

PLAINS ALL AMERICAN PIPELINE LP

Form 10-Q

August 08, 2014

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2014

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number: 1-14569

PLAINS ALL AMERICAN PIPELINE, L.P.

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(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

76-0582150
(I.R.S. Employer
Identification No.)

333 Clay Street, Suite 1600, Houston, Texas
(Address of principal executive offices)

77002
(Zip Code)

(713) 646-4100

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of July 31, 2014, there were 368,940,903 Common Units outstanding.

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PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS**

(in millions, except unit data)

	June 30, 2014	December 31, 2013
	(unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 27	\$ 41
Trade accounts receivable and other receivables, net	3,730	3,638
Inventory	1,096	1,065
Other current assets	315	220
Total current assets	5,168	4,964
PROPERTY AND EQUIPMENT	13,410	12,473
Accumulated depreciation	(1,797)	(1,654)
Property and equipment, net	11,613	10,819
OTHER ASSETS		
Goodwill	2,502	2,503
Linefill and base gas	895	798
Long-term inventory	287	251
Investments in unconsolidated entities	545	485
Other, net	485	540
Total assets	\$ 21,495	\$ 20,360
LIABILITIES AND PARTNERS CAPITAL		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,301	\$ 3,983
Short-term debt	763	1,113
Other current liabilities	359	315
Total current liabilities	5,423	5,411
LONG-TERM LIABILITIES		
Senior notes, net of unamortized discount of \$16 and \$15, respectively	7,409	6,710
Long-term debt under credit facilities and other	5	5
Other long-term liabilities and deferred credits	546	531
Total long-term liabilities	7,960	7,246
COMMITMENTS AND CONTINGENCIES (NOTE 11)		

PARTNERS CAPITAL

Common unitholders (367,822,748 and 359,133,200 units outstanding, respectively)	7,731	7,349
General partner	322	295
Total partners capital excluding noncontrolling interests	8,053	7,644
Noncontrolling interests	59	59
Total partners capital	8,112	7,703
Total liabilities and partners capital	\$ 21,495	\$ 20,360

The accompanying notes are an integral part of these condensed consolidated financial statements.

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PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per unit data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014 (unaudited)	2013	2014 (unaudited)	2013
REVENUES				
Supply and Logistics segment revenues	\$ 10,856	\$ 9,933	\$ 22,201	\$ 20,157
Transportation segment revenues	195	165	376	338
Facilities segment revenues	144	197	301	420
Total revenues	11,195	10,295	22,878	20,915
COSTS AND EXPENSES				
Purchases and related costs	10,280	9,387	20,950	18,825
Field operating costs	360	343	696	684
General and administrative expenses	90	91	179	196
Depreciation and amortization	100	91	196	173
Total costs and expenses	10,830	9,912	22,021	19,878
OPERATING INCOME	365	383	857	1,037
OTHER INCOME/(EXPENSE)				
Equity earnings in unconsolidated entities	23	11	44	23
Interest expense (net of capitalized interest of \$10, \$10, \$22 and \$19, respectively)	(82)	(75)	(161)	(152)
Other income/(expense), net	4	(1)	2	(1)
INCOME BEFORE TAX	310	318	742	907
Current income tax expense	(16)	(8)	(52)	(53)
Deferred income tax expense	(6)	(10)	(18)	(17)
NET INCOME	288	300	672	837
Net income attributable to noncontrolling interests	(1)	(8)	(1)	(16)
NET INCOME ATTRIBUTABLE TO PAA	\$ 287	\$ 292	\$ 671	\$ 821
NET INCOME ATTRIBUTABLE TO PAA:				
LIMITED PARTNERS	\$ 166	\$ 197	\$ 435	\$ 631
GENERAL PARTNER	\$ 121	\$ 95	\$ 236	\$ 190
BASIC NET INCOME PER LIMITED PARTNER UNIT	\$ 0.45	\$ 0.58	\$ 1.19	\$ 1.85
DILUTED NET INCOME PER LIMITED PARTNER UNIT	\$ 0.45	\$ 0.57	\$ 1.18	\$ 1.84
BASIC WEIGHTED AVERAGE UNITS OUTSTANDING				
	365	340	363	338
DILUTED WEIGHTED AVERAGE UNITS OUTSTANDING				
	367	342	365	341

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PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

	Three Months Ended June 30,			Six Months Ended June 30,				
	2014	(unaudited)	2013	2014	(unaudited)	2013		
Net income	\$	288	\$	300	\$	672	\$	837
Other comprehensive income/(loss)		91		(92)		(45)		(138)
Comprehensive income		379		208		627		699
Comprehensive income attributable to noncontrolling interests		(1)		(15)		(1)		(20)
Comprehensive income attributable to PAA	\$	378	\$	193	\$	626	\$	679

The accompanying notes are an integral part of these condensed consolidated financial statements.

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF
CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME / (LOSS)

(in millions)

	Derivative Instruments	Translation Adjustments (unaudited)	Total
Balance at December 31, 2013	\$ (77)	\$ (20)	\$ (97)
Reclassification adjustments	10		10
Deferred loss on cash flow hedges, net of tax	(51)		(51)
Currency translation adjustments		(4)	(4)
Total period activity	(41)	(4)	(45)
Balance at June 30, 2014	\$ (118)	\$ (24)	\$ (142)

	Derivative Instruments	Translation Adjustments (unaudited)	Total
Balance at December 31, 2012	\$ (120)	\$ 200	\$ 80
Reclassification adjustments	(16)		(16)
Deferred gain on cash flow hedges, net of tax	62		62
Currency translation adjustments		(184)	(184)

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Total period activity		46		(184)		(138)
Balance at June 30, 2013	\$	(74)	\$	16	\$	(58)

The accompanying notes are an integral part of these condensed consolidated financial statements.

