UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2013

OR

o 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 (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. o Yes x No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, 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). x Yes o 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. (Check one):

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

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

As of November 15, 2013, there were 132,382,094 Class A Shares outstanding.

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PLAINS GP HOLDINGS, L.P.

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Explanatory Note

The historical financial information contained in this report relates to periods that ended prior to the completion of the initial public offering (the Offering or IPO) of 132,382,094 Class A Shares (including 4,382,094 Class A Shares issued in connection with the partial exercise of the underwriter s overallotment option) of Plains GP Holdings, L.P. at a price of $22.00 per share. These Class A shares began trading on the New York Stock Exchange (NYSE) under the symbol PAGP on October 16, 2013, and the Offering closed on October 21, 2013. Consequently, the unaudited consolidated financial statements and related discussion of financial condition and results of operations contained in this report pertain to Plains All American GP LLC (the Company or GP LLC), the predecessor entity to PAGP. See Note 1 and Note 15 for further discussion regarding the organization, basis of presentation, completion of PAGP s IPO and other related items.

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PART I. FINANCIAL INFORMATION

Item 1. UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

PLAINS ALL AMERICAN GP LLC AND SUBSIDIARIES (PREDECESSOR OF PLAINS GP HOLDINGS, L.P.)

CONDENSED CONSOLIDATED BALANCE SHEETS

(in millions, except units)

	September 30, 2013 (unaudited)	December 31, 2012
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 34	$ 25
Trade accounts receivable and other receivables, net	3,562	3,564
Inventory	1,198	1,209
Other current assets	354	351
Total current assets	5,148	5,149
PROPERTY AND EQUIPMENT	12,286	11,183
Accumulated depreciation	(1,659)	(1,519)
	10,627	9,664
OTHER ASSETS		
Goodwill	2,519	2,535
Linefill and base gas	770	707
Long-term inventory	218	274
Investments in unconsolidated entities	474	343
Other, net	536	587
Total assets	$ 20,292	$ 19,259
LIABILITIES AND MEMBERS EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 4,051	$ 3,824
Short-term debt	620	1,086
Other current liabilities	343	275
Total current liabilities	5,014	5,185
LONG-TERM LIABILITIES		
Senior notes, net of unamortized discount of $15 and $15, respectively	6,710	6,010
Long-term debt under credit facilities and other	808	510
Other long-term liabilities and deferred credits	554	586
Total long-term liabilities	8,072	7,106
COMMITMENTS AND CONTINGENCIES (NOTE 11)		

MEMBERS EQUITY				
Members equity, excluding noncontrolling interests		(3)		
Noncontrolling interests		7,209		6,968
Total members equity		7,206		6,968
Total liabilities and members equity	$	20,292	$	19,259

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

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PLAINS ALL AMERICAN GP LLC AND SUBSIDIARIES (PREDECESSOR OF PLAINS GP HOLDINGS, L.P.)

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in millions, except per unit data)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	(unaudited)		(unaudited)	
REVENUES				
Supply and Logistics segment revenues	$ 10,386	$ 9,048	$ 30,542	$ 27,367
Transportation segment revenues	179	150	517	458
Facilities segment revenues	138	156	558	533
Total revenues	10,703	9,354	31,617	28,358
COSTS AND EXPENSES				
Purchases and related costs	9,909	8,524	28,733	25,855
Field operating costs	326	292	1,010	860
General and administrative expenses	79	81	276	264
Depreciation and amortization	93	211	266	357
Total costs and expenses	10,407	9,108	30,285	27,336
OPERATING INCOME	296	246	1,332	1,022
OTHER INCOME/(EXPENSE)				
Equity earnings in unconsolidated entities	19	9	42	25
Interest expense (net of capitalized interest of $11, $9, $30 and $27, respectively)	(73)	(76)	(227)	(219)
Other income/(expense), net	3	4	2	6
INCOME BEFORE TAX	245	183	1,149	834
Current income tax expense	(17)	(10)	(69)	(33)
Deferred income tax (benefit)/expense	8	(3)	(10)	(11)
NET INCOME	236	170	1,070	790
Net income attributable to noncontrolling interests	(235)	(169)	(1,067)	(788)
NET INCOME ATTRIBUTABLE TO GP LLC	$ 1	$ 1	$ 3	$ 2

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

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PLAINS ALL AMERICAN GP LLC AND SUBSIDIARIES (PREDECESSOR OF PLAINS GP HOLDINGS, L.P.)

