

PLAINS GP HOLDINGS LP  
Form 10-Q  
November 06, 2015  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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FORM 10-Q

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

For the quarterly period ended September 30, 2015

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)

Delaware 90-1005472  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

333 Clay Street, Suite 1600, Houston, Texas 77002  
(Address of principal executive offices) (Zip Code)

(713) 646-4100

(Registrant's telephone number, including area code)

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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.

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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 October 30, 2015, there were 227,204,958 Class A Shares outstanding.

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## 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, 2015	December 31, 2014
	(unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 25	\$ 404
Trade accounts receivable and other receivables, net	1,844	2,615
Inventory	837	891
Other current assets	255	271
Total current assets	2,961	4,181
PROPERTY AND EQUIPMENT		
Accumulated depreciation	(2,123)	(1,927)
Property and equipment, net	13,369	12,292
OTHER ASSETS		
Goodwill	2,417	2,465
Investments in unconsolidated entities	1,954	1,735
Deferred tax asset	1,849	1,705
Linefill and base gas	910	930
Long-term inventory	166	186
Other long-term assets, net	462	489
Total assets	\$ 24,088	\$ 23,983
LIABILITIES AND PARTNERS' CAPITAL		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	\$ 2,365	\$ 2,987
Short-term debt	681	1,287

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Other current liabilities	434	482
Total current liabilities	3,480	4,756
<b>LONG-TERM LIABILITIES</b>		
Senior notes, net of unamortized discount of \$18 and \$18, respectively	9,757	8,757
Other long-term debt	772	541
Other long-term liabilities and deferred credits	553	548
Total long-term liabilities	11,082	9,846
<b>COMMITMENTS AND CONTINGENCIES (NOTE 10)</b>		
<b>PARTNERS' CAPITAL</b>		
Class A Shareholders (227,204,958 and 206,933,274 shares outstanding, respectively)	1,797	1,657
Class B Shareholders (378,845,615 and 399,096,499 shares outstanding, respectively)	—	—
Noncontrolling interests	7,729	7,724
Total partners' capital	9,526	9,381
Total liabilities and partners' capital	\$ 24,088	\$ 23,983

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 OPERATIONS

(in millions, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(unaudited)		(unaudited)	
<b>REVENUES</b>				
Supply and Logistics segment revenues	\$ 5,247	\$ 10,788	\$ 17,225	\$ 32,988
Transportation segment revenues	172	198	538	574
Facilities segment revenues	132	141	393	443
Total revenues	5,551	11,127	18,156	34,005
<b>COSTS AND EXPENSES</b>				
Purchases and related costs	4,701	10,166	15,591	31,116
Field operating costs	348	382	1,111	1,078
General and administrative expenses	60	79	219	260
Depreciation and amortization	110	97	327	294
Total costs and expenses	5,219	10,724	17,248	32,748
<b>OPERATING INCOME</b>	332	403	908	1,257
<b>OTHER INCOME/(EXPENSE)</b>				
Equity earnings in unconsolidated entities	45	29	134	73
Interest expense (net of capitalized interest of \$14, \$12, \$42 and \$33, respectively)	(110)	(88)	(322)	(254)
Other expense, net	(4)	(4)	(7)	(2)
<b>INCOME BEFORE TAX</b>	263	340	713	1,074
Current income tax expense	(11)	(10)	(72)	(62)
Deferred income tax expense	(24)	(19)	(48)	(54)
<b>NET INCOME</b>	228	311	593	958
Net income attributable to noncontrolling interests	(196)	(295)	(500)	(913)
<b>NET INCOME ATTRIBUTABLE TO PAGP</b>	\$ 32	\$ 16	\$ 93	\$ 45
<b>BASIC AND DILUTED NET INCOME PER CLASS A SHARE</b>	\$ 0.14	\$ 0.12	\$ 0.42	\$ 0.33
<b>BASIC AND DILUTED WEIGHTED AVERAGE CLASS A SHARES OUTSTANDING</b>	225	136	220	136



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 COMPREHENSIVE INCOME/(LOSS)

