sioux Tribe (“OST”) and the Yankton Sioux Tribe (“YST”) were consolidated with this action and several individual tribal members intervened (collectively, with SRST and CRST, the “Tribes”). On March 25, 2020, the court remanded the case back to the USACE for preparation of an Environment Impact Statement. On July 6, 2020, the court vacated the easement and ordered Dakota Access to be shut down and emptied of oil by August 5, 2020. Dakota Access and USACE appealed to the United States Court of Appeals for the District of Columbia (“Court of Appeals”) which granted an administrative stay of the District Court’s July 6 order and ordered further briefing on whether to fully stay the July 6 order. On August 5, 2020, the Court of Appeals granted a stay of the portion of the District Court order that required Dakota Access to shut the pipeline down and empty it of oil. The Court of Appeals also denied a motion to stay the March 25 order pending a decision on the merits by the Court of Appeals as to whether USACE will be required to prepare an Environmental Impact Statement. In addition, the Court of Appeals denied a motion to stay the District Court’s order to vacate the easement during this appeal process. The August 5 order also states that the Court of Appeals expects USACE to clarify its position with respect to whether USACE intends to allow the continued operation of the pipeline notwithstanding the vacator of the easement and that the District Court may consider additional relief if necessary.

On August 10, 2020, the District Court ordered USACE to submit a status report by August 31, 2020 clarifying its position with regard to its decision making process with respect to the continued operation of the pipeline. On August 31, 2020, USACE submitted a status report that indicated that it considers the presence of the pipeline at the Lake Oahe crossing without an easement to constitute an encroachment on federal land, and that it was still considering whether to exercise its enforcement discretion regarding this encroachment. Following the filing of this status report, the District Court ordered briefing on whether to enjoin the operation of the pipeline, with briefing scheduled to conclude by December 18, 2020.

Briefing on the merits of the appeal to the Court of Appeals has been completed, and oral argument has been scheduled by the Court of Appeals to occur on November 4, 2020. As a result of the ruling by the Court of Appeals related to the motions to stay

and the District Court's briefing schedule related to the injunction issue, it is expected that the pipeline will continue to operate during the pendency of the appeals process with the Court of Appeals.

While we believe that the pending lawsuits are unlikely to adversely affect the continued operation or potential expansion of the pipeline, we cannot assure this outcome. At this time, we cannot determine when or how these lawsuits will be resolved or the impact they may have on the Dakota Access project.

In addition, lawsuits and/or regulatory proceedings or actions of this or a similar nature could result in interruptions to construction or operations of current or future projects, delays in completing those projects and/or increased project costs, all of which could have an adverse effect on our business and results of operations.

ITEM 6. EXHIBITS

The exhibits listed below are filed or furnished, as indicated, as part of this report:

Exhibit Number	Description
3.1	Certificate of Limited Partnership of Energy Transfer Equity, L.P. (incorporated by reference to Exhibit 3.2 of Form S-1, File No. 333-128097, filed September 2, 2005)
3.2	Certificate of Amendment of Certificate of Limited Partnership of Energy Transfer Equity, L.P., dated as of October 19, 2018 (incorporated by reference to Exhibit 3.1 of Form 8-K, File No. 1-32740, filed October 19, 2018)
3.3	Third Amended Restated Agreement of Limited Partnership of Energy Transfer Equity, L.P., dated February 8, 2006 (incorporated by reference to Exhibit 3.1 of Form 8-K, File No. 1-32740, filed February 14, 2006)
3.4	Amendment No. 1 to Third Amended and Restated Agreement of Limited Partnership of Energy Transfer Equity, L.P. dated November 1, 2006 (incorporated by reference to Exhibit 3.3.1 of Form 10-K, File No. 1-32740, filed November 29, 2006)
3.5	Amendment No. 2 to Third Amended and Restated Agreement of Limited Partnership of Energy Transfer Equity, L.P., dated November 9, 2007 (incorporated by reference to Exhibit 3.3.2 of Form 8-K, File No. 1-32740, filed November 13, 2007)
3.6	Amendment No. 3 to Third Amended and Restated Agreement of Limited Partnership of Energy Transfer Equity, L.P., dated May 26, 2010 (incorporated by reference to Exhibit 3.1 of Form 8-K, File No. 1-32740, filed June 2, 2010)
3.7	Amendment No. 4 to Third Amended and Restated Agreement of Limited Partnership of Energy Transfer Equity, L.P., dated December 23, 2013 (incorporated by reference to Exhibit 3.1 of Form 8-K, File No. 1-32740, filed December 27, 2013)
3.8	Amendment No. 5 to Third Amended and Restated Agreement of Limited Partnership of Energy Transfer Equity, L.P., dated March 8, 2016 (incorporated by reference to Exhibit 3.1 of Form 8-K, File No. 1-32740, filed March 9, 2016)
3.9	Amendment No. 6 to Third Amended and Restated Agreement of Limited Partnership of Energy Transfer Equity, L.P., dated as of October 19, 2018 (incorporated by reference to Exhibit 3.9 of Form 10-Q, File No. 1-32740, filed November 8, 2018)
3.10	Amendment No. 7 to Third Amended and Restated Agreement of Limited Partnership of Energy Transfer LP dated as of August 6, 2019 (incorporated by reference to Exhibit 3.10 of Form 10-Q, File No. 1-32740, filed August 8, 2019)
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934 pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) our Consolidated Balance Sheets as of September 30, 2020 and December 31, 2019; (ii) our Consolidated Statements of Operations for the three and nine months ended September 30, 2020 and 2019; (iii) our Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2020 and 2019; (iv) our Consolidated Statements of Partners' Capital for the three and nine months ended September 30, 2020 and 2019; (v) our Consolidated Statements of Cash Flows for the nine months ended September 30, 2020 and 2019; and (vi) the notes to our Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)
*	Filed herewith.
**	Furnished herewith.

SIGNATURE

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 thereunto duly authorized.

ENERGY TRANSFER LP

By: LE GP, LLC, its general partner

Date: November 5, 2020

By: /s/ A. Troy Sturrock

A. Troy Sturrock

Senior Vice President, Controller and Principal Accounting Officer (duly authorized to sign on behalf of the registrant)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Kelcy L. Warren, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Energy Transfer LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 5, 2020

/s/ Kelcy L. Warren
Kelcy L. Warren
Chief Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas E. Long, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Energy Transfer LP;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: November 5, 2020

/s/ Thomas E. Long

Thomas E. Long
Chief Financial Officer

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Energy Transfer LP (the "Partnership") on Form 10-Q for the quarter ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kelcy L. Warren, Chief Executive Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: November 5, 2020

/s/ Kelcy L. Warren

Kelcy L. Warren
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to and will be retained by Energy Transfer LP and furnished to the Securities and Exchange Commission upon request.

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Energy Transfer LP (the "Partnership") on Form 10-Q for the quarter ended September 30, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas E. Long, Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Partnership.

Date: November 5, 2020

/s/ Thomas E. Long

Thomas E. Long
Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to and will be retained by Energy Transfer LP and furnished to the Securities and Exchange Commission upon request.