

BUCKEYE PARTNERS, L.P.

Form 10-Q/A

August 26, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q/A  
(Amendment No. 1)**

(Mark One)

**Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the quarterly period ended March 31, 2010**

**OR**

**Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 1-9356  
Buckeye Partners, L.P.**

**(Exact name of registrant as specified in its charter)**

**Delaware**

**23-2432497**

(State or other jurisdiction of  
incorporation or organization)

(IRS Employer  
Identification number)

**One Greenway Plaza  
Suite 600  
Houston, TX**

**77046**

(Address of principal executive offices)

(Zip Code)

**Registrant's telephone number, including area code: (832) 615-8600**

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting  
company

(Do not check if a smaller  
reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No   
Limited partner units outstanding as of May 3, 2010: 51,501,265



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**EXPLANATORY NOTE**

Buckeye Partners, L.P. ( Buckeye ) is filing this Amendment No. 1 on Form 10-Q/A ( Amendment No. 1 ) to amend Part I, Item 2 and Part II, Item 6 of its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2010, originally filed with the Securities and Exchange Commission on May 7, 2010 (the Original Quarterly Report ). Buckeye is filing Amendment No. 1 for the sole purpose of removing certain credit agency ratings information in the Original Quarterly Report.

As required by Rule 12b-15 of the Securities and Exchange Act of 1934, as amended, Buckeye is also filing as exhibits to Amendment No. 1 the certifications required under Section 302 of the Sarbanes-Oxley Act of 2002.

Except for the foregoing, Amendment No. 1 neither alters the Original Quarterly Report nor updates the Original Quarterly Report to reflect events or developments since the date of filing of the Original Quarterly Report.

For the convenience of the reader, this Amendment No. 1 restates in its entirety the section Management s Discussion and Analysis of Financial Condition and Results of Operations from the Original Quarterly Report, although Buckeye is only removing certain credit agency ratings information.

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**PART I. FINANCIAL INFORMATION**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following information should be read in conjunction with our unaudited condensed consolidated financial statements and accompanying notes included in this report. The following information and such unaudited condensed consolidated financial statements should also be read in conjunction with the consolidated financial statements and related notes, together with our discussion and analysis of financial condition and results of operations included in our Annual Report on Form 10-K for the year ended December 31, 2009.

Our consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ( GAAP ).

**Cautionary Note Regarding Forward-Looking Statements**

*This discussion contains various forward-looking statements and information that are based on our beliefs, as well as assumptions made by us and information currently available to us. When used in this document, words such as proposed, anticipate, project, potential, could, should, continue, estimate, expect, may, believe, will, plan, seek, outlook and similar expressions and statements regarding our plans and objectives for future operations are intended to identify forward-looking statements. Although we believe that such expectations reflected in such forward-looking statements are reasonable, we cannot give any assurances that such expectations will prove to be correct. Such statements are subject to a variety of risks, uncertainties and assumptions as described in more detail in Item 1A Risk Factors included in our Annual Report on Form 10-K for the year ended December 31, 2009. 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. You should not put undue reliance on any forward-looking statements. The forward-looking statements in this Quarterly Report speak only as of the date hereof. Except as required by federal and state securities laws, we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or any other reason.*

**Overview of Critical Accounting Policies and Estimates**

A summary of the significant accounting policies we have adopted and followed in the preparation of our condensed consolidated financial statements is included in our Annual Report on Form 10-K for the year ended December 31, 2009. Certain of these accounting policies require the use of estimates. As more fully described therein, the following estimates, in our opinion, are subjective in nature, require the exercise of judgment and involve complex analysis: depreciation methods, estimated useful lives and disposals of property, plant and equipment; reserves for environmental matters; fair value of derivatives; measuring the fair value of goodwill; and measuring recoverability of long-lived assets and equity method investments. These estimates are based on our knowledge and understanding of current conditions and actions we may take in the future. Changes in these estimates will occur as a result of the passage of time and the occurrence of future events. Subsequent changes in these estimates may have a significant impact on our financial position, results of operations and cash flows.

**Overview of Business**

Buckeye Partners, L.P. is a publicly traded Delaware master limited partnership ( MLP ), the limited partner units ( LP Units ) of which are listed on the New York Stock Exchange ( NYSE ) under the ticker symbol BPL. Unless the context requires otherwise, references to *we*, *us*, *our*, and *Buckeye* mean Buckeye Partners, L.P. and, where the context requires, include our subsidiaries.

Buckeye GP LLC ( Buckeye GP ) is our general partner. Buckeye GP is a wholly owned subsidiary of Buckeye GP Holdings L.P. ( BGH ), a Delaware MLP that is also publicly traded on the NYSE under the ticker symbol BGH.

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Our primary business strategies are to generate stable cash flows, increase pipeline and terminal throughput and pursue strategic cash-flow accretive acquisitions that complement our existing asset base, improve operating efficiencies and allow increased cash distributions to our unitholders.