Table of Contents**PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions)

	2014	Six Months Ended June 30, (unaudited)	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$	672	\$ 837
Reconciliation of net income to net cash provided by operating activities:			
Depreciation and amortization		196	173
Equity-indexed compensation expense		68	78
Inventory valuation adjustments		37	
Deferred income tax expense		18	17
Gain on sales of linefill and base gas		(8)	(3)
Gain on foreign currency revaluation		(5)	(5)
Settlement of terminated interest rate hedging instruments		(7)	
Equity earnings in unconsolidated entities, net of distributions		7	(1)
Other		5	
Changes in assets and liabilities, net of acquisitions		(20)	241
Net cash provided by operating activities		963	1,337
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid in connection with acquisitions, net of cash acquired		(2)	(31)
Additions to property, equipment and other		(918)	(785)
Cash received for sales of linefill and base gas		23	14
Cash paid for purchases of linefill and base gas		(140)	(24)
Investment in unconsolidated entities		(67)	(112)
Proceeds from sales of assets		3	3
Other investing activities			3
Net cash used in investing activities		(1,101)	(932)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayments under PAA senior secured hedged inventory facility (Note 6)			(85)
Net repayments under PAA senior unsecured revolving credit facility (Note 6)			(65)
Net repayments under PNG credit agreement			(36)
Net repayments under PAA commercial paper program (Note 6)		(344)	
Proceeds from the issuance of senior notes (Note 6)		698	
Net proceeds from the issuance of common units (Note 8)		453	331
Net proceeds from the issuance of PNG common units			30
Distributions paid to common unitholders (Note 8)		(450)	(384)
Distributions paid to general partner (Note 8)		(222)	(175)
Distributions paid to noncontrolling interests		(1)	(24)
Other financing activities		(10)	(2)
Net cash provided by/(used in) financing activities		124	(410)
Effect of translation adjustment on cash			(3)
Net decrease in cash and cash equivalents		(14)	(8)
Cash and cash equivalents, beginning of period		41	24
Cash and cash equivalents, end of period	\$	27	\$ 16

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Cash paid for:

Interest, net of amounts capitalized	\$	161	\$	146
Income taxes, net of amounts refunded	\$	104	\$	18

The accompanying notes are an integral part of these condensed consolidated financial statements.

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PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS CAPITAL

(in millions)

	Common Units		General Partner	Partners Capital Excluding Noncontrolling Interests		Noncontrolling Interests	Partners Capital
	Units	Amount		(unaudited)			
Balance at December 31, 2013	359.1	\$ 7,349	\$ 295	\$ 7,644	\$ 59	\$ 7,703	
Net income		435	236	671	1	672	
Distributions		(450)	(222)	(672)	(1)	(673)	
Issuance of common units	8.1	444	9	453		453	
Issuance of common units under LTIP, net of units tendered by employees to satisfy tax withholding obligations	0.6	(18)	1	(17)		(17)	
Equity-indexed compensation expense		19	4	23		23	
Distribution equivalent right payments		(3)		(3)		(3)	
Other comprehensive loss		(44)	(1)	(45)		(45)	
Other		(1)		(1)		(1)	
Balance at June 30, 2014	367.8	\$ 7,731	\$ 322	\$ 8,053	\$ 59	\$ 8,112	

	Common Units		General Partner	Partners Capital Excluding Noncontrolling Interests		Noncontrolling Interests	Partners Capital
	Units	Amount		(unaudited)			
Balance at December 31, 2012	335.3	\$ 6,388	\$ 249	\$ 6,637	\$ 509	\$ 7,146	
Net income		631	190	821	16	837	
Distributions		(384)	(175)	(559)	(24)	(583)	
Issuance of common units	5.9	324	7	331		331	
Issuance of common units under LTIP, net of units tendered by employees to satisfy tax withholding obligations	0.5	(11)		(11)		(11)	
Equity-indexed compensation expense		16	2	18	2	20	
Distribution equivalent right payments		(3)		(3)		(3)	
Other comprehensive income/(loss)		(139)	(3)	(142)	4	(138)	
Issuance of PNG common units		6		6	24	30	
Balance at June 30, 2013	341.7	\$ 6,828	\$ 270	\$ 7,098	\$ 531	\$ 7,629	

The accompanying notes are an integral part of these condensed consolidated financial statements.

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PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1 Organization and Basis of Consolidation and Presentation

Organization

Plains All American Pipeline, L.P. is a Delaware limited partnership formed in 1998. Our operations are conducted directly and indirectly through our primary operating subsidiaries. As used in this Form 10-Q and unless the context indicates otherwise, the terms Partnership, Plains, PAA, we, us, our, ours and similar terms refer to Plains All American Pipeline, L.P. and its subsidiaries.

We own and operate midstream energy infrastructure and provide logistics services for crude oil, natural gas liquids (NGL), natural gas and refined products. The term NGL includes ethane and natural gasoline products as well as products commonly referred to as liquefied petroleum gas (LPG), such as propane and butane. When used in this Form 10-Q, NGL refers to all NGL products including LPG. We own an extensive network of pipeline transportation, terminalling, storage, and gathering assets in key crude oil and NGL producing basins and transportation corridors and at major market hubs in the United States and Canada. Our business activities are conducted through three operating segments: (i) Transportation, (ii) Facilities and (iii) Supply and Logistics. See Note 12 for further discussion of our operating segments.

Our 2% general partner interest is held by PAA GP LLC, a Delaware limited liability company, whose sole member is Plains AAP, L.P. (AAP), a Delaware limited partnership. In addition to its ownership of PAA GP LLC, AAP also owns all of our incentive distribution rights. Plains All American GP LLC (GP LLC), a Delaware limited liability company, is AAP 's general partner. GP LLC manages our operations and activities and employs our domestic officers and personnel. Our Canadian officers and personnel are employed by our subsidiary, Plains Midstream Canada ULC (PMC). References to our general partner, as the context requires, include any or all of PAA GP LLC, AAP and GP LLC.

