PLAINS ALL AMERICAN PIPELINE LP
Form 8-K
November 02, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) **November 2, 2011**

Plains All American Pipeline, L.P.

(Exact name of registrant as specified in its charter)

DELAWARE	**1-14569**	**76-0582150**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

333 Clay Street, Suite 1600, Houston, Texas 77002

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code: **713-646-4100**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 9.01. **Financial Statements and Exhibits**

(d) Exhibit 99.1 Press Release dated November 2, 2011

Item 2.02 and Item 7.01. Results of Operations and Financial Condition; Regulation FD Disclosure

Plains All American Pipeline, L.P. (the Partnership) today issued a press release reporting its third-quarter 2011 results. We are furnishing the press release, attached as Exhibit 99.1, pursuant to Item 2.02 and Item 7.01 of Form 8-K. Pursuant to Item 7.01, we are providing updated fourth quarter and full year 2011 detailed guidance for financial performance and we are providing preliminary guidance for calendar year 2012. In accordance with General Instruction B.2. of Form 8-K, the information presented herein under Item 2.02 and Item 7.01 shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), nor shall it be deemed incorporated by reference in any filing under the Exchange Act or Securities Act of 1933, as amended, except as expressly set forth by specific reference in such a filing.

Update of Fourth Quarter and Full Year 2011 Guidance; Disclosure of Full Year 2012 Preliminary Guidance

To supplement our financial information presented in accordance with GAAP, management uses additional measures known as non-GAAP financial measures in its evaluation of past performance and prospects for the future. Management believes that the presentation of such additional financial measures provides useful information to investors regarding our financial condition and results of operations because these measures, when used in conjunction with related GAAP financial measures, (i) provide additional information about our core operations and ability to generate and distribute cash flow, (ii) provide investors with the financial analytical framework upon which management bases financial, operational, compensation and planning decisions and (iii) present measurements that investors, rating agencies and debt holders have indicated are useful in assessing us and our results of operations. EBIT and EBITDA (each as defined below in Note 1 to the Operating and Financial Guidance table) are non-GAAP financial measures. Net income represents one of the two most directly comparable GAAP measures to EBIT and EBITDA. In Note 10 below, we reconcile net income to EBIT and EBITDA for the 2011 guidance periods presented. Cash flow from operating activities is the other most comparable GAAP measure. We do not, however, reconcile cash flows from operating activities to EBIT and EBITDA, because such reconciliations are impractical for a forecasted period. We encourage you to visit our website at *www.paalp.com* (in particular the section entitled Non-GAAP Reconciliations), which presents a historical reconciliation of EBIT and EBITDA as well as certain other commonly used non-GAAP financial measures. In addition, we have highlighted the impact of (i) equity compensation expense, (ii) gains from other derivative activities, (iii) net loss on early repayment of senior notes, (iv) loss on foreign currency revaluation, and (v) other immaterial selected items impacting comparability. Due to the nature of the selected items, certain of the selected items impacting comparability may impact certain non-GAAP financial measures but not impact other non-GAAP financial measures.

We based our guidance for the three-month period and twelve-month periods ending December 31, 2011 on assumptions and estimates that we believe are reasonable, given our assessment of historical trends (modified for changes in market conditions), business cycles and other reasonably available information. Projections covering multi-quarter periods contemplate inter-period changes in future performance resulting from new expansion projects, seasonal operational changes (such as LPG sales) and acquisition synergies. Our assumptions and future performance, however, are both subject to a wide range of business risks and uncertainties, so no assurance can be provided that actual performance will fall within the guidance ranges. Please refer to information under the caption Forward-Looking Statements and Associated Risks below. These risks and uncertainties, as well as other unforeseeable risks and uncertainties, could cause our actual results to differ materially from those in the following table. The operating and financial guidance provided below is given as of the date hereof, based on information known to us as of November 1, 2011. We undertake no obligation to publicly update or revise any forward-looking statements.

