PLAINS ALL AMERICAN PIPELINE LP
Form 8-K
March 06, 2002

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) - March 6, 2002

PLAINS ALL AMERICAN PIPELINE, L.P.
(Name of Registrant as specified in its charter)

DELAWARE	0-9808	76-0582150
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

333 CLAY STREET, SUITE 2900
HOUSTON, TEXAS 77002
(713) 646-4100
(Address, including zip code, and telephone number,
including area code, of Registrant's principal executive offices)

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

ITEM 5. OTHER EVENTS AND REGULATION FD DISCLOSURE

Plains All American Pipeline, L.P. today reported net income before unusual and nonrecurring items of $16.5 million, or $0.38 per unit, for the fourth quarter of 2001 as compared to net income before unusual and nonrecurring items of $13.0 million, or $0.37 per unit, for the fourth quarter of 2000. For the entire year of 2001, the Partnership reported net income before unusual and nonrecurring items of $56.2 million, or $1.44 per unit, as compared to net income before unusual and nonrecurring items of $54.4 million, or $1.55 per unit, for 2000.

Earnings before interest, taxes, depreciation, amortization and other noncash items ("EBITDA") for the fourth quarter of 2001 was $29.8 million, and cash flow from operations (net income plus noncash items) totaled $23.2 million. This compares with EBITDA of $24.2 million and cash flow of $17.3 million recorded for the fourth quarter of 2000. EBITDA for 2001 was $109.6 million as compared to $103.0 million for 2000. These EBITDA and cash flow comparisons exclude the impact of the unusual and non-recurring items.

The Partnership noted that the year's results include certain fourth quarter adjustments to reflect a $5.0 million noncash lower of cost or market valuation write down of working inventory based on a year end NYMEX crude oil benchmark price of $19.84 per barrel, to reduce previously accrued operating expenses by $2.0 million and to increase the noncash reserve for potentially uncollectible receivables by $3.0 million.

The following table reconciles the Partnership's reported net income to the Partnership's net income before unusual and nonrecurring items:

Dollars in millions, except per unit data	2001		
	FULL YEAR	4TH QUARTER	FULL Y
Reported net income	$44.2	$ 8.9	$ 77.
Per unit	$1.13	$0.20	$ 2.2
Noncash mark-to-market inventory charge (1)	$ 5.0	$ 5.0	$
Noncash compensation expense (2)	5.7	-	3.
Gains on sale of assets (3)	(1.0)	(1.0)	(48.
Gain on interest rate swap	-	-	(9.
Extraordinary loss on early extinguishment of debt	-	-	15.
Litigation settlement	-	-	7.
Noncash reserve for receivables (4)	3.0	3.0	5.
Noncash amortization of debt issue costs (5)	-	-	4.
Noncash cumulative effect of accounting change (6)	(0.5)	-	
Noncash SFAS 133 adjustment	(0.2)	0.6	
Net income before unusual and nonrecurring items	$56.2	$16.5	$ 54.
Per unit	$1.44	$0.38	$ 1.5

Notes:

(1) The Partnership uses the average cost method for recording inventory and the noncash write down reflects the impact of a lower of cost or market valuation at December 31, 2001. During 2001, the price of crude oil traded on the NYMEX averaged $25.98 per barrel; however, the NYMEX price at December 31, 2001, was $19.84 per barrel.

(2) Attributable to the vesting of certain rights to receive phantom Partnership units. The units were satisfied by an affiliate of Plains Resources and therefore did not result in dilution to Unitholders.

(3) Includes gain on sale of: (i) excess communications equipment in 2001 and (ii) a portion of the All American Pipeline and linefill in 2000.

(4) Reserve for potentially uncollectible accounts receivable.

(5) Nonrecurring amortization of debt issue costs associated with credit facilities put in place during the fourth quarter of 1999, subsequent to the unauthorized trading losses.

(6) Related to the adoption of SFAS 133 on January 1, 2001.

The Partnership's weighted average units outstanding for 2001 totaled 37.5

million as compared to 34.4 million for last year. The Partnership's weighted average units outstanding for the fourth quarter of 2001 totaled 41.6 million as compared to 34.4 million in last year's fourth quarter. At December 31, 2001, the Partnership had 43.3 million units outstanding.

Total gross margin for the fourth quarter of 2001 was $38.5 million (excluding the $5.0 million mark-to-market inventory charge) as compared to $32.8 million (excluding the $0.4 million litigation settlement) for the fourth quarter of 2000. Gross margin from gathering, marketing, terminalling and storage was $19.8 million during the 2001 quarter as compared to $18.8 million during the 2000 quarter. Gross margin from pipeline activities was $18.7 million during the fourth quarter of 2001 as compared to $14.0 million in the comparable 2000 quarter.

The Partnership's long-term debt at December 31, 2001, totaled $351.7 million as compared to $434.5 million at September 30, 2001. At December 31, 2001, the Partnership's debt-to-total capitalization ratio was approximately 47%.