We operate and report in five business segments: Pipeline Operations; Terminalling & Storage; Natural Gas Storage; Energy Services; and Development & Logistics. Our principal line of business is the transportation, terminalling, storage and marketing of refined petroleum products in the United States for major integrated oil companies, large refined petroleum product marketing companies and major end users of refined petroleum products on a fee basis through facilities we own and operate. We own a major natural gas storage facility in northern California. In addition, we operate and maintain approximately 2,400 miles of other pipelines under agreements with major oil and gas, petrochemical and chemical companies, and perform certain engineering and construction management services for third parties.

**Recent Developments**

***Sale of Buckeye NGL Pipeline***

Effective January 1, 2010, we sold our ownership interest in an approximately 350-mile natural gas liquids pipeline (the Buckeye NGL Pipeline ) that runs from Wattenberg, Colorado to Bushton, Kansas for \$22.0 million. The assets had been classified as Assets held for sale in our consolidated balance sheet at December 31, 2009 with a carrying amount equal to the proceeds received.

**Results of Operations**

***Adjusted EBITDA***

In the first quarter of 2010, we revised our internal management reports provided to senior management, including the Chief Executive Officer, to redefine adjusted earnings before interest, taxes and depreciation and amortization ( Adjusted EBITDA ) to now exclude non-cash unit-based compensation expense. We believe this revised measure provides an improved means by which to gauge our performance and increases comparability to similar measures used by other companies.

Adjusted EBITDA is the primary measure used by senior management to evaluate our operating results and to allocate our resources. We define EBITDA, a measure not defined under GAAP, as net income attributable to our unitholders before interest expense, income taxes and depreciation and amortization. EBITDA should not be considered an alternative to net income, operating income, cash flow from operations or any other measure of financial performance presented in accordance with GAAP. The EBITDA measure eliminates the significant level of non-cash depreciation and amortization expense that results from the capital-intensive nature of our businesses and from intangible assets recognized in business combinations. In addition, EBITDA is unaffected by our capital structure due to the elimination of interest expense and income taxes. We define Adjusted EBITDA, which is also a non-GAAP measure, as EBITDA plus: (i) non-cash deferred lease expense, which is the difference between the estimated annual land lease expense for our natural gas storage facility in the Natural Gas Storage segment to be recorded under GAAP and the actual cash to be paid for such annual land lease, and (ii) non-cash unit-based compensation expense.

The EBITDA and Adjusted EBITDA data presented may not be comparable to similarly titled measures at other companies because EBITDA and Adjusted EBITDA exclude some items that affect net income attributable to our unitholders, and these items may vary among other companies. Our senior management uses Adjusted EBITDA to evaluate consolidated operating performance and the operating performance of the business segments and to allocate resources and capital to the business segments. In addition, our senior management uses Adjusted EBITDA as a performance measure to evaluate the viability of proposed projects and to determine overall rates of return on alternative investment opportunities.

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We believe that investors benefit from having access to the same financial measures that we use. Further, we believe that these measures are useful to investors because they are one of the bases for comparing our operating performance with that of other companies with similar operations, although our measures may not be directly comparable to similar measures used by other companies.

The following table presents Adjusted EBITDA by segment and on a consolidated basis for the periods indicated, and a reconciliation of EBITDA and Adjusted EBITDA to net income attributable to our unitholders, which is the most comparable GAAP financial measure (in thousands).

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<i>Adjusted EBITDA:</i>		
Pipeline Operations	\$ 57,817	\$ 55,868
Terminalling & Storage	26,201	12,841
Natural Gas Storage	6,469	8,963
Energy Services	(1,541)	7,485
Development & Logistics	1,136	1,537
 Total Adjusted EBITDA	 \$ 90,082	 \$ 86,694
 <i>GAAP Reconciliation:</i>		
Net income	\$ 52,278	\$ 55,120
Less: net income attributable to noncontrolling interests	(1,765)	(1,360)
 Net income attributable to Buckeye Partners, L.P. unitholders	 50,513	 53,760
Interest and debt expense	21,549	17,176
Income tax (benefit) expense	(18)	65
Depreciation and amortization	15,644	14,480
 EBITDA	 87,688	 85,481
Non-cash deferred lease expense	1,059	1,125
Non-cash unit-based compensation expense	1,335	88
 Adjusted EBITDA	 \$ 90,082	 \$ 86,694



