



REGENCY ENERGY PARTNERS

2011 ANNUAL REPORT





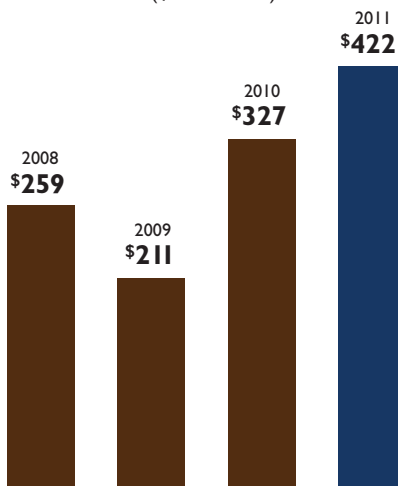
Regency Energy Partners LP (NYSE: RGP) is a growth-oriented master limited partnership engaged in the gathering and processing, contract compression, treating and transportation of natural gas, and the transportation, fractionation and storage of natural gas liquids.



Regency provides midstream services in several of the most prolific shale plays and rich gas producing formations in the United States, including the Eagle Ford, Haynesville, Barnett, Fayetteville and Marcellus shales, as well as the Permian/Bone Spring formation and mid-continent region. Regency's general partner is owned by Energy Transfer Equity, L.P. (NYSE: ETE).

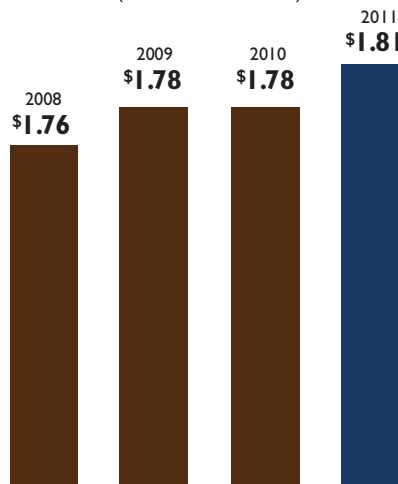
FINANCIAL HIGHLIGHTS

Adjusted EBITDA
(\$ in millions)

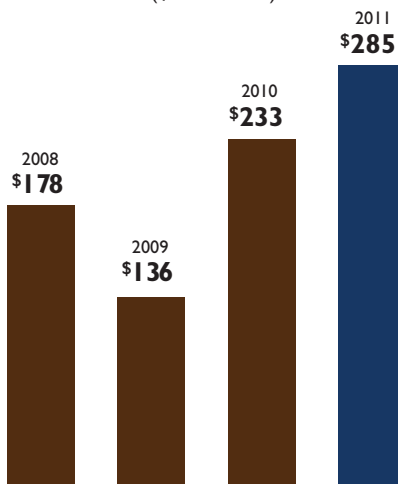


See reconciliation on page 14

Full-year Cash Distribution Paid
(Per Common Unit)



Cash Available for Distribution
(\$ in millions)



See reconciliation on page 14

UNITHOLDER LETTER

Regency's business diversity continues to set us apart. Regency has taken additional steps to establish our position as a comprehensive midstream service provider through strategic organic growth projects and acquisitions. By acquiring a new natural gas liquids platform and announcing several major expansion projects in 2011, we continue to broaden our footprint and expand our assets to extend our suite of service offerings.

Our acquisition of a 30 percent interest in the Lone Star Joint Venture in May 2011 added a significant natural gas liquids platform to our portfolio at a time when demand for NGL services has never been stronger, creating new expansion opportunities for several of our segments.

In addition, Regency invested more than \$400 million in organic growth projects in 2011, enhancing our position within key producing regions like the Eagle Ford Shale and the Permian/Bone Spring formation. To help fund this growth, we accessed the capital markets to raise nearly a billion dollars of capital.