(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
	(unaudited)		(unaudited)	
Net income	\$ 228	\$ 311	\$ 593	\$ 958
Other comprehensive loss	(311)	(167)	(518)	(211)
Comprehensive income/(loss)	(83)	144	75	747
Comprehensive (income)/loss attributable to noncontrolling interests	113	(129)	14	(703)
Comprehensive income attributable to PAGP	\$ 30	\$ 15	\$ 89	\$ 44

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 (unaudited)	Translation Adjustments	Total
Balance at December 31, 2014	\$ (159)	\$ (308)	\$ (467)
Reclassification adjustments	(21)	—	(21)
Deferred loss on cash flow hedges, net of tax	(28)	—	(28)
Currency translation adjustments	—	(469)	(469)
Total period activity	(49)	(469)	(518)

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Balance at September 30, 2015	\$ (208)	\$ (777)	\$ (985)
		Derivative Translation Instruments 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)

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 CASH FLOWS

(in millions)

	Nine Months Ended September 30, 2015      2014 (unaudited)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income	\$ 593	\$ 958
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	327	294
Equity-indexed compensation expense	27	91
Inventory valuation adjustments	25	37
Deferred income tax expense	48	54
Gain on sales of linefill and base gas	—	(8)
(Gain)/loss on foreign currency revaluation	(20)	10
Settlement of terminated interest rate hedging instruments	(48)	(7)
Equity earnings in unconsolidated entities	(134)	(73)
Distributions from unconsolidated entities	159	74
Other	(12)	10
Changes in assets and liabilities, net of acquisitions	248	(174)
Net cash provided by operating activities	1,213	1,266
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash paid in connection with acquisitions, net of cash acquired	(104)	(10)
Additions to property, equipment and other	(1,617)	(1,424)
Investment in unconsolidated entities	(213)	(98)
Cash received for sales of linefill and base gas	—	24
Cash paid for purchases of linefill and base gas	(131)	(159)
Proceeds from sales of assets	4	2
Other investing activities	(8)	1
Net cash used in investing activities	(2,069)	(1,664)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net borrowings/(repayments) under PAA commercial paper program (Note 6)	151	(683)
Net borrowings/(repayments) under AAP senior secured revolving credit facility (Note 6)	(27)	16
Proceeds from AAP term loan (Note 6)	50	—
Proceeds from the issuance of PAA senior notes (Note 6)	998	1,447
Repayments of PAA senior notes (Note 6)	(549)	—
Net proceeds from the issuance of common units by subsidiaries (Note 7)	1,099	655
Distributions paid to Class A shareholders (Note 7)	(143)	(65)
Distributions paid to noncontrolling interests (Note 7)	(1,086)	(959)

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Costs incurred in connection with financing arrangements	(11)	(15)
Other financing activities	(2)	(5)
Net cash provided by financing activities	480	391
Effect of translation adjustment on cash	(3)	(1)
Net decrease in cash and cash equivalents	(379)	(8)
Cash and cash equivalents, beginning of period	404	43
Cash and cash equivalents, end of period	\$ 25	\$ 35
Cash paid for:		
Interest, net of amounts capitalized	\$ 295	\$ 245
Income taxes, net of amounts refunded	\$ 43	\$ 135

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

(in millions)