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A summary of financial information by business segment follows for the periods indicated (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<i>Revenues:</i>		
Pipeline Operations	\$ 96,537	\$ 99,195
Terminalling & Storage	42,371	30,643
Natural Gas Storage	25,406	15,077
Energy Services	568,202	268,480
Development & Logistics	7,515	9,125
Intersegment	(8,857)	(5,680)
<b>Total revenues</b>	<b>\$ 731,174</b>	<b>\$ 416,840</b>
 <i>Total costs and expenses: (1)</i>		
Pipeline Operations	\$ 50,565	\$ 54,279
Terminalling & Storage	18,905	19,650
Natural Gas Storage	21,851	8,839
Energy Services	571,278	262,068
Development & Logistics	6,412	7,581
Intersegment	(8,857)	(5,680)
<b>Total costs and expenses</b>	<b>\$ 660,154</b>	<b>\$ 346,737</b>
 <i>Depreciation and amortization:</i>		
Pipeline Operations	\$ 9,641	\$ 9,577
Terminalling & Storage	2,494	1,866
Natural Gas Storage	1,767	1,581
Energy Services	1,287	1,059
Development & Logistics	455	397
<b>Total depreciation and amortization</b>	<b>\$ 15,644</b>	<b>\$ 14,480</b>
 <i>Operating income (loss):</i>		
Pipeline Operations	\$ 45,972	\$ 44,916
Terminalling & Storage	23,466	10,993
Natural Gas Storage	3,555	6,238
Energy Services	(3,076)	6,412
Development & Logistics	1,103	1,544
<b>Total operating income</b>	<b>\$ 71,020</b>	<b>\$ 70,103</b>

(1)

Includes  
depreciation and  
amortization.

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The following table presents product volumes transported in the Pipeline Operations segment and average daily throughput for the Terminalling & Storage segment in barrels per day and total volumes sold in gallons for the Energy Services segment for the periods indicated:

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Pipeline Operations:</b> (average barrels per day)		
Gasoline	608,900	632,400
Jet fuel	322,300	333,300
Diesel fuel	227,500	222,000
Heating oil	113,900	131,100
LPGs	20,500	14,400
NGLs		21,300
Other products	800	13,400
 Total Pipeline Operations	 1,293,900	 1,367,900
 <b>Terminalling &amp; Storage:</b> (average barrels per day)		
Products throughput (1)	556,300	480,800
 <b>Energy Services:</b> (in thousands of gallons)		
Sales volumes	266,900	205,200

- (1) Reported quantities exclude transfer volumes, which are non-revenue generating transfers among our various terminals. For the three months ended March 31, 2009, we previously reported 521.0 thousand, which included transfer volumes.

***Three Months Ended March 31, 2010 Compared to Three Months Ended March 31, 2009***  
*Consolidated*

Adjusted EBITDA increased by \$3.4 million, or 3.9%, to \$90.1 million in the three months ended March 31, 2010 from \$86.7 million in the corresponding period in 2009. The Terminalling & Storage segment and the Pipeline

Operations segment were primarily responsible for this increase in Adjusted EBITDA. The Terminalling & Storage segment's Adjusted EBITDA increased by \$13.4 million in the three months ended March 31, 2010 as compared to the corresponding period in 2009, driven primarily by growth in fees, storage and rental revenues, the contribution from terminals acquired in November 2009 (see Note 2 in the Notes to Unaudited Condensed Consolidated Financial Statements), favorable settlement experience and lower operating expenses. The Pipeline Operations segment's Adjusted EBITDA increased by \$1.9 million in the three months ended March 31, 2010 as compared to the corresponding period in 2009, primarily due to increased tariffs, favorable settlement experience and lower overall operating expenses, which more than offset the impact of lower volumes transported during the three months ended March 31, 2010 compared to the corresponding period in 2009. The Energy Services segment's Adjusted EBITDA decreased by \$9.0 million in the three months ended March 31, 2010 as compared to the corresponding period in 2009 as a result of lower margins realized on products sold as a result of weakened market conditions during the three months ended March 31, 2010, partially offset by increased volumes of product sold. The Natural Gas Storage segment's Adjusted EBITDA decreased by \$2.5 million in the three months ended March 31, 2010 as compared to the corresponding period in 2009 as a result of general market conditions, which led to increased hub service expense transactions partially offset by increased hub service revenue transactions. The Development & Logistics segment's Adjusted EBITDA decreased by \$0.4 million in the three months ended March 31, 2010 as compared to the corresponding period in 2009 as a result of reduced operating services and construction revenues. Further contributing to the increase in Adjusted EBITDA was the continued effectiveness of cost control measures we implemented in 2009. Largely as a result of these efforts, costs decreased by approximately \$4.6 million during the three months ended March 31, 2010 as compared to the corresponding period in 2009. Income from equity investments increased by \$0.6 million in the three months ended March 31, 2010 as compared to the corresponding

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period in 2009. The revenue and expense factors affecting the variance in consolidated Adjusted EBITDA are more fully discussed below.

Revenue was \$731.1 million for the three months ended March 31, 2010, which is an increase of \$314.3 million, or 75.4%, from the three months ended March 31, 2009. This overall increase was caused primarily by an increase of \$299.7 million in revenues from the Energy Services segment, an increase of \$11.8 million in revenues from the Terminalling & Storage segment and an increase of \$10.3 million in revenues from the Natural Gas Storage segment. The increase in revenues in the Energy Services segment resulted from an overall increase in refined petroleum product prices and volumes of product sold in the first quarter of 2010 as compared to the corresponding period in 2009. The increase in revenues in the Terminalling & Storage segment resulted primarily from increased fees, storage and rental revenue, including \$1.7 million in storage fees from previously underutilized tankage identified in connection with our best-practice initiatives, increased revenue from terminals acquired in November 2009 and favorable settlement experience. The increase in revenues from the Natural Gas Storage segment resulted from increased activity from the commencement of operations of the Kirby Hills Phase II expansion project in June 2009. These increases in revenue were partially offset by a decrease of \$2.7 million in revenues from the Pipeline Operations segment and a decrease of \$1.6 million in revenue from the Development & Logistics segment. Revenue decreased in the Pipeline Operations segment primarily due to lower transportation volumes and lower miscellaneous revenues, partially offset by increased tariffs, favorable settlement experience and increased revenues from the pipeline assets acquired in November 2009. Revenue decreased in the Development & Logistics segment primarily due to decreased construction activities.