Definitions

Additional defined terms are used in this Form 10-Q and shall have the meanings indicated below:

AOCI	=	Accumulated other comprehensive income
Bcf	=	Billion cubic feet
Btu	=	British thermal unit
CAD	=	Canadian dollar
DERs	=	Distribution equivalent rights

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EBITDA	=	Earnings before interest, taxes, depreciation and amortization
FASB	=	Financial Accounting Standards Board
GAAP	=	Generally accepted accounting principles in the United States
ICE	=	IntercontinentalExchange
LIBOR	=	London Interbank Offered Rate
LTIP	=	Long-term incentive plan
Mcf	=	Thousand cubic feet
MLP	=	Master limited partnership
NGL	=	Natural gas liquids including ethane, natural gasoline products, propane and butane
NYMEX	=	New York Mercantile Exchange
PLA	=	Pipeline loss allowance
PNG	=	PAA Natural Gas Storage, L.P.
SEC	=	Securities and Exchange Commission
USD	=	United States dollar
White Cliffs	=	White Cliffs Pipeline, LLC
WTI	=	West Texas Intermediate

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Basis of Consolidation and Presentation

The accompanying unaudited condensed consolidated interim financial statements and notes thereto should be read in conjunction with our 2013 Annual Report on Form 10-K. The financial statements have been prepared in accordance with the instructions for interim reporting as set forth by the SEC. All adjustments (consisting only of normal recurring adjustments) that in the opinion of management were necessary for a fair statement of the results for the interim periods have been reflected. All significant intercompany transactions have been eliminated in consolidation. Certain reclassifications have been made to information from previous years to conform to the current presentation. The condensed consolidated balance sheet data as of December 31, 2013 was derived from audited financial statements, but does not include all disclosures required by GAAP. The results of operations for the three and six months ended June 30, 2014 should not be taken as indicative of results to be expected for the entire year.

Subsequent events have been evaluated through the financial statements issuance date and have been included in the following footnotes where applicable.

Note 2 Recent Accounting Pronouncements

Other than as discussed below and in our 2013 Annual Report on Form 10-K, no new accounting pronouncements have become effective or have been issued during the six months ended June 30, 2014 that are of significance or potential significance to us.

In May 2014, the FASB issued guidance regarding the recognition of revenue from contracts with customers with the underlying principle that an entity will recognize revenue to reflect amounts expected to be received in exchange for the provision of goods and services to customers upon the transfer of those goods or services. The guidance also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and the related cash flows. This guidance becomes effective for interim and annual periods beginning after December 15, 2016 and can be adopted either with a full retrospective approach or a modified retrospective approach with a cumulative-effect adjustment as of the date of adoption. We are currently evaluating which transition approach to apply and the effect that adopting this guidance will have on our financial position, results of operations and cash flows.

In April 2014, the FASB issued guidance that modifies the criteria under which assets to be disposed of are evaluated to determine if such assets qualify as a discontinued operation and requires new disclosures for both discontinued operations and certain other disposals that do not meet the definition of a discontinued operation. This guidance is effective prospectively for annual and interim reporting periods beginning after December 15, 2014. Early adoption is permitted but only for disposals (or classifications as held for sale) that have not been reported in financial statements previously issued or available for issue. We are currently evaluating the provisions of this authoritative guidance and assessing its impact, but do not believe our adoption will have a material impact on our financial position, results of operations or cash flows.

In March 2013, the FASB issued guidance regarding the release of cumulative translation adjustments into net income when a parent either sells a part or all of its investment in a foreign entity or no longer holds a controlling financial interest in a subsidiary or group of assets that is a business within a foreign entity. This guidance became effective for interim and annual periods beginning after December 15, 2013. We adopted this guidance on January 1, 2014. Our adoption did not have a material impact on our financial position, results of operations or cash flows.

Note 3 Accounts Receivable

Our accounts receivable are primarily from purchasers and shippers of crude oil and, to a lesser extent, purchasers of NGL and natural gas storage. These purchasers include, but are not limited to, refiners, producers, marketing and trading companies and financial institutions that are active in the physical and financial commodity markets. The majority of our accounts receivable relate to our crude oil supply and logistics activities that can generally be described as high volume and low margin activities, in many cases involving exchanges of crude oil volumes.

To mitigate credit risk related to our accounts receivable, we have in place a rigorous credit review process. We closely monitor market conditions in order to make a determination with respect to the amount, if any, of credit to be extended to any given customer and the form and amount of financial performance assurances we require. Such financial assurances are commonly provided to us in the form of advance cash payments, standby letters of credit or parental guarantees. As of June 30, 2014 and December 31, 2013, we had received approximately \$157 million and \$117 million, respectively, of advance cash payments from third parties to mitigate credit risk. Furthermore, as of June 30, 2014 and December 31, 2013, we had received approximately \$384 million and \$426 million, respectively, of standby letters of credit to support obligations due from third parties, a portion of which applies to future business. In addition, in an effort to mitigate credit risk, a significant portion of our transactions with counterparties are settled on a net-cash basis. Further, we enter into netting agreements (contractual agreements that allow us to offset receivables and payables with those counterparties against each other on our balance sheet) for a majority of such arrangements.

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We review all outstanding accounts receivable balances on a monthly basis and record a reserve for amounts that we expect will not be fully recovered. We do not apply actual balances against the reserve until we have exhausted substantially all collection efforts. At June 30, 2014 and December 31, 2013, substantially all of our accounts receivable (net of allowance for doubtful accounts) were less than 30 days past their scheduled invoice date. Our allowance for doubtful accounts receivable totaled approximately \$5 million at both June 30, 2014 and December 31, 2013. Although we consider our allowance for doubtful accounts receivable to be adequate, actual amounts could vary significantly from estimated amounts.

Note 4 Inventory, Linefill and Base Gas and Long-term Inventory

Inventory, linefill and base gas and long-term inventory consisted of the following as of the dates indicated (barrels and natural gas volumes in thousands and carrying value in millions):

	June 30, 2014				December 31, 2013			
	Volumes	Unit of Measure	Carrying Value	Price/Unit (1)	Volumes	Unit of Measure	Carrying Value	Price/Unit (1)
Inventory								
Crude oil	6,233	barrels	\$ 579	\$ 92.89	6,951	barrels	\$ 540	\$ 77.69
NGL	10,591	barrels	444	\$ 41.92	8,061	barrels	352	\$ 43.67
Natural gas	10,824	Mcf	50	\$ 4.62	40,505	Mcf	150	\$ 3.70
Other	N/A		23	N/A	N/A		23	N/A
Inventory subtotal			1,096				1,065	
Linefill and base gas								
Crude oil	11,211	barrels	713	\$ 63.60	10,966	barrels	679	\$ 61.92
NGL	1,214	barrels	56	\$ 46.13	1,341	barrels	62	\$ 46.23
Natural gas	26,612	Mcf	126	\$ 4.73	16,615	Mcf	57	\$ 3.43
Linefill and base gas subtotal			895				798	
Long-term inventory								
Crude oil	2,712	barrels	220	\$ 81.12	2,498	barrels	202	\$ 80.86
NGL	1,681	barrels	67	\$ 39.86	1,161	barrels	49	\$ 42.20
Long-term inventory subtotal			287				251	
Total			\$ 2,278				\$ 2,114	

(1) Price per unit of measure represents a weighted average associated with various grades, qualities and locations. Accordingly, these prices may not coincide with any published benchmarks for such products.

