

PLAINS GP HOLDINGS LP  
Form 10-K  
March 12, 2014  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2013

or

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

Commission file number 1-36132

**PLAINS GP HOLDINGS, L.P.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**90-1005472**  
(I.R.S. Employer  
Identification No.)

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

**77002**  
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Act:

<b>Title of Each Class</b>	<b>Name of Each Exchange on Which Registered</b>
Class A Shares, Representing Limited Partner Interests	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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):

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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 Exchange Act). Yes  No

As of June 30, 2013, the last day of the registrant's most recently completed second quarter, the registrant's Class A shares were not publicly traded. The aggregate market value of the Class A shares held by non-affiliates of the registrant (treating all executive officers and directors of the registrant and holders of 10% or more of the Class A shares outstanding, for this purpose, as if they may be affiliates of the registrant) was approximately \$3.6 billion on December 31, 2013, based on a closing price of \$26.77 per Class A share as reported on the New York Stock Exchange on such date.

As of March 6, 2014, there were 135,833,637 Class A shares outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE**

**NONE**

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**PLAINS GP HOLDINGS, L.P. AND SUBSIDIARIES**

**FORM 10-K 2013 ANNUAL REPORT**

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**FORWARD-LOOKING STATEMENTS**

All statements included in this report, other than statements of historical fact, are forward-looking statements, including but not limited to statements incorporating the words anticipate, believe, estimate, expect, plan, intend and forecast, as well as similar expressions and statements regarding our business strategy, plans and objectives for future operations. The absence of such words, expressions or statements, however, does not mean that the statements are not forward-looking. Any such forward-looking statements reflect our current views with respect to future events, based on what we believe to be reasonable assumptions. Certain factors could cause actual results or outcomes to differ materially from the results or outcomes anticipated in the forward-looking statements. The most important of these factors include, but are not limited to:

- our ability to pay distributions to our Class A shareholders;
- our expected receipt of, and amounts of, distributions from Plains AAP, L.P.;
- failure to implement or capitalize, or delays in implementing or capitalizing, on planned internal growth projects;
- unanticipated changes in crude oil market structure, grade differentials and volatility (or lack thereof);
- environmental liabilities or events that are not covered by an indemnity, insurance or existing reserves;
- fluctuations in refinery capacity in areas supplied by our mainlines and other factors affecting demand for various grades of crude oil, refined products and natural gas and resulting changes in pricing conditions or transportation throughput requirements;
- the occurrence of a natural disaster, catastrophe, terrorist attack or other event, including attacks on our electronic and computer systems;
- tightened capital markets or other factors that increase our cost of capital or limit our access to capital;
- maintenance of PAA's credit rating and ability to receive open credit from suppliers and trade counterparties;

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- continued creditworthiness of, and performance by, our counterparties, including financial institutions and trading companies with which we do business;
- the currency exchange rate of the Canadian dollar;
- the availability of, and our ability to consummate, acquisition or combination opportunities;
- the successful integration and future performance of acquired assets or businesses and the risks associated with operating in lines of business that are distinct and separate from historical operations;
- the effectiveness of our risk management activities;
- declines in the volume of crude oil, refined product and NGL shipped, processed, purchased, stored, fractionated and/or gathered at or through the use of our facilities, whether due to declines in production from existing oil and gas reserves, failure to develop or slowdown in the development of additional oil and gas reserves or other factors;
- shortages or cost increases of supplies, materials or labor;
- our ability to obtain debt or equity financing on satisfactory terms to fund additional acquisitions, expansion projects, working capital requirements and the repayment or refinancing of indebtedness;
- the impact of current and future laws, rulings, governmental regulations, accounting standards and statements, and related interpretations;
- non-utilization of our assets and facilities;
- the effects of competition;

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- increased costs or lack of availability of insurance;
- fluctuations in the debt and equity markets, including the price of PAA s units at the time of vesting under its long-term incentive plans;
- weather interference with business operations or project construction;
- risks related to the development and operation of our facilities, including our ability to satisfy our contractual obligations to our customers at our facilities;
- factors affecting demand for natural gas and natural gas storage services and rates;
- general economic, market or business conditions and the amplification of other risks caused by volatile financial markets, capital constraints and pervasive liquidity concerns; and
- other factors and uncertainties inherent in the transportation, storage, terminalling and marketing of crude oil and refined products, as well as in the storage of natural gas and the processing, transportation, fractionation, storage and marketing of natural gas liquids.