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	(unaudited)		(unaudited)	
Net income	$ 236	$ 170	$ 1,070	$ 790
Other comprehensive income/(loss)	39	84	(98)	37
Comprehensive income	275	254	972	827
Comprehensive income attributable to noncontrolling interests	(274)	(253)	(969)	(825)
Comprehensive income attributable to GP LLC	$ 1	$ 1	$ 3	$ 2

PLAINS ALL AMERICAN GP LLC AND SUBSIDIARIES (PREDECESSOR OF PLAINS GP HOLDINGS, L.P.)

CONDENSED CONSOLIDATED STATEMENT OF

CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME

(in millions)

	Derivative Instruments	Translation Adjustments	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)
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.

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PLAINS ALL AMERICAN GP LLC AND SUBSIDIARIES (PREDECESSOR OF PLAINS GP HOLDINGS, L.P.)

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions)

	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 1,070	$ 790
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	266	357
Inventory valuation adjustments	7	128
Equity-indexed compensation expense	96	82
Gain on sales of linefill and base gas	(5)	(17)
Settlement of terminated interest rate and foreign currency hedging instruments	8	(23)
(Gain)/loss on foreign currency revaluation	(6)	2
Deferred income tax expense	10	11
Other	(7)	(3)
Changes in assets and liabilities, net of acquisitions	150	(453)
Net cash provided by operating activities	1,589	874
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash paid in connection with acquisitions, net of cash acquired	(28)	(1,537)
Additions to property, equipment and other	(1,217)	(852)
Cash received for sales of linefill and base gas	25	55
Cash paid for purchases of linefill and base gas	(61)	(94)
Investment in unconsolidated entities	(124)	(24)
Proceeds from sales of assets	62	21
Cash received upon formation of equity-method investment		55
Other investing activities	3	
Net cash used in investing activities	(1,340)	(2,376)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net borrowings/(repayments) under PAA senior secured hedged inventory facility (Note 7)	(659)	619
Net borrowings/(repayments) under PAA senior unsecured revolving credit facility (Note 7)	(92)	26
Net borrowings/(repayments) under PNG credit agreement (Note 7)	(32)	54
Net borrowings/(repayments) under AAP revolving credit facility (Note 7)	1	(4)
Proceeds from AAP term loan (Note 7)	300	
Net borrowings under PAA commercial paper program (Note 7)	319	
Proceeds from the issuance of PAA senior notes	699	1,247
Repayments of PAA senior notes		(500)
Net proceeds from the issuance of PAA common units	401	817
Net proceeds from the issuance of PNG common units	40	
Distributions paid to noncontrolling interests	(1,182)	(737)
Distributions paid to members	(6)	(2)
Other financing activities	(26)	(12)
Net cash provided by/(used in) financing activities	(237)	1,508
Effect of translation adjustment on cash	(3)	1

Net increase in cash and cash equivalents		9		7
Cash and cash equivalents, beginning of period		25		27
Cash and cash equivalents, end of period	$	34	$	34
Cash paid for:				
Interest, net of amounts capitalized	$	234	$	213
Income taxes, net of amounts refunded	$	19	$	59

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

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PLAINS ALL AMERICAN GP LLC AND SUBSIDIARIES (PREDECESSOR OF PLAINS GP HOLDINGS, L.P.)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS EQUITY

