SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **2011-11-07** | Period of Report: **2011-09-30**
SEC Accession No. 0001104659-11-061444

(HTML Version on secdatabase.com)

FILER

Niska Gas Storage Partners LLC

CIK:**1483830**| IRS No.: **271855740** | State of Incorp.:**DE** | Fiscal Year End: **0331**
Type: **10-Q** | Act: **34** | File No.: **001-34733** | Film No.: **111183219**
SIC: **4922** Natural gas transmission

Mailing Address
1001 FANNIN STREET, SUITE 2500
HOUSTON TX 77002

Business Address
1001 FANNIN STREET, SUITE 2500
HOUSTON TX 77002
(281) 404-1890

Copyright © 2014 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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, 2011

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 1-34733

Niska Gas Storage Partners LLC

(Exact name of registrant as specified in its charter)

Delaware	**27-1855740**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification number)
1001 Fannin Street	
Suite 2500	
Houston, TX	**77002**
(Address of principal executive offices)	(Zip Code)

Registrant' s telephone number, including area code:
(281) 404-1890

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 Date 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 ☐

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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 ☒ (Do not check if a smaller reporting company)	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 ☒

As of November 4, 2011, there were 34,492,245 Common Units and 33,804,745 Subordinated Units outstanding.

Table of Contents

Cautionary Statement Regarding Forward-Looking Information

This report contains information that may constitute "forward-looking statements." Generally, the words "believe," "expect," "intend," "estimate," "anticipate," "project," "will" and similar expressions identify forward-looking statements, which generally are not historical in nature. All statements that address operating performance, events or developments that we expect or anticipate will occur in the future–including statements relating to general views about future operating results–are forward-looking statements. Management believes that these forward-looking statements are reasonable as and when made. However, caution should be taken not to place undue reliance on any such forward-looking statements because such statements speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. These risks and uncertainties include changes in general economic conditions, competitive conditions in our industry, actions taken by third-party operators, processors and transporters, changes in the availability and cost of capital, operating hazards, natural disasters, weather-related delays, casualty losses and other matters beyond our control, the effects of existing and future laws and governmental regulations, the effects of future litigation, and certain factors described in Part II, "Item 1A. Risk Factors" and elsewhere in this report and in our Annual Report on Form 10-K for the fiscal year ended March 31, 2011, and those described from time to time in our future reports filed with the Securities and Exchange Commission.

Table of Contents

TABLE OF CONTENTS

		Page
	PART I. FINANCIAL INFORMATION	
Item 1.	***Financial Statements (unaudited)***	1

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Consolidated Statements of Earnings and Comprehensive Income for the Three and Six Months Ended September 30, 2011 and 2010 1
Consolidated Balance Sheets as of September 30, 2011 and March 31, 2011 2
Consolidated Statements of Cash Flows for the Six Months Ended September 30, 2011 and 2010 3
Consolidated Statement of Changes in Members' Equity for the Six Months Ended September 30, 2011 4
Notes to Unaudited Consolidated Financial Statements 5

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations* 18

Item 3. *Quantitative and Qualitative Disclosures About Market Risk* 28

Item 4. *Controls and Procedures* 28

PART II. OTHER INFORMATION

Item 1. *Legal Proceedings* 30

Item 1A. *Risk Factors* 30

Item 6. *Exhibits* 31

PART I–FINANCIAL INFORMATION

Item 1. ***Financial Statements (unaudited)***

Niska Gas Storage Partners LLC
Consolidated Statements of Earnings and Comprehensive Income
(in thousands of U.S. dollars, except for per unit amounts)
(Unaudited)

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2010	2011	2010
Revenues:				
Long-term contract	$ 29,495	$ 28,394	$ 59,075	$ 58,018
Short-term contract	5,739	9,547	11,305	17,776
Optimization, net	40,425	39,895	51,044	43,686
	75,659	77,836	121,424	119,480
Expenses (income):				
Operating	14,351	10,115	25,179	21,271
General and administrative	7,324	7,754	14,467	15,272
Depreciation and amortization	10,807	13,244	20,807	23,340
Interest	19,370	19,412	38,022	38,167

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Loss on extinguishment of debt	883	–	883	–
Foreign exchange losses (gains)	389	(96)	382	29
Other income	(22)	(12)	(40)	(24)
EARNINGS BEFORE INCOME TAXES	22,557	27,419	21,724	21,425
Income tax benefit	(5,032)	(4,018)	(10,492)	(10,547)
NET EARNINGS AND COMPREHENSIVE INCOME	27,589	31,437	32,216	31,972
Less: Net earnings prior to initial public offering on May 17, 2010	–	–	–	36,234
Net earnings (loss) subsequent to initial public offering on May 17, 2010	$ 27,589	$ 31,437	$ 32,216	$ (4,262)
Net earnings (loss) subsequent to initial public offering allocated to:				
Managing Member	$ 545	$ 1,105	$ 636	$ 392
Common unitholders	$ 13,681	$ 15,166	$ 15,949	$ (2,327)
Subordinated unitholder	$ 13,363	$ 15,166	$ 15,631	$ (2,327)
Earnings (loss) per unit allocated to common unitholders - basic and diluted	$ 0.40	$ 0.45	$ 0.47	$ (0.07)
Earnings (loss) per unit allocated to subordinated unitholders - basic and diluted	$ 0.40	$ 0.45	$ 0.47	$ (0.07)

(See Notes to Unaudited Consolidated Financial Statements)

Table of Contents

Niska Gas Storage Partners LLC
Consolidated Balance Sheets
(in thousands of U.S. dollars)
(Unaudited)

	September 30, 2011	March 31, 2011
ASSETS		
Current assets		
Cash and cash equivalents	$ 26,679	$ 117,742
Margin deposits	46,941	79,107
Trade receivables	1,644	2,434
Accrued receivables	32,166	45,293
Natural gas inventory	358,361	133,576

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Prepaid expenses	3,795	5,830
Short-term risk management assets	64,857	59,717
	534,443	443,699
Long-term assets		
Property, plant and equipment, net	975,858	964,146
Goodwill	495,604	495,604
Long-term natural gas inventory	15,264	15,264
Intangible assets, net	92,106	98,846
Deferred charges, net	19,542	22,215
Other assets	1,546	–
Long-term risk management assets	21,714	21,496
	1,621,634	1,617,571
TOTAL	$ 2,156,077	$ 2,061,270
LIABILITIES AND MEMBERS' EQUITY		
Current liabilities		
Current portion of debt	$ 89,000	$ –
Trade payables	1,683	2,408
Accrued liabilities	88,828	86,662
Deferred revenue	12,718	4,738
Accrued cushion gas purchases	53,485	–
Current portion of deferred taxes	26,379	29,022
Short-term risk management liabilities	41,501	48,719
	313,594	171,549
Long-term liabilities		
Long-term risk management liabilities	22,240	22,629
Asset retirement obligations	1,401	1,484
Funds held on deposit	217	121
Deferred income taxes	140,537	148,514
Long-term debt	769,340	800,000
	1,247,329	1,144,297
Members' equity		
Common units	512,018	510,275
Subordinated units	380,708	390,283
Managing Member's interest	16,022	16,415
	908,748	916,973
Commitments and contingencies (Note 2)		
TOTAL	$ 2,156,077	$ 2,061,270

(See Notes to Unaudited Consolidated Financial Statements)

Table of Contents

Niska Gas Storage Partners LLC
Consolidated Statements of Cash Flows
(in thousands of U.S. dollars)

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(Unaudited)

	Six Months Ended September 30,	
	2011	2010
Operating Activities		
Net earnings	$ 32,216	$ 31,972
Adjustments to reconcile net earnings to net cash used in operating activities:		
Unrealized foreign exchange loss	698	397
Deferred income tax benefit	(10,585)	(10,834)
Unrealized risk management gain	(12,972)	(8,450)
Depreciation and amortization	20,807	23,340
Deferred charges amortization	2,046	2,072
Loss on extinguishment of debt	883	–
Changes in non-cash working capital	(114,195)	(120,924)
Net cash used in operating activities	(81,102)	(82,427)
Investing Activities		
Capital expenditures	(27,848)	(15,159)
Net cash used in investing activities	(27,848)	(15,159)
Financing Activities		
Proceeds from revolver drawings	307,883	281,431
Revolver payments	(218,883)	(281,431)
Repurchase of long-term debt	(30,914)	–
Payment of debt issuance costs	–	(2,086)
Net proceeds from issuance of common units	11,000	333,459
Distributions to partners	(49,265)	(326,316)
Acquisition of interest in parent company	(2,176)	–
Net cash provided by financing activities	17,645	5,057
Effect of translation on foreign currency cash and cash equivalents	242	67
Net decrease in cash and cash equivalents	(91,063)	(92,462)
Cash and cash equivalents, beginning of period	117,742	131,559
Cash and cash equivalents, end of period	$ 26,679	$ 39,097

Supplemental cash flow disclosures (Note 14)

(See Notes to Unaudited Consolidated Financial Statements)

Table of Contents

Niska Gas Storage Partners LLC
Consolidated Statement of Changes in Members' Equity
(in thousands of U.S. dollars)

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

(Unaudited)

	Common Units	Subordinated Units	Managing Member Interest	Total
Balance, April 1, 2011	$ 510,275	$ 390,283	$ 16,415	$ 916,973
Net earnings	15,949	15,631	636	32,216
Distributions to unitholders	(24,140)	(24,140)	(985)	(49,265)
Acquisition of interest in parent company	(1,066)	(1,066)	(44)	(2,176)
Issuance of common units	11,000	–	–	11,000
Balance, September 30, 2011	$ 512,018	$ 380,708	$ 16,022	$ 908,748

(See Notes to Unaudited Consolidated Financial Statements)

Niska Gas Storage Partners LLC

Notes to Unaudited Consolidated Financial Statements

(Tabular amounts expressed in thousands of U.S. dollars unless otherwise noted)

1. Organization and Basis of Presentation

Organization

Niska Gas Storage Partners LLC (“Niska Partners” or the “Company”) is a publicly traded Delaware limited liability company (NYSE:NKA) that was formed on January 27, 2010 to acquire certain assets of Niska GS Holdings I, LP and Niska GS Holdings II, LP (collectively, “Niska Predecessor”). On May 11, 2010, Niska Partners priced its initial public offering (the “IPO”) of 17,500,000 common units at an offering price of $20.50 per unit. Upon closing of the IPO on May 17, 2010, Niska Partners received net proceeds of $333.5 million, after deducting the underwriters’ discount, structuring fees and offering expenses. Upon closing the IPO, Niska Predecessor’ s parent Niska Sponsor Holdings Coöperatief U.A. (“Sponsor Holdings” or “Holdco”), exchanged 100% of its equity interest in Niska Predecessor for a 2% Managing Member’ s interest, 33,804,745 subordinated units, 13,679,745 common units of Niska Partners, and all of the Company’ s Incentive Distribution Rights (“IDRs”). As a result of these transactions, Niska Partners became the owner of substantially all of the assets of Niska Predecessor. Prior to the closing, Niska Partners had no activity.

As partial consideration for the contribution of 100% of Niska Predecessor’ s equity interest to Niska Partners, Sponsor Holdings held the right to receive any common units not purchased pursuant to the expiration of a 30-day option granted to the underwriters of the IPO to purchase up to an additional 2,625,000 common units. Upon the close of business on June 10, 2010, the

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

30-day option granted to the underwriters expired unexercised. Pursuant to the Contribution Agreement, 2,625,000 common units were issued to Sponsor Holdings on June 11, 2010.

At September 30, 2011, Niska Partners had 34,492,245 common units and 33,804,745 subordinated units outstanding. Of these amounts, 16,992,245 common units and all of the subordinated units are owned by Sponsor Holdings, along with a 1.98% Managing Member' s interest in the Company and all of the Company' s IDRs. Including all of the common and subordinated units owned by Sponsor Holdings, along with the 1.98% Managing Member' s interest, Sponsor Holdings has a 74.88% ownership interest in the Company, excluding the IDRs. The remaining 17,500,000 common units, representing a 25.12% ownership interest excluding the IDRs, are owned by the public.

Niska Partners operates the Countess and Suffield gas storage facilities (collectively, the AECO Hub™) in Alberta, Canada, and the Wild Goose and Salt Plains gas storage facilities in California and Oklahoma, respectively. Each of these facilities markets gas storage services in addition to optimizing storage capacity with its own proprietary gas purchases.

Basis of Presentation

The accounting policies applied in these unaudited interim financial statements are consistent with the policies applied in the consolidated financial statements of Niska Partners and notes thereto included in the Company' s Annual Report on Form 10-K for the fiscal year ended March 31, 2011.

In the opinion of management, the accompanying consolidated financial statements of Niska Partners, which are unaudited except that the balance sheet at March 31, 2011 is derived from audited financial statements, include all adjustments necessary to present fairly Niska Partners' financial position as of September 30, 2011, along with the results of Niska Partners' operations and its cash flows for the three and six months ended September 30, 2011 and 2010. The results of operations for the three and six months ended September 30, 2011 are not necessarily representative of the results to be expected for the full fiscal year ending March 31, 2012. The optimization of proprietary gas purchases is seasonal with the majority of the revenues and cost associated with the physical sale of proprietary gas occurring during the third and fourth fiscal quarters, when demand for natural gas is typically the strongest.

As the closing of the Company' s IPO occurred on May 17, 2010, the earnings for the six months ended September 30, 2010 have been pro-rated to reflect earnings on a pre- and post-IPO basis. As part of the process of allocating revenues and expenses to both periods, the Company assessed the fair value of its risk management assets and liabilities as of the closing date, resulting in an unrealized gain for the pre-IPO period and an unrealized loss for the post-IPO period. The net unrealized loss for the period from May 17, 2010 to September 30, 2010 is reflected in the per-unit information presented in the consolidated statement of earnings and comprehensive income.

Table of Contents

Pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"), the unaudited consolidated financial statements do not include all of the information and notes normally included with financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These consolidated financial statements should be read in conjunction with the consolidated financial statements of Niska Partners and notes thereto included in the Company' s Annual Report on Form 10-K for the fiscal year ended March 31, 2011.

Recent Accounting Pronouncements

Accounting Standards Update 2011-04

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

In May 2011, the Financial Accounting Standards Board ("FASB") issued guidance that updates the previous reporting requirement under Accounting Standards Codification ("ASC") 820. This update, which will become effective for interim and annual periods beginning after December 15, 2011, requires additional disclosures about the transfers between Level 1 and Level 2 of the fair value hierarchy, the sensitivity of unobservable inputs to the fair value measurements within Level 3 of the fair value hierarchy, and disclosure of the categorization by level of the fair value hierarchy for items for which fair value disclosure is required but that are not measured at fair value in the statement of financial position.

In September 2011, the FASB issued guidance that updates the requirements for testing for goodwill impairment. This update, which will become effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011, permits entities testing for goodwill impairment the option of performing a qualitative assessment before calculating the fair value of the reporting unit. If it is determined that the fair value of the reporting unit is more likely than not less than the carrying amount on the basis of qualitative factors, the two step impairment test is required. The update does not change how goodwill is calculated or assigned to reporting units.

2. Commitments and Contingencies

Contingencies

Niska Partners and its subsidiaries are subject to various legal proceedings and actions arising in the normal course of business. While the outcome of such legal proceedings and actions cannot be predicted with certainty, it is the view of management that the resolution of such proceedings and actions will not have a material impact on Niska Partners' unaudited consolidated financial position or results of operations.

3. Accrued Cushion Gas Purchases

During the six months ended September 30, 2011 and 2010, the Company entered into a series of transactions to sell cushion gas, which is recorded as component of property, plant and equipment in the accompanying financial statements. The Company concurrently entered into firm commitments to re-acquire this cushion gas in the fourth quarter of the fiscal year ending March 31, 2012 and 2011, respectively. The repurchase price is accrued as a liability. The difference between the proceeds received and the repurchase price, along with the proceeds of short-term firm transactions designed to replace the cushion gas during the intervening period, is being recorded as an expense over the period of the arrangement.