Other factors described herein, as well as factors that are unknown or unpredictable, could also have a material adverse effect on future results. Please read Item 1A Risk Factors. Except as required by applicable securities laws, we do not intend to update these forward-looking statements and information.

**PART I**

**Items 1 and 2. *Business and Properties***

**General**

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Plains GP Holdings, L.P. ( PAGP ) is a Delaware limited partnership formed on July 17, 2013 to own an interest in the general partner and incentive distribution rights ( IDRs ) of Plains All American Pipeline, L.P ( PAA ), a publicly traded Delaware limited partnership. Although we were formed as a limited partnership, we have elected to be taxed as a corporation for United States federal income tax purposes. As used in this Form 10-K and unless the context indicates otherwise, the terms Partnership, Plains, PAGP, we, us, our, ours and similar terms refer to GP Holdings, L.P. and its subsidiaries.

### Organizational History

We completed our initial public offering ( IPO ) in October 2013. Immediately prior to our IPO, certain owners of Plains AAP, L.P. ( AAP ) sold a portion of their interests in AAP to us, resulting in our ownership of a limited partnership interest in AAP. As of December 31, 2013, we owned a 22.1% limited partner interest in AAP, and the remaining limited partner interests in AAP continue to be held by the owners of AAP immediately prior to our IPO (the Legacy Owners ). AAP is a Delaware limited partnership that directly owns all of PAA s incentive distribution rights and indirectly owns the 2% general partner interest in PAA. AAP is the sole member of PAA GP LLC ( PAA GP ), a Delaware limited liability company that directly holds the 2% general partner interest in PAA. Also, through a series of transactions prior to our IPO with our general partner and the owners of Plains All American GP LLC ( GP LLC ), a Delaware limited liability company formed on May 2, 2001, GP LLC s general partner interest in AAP became a non-economic interest, and we became the owner of a 100% managing member interest in GP LLC.



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PAA is a publicly traded master limited partnership that owns and operates midstream energy infrastructure and provides 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-K, NGL refers to all NGL products including LPG. PAA owns 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. On average, PAA handles over 3.5 million barrels per day of crude oil and NGL on its pipelines.

**Partnership Structure and Management**

Our general partner, PAA GP Holdings LLC, manages our operations and activities and is responsible for exercising on our behalf any rights we have as the managing member of GP LLC, including any rights to appoint members to the board of directors of GP LLC. See Item 10. Directors and Executive Officers of our General Partner and Corporate Governance. GP LLC has responsibility for managing the business and affairs of PAA and AAP; however, through our rights as the sole and managing member of GP LLC, we effectively control the business and affairs of AAP and PAA. GP LLC employs all domestic officers and personnel involved in the operation and management of PAA and AAP. PAA's Canadian officers and personnel are employed by Plains Midstream Canada ULC. Our general partner does not receive a management fee or other compensation in connection with its management of our business.

The two charts below show the structure and ownership of PAGP and certain subsidiaries as of December 31, 2013 in both an abridged and more detailed format. The first chart depicts PAGP's legal structure in summary format, while the second chart depicts a more comprehensive view of PAGP's legal structure, including ownership and economic interests and shares and units outstanding.