(in millions)

	Members Equity (Excluding Noncontrolling Interests)	Noncontrolling Interests	Members Equity
		(unaudited)	
Balance at December 31, 2012	$	$ 6,968	$ 6,968
Net income	3	1,067	1,070
Distributions	(6)	(1,182)	(1,188)
Issuance of PAA common units		400	400
Issuance of PAA common units under LTIP		4	4
Units tendered by employees to satisfy tax withholding obligations		(15)	(15)
Equity-indexed compensation expense		31	31
Distribution equivalent right payments		(4)	(4)
Issuance of PNG common units		40	40
Other		(2)	(2)
Other comprehensive loss		(98)	(98)
Balance at September 30, 2013	$ (3)	$ 7,209	$ 7,206

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

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PLAINS ALL AMERICAN GP LLC AND SUBSIDIARIES (PREDECESSOR OF PLAINS GP HOLDINGS, L.P.)

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

Note 1 Organization and Basis of Presentation

Organization

Plains GP Holdings, L.P. (PAGP) is a Delaware limited partnership formed on July 17, 2013 to own interests in the general partner entities of Plains All American Pipeline, L.P (PAA), a publicly traded Delaware limited partnership.

On October 21, 2013, PAGP completed its initial public offering (IPO). Immediately prior to the IPO, certain owners of Plains AAP, L.P. (AAP) sold a portion of their interests in AAP to PAGP, resulting in PAGP s ownership of an approximate 21.8% limited partnership interest in AAP. AAP is a Delaware limited partnership which 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 (GP), a Delaware limited liability company, which directly holds the 2% general partner interest in PAA. Also, through a series of transactions with PAGP s general partner and certain owners of Plains All American GP LLC (GP LLC) prior to the IPO, PAGP became the owner of a 100% managing member interest in GP LLC, a Delaware limited liability company formed on May 2, 2001, and GP LLC s general partner interest in AAP became a non-economic interest. Prior to these transactions and as of September 30, 2013, GP LLC held a 1% general partner interest in AAP. See Note 15 for further discussion regarding the completion of PAGP s IPO and other related items.

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 PAGP 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.

PAA engages in the transportation, storage, terminalling and marketing of crude oil and refined products, as well as in the processing, transportation, fractionation, storage and marketing of natural gas liquids (NGL). The term NGL includes ethane and natural gasoline products as well as propane and butane, products which are also commonly referred to as liquefied petroleum gas (LPG). When used in this document, NGL refers to all NGL products including LPG. Through PAA s general partner interest and majority equity ownership position in PAA Natural Gas Storage, L.P. (NYSE: PNG), it also owns and operates natural gas storage facilities.

Unless the context indicates otherwise, the terms Plains, we, us, our, ours and similar terms refer to PAGP, GP LLC, AAP, GP and PAA and consolidated subsidiaries. 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.

Basis of Consolidation and Presentation

The accompanying unaudited condensed consolidated financial statements of GP LLC represent the predecessor financial statements of PAGP, which are based on the historical ownership percentages of GP LLC and AAP. Prior to the transactions immediately preceding the IPO, PAGP had no assets and PAGP had not conducted any activity through September 30, 2013 since its formation on July 17, 2013. These financial statements have been prepared from the separate financial records maintained by GP LLC and may not necessarily be indicative of the actual results of operations that might have occurred if PAGP had operated separately during those periods. In addition, the effects of the IPO and related equity transfers occurring in October 2013 are not reflected herein.

The accompanying unaudited condensed consolidated financial statements include GP LLC, all of its wholly owned subsidiaries and those entities that it controls. Under generally accepted accounting principles in the United States (U.S. GAAP), GP LLC consolidates AAP and PAA and its subsidiaries. Amounts associated with the limited partner units not owned by GP LLC are reflected in our results of operations as net income attributable to noncontrolling interests and in our balance sheet equity section as noncontrolling interests.