4. Debt

Niska Partners' debt obligations consist of the following:

	September 30, 2011	March 31, 2011
Senior Notes due 2018	$ 769,340	$ 800,000
Revolving credit facility	89,000	–
Total	858,340	800,000
Less portion classified as current	(89,000)	–
	$ 769,340	$ 800,000

Table of Contents

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Senior Notes

On March 5, 2010, Niska Partners, through its subsidiaries Niska Gas Storage US, LLC (“Niska US”) and Niska Gas Storage Canada ULC (“Niska Canada”), completed a non-public offering of 800,000 units, each unit consisting of $218.75 principal amount of 8.875% senior notes due 2018 of Niska US and $781.25 principal amount of 8.875% senior notes of Niska Canada (the “Senior Notes”). The Senior Notes were sold for par value of $800.0 million in an offering exempt from registration under the Securities Act.

On February 4, 2011, the SEC declared effective Niska Partners' exchange offer whereby holders of the Senior Notes were permitted to exchange such Senior Notes for new freely transferable Senior Notes. The terms of the new units are identical to the units described above, except that the new units have been registered under the Securities Act and do generally not contain restrictions on transfer. The exchange offer was completed on March 2, 2011 and all of the previously outstanding Senior Notes were exchanged.

During the quarter ended September 30, 2011, Niska Partners paid $30.9 million, excluding accrued interest, to repurchase Senior Notes with a principal amount of $30.7 million. The Company recognized a loss of $0.9 million on these repurchases, which was recorded as a loss on extinguishment of debt. The loss on the repurchases was measured based on the carrying value of the repurchased portion of the Senior Notes, which included a portion of the unamortized debt issue costs on the dates of repurchase. The related accrued interest costs were recorded in interest expense.

Interest on the Senior Notes is payable semi-annually on March 15 and September 15 at a rate of 8.875% per annum, commencing September 15, 2010. The Senior Notes will mature on March 15, 2018. As at September 30, 2011, the estimated fair value of the Senior Notes was $792.4 million.

The indenture governing the Senior Notes limits Niska Partners' ability to incur new debt or to pay distributions in respect of, repurchase or pay dividends on its membership interests (or other capital stock) or make other restricted payments. The limitations will apply differently depending on a fixed charge coverage ratio, which is defined as the ratio of cash flow (which is defined in the indenture in a manner substantially consistent with consolidated earnings before interest, taxes, depreciation and amortization (“EBITDA”)) to fixed charges, each as defined in the indenture governing the Senior Notes, and measured for the preceding four fiscal quarters.

Under this limitation the indenture would have permitted the Company to distribute approximately $41.7 million as at September 30, 2011.

If the fixed charge coverage ratio is not less than 2.0 to 1.0 (after giving pro forma effect to the incurrence of the additional debt obligations), Niska Partners is generally permitted to incur additional debt obligations beyond the Senior Notes and its $400 million Credit Agreement (discussed below).

If the fixed charge coverage ratio is not less than 1.75 to 1.0, Niska Partners is permitted to make restricted payments if the aggregate restricted payments since the date of the closing of its IPO, excluding certain types or amounts of permitted payments, are less than the sum (which the Company refers to as the restricted payment basket) of a number of items including, most importantly:

- operating surplus (defined similarly to the definition in the Company' s operating agreement) calculated as of the end of its preceding fiscal quarter; and

- the aggregate net cash proceeds received as a capital contribution or from the issuance of equity interests, including the approximately $336 million of net cash proceeds from the IPO, reduced by the approximately $271.4 million Niska Partners distributed to Holdings Canada (as defined below) shortly before the IPO.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

If the fixed charge coverage ratio is less than 1.75 to 1.0, Niska Partners is permitted to make restricted payments if the aggregate restricted payments constituting distributions in respect of Niska Partners' capital stock since the date of the closing of its IPO, excluding certain types or amounts of permitted payments, are less than the sum (which the Company refers to as the restricted payment basket) of a number of items including, most importantly:

- $75.0 million; and
- the aggregate net cash proceeds received as a capital contribution or from the issuance of equity interests, again including the net cash proceeds from the IPO, reduced by the amount distributed before the IPO.

The limitations are applied without regard to whether the restricted payments that are compared to the restricted payment basket were made when the fixed charge coverage ratio was or was not less than 1.75 to 1.0, meaning that if the fixed charge coverage ratio becomes less than 1.75 to 1.0 and Niska Partners has previously made restricted payments in excess of the restricted payment basket, Niska Partners will be prohibited from making restricted payments other than the permitted payments referred to above.

The permitted payments, which are applicable regardless of the fixed charge ratio, include a general basket of $75.0 million.

At September 30, 2011, the fixed charge coverage ratio was 2.44 to 1.0 and Niska Partners was permitted to pay the distribution described in Note 16.

$400 Million Credit Agreement

In March 2010, Niska Partners, through its subsidiaries, Niska Gas Storage US, LLC and AECO Gas Storage Partnership, entered into new senior secured asset-based revolving credit facilities, consisting of a U.S. revolving credit facility and a Canadian revolving credit facility (the "Credit Facilities" or the "$400 million Credit Agreement"). The $400 million Credit Agreement provides for revolving loans and letters of credit in an aggregate principal amount of up to $200 million for each of the U.S. revolving credit facility and the Canadian revolving credit facility. Subject to certain conditions, each of the revolving credit facilities may be expanded up to a maximum of $100.0 million in additional commitments, and the commitments in each facility may be reallocated on terms and according to procedures to be determined. Loans under the U.S. revolving facility will be denominated in U.S. dollars and loans under the Canadian revolving facility may be denominated, at the Company's option, in either U.S. or Canadian dollars. Each revolving credit facility matures on March 5, 2014.

Niska Partners had $89.0 million in drawings outstanding under the $400 million Credit Agreement at September 30, 2011 (March 31, 2011 - $ nil). Amounts committed in support of letters of credit totaled $71.0 million at September 30, 2011 (March 31, 2011−$3.1 million). Any borrowings under the $400 million Credit Agreement are classified as current.

Borrowings under the Credit Facilities are limited to a borrowing base calculated as the sum of specified percentages of eligible cash and cash equivalents, eligible accounts receivable, the net liquidating value of hedge positions in broker accounts, eligible inventory, issued but unused letters of credit, and certain fixed assets minus the amount of any reserves and other priority claims. Borrowings will bear interest at a floating rate, which (1) in the case of U.S. dollar loans can be either LIBOR plus an applicable margin or, at the Company's option, a base rate plus an applicable margin, and (2) in the case of Canadian dollar loans can be either the bankers' acceptance rate plus an applicable margin or, at the Company's option, a prime rate plus an applicable margin. The credit agreement provides that Niska Partners may borrow only up to the lesser of the level of the then current borrowing base or the committed maximum borrowing capacity, which is currently $400.0 million. As of September 30, 2011, the borrowing base collateral totaled $538.1million.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The $400 million Credit Agreement contains limitations on Niska Partners' ability to incur additional debt or to pay distributions in respect of, repurchase or pay dividends on its membership interests (or other capital stock) or make other restricted payments. These limitations are similar to those contained in the indenture governing the Senior Notes, but contain certain substantive differences. As a result of these differences, the limitations on restricted payments contained in the Credit Agreement should be less restrictive than the limitations contained in the indenture.

Table of Contents

As of September 30, 2011, Niska Partners was in compliance with all covenant requirements under the Senior Notes and the $400 million Credit Agreement.

Niska Partners has no independent assets or operations other than its investments in its subsidiaries. Both the Senior Notes and the $400 million Credit Agreement have been jointly and severally guaranteed by Niska Partners and substantially all of its subsidiaries. Niska Partners' subsidiaries have no significant restrictions on their ability to pay distributions or make loans to Niska Partners, which are prepared and measured on a consolidated basis, and have no restricted assets as of September 30, 2011.

5. Risk Management Activities and Financial Instruments

Risk Management Overview

Niska Partners has exposure to commodity price, foreign currency, counterparty credit, interest rate, and liquidity risk. Risk management activities are tailored to the risks they are designed to mitigate.

Commodity Price Risk

As a result of its natural gas inventory, Niska Partners is exposed to risks associated with changes in price when buying and selling natural gas across future time periods. To manage these risks and reduce variability of cash flows, the Company utilizes a combination of financial and physical derivative contracts, including forwards, futures, swaps and option contracts. The use of these contracts is subject to the Company' s risk management policies. These contracts have not been treated as hedges for financial reporting purposes and therefore changes in fair value are recorded directly in earnings.

Forward contracts and futures contracts are agreements to purchase or sell a specific financial instrument or quantity of natural gas at a specified price and date in the future. Niska Partners enters into forward contracts and futures contracts to mitigate the impact of changes in natural gas prices. In addition to cash settlement, exchange traded futures may also be settled by the physical delivery of natural gas.

Swap contracts are agreements between two parties to exchange streams of payments over time according to specified terms. Swap contracts require receipt of payment for the notional quantity of the commodity based on the difference between a fixed price and the market price on the settlement date. Niska Partners enters into commodity swaps to mitigate the impact of changes in natural gas prices.

Option contracts are contractual agreements to convey the right, but not the obligation, for the purchaser of the option to buy or sell a specific physical or notional amount of a commodity at a fixed price, either at a fixed date or at any time within a specified period. Niska Partners enters into option agreements to mitigate the impact of changes in natural gas prices.

To limit its exposure to changes in commodity prices, Niska Partners enters into purchases and sales of natural gas inventory and concurrently matches the volumes in these transactions with offsetting forward contracts. To comply with its internal risk

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

management policies, Niska Partners is required to limit its exposure of unmatched volumes of proprietary current natural gas inventory to an aggregate overall limit of 8.0 billion cubic feet ("Bcf"). At September 30, 2011, 89.9 Bcf of natural gas inventory was offset with forward contracts, representing 99.9% of total current inventory. Non-cycling working gas, which is included in long-term inventory, and fuel gas used for operating the facilities are excluded from the coverage requirement. Total volumes of long-term inventory and fuel gas at September 30, 2011 are 3.4 Bcf and 0.0 Bcf, respectively.

Table of Contents

Counterparty Credit Risk

Niska Partners is exposed to counterparty credit risk on its trade and accrued accounts receivable and risk management assets. Counterparty credit risk is the risk of financial loss to the Company if a customer fails to perform its contractual obligations. Niska Partners engages in transactions for the purchase and sale of products and services with major companies in the energy industry and with industrial, commercial, residential and municipal energy consumers. Credit risk associated with trade accounts receivable is mitigated by the high percentage of investment grade customers, collateral support of receivables and Niska Partners' ability to take ownership of customer owned natural gas stored in its facilities in the event of non-payment. For the six months ended September 30, 2011, no trade receivables were deemed to be uncollectible. It is management' s opinion that no allowance for doubtful accounts is required at September 30, 2011 or March 31, 2011 on accrued and trade accounts receivable.

The Company analyzes the financial condition of counterparties prior to entering into an agreement. Credit limits are established and monitored on an ongoing basis. Management believes, based on its credit policies, that the Company' s financial position, results of operations and cash flows will not be materially affected as a result of non-performance by any single counterparty. Although the Company relies on a few counterparties for a significant portion of its revenues, one counterparty making up 35.9% of gross optimization revenue for the six months ended September 30, 2011 is a physical natural gas clearing and settlement facility that requires counterparties to post margin deposits equal to 125% of their net position, which reduces the risk of default. Gross optimization revenue means realized optimization revenue prior to deducting cost of gas sold.

Exchange traded futures and options comprise approximately 53.0% of Niska Partners' commodity risk management assets at September 30, 2011. These exchange traded contracts have minimal credit exposure as the exchanges guarantee that every contract will be margined on a daily basis. In the event of any default, Niska Partners' account on the exchange would be absorbed by other clearing members. Because every member posts an initial margin, the exchange can protect the exchange members if or when a clearing member defaults.

Niska Partners further manages credit exposure by entering into master netting agreements for the majority of non-retail contracts. These master netting agreements provide the Company, in the event of default, the right to offset the counterparty' s rights and obligations.

Interest Rate Risk

Niska Partners assesses interest rate risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows. At September 30, 2011, Niska Partners was only exposed to interest rate risk resulting from the variable rates associated with its $400 million Credit Agreement of which $89.0 million was drawn at September 30, 2011.

Liquidity Risk

Niska Partners continues to manage its liquidity risk by ensuring sufficient cash and credit facilities are available to meet its operating and capital expenditure obligations when due, under both normal and stressed conditions.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Foreign Currency Risk

Foreign currency risk is created by fluctuations in foreign exchange rates. As Niska Partners conducts a portion of its activities in Canadian dollars, earnings and cash flows are subject to currency fluctuations. The performance of the Canadian dollar relative to the US dollar could positively or negatively affect earnings. Niska Partners is exposed to cash flow risk to the extent that Canadian currency outflows do not match inflows. The Company enters into currency swaps to mitigate the impact of changes in foreign exchange rates. The notional value of currency swaps at September 30, 2011 was $119.0 million (March 31, 2011−$142.8 million). These contracts expire on various dates between October 1, 2011 and August 1, 2014. Niska Partners has not elected hedge accounting treatment for financial reporting purposes and, therefore, changes in fair value are recorded directly in earnings.

Table of Contents

The following tables show the fair values of Niska Partners' risk management assets and liabilities at September 30, 2011 and March 31, 2011:

September 30, 2011	Energy Contracts	Currency Contracts	Total
Short-term risk management assets	$ 61,357	$ 3,500	$ 64,857
Long-term risk management assets	20,772	942	21,714
Short-term risk management liabilities	(41,167)	(334)	(41,501)
Long-term risk management liabilities	(22,240)	−	(22,240)
	$ 18,722	$ 4,108	$ 22,830

March 31, 2011	Energy Contracts	Currency Contracts	Total
Short-term risk management assets	$ 59,717	$ −	$ 59,717
Long-term risk management assets	21,496	−	21,496
Short-term risk management liabilities	(43,556)	(5,163)	(48,719)
Long-term risk management liabilities	(21,441)	(1,188)	(22,629)
	$ 16,216	$ (6,351)	$ 9,865

The Company expects to recognize risk management assets and liabilities outstanding at September 30, 2011 into net earnings and comprehensive income in the fiscal periods as follows:

	Energy Contracts	Currency Contracts	Total
Fiscal year ending March 31, 2012	$ 9,272	$ 553	$ 9,825
Fiscal year ending March 31, 2013	7,985	3,102	11,087
Fiscal year ending March 31, 2014	1,026	396	1,422
Thereafter	439	57	496
	$ 18,722	$ 4,108	$ 22,830

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Realized gains and (losses) from the settlement of risk management contracts are summarized as follows:

	Three Months Ended September 30,		Six Months Ended September 30,		
	2011	2010	2011	2010	Classification
Energy contracts	$ (32,052)	$ 25,223	$ (22,085)	$ 39,684	Optimization, net
Currency contracts	7,024	(1,847)	4,895	(2,645)	Optimization, net
	$ (25,028)	$ 23,376	$ (17,190)	$ 37,039	

Table of Contents

6. Fair Value Measurements

The carrying amount of cash and cash equivalents, margin deposits, trade receivables, accrued receivables, trade payables, accrued liabilities, and accrued cushion gas purchases reported on the unaudited consolidated balance sheet approximate fair value. The fair value of debt is the estimated amount the Company would have to pay to transfer its debt, including any premium or discount attributable to the difference between the stated interest rate and market rate of interest at the balance sheet date. Fair values are based on valuations of similar debt at the balance sheet date and supported by observable market transactions when available. See Note 4 for disclosures regarding the fair value of debt.

Fair values have been determined as follows for Niska Partners:

September 30, 2011	Level 1	Level 2	Level 3	Total
Assets				
Commodity derivatives	$ –	$ 82,129	$ –	$ 82,129
Currency derivatives	–	4,442	–	4,442
Total assets	–	86,571	–	86,571
Liabilities				
Commodity derivatives	–	63,407	–	63,407
Currency derivatives	–	334	–	334
Total liabilities	–	63,741	–	63,741
Net	$ –	$ 22,830	$ –	$ 22,830

March 31, 2011	Level 1	Level 2	Level 3	Total
Assets				
Commodity derivatives	$ –	$ 81,213	$ –	$ 81,213
Currency derivatives	–	–	–	–
Total assets	–	81,213	–	81,213
Liabilities				
Commodity derivatives	–	64,997	–	64,997
Currency derivatives	–	6,351	–	6,351
Total liabilities	–	71,348	–	71,348

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Net	$	–	$	9,865	$	–	$	9,865

Table of Contents

7. Members' Equity

Unit Issuance and Sale of Common Units

On August 24, 2011, the Company completed the issuance and sale 687,500 common units at a price of $16.00 per unit to Sponsor Holdings. Total proceeds of $11.0 million were used to reduce amounts owing under the Senior Notes. See Notes 4 and 12.