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**Summarized Partnership Structure**

**(as of December 31, 2013)**

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**Detailed Partnership Structure**

**(as of December 31, 2013)**





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- 
- (1) Incentive Distribution Rights ( IDRs ).
- (2) PAA holds direct and indirect ownership interests in consolidated operating subsidiaries including, but not limited to, Plains Marketing, L.P., Plains Pipeline, L.P. and Plains Midstream Canada ULC ( PMC ).
- (3) PAA holds indirect equity interests in unconsolidated entities including Settoon Towing, LLC ( Settoon Towing ), White Cliffs Pipeline, LLC ( White Cliffs ), Butte Pipe Line Company ( Butte ), Frontier Pipeline Company ( Frontier ) and Eagle Ford Pipeline LLC ( Eagle Ford Pipeline ).
- (4) Represents the number of Class A units of AAP ( AAP units ) for which the Class B units of AAP (referred to herein as the AAP Management Units ) would be exchangeable, assuming a conversion rate of approximately 0.90 AAP units for each AAP Management Unit as of December 31, 2013. The AAP Management Units are entitled to certain proportionate distributions paid by AAP.
- (5) As of December 31, 2013, we owned 22.1% of the membership interests in our general partner, which percentage corresponds to our 22.1% ownership percentage of AAP units (representing a 20.6% economic interest in AAP, including the dilutive effect of the AAP Management Units).

**Our Business**

As of December 31, 2013, our only cash-generating assets consist of 133,833,637 AAP units, which represent a 22.1% limited partner interest in AAP (20.6% economic interest including the dilutive effect of the AAP Management Units). Unless we directly acquire and hold assets or businesses in the future, our cash flows will be generated solely from the cash distributions we receive from AAP. AAP does not own any common units in PAA and currently receives all of its cash flows from distributions on its direct ownership of PAA's IDRs and its indirect ownership of PAA's 2% general partner interest. AAP's ownership of both of these interests entitles it to receive, without duplication:

- 2% of all cash distributed in a quarter until \$0.2250 has been distributed in respect of each common unit of PAA for that quarter;
  - 15% of all cash distributed in a quarter after \$0.2250 has been distributed in respect of each common unit of PAA for that quarter;
  - 25% of all cash distributed in a quarter after \$0.2475 has been distributed in respect of each common unit of PAA for that quarter;
- and

- 50% of all cash distributed in a quarter after \$0.3375 has been distributed in respect of each common unit of PAA for that quarter.

Such amounts do not take into account temporary and permanent reductions in IDR payments that are currently in place in connection with past PAA acquisition activities or that may be implemented with respect to future activities. The cash distributions AAP receives from PAA are tied to (i) PAA's per unit distribution level and (ii) the number of PAA common units outstanding. An increase in either factor (assuming the other factor remains constant or increases) will generally, absent additional IDR reductions, result in an increase in the amount of cash distributions AAP receives from PAA, a portion of which we, in turn, receive from AAP. Because the IDRs currently participate at the maximum percentage participation rate, any future growth in distributions we receive from AAP will not result from an increase in the percentage participation rate associated with the IDRs.

Accordingly, our primary business objective is to increase our cash available for distribution to our Class A shareholders through the execution by PAA of its business strategy. In addition, we may facilitate PAA's growth activities through various means, including, but not limited to, modifying PAA's IDRs, making loans, purchasing equity interests or providing other forms of financial support to PAA.

#### **PAA's Business Strategy**

PAA's principal business strategy is to provide competitive and efficient midstream transportation, terminalling, storage, processing, fractionation and supply and logistics services to producers, refiners and other customers. Toward this end, PAA endeavors to address regional supply and demand imbalances for crude oil and NGL in the United States and Canada by combining the strategic location and capabilities of its transportation, terminalling, storage, processing and fractionation assets with its extensive supply, logistics and distribution expertise. To a lesser extent, PAA also engages in similar activities for natural gas and refined products. We believe PAA's successful execution of this strategy will enable it to generate sustainable earnings and cash flow. PAA intends to manage and grow its business by:

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- commercially optimizing its existing assets and realizing cost efficiencies through operational improvements;
- using its transportation (including pipeline, rail, barge and truck), terminalling, storage, processing and fractionation assets in conjunction with its supply and logistics activities to capitalize on inefficient energy markets and to address physical market imbalances, mitigate inherent risks and increase margin;
- developing and implementing internal growth projects that (i) address evolving crude oil and NGL needs in the midstream transportation and infrastructure sector and (ii) are well positioned to benefit from long-term industry trends and opportunities;
- selectively pursuing strategic and accretive acquisitions that complement its existing asset base and distribution capabilities; and
- capitalizing on anticipated intermediate to long-term opportunities for natural gas storage services in North America by owning and operating high-quality natural gas storage facilities and providing its current and future customers reliable, competitive and flexible natural gas storage and related services.