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The accompanying unaudited condensed consolidated interim financial statements should be read in conjunction with PAGP s final prospectus dated October 15, 2013 (the Final Prospectus) included in its Registration Statement on Form S-1, as amended (SEC File No. 333-190227). These financial statements have been prepared in accordance with the instructions for interim reporting as prescribed by the Securities and Exchange Commission (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 interim periods have been reflected. The condensed balance sheet data as of December 31, 2012 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (U.S. GAAP). The results of operations for the three and nine months ended September 30, 2013 should not be taken as indicative results to be expected for the full year.

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

Potential Acquisition of Publicly-held Common Units of PNG

On October 22, 2013, PAA announced its entry into a definitive agreement and plan of merger (the Merger Agreement) with PNG that provides for a merger whereby PNG will become a wholly-owned subsidiary through a unit-for-unit exchange (the Merger). Under the terms of the Merger Agreement, PAA will issue 0.445 PAA common units for each outstanding PNG common unit held by unitholders other than PAA, plus cash in lieu of any fractional PAA common units otherwise issuable in the Merger. There are approximately 33.0 million PNG common units owned by unitholders other than PAA and consummation of the transaction is expected to result in the issuance of approximately 14.7 million PAA common units. Prior to PAGP s IPO, but subject to consummation of the Merger on terms generally consistent with PAA s then existing proposal, the owners of AAP agreed to reduce their incentive distribution rights under PAA s Partnership Agreement by $12 million in each of 2014 and 2015, $10 million in 2016 and $5 million per year thereafter.

The closing of the Merger is subject to the satisfaction of certain conditions, including the approval of the Merger and the Merger Agreement at a special meeting of the unitholders of PNG by the affirmative vote of holders of a majority of the outstanding PNG common units (including PNG common units held by PAA) voting as a separate class and the affirmative vote of holders of a majority of PNG s outstanding subordinated units voting as a separate class. PAA owns 100% of the membership interests in the general partner of PNG, 100% of the outstanding subordinated units of PNG and approximately 46% of the 61.2 million outstanding common units of PNG. Pursuant to the Merger Agreement, PAA agreed to vote its common units and subordinated units in favor of the Merger. PAA anticipates that the Merger will close in the latter half of the fourth quarter of 2013 or the first quarter of 2014. The previously announced quarterly distribution of $0.3575 per PNG common unit payable to holders of record of such units on November 1, 2013 was paid on November 14, 2013 as scheduled.

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
CME	=	Chicago Mercantile Exchange
DERs	=	Distribution equivalent rights
EBITDA	=	Earnings before interest, taxes, depreciation and amortization
FASB	=	Financial Accounting Standards Board
FERC	=	Federal Energy Regulatory Commission
ICE	=	IntercontinentalExchange
LIBOR	=	London Interbank Offered Rate
LLS	=	Light Louisiana Sweet
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
NPNS	=	Normal purchases and normal sales
NYMEX	=	New York Mercantile Exchange
NYSE	=	New York Stock Exchange
PLA	=	Pipeline loss allowance
PNG	=	PAA Natural Gas Storage, L.P.
USD	=	United States dollar
WTI	=	West Texas Intermediate
WTS	=	West Texas Sour

Note 2 Recent Accounting Pronouncements

Other than as discussed below and in our 2012 Consolidated Financial Statements included in the Final Prospectus, no new accounting pronouncements have become effective or have been issued during the nine months ended September 30, 2013 that are of significance or potential significance to us.

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 becomes effective beginning after December 15, 2013. We will adopt this guidance on January 1, 2014. Our adoption is not expected to have a material impact on our financial position, results of operations or cash flows.