Acquisition of Interest in Parent

Sponsor Holdings is wholly-owned, directly and indirectly, by Niska GS Holdings Canada, L.P ("Niska Holdings Canada"). Niska Holdings Canada' s equity consists of Class A, Class B and Class C units. Niska Holdings Canada' s Class A Units are owned principally by Carlyle/Riverstone Global Energy and Power Fund III, L.P. and Carlyle/Riverstone Global Energy and Power Fund II, L.P. and affiliated entities (together, the "Carlyle/Riverstone Funds") and certain current and former members of Niska Partners' management. The Class B and Class C units, which have identical rights and obligations in Niska Holdings Canada, are owned by certain current and former members of Niska Partners' management and non-executive employees. The Class B and Class C units were originally issued by Niska Predecessor in conjunction with a long-term incentive plan and were subject to service and performance conditions, all of which were satisfied in May 2009. The Class B and Class C units were, therefore, fully vested. Niska Predecessor had previously recorded compensation expense with respect to the Class B and Class C units throughout the vesting period. Upon vesting and the holders of the units being exposed to the risks and rewards of ownership for a reasonable period of time, the compensation arrangement became equity classified.

On June 24, 2011, certain Class B units of Niska Holdings Canada held by non-executive employees were purchased by Niska Partners at fair value. The aggregate purchase price of $2.2 million was recorded as a reduction of equity in the accompanying financial statements, with no gain or loss recognized.

The Class B units represent profit interests in Niska Holdings Canada, and entitle the holders to share in distributions made by Niska Holdings Canada once the Class A units have received distributions equal to their contributed capital plus an 8% cumulative rate of return. The Class B units held by Niska Partners do not currently participate in the earnings of or distributions paid by Niska Partners.

Earnings per unit:

Niska Partners uses the two-class method for allocating earnings per unit. The two-class method requires the determination of net income allocated to member interests as shown below.

Net Earnings Allocation and Earnings per Unit Calculation	**Three Months Ended September 30, 2011**		**Six Months Ended to September 30 2011**	
Numerator:				
Net earnings attributable to Niska Partners	$	27,589	$	32,216
Less:				
Managing Member' s 1.98% interest		(545)		(636)
Net earnings attributable to common and subordinated unitholders	$	27,044	$	31,580

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Denominator:		
Basic:		
Weighted average units outstanding	67,838,657	67,724,073
Diluted:		
Weighted average units outstanding	67,838,657	67,724,073
Earnings per unit:		
Basic	$ 0.40	$ 0.47
Diluted	$ 0.40	$ 0.47

Table of Contents

8. Optimization Revenue

Optimization, net consists of the following:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2010	2011	2010
Realized optimization revenue, net	$ 16,633	$ 19,174	$ 38,072	$ 35,236
Unrealized risk management gains	23,792	20,721	12,972	8,450
Total	$ 40,425	$ 39,895	$ 51,044	$ 43,686

9. Stock-Based Compensation

Effective April 1, 2011, the Company implemented The Niska Gas Storage Partners LLC Phantom Unit Performance Plan (the "PUPP"), which is designed to further align the interests of participants in the PUPP, including the Company' s executive officers, employees, directors and certain service providers, with the interests of the Company' s unit holders by providing these individuals with a phantom unit award. A "Phantom Unit" is a notional unit granted under the PUPP that represents the right to receive a cash payment equal to the fair market value of a unit of the Company' s common units, following the satisfaction of certain time periods and/or certain performance criteria. The PUPP is primarily administered by the Compensation Committee of the Board (the "Committee") which grants Phantom Units to eligible participants at such times as the Committee may determine to be appropriate.

Phantom Units are generally unvested at the date of grant and subject to both time and performance conditions. The default period over which the Phantom Units vest is three years from the date of grant. For Phantom Units which are subject to a performance measure which is based on a combination of distributed cash flow ("DCF") and total Unitholder return ("TUR") metrics, compared to such metrics at a select group of Niska Partners' peer companies. The DCF and TUR metrics are calculated based on the Company' s percentile ranking during the applicable performance period compared to the peer group. Vesting in the phantom units is also subject to the Company satisfying at least its minimum quarterly distributions for the underlying common units.

Effective April 1, 2011, the Company issued 518,425 of the 3,380,474 Phantom Units authorized under the PUPP. During the six months ended September 30, 2011, Niska Partners did not issue any additional Phantom Units and 161,579 Phantom Units were forfeited.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

At September 30, 2011 and for the three and six months then ended, Niska Partners recorded no liability for the units under the PUPP plan which are subject to performance measures and did not record any compensation expense, because the DCF and TUR performance measures were below the minimum threshold for accrual.

At September 30, 2011 and for the three and six months then ended, Niska Partners recorded a liability and compensation expense of $0.3 million and $0.9 million for the units under the PUPP plan which are subject to time conditions.

10. Interest Expense

Interest expense consists of the following:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2010	2011	2010
Interest expense	$ 19,277	$ 18,640	$ 37,770	$ 37,066
Deferred charges amortization	1,020	1,109	2,046	2,072
Capitalized interest	(927)	(337)	(1,794)	(971)
Total	$ 19,370	$ 19,412	$ 38,022	$ 38,167

Table of Contents

11. Income Taxes

Income taxes included in the consolidated financial statements were as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2010	2011	2010
Income tax benefit	$ (5,032)	$ (4,018)	$ (10,492)	$ (10,547)
Effective income tax rate	-22%	-15%	-48%	-49%

Income tax (benefit) expense was a benefit of $10.5 million for the six months ended September 30, 2011 compared to a benefit of $10.5 million in the same period of the prior year. The income tax benefit in the current period is due mainly to the recognition of losses in certain taxable Canadian entities and the recognition of income in certain non-taxable entities.

The effective tax rate for the six months ended September 30, 2011 differs from the U.S. statutory federal rate of 35% primarily due to the recognition of income in non-taxable entities and the recognition of losses in taxable entities.

12. Related Parties

During the six months ended September 30, 2011, a subsidiary of Niska Partners purchased certain Class B units of Niska Holdings Canada from certain non-executive officers and employees of Niska Partners for $2.2 million. The amount has been reflected as a reduction of members' equity.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

During the three and six months ended September 30, 2011, the Carlyle/Riverstone Funds reinvested through Sponsor Holdings $11.0 million in additional common units of Niska Partners at a price of $16.00 per unit.

Included in accrued receivables at September 30, 2011, was $1.4 million (March 31, 2011 - $1.8 million) that is owed from affiliated entities owned by Sponsor Holdings or its parent company for payments made by Niska Partners on behalf of the affiliated entities. The amounts owning are non-interest bearing and have no fixed terms of repayment.

13. Changes in Non-Cash Working Capital

Changes in non-cash working capital for the six months ended consists of the following:

	Six Months Ended September 30,	
	2011	2010
Margin deposits	$ 32,166	$ (40,062)
Trade receivables	865	5,334
Accrued receivables	13,917	(8,807)
Natural gas inventory	(224,784)	(132,086)
Prepaid expenses	685	(3,430)
Other assets	(264)	–
Trade payables	358	(5,577)
Accrued liabilities	54,818	52,721
Deferred revenue	7,981	10,985
Funds held on deposit	63	(2)
Total	$ (114,195)	$ (120,924)

Table of Contents

14. Supplemental Cash Flow Disclosures

	Six Months Ended September 30,	
	2011	2010
Interest paid	$ 36,832	$ 38,605
Taxes paid	$ 755	$ 342
Interest capitalized	$ 1,794	$ 971

15. Segment Disclosures

Niska Partners' process for the identification of reportable segments involves examining the nature of services offered, the types of customer contracts entered into and the nature of the economic and regulatory environment.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Since inception, Niska Partners has operated along functional lines in their commercial, engineering, and operations teams for operations in Alberta, California, and the U.S. Midcontinent. All operating areas and facilities offer the same services: long-term firm contracts, short-term firm contracts, and optimization. All services are delivered using reservoir storage. Niska Partners measures profitability consistently at each operating area based on revenues and earnings before interest, taxes, depreciation and amortization, and unrealized risk management gains and losses. Niska Partners has aggregated its operating segments into one reportable segment for all periods presented.

Information pertaining to Niska Partners' short-term and long-term contract services and net optimization revenues was presented in the consolidated statements of earnings and comprehensive income. All facilities have the same types of customers: major creditworthy companies in the energy industry, industrial, commercial, and local distribution companies, and municipal energy consumers.

The following tables summarize the net revenues and assets by geographic area:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2010	2011	2010
External revenues, net realized				
U.S.	$ 18,788	$ 22,335	$ 38,891	$ 38,258
Canada	33,080	34,779	69,561	72,772
Inter-entity				
U.S.	–	–	–	–
Canada	–	–	–	–
	$ 51,868	$ 57,114	$ 108,452	$ 111,030

	September 30, 2011	March 31, 2011
Long-lived assets (at period end)		
U.S.	$ 382,770	$ 365,534
Canada	608,352	613,876
	$ 991,122	$ 979,410

Table of Contents

16. Subsequent Events

Distributions

On November 2, 2011, the Board of Directors of Niska Partners unanimously approved a distribution of $0.35 per common unit, payable on November 17, 2011 to unitholders of record on November 14, 2011. The total distribution is expected to be approximately $12.3 million. No distribution was declared on the subordinated units.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

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 consolidated financial statements and accompanying notes included in this report. The following information and such unaudited consolidated financial statements should also be read in conjunction with the consolidated financial statements and related notes, management's discussion and analysis of financial condition and results of operations and other information included our Annual Report on Form 10-K for the fiscal year ended March 31, 2011.

Overview of Critical Accounting Policies and Estimates

The process of preparing financial statements in accordance with accounting principles generally accepted in the United States of America ("GAAP") requires our management to make estimates and judgments regarding certain items and transactions. It is possible that materially different amounts could be recorded if these estimates and judgments change or if the actual results differ from these estimates and judgments. Our most critical accounting estimates, which involve the judgment of our management, were fully disclosed in our Annual Report on Form 10-K for the fiscal year ended March 31, 2011 and remained unchanged as of September 30, 2011.

Overview of Our Business

We operate the Countess and Suffield gas storage facilities (collectively, the AECO Hub™) in Alberta, Canada, and the Wild Goose and Salt Plains gas storage facilities in California and Oklahoma, respectively. Niska Partners markets gas storage services of working gas capacity in addition to optimizing storage capacity with its own proprietary gas purchases at each of these facilities. We earn revenues by leasing storage on a long-term firm ("LTF") contract basis for which we receive monthly reservation fees for fixed amounts of storage, leasing storage on a short-term firm ("STF") contract basis, where customers inject and withdraw specified amounts of gas and pay fees on specific dates, and optimization, where we purchase and sell gas on an economically hedged basis in order to improve facility utilization at margins higher than those from third party contracts.

The Company has a total of 206.5 Bcf of working gas capacity among its facilities, including 8.5 Bcf leased from a third-party pipeline company.

We have aggregated all of our activities in one reportable operating segment for financial reporting purposes. Our consolidated financial statements are prepared in accordance with GAAP.

Because the closing of the IPO occurred on May 17, 2010, we have pro-rated net earnings for the six months ended September 30, 2010 on a pre- and post-IPO basis. As part of the process of allocating revenues and expenses to the pre and post-IPO periods, we assessed the fair value of our risk management assets and liabilities to market, which resulted in a gain for the pre-IPO period and a loss for the post-IPO period.

Factors that Impact Our Business

During our fiscal year ended March 31, 2011 and the six months ended September 30, 2011 there was a significant reduction in natural gas price volatility and a narrowing of the difference between winter and summer prices in the natural gas futures market,

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

sometimes referred to as the seasonal spread. These conditions are the result of numerous factors, including, but not limited to: (i) warmer weather patterns; (ii) an increase in the supply of non-conventional (including shale-gas) natural gas; (iii) real or perceived changes in the overall supply and demand fundamentals; (iv) increased development in the number and size of natural gas storage facilities; and (v) the development of new pipeline infrastructure. If low volatility and narrow seasonal spreads persist, these conditions will adversely impact our revenues and profitability.

Our financial statements include goodwill valued at approximately $495.6 million at September 30, 2011, of which $455.0 relates to our facilities located in Alberta and $40.6 million relates to our facility located in Oklahoma. The Company performs its annual impairment test for goodwill at March 31 of each year. The decline in the seasonal spread is expected to materially affect our revenues and profitability in the fiscal year ending March 31, 2012. However, the Company is unable to determine at this time whether these conditions are likely to persist for periods beyond the current fiscal year. Accordingly, we have determined that no interim revaluation of goodwill is required at September 30, 2011. However, management continues to monitor developments in market conditions for seasonal spreads and the market for natural gas storage services. If management determines that less favorable market conditions are likely to remain for more than a temporary period, we could be required to perform an interim goodwill impairment test at December 31, 2011. We will perform our annual impairment test in any event at March 31, 2012. Any impairment of goodwill recognized in either an interim or annual period could be material.

Other than the above, there were no material changes in the disclosure made in our Annual Report on Form 10-K for the fiscal year ended March 31, 2011 regarding this matter.

Table of Contents

Results of Operations

A summary of financial data for the three and six months ended September 30, 2011 and 2010 is as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2010	2011	2010
	(unaudited)		(unaudited)	
Consolidated Statement of Earnings and Comprehensive Income Data:				
Revenues				
Long-term contract	$ 29,495	$ 28,394	$ 59,075	$ 58,018
Short-term contract	5,739	9,547	11,305	17,776
Optimization, net	40,425	39,895	51,044	43,686
	75,659	77,836	121,424	119,480
Expenses (income)				
Operating	14,351	10,115	25,179	21,271
General and administrative	7,324	7,754	14,467	15,272
Depreciation and amortization	10,807	13,244	20,807	23,340
Interest	19,370	19,412	38,022	38,167
Loss on extinguishment of debt	883	–	883	–
Foreign exchange losses (gains)	389	(96)	382	29
Other income	(22)	(12)	(40)	(24)
Earnings before income taxes	22,557	27,419	21,724	21,425

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Income tax benefit	(5,032)	(4,018)	(10,492)	(10,547)
Net earnings and comprehensive income	$ 27,589	$ 31,437	$ 32,216	$ 31,972
Reconciliation of Adjusted EBITDA and Cash Available for Distribution to Net Earnings				
Net earnings	$ 27,589	$ 31,437	$ 32,216	$ 31,972
Add/(deduct):				
Interest expense	19,370	19,412	38,022	38,167
Income tax benefit	(5,032)	(4,018)	(10,492)	(10,547)
Depreciation and amortization	10,807	13,244	20,807	23,340
Unrealized risk management gain	(23,792)	(20,721)	(12,972)	(8,450)
Loss on extinguishment of debt	883	–	883	–
Foreign exchange losses (gains)	389	(96)	382	29
Other income	(22)	(12)	(40)	(24)
Adjusted EBITDA	30,192	39,246	68,806	74,487
Less:				
Cash interest expense, net	18,350	18,303	35,976	36,095
Income taxes paid	469	222	755	287
Maintenance capital expenditures	159	622	162	724
Other income	(22)	(12)	(40)	(24)
Cash Available for Distribution	$ 11,236	$ 20,111	$ 31,953	$ 37,405

Table of Contents

Non-GAAP Financial Measures

Adjusted EBITDA and Cash Available for Distribution

We use the non-GAAP financial measures Adjusted EBITDA and Cash Available for Distribution in this report. A reconciliation of Adjusted EBITDA and Cash Available for Distribution to net earnings, the most directly comparable financial measure as calculated and presented in accordance with GAAP, is shown above.