**PAA's Competitive Strengths**

We believe that the following competitive strengths position PAA to successfully execute its principal business strategy:

- *Many of PAA's transportation segment and facilities segment assets are strategically located and operationally flexible.* The majority of PAA's primary transportation segment assets are in crude oil service, are located in well-established oil producing regions and other transportation corridors and are connected, directly or indirectly, with PAA's facilities segment assets located at major trading locations and premium markets that serve as gateways to major North American refinery and distribution markets where PAA has strong business relationships. PAA's assets include pipeline, rail, barge and truck assets, which provide PAA's customers and PAA with significant flexibility and optionality to satisfy demand and balance markets, particularly during a dynamic period of changing product flows.

- *PAA possesses specialized crude oil market knowledge.* We believe PAA's business relationships with participants in various phases of the crude oil distribution chain, from crude oil producers to refiners, as well as PAA's own industry expertise, provide PAA with an extensive understanding of the North American physical crude oil markets.

- *PAA's supply and logistics activities typically generate a base level of margin with the opportunity to realize incremental margins.*

We believe the variety of activities executed within PAA's supply and logistics segment in combination with PAA's risk management strategies



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provides PAA with a balance that generally affords it the flexibility to maintain a base level of margin in a variety of market conditions (subject to the effects of seasonality). In certain circumstances, PAA is able to realize incremental margins during volatile market conditions.

- *PAA has the evaluation, integration and engineering skill sets and the financial flexibility to continue to pursue acquisition and expansion opportunities.* Over the past sixteen years, PAA has completed and integrated over 80 acquisitions with an aggregate purchase price of approximately \$10.5 billion, which figures include over 30 acquisitions totaling approximately \$5.2 billion in aggregate purchase price over the last six years. PAA has also implemented internal expansion capital projects totaling over \$5.8 billion. In addition, we believe PAA has the resources to finance future strategic expansion and acquisition opportunities. As of December 31, 2013, PAA had over \$1.8 billion available under its committed credit facilities, subject to continued covenant compliance.

- *PAA has an experienced management team whose interests are aligned with those of its unitholders.* PAA's executive management team has an average of 29 years industry experience, and an average of 17 years with PAA or its predecessors and affiliates. In addition, through their ownership of common units, indirect interests in PAA's general partner, grants of phantom units and AAP Management Units, PAA's management team has a vested interest in PAA's continued success.

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**Our Financial Strategy**

Our financial strategy is designed to be complementary with PAA's financial and business strategies. Because our only cash-generating assets consist of our partnership interests in AAP, which currently derives all of its cash flows from PAA's distributions, we intend to maintain a level of indebtedness at AAP such that it will not be material in relation to PAA's adjusted EBITDA or other financial metrics used in the evaluation of its business. As of December 31, 2013, AAP had \$515 million of debt outstanding under its credit facility. In connection with future PAA equity issuances, we expect AAP may fund any capital contribution required to maintain its indirect 2% general partner interest in PAA with credit facility borrowings. We do not anticipate that additional debt associated with these contributions will be material to PAA's consolidated credit profile, as such equity issuances are typically used to pay down existing debt or fund PAA's growth through acquisitions or organic growth opportunities. We would expect to fund direct acquisitions made by us, if any, with a combination of debt and equity.