Total costs and expenses were \$660.2 million for the three months ended March 31, 2010, which is an increase of \$313.5 million, or 90.4%, from the corresponding period in 2009. Total costs and expenses reflect an increase in refined petroleum product prices, which, coupled with an increase in volume sold, resulted in a \$309.9 million increase in the Energy Services segment's cost of product sales in the 2010 period as compared to the 2009 period. Total costs and expenses also reflect an increase of \$13.1 million in the Natural Gas Storage segment's costs and expenses resulting from higher costs associated with hub services transactions caused by general market conditions. Total costs and expenses also include an increase of \$1.1 million in depreciation and amortization and an increase of \$1.2 million in non-cash unit-based compensation expense, which are not components of Adjusted EBITDA as presented in the reconciliation above. These increases in total costs and expenses were largely offset by decreases of \$3.7 million, \$1.1 million and \$0.8 million in the costs and expenses of the Pipeline Operations segment, the Development & Logistics segment and the Terminalling & Storage segment, respectively. The decrease in the costs and expenses of the Pipeline Operations segment was driven by lower payroll and benefits costs, which was primarily attributable to the organizational restructuring that occurred in 2009, which resulted in reduced headcount, as well as from lower contract service activities and lower environmental remediation expenses. The decrease in the costs and expenses of the Development & Logistics segment was primarily due to reduced construction contract activity and reduced operating services activities. The decrease in the costs and expenses of the Terminalling & Storage segment primarily resulted from lower environmental remediation expenses. Total costs and expenses for the three months ended March 31, 2010 reflect the effectiveness of cost management efforts we implemented in 2009.

Consolidated net income attributable to our unitholders was \$50.5 million for the three months ended March 31, 2010 compared to \$53.8 million for the three months ended March 31, 2009. Interest and debt expense increased by \$4.3 million in the three months ended March 31, 2010 as compared to the corresponding period in 2009, which was largely attributable to the issuance in August 2009 of \$275.0 million aggregate principal amount of 5.500% Notes due 2019. In addition, depreciation and amortization increased by \$1.1 million, primarily due to the assets utilized with respect to the Kirby Hills Phase II expansion project, which were placed in service in the second half of 2009, and certain internal-use software, which was placed in service in the fourth quarter of 2009.

For a more detailed discussion of the above factors affecting our results, see the following discussion by segment.

*Pipeline Operations*

Adjusted EBITDA from the Pipeline Operations segment of \$57.8 million in the three months ended March 31, 2010 increased by \$1.9 million, or 3.5%, from \$55.9 million in the corresponding period in 2009. The increase in



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Adjusted EBITDA was driven primarily by the benefit of higher tariffs of \$2.5 million, favorable settlement experience of \$2.0 million and increased revenues of \$0.6 million from pipeline assets acquired in November 2009. The Pipeline Operations segment's improved Adjusted EBITDA was also due to a \$0.6 million increase in income from equity investments and a \$2.6 million decrease in operating expenses. These increases in Adjusted EBITDA were partially offset by a decrease of \$4.8 million in transportation revenues resulting from lower volumes transported in the three months ended March 31, 2010 compared with the corresponding period in 2009 and lower volumes resulting from the sale of Buckeye NGL Pipeline on January 1, 2010 (see Note 2 in the Notes to Unaudited Condensed Consolidated Financial Statements) and a \$3.1 million decrease in miscellaneous other revenue. The revenue and expense factors affecting the variance in Adjusted EBITDA are more fully discussed below.

Revenue from the Pipeline Operations segment was \$96.5 million in the three months ended March 31, 2010, which is a decrease of \$2.7 million, or 2.7%, from the corresponding period in 2009. Revenues decreased primarily due to a \$4.8 million decrease related to a 5.4% decrease in transportation volumes due in part to the sale of Buckeye NGL Pipeline on January 1, 2010 and a \$3.1 million decrease in miscellaneous other revenue, including revenues from a product supply arrangement with a wholesale distributor and contract service activities at customer facilities connected to our refined petroleum products pipelines. These decreases were partially offset by higher tariffs of \$2.5 million, favorable settlement experience of \$2.0 million and increased revenues of \$0.6 million from the pipeline assets acquired in November 2009. An overall average tariff increase of approximately 3.8% was implemented on July 1, 2009.