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES
FINANCIAL SUMMARY

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per unit data)

	THREE MONTHS ENDED DECEMBER 31,	
	2001	2000
REVENUES	$1,570,164	$1,600,983
COST OF SALES AND OPERATIONS	1,531,680	1,568,186
UNAUTHORIZED TRADING LOSSES AND RELATED EXPENSES	-	363
INVENTORY VALUATION ADJUSTMENT	4,984	-
Gross Margin	33,500	32,434
EXPENSES		
General and administrative	12,258	13,515
Non-cash compensation	-	820
Depreciation and amortization	6,733	4,375
Total expenses	18,991	18,710
OPERATING INCOME	14,509	13,724
Interest expense	(6,600)	(6,905)
Gain on sale of assets	984	-
Interest and other income (expense)	43	(49)
Income before extraordinary item and cumulative effect of accounting change	8,936	6,770
Extraordinary item	-	-
Cumulative effect of accounting change	-	-

NET INCOME	$ 8,936	$ 6,770
BASIC AND DILUTED NET INCOME PER LIMITED PARTNER UNIT:		
Income before extraordinary item and cumulative effect of accounting change	$0.20	$0.19
Net income	$0.20	$0.19
WEIGHTED AVERAGE NUMBER OF UNITS OUTSTANDING	41,598	34,386
OPERATING DATA (in thousands)		
AVERAGE DAILY VOLUMES (BARRELS)		
Pipeline activities:		
All American		
Tariff and fee activities	71	74
Margin activities	68	69
Canadian activities	211	-
Other	112	108
Total	462	251
Lease gathering	394	275
Bulk purchases	66	27
Total	460	302
Terminal throughput	88	76
Estimated maintenance capital	$ 483	$ 163

PLAINS ALL AMERICAN PIPELINE, L.P. AND SUBSIDIARIES
FINANCIAL SUMMARY (continued)

FINANCIAL DATA
(in thousands) (unaudited)

	THREE MONTHS ENDED DECEMBER 31,		
	2001	2000	
Earnings before interest, taxes, depreciation and amortization ("EBITDA")	$29,836	$24,233	$
Cash flow from operations (net income before noncash items)	$23,236	$17,328	$
Cash flow from operations after maintenance capital expenditures	$22,753	$17,165	$

CONDENSED CONSOLIDATED BALANCE SHEET DATA

(in thousands)	D
ASSETS	
Current assets	$
Property and equipment, net	
Pipeline linefill	
Other long-term assets, net	
	$
LIABILITIES AND PARTNERS' CAPITAL	
Current liabilities	$
Long-term bank debt	
Other long-term liabilities and deferred credits	
Partners' capital	
	$

ITEM 9. REGULATION FD DISCLOSURE

In accordance with General Instruction B.2. of Form 8K, the following information shall not be deemed "filed" for purposes of Section 18 of the Securities Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such a filing.

FORWARD-LOOKING STATEMENTS AND ASSOCIATED RISKS

All statements, other than statements of historical fact, included in this report are forward-looking statements, including, but not limited to, statements identified by the words "anticipate," "believe," "estimate," "expect," "plan," "intend" and "forecast" and similar expressions and statements regarding our business strategy, plans and objectives of our management for future operations. These statements reflect our current views with respect to future events, based on what we believe are reasonable assumptions. Certain factors could cause actual results to differ materially from results anticipated in the forward-looking statements. These factors include, but are not limited to:

- Abrupt or severe production declines or production interruptions in outer continental shelf crude oil production located offshore California and transported on the All American Pipeline;
- the availability of adequate supplies of and demand for crude oil in the areas in which we operate;
- the effects of competition;
- the success of our risk management activities;
- the availability (or lack thereof) of acquisition or combination opportunities;
- successful integration and future performance of acquired assets;
- our ability to receive credit on satisfactory terms;
- shortages or cost increases of power supplies, materials or labor;
- weather interference with business operations or project construction
- the impact of current and future laws and governmental regulations;

.. environmental liabilities that are not covered by an indemnity or insurance;
.. fluctuations in the debt and equity markets; and
.. general economic, market or business conditions.

The Partnership undertakes no obligation to publicly update or revise any forward-looking statements. Further information on risks and uncertainties is available in the Partnership's filings with the Securities and Exchange Commission ("SEC"), which are incorporated by reference herein.

DISCLOSURE OF YEAR 2002 ESTIMATES

The following table reflects the Partnership's current estimates of certain results for the first quarter of 2002 and the year ending December 31, 2002. These estimates are based on assumptions and estimates that management believes are reasonable based on currently available information; however, management's assumptions and the Partnership's future performance are both subject to a wide range of business risks and uncertainties and there is no assurance that these goals and estimates can or will be met. Any number of factors could cause actual results to differ materially from those in the following table. The estimates set forth below are given as of the date hereof only based on information known to us as of March 5, 2001.