This growth, along with a 20 percent increase in gathering and processing throughput year-over-year, contributed to improved financial performance, and our capital markets activity helped strengthen our balance sheet. Comparing full-year 2010 to full-year 2011, adjusted EBITDA increased 29 percent from \$327 million to \$422 million. Regency also increased our cash distribution per common unit to \$1.84 on an annualized basis.

Subsequent to our acquisition of an interest in the Lone Star Joint Venture, Lone Star announced plans to construct the West Texas Gateway NGL Pipeline to provide NGL capacity from west Texas to Mont Belvieu, alleviating current takeaway constraints in the region. In addition, Lone Star is constructing two, new fractionators in Mont Belvieu to accommodate growing producer demand for fractionation capacity.

Regency is constructing a key expansion to our South Texas Gathering System. The Eagle Ford Expansion Project highlights our ability to provide customers with a comprehensive solution and will broaden our gathering and contract services platforms in the Eagle Ford Shale. Also in Texas, through the newly-formed Ranch Joint Venture, Regency will construct and operate a new cryogenic processing facility and a new refrigeration plant to process natural gas from the liquids-rich Permian/Bone Spring formation in west Texas.

Looking ahead, Regency is sitting on the strongest platform for organic growth we have ever had. We are well positioned in some of the major shale plays and basins in the United States and will continue to increase our scale



and business diversity. This will allow us to offer more comprehensive services to our customers.

Our goals are to continue increasing distributable cash flow and to achieve investment grade ratings. We expect our large slate of organic growth projects to provide strong returns as they come online over the next few years and, when combined with our current assets, position our business for more growth opportunities.

In 2012, we expect the greatest opportunities to come from the Eagle Ford Shale in south Texas and the Permian/Bone Spring formation in west Texas as producers continue targeting liquids-rich plays. Our gathering and processing and NGL logistics businesses have announced major growth in these liquids-rich regions, and our contract services businesses are beginning to see increased demand for compression, treating and condensate stabilization in these plays, as well as in the Marcellus and Utica shales in the northeastern part of the United States.

We also are located in emerging plays like the Brown Dense formation in northern Louisiana and southern Arkansas, and the Mississippian Shale in the mid-continent region. We see a great deal of potential for more expansions as these new plays begin to require additional infrastructure.

We are excited about the road ahead. We have a strong relationship with our general partner, Energy Transfer Equity, L.P. (NYSE: ETE), which continues to support our goals. In 2012, we will further build upon our foundation; remain dedicated to our corporate, commercial and safety goals; and continue to focus on creating value for our unitholders. Our team is one of the strongest in the industry, and we believe 2012 will be a year of significant growth for Regency.