Total costs and expenses from the Pipeline Operations segment were \$50.6 million for the three months ended March 31, 2010, which is a decrease of \$3.7 million, or 6.8%, from the corresponding period in 2009. Total costs and expenses include decreases in (i) payroll and benefits costs of \$2.2 million, pursuant to our best-practice initiative in 2009; (ii) contract service activities of \$1.1 million at customer facilities connected to our refined petroleum products pipelines; (iii) environmental remediation expenses of \$1.5 million and (iv) product costs of \$0.4 million as a result of reduced volumes of product sold to a wholesale distributor. These decreases were partially offset by an increase of \$0.4 million in professional fees, as well as increases in other expenses, primarily consisting of an increase of \$0.6 million in bad debt expense. Total costs and expenses also include an increase of \$0.7 million in non-cash unit-based compensation expense, which is not a component of Adjusted EBITDA as presented in the reconciliation above.

Operating income from the Pipeline Operations segment was \$46.0 million for the three months ended March 31, 2010 compared to operating income of \$44.9 million for the three months ended March 31, 2009. Depreciation and amortization of \$9.6 million for the three months ended March 31, 2010 was consistent with the corresponding period in 2009. Other revenue and expense items impacting operating income are discussed above.

*Terminalling & Storage*

Adjusted EBITDA from the Terminalling & Storage segment of \$26.2 million in the three months ended March 31, 2010 increased by \$13.4 million, or 104.0%, from \$12.8 million in the corresponding period in 2009. The increase in Adjusted EBITDA reflects an increase of \$10.6 million primarily from terminals acquired in November 2009, internal growth projects, higher fees, storage, rental and other service revenue and increased settlement experience and a \$2.3 million decrease in operating expenses. In addition to the 10.5% increase in volumes resulting from the acquisition of terminals in November 2009, terminalling volumes increased 5.2% in the three months ended March 31, 2010 as compared to the corresponding period in 2009 largely due increased ethanol throughput volumes. The revenue and expense factors affecting the variance in Adjusted EBITDA are more fully discussed below.

Revenue from the Terminalling & Storage segment was \$42.4 million in the three months ended March 31, 2010, which is an increase of \$11.8 million, or 38.3%, from the corresponding period in 2009. The majority of the increase resulted from an increase of \$10.9 million, primarily from (i) terminals acquired in November 2009, (ii) internal growth projects, (iii) higher fees, as well as higher storage and rental revenue of \$3.5 million, including \$1.7 million in storage fees from previously underutilized tankage identified in connection with our best-practice initiatives and (iv) increased butane-blending revenue. Also contributing to the improved revenue was an increase of \$0.9 million in settlement experience reflecting the favorable impact of higher refined petroleum product prices during the three months ended March 31, 2010 as compared to the corresponding period in 2009. In addition to the 10.5% increase in

volumes resulting from the acquisition of terminals in November 2009, terminalling volumes increased 5.2% in the three months ended March 31, 2010 as compared to the corresponding period in 2009 largely due to increased ethanol throughput volumes.



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Total costs and expenses from the Terminalling & Storage segment were \$18.9 million for the three months ended March 31, 2010, which is a decrease of \$0.8 million, or 3.8%, from the corresponding period in 2009. Total costs and expenses reflect a \$2.4 million decrease in environmental remediation expenses and a decrease in payroll and benefits costs of approximately \$0.6 million, partially offset by a \$1.0 million increase in operating expenses for terminals acquired in November 2009 and a \$0.6 million increase in bad debt expense. Total costs and expenses also include an increase of \$0.6 million in depreciation and amortization and an increase of \$0.2 million in non-cash unit-based compensation expense, which are not components of Adjusted EBITDA as presented in the reconciliation above.

Operating income from the Terminalling & Storage segment was \$23.5 million for the three months ended March 31, 2010 compared to operating income of \$11.0 million for the three months ended March 31, 2009. Depreciation and amortization increased by \$0.6 million for the three months ended March 31, 2010 as a result of the terminals acquired in November 2009. Other revenue and expense items impacting operating income are discussed above.

*Natural Gas Storage*

Adjusted EBITDA from the Natural Gas Storage segment of \$6.5 million in the three months ended March 31, 2010 decreased by \$2.5 million, or 27.8%, from \$9.0 million in the corresponding period in 2009. The decrease in Adjusted EBITDA was primarily a result of a \$3.9 million decrease in the net contribution from hub service activities during the three months ended March 31, 2010, partially offset by increased lease revenues of \$1.5 million. The increase in lease revenues was the result of increased storage capacity from the commissioning of the Kirby Hills Phase II expansion project, which was placed in service in June 2009, partially offset by a decrease in the fee charged for each volumetric unit of storage capacity leased. The revenue and expense factors affecting the variance in Adjusted EBITDA are more fully discussed below.