	Partners' Capital (Excluding Noncontrolling Interests)			Total Partners' Capital
	Class			
	Class A (unaudited)	B	Interests	
Balance at December 31, 2014	\$ 1,657	\$ —	\$ 7,724	\$ 9,381
Net income	93	—	500	593
Distributions	(143)	—	(1,086)	(1,229)
Deferred tax asset	198	—	—	198
Change in ownership interest in connection with Exchange Right exercises (Note 7)	(4)	—	4	—
Issuance of common units by subsidiaries	—	—	1,099	1,099
Settlement of employee income tax withholding obligations under LTIP	—	—	(13)	(13)
Equity-indexed compensation expense	—	—	20	20
Distribution equivalent right payments	—	—	(5)	(5)
Other comprehensive loss	(4)	—	(514)	(518)
Balance at September 30, 2015	\$ 1,797	\$ —	\$ 7,729	\$ 9,526
	Partners' Capital (Excluding Noncontrolling Interests)			Total Partners' Capital
	Class			
	Class A (unaudited)	B	Interests	
Balance at December 31, 2013	\$ 1,035	\$ —	\$ 7,244	\$ 8,279
Net income	45	—	913	958
Distributions	(65)	—	(959)	(1,024)
Deferred tax asset	23	—	—	23
Change in ownership interest in connection with Exchange Right exercises (Note 7)	(1)	—	1	—
Issuance of common units by subsidiaries	—	—	655	655
Issuance of PAA common units under LTIP	—	—	1	1
Settlement of employee income tax withholding obligations under LTIP	—	—	(19)	(19)
Equity-indexed compensation expense	1	—	30	31
Distribution equivalent right payments	—	—	(5)	(5)
Other comprehensive loss	(1)	—	(210)	(211)
Other	—	—	(1)	(1)

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Balance at September 30, 2014	\$ 1,037	\$ —	\$ 7,650	\$ 8,687
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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PLAINS GP HOLDINGS, L.P. AND SUBSIDIARIES

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1—Organization and Basis of Consolidation and Presentation

Organization

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. PAGP has elected to be treated as a corporation for U.S. federal income tax purposes. As used in this Form 10-Q and unless the context indicates otherwise (taking into account the fact that PAGP has no operating activities apart from those conducted by PAA and its subsidiaries), the terms “Partnership,” “we,” “us,” “our,” “ours” and similar terms refer to PAGP and its subsidiaries.

As of September 30, 2015, our sole assets consisted of (i) a 100% managing member interest in Plains All American GP LLC (“GP LLC”) and (ii) an approximate 37% limited partner interest in Plains AAP, L.P. (“AAP”) through our ownership of 227,204,958 Class A units of AAP (“AAP units”). GP LLC is a Delaware limited liability company that holds the general partner interest in AAP. AAP is a Delaware limited partnership that directly owns all of PAA’s IDRs 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. Plains GP Holdings LLC, a Delaware limited liability company, is our general partner.

GP LLC manages the business and affairs of PAA and AAP. Except for certain matters relating to PAA that require the approval of the limited partners of PAA, and certain matters relating to AAP that require the approval of the limited partners of AAP or of us as the sole member of GP LLC, either pursuant to the governing documents of PAA, AAP or GP LLC, or as may be required by non-waivable provisions of applicable law, GP LLC has full and complete authority, power and discretion to manage and control the business, affairs and property of PAA and AAP, to make all decisions regarding those matters and to perform any and all other acts or activities customary or incident to the management of PAA and AAP’s business, including the execution of contracts and management of litigation. 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 (“PMC”).

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. 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. Our business activities are conducted through three operating segments: Transportation, Facilities and Supply and Logistics. See Note 11 for further discussion of our operating segments.

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Definitions

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

AOCI	=	Accumulated other comprehensive income/(loss)
Bcf	=	Billion cubic feet
Btu	=	British thermal unit
CAD	=	Canadian dollar
DERs	=	Distribution equivalent rights
EPA	=	United States Environmental Protection Agency
FASB	=	Financial Accounting Standards Board
GAAP	=	Generally accepted accounting principles in the United States
ICE	=	Intercontinental Exchange
LIBOR	=	London Interbank Offered Rate
LTIP	=	Long-term incentive plan
Mcf	=	Thousand cubic feet
NGL	=	Natural gas liquids, including ethane, propane and butane
NYMEX	=	New York Mercantile Exchange
Oxy	=	Occidental Petroleum Corporation or its subsidiaries
PLA	=	Pipeline loss allowance
SEC	=	United States Securities and Exchange Commission
USD	=	United States dollar
WTI	=	West Texas Intermediate