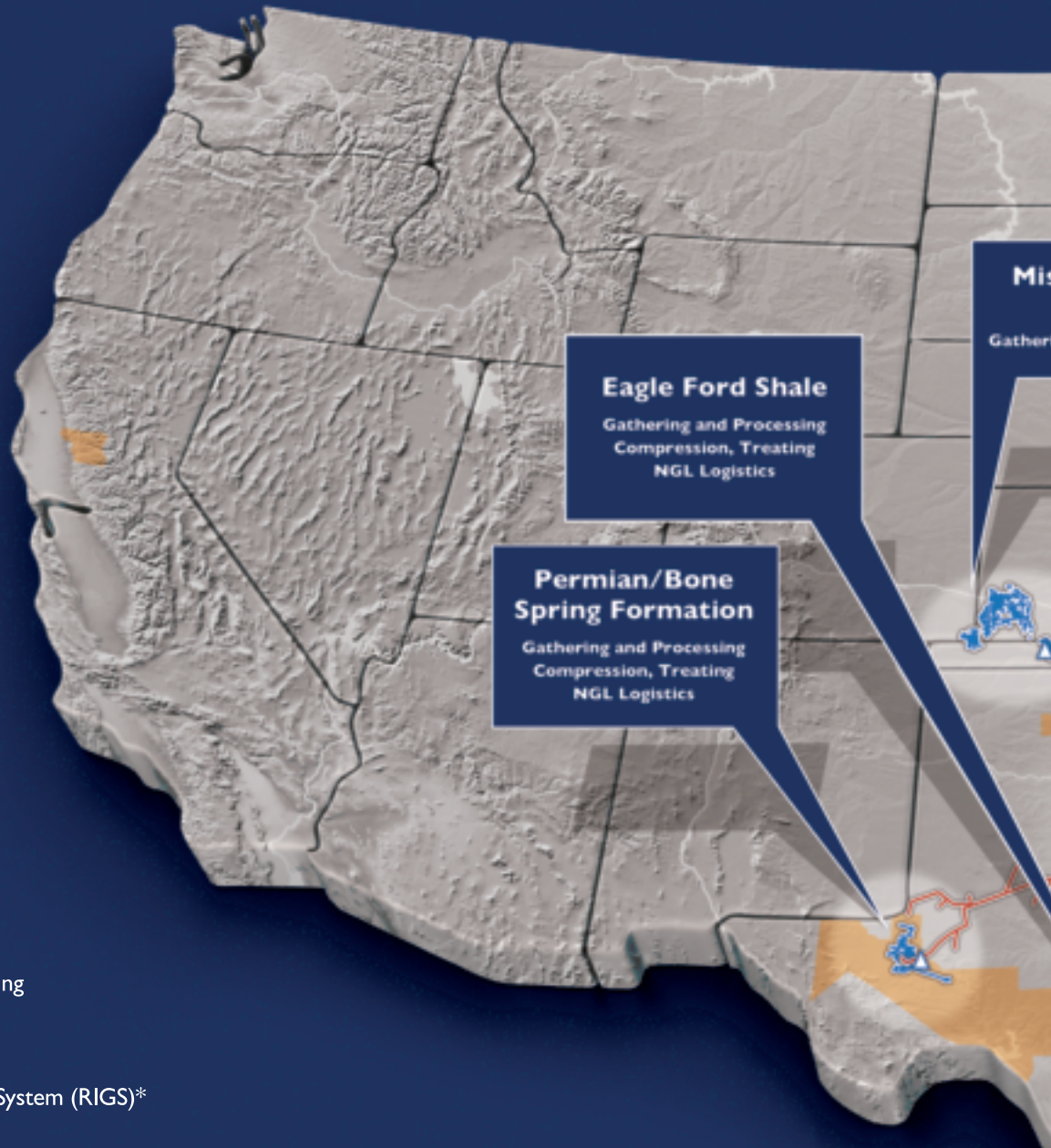
Sincerely,



John D. Harkey, Jr.
Chairman

Michael J. Bradley
President and Chief Executive Officer

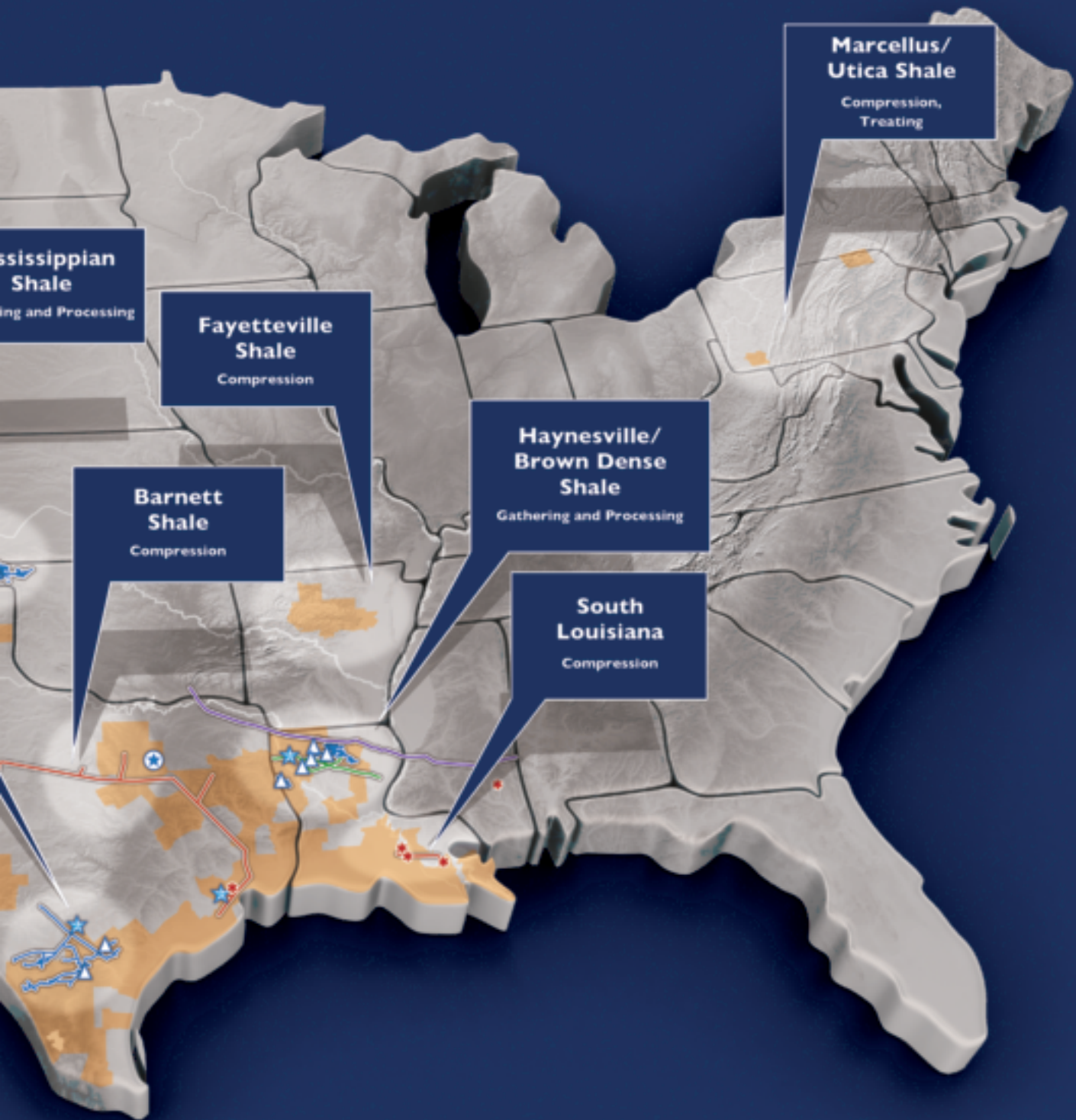
REGENCY'S ASSETS



Map Legend

- Compression and Treating Operating Base
- Gathering System
- Regency Intrastate Gas System (RIGS)*
- Lone Star NGL*
- Midcontinent Express Pipeline*
- Regency Regional Offices
- Regency Corporate Dallas Headquarters
- Regency Gas Treating/Processing Facility
- Lone Star NGL Facility*

*Via joint venture interest





GATHERING AND PROCESSING

Includes a complete range of services from wellhead to end-user markets, including natural gas gathering, processing, treating and transportation.

Assets

Consists of ten active treating and processing plants, 5,283 miles of gathering pipeline and other compression, dehydration, treating and condensate stabilization capabilities.

Key Shales/Basins

Permian/Bone Spring formation, and Haynesville, Eagle Ford, Brown Dense and Mississippian shales.

2011 Highlights

Regency announced two significant organic growth projects for gathering and processing in 2011:

Eagle Ford Expansion Project: The \$450-million Eagle Ford Expansion Project in south Texas will add 400 miles of gathering pipeline, 125,000 horsepower of compression and four gas and condensate terminals. Volumes are currently being phased in on a portion of the system, and the entire project is expected to be online by early 2014.