In February 2013, the FASB issued guidance requiring an entity to present either in a single note or parenthetically on the face of the financial statements (i) the amount of significant items reclassified from each component of AOCI and (ii) the income statement line items affected by the reclassification. This guidance became effective for interim and annual periods beginning after December 15, 2012. We adopted this guidance during the first quarter of 2013. During the nine months ended September 30, 2013 and 2012, all reclassifications out of AOCI were related to derivative instruments. Other than requiring additional disclosure, which is included in Note 10, our adoption did not have an impact on our financial position, results of operations or cash flows.

In July 2012, the FASB issued guidance intended to simplify the impairment test for indefinite-lived intangible assets other than goodwill by giving entities the option to first assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired. The results of the qualitative assessment would be used as a basis in determining whether it is necessary to perform the two-step quantitative impairment testing. An entity can choose to perform the qualitative assessment on none, some or all of its indefinite-lived intangible assets, or may bypass the qualitative assessment and proceed directly to the quantitative impairment test. This guidance is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012, with early adoption permitted in certain circumstances. We adopted this guidance on January 1, 2013. Our adoption did not have a material impact on our financial position, results of operations or cash flows.

In December 2011, the FASB issued guidance requiring disclosures of both gross and net information about recognized financial instruments and derivative instruments that are either (i) offset in accordance with the specified sections of GAAP or (ii) subject to an enforceable master netting arrangement or similar agreement. In January 2013, the FASB amended and clarified the scope of these disclosures to include only (i) derivative instruments, (ii) repurchase agreements and reverse repurchase agreements and (iii) securities lending transactions. This guidance is effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. We adopted this guidance on January 1, 2013. Other than requiring additional disclosure, which is included in Note 10, our adoption did not have an 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 crude oil, NGL, natural gas and refined products terminalling and storage services. 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 standby letters of credit, parental guarantees or advance cash payments. At September 30, 2013 and December 31, 2012, we had received approximately $122 million and $173 million, respectively, of advance cash payments from third parties to mitigate credit risk. Furthermore, at September 30, 2013 and December 31, 2012, we had received approximately $452 million and $343 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 September 30, 2013 and December 31, 2012, 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 $4 million at both September 30, 2013 and December 31, 2012. Although we consider our allowance for doubtful trade accounts receivable to be adequate, actual amounts could vary significantly from estimated amounts.

Note 4 Dispositions

In February 2013, PAA signed a definitive agreement to sell certain refined products pipeline systems and related assets included in our Transportation segment. At December 31, 2012, these assets were classified as held for sale on our condensed consolidated balance sheet (in Other current assets). On July 1, 2013, a portion of the transaction closed with the sale of certain of the refined products pipeline systems and related assets. The remaining assets were classified as held for sale on our condensed consolidated balance sheet as of September 30, 2013. PAA closed the balance of the transaction during November 2013.

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, 2013				December 31, 2012			
	Volumes	Unit of Measure	Carrying Value	Price/ Unit (1)	Volumes	Unit of Measure	Carrying Value	Price/ Unit (1)
Inventory								
Crude oil	5,624	barrels	$ 535	$ 95.13	9,492	barrels	$ 737	$ 77.64
NGL	13,767	barrels	539	$ 39.15	9,472	barrels	388	$ 40.96
Natural gas	29,443	Mcf	101	$ 3.43	20,374	Mcf	60	$ 2.94
Other	N/A		23	N/A	N/A		24	N/A
Inventory subtotal			1,198				1,209	
Linefill and base gas								
Crude oil	10,520	barrels	645	$ 61.31	9,919	barrels	583	$ 58.78
NGL	1,345	barrels	64	$ 47.58	1,400	barrels	70	$ 50.00
Natural gas	17,615	Mcf	61	$ 3.46	15,755	Mcf	54	$ 3.43
Linefill and base gas subtotal			770				707	
Long-term inventory								
Crude oil	2,134	barrels	167	$ 78.26	1,962	barrels	149	$ 75.94
NGL	1,161	barrels	51	$ 43.93	3,238	barrels	125	$ 38.60
Long-term inventory subtotal			218				274	