Basis of Consolidation and Presentation

The accompanying unaudited condensed consolidated interim financial statements and related notes thereto should be read in conjunction with our 2014 Annual Report on Form 10-K. The accompanying condensed consolidated financial statements include the accounts of PAGP and all of its wholly owned subsidiaries and those entities that it controls. Under GAAP, we consolidate PAA, AAP and GP LLC. Amounts associated with the interests in these entities not owned by us are reflected in our results of operations as net income attributable to noncontrolling interests and on our balance sheet in the partners' capital section as noncontrolling interests. Investments in entities over which we have significant influence but not control are accounted for by the equity method. 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, and certain reclassifications have been made to information from previous years to conform to the current presentation. These reclassifications do not affect net income attributable to PAGP. The condensed consolidated balance sheet data as of December 31, 2014 was derived from audited financial statements, but does not include all disclosures required by GAAP. The results of operations for the three and nine months ended September 30, 2015 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

In September 2015, the FASB issued guidance to simplify the accounting for measurement-period adjustments for provisional amounts recognized in a business combination by eliminating the requirement for an acquirer to retrospectively account for measurement-period adjustments. Under the updated guidance, the acquirer must recognize adjustments in the reporting period in which the adjustment amounts are determined and the effect on earnings as a result of the change to the provisional amounts must be calculated as if the accounting had been completed at the acquisition date. This guidance will become effective for interim and annual periods beginning after December 15, 2015, with early

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adoption permitted, and must be applied prospectively. We expect to adopt this guidance on January 1, 2016, and our adoption is not expected to have a material impact on our financial position, results of operations or cash flows.

In July 2015, the FASB issued guidance to simplify the measurement of inventory. This updated guidance requires entities to measure inventory at the lower of cost and net realizable value; however, inventory measured using last-in, first-out and the retail inventory method is unchanged by this update. This guidance will become effective for interim and annual periods beginning after December 15, 2016, with prospective application required. Early adoption is permitted, including adoption in an interim period. We expect to adopt this guidance on January 1, 2017, and we are currently evaluating the impact that adopting this guidance will have on our financial position, results of operations and cash flows.

In April 2015, the FASB issued guidance to simplify the presentation of debt issuance costs in entities' financial statements. This updated guidance requires entities to present such costs as a direct deduction from the related debt liability, consistent with debt discounts. Additionally, amortization of the debt issuance costs will be required to be reported as interest expense. This guidance will become effective for interim and annual periods beginning after December 15, 2015, with retrospective application required for all prior periods presented. Early adoption is permitted for financial statements that have not been previously issued. We expect to adopt this guidance during the fourth quarter of 2015. We do not believe our adoption will have a material impact on our financial position, results of operations or cash flows.

In February 2015, the FASB issued guidance that revises the analysis that a reporting entity must perform to determine whether it should consolidate certain types of legal entities. All legal entities are subject to reevaluation under the revised consolidation model. Among other things, this guidance (i) modifies the evaluation of whether limited partnerships and similar legal entities are variable interest entities or voting interest entities, (ii) eliminates the presumption that a general partner should consolidate a limited partnership and (iii) affects the consolidation analysis of reporting entities that are involved with variable interest entities, particularly those that have fee arrangements and related party relationships. This guidance will become effective for interim and annual periods beginning after December 15, 2015. Early adoption is permitted, including adoption in an interim period. We will adopt this guidance on January 1, 2016. We do not believe our adoption will have a material impact on our financial position, results of operations or cash flows.

In January 2015, as part of its initiative to reduce complexity in accounting standards, the FASB issued guidance to eliminate the concept of extraordinary items from GAAP. This guidance will become effective for interim and annual periods beginning after December 15, 2015. We will adopt this guidance on January 1, 2016. We do not believe our adoption will have a material impact on our financial position, results of operations or cash flows.

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 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. In August 2015, the FASB issued guidance deferring the effective date to interim and annual periods beginning after December 15, 2017. Therefore, we expect to adopt this guidance on January 1, 2018, and we are currently evaluating which transition approach to apply and the impact 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. We adopted this guidance on January 1, 2015. Our adoption did not have a material impact on our financial position, results of operations or cash flows.