At the end of each reporting period, we assess the carrying value of our inventory and make any adjustments necessary to reduce the carrying value to the applicable net realizable value. We recorded a charge of approximately \$37 million during the six months ended June 30, 2014 related to the writedown of our natural gas inventory that was purchased in conjunction with managing natural gas storage deliverability

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requirements during the extended period of severe cold weather in the first quarter of 2014. This adjustment is a component of Purchases and related costs in our accompanying condensed consolidated statements of operations.

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The table below reflects our goodwill by segment and changes during the period indicated (in millions):

	Transportation		Facilities		Supply and Logistics		Total
Balance at December 31, 2013	\$ 878	\$	1,162	\$	463	\$	2,503
Foreign currency translation adjustments	(1)						(1)
Balance at June 30, 2014	\$ 877	\$	1,162	\$	463	\$	2,502

We completed our annual goodwill impairment test as of June 30, 2014 and determined that there was no impairment of goodwill.

Note 6 Debt

Debt consisted of the following as of the dates indicated (in millions):

	June 30, 2014		December 31, 2013
SHORT-TERM DEBT			
PAA commercial paper notes, bearing a weighted-average interest rate of 0.29% and 0.33%, respectively (1)	\$ 760	\$	1,109
Other	3		4
Total short-term debt	763		1,113
LONG-TERM DEBT			
Senior notes, net of unamortized discounts of \$16 and \$15, respectively (2)	7,409		6,710
Other	5		5
Total long-term debt	7,414		6,715
Total debt (3)	\$ 8,177	\$	7,828

(1) PAA commercial paper notes are backstopped by the PAA senior unsecured revolving credit facility and the PAA senior secured hedged inventory facility, which mature in August 2018 and August 2016, respectively; as such, any borrowings under the PAA commercial paper program reduce the available capacity under these facilities. At June 30, 2014 and December 31, 2013, we classified \$760 million and \$1.1 billion, respectively, of borrowings under our commercial paper program as short-term. These borrowings are primarily designated as working capital borrowings, must be repaid within one year and are primarily for hedged NGL and crude oil inventory and NYMEX and ICE margin deposits.

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(2) As of June 30, 2014, we have classified our \$150 million, 5.25% senior notes due June 2015 as long-term based on our ability and intent to refinance them on a long-term basis.

(3) Our fixed-rate senior notes had a face value of approximately \$7.4 billion and \$6.7 billion at June 30, 2014 and December 31, 2013, respectively. We estimated the aggregate fair value of these notes as of June 30, 2014 and December 31, 2013 to be approximately \$8.2 billion and \$7.2 billion, respectively. Our fixed-rate senior notes are traded among institutions, and these trades are routinely published by a reporting service. Our determination of fair value is based on reported trading activity near quarter end. We estimate that the carrying value of outstanding borrowings under our credit facilities and agreements and commercial paper program approximates fair value as interest rates reflect current market rates. The fair value estimates for both our senior notes and credit facilities are based upon observable market data and are classified within Level 2 of the fair value hierarchy. See Note 10 for additional discussion of the fair value hierarchy.

Borrowings and Repayments

Total borrowings under our credit agreements and the commercial paper program for the six months ended June 30, 2014 and 2013 were approximately \$34.6 billion and \$7.6 billion, respectively. Total repayments under our credit agreements and the commercial paper program for the six months ended June 30, 2014 and 2013 were approximately \$34.9 billion and \$7.8 billion, respectively. The variance in total gross borrowings and repayments is impacted by various business and financial factors including, but not limited to, the timing, average term and method of general partnership borrowing activities.

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Letters of Credit

In connection with our supply and logistics activities, we provide certain suppliers with irrevocable standby letters of credit to secure our obligation for the purchase of crude oil, NGL and natural gas. Additionally, we issue letters of credit to support insurance programs and construction activities. At June 30, 2014 and December 31, 2013, we had outstanding letters of credit of approximately \$38 million and \$41 million, respectively.

Senior Notes Issuance

On April 23, 2014, we completed the issuance of \$700 million, 4.70% senior notes due 2044 at a public offering price of 99.734%. Interest payments are due on June 15 and December 15 of each year, commencing on December 15, 2014. In anticipation of the issuance of these senior notes, we entered into \$250 million notional principal amount of U.S. treasury locks in March and April 2014 to hedge the treasury rate portion of the interest rate on a portion of the notes. We terminated these treasury locks in April 2014. See Note 10 for additional disclosure.

Note 7 Net Income Per Limited Partner Unit

Basic and diluted net income per limited partner unit is determined pursuant to the two-class method for Master Limited Partnerships as prescribed in the FASB guidance. The two-class method is an earnings allocation formula that is used to determine earnings to our general partner, common unitholders and participating securities according to distributions pertaining to the current period's net income and participation rights in undistributed earnings. Under this method, all earnings are allocated to our general partner, common unitholders and participating securities based on their respective rights to receive distributions, regardless of whether those earnings would actually be distributed during a particular period from an economic or practical perspective.

The Partnership calculates basic and diluted net income per limited partner unit by dividing net income attributable to Plains, after deducting the amount allocated to the general partner's interest, incentive distribution rights (IDRs) and participating securities, by the basic and diluted weighted-average number of limited partner units outstanding during the period. Participating securities include LTIP awards that have vested DERs, which entitle the grantee to a cash payment equal to the cash distribution paid on our outstanding common units.