Total	$ 2,186	$ 2,190

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(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 non-cash charge of approximately $7 million during the three and nine months ended September 30, 2013, primarily related to the writedown of our crude oil inventory due to declines in prices during the period. During the three and nine months ended September 30, 2012, we recorded non-cash charges of approximately $7 million and $128 million, respectively, related to the writedown of our crude oil and NGL inventory due to declines in prices during the period. The recognition of these adjustments in 2013 and 2012, which are a component of Purchases and related costs in our accompanying condensed consolidated statements of operations, was substantially offset by the recognition of gains on derivative instruments being utilized to hedge the future sales of our crude oil and NGL inventory. Substantially all of such gains were recorded to Supply and Logistics segment revenues on our condensed consolidated statements of operations. See Note 10 for discussion of our derivative and risk management activities.

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Note 6 Goodwill

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, 2012	$ 897	$ 1,171	$ 467	$ 2,535
2013 Goodwill Related Activity:				
Acquisitions	6			6
Foreign currency translation adjustments	(10)	(5)	(2)	(17)
Purchase price accounting adjustments and other **(1)**	(5)			(5)
Balance at September 30, 2013	$ 888	$ 1,166	$ 465	$ 2,519

(1) Goodwill is recorded at the acquisition date based on a preliminary fair value determination. This preliminary goodwill balance may be adjusted when the fair value determination is finalized.

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

Note 7 Debt

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

	September 30, 2013	December 31, 2012
SHORT-TERM DEBT		
Credit Facilities (1):		
PAA senior secured hedged inventory facility, bearing a weighted-average interest rate of 1.6% at December 31, 2012 (2)	$	$ 665
PAA senior unsecured revolving credit facility, bearing a weighted-average interest rate of 2.4% at December 31, 2012 (2)		92
AAP senior secured revolving credit facility, bearing a weighted-average interest rate of 1.9% at September 30, 2013	1	
PNG senior unsecured revolving credit facility, bearing a weighted-average interest rate of 2.0% and 2.1% at September 30, 2013 and December 31, 2012, respectively (3)	46	77
PAA commercial paper notes, bearing a weighted-average interest rate of 0.25% at September 30, 2013 (2)	319	
PAA 5.63% senior notes due December 2013 (4)	250	250
Other	4	2
Total short-term debt	620	1,086

LONG-TERM DEBT				
PAA senior notes, net of unamortized discounts of $15 at both September 30, 2013 and December 31, 2012 (5)		6,710		6,010
Credit Facilities and Other Long-Term Debt (1):				
AAP term loan, bearing a weighted-average interest rate of 1.9% and 1.8% at September 30, 2013 and December 31, 2012, respectively		500		200
PNG senior unsecured revolving credit facility, bearing a weighted-average interest rate of 2.0% and 2.1% at September 30, 2013 and December 31, 2012, respectively (3)		103		105
PNG GO Bond term loans, bearing a weighted-average interest rate of 1.5% at both September 30, 2013 and December 31, 2012		200		200
Other		5		5
Total long-term debt		7,518		6,520
Total debt (2) (3) (6)	$	8,138	$	7,606

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(1) In 2013, we renewed and extended our principal bank credit facilities. See Credit Facilities below for further discussion.

(2) We classify as short-term certain borrowings under the PAA commercial paper program, PAA senior unsecured revolving credit facility and PAA senior secured hedged inventory facility. 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.

(3) We classify as short-term debt any borrowings under the PNG senior unsecured revolving credit facility that have been designated as working capital borrowings and must be repaid within one year. Such borrowings are primarily related to a portion of PNG s hedged natural gas inventory.

(4) PAA s $250 million 5.63% senior notes will mature in December 2013 and are thus classified as short-term at September 30, 2013 and December 31, 2012.