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Plains All American Pipeline, L.P.

Operating and Financial Guidance

(in millions, except per unit data)

	Actual	**Guidance (1)**			
	9 Months Ended 9/30/2011	**3 Months Ending December 31, 2011**		**12 Months Ending December 31, 2011**	
		Low	**High**	**Low**	**High**
Segment Profit					
Net revenues (including equity earnings from unconsolidated entities)	$ 1,976	$ 676	$ 698	$ 2,652	$ 2,674
Field operating costs	(638)	(228)	(222)	(866)	(860)
General and administrative expenses	(199)	(63)	(61)	(262)	(260)
	1,139	385	415	1,524	1,554
Depreciation and amortization expense	(191)	(64)	(61)	(255)	(252)
Interest expense, net	(190)	(66)	(63)	(256)	(253)
Income tax benefit (expense)	(28)	(10)	(8)	(38)	(36)
Other income (expense), net	(24)	1	1	(23)	(23)
Net Income	**706**	**246**	**284**	**952**	**990**
Less: Net income attributable to noncontrolling interests	(18)	(8)	(6)	(26)	(24)
Net Income attributable to Plains	**$ 688**	**$ 238**	**$ 278**	**$ 926**	**$ 966**
Net Income to Limited Partners	$ 528	$ 179	$ 218	$ 707	$ 746
Basic Net Income Per Limited Partner Unit (2)					
Weighted Average Units Outstanding	147	149	149	148	148
Net Income Per Unit	$ 3.53	$ 1.18	$ 1.45	$ 4.73	$ 5.00
Diluted Net Income Per Limited Partner Unit (2)					
Weighted Average Units Outstanding	148	150	150	148	148
Net Income Per Unit	$ 3.51	$ 1.17	$ 1.43	$ 4.69	$ 4.95
EBIT	**$ 924**	**$ 322**	**$ 355**	**$ 1,246**	**$ 1,279**
EBITDA	**$ 1,115**	**$ 386**	**$ 416**	**$ 1,501**	**$ 1,531**
Selected Items Impacting Comparability					
Equity compensation expense	$ (40)	$ (9)	$ (9)	$ (49)	$ (49)
Gains from other derivative activities	71			71	71
Net loss on early repayment of senior notes	(23)			(23)	(23)
Loss on foreign currency revaluation	(17)			(17)	(17)
Other, net (3)	(2)	1	1	(1)	(1)
Selected Items Impacting Comparability of Net Income attributable to Plains	$ (11)	$ (8)	$ (8)	$ (19)	$ (19)
Excluding Selected Items Impacting Comparability					
Adjusted Segment Profit					
Transportation	$ 434	$ 153	$ 161	$ 587	$ 595
Facilities	273	95	99	368	372
Supply and Logistics	414	146	164	560	578
Other income, net	7	1	1	8	8

Adjusted EBITDA	$	1,128	$	395	$	425	$	1,523	$	1,553
Adjusted Net Income attributable to Plains	$	699	$	246	$	286	$	945	$	985
Adjusted Basic Net Income per Limited Partner Unit	$	3.60	$	1.24	$	1.50	$	4.85	$	5.12
Adjusted Diluted Net Income per Limited Partner Unit	$	3.58	$	1.23	$	1.49	$	4.81	$	5.08

(1) The projected average foreign exchange rate is $1.04 Canadian to $1.00 U.S. for the three month period ending December 31, 2011. The rate as of November 1, 2011 was $1.02 Canadian to $1.00 U.S. A $0.05 change in the FX rate will impact adjusted EBITDA for the last three months of 2011 by approximately $3 million.

(2) Net income per unit has been calculated in accordance with FASB s requirement that the distribution pertaining to the current period s net income, which is to be paid in the subsequent quarter, be utilized within the earnings per unit calculation.