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## Note 3—Net Income Per Class A Share

Basic net income per Class A share is determined by dividing net income attributable to PAGP by the weighted-average number of Class A shares outstanding during the period. Class B shares do not share in the earnings of the Partnership. Accordingly, basic and diluted net income per Class B share has not been presented.

Diluted net income per Class A share is determined by dividing net income attributable to PAGP by the diluted weighted-average number of Class A shares outstanding during the period. For purposes of calculating diluted net income per Class A share, both the net income attributable to PAGP and the diluted weighted-average number of Class A shares outstanding consider the impact of possible future exchanges of (i) AAP units and the associated Class B shares into our Class A shares and (ii) certain Class B units of AAP (referred to herein as “AAP Management Units”) into our Class A shares. In addition, the calculation of the diluted weighted-average number of Class A shares outstanding considers the effect of potentially dilutive awards under the Plains GP Holdings, L.P. Long-Term Incentive Plan (the “PAGP LTIP”).

All AAP Management Units that have satisfied the applicable performance conditions are considered potentially dilutive. Exchanges of potentially dilutive AAP units and AAP Management Units are assumed to have occurred at the beginning of the period and the incremental income attributable to PAGP resulting from the assumed exchanges is representative of the incremental income that would have been attributable to PAGP if the assumed exchanges occurred on that date. Our outstanding PAGP LTIP awards that contemplate the issuance of Class A shares are considered dilutive and are reduced by a hypothetical share repurchase based on the remaining unamortized fair value, as prescribed by the treasury stock method in guidance issued by the FASB.

For the three and nine months ended September 30, 2015, and the same periods in 2014, the possible exchange of any AAP units and certain AAP Management Units would not have had a dilutive effect on basic net income per Class A share. For the three and nine months ended September 30, 2015 and 2014, our PAGP LTIP awards were dilutive. However, there were less than 0.1 million dilutive LTIP awards for each of the three and nine months ended September 30, 2015 and 2014, which did not change the presentation of weighted average Class A shares outstanding or net income per Class A share. The following table illustrates the calculation of basic and diluted net income per Class A share for the three and nine months ended September 30, 2015 and 2014 (in millions, except per share data):

	Three Months Ended September 30, 2015		Nine Months Ended September 30, 2014	
Basic and Diluted Net Income per Class A Share				
Net income attributable to PAGP	\$ 32	\$ 16	\$ 93	\$ 45
Basic and diluted weighted average Class A shares outstanding	225	136	220	136

Basic and diluted net income per Class A share	\$ 0.14	\$ 0.12	\$ 0.42	\$ 0.33
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Note 4—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. 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 utilize a rigorous credit review process. We closely monitor market conditions to make a determination with respect to the amount, if any, of open 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 September 30, 2015 and December 31, 2014, we had received \$110 million and \$180 million, respectively, of advance cash payments from third parties to mitigate credit risk. We also received \$46 million and \$198

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million, as of September 30, 2015 and December 31, 2014, respectively, of standby letters of credit to support obligations due from third parties, a portion of which applies to future business. The decrease in standby letters of credit and advance cash payments from third parties as of September 30, 2015 compared to December 31, 2014 is largely due to a decrease in exposure to various customers requiring letters of credit. Additionally, in an effort to mitigate credit risk, a significant portion of our transactions with counterparties are settled on a net-cash basis. Furthermore, we also 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.

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 September 30, 2015 and December 31, 2014, substantially all of our trade 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 \$4 million as of both September 30, 2015 and December 31, 2014. Although we consider our allowance for doubtful accounts receivable to be adequate, actual amounts could vary significantly from estimated amounts.

## Note 5—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):

	September 30, 2015				December 31, 2014			
	Volumes	Unit of Measure	Carrying Value	Price/Unit (1)	Volumes	Unit of Measure	Carrying Value	Price/Unit (1)
Inventory								
Crude oil	11,796	barrels	\$ 475	\$ 40.27	6,465	barrels	\$ 304	\$ 47.02
NGL	18,461	barrels	272	\$ 14.73	13,553	barrels	454	\$ 33.50
Natural gas	17,923	Mcf	48	\$ 2.68	32,317	Mcf		