We define Adjusted EBITDA as net earnings before interest, income taxes, depreciation and amortization, unrealized risk management gains and losses, foreign exchange gains and losses, unrealized inventory impairment write downs, gains and losses on asset dispositions, asset impairments and other income. We believe the adjustments for other income are similar in nature to the traditional adjustments to net earnings used to calculate EBITDA and adjustment for these items results in an appropriate representation of this financial measure. Cash Available for Distribution is defined as Adjusted EBITDA reduced by interest expense (excluding amortization of deferred financing costs and the effects of unrealized gains or losses on interest rate swaps), income taxes paid, maintenance capital expenditures and other income. Adjusted EBITDA and Cash Available for Distribution are used as supplemental financial measures by our management and by external users of our financial statements, such as commercial banks and ratings agencies, to assess:

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

- the financial performance of our assets, operations and return on capital without regard to financing methods, capital structure or historical cost basis;

- the ability of our assets to generate cash sufficient to pay interest on our indebtedness and make distributions to our equity holders;

- repeatable operating performance that is not distorted by non-recurring items or market volatility; and

- the viability of acquisitions and capital expenditure projects.

The non-GAAP financial measures of Adjusted EBITDA and Cash Available for Distribution should not be considered as alternatives to net earnings. Adjusted EBITDA and Cash Available for Distribution are not presentations made in accordance with GAAP and have important limitations as analytical tools. Neither Adjusted EBITDA nor Cash Available for Distribution should be considered in isolation or as a substitute for analysis of our results as reported under GAAP. Because Adjusted EBITDA and Cash Available for Distribution exclude some, but not all, items that affect net earnings and are defined differently by different companies, our definition of Adjusted EBITDA and Cash Available for Distribution may not be comparable to similarly titled measures of other companies.

We recognize that the usefulness of Adjusted EBITDA as an evaluative tool may have certain limitations, including:

- Adjusted EBITDA does not include interest expense. Because we have borrowed money in order to finance our operations, interest expense is a necessary element of our costs and impacts our ability to generate profits and cash flows. Therefore, any measure that excludes interest expense may have material limitations;

- Adjusted EBITDA does not include depreciation and amortization expense. Because we use capital assets, depreciation and amortization expense is a necessary element of our costs and ability to generate profits. Therefore, any measure that excludes depreciation and amortization expense may have material limitations;

- Adjusted EBITDA does not include provision for income taxes. Because the payment of income taxes is a necessary element of our costs, any measure that excludes income tax expense may have material limitations;

- Adjusted EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;

- Adjusted EBITDA does not reflect changes in, or cash requirements for, working capital needs; and

- Adjusted EBITDA does not allow us to analyze the effect of certain recurring and non-recurring items that materially affect our net earnings or loss.

Similarly, Cash Available for Distribution has certain limitations because it accounts for some, but not all, of the above limitations.

Table of Contents

Revenues

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Revenues for the three months ended September 30, 2011 were $75.7 million compared to $77.8 million in the three months ended September 30, 2010. Revenues for the six months ended September 30, 2011 were $121.4 million compared to $119.5 million in the same period last year. Changes in revenue are described below.

LTF Revenues. LTF revenues for the three months ended September 30, 2011 were $29.5 million compared to $28.4 million for the three months ended September 30, 2010. LTF revenues for the six months ended September 30, 2011 were $59.1 million, an increase of 1.9% compared to $58.0 million in the six months ended September 30, 2010. An increase in LTF capacity contracted in the current period was offset by a decrease in fees on re-contracted capacity. Additionally, revenues from Canadian operations benefitted from a strengthening of the Canadian dollar versus the U.S. dollar.

STF Revenues. STF revenues for the three months ended September 30, 2011 decreased to $5.7 million compared to $9.5 million for the three months ended September 30, 2010. STF revenues for the six months ended September 30, 2011 were $11.3 million, compared to $17.8 million in the six months ended September 30, 2010. The revenue decreases resulted from reduced STF margins in a lower seasonal spread environment coupled with a reduction in the capacity that we allocated to our STF strategy compared to the second quarter and first six months of last year .

Optimization Revenues. Net optimization revenues for the three months ended September 30, 2011 increased to $40.4 million from $39.9 million for the three months ended September 30, 2010. Net optimization revenues for the six months ended September 30, 2011 were $51.0 million, an increase of $7.3 million compared to revenues of $43.7 million in the six months ended September 30, 2010. Net optimization revenues consisted of the following:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	**2010**	**2011**	**2010**
	(unaudited)		**(unaudited)**	
Realized optimization revenue, net	$ 16,633	$ 19,174	$ 38,072	$ 35,236
Unrealized risk management gains	23,792	20,721	12,972	8,450
Total	$ 40,425	$ 39,895	$ 51,044	$ 43,686

When evaluating the performance of our optimization business, we focus on our realized optimization margins, excluding the impact of unrealized economic hedging gains and losses and inventory write-downs. For accounting purposes, our net optimization revenues include the impact of unrealized economic hedging gains and losses and of inventory write-downs, which cause our reported revenues to fluctuate from period to period. However, because substantially all of our inventory is economically hedged, any inventory write-downs are offset by economic hedging gains and any unrealized economic hedging losses are offset by realized gains from the sale of physical inventory. The components of optimization revenues are as follows:

- *Realized Optimization Revenues.* Realized optimization revenues for the three months ended September 30, 2011 decreased to $16.6 million from $19.2 million for the three months ended September 30, 2010. Realized optimization revenues for the six months ended September 30, 2011 increased to $38.1 million from $35.2 million for the six months ended September 30, 2010. During the three and six month periods ended September 30, 2011, we used a greater proportion of our total capacity for our proprietary optimization strategy compared to the prior period. Increased capacity allocated to this strategy allowed us to take advantage of a liquid spot market for natural gas in the current period; however lower margins were realized as a result of the weaker spread environment. Realized financial gains related to the timing of the settlement of financial contracts impacted revenue during the prior three and six month periods.

- *Unrealized Risk Management Gains/(Losses).* Unrealized risk management gains for the three months ended September 30, 2011 were $23.8 million compared to unrealized risk management gains of $20.7 million in the three months ended September 30, 2010. Unrealized risk management gains for the six months ended September 30, 2011 were

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

$13.0 million, compared to gains of $8.5 million in the six months ended September 30, 2010. As all inventory is economically hedged, any unrealized risk management losses (or gains) are offset by future gains (or losses) associated with the sale of proprietary inventory.

Table of Contents

Operating Expenses

Operating expenses for the three and six months ended September 30, 2011 and 2010 consisted of the following:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2010	2011	2010
	(unaudited)		(unaudited)	
General operating costs, including insurance, lease costs, safety and training costs	$ 5,931	$ 5,155	$ 11,708	$ 9,396
Salaries and benefits	1,683	1,559	3,466	3,230
Fuel and electricity	5,860	3,056	8,509	7,468
Maintenance	877	345	1,496	1,177
Total operating expenses	$ 14,351	$ 10,115	$ 25,179	$ 21,271

Operating expenses for the quarter ended September 30, 2011 increased to $14.4 million from $10.1 million for the quarter ended September 30, 2010. Operating expenses for the six months ended September 30, 2011 increased to $25.2 million from $21.3 million for the six months ended September 30, 2010. Higher utility costs during the second quarter of the current year combined with higher volumes cycled at one of our facilities resulted in additional fuel and electricity costs in the three and six months ended in the current year as compared to the same period in the prior year. General operating costs rose principally as a result of higher lease costs in the quarter and six months ended September 30, 2011. The higher lease costs relate to additional storage capacity leased in Southern California during the period.

General and Administrative Expenses

General and administrative expenses for the three and six months ended September 30, 2011 and 2010 consisted of the following:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2010	2011	2010
	(unaudited)		(unaudited)	
Compensation costs	$ 4,582	$ 5,761	$ 9,368	$ 10,297
General costs, including office and information technology costs	1,197	958	1,625	2,139
Legal, audit and regulatory costs	1,545	1,035	3,474	2,836
Total general and administrative expenses	$ 7,324	$ 7,754	$ 14,467	$ 15,272

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

General and administrative costs were $7.3 million in the three months ended September 30, 2011, compared to $7.8 million in the same period last year. General and administrative expenses decreased to $14.5 million for the six months ended September 30, 2011 compared to $15.3 million for the six months ended September 30, 2010. Compensation costs decreased as a result of a reduction in incentive compensation accruals in the current period.

Depreciation and Amortization Expense

Depreciation and amortization expense for the three months ended September 30, 2011 was $10.8 million compared to $13.2 million in the three months ended September 30, 2010. Depreciation and amortization expense for the six months ended September 30, 2011 was $20.8 million compared to $23.3 million in the six months ended September 30, 2010. The decrease was primarily attributable to a provision for cushion gas migration at one of the Company' s facilities which is recorded in depreciation and amortization expense. The provision for cushion gas migration amounted to $1.0 million during the three and six months ended September 30, 2011 as compared to $2.8 million during the three and six months ended September 30, 2010. The provision against cushion gas is estimated based on tests of its effectiveness.

Table of Contents

Interest Expense

Interest expense for the three months ended September 30, 2011 was $19.4 million compared to $19.4 million in the three months ended September 30, 2010. Interest expense for the six months ended September 30, 2011 was $38.0 million compared to $38.2 million in the six months ended September 30, 2010. Interest expense in the three and six months ended September 30, 2011 principally consisted of interest on our 8.875% Senior Notes as well as amortization of deferred financing costs.

Earnings before Income Taxes

Earnings before income taxes for the quarter ended September 30, 2011 decreased to $22.6 million from earnings of $27.4 million for the quarter ended September 30, 2010. Earnings before income taxes for the six months ended September 30, 2011 increased to $21.7 million from earnings of $21.4 million for the six months ended September 30, 2011.The changes in earnings for the three months ended were primarily attributable to the increase in operating costs. The changes in earnings for the six months ended were attributable to the items discussed above.

Income Taxes

Income tax benefit was $5.0 million for the three months ended September 30, 2011 compared to $4.0 million for the same period of the prior year. We had an income tax benefit of $10.5 million for the six months ended September 30, 2011 essentially unchanged from the benefit for the six months ended September 30, 2010. The income tax benefit in the current three and six month periods is due mainly to the recognition of losses in certain taxable Canadian entities and the recognition of income in certain non-taxable entities.

The effective tax rate for the three and six months ended September 30, 2011 differs from the U.S. statutory federal rate of 35% primarily due to the recognition of income in non-taxable entities and the recognition of losses in taxable entities.

Net Earnings

Net earnings for the quarter ended September 30, 2011 were $27.6 million compared to net earnings of $31.4 million for the quarter ended September 30, 2010. Net earnings for the six months ended September 30, 2011 were $32.2 million compared to net

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

earnings of $32.0 million for the quarter ended September 30, 2010. The decrease in earnings for the three month period was primarily attributable to the increased operating costs discussed above. The changes in earnings for the six months ended were attributable to the items discussed above.

Liquidity and Capital Resources

Shelf Registration Statement

On June 17, 2011 we filed a Registration Statement on Form S-3 in order to allow us to issue a combination of equity and debt securities for up to $1.25 billion from time to time. In addition, the filing included registration of the offering for resale of up to 16,304,745 common units that are owned by Sponsor Holdings. The Form S-3 is not yet effective and is currently under review by the SEC.

Sources and Uses of Liquidity

The Company has $769.3 million in senior notes ("Senior Notes") outstanding and has access to a $400 million revolving credit facility ("$400 million Credit Agreement"), of which a balance of $240.0 million is available. For further information about our Senior Notes and our $400 million Credit Agreement, including covenants and restrictions, see Note 4 to the accompanying unaudited consolidated financial statements included in this report.

Our primary short-term liquidity needs are to pay our quarterly distributions and withholding tax payments, to pay interest and principal payments under our $400 million Credit Agreement and our Senior Notes, to fund our operating expenses and maintenance capital and to pay for the acquisition of optimization inventory along with associated margin requirements. We expect to fund these requirements through a combination of cash on hand, cash from operations and borrowings under our $400 million Credit Agreement.

Table of Contents

In certain circumstances, our fixed charge coverage ratio could be below the level of 1.75 to 1.0 in a future quarter. If our fixed charge coverage ratio were to be below 1.75 to 1.0, we expect we would be permitted to thereafter pay at least an additional $75 million of distributions.

Our medium-term and long-term liquidity needs primarily relate to potential organic expansion opportunities and asset acquisitions. We expect to finance the cost of any expansion projects and acquisitions from the proceeds of our IPO, borrowings under our existing and possible future credit facilities or a mix of borrowings and additional equity offerings as well as cash on hand and cash from operations. We anticipate that our primary sources of funds for our long-term liquidity needs will be from cash from operations and/or debt or equity financings.

In the absence of material acquisitions, we believe that our existing sources of liquidity will be sufficient to fund our short-term liquidity needs as well as our organic expansion opportunities through March 31, 2012. Funding of material acquisitions and longer-term liquidity needs will depend on the availability and cost of capital in the debt and equity markets. Accordingly, the availability of any such potential funding on economic terms is uncertain.

Historical Cash Flows

Our cash flows are significantly influenced by our level of natural gas inventory, margin deposits and related forward sale contracts or economic hedging positions at the end of each accounting period and may fluctuate significantly from period to period. In addition, our period to period cash flows are heavily influenced by the seasonality of our proprietary optimization activities. For

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

example, we generally purchase significant quantities of natural gas during the summer months and sell natural gas during the winter months. The storage of natural gas for our own account can have a material impact on our cash flows from operating activities for the period we pay for and store the natural gas and the subsequent period in which we receive proceeds from the sale of natural gas. When we purchase and store natural gas for our own account, we use cash to pay for the gas and record the gas as inventory and thereby reduce our cash flows from operating activities. We typically borrow on our revolving credit facilities to fund these purchases, and these borrowings increase our cash flows from financing activities. Conversely, when we collect the proceeds from the sale of natural gas that we purchased and stored for our own account, the impact on our cash flows from operating activities is positive and the impact on our cash flows from financing activities is negative. Therefore, our cash flows from operating activities fluctuate significantly from period-to-period as we purchase gas, store it, and then sell it in a later period. In addition, we have margin requirements on our economically hedged positions. As the cash deposits we make to satisfy our margin requirements increase and decrease with our volume of derivative positions and changes in commodity prices, our cash flows from operating activities may fluctuate significantly from period to period.

Table of Contents

Cash Flows from Operations

The following table summarizes our sources and uses of cash for the six month periods ended September 30, 2011 and 2010, respectively:

Operating Activities:	Six Months Ended September 30, 2011	Six Months Ended September 30, 2010
	(unaudited)	
Net earnings	$ 32,216	$ 31,972
Adjustments to reconcile net earnings to net cash used in operating activities:		
Unrealized foreign exchange loss	698	397
Deferred income tax benefit	(10,585)	(10,834)
Unrealized risk management gain	(12,972)	(8,450)
Depreciation and amortization	20,807	23,340
Deferred charges amortization	2,046	2,072
Loss on extinguishment of debt	883	–
Changes in non-cash working capital	(114,195)	(120,924)
Net cash used in operating activities	(81,102)	(82,427)
Net cash used in investing activities	(27,848)	(15,159)
Net cash provided by financing activities	17,645	5,057
Effect of translation of foreign currency on cash and cash equivalents	242	67
Net Decrease in Cash and Cash Equivalents	**$ (91,063)**	**$ (92,462)**

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The decrease in cash is primarily due to cash paid for inventory purchases, interest payments and principal repurchases on our Senior Notes, capital expenditures, and distributions to unit holders. These decreases are offset by cash from operations and drawings on our Credit Facilities, in addition to cushion gas sales entered into during the six months ended September 30, 2011, for total proceeds of $49.0 million. We have sold cushion gas during the six months ended September 30, 2011 and entered into firm commitments to reacquire an equivalent amount of cushion gas in the fourth quarter of the fiscal year ending March 31, 2012 and, accordingly, expect to spend approximately $53.8 million to reacquire the cushion gas at that time. In conjunction with the sale of cushion gas, we entered into STF contracts which provided cash inflows of $2.1 million for the six months ended September 30, 2011 and will provided a further $2.1 million of cash inflows during the fourth quarter of the fiscal 2012 fiscal year.

