

PLAINS ALL AMERICAN PIPELINE LP

Form 8-K

August 06, 2007

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**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) August 6, 2007**  
**Plains All American Pipeline, L.P.**  
(Exact name of registrant as specified in its charter)

<b>DELAWARE</b> (State or other jurisdiction of incorporation)	<b>1-14569</b> (Commission File Number)	<b>76-0582150</b> (IRS Employer Identification No.)
<b>333 Clay Street, Suite 1600, Houston, Texas 77002</b> (Address of principal executive offices) (Zip Code)		
Registrant's telephone number, including area code <b>713-646-4100</b> (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))
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**Item 9.01. Financial Statements and Exhibits**

(d) Exhibit 99.1 Press release dated August 6, 2007

**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 second quarter 2007 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 detailed guidance for financial performance for the third and fourth quarter of calendar 2007 and modifying certain aspects of our previous guidance for financial performance for the full calendar year 2007 (which supersedes guidance in our Form 8-K furnished on May 2, 2007 and press release dated May 29, 2007). 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, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as expressly set forth by specific reference in such a filing.

**Disclosure of Third and Fourth Quarter 2007 Guidance; Update of Full Year 2007 Guidance**

EBIT and EBITDA (each as defined below in Note 1 to the Operating and Financial Guidance table) are non-GAAP financial measures. Net income and cash flows from operating activities are the most directly comparable GAAP measures to EBIT and EBITDA. In Note 10 below, we reconcile EBITDA and EBIT to net income for the 2007 guidance periods presented. It is, however, impractical to reconcile EBIT and EBITDA to cash flows from operating activities for forecasted periods. We encourage you to visit our website at [www.paalp.com](http://www.paalp.com), in particular the section entitled Non-GAAP Reconciliation, which presents a historical reconciliation of certain commonly used non-GAAP financial measures, including EBIT and EBITDA. We present EBIT and EBITDA because we believe they provide additional information with respect to both the performance of our fundamental business activities and our ability to meet our future debt service, capital expenditures and working capital requirements. We also believe that debt holders commonly use EBITDA to analyze partnership performance. In addition, we have highlighted the impact of our long-term incentive plan, and, to the extent known, gains and losses related to SFAS 133 (primarily non-cash, mark-to-market adjustments) on Segment Profit, Net Income and Net Income per Basic and Diluted Limited Partner Unit.

The following guidance for the three-month periods ending September 30 and December 31, 2007 and the twelve-month period ending December 31, 2007 is based on assumptions and estimates that we believe are reasonable given our assessment of historical trends, business cycles and other information reasonably available. Our assumptions and future performance are both, however, 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 the 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 August 6, 2007. 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*		Twelve Months	
	Six Months	Three Months		Three Months		Ending	
		Ended	Ending		Ending		Ending
	June 30,	September 30,		December 31, 2007		December 31, 2007	
	2007	Low	High	Low	High	Low	High
<b>Segment Profit</b>							
Net revenues (including equity in earnings )	\$ 726.7	\$ 339.5	\$ 357.0	\$ 329.5	\$ 347.0	\$ 1,395.7	\$ 1,430.7
Field operating costs	(261.4)	(136.0)	(134.0)	(130.0)	(128.0)	(527.4)	(523.4)
General and administrative expenses	(94.5)	(36.5)	(36.0)	(37.5)	(37.0)	(168.5)	(167.5)
	370.8	167.0	187.0	162.0	182.0	699.8	739.8
Depreciation and amortization expense	(92.0)	(48.0)	(46.0)	(49.0)	(47.0)	(189.0)	(185.0)
Interest expense, net	(82.3)	(40.0)	(38.0)	(42.0)	(40.0)	(164.3)	(160.3)
Income tax expense	(12.2)	(1.7)	(1.5)	(1.7)	(1.5)	(15.6)	(15.2)
Other income (expense), net	5.2					5.2	5.2
<b>Net Income</b>	<b>\$ 189.5</b>	<b>\$ 77.3</b>	<b>\$ 101.5</b>	<b>\$ 69.3</b>	<b>\$ 93.5</b>	<b>\$ 336.1</b>	<b>\$ 384.5</b>
Net Income to Limited Partners	\$ 154.4	\$ 56.2	\$ 79.9	\$ 48.4	\$ 72.1	\$ 259.0	\$ 306.4
Basic Net Income Per Limited Partner Unit							
Weighted Average Units Outstanding	109.9	116.0	116.0	116.0	116.0	113.1	113.1
Net Income Per Unit	\$ 1.40	\$ 0.48	\$ 0.69	\$ 0.42	\$ 0.62	\$ 2.30	\$ 2.71
Diluted Net Income Per Limited Partner Unit							
Weighted Average Units Outstanding	110.9	116.8	116.8	116.9	116.9	114.1	114.1
Net Income Per Unit	\$ 1.39	\$ 0.48	\$ 0.68	\$ 0.41	\$ 0.62	\$ 2.28	\$ 2.69
<b>EBIT</b>	<b>\$ 284.0</b>	<b>\$ 119.0</b>	<b>\$ 141.0</b>	<b>\$ 113.0</b>	<b>\$ 135.0</b>	<b>\$ 516.0</b>	<b>\$ 560.0</b>
<b>EBITDA</b>	<b>\$ 376.0</b>	<b>\$ 167.0</b>	<b>\$ 187.0</b>	<b>\$ 162.0</b>	<b>\$ 182.0</b>	<b>\$ 705.0</b>	<b>\$ 745.0</b>