Ranch Joint Venture: In December 2011, Regency announced a joint venture with a subsidiary of Anadarko Petroleum Corp. and an affiliate of Chesapeake Energy Corp. to construct and operate a 100-MMcf/d cryogenic processing plant and a 25-MMcf/d refrigeration plant to process natural gas delivered from the liquids-rich Permian/Bone Spring formation. Both are expected to be in service in 2012 and to increase our footprint in this emerging area, while creating additional expansion opportunities around our Waha processing facility.

2012 Outlook

We continue to see increased producer activity in south and west Texas as producers target liquids-rich plays, creating additional expansion opportunities. We also have very strong positions in the Mississippian Shale in the mid-continent region, as well as the Haynesville and Brown Dense shales.



TRANSPORTATION

Includes joint venture interests in the Midcontinent Express Pipeline (MEP) and the Regency Intrastate Gas System (RIGS).

Assets

A 50 percent interest in MEP, a 500-mile interstate pipeline that stretches from Oklahoma to Alabama with the ability to transport up to 1.8 Bcf/d of transportation capacity.

A 49.99 percent interest in RIGS, a 450-mile intrastate pipeline in north Louisiana with 2.1 Bcf/d of transportation capacity.

Key Shales/Basins

Haynesville, Brown Dense, Woodford and Barnett shales.

2011 Highlights

Both MEP and RIGS have long-term, fee-based contracts that provide steady margins.



NGL LOGISTICS

Regency owns a 30 percent interest in Lone Star, a joint venture with Energy Transfer Partners, L.P. (NYSE: ETP), which holds the remaining 70 percent.

Assets

The 1,066-mile intrastate West Texas Pipeline originates in the Permian Basin in west Texas and terminates at Mont Belvieu, Texas.

Storage capacity of 43 million barrels at Mont Belvieu.

Fractionation and cryogenic processing assets co-located with refineries in south Louisiana.

Key Shales/Basins

Permian/Bone Spring formation, and Eagle Ford and Barnett shales.

