

PLAINS GP HOLDINGS LP
Form 10-Q
November 07, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2014

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.

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(Exact name of registrant as specified in its charter)

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)

(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 October 31, 2014, there were 136,046,637 Class A Shares outstanding.

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PLAINS GP HOLDINGS, L.P. AND SUBSIDIARIES

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

PLAINS GP HOLDINGS, L.P. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	September 30, 2014	December 31, 2013
	(unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 35	\$ 43
Trade accounts receivable and other receivables, net	3,522	3,637
Inventory	1,314	1,065
Other current assets	290	220
Total current assets	5,161	4,965
PROPERTY AND EQUIPMENT	13,857	12,514
Accumulated depreciation	(1,871)	(1,673)
Property and equipment, net	11,986	10,841
OTHER ASSETS		
Goodwill	2,481	2,503
Linefill and base gas	903	798
Long-term inventory	270	251
Investments in unconsolidated entities	582	485
Other, net	1,543	1,610
Total assets	\$ 22,926	\$ 21,453
LIABILITIES AND PARTNERS CAPITAL		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 4,170	\$ 3,985
Short-term debt	976	1,113
Other current liabilities	423	315
Total current liabilities	5,569	5,413
LONG-TERM LIABILITIES		
Senior notes, net of unamortized discount of \$16 and \$15, respectively	7,609	6,710
Long-term debt under credit facilities and other	535	520
Other long-term liabilities and deferred credits	526	531
Total long-term liabilities	8,670	7,761
COMMITMENTS AND CONTINGENCIES (NOTE 11)		

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PARTNERS CAPITAL

Class A Shareholders (136,046,637 and 133,833,637 shares outstanding, respectively)	1,037	1,035
Class B Shareholders (469,983,136 and 472,196,136 shares outstanding, respectively)		
Noncontrolling interests	7,650	7,244
Total partners capital	8,687	8,279
Total liabilities and partners capital	\$ 22,926	\$ 21,453

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

Table of Contents**PLAINS GP HOLDINGS, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(in millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(unaudited)		(unaudited)	
REVENUES				
Supply and Logistics segment revenues	\$ 10,788	\$ 10,386	\$ 32,988	\$ 30,542
Transportation segment revenues	198	179	574	517
Facilities segment revenues	141	138	443	558
Total revenues	11,127	10,703	34,005	31,617
COSTS AND EXPENSES				
Purchases and related costs	10,166	9,909	31,116	28,733
Field operating costs	382	326	1,078	1,010
General and administrative expenses	79	79	260	276
Depreciation and amortization	97	93	294	266
Total costs and expenses	10,724	10,407	32,748	30,285
OPERATING INCOME	403	296	1,257	1,332
OTHER INCOME/(EXPENSE)				
Equity earnings in unconsolidated entities	29	19	73	42
Interest expense (net of capitalized interest of \$12, \$11, \$33 and \$30, respectively)	(88)	(73)	(254)	(227)
Other income/(expense), net	(4)	3	(2)	2
INCOME BEFORE TAX	340	245	1,074	1,149
Current income tax expense	(10)	(17)	(62)	(69)
Deferred income tax benefit/(expense)	(19)	8	(54)	(10)
NET INCOME	311	236	958	1,070
Net income attributable to noncontrolling interests	(295)	(235)	(913)	(1,067)
NET INCOME ATTRIBUTABLE TO PAGP	\$ 16	\$ 1	\$ 45	\$ 3
BASIC AND DILUTED NET INCOME PER CLASS A SHARE				
	\$ 0.12		\$ 0.33	
BASIC AND DILUTED WEIGHTED AVERAGE CLASS A SHARES OUTSTANDING				
	136		136	

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

Table of Contents**PLAINS GP HOLDINGS, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
	(unaudited)		(unaudited)	
Net income	\$ 311	\$ 236	\$ 958	\$ 1,070
Other comprehensive income/(loss)	(167)	39	(211)	(98)
Comprehensive income	144	275	747	972
Comprehensive income attributable to noncontrolling interests	(129)	(274)	(703)	(969)
Comprehensive income attributable to PAGP	\$ 15	\$ 1	\$ 44	\$ 3