For a discussion of changes in cash flow resulting from adjustments to reconcile net earnings to net cash used in operations, please refer to the discussion "Results of Operations," above.

Market conditions remain challenging and have continued to deteriorate compared to both the fourth quarter of the 2011 fiscal year and this point last year. There are a number of factors beyond our control that may impact our operations through the remainder of this fiscal year. Unless conditions improve, we believe it is unlikely that we will earn in this fiscal year Cash Available for Distribution equal to all of the cash distributions we expect to pay with respect to this fiscal year.

We believe that we will have sufficient cash flow from operations and borrowing capacity under our credit agreement to meet our financial commitments, debt service obligations, contingencies and anticipated capital expenditures through March 31, 2012. However, we are subject to business and operational risks that could adversely affect our cash flow. A material decrease in our cash flows would likely produce an adverse effect on our ability to incur new debt as well as our ability to pay distributions.

Table of Contents

Changes in non-cash working capital consisted of the following:

Changes in non-cash working capital:	Six Months Ended September 30, 2011	Six Months Ended September 30, 2010
	(unaudited)	
Margin deposits	$ 32,166	$ (40,062)
Trade receivables	865	5,334
Accrued receivables	13,917	(8,807)
Natural gas inventory	(224,784)	(132,086)
Prepaid expenses	685	(3,430)
Other assets	(264)	–
Trade payables	358	(5,577)
Accrued liabilities	54,818	52,721
Deferred revenue	7,981	10,985
Funds held on deposit	63	(2)
Net changes in non-cash working capital	$ (114,195)	$ (120,924)

For the period ended September 30, 2011, consistent with the prior year, we continued to allocate a significant proportion of our capacity to our optimization strategy, accumulating inventory and economically hedging it forward to future periods. However,

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

unlike the prior year, forward commodity prices softened after we hedged our inventory and this resulted in a return of substantial cash that had been posted as margin deposits.

Investing Activities

Substantially all of our investing activities consisted of capital expenditures in each of the six months ended September 30, 2011 and 2010. Capital expenditures in each six month period consisted of the following:

Capital expenditures	Six Months Ended September 30, 2011	Six Months Ended September 30, 2010
	(unaudited)	
Maintenance capital	$ 162	$ 724
Expansion capital	27,686	14,435
Total cash expenditures	27,848	15,159
Change in accrued capital expenditures	(3,852)	(1,857)
Total	$ 23,996	$ 13,302

Maintenance capital expenditures are capital expenditures made to replace partially or fully depreciated assets, to maintain the existing operating capacity of our assets and to extend their useful lives. Expansion capital expenditures are made to acquire additional assets to grow our business, to expand and upgrade our facilities and to acquire similar operations or facilities. During the six months ended September 30, 2011, we spent a total of $27.8 million on projects at our AECO and Wild Goose facilities.

Under our current plan, we expect to continue to spend between approximately $1.0 million and $2.0 million per year for maintenance capital expenditures to maintain the integrity of our storage facilities and ensure the reliable injection, storage and withdrawal of natural gas for our customers.   Total expansion capital spending during the twelve months ending March 31, 2012 is currently expected to be within a range of $65 - $75 million. During the six months ended September 30, 2011, we added 2 Bcf of incremental capacity at our AECO Hub™ facility. We plan to add 15 Bcf of incremental capacity at the Wild Goose facility. We expect to fund both our maintenance capital expenditures and our expansion capital expenditures from existing cash on hand and borrowings under our $400 million Credit Agreement.

Financing Activities

As noted above, during the six months ended September 30, 2011, we borrowed $307.9 million and repaid $218.9 million under our $400 million Credit Agreement.

During the quarter ended September 30, 2011, we repaid $30.9 million of our Senior Notes, excluding accrued interest, with a principal amount of $30.7 million. Funds to repurchase the Senior Notes were derived from working capital as well as the issuance and sale 687,500 common units at a price of $16.00 per unit, or $11.0 million in the aggregate to Sponsor Holdings.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Item 3. ***Quantitative and Qualitative Disclosures About Market Risk***

There were no material changes to the disclosures made in our Annual Report on Form 10-K for the fiscal year ended March 31, 2011 regarding this matter.

At September 30, 2011, 89.9 Bcf of natural gas inventory was economically hedged, representing 99.9% of our total current inventory. Because inventory is recorded at the lower of cost or market, not fair value, if the price of natural gas increased by $1.00 per Mcf the value of that inventory would increase by $89.9 million, the fair value or mark-to-market value of our economic hedges would decrease by $89.9 million, and the impact due to the non-economically hedged position would be immaterial. Similarly, if the price of natural gas declined by $1.00 per Mcf, the value of that inventory would decrease by $89.9 million while the fair value of our economic hedges would increase by $89.9 million and the impact due to the non-economically hedged position would be immaterial. Long-term inventory and fuel gas used for operating our facilities are not offset. Total volumes of long-term inventory and fuel gas at September 30, 2011 are 3.4 Bcf and 0.0 Bcf, respectively.

At September 30, 2011, Niska Partners was exposed to interest rate risk resulting from the variable rates associated with its $400 million Credit Agreement. A balance of $89.0 million was drawn on the Credit Facilities at September 30, 2011. Our exposure to interest rate fluctuations on the Credit Facilities varies based on certain ratios and the magnitude of our drawings on the facility. At September 30, 2011, a one percent increase or decrease in interest rates would have an impact of approximately $0.9 million on our interest expense.

Item 4. ***Controls and Procedures***

Disclosure Controls and Procedures

Our principal executive officer (Interim CEO) and principal financial officer (CFO) undertook an evaluation of our disclosure controls and procedures as of the end of the period covered by this report. The Interim CEO and the CFO have concluded that our controls and procedures were effective as of September 30, 2011. For purposes of this section, the term "disclosure controls and procedures" means controls and other procedures of an issuer that are designed to ensure that information required to be disclosed by the issuer in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in SEC' s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer' s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. However, a controls system cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected.

Table of Contents

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting (as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934) that occurred during our last fiscal quarter that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

Table of Contents

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

PART II–OTHER INFORMATION

Item 1. *Legal Proceedings*

For information on legal proceedings, see Part 1, Item 1, Financial Statements, Note 2, "Commitments and Contingencies" in the Notes to Unaudited Consolidated Financial Statements included in this quarterly report, which is incorporated into this item by reference.

Item 1A. *Risk Factors*

There have been no material changes from the risk factors described previously in Part I, Item 1A of the Company' s Annual Report on Form 10-K for the fiscal year ended March 31, 2011, filed on June 14, 2011.

Table of Contents

Item 6. *Exhibits*

Exhibit Number		Description
3.1	–	Certificate of formation of Niska Gas Storage Partners LLC (incorporated by reference to exhibit 3.1 to Amendment No. 2 to the Company' s registration statement on Form S-1 (Registration No. 333-165007), filed on April 15, 2010)
3.2	–	First Amended and Restated Operating Agreement of Niska Gas Storage Partners LLC dated May 17, 2010 (incorporated by reference to exhibit 3.1 of the Company' s Current Report on Form 8-K filed on May 19, 2010)
4.1*	–	Amendment No. 1 to Registration Rights Agreement made as of August 24, 2011, by and between Niska Gas Storage Partners LLC, a Deleware limited liability company and Niska Sponsor Holdings Coöperatief U.A.
10.1*	–	Common Unit Purchase Agreement made as of August 24, 2011 by and between Niska Gas Storage Partners LLC and Niska Sponsor Holdings Coöperatief U.A.
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 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.INS*		XBRL Instance Document.
101.SCH*		XBRL Taxonomy Extension Schema Document.
101.CAL*		XBRL Taxonomy Extension Calculation Linkbase Document.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.

* Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

NISKA GAS STORAGE PARTNERS LLC

Date: November 7, 2011

By: /s/ VANCE E. POWERS

Vance E. Powers

Chief Financial Officer

(Principal Accounting Officer)

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 4.1

EXECUTION VERSION

AMENDMENT NO. 1 TO REGISTRATION RIGHTS AGREEMENT

This AMENDMENT NO. 1 TO REGISTRATION RIGHTS AGREEMENT (this "***Agreement***") is made as of August 24, 2011 by and between Niska Gas Storage Partners LLC, a Delaware limited liability company ("***Niska***"), and Niska Sponsor Holdings Coöperatief U.A., a *coöperatief* formed in the Netherlands ("***Holdco***").

RECITALS:

WHEREAS, concurrently with the execution of this Agreement Niska and Holdco are executing that certain Common Unit Purchase Agreement dated as of the date hereof (the "***Purchase Agreement***"), pursuant to which Niska is issuing and selling and Holdco is purchasing 687,500 common units representing limited liability company interests in Niska (the "***Purchased Units***"); and

WHEREAS, in order to induce Holdco to enter into the Purchase Agreement, Niska and Holdco desire to amend the Registration Rights Agreement by and between Niska and Holdco, dated May 17, 2010 (the "***Registration Rights Agreement***"), to provide Holdco with certain registration rights with respect to the Purchased Units.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Niska and Holdco, intending to be legally bound, hereby agree as follows:

Section 1. Amendment. The Registration Rights Agreement is hereby amended by deleting the definition of the term "Registrable Securities" in Section 1.01 of the Registration Rights Agreement and replacing such definition with the following:

> "Registrable Securities" means the aggregate number of (i) Common Units issued to Holdco pursuant to the Contribution Agreement (including pursuant to the Deferred Issuance and Distribution); (ii) Subordinated Units; (iii) Common Units issuable upon conversion of the Subordinated Units or the Combined Interests pursuant to the terms of the Operating Agreement; and (iv) the Common Units issued to Holdco pursuant to the Common Unit Purchase Agreement, dated August 24, 2011, between the Company and Holdco, which Registrable Securities are subject to the rights provided herein until such rights terminate pursuant to the provisions hereof.

Section 2. Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

Section 3. Governing Law. The laws of the State of New York shall govern this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment No. 1 to Registration Rights Agreement on the date first written above.

NISKA GAS STORAGE PARTNERS LLC

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

By: /s/ Jason A. Dubchak
Name: Jason A. Dubchak
Title: VP, General Counsel & Corporate Secretary

NISKA SPONSOR HOLDINGS COÖPERATIEF U.A.

By: /s/ Jason A. Dubchak
Name: Jason A. Dubchak
Title: Managing Director A

By: /s/ N.J.J.M. Wolthuis-Geeraedts
Name: N.J.J.M. Wolthuis-Geeraedts
Title: Managing Director B

SIGNATURE PAGE TO AMENDMENT NO. 1 TO REGISTRATION RIGHTS AGREEMENT

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 10.1

EXECUTION VERSION

COMMON UNIT PURCHASE AGREEMENT

This COMMON UNIT PURCHASE AGREEMENT (this "***Agreement***") is made as of August 24, 2011 by and between Niska Gas Storage Partners LLC, a Delaware limited liability company ("***Niska***"), and Niska Sponsor Holdings Coöperatief U.A., a *coöperatief* formed in the Netherlands ("***Purchaser***").

RECITALS:

WHEREAS, Niska desires to sell and Purchaser desires to purchase 687,500 Common Units (the "***Purchased Units***") on the terms and subject to the conditions set forth herein.

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Niska and Purchaser, intending to be legally bound, hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.1 Definitions. As used in this Agreement, and unless the context requires a different meaning, the following terms have the meanings indicated:

"***Agreement***" has the meaning set forth in the preamble to this Agreement.

"***Commission***" means the United States Securities and Exchange Commission.

"***Common Unit***" has the meaning set forth in the Operating Agreement.

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended from time to time, and the rules and regulations of the Commission promulgated thereunder.

"***Niska***" has the meaning set forth in the preamble to this Agreement.

"***Niska Commission Documents***" has the meaning set forth in Section 3.5.

"***Operating Agreement***" means the First Amended and Restated Operating Agreement of Niska, dated as of May 17, 2010.

"***Purchased Units***" has the meaning set forth in the recitals to this Agreement.

"***Purchaser***" has the meaning set forth in the preamble to this Agreement.

"***Securities Act***" means the Securities Act of 1933, as amended from time to time, and the rules and regulations of the Commission promulgated thereunder.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

ARTICLE II
AGREEMENT TO ISSUE, SELL AND PURCHASE

Section 2.1 Issuance, Sale and Purchase of the Purchased Units. On the date hereof, upon the terms and subject to the conditions set forth in this Agreement, Niska agrees to issue and sell the Purchased Units to Purchaser and Purchaser agrees to purchase and acquire from the Purchased Units from Niska and to pay aggregate consideration of $11,000,000 in cash to Niska in exchange therefor.

ARTICLE III
REPRESENTATIONS AND WARRANTIES OF NISKA

Niska hereby represents and warrants to Purchaser as follows:

Section 3.1 Existence. Niska (a) is a limited liability company duly formed, validly existing and in good standing under the laws of the State of Delaware and (b) has all requisite limited liability company power necessary to own its assets and carry on its business as its business is now being conducted.

Section 3.2 Valid Issuance of Purchased Units. The offer and sale of the Purchased Units and the limited liability company interests represented thereby have been duly authorized in accordance with the Operating Agreement and, when issued and delivered to Purchaser against payment therefor in accordance with the terms of this Agreement, will be validly issued, fully paid (to the extent required under the Operating Agreement) and nonassessable (except as such nonassessability may be affected by Section 18-607 and 18-804 of the Delaware Limited Liability Company Act.

Section 3.3 Authority. Niska has all necessary limited liability company power and authority to execute, deliver and perform its obligations under this Agreement and to consummate the transactions contemplated hereby.

Section 3.4 No Conflict. The execution, delivery and performance by Niska of this Agreement and compliance by Niska with the terms and provisions hereof do not (a) violate any provision of any statute, rule, regulation or order of any court or governmental authority having jurisdiction over Niska or any of its properties or assets, (b) conflict with or result in a violation of Niska' s certificate of formation or the Operating Agreement, or (c) result in a violation or breach of or constitute a default under any material agreement to which Niska is a party or by which Niska or any of its properties is bound, except, in the case of clauses (a) and (c), where such violation, breach or default would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Niska' s ability to satisfy its obligations under this Agreement.

Section 3.5 Niska Commission Documents. Niska has filed with the Commission all forms, registration statements, reports, schedules and statements required to be filed by it as of the date hereof under the Exchange Act or the Securities Act (all such documents, collectively "***Niska Commission Documents***"). The Niska Commission Documents, including, without limitation, any audited or unaudited financial statements and any notes thereto or schedules included therein, at the time filed (in the case of registration statements, solely on the dates of effectiveness) (except to the extent corrected by a subsequently filed Niska Commission Document filed prior to the date hereof) (a) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading, (b) complied in all material respects with the applicable requirements of the Exchange Act and the Securities Act, as the case may be, (c) complied as to form in all material respects with applicable accounting requirements and with the published rules and regulations of the Commission with respect thereto, (d) were prepared in accordance with GAAP applied on a consistent basis during the periods involved (except as may be indicated in the notes thereto or, in the case of unaudited statements, as permitted by Form

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

10-Q), and (e) fairly present (subject in the case of unaudited statements to normal, recurring and year-end audit adjustments) in all material respects the consolidated financial position and status of the business of Niska as of the dates thereof and the consolidated results of its operations and cash flows for the periods then ended.

Section 3.6 Investment Company Status. Niska is not an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

Section 3.7 Certain Fees. No fees or commissions will be payable by Niska to brokers, finders, or investment bankers with respect to the sale of any of the Purchased Units or the consummation of the transactions contemplated by this Agreement.

ARTICLE IV
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser hereby represents and warrants to Niska as follows:

Section 4.1 Existence. Purchaser is an entity duly organized, validly existing and in good standing under the laws of its jurisdiction of organization and has all requisite power necessary to own its assets and carry on its business as its business is now being conducted.

Section 4.2 Authority. Purchaser has all necessary power and authority to execute, deliver and perform its obligations under this Agreement and to consummate the transactions contemplated hereby.