Diluted net income per limited partner unit is computed based on the weighted average number of units plus the effect of dilutive potential units outstanding during the period using the two-class method. Our LTIP awards that contemplate the issuance of common units are considered dilutive unless (i) vesting occurs only upon the satisfaction of a performance condition and (ii) that performance condition has yet to be satisfied. LTIP awards that are deemed to be dilutive are reduced by a hypothetical unit repurchase based on the remaining unamortized fair value, as prescribed by the treasury stock method in guidance issued by the FASB. See Note 15 to our Consolidated Financial Statements included in Part IV of our 2013 Annual Report on Form 10-K for a complete discussion of our LTIP awards including specific discussion regarding DERs.

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The following table sets forth the computation of basic and diluted earnings per limited partner unit for the three and six months ended June 30, 2014 and 2013 (in millions, except per unit data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Basic Net Income per Limited Partner Unit				
Net income attributable to PAA	\$ 287	\$ 292	\$ 671	\$ 821
Less: General partner's incentive distribution ⁽¹⁾	(117)	(91)	(227)	(177)
Less: General partner 2% ownership (1)	(4)	(4)	(9)	(13)
Net income available to limited partners	166	197	435	631
Less: Undistributed earnings allocated and distributions to participating securities (1)	(1)	(1)	(3)	(5)
Net income available to limited partners in accordance with application of the two-class method for MLPs	\$ 165	\$ 196	\$ 432	\$ 626
Basic weighted average number of limited partner units outstanding	365	340	363	338
Basic net income per limited partner unit	\$ 0.45	\$ 0.58	\$ 1.19	\$ 1.85
Diluted Net Income per Limited Partner Unit				
Net income attributable to PAA	\$ 287	\$ 292	\$ 671	\$ 821
Less: General partner's incentive distribution ⁽¹⁾	(117)	(91)	(227)	(177)
Less: General partner 2% ownership (1)	(4)	(4)	(9)	(13)
Net income available to limited partners	166	197	435	631
Less: Undistributed earnings allocated and distributions to participating securities (1)	(1)	(1)	(3)	(3)
Net income available to limited partners in accordance with application of the two-class method for MLPs	\$ 165	\$ 196	\$ 432	\$ 628
Basic weighted average number of limited partner units outstanding	365	340	363	338
Effect of dilutive securities: Weighted average LTIP units	2	2	2	3
Diluted weighted average number of limited partner units outstanding	367	342	365	341
Diluted net income per limited partner unit	\$ 0.45	\$ 0.57	\$ 1.18	\$ 1.84

(1) We calculate net income available to limited partners based on the distributions pertaining to the current period's net income. After adjusting for the appropriate period's distributions, the remaining undistributed earnings or excess distributions over earnings, if any, are allocated to the general partner, limited partners and participating securities in accordance with the contractual terms of the partnership agreement and as further prescribed under the two-class method.

Pursuant to the terms of our partnership agreement, the general partner's incentive distribution is limited to a percentage of available cash, which, as defined in the partnership agreement, is net of reserves deemed appropriate. As such, IDRs are not allocated undistributed earnings or distributions in excess of earnings in the calculation of net income per limited partner unit. If, however, undistributed earnings were allocated to

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our IDRs beyond amounts distributed to them under the terms of the partnership agreement, basic and diluted earnings per limited partner unit as reflected in the table above would be impacted as follows:

	Three Months Ended June 30 ,		Six Months Ended June 30,	
	2014	2013	2014	2013
Basic net income per limited partner unit impact	\$	\$	\$	\$ (0.33)
Diluted net income per limited partner unit impact	\$	\$	\$	\$ (0.33)

Table of Contents**Note 8 Partners Capital and Distributions***Distributions*

The following table details the distributions paid during or pertaining to the first six months of 2014, net of reductions to the general partner's incentive distributions (in millions, except per unit amounts):

Date Declared	Distribution Date	Common Units	Distributions Paid General Partner			Total	Distributions per limited partner unit
			Incentive	2%			
July 8, 2014	August 14, 2014 (1)	\$ 238	\$ 117	\$ 5	\$ 360	\$ 0.6450	
April 7, 2014	May 15, 2014	\$ 229	\$ 110	\$ 5	\$ 344	\$ 0.6300	
January 9, 2014	February 14, 2014	\$ 221	\$ 102	\$ 5	\$ 328	\$ 0.6150	

(1) Payable to unitholders of record at the close of business on August 1, 2014 for the period April 1, 2014 through June 30, 2014.

Continuous Offering Program

During the six months ended June 30, 2014, we issued an aggregate of approximately 8.1 million common units under our continuous offering program, generating proceeds of approximately \$453 million, including our general partner's proportionate capital contribution, net of approximately \$4 million of commissions to our sales agents.

Noncontrolling Interests in Subsidiaries

As of June 30, 2014, noncontrolling interests in subsidiaries consisted of a 25% interest in SLC Pipeline LLC. On December 31, 2013, we purchased the noncontrolling interests in PNG, and PNG became our wholly-owned subsidiary.

Note 9 Equity-Indexed Compensation Plans

We refer to the PAA LTIPs and AAP Management Units collectively as our Equity-indexed compensation plans. For additional discussion of our equity-indexed compensation plans and awards, see Note 15 to our Consolidated Financial Statements included in Part IV of our 2013 Annual Report on Form 10-K.

PAA LTIP Awards. Our equity-indexed compensation activity for LTIP awards denominated in PAA units is summarized in the following table (units in millions):

	Units (1)		Weighted Average Grant Date Fair Value per Unit
Outstanding at December 31, 2013	8.4	\$	36.97
Granted	0.9	\$	46.61
Vested (2)	(1.8)	\$	25.39
Cancelled or forfeited	(0.3)	\$	38.88
Outstanding at June 30, 2014	7.2	\$	41.05

(1) Amounts do not include AAP Management Units.

(2) Approximately 0.6 million PAA common units were issued, net of tax withholding of 0.3 million units, during the six months ended June 30, 2014 in connection with the settlement of vested awards. The remaining PAA awards that vested during the six months ended June 30, 2014 of approximately 0.9 million units were settled in cash.