(5) In August 2013, PAA completed the issuance of $700 million, 3.85% senior notes due 2023 at a public offering price of 99.792%. Interest payments are due on April 15 and October 15 of each year, commencing on April 15, 2014.

(6) PAA s fixed-rate senior notes (including current maturities) had a face value of approximately $7.0 billion and $6.3 billion at September 30, 2013 and December 31, 2012, respectively. We estimated the aggregate fair value of these notes as of September 30, 2013 and December 31, 2012 to be approximately $7.5 billion and $7.3 billion, respectively. PAA s 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 agreements and commercial paper program approximates fair value as interest rates reflect current market rates. The fair value estimates for our senior notes and borrowings under our credit agreements and commercial paper program are based upon observable market data and are classified within level 2 of the fair value hierarchy.

Commercial Paper Program

In August 2013, PAA established a commercial paper program under which it may issue, from time to time, privately placed, unsecured commercial paper notes for up to a maximum aggregate amount outstanding at any time of $1.5 billion. Such notes are backstopped by the PAA senior unsecured revolving credit facility and the PAA senior secured hedged inventory facility; as such, any borrowings under the commercial paper program reduce the available capacity under these facilities.

Credit Facilities

In August 2013, the PAA senior secured hedged inventory facility and PAA senior unsecured revolving credit facility agreements were amended to, among other things, extend the maturity dates of the facilities by two years. The facilities now mature in August 2016 and August 2018, respectively. Also in August 2013, the maturity dates of the PNG senior unsecured revolving credit facility and GO Bond term loans were extended by one year to August 2017.

In September 2013, the AAP credit agreement was amended to increase the term loan facility from $200 million to $500 million, increase the aggregate commitments under the revolving credit facility from $25 million to $75 million and extend the maturity date by one year to September 2018.

Borrowings and Repayments

Total borrowings under our credit agreements and commercial paper program for the nine months ended September 30, 2013 and 2012 were approximately $13.2 billion and $8.5 billion, respectively. Total repayments under our credit agreements and commercial paper program were approximately $13.4 billion and $7.8 billion for the nine months ended September 30, 2013 and 2012, 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.

Letters of Credit

In connection with our supply and logistics activities and natural gas storage and commercial marketing 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 September 30, 2013 and December 31, 2012, we had outstanding letters of credit of approximately $42 million and $24 million, respectively.

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Note 8 Members Equity

Distributions to Members

We distribute all of the cash received from AAP distributions on a quarterly basis, less reserves established by management for future requirements. Generally, distributions are paid to our Members in proportion to their percentage interest in us. During the nine months ended September 30, 2013 and 2012, we distributed approximately $6 million and $2 million, respectively, to our Members. Of the amount distributed during the nine months ended September 30, 2013, approximately $3 million relates to distributions received from AAP for our proportionate share of the net proceeds from the increase in AAP s term loan. See Note 7 for further discussion.

Noncontrolling Interests in Subsidiaries

As of September 30, 2013, noncontrolling interests in subsidiaries consisted of (i) a 98% limited partner interest in PAA, (ii) a 99% limited partner interest in AAP that consists of Class A and Class B units of AAP (a profits interest), (iii) an approximate 37% limited partner interest in PNG and (iv) a 25% interest in SLC Pipeline LLC.

PAA Continuous Offering Program

In May 2013, PAA entered into an additional equity distribution agreement with several financial institutions pursuant to which it may offer and sell, through its sales agents, common units representing limited partner interests having an aggregate offering price of up to $750 million. During the nine months ended September 30, 2013, PAA issued an aggregate of approximately 7.2 million common units under its continuous offering program, generating net proceeds of approximately $400 million, including the proportionate capital contribution from our Members and the noncontrolling interests in AAP, net of approximately $4 million of commissions to our sales agents.

LTIP Vesting

In connection with the settlement of vested LTIP awards (both liability-classified and equity-classified), PAA issued approximately 0.5 million common units during the first nine months of 2013, net of units tendered by employees for tax withholding obligations.