**Selected Items  
Impacting  
Comparability**

LTIP charge	\$	(37.4)	\$	(8.0)	\$	(8.0)	\$	(8.0)	\$	(8.0)	\$	(53.4)	\$	(53.4)
Deferred Income Tax Expense**		(10.8)										(10.8)		(10.8)
SFAS 133 Mark-to-Market Adjustment		(2.1)										(2.1)		(2.1)
	\$	(50.3)	\$	(8.0)	\$	(8.0)	\$	(8.0)	\$	(8.0)	\$	(66.3)	\$	(66.3)

**Excluding Selected  
Items Impacting  
Comparability**

Adjusted Segment Profit														
Transportation	\$	171.7	\$	88.0	\$	93.0	\$	89.0	\$	94.0	\$	348.7	\$	358.7
Facilities		55.7		25.0		29.0		28.0		31.0		108.7		115.7
Marketing		182.6		62.0		73.0		53.0		65.0		297.6		320.6
Other income (expense), net		5.5										5.5		5.5
Adjusted EBITDA***	\$	415.5	\$	175.0	\$	195.0	\$	170.0	\$	190.0	\$	760.5	\$	800.5
Adjusted Net Income	\$	239.8	\$	85.3	\$	109.5	\$	77.3	\$	101.5	\$	402.4	\$	450.8
Adjusted Basic Net Income per Limited Partner Unit	\$	1.85	\$	0.55	\$	0.76	\$	0.48	\$	0.69	\$	2.88	\$	3.30
Adjusted Diluted Net Income per Limited Partner Unit	\$	1.84	\$	0.55	\$	0.75	\$	0.48	\$	0.68	\$	2.87	\$	3.27

\* The projected average foreign exchange rate is \$1.07 CAD to \$1 USD. The rate as of August 3, 2007 was \$1.05 CAD to \$1 USD.

\*\* Amount related to Canadian tax legislation.

\*\*\* Excludes deferred income

tax expenses  
included in the  
list of selected  
items impacting  
comparability.



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Notes and Significant Assumptions:

1. *Definitions.*

Bcf	Billion cubic feet
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes and depreciation and amortization expense
Bbls/d	Barrels per day
Segment Profit	Net revenues (including equity earnings, as applicable) less purchases, field operating costs, and segment general and administrative expenses
LTIP	Long-Term Incentive Plan
LPG	Liquefied petroleum gas and other petroleum products
FX	Foreign currency exchange

2. *Business Segments.* We manage our operations through three operating segments: (i) Transportation, (ii) Facilities, and (iii) Marketing. 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, trucks and gathering systems. We generate revenue through a combination of tariffs, third-party leases of pipeline capacity and transportation fees. We also include in this segment our equity earnings from our investments in the Butte and Frontier pipeline systems, in which we own minority interests, and Settoon Towing, in which we own a 50% interest.

Pipeline volume estimates are based on historical trends, anticipated future operating performance and completion of internal growth projects. Volumes are influenced by temporary market-driven storage and withdrawal of oil, maintenance schedules at refineries, production declines and other external factors beyond our control. Segment profit is forecast 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 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.