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AAP Management Units. The following table contains a summary of AAP Management Units (in millions):

	Reserved for Future Grants	Outstanding	Outstanding Units Earned	Grant Date Fair Value Of Outstanding AAP Management Units (1)
Balance at December 31, 2013	3.5	48.6	47.0	\$ 51
Granted	(0.4)	0.4		11
Earned	N/A	N/A	0.8	N/A
Balance at June 30, 2014	3.1	49.0	47.8	\$ 62

(1) Of the grant date fair value, approximately \$4 million was recognized as expense during the six months ended June 30, 2014. Of the \$62 million grant date fair value, approximately \$52 million had been recognized through June 30, 2014.

Other Consolidated Equity-Indexed Compensation Information. The table below summarizes the expense recognized and the value of vesting (settled both in units and cash) related to our equity-indexed compensation plans and includes both liability-classified and equity-classified awards (in millions):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2014	2013	2014	2013	2014	2013	2014	2013
Equity-indexed compensation expense	\$ 34	\$ 27	\$ 68	\$ 78				
LTIP unit-settled vestings	\$ 44	\$ 46	\$ 51	\$ 46				
LTIP cash-settled vestings	\$ 51	\$ 60	\$ 52	\$ 60				
DER cash payments	\$ 2	\$ 2	\$ 4	\$ 4				

Note 10 Derivatives and Risk Management Activities

We identify the risks that underlie our core business activities and use risk management strategies to mitigate those risks when we determine that there is value in doing so. Our policy is to use derivative instruments for risk management purposes and not for the purpose of speculating on hydrocarbon commodity (referred to herein as commodity) price changes. We use various derivative instruments to (i) manage our exposure to commodity price risk as well as to optimize our profits, (ii) manage our exposure to interest rate risk and (iii) manage our exposure to currency exchange rate risk. Our commodity risk management policies and procedures are designed to help ensure that our hedging activities address our risks by monitoring our derivative positions, as well as physical volumes, grades, locations, delivery schedules and storage capacity. Our interest rate and currency exchange rate risk management policies and procedures are designed to monitor our derivative positions and ensure that those positions are consistent with our objectives and approved strategies. When we apply hedge accounting, our policy is to formally document all relationships between hedging instruments and hedged items, as well as our risk management objectives for undertaking the hedge. This process includes specific identification of the hedging instrument and the hedged transaction, the nature of the risk being hedged and how the hedging instrument's effectiveness will be assessed. Both at the inception of the hedge and on an ongoing basis, we assess whether the derivatives used in a transaction are highly effective in offsetting changes in cash flows or the fair value of hedged items.

Commodity Price Risk Hedging

Our core business activities involve certain commodity price-related risks that we manage in various ways, including through the use of derivative instruments. Our policy is to (i) only purchase inventory for which we have a market, (ii) structure our sales contracts so that price fluctuations do not materially affect our operating income and (iii) not acquire and hold physical inventory or derivatives for the purpose of speculating on commodity price changes. The material commodity-related risks inherent in our business activities can be divided into the following general categories:

Commodity Purchases and Sales In the normal course of our operations, we purchase and sell commodities. We use derivatives to manage the associated risks and to optimize profits. As of June 30, 2014, net derivative positions related to these activities included:

- An average of 210,100 barrels per day net long position (total of 6.5 million barrels) associated with our crude oil purchases, which was unwound ratably during July 2014 to match monthly average pricing.

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- A net short spread position averaging approximately 21,300 barrels per day (total of 14.3 million barrels), which hedges a portion of our anticipated crude oil lease gathering purchases through June 2016. These derivatives are time spreads consisting of offsetting purchases and sales between two different months. Our use of these derivatives does not expose us to outright price risk.
- An average of 2,800 barrels per day (total of 0.8 million barrels) of butane/WTI spread positions, which hedge specific butane sales contracts that are priced as a percentage of WTI through March 2015.
- An average of 19,300 barrels per day (total of 1.8 million barrels) of WTI/Brent crude oil grade spread positions through September 2014. These derivatives allow us to lock in grade basis differentials where we are hedging anticipated purchases of crude oil based on a WTI index and hedging anticipated sales of crude oil based on a Brent index. Our use of these derivatives does not expose us to outright price risk.
- A long position of approximately 4.1 Bcf through April 2016 related to anticipated base gas requirements.
- A short position of approximately 10.7 Bcf through February 2015 related to anticipated sales of natural gas inventory.
- A net short position of approximately 7.6 million barrels through December 2015 related to the anticipated sales of our crude oil, NGL and refined products inventory.

Pipeline Loss Allowance Oil As is common in the pipeline transportation industry, our tariffs incorporate a loss allowance factor that is intended to offset losses due to evaporation, measurement and other losses in transit. We utilize derivative instruments to hedge a portion of the anticipated sales of the allowance oil that is to be collected under our tariffs. As of June 30, 2014, our PLA hedges included a net short position for an average of approximately 1,600 barrels per day (total of 1.5 million barrels) through December 2016 and a long call option position of approximately 0.7 million barrels through December 2016.

Natural Gas Processing/NGL Fractionation As part of our supply and logistics activities, we purchase natural gas for processing and NGL mix for fractionation, and we sell the resulting individual specification products (including ethane, propane, butane and condensate). In conjunction with these activities, we hedge the price risk associated with the purchase of the natural gas and the subsequent sale of the individual specification products. As of June 30, 2014, we had a long natural gas position of approximately 31.3 Bcf through December 2016, a short propane position of approximately 5.2 million barrels through December 2016, a short butane position of approximately 1.5 million barrels through December 2016 and a short WTI position of approximately 0.6 million barrels through December 2016. In addition, we had a long power position of 0.6 million megawatt hours which hedges a portion of our power supply requirements at our natural gas processing and fractionation plants through December 2016.

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To the extent they qualify and we decide to make the election, all of our commodity derivatives where we elect hedge accounting are designated as cash flow hedges. We have determined that substantially all of our physical purchase and sale agreements qualify for the normal purchase normal sale scope exception. Physical commodity contracts that meet the definition of a derivative but are ineligible, or not designated, for the normal purchase normal sale scope exception are recorded on the balance sheet at fair value, with changes in fair value recognized in earnings.