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

PLAINS GP HOLDINGS, 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	16		16
Deferred loss on cash flow hedges, net of tax	(57)		(57)
Currency translation adjustments		(170)	(170)
Total period activity	(41)	(170)	(211)
Balance at September 30, 2014	\$ (118)	\$ (190)	\$ (308)

	Derivative Instruments	Translation Adjustments (unaudited)	Total
Balance at December 31, 2012	\$ (121)	\$ 200	\$ 79
Reclassification adjustments	(124)		(124)
Deferred gain on cash flow hedges, net of tax	141		141
Currency translation adjustments		(115)	(115)

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Total period activity		17	(115)	(98)
Balance at September 30, 2013	\$	(104)	\$ 85	(19)

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

Table of Contents**PLAINS GP HOLDINGS, L.P. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in millions)

	2014	Nine Months Ended September 30, (unaudited)	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income	\$	958	\$ 1,070
Reconciliation of net income to net cash provided by operating activities:			
Depreciation and amortization		294	266
Equity-indexed compensation expense		91	96
Inventory valuation adjustments		37	7
Deferred income tax expense		54	10
Gain on sales of linefill and base gas		(8)	(5)
(Gain)/loss on foreign currency revaluation		10	(6)
Settlement of terminated interest rate hedging instruments		(7)	8
Equity earnings in unconsolidated entities, net of distributions		1	(7)
Other		10	
Changes in assets and liabilities, net of acquisitions		(174)	150
Net cash provided by operating activities		1,266	1,589
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash paid in connection with acquisitions, net of cash acquired		(10)	(28)
Additions to property, equipment and other		(1,424)	(1,217)
Cash received for sales of linefill and base gas		24	25
Cash paid for purchases of linefill and base gas		(159)	(61)
Investment in unconsolidated entities		(98)	(124)
Proceeds from sales of assets		2	62
Other investing activities		1	3
Net cash used in investing activities		(1,664)	(1,340)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net repayments under PAA senior secured hedged inventory facility (Note 6)			(659)
Net repayments under PAA senior unsecured revolving credit facility (Note 6)			(92)
Net repayments under PNG credit agreement			(32)
Net borrowings under AAP revolving credit facility (Note 6)		16	1
Proceeds from AAP term loan			300
Net borrowings/(repayments) under PAA commercial paper program (Note 6)		(683)	319
Proceeds from the issuance of PAA senior notes (Note 6)		1,447	699
Net proceeds from the issuance of common units by subsidiaries (Note 8)		655	431
Contributions from noncontrolling interests related to issuances of common units by subsidiaries			10
Distributions paid to noncontrolling interests (Note 8)		(959)	(1,182)
Distributions paid to Class A shareholders (Note 8)		(65)	
Distributions paid to members			(6)
Other financing activities		(20)	(26)
Net cash provided by/(used in) financing activities		391	(237)
Effect of translation adjustment on cash		(1)	(3)

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Net increase/(decrease) in cash and cash equivalents		(8)		9
Cash and cash equivalents, beginning of period		43		25
Cash and cash equivalents, end of period	\$	35	\$	34
Cash paid for:				
Interest, net of amounts capitalized	\$	245	\$	234
Income taxes, net of amounts refunded	\$	135	\$	19

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

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PLAINS GP HOLDINGS, L.P. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS CAPITAL / MEMBERS EQUITY

(in millions)

	Partners Capital (Excluding Noncontrolling Interests)				Noncontrolling Interests	Total Partners Capital
	Class A	Class B				
	Shares	Amount	Shares	Amount		
	(unaudited)					
Balance at December 31, 2013	133.8	\$ 1,035	472.2	\$	\$ 7,244	\$ 8,279
Net income		45			913	958
Distributions		(65)			(959)	(1,024)
Transfer of ownership interest in connection with AAP unit exchanges (Note 8)	2.2	(1)	(2.2)		1	
Deferred tax asset		23				