Section 4.3 No Conflicts. The execution, delivery and performance by Purchaser of this Agreement do not (a) violate any provision of any statute, rule, regulation or order of any court or governmental authority having jurisdiction over Purchaser or any of its properties or assets, (b) conflict with or result in a violation of any provision of the organizational documents of Purchaser, or (c) result in a violation or breach of or constitute a default under any material agreement to which Purchaser is a party or by which Purchaser or any of its properties is bound, except, in each case, where such violation, breach or default would not, individually or in the aggregate, reasonably be expected to cause a material adverse effect on the ability of Purchaser to satisfy its obligations under this Agreement.

Section 4.4 Trading Activities. Purchaser' s trading activities, if any, with respect to Common Units will be in compliance with all applicable state and federal securities laws, rules and regulations and the rules and regulations of the New York Stock Exchange.

Section 4.5 Investment. The Purchased Units are being acquired for its own account, not as a nominee or agent, and with no intention of distributing the Purchased Units or any part thereof. Purchaser has no present intention of selling or granting any participation in or otherwise distributing the Purchased Units in any transaction in violation of the securities laws of the United States of America or any state. If Purchaser should in the future decide to dispose of any of the Purchased Units, Purchaser understands and agrees (a) that it may do so only (i) in compliance with the Securities Act and applicable state securities law, as then in effect, or (ii) in the manner contemplated by any registration statement pursuant to which such securities are being offered, and (b) that stop-transfer instructions to that effect will be in effect with respect to such securities.

Section 4.6 Nature of Purchaser. Purchaser (a) is an "accredited investor" within the meaning of Rule 501 of Regulation D promulgated by the Commission pursuant to the Securities Act and (b) by reason of its business and financial experience it has such knowledge, sophistication and experience in making similar investments and in business and financial matters generally so as to be

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

capable of evaluating the merits and risks of the prospective investment in the Purchased Units, is able to bear the economic risk of such investment and, at the present time, would be able to afford a complete loss of such investment.

Section 4.7 Legend. Purchaser understands that the books and records of the transfer agents for the Purchased Units will include, as a restrictive notation, the following legend: "THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD, UNLESS IT HAS BEEN REGISTERED UNDER THE SECURITIES ACT OR UNLESS AN EXEMPTION FROM REGISTRATION IS AVAILABLE (AND, IN SUCH CASE, AN OPINION OF COUNSEL REASONABLY SATISFACTORY TO THE COMPANY SHALL HAVE BEEN DELIVERED TO THE COMPANY TO THE EFFECT THAT SUCH OFFER OR SALE IS NOT REQUIRED TO BE REGISTERED UNDER THE SECURITIES

ACT). THIS SECURITY IS SUBJECT TO CERTAIN RESTRICTIONS ON TRANSFER SET FORTH IN THE FIRST AMENDED AND RESTATED OPERATING AGREEMENT OF THE COMPANY DATED AS OF MAY 17, 2010 AS AMENDED, A COPY OF WHICH MAY BE OBTAINED FROM THE COMPANY AT ITS PRINCIPAL EXECUTIVE OFFICES."

ARTICLE V
GENERAL PROVISIONS.

Section 5.1 Survival. The representations and warranties of Niska contained in Article III and of Purchaser contained in Article IV shall survive one year from the date of this Agreement.

Section 5.2 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or any other jurisdiction, but this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

Section 5.3 Entire Agreement. This Agreement is intended by Niska and Purchaser as a final expression of their agreement and intended to be a complete and exclusive statement of the agreement and understanding of Niska and Purchaser in respect of the subject matter contained herein.

Section 5.4 Counterparts. This Agreement may be executed in separate counterparts, each of which is deemed to be an original and all of which taken together constitute one and the same agreement.

Section 5.5 No Assignment. This Agreement and the rights and obligations hereunder are not assignable in whole or in part.

Section 5.6 Choice of Law. All issues and questions concerning the construction, validity and interpretation of this Agreement and the exhibits hereto will be governed by and construed in accordance with the internal laws of the State of Delaware, without giving effect to any choice of law or conflict of law provisions (whether of the State of Delaware, or any other jurisdictions) that would cause the application of the laws of any jurisdiction other than the State of Delaware.

Section 5.7 Remedies. Each of the parties to this Agreement will be entitled to enforce its rights under this Agreement specifically, to recover damages and costs (including attorney' s fees) caused by any breach of any provision of this Agreement and to exercise all

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

other rights existing in its favor. The parties hereto agree and acknowledge that money damages may not be an adequate remedy for any breach of the provisions of this Agreement and that any party may in its sole discretion apply to any court of law or equity of competent jurisdiction (without posting any bond or deposit) for specific performance and/or other injunctive relief in order to enforce or prevent any violations of the provisions of this Agreement.

Section 5.8 Amendment and Waiver. The provisions of this Agreement may be amended by a writing signed by Niska and Purchaser.

Section 5.9 No Waiver. A waiver by any party hereto of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy which the parties would otherwise have on any future occasion. No failure to exercise nor any delay in exercising on the part of any party hereto, any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein provided are cumulative and may be exercised singly or concurrently, and are not exclusive of any rights or remedies provided by law.

Section 5.10 Further Assurances. Each of the parties to this Agreement shall execute and deliver all documents, provide all information, and take or refrain from taking such actions as may be necessary or appropriate to achieve the purposes of this Agreement.

Section 5.11 Descriptive Headings; Interpretation. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a substantive part of this Agreement. Whenever required by the context, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa. The use of the word "including" in this Agreement shall be by way of example rather than by limitation. Reference to any agreement, document or instrument means such agreement, document or instrument as amended or otherwise modified from time to time in accordance with the terms thereof, and if applicable hereof. Without limiting the generality of the immediately preceding sentence, no amendment or other modification to any agreement, document or instrument that requires the consent of any person pursuant to the terms of this Agreement or any other agreement will be given effect hereunder unless such person has consented in writing to such amendment or modification. The use of the words "or," "either" and "any" shall not be exclusive.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed this Common Unit Purchase Agreement on the date first written above.

NISKA GAS STORAGE PARTNERS LLC

By: /s/ Jason A. Dubchak
Name: Jason A. Dubchak
Title: VP, General Counsel & Corporate Secretary

NISKA SPONSOR HOLDINGS COÖPERATIEF U.A.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

By:	/s/ Jason A. Dubchak
Name:	Jason A. Dubchak
Title:	Managing Director A

By:	/s/ N.J.J.M. Wolthuis-Geeraedts
Name:	N.J.J.M. Wolthuis-Geeraedts
Title:	Managing Director B

SIGNATURE PAGE TO COMMON UNIT PURCHASE AGREEMENT

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 31.1

Certifications

I, Simon Dupéré, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Niska Gas Storage Partners LLC;

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)) 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) 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

(c) 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 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 7, 2011

/s/ SIMON DUPERE

Simon Dupéré

Interim Chief Executive Officer

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 31.2

Certifications

I, Vance E. Powers, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Niska Gas Storage Partners LLC;

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)) 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) 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

(c) 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 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 7, 2011

/s/ VANCE E. POWERS

Vance E. Powers
Chief Financial Officer

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 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

In connection with the Quarterly Report on Form 10-Q of Niska Gas Storage Partners LLC (the “Company”) for period ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Simon Dupéré, as Interim Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

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

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

By: /s/ SIMON DUPERE
Name: Simon Dupéré
Title: *Interim Chief Executive Officer*

Date: November 7, 2011

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Exhibit 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**

In connection with the Quarterly Report on Form 10-Q of Niska Gas Storage Partners LLC (the "Company") for the period ended September 30, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Vance E. Powers, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge:

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

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

By: /s/ VANCE E. POWERS
Name: Vance E. Powers
Title: *Chief Financial Officer*

Date: November 7, 2011

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request

---

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Consolidated Statements of Cash Flows (USD $) In Thousands	6 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010
Operating Activities		
Net earnings	$ 32,216	$ 31,972
Adjustments to reconcile net earnings to net cash used in operating activities:		
Unrealized foreign exchange loss	698	397
Deferred income tax benefit	(10,585)	(10,834)
Unrealized risk management gain	(12,972)	(8,450)
Depreciation and amortization	20,807	23,340
Deferred charges amortization	2,046	2,072
Loss on extinguishment of debt	883	
Changes in non-cash working capital	(114,195)	(120,924)
Net cash used in operating activities	(81,102)	(82,427)
Investing Activities		
Capital expenditures	(27,848)	(15,159)
Net cash used in investing activities	(27,848)	(15,159)
Financing Activities		
Proceeds from revolver drawings	307,883	281,431
Revolver payments	(218,883)	(281,431)
Repurchase of long-term debt	(30,914)	
Payment of debt issuance costs		(2,086)
Net proceeds from issuance of common units	11,000	333,459
Distributions to partners	(49,265)	(326,316)
Acquisition of interest in parent company	(2,176)	
Net cash provided by financing activities	17,645	5,057
Effect of translation on foreign currency cash and cash equivalents	242	67
Net decrease in cash and cash equivalents	(91,063)	(92,462)
Cash and cash equivalents, beginning of period	117,742	131,559
Cash and cash equivalents, end of period	$ 26,679	$ 39,097

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Consolidated Statement of Changes in Members' Equity (USD $) In Thousands	Total	Common Units	Subordinated Units	Managing Member Interest
Balance at Mar. 31, 2011	$ 916,973	$ 510,275	$ 390,283	$ 16,415
Increase (Decrease) in Stockholders' Equity				
Net earnings	32,216	15,949	15,631	636
Distributions to unitholders	(49,265)	(24,140)	(24,140)	(985)
Acquisition of interest in parent company	(2,176)	(1,066)	(1,066)	(44)
Issuance of common units	11,000	11,000		
Balance at Sep. 30, 2011	$ 908,748	$ 512,018	$ 380,708	$ 16,022

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Consolidated Statements of Earnings and Comprehensive Income (USD $) In Thousands, except Per Share data	3 Months Ended		6 Months Ended	
	Sep. 30, 2011	Sep. 30, 2010	Sep. 30, 2011	Sep. 30, 2010
Revenues:				
Long-term contract	$ 29,495	$ 28,394	$ 59,075	$ 58,018
Short-term contract	5,739	9,547	11,305	17,776
Optimization, net	40,425	39,895	51,044	43,686
Total revenues	75,659	77,836	121,424	119,480
Expenses (income):				
Operating	14,351	10,115	25,179	21,271
General and administrative	7,324	7,754	14,467	15,272
Depreciation and amortization	10,807	13,244	20,807	23,340
Interest	19,370	19,412	38,022	38,167
Loss on extinguishment of debt	883		883	
Foreign exchange losses (gains)	389	(96)	382	29
Other income	(22)	(12)	(40)	(24)
EARNINGS BEFORE INCOME TAXES	22,557	27,419	21,724	21,425
Income tax benefit	(5,032)	(4,018)	(10,492)	(10,547)
NET EARNINGS AND COMPREHENSIVE INCOME	27,589	31,437	32,216	31,972
Less:				
Net earnings prior to initial public offering on May 17, 2010				36,234
Net earnings (loss) subsequent to initial public offering on May 17, 2010	27,589	31,437	32,216	(4,262)
Net earnings (loss) subsequent to initial public offering allocated to:				
Managing Member	545	1,105	636	392
Common unitholders	13,681	15,166	15,949	(2,327)
Subordinated unitholder	$ 13,363	$ 15,166	$ 15,631	$ (2,327)
Earnings (loss) per unit allocated to common unitholders -				
basic (in dollars per unit)	$ 0.40	$ 0.45	$ 0.47	$ (0.07)
diluted (in dollars per unit)	$ 0.40	$ 0.45	$ 0.47	$ (0.07)
Earnings (loss) per unit allocated to subordinated unitholders -				
basic (in dollars per unit)	$ 0.40	$ 0.45	$ 0.47	$ (0.07)
diluted (in dollars per unit)	$ 0.40	$ 0.45	$ 0.47	$ (0.07)

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Optimization Revenue	6 Months Ended Sep. 30, 2011

Optimization Revenue

Optimization Revenue

8. Optimization Revenue

Optimization, net consists of the following:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2010	2011	2010
Realized optimization revenue, net	$ 16,633	$ 19,174	$ 38,072	$ 35,236
Unrealized risk management gains	23,792	20,721	12,972	8,450
Total	$ 40,425	$ 39,895	$ 51,044	$ 43,686

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Changes in Non-Cash Working Capital	6 Months Ended Sep. 30, 2011
Changes in Non-Cash Working Capital	
Changes in Non-Cash Working Capital	**13. Changes in Non-Cash Working Capital** Changes in non-cash working capital for the six months ended consists of the following:

	Six Months Ended September 30,	
	2011	2010
Margin deposits	$ 32,166	$ (40,062)
Trade receivables	865	5,334
Accrued receivables	13,917	(8,807)
Natural gas inventory	(224,784)	(132,086)
Prepaid expenses	685	(3,430)
Other assets	(264)	–
Trade payables	358	(5,577)
Accrued liabilities	54,818	52,721
Deferred revenue	7,981	10,985
Funds held on deposit	63	(2)
Total	$(114,195)	$(120,924)

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Debt	6 Months Ended Sep. 30, 2011
Debt	
Debt	**4. Debt**

Niska Partners' debt obligations consist of the following:

	September 30, 2011	March 31, 2011
Senior Notes due 2018	$ 769,340	$ 800,000
Revolving credit facility	89,000	–
Total	858,340	800,000
Less portion classified as current	(89,000)	–
	$ 769,340	$ 800,000

Senior Notes

On March 5, 2010, Niska Partners, through its subsidiaries Niska Gas Storage US, LLC ("Niska US") and Niska Gas Storage Canada ULC ("Niska Canada"), completed a non-public offering of 800,000 units, each unit consisting of $218.75 principal amount of 8.875% senior notes due 2018 of Niska US and $781.25 principal amount of 8.875% senior notes of Niska Canada (the "Senior Notes"). The Senior Notes were sold for par value of $800.0 million in an offering exempt from registration under the Securities Act.

On February 4, 2011, the SEC declared effective Niska Partners' exchange offer whereby holders of the Senior Notes were permitted to exchange such Senior Notes for new freely transferable Senior Notes. The terms of the new units are identical to the units described above, except that the new units have been registered under the Securities Act and do generally not contain restrictions on transfer. The exchange offer was completed on March 2, 2011 and all of the previously outstanding Senior Notes were exchanged.

During the quarter ended September 30, 2011, Niska Partners paid $30.9 million, excluding accrued interest, to repurchase Senior Notes with a principal amount of $30.7 million. The Company recognized a loss of $0.9 million on these repurchases, which was recorded as a loss on extinguishment of debt. The loss on the repurchases was measured based on the carrying value of the repurchased portion of the Senior Notes, which included a portion of the unamortized debt issue costs on the dates of repurchase. The related accrued interest costs were recorded in interest expense.

Interest on the Senior Notes is payable semi-annually on March 15 and September 15 at a rate of 8.875% per annum, commencing September 15, 2010. The Senior Notes will mature on March 15, 2018. As at September 30, 2011, the estimated fair value of the Senior Notes was $792.4 million.

The indenture governing the Senior Notes limits Niska Partners' ability to incur new debt or to pay distributions in respect of, repurchase or pay dividends on its membership interests (or other capital stock) or make other restricted payments. The limitations will apply differently depending on a fixed charge coverage ratio, which is defined as the ratio of cash flow (which is defined in the indenture in a manner substantially consistent with consolidated earnings before interest, taxes, depreciation and amortization ("EBITDA")) to fixed charges, each as defined in the indenture governing the Senior Notes, and measured for the preceding four fiscal quarters.

Under this limitation the indenture would have permitted the Company to distribute approximately $41.7 million as at September 30, 2011.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

If the fixed charge coverage ratio is not less than 2.0 to 1.0 (after giving pro forma effect to the incurrence of the additional debt obligations), Niska Partners is generally permitted to incur additional debt obligations beyond the Senior Notes and its $400 million Credit Agreement (discussed below).