(3) Includes other immaterial selected items impacting comparability such as those impacting our subsidiary, PAA Natural Gas Storage, L.P. (PNG), as well as the noncontrolling interests portion of selected items.

Notes and Significant Assumptions:

1. *Definitions.*

EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes and depreciation and amortization expense
Segment Profit	Net revenues (including equity earnings, as applicable) less field operating costs and segment general and administrative expenses
FASB	Financial Accounting Standards Board
Bbls/d	Barrels per day
Bcf	Billion cubic feet
LTIP	Long-Term Incentive Plan
LPG	Liquefied petroleum gas and other natural gas-related petroleum products (primarily propane and butane)
FX	Foreign currency exchange
General partner (GP)	As the context requires, general partner refers to any or all of (i) PAA GP LLC, the owner of our 2% general partner interest, (ii) Plains AAP, L.P., the sole member of PAA GP LLC and owner of our incentive distribution rights and (iii) Plains All American GP LLC, the general partner of Plains AAP, L.P.

2. *Operating Segments*. We manage our operations through three operating segments: (i) Transportation, (ii) Facilities and (iii) Supply and Logistics. The following is a brief explanation of the operating activities for each segment as well as key metrics.

a. *Transportation.* Our transportation segment operations generally consist of fee-based activities associated with transporting crude oil and refined products on pipelines, gathering systems, trucks and barges. We generate revenue through a combination of tariffs, third-party leases of pipeline capacity and transportation fees. Our transportation segment also includes our equity earnings from our investments in the Butte, Frontier and White Cliffs pipeline systems and Settoon Towing, in which we own non-controlling interests.

Pipeline volume estimates are based on historical trends, anticipated future operating performance and assumed completion of internal growth projects. Actual volumes will be influenced by maintenance schedules at refineries, production trends, weather and other natural occurrences including hurricanes, changes in the quantity of inventory held in tanks, and other external factors beyond our control. We forecast adjusted segment profit using the volume assumptions in the table below, priced at forecasted tariff rates, less estimated field operating costs and G&A expenses. Field operating costs do not include depreciation. Actual segment profit could vary materially depending on the level and mix of volumes transported or expenses incurred during the period.

The following table summarizes our total pipeline volumes and highlights major systems that are significant either in total volumes transported or in contribution to total transportation segment profit.

	Actual Nine Months Ended Sep 30, 2011	Guidance Three Months Ending Dec 31, 2011	Guidance Twelve Months Ending Dec 31, 2011
Average Daily Volumes (000 Bbls/d)			
All American	36	37	36
Basin	432	450	437
Capline	165	160	164
Line 63 / 2000	114	110	113
Salt Lake City Area Systems (1)	139	140	139
Permian Basin Area Systems (1)	402	400	401
Mid-Continent Area Systems (1)	217	205	214
Manito	66	70	67
Rainbow	132	135	133
Rangeland	57	60	58
Refined Products	99	100	99
Other	1,063	1,083	1,068
	2,922	2,950	2,929
Trucking	104	110	106
	3,026	3,060	3,035
Segment Profit per Barrel ($/Bbl)			
Excluding Selected Items Impacting Comparability	$ 0.53	$ 0.56(2)	$ 0.53(2)

(1) The aggregate of multiple systems in their respective areas.

(2) Mid-point of guidance.

b. *Facilities*. Our facilities segment operations generally consist of fee-based activities associated with providing storage, terminalling and throughput services for crude oil, refined products, LPG and natural gas, as well as LPG fractionation and isomerization services. We generate revenue through a combination of month-to-month and multi-year leases and processing arrangements.

Adjusted segment profit is forecast using the volume assumptions in the table below, priced at forecasted rates, less estimated field operating costs and G&A expenses. Field operating costs do not include depreciation.

	Actual Nine Months Ended Sep 30, 2011	Guidance Three Months Ending Dec 31, 2011	Guidance Twelve Months Ending Dec 31, 2011
Operating Data			