OPERATING AND FINANCIAL GUIDANCE
(in thousands except per unit data)

	QUARTER ENDED MARCH 31, 2002	
	LOW	HIGH
Gross Margin:		
Pipeline	$17,000	$17,400
Marketing, Gathering, Terminalling & Storage	22,300	22,700
Total Gross Margin	39,300	40,100
General & Administrative & Other	11,300	11,100
EBITDA*	$28,000	$29,000
Interest Expense	6,800	6,600
Cash Flow from Operations	21,400	22,200
Depreciation & Amortization	6,825	6,825
Net Income	$14,375	$15,575
Net Income to LP	13,548	14,724
Units Outstanding	43,253	43,253
Earnings per Unit	$ 0.31	$ 0.34

----
* EBITDA MEANS EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION, AMORTIZATION AND OTHER NON-CASH ITEMS

Notes and Assumptions:

1. The results provided do not include any assumptions or forecasts with respect to any potential gains or losses related to SFAS 133, "Accounting for Derivative Instruments and Hedging Activities".

2. Pipeline Gross Margin. Pipeline volume and tariff estimates are based on historical operating performance and our outlook for future performance. Actual results could vary materially depending on volumes produced by the operator of properties from which volumes are shipped. Average pipeline volumes are estimated to be approximately 455,000 barrels per day for the first quarter of 2002 with Outer Continental Shelf (OCS) volumes estimated to make up approximately 14% of these volumes or 67,000 barrels per day. Average pipeline volumes for the full year are forecast to be 460,000 barrels per day while average OCS volumes are estimated to be 72,000 barrels per day. Revenues are forecast using these volume assumptions, current tariffs, and estimates of operating expenses, which management believes are reasonable. A 5,000 barrel per day variance in OCS volumes for the year would have an approximate $3.2 million effect on EBITDA.

3. Marketing and Transportation, Terminalling and Storage Gross Margin. Forecast volumes for Gathering & Marketing are 465,000 barrels per day for the first quarter of 2002 and 480,000 barrels per day for the full year, consistent with our current business and including the acquisition in March 2002 of substantially all of the domestic crude oil pipeline, gathering, and marketing assets of Coast Energy Group and Lantern Petroleum, divisions of Cornerstone Propane Partners, L.P. Revenues are forecast using these volume assumptions, estimated per barrel margins, that assume a modest improvement over current crude oil market conditions, and estimates of operating expenses, which management believes are reasonable. Gross margin from terminalling and storage is based on our current business model and includes contribution from the Phase II expansion at our Cushing Terminal of 1.1 million barrels effective mid-2002.

4. General and Administrative Expense. G&A expense is forecast to be between $11.1 million and $11.3 million for the first quarter of 2002 and $42.5 million and $43.0 million for the year. This is based on current and projected staffing levels and office space requirements.

5. Interest Expense. First quarter interest expense is forecast to be $6.6 to $6.8 million assuming an average debt balance of approximately $375 million and an average interest rate of approximately 7.0%, including our current interest rate hedges and commitment fees. Interest expense for the year 2002 is forecast to be $24.0 to $24.5 million assuming an average long-term debt balance of approximately $360 million and an average interest rate of approximately 6.75%, including our current interest rate hedges and commitment fees. The forecast is based on estimated cash flow, current distribution rates, planned capital projects, planned sales of surplus equipment, and forecast levels of inventory and other working capital sources and uses, all of which management believes are reasonable.

6. Depreciation & Amortization. Depreciation and Amortization is forecast based on recent historical amounts with forecast capital spending depreciated using a 10-year average useful life for maintenance capital and a 30-year average useful life for other capital expenditures.

7. Units Outstanding. Our forecast is based on current units outstanding.

8. Net Income to limited partners (LP). The forecast is based on the current annual distribution rate of $2.05 per unit. The amount of net income allocated to our limited partnership interests is 98% of the total

partnership net income less the amount of the general partner's incentive distribution. Based on a $2.05 annual distribution level and the current units outstanding, the general partner's incentive distribution is forecast to be approximately $2.2 million annually.

9. Capital Expenditures. Total capital expenditures are assumed to be $26 million for the first quarter of 2002 and $45 million for the full year. Of these amounts, expansion capital is estimated to be $25 million during the first quarter and $40 million for the year. These estimates include only the purchase price for acquisitions completed as of the date hereof. Expansion capital estimates include approximately $18 million for Cushing Expansion Projects (Phases II & III). Maintenance capital is estimated to be $5 million spent evenly through the year.

10. Although acquisitions comprise a key element of our growth strategy, these results and estimates do not include any assumptions or forecasts with respect to any acquisitions that may be made after the date hereof.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

PLAINS ALL AMERICAN PIPELINE, L.P.

Date: March 6, 2002

By: Plains AAP, L.P., its general partner

By: Plains All American GP LLC, its general partner

By: /s/ Phil Kramer

Name: Phil Kramer
Title: Executive Vice President and Chief Financial Officer