If the fixed charge coverage ratio is not less than 1.75 to 1.0, Niska Partners is permitted to make restricted payments if the aggregate restricted payments since the date of the closing of its IPO, excluding certain types or amounts of permitted payments, are less than the sum (which the Company refers to as the restricted payment basket) of a number of items including, most importantly:

- operating surplus (defined similarly to the definition in the Company' s operating agreement) calculated as of the end of its preceding fiscal quarter; and
- the aggregate net cash proceeds received as a capital contribution or from the issuance of equity interests, including the approximately $336 million of net cash proceeds from the IPO, reduced by the approximately $271.4 million Niska Partners distributed to Holdings Canada (as defined below) shortly before the IPO.

If the fixed charge coverage ratio is less than 1.75 to 1.0, Niska Partners is permitted to make restricted payments if the aggregate restricted payments constituting distributions in respect of Niska Partners' capital stock since the date of the closing of its IPO, excluding certain types or amounts of permitted payments, are less than the sum (which the Company refers to as the restricted payment basket) of a number of items including, most importantly:

- $75.0 million; and
- the aggregate net cash proceeds received as a capital contribution or from the issuance of equity interests, again including the net cash proceeds from the IPO, reduced by the amount distributed before the IPO.

The limitations are applied without regard to whether the restricted payments that are compared to the restricted payment basket were made when the fixed charge coverage ratio was or was not less than 1.75 to 1.0, meaning that if the fixed charge coverage ratio becomes less than 1.75 to 1.0 and Niska Partners has previously made restricted payments in excess of the restricted payment basket, Niska Partners will be prohibited from making restricted payments other than the permitted payments referred to above.

The permitted payments, which are applicable regardless of the fixed charge ratio, include a general basket of $75.0 million.

At September 30, 2011, the fixed charge coverage ratio was 2.44 to 1.0 and Niska Partners was permitted to pay the distribution described in Note 16.

$400 Million Credit Agreement

In March 2010, Niska Partners, through its subsidiaries, Niska Gas Storage US, LLC and AECO Gas Storage Partnership, entered into new senior secured asset-based revolving credit facilities, consisting of a U.S. revolving credit facility and a Canadian revolving credit facility (the "Credit Facilities" or the "$400 million Credit Agreement"). The $400 million Credit Agreement provides for revolving loans and letters of credit in an aggregate principal amount of up to $200 million for each of the U.S. revolving credit facility and the Canadian revolving credit facility. Subject to certain conditions, each of the revolving credit facilities may be expanded up to a maximum of $100.0 million in additional commitments, and the commitments in each facility may be reallocated on terms and according to procedures to be determined. Loans under the U.S. revolving facility will be denominated in U.S. dollars and loans under the Canadian revolving facility may be denominated, at the Company' s option, in either U.S. or Canadian dollars. Each revolving credit facility matures on March 5, 2014.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Niska Partners had $89.0 million in drawings outstanding under the $400 million Credit Agreement at September 30, 2011 (March 31, 2011 - $ nil). Amounts committed in support of letters of credit totaled $71.0 million at September 30, 2011 (March 31, 2011−$3.1 million). Any borrowings under the $400 million Credit Agreement are classified as current.

Borrowings under the Credit Facilities are limited to a borrowing base calculated as the sum of specified percentages of eligible cash and cash equivalents, eligible accounts receivable, the net liquidating value of hedge positions in broker accounts, eligible inventory, issued but unused letters of credit, and certain fixed assets minus the amount of any reserves and other priority claims. Borrowings will bear interest at a floating rate, which (1) in the case of U.S. dollar loans can be either LIBOR plus an applicable margin or, at the Company' s option, a base rate plus an applicable margin, and (2) in the case of Canadian dollar loans can be either the bankers' acceptance rate plus an applicable margin or, at the Company' s option, a prime rate plus an applicable margin. The credit agreement provides that Niska Partners may borrow only up to the lesser of the level of the then current borrowing base or the committed maximum borrowing capacity, which is currently $400.0 million. As of September 30, 2011, the borrowing base collateral totaled $538.1million.

The $400 million Credit Agreement contains limitations on Niska Partners' ability to incur additional debt or to pay distributions in respect of, repurchase or pay dividends on its membership interests (or other capital stock) or make other restricted payments. These limitations are similar to those contained in the indenture governing the Senior Notes, but contain certain substantive differences. As a result of these differences, the limitations on restricted payments contained in the Credit Agreement should be less restrictive than the limitations contained in the indenture.

As of September 30, 2011, Niska Partners was in compliance with all covenant requirements under the Senior Notes and the $400 million Credit Agreement.

Niska Partners has no independent assets or operations other than its investments in its subsidiaries. Both the Senior Notes and the $400 million Credit Agreement have been jointly and severally guaranteed by Niska Partners and substantially all of its subsidiaries. Niska Partners' subsidiaries have no significant restrictions on their ability to pay distributions or make loans to Niska Partners, which are prepared and measured on a consolidated basis, and have no restricted assets as of September 30, 2011.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Interest Expense	6 Months Ended Sep. 30, 2011

Interest Expense

Interest Expense

10. Interest Expense

Interest expense consists of the following:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2010	2011	2010
Interest expense	$ 19,277	$ 18,640	$ 37,770	$ 37,066
Deferred charges amortization	1,020	1,109	2,046	2,072
Capitalized interest	(927)	(337)	(1,794)	(971)
Total	$ 19,370	$ 19,412	$ 38,022	$ 38,167

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Segment Disclosures	6 Months Ended Sep. 30, 2011

Segment Disclosures
Segment Disclosures

15. Segment Disclosures

Niska Partners' process for the identification of reportable segments involves examining the nature of services offered, the types of customer contracts entered into and the nature of the economic and regulatory environment.

Since inception, Niska Partners has operated along functional lines in their commercial, engineering, and operations teams for operations in Alberta, California, and the U.S. Midcontinent. All operating areas and facilities offer the same services: long-term firm contracts, short-term firm contracts, and optimization. All services are delivered using reservoir storage. Niska Partners measures profitability consistently at each operating area based on revenues and earnings before interest, taxes, depreciation and amortization, and unrealized risk management gains and losses. Niska Partners has aggregated its operating segments into one reportable segment for all periods presented.

Information pertaining to Niska Partners' short-term and long-term contract services and net optimization revenues was presented in the consolidated statements of earnings and comprehensive income. All facilities have the same types of customers: major creditworthy companies in the energy industry, industrial, commercial, and local distribution companies, and municipal energy consumers.

The following tables summarize the net revenues and assets by geographic area:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2010	2011	2010
External revenues, net realized				
U.S.	$ 18,788	$ 22,335	$ 38,891	$ 38,258
Canada	33,080	34,779	69,561	72,772
Inter-entity				
U.S.	–	–	–	–
Canada	–	–	–	–
	$ 51,868	$ 57,114	$ 108,452	$ 111,030

	September 30, 2011	March 31, 2011
Long-lived assets (at period end)		
U.S.	$ 382,770	$ 365,534
Canada	608,352	613,876
	$ 991,122	$ 979,410

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Income Taxes	6 Months Ended Sep. 30, 2011
Income Taxes	
Income Taxes	**11. Income Taxes** Income taxes included in the consolidated financial statements were as follows:

	Three Months Ended September 30,		Six Months Ended September 30,	
	2011	2010	2011	2010
Income tax benefit	$ (5,032)	$ (4,018)	$ (10,492)	$ (10,547)
Effective income tax rate	-22%	-15%	-48%	-49%

Income tax (benefit) expense was a benefit of $10.5 million for the six months ended September 30, 2011 compared to a benefit of $10.5 million in the same period of the prior year. The income tax benefit in the current period is due mainly to the recognition of losses in certain taxable Canadian entities and the recognition of income in certain non-taxable entities.

The effective tax rate for the six months ended September 30, 2011 differs from the U.S. statutory federal rate of 35% primarily due to the recognition of income in non-taxable entities and the recognition of losses in taxable entities.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Stock-Based Compensation	6 Months Ended Sep. 30, 2011

Stock-Based Compensation

Stock-Based Compensation

9. Stock-Based Compensation

Effective April 1, 2011, the Company implemented The Niska Gas Storage Partners LLC Phantom Unit Performance Plan (the "PUPP"), which is designed to further align the interests of participants in the PUPP, including the Company' s executive officers, employees, directors and certain service providers, with the interests of the Company' s unit holders by providing these individuals with a phantom unit award. A "Phantom Unit" is a notional unit granted under the PUPP that represents the right to receive a cash payment equal to the fair market value of a unit of the Company' s common units, following the satisfaction of certain time periods and/or certain performance criteria. The PUPP is primarily administered by the Compensation Committee of the Board (the "Committee") which grants Phantom Units to eligible participants at such times as the Committee may determine to be appropriate.

Phantom Units are generally unvested at the date of grant and subject to both time and performance conditions. The default period over which the Phantom Units vest is three years from the date of grant. For Phantom Units which are subject to a performance measure which is based on a combination of distributed cash flow ("DCF") and total Unitholder return ("TUR") metrics, compared to such metrics at a select group of Niska Partners' peer companies. The DCF and TUR metrics are calculated based on the Company' s percentile ranking during the applicable performance period compared to the peer group. Vesting in the phantom units is also subject to the Company satisfying at least its minimum quarterly distributions for the underlying common units.

Effective April 1, 2011, the Company issued 518,425 of the 3,380,474 Phantom Units authorized under the PUPP. During the six months ended September 30, 2011, Niska Partners did not issue any additional Phantom Units and 161,579 Phantom Units were forfeited.

At September 30, 2011 and for the three and six months then ended, Niska Partners recorded no liability for the units under the PUPP plan which are subject to performance measures and did not record any compensation expense, because the DCF and TUR performance measures were below the minimum threshold for accrual.

At September 30, 2011 and for the three and six months then ended, Niska Partners recorded a liability and compensation expense of $0.3 million and $0.9 million for the units under the PUPP plan which are subject to time conditions.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Commitments and Contingencies	6 Months Ended Sep. 30, 2011
Commitments and Contingencies	
Commitments and Contingencies	**2. Commitments and Contingencies** *Contingencies* Niska Partners and its subsidiaries are subject to various legal proceedings and actions arising in the normal course of business. While the outcome of such legal proceedings and actions cannot be predicted with certainty, it is the view of management that the resolution of such proceedings and actions will not have a material impact on Niska Partners' unaudited consolidated financial position or results of operations.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Risk Management Activities and Financial Instruments	6 Months Ended Sep. 30, 2011
Risk Management Activities and Financial Instruments	
Risk Management Activities and Financial Instruments	

5. Risk Management Activities and Financial Instruments

Risk Management Overview

Niska Partners has exposure to commodity price, foreign currency, counterparty credit, interest rate, and liquidity risk. Risk management activities are tailored to the risks they are designed to mitigate.

Commodity Price Risk

As a result of its natural gas inventory, Niska Partners is exposed to risks associated with changes in price when buying and selling natural gas across future time periods. To manage these risks and reduce variability of cash flows, the Company utilizes a combination of financial and physical derivative contracts, including forwards, futures, swaps and option contracts. The use of these contracts is subject to the Company' s risk management policies. These contracts have not been treated as hedges for financial reporting purposes and therefore changes in fair value are recorded directly in earnings.

Forward contracts and futures contracts are agreements to purchase or sell a specific financial instrument or quantity of natural gas at a specified price and date in the future. Niska Partners enters into forward contracts and futures contracts to mitigate the impact of changes in natural gas prices. In addition to cash settlement, exchange traded futures may also be settled by the physical delivery of natural gas.

Swap contracts are agreements between two parties to exchange streams of payments over time according to specified terms. Swap contracts require receipt of payment for the notional quantity of the commodity based on the difference between a fixed price and the market price on the settlement date. Niska Partners enters into commodity swaps to mitigate the impact of changes in natural gas prices.

Option contracts are contractual agreements to convey the right, but not the obligation, for the purchaser of the option to buy or sell a specific physical or notional amount of a commodity at a fixed price, either at a fixed date or at any time within a specified period. Niska Partners enters into option agreements to mitigate the impact of changes in natural gas prices.

To limit its exposure to changes in commodity prices, Niska Partners enters into purchases and sales of natural gas inventory and concurrently matches the volumes in these transactions with offsetting forward contracts. To comply with its internal risk management policies, Niska Partners is required to limit its exposure of unmatched volumes of proprietary current natural gas inventory to an aggregate overall limit of 8.0 billion cubic feet ("Bcf"). At September 30, 2011, 89.9 Bcf of natural gas inventory was offset with forward contracts, representing 99.9% of total current inventory. Non-cycling working gas, which is included in long-term inventory, and fuel gas used for operating the facilities are excluded from the coverage requirement. Total volumes of long-term inventory and fuel gas at September 30, 2011 are 3.4 Bcf and 0.0 Bcf, respectively.

Counterparty Credit Risk

Niska Partners is exposed to counterparty credit risk on its trade and accrued accounts receivable and risk management assets. Counterparty credit risk is the risk of financial loss to the Company if a customer fails to perform its contractual obligations. Niska Partners engages in transactions for the purchase and sale of products and services with major companies in the

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

energy industry and with industrial, commercial, residential and municipal energy consumers. Credit risk associated with trade accounts receivable is mitigated by the high percentage of investment grade customers, collateral support of receivables and Niska Partners' ability to take ownership of customer owned natural gas stored in its facilities in the event of non-payment. For the six months ended September 30, 2011, no trade receivables were deemed to be uncollectible. It is management' s opinion that no allowance for doubtful accounts is required at September 30, 2011 or March 31, 2011 on accrued and trade accounts receivable.

The Company analyzes the financial condition of counterparties prior to entering into an agreement. Credit limits are established and monitored on an ongoing basis. Management believes, based on its credit policies, that the Company' s financial position, results of operations and cash flows will not be materially affected as a result of non-performance by any single counterparty. Although the Company relies on a few counterparties for a significant portion of its revenues, one counterparty making up 35.9% of gross optimization revenue for the six months ended September 30, 2011 is a physical natural gas clearing and settlement facility that requires counterparties to post margin deposits equal to 125% of their net position, which reduces the risk of default. Gross optimization revenue means realized optimization revenue prior to deducting cost of gas sold.

Exchange traded futures and options comprise approximately 53.0% of Niska Partners' commodity risk management assets at September 30, 2011. These exchange traded contracts have minimal credit exposure as the exchanges guarantee that every contract will be margined on a daily basis. In the event of any default, Niska Partners' account on the exchange would be absorbed by other clearing members. Because every member posts an initial margin, the exchange can protect the exchange members if or when a clearing member defaults.

Niska Partners further manages credit exposure by entering into master netting agreements for the majority of non-retail contracts. These master netting agreements provide the Company, in the event of default, the right to offset the counterparty' s rights and obligations.

Interest Rate Risk

Niska Partners assesses interest rate risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows. At September 30, 2011, Niska Partners was only exposed to interest rate risk resulting from the variable rates associated with its $400 million Credit Agreement of which $89.0 million was drawn at September 30, 2011.

Liquidity Risk

Niska Partners continues to manage its liquidity risk by ensuring sufficient cash and credit facilities are available to meet its operating and capital expenditure obligations when due, under both normal and stressed conditions.