Revenue from the Natural Gas Storage segment was \$25.4 million in the three months ended March 31, 2010, which is an increase of \$10.3 million, or 68.5%, from the corresponding period in 2009. This overall increase is attributable to greater underlying volume for hub services provided during the three months ended March 31, 2010 compared to the same period in 2009. In addition, this increase is due to higher fees recognized as revenue for hub services provided during the three months ended March 31, 2010. The fees for hub services agreements are based on the relative market prices of natural gas over different delivery periods. When that market price spread is positive, a fee is received from the customer and reflected as transportation and other services revenue. When that market price spread is negative, a fee is paid to the customer and reflected as cost of natural gas storage services. These fees are recognized as revenue or cost of natural gas storage services ratably as the underlying services are provided or utilized. Such agreements are entered into in order to maximize the daily utilization of the natural gas storage facility and to attempt to capture value from seasonal price differences in the natural gas markets. During each respective period, there were 155 outstanding hub service contracts for which revenue was being recognized ratably. Market conditions contributed to higher fees for hub service agreements recognized as revenue during the three months ended March 31, 2010 compared to the same period in 2009. In addition, lease revenue increased \$1.5 million in the three months ended March 31, 2010, as storage capacity increased from the commissioning of the Kirby Hills Phase II expansion project, which was placed in service in June 2009, partially offset by a decrease in the fee charged for each volumetric unit of storage capacity leased.

Total costs and expenses from the Natural Gas Storage segment were \$21.9 million for the three months ended March 31, 2010, which is an increase of \$13.1 million, or 147.2%, from the corresponding period in 2009. The primary driver of the increase in expenses is an increase in hub services fees paid to customers for hub service activities. As stated above, hub service fees are based on the relative market prices of natural gas over different delivery periods; when that market price spread is negative, a fee is paid to the customer, which is reflected as cost of natural gas storage services ratably as those services are provided. Total costs and expenses also include an increase of \$0.2 million in depreciation and amortization and an increase of \$0.1 million in non-cash unit-based compensation expense, which are not components of Adjusted EBITDA as presented in the reconciliation above.

Operating income from the Natural Gas Storage segment was \$3.5 million for the three months ended March 31, 2010 compared to operating income of \$6.3 million for the three months ended March 31, 2009. Depreciation and amortization increased by \$0.2 million in the 2010 period from the corresponding period in 2009



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due to depreciation expense on the assets utilized with respect to the Kirby Hills Phase II expansion project, which were placed in service in the second half of 2009. Other revenue and expense items impacting operating income are discussed above.

*Energy Services*

Adjusted EBITDA from the Energy Services segment, which was a loss of \$1.5 million, decreased during the three months ended March 31, 2010 by \$9.0 million, or 120.6%, from income of \$7.5 million in the corresponding period in 2009. This decrease in Adjusted EBITDA was a result of the withdrawal of product from inventory as the market conditions changed and commodity prices were no longer in contango. The increase in product supply from inventory liquidation, coupled with lower overall product demand, created additional pressure on margins, which was partially offset by a 30.1% increase in sales volume. The revenue and expense factors affecting the variance in Adjusted EBITDA are more fully discussed below.

Revenue from the Energy Services segment was \$568.2 million in the three months ended March 31, 2010, which is an increase of \$299.7 million, or 111.6%, from the corresponding period in 2009. This increase was primarily due to an increase in refined petroleum product prices, which correspondingly increases the cost of products sales, and an increase of 30.1% in sales volumes.

Total costs and expenses from the Energy Services segment were \$571.3 million for the three months ended March 31, 2010, which is an increase of \$309.2 million, or 118.0%, from the corresponding period in 2009. The increase in total costs and expenses was primarily due to an increase of \$309.9 million in cost of product sales as a result of increased volumes and an increase in refined petroleum product prices and an increase of \$0.5 million in bad debt expense. Total costs and expenses also include an increase of \$0.2 million in depreciation and amortization and an increase of \$0.2 million in non-cash unit-based compensation expense, which are not components of Adjusted EBITDA as presented in the reconciliation above.

Operating loss from the Energy Services segment was \$3.1 million for the three months ended March 31, 2010 compared to operating income of \$6.4 million for the three months ended March 31, 2009. Depreciation and amortization increased by \$0.2 million for the 2010 period from the corresponding period in 2009 due to amortization of certain internal-use software that was placed in service in the fourth quarter of 2009. Other revenue and expense items impacting operating income (loss) are discussed above.

*Development & Logistics*

Adjusted EBITDA from the Development & Logistics segment of \$1.1 million in the three months ended March 31, 2010 decreased by \$0.4 million, or 26.1%, from \$1.5 million in the corresponding period in 2009. The revenue and expense factors affecting the variance in Adjusted EBITDA are more fully discussed below.

Revenue from the Development & Logistics segment, which consists principally of our contract operations and engineering services for third-party pipelines, was \$7.5 million in the three months ended March 31, 2010, which is a decrease of \$1.6 million, or 17.6%, from the corresponding period in 2009. The decrease was primarily due to the completion and non-replacement of construction projects in 2009, resulting in a \$1.5 million reduction in certain construction contract revenues. The decrease was also partially the result of a \$0.2 million reduction in operating services primarily related to the non-renewal of an operating lease contract that expired in 2009.