2012 Outlook

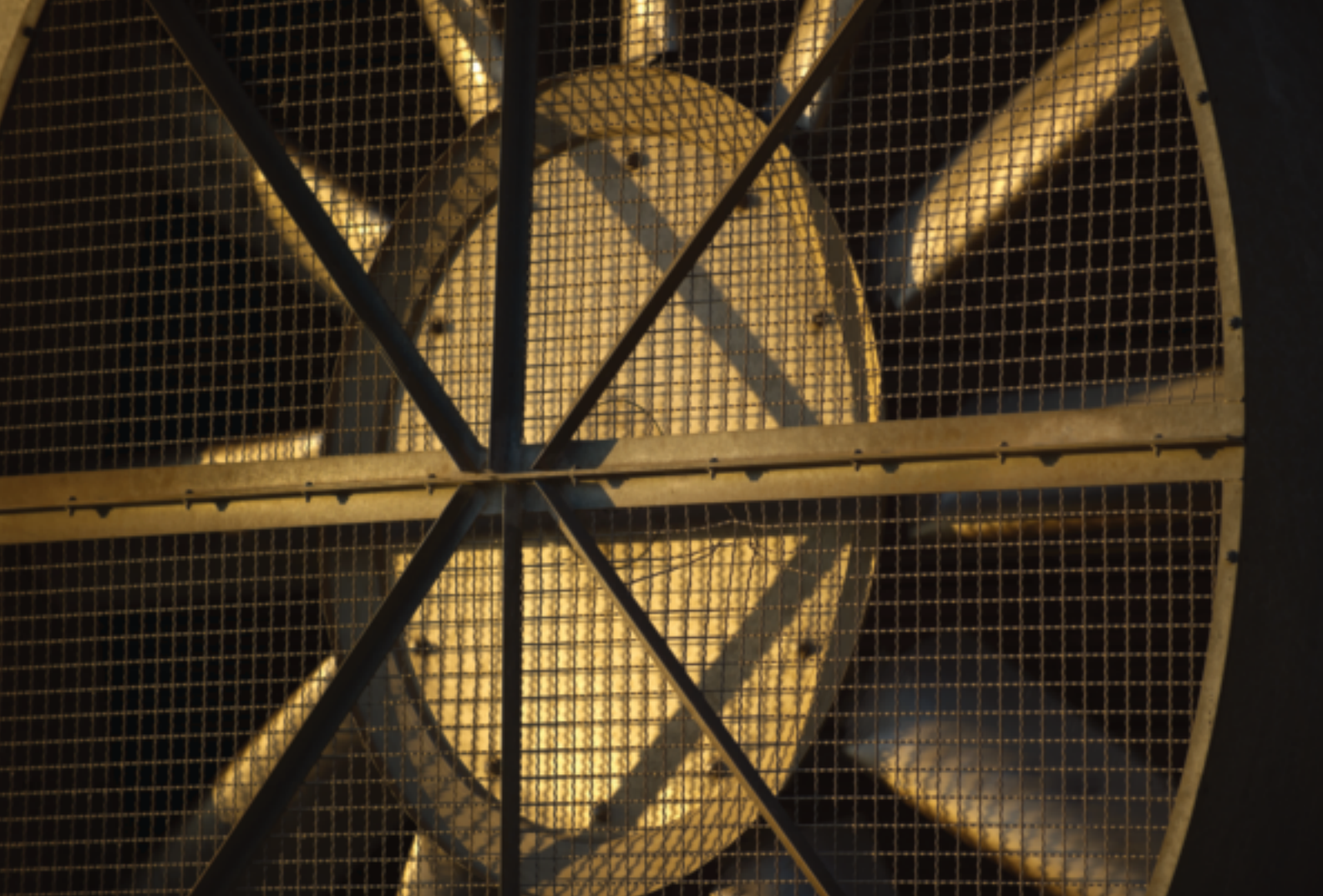
Lone Star's growth projects will help address the high demand for NGL takeaway from west Texas and the Eagle Ford Shale, which we believe will create additional growth opportunities across all our business segments.

2011 Highlights

Regency and ETP formed a joint venture in May 2011 to purchase LDH Energy Asset Holdings from Louis Dreyfus Highbridge Energy for approximately \$1.925 billion in cash. Later named Lone Star, the JV subsequently announced three major expansion projects:

West Texas Gateway NGL Pipeline: Extending from west Texas to Jackson County, Texas, the West Texas Gateway NGL Pipeline will provide needed takeaway capacity from the Permian/Bone Spring formation and will have a capacity of approximately 209,000 Bbls/d upon completion in early 2013.

Fractionator I & II: Construction is also underway for two, new 100,000-Bbls/d NGL fractionation facilities in Mont Belvieu, set to be in service by early 2013 and early 2014, respectively.



CONTRACT SERVICES — COMPRESSION AND TREATING

Includes our contract compression subsidiary, CDM Resource Management, and contract treating subsidiary, Zephyr Gas Services, which provide contract compression, treating and condensate stabilization services in nearly all of the active U.S. shale plays.

Contract Compression Assets

More than 777,000 horsepower of compression for third-party producers in Texas, Louisiana, Arkansas, Pennsylvania and California.

Contract Treating Assets

More than 3,000 revenue generating gallons per minute of amine treating capacity for third-party customers in key producing areas across the United States.

Key Shales/Basins

Permian/Bone Spring formation, and Eagle Ford, Barnett, Fayetteville, Marcellus, Utica and Haynesville shales.

2012 Outlook

We expect increasing demand for contract compression, contract treating and condensate stabilization services in the liquids-rich Eagle Ford Shale and Permian/Bone Spring formation, as well as opportunities in the Marcellus, Utica and Barnett shales.