Foreign Currency Risk

Foreign currency risk is created by fluctuations in foreign exchange rates. As Niska Partners conducts a portion of its activities in Canadian dollars, earnings and cash flows are subject to currency fluctuations. The performance of the Canadian dollar relative to the US dollar could positively or negatively affect earnings. Niska Partners is exposed to cash flow risk to the extent that Canadian currency outflows do not match inflows. The Company enters into currency swaps to mitigate the impact of changes in foreign exchange rates. The notional value of currency swaps at September 30, 2011 was $119.0 million (March 31, 2011−$142.8 million). These contracts expire on various dates between October 1, 2011 and August 1, 2014. Niska Partners has not elected hedge accounting treatment for financial reporting purposes and, therefore, changes in fair value are recorded directly in earnings.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The following tables show the fair values of Niska Partners' risk management assets and liabilities at September 30, 2011 and March 31, 2011:

September 30, 2011	Energy Contracts	Currency Contracts	Total
Short-term risk management assets	$ 61,357	$ 3,500	$ 64,857
Long-term risk management assets	20,772	942	21,714
Short-term risk management liabilities	(41,167)	(334)	(41,501)
Long-term risk management liabilities	(22,240)	–	(22,240)
	$ 18,722	$ 4,108	$ 22,830

March 31, 2011	Energy Contracts	Currency Contracts	Total
Short-term risk management assets	$ 59,717	$ –	$ 59,717
Long-term risk management assets	21,496	–	21,496
Short-term risk management liabilities	(43,556)	(5,163)	(48,719)
Long-term risk management liabilities	(21,441)	(1,188)	(22,629)
	$ 16,216	$ (6,351)	$ 9,865

The Company expects to recognize risk management assets and liabilities outstanding at September 30, 2011 into net earnings and comprehensive income in the fiscal periods as follows:

	Energy Contracts	Currency Contracts	Total
Fiscal year ending March 31, 2012	$ 9,272	$ 553	$ 9,825
Fiscal year ending March 31, 2013	7,985	3,102	11,087
Fiscal year ending March 31, 2014	1,026	396	1,422
Thereafter	439	57	496
	$ 18,722	$ 4,108	$ 22,830

Realized gains and (losses) from the settlement of risk management contracts are summarized as follows:

	Three Months Ended September 30,		Six Months Ended September 30,		
	2011	2010	2011	2010	Classification
Energy contracts	$ (32,052)	$ 25,223	$ (22,085)	$ 39,684	Optimization, net
Currency contracts	7,024	(1,847)	4,895	(2,645)	Optimization, net
	$ (25,028)	$ 23,376	$ (17,190)	$ 37,039	

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Fair Value Measurements

6 Months Ended Sep. 30, 2011

Fair Value Measurements

Fair Value Measurements

6. Fair Value Measurements

The carrying amount of cash and cash equivalents, margin deposits, trade receivables, accrued receivables, trade payables, accrued liabilities, and accrued cushion gas purchases reported on the unaudited consolidated balance sheet approximate fair value. The fair value of debt is the estimated amount the Company would have to pay to transfer its debt, including any premium or discount attributable to the difference between the stated interest rate and market rate of interest at the balance sheet date. Fair values are based on valuations of similar debt at the balance sheet date and supported by observable market transactions when available. See Note 4 for disclosures regarding the fair value of debt.

Fair values have been determined as follows for Niska Partners:

September 30, 2011	Level 1	Level 2	Level 3	Total
Assets				
Commodity derivatives	$ –	$ 82,129	$ –	$ 82,129
Currency derivatives	–	4,442	–	4,442
Total assets	–	86,571	–	86,571
Liabilities				
Commodity derivatives	–	63,407	–	63,407
Currency derivatives	–	334	–	334
Total liabilities	–	63,741	–	63,741
Net	$ –	$ 22,830	$ –	$ 22,830

March 31, 2011	Level 1	Level 2	Level 3	Total
Assets				
Commodity derivatives	$ –	$ 81,213	$ –	$ 81,213
Currency derivatives	–	–	–	–
Total assets	–	81,213	–	81,213
Liabilities				
Commodity derivatives	–	64,997	–	64,997
Currency derivatives	–	6,351	–	6,351
Total liabilities	–	71,348	–	71,348
Net	$ –	$ 9,865	$ –	$ 9,865

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Supplemental Cash Flow Disclosures	6 Months Ended Sep. 30, 2011

Supplemental Cash Flow Disclosures

Supplemental Cash Flow Disclosures

14. Supplemental Cash Flow Disclosures

	Six Months Ended September 30,	
	2011	2010
Interest paid	$ 36,832	$ 38,605
Taxes paid	$ 755	$ 342
Interest capitalized	$ 1,794	$ 971

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Members' Equity	6 Months Ended Sep. 30, 2011
Members' Equity	
Members' Equity	

7. Members' Equity

Unit Issuance and Sale of Common Units

On August 24, 2011, the Company completed the issuance and sale 687,500 common units at a price of $16.00 per unit to Sponsor Holdings. Total proceeds of $11.0 million were used to reduce amounts owing under the Senior Notes. See Notes 4 and 12.

Acquisition of Interest in Parent

Sponsor Holdings is wholly-owned, directly and indirectly, by Niska GS Holdings Canada, L.P ("Niska Holdings Canada"). Niska Holdings Canada' s equity consists of Class A, Class B and Class C units. Niska Holdings Canada' s Class A Units are owned principally by Carlyle/Riverstone Global Energy and Power Fund III, L.P. and Carlyle/Riverstone Global Energy and Power Fund II, L.P. and affiliated entities (together, the "Carlyle/Riverstone Funds") and certain current and former members of Niska Partners' management. The Class B and Class C units, which have identical rights and obligations in Niska Holdings Canada, are owned by certain current and former members of Niska Partners' management and non-executive employees. The Class B and Class C units were originally issued by Niska Predecessor in conjunction with a long-term incentive plan and were subject to service and performance conditions, all of which were satisfied in May 2009. The Class B and Class C units were, therefore, fully vested. Niska Predecessor had previously recorded compensation expense with respect to the Class B and Class C units throughout the vesting period. Upon vesting and the holders of the units being exposed to the risks and rewards of ownership for a reasonable period of time, the compensation arrangement became equity classified.

On June 24, 2011, certain Class B units of Niska Holdings Canada held by non-executive employees were purchased by Niska Partners at fair value. The aggregate purchase price of $2.2 million was recorded as a reduction of equity in the accompanying financial statements, with no gain or loss recognized.

The Class B units represent profit interests in Niska Holdings Canada, and entitle the holders to share in distributions made by Niska Holdings Canada once the Class A units have received distributions equal to their contributed capital plus an 8% cumulative rate of return. The Class B units held by Niska Partners do not currently participate in the earnings of or distributions paid by Niska Partners.

Earnings per unit:

Niska Partners uses the two-class method for allocating earnings per unit. The two-class method requires the determination of net income allocated to member interests as shown below.

Net Earnings Allocation and Earnings per Unit Calculation	Three Months Ended September 30, 2011	Six Months Ended to September 30 2011
Numerator:		
Net earnings attributable to Niska Partners	$ 27,589	$ 32,216
Less:		
Managing Member' s 1.98% interest	(545)	(636)
Net earnings attributable to common and subordinated unitholders	$ 27,044	$ 31,580
Denominator:		

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Basic:		
Weighted average units outstanding	67,838,657	67,724,073
Diluted:		
Weighted average units outstanding	67,838,657	67,724,073
Earnings per unit:		
Basic	$ 0.40	$ 0.47
Diluted	$ 0.40	$ 0.47

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Document and Entity Information	6 Months Ended Sep. 30, 2011	Nov. 04, 2011 Limited Partner [Member]	Nov. 04, 2011 Subordinated Units [Member]
Entity Registrant Name	Niska Gas Storage Partners LLC		
Entity Central Index Key	0001483830		
Document Type	10-Q		
Document Period End Date	Sep. 30, 2011		
Amendment Flag	false		
Current Fiscal Year End Date	--03-31		
Entity Current Reporting Status	Yes		
Entity Filer Category	Non-accelerated Filer		
Entity Common Stock, Shares Outstanding		34,492,245	33,804,745
Document Fiscal Year Focus	2012		
Document Fiscal Period Focus	Q2		

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Organization and Basis of Presentation	6 Months Ended Sep. 30, 2011
Organization and Basis of Presentation	
Organization and Basis of Presentation	**1. Organization and Basis of Presentation**

Organization

Niska Gas Storage Partners LLC ("Niska Partners" or the "Company") is a publicly traded Delaware limited liability company (NYSE:NKA) that was formed on January 27, 2010 to acquire certain assets of Niska GS Holdings I, LP and Niska GS Holdings II, LP (collectively, "Niska Predecessor"). On May 11, 2010, Niska Partners priced its initial public offering (the "IPO") of 17,500,000 common units at an offering price of $20.50 per unit. Upon closing of the IPO on May 17, 2010, Niska Partners received net proceeds of $333.5 million, after deducting the underwriters' discount, structuring fees and offering expenses. Upon closing the IPO, Niska Predecessor's parent Niska Sponsor Holdings Coöperatief U.A. ("Sponsor Holdings" or "Holdco"), exchanged 100% of its equity interest in Niska Predecessor for a 2% Managing Member's interest, 33,804,745 subordinated units, 13,679,745 common units of Niska Partners, and all of the Company's Incentive Distribution Rights ("IDRs"). As a result of these transactions, Niska Partners became the owner of substantially all of the assets of Niska Predecessor. Prior to the closing, Niska Partners had no activity.

As partial consideration for the contribution of 100% of Niska Predecessor's equity interest to Niska Partners, Sponsor Holdings held the right to receive any common units not purchased pursuant to the expiration of a 30-day option granted to the underwriters of the IPO to purchase up to an additional 2,625,000 common units. Upon the close of business on June 10, 2010, the 30-day option granted to the underwriters expired unexercised. Pursuant to the Contribution Agreement, 2,625,000 common units were issued to Sponsor Holdings on June 11, 2010.

At September 30, 2011, Niska Partners had 34,492,245 common units and 33,804,745 subordinated units outstanding. Of these amounts, 16,992,245 common units and all of the subordinated units are owned by Sponsor Holdings, along with a 1.98% Managing Member's interest in the Company and all of the Company's IDRs. Including all of the common and subordinated units owned by Sponsor Holdings, along with the 1.98% Managing Member's interest, Sponsor Holdings has a 74.88% ownership interest in the Company, excluding the IDRs. The remaining 17,500,000 common units, representing a 25.12% ownership interest excluding the IDRs, are owned by the public.

Niska Partners operates the Countess and Suffield gas storage facilities (collectively, the AECO Hub™) in Alberta, Canada, and the Wild Goose and Salt Plains gas storage facilities in California and Oklahoma, respectively. Each of these facilities markets gas storage services in addition to optimizing storage capacity with its own proprietary gas purchases.

Basis of Presentation

The accounting policies applied in these unaudited interim financial statements are consistent with the policies applied in the consolidated financial statements of Niska Partners and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2011.

In the opinion of management, the accompanying consolidated financial statements of Niska Partners, which are unaudited except that the balance sheet at March 31, 2011 is derived from audited financial statements, include all adjustments necessary to present fairly Niska Partners' financial position as of September 30, 2011, along with the results of Niska Partners' operations and its cash flows for the three and six months ended September 30, 2011 and 2010.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

The results of operations for the three and six months ended September 30, 2011 are not necessarily representative of the results to be expected for the full fiscal year ending March 31, 2012. The optimization of proprietary gas purchases is seasonal with the majority of the revenues and cost associated with the physical sale of proprietary gas occurring during the third and fourth fiscal quarters, when demand for natural gas is typically the strongest.

As the closing of the Company' s IPO occurred on May 17, 2010, the earnings for the six months ended September 30, 2010 have been pro-rated to reflect earnings on a pre- and post-IPO basis. As part of the process of allocating revenues and expenses to both periods, the Company assessed the fair value of its risk management assets and liabilities as of the closing date, resulting in an unrealized gain for the pre-IPO period and an unrealized loss for the post-IPO period. The net unrealized loss for the period from May 17, 2010 to September 30, 2010 is reflected in the per-unit information presented in the consolidated statement of earnings and comprehensive income.

Pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"), the unaudited consolidated financial statements do not include all of the information and notes normally included with financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"). These consolidated financial statements should be read in conjunction with the consolidated financial statements of Niska Partners and notes thereto included in the Company' s Annual Report on Form 10-K for the fiscal year ended March 31, 2011.

Recent Accounting Pronouncements

Accounting Standards Update 2011-04

In May 2011, the Financial Accounting Standards Board ("FASB") issued guidance that updates the previous reporting requirement under Accounting Standards Codification ("ASC") 820. This update, which will become effective for interim and annual periods beginning after December 15, 2011, requires additional disclosures about the transfers between Level 1 and Level 2 of the fair value hierarchy, the sensitivity of unobservable inputs to the fair value measurements within Level 3 of the fair value hierarchy, and disclosure of the categorization by level of the fair value hierarchy for items for which fair value disclosure is required but that are not measured at fair value in the statement of financial position.

In September 2011, the FASB issued guidance that updates the requirements for testing for goodwill impairment. This update, which will become effective for interim and annual goodwill impairment tests performed for fiscal years beginning after December 15, 2011, permits entities testing for goodwill impairment the option of performing a qualitative assessment before calculating the fair value of the reporting unit. If it is determined that the fair value of the reporting unit is more likely than not less than the carrying amount on the basis of qualitative factors, the two step impairment test is required. The update does not change how goodwill is calculated or assigned to reporting units.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Accrued Cushion Gas Purchases	6 Months Ended Sep. 30, 2011
Accrued Cushion Gas Purchases.	
Accrued Cushion Gas Purchases	**3. Accrued Cushion Gas Purchases** During the six months ended September 30, 2011 and 2010, the Company entered into a series of transactions to sell cushion gas, which is recorded as component of property, plant and equipment in the accompanying financial statements. The Company concurrently entered into firm commitments to re-acquire this cushion gas in the fourth quarter of the fiscal year ending March 31, 2012 and 2011, respectively. The repurchase price is accrued as a liability. The difference between the proceeds received and the repurchase price, along with the proceeds of short-term firm transactions designed to replace the cushion gas during the intervening period, is being recorded as an expense over the period of the arrangement.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Related Parties	6 Months Ended Sep. 30, 2011
Related Parties	
Related Parties	**12. Related Parties** During the six months ended September 30, 2011, a subsidiary of Niska Partners purchased certain Class B units of Niska Holdings Canada from certain non-executive officers and employees of Niska Partners for $2.2 million. The amount has been reflected as a reduction of members' equity. During the three and six months ended September 30, 2011, the Carlyle/Riverstone Funds reinvested through Sponsor Holdings $11.0 million in additional common units of Niska Partners at a price of $16.00 per unit. Included in accrued receivables at September 30, 2011, was $1.4 million (March 31, 2011 - $1.8 million) that is owed from affiliated entities owned by Sponsor Holdings or its parent company for payments made by Niska Partners on behalf of the affiliated entities. The amounts owning are non-interest bearing and have no fixed terms of repayment.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Subsequent Events	6 Months Ended Sep. 30, 2011

Subsequent Events

Subsequent Events

16. Subsequent Events

Distributions

On November 2, 2011, the Board of Directors of Niska Partners unanimously approved a distribution of $0.35 per common unit, payable on November 17, 2011 to unitholders of record on November 14, 2011. The total distribution is expected to be approximately $12.3 million. No distribution was declared on the subordinated units.

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Consolidated Balance Sheets (USD $) In Thousands	Sep. 30, 2011	Mar. 31, 2011
Current assets		
Cash and cash equivalents	$ 26,679	$ 117,742
Margin deposits	46,941	79,107
Trade receivables	1,644	2,434
Accrued receivables	32,166	45,293
Natural gas inventory	358,361	133,576
Prepaid expenses	3,795	5,830
Short-term risk management assets	64,857	59,717
Total current assets	534,443	443,699
Long-term assets		
Property, plant and equipment, net	975,858	964,146
Goodwill	495,604	495,604
Long-term natural gas inventory	15,264	15,264
Intangible assets, net	92,106	98,846
Deferred charges, net	19,542	22,215
Other assets	1,546	
Long-term risk management assets	21,714	21,496
Total long-term assets	1,621,634	1,617,571
TOTAL	2,156,077	2,061,270
Current liabilities		
Current portion of debt	89,000	
Trade payables	1,683	2,408
Accrued liabilities	88,828	86,662
Deferred revenue	12,718	4,738
Accrued cushion gas purchases	53,485	
Current portion of deferred taxes	26,379	29,022
Short-term risk management liabilities	41,501	48,719
Total current liabilities	313,594	171,549
Long-term liabilities		
Long-term risk management liabilities	22,240	22,629
Asset retirement obligations	1,401	1,484
Funds held on deposit	217	121
Deferred income taxes	140,537	148,514
Long-term debt	769,340	800,000
Total liabilities	1,247,329	1,144,297
Members' equity		
Common units	512,018	510,275
Subordinated units	380,708	390,283
Managing Member's interest	16,022	16,415
Total members' equity	908,748	916,973

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document

Commitments and contingencies (Note 2)		
TOTAL	$ 2,156,077	$ 2,061,270

Copyright © 2013 www.secdatabase.com. All Rights Reserved.
Please Consider the Environment Before Printing This Document