PNG Continuous Offering Program

On March 18, 2013, PNG entered into an equity distribution agreement with a financial institution pursuant to which PNG may offer and sell, through its sales agent, common units representing limited partner interests having an aggregate offering price of up to $75 million. During the first nine months of 2013, PNG issued an aggregate of approximately 1.9 million common units under this agreement, generating net proceeds of approximately $40 million.

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Noncontrolling Interests Rollforward

The following table reflects the changes in the noncontrolling interests in members equity (in millions):

	Nine Months Ended September 30, 2013		2012	
Beginning balance	$	6,968	$	5,794
Net income attributable to noncontrolling interests		1,067		788
Distributions to noncontrolling interests		(1,182)		(737)
Issuance of PAA common units (1)		400		812
Issuance of PAA common units under LTIP (1)		4		34
Units tendered by employees to satisfy tax withholding obligations		(15)		
Equity-indexed compensation expense		31		23
Distribution equivalent right payments		(4)		(4)
Issuance of PNG common units		40		
Other		(2)		
Other comprehensive income/(loss):				
Reclassification adjustments		(124)		(115)
Net deferred gain on cash flow hedges		141		68
Currency translation adjustments		(115)		84
Ending balance	$	7,209	$	6,747

(1) Includes contributions received or to be received from noncontrolling interests of AAP of approximately $9 million and $17 million for the nine months ended September 30, 2013 and 2012, respectively. This amount reflects reimbursement to AAP for capital contributions paid to PAA to maintain AAP s indirect 2% general partner interest in PAA.

Note 9 Equity-Indexed Compensation Plans

We refer to the PAA and PNG LTIP Plans, Special PAA Awards and Class B Units of AAP collectively as the Equity-indexed compensation plans. For additional discussion of equity-indexed compensation plans and awards, please read Note 14 to our 2012 Consolidated Financial Statements included in the Final Prospectus. In connection with PAGP s IPO, its general partner adopted the Plains GP Holdings, L.P. Long Term Incentive Plan. See Note 15 for further discussion.

Class B Units of AAP. The following table contains a summary of Class B Units of AAP:

	Reserved for Future Grants (1)	Outstanding (1)	Outstanding Units Earned (1)	Grant Date Fair Value of Outstanding Class B Units (2) (in millions)	
Balance at December 31, 2012	17,875	182,125	130,250	$	44
Granted	(4,500)	4,500			7

Earned	N/A	N/A	50,125		N/A
Balance at September 30, 2013	13,375	186,625	180,375	$	51

(1) In connection with PAGP s IPO and the recapitalization of AAP on October 21, 2013, the number of Class B Units of AAP was adjusted; as such, as of such date, the number of Class B Units of AAP reserved for future grants, outstanding and earned following this adjustment was 3,483,102 units, 48,642,833 units and 47,013,803 units, respectively. See Note 15 for further discussion of PAGP s IPO.

(2) Of the grant date fair value, approximately $4 million was recognized as expense during the nine months ended September 30, 2013.

Special PAA Awards. In February 2013, 143,000 Special PAA Awards were granted to certain members of PNG s management. These awards are denominated in PAA common units and will vest 50% on PAA s August 2018 distribution date and 50% on PAA s August 2019 distribution date provided that PNG s annualized distribution averages at least $1.48 and $1.43 per unit, respectively, for the twelve months prior to each vesting date. DERs associated with these awards vested in November 2013. Any unvested Special PAA Awards that remain outstanding on December 31, 2020 will be forfeited.

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PAA and PNG LTIP Awards. Equity compensation activity for LTIP awards denominated in PAA and PNG units is summarized in the following table (units in millions):

	PAA Units (1) (2) (3)		PNG Units (4)	
	Units	Weighted Average Grant Date Fair Value per Unit	Units	Weighted Average Grant Date Fair Value per Unit