Interest Rate Risk Hedging

We use interest rate derivatives to hedge interest rate risk associated with anticipated debt issuances and outstanding debt instruments. The derivative instruments we use to manage this risk consist primarily of interest rate swaps and treasury locks. As of June 30, 2014, AOCI includes deferred losses of approximately \$101 million that relate to open and terminated interest rate derivatives that were designated for hedge accounting. The terminated interest rate derivatives were cash-settled in connection with the issuance or refinancing of debt agreements. The deferred loss related to these instruments is being amortized to interest expense over the terms of the hedged debt instruments.

We have entered into forward starting interest rate swaps to hedge the underlying benchmark interest rate related to forecasted debt issuances through 2015. The following table summarizes the terms of our forward starting interest rate swaps as of June 30, 2014 (notional amounts in millions):

Hedged Transaction	Number and Types of Derivatives Employed	Notional Amount	Expected Termination Date	Average Rate Locked	Accounting Treatment
Anticipated debt offering	10 forward starting swaps (30-year)	\$ 250	6/15/2015	3.60%	Cash flow hedge

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In anticipation of our April 2014 issuance of senior notes, we entered into an aggregate of five treasury lock agreements in March and April 2014 for a combined notional amount of \$250 million at a locked in rate of 3.64%. The treasury locks were designated as cash flow hedges, thus, changes in fair value are deferred in AOCI. In connection with our April 2014 senior notes issuance, these treasury locks were terminated prior to maturity for an aggregate cash payment of approximately \$7 million. The effective portion of the treasury locks was deferred in AOCI and amortized to interest expense over the life of the senior notes.

Currency Exchange Rate Risk Hedging

Because a significant portion of our Canadian business is conducted in CAD and, at times, a portion of our debt is denominated in CAD, we use foreign currency derivatives to minimize the risks of unfavorable changes in exchange rates. These instruments include foreign currency exchange contracts and forwards.

As of June 30, 2014, our outstanding foreign currency derivatives include derivatives we use to (i) hedge currency exchange risk associated with USD-denominated commodity purchases and sales in Canada and (ii) hedge currency exchange risk created by the use of USD-denominated commodity derivatives to hedge commodity price risk associated with CAD-denominated commodity purchases and sales.

The following table summarizes our open forward exchange contracts as of June 30, 2014 (in millions):

		USD	CAD	Average Exchange Rate USD to CAD
Forward exchange contracts that exchange CAD for USD:				
	2014	\$ 273	\$ 292	\$1.00 - \$1.07
	2015	77	82	\$1.00 - \$1.07
		\$ 350	\$ 374	\$1.00 - \$1.07
Forward exchange contracts that exchange USD for CAD:				
	2014	\$ 273	\$ 297	\$1.00 - \$1.09
	2015	77	84	\$1.00 - \$1.09
		\$ 350	\$ 381	\$1.00 - \$1.09
Net position by currency:				
	2014	\$	\$ (5)	
	2015		(2)	
		\$	\$ (7)	

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We record all open derivatives on the balance sheet as either assets or liabilities measured at fair value. Changes in the fair value of derivatives are recognized currently in earnings unless specific hedge accounting criteria are met. For derivatives that qualify as cash flow hedges, changes in fair value of the effective portion of the hedges are deferred in AOCI and recognized in earnings in the periods during which the underlying physical transactions are recognized in earnings. Derivatives that do not qualify for hedge accounting and the portion of cash flow hedges that are not highly effective in offsetting changes in cash flows of the hedged items are recognized in earnings each period. Cash settlements associated with our derivative activities are reflected as cash flows from operating activities in our condensed consolidated statements of cash flows.

A summary of the impact of our derivative activities recognized in earnings for the three and six months ended June 30, 2014 and 2013 is as follows (in millions):

Location of gain/(loss)	Three Months Ended June 30, 2014				Three Months Ended June 30, 2013			
	Derivatives in Hedging Relationships		Derivatives Not Designated as a Hedge	Total	Derivatives in Hedging Relationships		Derivatives Not Designated as a Hedge	Total
	Gain/(loss) reclassified from AOCI into income	Other gain/(loss) recognized in income			Gain/(loss) reclassified from AOCI into income (1)	Other gain/(loss) recognized in income		
Commodity Derivatives								
Supply and Logistics segment revenues	\$ 12	\$	\$	\$ 12	\$ 21	\$	\$ 21	\$ 42
Facilities segment revenues					(9)			(9)
Field operating costs							4	4
Interest Rate Derivatives								
Interest expense	(1)			(1)	(2)			(2)
Foreign Currency Derivatives								
Supply and Logistics segment revenues			9	9				
Other income/(expense), net					1			1
Total Gain/(Loss) on Derivatives Recognized in Net Income	\$ 11	\$	\$ 9	\$ 20	\$ 11	\$	\$ 25	\$ 36

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Location of gain/(loss)	Six Months Ended June 30, 2014				Six Months Ended June 30, 2013			
	Derivatives in Hedging Relationships		Derivatives Not Designated as a Hedge	Total	Derivatives in Hedging Relationships		Derivatives Not Designated as a Hedge	Total
	Gain/(loss) reclassified from AOCI into income	Other gain/(loss) recognized in income			Gain/(loss) reclassified from AOCI into income (1)	Other gain/(loss) recognized in income		
Commodity Derivatives								
Supply and Logistics segment revenues	\$ (8)	\$	\$	\$ (8)	\$ 29	\$	\$ 59	\$ 88
Facilities segment revenues					(12)			(12)
Field operating costs			(1)	(1)			5	5
Interest Rate Derivatives								
Interest expense	(2)			(2)	(3)			(3)
Foreign Currency Derivatives								
Other income/(expense), net					2			2
Total Gain/(Loss) on Derivatives Recognized in Net Income	\$ (10)	\$	\$ (1)	\$ (11)	\$ 16	\$	\$ 64	\$ 80

(1) During the three months ended June 30, 2013 we reclassified gains of approximately \$1 million and \$1 million from AOCI to Supply and Logistics segment revenues and Facilities segment revenues, respectively, as a result of anticipated hedged transactions that are probable of not occurring. During the six months ended June 30, 2013, we reclassified gains of approximately \$3 million and \$1 million from AOCI to Supply and Logistics segment revenues and Facilities segment revenues, respectively, as a result of anticipated hedged transactions that are probable of not occurring. During the three and six months ended June 30, 2014, all of our hedged transactions were probable of occurring.