SENIOR MANAGEMENT

Michael J. Bradley
President and
Chief Executive Officer

Thomas E. Long
Executive Vice President
and Chief Financial Officer

Paul M. Jolas
Executive Vice President,
Chief Legal Officer and Secretary

Jim S. Holotik
Executive Vice President and
Chief Commercial Officer

Glen A. Wind
President, Contract Treating

Chad W. Lenamon
President and Chief Operating
Officer, Contract Compression

Shannon A. Ming
Senior Vice President,
Finance and Investor Relations

A. Troy Sturrock
Vice President, Controller and
Principal Accounting Officer

Board of Directors

John D. Harkey, Jr.
Chairman

Michael J. Bradley

James W. Bryant

Rodney L. Gray

John W. McReynolds

Regency began trading its common units representing limited partner interests on the New York Stock Exchange on August 9, 2011, under the symbol "RGP." In honor of the occasion, Regency's senior management team rang The Opening BellSM on December 8, 2011. Pictured are (from left to right) Chad Lenamon, Jim Holotik, Shannon Ming, Michael Bradley, John D. Harkey, Jr., Thomas Long, Glen Wind and Paul Jolas.



Reconciliation of Non-GAAP Measures to GAAP Measures

For the Year Ended December 31,

	2011	2010	2009	2008
	(\$ in thousands)			
Net cash flows provided by operating activities	\$ 253,755	\$ 169,207	\$ 143,960	\$ 181,298
Add (deduct):				
Depreciation and amortization, including debt issuance cost amortization and bond premium amortization	(174,630)	(128,686)	(116,307)	(105,324)
Write-off debt issuance costs and bond premium	-	(358)	-	-
Amortization of excess fair value of unconsolidated affiliates	(5,847)	(3,410)	-	-
Income from unconsolidated affiliates	125,387	72,775	(7,886)	-
Derivative valuation change	20,486	(45,193)	(5,163)	14,700
Gain (loss) on assets sales, net	2,372	(571)	133,284	(472)
Unit-based compensation expenses	(3,610)	(13,897)	(6,008)	(4,306)
Gain on insurance settlements	-	-	-	3,282
Trade accounts receivable, accrued revenues and related party receivables	8,328	11,673	(10,727)	(18,648)
Other current assets	(734)	(2,409)	(10,471)	6,615
Trade accounts payable, accrued cost of gas and liquids, related party payables and deferred revenues	(23,221)	6,653	3,762	40,772
Other current liabilities	(9,590)	(9,761)	6,726	(12,749)
Distributions received from unconsolidated affiliates	(119,236)	(69,349)	7,886	-
Other assets and liabilities	159	2,408	1,433	(3,840)
Net income (loss)	<u>73,619</u>	<u>(10,918)</u>	<u>140,489</u>	<u>101,328</u>
Add (deduct):				
Interest expense, net	102,474	82,971	77,996	63,243
Depreciation and amortization	168,684	122,725	109,893	102,566
Income tax expense (benefit)	465	956	(1,095)	(266)
EBITDA	<u>345,242</u>	<u>195,734</u>	<u>327,283</u>	<u>266,871</u>
Add (deduct):				
Non-cash (gain) loss from commodity and embedded derivatives	(17,919)	42,613	5,163	(14,708)
Non-cash unit-based compensation	3,610	13,727	5,834	4,318
(Gain) loss on assets sales, net	(2,372)	591	(133,284)	472
Income from unconsolidated affiliates	(119,540)	(69,365)	(7,886)	-
Partnership's ownership interest in HPC's adjusted EBITDA (1)	72,672	67,014	11,398	-
Partnership's ownership interest in MEP's adjusted EBITDA (2)	103,059	55,682	-	-
Partnership's ownership interest in Lone Star's adjusted EBITDA (3)	37,841	-	-	-
Loss on debt refinancing, net	-	17,528	-	-
Other (income) expense, net	(224)	3,432	2,486	2,374
Adjusted EBITDA	<u>\$ 422,369</u>	<u>\$ 326,956</u>	<u>\$ 210,994</u>	<u>\$ 259,327</u>
Add (deduct):				
Interest expense, excluding capitalized interest	(113,115)	(78,915)	(73,690)	(62,867)
Maintenance capital disposal	(20,254)	(14,911)	(20,320)	(18,147)
Proceeds from asset disposal	10,236	10,912	13,194	840
Convertible preferred distribution	(7,780)	(7,780)	-	-
Other adjustments	(6,365)	(2,937)	5,327	(410)
Cash available for distribution	<u>\$ 285,091</u>	<u>\$ 233,325</u>	<u>\$ 135,505</u>	<u>\$ 178,743</u>
(1) 100% of HPC's Adjusted EBITDA is calculated as follows:				
Net income HPC	\$ 109,186	\$ 106,737	\$ 19,734	\$ -
Add:				
Depreciation and amortization	34,930	31,797	8,514	-
Interest expense	1,245	526	158	-
Gain on insurance settlement	-	(242)	-	-
Loss on sale of asset, net	-	105	-	-
Other expense (income), net	16	14	50	-
HPC's Adjusted EBITDA	<u>145,377</u>	<u>138,937</u>	<u>28,456</u>	<u>-</u>
(2) 100% of MEP's EBITDA is calculated as follows:				
Net income MEP	\$ 85,339	\$ 42,528	\$ -	\$ -
Add:				
Depreciation and amortization	69,538	40,103	-	-
Interest expense, net	51,515	28,959	-	-
MEP's Adjusted EBITDA	<u>\$ 206,392</u>	<u>111,590</u>	<u>-</u>	<u>-</u>
(3) 100% of Lone Star's Adjusted EBITDA is calculated as follows:				
Net income Lone Star	\$ 93,958	\$ -	\$ -	\$ -
Add:				
Depreciation and amortization	32,248	-	-	-
Other income, net	(68)	-	-	-
Lone Star's Adjusted EBITDA	<u>126,138</u>	<u>-</u>	<u>-</u>	<u>-</u>