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	Actual Six Months Ended June 30	Three Months Ending September 30	Calendar 2007 Guidance Three Months Ending December 31	Twelve Months Ending December 31
Average Daily Volumes (000 Bbls/d)				
All American	48	47	48	48
Basin	374	400	375	379
Capline	233	225	225	229
Line 63 / Line 2000	181	180	180	183
Salt Lake City	63	63	63	63
N. Dakota / Trenton	96	100	100	98
West Texas / New Mexico <sup>1</sup>	381	385	380	381
Manito	74	75	75	75
Refined Products	110	110	110	110
Other	1,131	1,110	1,154	1,129
	2,691	2,695	2,710	2,695
Trucking	108	110	115	111
	2,799	2,805	2,825	2,806
Average Segment Profit (\$/Bbl)				
Excluding Selected Items Impacting Comparability	\$ 0.34	\$ 0.35 <sup>(2)</sup>	\$ 0.35 <sup>(2)</sup>	\$ 0.35 <sup>(2)</sup>

<sup>1</sup> The aggregate of multiple systems in the West Texas / New Mexico area.

<sup>2</sup> 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 and LPG, 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. This segment also includes our equity earnings from our 50% investment in PAA/Vulcan Gas Storage, LLC which owns and operates approximately 25.7 billion cubic feet of underground natural gas storage capacity and is constructing an additional 24 Bcf of underground storage capacity.

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.

Calendar 2007

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	Actual Six Months Ended June 30	Three Months Ending September 30	Guidance Three Months Ending December 31	Twelve Months Ending December 31
Operating Data				
Crude oil, refined products and LPG storage (MMBbls/Mo.)	35.6	37.0	39.0	36.9
Natural Gas Storage (Bcf/Mo.)	12.9	12.9	12.9	12.9
LPG Processing (MBbl/d)	16.9	17.0	17.0	17.0
Facilities Activities Total <sup>1</sup>				
Avg. Capacity (MMBbls/Mo.)	38.3	39.7	41.7	39.6
Segment Profit per Barrel (\$/Bbl)				
Excluding Selected Items Impacting Comparability	\$ 0.24	\$ 0.23 <sup>2</sup>	\$ 0.24 <sup>2</sup>	\$ 0.24 <sup>2</sup>

(1) Calculated as the sum of: (i) crude oil, refined products and LPG storage capacity; (ii) natural gas storage capacity divided by 6 to account for the 6:1 mcf of gas to crude oil barrel ratio; and (iii) LPG processing volumes multiplied by the number of days in the month and divided by 1,000 to convert to monthly volumes in millions.

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(2) Mid-point of guidance.

C. *Marketing*. Our marketing segment operations generally consist of the following merchant activities: the purchase of crude oil at the wellhead and the bulk purchase of crude oil at pipeline and terminal facilities, as well as the purchase of foreign cargoes at their load port and various other locations in transit;

storage of inventory during contango market conditions;

the purchase of refined products and LPG from producers, refiners and other marketers;

the resale or exchange of crude oil, refined products and LPG at various points along the distribution chain to refiners or other resellers; and

arranging for the transportation of crude oil, refined products and LPG on trucks, barges, railcars, pipelines and ocean-going vessels to our terminals and third-party terminals.

The level of profit in the marketing segment is influenced by overall market structure and the degree of volatility in the crude oil market as well as variable operating expenses. Forecasted operating results for the three-month period ending September 30 reflect a moderately strong market, whereas forecasted operating results for the three-month period ending December 31, 2007 reflect a weaker, less volatile market than experienced in the first nine months of 2007. Unexpected changes in market structure or volatility (or lack thereof) could cause actual results to differ materially from forecasted results.

We forecast segment profit using the volume assumptions stated below and estimates of unit margins, field operating costs, G&A expenses and carrying costs for contango inventory based on current and anticipated market conditions. Field operating costs do not include depreciation. Realized unit margins for any given lease-gathered barrel could vary significantly based on a variety of factors including location, quality and contract structure.

	Actual	Calendar 2007		
	Six	Three	Three	Twelve
	Months	Months	Months	Months
	Ended	Ending	Ending	Ending
	June	September	December	December 31
	30	30	31	
Average Daily Volumes (MBbl/d)				
Crude Oil Lease Gathering	694	705	705	701
LPG Sales	89	65	105	87
Refined Products	8	15	15	17
Waterborne Foreign Crude Imported	72	75	75	74
	863	860	900	873
Segment Profit per Barrel (\$/Bbl)				
Excluding Selected Items Impacting Comparability	\$ 1.17	\$ 0.85 <sup>1</sup>	\$ 0.71 <sup>1</sup>	\$ 0.97 <sup>1</sup>

(1) Mid-point of guidance.