Total costs and expenses from the Development & Logistics segment were \$6.4 million for the three months ended March 31, 2010, which is a decrease of \$1.1 million, or 15.4%, from the corresponding period in 2009. The decrease was the result of the reduced construction contract activity and reduced operating services activities discussed above.

Operating income from the Development & Logistics segment was \$1.1 million for the three months ended March 31, 2010 compared to operating income of \$1.5 million for the three months ended March 31, 2009. Depreciation and amortization of \$0.4 million for the three months ended March 31, 2010 was relatively consistent with the corresponding period in 2009, and income taxes decreased by \$0.1 million for the three months ended

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March 31, 2010 due to lower earnings. Other revenue and expense items impacting operating income are discussed above.

**Liquidity and Capital Resources*****General***

Our primary cash requirements, in addition to normal operating expenses and debt service, are for working capital, capital expenditures, business acquisitions and distributions to partners. Our principal sources of liquidity are cash from operations, borrowings under our unsecured revolving credit agreement (the Credit Facility) and proceeds from the issuance of our LP Units. We will, from time to time, issue debt securities to permanently finance amounts borrowed under the Credit Facility. Buckeye Energy Services LLC (BES) funds its working capital needs principally from its operations and a secured credit facility (the BES Credit Agreement). Our financial policy has been to fund sustaining capital expenditures with cash from operations. Expansion and cost improvement capital expenditures, along with acquisitions, have typically been funded from external sources including the Credit Facility as well as debt and equity offerings. Our goal has been to fund at least half of these expenditures with proceeds from equity offerings in order to maintain our investment-grade credit rating.

As a result of our actions to minimize external financing requirements and the fact that no debt facilities mature prior to 2011, we believe that availabilities under our credit facilities, coupled with ongoing cash flows from operations, will be sufficient to fund our operations for the remainder of 2010. We will continue to evaluate a variety of financing sources, including the debt and equity markets described above, throughout 2010. However, continuing volatility in the debt and equity markets will make the timing and cost of any such potential financing uncertain.

At March 31, 2010, we had \$16.5 million of cash and cash equivalents on hand and approximately \$413.0 million of available credit under the Credit Facility, after application of the facility's funded debt ratio covenant. In addition, at March 31, 2010, BES had \$40.5 million of available credit under the BES Credit Agreement, pursuant to certain borrowing base calculations under that agreement.

At March 31, 2010, we had an aggregate face amount of \$1,628.5 million of debt, which consisted of the following:

\$300.0 million of 4.625% Notes due 2013 (the 4.625% Notes);

\$275.0 million of 5.300% Notes due 2014 (the 5.300% Notes);

\$125.0 million of 5.125% Notes due 2017 (the 5.125% Notes);

\$300.0 million of 6.050% Notes due 2018 (the 6.050% Notes);

\$275.0 million of 5.500% Notes due 2019 (the 5.500% Notes);

\$150.0 million of 6.750% Notes due 2033 (the 6.750% Notes);

\$20.0 million outstanding under our Credit Facility; and

\$183.5 million outstanding under the BES Credit Agreement.

See Note 10 in the Notes to Unaudited Condensed Consolidated Financial Statements for more information about the terms of the debt discussed above.

The fair values of our aggregate debt and credit facilities were estimated to be \$1,677.4 million and \$1,762.1 million at March 31, 2010 and December 31, 2009, respectively. The fair values of the fixed-rate debt were estimated by observing market trading prices and by comparing the historic market prices of our publicly-issued debt with the market prices of other MLPs' publicly-issued debt with similar credit ratings and terms. The fair values of our variable-rate debt are their carrying amounts, as the carrying amount reasonably approximates fair value due to the variability of the interest rates.



**Table of Contents*****Registration Statement***

We may issue equity or debt securities to assist us in meeting our liquidity and capital spending requirements. We have a universal shelf registration statement on file with the U.S. Securities and Exchange Commission ( SEC ) that would allow us to issue an unlimited amount of debt and equity securities for general partnership purposes.

***Cash Flows from Operating, Investing and Financing Activities***

The following table summarizes our cash flows from operating, investing and financing activities for the periods indicated (in thousands):

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2010</b>	<b>2009</b>
Cash provided by		
(used in):		
Operating		
activities	\$ 144,746	\$ 79,633
Investing activities	11,211	(21,018)
Financing		
activities	(174,049)	(100,196)

***Operating Activities***

Net cash flow provided by operating activities was \$144.7 million for the three months ended March 31, 2010 compared to \$79.6 million for the three months ended March 31, 2009. The following were the principal factors resulting in the \$65.1 million increase in net cash flows provided by operating activities:

The net change in fair values of derivatives was a decrease of \$19.2 million to cash flows from operating activities for the three months ended March 31, 2010, resulting from the increase in value related to fixed-price sales contracts compared to a lower level of opposite fluctuations in futures contracts purchased to hedge such fluctuations.