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The following table summarizes the derivative assets and liabilities on our condensed consolidated balance sheet on a gross basis as of June 30, 2014 (in millions):

	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Commodity derivatives	Other current assets	\$ 7	Other current assets	\$ (4)
	Other long-term assets	1		
Interest rate derivatives	Other current assets	1	Other current liabilities	(8)
Total derivatives designated as hedging instruments		\$ 9		\$ (12)
Derivatives not designated as hedging instruments:				
Commodity derivatives	Other current assets	\$ 76	Other current assets	\$ (56)
	Other long-term assets	2	Other long-term assets	(1)
	Other long-term liabilities	1	Other current liabilities	(1)
			Other long-term liabilities	(5)
Foreign currency derivatives	Other current assets	6		
Total derivatives not designated as hedging instruments		\$ 85		\$ (63)
Total derivatives		\$ 94		\$ (75)

The following table summarizes the derivative assets and liabilities on our condensed consolidated balance sheet on a gross basis as of December 31, 2013 (in millions):

	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Derivatives designated as hedging instruments:				
Commodity derivatives	Other current assets	\$ 36	Other current assets	\$ (24)
	Other long-term assets	5		
Interest rate derivatives	Other long-term assets	26		
Total derivatives designated as hedging instruments		\$ 67		\$ (24)
Derivatives not designated as hedging instruments:				
Commodity derivatives	Other current assets	\$ 60	Other current assets	\$ (117)
	Other long-term assets	5	Other long-term assets	(6)
	Other current liabilities	1	Other current liabilities	(5)
			Other long-term liabilities	(1)
Foreign currency derivatives			Other current liabilities	(4)

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Total derivatives not designated as hedging instruments	\$	66	\$	(133)
Total derivatives	\$	133	\$	(157)

Our derivative transactions are governed through ISDA (International Swaps and Derivatives Association) master agreements and clearing brokerage agreements. These agreements include stipulations regarding the right of set off in the event that we or our counterparty default on our performance obligations. If a default were to occur, both parties have the right to net amounts payable and receivable into a single net settlement between parties.

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Our accounting policy is to offset derivative assets and liabilities executed with the same counterparty when a master netting arrangement exists. Accordingly, we also offset derivative assets and liabilities with amounts associated with cash margin. Our exchange-traded derivatives are transacted through clearing brokerage accounts and are subject to margin requirements as established by the respective exchange. On a daily basis, our account equity (consisting of the sum of our cash balance and the fair value of our open derivatives) is compared to our initial margin requirement resulting in the payment or return of variation margin. As of June 30, 2014, we had a net broker receivable of approximately \$66 million (consisting of initial margin of \$54 million increased by \$12 million of variation margin that had been posted by us). As of December 31, 2013, we had a net broker receivable of approximately \$161 million (consisting of initial margin of \$85 million increased by \$76 million of variation margin that had been posted by us).

The following tables present information about derivatives and financial assets and liabilities that are subject to offsetting, including enforceable master netting arrangements at June 30, 2014 and December 31, 2013 (in millions):

	June 30, 2014		December 31, 2013	
	Derivative Asset Positions	Derivative Liability Positions	Derivative Asset Positions	Derivative Liability Positions
Netting Adjustments:				
Gross position - asset/(liability)	\$ 94	\$ (75)	\$ 133	\$ (157)
Netting adjustment	(62)	62	(148)	148
Cash collateral paid/(received)	66		161	
Net position - asset/(liability)	\$ 98	\$ (13)	\$ 146	\$ (9)
Balance Sheet Location After Netting Adjustments:				
Other current assets	\$ 96		\$ 116	
Other long-term assets	2		30	
Other current liabilities		(9)		(8)
Other long-term liabilities		(4)		(1)
	\$ 98	\$ (13)	\$ 146	\$ (9)

As of June 30, 2014, there was a net loss of approximately \$118 million deferred in AOCI including tax effects. The deferred net loss recorded in AOCI is expected to be reclassified to future earnings contemporaneously with (i) the earnings recognition of the underlying hedged commodity transaction or (ii) interest expense accruals associated with underlying debt instruments. Of the total net loss deferred in AOCI at June 30, 2014, we expect to reclassify a net loss of approximately \$4 million to earnings in the next twelve months. The remaining deferred loss of approximately \$114 million is expected to be reclassified to earnings through 2045. A portion of these amounts are based on market prices as of June 30, 2014; thus, actual amounts to be reclassified will differ and could vary materially as a result of changes in market conditions.

The net deferred gain/(loss), including tax effects, recognized in AOCI for derivatives for the three and six months ended June 30, 2014 and 2013 are as follows (in millions):

	Three Months Ended June 30,			Six Months Ended June 30,		
	2014	2013	2012	2014	2013	2012
Commodity derivatives, net	\$ 3	\$ (12)	\$ 11	\$ (12)	\$ (39)	\$ 51
Interest rate derivatives, net	(19)	32	51	(39)	51	51
Total	\$ (19)	\$ 35	\$ 62	\$ (51)	\$ (39)	\$ 102

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At June 30, 2014 and December 31, 2013, none of our outstanding derivatives contained credit-risk related contingent features that would result in a material adverse impact to us upon any change in our credit ratings. Although we may be required to post margin on our cleared derivatives as described above, we do not require our non-cleared derivative counterparties to post collateral with us.

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Recurring Fair Value Measurements

Derivative Financial Assets and Liabilities

The following table sets forth by level within the fair value hierarchy our financial assets and liabilities that were accounted for at fair value on a recurring basis as of June 30, 2014 and December 31, 2013 (in millions):

Recurring Fair Value Measures (1)	Level 1	Fair Value as of June 30, 2014			Total	Fair Value as of December 31, 2013
		Level 2	Level 3			