3.

*Depreciation and Amortization.* We forecast depreciation and amortization based on our existing depreciable assets, forecasted capital expenditures and projected in-service dates. Depreciation is computed using the straight-line method over estimated useful lives, which range from 3 years (for office furniture and equipment) to 40 years (for certain pipelines, crude oil terminals and facilities) and includes gains and losses on the sale of assets.

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4. *Statement of Financial Accounting Standards No. 133 Accounting for Derivative Instruments and Hedging Activities, as amended ( SFAS 133 ).* The guidance presented above does not include forecasts with respect to potential gains or losses related to derivatives accounted for under SFAS 133, as there is no accurate way to forecast these potential gains or losses. The potential gains or losses related to these derivatives (primarily mark-to-market adjustments) could cause actual net income to differ materially from our projections.
5. *Capital Expenditures and Acquisitions.* Although acquisitions constitute a key element of our growth strategy, the forecasted results and associated estimates do not include any forecasts for any acquisition that may be made after the date hereof. Capital expenditures for expansion projects are forecasted to be approximately \$550 million during calendar 2007, of which \$257 was incurred in the first six months. Following are some of the more notable projects and forecasted expenditures for the year:

	<b>Calendar 2007 (in millions)</b>
Expansion Capital	
St. James, Louisiana Storage Facility	\$ 75
Cheyenne Pipeline	58
Salt Lake City Expansion	52
Cushing Tankage Phase VI	34
Patoka Tankage	32
Martinez Terminal	25
Fort Laramie Tank Expansion	21
High Prairie Rail Terminal	13
Paulsboro Expansion	12
Elk City to Calumet	12
Pier 400	10
Kerrobert Tankage	10
Other Projects	196
	550
Maintenance Capital	52
Total Projected Capital Expenditures (excluding acquisitions)	\$ 602

Capital expenditures for maintenance projects are forecast to be approximately \$52 million during 2007, of which \$22 million was incurred in the first six months.

6. *Capital Structure.* This guidance is based on our capital structure as of June 30, 2007. The Partnership's policy is to finance acquisitions and major growth capital projects with at least 50% equity or cash flow in excess of distributions. As a result of our recent equity financing activities in combination with our projected 2007 cash flows in excess of distributions, we have pre-funded the required equity financing associated with our 2007 expansion capital program but will continue to monitor the potential need for additional equity necessary to maintain credit metrics consistent with our targeted credit ratings should inventory requirements associated with our continuing expansion of merchant activities in crude oil, LPG and refined products increase meaningfully.
7. *Interest Expense.* Debt balances are projected based on estimated cash flows, current distribution rates, forecasted capital expenditures for maintenance and expansion projects, expected timing of collections and payments, and forecasted levels of inventory and other working capital sources and uses.

Annual 2007 interest expense is expected to be between \$160 million and \$164 million, assuming an average long-term debt balance of approximately \$2.6 billion during the period. Included in interest expense are commitment fees, amortization of long-term debt discounts or premiums, deferred amounts associated with terminated interest-rate hedges and interest on short-term debt for non-contango inventory (primarily hedged LPG inventory and New York Mercantile Exchange and IntercontinentalExchange margin deposits). Interest expense is net of amounts capitalized for major expansion capital projects and does not include interest on borrowings for contango inventory. We treat interest on contango related borrowings as carrying costs of crude oil and include it as part of the purchase price of crude oil.

8. *Net Income per Unit.* Basic net income per limited partner unit is calculated by dividing net income allocated to limited partners by the basic weighted average units outstanding during the period.

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	<b>Actual</b>	<b>Guidance (in millions)</b>					
		<b>6 Mo. Ended 06/30/07</b>	<b>Three Months Ending September 30, 2007</b>		<b>Three Months Ending December 31, 2007</b>		<b>Twelve Months Ending December 31, 2007</b>
		<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>	<b>Low</b>	<b>High</b>
Numerator for basic and diluted earnings per limited partner unit:							
Net Income	\$ 189.5	\$ 77.3	\$ 101.5	\$ 69.3	\$ 93.5	\$ 336.1	\$ 384.5
General partners incentive distribution	(42.0)	(25.0)	(25.0)	(25.0)	(25.0)	(92.0)	(92.0)
General partners incentive distribution reduction	10.0	5.0	5.0	5.0	5.0	20.0	20.0