The net impact of working capital changes was an increase of \$90.3 million to cash flows from operating activities for the three months ended March 31, 2010. The principal factors affecting the working capital changes were:

- o Inventories decreased by \$73.7 million due to a decrease in volume of hedged inventory stored by the Energy Services segment. From time to time, the Energy Services segment stores hedged inventory to attempt to capture value when market conditions are economically favorable.
- o Trade receivables increased by \$10.4 million primarily due to increased activity from our Energy Services segment due to higher volumes and higher commodity prices in the 2010 period.
- o Prepaid and other current assets decreased by \$26.9 million primarily due to a decrease in margin deposits on futures contracts in our Energy Services segment as a result of increased commodity prices during the first quarter of 2010 (increased commodity prices result in an increase in our broker equity account and therefore less margin deposit is required), a decrease in unbilled revenue within our Natural Gas Storage segment reflecting billings to counterparties in accordance with terms of their storage agreements and a decrease in prepaid insurance due to continued amortization of the balance over the policy period.

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- o Accrued and other current liabilities increased by \$0.3 million primarily due to increases in unearned revenue primarily in the Natural Gas Storage segment as a result of increased hub services contracts during the first quarter of 2010 for which the customer is billed up front for services provided over the entire term of the contract, an increase in accrued property taxes for the Natural Gas Storage segment as a result of the Kirby Hills II expansion project and an increase in accrued excise taxes for the Energy Services segment due to higher revenues, largely offset by a reduction in accrued interest resulting from interest payments made during the three months ended March 31, 2010 and a reduction in the reorganization accrual.
- o Accounts payable decreased by \$3.0 million primarily due to lower payable balances at March 31, 2010 as a result of lower outside services and project work performed in the first quarter of 2010.
- o Construction and pipeline relocation receivables decreased by \$2.7 million primarily due to a decrease in construction activity in the 2010 period.

*Investing Activities*

Net cash flow provided by investing activities was \$11.2 million for the three months ended March 31, 2010 compared to net cash flow used in investing activities of \$21.0 million for the three months ended March 31, 2009. The following were the principal factors resulting in the \$32.2 million increase in net cash flows provided by investing activities:

Capital expenditures decreased by \$10.0 million for the three months ended March 31, 2010 compared with the three months ended March 31, 2009. See below for a discussion of capital spending.

Cash proceeds from the sale of the Buckeye NGL Pipeline were \$22.0 million during the three months ended March 31, 2010.

Capital expenditures are summarized below (net of non-cash changes in accruals for capital expenditures for the three months ended March 31, 2010 and 2009) for the periods indicated (in thousands):

	<b>Three Months Ended March 31,</b>	
	<b>2010</b>	<b>2009</b>
Sustaining capital expenditures	\$ 3,270	\$ 4,883
Expansion and cost reduction	7,693	16,093
Total capital expenditures	\$ 10,963	\$ 20,976

Expansion and cost reduction projects in the first quarter of 2010 included terminal ethanol and butane blending, new pipeline connections, natural gas well recompletions, continued progress on a new pipeline and terminal billing system as well as various other operating infrastructure projects. In the first quarter of 2009, expansion and cost reduction projects included the Kirby Hills Phase II expansion project, terminal ethanol and butane blending, the construction of three additional tanks with capacity of 0.4 million barrels in Linden, New Jersey and various other pipeline and terminal operating infrastructure projects.

We expect to spend approximately \$90.0 million to \$110.0 million for capital expenditures in 2010, of which approximately \$25.0 million to \$35.0 million is expected to relate to sustaining capital expenditures and \$65.0 million to \$75.0 million is expected to relate to expansion and cost reduction projects. Sustaining capital expenditures include renewals and replacement of pipeline sections, tank floors and tank roofs and upgrades to station and terminalling

equipment, field instrumentation and cathodic protection systems. Major expansion and cost reduction expenditures in 2010 will include the completion of additional product storage tanks in the Midwest, the construction of a 4.4 mile pipeline in central Connecticut to connect our pipeline in Connecticut to a third-party electric generation plant currently under construction, various terminal expansions and upgrades and pipeline and terminal automation projects.



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**PART II. OTHER INFORMATION**

**Item 6. Exhibits**

(a) Exhibits

- 10.1 Buckeye Partners, L.P. Annual Incentive Compensation Plan, as amended and restated, effective as of January 1, 2010 (Incorporated by reference to Exhibit 10.13 of Buckeye Partners, L.P.'s Annual Report on Form 10-K for the year ended December 31, 2009).
- \*31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14 (a) under the Securities Exchange Act of 1934.
- \*31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934.
- \*\*32.1 Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350.
- \*\*32.2 Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350.
- \* Filed herewith.
- \*\* Previously filed.

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**SIGNATURES**

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

By: BUCKEYE PARTNERS, L.P.  
(Registrant)

By: Buckeye GP LLC,  
as General Partner

Date: August 26, 2010

By: /s/ Keith E. St.Clair  
Keith E. St.Clair  
Senior Vice President and Chief  
Financial Officer  
*(Principal Accounting Officer and  
Principal Financial Officer)*