**PAA's Financial Strategy**

*Targeted Credit Profile*

We believe that a major factor in PAA's continued success is its ability to maintain a competitive cost of capital and access to the capital markets. In that regard, PAA intends to maintain a credit profile that it believes is consistent with investment grade credit ratings. PAA has targeted a general credit profile with the following attributes:

- an average long-term debt-to-total capitalization ratio of approximately 45% to 50%;
- a long-term debt-to-adjusted EBITDA multiple averaging between 3.5x and 4.0x (Adjusted EBITDA is earnings before interest, taxes, depreciation and amortization, equity-indexed compensation plan charges, gains and losses from derivative activities and other selected items that impact comparability);
- an average total debt-to-total capitalization ratio of approximately 60%; and
- an average adjusted EBITDA-to-interest coverage multiple of approximately 3.3x or better.

The first two of these four metrics include long-term debt as a critical measure. PAA also incurs short-term debt in connection with its supply and logistics activities that involve the simultaneous purchase and forward sale of crude oil, NGL and natural gas. The crude oil, NGL and natural gas purchased in these transactions are hedged. PAA does not consider the working capital borrowings associated with these activities to be part of its long-term capital structure. These borrowings are self-liquidating as they are repaid with sales proceeds. PAA also incurs short-term debt to fund New York Mercantile Exchange ( NYMEX ) and IntercontinentalExchange ( ICE ) margin requirements. In certain market

conditions, these routine short-term debt levels may increase significantly above baseline levels.

In order for PAA to maintain its targeted credit profile and achieve growth through internal growth projects and acquisitions, PAA intends to fund approximately 55% of the capital requirements associated with these activities with equity and cash flow in excess of distributions. From time to time, PAA may be outside the parameters of its targeted credit profile as, in certain cases, these capital expenditures and acquisitions may be financed initially using debt or there may be delays in realizing anticipated synergies from acquisitions or contributions from capital expansion projects to adjusted EBITDA.

Table of Contents**PAA's Acquisitions**

The acquisition of midstream assets and businesses that are strategic and complementary to PAA's existing operations constitutes an integral component of its business strategy and growth objectives. Such assets and businesses include crude oil, refined products and NGL logistics assets, natural gas storage assets and other energy assets that have characteristics and provide opportunities similar to such business lines and enable PAA to leverage its assets, knowledge and skill sets.

The following table summarizes acquisitions greater than \$200 million that PAA has completed over the past five years (in millions). See Note 3 to our Consolidated Financial Statements for a full discussion regarding acquisition activities.

Acquisition (1)	Date	Description	Approximate Purchase Price (2)
US Development Group Crude Oil Rail Terminals ( USD )	Dec-2012	Four operating crude oil rail terminals and one terminal under development	\$ 503
BP Canada Energy Company ( BP NGL )	Apr-2012	NGL assets located in Canada and the upper-Midwest United States	\$ 1,683(3)
Western Refining, Inc. Pipeline and Storage Assets ( Western )	Dec-2011	Multi-product storage facility in Virginia and a crude oil pipeline in southeastern New Mexico	\$ 220(4)
Velocity South Texas Gathering, LLC ( Velocity )	Nov-2011	Crude oil and condensate gathering and transportation assets in South Texas ( Gardendale Gathering System )	\$ 349
SG Resources Mississippi, LLC ( SG Resources )	Feb-2011	Southern Pines Energy Center ( Southern Pines ) natural gas storage facility	\$ 765(5)
Nexen Holdings U.S.A. Inc. Gathering and Transportation Assets ( Nexen )	Dec-2010	Crude oil gathering business and transportation assets in North Dakota and Montana	\$ 229(6)
PAA Natural Gas Storage, LLC ( PNGS )	Sep-2009	Remaining 50% interest in PNGS	\$ 215(7)

(1) Excludes PAA's acquisition of all of the outstanding publicly-traded common units of PAA Natural Gas Storage, L.P. ( PNG ) on December 31, 2013 (referred to herein as the PNG Merger ), as we historically consolidated PNG into our financial statements for financial reporting purposes in accordance with generally accepted accounting principles in the United States ( GAAP ). As consideration for the PNG Merger, PAA issued approximately 14.7 million of its common units with a value of approximately \$760 million.

(2) &#16