DRS Statement

What is DRS? The Direct Registration System is a form of electronic registration enabling unitholders to be directly registered on our transfer records maintained by our transfer agent with no need for physical certificates. This system eliminates your worry regarding maintenance of unit certificates. One of the primary features of DRS is that it allows units to be transferred electronically to and from your “street name” brokerage account. For information on how to include your Regency units in DRS, please contact Regency Investor Relations.

Forward-Looking Statements

This annual report contains “forward-looking” statements, which are any statements that do not relate strictly to historical facts. The words “anticipate,” “believe,” “continue,” “estimate,” “expect,” “forecast,” “goal,” “intend,” “may,” “plan,” “project,” “will” or similar expressions help identify forward-looking statements. Forward-looking statements are subject to a variety of risks, uncertainties and assumptions, which include, but are not limited to, the risks, uncertainties and assumptions enumerated in our Forms 10-Q and 10-K as filed with the Securities and Exchange Commission. Although we believe our forward-looking statements are based on reasonable assumptions, current expectations and projections about future events, we cannot give assurances that such assumptions, expectations and projections will prove to be correct. Therefore, actual results and outcomes may differ materially from those expressed in such forward-looking statements. We undertake no obligation to update publicly or to revise any forward-looking statements, whether as a result of new information, future events or otherwise.

To request additional information, please contact Regency Investor Relations at 214.840.5477 or IR@regencygas.com.

Regency Corporate Headquarters

2001 Bryan Street
Suite 3700
Dallas, Texas 75201
214.750.1771
www.regencyenergy.com

Investor Relations

214.840.5477
IR@regencygas.com

Transfer Agent

American Stock Transfer & Trust Company

6201 15th Avenue
Brooklyn, New York 11219
800.937.5449
www.amstock.com

Independent Registered Accountants

Grant Thornton LLP

717 Main Street
Suite 1500
Dallas, Texas 75201
www.grantthornton.com

